



University of
Zurich^{UZH}

Department of Economics

Economics at Zurich



Edition Notice

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Willkommen in Zürich

4 Seit Januar 2011 besteht das Institut für Volkswirtschaftslehre an der Universität Zürich, welches aus der Fusion zwischen dem Institut für Empirische Wirtschaftsforschung und dem Sozialökonomischen Institut hervorgegangen ist. Anknüpfend an mein Amt als Leiter des Instituts für Empirische Wirtschaftsforschung wurde ich als Direktor des neuen Instituts gewählt.

Es ist mir eine Ehre, Ihnen eine kurze Einleitung für diese Broschüre zu geben, mit welcher wir unser aussergewöhnliches Institut der Öffentlichkeit präsentieren möchten. Auf den folgenden Seiten finden Sie nützliche Informationen zu verschiedenen Themen, wie zum Beispiel über unser akademisches Profil, unsere verschiedenen Forschungsfelder und unsere hervorragende Infrastruktur.

Im Herzen Europas gelegen bietet Zürich ausgezeichnete Bedingungen für Forschende und Studierende aus aller Welt. Die hervorragende Infrastruktur der Stadt und der Universität ermöglicht kurze Wege und effektive Zusammenarbeit.

Das Institut für Volkswirtschaftslehre der Universität Zürich gehört zu den führenden Forschungszentren in Europa, was zahlreiche Auszeichnungen und zugesprochene Forschungsgelder zeigen. Seit Jahren zählen wir zu den besten europäischen Forschungsinstituten in der Volkswirtschaftslehre und ziehen deshalb ausgezeichnete Studierende, Lehrende und Forschende aus der Schweiz, Europa und der ganzen Welt an.

Unser breites Forschungsfeld umfasst diverse Teilbereiche der Volkswirtschaftslehre darunter Ökonometrie, Makroökonomie, Mikroökonomie und Neuroökonomie. Wir forschen mit einem interdisziplinären Ansatz, der moderne Volkswirtschaftslehre mit historischen, politikwissenschaftlichen, psychologischen, biologischen und soziologischen Elementen verbindet. Des Weiteren bietet das Institut ein modernes Studienangebot sowohl auf Bachelor- und Masterebene wie auch auf der Doktoratsstufe.

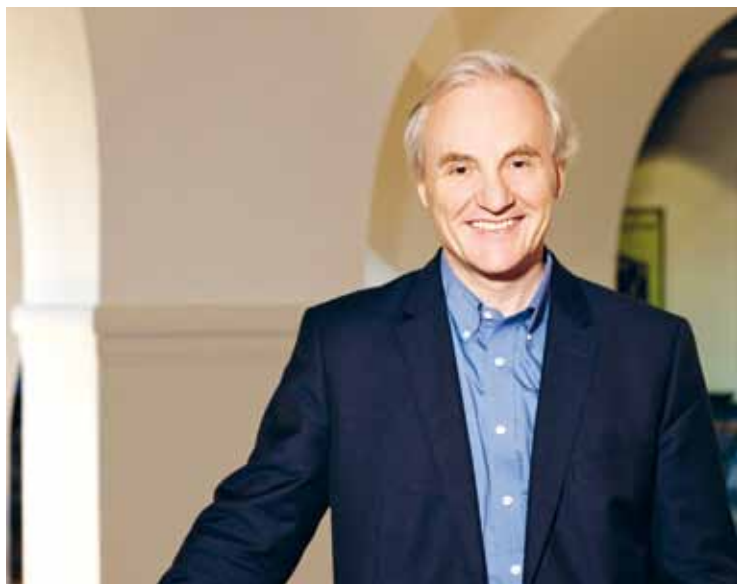
Wir freuen uns über Ihr Interesse an unserer Arbeit und hoffen, Sie bald in Zürich begrüßen zu dürfen.

Mit freundlichen Grüßen



Ernst Fehr
Direktor des Instituts für Volkswirtschaftslehre

Welcome to Zurich



The Department of Economics at the University of Zurich was opened in January 2011 as a result of the merger between the Institute for Empirical Research in Economics and the Socioeconomic Institute. Following my assignment as the Chairman of the Institute for Empirical Research in Economics, I was appointed Chairman of the new department.

It is my pleasure and my honor to provide a short introduction to this brochure, in which we present our outstanding department to the public. On the following pages, you will find useful information about a variety of topics, including our academic profile, our different research areas, and our excellent infrastructure.

Situated at the very heart of Europe, Zurich offers excellent conditions for students and researchers alike. Modern infrastructures both at the university and in the city facilitate successful collaborative ventures.

The Department of Economics at the University of Zurich is a leading European research center, as is evidenced by the numerous high-profile grants and awards we have received. We are proud to be consistently ranked as one of Europe's top economics research institutes. As a result, we attract excellent students, teachers, and researchers from Switzerland, Europe, and the rest of the world.

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We represent a wide range of research interests in all areas of economics, including econometrics, macroeconomics, microeconomics, and neuroeconomics. The research conducted at the department has an interdisciplinary focus, combining modern economics with elements of history, political science, psychology, biology, and sociology. In addition, the department offers a modern economics curriculum at the undergraduate level as well as two PhD programs.

We appreciate your interest in our institute and hope to meet you soon in Zurich.

Yours sincerely,

A handwritten signature in black ink, which appears to read 'Ernst Fehr'. The signature is fluid and cursive, with a large initial 'E'.

Ernst Fehr
Chairman of the Department of Economics

History and Recent Developments

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The Department of Economics and its Dynamic History

The history of the department's evolution goes back to 1908 when the Socioeconomic Seminar was founded with a budget of only 500 CHF per annum for the purchase of books. However, despite its humble beginnings, economics at the University of Zurich steadily gained in importance over the years.

