Network of Swiss Economists Abroad

UNIVERSITÉ DE GENÈVE
GENEVA SCHOOL OF ECONOMICS AND MANAGEMENT

14th End-of-Year Conference of Swiss Economists Abroad

December 20, 2019

Geneva School of Economics and Management – University of Geneva

Organizers: Sandro Ambuehl (University of Toronto), Enrico Berkes (Ohio State University), Aline Bütikofer (Norwegian School of Economics).

Local Organizers: Frédéric Robert-Nicoud and Sandra Vuadens (University of Geneva).

Supported by the Swiss National Bank and the Swiss Society of Economics and Statistics

Learn more about our network at www.swisseconomistsabroad.org

14th End-of-Year Conference of Swiss Economists Abroad

Thursday, December 19

19:30 - 21:30 **Conference Dinner** [Café de la Paix, Bd Carl-Vogt 61, 1205 Geneva]

Friday, December 20

8:45 - 9:00	Arrival, Registration, Coffee		
9:00 - 9:10	**Welcome Session and a word from the director of the Institute of Economics and Management, Giacomo De Giorgi** [M 2150]		
	Parallel Sessions A [M 2150]	*Parallel Sessions B [M 2130]*	*Parallel Sessions C [M S150]*
9:15 - 10:35	**1. Environmental, Political & Health Economics, and p-Hacking Tests**	**2. Macroeconomics**	**3. Behavioral Economics, Household Finance**
10:35 - 11:05	**Coffee Break**		
11:05 - 12:25	**4. Urban and Regional Economics**	**5. International Trade**	
12:25 - 14:00	**Lunch**		
14:00 - 15:20	**6. Labor Economics**	**7. Monetary Economics and Financial Institutons**	
15:20 - 15:50	**Coffee Break**		
15:50- 16:10	**A word from our Partner, the SNB (Jean-Marc Falter -- Current economic situation and the SNB's monetary policy)** [M 2150]		
16:10 - 17:30	**8. IO, Corporate Governance**	**9. Monetary Economics**	
17:30 - 19:00	**Apéro** [Café du Lys, Rue de l'Ecole-de-Médecine 7, 1205 Genève]		

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9:00 – 9:10	**Welcome Session and a word from the director of the Institute of Economics and Management, Giacomo De Giorgi** [M 2150]
9:15 - 10:35	**Session 1: Environmental, Political & Health Economics** [M 2150]
Florian Chávez-Juárez	Modelling the health system as a complex system
Michèle Müller-Itten	On climate change, water variability and conflicts
Kaspar Wuthrich	Detecting p-hacking
9:15 - 10:35	**Session 2: Macroeconomics** [M 2130]
Julian Ludwig	Identification of Rational Expectations Models Under Information Frictions
Frederic Martenet	Demographics, Wealth and Interest Rates in the 21st Century
Yann Koby	Deposit Spreads and Bank Loan Supply: The Case of Japan
9:15 - 10:35	**Session 3: Behavioral Economics, Household Finance, and p-Hacking Tests** [M S150]
Sandro Ambuehl	The Will of the People — How do Individuals Aggregate Ordinal Preferences?
Florian Eugster	Managerial extroversion and corporate disclosure
Andrea Hasler	Financial Fragility among Middle-Income Households: Evidence Beyond Asset Building
10:35 - 11:05	**Coffee Break**
11:05 - 12:25	**Session 4: Urban and Regional Economics** [M 2150]
Frédéric Robert-Nicoud	Highways, Market Access, and Spatial Sorting
Enrico Berkes	Cities and Technology Cycles
Anja Grujovic	Tasks, Cities and Urban Wage Premia

11:05 - 12:25	**Session 5: International Trade** [M 2130]
Adrien Bussy	Corporate Tax Evasion: Evidence from International Trade
Xavier Giroud	Firms' Internal Networks and Local Economic Shocks
Laurent Pauwels	Openness without trade
Andrea Fracasso	Pricing-to-market and exchange rate expectations
12:25 - 14:00	**Lunch**
14:00 - 15:20	**Session 6: Labor Economics** [M 2150]
Aline Bütikofer	Building Bridges and Widening Gaps - Wage Gains and Equity Concerns of Labor Market Expansions
Patrick Gaule	Why Has Science Become an Old Man's Game?
Flavio Hafner	Labor market competition, wages and worker mobility
14:00 - 15:20	**Session 7: Monetary Economics and Financial Institutons** [M 2130]
Luzi Hail	On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data
Markus Hertrich	Foreign Exchange Interventions under a One-Sided Target Zone Regime and the Swiss Franc
Tim Maurer	Stock market evidence on the international transmission channels of US monetary policy surprises
15:20 - 15:50	**Coffee Break**
15:50- 16:10	**A word from our Partner, the SNB (Jean-Marc Falter -- Current economic situation and the SNB's monetary policy)** [M 2150]
16:10 - 17:30	**Session 8: IO, Corporate Governance** [M 2150]
Lukas Roth	Does Corporate Culture Add Value? Evidence from the Harvey Weinstein Scandal and the #MeToo Movement
Andras Niedermayer	Percentage Fees in Thin Markets: An Empirical Perspective
Caroline Flammer	Corporate Governance and Social Impact of Non-Profits: Evidence from a Randomized Program in Healthcare in the Democratic Republic of Congo
16:10 - 17:30	**Session 9: Monetary Economics** [M 2130]
Laura Gáti	Talking in Time - Dynamic Central Bank Communication
Daniela Hauser	Labor Mobility in a Monetary Union
Diego Kaenzig	Capital, Income Inequality, and Consumption: the Missing Link
17:30 - 19:00	**Apéro** [Café du Lys, Rue de l'Ecole-de-Médecine 7, 1205 Genève]

