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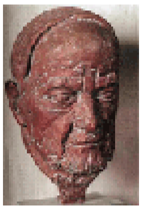

Newsletter 13/2018

ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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Upcoming Seminars

Monday, 4.6.2018	**Departmental Seminar**
13.30-14.30 AWI 00.010	Sudipta Sarangi, Virginia Tech University (invited by Jürgen Eichberger) "Network Formation with Multigraphs and Strategic Complementarities"
Wednesday, 6.6.2018	**Macro & Econometrics Seminar**
14.00-15.00 AWI 00.010	David Vespermann "Effects of a European Unemployment Insurance"

Abstracts

Departmental Seminar

Sudipta Sarangi

"Network Formation with Multigraphs and Strategic Complementarities"

Economic agents are typically connected to others in multiple network relationships, and the architecture of one network could be shaped by connections in other networks. This paper examines the formation of one network when connections in a second network are inherited under two scenarios: the inherited network is asymmetric allowing for a wide range of graphs called nested split graphs, and the inherited network is a symmetric type of network belonging to a subclass of regular graphs.

Both the inherited and endogenously formed networks are interdependent because the respective actions in each are (weak) strategic complements. This property is sufficient to show that those who inherit high centrality will continue to have high centrality. Additionally, the network formed by the agents induces a coarser partition than the inherited network, suggesting the possibility of being able to improve network centrality, but only in a limited manner. Thus, our analysis explains preferential attachment and why inequality is often entrenched in society, how asymmetries in one network may be magnified or diminished in another, and what determines the identity of players occupying the various vertices of asymmetric equilibrium networks.

Macro & Econometrics Seminar

David Vespermann

"Effects of a European Unemployment Insurance"

The recent euro crisis highlighted flaws in the design of the monetary union. As a reaction, policy makers have proposed the introduction of a European unemployment benefit scheme (EUBS). In this paper we assess to which degree such a scheme would provide the macroeconomic stabilization that was lost due to the elimination of flexible exchange rates. Specifically, we use a rich DSGE model, calibrated to Germany and the rest of the euro area, to analyze the changing dynamics and altered risk sharing that a EUBS brings about. We find that following supply shocks, a EUBS can bring consumption closer to the paths under flexible exchange rates. The transfer, however, is spent to a large degree on relatively inefficient production in the receiving countries, requiring a high labor input. Hours worked hence become more volatile due to the inefficient distribution of factor inputs across countries. After demand shocks, unemployment responses are relatively similar, due to the common monetary policy. The transfer does therefore not change the responses significantly.

Editorial deadline for issue 14/2018 of the newsletter:
Wednesday, June 6, 2018, 12 p.m.
newsletter@awi.uni-heidelberg.de

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