



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Monday, 28. 6. 10

Departmental Seminar

17.15-18.45

Philipp Kircher, Oxford University

AWI 00.010

"Identifying Sorting - in Theory"

Wednesday, 30. 6. 10

Internal Seminar

17.15-18.45

Jörg Oechssler

AWI 00.010

"Exploitation"

Departmental Seminar

Philipp Kircher

"Identifying Sorting - in Theory" *

Assortative Matching between workers and firms provides evidence of the complementarities or substitutes in production. We argue that using wage data alone, it is virtually impossible to identify whether Assortative Matching is positive or negative. For every production function that induces positive sorting we can find a production function that induces negative sorting, whilst generating identical wages. Even though we cannot identify the sign of the sorting, we can identify the strength, i.e., the magnitude of the cross-partial, and the associated welfare loss. We show that a worker's wages are non-monotonic in firm type. This is due to the fact that in a sorting model, wages reflect the opportunity cost of mismatch. This non-monotonicity allows us to establish analytically that standard fixed effects regressions are not suitable to recover the strength of sorting. We propose an alternative procedure that measures the strength of sorting in the presence of search frictions independent of the sign of the sorting. Knowing the strength of sorting enables us to measure the efficiency loss due to mismatch.

* with Jan Eeckhout

Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Talks and Research Visits

Johanna Kühnel presented her paper "Population Aging, the Composition of Government Expenditure, and Economic Growth" at *The 9th Journées Louis-André Gérard-Varet*, Conference in public economics held in Marseille, June 21-22.

Andreas Roider presented his paper "The Role of Information in Performance Schemes: Evidence from a Field Experiment" (joint with Florian Englmaier and Uwe Sunde) at *The 2010 EALE/SOLE World Conference* in London, June 19.

Alec Sproten participated in the workshop *Debates in Neuroeconomics* and attended the symposium *Neuroeconomics: An exciting joint venture* at the Cognitive Science Center of the University of Amsterdam, June 17-18.

New Working Papers

Hans-Christian Krcal: "*Das Management des (un)erwünschten Ressourcenüberschusses Teil III. Das optimale Slack-Niveau - Die Bewertung des organizational slack*".

**Editorial deadline for issue 17/2010 of the newsletter:
Wednesday, June 30, 2010, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.