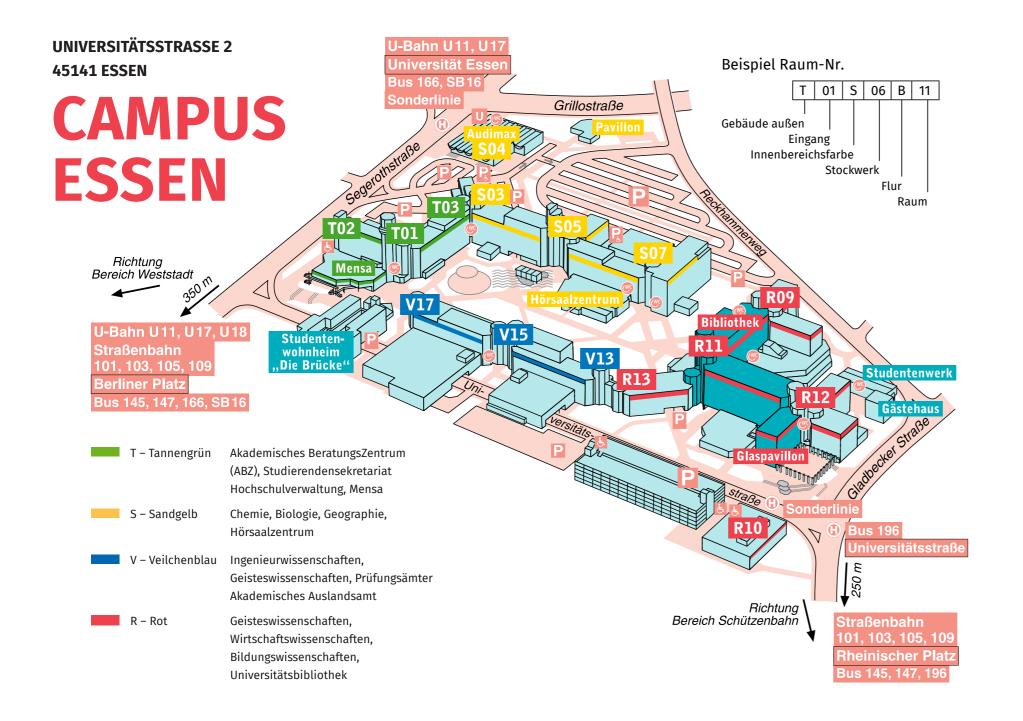
### PROGRAM 17TH RGS DOCTORAL CONFERENCE IN ECONOMICS

**HEALTH AND DEMOGRAPHY** 

UNIVERSITY OF DUISBURG-ESSEN **27-28** FEBRUARY 2024

# LOCATION



# 17TH DOCTORAL ONFERENCE IN ECONOMICS

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### DEAR PARTICIPANTS

It is our pleasure to welcome you to the 17th RGS Doctoral Conference, with headline topic "Health and Demography".

We are excited about the high-quality contributions to this year's conference program and honored that you are joining us to present your work and discuss your research with other doctoral students.

The conference is organized annually by the Ruhr Graduate School in Economics (RGS Econ), rotating locations between those of RGS Econ's initiators: Bochum, Duisburg, Dortmund, and Essen.

The conference serves as a platform for young talented economists – just like you – to engage in fruitful discussions, to learn and share knowledge, to build networks, and, ideally, to initiate joint research projects. RGS Econ's faculty members, who will chair the sessions, are also more than happy to discuss research ideas and give comments. Engage! As a particular highlight and in line with this year's focus on Health and Demography, the conference features a keynote speech by Professor Uwe Sunde, LMU Munich.

We hope that the conference persistently contributes to the advancement of economic research and research-based policy advice, through dialogue and mutual understanding, by bringing together early-career researchers and prospective leaders from across Europe and the world. Comments and suggestions for improvement are highly welcome.

Kind regards,

Unstoph Handy

Prof. Dr. Christoph Hanck, Director RGS Econ

Molah Schuicht

Prof. Dr. Dr. h. c. Christoph M. Schmidt, PhD, Director RGS Econ



Ruhr Graduate School in Economics

# ABOUT RGS ECON

The Ruhr Graduate School in Economics (RGS Econ) provides internationally competitive research-oriented doctoral training in economics in the form of a structured program. It combines and builds on the expertise of one of Germany's leading economic research institutes, the RWI – Leibniz-Institute for Economic Research, and of four economics departments of the University Alliance Ruhr: TU Dortmund University, University of Duisburg-Essen (Campus Essen and Mercator School of Management), and Ruhr-University Bochum.

RGS Econ funds around eight excellent entering doctoral students per year with scholarships and teaching and research assistant positions. Advanced coursework, appropriate guidance, a cooperative learning environment, and an extensive research network and infrastructure are geared to support our students in conducting first-rate research and our graduates in obtaining excellent positions in academia, in research and policy institutions, and in the private sector.

The program covers all major areas of economics, from theory to empirical analysis, and from policy design to its evaluation. Faculty members of the RGS Econ group themselves into three major research clusters listed below. Interaction and cooperation within and across clusters is pervasive; doctoral students are invited to contribute to these exchanges by following their own interests.

#### **CLUSTER 1**:

Applied Microeconometrics and Policy Analysis

#### **CLUSTER 2:**

Macroeconomics, Econometrics and Finance

#### **CLUSTER 3:**

Microeconomics, Game Theory, Mechanism Design and Public Finance

#### **RGS ECON IS PROUDLY SPONSORED BY, AMONG OTHERS**

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# ORGANIZERS & COMMITTEES

### **ORGANIZERS & COMMITTEES**

This event would not have been possible without the time and effort of:

#### **SCIENTIFIC COMMITTEE**

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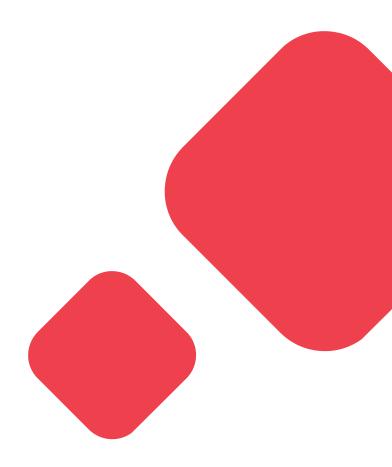
Rüdiger Kiesel (University of Duisburg-Essen) Eugen Kováč (University of Duisburg-Essen) Kati Krähnert (Ruhr-University Bochum) Michael Kramm (TU Dortmund University) Astrid Krenz (Ruhr-University Bochum) Sanne Kruse-Becher (Ruhr-University Bochum) Daniel Kühnle (University of Duisburg-Essen) Michael Lamla (University of Duisburg-Essen) Ludger Linnemann (TU Dortmund University) Andreas Löschel (Ruhr-University Bochum) Till Massing (University of Duisburg-Essen) Lars Metzger (TU Dortmund University) Sebastian Otten (University of Duisburg-Essen) Marie Elina Paul (University of Duisburg-Essen) Peter Posch (TU Dortmund University) Edgar Preugschat (TU Dortmund University) Jan Prüser (TU Dortmund University) Julio Robledo (Ruhr-University Bochum) Michael Roos (Ruhr-University Bochum) Christoph M. Schmidt (Ruhr-University Bochum & RWI) Tobias Seidel (University of Duisburg-Essen) Kristina Strohmaier (University of Duisburg-Essen) Colin Vance (Jacobs University Bremen & RWI) Matthias Westphal (TU Dortmund University) Jens Wrona (University of Duisburg-Essen) Ansgar Wübker (Hochschule Harz & RWI) Florian Ziel (University of Duisburg-Essen) Galina Zudenkova (TU Dortmund University)

#### **CONFERENCE ORGANIZATION**

Christoph Hanck (University of Duisburg-Essen) Christoph M. Schmidt (Ruhr-University Bochum & RWI) Helge Braun (RGS Econ) Katharina Nowak-Mohr (RGS Econ)

#### **GRAPHICS & DESIGN**

Sarah Rühl (RWI)



# GENERAL INFORMATION

### GENERAL INFORMATION

#### **CONFERENCE VENUE**

Universität Duisburg-Essen Glaspavillon Universitätsstraße 2 45141 Essen

#### HOW TO GET TO THE CONFERENCE

#### Arriving by train:

From the main train station in Essen (Essen Hbf), you can take the tram 105/106 towards "Essen Germaniaplatz". You will need to leave the tram at the station "Essen Rheinischer Platz". From here it is a short walk to the conference location.

#### Arriving by car:

Leave the highway A40 at the exit "Essen Zentrum", from here just follow the signs saying "Universität".

#### Arriving by plane:

DUS Düsseldorf (about 30 minutes to Essen HBF via train) CGN Cologne/Bonn (about 1h 30 m to Essen HBF via train) DTM Dortmund (about 1 hour to Essen HBF via train / public transport) Location on campus:

The conference will take place at the "Glaspavillon" of the University of Duisburg-Essen at the campus in Essen.

A map of the conference venue is provided on the inside cover of this booklet.

#### **REGISTRATION AND INFORMATION DESK**

The registration and information desk for the conference is located in the foyer of the conference location (Glaspavillion). On Tuesday, February 27, it is staffed from 7:30 – 19:00. On Wednesday, February 28, it is staffed from 8:00 – 17:30.

#### **CANTEEN (MENSA)**

There will be an area in the canteen reserved for conference attendees. To receive the reduced price for students at the university canteen/ mensa, conference attendees will need to show their student ID (from their home university) to the cashier. Please note that cash payment is not possible.

#### **INTERNET ACCESS**

Internet access via eduroam is provided. Additionally, internet access via a guest network will be available throughout the conference building. The name and access code of the wireless network will be available at the information desk.

#### **CONTACT IN CASE OF URGENT MATTERS**

Helge Braun

helge.braun@rgs-econ.de +49 (0)176 32 92 88 40

# SPECIAL EVENTS & KEYNOTE SPEECH

### **SPECIAL EVENT & KEYNOTE SPEECH**

#### **MONDAY, FERBUARY 26**

#### **Zeche Zollverein**

#### 16:00

For those arriving early, we have organized a complimentary tour at the Zeche Zollverein. Registration is required.

Gelsenkirchener Str. 181 45309 Essen Tram station "Essen Zollverein" (107)

#### **Get-together**

#### 18:00

We will meet for a get-together at a local restaurant. We hope you can join us for dinner and drinks. Registration is required.

#### SAUSALITOS

Markt 1 45127 Essen https://www.sausalitos.de/standorte

#### **TUESDAY, FEBRUARY 27**

#### **Opening Remarks**

#### 08:30 - 09:00 (Glaspavillon)

Prof. Dr. Volker Clausen (University of Duisburg-Essen) and Helge Braun, PhD (RGS Econ), with a greeting by Prof. Dr. Barbara Albert (Rector of the University of Duisburg-Essen)

Conference Dinner 18:45-20:30 (Glaspavillon)

#### **WEDNESDAY, FEBRUARY 28**

Keynote speech: Prof. Dr. Uwe Sunde (LMU Munich) 13:00-14:30 (Glaspavillon) "LONGEVITY, DEMOGRAPHIC DYNAMICS, AND ECONOMIC DEVELOPMENT"

#### **About the Speaker**

Uwe Sunde is professor of economics at the University of Munich (LMU), where he holds the chair of population economics. He is research professor at ifo, Munich, and DIW, Berlin, and a fellow of the German Federal Institute for Population Research, the Center of Economic Policy Research (CEPR), London, and of the Institute of Labor Economics (IZA), Bonn. Uwe Sunde's research interests include population economics, growth and long-term development, labor economics, political economy, and behavioral economics.

#### About the Keynote

Increasing longevity constitutes a megatrend that affects people around the world. The demographic dynamics that are associated with this increase have profound implications for economic development, but many of the details remain poorly understood. This lecture will provide an overview of recent work on the interplay between longevity, demographics, and economic development, and highlight some open questions.

#### Best Paper Award and Closing Remarks

#### 16:30-16:45 (Glaspavillon)

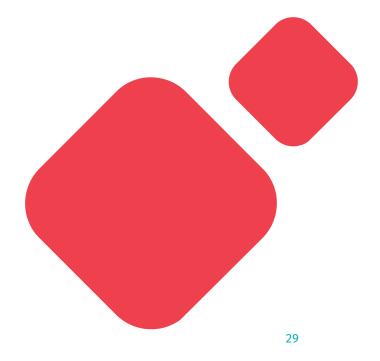
Prof. Dr. Dr. h. c. Christoph M. Schmidt (RWI – Leibniz Institute for Economic Research, Ruhr-University Bochum and RGS Econ)

#### The conference ends February 28, 16:45.

#### Important

On February 28, starting at 16:45, we will offer wraps and snacks until 17:30, also for take-out.







# **CONFERENCE PROGRAM**

### CONFERENCE PROGRAM

FEBRUARY 26, MONDAY		
16:00	Guided Tour at the Zeche Zollverein	Gelsenkirchener Str. 181 45309 Essen
18:00	Get-together	SAUSALITOS Markt 1 45127 Essen
FEBRUARY	27, TUESDAY	
08:00 - 8:30	Registration	Glaspavillon
08:30 - 9:00	<b>Opening Remarks</b> Prof. Dr. Volker Clausen	Glaspavillon
	with a Greeting from Prof. Dr. Barbara Albert (Rector of the University of Duisburg-Essen)	
9:00 - 10:30	Crime	Room 3
	Development I	Room 2
	Health I	Glaspavillon
	Macroeconomics I	Room 1
	Migration	Room 4
10:30 - 11:00	Coffee Break	Glaspavillon

11:00 - 12:30	Development II	Room 2
	Health II	Glaspavillon
	Macroeconomics II	Room 1
	Political I	Room 4
	Regional I	Room 3
12:30 - 13:30	Lunch	Mensa
13:30 - 15:00	Education I	Room 2
	Health III	Glaspavillon
	Macroeconomics III	Room 1
	Political II	Room 4
	Regional II	Room 3
15:00 - 15:15	Break	
15:15 - 16:45	Education II	Room 2
	Health IV	Glaspavillon
	Macroeconomics IV	Room 1
	Micro Applied I	Room 4
	Regional III	Room 3
16:45 - 17:15	Coffee Break	Glaspavillon
	Climate I	Room 2
	Demography I	Glaspavillon
17:15 - 18:45	Econometrics	Room 4
	Finance	Room 3
	Macroeconomics V	Room 1

#### **FEBRUARY 28, WEDNESDAY**

08:30 - 10:00	Climate II	Room 4
	Health V	Glaspavillon
	Labor Economics I	Room 2
	Macroeconomics VI	Room 1
	Applied Micro II	Room 3
10:00 - 10:30	Coffee Break	Glaspavillon
10:30 - 12:00	Development III	Room 2
	Experimental	Room 3
	Labor Economics II	Room 4
	Macroeconomics VII	Room 1
	Trade I	Glaspavillon
12.00 12.00	Lunch	Mensa
12:00 - 13:00	Lunch	mensa
12:00 - 13:00	Keynote Prof. Dr. Uwe Sunde	Glaspavillon
	Keynote	
13:00 - 14:30	<b>Keynote</b> Prof. Dr. Uwe Sunde	Glaspavillon
13:00 - 14:30 14:30 - 15:00	Keynote Prof. Dr. Uwe Sunde Coffee Break	Glaspavillon Glaspavillon
13:00 - 14:30 14:30 - 15:00	Keynote Prof. Dr. Uwe Sunde Coffee Break Demography II	Glaspavillon Glaspavillon Glaspavillon
13:00 - 14:30 14:30 - 15:00	Keynote   Prof. Dr. Uwe Sunde   Coffee Break   Demography II   Development IV	Glaspavillon Glaspavillon Glaspavillon Room 2

16:30 - 16:45	<b>Best Paper Award</b> <b>and Closing Remarks</b> Prof. Dr. Dr. h. c. Christoph M. Schmidt	Glaspavillon
16:45 - 17:30	Sandwiches (take-out)	Glaspavillon

#### **ROOM NAMES**

Glaspavillon (R12 S00 H12) Room 1: Bibliothekssaal Room 2: R11 T00 D01 Room 3: R11 T00 D03 Room 4: R11 T00 D05





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# TUESDAY FEBRUARY 27, 2023

# **SESSION 1**

#### CRIME

9:00 - 10:30 Room3 Chair: Nina Boberg-Fazlic

#### 1. THE GUACAMOLE CURSE: AVOCADOS, VIOLENCE, AND CRIME IN MEXICO

Christian Arciniegas (Université de Fribourg, Switzerland)

The literature on the resource curse is extensive and mostly conclusive regarding the impact of natural resource windfalls on violence. Although extensive, this literature primarily focuses on civil conflicts and civil wars. In contrast, limited evidence exists concerning the effect of natural resource booms on other forms of violence, or other dimensions of political and social life. In this paper, I study avocado production in Mexico over the past 30 years to shed light on the effect of a legal commodity boom on both lethal and non-lethal one-sided violence, as well as on different types of crime. I exploit geographic differences in the exogenous suitability of a municipality to produce avocados with movements in the international price of the fruit to estimate the effect of the avocado boom on three different outcomes: homicides, drug cartel-related attacks, and crimes. The findings show that, in line with the literature, municipalities that are more suitable to produce avocados have experienced a reduction in homicides. This effect is mainly driven by the period following the lifting of an 83-year ban on Mexican avocado imports into the US. On the other hand, municipalities that are highly oriented toward the export market have experienced an increase in homicides. The results on drug cartelrelated attacks and crimes suggest a potential increase in cases in avocadoproducing municipalities, although the results are not entirely conclusive.

