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Upcoming Seminars

Monday, 20.11.2017

Departmental Seminar

13.30-14.30

AWI 00.010

Mathias Reynaert, TSE Toulouse

(invited by Timo Goeschl)

"Corrective policy and Goodhart's Law: the Case
of Carbon Emissions from Automobiles"

Wednesday, 22.11.2017

Special Departmental Seminar

12.15-13.15

AWI 00.010

Maria Petrova, GSE Barcelona

(invited by Christina Gathmann)

"Social Media and Protest Participation: Evidence
from Russia"

Wednesday, 22.11.2017

Macro & Econometrics Seminar

14.00-15.00

AWI 01.030

Nestor Parolya

"Optimal Shrinkage-based Portfolio Selection in
High Dimensions"

Departmental Seminar

Mathias Reynaert

"Corrective policy and Goodhart's Law: the Case of Carbon Emissions from Automobiles"*

Firms sometimes comply with externality-correcting policies by gaming the measure that determines policy. We show theoretically that such gaming can benefit consumers, even when it induces them to make mistakes, because gaming leads to lower prices by reducing costs. We use our insights to quantify the welfare effect of gaming in fuel-consumption ratings for automobiles, which we show increased sharply following aggressive policy reforms. We estimate a structural model of the car market and derive empirical analogs of the price effects and choice distortions identified by theory. We find that price effects outweigh distortions; on net, consumers benefit from gaming.

*with James M. Sallee

Special Departmental Seminar

Maria Petrova

"Social Media and Protest Participation: Evidence from Russia"*

Do new communication technologies, such as social media, reduce collective action problem? This paper provides evidence that penetration of VK, the dominant Russian online social network, affected protest activity during a wave of protests in Russia in 2011. As a source of exogenous variation in network penetration, we use information on the city of origin of the students who studied together with the founder of VK, controlling for the city of origin of the students who studied at the same university several years earlier or later. We find that a 10% increase in VK penetration increased the probability of a protest by 4.6 %, and the number of protesters by 19 %. At the same time, VK penetration increased pro-governmental support, with no evidence of increased polarization. Additional results suggest that social media has affected protest activity by reducing the costs of coordination, rather than by spreading information critical of the government. We find that cities with higher fractionalization of network users between VK and Facebook experienced fewer protests, and there is a critical mass of VK users necessary to jumpstart the protests. Finally, we provide suggestive evidence that municipalities with higher VK penetration received smaller transfers from the central government after the occurrence of protests

*with Ruben Enikolopov and Alexey Makarin

Macro & Econometrics Seminar

Nestor Parolya

"Optimal Shrinkage-based Portfolio Selection in High Dimensions"

In this paper we estimate the mean-variance (MV) portfolio in the high-dimensional case using the recent results from the theory of random matrices. We construct a linear shrinkage estimator which is distribution-free and is optimal in the sense of maximizing with probability 1 the asymptotic out-of-sample expected utility, i.e., mean-variance objective function. Its asymptotic properties are investigated when the number of assets p together with the sample size n tend to infinity such that p/n tends to a positive constant c . The results are obtained under weak assumptions imposed on the distribution of the asset returns, namely the existence of the fourth moments is only required. Thereafter we perform numerical and empirical studies where the small- and large-sample behavior of the derived estimator is investigated. The suggested estimator shows significant improvements over the naive diversification and it is robust to the deviations from normality."

New Publications

Dietmar Fehr: "Is Increasing Inequality Harmful? Experimental Evidence", *Games and Economic Behavior*, forthcoming.

New Working Papers

Sebastian Ziaja: "More donors, more democracy ", *AWI discussion paper series* no.640, Heidelberg University, November 2017.

Jonas Dovern and Christopher Zuber: "Recessions and Instable Estimates of Potential Output", *AWI discussion paper series* no.639, Heidelberg University, November 2017.

Editorial deadline for issue 27/2017 of the newsletter:
Wednesday, November 22, 2017, 12 p.m.
newsletter@awi.uni-heidelberg.de

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