Welcome to the Department of Economics!

Picture taken at this year's Postgraduate Welcome Day, organized by the Faculty of Economics, Business Administration and Information Technology.
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1 Spotlight

1.1 Upcoming Conference: “China and the West 1950-2050” (21 November 2011)

The Center for Institutions, Policy and Culture in the Development Process (Director Prof. Dr. Fabrizio Zilibotti) will organize a conference at the University of Zurich with the support of the European Research Council and the NCCR Finrisk on the theme "China and the West: 1950 – 2050: Economic Growth, Demographic Transition and Pension". A number of renowned economists from seven nations will present their factual knowledge on the themes of economic growth, demographic transition, and pensions in four sessions.

Registration and Program

1.2 Welcome Events

We were able to welcome approximately forty new employees at our department in September. The 20 new graduate students form the largest group of new employees; they began their studies in the programs "Doctoral Program in Economics" or "Doctoral Program in Neuroeconomics" in the fall semester. The welcome event allowed new employees to get to know each other better and to meet the professors at the department.

The economics faculty organized a post-graduate welcome day for the first time; all new master's students and graduate students were invited to the event. The participants competed against each other in groups in a treasure hunt covering the campus. The winning team won a voucher for a boat trip on the lake with fondue. We congratulate Dan Wunderli and his team to their victory.
## 2 Events

### 2.1 Departmental Research Seminar in Economics

<table>
<thead>
<tr>
<th>date</th>
<th>schedule</th>
<th>title</th>
<th>venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thu, Dec 1</td>
<td>17.15-18.45</td>
<td><strong>Prof. Nathan Nunn</strong>, Harvard University&lt;br&gt;«On the Origins of Gender Roles: Women and the Plough (with Alberto Alesina and Paola Giuliano)»&lt;br&gt;<em>Departmental Research Seminar in Economics</em></td>
<td>KO2-F-175</td>
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### 2.2 Guest Presentations