14th End-of-Year Conference of Swiss Economists Abroad

Abstracts

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

9:15 - 10:35 Session 1: IO, Environmental Economics, and Political Economics, and p-Hacking Tests
[M 2150]

Alejandro Blasco (National Laboratory of Public Policy - LNPP), ***Florian Chávez-Juárez*** *(LNPP), Lucy Hackett (LNPP), Georgina Trujillo (LNPP)*

Modelling the health system as a complex system

In this study we present a new multi-purpose agent-based model of the health system. The starting point of the model is to consider the health system as a complex system where more or less direct interactions take place between different agents such as health care providers, insurance companies, regulators and patients. The core model includes mechanisms that are present in nearly any health system and is programmed in a way that it can be easily adapted to a specific context. The goal of the model is to serve as a tool for policy makers by analysing ex-ante possible results of policy proposals. The model builds on the existing empirical and theoretical literature in health economics but aims at modelling the whole system at once. The first version of the model includes patients, health care providers and insurance companies as agents with endogenous decisions and the government (legal setting) as a set of parameters. We also include calibrated data on disease incidence, health insurance portfolios and some socio-economic distributions. The focus of this study lies on the presentation of the core model, but we also present an illustrative example of how the model can be adapted to a specific context. We adapt the model to the Swiss case and analyse the implications of an increase of minimum deductibles in the social health insurance market, which has been recently discussed in parliament.

Kevin Roche (Notre Dame), ***Michèle Müller-Itten*** *(Notre Dame), David Dralle (California State University), Diogo Bolster (Notre Dame), Marc F. Müller (Notre Dame)*

On climate change, water variability and conflicts

A growing empirical literature associates climate anomalies with increased risk of violent conflict. This association has been portrayed as a bellwether of future societal instability as the frequency and intensity of extreme weather events are predicted to increase. Informally, many projections allude to an opportunity-cost mechanism, but this mechanism has been formalized only for time-constant income distributions. We extend the classic microeconomic model (Chassang'09) by considering realistic changes in the distribution of climate-dependent agricultural income. Results urge caution regarding naive extrapolation from established patterns: Sustained shifts in the income distribution have different implications than anomalous individual draws. Although war occurs in bad years, conflict may decrease if agents expect more frequent bad years. Unless the model parameters are properly identified, the conflict impact of increased climate variability is thus ambiguous under the opportunity cost mechanism. And since the relation between crop yields and water availability is non-linear, changes in both the level and the variability of climate affect conflict frequency. This stresses the importance of distinguishing income shocks and climate shocks in empirical work. We identify three measurable statistics of the income distribution that each offer unambiguous qualitative predictions regarding conflict frequency. Since these predictions differ from competing explanations for climate-induced conflict, they may offer a blueprint to empirically distinguish between these mechanisms.

Graham Elliott (UCSD), Nikolay Kudrin (UCSD), ***Kaspar Wuthrich*** *(UCSD)*

Detecting p-hacking

We analyze what can be learned from tests for p-hacking based on distributions of t-statistics and p-values across multiple studies. We analytically characterize restrictions on these distributions that conform with the absence of p-hacking. This forms a testable null hypothesis and suggests more powerful statistical tests for p-hacking. We extend our results to p-hacking when there is also publication bias, and also consider what types of distributions arise under the alternative hypothesis that researchers engage in p-hacking. We show that the power of statistical tests for detecting p-hacking can be low even if p-hacking is quite prevalent.

9:15 - 10:35 Session 2: Macroeconomics [M 2130]

Julian Ludwig *(Texas Tech University)*

Identification of Rational Expectations Models Under Information Frictions

Identification of full information rational expectations (FIRE) models suffers from Manski's (1993) reflection problem. I extend the standard rational expectations (RE) model to allow for a more general information structure and introduce a new framework to identify the generalized model with forecaster data. Identification is no longer subject to the reflection problem when two changes are made to the information structure: the addition of news shocks and imperfect information. News shocks provide additional variation in expectations about the future. Imperfect information provides changes in beliefs about past states, through which the feedback between expectations and decisions goes only in one direction. Expectations data are consistent with both. An application to Greenbook forecasts illustrates the importance of both news shocks and learning about the past. When I apply this framework to a Blanchard and Quah (1989) decomposition, I reach qualitatively new results. For example, expansionary supply shocks decrease unemployment. Supply shocks are also particularly subject to both news and information rigidities, so relaxing the information structure is key to correctly identifying these shocks.

Adrien Auclert (Stanford, NBER and CEPR), Hannes Malmberg (University of Minnesota), ***Frederic Martenet*** *(Stanford University), Matthew Rognlie (Northwestern University)*

Demographics, Wealth and Interest Rates in the 21st Century

There is broad agreement that population aging increases wealth to income ratios and reduces interest rates. In this paper, we quantify the strength of this mechanism using a general asset demand and supply framework, combined with demographic projections and wealth and income data from 16 different countries. We first find that, absent behavioral responses, aging directly increases net asset demand by shifting the age distribution towards older households, who own more assets and work less. For the 21st century, this compositional effect is large: an average of 100% of GDP, similar in magnitude to the postwar increase in wealth/GDP in the countries we consider. In a small open economy life-cycle general equilibrium model, behavioral responses tend to strengthen the compositional effect, and the increase in net asset demand translates into a large increase in wealth/GDP. In a closed economy, uncertainty surrounding asset demand and supply elasticities imply uncertainty over how much interest rates will need to fall to equilibrate asset markets, and whether falling interest rates will mainly drive up the value of assets, or push down the asset holdings of households.

