



# **12<sup>th</sup> End-of-Year Conference of Swiss Economists Abroad**

**December 22, 2017**

**Università della Svizzera Italiana**

Organizers: Sandro Ambuehl (University of Toronto), Lorenz Küng (Northwestern University).

Local Organizers: Mario Jametti (Università della Svizzera italiana), Raphaël Parchet (Università della Svizzera italiana), Patricia Funk (Università della Svizzera italiana)

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## 12th End-of-Year Conference of Swiss Economists Abroad

### Thursday, December 21

19:00 - 21:00      **Dinner** [Ristorante San Maurizio]

### Friday, December 22

9:15 - 9:40      **Arrival, Registration, Coffee** [Foyer Executive Center]

9:40 - 9:55      **Welcome Session and a word from our Partner, the SNB** [Auditorium]

10:00 - 11:00      **Parallel Sessions 1 and 2**

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1. Behavioral Economics [Aula blu]
2. Financial Institutions [Aula rossa]

11:00 - 11:30      **Coffee Break** [Foyer Auditorium]

11:30 - 12:30      **Parallel Sessions 3 and 4**

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3. IO and Applied Microeconomics [Aula blu]
4. Finance and Macroeconomics I [Aula rossa]

12:30 - 13:50      **Lunch** [Foyer Auditorium]

14:00 - 15:00      **Parallel Sessions 5 and 6**

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5. Development Economics [Aula blu]
6. Finance and Macroeconomics II [Aula rossa]

15:00 - 15:30      **Coffee Break** [Foyer Auditorium]

15:30 - 16:30      **Parallel Sessions 7 and 8**

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7. Political Economics [Aula blu]
8. DSGE Macro [Aula rossa]

16:30 - 16:45      **Break**

16:45 - 17:45      **Parallel Sessions 9 and 10**

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9. Information and Behavior [Aula blu]
10. Trade / International Macro [Aula rossa]

17:45 - 19:00      **Apéro** [Foyer Auditorium]



## 12th End-of-Year Conference of Swiss Economists Abroad

**Thursday, December 21**

19:00 - 21:00      **Dinner** [Ristorante San Maurizio]

**Friday, December 22**

9:15 - 9:45      **Arrival, Registration, Coffee** [Foyer Auditorium]

9:45 - 10:00      **Welcome Session and a Word from our Partner, the SNB** [Auditorium]

10:00 - 11:00      **Session 1: Applied Economics** [Aula blu]

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Lorenz Kueng      Long-Run Consequences of Temporary Policies: Tastes and Mortality  
Caroline Flammer      Corporate Governance and the Rise of Integrating Corporate Social  
Responsibility Criteria in Executive Compensation

10:00 - 11:00      **Session 2: Financial Institutions** [Aula rossa]

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Laurent Fresard      Finance, Talent Allocation, and Growth  
Xavier Giroud      Bankruptcy Spillovers

11:00 - 11:30      **Coffee Break** [Foyer Auditorium]

11:30 - 12:30      **Session 3: IO and Applied Microeconomics** [Aula blu]

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Patrick Gaule      Did Cheaper Flights Change the Geography of Scientific Collaboration?  
Andras Niedermayer      Structural Model of Product Line Pricing in Differentiated Good Markets  
Stefan Staubli      The Welfare Implications of Stricter Disability Screening

11:30 - 12:30      **Session 4: Finance and Macroeconomics I** [Aula rossa]

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Gabriel Züllig      Forecasting the production side of GDP and its dispersion  
Mathias Kruttlı      Investor Concentration of Hedge Funds  
Shema Mitali      Common Portfolio Holdings and Mutual Fund Performance in Uncertain Times

12:30 - 13:50      **Lunch** [Foyer Auditorium]

14:00 - 15:00      **Session 5: Development Economics** [Aula blu]

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Aline Bütikofer      Breaking the Links: Natural Resource Booms and Intergenerational Mobility  
Simon Alder      Political Distortions and Infrastructure Networks in China: A Quantitative Spatial  
Equilibrium Analysis  
Martino Pelli      Forest cover and the market for fuelwood in rural India