The first socioeconomics lecture at the University of Zurich was listed in the lecture timetable in 1909. Up until this, economic questions had not been on the university's scientific agenda – only political and commercial sciences were taught in the seminars. Fifty years later, a second institute, the Economics Institute, was founded. In 1970, the Institute for Empirical Research in Economics was established.

The institutes coexisted more or less independently for several decades. Nonetheless, interaction and cooperation between them in research and teaching gradually increased. It was only natural, therefore, that they eventually decided to merge. At the start of 2011, «what belonged together grew together» when all the institutes conducting economic research at the

University of Zurich (IEW, STS, SOI, WWI) merged into the Department of Economics.

One result of this successful fusion was the joint development and implementation of the Doctoral Program in Economics in 2009, followed by the introduction of the Doctoral Program in Neuroeconomics in 2010.

Zurich

Situated in the heart of Europe, Switzerland is a small but attractive and prosperous country. Zurich, with its population of 384,000, is the largest city in Switzerland. Its attractive location on the banks of Lake Zurich and its proximity to nearby recreational areas such as the Uetliberg mountain and the Alps all make Zurich an exciting place to live.

As one of Switzerland's economic centers, Zurich stands out as a central node in the national public transport network, while it is easily accessible internationally by rail and air transport. Given its cosmopolitan and international population and its renowned cultural institutions, the city is also one of the cultural centers of Switzerland.

At the Heart of Europe



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© Zurich Tourism

University of Zurich

The University of Zurich was founded in 1833 and is Switzerland's largest university. The current student body numbers over 24,000 students with about 1,900 graduates every year. The university provides academic services, collaborates with the private sector, and considers itself part of a national and global network for the acquisition and dissemination of knowledge. Researchers, lecturers, and students all benefit from the infrastructure that Zurich provides as a center of teaching and research.

Faculty of Economics, Business Administration, and IT

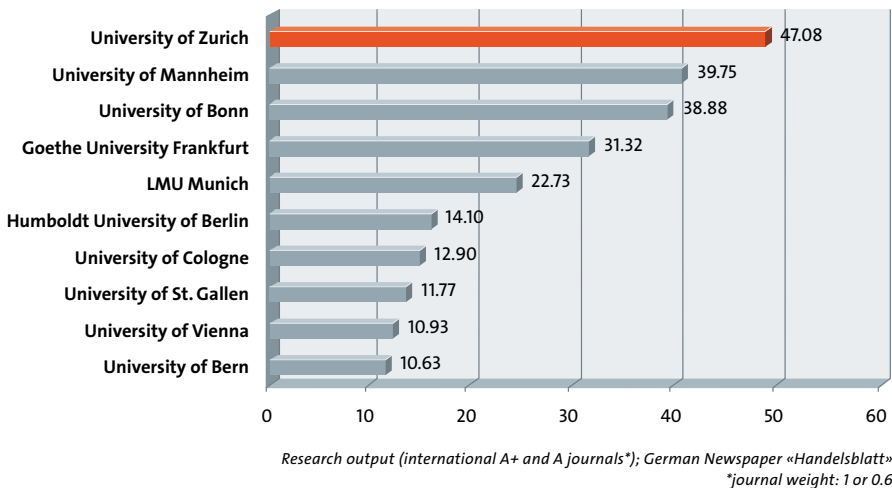
The Department of Economics is one of four departments of the Faculty of Economics, Business Administration, and IT, which is the leading Business Administration and Economics Faculty in Switzerland and one of the best Business Administration and Economics Faculties in Europe. The faculty places great emphasis on an interdisciplinary approach. It achieves its goals by appointing outstanding and internationally recognized scientists, by creating the best possible research conditions, and by promoting young talent.



Economics at its Best

8 Outstanding Achievements

As a department of the University of Zurich, the Department of Economics is a member of the «League of European Research Universities» and thus belongs to the group of best European Research Centers. Due to the remarkably high quality of research and teaching in all areas of the department, we have been able to reach the necessary critical mass of world-class researchers to attract further top talents. This has an immense leverage effect: excellent scientists themselves attract new funding and more top researchers. For instance, the faculty members Ernst Fehr, Bruno Frey, Jacob Goeree, and Fabrizio Zilibotti all belong to the top 1% of the world's most cited researchers. It is thus no surprise that the department consistently leads all research-output rankings in the German-speaking world, such as the renowned Handelsblatt Ranking.



Since 2010, the department has hosted two research centers funded by Advanced Investigator Grants from the European Research Council. The Center for Engineering Social and Economic Institutions bridges the modern theory of mechanism design with laboratory methods to improve social, political, and economic institutions. The Center for Institutions, Policy, and Culture in the Development Process studies issues in macroeconomics, growth, globalization, and technological change, with a particular emphasis on the economic development of China.



Ernst Fehr was recently awarded the Marcel Benoist Prize and three honorary doctorates and had been nominated for the Nobel Prize in Economics.



Fabrizio Zilibotti has been awarded the Yrjö Jahnsson Award, the most prestigious European economics award for economists under the age of 45.

Future Perspectives

Why Top Researchers Join Our Department

«I am very excited to join the Department of Economics at the University of Zurich. Throughout my academic career, I have always regarded the research conducted in Zurich with the greatest admiration. Over the past few decades, the University of Zurich has been a leading institution for research in behavioral, experimental, and organizational economics. I hope



Roberto A. Weber
will join the department
in summer 2011

that my research – on topics such as fairness and altruism, the coordination of human activity, and the integration of new entrants into organizations and societies – will contribute towards further advancing the influence and prestige of Zurich as a center for research in economics.»

