Locations of the Department in Zurich

1) Mühlebachstrasse  
2) Hottingerstrasse  
3) Universitätsspital  
4) Wilfriedstrasse  
5) Rämistrasse  
6) Blümlisalpstrasse  
7) Winterthurerstrasse  
8) Zürichbergstrasse
1 Spotlight

1.1 Fabrizio Zilibotti appointed new director of NBER Group

Prof. Fabrizio Zilibotti has been appointed a director of the NBER Summer Institute Economic Fluctuations Group on Income Distribution and Macroeconomics. He replaces Prof. Daron Acemoglu, and will share the directorship with Prof. Roland Benabou (Princeton University) and Prof. Oded Galor (Brown University). Zilibotti will be one of the very few directors based in a European university. The group focuses on both empirical and theoretical analyses of income distribution and its relationship to economic growth and fluctuations. The first meeting will be held on July 19 - 21, 2011 in Cambridge, Massachusetts.

1.2 UZH is top three Research Excellence Center of Economics in Europe

The academic economic profession attaches a key role to peer-reviewed published research. Arguably more than in any other discipline, economics has an informal ranking of publication outlets which distinguish between "top five general audience journals" (American Economic Review, Econometrica, Journal of Political Economy, Quarterly Journal of Economics, Review of Economic Studies), top second-tier general audience journal, top-field journals, and other peer-reviewed journals. While the exact within-group ranking is subjective, there is a clear ranking between groups and an equally clear discontinuity between top-5 journals and the remaining reviews. Top-5 journals are a main criterion for appointments and promotions in the best American and European institutions, for instance. Which journals are the five most attractive outlets is undisputed in the profession. For these reasons, the number of publications in top-5 journals is a good measure of excellence in research. It is more precise and less controversial than any measure based on a broader set of journals that would tend to favor the quantity over the quality of research.

Using the database made public by Tilburg University, we constructed a ranking of the European Universities based on the number of top-5 publications between 2005 and 2009. Here is the result:

1. London School of Economics (UK) 78
2. University College London (UK) 38
3. University of Zurich (CH) 27
4. University of Oxford (UK) 25
5. University of Toulouse/Toulouse School of Econ. (France) 24
6. Stockholm University (Sweden) 18
7. Universitat Pompeu Fabra (Spain) 16
8. University of Bonn (Germany) 15
9. Università Bocconi (Italy) 14
10. London Business School (UK) 12

The calculations in the Tilburg Ranking are based on the stated main affiliation of the researchers at the time of publication. This means that the success of researchers currently at the University of Zurich may be understated due to the fact that many active researchers only joined the department recently. It is interesting to check whether the top-5 criterion gives a reasonable ranking for US universities. The top 10 institutions are Harvard, Chicago, M.I.T., Berkeley, Stanford, Northwestern,
Columbia, Princeton, New York University and Yale. These economic departments are regarded by most researchers as the ten strongest departments in the US.

2 Events

2.1 Economics Research Seminar

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<tr>
<th>date</th>
<th>schedule</th>
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<th>venue</th>
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<tbody>
<tr>
<td>Thu, Mar 10</td>
<td>17.15-18.45</td>
<td>Prof. Samuel Kortum, University of Chicago Economics Research Seminar</td>
<td>KO2-F-175</td>
</tr>
<tr>
<td>Thu, Apr 7</td>
<td>17.15-18.45</td>
<td>Prof. Torsten Persson, Stockholm University Economics Research Seminar</td>
<td>KO2-F-175</td>
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2.2 Guest Presentations