14:00 - 15:00	<b>Session 6: Finance and Macroeconomics II</b> [Aula rossa]
Ilaria Piatti	Expected Term Structures
Nicolas Maeder	Assessing Idiosyncratic and Aggregate IMF Lending: An Exponential Model of Sample Selection
Alain Naef	Dirty float or clean intervention? The Bank of England on the foreign exchange market, 1952-72
15:00 - 15:30	<b>Coffee Break</b> [Foyer Auditorium]
15:30 - 16:30	<b>Session 7: Political Economics</b> [Aula blu]
Charles Blankart	How Do representatives vote?
Cécile Hediger	Rebound effects in private transportation in Switzerland
Sergio Galletta	Abandon Ship? Party Brands and Politicians' Responses to a Political Scandal
15:30 - 16:30	<b>Session 8: DSGE Macro</b> [Aula rossa]
Yann Koby	The Firm Heterogeneity Channel of Macroeconomic Transmission
Myriam Marending	Financialisation and the informal economy in China
Julian Ludwig	Identification of Local Average Impulse Responses (LAIR) in Time Series Models with more Distinct Structural Shocks than Variables
16:30 - 16:45	<b>Break</b>
16:45 - 17:45	<b>Session 9: Information and Behavior</b> [Aula blu]
Patrick Arni	Are Weak Ties Strong? How Information on Social Search Affects Job Finding
Sandro Ambuehl	For They Know Not What They Do: Selection Effects of Incentives When Information Is Costly
16:45 - 17:45	<b>Session 10: Trade / International Macro</b> [Aula rossa]
Federico Trionfetti	Firm Heterogeneity, Comparative Advantage and the Transfer Problem
Adrien Bussy	Minding the Evasion Gap: A Panel Approach
17:45 - 19:00	<b>Apéro</b> [Foyer Auditorium]



## 12th End-of-Year Conference of Swiss Economists Abroad

### Abstracts

*[20 or 30 minutes per paper, including discussion, depending on number of papers in session. The last person in a session is timekeeper.]*

#### **10:00 – 11:00 Session 1: Applied Economics [Aula blu]**

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*Lorenz Kueng (Northwestern University, Kellogg School of Management), Evgeny Yakovlev (New Economic School)*

##### **Long-Run Consequences of Temporary Policies: Tastes and Mortality**

Can a temporary policy permanently change consumer tastes, and does it matter? We study how a public policy successfully changes young individuals' tastes, with important but unintended long-run consequences for mortality. We use temporary supply restrictions from 1985-87 and large import shocks to Russia in the late 1990s to estimate the age profile of taste formation. Twenty years later, young consumers' tastes have shifted from traditional to more "western" products and from hard to light alcoholic drinks. We show that these policy-induced taste changes matter. The shift in alcohol tastes explains about 60% of the recent decline in Russian male mortality decades after the intervention has ended. These estimates are based on national-level, regional-level and individual-level consumption and mortality data. Program evaluations which focus only on the short-run impact of a policy can therefore yield severely biased estimates of the total effect if the policy also changes tastes.

*Caroline Flammer (Boston University), Bryan Hong (University of Western Ontario, Richard Ivey School of Business), Dylan Minor (Northwestern University, Kellogg School of Management)*

##### **Corporate Governance and the Rise of Integrating Corporate Social Responsibility Criteria in Executive Compensation**

This study examines the integration of corporate social responsibility (CSR) criteria in executive compensation, a relatively recent practice in corporate governance. We construct a novel database of CSR contracting and document that CSR contracting has become more prevalent over time. We further find that the adoption of CSR contracting leads to i) an increase in long-term orientation; ii) an increase in firm value; iii) an increase in social and environmental performance; iv) a reduction in emissions; and v) an increase in green innovations. These findings are consistent with our theoretical arguments predicting that CSR contracting helps direct management's attention to stakeholders that are less salient but financially material to the firm in the long run, thereby enhancing corporate governance.



## 10:00 – 11:00 Session 2: Financial Institutions [Aula rossa]

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*Laurent Fresard (University of Maryland, R.H. Smith School of Business), Francesco D'Acunto (University of Maryland, R.H. Smith School of Business)*

### **Finance, Talent Allocation, and Growth**

Using data covering 24 countries over 35 years, this paper shows that the growth of the relative wage in the financial sector is related to a reallocation of skilled workers from non-finance sectors into finance. Notably, reallocation is substantially higher when the finance wage premium grows faster than the contribution of the financial sector to the overall economy. The reallocation of skilled workers to finance is higher from sectors that are more innovative, and in sectors in which the costs for workers to move into finance are relatively lower. Yet, we find no significant relationship between the adjusted growth of finance wages and the economic performance of non-finance sectors. The lack of detectable real effects suggest that while rising wages in finance are indeed associated with reallocations of skilled labor away from non-finance sectors, the induced reallocations appear to too modest to materially affect the growth of non-finance sectors.

