BONN ECON NEWS

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Overview

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Workshops and seminars

Tuesday, June 4, 2024

Bonn Applied Microeconomics Seminar (CRC TR 224 Seminar)

Holger Herz (University of Fribourg)	“From Partisanship to Preference: How Identity Shapes Preferences for Control”
Coauthor Jana Freundt Time 14:15–15:30 CET Location IZA, Conference Room, Schaumburg-Lippe-Straße 9	Abstract The delegation of pertinent decision rights is an inherent characteristic of almost any institution or organization. The preferences of those affected are an important determinant of the optimality as well as feasibility of such delegation. We provide experimental evidence that individuals are more intrinsically averse to delegation if they do not share the delegate’s identity. Our methodology controls the set of choice alternatives and eliminates beliefs about the delegates’ actions as a potential explanation. Thus, instrumental value considerations cannot explain the observed differences. More specifically, we demonstrate that Republicans (Democrats) are intrinsically less averse to delegate decisions over their own outcomes when the delegate also identifies as a Republican (Democrat), compared to when the delegate identifies as a Democrat (Republican). A general groupiness in behavior cannot explain this pattern: When identity is manipulated through gender or a minimal group paradigm, we do not find similar effects. Our results suggest that the centralization of decision rights in political constituencies or in organizations may face lower acceptance and be therefore less feasible when individuals do not share the same identity.

Wednesday, June 5, 2024

BGSE Micro Workshop

Shaofei Jiang (University of Bonn)	"(Almost) Full Surplus Extraction with Endogenous Learning"
Coauthor Mark Whitmeyer Time 12:00–13:00 CET Location Juridicum, Reinhard Selten Room (0.017)	Abstract We study selling of an indivisible good. The buyers' valuations are correlated and unknown a priori. Each buyer can learn privately and flexibly about their own valuation at a cost. Neither how she learns nor what she learns is contractible, hence the seller faces hidden action and hidden information. The first best outcome is generally not incentive compatible. We show that, if the seller can commit ex ante to a selling mechanism which privately recommends an information structure to each buyer and elicits reports from all buyers after they have learned, she can obtain a payoff arbitrarily close to her first best payoff.

MEF/ECONtribute Seminar (Macro/Econometrics/Finance)

Joachim Hubmer (University of Pennsylvania)	"Scalable vs. Productive Entrepreneurship and Wealth Inequality"
Coauthors Mons Chan, Guangbin Hong, Serdar Ozkan, Sergio Salgado Time 12:15–13:30 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract Do larger firms have more productive or more scalable technologies? Are wealthy households more likely to invest in one over the other? We estimate nonparametric production functions using balance sheet data on the universe of Canadian firms, resulting in a joint distribution of input elasticities—therefore, returns to scale (RTS)—along with total factor productivity (TFP). We show that larger firms are characterized by significantly higher RTS, even within narrow industries. We also find that wealthier households are more likely to own firms with higher RTS. However, the relationship between TFP and firm size is more nuanced. As an application, we show that misallocation from financial frictions is more severe when the observed firm heterogeneity is driven by RTS differences, compared to the conventional view that attributes firm heterogeneity entirely to TFP differences. We develop a quantitative equilibrium model where entrepreneurs operate technologies differing in RTS and TFP. The estimated economy with both RTS and TFP heterogeneity shows efficiency losses over 100% larger than a calibration allowing only TFP heterogeneity.

Micro Theory Seminar

John Quah (National University of Singapore)	"Comparative statics with adjustment costs and the le Chatelier principle"

Coauthors
Eddie Dekel, Ludvig Sinander

Time
16:30–17:45 CET

Location
Juridicum, Faculty Meeting Room (U1.040)

Abstract
We develop a theory of monotone comparative statics for models with adjustment costs. We show that comparative statics conclusions may be drawn under the usual ordinal complementarity assumptions on the objective function, assuming very little about costs: only a mild monotonicity condition is required. We use this insight to prove a general le Chatelier principle: under the ordinal complementarity assumptions, if short-run adjustment is subject to a monotone cost, then the long-run response to a shock is greater than the short-run response. We extend these results to a fully dynamic model of adjustment over time: the le Chatelier principle remains valid, and under slightly stronger assumptions, optimal adjustment follows a monotone path. We apply our results to models of saving, production, pricing, labor supply, and investment.

Thursday, June 6, 2024

Econometrics & Statistics

Alex Poirier (Georgetown University)	"Quantifying the Internal Validity of Weighted Estimands"

Coauthor
Tymon Słoczyński

Time
16:00–17:00 CET

Location
Juridicum, Faculty Lounge (0.036)

Abstract
In this paper we study a class of weighted estimands, which we define as parameters that can be expressed as weighted averages of the underlying heterogeneous treatment effects. The popular ordinary least squares (OLS), two-stage least squares (2SLS), and two-way fixed effects (TWFE) estimands are all special cases within our framework. Our focus is on answering two questions concerning weighted estimands. First, under what conditions can they be interpreted as the average treatment effect for some (possibly latent) subpopulation? Second, when these conditions are satisfied, what is the upper bound on the size of that subpopulation, either in absolute terms or relative to a target population of interest? We argue that this upper bound provides a valuable diagnostic for empirical research. When a given weighted estimand corresponds to the average treatment effect for a small subset of the population of interest, we say its internal validity is low. Our paper develops practical tools to quantify the internal validity of weighted estimands.