Yann Koby *(Princeton University), Cynthia Balloch (London School of Economics)*

Deposit Spreads and Bank Loan Supply: The Case of Japan

Low interest rates can be contractionary for lending. In this paper, we present evidence of the effect of low interest rates on Japanese banks. Interest rates in Japan reached very low levels in the mid-1990s, following the collapse of asset and property prices and the dramatic economic slowdown this precipitated. We show that the low interest rate environment is associated with a decline in bank profitability for banks that are relatively more exposed through their historical liability structure. Banks that rely relatively more on deposits for financing are unable to reduce their costs enough to offset the decline in returns on their asset portfolio. This decline in profitability can also be linked to declines in bank equity and lending. These results pose an additional challenge for the design of monetary policy when interest rates are very low.

9:15 - 10:35 Session 3: Behavioral Economics, Household Finance [M S150]

Sandro Ambuehl *(University of Toronto), B. Douglas Bernheim (Stanford), Matias Cersosimo (Stanford)*

The Will of the People — How do Individuals Aggregate Ordinal Preferences?

Celebrated impossibility results (Arrow, 1950, Sen, 1970) show that there is no single best rule for aggregating ordinal preferences. Yet, groups of individuals, from small committees to populous nations, cannot simply eschew social choice, raising the question of how individuals think normatively appealing aggregation should occur. In our experiment, individuals in the role of Social Architects make a choice for a group they are not part of, knowing only group members' ordinal preferences over the alternatives. We characterize the social choice rules Social Architects implement, and show that these rules represent Choice Architects' normative standards.

Florian Eugster *(Stockholm School of Economics), Jenni Kallunki (Oulu University), Henrik Nilsson (Stockholm School of Economics), Hanna Setterberg (Stockholm School of Economics)*

Managerial extroversion and corporate disclosure

This is the first paper that explores whether the personal trait extroversion of the CFO and CEO are associated with corporate disclosure quantity outcome. We examine this research question on a sample of Swedish firms, where we have access to unique measure of individual extroversion for male managers for a large cross-section of listed firms. Corporate disclosure is measured by the score achieved in a "best annual reporting contest" provided by an external agency. Controlling for well-established determinants of disclosure quality we are able to obtain empirical evidence that individual CFO extroversion is positively associated with corporate disclosure quality in annual reports. Motivated by the upper echelon theory we find in cross-sectional tests that the effect of extroversion on corporate disclosure quality is driven by (1) firms when managerial discretion is high and (2) when executive job demands are high.

Andrea Hasler *(George Washington University), Annamaria Lusardi (George Washington University)*

Financial Fragility among Middle-Income Households: Evidence Beyond Asset Building

Several years after the financial crisis, financial fragility is not only pervasive in the U.S economy but also prevalent among middle-income households. This highlights the need to consider more than asset levels in order to understand household financial resilience. In this paper, we explore the determinants of financial fragility for American households in the middle-income bracket (earning $50–$75K annually) using data from the 2015 National Financial Capability Study. We analyze the socioeconomic characteristics and balance sheets of these households with focus on their debt management and expenses. According to our empirical analysis, three main factors impact financial fragility of middle-income households: family size, debt burden, and financial literacy. First, because a portion of household financial resources are committed to children, family size plays an important role in financial fragility. Second, middle-income households have a lot of debt, and the data shows that debt increases with income. While middle-income households do own assets, they are highly leveraged. In addition, they are using high-cost borrowing methods to cope with emergency expenses. Third, financial literacy is very low among financially fragile middle-income households, which is potentially problematic when there are assets and debt to manage. Moreover, we find that financial fragility has long-term consequences, as financially fragile households are much less likely to plan for retirement.

11:05 - 12:25 Session 4: Urban and Regional Economics [M 2150]

Stephan Fretz (Swissgrid), Raphaël Parchet (Università della Svizzera Italiana, ***Frédéric Robert-Nicoud*** *(University of Geneva)*

Highways, Market Access, and Spatial Sorting

This paper studies the consequences of the construction of a major transportation infrastructure on the sorting of residents and workers with heterogeneous incomes and skills. We design a parsimonious spatial equilibrium model featuring workers embodied with heterogeneous skills and nonhomothetic preferences. In equilibrium, locations with improved commuting access become relatively more attractive to the highskilled, high-income earners. We then empirically analyze the effects of the construction of the Swiss highway network between 1960 and 2010 on the population size and composition of municipalities. We find that the advent of a new highway access within 10km led to a long-term 23% increase in the share of high-income taxpayers and a 7% decrease in the share of low-income taxpayers. Highways also contributed to changes in commuting patterns as well as to job and residential urban sprawl.

Enrico Berkes (Ohio State University), Ruben Gaetani (University of Toronto), Marti Mestieri (Northwestern)

Cities and Technology Cycles

What determines the success and decline of cities over time? In this paper, we propose that geographical and technological frictions in the diffusion of ideas make the growth trajectory of cities sensitive to technology cycles, defined as long-term shifts in the centrality of some fields in the knowledge space. Using a novel dataset of historical U.S. patents that spans the period 1836-2010, we show that cities with more central innovation activities grow more over the subsequent decades. We also show that diversification makes cities more resilient to technology cycles by guaranteeing a broad spectrum of ideas to draw from as specific fields gain or lose importance. We formalize these notions through a spatial, dynamic theory of innovation and knowledge diffusion. The model replicates these findings and can be used to quantitatively investigate the sources of city growth, decline, and resilience.

Anja Grujovic *(CEMFI)*

Tasks, Cities and Urban Wage Premia

Combining rich administrative data for Germany with representative workforce surveys, I find that job task content is robustly predictive of differences in urban wage premia across otherwise observationally equivalent individuals. Based on this, I propose a model where productive advantages of cities are inherently task-specific. Workers of higher ability have a comparative advantage in the tasks whose production benefits the most from urban spillovers. In equilibrium, bigger cities generate larger externalities for more able agents and urban wage premia is skill-biased. I estimate the model using German worker panel data on 336 districts, 331 occupations, 3 education categories and 3 tasks. I find that one standard deviation increase in abstract task intensity is associated with a 0.3 percentage point increase in the elasticity of earnings with respect to population size. Differences in task-specific urban wage premia remain significant even after controlling for skill premia of larger cities.