*Xavier Giroud (Columbia University), Shai Bernstein (Stanford Graduate School of Business), Emanuele Colonnelli (Stanford University), Benjamin Iverson (Brigham Young University)*

### **Bankruptcy Spillovers**

How do different bankruptcy approaches affect the local economy? Using U.S. Census microdata at the establishment level, we explore the spillover effects of reorganization and liquidation on geographically proximate firms. We exploit the random assignment of bankruptcy judges as a source of exogenous variation in the probability of liquidation. We find that within a five-year period, employment declines substantially in the immediate neighborhood of the liquidated establishments, relative to reorganized establishments. Most of the decline is due to lower growth of existing establishments and, to a lesser extent, reduced entry into the area. The spillover effects are highly localized and concentrate in the non-tradable and service sectors, particularly when the bankrupt firm operates in the same sector. These results suggest that liquidation leads to a reduction in consumer traffic to the local area and to a decline in knowledge spillovers between firms. The evidence is inconsistent with the notion that liquidation leads to creative destruction, as the removal of bankrupt businesses does not lead to increased entry nor the revitalization of the area.



## 11:30 – 12:30 Session 3: IO and Applied Microeconomics [Aula blu]

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*Christian Catalini (Massachusetts Institute of Technology, Sloan School of Management), Christian Fons-Rosen (Universitat Pompeu Fabra), Patrick Gaule (Charles University in Prague)*

### **Did Cheaper Flights Change the Geography of Scientific Collaboration?**

We test how a reduction in travel cost affects the rate and direction of scientific research. Using a fine-grained, scientist-level dataset within chemistry (1991-2012), we find that after Southwest Airlines enters a new route, scientific collaboration increases by 30%, an effect that is magnified when weighting output by quality. The benefits from the lower fares, however, are not uniform across scientist types: younger scientists and scientists that are more productive than their local peers respond the most. Thus, cheaper flights, by reducing frictions otherwise induced by geography and allowing for additional face-to-face interactions, seem to enable better matches over distance.

*Isis Durrmeyer (Toulouse School of Economics), Andras Niedermayer (University of Mannheim), Artyom Shneyerov (Concordia University)*

### **Structural Model of Product Line Pricing in Differentiated Good Markets**

We develop a new empirical model of market equilibrium with horizontal and vertical product differentiation. Our model is an extension of Rochet and Stole (2002)'s non-linear pricing theory to multiproduct firms. In this model, product line pricing strategies follow second-degree price discrimination. We propose a new method to identify demand and supply primitives. This methodology leverages the rich theoretical framework and provides identification of the parameters of interest under very mild assumptions on functional forms. We apply our new methodology to the French automobile market and measure the importance of second-degree price discrimination.

*Andreas Haller (University of Zurich), Stefan Staubli (University of Calgary), Josef Zweimüller (University of Zurich)*

### **The Welfare Implications of Stricter Disability Screening**

In the disability determination process medical factors as well as vocational factors (such as age, education and past employment) are used to determine an applicant's ability to work. The use of vocational factors can lead to significant discontinuities in the strictness of eligibility criteria for benefits as a function of applicants' characteristics. For example, in the U.S. Social Security Disability Insurance (DI) program applicants 55 years of age or older face relaxed eligibility criteria and as a consequence the award rate exhibits a discontinuous jump at that age cutoff (Chen and van der Klaauw, 2008). Very little is known how reforming these vocational criteria would affect disability enrollment and application behavior of individuals. This paper helps to fill this gap by exploiting a reform in Austria's DI program. The reform increased the age cutoff for relaxed access to disability benefits from age 57 to age 60 in three steps. We find that this reform significantly reduced DI awards among older workers. Most of the reduction is due to a mechanical effect, capturing that fewer applicants qualify for benefits under the stricter rules. However, also a self-screening effect, capturing that less people apply for benefits, is relevant. We develop a sufficient statistic for optimal DI screening and find that the eligibility criteria for older workers were too lenient.



## 11:30 – 12:30 Session 4: Finance and Macroeconomics I [Aula rossa]

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*Gregor Bäurle (Swiss National Bank), Elizabeth Steiner (Swiss National Bank), Gabriel Züllig (University of Copenhagen)*

### **Forecasting the production side of GDP and its dispersion**

We evaluate the forecasting performance of time series models for GDP's production-side, i.e. for the sectoral real value added series summing up to GDP. We focus on two strategies that are typically implemented to model a large number of time series simultaneously: a Bayesian VAR with some shrinkage of the coefficients and a factor model structure. These relatively complex models are compared to simple benchmarks. We look at point and density forecasts for aggregate GDP, as well as forecasts for the sectoral heterogeneity, i.e. the cross-sectional dispersion of sectoral real value added growth in the Euro area and Switzerland. We find that the factor model structure very generally outperforms the simple benchmarks, and in many cases also the Bayesian VAR. Indeed, an analysis of the covariances of the sectoral forecast errors shows that the factor model is able to capture sectoral comovement more accurately than its competitors.