Becoming a World-Class Institution

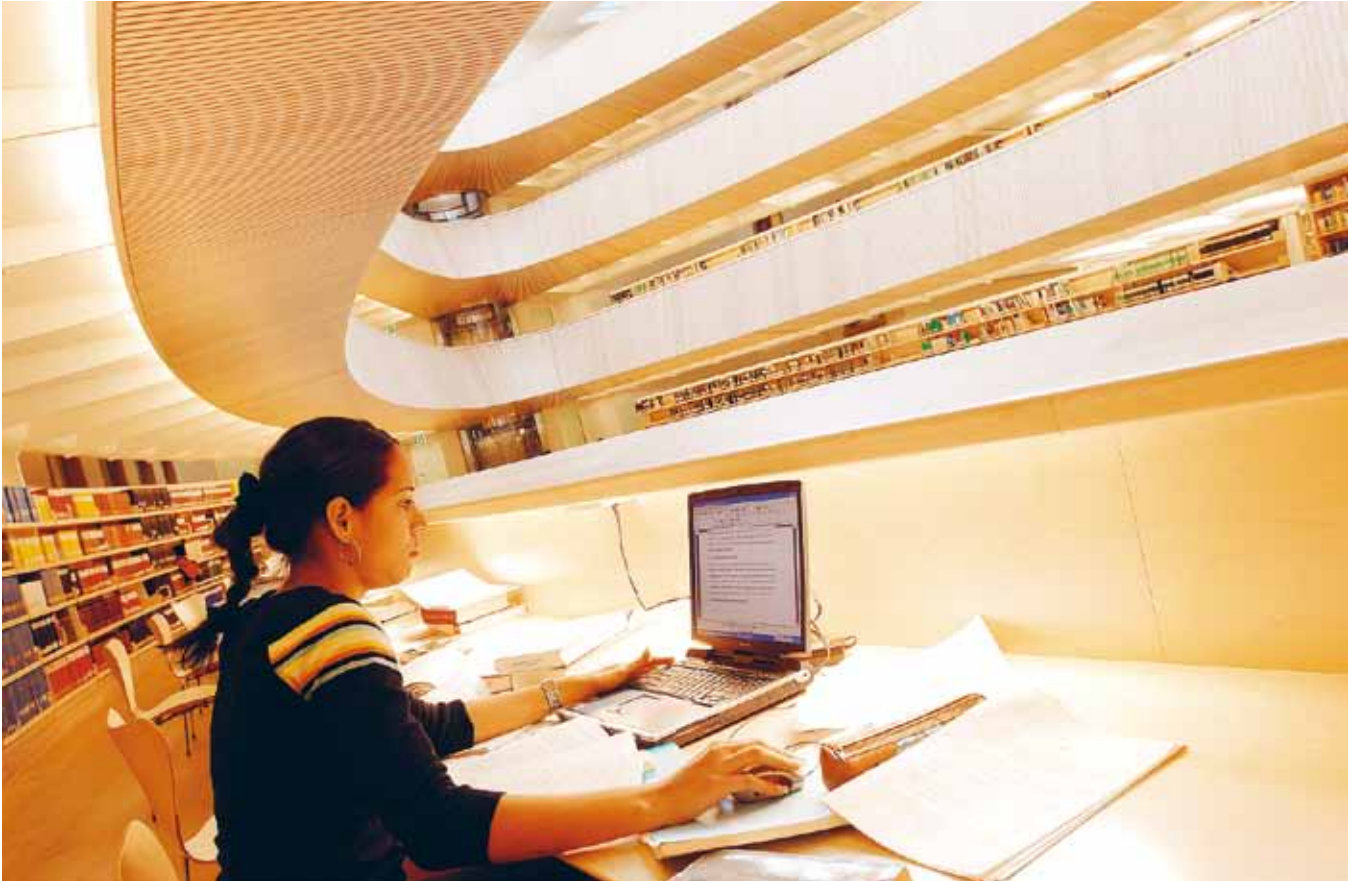
The department has reached a remarkable level of excellence in recent years and now has a unique opportunity to establish a world-class institution for interdisciplinary research in economics and related disciplines. Over the next few years, we plan to strengthen the position of the department and to exploit its full potential by attracting further top researchers. Our vision is to establish up to ten new professorships by 2015. In order to achieve this aim, the department is currently creating the Zurich Excellence Foundation for Economic and Social Research. This independent foundation aims to establish a research institution with worldwide renown that will enable world-class research and teaching in economics and social sciences at the University of Zurich and provide solutions to fundamental social and economic problems.

In order to be able to contribute to solving important economic, political, and social problems, close cooperation with political institutions and the economy is crucial. Our Advisory Board, whose members represent international organizations, politics, and society, is one means to form a bridge between theory and practice.

Finally, we also aim not only to continue leading the research-output rankings but also to be more present in the minds of the people. This information brochure is one way to enhance our visibility and to become a «top of mind» European Department of Economics.

Zurich: An Excellent Place to Study!

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Advantages of Studying in Zurich

- advantage of a university with all main Faculties
- perfect size
- unique combination of Economics and Business Administration in the German-speaking part of Europe
- intense contact with related disciplines
- close contact with leading researchers
- possibilities for independent research
- innovative methods of teaching and learning (E-Learning)
- mobility programs

Undergraduate and Graduate Programs

BA in Economics at UZH

The Bachelor of Arts program in Economics, Business Administration and Information Technology at the University of Zurich aims to provide students with a sound academic basis. The program of study offers students a general qualification that opens up diverse career opportunities but also serves as a qualification for continuing their education in a Master's program.

