Doctoral Program in Economics fellowship

First Excellence Foundation Zurich fellowship for Chloé Michel

Michelle Sovinsky (Director of the Doctoral Program in Economics), Chloé Michel (fellowship holder), and Philip Kramer (Managing Director, Excellence Foundation Zurich) at the award ceremony.
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1 Spotlight

1.1 Fellowships for the Doctoral Program in Economics

Thanks to the efforts of the Excellence Foundation Zurich, the Doctoral Program in Economics (DPE) has received funding to grant several full fellowships for doctoral students. The selection committee has selected two outstanding candidates among more than 150 applicants for the new DPE fellowships. Chloé Michel completed her master studies at UZH. She received a four year fellowship from the Excellence Foundation Zurich. Jean-Michel Benkert is currently studying at the Graduate School of Economics in Barcelona. He is the first student to receive a fellowship funded by the UBS International Center. Both students will join the DPE in the fall.

1.2 New collaboration will reshape the map of economic research in Europe and beyond

Up to five new chairs will be created at the Department of Economics as a result of the new collaboration between the University of Zurich and UBS. The UBS International Center of Economics in Society will tap into top flight research in a number of new fields of research and promote a dialog between science, business, and society.

The cooperation between UZH and UBS will contribute to research in the economic sciences aimed at finding solutions to economic issues using an interdisciplinary approach. This is intended to further strengthen the position of the Department of Economics in international competition with the best academic institutions. The collaboration will create up to five permanent chairs in the next few years, and aims to attract top flight international researchers from cutting edge fields of research. This research and teaching aspires to cross the boundaries between individual academic disciplines in order to find solutions for serious problems relating to society and the economy. The chairs are part of the University of Zurich’s Department of Economics. They will use an integrated and interdisciplinary approach to address core aspects of economics.

A boost for business and science

The cooperation between UZH and UBS raises Switzerland’s profile as a place of business and science. It is hoped that the top flight research and Swiss Graduate School of Economics will attract the best PhD students in the world, who will then receive grants as well as cutting edge and practical teaching from leading researchers. A Forum for Economic Dialogue will also be set up at the UBS International Center, which will hold public events, workshops, and seminars and publish an academic journal. The UBS International Center of Economics in Society will be set up as an associated institute of the University of Zurich, but will be a separate legal entity. A scientific advisory committee consisting of internationally renowned researchers in the field of economics - including several Nobel Prize winners - will promote and support the UBS International Center in an advisory role and through direct participation in its key events. The involvement of the UBS is in connection with their education initiative that the bank started on the occasion of its 150 year jubilee; it amounts to a total of CHF 150 million. The fact that the UZH
received a major support contribution from the education initiative is also due to the efforts of the Excellence Foundation Zurich as a mediator between UZH and UBS.

1.3 Josef Falkinger and Armin Schmutzler nominated for Best Teaching 2012

On the occasion of this year’s Dies Academicus, the University of Zurich awarded the “Credit Suisse Award for Best Teaching” to Martin Meyer from the Department of Psychology. The selection committee informed us that Josef Falkinger and Armin Schmutzler were among the nominees who were shortlisted for the final round. The award is perceived as a compliment from the students to the lecturers. We congratulate our colleagues on their nomination.

2 Events

2.1 Guest Presentations

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<tr>
<td>Thu, May 31</td>
<td>17.15-18.30</td>
<td>Dirk Bergemann, Yale University and Cowles Foundation «Robust Predictions in Games with Incomplete Information»</td>
<td>KO2-F-175</td>
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<td>Microeconomics Seminar (ETH/UZH)</td>
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<tr>
<td>Thu, Jun 7</td>
<td>17.15-18.30</td>
<td>Claudio Mezzetti, University of Warwick «Manipulative Disclosure»</td>
<td>KO2-F-175</td>
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<td></td>
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<td>Microeconomics Seminar (ETH/UZH)</td>
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<tr>
<td>Fri, Jun 8</td>
<td>12.00-13.00</td>
<td>Daniel Benjamin, Cornell University Experimental and Behavioral Economics Seminar</td>
<td>BLU-E-003</td>
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2.2 Alumni Events

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<tr>
<td>Tue, Jun 19</td>
<td>12.00-14.00</td>
<td>Prof. Dr. oec. publ. Reiner Eichenberger, University of Fribourg «Ist die moderne Ökonomie in der Krise?»</td>
<td>Zunfthaus zur Meisen Münsterhof 20 8001 Zürich</td>
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<td>OEC ALUMNI UZH-Lunch</td>
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<td>Thu, Jul 12</td>
<td>from 20.30</td>
<td>AFC &amp; OEC ALUMNI UZH Sommerparty OEC ALUMNI UZH</td>
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3 Publications

3.1 In Economics

http://dx.doi.org/10.1016/j.jet.2010.09.001

We study a dynamic general equilibrium model where innovation takes the form of the introduction of new goods whose production requires skilled workers. Innovation is followed by a costly process of standardization, whereby these new goods are adapted to be produced using unskilled labor. Our framework highlights a number of novel results. First, standardization is both an engine of growth and a potential barrier to it. As a result, growth is an inverse U-shaped function of the standardization rate (and of competition). Second, we characterize the growth and welfare maximizing speed of standardization. We show how optimal protection of intellectual property rights affecting the cost of standardization vary with the skill-endowment, the elasticity of substitution between goods and other parameters. Third, we show that, depending on how competition between innovating and standardizing firms is modeled and on parameter values, a new type of multiplicity of equilibria may arise. Finally, we study the implications of our model for the skill premium and we illustrate novel reasons for linking North–South trade to intellectual property rights protection.

http://dx.doi.org/10.1257/aer.102.2.834

High-performance work systems give workers more discretion, thereby increasing effort productivity but also shirking opportunities. We show experimentally that screening for work attitude and labor market competition are causal determinants of the viability of high-performance work systems, and we identify the complementarities between discretion, rent-sharing, and screening that render them profitable. Two fundamentally distinct job designs emerge endogenously in our experiments: “bad” jobs with low discretion, low wages, and little rent-sharing, and “good” jobs with high discretion, high wages, and substantial rent-sharing. Good jobs are profitable only if employees can be screened, and labor market competition fosters their dissemination.