*Mathias Kruttli (University of Oxford, Oxford-Man Institute of Quantitative Finance), Phillip Monin (The University of Texas at Austin), Sumudu Watugala (Cornell University)*

### **Investor Concentration of Hedge Funds**

We show that when only a few investors own a substantial portion of a hedge fund's net asset value, the possibility of more volatile flows to a fund increases because investors' exogenous, idiosyncratic liquidity shocks are not diversified away. By using data from hedge fund Form PF filings with the Securities and Exchange Commission, we confirm that high investor concentration hedge funds experience more volatile flows. We also find that these hedge funds hold more cash and invest in more liquid assets, which help absorb large and unexpected outflows. To hold more precautionary cash and invest in more liquid assets, the hedge funds would have to pay a liquidity premium. Consistent with this prediction, we find that hedge funds with a high investor concentration generate significantly lower risk-adjusted returns.

*Shema Frederic Mitali (University of Warwick)*

### **Common Portfolio Holdings and Mutual Fund Performance in Uncertain Times**

This paper studies the effect of mutual funds' common positions in uncertain times. Using quarterly holdings data, I compute fund-level portfolio similarities as the centrality of each fund within the portfolio overlap network of actively managed U.S. domestic equity mutual funds. The results show that peripheral funds perform better, conditional on fund characteristics. The negative relationship between centrality and performance is amplified in periods of market turmoil, as central funds create negative price pressure in commonly held assets.





**14:00 – 15:00 Session 5: Development Economics [Aula blu]**

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*Aline Bütikofer (Norwegian School of Economics), Antonio Dalla-Zuanna (Norwegian School of Economics), Kjell Salvanes (Norwegian School of Economics)*

### **Breaking the Links: Natural Resource Booms and Intergenerational Mobility**

Do large economic shocks increase intergenerational earnings mobility by creating new economic opportunities or do they instead reduce mobility by reinforcing the links between generations? In answering this question, we estimate how the Norwegian oil boom starting in the 1970s affected intergenerational mobility in those local labor markets most affected by the growing oil industry. We find that this resource shock increased intergenerational mobility for cohorts commencing their professional careers at the beginning of the oil boom. Importantly, these findings are not driven by preexisting local level differences in intergenerational mobility or regional differences in education, nor are they sensitive to selective migration or adverse health effects. Instead, the change in intergenerational mobility is mostly driven by bottom-up mobility and a decrease in the returns to academic education in oil-affected regions. The findings also persist across a third generation, with intergenerational mobility being significantly higher for boom-affected areas in both grandfather - son and father - son comparisons.

*Simon Alder (University of North Carolina at Chapel Hill), Illenin Kondo (University of Notre Dame)*

### **Political Distortions and Infrastructure Networks in China: A Quantitative Spatial Equilibrium Analysis**

We analyze how politicians' birthplaces affect the allocation of transport infrastructure in China. Based on a general equilibrium trade model and topographical features, we first design the optimal highway network and then test whether deviations between the optimal and actual highway networks can be explained by the birthplaces of high-ranking Chinese officials. Exploiting the timing of the road project and of the politicians' appointments, we show that counties that are birthplaces of politicians who were in office during the planning or implementation phases of the highway network are more likely to be closer to the actual compared to the optimal network. Aggregate income net of road construction costs would be 0.75% higher with the optimal compared to the actual highway network. We combine the reduced form estimates with the general equilibrium model to construct counterfactual networks that allow us to quantify the contribution of the political distortion. The results suggest that approximately one seventh of the 0.75% distortion can be explained by the birthplaces of politicians.

*Branko Boskovic (University of Alberta), Ujjayant Chakravorty (Tufts University), Martino Pelli (University of Sherbrooke), Anna Risch (Université Grenoble Alpes)*

### **Forest cover and the market for fuelwood in rural India**

More than two billion people in the world use fuelwood for cooking and heating. Fuelwood collection is often cited as the most important cause of deforestation in developing countries. Using household data on the time it takes to walk to the forest to collect fuelwood, we show that in villages where forests are farther away, households spend more time collecting. Sellers sell more fuelwood and buyers buy less. That is, lower access to forests induces increased collection and sale. This behavior is triggered by two factors - a larger distance to the forest increases the fixed costs of collecting, which in turn leads to more collection. A larger distance to the forest also means less forest cover, which increases local fuelwood prices and makes collecting more profitable. We quantify these two effects. The implication is that local deforestation may actually induce increase fuelwood collection and sale.



**14:00 – 15:00 Session 6: Finance and Macroeconomics II [Aula rossa]**

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*Andrea Buraschi (University of Chicago), Ilaria Piatti (University of Oxford), Paul Whelan (Copenhagen Business School)*

### **Expected Term Structures**

We construct and study the cross-sectional properties of survey-based bond risk premia and compare them to their traditional statistical counterparts. We document large heterogeneity in skill, identify top forecasters, and learn about the importance of subjective risk premia in long-term bonds dynamics. The consensus is not a sufficient statistics of the cross-section of expectations and we propose an alternative real-time aggregate measure of risk premia consistent with Friedman's market selection hypothesis. We then use this measure to evaluate structural models and find support for heterogeneous belief economies generating time-varying risk premia via both a quantity and price of risk channel.