#### 2. WESTERN TV AND CRIMES AGAINST FOREIGNERS IN EAST GERMANY Omar Martin Fieles-Ahmad (Otto-von-Guericke University Magdeburg, Germany) and Michael Kvasnicka

In the early 1990s, following the reunification of Germany, there was a significant influx of immigrants, particularly refugees from the disintegrating Yugoslavia. During this period, there was also a substantial increase in antiforeigner crimes, particularly in certain regions of East Germany. To understand the regional variations in violent anti-foreigner crimes in East Germany, we investigate the potential influence of exposure to Western TV prior to the fall of the Berlin Wall, using county-level data from the early 1990s. Our study examines whether differences in regional access to Western TV, which provided more frequent exposure to impressions of foreign countries, could explain the patterns of violent anti-foreigner crimes. We find that counties with no access to Western TV demonstrate higher rates of violent anti-foreigner crimes. To strengthen the robustness of our findings, we conducted several additional tests, which consistently support our results. By exploring the relationship between exposure to Western TV and anti-foreigner crimes, our study sheds light on the potential role of media in shaping attitudes and behaviors towards foreigners during a crucial period of transition in Germany.

#### 3. THE IMPACT OF YOUTH CENTRES ON CRIME

#### Carmen Villa-Llera (University of Warwick, UK)

Youth centres are after-school programs, often offered free of charge in underprivileged neighborhoods. While they might impact the development of young individuals, there is little empirical evidence to inform policy in this area. I provide the first causal estimates of their effects on crime. I leverage administrative records from the London Metropolitan Police and quasi-experimental variation from austerity-related cuts which led to the closure of 30% of youth centres in 2010-2019. The rich administrative data allows me to compare residents' propensity to commit crimes in areas affected by closures to those of areas unaffected. Closures increase crime participation rates for people aged 10-15 by 8%. The rise is driven by drug crime rates, up by 16%. I don't find effects on crime participation for people above age 16. The effects are not driven by changes in policing, nor by general austerity. Instead, these type of programs appear to have a crime reducing effect beyond shortterm incapacitation for people within the compulsory schooling age.

# **SESSION 2**

#### **DEVELOPMENT I**

9:00 - 10:30 Room 2 Chair: Kati Krähnert

#### 1. TERMS OF TRADE, ITS VOLATILITY, AND ECONOMIC GROWTH IN AFRICA IN THE 21ST CENTURY: PANEL DATA ANALYSIS

Shabu Esmael (Ghent University, Belgium), Koen Schoors, and Badassa Wolteji

Trade shock and dependence on primary export represent a significant challenge for developing countries' sustained and beneficial integration into the global economy. Studies on whether and how terms of trade and its volatility affect economic growth are inconclusive. This paper analyzes the effect of terms of trade and its volatility on economic growth in Africa from 2000 to 2020 using panel data for 36 African countries. It analyses the interaction between political stability and terms of trade volatility, and human capital and terms of trade volatility and their effects on economic growth. We employed a dynamic panel data model in the first differencing Generalized Method of Moments to account for potential biases associated with the endogeneity of explanatory variables and problems induced by unobserved country-specific characteristics. We found that improvement in terms of trade positively affects economic growth, while the volatility of terms of trade negatively affects it. Human capital is a vital tool in managing the volatility of terms of trade. However, political stability needs to be stronger to minimize the adverse effects of terms of trade volatility on economic growth. Therefore, investing in human capital can help African countries mitigate the negative impact of the inevitable terms of trade volatility of commodity-dependent economies on economic growth.

2. GEORGE BAILEY MEETS THE TEMPESTATES: HOW LOCAL FINANCE STRENGTHENS ECONOMIC RESILIENCE THROUGH EXTREME WEA-THER EVENTS

Maryann P. Feldman, W. Scott Langford, and Vinzenz Peters (Maastricht University, The Netherlands)

The economic costs incurred by extreme weather events are substantial and increasing. In this study, we demonstrate how community banks – a type of financial institution with strong local ties and customer relationships – mitigate these costs. We use an event study model to demonstrate that US counties with higher community bank market shares experience fewer employment losses through extreme weather events. We then use bank-level analyses to demonstrate the mechanism – the small business credit supply. Community banks maintain their lending following extreme weather events, while other banks reduce it. These findings provide novel evidence on how local financial institutions strengthen economic resilience through extreme weather events. As policymakers develop strategies to mitigate the effects of extreme weather events, local finance may be a solution.

#### 3. THE (VERY) LONG-RUN IMPACTS OF CASH GRANTS DURING A CRISIS

Filder Aryemo, Nathan Fiala, and Julian Rose (RWI and University of Passau, Germany)

We investigate the long-run impacts of a randomized entrepreneurial cash grant in Uganda during COVID-19 lockdowns, twelve years after the intervention. Previous research documented considerable positive effects after four years, which vanished after nine years. For the 12-year follow-up, we find positive effects on employment and income, but for men only, and no effects on food security. These gender-specific, re-surfacing effects might not be the last word on the program's long-term impact. Rather, our paper emphasizes that the timing of such assessments matters, particularly in the presence of shocks that may mediate the intervention's impact long after its implementation.

# **SESSION 3**

#### **HEALTH I**

9:00 - 10:30 Glaspavillon Chair: Martin Karlsson

#### 1. CHILDHOOD POVERTY AND HEALTH ACROSS THE LIFE CYCLE: A MACHINE-LEARNING ANALYSIS

Dercio De Assis (University of Exeter, UK)

This paper analyzes data from urban Brazil using supervised machinelearning techniques to shed greater light on the role that childhood poverty plays in lifelong health and longevity. By examining unique census data collected over a 10-year period from thousands of very small, subneighborhood-level geographic areas, I document that child poverty measures have higher predictive power than other major socioeconomic variables, including household income, in forecasting child and adult health outcomes and lifespans. Moreover, using a rich dictionary of hundreds of variables and different data-driven specification selections, the machinelearning models reveal that reducing childhood poverty is strongly associated with better health outcomes, and that experiencing more severe deprivation in childhood is associated with more negative outcomes in both long-term health and lifespans. I find that experiencing poverty during one's childhood is associated with decreases in survival up to age 60 of 3.8 percentage points. The findings underscore the value of targeting policy to reduce poverty, particularly extreme poverty, among children as an effective lever to improve human development and extend life expectancy.

#### 2. EDUCATION AND INEQUITIES IN SOCIAL HEALTH PROTECTION PROGRAMS. EVIDENCE FROM PAKISTAN

Vendula Knust Stepanik (University Erlangen-Nürnberg, Germany) and Andreas Landmann

This paper investigates the role of education as a possible barrier to the utilization of social protection programs. We focus on a large-scale free health insurance innovation in the province of Khyber Pakhtunkhwa, Pakistan. We are able to combine household panel data including detailed health information as well as household census data with administrative data on insurance enrollment and utilization. We show descriptively as well as controlling for temporal and spatial differences in the enrolment campaign, that education positively correlates with the utilization of the scheme, and that this correlation exists for both male and female education. Moreover, we exploit data on public school construction and use the establishment of girls' schools as an instrument for local female education for causal inference. We find that female education significantly increases health insurance utilization on the individual as well as household level. The results suggest that this pro-poor social health protection program entails implicit barriers, making it less egalitarian than possibly intended.

#### 3. DISCONTINUITY IN PRIMARY CARE AND ITS EFFECTS ON HEALTH-CARE UTILIZATION – EVIDENCE FROM RESIGNING GERMAN GENE-RAL PRACTITIONERS

Daniel Monsees (RWI Essen and Leibniz Science Campus Ruhr, Germany) and Matthias Westphal

Primary care is crucial in the healthcare system because the close relationship between General Practitioners (GPs) and their patients may help GPs make informed decisions about the best treatment options. If these informal relationships were important, resigning GPs – a phenomenon the German healthcare system will particularly face in the near future – would pose huge challenges to efficient healthcare provision. However, it remains unclear whether the negative consequences of discontinuity in primary care apply to a system where patients have more freedom to choose their healthcare providers, including GPs. We use data from a large German statutory health insurer to investigate this. The results show that when physicians leave, their former patients persistently reduce their

primary care utilization, only partially substituting it for specialist visits and hospital care. The effects on primary care seem to be driven by reduced contacts once a new GP is found, larger practices, and different practice styles of the new GPs. Mortality, however, is unaffected.

# **SESSION 4**

#### **MACROECONOMICS I**

9:00 - 10:30 Room 1 Chair: Volker Clausen

#### 1. DIRECTED SEARCH ON THE MARRIAGE MARKET

#### Wietse Leleu (KU Leuven, Belgium)

In this study, a static two-sided directed search model is applied to the marriage market to unravel male and female preferences over partner characteristics and terms of marriage given observed matches. The model takes into consideration the trade-off individuals face when searching for a partner, balancing between partner characteristics, terms of marriage, and matching probability. By using data from the ACS 5-year PUMS dataset (2015-2019), the study will estimate this equilibrium search-and-matching model and derive identifying power from variation in gender ratios across US regions. A unique aspect of this study is the incorporation of the collective household model literature by defining the terms of marriage as the distribution of bargaining power in the next relationship. Counterfactual analyses will also be conducted to examine the impact of exogenously changing the gender ratio on individuals' searching behavior.

#### 2. FISCAL POLICY IN A MULTISECTOR TANK MODEL

#### Tobias Müller (Boston College, USA) and Shane McMiken

We introduce a multisector Two-Agent New Keynesian (TANK) model with heterogeneous households, segmented sectoral labor markets and a multisector production network to study the impact of sector-specific government spending on the economy. The model features an intersectoral Keynesian cross from which we derive a MPC-augmented network multiplier. We formulate analytically that both terms together, the Keynesian spending multiplier and the network multiplier, govern the size of the sectoral fiscal stimulus. The extent to which sectoral heterogeneity in marginal propensities to consume (MPCs) affects the propagation of shocks depends on the way the production network is arranged. The intersectoral Keynesian spending multiplier is particularly strong with a more interconnected production network and a larger fraction of high-MPC households employed in labor-intensive sectors. Using household balance sheet data from the survey of consumer finance for the U.S., we show that there are substantial and persistent divergences in household portfolios and in the proportion of hand-to-mouth households between sectors. In a stylized multisector TANK framework, we then examine the role of the production network, household heterogeneity and nominal rigidity in the transmission of sectoral shocks. When calibrating the model to the U.S. economy, we find sizable differences in sectoral government spending multipliers and in the distributional effects of sector-specific government expenditures.

#### 3. ECONOMIC FORECASTING WITH GERMAN NEWSPAPER ARTICLES

#### Simon Wintter (University of Göttingen, Germany)

We introduce a new leading indicator for the German business cycle based on the content of newspaper articles from the Süddeutsche Zeitung. We use the rapidly evolving technique of Natural Language Processing (NLP) to transform the content of daily newspaper articles between 1992 and 2021 into topic time series using an LDA model. These topic time series reflect broad sectors of the German economy since 1992, in particular the precisely timed signals of the Great Financial Crisis and the Corona outbreak in Germany. We use the Newspaper Indicator in a Probit model to demonstrate that our data can be considered as a new leading indicator for predicting recession periods in Germany. Moreover, we show in an out-of-sample forecast experiment that our Newspaper Indicator has a predictive power for the German business cycle across all tested 29 target variables that is as strong as established survey indicators. Industrial Production, the Stock Market Index DAX and the Consumer Price Index for Germany can even be predicted out-of-sample more accurately with our indicator than with survey indices of the Ifo Institute and the OECD.

# **SESSION 5**

#### **MIGRATION**

9:00 - 10:30 Room 4 Chair: Julia Bredtmann

#### 1. OPPORTUNITIES OR BENEFITS: LOCAL CONDITIONS AND REFUGEE LABOR MARKET INTEGRATION

Katia Gallegos Torres (IAB Nuremberg, ZEW Mannheim, Germany and University of Innsbruck, Austria), Andreas Steinmayr, and Valentin Wett

How does labor demand and the generosity of welfare benefits affect the labor market integration of refugees? We analyze the effect of both factors in a common framework. For identification, we exploit the exogenous placement of refugees in Austria, business cycle fluctuations, and large variation in benefit levels between federal states and type of protection. Higher labor demand at the time of receiving protection status increases employment rates and decreases the likelihood to receive welfare benefits. But the effects are short-lived. Higher benefit levels reduce employment rates initially but the effect is economically small and also temporary. Higher benefit levels also reduce the marginal effect of changes in labor demand. Both shocks do not affect the likelihood of remaining in Austria but do affect internal migration.

#### 2. REFUGEE MIGRATION AND BUSINESS REGISTRATIONS

Zohal Hessami, Sebastian Schirner and Clara Wobbe (Ruhr-University Bochum, Germany)

This paper examines the effect of refugee migration on local business registrations. We exploit the large sudden intake of asylum seekers in 2015/16 which varies significantly across the about 400 German districts (Kreise). To address potential endogeneity in the allocation of asylum

seekers, we instrument asylum seekers with within-state allocation quotas. We combine unique data on business registrations at the district level with data on asylum seeker arrival in Germany between 2007 and 2021. Our findings indicate that a higher number of asylum seekers per capita in a district leads to more business registrations per capita. Conversely, an increasing number of asylum seekers per capita has no effect on business deregistrations.

#### 3. PRO-IMMIGRANT LEGISLATION AND FINANCIAL INCLUSION: THE EFFECTS OF SANCTUARY POLICIES ON THE MORTGAGE MARKET David Zuchowski (RWI Essen and University of Duisburg-Essen, Germany)

Does pro-immigrant legislation improve financial inclusion? This paper examines how granting safe havens for immigrants impacts Hispanics' financial behavior and discrimination against them in the U.S. mortgage market. To identify the effect, I take advantage of the staggered implementation of sanctuary policies across counties between 2010 and 2021. Using an event study approach, I find that sanctuary policies increase the demand for mortgages among Hispanics. I also find evidence of a decrease in the rejection rates of mortgage loans requested by Hispanics in counties that implemented sanctuary policies. Politically volatile and Republican-leaning states are the main drivers of the reduction in this potential discriminatory behavior. Taken together, the findings underscore the importance of inclusive public policies in promoting financial inclusion of immigrants.

# **SESSION 6**

#### **DEVELOPMENT II**

11:00 - 12:30 Room 2 Chair: Julian Rose

#### 1. HISTORICAL DROUGHT AND FDI IN LOW-INCOME COUNTRIES: COMMUNITY LEVEL ANALYSIS

#### Wondatir A. Gebre (Lancaster University, UK)

This paper examines the long-term effects of the 1984 severe drought on FDI inflows into Ethiopian communities. By leveraging district-level variations in drought incidence, we merged innovative firm-level data with a nationally representative household survey from 2011 to 2015. Through the application of a GIS-based drought monitoring index, historically affected communities are identified. The primary aim is to uncover the complex connection between past droughts and FDI at the community level. Our findings reveal a substantial, up to 13%, reduction in the likelihood of FDI arrivals in historically drought-affected areas compared to unaffected counterparts. Mediation analysis highlights educational attainment as a pivotal mechanism in shaping FDI outcomes. This paper contributes by addressing diverse dimensions of drought impact in low-income countries, emphasizing often overlooked community-level effects. Our insights advance the understanding of the relationship between environmental challenges, economic performance, and global investment trends, offering valuable considerations for sustainable development in droughtprone regions.

#### 2. LOST IN THE DESIGN SPACE? CONSTRUCT VALIDITY IN THE MICRO-FINANCE LITERATURE

Jörg Ankel-Peters, Lise Masselus (RWI Essen and University of Passau, Germany) and Christina Petrik

While results from individual Randomized Controlled Trials (RCTs) often do not hold beyond the particular setting under study, the accumulation of many RCTs can be used to guide policy. But how many studies are required to confidently generalize? Our paper focusses on construct validity, an important element affecting the generalizability of RCTs that is often neglected. Construct validity deals with how the operationalization of a treatment corresponds to the broader theoretical construct it intends to speak to. The universe of potential operationalizations is referred to as the design space. We use microfinance as an empirical example, a literature that is exceptionally rich in RCTs. By systematically reviewing 38 microfinance RCTs, we demonstrate that even this deep experimental literature only covers a tiny fraction of the design space and that small variations in the treatment design matter for the observed treatment effects. Construct validity is hence low if individual papers make general statements about the impact of microfinance – which most papers in our review do. Construct validity could be high if a paper semantically restricts its findings to the treatment under evaluation and abstains from generalizing to the construct "microfinance" - thereby trading relevance for rigor. We provide a conceptual framework that outlines multiple construct validity concerns and offer some guidance on how to deal with construct validity.

