



Upcoming Seminars

Monday, 11.7.2022

Departmental Seminar

13.30-14.30
AWI room 00.010

Sarah Lein, University of Basel
"The granular origins of inflation"
(host: Zeno Enders)

Wednesday, 13.7.2022

Internal Seminar

12.15-13.15
AWI room 00.010

Anca Balietti
"Relative Income and Contributions to Public Goods:
An Application to Air Pollution"

Departmental Seminar

Sarah Lein

"The granular origins of inflation"

Do large manufacturers, product categories, and products affect the inflationary process? In this paper, we show empirically that granularity features are important for understanding retail inflation dynamics in low-inflation environments and international inflation co-movement, and we trace along which dimensions it does so. We first develop a methodology to decompose aggregate retail inflation in an unweighted component and granular components for the category, manufacturer and product dimension. After showing the importance of each dimension for price setting at the firm level using a large disaggregated multi-country homescan data set spanning the years 2008 to 2020, we estimate the components and show that granular components contribute significantly to aggregate retail inflation in our data in low-inflation economies. Finally, we study the role of large manufacturers for inflation co-movement across countries: inflation in two countries could be correlated because the same large, multinational manufacturers sell their products in both countries. Our preliminary results show that inflation is more correlated in countries with a higher share of common manufacturers, suggesting that the presence of multinational manufacturers may also help to explain international inflation co-movement.

Internal Seminar

Anca Balietti

"Relative Income and Contributions to Public Goods: An Application to Air Pollution"

Across the globe, people tend to misperceive their position in the income distribution. Such misperceptions are linked to biased preferences in various areas of public interest, potentially distorting the demand for public policies that address redistribution, economic mobility, and immigration. In this study, we test whether perceptions about own relative income affect voluntary private contributions to a public good of significant public health relevance, namely air quality. We conduct a large online survey experiment in India, where air pollution is a major economic and health problem that governmental action fails to solve. We experimentally manipulate respondents' perceived place in the income distribution and study how a change in relative income affects real contributions to non-governmental initiatives that fight local air pollution. In a separate treatment, we use official statistics to inform participants of their actual relative income and thereby test how reducing misperceptions affects revealed preferences.

*with Angelika Budjan and Tillmann Eymess

Talks and Research visits

Zeno Enders presented the paper "Island illusion: How firm expectations react to news" (joint with Benjamin Born, Knut Niemann, Gernot Müller, and Manuel Menkhoff) at the annual meeting of the standing field committee in Macroeconomics of the Verein für Socialpolitik, Frankfurt, July 1-2.

Anca Balietti presented the paper "Environmental Regulation and Air Pollution in the US", joint work with Zain Chaudhry, at the Annual Conference of the European Association of Environmental and Resource Economists, Rimini, June 28-July 1.

At the *12th International Conference of the French Association of Experimental Economics* in Lyon, June 30-July 1, the following talks were given: **Tillmann Eymess**: "Who is Willing to Pay the Price for Clean Air? Perceived Relative Income and Revealed Preferences for Environmental Health"; **Leon Houf**: "When to get that extra paycheck? Evaluation of a de-nudge policy" and also he presented a poster on "Decomposing in-group favouritism and out-group hostility"; **Christiane Schwieren**: "Gender, dark traits, and leadership emergence".

Zeno Enders discussed a paper by Camille Cornand at the Spring Conference of the Deutsche Bundesbank, Eltville, June 23-24.

Charlotte Robert presented a poster of my joint work "Migration narratives" with Kai Gehring, Panu Poutvaara and Joop Adema, at the *German Development Economics Conference*, Stuttgart Hohenheim, June 9.

Editorial deadline for issue 16/2022 of the newsletter:
Wednesday, July 13, 2022, 12 p.m.
newsletter@awi.uni-heidelberg.de