*Nicolas Maeder (Vanderbilt University), Jean-Guillaume Poulain (International Monetary Fund), Julien Reynaud (International Monetary Fund)*

### **Assessing Idiosyncratic and Aggregate IMF Lending: An Exponential Model of Sample Selection**

We introduce a model of sample selection in which both selection and size dimensions of individual IMF programs are presented within a unified econometric framework. While the model's exponential nature ensures non-negativity, allowing for unobserved heterogeneity creates an additional channel for sample selection at the country level. Likelihood estimation is followed by Monte Carlo simulation of a variety of scenarios. Qualitatively, aggregate lending should be expected to exhibit a substantial right tail.

*Alain Naef (University of Cambridge)*

### **Dirty float or clean intervention? The Bank of England on the foreign exchange market, 1952-72**

Because of the recent global financial crisis and the persistence of global imbalances, the issue of foreign exchange market intervention is back to the forefront of the scene (Taylor 2010, Blanchard and Alder 2015). In the aftermath of the crisis, over 80% of countries in the world were not under a free-floating exchange rate regime, meaning that they were likely to intervene on the foreign exchange market. This included most developing countries but also industrialised countries such as Japan, Hong Kong, Switzerland and Denmark. In this paper, I question the effectiveness of Bank of England intervention on the foreign exchange market during the Bretton Woods period. How effective was the Bank of England at keeping the exchange rate in control? What intervention strategies did the Bank use, and did they work? During the Bretton Woods period, US policymakers were concerned with the value of sterling. As the second global reserve currency at the time (though declining), sterling played a central role in the stability of the international monetary system. If sterling could fall, so could the dollar. It was a matter of psychological contagion.



**15:30 – 16:30 Session 7: Political Economics [Aula blu]**

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*Charles Blankart (Humboldt University of Berlin)*

### **How Do representatives vote?**

The idea of the separation of powers as a guiding principle for government is prominently associated with the philosophy of John Locke Charles de Montesquieu. In modern day society, we basically see two differently strong developed versions of this principle. The strong version requires the powers of government to be embedded in two independent and collectively elected institutions, the independent and elected legislative and executive branch (such as the Congress and the President of the United States). The weak version, in contrast, requires the government to be elected by a majority of the representatives in parliament. In this paper it will be argued that the voters' preferences are best served by the strong version of the principle, but put at a risk under the weak version. A lucid experience of the weak version is the Fourth Republic of France (1944-1957). A constitutional reform should aim to realise the strong rather than the weak version of the Locke-Montesquieu principle.

*Cécile Hediger (University of Neuchâtel)*

### **Rebound effects in private transportation in Switzerland**

Energy efficiency improvements are the first pillar of the Energy Transition in Switzerland. Yet, setting ambitious efficiency standards might not be sufficient to achieve the targeted energy conservation level: a significant part of the expected energy savings could be lost due to behavioral adaptations, known as rebound effects. My paper deals with rebound effects for private transportation. As cars become more efficient, the driving costs decrease, potentially pushing some people to drive more (direct rebound effect). Many rebound estimations for cars exist in the US, but few for Europe, and none for Switzerland. In the US, the literature converges towards a 20% direct rebound; meaning that 20% of the expected energy savings from efficiency improvements are lost due to an increase in driven kilometers. For Europe the estimations are higher, and their range is large. Using survey data at the household level, I estimate (preliminary) a direct rebound between 25 and 45% for Switzerland. Many articles use the price elasticity as a proxy for the direct rebound, due to lack of data. It is controversial and may be biased estimates. I use instead directly the efficiency of cars (liters of gasoline per 100 km), which is the primary definition of the direct rebound. My model also deals with the endogeneity of efficiency and travelled distance, as people who expect to drive a lot may choose an efficient car. Such results inform policy makers on what may or may not be achieved with efficiency standards, in terms of energy and emission reductions.

*Sergio Galletta (University of Lugano), Gianmarco Daniele (University of Barcelona), Benny Geys (BI Norwegian Business School)*

### **Abandon Ship? Party Brands and Politicians' Responses to a Political Scandal**

In this article, we study politicians'—rather than voters'—responses to the main political scandal in Italian recent history (Tangentopoli), and overcome endogeneity concerns by analysing the local implications of this national corruption scandal. We find that local politicians withdraw support for incumbents in parties hit by Tangentopoli – inducing increased political instability in such municipalities. Moreover, politicians in parties hit by the scandal exhibit higher rates of party switching and lower re-running rates. Scandals thus appear to decrease the value of the party “brand”, and become transmitted across politicians and levels of government via partisan cues.



