



Upcoming Seminars

Monday, 17.7.2023

13.30-14.30
AWI room 00.010

Departmental Seminar 1

Soo Hong Chew, National University of Singapore
"Attention Theory, Soft and Hard"
(Host: Jürgen Eichberger)

Tuesday, 18.7.2023

12.30-15.00
ZEW, Room 1
L7, 1, Mannheim

Environmental Economics Brownbag Seminar

Elisa Rottner, ZEW
"Is Germany becoming the European Pollution Haven?"
and
Hans Koster, Vrije Universiteit Amsterdam
"High-Speed Rail and the Spatial Distribution of Economic
Activity: Evidence from Japan's Shinkansen"

Wednesday, 19.7.2023

12.15-13.15
AWI room 00.010

Departmental Seminar 2

Nicola Lacetera, University of Toronto
"Is the Price Right? The Role of Economic Tradeoffs in
Explaining Reactions to Price Surges"
(Host: Stefan Trautmann)

Thursday, 20.7.2023

9.00 - 16.15
AWI room 02.040

Economic Expectations Workshop

with Michael Weber from Chicago Booth

Departmental Seminar

Soo Hong Chew

"Attention Theory, Soft and Hard"

The human brain, consuming a mere 20 watts, is miserly in minimizing energy expenditure constantly and unconsciously, giving rise to a volatile and context-sensitive attentional process. This talk builds on both "soft" modeling based on revealed choice and "hard" modeling which seeks additionally biological accuracy. In our soft attention theory (SAT), the generally varying and potentially stochastic utility of a lottery emerges from volatile and partially stimulus-driven decision weights. The resulting SAT can account for a broad range of choice anomalies under different combinations of top-down attention and bottom-up salience. It also delivers an attentional loss aversion which helps link observed variability in revealed loss aversion to the loss-gain asymmetry in biological responses, including amygdala activation (fMRI), alerting function of norepinephrine (PET), physiological arousal (galvanic skin response), and fixation and pupillometry (eye tracking). In binary choice, SAT satisfies Savage's Postulate 2 if and only if its bivariate attention function is symmetric, which corresponds formally to Regret Theory (Bell, 1982; Loomes and Sugden, 1982, 1987) and Salience Theory (Bordalo, Gennaioli, Shleifer, 2012) as part of the class of skew-symmetric correlation-sensitive preference (Lanzani, 2022). We further offer a hard attention theory (HAT) through a quartet of neurotransmitters – dopamine (DA), serotonin (5HT), acetylcholine (ACh), and norepinephrine (NE). Building on Zhong et al's (2009) application of DA and 5HT tones to model the loss-gain sensitivity in valuation sensitivity, we hypothesize that ACh and NE tones modulate respectively the top-down and bottom-up components of the attention function in SAT. This yields predictions on revealed choice behavior which can be tested in randomized controlled trials (RCT) using drugs which influence the brain's attention networks. Preliminary findings from RCT experiments using nicotine (ACh agonist) and Ventolin (NE agonist) will be discussed.

Environmental Economics Brownbag Seminar

Elisa Rottner

"Is Germany becoming the European Pollution Haven?"

Abstract: Despite being a country with comparatively strict climate regulation, carbon emissions in German manufacturing have not decreased between 2005 and 2019. Why is that? In this paper, we focus on the role of regulatory differences between Germany and other EU countries. To back out these differences, we calibrate a Melitz-type model, extended by firms' emissions and abatement decisions. For quantification, we use aggregate output, trade and emissions data as well as parameter estimates retrieved from the official German Manufacturing Census. The quantitative model reveals that the implicit carbon price paid on emissions, reflecting energy and carbon prices in addition to command-and-control measures, decreased from 2005 to 2019 in most sectors – both in Germany and other EU countries. Yet, the trend has been more pronounced in Germany than in the rest of the EU. In counterfactual analyses, we show that this intra-EU difference has substantially increased German industrial

emissions. Had the EU experienced the same decrease in implicit carbon prices as Germany, German emissions would have been substantially lower. Germany hence seems to have increasingly become a pollution haven.

Hans Koster

"High-Speed Rail and the Spatial Distribution of Economic Activity: Evidence from Japan's Shinkansen"

We investigate the effects of high-speed rail (HSR) on the location of economic activity. We set up a spatial quantitative general equilibrium model that incorporates spatial linkages between firms (including manufacturing and services), agglomeration economies, as well as commuting and migration. The model is estimated for Japan in order to investigate the impacts of the Shinkansen, i.e., the first HSR ever built. We show that traveling by train strengthens firms' linkages, but is less important for commuting interactions. The Shinkansen increases welfare by about 5%. We show that extensions of the Shinkansen network may have large effects (up to a 30% increase in employment) on connected municipalities, although the effects are smaller for places with higher fixed costs. Our counterfactuals show that, without the Shinkansen, Tokyo and Osaka would be 6.3% and 4.4% larger, respectively.

Departmental Seminar

Nicola Lacetera

"Is the Price Right? The Role of Economic Tradeoffs in Explaining Reactions to Price Surges"

Public authorities often introduce price controls to address opposition to price surges, but this may cause inefficiencies and shortages. In a survey experiment with 7,612 Canadian and US respondents, we found that people generally disapprove of, and have strong moral reactions to unregulated price increases. However, acceptance is higher when potential economic tradeoffs between controlled and unregulated prices are salient, and if the incentives resulting from price surges enhance access to goods. Highlighting tradeoffs also reduces the polarization of moral reactions between supporters and opponents of unregulated pricing. Text analysis and a donation experiment further support our findings.

*joint work with Julio Elías and Mario Macis

Talks and Research Visits

Anne Opschoor, Vrije Universiteit Amsterdam, will stay for research visit with Christian Conrad for 3 weeks until July 28. He will stay in the guest room AWI 01.024.

At the *10th HKMetrics Workshop* at the Karlsruhe Institute of Technology (KIT) on July 12, the following papers were presented: **Marina Da Silva Rapp**: "Who is updating stock market expectations in response to Market Turmoil?" (joint with Christian Conrad and Alexander Glas), **Julius Schoelkopf**: "Macroeconomic Announcements and the Volatility Feedback Effect" (joint with Christian Conrad and Nikoleta Tushteva) and **Manuel Schick**: "Real-time Nowcasting Growth at Risk Using the Survey of Professional Forecasters".

Zeno Enders discussed the paper "Macro-Financial Trends in a Model with Concentrated Ownership of Capital" by Francesco Saverio Gaudio at the 7th AMSE-BdF Workshop in Macroeconomics, Marseille, July 7.

Johannes Resin gave a talk on "From Classification Accuracy to Proper Scoring Rules: Elicitability of Probabilistic Top List Predictions" at the European Meeting of Statisticians, Warsaw, July 3-7.

Zeno Enders presented the paper "Firm Expectations and News: Micro v Macro" at the Banque de France, Paris, July 5.

Miscellaneous

Christoph K. Becker, Ph. D. student at the chair of Stefan Trautmann, has successfully defended his doctoral thesis on "Economic Essays on Learning, Inflation Beliefs, and Happiness", July 13, 2023

Editorial deadline for issue 21/2023 of the newsletter:
Wednesday, July 19, 2023, 12 p.m.
newsletter@awi.uni-heidelberg.de