#### 3. DOES CHINESE OFFICIAL DEVELOPMENT FINANCE PROMOTE GROWTH AND GREEN ENERGY GENERATION?

Michael Frenkel and Leoni Mendler (WHU – Otto Beisheim School of Management, Germany)

China has become a leading international creditor and is now competing with traditional Western donors and lenders. Between 2000 and 2017, China committed more than USD 840 billion in official finance to developing countries. The flagship Belt and Road Initiative, launched in 2013, provides for unprecedented infrastructure investment in about 150 countries. Western criticism of a lack of transparency prompted speculation about the economic effectiveness and environmental impact of Chinese lending abroad. We examine whether Chinese official finance to Africa between 2000 and 2017 contributes to economic growth and leads to a "greener" electricity generation, the backbone for a sustainable energy transition on the continent. To avoid endogeneity concerns, we employ an instrumental variable approach that relies on the exogenous variation in the availability of Chinese official finance over time. Our findings suggest that Chinese lending, in particular development-oriented finance, boosts economic growth and promotes a sustained use of renewable energies in the electricity sector in the short run.

# **SESSION 7**

#### **HEALTH II**

11:00 - 12:30 Glaspavillon Chair: Martin Karlsson

#### 1. LONG-RUN EFFECTS OF AN BEHAVIORAL INTERVENTION: EXPERIMENTAL EVIDENCE FROM MEAT CONSUMPTION

Jana Eßer (RWI Essen and Ruhr-University Bochum, Germany), Manuel Frondel, and Daniela Flörchinger

This study addresses the challenge of reducing meat consumption by implementing informational and supportive newsletter interventions over a four-month period. In a field experiment, we sent our newsletters to participants via email every two weeks for four months, and we observed self-reported meat consumption before the intervention and in four follow-up periods over one year using online surveys. One newsletter focused on the environmental benefits of reduced meat consumption, while the other provided vegetarian recipes. While meat consumption, in general, declined over time, this decline did not statistically significantly differ between the treatment groups and the control group. This suggests that informing individuals about the environmental benefits of reducing meat consumption and providing support through vegetarian recipes may have a limited overall impact.

#### 2. DO WIND TURBINES HAVE ADVERSE HEALTH EFFECTS?

Christian Krekel, Alexander Roth (German Institute for Economic Research and Technische Universität Berlin, Germany) and Johannes Rode

While wind power is considered key in the transition towards net zero, there are concerns about adverse health impacts on nearby residents. Based on precise geographical coordinates, we link a representative longitudinal household panel to all wind turbines in Germany and exploit their staggered rollout over two decades for identification. We do not find evidence of negative effects on general, mental, or physical health in the 12-Item Short Form Survey (SF-12), nor on self-assessed health or doctor visits. We also do not find evidence for effects on suicides, an extreme measure of negative mental health outcomes, at the county level.

#### 3. TRANSITION TO MOTHERHOOD: THE ROLE OF HEALTH

Irina Simankova (Universität Erlangen-Nürnberg, Germany) and Harald Tauchmann

The age at which women in Germany become mothers for the first time is ever increasing. Therefore, fertility determinants that might deteriorate with age such as health and their effect on reproductive patterns should be given more attention. We explore the effect of subjective general health of women of reproductive age on the conditional probability to enter motherhood.

Based on estimating linear discrete-time hazard models using survey data from Germany, we do not find a homogeneous health effect on the probability of having a first child. Yet, allowing effect heterogeneity over the span of reproductive age reveals that the role of health is ambiguous. While good health is associated with a lower probability of entering motherhood at the beginning of the reproductive phase, the opposite holds for the late reproductive phase. This pattern is robust to employing different estimation methods (parametric, non-parametric), conditioning on socio-economic characteristics, and to taking unobserved individual-level heterogeneity into account.

# **SESSION 8**

#### **MACROECONOMICS II**

11:00 - 12:30 Room 1 Chair: Almut Balleer

1. STAGE-BASED) IDENTIFYING THE EFFECT OF WAR ON INFLATION

Acauã Brochado (GSEFM, Goethe University Frankfurt, Germany)

Identifying the causal effect of a macroeconomic shock that hits the whole country, or the whole world, at the same time, is still a challenge. Identifying what is moving inflation is especially important to guide central banks in their monetary policy decisions. A big war, potentially, can impact inflation simultaneously across the globe, and a novel method may be able to clearly identify its effect. I apply the Stage-Based Identification method on inflation data for countries in the Eurozone, regions in USA, regions in Brazil, and Länder in Germany to estimate the impact on inflation of Russia invading Ukraine in 2022. The results indicate that, given the state of the world at the time, the war had a positive and economically relevant impact, between 1 and 2 percentage points, on headline inflation in most countries studied. But in Europe, the great spike in inflation observed between 2021 and 2022 was only partially explained by it.

#### 2. DOES QUANTITATIVE EASING WORK IN THE SAME WAY EVERYWHERE? EVIDENCE FROM THE COVID-19 PANDEMIC

#### Anna Carruthers (University of Oxford, UK)

Does Quantitative Easing (QE) work in the same way everywhere and, if not, what explains the differences observed? Compared to previous schemes undertaken in advanced economies, QE's impact in emerging markets defies precedent. Using event study methods, I show that smaller, emerging market QE schemes induced greater falls in bond yields than larger schemes in advanced economies. Moreover, seemingly similar announcements caused large falls in yields for some countries while having the opposite effect in others. By disaggregating QE's impact into different channels, I argue this heterogeneity can be explained by differences in channels which were insignificant in previous QE episodes. Initial correlations suggest that QE's heterogenous impact on the expected path of short-term rates, market liquidity and perceptions of sovereign default risk can explain cross-country differences. I develop a stylised structural model which incorporates these additional channels, and examines how outcomes under optimal policy vary with the strength of these channels. Ceteris paribus, when the effect of these channels is larger, QE has greater potency as a countercyclical policy.

#### 3. INFLATION EXPECTATIONS AND CONSUMER SPENDING: HIGH VS. LOW INFLATION

Stefanie J. Huber, Anna Mogilevskaja (University of Bonn, Germany) and Tobias Schmidt

This paper examines the relationship between inflation expectations and consumer spending in low and high inflation environments. We find that the effect of short-term inflation expectations is twice as large in a high inflation environment as in a low inflation environment, even when we control for expected income changes and wealth. However, this is only true for future spending as the first moment of inflation expectations has no significant effect on current spending, regardless of the inflation environment. We also investigate the role of uncertainty in inflation expectations and show that uncertainty determines intertemporal decision making, although the absolute marginal effects decrease in the high inflation environment. These results suggest that other channels, such as increasing attention to inflation in high inflation environments, affect the relation between inflation expectations and spending decisions.

# **SESSION 9**

#### **POLITICAL I**

11:00 - 12:30 Room 4 Chair: Galina Zudenkova

#### 1. FLIP-FLOPPING AND ENDOGENOUS TURNOUT

Alexandre Arnout (Aix-Marseille School of Economics, France)

I consider a model where two candidates compete in an election maximizing their vote share. These candidates are associated with an exogenous initial position by the citizens. A deviation from this position during the election is called flip-flopping, it impacts negatively citizens' utility. Moreover, citizens can choose to abstain due to alienation. I show how the alienation threshold shapes candidates' flip-flopping strategy. When the alienation threshold is high, i.e, citizens decide to vote when they are very satisfied by their preferred candidate, there is no flip-flopping at equilibrium. When the alienation threshold is low, candidates have room to flip-flop toward the center of the policy space. Finally, I study an alternative model where candidates maximize their number of votes. I show that polarization appears under certain conditions that I fully characterize.

#### 2. REDISTRIBUTION, MORAL HAZARD, AND VOTING BY FEET: AN EXPE-RIMENT

#### Alisa Frey (DICE, University of Duesseldorf, Germany)

In a laboratory experiment, participants first choose between two purely redistributive tax regimes and then generate income through a real effort task. High taxes insure against unfavorable gross incomes, but increase effort-reducing moral hazard. The results suggest that subjects' initial tax choices behind a veil of ignorance are quite heterogeneous. Overconfident (underconfident) subjects are more (less) likely to choose low taxes. When familiar with the task and their relative gross incomes, subjects choose the tax rate opportunistically: High-income subjects tend to choose the low rate, while low-income subjects tend to choose the high rate myopically. Voting by feet eventually leads to a high proportion of subjects choosing the low tax. A control treatment in which the tax rate is exogenous controls for selection and helps to identify the moral hazard effect, which is mainly driven by those above the median. A further treatment in which income is randomly given helps to quantify subjects' redistributive preferences arising from income uncertainty.

#### 3. QUADRATICALLY NORMALIZED UTILITARIAN VOTING

Rajarshi Ghosh (ESSEC Business School and CY Cergy Paris Université, France) and Marcus Pivato

We propose a new voting mechanism in which voters simultaneously report their von Neumann-Morgenstern (vNM) utility functions across multiple decision problems, each of which has a finite number of alternatives. Each voter must report a real-valued valuation" for each alternative of each decision. Each voter's valuation vector is rescaled to have unit magnitude (where this magnitude is measured using a specially constructed quadratic form). We show that it is a dominant strategy for each voter to reveal her true vNM utility function. With very high probability, the mechanism selects the alternative that maximizes a weighted utilitarian social welfare function. The mechanism does not use money and does not assume quasilinear utilities.

# **SESSION 10**

#### **REGIONAL I**

11:00 - 12:30 Room 3 Chair: Jens Wrona

#### 1. CONNECTING EU REGIONS: THE INFLUENCE OF ROAD CONSTRUCTION ON REGIONAL TRADE

Christiane Hellmanzik, Maren Kaliske (TU Dortmund and RTG 4284 Regional Disparities and Economic Policy, Germany) and Jens Wrona

Do cohesion policies and infrastructure investments increase regional trade integration in the EU? Using the EU's commodity flow survey (ERFT) for the years 2011-2019 and infrastructure investments as part of the Trans-European Transport Network (TEN-T), we find an inter-regional trade enhancing effect on NUTS-2 inter-regional trade flows. To ensure that this result is not driven by endogenous timing or location of these projects, we consider the effect of road construction at NUTS-2 pair level and focus on NUTS-2 pairs which are incidentally affected by road construction outside the region of origin or destination. This study thereby provides novel empirical evidence of a trade enhancing effect across intra-national as well as international borders for mainland EU NUTS-2 regions.

#### 2. PUBLIC EXPENDITURE SPILLOVERS IN MEXICO

#### Alejandro Moreno Jimenez (University of York, UK)

The public spending of municipalities in Mexico represented 6.5% of total government expenditure during 2021 while the average of the federal OECD coun- tries was 14%. Furthermore, there is a fiscal imbalance (the spending responsibilities are bigger than the own resources) in the sub-national governments, reducing the incentives of the sub-national governments to provide good quality public goods (Dougherty, Harding, and Reschovsky 2019). To improve the fiscal system in Mexico it is important to identify the fiscal interactions between the sub-national governments. This research aims to identify these interactions among municipalities in Mexico through spatial econometrics. The results show there is spatial and temporal interdependence between the public spending: The public goods are complementary and there is an incremental behaviour in the public expenditure per capita.

#### 3. REGIONAL DETERMINANTS OF ATTITUDES TOWARDS IMMIGRANTS Julia Peter (Friedrich Schiller University Jena, Germany) and Silke Uebelmesser

Attitudes toward immigrants play a crucial role in voting behaviour and political decision-making. Such attitudes are shaped by individual characteristics, but the regional environment may also be important. This paper examines how individual attitudes toward immigrants are related to the economic, political, and social environment. We use individual level data based on a large-scale representative survey and district-level administrative data. Specifically, we examine regional variation in economic growth, voting patterns, and characteristics of the immigrant population and their relation to beliefs about and attitudes toward immigrants. We also use an information experiment in which information about the actual characteristics of the immigrant population in Germany is provided and assess its impact on attitudes toward immigrants in the regional context. Our results suggest that the impact of the environment – over and above individual characteristics – is small and depends on the type of attitude.

# **SESSION 11**

#### **EDUCATION I**

13:30 - 15:00 Room 2 Chair: Sebastian Otten

#### 1. THE DIVERGENCE OF SCHOOL TRACK CHOICES AFTER COVID-19

Philipp Breidenbach, Lukas Hörnig (RWI Essen and Ruhr-University Bochum, Germany) and Sandra Schaffner

During the pandemic, many measures were taken to prevent the spread of Covid-19. Some of these measures, such as school closures, directly affected students. Children from different backgrounds are likely to have different abilities to cope with the challenges of the pandemic and associated countermeasures. We analyse whether pre-existing differences in transition rates from primary schools in low-income and high-income neighborhoods to secondary schools have widened. Our results show that the transition rate from primary schools to Gymnasium, the academic track, increased by 1.5 percentage points in primary schools in high-income neighborhoods compared to primary schools in low-income neighborhoods, suggesting that the pandemic increased educational differences in Germany. We provide suggestive evidence that children's technological equipment and parents' capabilities to help their children differ across neighborhood types.

#### 2. CONGESTION IN A HIGHER EDUCATION REFORM IN ECUADOR: TRANSITIONING FROM A DECENTRALIZED TO A CENTRALIZED APPLICATION PROCESSES

Carla Canselas and Ignacio León Nina (University of Paris 1 Panthéon Sorbonne - CES, France)

This paper examines the effects of Ecuador's 2012 higher education reform on informal employment and university enrolment. We exploit geographical variation in the number of universities per 100,000 inhabitants and the timing of the announcement of the reform to implement a difference-in-differences and a triple differences approach. Overall, we find that the reform increased informal employment and had a detrimental effect on the likelihood of an individual enrolling in a university immediately after completing high school, due to the reduction in available seats; although the latter effect was contrasted by the positive effect of transitioning from a decentralized to a centralized application process.

#### 3. AGE-BASED CAREER OPPORTUNITIES AND GENDER DIVERSITY IN ACADEMIA

#### Hyejin Ku and Jiangnan Liao (University College London, UK)

This paper examines the impact of the 2011 funding reform of the National Natural Science foundation of China (NSFC), the largest funding agency in China. Aimed at increasing female representation among its grantees and in Chinese science more broadly, the reform introduced a five-year, female-only age extension (from 35 to 40) in the eligibility requirements for its Young Scientist Grant (YSG) program. Using data on the universe of NSFC grants, we assess the impact of the reform from the perspective of the funder and the affected scientists. We find that after the reform, the proportion of women among YSG awardees increased by 10 percentage points, or 30 percent of the pre-reform proportion. The quality (measured by pre-award publications) of female awardees over the age of 35 does not differ from that of male awardees. In a cohort analysis, we also find that women scientists affected by the reform are 15 percentage points more likely to hold an active grant by age 42 than otherwise, driven primarily by the YSG, with little evidence of crowding in or crowding out from other types of grants. Although not intended, the reform also increased the proportion of YSG allocated to previously underfunded regions and institutions, and increased the proportion of female team members on YSG-funded projects.

# **SESSION 12**

#### **HEALTH III**

13:30 – 15:00 Glaspavillon Chair: Daniel Kühnle

#### 1. IMPACT OF LENGTH OF HOSPITAL STAY ON MORTALITY AND HEALTHCARE USAGE

Rebecca Leber (RWI Essen, University of Duisburg-Essen and Leibniz Science Campus Ruhr, Germany)

The length of hospital stay is a main driver of hospital costs. Nevertheless, a reduced length of stay may lead to avoidable hospital readmissions, increased healthcare utilization, and could potentially be associated with health risks. I study the impact of an additional day in hospital on mortality and healthcare use. I estimate causal effects by using state variant public holidays in the week after hospital admission as an instrument for length of hospital stay. I document that a prolonged hospital stay leads to a reduction in the number of doctor cases and use of rehabilitation clinics in the 30 days after discharge. In contrast, I do not find any impact on mortality or hospital readmissions in the same time period. The effects hold for individuals in nursing homes and for individuals who receive long-term care at home.

#### 2. HEALTH BELIEFS AND THE LONG RUN EFFECT OF MEDICAL INFORMATION

Jérôme Adda and Manuela Puente Beccar (Bocconi University, Italy and Max Planck Institute for Research on Collective Goods, Germany)

This paper studies the role of information on the evolution of beliefs and smoking in the United States in the 20th and early 21st centuries. We develop a dynamic and dynastic model of smoking, mortality and beliefs. The information about the harmfulness of smoking comes from three different sources: (i) medical information or public health messages, including obfuscation from the tobacco industry, (ii) learning from individual health shocks, and (iii) social learning, understood as the diffusion of information and beliefs within and across social groups over time. We estimate the model using data on smoking behavior, health information and data on beliefs on the effect of smoking on health that cover several decades and different social groups. The estimated model shows that each of these mechanisms played an important role in the formation of beliefs about the harmfulness of smoking, and that social learning was particularly important for low educated individuals.

#### 3. A HIDDEN HEALTH IMPACT OF HEAT: EXACERBATED ANEMIA IN INDIA

Claire Lepault, Philippe Quirion and Pierre Uginet (Paris Jourdan School of Economics and Ecole Nationale des Ponts et Chaussées, France)

Global warming has increasingly negative health effects, particularly in relatively poor and hot countries such as India. These impacts are partly direct, caused by hyperthermia, and partly due to vector-borne diseases and reduced food availability. While numerous harmful health effects of high temperatures have been established, there is very little research on their possible impact on anemia, a medical condition affecting one-quarter of people worldwide and 43\% of India's population. Using health, nutritional and climate data, we analyze the relationship between high temperatures and anemia in India over the past decade. We examine both dry heat waves (high temperatures) and humid heat waves (combination of high temperatures worsen anemia in children and women. Moreover, the mechanisms responsible do not seem to be related to reduced food availability, but malaria could explain part of the relationship between temperature and anemia.