MA in Economics at UZH

The Master of Arts (MA) in Economics, Business Administration, and Information Technology at the University of Zurich offers students a comprehensive academic education in the field of economics. Completing the study program grants students access to exciting career opportunities as well as qualifying them to continue their studies at the doctoral level. Over the course of the study program, students learn to work efficiently and independently. In addition, the Master's degree equips students with the necessary qualifications for taking on challenging responsibilities in the world of business or research.



PhD in Economics at UZH

The international Doctoral Program in Economics at the University of Zurich (DPE@UZH) was launched in its current format in 2009. It offers both a set of courses taught (in English) by internationally renowned scholars at the University of Zurich and also world-class research opportunities. In the first year, students attend compulsory courses in Econometrics, Macroeconomics, and Microeconomics, where they are familiarized with state-of-the-art research methods. In the second year, the students attend additional field courses and seminars while also remaining attached to different research groups within the Department of Economics. Many students spend part of their study time visiting other leading international institutions in Europe and in the US. A specific feature of the doctoral program is the close bond between graduate students and advisors and a strong team spirit among the students. The goal of the program is to produce independent young researchers who are qualified to fill academic jobs in the best universities, central banks, and international organizations.

PhD in Neuroeconomics at UZH

The international Doctoral Program in Neuroeconomics at the University of Zurich was launched in 2010. This faculty is comprised of internationally renowned scholars with expertise in behavioral economics, neuroimaging, neuropharmacology, brain stimulation techniques, and computational modeling. The doctoral program has a strong scientific focus, aiming to enable students to become independent researchers of the highest caliber. The students enjoy the benefits of a highly interdisciplinary, vibrant research community with access to world-class neuro-imaging facilities (www.sns.uzh.ch). The curriculum combines compulsory courses on experimental economics and neuroimaging data analysis with a broad range of additional courses in microeconomics, decision neuroscience, and computational neuroscience. The program places a strong emphasis on supervision and a team-oriented approach in research. Our hope is that you will not only become an excellent scientist but also enjoy your time as a PhD student!

Econometrics

Research Groups and Professors



12 Rainer Winkelmann Statistics and Empirical Economic Research

The members of our group carry out research on a range of topics related to the specification and estimation of microeconomic models for discrete and limited dependent variables using both cross-sectional and panel data. A particular focus has been placed on generalizing and improving econometric methods for count-dependent variables and ordered responses. The overarching goal is to identify and measure causation rather than mere association for such dependent variables, based on non-experimental data from potentially non-random samples.

The techniques and models are applied to empirical problems in social policy (including welfare, education, labor, and health economics). Recent examples include the determination of the labor-market effects of naturalization of immigrants in Switzerland, the effect of a health-care reform on the demand for health services, the determinants of early retirement, as well as the estimation of satisfaction production functions.

Together with the Group for Econometrics and Applied Statistics, our group is responsible for offering a mandatory two-semester teaching course on empirical methods and econometrics at the Bachelor, Master's, and PhD levels.

The economics department has two groups primarily dedicated to advancing econometric methods and their applications.

The current research program of the Group for Econometrics and Applied Statistics (Prof. M. Wolf) comprises three areas: tools to make statistical inferences without invoking unrealistic parametric assumptions (e.g., bootstrap and sub-sampling methods); tools to account for multiple testing; and tools to estimate large-dimensional covariance matrices.

The members of the Group for Statistics and Empirical Economics Research (Prof. R. Winkelmann) carry out research on a range of topics related to the specification and estimation of microeconomic models for discrete and limited dependent variables using both cross-sectional and panel data. A particular



Michael Wolf
Econometrics and Applied Statistics

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focus has been on econometric methods for count-dependent variables and ordered responses.

The econometrics groups closely cooperate with a number of colleagues in the economics department who share an interest in the latest techniques for empirical research. The groups contribute to two seminar series, the Applied Microeconomics Seminar at the Department of Economics and the ETH research seminar in Statistics, and also maintain an active visitor program.

The two groups are jointly responsible for offering mandatory two-semester courses on econometrics and empirical research methods at the Bachelor, Master's, and PhD levels. In addition, various optional courses are offered for students who wish to deepen their knowledge in these fields.

Within our group, we both develop new methodological tools and use these tools in applied work.

First, we develop tools to make statistical inferences without invoking unrealistic parametric assumptions, such as bootstrap and subsampling methods.

Second, we develop tools to account for multiple testing. Multiple testing occurs whenever more than one hypothesis is tested at the same time. If one does not take this problem into account, it is very likely that sooner or later some finding will prove to be «significant» purely by chance, and not because a true effect exists.

Third, we develop tools to estimate large-dimensional covariance matrices. In such cases, the traditional estimator, the sample covariance matrix, contains a large degree of estimation error and tends to perform poorly. Alternative methods, based on a so-called shrinkage approach, can lead to substantial improvement.

Macroeconomics

Research Groups and Professors

14 *The six groups study different aspects of macroeconomics and international economics. Macroeconomics focuses on key, globally relevant economic questions that have a first-order impact on people's lives: poverty, economic growth and development, globalization and imbalances, economic fluctuations and crises, inequality, unemployment, fiscal and monetary policy, etc. Although it is based on microeconomic theoretical and empirical foundations, the challenge for macroeconomic research is to see the forest rather than just the trees. Interdependence and general equilibrium effects are too important to be ignored, as the recent crisis has powerfully shown us. The great diversity of experiences among developing and emerging countries, including the persistent success of Brazil, China, and India, have also taught us that institutions and sociopolitical factors are essential to understanding the wealth and poverty of nations. In other words, while it is important to understand the functioning of markets, these cannot be studied in an institutional vacuum, rather must be analyzed in the context of specific institutions and even cultural factors.*

Our research tackles both long-term and short-term structural issues. For instance, the groups under Professors Falkinger, Hoffmann, Hotz-Hart, Zilibotti, and Zweimüller study various issues related to growth, development, emerging markets, globalization, trade and innovation. Professor Woitek's and Zilibotti's groups both emphasize economic history. Professor Zweimüller's group studies issues related to labor markets. Professor Hoffmann's group focuses on international finance. Finally, Professor Falkinger studies public finance issues.