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<th>date</th>
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<tbody>
<tr>
<td>Thu, Feb 17</td>
<td>10.30-11.45</td>
<td>Alessandro Gavassa, NYU Stern IO Tour Applied Microeconomics Seminar</td>
<td>KO2-F-175</td>
</tr>
<tr>
<td>Wed, Feb 23</td>
<td>16.15-18.00</td>
<td>Yuval Feldman, Bar-Ilan «Are All Contractual Obligations Created Equal?» (Lecture) Workshop &amp; Lecture Series in Law &amp; Economics</td>
<td>ETH ML H 37.1</td>
</tr>
<tr>
<td>Wed, Mar 2</td>
<td>16.15-17.45</td>
<td>Chang-Tai Hsieh, Chicago Booth «The Life-Cycle of Manufacturing Plants in Mexico and India» Macro-Finance-Labor Seminar</td>
<td>RAI-G-41</td>
</tr>
<tr>
<td>Thu, Mar 3</td>
<td>17.15-18.30</td>
<td>Benny Moldovanu, University of Bonn «Search Committees» Microeconomics Seminar (ETH/UZH)</td>
<td>KO2-F-175</td>
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<tr>
<td>Tue, Mar 8</td>
<td>16.15-18.00</td>
<td>Urs Schweizer, Bonn «Damages for Breach of Duty in Corporate Disclosure» (Lecture) Workshop &amp; Lecture Series in Law &amp; Economics</td>
<td>KO2-F-175</td>
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<tr>
<td>Wed, Mar 9</td>
<td>16.15-18.00</td>
<td>Urs Schweizer, Bonn «Vicarious Liability and the Intensity Principle?» (Workshop) Workshop &amp; Lecture Series in Law &amp; Economics</td>
<td>ETH ML H 37.1</td>
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<tr>
<td>Wed, Mar 9</td>
<td>16.15-17.45</td>
<td>Antoine Bommier, ETH «Too Risk Averse to Purchase Insurance?»</td>
<td>RAI-G-41</td>
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<tr>
<td>Date</td>
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<td>Speaker</td>
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<td>Thu, Mar 10</td>
<td>10.30-11.45</td>
<td>Francine LaFontaine</td>
<td>Michigan IO Tour</td>
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<tr>
<td>Thu, Mar 17</td>
<td>10.30-11.45</td>
<td>Juergen Maurer</td>
<td>Lausanne</td>
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<tr>
<td>Thu, Mar 17</td>
<td>17.15-18.30</td>
<td>Bettina Klaus</td>
<td>HEC Lausanne</td>
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<td>Tue, Mar 22</td>
<td>16.15-18.00</td>
<td>John List</td>
<td>Chicago</td>
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<tr>
<td>Wed, Mar 23</td>
<td>16.15-17.45</td>
<td>Susanne Prantl</td>
<td>University of Cologne</td>
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<td>Thu, Mar 24</td>
<td>17.15-18.30</td>
<td>Daniel Sturm</td>
<td>London School of Economics</td>
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<tr>
<td>Thu, Mar 31</td>
<td>17.15-18.30</td>
<td>Yeon-Koo Che</td>
<td>Columbia University</td>
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<tr>
<td>Tue, Apr 5</td>
<td>16.15-18.00</td>
<td>Mitchell Polinsky</td>
<td>Stanford</td>
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<tr>
<td>Wed, Apr 6</td>
<td>16.15-18.00</td>
<td>Mitchell Polinsky</td>
<td>Stanford</td>
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<tr>
<td>Thu, Apr 7</td>
<td>10.30-11.45</td>
<td>Øivind Nilsen</td>
<td>Norwegian School of Economics and</td>
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<td>Business</td>
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<tr>
<td>Wed, Apr 13</td>
<td>16.15-17.45</td>
<td>Simeon Alder</td>
<td>University of Notre Dame</td>
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<tr>
<td>Thu, Apr 14</td>
<td>10.30-11.45</td>
<td>Matthis Wildenbeest</td>
<td>Indiana</td>
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<tr>
<td>Thu, Apr 14</td>
<td>17.15-18.30</td>
<td>Pierpaolo Battigalli</td>
<td>Università Bocconi</td>
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2.3 Short Course

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<th>date</th>
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<tbody>
<tr>
<td>Tue, Mar 8</td>
<td>10.15-15.45</td>
<td><strong>Samuel S. Kortum</strong>, University of Chicago</td>
<td>HIM-Pav-A</td>
</tr>
<tr>
<td>Wed, Mar 9</td>
<td>10.15-12.00</td>
<td>«International Trade»</td>
<td>KO2-F-153</td>
</tr>
<tr>
<td>Thu, Mar 10</td>
<td>10.15-12.00</td>
<td><strong>Doctoral Program in Economics</strong></td>
<td>KOL-F-109</td>
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2.4 Thesis defenses