# **SESSION 13**

#### **MACROECONOMICS III**

13:30 - 15:00 Room 1 Chair: Michael Lamla

#### 1. FISCAL INFLATION ACCORDING TO HANK

Matthias Hänsel (Stockholm School of Economics, Sweden)

How does public debt matter for inflation? If it is useful for the private sector to insure against idiosyncratic risk, as in recent Heterogeneous Agents New Keynesian (HANK) models, then government debt expansions can be inflationary. This holds in the presence of an active Taylor rule and requires neither the absence of future fiscal consolidation, nor fiscal policy engaging in ex-ante redistribution or government consumption. After establishing these results using an analytically tractable model, I evaluate the underlying mechanism using a full-blown quantitative 2-asset HANK model. The structure of the asset market crucially shapes the inflationary effects of public debt, which can be substantial. Suitable monetary policy, however, can counteract such pressures: according to HANK, central bankers should care about public debt even under "passive" fiscal policy.

#### 2. THE EFFECT OF UNCONVENTIONAL FISCAL POLICY ON CONSUMPTION - NEW EVIDENCE BASED ON TRANSACTION DATA

Peter Kress (University of St.Gallen, Switzerland) and Winfried Koeniger

We use transaction-level card expenditure data to estimate the effect of the temporary value-added tax (VAT) rate cut in Germany in the second half of 2020. We use card expenditures in Austria as control because no analogous VAT cut was implemented in Austria and spending of Austrian households provides a stable benchmark to compare spending of German households against. As predicted by consumption theory, we find that the temporary VAT cut increased the consumption growth rate more for durable goods, with a stronger effect close to the end of the cut. The annualized growth rate of expenditures for durables increased by 7.5 percentage points (pp) during the VAT cut, with a particularly strong increase of up to 23.6 pp for consumer electronics. The consumption growth rate for semi-durables increased by 5.6 pp, and for non-durables by 2.6 pp. These estimates based on transaction data imply a four times smaller effect of the temporary VAT cut on durable expenditures than the estimates based on surveys in Bachmann et al. (2021), and a fiscal shortfall that is 23 bn larger.

#### 3. PUBLIC DEBTS STABILITY AND POLICY MIX IN THE EURO AREA

Francois Langot and Hugo Minnella (CEPREMAP (ENS-PSE) and Le Mans University (GAINS), France)

This paper highlights the specifics of a monetary union, such as the Euro area, regarding the choices of monetary and fiscal policies. We show that only one policy can be active, while others fiscal and monetary policies should be passive. However, as the dynamics of public debts are specific to the choices made by each government, the stability requires coordination of fiscal policies, particularly in the case of a liquidity trap situation. Thus, a fiscal union, taking the form of a common debt as the one issued during the Covid19 crisis, guarantees the dynamic stability of the area, notwithstanding the monetary policy, chosen or constrained—thus improving institutional robustness of the European Union.

# **SESSION 14**

#### **POLITICAL II**

13:30 – 15:00 Room 4 Chair: Galina Zudenkova

#### 1. POLITICAL BUDGET CYCLES AND ALIGNMENT IN FEDERAL SYSTEMS: THE CASE OF INDIA

Sourav Das (University of Kassel, Germany), Patrick Hufschmidt, and Konstantinos Theocharopoulos

This paper introduces a theoretical model where the central governor proposes loans to state governors before federal elections, aiming for increased provision of public goods to enhance the likelihood of the central governor's reelection. Aligned state governors are expected to accept these loans to support their ally's stay in office, while non-aligned states are anticipated to reject them. We aim to investigate how various exogenous variables influence the decisions of both the incumbent and state governors. Empirical validation involves analyzing budget components across major Indian states from 2001 to 2022. Aligned swing states, when federal elections are closer than concurrent state elections, witness a substantial 307.7 percent increase in loan allocations, leading to noticeable boosts in development and social expenditure by 30.4 and 28.3 percent, respectively. These findings robustly support the core theory of the study, unveiling the intricate interplay between political dynamics and fiscal policies in federal structures.

#### 2. CENSORSHIP IN DEMOCRACY

Marcel Caesmann, Lorenz Gschwent (University of Duisburg-Essen, Germany) and Janis Goldzycher

Many countries have faced democratic backsliding or autocratization in recent years. A critical factor in this downturn is the declining trust and affinity towards democratic values and institutions, often driven by

foreign propaganda and misinformation. This study investigates one potential countermeasure to such challenges: the use of censorship within a democratic context. Focusing on the European Union's ban on Russian state-led news outlets during the 2022 Russo-Ukrainian conflict, we analyze 794,764 tweets from 134,570 users on the social media platform Twitter (now known as X), employing a difference-in-differences strategy. We find that the ban significantly reduced the volume and intensity of pro-Russian slant among users previously interacting with Russia Today and Sputnik. While the ban's impact extended to the general public, it was less pronounced compared to the directly affected user group. We observe a nuanced response among other pre-ban suppliers of pro-Russian slanted media content. Extreme suppliers intensified their activities postban, whereas the most popular suppliers reduced their extremism and retweeting activities. These results underscore the ban's partial success and adaptations of the propaganda network, providing insights into the dynamics of information flow and censorship in democratic settings.

#### 3. SHOULD I MAIL OR SHOULD I GO: INSIGHTS FROM A ONE-TIME ALL-POSTAL ELECTION

#### Marius Kroeper (TU Dresden, Germany) and Valentin Lindlacher

We examine how eligible voters in Bavaria, Germany, change their voting behavior after some experience mail-in voting for their first time. Exploiting a natural experiment during the COVID-19 pandemic, when the runoff election in the 2020 local election was an all-postal election, we employ an event study using municipality-level data. The findings indicate a robust positive effect on total turnout in the 2021 federal election, with an increase of 0.5 percentage points, on average, as well as on mail-in turnout, with an increase of 1.0 percentage points. The effect is stronger for small municipalities and for municipalities with a low voter turnout in the last federal election. These results contribute to the understanding of how citizens' behavior changes when more information about mail-in voting reduces cognitive costs and to habit formation in terms of the voting mode.

## **SESSION 15**

#### **REGIONAL II**

13:30 - 15:00 Room 3 Chair: Jens Wrona

#### 1. FLOODED FRIENDS - PEER EFFECTS IN INSURANCE DECISIONS

Felix Dornseifer (TU Dortmund University, Germany)

This paper investigates peer effects in homeowners' decision to insure their property against elemental damages. To do so, the 2021 flood in the Western parts of Germany is used as a shock to estimate a differencein-difference model, leveraging real-world social networks, measured through friendship links on Facebook. The analysis focuses on regions unaffected by the flood, exploiting differences in the connectedness to the flooded regions. Results demonstrate a significant effect of social connectedness on insurance variables: A doubling of social connectedness leads to a 5.2% - 6.2% increase in policies, premiums, and coverage. By examining regions with similar topographies to the flood-affected areas, the paper further shows that social learning is the predominant mechanism driving the effects which are most pronounced in the first three months post-flood. The findings are robust across various model specifications.

#### 2. WHAT DETERMINES LOCAL HOUSING AFFORDABILITY? A DECOMPOSITION ANALYSIS OF RESIDUAL INCOME DISTRIBUTIONS IN GERMANY 2002-2018

#### Marco Schmandt (Technical University of Berlin, Germany)

Using detailed survey data from the German microcensus, I analyze changes in the distributions of housing affordability for renters in three local housing markets (Berlin, Cologne, Ruhr area). Despite (strong) real increases in rents, housing affordability, measured as the income net of housing expenditures (residual income), increased between 2002 and 2018 along the entire distributions in two of the three markets. I document that at the same time the socio-demographic (education, age, household size) and housing market compositions (locational quality, living space per person, mobility) changed in all housing markets and propose that these compositional changes could contribute to the observed increases in residual incomes. To assess the impact of compositional changes on local housing affordability, I apply a decomposition method based on recentered influence function regressions (Firpo, Fortin & Lemieux 2018) to decompose changes in residual incomes along the local affordability distributions into a component that can be attributed to compositional changes and a residual component that must be attributed to changes in preferences and implicit prices. I show that at the local level and along the whole distributions, a major part of the increases in residual incomes is explained by changes in the composition of socio-demographic characteristics.

### 3. HOUSING MARKET CONGESTION AND INTERNAL MIGRATION IN EUROPE

#### Charles Zhang (University of Oxford, UK)

Housing plays a crucial role in influencing inter-regional relocations (U.S. Consensus (2022)). Employing a parsimonious spatial search and matching model, this research reveals that congestion faced by renters could lead to out-migration-a phenomenon distinct from the well-documented "lock-in" and cost-related channels. Moreover, the correlation between congestion and inter-regional relocation is likely state-dependent, wherein migration flow directions may vary based on the tightness of the market. The central mechanism is the trade-off between the thick-market effect and congestion externality. If the latter dominates, an increase in congestion leads to reduced housing consumption, incentivising outmigration. Conversely, if the former dominates, such an increase could result in in-migration. Leveraging a proprietary micro-dataset obtained from a prominent property consulting company, I construct a congestion measure aligned with the theoretical framework for 34 major European cities spanning 2009-2021. Subsequently, I demonstrate a positive overall correlation between congestion and out-migration, while emphasising the state-dependent nature of this relationship, thereby validating the model's insights. These novel empirical patterns are the first to unveil the association between congestion and inter-regional relocation. Policy analysis utilising the theoretical framework underscores potential adverse implications of imposing rent subsidies in cities with tight housing markets. In contrast, expanding the housing stock could be welfare-enhancing. The essence of these policy implications lies in the search and matching frictions; outcomes would be different if the housing market were Walrasian.

#### **EDUCATION II**

15:15 - 16:45 Room 2 Chair: Sebastian Otten

#### 1. THE ROLE OF PUBLIC SPACE: LIBRARIES AND RACIAL INEQUALITY IN EDUCATION

#### Lisa Hanzl (Freie Universität Berlin, Germany)

Public libraries help to mitigate inequalities and can therefore be considered essential social infrastructure. This paper examines the impact of public library closures, a loss of public indoor space, on U.S. educational outcomes between 2009 and 2018. Analyzing geo-located data on library closures and using a difference-in-differences approach, findings reveal that test scores declined in school districts that experienced closures. The effect is especially pronounced in districts with a majority non-white student body. A further mechanism analysis and the fact that language scores were less affected than math scores suggest that losing quiet study space and internet access might be key drivers behind this effect.

#### 2. INCOME SHOCKS, RISK COPING, AND HUMAN CAPITAL: THE EFFECTS OF ETHIOPIA'S CHILD MARRIAGE LAW

#### Arndt Reichert, Anne Simon (Leibniz-University of Hannover, Germany) and Alina Sowa

Child marriage still affects 40 percent of all girls in Sub-Saharan Africa, slowing down progress towards gender equality. For instance, girls who get married underage, tend to drop out of school early. Banning child marriage would, in turn, increase the chance of girls to stay in school and eventually graduate, thereby narrowing the gap in returns to education between boys and girls. This becomes especially relevant, when households face income shocks and have to decide, which of their children to remove from school and engage in income

generation. To shed light on this, we study the effects of a child marriage ban in Ethiopia that significantly increased women's marriage age on schooling and child labor of boys and girls. Using a difference-in-differences strategy, we exploit the staggered regional implementation of the reform between 2000 and 2009. Our findings suggest that the reform significantly increased school attendance of girls by on average 5.6 percentage points. This effect is largely driven by girls from rural areas who were old enough to be directly affected by the reform. Income shocks, however, don't seem to make a large difference in the effects. The school attendance of boys remained largely unaffected. At the same time, we observe a substantial rise in child labor incidence in both boys and girls from rural areas as a result of the reform. Therefore, the improvements in girls' schooling seem to have come at the expense of increased child labor.

#### 3. THE EFFECTS OF MATRILINEAL FAMILY NORMS ON GENDER DIFFERENCES IN SCHOOLING AND CHILD LABOR: EVIDENCE FROM AN INHERITANCE REFORM IN GHANA

Arndt Reichert, Alina Sowa (University of Bonn, Germany) and Anne Simon

In low- and middle-income countries, family norms significantly contribute to gender disparities, often leading to long-term disadvantages for females. Little is known about the gender-specific effect of family norms on child labor. To analyze the effects of such norms on gender-related child labor and schooling decisions, we exploit a Ghanaian inheritance reform that largely changed the inheritance system of matrilineal ethnic groups and weakened the core of matrilineal family norms. Using cross-sectional survey data in a difference-in-differences framework, our findings indicate that the inheritance reform significantly impacts child labor, leading to a 47 percent reduction in weekly work hours for girls and a 25 percent increase for teenage boys. Additionally, the reform is associated with a decrease in school attendance that is substantially larger for boys (13 percentage points) than for girls (7.6 percentage points). These findings imply that matrilineal family norms induce parents to protect their sons from child labor and invest in their schooling. However, this comes at the expense of their daughters, who have to work additional hours. We conclude that implementing reforms like those related to inheritance rights represents an initial, constructive move towards transforming family norms and subsequently improving the situation of girls by reducing their child labor.

#### **HEALTH IV**

15:15 - 16:45 Glaspavillon Chair: Daniel Kühnle

#### 1. BEING ON THE MARGIN OF BEING INDUCED EARLY BECAUSE OF HEALTH RISKS - CONSEQUENCES FOR HIGH BMI MOTHERS AND THEIR CHILDREN

Louis Fréget (University of Copenhagen and VIVE, Denmark) and Maria Koch Gregersen

Earlier routine induction remains a topic of discussion in many countries. In this paper, we study the consequences for one group of pregnancies that may gain more by such a policy: high-BMI women. Using a fuzzy-RD design, we exploit Danish obstetric guidelines mandating inductions for mothers with a BMI greater than 35 one week after the expected due date instead of 10-13 days after. We show that early induction improves neonatal health, reduces home nurse visits during first year after birth and maternal postpartum depression risks. We do not find any medium run labour supply effect.

#### 2. COMPULSORY MILITARY SERVICE AND HEALTH

Niklas Hübner (TU Dortmund, Germany), Karolin Süß and Nuan Stahl

This paper investigates the long-term effects of compulsory military service on health. To overcome endogeneity problems, we exploit the introduction of conscription in the German Democratic Republic (GDR) in 1962 where draft eligibility is based on the birth year. We apply a regression discontinuity design, where we compare health outcomes of birth cohorts close to the cutoff with each other. Using the Hospital Statistics from the German Federal Statistical Office, we find that conscripts are somewhat more likely to be hospitalized later in life, with hospitalizations increasing by 0.4 percentage points. This increase in hospitalizations is driven by a higher likelihood of musculoskeletal conditions. Considering the high prevalence of conscription policies in autocratic regimes, our results help to understand potential health drivers of a large fraction of the male population worldwide.

#### 3. EFFECT OF INITIAL LOCATION ASSIGNMENT ON HEALTH OF ASYLUM SEEKERS

#### Shobhit Kulshreshtha (Tilburg University, The Netherlands)

Asylum seekers face a unique situation where their initial location is assigned to them upon arrival in the host country. With location being a major determinant of health, understanding how this initial location assignment impacts the early health outcomes of asylum seekers is a critical question. Using administrative data for the Netherlands, I show that the municipality of destination can influence various health outcomes of asylum seekers. There are various channels through which this relationship can be explained. The results indicate the role of location assignment in shaping the health of asylum seekers, providing valuable insights for policymakers.

#### **MACROECONOMICS IV**

15:15 - 16:45 Room 1 Chair: Boris Blagov

#### 1. ECONOMIC KNOCK-ON EFFECTS OF RUSSIA'S GEOPOLITICAL RISK ON ADVANCED ECONOMIES: A GLOBAL VAR APPROACH

Boris Blagov, Maximilian Dirks (RWI Essen and University of Bochum, Germany) and Michael Funke

Using Russia as a case study and a global VAR model as a methodological tool, we analyze how heightened geopolitical risk shocks propagate across advanced economies and quantify the economic effects of these events. The global VAR impulse response functions in response to the skyrocketing Russian geopolitical risk shock after Russia's invasion of Ukraine revealed a contraction of GDP and an increase in inflation. Eastern European neighboring countries are particularly affected by the Russian geopolitical risk shock. We also document a strong component of the Russian geopolitical risk shock that is not driven by fossil fuel prices.