Josef Falkinger
Public Finance and Macroeconomics

Our goal is to contribute to the understanding of fundamental macroeconomic mechanisms and of the role of the public sector from a broad perspective. Our group combines a variety of interests and offers a stimulating environment with individual freedom to carry out independent research.

One field of interest is the role of the public sector in a globalized economy. This comprises the provision of public goods and infrastructure in the presence of international trade and capital mobility as well as international taxation. A further field of research is how relative price effects and non-homotheticity of preferences entail that growth and development are associated with structural change. Moreover, we are interested in the macroeconomic consequences of limited consumer attention.

Teaching focuses on public economics, ranging from theory of taxation to pension finance and public good provision.



Mathias Hoffmann
International Trade and Finance

Our group carries out empirical research in international macroeconomics, international finance, and applied econometrics. In particular, we focus on the macroeconomic aspects of international financial integration and on the link between asset markets and the macro economy more generally. Our research has a very strong empirical focus and is designed to be highly relevant for economic policymaking. For example, we have recently looked at how financial globalization has affected international risk-sharing and business cycle transmission. In other work, we have explored how banking deregulation at the regional level in the US has affected the sharing and the pricing of risk. Further research interests include the macroeconomics of European integration and historical perspectives on globalization.



Beat Hotz-Hart
**Economics of Innovation and
Economy of Switzerland**

Our group addresses the roles of education, science and technology, and innovation generally in the development of modern economies. We focus on the creation, exchange, and diffusion of knowledge between the private sector, universities and research institutions, state authorities, and other actors, and also deal with the functioning and the performance of (national) innovation systems. This includes national and international governance in these areas. Mainly using case-study methods and surveys, we look at the design of innovation policy and its effects on innovation performance. As countries struggle to remain competitive in an increasingly knowledge-driven global economy, we carry out internationally comparative studies and analyze the impact of innovation on the positioning of small economies, particularly the Swiss economy, in the international competition between regions.



Ulrich Woitek
Economic History

Our principal research interests are in the field of applied macroeconomics and -econometrics with a focus on economic history. Currently, the group is mainly working on the Interwar Period and the Great Depression. The central questions are: (1) Continuity and Change: What distinguishes the instable Interwar Period from the period of the classical Gold Standard? (2) European Small Open Economies: What explains the distinctive differences in their performances in escaping the Great Depression?

Another research focus is anthropometric history and the biological standard of living in twentieth-century Switzerland. Changes in the average physical stature in a population indicate changes in nutritional status, which partly depends on the socioeconomic environment. However, the concept of biological standard of living is broader than the usual measures of economic welfare since it also encompasses non-economic determinants.

Macroeconomics

Research Groups and Professors



16 **Fabrizio Zilibotti** **Macroeconomics and Political Economy**

We carry out theoretical and empirical research on the structural transformations that accompany economic development. Since China represents the most spectacular ongoing episode of transition, part of our current research focuses on the Chinese experience. We also study the relationship between innovation, intellectual property rights, firms' organization, and technology adoption. Finally, we consider the interplay of culture and institutions. We analyze, on the one hand, the diffusion of preferences, beliefs and values that foster trust and cooperation or, on the contrary, social conflict. On the other hand, we study the determinants of the «entrepreneurial spirit» as an engine of the development process. The Head of the Group, Prof. Dr. Zilibotti, is the P.I. of an ERC grant and the recipient of the 2009 Yrjö Jahnsson award as the best European economist aged under 45.



Josef Zweimüller **Macroeconomics and Labor Markets**

Our research focuses on two broad topics: (i) the link between labor markets and the welfare state; and (ii) the interactions between economic inequality and the macro economy.

In our labor market research, we empirically identify the causal effect of welfare-state policies for individual labor market outcomes. We study, for example, how labor market policies affect unemployment; how disability- and unemployment-insurance systems affect retirement and mortality; how family policies affect fertility and labor supply; and how immigration policies affect host-country labor markets.

To understand the nexus between inequality and macroeconomic outcomes, we analyze – both theoretically and empirically – how the formation of large middle classes in emerging economies affects growth and structural change; and how inequalities within and between countries shape trade flows and the international division of labor.

Microeconomics

Research Groups and Professors

The microeconomics groups apply a varied set of theoretical and empirical methodologies to address questions of basic science as well as important policy issues.

One research theme concerns the use of game theory and mechanism design to study complex market institutions; the applications include health insurance, network industries, research and development, markets for pollution permits, credit markets, and treasury auctions. Insights from biology, psychology, and sociology are incorporated to study how behavioral factors such as social norms and preferences, peer effects, and culture influence the design of optimal policies (e.g., social insurance and integration).

A second research theme concerns the biological and social determinants of human preferences and their evolutionary origins: how are preferences shaped by institutions, and do biases in risk or time preferences have an evolutionary explanation? These questions are approached using a variety of theoretical, computational, and empirical tools, including laboratory and field experiments, neuroimaging, genetic analysis, non-invasive brain stimulation, and pharmacological interventions.

A third and complementary research focus concerns the use of structural econometric models that apply game-theoretic models to consumer and firm data. The structural methodology is a powerful tool for policy analysis, for example for determining whether firms use advertising to increase their market power or whether research joint ventures facilitate collusion. Furthermore, this approach can be used to evaluate alternative health policies, such as providing monetary incentives for healthy behavior or caring for the elderly.