15:30 – 16:30 Session 8: DSGE Macro [Aula rossa]

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*Yann Koby (Princeton University), Christian Wolf (Princeton University)*

### **The Firm Heterogeneity Channel of Macroeconomic Transmission**

We build a sticky-price, heterogeneous-firm model with rich adjustment frictions at the microeconomic firm level, calibrated to be consistent with the micro-level evidence on firm investment behavior. We then compares impulse responses to conventional shocks of this benchmark model with its natural frictionless analogue. We find that our heterogeneous-firm model is (almost) second-moment observationally equivalent to its frictionless analogue for some structural shocks, but not for all of them. Notably, productivity shocks and monetary policy shocks propagate almost exactly as in the benchmark model, while classical demand shocks, in particular government spending shocks, are transmitted very differently. Quasi-aggregation is thus not a quantitative theorem, but a shock-dependent statement.

*Myriam Marending (Copenhagen Business School), Gabriel Züllig (University of Copenhagen)*

### **Financialisation and the informal economy in China**

China has seen a decade of rapid financialisation and credit-driven growth while conventional measures of the shadow economy have been falling. This paper explores to what degree the two trends are interlinked. Using World Bank enterprise-level data, we document that missing access to formal lending is a more important driver of informality than for example taxes. Provinces where the growth of the formal banking system was higher have seen a formalisation of production and an increase in efficiency. Based on these findings, we develop a general equilibrium monetary business cycle model where agents endogenously choose to borrow and operate in either official or shadow sectors. By estimating the model using aggregate data on the formal economy using Bayesian methods, we can back out new time-varying measures of the shadow economy, both in terms of aggregate production but also separately for the credit and labour market. These indicate that the Chinese shadow economy used to be larger than when estimated using conventional indicators, and that it provides an economically significant yet globally inefficient channel of operation to circumvent tight credit constraint in the official sector. Furthermore, we study the dynamic effects of policy choices and shocks, for example how a financial shock affects employment and real wages in the formal and informal labour market.

*Julian Felix Ludwig (University of Texas at Austin)*

### **Identification of Local Average Impulse Responses (LAIR) in Time Series Models with more Distinct Structural Shocks than Variables**

This project relaxes the assumption that impulse response functions (IRFs) to shocks of the same type (e.g. TFP shocks) have the same ratio across horizons and variables. This assumption is necessary to apply Blanchard and Quah's (1989) aggregation theorem that allows to identify average impulse responses (AIRs) to aggregate shocks (e.g. aggregate TFP shock). I show that identification of local average impulse responses (LAIRs) is still possible, if forecast error of at least one variable and one horizon is entirely driven by the shock of interest.



16:45 – 17:45 Session 9: Information and Behavior [Aula blu]

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*Patrick Arni (University of Bristol), Rafael Lalive (University of Lausanne), Pierpaolo Parrotta (ICN Business School)*

### **Are Weak Ties Strong? How Information on Social Search Affects Job Finding**

This paper assesses the relevance of social networks as a job search channel. Earlier survey evidence suggests that job search networks are important since many employed individuals found their current job via a lead from their friends or former colleagues. We exposed a cohort of newly unemployed individuals in a large region of Switzerland to an information treatment. The job seekers were randomly assigned to two different versions of a compulsory initial information session. The treated sessions featured a specific information and activation module covering the importance and practice of job search via social networks. Results show that the information treatment caused women to find jobs faster and reduced UI exits without jobs. This is not the case for men; overall, the intervention does therefore not appear to significantly reduce average unemployment durations. By means of survey and register data and a stylized model framework we explore the channels through which the information on social search have affected female search behavior and search efficiency

*Sandro Ambuehl (University of Toronto), Axel Ockenfels (University of Cologne), Colin Stewart (University of Toronto)*

### **For They Know Not What They Do. Selection Through Incentives when Information is Costly.**

Who participates in transactions when information about the consequences must be learned? Theoretically, we show that rational decision makers for whom acquiring and processing information is more costly will respond more strongly to incentives for participating, and decide to participate based on worse information. Consequently, with higher incentives, the pool of participants consists of a larger fraction of individuals with a worse understanding of the consequences of their decision. Our behavioral experiment confirms these predictions, both for experimental variation in the costs of information acquisition, and for various laboratory and naturally occurring measures of information costs, including cognitive ability. These findings are relevant for any transaction in which a price paid for participation trades off with not fully understood yet learnable consequences. Our results also clarify the relation between incentives and the ethical principle of informed consent, and thus help address ethical concerns with incentives.



