ALFRED-WEBER-INSTITUT

Newsletter 15/16 2013

ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Monday, 17.6.13	**Departmental Seminar I**
17.15-18.45	Lori Beaman, Northwestern University, USA
AWI 00.010	"Do Job Networks Disadvantage Women? Evidence from a Recruitment Experiment in Malawi"
Wednesday, 19.6.13	**Departmental Workshop I**
17.15-18.45	Andreas Reischmann, University of Heidelberg
AWI 00.010	"A conditional cooperation mechanism for the provision of public goods"
Monday, 24.6.13	**Departmental Seminar II**
17.15-18.45	Mauricio Prado, Copenhagen Business School
AWI 00.010	"Heterogeneity in Ambiguity Aversion"
Tuesday, 25.6.13	**Economics a & Politics Seminar**
17.15-18.45	Abhiroop Mukhopadhyay, Indian Statistical Institute
AWI 00.010	"Female Labour Force Participation and Child Education in India: The Effect of the National Rural Employment Guarantee Scheme"
Wednesday, 26.6.13	**Departmental Workshop II**
17.15-18.45	Hendrik van den Berg, University of Nebraska-Lincoln
AWI 00.010	"The Volatility of Capitalist Economies and Mainstream Growth Theory: Are Pro-Growth Conclusions Driven by Models or Mindset? "

Abstracts

Departmental Seminar I, June 17

Lori Beaman

"Do Job Networks Disadvantage Women? Evidence from a Recruitment Experiment in Malawi"

This paper uses a field experiment in Malawi to show that highly skilled women are systematically disadvantaged by referral-based hiring, highlighting another channel behind gender disparities in the labor market. This happens both because most men recommend other men, and because women refer fewer qualified candidates. This result cannot be explained by gender-segregation in networks. We develop a theoretical model of referral choice and exploit random variation in referral contract terms to find that these biases result from social incentives rather than performance expectations. We also document that the screening potential of networks is maximized when men refer men.

*with Niall Keleher and Jeremy Magruder

Departmental Workshop I, June 19

Andreas Reischmann

"A conditional cooperation mechanism for the provision of public goods"

In experiments on public good problems about half the subjects have been found to be conditional cooperators. We use this knowledge to construct mechanisms in public good settings without transfers and with voluntary participation. In those mechanisms all agents have the options of free riding, conditional and unconditional cooperation. For the equilibrium analysis of the mechanisms we introduce a new concept which we call unexploitable better response dynamics.

Departmental Seminar II, June 24

Mauricio Prado

"Heterogeneity in Ambiguity Aversion"

We examine the potential importance of heterogeneity in consumers' ambiguity aversion for asset pricing, portfolio allocation, and the wealth distribution. A main focus is to explore a situation in which ambiguity aversion is "above normal", such as when there has been a sudden inflow of market-relevant, but hard-to-interpret information: a situation like that during the onset of the recent crisis in financial markets. During this episode, market participants appeared unsure of the values of a variety of assets, trading all but stopped. Ambiguity aversion, it appears to us, offers a tractable way of analyzing such occurrences theoretically, especially when one allows the possibility that different consumers/traders have different amounts of ambiguity aversion. By considering a model with heterogeneity on ambiguity, we explain differences in portfolio allocation, which lead to non-participation – a drastic form of trading less – in the ambiguity-ridden market by certain agents (here we have in mind those with higher levels of ambiguity). This endogenous limited participation on the market also has implications for the relative wealth of agents in an economy. The dynamics of the wealth distribution coming out of the model is one (of several) implications we explore. We show that the equilibrium "belief" of the ambiguity-averse consumer will evolve endogenously and nontrivially over time as a result of the equilibrium interaction. Moreover, we show that the “standard agents” will dominate in the pricing of the assets in the long run (but much less so in the short run).

**with Irasema Alonso*

Economics & Politics Seminar, June 25

Abhiroop Mukhopadhyay

"Female Labour Force Participation and Child Education in India: The Effect of the National Rural Employment Guarantee Scheme"*

We study the impact of India’s National Rural Employment Guarantee Scheme (NREGS) onchildren’s educational outcomes via women’s labour force participation. Using data from the Young Lives Study and taking advantage of the spatial and temporal variation in the intensity of implementation of the NREGS, we find that greater participation of mothers in the program is associated with better educational outcomes of their children. Father’s participation in the NREGS, on the other hand, has a negative effect on children’s education. Further, the estimated impact of mother’s program participation is over and above any income effect induced by the scheme and is robust to concerns about endogeneity of labour force participation and differences in economic trends between districts. We provide evidence which suggests that the mechanism through which children’s educational outcomes improve is empowerment of mothers resulting from better labour market opportunities for females.

*with Farzana Afridi and Soham Sahoo

Departmental Workshop II, June 26

Hendrik van den Berg

"The Volatility of Capitalist Economies and Mainstream Growth Theory: Are Pro-Growth Conclusions Driven by Models or Mindset?"

Most economics textbooks present economic growth as a normal, stable, and continuous process. This stands in strict contrast to Keynes’ view that a market economy is prone to financial crises or Marx’s prediction that a capitalist economy will inevitably collapse. Neoclassical growth models and the more recent endogenous growth models are commonly used to justify the mainstream’s optimistic conclusions about economic growth. Mainstream economists routinely draw on their neoclassical models’ optimistic conclusions about long-run economic growth to conclude that the predictions of competing paradigms like Marxism are inaccurate and of no practical use. This paper shows that under quite realistic assumptions, mainstream growth theory can be applied in ways that result in the standard models predicting an economic collapse rather than continual growth. For example, when the neoclassical “Solow” growth model is disaggregated to include separate dimensions for the *market* *economy*, the *social sphere*, and *nature*, a great number of circumstances will lead to not only economic stagnation, but full growth reversals and economic collapses. Similarly, when Romer’s popular endogenous growth model, based on Schumpeter’s process of creative destruction, is disaggregated, it becomes clear that the steady and continuous flow of technological changes necessary to sustain economic growth is a special case, not the general outcome mainstream economists suggest. Interestingly, mainstream economists have seldom attempted to disaggregate or extended their preferred growth models in these ways. The aggregate models and their optimistic conclusions continue to dominate all discussions on future economic growth. My lecture will suggest some reasons for the very restricted use of the standard growth models. Among other things, since I can show that neoclassical models can readily generate economic collapses, this makes it clear that mainstream economics’ optimistic growth predictions are due not only to the intentional selection of a biased paradigm, but also a *biased application* of that biased paradigm. In short, mainstream economics concludes that perpetual growth is possible because that is a result it seeks and is comfortable with. Keynes’ warnings of potential financial collapses is more robust than mainstream economics is willing to admit.

Talks and Research Visits

Zeno Enders gave a talk on "Undue optimism and economic activity" at the TU Dortmund, June 10.

Christine Binzel served as a discussant at the conference on "Fertile Fields in Development: Individual Choice vs. Randomized Trials", Wissenschaftszentrum Berlin für Sozialforschung, Germany, June 6–7.

Jürgen Eichberger attended the Paris RUD (Risk, Uncertainty & Decision, May 29 - 31) Conference and chaired the first session on May 30. His paper "Randomization and Dynamic Consistency", joint with David Kelsey and Simon Grant, was presented at the meeting.

Editorial deadline for issue 17/2013 of the newsletter:
Wednesday, June 26, 2013, 12 o’clock
newsletter@awi.uni-heidelberg.de

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