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<tbody>
<tr>
<td>Wed, Feb 23</td>
<td>09.00-11.00</td>
<td><strong>Michèle Sennhauser</strong>, University of Zurich</td>
<td>HOT-103</td>
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<td>Department of Economics</td>
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<tr>
<td>Wed, Feb 23</td>
<td>12.30-14.00</td>
<td><strong>Sigrid Röhrs</strong>, University of Zurich</td>
<td>KO2-D-54</td>
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<td>Department of Economics</td>
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<tr>
<td>Fri, Feb 25</td>
<td>12.00-14.00</td>
<td><strong>Holger Herz</strong>, University of Zurich</td>
<td>BLU-002</td>
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<tr>
<td>Wed, Mar 1</td>
<td>14.00-16.00</td>
<td><strong>Donja Darai</strong>, University of Zurich</td>
<td>BLU-003</td>
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<tr>
<td>Wed, Mar 2</td>
<td>14.00-15.00</td>
<td><strong>Kevin Staub</strong>, University of Zurich</td>
<td>ZUH-H-08</td>
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<td>Department of Economics</td>
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<tr>
<td>Wed, Mar 2</td>
<td>14.00-16.00</td>
<td><strong>Andreas Hefti</strong>, University of Zurich</td>
<td>ZUH-G-08</td>
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2.5 Alumni Events

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<th>venue</th>
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<tbody>
<tr>
<td>Mon, Feb 28</td>
<td>ab 19.00</td>
<td>Absolventen 2010 Get-together</td>
<td>VALMANN Talstrasse 58 8001 Zürich</td>
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<td></td>
<td>5. OEC ALUMNI UZH-Absolventen-Event</td>
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<tr>
<td>Wed, Mar 23</td>
<td>12.00-14.00</td>
<td><strong>Prof. Albert Stahel</strong>, Institut für strategische Studien «Der Preis unserer Sicherheit: Die Armee im Spagat zwischen finanziellem Korsett und Bedrohungslage»</td>
<td>Beef Club Mövenpick</td>
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<td></td>
<td></td>
<td>OEC ALUMNI UZH-Lunch</td>
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3 Publications

3.1 In Economics


We study the determinants of vertical integration. We first derive a number of predictions regarding the relationship between technology intensity and vertical integration from a simple incomplete contracts model. Then, we investigate these predictions using plant-level data for the UK manufacturing sector. Most importantly, and consistent with the theoretical predictions, we find that the technology intensity of downstream (producer) industries is positively correlated with the likelihood of integration whereas the intensity of upstream (supplier) industries is negatively correlated with it. Also consistent with theory, both correlations are stronger when the supplying industry accounts for a large fraction of the producer’s costs. These results are generally robust and hold with alternative measures of technology intensity, with alternative estimation strategies, and with or without controlling for a number of firm- and industry-level characteristics.


http://dx.doi.org/10.1016/j.joep.2010.09.008

Numerous survey studies report that human resource managers curb wage inequality with the intent to avoid detrimental effects on workers’ morale. However, there exists little controlled empirical evidence demonstrating that horizontal social comparisons and wage inequality have adverse effects on worker behavior. In this paper, we present data from a laboratory experiment that studies the impact of wage inequality on participation and effort choices in team production. Overall, we do not find evidence that wage inequality has a significant impact on either participation or effort choices.


http://dx.doi.org/10.1111/j.1467-9701.2010.01290.x

This paper examines the impact of capital market integration on higher education and the link to economic growth. The analysis takes into account that participation in higher education is non-compulsory and depends on individual choice. Due to capital–skill complementarity, integration increases (reduces) the incentives to participate in higher education in capital-importing (exporting) economies, all other things equal. From a national policy point of view, public education expenditure should increase after integration of similar economies in order to attract mobile capital. Using foreign direct investment as a measure of capital flows, we present empirical evidence which largely confirms our main hypothesis: an increase in net capital inflows in response to capital market integration raises participation in higher education. In addition, we show that the adjustment in educational attainment is an empirically relevant channel through which capital inflows foster economic growth.