<table>
<thead>
<tr>
<th>date</th>
<th>schedule</th>
<th>title</th>
<th>venue</th>
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</thead>
<tbody>
<tr>
<td>Thu, Nov 3</td>
<td>10.30-11.45</td>
<td><strong>Michael Waterson</strong>, Warwick&lt;br&gt;«Retail Chain Expansion: The Early Years of McDonalds in Great Britain»&lt;br&gt;<em>Applied Microeconomics Seminar</em></td>
<td>KOL-F-123</td>
</tr>
<tr>
<td>Tue, Nov 8</td>
<td>16.15-18.00</td>
<td><strong>Augustin Landier</strong>, Toulouse&lt;br&gt;«Vulnerable Banks» (Lecture)&lt;br&gt;<em>Law &amp; Finance Workshop and Lecture Series</em></td>
<td>KO2-F-172</td>
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<tr>
<td>Wed, Nov 9</td>
<td>16.15-18.00</td>
<td><strong>Enrico Perotti</strong>, Amsterdam&lt;br&gt;«Emergence of Legal Personnality in Private Law» (Workshop)&lt;br&gt;<em>Law &amp; Finance Workshop and Lecture Series</em></td>
<td>ETH IFW A 32.1</td>
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<tr>
<td>Thu, Nov 10</td>
<td>17.15-18.30</td>
<td><strong>Juuso Välimäki</strong>, Aalto University&lt;br&gt;<em>Microeconomics Seminar (ETH/UZH)</em></td>
<td>KO2-F-175</td>
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<tr>
<td>Tue, Nov 15</td>
<td>16.15-17.45</td>
<td><strong>Pierre Larouche</strong>, Tilburg&lt;br&gt;«A Paradigm Shift in EU Network Industries Regulation? From a Formalistic to an Integrative Approach» (Lecture)&lt;br&gt;<em>Workshop &amp; Lecture Series on Techonology: Policy, Law &amp; Economics</em></td>
<td>RAI-F-41</td>
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<tr>
<td>Date</td>
<td>Time</td>
<td>Speaker</td>
<td>Institution/Location</td>
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<td>Wed, Nov 16</td>
<td>16.15-17.45</td>
<td>Luisa Fuster, IMDEA</td>
<td>«Labor supply and government programs: A cross-country analysis» (with Andres Erosa and Gueorgui Kambourov)</td>
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<td>Macro-Finance-Labor Seminar</td>
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<tr>
<td>Thu, Nov 17</td>
<td>17.15-18.30</td>
<td>Chris Starmer, University of Nottingham</td>
<td>Microeconomics Seminar (ETH/UZH)</td>
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<td>Law &amp; Finance Workshop and Lecture Series</td>
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<tr>
<td>Wed, Nov 23</td>
<td>16.15-18.00</td>
<td>Michal Barzuza, Virginia</td>
<td>«Lemon Signalling in Cross-Listing» (Workshop)</td>
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<td>Law &amp; Finance Workshop and Lecture Series</td>
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<tr>
<td>Thu, Nov 24</td>
<td>10.30-11.45</td>
<td>Adriaan Soetevent, University of Amsterdam</td>
<td>Applied Microeconomics Seminar</td>
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<tr>
<td>Thu, Nov 24</td>
<td>17.15-18.30</td>
<td>Tayfun Sönmez, Boston College</td>
<td>Microeconomics Seminar (ETH/UZH)</td>
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<tr>
<td>Tue, Nov 29</td>
<td>16.15-17.45</td>
<td>Andrei Hagiu, Harvard University</td>
<td>«Intellectual Property Intermediaries» (Lecture)</td>
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<td>Workshop &amp; Lecture Series on Technology: Policy, Law &amp; Economics</td>
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<tr>
<td>Wed, Nov 30</td>
<td>16.15-17.45</td>
<td>Andrei Hagiu, Harvard University</td>
<td>«Multi-Sided Platforms» (Workshop)</td>
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<td>Workshop &amp; Lecture Series on Technology: Policy, Law &amp; Economics</td>
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<tr>
<td>Tue, Dec 6</td>
<td>16.15-18.00</td>
<td>Laura Beny, Michigan</td>
<td>«Insider Trading Laws and Stock Markets Around the World» (Lecture)</td>
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<td>Law &amp; Finance Workshop and Lecture Series</td>
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<tr>
<td>Wed, Dec 7</td>
<td>16.15-18.00</td>
<td>Laura Beny, Michigan</td>
<td>«Corporate Initiatives to Control Insider Trading: Evidence from Canada» (Workshop)</td>
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<td>Law &amp; Finance Workshop and Lecture Series</td>
</tr>
<tr>
<td>Thu, Dec 8</td>
<td>10.30-11.45</td>
<td>Ozlem Bedre-Defolie, ESMT Berlin</td>
<td>Applied Microeconomics Seminar</td>
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<tr>
<td>Thu, Dec 8</td>
<td>17.15-18.30</td>
<td>Andrea Pratt, London School of Economics</td>
<td>Microeconomics Seminar (ETH/UZH)</td>
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</table>
2.3 Short Courses

date | schedule | title | venue
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Tue, Nov 22 | 09.00-12.00 | Tayfun Sönmez, Boston College | WIH-E-01
Wed, Nov 23 | 09.00-12.00 | Mini Course on «Matching Theory» | WIH-E-01
 | 14.00-17.00 | Doctoral Program in Economics | WIH-E-01
Thu, Nov 24 | 09.00-12.00 |  |  
Fri, Nov 25 | 09.00-12.00 |  |  
 | 14.00-17.00 |  |  

2.4 Alumni Events

date | schedule | title | venue
--- | --- | --- | ---
Tue, Nov 15 | 12.00-14.00 | Dr. Gerhard Schwarz, Director avenir suisse, Zurich | Zunfthaus zur Meisen
 |  | OEC ALUMNI UZH-Lunch | Münsterhof 20
 |  |  | 8001 Zurich

3 Publications

3.1 In Economics

[http://dx.doi.org/10.1016/j.jhealeco.2011.05.013](http://dx.doi.org/10.1016/j.jhealeco.2011.05.013)

Workplace accidents are an important economic phenomenon. Yet, the pro-cyclical fluctuations in workplace accidents are not well understood. They could be related to fluctuations in effort and working hours, but workplace accidents may also be affected by reporting behavior. Our paper
uses unique data on workplace accidents from an Austrian matched worker-firm dataset to study in detail how economic incentives affect workplace accidents. We find that workers who reported an accident in a particular period of time are more likely to be fired later on. And, we find support for the idea that recessions influence the reporting of moderate workplace accidents: if workers think the probability of dismissals at the firm level is high, they are less likely to report a moderate workplace accident.