Christian Ewerhart
Information Economics and Contract Theory

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We advance methods in microeconomic theory so as to provide new answers to important applied research questions. One area of interest concerns markets for money and credit: Why, for example, do repo contracts in private markets rely predominantly on securities that are actively traded and stable in value? Why, on the other hand, are central banks receiving an increasing share of illiquid collateral? When the default risk of the cash lender is taken into account, these observations can be explained. Another research area concerns games and mechanisms. For instance, the European Central Bank employs a rationing scheme that in reality does not allow an equilibrium. With incomplete information on the dispersion of demand, however, a stable equilibrium actually emerges, which suggests the suitability of this auction format for the implementation of monetary policy.

Microeconomics

Research Groups and Professors



18 Ernst Fehr

Microeconomics and Experimental Economic Research

The research of Prof. Dr. Ernst Fehr focuses on two broad areas: (i) the consequences of social norms and social preferences for the optimal design of contracts and incentives and for the functioning of markets and organizations, and (ii) the understanding of the evolutionary origins and the social and biological determinants of human preferences. For this purpose, a diverse set of theoretical and empirical tools is used, including game and decision theory, computational modeling, laboratory and field experiments in advanced and simple societies, neuroimaging, genetic analyses, non-invasive brain stimulation and pharmacological interventions. A long-term goal is to enhance our understanding of individual and institutional change – including the consequences of institutions on human preferences and traits – with the help of biological and social science methods.



Bruno S. Frey

Theory of Economic Policy and Non-Market Economics

We focus on a variety of research interests, ranging from behavioral economics to political economics. We study topics such as people's happiness, intrinsic motivation, procedural utility, prosocial behavior, the arts, terrorism, fraud in academia, federalism and direct democracy.

Our lectures are closely related to our research activities. We offer classes in Theory of Economic Policy, Law and Economics, Law and Finance, Psychology, Economics and Law (doctoral seminar), and Economic Policy and Organization (doctoral seminar).



Jacob Goeree

Organizational Design

The research focus of our group is the design of improved social, political, and economic institutions using theory and laboratory experiments. The combination of mechanism design and «wind-tunnel» testing defines an engineering approach to institutional design that can be used to address a wide variety of research questions. Why is deliberation a crucial facet of collective decision-making and can it alleviate moral hazard and adverse selection problems? Can costless signaling improve matching in labor markets? How should products with deadlines such as airline tickets be sold? The research has an important policy component and has influenced the design of major spectrum auctions and markets for greenhouse-gas pollution permits in Australia, Europe, and the US. Our group hosts the ESEI research center, which is funded by a prestigious grant from the European Research Council.



Michelle Goeree
Empirical Economics / Empirical Policy Analysis

Our research focus is the use of game-theoretic modeling with empirical analysis to examine policy issues in industrial organization and applied health. The research covers a wide range of topics, including the analysis of individual decision-making under conditions of limited information, the implications for firms' decisions and market power, the antitrust implications of research collaboration, decisions concerning long-term care for the elderly, and how individuals make risky decisions concerning their health. Our research has implications for the design of antitrust/competition policy and public health policy.



Nick Netzer
Microeconomics

My research covers different topics in theoretical microeconomics and game theory. One of my interests concerns markets with asymmetric information, where I examine the effects of social insurance, taxation, and other types of government interventions in such markets. The broader goal is to understand how, under various conditions, different economic institutions perform in relation to each other. Behavioral economics is another of my research topics. On the one hand, I am interested in the evolutionary foundation of behavioral phenomena such as time inconsistency and probability weighting. On the other, and closely related to the first research area outlined above, I investigate behavioral phenomena such as social preferences in economic interactions, studying their implications for the design of mechanisms and institutions.



María Sáez-Martí
Microeconomics and Game Theory

The main research areas of our group are Game Theory, Microeconomics, and Applied Theory, with a special emphasis on individual decision-making and the role of cultural transmission in preferences. We develop theoretical models whose aim is to capture the important determinants of preference formation, and derive testable predictions and policy implications. The focus is both theoretical and empirical and leads to insights for economics from other disciplines, including sociology, biology, and psychology. We are interested in traits such as time preferences, social preferences, risk attitudes, attitudes towards work and ethical values, as well as the role of culture in the formation of subcultures such as criminality, bad habits, disregard of education, low integration and so forth. Our theories stress the importance of peers and show that changes in the socioeconomic environment, such as integration policies or school admission, may have important effects. On the teaching side, we offer courses on microeconomics and game theory, as well as a series of students' seminars on game theoretical issues, culture and economics.

Microeconomics

Research Groups and Professors



20 Armin Schmutzler
Microeconomics, Industrial Organization, and Environmental Economics

We use theory, experiments, and field research to analyze policy questions such as: Does more competition induce more innovation? Do auctions reduce the costs of procuring public services? Can collusion be prevented by curtailing information exchange? How should vital network industries like water and electricity be designed? Does better public transport help the environment? Our research establishes principles that are useful beyond specific applications. For instance, we find general explanations for experimental paradoxes; we identify robust insights on the relation between competition and investments; we study institutional design when agents have social preferences. In brief, our work approaches concrete, applied questions from the perspective of basic research.