Probability weighting has been largely ignored by economics despite abundant evidence that risk attitudes are in fact probability dependent. Probability weighting, however, provides a unifying account of many real-world phenomena that are difficult to reconcile with expected utility theory, such as the equity premium puzzle, the long-shot bias in betting markets, households’ underdiversification and their willingness to buy small-scale insurance at exorbitant prices. Recent findings suggest that probability dependence is not just a feature of laboratory data but is indeed present in financial, insurance and betting markets. Thus, the neglect of probability weighting prevents economists from comprehending important phenomena. In this paper, we discuss the foundations and economic consequences of probability weighting and offer a practitioner’s guide to understanding and modeling probability-dependent risk preferences.
http://dx.doi.org/10.1111/j.1540-5982.2012.01701.x

Securitization makes mortgage-related risks internationally tradeable and thus contributes considerably to the international diversification of macroeconomic risk: in the years 2003–2008, the increase in international cross-holdings of securitized mortgage debt has lowered industrialized countries’ conditional consumption volatility (relative to the United States) by about 10–15 percentage points. We turn to the role of domestic credit in explaining this result. Domestic credit leads to better international risk sharing only if debt is securitized and traded internationally. Conversely, the risk-sharing benefits from securitization seem to evaporate if credit dries up – as it did in the recent financial crisis.

3.2 Books & Book Chapters


http://dx.doi.org/10.1007/978-3-642-12563-8_6

3.3 Working Papers


Boppart, Timo & Staub, Kevin E. (May 2012). «Online accessibility of academic articles and the diversity of economics»,  

Casari, Marco; Zhang, Jingjing & Jackson, Christine (April 2012). «When Do Groups Perform Better Than Individuals? A Company Takeover Experiment»,  

Clausen, Andrew & Strub, Carlo (April 2012). «Envelope Theorems for Non-Smooth and Non-Concave Optimization»,  

Corazzini, Luca; Kube, Sebastian; Maréchal, Michel André & Nicolò, Antonio (May 2012). «Elections and Deceptions: An Experimental Study on the Behavioral Effects of Democracy»,  


4 People

4.1 Appointments

Michael Wolf declined an appointment as professor at the ESSEC Business School in Paris.

4.2 Degrees

MASTER THESSES

Janette Garcia (Prof. Schmutzler). April 2012. Subject: «Der Effekt von Relevanz- und Preisfilter auf den Aufmerksamkeits- und Preiswettbewerb im eCommerce»

Rico Häner (Prof. Frey). February 2012. Subject: «Human Herd Behavior and Institutions: How Institutional Factors of Non-listed Brokers Effect the Forecasting Behavior of Their Equity Analysts»

Philipp Höhener (Prof. Zweimüller). March 2012. Subject: «Earnings Inequality and Occupational Distribution»


Christina Richard (Prof. Schmutzler). May 2012. Subject: «Verbal and Non-Verbal Communication as a Coordination Device in a Prisoner's Dilemma»
BACHELOR THESSES


Marius Faber (Prof. Zweimüller). March 2012. Subject: «The Effects of the EU Accession by Central and Eastern European Countries on the Patterns of Trade»


Manuel Mühlemann (Prof. Falkinger). May 2012. Subject: «Arbeitseinkommensanteil im Aggregat und auf sektorieller Ebene»


Andreas Winschall (Prof. Netzer). May 2012. Subject: «Using Meteorological Models to Simulate Learning in Games»

4.3 Awards

Fehr Ernst was awarded the Österreichisches Ehrenzeichen für Wissenschaft und Kunst [Austrian Cross of Honor for Science and Arts].

Aderonke Osikominu (Prof. Zweimüller) has won the “CESifo Distinguished Affiliate Award in Employment and Social Protection” for her paper «Quick Job Entry or Long-Term Human Capital Development? The Dynamic Effects of Alternative Training Schemes» (forthcoming in Review of Economic Studies).

Michelle Sovinsky was nominated to the Center for Economic Policy Research (CEPR) as a research fellow on March 26, 2012.

5 Miscellaneous

5.1 Congresses, Conferences & Selected Presentations


Armin Schmutzler is head of the scientific committee of the annual meeting of the Verein für Socialpolitik, Göttingen, September 9-12, 2012.


### 5.2 Grants

**Björn Bartling** received a research grant of CHF 25’900 from the Foundation for Research in Science and the Humanities at the University of Zurich for his joint project with **Roberto Weber** on “Willful Ignorance in Markets” (duration: 01.04.2012-01.04.2015).

**Christian Ruff** received a research grant from the SNSF for the project entitled “Combining brain stimulation with fMRI: Developing a standard setup for studying and modifying affective networks in the human brain” (2 years; CHF 360’000).

**Fabrizio Zilibotti** and **Dominic Rohner** received an SNF Grant for the project ”Interdependency and Network Externalities in Economic Development: Technology Diffusion and Social Conflicts” (CHF 453’443).

### 5.3 Research Stays

**Marc Sommer** (Prof. Wolf) will visit Stockholm University from October 2012 to March 2013, funded by an SNF Fellowship.

Newsletter 55 will appear on September 13, 2012

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**PUBLISHING INFORMATION**

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