The fixed rate tender is one of the main procedures used by central banks in the implementation of their monetary policies. While academic research has largely dismissed the procedure owing to its tendency to encourage overbidding, central banks such as the ECB and the Bank of England have continued using it. We investigate this apparent conflict by considering an auction-theoretic setting with private information about declining marginal valuations. Since overbidding entails exposure risk, an equilibrium may exist even if bids are costless and the intended volume is pre-announced. In fact, the allotment quota may be strictly below one with certainty. Also with adaptive expectations, overbidding need not escalate. However, the resulting allocation is typically inefficient. Empirical proxies of exposure risk are significant in both euro and sterling operations. Our findings have implications, in particular, for the potential reintroduction of pro rata allotment in the main refinancing operations of the Eurosystem.


Many governments as well as terrorist experts see the use of military and police forces as the only way to effectively counter terrorism. The most effective negative sanctions are considered to be military strikes, aggressive actions (including kidnapping and killing) against individuals known or suspected of being terrorists, or against persons supporting and harboring terrorists. Overt and covert military and paramilitary action is also thought advisable to pre-empt and prevent actions by terrorist groups, as well as against states suspected of hosting or tolerating terrorists. This paper argues that decentralization constitutes a powerful antidote as it strongly reduces the incentives for terrorists to attack and because the expected damage suffered is much smaller than in a centralized society. It moreover strengthens society, as economic, political and social decentralization (or polycentricity) is an essential element of a free and vigorous society. This in turn makes a society less vulnerable to terrorist attacks. Indeed, terrorism has no chance of success against a society that actively guards its fundamental liberal institutions, of which decentralized decision-making forms an essential part.


This study presents a simple empirical framework suitable for describing individuals' subjective evaluations of wage inequality and their normative assessment of market justice. The framework is illustrated using survey data from the International Social Survey Program from Switzerland. Although most individuals accept the fact that there are quite large pay differentials across different occupations, they would still prefer a more equal distribution of market wages. The empirical analysis further shows that financial self-interest, normative beliefs, and perceptions of how wages are determined all have an impact on the assessment of market justice. Finally, subjective inequality measures and the assessment of market justice turn out to be substantive predictors of individuals' general support for the welfare state and their party identification.
3.2 Others

Baumgartner, Thomas; Knoch, Daria; Hotz, Philine; Eisenegger, Christoph & Fehr, Ernst (2011). «Dorsolateral and ventromedial prefrontal cortex orchestrate normative choice», Nature Neuroscience, published online.
http://dx.doi.org/10.1038/nn.2933

Humans are noted for their capacity to over-ride self-interest in favor of normatively valued goals. We examined the neural circuitry that is causally involved in normative, fairness-related decisions by generating a temporarily diminished capacity for costly normative behavior, a ‘deviant’ case, through non-invasive brain stimulation (repetitive transcranial magnetic stimulation) and compared normal subjects’ functional magnetic resonance imaging signals with those of the deviant subjects. When fairness and economic self-interest were in conflict, normal subjects (who make costly normative decisions at a much higher frequency) displayed significantly higher activity in, and connectivity between, the right dorsolateral prefrontal cortex (DLPFC) and the posterior ventromedial prefrontal cortex (pVMPFC). In contrast, when there was no conflict between fairness and economic self-interest, both types of subjects displayed identical neural patterns and behaved identically. These findings suggest that a parsimonious prefrontal network, the activation of right DLPFC and pVMPFC, and the connectivity between them, facilitates subjects’ willingness to incur the cost of normative decisions.

http://dx.doi.org/10.3389/fnins.2011.00121

Probability and risk are important factors for value-based decision making and optimal foraging. In order to survive in an unpredictable world, organisms must be able to assess the probability and risk attached to future events and use this information to generate adaptive behavior. Recent studies in non-human primates and rats have shown that both probability and risk are processed in a distributed fashion throughout the brain at the level of single neurons. Reward probability has mainly been shown to be coded by phasic increases and decreases in firing rates in neurons in the basal ganglia, midbrain, parietal, and frontal cortex. Reward variance is represented in orbitofrontal and posterior cingulate cortex and through a sustained response of dopaminergic midbrain neurons.