Peter Zweifel
Applied Microeconomics

My research revolves around Applied Microeconomics, while health economics is something of a hobby. A topic that has fascinated me time and again in the latter area is the so-called production of health, i.e., the relative contribution of medical and non-medical inputs (such as education and lifestyle) to health status and its control. Since health insurance creates important incentives for healthy behavior, this field has increasingly captured my interest as well. From there, it is a small step to insurance in general, another industry that has traditionally been heavily regulated and is about to be re-regulated. Early research into the health risks of nuclear power got me increasingly involved in studying the economics of energy. Finally, since in regulated sectors consumer preferences are very imperfectly reflected by market outcomes, preference and willingness-to-pay measurement have recently become important research activities for my group.

Neuroeconomics

Research Groups and Professors

The broad vision of our research in Neuroeconomics is to advance the understanding of decision-making and learning. The individual researchers approach this goal from diverse backgrounds in the social, biological, and computer sciences, and pursue it using a variety of experimental and data-analysis techniques.

One common theme is the development and comparison of mathematical models that describe the computational and neuronal mechanisms of decision-making, preference formation, and learning. A crucial component in testing these models is the design of appropriate behavioral paradigms that can precisely measure specific decision-relevant parameters and test model predictions in different decision contexts. Frequently, such behavioral paradigms are run in conjunction with neuro-imaging techniques that provide information about the underlying neural basis of behaviors and allow for the measurement of parameters that cannot be inferred from behavior alone. In addition, the causal links between brain activity, model parameters, and behavior are examined by means of experimental modulation of biological states (e.g., via brain stimulation or pharmacological interventions).

In the long term, we hope that the work conducted at the Laboratory for Social and Neural Systems Research will 1) guide the diagnosis and treatment of learning and decision-making pathologies, for instance in psychiatric diseases, and 2) inform normative institutional design in order to promote optimal decision-making at the individual and societal levels.



Todd Hare
Neuroeconomics

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My group seeks to understand the neurobiological mechanisms underlying value computation and decision-making. In general, we study how the brain integrates different and sometimes competing preferences into value representations that drive choice. More specifically, we employ behavioral economic, neuroscience, psychology, and computational modeling techniques to examine how neural valuation systems compute both concrete primary rewards and more abstract social preferences. In addition, we study how the brain represents and resolves self-control problems involving choices between alternatives with higher overall value and more tempting, but ultimately inferior options. The long-term goal is to use this knowledge to guide the design of therapeutic and institutional strategies for the treatment of pathologies and the promotion of optimal choices at the individual and institutional levels.

Neuroeconomics

Research Groups and Professors



22 Christian Ruff
Brain Stimulation in Neuroeconomics

We study the neural basis of human decision-making, with a focus on establishing causal links between brain activity, models of decision-making and observable behavior. To this end, we employ experimental paradigms from behavioral economics and psychology in conjunction with neuroimaging and brain-stimulation methods. The main aim of our research is to highlight the core neural processes that allow humans to flexibly make choices in many different contexts. A solid understanding of these causal neural mechanisms will have profound implications for (i) theoretical models of economic decision-making, (ii) diagnosis and therapy of pathological decision-making (e.g., in neurological and psychiatric diseases), and (iii) optimization of decision behavior through training and institutional change.



Klaas Enno Stephan
Computational Neuroeconomics

My research aims to establish models for inferring subject-specific mechanisms of (mal)adaptive cognition. Focusing on learning and decision-making, I am interested in how synaptic plasticity and neuromodulation are related to computational variables, such as prediction error or uncertainty. Moreover, I am intrigued by the remarkable interindividual variability in how humans learn and decide.

To this end, I combine computational modeling with neuroimaging and neuropharmacology. In particular, I strive for models of brain function which

- infer subject-specific mechanisms of (mal)adaptive cognition and behavior,
- integrate neurophysiological and computational perspectives,
- are informed by individual brain anatomy, physiology and genetics,
- are validated using real-world challenges,
- predict pathophysiological mechanisms and treatment response in individual patients.



Philippe Tobler
Neuroeconomics and Social Neuroscience

Our group is interested in the neural bases of economic and social decision-making, reinforcement learning, moral behavior, and emotion. We primarily study humans, but our approach is also informed by single-cell recordings in animals.

Rewards and punishments elicit approach and avoidance behavior, induce learning, and lead to positive and negative emotions. Moreover, they determine the value of economic decisions. Our previous research has explored the neural correlates of reward parameters used by economic and finance theory.

We are currently pursuing this research further, but also moving into the social domain. We are interested in whether and how the brain integrates and differentiates distinct reward and punishment parameters, drawing on concepts from economic and finance theories, learning theory, and behavioral ecology. To this end, we combine behavioral and neuroimaging methods.

Engineering Social and Economic Institutions

The advent of the Internet has had major consequences for the way we interact and do business. Geographic and social distances are dramatically reduced, with buyers and sellers from all over the world being matched on a common marketplace trading billions worth of goods each year. Online brokerages are increasingly used to find jobs, trade stocks, and contract services. Friendships are created and maintained via online social networking platforms. While the technological advances that facilitate interactions on the Internet are nothing short of revolutionary, the adaptation of the underlying social and economic institutions to this new environment has been slow.

The research center «Engineering Social and Economic Institutions» (ESEI), hosted by the Group for

Organizational Design, studies the creation of novel, more flexible institutions using an approach that combines theory, laboratory experiments, and practical policy. The focus at ESEI is on solving major open-design problems and on gaining an improved understanding of new mechanisms for auctions, trading, matching, voting, social learning, and networking. The aim is to advance our scientific knowledge and to provide practitioners with implementations that have been thoroughly tested in the laboratory. A large body of experimental research has uncovered empirical regularities not predicted by theory, creating a central role for «wind-tunnel» testing of alternative institutions. The combination of mechanism design and wind-tunnel testing defines our «engineering»

approach to the design of better social and economic institutions.