11:05 - 12:25 Session 5: International Trade [M 2130]

Adrien Bussy *(London School of Economics)*

Corporate Tax Evasion: Evidence from International Trade

This paper uses international trade data to investigate the extent to which firms evade taxes on corporate profits. Discrepancies in reports by importers and exporters of the same trade flow are used to indirectly estimate the extent of evasion. When a tax rate changes in one country, firms modify their reports of the trade flow to lower their taxable profits for evasion purposes. The partner firm - which is abroad - does not have the same incentive to misreport and the discrepancies change as a result. I provide novel evidence of significant corporate tax evasion and confirm and complement existing estimates of tariff evasion, leveraging a panel dataset of more than 60 million observations on trade flows at the product level. I test several model-motivated predictions relating to accounting rules and institutions, and study evasion dynamics at the monthly frequency to facilitate causal interpretation of the results.

Xavier Giroud *(Columbia University), Holger Mueller (New York University)*

Firms' Internal Networks and Local Economic Shocks

Using confidential establishment-level data from the U.S. Census Bureau's Longitudinal Business Database, this paper documents how local shocks propagate across U.S. regions through firms' internal networks of establishments. Consistent with a model of optimal within-firm resource allocation, we find that establishment-level employment is sensitive to shocks in distant regions in which the parent firm is operating, and that the elasticity with respect to such shocks increases with firms' financial constraints. At the aggregate regional level, we find that county-level employment is sensitive to shocks in distant counties linked through firms' internal networks, suggesting that these networks matter for regional employment.

Jean Imbs (NYU Abu Dhabi, PSE, CNRS and CEPR), ***Laurent Pauwels*** *(University of Sydney)*

Openness without trade

We introduce a measure of openness at the sector level that does not build on directly observed bilateral trade. Instead we use recently released data on international input-output linkages to measure the propensity for a given sector to supply downstream producers that are located in another country. The measure, labeled "export intensity", evaluates the percentage of gross output in a given sector that serves downstream producers located across a border. We compute it for 50 sectors in 43 countries, including for services that are customarily considered "non traded" for lack of direct trade data. We show some services are amongst the most open sectors in some economies, and generally rank at the middle of the distribution of sector-level openness. The measure is plausible in that small countries tend to be open whereas large ones are closed, and it implies much larger dispersion across sectors than directly observed trade. Finally, export intensity conforms with standard predictions on the consequences of openness at sector level, including Beta- and Sigma-convergence, price convergence, pro competitive effects, cycle synchronization, and others. By comparison, conventional measures of trade never do.

Andrea Fracasso *(University of Trento), Angelo Secchi (PSE and University of Paris 1 Panthenon-Sorbonne), Chiara Tomasi (University of Trento)*

Pricing-to-market and exchange rate expectations

This paper contributes to the literature on pricing-to-market by assessing whether and to what extent firms take into account the expected future evolution of the exchange rate while setting their export prices. Using French micro-level trade data and exploiting the expectations of future bilateral exchange rates reported by a large pool of financial intermediaries and investors, the empirical analysis reveals that firms adjust their export prices, absorbing part of both the observed and the expected future variations. Estimations exploiting firm heterogeneity in terms of market power and intensity of imported inputs show that the elasticity of export prices to the expected exchange rate variations depends on the former, in accordance with theoretical dynamic demand-side models encompassing mechanisms creating an intertemporal relationship between current market shares and future pro fits. Moreover, the analysis shows that the strength of such expectation-related mechanism is considerably reduced when the uncertainty regarding future exchange rates is greater, in line with an interpretation of pricing-to-market as an investment decision under uncertainty.

14:00 - 15:20 Session 6: Labor Economics [M 2150]

Aline Bütikofer *(NHH), Katrine V. Løken (NHH), Alexander Willén (NHH)*

Building Bridges and Widening Gaps - Wage Gains and Equity Concerns of Labor Market Expansions

Exploiting the opening of the Öresund Bridge, expanding the local labor market by drastically lowering commuting times between the capital of Denmark, Copenhagen, and the third biggest city in Sweden, Malmö, we examine the impact on total wages and employment of both stayers and commuters living in the Malmö region. We find a large positive average effect on total wages, driven by both extensive and antensive employment responses. We further show that the increased effciency of a larger labour market is causing increased income inequality and gender inequality as effects on total wages are mainly driven by higher educated males starting to commute to Copenhagen.

Christian Fons-Rosen (UC Merced), ***Patrick Gaule*** *(University of Bath), Taras Hrendash (CERGE-EI)*

Why Has Science Become an Old Man’s Game?

The U.S. scientific workforce is ageing rapidly, and a rising proportion of top scientific contributions are made by older scientists, prompting discussions about the reasons 10 behind these trends and appropriate policy responses. We use novel data on faculty members in U.S. doctorate-granting chemistry departments from 1960 to 2010 to investigate why science has become an old man’s game. A rising share of highly cited chemistry papers is produced by older scientists. However, we find that older scientists have become relatively less productive over time than younger scientists. Simulations suggest that changes in the number of new faculty hires 15 over time are the main driver of changes in the age composition, rather than changes in training or retirement patterns, as previously suggested.