### 2. EFFECTS OF WORLD-TOTAL FACTOR PRODUCTIVITY SHOCK ON TOTAL HOURS WORKED

#### Jinghui Yu (Lancaster University, UK)

We are living in a world where the technological improvements are always quickly and commonly adopted across countries. Yet little of literature have discussed such technological improvements in relation to the changes in productivity as a measurement of technology shocks. This study has formed a World-TFP series as the common element of TFP and investigates the effects of a permanent shock to WTFP on total hours worked (THW) in 21 OECD countries from 1971 to 2017. Following the long-run identification of Gali (1999), the results showed that the WTFP shock has a positive effect, resulting in less decline or an increase in total hours worked compared to shocks at the country level. By introducing Financial Openness (FO) and import-adjusted CLTFP panel, the aim is to incorporate international trade elements in the measurement and identification of technology shocks that better simulate the diffusion of commonly-adopted technological improvement. Further analysis will focus on the sectoral effects of WTFP by labour income share and find the theoretical explanation for the changes of total hours worked following the WTFP shock.

#### 3. CAPITAL INFLOWS AND INCOME INEQUALITY: EVIDENCE FROM PANEL VAR APPROACH

Jinyeong Yun (Justus-Liebig-University Giessen, Germany)

In this paper, I document empirical evidence that an external shock in capital inflows leads to an increase in income inequality in advanced economies and causes a decline in income inequality in emerging market economies. I estimate a panel VAR model with an annual dataset on 53 countries over the period 1990-2020 to study the effects of capital inflows on income inequality within countries. To distinguish the external capital inflow shocks driven by global financial conditions from other shocks. I identify the structural shocks using sign restrictions. The analysis is conducted separately in advanced and emerging market economies since the two groups show significant differences in the level of economic development and the degree of capital market openness. The results are statistically and economically significant. By income class, a capital inflow shock increases primarily the income share of the rich in advanced economies and the poorest half in emerging market economies. These empirical findings suggest that capital inflows have different impacts on income inequality across countries, and policymakers should pay attention to the possibility of adverse distributional effects of capital inflows.

#### MICRO APPLIED I

15:15 - 16:45 Room 4 Chair: Michael Böhm

#### 1. BELIEFS ABOUT THE GENDER PENSION GAP

#### Jana Schütz (Friedrich Schiller University Jena, Germany)

I conduct an online survey of 3,000 respondents in the United States to examine individuals' beliefs about the gender pension gap. By including an information provision experiment in which treated respondents are informed about the size of the gender pension gap, I examine whether receiving this information affects respondents' perceptions of the fairness and drivers of the gender pension gap and their support for policies aimed at reducing it. I find that most respondents underestimate the gender pension gap and that treated respondents are less likely to perceive the gender pension gap as fair. In addition, treated respondents perceive the unequal distribution of care work and gender differences in wages as more important drivers of the gap, and their demand for remedial policies such as targeted financial education increases significantly. In terms of heterogeneity, I find that female respondents are generally less affected by the treatment than male respondents when asked about their policy views, although the treatment affects male and female respondents' beliefs and perceptions about the gender pension gap similarly.

#### 2. SUBJECTIVE EQUIVALENCE SCALES

#### Gudrún Svavarsdóttir (University of Iceland, Iceland)

Equivalence scales (ES) are widely used to compare income across diverse households. Commonly employed ES, like the OECD ES and square-root approaches, lack clear empirical foundations for assumptions concerning households' economies of scale. This study employs subjective data from the European Union Statistics on Income and Living Conditions (EU-SILC) survey, constructing subjective ES through the Minimum Income Question (MIQ). The findings reveal significant disparities between subjective and traditional ES assumptions, impacting equivalized income assessments. We explore the implications on poverty rates and inequality measures, emphasizing the critical role of ES selection in shaping accurate income statistics. This study contributes to the ongoing discourse on ES choice, highlighting its consequential impact on understanding income and distribution across Europe.

#### 3. ALLEVIATING POVERTY BY EXAMINING THE INTERACTIONS BETWEEN PRO POOR POLICIES AND INSTITUTIONS

#### Ali Tariq (University of Erfurt, Germany)

There is growing evidence that economic growth has failed to benefit the poor and in some cases has even increased the poverty gap. To reduce poverty, it becomes paramount to understand the nature and context of growth but more importantly to realize that economic growth alone is not sufficient to ensure sustained prosperity for all. In this paper, I carefully examine the relationship between anti-poverty reforms and poverty rate being conditioned by governance and social values. The theoretical model examines the interaction between poverty reducing policies on the one hand, and analyses how the policy measures in other areas, for example property rights impact the effectiveness of poverty reducing programs. Additionally, I analyze the interaction between pro-poor reforms with social values and cultural norms. From the results, I confirm that mitigating poverty requires complementary support of good governance and social values that builds trust in individuals as well as institutions.

#### **REGIONAL III**

15:15 - 16:45 Room 3 Chair: Marie Paul

#### 1. REGIONAL EFFECTS OF THE BELT AND ROAD INITIATIVE

Alexander Bareis (University of Siegen, Germany), Thushyanthan Baskaran, Patrick Hufschmidt, and Kim Leonie Kellermann

This paper addresses the gap in the literature concerning the impact of the Belt and Road Initiative (BRI) infrastructure projects at a regional level. Utilizing a staggered difference-in-differences approach, we analyze the effects of BRI transport infrastructure, including railways, roads, and logistic hubs, on local development. To achieve this, we develop a geographic dataset detailing the timelines of project implementation and completion, and combine it with night light output and population data at the pixel level. Our results indicate a modest increase in population development following project completion, but no significant long-term regional economic growth as measured by nightlight output. The construction phase, however, temporarily boosts economic activity, which subsides after completion. Logistic hubs demonstrate greater developmental impacts compared to railways and roads. Additionally, we observe no significant local migration during the construction phase. Overall, this paper contributes to our understanding of the potential effects of transport infrastructure on regional economies.

#### 2. GENDER, HOUSEHOLDS AND AGGLOMERATION ECONOMIES

#### Mylène Feuillade (Sciences Po, Paris School of Economics, France)

In this paper, I study the impact of location choices on earnings and employment by gender and marital status, relying on administrative data from France. Using an event-study setting, I find that women suffer significantly more from moving both in terms of income and employment. I then study how this varies with the size of the destination city, and show that relocating to Paris attenuates the negative impact of a move experienced by women. Next, I investigate further the gender gap in agglomeration gains by estimating the urban wage premium by gender. Using a standard two steps approach, I find that women benefit significantly more from city size than men, but that this is not driven specifically by married women.

#### 3. THE IMPACT OF COVID-19 ON REAL ESTATE MARKETS IN GERMANY Eyayaw Beze and Patrick Thiel (UDE, RWI Essen and RGS Econ, Germany)

The COVID-19 pandemic has disrupted established urban patterns. The literature on the impact of the pandemic on real estate markets in the US has shown a significant increase in the demand for suburban housing. resulting in a considerable increase in suburban prices compared to those in the city center (termed the "donut effect"). However, the German housing market did not experience such drastic changes. To examine price and rent adjustments during the pandemic, we analyze detailed housing data and find little evidence supporting the donut effect seen in the US. Apartment rents increase in suburban areas, while house prices do not change significantly. Examining the role of amenities, we find no explanation for price and rent differences between the central business district (CBD) and suburbs. The differences between the two markets may be attributed to cultural and structural distinctions. Our analysis, which includes data on population patterns and migration behavior, reveals that residents in Germany exhibit a slower-moving trend. Our findings remain robust across different settings and subsets of cities.

#### **CLIMATE I**

15:15 - 16:45 Room 2 Chair: Christoph Feldhaus

#### 1. LOCAL COSTS AND BENEFITS OF POWER INSTALLATIONS: HEDONIC EVIDENCE FROM GERMANY.

Nicolas Caballero (Eurac Research – Institute for Renewable Energy, Italy and Ruhr-University Bochum, Germany), Manuel Frondel, and Stephan Sommer

Germany's energy system is in the midst of a massive transformation: The last three nuclear plants went off-line in 2023, coal power is slated for nixing by 2038 at the latest, while renewable electricity generation facilities are further expanding substantially. The reverberations of these changes are of key policy importance given the centrality of the electricity sector to the economy. Previous studies using hedonic price models to quantify how surrounding house values are impacted by changes in energy infrastructure often focus on the opening or closing of just a single type of facility. In this study, we consider the entire electricity production portfolio, adopting a spatial difference-in-differences approach to assess the impact of different types of facility openings and closures simultaneously under a unified modeling framework. To this end, we leverage an extensive geo-referenced data set of house sale advertisements from 2008 to 2019 containing almost 2.4 billion observations on asking prices and property characteristics. We find that the opening of both wind and coal power facilities is associated with significant discounts on surrounding house values, with the discount of coal power plant openings being of much larger magnitude. Somewhat surprisingly, we also find evidence that closures of coal power plants are associated with reduced house prices, a possible result of economic channels, such as reduced employment in the aftermath of a large plant closure. Our results highlight potentially important distributional implications that warrant consideration in ensuring a just energy transition.

### 2. GREEN OR GREED: PROFIT SHIFTING, COMPETITION FOR FIRMS AND ENVIRONMENTAL REGULATION

#### Malte Lüttmann (University of Münster, Germany)

I investigate the optimal regulation of environmental externalities, if countries compete for firms by strategically setting corporate tax rates and environmental regulations. Firms may shift profit to a tax haven. I show that, instead of 'racing to the bottom' in tax rates and environmental policies, tax competition makes it less attractive for countries to attract firms by reducing environmental standards. Increased profit shifting opportunities result in stricter environmental regulation. In this setting, the introduction of an effective minimum tax will lead to less strict environmental standards. If pollution is transboundary, shutting down tax havens entirely reduces global welfare.

#### 3. THE EFFECTS OF NATURAL DISASTERS ON GREEN INNOVATION

#### Lisa Keding and Marten Ritterrath (University of Cologne, Germany)

The impacts of climate change are already shaping people's lives today: Natural disasters are increasing in frequency and severity. Innovation is often hailed as the only path to sustainable prosperity. In this article, we study how inventors respond to natural disasters. We combine patent data with the geolocations of French inventors and spatially match these to detailed information on local natural disasters for the years 1994-2014. We exploit this quasi-experimental variation of the disasters to estimate event study designs. We find that in affected areas exposure to natural disasters leads to a persistent increase in green patents of roughly 20%, compared to the sample average. Green patents are patents pertaining to technologies or applications for mitigation or adaptation against climate change. The strongest disasters lead to an increase of about 50%, and the most unexpected to an increase of up to 70%. The effect is primarily driven by mitigation technologies aiming to reduce emissions, thus by the technologies combating the root cause of climate change. We find that disasters have no effect on non-green innovation. Natural disaster exposure carries information on climate change for the inventors. Our results imply that there is an opportunity for policy to act, by propagating the information carried by the disasters.

#### **DEMOGRAPHY I**

17:15 - 18:45 Glaspavillon Chair: Michael Böhm

#### 1. CHILDCARE EXPANSION, FERTILITY AND MARRIAGE STABILITY: EVIDENCE FROM FRENCH NATIONAL PLANS

#### Johanne Bacheron (Aix-Marseille School of Economics, France)

In this paper I empirically investigate the link between affordable childcare provision, fertility and family structure. To do so, I exploit the staggered expansion of childcare coverage in France as a result of a series of national plans, using rich administrative data. Using an event study design, I find that a shock in childcare supply does not change fertility decisions, but reduces couple formations and dissolutions in municipalities where childcare supply was low before expansion, stabilises couples of women more attached to the labour market, and decreases union formation for women less attached to the labour market.

#### 2. POPULATION AGING AND POPULISM IN EUROPE

#### Despina Gavresi (University of Luxembourg, Luxembourg), Andreas Irmen and Anastasia Litina

This paper establishes population aging as a driving force of populism in a multilevel regression analysis of individuals living in European countries over the period 2002-2019. The focus is on the effect of "aggregate" population aging as opposed to individual aging. Populism expressed as populist attitudes is measured with individual-level data of nine consecutive rounds of the European Social Survey. We use data on voting for populist parties, political trust, and attitudes towards immigration. Our findings suggest an association of population aging with a declining electoral turnout, a higher support for populist parties, lower trust in political institutions, and a rise in anti-immigrant hostility. These effects are observed across both young and elderly voters.

#### 3. DEMOGRAPHIC CHANGE, OCCUPATIONAL AND REGIONAL MISMATCH AND MATCHING EFFICIENCY IN THE VET MARKET

Bernd Fitzenberger, Anna Heusler (Friedrich-Alexander-Universität Erlangen-Nürnberg & Institute for Employment Research (IAB), Germany) and Anna Houstecká

In recent years firms in many European countries report increasing difficulties to fill their vacancies with skilled workers. In Germany, individuals who enter into firm-based vocational training have decreased by 16% between 2009 and 2021, which is likely to result in further shortages of qualified workers in the future. In this paper, we study the main mechanisms behind this negative trend in the vocational education and training (VET) market from two perspectives. First, we use data on VET matches and school-leavers by education to show that the main driver of the observed pattern is demographic change while changes in young adults' interests in VET play a smaller role. Second, we study matching in the VET market and the role of regional and occupational mismatches by using disaggregated data on matches, applicants and vacancies by occupations and districts. Third, we estimate empirical matching functions to study changes in matching efficiency across regions, time and occupations. We find that while relatively stable before 2019, matching efficiency drops sharply during the Covid crisis.

#### **ECONOMETRICS**

17:15 - 18:45 Room 4 Chair: Yannick Hoga

#### 1. TARGETED ESTIMATION OF HETEROGENEOUS PANEL DATA MODELS

Georgia Banava (Vrije Universiteit Amsterdam, The Netherlands), Francisco Blasques, Hande Karabiyi, and Siem Jan Koopman

The coefficient homogeneity assumption in panel data models is difficult to justify in many empirical applications. In the presence of parameter heterogeneity, pooled estimators may be biased for individual specific parameters, thus time series approaches might seem more attractive. However, not taking into account the panel structure may lead to efficiency loss. Therefore, there seems to be a bias-variance trade off in the estimation of the parameters of individual units. The current paper proposes a weighting estimator that targets a specific cross-sectional unit but at the same time it takes into account the panel data structure. This is done by minimizing the Mean Squared Error (MSE) of the estimator of the targeted unit, resulting in a very intuitive and easy to implement estimator. It is shown, in an extensive Monte Carlo simulation study that the proposed estimator is more robust than pooled estimators and individual specific OLS estimators. Lastly, using the proposed methodology, we investigate whether health-care spending in OECD countries is growing faster than GDP, placing a significant strain on the economy.

#### 2. RESIDUALISED TREATMENT INTENSITY AND THE ESTIMATION OF AVERAGE PARTIAL EFFECTS

#### Julius Felix Schäper (University of Zurich, Switzerland)

I propose a new method for estimating the average partial effect (APE) of a continuous treatment variable on an outcome variable under nonlinear and non-additively separable confounding of unknown form. Identification of the APE is achieved by combining moment conditions for an exogenous error component of the treatment with a polynomial structure of interactions between the treatment and arbitrary functions of the confounders. Simulation experiments show that the proposed estimator outperforms existing methods and accurately estimates the true APE. Moreover, it is robust to moderate departures from the underlying assumptions. A real-world application of the method is provided.

#### 3. PARAMETRIC MODELS OF INCOME DISTRIBUTIONS INTEGRATING MISREPORTING AND NON-RESPONSE MECHANISMS

#### Mathias Silva (Aix-Marseille University and ENS de Lyon, France)

Several representativeness issues affect the available data sources in studying populations' income distributions. High-income under-reporting and non-response issues have been evidenced to be particularly significant in the literature, due to their consequence in under-estimating income growth and inequality. This paper bridges several past parametric modelling attempts to account for high-income data issues in making parametric inference on income distributions at the population level. A unified parametric framework integrating parametric income distribution models and popular data replacing and reweighting corrections is developed. To exploit this framework for empirical analysis, an Approximate Bayesian Computation approach is developed. This approach updates prior beliefs on the population income distribution and the high-income data issues presumably affecting the available data by attempting to reproduce the observed income distribution under simulations from the parametric model. Applications on simulated and EU-SILC data illustrate the performance of the approach in studying population-level mean incomes and inequality from data potentially affected by these highincome issues.

# WEDNESDAY FEBRUARY 28, 2024

## **SESSION 24**

#### **FINANCE**

17:15 - 18:45 Room 3 Chair: Martin Thomas Hibbeln

1. SAVING BEHAVIOR, HOMEOWNERSHIP, AND THE TERMS OF CREDIT Lea Fricke (University of St. Gallen, Switzerland) and Peter Kreß

We investigate the influence of the terms of credit on consumption, saving, and housing decisions of young households. To do so, we develop an incomplete-markets life-cycle model that features an endogenous borrowing price schedule. Incorporating a mortgage rate that increases with the loan-to-value ratio introduces a novel and strong savings incentive. Calibrating the model to German data, we find that our model with a flexible mortgage rate accurately replicates observed upfront savings and the age distribution of new homeowners. Comparisons with fixed-rate benchmarks point to the importance of incorporating such housing market realism and emphasize the impact of the terms of credit on upfront savings, housing choices, and investment dynamics. We identify differences in mortgage rates as a key source of heterogeneity in marginal propensities to consume non-durables.