http://dx.doi.org/10.1177/0275074009360372

To overcome agency problems, public sector reforms started to introduce busineslike incentive structures to motivate public officials. By neglecting internal behavioral incentives, however, these
reforms often do not reach their stated goals. This research analyzes the governance structure of Benedictine monasteries to gain new insights into solving agency problems in public institutions. A comparison is useful because members of both organizational forms, public organizations and monasteries, see themselves as responsible participants in their community and claim to serve the public good. This research studies monastic governance from an economic perspective. Benedictine monasteries in Baden-Württemberg, Bavaria, and German-speaking Switzerland have an average lifetime of almost 500 years, and only a quarter of them broke up because of agency problems. The authors argue that they were able to survive for centuries because of an appropriate governance structure, relying strongly on the intrinsic motivation of the members and internal control mechanisms. This governance approach differs in several aspects from current public sector reforms.


In many countries, environmental policies and regulations are implemented to improve environmental quality and thus individuals’ well-being. However, how do individuals value the environment? In this paper, we review the life satisfaction approach (LSA), which represents a new nonmarket valuation technique. The LSA builds on the recent development of subjective well-being research in economics and takes measures of reported life satisfaction as an empirical approximation to individual welfare. Microeconometric life satisfaction functions are estimated, taking into account environmental conditions along with income and other covariates. The estimated coefficients for the environmental good and income can then be used to calculate the implicit willingness to pay for the environmental good.


We analyse a two-country model of Foreign Direct Investment (FDI) and R&D offshoring. In the basic model, two firms, each of which is originally situated in only one of the two countries, first decide whether to build a plant abroad. Then, they decide whether to relocate R&D activities offshore. Finally, they engage in product-market competition. In this model, FDI liberalization causes a relocation of R&D activities if intrafirm communication is sufficiently well developed, external spillovers are substantial, competition is not too strong and foreign markets are not too small. Surprisingly, such a relocation of R&D activities usually nevertheless increases domestic welfare.


We present a model of (re)elections in which an incumbency advantage arises because the incumbent can manipulate issue salience by choosing inefficient policies in the policy dimension in which he is the stronger candidate. The voters are uncertain about the state of the world and the incumbent’s choice of policy. Under complete information they would reelect the incumbent if and only if the state is sufficiently high. Undesirable policy outcomes may be due to either a bad state or the incumbent’s choice of inefficient policies. The incumbent uses inefficient policies in intermediate states, whereby he creates uncertainty about the true state in such a way that voters are better off in expectation reelecting him. Hence the equilibrium exhibits an incumbency advantage that stems from asymmetric information and the use of inefficient policies.

We consider a two-stage game with cost-reducing investments followed by a linear differentiated Cournot duopoly. With competition inversely parameterized by the extent of product differentiation, investment in the subgame perfect equilibrium is typically minimal for intermediate levels of competition. Laboratory experiments partly confirm the U-shape in a reduced one-stage version of the game. In the two-stage version, there is no evidence for positive effects of moving from intermediate to intense competition.


The paper shows that several game-theoretic solution concepts provide similar comparative statics predictions over a wide class of games. I start from the observation that, in many experiments, behavior is affected by parameter shifts that leave the Nash equilibrium unchanged. I explain the direction of change with a heuristic structural approach, using properties such as strategic complementarities and increasing differences. I show that the approach is consistent with general comparative statics results for (i) the Nash equilibrium of a game with perturbed payoff functions, (ii) the quantal response equilibrium, (iii) level-k reasoning. I also relate the structural approach to equilibrium selection concepts.


We investigate whether the costs of job displacement differ between blue and white collar workers. In the short-run earnings and employment losses are substantial for both groups but stronger for white collars. In the long run, there are only weak effects for blue collar workers but strong and persistent effects for white collars.
3.2 Others