Flavio Hafner *(Universitat Pompeu Fabra)*

Labor market competition, wages and worker mobility

In monopsonistic labor markets better outside options may raise workers' wages and employment. I study how the labor market reacts to better outside options in a natural experiment where French border-commuters gained access to the Swiss labor market where wages were 60% higher. With a difference-in-differences design I find asymmetric effects across skill groups. New commuters are highly skilled, but wages of remaining high-skill workers do not change. Instead, wages rise for low-skill workers by 1.8%. Low-skill employment increases in the short run. The point estimates on wages and employment quantitatively reject a CES production function. I find no evidence workers became more productive. Instead the evidence supports models of the labor market with search frictions where the labor market integration makes the supply to French firms more elastic. First, wages rise more at more productive firms. Second, employment expands only in the tradable sector where firms have less price-setting power in the product market. Several indicators suggest that low-skill workers supply their labor less elastically than high-skill workers. This implies less scope for wage increases for low-skill workers. The findings suggest that removing barriers to labor mobility can increase both wages and employment of workers through lower monopsony power.

14:00 - 15:20 Session 7: Monetary Economics and Financial Institutons [M 2130]

*Brandon Gipper (Stanford), **Luzi Hail** (University of Pennsylvania), Christian Leuz (University of Chicago)*

On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data

We provide the first partner tenure and mandatory rotation analysis for a large cross-section of U.S. publicly listed firms over an extended period. We analyze the effects on audit quality as well as on audit pricing and production. On average, we find no evidence for audit quality declines over the tenure cycle and, consistent with this result, little support for fresh-look benefits after five-year mandatory rotations. Nevertheless, partner rotations have significant economic consequences. Audit fees decline and audit hours increase after mandatory rotations, but then reverse over the tenure cycle. We also find evidence that audit firms use “shadowing” in preparation of lead partner turnover. The economic effects differ predictably by competitiveness of the local audit market, client size, and partner experience. When multiple members of the audit team rotate together, the transition appears to be more disruptive (but still less so than switching the audit firm) and more likely to exhibit audit quality effects. Overall, our findings are consistent with costly efforts by the audit firms to minimize both disruptions and audit failures around mandatory rotations.

***Markus Hertrich** (Deutsche Bundesbank)*

Foreign Exchange Interventions under a One-Sided Target Zone Regime and the Swiss Franc

From September 2011 to January 2015, the Swiss National Bank (SNB) implemented a minimum exchange rate regime (i.e. a one-sided target zone) vis-à-vis the euro currency to fight deflationary pressures in the aftermath of the Great Financial Crisis. During this period of unconventional monetary policy, the SNB faced mounting criticism from the media and the public on the sizable balance sheet risks that it was incurring. Motivated by this episode, I present a theoretical model embedded within the target zone framework developed by Krugman (1991) that allows monetary authorities to determine ex-ante the maximum size of foreign exchange market interventions that are expected to be necessary to implement and maintain a one-sided target zone. An empirical application of the proposed model to the aforementioned episode reveals that it is well suited to predict the actual size of these interventions and that the SNB's euro purchases might indeed have been large without the abandonment of the minimum exchange rate regime, which accords with the official statements of the SNB in the aftermath of that episode.

***Tim Maurer** (Copenhagen Business School), Thomas Nitschka (Swiss National Bank)*

Stock market evidence on the international transmission channels of US monetary policy surprises

US monetary policy affects foreign stock prices. We evaluate through what channels these effects occur by using a vector-autoregressive framework to decompose unexpected variation in US dollar-denominated foreign stock returns into revisions of expectations about future cashflows, expected returns, real interest rates and real exchange rate changes. From 1991 to 2008, Fed funds rate surprises drive foreign stock markets through real interest rate news while forward guidance affects cashflow news. From 2009 to 2015, surprisingly accommodative forward guidance constitutes adverse news about expected returns while larger than expected asset purchases constitute positive cashflow news.

16:10 - 17:30 Session 8: IO, Corporate Governance and Health [M 2150]

*Karl Lins (University of Utah), **Lukas Roth** (University of Alberta), Henri Servaes (London Business School), Ane Tamayo (London School of Economics)*

Does Corporate Culture Add Value? Evidence from the Harvey Weinstein Scandal and the #MeToo Movement

During the revelation of the Weinstein scandal and the emergence of the subsequent #MeToo movement, firms with a female-friendly corporate culture, as proxied by having more women among the firm's five highest paid executives, earned excess returns of close to 1.5% per highly-paid female executive. These findings also hold when we relate the stock returns to corporate culture measured more broadly based on employee ratings. Our findings are stronger for industries with fewer women in executive positions. However, we find no evidence that having more women on the board is related to returns around these events. Overall, our results illustrate that having women in significant senior leadership positions can increase shareholder wealth.

*Simon Loertscher (University of Melbourne), **Andras Niedermayer** (Université de Cergy-Pontoise)*

Percentage Fees in Thin Markets: An Empirical Perspective

This paper estimates the cost of using simple percentage fees rather than optimal pricing using data for real estate transactions. This counterfactual analysis shows that intermediaries using a percentage fee achieve more than 99 percent of optimal pricing. Our results imply that for all practical intents and purposes, percentage fees can be assumed to be optimal when analyzing brokerage in thin markets. Arguments based on extreme value theory provide an explanation for why simplicity and optimality may be well aligned in thin markets. We also use our structural estimates for two additional counterfactuals: fee regulation and transfer taxes.

*Anicet Fangwa (HEC Paris), **Caroline Flammer** (Boston University), Marieke Huysentruyt (HEC Paris), Bertrand Quelin (HEC Paris)*

Corporate Governance and Social Impact of Non-Profits: Evidence from a Randomized Program in Healthcare in the Democratic Republic of Congo

How can non-profit organizations improve their governance to increase their social impact? This study examines the effectiveness of a bundle of governance mechanisms (consisting of pro-social incentives and auditing) in the context of a randomized governance program conducted in the Democratic Republic of Congo's healthcare sector. Within the program, a set of health centers were randomly assigned to a governance treatment while others were not. We find that improved governance leads to i) higher operating efficiency and ii) improvements in social performance (measured by a reduction in the occurrence of stillbirths and neonatal deaths). Furthermore, we find that funding is not a substitute for governance—health centers that only receive funding increase their scale, but do not show improvements in operating efficiency nor social performance. Overall, our results suggest that corporate governance plays an important role in achieving the non-profits' objectives and increasing the social impact of the funds invested.