#### 2. FINANCIAL LITERACY AND MORTGAGE PAYMENT DELINQUENCY

Tran Huynh (Friedrich Schiller University Jena, Germany)

Almost two decades after the Great Recession hit the US economy, the US mortgage delinquency rate remains above pre-crisis levels. While adverse life events and negative equity are widely considered to be the primary causes of delinquency, theory and existing empirical evidence suggest that a lack of basic financial literacy also helps explain this undesirable behaviour. However, it has been difficult to identify the causal effect of financial literacy on mortgage delinquency because financial literacy is

measured with error and there is insufficient data for a clean identification. In this study, I implement various instrumental variables (IV) strategies to investigate such an effect. The primary dataset is constructed from the representative NFCS data on financial knowledge and financial behaviour of US adults, together with several complementary data for the IV instruments from prestigious US institutions and related literature. As expected, I find that increased financial literacy significantly reduces the probability of mortgage delinguency. The identified causal effect is robust to different specifications of the IV and cannot be explained by negative income shocks, strategic default incentives, and many individual demographic characteristics such as age, gender, income, and education level. Interestingly, overconfidence is positively correlated with the probability of delinguency. As a result, the negative effect of financial literacy on mortgage delinguency is significantly larger for the overconfident group than for the non-overconfident group. However, while this negative effect remains stable across different age cohorts for the non-overconfident group, it declines monotonically with age for the overconfident group.

#### 3. SATIATION, ASSET PRICES AND INEQUALITY IN A BUBBLY EQUILIB-RIUM

#### Valentin Marchal (Sciences Po, France)

This paper presents a new theoretical mechanism that accounts for the joint evolution of wealth inequality, asset prices and investment observed over recent decades. It assumes marginal utility of consumption to be equal to zero above some consumption threshold. As some agents receive earnings above this satiation level every period, they keep accumulating assets. This asset demand supports the existence of rational bubbles, which crowd-out investment. The rate of return of these bubbles is above the growth rate of the economy, and the bubble-output ratio is diverging. The aggregate bubble size is uniquely defined such that agents with earnings below the satiation level don't hold any bubble units asymptotically. Wealth inequality is positively correlated with asset prices and diverging.

## **SESSION 25**

#### **MACROECONOMICS V**

17:15 - 18:45 Room 1 Chair: Philip Jung

#### 1. FISCAL POLICIES IN A HANK MODEL WITH SEARCH AND MATCHING FRICTIONS

Soeren Ivens (TU Dortmund and RGS Econ, Germany)

This paper contrasts the aggregate and distributional consequences of conventional fiscal policies on both the demand and supply side of the economy. Therefore, a two-asset HANK model is extended to include a frictional labor market with an endogenous hiring and separation decision. At the aggregate level, the highest (cumulative) multipliers are associated with the two supply side stimuli - hiring and wage subsidy - due to their rich interaction with the demand side of the economy. Focusing on the distributional outcomes, the most substantial improvement in overall welfare is observed for the hiring subsidy, exhibiting similar advantages across the entire household distribution. Conversely, transfers and wage subsidies display slightly lower welfare effects, while government spending even leads to negative welfare consequences. The benefits of transfers are notably concentrated on households with lower wealth holdings and lower (labor) income.

#### 2. THE EFFECT OF FLEXIBLE RETIREMENT ON THE MARGINAL PROPENSITY TO CONSUME: THEORY AND EVIDENCE

#### Daniel Jonas Schmidt (University of Amsterdam, The Netherlands)

This paper studies the effect of flexible retirement on the marginal propensity to consume out of a windfall gain. Using data from the Survey of Consumer Expectations, I find that the MPC of workers is about 20% lower than the MPC of retirees, even when controlling for age and other individual characteristics. In a simple theoretical model, I demonstrate that endogenous retirement can explain this difference in MPCs: Older workers use a part of the windfall to finance early retirement which decreases their consumption response compared to retirees. To quantify this mechanism, I build a life-cycle model with a realistic social security system and durable goods. I find that flexible retirement can account for most of the MPC difference in the data. My results have important implications for the response of aggregate consumption to stock market booms and for the use of MPCs as sufficient statistics in public finance.

### 3. OPTIMAL INCOME TAXATION AND FORMALIZATION OF THE INFORMAL ECONOMY

#### Hirofumi Takikawa (Goethe University Frankfurt, Germany)

Tax revenues, particularly in developing countries, play a crucial role in driving economic development, and formalizing the informal economy offers significant poten- tial for raising revenues, given the large size of the informal economy and the limited role of personal income taxes in tax collection. However, effective formalization also re- quires sufficient redistributive incentives for a smooth transition to the formal economy. By addressing both formalization and redistribution simultaneously, this study exam- ines the impact of formalizing the informal economy on an optimal tax schedule using an extended Mirrlees model, and identifies an optimal tax formula that incorporates formalization of the informal economy. Quantitative analysis shows that formalization increases tax revenue and income transfers when the tax schedule is optimized together with formalization. Conversely, these benefits diminish when the tax schedule remains unchanged and is not fine-tuned for formalization. This study improves our under- standing of the informal economy and provides valuable insights into the implications for designing optimal tax policies with formalization.

## **SESSION 26**

#### **CLIMATE II**

8:30 - 10:00 Room 4 Chair: Colin Vance

#### 1. CLIMATE CHANGE RISKS AND MUNICIPAL BORROWING COSTS: EVIDENCE FROM FLOOD EXPOSURE AND THE US MUNICIPAL BOND MARKET

#### Frédéric Grüninger (Ruhr-University Bochum, Germany)

Does physical climate risk affect municipal debt issuance costs? I study this question combining different data sources on municipal bond prices and a novel database on climate risk exposure in the United States. I focus on flood risk projections to measure the effect of flood exposure on municipal bond credit spreads. My identification strategy is based on fixed effects regressions and year-by-year indicators. I find that local exposure to flood risk is associated with municipal bond credit spreads that are higher by around 12 basis points (bps) per annum. I show that these results are valid for the whole sample period from 2005 to 2022. Furthermore, including credit rating fixed effects does not alter the estimation results, suggesting that municipalities face an important unknown risk to climate change.

#### 2. DISTRIBUTIONAL CONSEQUENCES OF CLIMATE POLICIES

#### Moritz Kuhn and Lennard Schlattmann (University of Bonn, Germany)

Policies to support the transition to a carbon-neutral economy are high on the policy agenda, and their effectiveness and distributional consequences are actively debated. One reason for this is that quantitative answers regarding the reduction-redistribution trade-offs of such policies remain limited. This paper makes two contributions to the discussion. First, we empirically show that infrequently adjusted consumption goods, i.e. consumption commitment goods, such as cars or heating systems, account together with their complementary consumption (gas, oil) for more than 35 percent of household carbon emissions. Second, we develop a quantitative life-cycle model with heterogeneous adoption rates for carbon-neutral commitment goods by income to quantify the reductionredistribution trade-off of different policy mixes. Since rich households emit more, policies targeting their adjustment of commitment consumption are most effective in reducing total carbon emissions. However, financing these policies redistributes from a majority of poorer households to high-income households. Our results show that a percentage subsidy financed by a progressive income tax yields a combination of a fast reduction of emissions with positive net transfer and welfare gains for a majority of households.

#### 3. ASSESSING THE POTENTIAL OF TAX POLICIES IN REDUCING ENVIRONMENTAL IMPACTS FROM EUROPEAN FOOD CONSUMPTION

Matthias Kalkuhl, Charlotte Plinke, and Michael Sureth (Potsdam Institute for Climate Impact Research, MCC and TU Berlin, Germany)

Food systems generate significant environmental externalities that remain insufficiently addressed by public policies. This paper explores the global environmental footprints induced by food consumption in the European Union (EU27) and assesses the potential of tax policies for mitigation. Based on a multi-regional input-output model we estimate environmental footprints specific to each food category and link these to country-specific demand systems on food products. We find that the removal of current VAT reductions on meat products, i.e., the application of standard VAT rates, could reduce greenhouse gas (GHG) emissions, water consumption, land use, biodiversity loss, and nitrogen and phosphorous footprints of EU27 food consumption by 4.5 to 5.9 percent. We show that a GHG emission price of approximately 52 EUR/tCO2eq on all food products leads to equivalent GHG emission reductions with higher associated environmental co-benefits, however at slightly higher average welfare costs to consumers.

## **SESSION 27**

#### **HEALTH V**

13:00 - 14:30 Glaspavillon Chair: Matthias Westphal

#### 1. HOW GOOD (OR BAD) ARE RECESSIONS FOR YOUR HEALTH? EVIDENCE FROM THE GREAT RECESSION IN GERMANY

Normann Bannenberg, Sergej Bechtold (University of Duisburg-Essen, RGS Econ and CINCH, Germany, Germany) and Martin Karlsson

Our study evaluates the effects of the 2008/09 Great Recession on health care utilization and expenditure in the German population. Using regional data based on a large individual-level health insurance claims data set for the period 2005-2009, we contribute to the literature by identifying the average total effects on several physical- and mental health-related prevalence rates and the corresponding expenditures. Instead of most studies on this topic, we do not only estimate associations between economic and health indicators but actually quantify the causal effect of a recession on health care utilization and costs. We apply a novel synthetic control strategy exploiting regional past time series properties, combined with a difference-in-differences approach. Our results indicate that the Great Recession caused the German unemployment rate to increase by 0.8 percentage points in the first 12 months after the beginning of the recession. Moreover, we find the prevalence rates and expenditures for mental illness, cardiovascular diseases and check-ups as well as expenditure to significantly increase over the same period.

#### 2. ONLINE- VS. OFFLINE-PHARMACIES - THE IMPACT OF RX-REBATES Maximilian Gail (Justus-Liebig-University Giessen, Germany), Georg Götz, Daniel Herold, and Jan Schäfer

The current abstract: We exploit a natural experiment in the German market for prescription drugs (Rx) to identify the consumers' substitution pattern between online and offline pharmacies. In December 2020, a new law became effective that stipulated that online pharmacies are no longer allowed to grant rebates to members of the statutory health insurance. However, online pharmacies were still allowed to offer rebates to the privately insured. We identify the causal effect of this partial ban on rebates on Rx-drugs on offline sales using a difference-in-differences approach: sales of offline pharmacies increased by 0.79 to 3.9%. This result indicates that the consumers' choice whether to patronize online or offline pharmacies is affected by rebates. Considering overall monetary effects on consumers and pharmacies, the loss resulting from restricted access to rebates for consumers is outweighed by the gains for offline pharmacies.

#### 3. FINANCIAL AND MEDICAL UNCERTAINTY IN HEALTH CARE SEEKING

### Alina Imping (Friedrich-Alexander University Erlangen-Nürnberg, Germany), Andreas Landmann, and Lisa Rogge

Health care decisions are sometimes a matter of life and death, but also their financial consequences can be disastrous for many households around the world. While it is easy to imagine how the fear of making an expensive mistake may deter particularly poor households from making otherwise sensible health care choices, there is almost no scientific evidence on the importance and joint role of medical and financial uncertainty. In this paper, we provide theoretical insights based on simulation exercises, develop a novel measurement instrument for medical and cost uncertainty related to health investment choices, present data collected using this instrument from low-income households in Pakistan, and test the theoretical predictions using this data. Our analysis reveals that on top of many biases, both medical as well as cost uncertainty in health care decisions exists to a substantial degree. The empirical results regarding the influence of beliefs are largely in line with theoretical predictions and suggest that uncertainty in both dimensions deters health investments. Our results indicate potentially large dividends to providing accurate information.

## **SESSION 28**

#### **LABOR ECONOMICS I**

8:30 - 10:00 Room 2 Chair: Thomas Bauer

#### 1. EFFECTS OF THE EXPANSION OF TERTIARY EDUCATION IN CHILE: WAGE PREMIUMS AND ELASTICITIES OF SUBSTITUTION.

Roberto Cases and Adolfo Fuentes Werlinger (University of Edinburgh, UK)

This paper explores the implications of tertiary education expansion in Chile from 2010 to 2019, mainly focusing on how large firms substitute workers with varying qualifications and experience. Despite a significant increase in the share of tertiary-educated workers, reaching 45 percent, there is no substantial decline in the wage premium associated with college-educated workers. Regarding occupations, we found a notable mismatch between educational attainment and job requirements, where most workers with higher vocational education find themselves overqualified, leading to a potential displacement of those workers by their college-educated counterparts. Then, we introduce a novel model estimated through administrative data, and we found close-to-perfect substitutability between workers with higher vocational and college education. Lastly, examining study plans at the technical, professional, and college levels reveals a relevant overlap, rationalizing the substitution between different educational levels. Finally, we emphasize the need for policymakers to differentiate programs at each educational level since this would lead to a more effective integration of workers with tertiary education in the labor market.

#### 2. AGE AT LABOR MARKET ENTRY AND GENDER OCCUPATIONAL SEGREGATION

Radost Holler, Anna Person (University of Cologne, Germany) and Yana Radeva

Gender specific selection into occupation is persistent over recent years and is still the main contributor of the gender pay gap. In this paper, we propose a new driver of this effect, namely maturity, measured as age at labor market entry. To test this, we exploit a reform that shifted the arbitrary month of birth cutoff rule for age at school entry in some German states and look at whether younger individuals select into more gendersegregated jobs. Using within-state, cohort-by-cohort variation as well as across-state, within-month of birth heterogeneity, we find that boys who enter (and exit) school one year earlier are more likely to select a more gender-typical occupation, whereas girls' decisions are not affected by the younger age. We propose potential mechanisms that could play a role in shaping career decisions.

#### 3. THE VALUE OF SCHOOL CHOICE OPPORTUNITIES

### Lukas Hörnig and Max Schäfer (University of Duisburg-Essen, Germany)

School choice is often part of parents' decisions where to live, and parents are willing to pay a premium for homes in high-quality school districts. In this paper, we study a rare and large-scale school choice reform that abolished binding school catchment areas of primary schools in North Rhine-Westphalia, the largest German state with 18 million inhabitants. To study the reform's effect on valuations of houses, we compare houses that gained access to a "better" primary school to houses which did not. Our preliminary results suggest that parents value local school choice opportunities. Access to a school with a higher transition rate to the academic track (relative to the initial neighborhood school) that lies within 2,000 meter increases house prices by 1.4 percent. We find that this effect is driven by "better" schools located in closer proximity, and we document a spatial decay of the treatment effect. The full reform effect materializes roughly 5 years after reform onset.

## **SESSION 29**

#### **MACROECONOMICS VI**

8:30 - 10:00 Room 1 Chair: Helge Braun

#### 1. MEASURING POLITICAL INSTABILITY AT A HIGH FREQUENCY – A TEXT MINING APPROACH

Niklas Benner (RWI Essen, TU Dortmund University, Germany), Boris Blagov and Maximilian W. Dirks

This study introduces a novel monthly index of political instability, the WIPI, covering four dimensions for 182 countries from 1996 to 2023. Employing text mining techniques, we extract data from the Economist Intelligence Unit's country reports. We show that our monthly index carries the same information as other frequently used indices of political instability but with a much higher frequency. Using local projections, we identify that political instability reduces economic output significantly. Decomposing the index into its dimensions reveals that instability within the political regime and mass civil protests are the key drivers of the sizable decline in prosperity. We further show that estimates of models employing annual data suffer from a sizeable temporal aggregation bias.

#### 2. DIFFERENTIAL EFFECTS OF UNCONVENTIONAL MONETARY POLICY

Sebastian Eiblmeier (Leibniz University Hannover, Germany)

Did the Eurosystem's quantitative easing from 2015 to 2018 have differential effects regarding the bank lending volume to different institutional sectors, industry sectors, or types of loans? To investigate this question, this paper employs linked microdata of the German banking system. These allow for computing the volume of bond redemptions at bank level as a measure of banks' exposure to QE. Because when a bond matures, the bank is faced with the decision of whether to reinvest the proceeds into bonds or whether to rebalance into another asset such as loans. When the central bank squeezes bond yields through large-scale purchases, banks with more redemptions have a stronger incentive to rebalance. However, a fixed effects model reveals no significant difference between banks with a high exposure compared to the control group regarding their overall loan growth. Neither can any of the mentioned differential effects be observed. While these findings are at odds with some of the previous empirical literature, they are in line with theories that argue that lending is purely demand-led and any central bank action geared towards the supply side of the loan market merely constitutes "pushing the string".

### 3. COMPARING THE EFFICACY AND EFFICIENCY OF FISCAL INTERVENTIONS

Gökhan Ider (DIW Berlin & Freie Universität Berlin, Germany) and Malte Rieth

We study the efficacy and efficiency of alternative fiscal tools for macroeconomic stabilization in the euro area. We identify shocks to government consumption, government investment, income taxes, and consumption taxes in one model, using crosssectional heteroskedasticity in a panel structural vector autoregression. All interventions are effective: expansionary shocks raise GDP significantly. Their efficiency is different: the peak output multiplier is 1.6 for income taxes, 1.1 for government consumption, 0.7 for government investment, and 0.6 for consumption taxes. Exploiting these differences for policy design, we suggest budgetary neutral stimulus packages and efficient consolidations. We also document a large social transfer multiplier.