3.3 Working Papers


3.4 Mainstream Publications & Appearances


4 People

4.1 Visiting Guests & Research Stays

**PROF. EWERHART**

November 30 - December 4  
**Paul Schweinzer**, University of York

**PROF. HOFFMANN**

October 19 - 29  
**Ki Young Park**, Yonsei University, Seoul

November 2 - 5  
**Toshihiro Okubo**, Keio University

**PROF. WINKELMANN**

July 1 - December 16  
**Luke Conelly**, University of Queensland

**PROF. ZILIBOTTI**

November 14 - 22  
**Matthias Doepke**, Northwestern University

4.2 Appointments

**Andreas Hefti** declined an appointment as assistant professor at the University of Innsbruck.

**Klaas Enno Stephan** has rejected an offer by the Max-Planck-Society to become Director at the Max-Planck-Institute for Human Cognitive and Brain Sciences in Leipzig and has accepted a Chair in “Translational Neuromodeling”, jointly funded by the University of Zurich and ETH Zurich.

4.3 Degrees

**MASTER THESSES**

**Arlette Frener** (Prof. Zweimüller). September 2011. Subject: «Long-run Trends in Labor Earnings Inequality and Mobility»

**Lucian Schneider** (Prof. Frey). September 2011. Subject: «Artists’ Job and Life Satisfaction»

**BACHELOR THESSES**

**Philip Flückiger** (Prof. Schmutzler). September 2011. Subject: «Der Einfluss der vertikalen Industriestruktur auf Innovationsanreize»
**Sandra Hofmann** (Prof. Zweimüller). September 2011. Subject: «Geburtenqualität und Konjunkturzyklus in der Schweiz»

**Cristian Pérez** (Prof. Hoffmann). October 2011. Subject: «Cross-country exposures and the Fiscal Crisis in the Euro Area»

**Daria Schärer** (Prof. Woitek). September 2011. Subject: «Regionale Preisindizes für die Schweiz (1870-1900)»

**Anastassia Scheidegger** (Prof. Netzer). September 2011. Subject: «Interregionaler Einkommenssteuerwettbewerb und Allocative Effizienz»

**Daniel Tridico** (Prof. Zilibotti). August 2011. Subject: «On The Effectiveness of Counter-Terrorism Measures – A Political Economy Perspective»

**Shu Yu** (Prof. Zilibotti). August 2011. Subject: «The Impact of Shanghai’s Economic Growth on Neighboring Cities»

**Alexander Ziegenbein** (Prof. Zweimüller). September 2011. Subject: «Das Okunsche Gesetz auf der sektorellen Ebene – Eine Analyse für die Schweiz»

**Daria Zürcher-Bevza** (Prof. Zilibotti). August 2011. Subject: «Household Portfolio Composition over the Life Cycle»

## 4.4 Awards

**Ernst Fehr** was honored at this year’s teaching day at the University of Zurich for his repeated nominations for the "Credit Suisse Award for Best Teaching". In addition to Ernst Fehr, Conrad Meyer (Business Administration) and Rudolf Volkart (Banking and Finance) of the economics faculty were also recognized.

## 5 Miscellaneous

### 5.1 Congresses, Conferences & Selected Presentations

Invited Plenary Talk of **Christian Ewerhart** at the ECB conference «The post-crisis design of the operational framework for the implementation of monetary policy» Frankfurt am Main, October 10-11, 2011.

**Ernst Fehr** was invited to present the Thünen Lecture on «Neuroeconomic Foundations of Economic Choice» at the German Economic Association (Verein für Socialpolitik) in Frankfurt am Main, Germany, on September 5, 2011.


Keynote Address of **Olivier Ledoit** on «The Coexistence of Commodity Money and Fiat Money» at the Utah Monetary Summit, Salt Lake City, September 26, 2011.
Keynote Lecture of Philippe Tobler on «Neuroeconomics and the Contribution of Economics» at the XII. Symposium of the German Economic Association of Business Administration, Zurich, September 14, 2011.

Josef Zweimüller gave the Keynote Lecture at the ifo-Workshop "Applied Labour Economics" in Bischofswiesen, Germany, September 15-16, 2011.

5.2 Grants

Sebastian Findeisen received a Junior Research Grant from the UZH for his project “Optimal Dynamic Taxation with Endogenous Human Capital” (duration: 01.01.2012 - 31.04.2013).

5.3 Research Stays

Michael Wolf was at the Stanford University for a research stay from July 30 to August 22.

Newsletter 51 will appear on December 22, 2011