16:10 - 17:30 Session 9: Monetary Economics [M 2130]

Laura Gáti *(Boston College)*

Talking in Time - Dynamic Central Bank Communication

We investigate the relation between tax burdens This paper generalizes the static communication game encountered in Bayesian persuasion games to a dynamic setting and applies it to central bank communication. It solves for the optimal dynamic communication policy and contrasts it with optimal static policy, coming from a static analogue of the model. The optimal dynamic policy can be interpeted as "communication analogue" of the Taylor-rule and is thus directly applicable by central bankers to aid the design of dynamic communication policies.

Daniela Hauser *(Bank of Canada), Martin Seneca (Bank of England)*

Labor Mobility in a Monetary Union

The optimal currency literature has stressed the importance of labor mobility as a precondition for the success of monetary unions. But only a few studies formally link labor mobility to macroeconomic adjustment and policy. In this paper, we study macroeconomic dynamics and optimal monetary policy in an economy with cyclical labor flows across two distinct regions sharing trade links and a common monetary framework. In our New Keynesian DSGE model calibrated to the United States, migration flows are driven by fluctuations in the relative labor market performance across the monetary union. While labor mobility can be an additional channel for cross-regional spillovers as well as a regional shock absorber, we find that a mobile labor force closes the efficiency gaps in the labor market and thus lessens the trade-off between inflation and labor market stabilization. As migration flows are generally inefficient, however, region-specific disturbances introduce additional trade-offs with regional labor market conditions. Putting some weight on stabilizing fluctuations in the labor market is welfare enhancing when monetary policy follows a simple rule.

*Florin Bilbiie (University of Lausanne), **Diego Kaenzig** (London Business School), Paolo Surico (London Business School)*

Capital, Income Inequality, and Consumption: the Missing Link

A novel complementarity between capital and income inequality leads to a significant amplification of the effects of monetary policy on consumption: a multiplier of the multiplier. We characterize this finding analytically, in a simple saver-spender model, and quantitatively, in a framework featuring nominal rigidities, capital investment, idiosyncratic risk and heterogeneity in household saving and income. A fiscal policy that redistributes capital income yields further amplification, whereas redistributing profits dampens the effects of monetary policy. Our model generates the prediction that consumption inequality is more counter-cyclical than income inequality after an interest rate shock, consistent with the available empirical evidence.

General Information from the University of Geneva
Workshop information

REGISTRATION OPENING HOURS

08:45 to 09:10 next to rooms M 2130 or 2150, on the second floor of the Uni Mail building, 40, bd du Pont-d'Arve, 1205 Geneva.

BADGES

All participants will receive a personalized badge. Please wear this badge at all times and will be checked at all sessions.

ECO-FRIENDLY !

We acknowledge the importance of protecting the environment and of "green" meeting practices. We have thus eliminated paper copies of presentation abstracts and conference agenda.

CONNECT WITH US !

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LinkedIn/GSEM

UNIVERSITÉ DE GENÈVE
GENEVA SCHOOL OF ECONOMICS AND MANAGEMENT

Website : gsem.unige.ch
Conference website: http://www.swisseconomistsabroad.org/meetings/

WI-FI : GUEST-UNIGE

Free Wi-Fi connection is available for all participants at the conference venue.

- Connect your mobile device to the SSID "guest-unige";
- Make sure your browser allows pop-up windows and javascript to run;
- In your browser doing an HTTP / HTTPS request to any URL (eg the GSEM website: https://www.unige.ch/gsem/), will direct you to an e-portal where you can register and authenticate.

In addition to the public Wifi, Eduroam is also available at the UNIGE.