In this paper, we present a generic approach that can be used to infer how subjects make optimal decisions under uncertainty. This approach induces a distinction between a subject’s perceptual model, which underlies the representation of a hidden “state of affairs” and a response model, which predicts the ensuing behavioural (or neurophysiological) responses to those inputs. We start with the premise that subjects continuously update a probabilistic representation of the causes of their sensory inputs to optimise their behaviour. In addition, subjects have preferences or goals that guide decisions about actions given the above uncertain representation of these hidden causes or state of affairs. From a Bayesian decision theoretic perspective, uncertain representations are so-called “posterior” beliefs, which are influenced by subjective “prior” beliefs. Preferences and goals are encoded through a “loss” (or “utility”) function, which measures the cost incurred by making any admissible decision for any given (hidden) state of affair. By assuming that subjects make optimal decisions on the basis of updated (posterior) beliefs and utility (loss) functions, one can evaluate the likelihood of observed behaviour. Critically, this enables one to “observe the observer”, i.e. identify (context- or subject-dependent) prior beliefs and utility-functions using psychophysical or neurophysiological measures. In this paper, we describe the main theoretical components of this meta-Bayesian approach (i.e. a Bayesian treatment of Bayesian decision theoretic predictions). In a companion paper (‘Observing the observer (II): deciding when to decide’), we describe a concrete implementation of it and demonstrate its utility by applying it to simulated and real reaction time data from an associative learning task.

**Daunizeau, Jean; den Ouden, Hanneke E.; Pessiglione, Matthias; Kiebel, Stefan J.; Friston, Karl J. & Stephan, Klaas Enno** (2010). «Observing the Observer (II): Deciding When to Decide», *PLoS ONE*, 5(12), e15555. [http://dx.doi.org/10.1371/journal.pone.0015555](http://dx.doi.org/10.1371/journal.pone.0015555)

In a companion paper [1], we have presented a generic approach for inferring how subjects make optimal decisions under uncertainty. From a Bayesian decision theoretic perspective, uncertain representations correspond to “posterior” beliefs, which result from integrating (sensory) information with subjective “prior” beliefs. Preferences and goals are encoded through a “loss” (or “utility”) function, which measures the cost incurred by making any admissible decision for any given (hidden or unknown) state of the world. By assuming that subjects make optimal decisions on the basis of updated (posterior) beliefs and utility (loss) functions, one can evaluate the likelihood of observed behaviour. In this paper, we describe a concrete implementation of this *meta-Bayesian* approach (i.e. a Bayesian treatment of Bayesian decision theoretic predictions) and demonstrate its utility by applying it to both simulated and empirical reaction time data from an associative learning task. Here, inter-trial variability in reaction times is modelled as reflecting the dynamics of the subjects’ internal recognition process, i.e. the updating of representations (posterior densities) of hidden states over trials while subjects learn probabilistic audio-visual associations. We use this paradigm to demonstrate that our meta-Bayesian framework allows for (i) probabilistic inference on the dynamics of the subject’s representation of environmental states, and for (ii) model selection to disambiguate between alternative preferences (loss functions) human subjects could employ when dealing with trade-offs, such as between speed and accuracy. Finally, we illustrate how our approach can be used to quantify subjective beliefs and preferences that underlie inter-individual differences in behaviour.
3.3 Books & Book Chapters


3.4 Working Papers


3.5 Mainstream Publications & Appearances


4 People

4.1 Visiting Guests & Research Stays

**PROF. FALKINGER**

Mar 28 - Apr 3  Hartmut Egger, University of Bayreuth

**PROF. FEHR**

Jan 1 - Jun 31  David Huffman, Swarthmore College

**PROF. TOBLER**

Feb 15 - Apr 30  Donna Harris, University of Cambridge

4.2 Degrees

**DOCTORAL THeses**

Sandra Hanslin (Prof. Falkinger). October 2010. Subject: «Globalization and the Public Sector»

**BACHELOR THeses**


4.3 Awards

Rainer Winkelmann has joined the Scientific Advisory Board of DIW Berlin.

5 Miscellaneous

5.1 Congresses, Conferences & Selected Presentations


Invited Plenary Talk of Bruno S. Frey on «Glück - Die Sicht der Ökonomie» at the HP Executive Circle, Zurich, February 2, 2011.

Newsletter 47 will appear on April 14, 2011

PUBLISHING INFORMATION

Editor: Department of Economics
Editorial work: Cornelia Metzler
Periodicity: 6 editions per year
Contact: newsletter@econ.uzh.ch
Download: http://www.econ.uzh.ch/agenda/newsletter.html