## **SESSION 30**

#### **APPLIED MICRO II**

8:30 - 10:00 Room 3 Chair: Erwin Amann

### 1. MONETARY INCENTIVES TO FORGO DRIVING: RESULTS FROM A SURVEY EXPERIMENT

M. A. Andor, Eva Huemmecke (RWI – Leibniz Institute for Economic Research and RGS Econ, Germany) and N. C. Hoenow

In contrast to measures such as bans or taxes that regulate car use, this study investigates the effectiveness of monetary incentives to encourage individuals to give up driving. Specifically, we focus on an annual incentive payment scheme where participants receive a payment for giving up all of their cars, with the opportunity to reassess their decision each year. In addition, we examine an alternative scheme that differs in timing and does not require to giving up all cars. By conducting a survey experiment with 1,143 German citizens, we measure their willingness to accept these measures and find acceptance rates for the annual payment scheme ranging from 6% to 19%, with variations in acceptance rates as a result of offering different annual payment amounts between €300 and €3,000. Notably, about half of the respondents express to keep their car regardless of the payment amounts offered. Based on these findings, we estimate the potential carbon dioxide abatement costs of the annual payment scheme to range between €156 and €1,557 per tonne. In addition, the potential cost savings from reduced negative externalities if the annual payment schemes were implemented range from €5,108 million to €15,138 million per year in Germany. Implementing the low or medium payment options could lead to net cost savings.

#### 2. TALES OF TAILS: COMPARING THE LONG TAIL AND MIDDLE TAIL IN BOOK SALES

#### Daniel Lüke (Justus Liebig University Giessen, Germany)

The significance of the long tail phenomenon in consumer goods sales, specifically within the realm of experience goods, has garnered substantial attention. This study delves into the discourse by examining the economic implications of the long tail in the context of online retail, employing data from the German book market spanning 2011 to 2018. Initial discussions revolved around the notion that online platforms, with their unlimited shelf space to offer niche and obscure products, lead to more diverse consumption patterns. However, this paper challenges the alleged economic relevance of the long tail. Drawing from a rich data set encompassing approx. 37 million observations on close to one million distinct book titles. we demonstrate that products in the long tail exhibit negligible economic relevance. Instead, we rely on the concept of the "middle tail", encompassing products beyond top sellers yet preceding the long tail as commonly defined in the empirical literature. We show that there appears to be a stronger concentration in sales in brick-and-mortar stores for the decile with the highest sales (including bestsellers). E-commerce appears to be more concentrated on sales on the second to the fifth decile. However, for the last five deciles - which is usually defined as the long tale in the empirical literature - there appears to be no notable difference between the two channels. While the long tail shows little economic relevance, we show that the increased product variety in online retailing is evident in the more relevant middle tail. We offer new perspectives on the ongoing discourse surrounding long tail economics and the effects of digitization, providing empirical evidence to guide future assessments of consumption patterns in digitizing retail landscapes.

#### 3. TECHNOLOGY AND COLLABORATION IN MULTINATIONAL PRODUCTION

#### Sophia Praetorius (Sciences Po Paris, France)

This paper studies how inter-firm collaboration in technology relates to global production choices. Building a structural multinational production model that incorporates technology choices and allows for collaboration when choosing the optimal assembly location for a given variety that is sold in a specific destination market, I find that both technology choice and sharing of platforms as input technology have important effects on the cost, and, thus, the expected profits of firms. Conditional on technology, a firm's cost of serving a market increases by 5% compared to a scenario where firm choices are agnostic to input technology. On the other hand, allowing for collaboration reduces their cost by 16%. These effects propagate through the firm's entry choices and, thus, shape the global production landscape.

#### **DEVELOPMENT III**

10:30 - 12:00 Room 2 Chair: Thomas Bauer

#### 1. WHEN PUBLIC AND PRIVATE COLLABORATE: THE IMPACT OF SEKOLAH KOLABORASI PROGRAM ON STUDENT'S ACHIEVEMENT

Arif Anindita (University of Insubria, Italy), Ariadna Garcia-Prado, and Silvana Robone

In 2021, Jakarta Provincial Government implemented Jakarta Sekolah Kolaborasi program in which public schools under their management were obliged to collaborate with low-quality private schools in terms of sharing facilities, curriculum exchange, and joint-extracurricular activities. Our study evaluates the impact of the program on student's performance. By examining administrative data on junior secondary school (SMP) student's test score, we find that students from targeted private school perform better in Mathematics and English than their peers from non-targeted private school. We also test whether the policy hurts students from public school. Our analysis finds no evidence that the program harms students from public school. In contrast, the program has positive externalities by increasing public school student's performance in math and social science.

#### 2. TIME ALLOCATION OF DAUGHTERS-IN-LAW AND MOTHERS-IN-LAW IN INDIA: THE ROLE OF EDUCATION AS BARGAINING POWER

#### Leena Bhattacharya (Tilburg University, The Netherlands & GLO)

The paper addresses the less-researched topic of intrahousehold dynamics of female in-laws in developing countries by focusing on the bargaining between mother-in-law and daughter-in-law and its influence on the latter's time allocation. Using the first nationally representative Time Use Survey of India, 2019, the paper answers two questions. First, how does the presence of the

parents-in-law, particularly the mother-in-law, shape the daughter-in-law's distribution of time between paid and unpaid activities? Second, how does the relative bargaining power among the female in-laws affect the daughterin-law's time allocation across different activities, where their education levels are used as indicators of bargaining power? The findings show that the daughter-in-law's participation in paid employment increases in the presence of her mother-in-law, and she allocates more time to paid employment and less time to household production. The effect is evident for the daughters-inlaw who co-reside with mothers-in-law who have completed at least secondary education. The mother-in-law's time allocated to household production and childcare increases when she co-resides with a daughter-in-law who has completed tertiary education. The father-in-law's presence consistently diminishes the daughter-in-law's engagement in paid employment and increases both women's time spent on household production. Heterogeneity in results is observed by socio-religious groups and by the extent of patriarchy in the state of residence. Overall, the results suggest that policies that aim to increase women's education and promote gender-equal attitudes among men can enhance the daughter-in-law's bargaining power and time allocation.

#### 3. THE IMPACT OF MANDATORY EDUCATION ON NON-COGNITIVE SKILLS: EVIDENCE FROM LOW- AND MIDDLE-INCOME COUNTRIES

Thomas Dohmen and Antonia Entorf (University of Bonn, Germany)

Personality traits, preferences, and behaviors matter for labor market outcomes. Evidence shows that these non-cognitive skills are malleable and that the formation of these depends on the social environment. While previous research has established that specific curriculum interventions can affect non-cognitive skills, it remains unclear whether education per se affects these skills. Therefore, we exploit five educational reforms which increased mandatory years of education in four low- and middle-income countries to study their effect on non-cognitive skills. We use cross-sectional data collected by the World Bank in 2012/2013 as the first-ever initiative to measure skills in low- and middle-income countries. Using within-country variation in mandatory years of education, we find that raising mandatory years of education decreased individuals' emotional stability, grit, hostile attribution bias, patience, and risk willingness and increased individuals' openness to experience. Openness to experience and risk willingness are positively related to wages in our sample, while hostile attribution bias is negatively associated with wages.

#### **EXPERIMENTAL**

10:30 - 12:00 Room 3 Chair: Erwin Amann

#### 1. THE HOT HAND EFFECT IN LOW BASE RATE ENVIRONMENTS

#### Scott Dickinson (University of Exeter, UK)

The hot hand heuristic suggests that, all else held constant, an individual who experienced success in the past is more likely to experience success again than one who experienced failure. Despite extensive research into the hot hand phenomenon, it is still unclear if belief in such an effect is a "cognitive illusion" or descends from a fast and frugal heuristic that is optimal to use under uncertainty. In this paper, I exploit a rich set of variables in a novel panel dataset to ascertain whether success affects the future probability of success in a low base rate, high-stakes domain. A rich set of observables allow me to control for non-randomness in success probability. Further, I am able to exploit this structure to test both if individuals tend to exceed expectation over time, and if success increases future expectation. While I find no evidence that above-expected performance tends to persist over time, I find success increases expectation by approximately 14% of the mean. This finding is robust to a number of specifications, and does not fall prey to the novel bias relating to the hot hand identified in Miller and Sanjurjo (2018). I conclude by suggesting the belief that above-expected performance is autocorrelated could driven by the availability heuristic: rare moments of exceptional performance lead to structural breaks in the cumulative residual between observed outcome and expected outcome that can be misinterpreted as persistence in exceptional performance.

#### 2. HOW DO MANAGERS FORM THEIR EXPECTATIONS ABOUT WORKING FROM HOME? SURVEY EXPERIMENTS ON THE PERCEPTION OF PRODUCTIVITY

Daniel Erdsiek and Vincent Rost (ZEW – Leibniz Centre for European Economic Research and University of Giessen, Germany)

The recent shift towards working from home (WFH) has far-reaching implications for social and economic outcomes. While firms are gatekeepers for the ongoing diffusion of flexible work arrangements, there is little evidence on how firms decide to offer WFH. We leverage two survey experiments among nearly 800 knowledge-intensive services firms in Germany to analyse whether managers' beliefs about the productivity effects of WFH affect their adoption decisions. Exploiting exogenous variation in managers' information set, we find that managers update their beliefs about the productivity effects of WFH when they receive information on workers' self-assessed WFH productivity. In addition, the information treatment significantly increases managers' willingness to adopt or intensify WFH policies. Combining our main survey experiment with two follow-up surveys, we find persistent information treatment effects on both managers' beliefs about WFH productivity and firms' expected WFH intensity after the Covid-19 pandemic. A complementary survey experiment confirms our results pointing to a causal relationship between managers' beliefs about WFH productivity and the adoption of WFH practices. These findings have implications for potential policy measures targeting firms' WFH adoption.

#### 3. LIFTING THE VEIL OF IGNORANCE – AN EXPERIMENTAL INVESTIGA-TION OF PREFERENCES FOR REDISTRIBUTION OF WEALTH

Elisa Stumpf (Friedrich Schiller University Jena, Germany) and Silke Uebelmesser

We conduct a large-scale online survey in Germany to analyze, first, how well participants are informed about the German wealth distribution and their position in it, and, second, how preferences for wealth redistribution are affected by an information experiment. Our first treatment group receives information about the shape of the German wealth distribution, while our second treatment group receives information about their position in the distribution. Using a multidimensional approach to measure preferences for wealth redistribution, we find no significant average treatment effect for either of our two treatments in the full sample. Employing a data-driven method to investigate treatment effect heterogeneity, we present evidence that those who overestimate their position, i.e., participants with relatively little wealth, decrease their aversion to inequality after learning their position. Although this observation contradicts theoretical predictions, it is in line with recent empirical evidence in the context of income inequality (Hoy and Mager, 2021).

## **SESSION 33**

#### **LABOR ECONOMICS II**

10:30 - 12:00 Room 4 Chair: Ronald Bachmann

#### 1. ASSORTATIVE WORKER-FIRM MATCHING OVER THE CAREER

Luisa Braunschweig (Institute for Employment Research (IAB) & University of Bamberg, Germany), Wolfgang Dauth, and Duncan Roth

While the importance of worker-firm matching for wage inequality has been studied intensively, less is known about the role it plays in life cycle wage growth. In this paper, we examine the development of worker-firm matching over the life cycle. Using administrative data covering the universe of German employees, we apply an AKM wage decomposition and show that workers and firms are matched assortatively, meaning that workers of a specific quality tend to work at firms of a similar quality. By developing a novel measure that allows computing the degree of assortative matching at an individual level, we show that the degree of assortative matching increases over the life cycle. This indicates that job mobility is linked to a higher degree of assortative worker-firm matching. We show that cohort wage inequality would be 10-17% lower if the degree of assortative worker-firm matching was fixed over the life cycle.

#### 2. RACIAL PEER EFFECTS AT WORK: EVIDENCE FROM WORKER DEATHS IN BRAZIL

### Katharina Fietz (University of Göttingen, GIGA, Germany) and Aiko Schmeißer

We study the impact of working with same-race coworkers on individuals' retention at firms. Using administrative employer-employee data from Brazil, we exploit unexpected deaths of workers from different race groups as exogenous shocks to the peer group composition. We find that a decrease in the non-white share of coworkers leads to lower levels of retention among non-white workers but does not affect the retention of white workers. The effects are driven by quits rather than layoffs, are highly heterogeneous across occupation characteristics, and interact with the gender composition of the peer group. Our findings highlight how peer dynamics contribute to differences in the careers of non-white and white employees.

### 3. WORKING FROM HOME IS HERE TO STAY, BUT HOW DOES IT AFFECT WORKPLACE LEARNING?

#### Thomas Bolli and Guillaume M. A. Morlet (ETH Zurich, Switzerland)

This paper analyses how working from home affects workplace learning in terms of theoretical and practical knowledge during COVID19. We employ panel data gathered in monthly surveys of respondents in training companies between October 2020 and March 2022 to investigate this question. Apprentices in Switzerland are our case study. We address potential endogeneity concerns in two ways. First, we exploit variation across survey respondents and time in two-way fixed effects models. Second, we pursue an instrumental variable "shift-share"-type approach that leverages how occupations react to exogenous changes in working from home regulations. In Switzerland during COVID19, on a federal level, working shifted from being unregulated, to recommended, to compulsory. Our instrument exploits those changes in federal policy to evaluate the causal effect of working from home on theoretical and practical knowledge.

The results suggest that working from home has a significantly negative impact on practical knowledge but not theoretical knowledge, relative to frequenting the workplace. We do not find significant heterogeneity across company size. Similarly, our results do not vary significantly between occupations in which working from home is relatively more or less prevalent. Our findings remain robust to a wide range of robustness checks. Our evidence-based recommendations aim to preserve the acquisition of knowledge through workplace training.

## **SESSION 34**

#### **MACROECONOMICS VII**

10:30 - 12:00 Room 1 Chair: Antonia Arsova

#### 1. SOVEREIGN RISK AND US MONETARY POLICY SPILLOVER EFFECTS Willis Ruiz Marin (The University of York, UK)

This paper studies how tightening US monetary policy affects sovereign bond prices and the macroeconomy in Latin American countries. A simple model in which local banks buy domestic long-term sovereign bonds and the price of such bonds is reduced due to the implementation of a US contractionary monetary policy is presented. Then, this sovereign risk reduces the banks' capacity to fund final good producers. To interpret the data, we propose a PVAR methodology. The results suggest that the US monetary policy surprise affects financial and macroeconomic variables in Latin American nations considerably.

#### 2. CONSUMPTION INEQUALITY, HOME PRODUCTION, AND MONETARY POLICY

#### Vanessa Schmidt (Berlin School of Economics and Humboldt-Universität zu Berlin, Germany)

In this paper, I study the effect of monetary policy on consumption inequality when taking into account home production. If mainly poor households use home production for consumption smoothing, home production can off-set consumption inequality that arises in the market. Using German individual and household level data, I show that rich and poor working households allocate their time similarly between market work, home production and leisure. Through the lens of a Two Agent New Keynesian model with King Plosser Rebelo preferences and home production, I find an empirically plausible monetary transmission mechanism. Consumption inequality in the market and at home increase, but the increase in the market is larger. Both types of households use home production for consumption smoothing, but since savers are not borrowing constrained, they can substitute towards home production to a greater extent while keeping market consumption relatively high.

### 3. OPTIMAL MONETARY POLICY WITH HETEROGENEOUS AGENTS AND LIQUIDITY IN A CURRENCY UNION

Benjamin Schwanebeck and Luzie Thiel (University of Kassel, Germany)

Empirical evidence points to large variation of the share of financially constrained households across countries forming a monetary union. This applies, for example, to euro area countries (Almgren et al. 2022). We examine the implications of this asymmetry for the conduct of optimal monetary policy in a currency union. To this end, we build an analytically tractable Heterogeneous Agent New Keynesian model of a two-country monetary union with idiosyncratic risk of switching the household type and imperfect insurance. We take this heterogeneity across countries into account by different shares of financially constrained households across countries.

Imperfect insurance, in terms of consumption inequality, leads to a liguidity-insurance motive for the central bank as it is welfare-enhancing to provide liquidity to stabilize consumption. While the nominal interest rate is a union-wide monetary policy instrument, liquidity can be used as a country-specific stabilization tool. We derive a welfare function and find that the asymmetry across countries matters for monetary policy as two additional objectives, consumption inequality within and between countries, arise. This implies a different weight on output stabilization compared to the standard welfare targets in a two-country monetary union. The importance of the additional objectives crucially depends on the share of financially constrained households. Following union-wide and countryspecific technology shocks, strict inflation targeting is no longer superior as well as the divine coincidence according to Blanchard and Galí (2007) breaks up. The higher the share of constrained households, the less important becomes inflation stabilization. The trade-off of the central bank changes in face of household heterogeneity. It is optimal to tolerate higher inflation in favor of stabilizing consumption inequality.

Furthermore, we find that the greater the heterogeneity between countries in terms of the share of constrained households, the more important liquidity as an instrument of redistribution becomes. Additionally, the higher the share of constrained households, the more liquidity the central bank will provide, the better the central bank can close the arising relative country gaps since liquidity works as a country-specific instrument. Thus, the central bank can compensate for country differences. However, this comes at the cost of higher aggregate welfare losses as the distance to the efficient equilibrium increases.