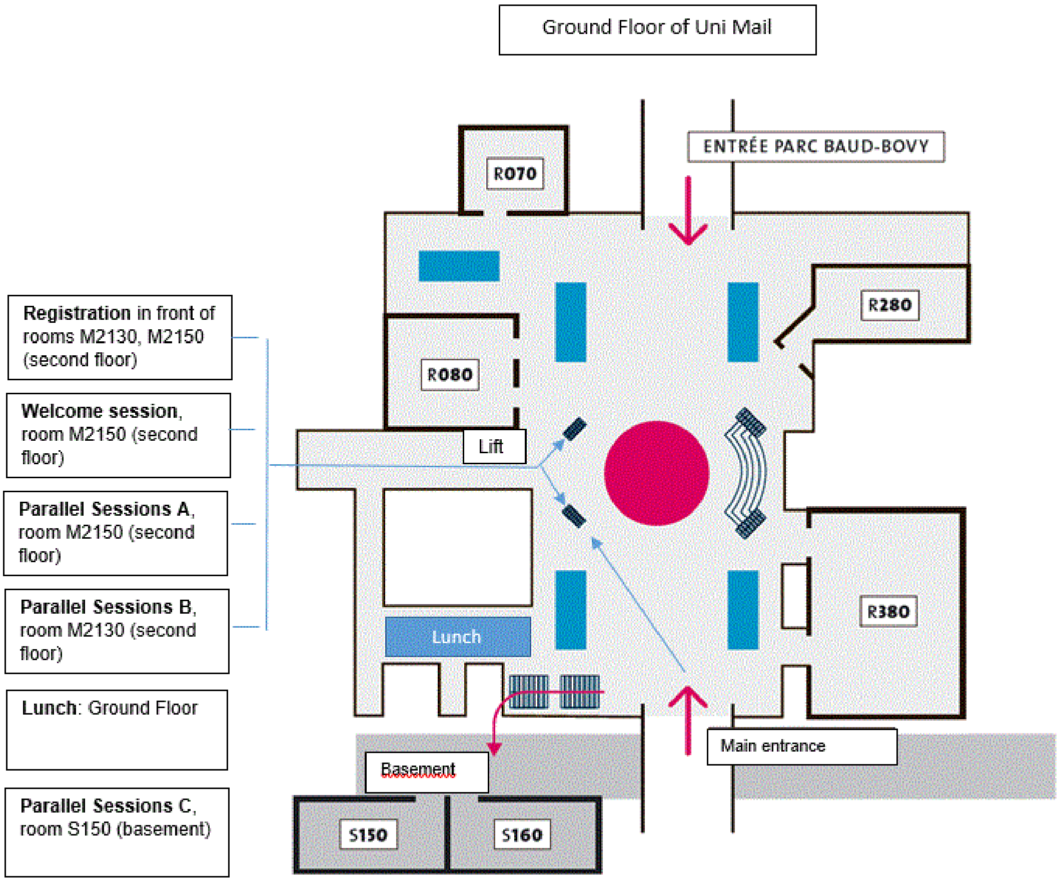
LANGUAGE

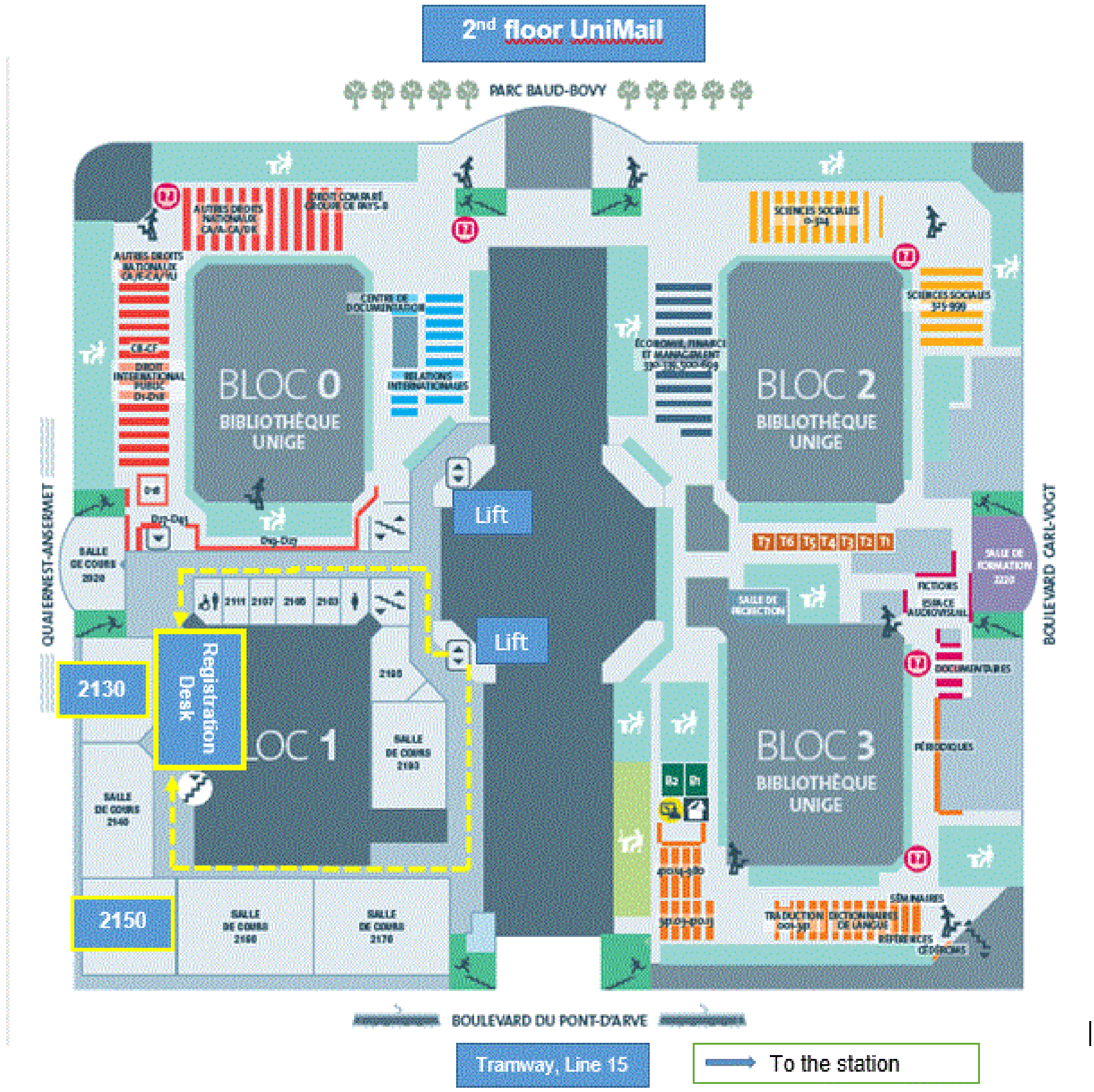
The official language of the workshop is English.

CATERING ON FRIDAY

Lunch will be served in the ground floor on the 3rd floor at 12:40.
Coffee breaks will be served in front of room M 2130 – M 2150 at 10:50 and 15:30.
An aperitif will be served after the Conference in Café du Lys, rue Ecole-de-Médecine 7 (https://www.cafedulys.ch/)

FLOOR PLAN UNI MAIL





TRANSPORTATION IN GENEVA

Taxis: Dial (+41) 22 331 4133 or reserve online at www.taxi-phone.ch.