**16:45 – 17:45 Session 10: Trade / International Macro** [Aula rossa]

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*Federico Trionfetti (Aix-Marseille University)*

### **Firm Heterogeneity, Comparative Advantage and the Transfer Problem**

This paper studies the transfer problem in a model featuring comparative advantage, monopolistic competition, trade costs, and firm heterogeneity in factor intensity. The results are very different from those of the previous literature. First, a transfer creates a secondary burden where the neoclassical version of the Heckscher-Ohlin model would not. Second, a transfer affects wage inequality. Third, a transfer is not neutral to world welfare. Fourth, the welfare effects are qualitatively insensitive to the exchange rate regime. Fifth, a simulation exercise shows that the quantitative effects of trade imbalances are comparable in magnitude to those arising from major trade agreements.

*Adrien Bussy (LSE)*

### **Minding the Evasion Gap: A Panel Approach**

Using mirror statistics of trade flows reported twice --- once by importers and once by exporters --- to investigate tariff evasion has been popular in the literature. In this paper, I exploit the features of a large panel of trade flows at the product level (ca. 40 million observations) to examine evasion of corporate taxes and tariffs stemming from cross-border transactions. I first present a model of optimal evasion in which importers and exporters have the possibility to miss-report prices and quantities of traded goods to their respective border authorities, allowing them to evade tariffs and corporate taxes. The transactions' size emerge endogenously, taking into account optimal evasion behaviors of both parties. I derive empirically testable predictions from the model. The panel structure of the data allows me to identify evasion and alleviates endogeneity issues that arose in past research. I find evidence of both tariff and tax evasion, back-of-the-envelope calculations suggesting economically large amounts are evaded. Second, I focus on trade flows of commodities for which a world price exists and find that an increase in the price of commodities is associated with more evasion. I attempt to understand what forces drive this result, but this is still work in progress.



## **12th End-of-Year Conference of Swiss Economists Abroad**

### **Venues**

#### **Conference Dinner (December 21):**

Ristorante San Maurizio  
Via Carlo Maderno 16  
CH-6900 Lugano  
<http://tblugano.sanmaurizio1619.com/it/location/lugano>

#### **Accommodation (21/22 December)**

Hotel City  
Via G. Bagutti 4  
CH-6900 Lugano  
<http://hotelcitylugano.ch/>

#### **Conference (December 22):**

Università della Svizzera italiana (USI)  
Seminar Rooms: Auditorium, Executive center (both 1st floor, main building)  
Via G. Buffi 13  
6900 Lugano



## Directions and Maps

### Railway station to the Università della Svizzera italiana (USI)

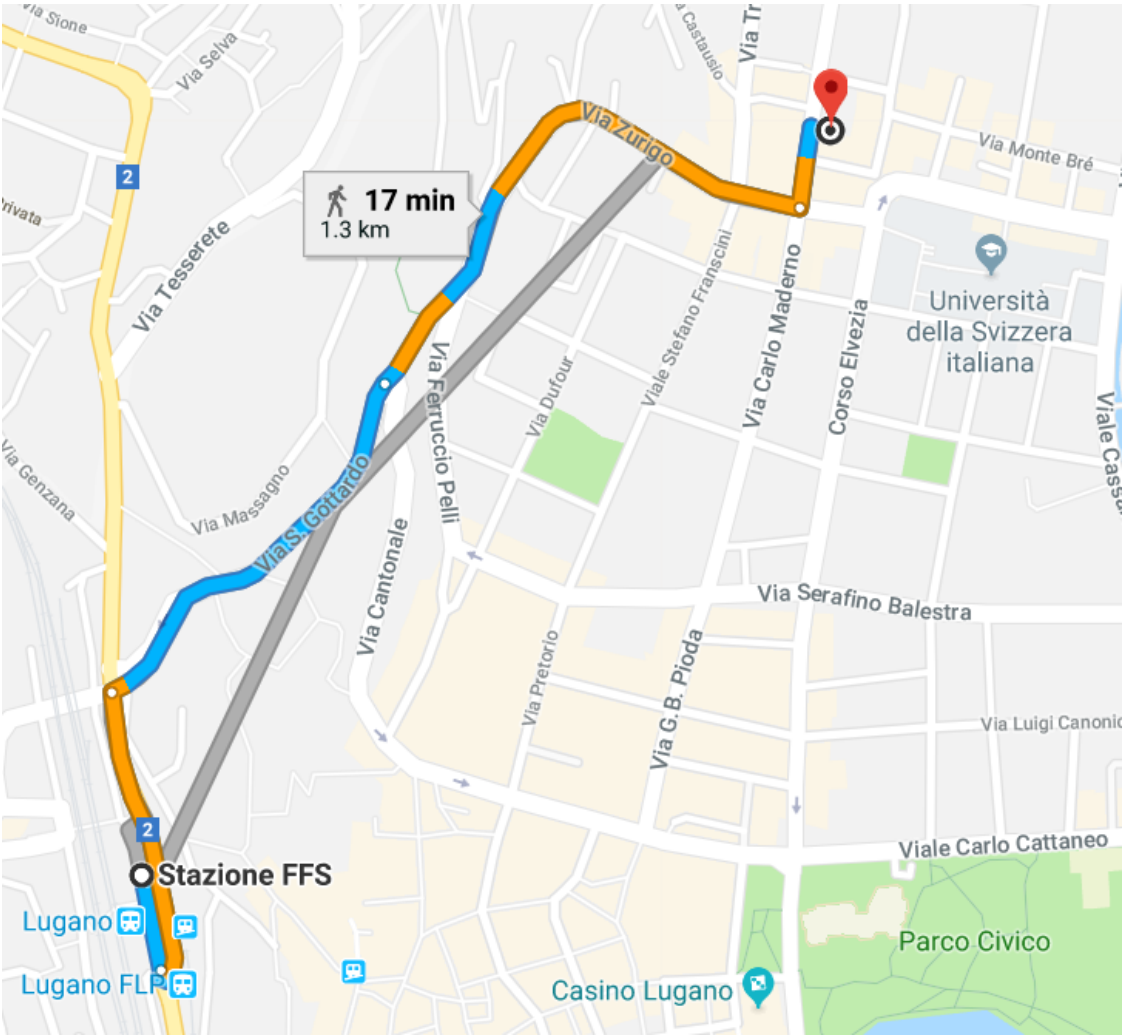
You can reach the Lugano Campus by bus or on foot.