#### **TRADE I**

10:30 - 12:00 Glaspavillon Chair: Volker Clausen

#### 1. DOMESTIC VS FOREIGN SUPERSTARS: COMPARATIVE ADVANTAGE, PRO-COMPETITIVE EFFECTS, AND PRODUCTIVITY SPILLOVERS

Thomas M. Rowley (ESSEC Business School and CY Cergy Paris Université, France)

Superstar firms are seen as catalysts of comparative advantage and competition. This paper challenges this perception using Chinese firm-level data from 1998 to 2007, revealing that superstar firm dominance had an overall negative impact on industry export competitiveness. Only FDI-driven concentration had a positive influence on industry exports, with much heterogeneity according to how an industry is poised for growth. The importance of differentiating superstar firms by ownership extends to the impact of their dominance on the local economy, where only FDI-driven concentration generates broad pro-competitive effects on non-superstar firms. Lastly, this paper leverages an industry-specific shock to find unique and positive horizontal spillovers from superstar FDI on the productivity of local firms. These findings offer valuable insights into understanding key aspects of China's export-led growth. They particularly underscore the significance of firm ownership when applying the literature on superstar firms to emerging economies.

#### 2. THE IMPACT OF DISPARITIES IN MARKET AND NON-MARKET ENVIRONMENTAL POLICY INSTRUMENTS ON DIFFERENT BILATERAL TRADE MEASURES

#### Joana Sulaj (Ruhr University Bochum & RGS Econ, Germany)

The degree of environmental policy stringency disparities stands as a potential factor that could affect countries' participation in bilateral trade. In this paper, we explore the impact of the market and non-market environmental policy instrument differences on gross exports and domestic value-added in exports separately for intermediate and final goods and services at the industry level. We employ a Poisson Pseudo Maximum Likelihood estimator to estimate a theory-based gravity model using country-industry-time fixed effects, covering a span of 15 years, from 2000 to 2014, involving 32 countries and 56 industries. Our baseline results show that heterogeneous instruments differently impact the export competitiveness of intermediate and final goods and services in low and highpolluting industries, with mainly market instruments adversely affecting competitiveness. Additionally, our analysis of baseline results across four major sectors (agriculture and fishing, manufacturing, services, and mining, quarrying, water and electricity) reveals that the negative impact does not uniformly span across all these sectors.

#### 3. INDUSTRIALIZATION AND TRADE LIBERALIZATION: EVIDENCE FROM RTA ENACTMENTS

#### Mushegh Tovmasyan (University Paris-Saclay, France)

This paper studies whether trade liberalization has promoted industrialization over the past 30 years using enactments of Regional Trade Agreements (RTAs) as a proxy for trade liberalization. I exploit panel data on industrialization in 51 economies from 1990-2018 and run a novel 2SLS estimation method leveraging RTA signings to establish causality and mitigate confounding factors. I find that RTAs caused an increase in the share of manufacturing value-added and in output per worker. Interestingly, this effect becomes significant four years after enactment and is not accompanied by an increase in manufacturing employment. This suggests that RTA enactments have promoted "jobless industrialization", enhancing manufacturing production without concentrating more labor in that sector.

#### **DEMOGRAPHY II**

15:00 - 16:30 Glaspavillon Chair: Ronald Bachmann

### 1. A TALE OF DROUGHTS, BANKS AND INFANTS: CAN THE FINANCIAL SECTOR MITIGATE THE RELATIONSHIP BETWEEN DROUGHTS AND INFANT MORTALITY IN RURAL INDIA?

#### Dimitrios Argyros (University College Dublin, Ireland)

The paper examines the relationship between weather-induced agricultural shocks, financial access, and infant mortality in rural India. Using data from the Indian District Level Household and Facility Survey (DLHS-2) and historical rainfall data at the district-level, I document that experiencing a drought one year before birth has a negative impact on an infant's survival probabilities. The observed effect is driven by the fact that droughts affect household constraints on consumption and nutrition. I then examine whether district-level financial development, captured by the number of rural banks per 100,000 people, mitigates the negative relationship between droughts that occur one year before birth and infant's survival probabilities. I find that increased presence of rural banks at the district-level can have a positive effect on the livelihoods of the rural poor by decoupling the relationship between rainfall-induced weather shockand infant mortality. However, the observed effect is of a particularly low magnitude.

#### 2. EFFECTS OF INCREASING DISABILITY BENEFITS ON EMPLOYMENT, EARNINGS, AND MORTALITY

Sebastian Becker, Annica Gehlen (DIW Berlin & Freie Universität Berlin, Germany) and Johannes Geyer

We study the employment and welfare effects of disability insurance (DI) programs using unique policy variation in Germany. In 2014, disability

benefits of new recipients were increased considerably while eligibility criteria were not changed. We leverage this quasi-experimental policy variation to estimate the effect of increasing disability benefits on recipient employment, earnings, and mortality outcomes using administrative data on the universe of new disability benefit recipients. Contrary to previous literature, our analysis reveals no significant impact on the employment and earnings of DI recipients due to the increased benefits. We furthermore find no effects on recipient mortality. We do however observe a notable reduction in old-age poverty risk, highlighting meaningful welfare implications of increased generosity.

3. FINANCIAL DEREGULATION AND FERTILITY DECISIONS: THE UNINTENDED CONSEQUENCES OF BANKING LEGISLATION

Lukas Diebold and Julian Gabriel Soriano-Harris (University of Alicante, Spain)

Financial deregulation has important implications beyond the realm of finance, and these effects differ by race. In this paper we use staggered differences-in-differences to link state level banking deregulation during the 1980s in the United States to two demographic outcomes: mothers' age at first childbirth and fertility rates. We find that after deregulation the average age at which women become mothers for the first time increases, and that this effect is stronger for the non-white population. The average effect on total fertility is positive over short horizons, but reverts back to zero over longer horizons. For the non-white sample, however, this reversion outweighs the previous increase, resulting in a net fertility decrease. We argue that the main channel for these effects is the boom in house prices induced by deregulation. On the one hand, this boom delays fertility by prolonging the period of saving before a home purchase, on the other, it reflects a wealth gain for home owning families, linked to increased fertility. Given the stark discrepancy in financial constraints and home ownership rates between the white and non-white population in the US, the relative strength of the channels differs, resulting in significant heterogeneity in outcomes.

#### **DEVELOPMENT IV**

15:00 - 16:30 Room 2 Chair: Lise Masselus

#### 1. THE IMPACT OF DROUGHTS IN LOW-INCOME COUNTRIES: FIRM-LEVEL ANALYSIS ON ETHIOPIAN MANUFACTURING

#### Wondatir Gebre (Lancaster University, UK) and Jacob Grazzini

Global warming increases the frequency and intensity of droughts, especially in low-income countries. This paper studies the impact of droughts on manufacturing firms in low-income countries by using a novel dataset on Ethiopian firms from 2000 to 2020. Results suggest that, on average, firms in drought-affected areas suffer 5% to 16% lower growth in valueadded and other firm performance measures for firms operating outside of drought-affected areas. Moreover, the impact of droughts is stronger on bigger firms. Empirical analysis shows that this has a long-term impact on firms' size. Firms in areas with relatively higher drought risk are smaller in terms of number of employees and capital stock.

#### 2. RULES VS. RULES: MANIPULATION OF PROCUREMENT CONTRACTS IN COLOMBIA

#### Juan Sebastian Ivars (Sciences Po Paris, France) and Isac Antonio Olave Cruz

Public procurement is a highly regulated activity characterized by high transaction costs. Seeking to strengthen the efficiency of the process, countries have introduced thresholds in the law for simplified procurement formats to grant the buyer with discretion to choose the supplier. Colombia's law is different and unique of its kind and splits the procurement process into three different auctions to encourage competition among suppliers. We study theoretically and empirically the impact of this law on the procurement process. We find evidence of manipulation of contracts, understood as selecting the buyer's more convenient auction format. Since there are important differences in transaction costs raised by different auction formats, we claim that cost savings are an important driver behind manipulation. Built on bunching methods, we design and estimate an empirical strategy to quantify manipulation driven by cost savings. Our findings suggest that close to 50% of manipulated contracts are due to cost savings. In addition, we found that cost savings incentives mitigates the number of abandoned acquisitions.

#### 3. HOW DO HARMFUL SOCIAL NORMS INTERACT? EVIDENCE FROM THE REVISED FAMILY CODE IN ETHIOPIA

#### Anne Simon (Leibniz-University of Hannover, Germany)

The prevalence of female genital cutting (FGC) remains high, despite increasing policy efforts to combat this harmful practice. In Ethiopia, 25 million women alive today have been cut and FGC is strongly linked to norms regarding early marriage by serving as a signal for pre-marital virginity. I, therefore, study how a law that raised women's minimum marriage age marriage from 15 to 18 in Ethiopia affected FGC. Exploiting the staggered roll-out of the reform across regions with a two-way fixed effects approach, I find that the reform substantially reduced FGC prevalence by around seven percentage points. These effects are mostly driven by women living in rural areas. Among rural women, the effects are additionally larger in districts with lower child-marriage levels prior to the reform but do not seem to depend on ethnic groups' age of cutting. Overall, policies that target specific harmful practices can have positive spillover effects on other related norms, thereby improving women's well-being and potentially the development of economies altogether.

#### **MACROECONOMICS VIII**

15:00 - 16:30 Room 1 Chair: Jan Prüser

#### 1. WHAT GOES AROUND, COMES AROUND: THE US CLIMATE-ECONOMIC CYCLE

#### Konstantin Boss (UAB and BSE, Spain) and Alessandra Testa

We use a spatial data set of US temperatures in a factor-augmented VAR to quantify the contribution of the US economy to fluctuations in temperatures over the past 70 years. Economic expansions do not only lead to warming: technology improvements initially decrease temperatures, whereas capital and labor supply shocks increase them rapidly and persistently. Taken together, these economic shocks explain around 25% of long-term temperature variation in the US. In turn, temperature shocks induce small contractions in aggregate GDP, but can even be beneficial for the economy, when they predominantly hit the western states.

#### 2. DIVERGENT TRANSFORMATION PATHS: AN ANATOMY OF THE BAUMOL COST

#### Selim Elbadri (University of Nottingham, UK) and Juan I. Vizcaino

In this paper, we propose an explanation to secular stagnation that is linked to the process of structural transformation in post-industrial economies. We merge several data sources on sectoral production and innovation activities to document that while production workers move out of manufacturing and into non-research-intensive services, researchers move out of manufacturing and into research-intensive services, exhibiting divergent paths. To shed light on the mechanisms driving the sectoral reallocation of productive and innovative activities, we build a general equilibrium model of structural transformation and directed technical change where the sectoral allocation of productive and innovative resources is determined endogenously. The model predicts that in the long run traditional structural transformation forces will keep on increasing the size of the non-research-intensive services sector, which will eventually operate as an incentive to attract research and development activities towards it, partially reverting the structural-change-driven productivity slowdown originally documented by Baumol.

#### 3. TIMING MATTERS: DETERMINISTIC DEBT CYCLES AND COLLATERA-LIZED DEBT CONTRACTS

#### Oskar Arnt Juul (Copenhagen Business School, Denmark)

The timing of debt contracts can profoundly affect business cycles. For a small open economy with a collateral constraint that ties credit limits to the valuation of assets, the valuation timing affects the economy's cyclical properties. Specifically, when the collateral constraint entails the current asset price, deterministic debt cycles — recurrent expansions and contractions of aggregate debt — may arise. Conversely, if the future asset price enters the collateral constraint, then such cycles cannot exist. This finding underscores the significance of timing conventions on aggregate dynamics in economies with financial accelerators. Moreover, debt cycles have implications for welfare since a social planner would seek to eliminate debt cycles in environments where they might occur.

#### **APPLIED MICRO III**

15:00 - 16:30 Room 4 Chair: Zohal Hessami

#### 1. WOMEN POLICE STATIONS AND FEMALE LABOUR FORCE PARTICIPATION

Utsa Banerjee (Lancaster University, UK), Catherine Porter, and Saurabh Singhal

Exploiting a policy experiment that led to the reorganisation of the police force in urban India, we examine if improved local safety around factories can explain gender gap in employment in the context of emerging market economies. We find that an access to women-led police cells and all-women police stations reduce the social stigma around the reporting of gendered crime, thereby deterring such offences and increasing the share of female in total employment by 18%. We also find a positive effect on the growth rate of female employment by 1.1%, which could imply a potential long term effect. The results do not point towards a mere substitution among genders, but an overall increase in employment and expansion of firm size. The results suggest that this is more of a supply side effect than a demand side phenomenon. Our results point towards a possible shift from the informal to the formal sector. Moreover, both total factor productivity and labour productivity increase, implying that the marginal female worker employed is not of a significantly lower quality.

#### 2. HOW DIGITAL MEDIA MARKETS AMPLIFY NEWS SENTIMENT

#### Lara Marie Berger (University of Cologne, Germany)

Capturing attention through appealing headlines is far more important for news companies in digital than in analog media markets, but it is so far unclear if this changes news content. This paper provides evidence that this shift in incentives enhances the sentimental slant of news headlines. A comparison of online and offline versions of the same newspapers illustrates that headlines online are more often formulated emotionally. An experiment with professional journalists reveals that this difference can be at least partially explained by an increased incentive to generate attention: If journalists are compensated relative to the click rates their headlines receive, they significantly more often put headlines containing emotional words on top of a given article. A second experiment shows that such an amplification of sensationalist framing has economic implications in the short run, as emotional headlines can translate into emotional reactions and distortions in expectations of their readers.

#### 3. LEAPFROGGING TELECOMMUNICATION: DID THE ROLL-OUT OF MOBILE COVERAGE STRUCTURALLY CHANGE LABOR MARKETS?

#### Marta Bernardi (TU Dresden, Germany) and Valentin Lindlacher

How does mobile coverage affect the trajectories of structural labor market development? This study investigates the expansion of early mobile connections employing IPUMS International harmonized census data at the sub-national level. Starting from a global sample the study focuses on a set of 20 developing countries following 7020 sub-national units appearing two times in the period 1990-2015 using 48.381.561 individual observations. The baseline OLS specification in the whole sample points towards a net zero effect on labor market participation and a reallocation of workers from manufacturing and services to agriculture. To tackle potential endogeneity concerns, we employ NASA GHRC lightning strikes data as an instrumental variable to predict mobile connection presence. Our findings, based on 2SLS estimation, reveal that a 1 percent increase in the population-weighted share of GSM mobile connections in the subnational region yields to a statistically significant positive effect on the probability of being employed in agriculture and a negative one on being employed in industry and services. This result, confirming the OLS findings, suggests a nuanced narrative of economic restructuring driven by task and occupation-based dynamics following the advent of 2G technology.

#### **TRADE II**

15:00 - 16:30 Room 3 Chair: Volker Clausen

#### 1. ALL AT SEA? BREXIT, SHIPPING, AND THE UK LAND-BRIDGE

#### Ciarán Mac Domhnaill (University of St Andrews Business School, UK)

How has Brexit affected maritime cargo volumes? Has Brexit caused a diversion of cargo from the UK ,land-bridge' trade route between Ireland and mainland Europe to direct short sea shipping routes? I conduct a difference-in-differences analysis of the effect of Brexit on maritime cargo volumes. I examine Eurostat port-level data from 2013 to 2022 and find a 22 per cent decrease in EU-UK roll-on roll-off (Ro-Ro) volumes, and a 54 per cent decrease in Ireland-UK Ro-Ro volumes, due to Brexit. I find a concurrent increase of 147 per cent in Ireland-France Ro-Ro cargo, indicating a diversion from the UK land-bridge route to direct short sea shipping routes. I estimate that emissions would be roughly 60 per cent lower on the direct route.

#### 2. THE EFFECTS OF CORPORATE SUBSIDIES ALONG SUPPLY CHAINS

#### Elisa Navarra (Université libre de Bruxelles (ECARES), Belgium)

The increasing use of corporate subsidies by governments worldwide raises concerns about their trade effects. In this paper, I study the effects of corporate subsidies on exports, both direct (in subsidised industries) and indirect (in industries connected through input-output linkages). To this end, I use a unique dataset on all federal subsidies introduced by the United States since 2000. I document that, against multilateral trading rules, only a fraction of these subsidies are notified to the World Trade Organization. To identify causal effects, I exploit exogenous political shocks driven by changes in the identity swing states across electoral terms. I find that politically motivated subsidies foster exports in industries directly and indirectly exposed to them. Employment also increases. Contrary to the existing jurisprudence, the positive effects along supply chains stem from increased investments rather than price suppression. My analysis contributes to the ongoing debate about reforming multilateral trading rules on subsidies by advocating enhanced transparency and a broader interpretation of pass-through effects.

### 3. EFFECTS OF INPUT TRADE LIBERALIZATION WITH STRATEGIC SOURCING

#### Andrii Tarasenko (University of Mannheim, Germany)

I propose a novel methodology for the evaluation of the welfare effects of input trade liberalization, allowing for oligopolistic competition and strategic choice of sourcing locations. I use this methodology to evaluate the effects of the accession of Ukraine to WTO on producers and consumers in Ukrainian food-processing sectors. I find that welfare improves by a modest amount despite the increase in fixed costs paid. Endogenous adjustment of sourcing strategies accounts for a quantitatively important fraction of welfare gains.

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