Please note that we strongly recommend using public transports in Geneva (traffic can be bad depending on the time of the day).

Upon arriving in Geneva International Airport, you can obtain a **free public transport ticket** from a distribution machine next to the exit of the baggage pick-up hall. This ticket is valid on the Geneva Public Transport (TPG) network for a period of 80 minutes. Passengers will be asked to present their airline boarding passes with their free ticket, if checked.

All participants staying at hotels in Geneva can benefit from a free Geneva transport card. The personal, non-transferable card is issued on registration at the hotel, and entitles its holder to the use of the entire TPG network without restriction (bus, tram and shuttle boat). It is valid for the duration of the stay in Geneva, including the day of departure.

MAP PLAN

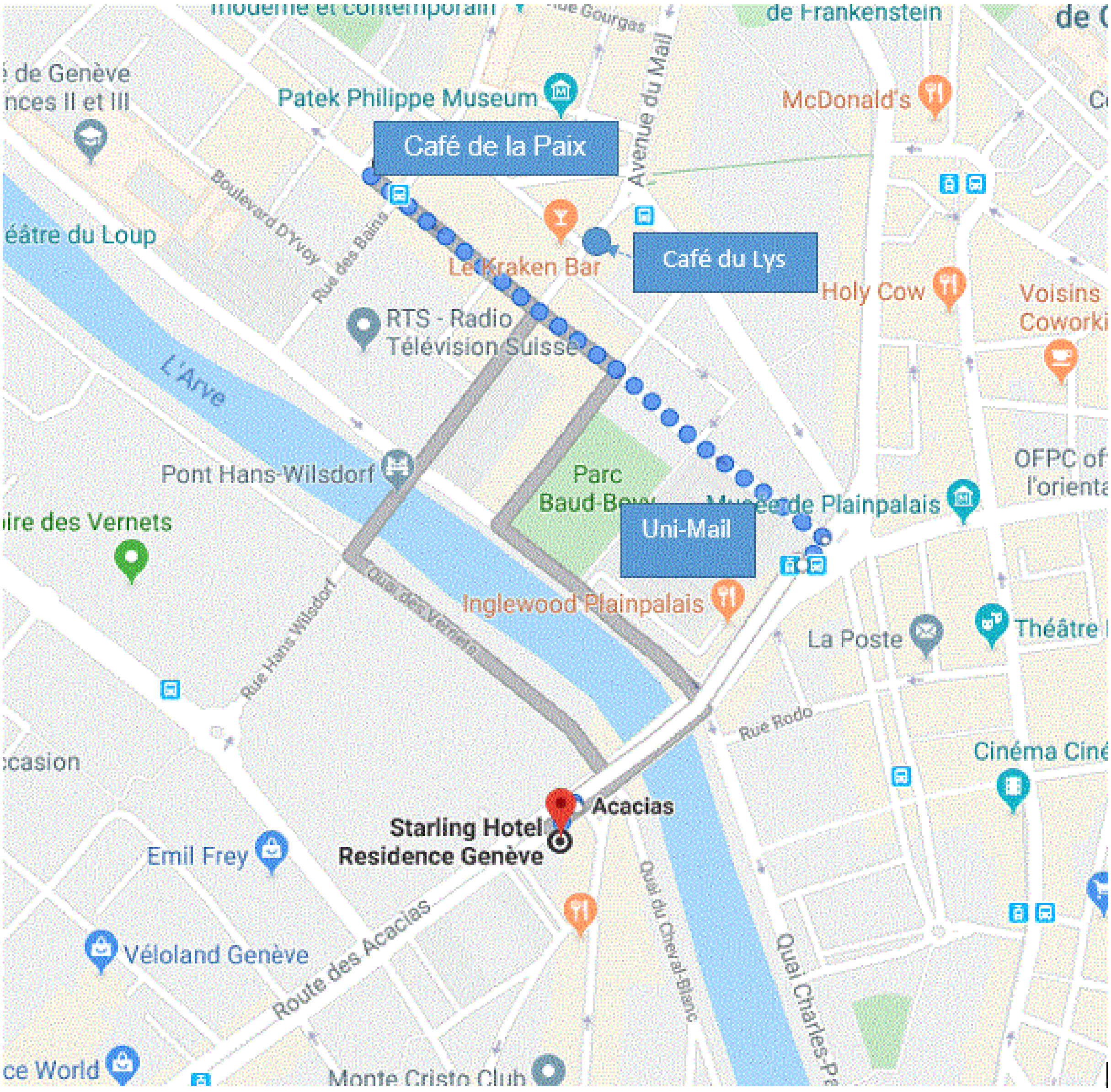
Access from Geneva Airport

Any train departing from the Airport stops in Geneva main station. You may also take the Bus no. 5 (direction Thônex-Vallard). Either way, change at the main train station ("Gare Cornavin") and take tramway no. 15 (direction Palettes), get off at "Uni-Mail."

Access from the main train station ("Gare Cornavin")

Tramway 15 (direction Palettes), get off at "Uni-Mail."

Uni-Mail : Boulevard du Pont-d'Arve 40
Starling Hotel Residence Genève : Route des Acacias 4
Café de la Paix : Boulevard Carl-Vogt 61
Café du Lys : Rue Ecole-de-Médecine 7



ACCOMMODATION

You will be staying at **Starling Residence.** The hotel is conveniently located near the Geneva School of Economics and Management (GSEM), which sits in the "Uni-Mail" building.

Address: Route des Acacias 4, 1227 Genève
Telephone: +41 22 304 03 00
Website: https://www.shresidence.ch/
Transportation: Please make sure to get your free pass for public transports from the hotel.

EMERGENCY NUMBERS

You can dial the following toll-free emergency numbers
Police 117
Fire service 118
Ambulance 144