By bus: take [bus 6 \(towards Cornaredo\)](#) from the square in front of the station. Alight at the “Università” stop (around 8-10 minutes’ ride in normal traffic conditions).

On foot: walk to Piazza Cioccaro, in the centre of Lugano ([see route on map](#)), or take the funicular from inside the station.

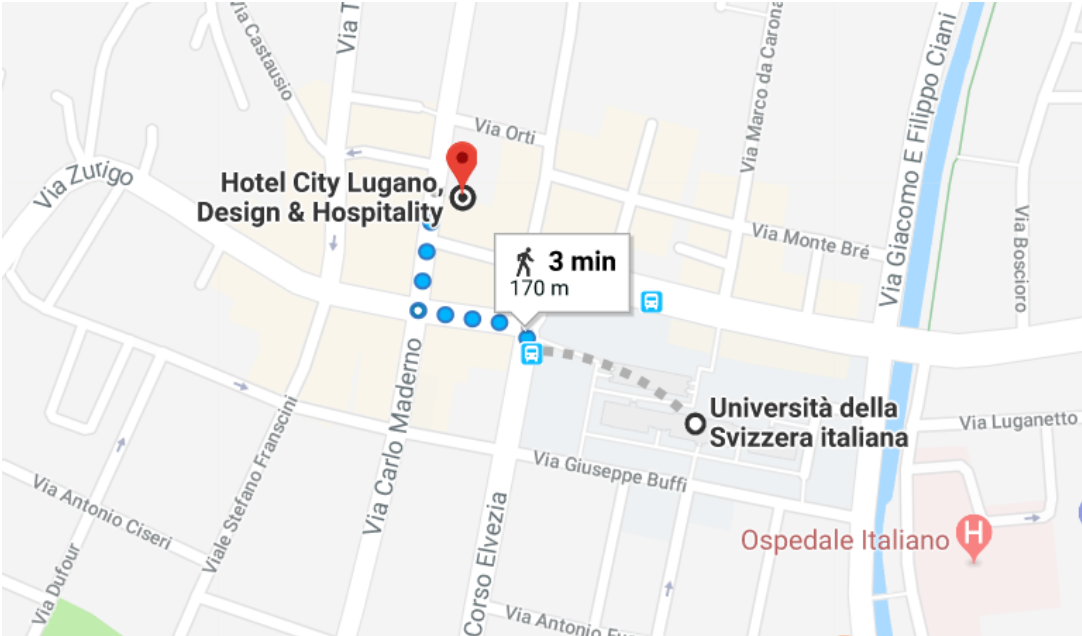
Cross Piazza Cioccaro and take Via Soave, turn left onto Via Pessina and walk to Piazza Dante. Cross the piazza, turn left onto Via Pretorio, and walk until you reach the bus station. Pass the bus station and keep going straight along Corso Pestalozzi until you reach the entrance to a parking garage and a park gate (Parco Ciani), then turn left onto Via Lucchini, and walk straight along Via Lucchini and Via Lambertenghi until you reach the campus main building.

### Train station to Hotel City





## Hotel City to USI



## USI to Restaurant San Maurizio