Current projects include how to improve auctions and markets in the presence of demand complementarities, how communication can improve group decision-making and alleviate moral hazard and adverse selection problems, how to sell products with deadlines, such as airline tickets, and how costless signaling can improve matching in labor markets. The research conducted at ESEI has an important policy component and has influenced the design of major-spectrum auctions and markets for greenhouse-gas pollution permits in Australia, Europe, and the United States. The Principal Investigator at the ESEI is Professor Jacob Goeree, head of the Group for Organizational Design.

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Institutions, Policy and Culture in the Development Process



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Because China represents the most spectacular ongoing episode of economic transition, a significant part of the center's activity focuses on the Chinese experience. The economic growth of China presents a number of special features that distinguish it from the earlier development of today's industrialized nations. Most notably, high growth is accompanied by greatly increasing capital export, a falling labor share, and a fast reallocation of productivity across sectors and between firms. The demographic transition of China also has peculiar features due to the effects of the one-child policy introduced in 1978. This has important implications for growth prospects in

the decades to come and for the system of old-age insurance. Other important aspects include the rise of a Chinese middle class, developments on the housing market, the process of technological catching up, and the determinants of saving and investments.

The scope of our research also goes beyond China, however. We study, from theoretical and applied perspectives, the relationship between innovation, intellectual property-right protection, firms' organization, and technology adoption. The role of industrial policy is another part of our research. Finally, we study the effects of culture and institutions on the process of economic development, focusing, on the one hand, on the diffusion of values and beliefs

fostering trust and cooperation or, by contrast, inducing social conflicts and civil wars. On the other hand, we analyze the determinants of the rise of that «entrepreneurial spirit» that has been and is an engine of growth in the development transition. More generally, we are interested in the cultural transmission of preferences that are conducive to economic growth, and how these interact with the process of structural change.

The Principal Investigator at the IPCDP is Prof. Fabrizio Zilibotti, head of the Group of Political Economy and Macroeconomics and the winner of the Yrjö Jahnsson Award, which is awarded by the European Economic Association to the best European economist aged under 45.

Laboratories



The **Laboratory for Social and Neural Systems Research** (SNS Lab) is a newly founded research center funded by a generous donation from Branco Weiss and the University of Zurich.

This interdisciplinary laboratory combines cutting-edge brain-imaging technologies with non-invasive brain stimulation, neuropharmacology, and computational modeling. It thus enables researchers to explore the biological mechanisms that underlie economic decision-making.

The laboratory is located in a custom-built section at the University Hospital of Zurich and is equipped with research-dedicated facilities for fMRI, brain stimulation, behavioral measurements, EEG, and pharmacological manipulations.

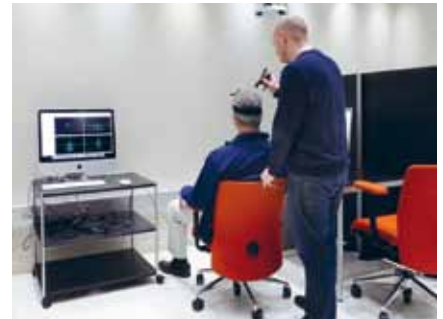
The department hosts the world-renowned **Laboratory for Experimental and Behavioral Economics**, which provides an excellent infrastructure for conducting experimental research.

Our unique group laboratories are equipped with a set of interlinked computers on which participants can be tested simultaneously.

Current research performed at the Laboratory for Experimental and Behavioral Economics comprises a wide range of topics, including behavioral economics, fairness and reciprocity, team decision-making, neuroeconomics, auctions and markets, labor and health economics, and organizational design.



fMRI control room



TMS laboratory



The Laboratory for Experimental and Behavioral Economics is equipped with 36 interlinked computers.

Where are they now?

Map with Former Members of the Department

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1

Columbia Business School, New York
Stephan Meier, Assistant Professor

2

Erasmus University Rotterdam
Susanne Neckermann, Assistant Professor

3

Harvard Kennedy School, Cambridge
Iris Bohnet, Professor

4

Goethe University of Frankfurt
Michael Kosfeld, Professor

5

Max Planck Institute for Human Cognitive and Brain Sciences, Leipzig
Tania Singer, Director of the Department of Social Neuroscience

6

Royal Holloway College, University of London
Michael Naef, Lecturer

7

Tilburg University
Johannes Binswanger, Assistant Professor

8

University of Bayreuth
Hartmut Egger, Professor

9

University of St. Gallen
Christine Benesch, Assistant Professor
Stefan Buehler, Professor
Reto Foellmi, Professor

10

University of Bern
Manuel Oechslin, Assistant Professor

11

University of Bonn
Dennis Gaertner, Professor
Armin Falk, Professor



12
University of Cologne
Marcus Hagedorn, Professor

13
University of Fribourg
Volker Grossmann, Professor

14
University of Hong Kong
Heng Chen, Assistant Professor

15
University of Innsbruck
Pavlo Blavatsky, Professor

16
University of Konstanz
Urs Fischbacher, Professor

17
University of Lausanne
Rafael Lalive, Professor
Lorenz Goette, Professor
Christian Zehnder, Assistant Professor

18
University of Lucerne
Simon Luechinger, Assistant Professor

19
University of Nottingham, United Kingdom
Simon Gaechter, Professor

20
University of Texas at Dallas
Bernhard Ganglmair, Assistant Professor

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University of Vienna
Claus Lamm, Professor

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Advisory Board

Part of a Success Story

Role of the Advisory Board

The advisory board is made up of renowned experts in the field of economics from both Switzerland and abroad. Its members have a general advisory and supervisory function. The board supports the department in the timely recognition of economic ideas and expectations and thus makes a decisive contribution to its success. Moreover, it helps the department to bridge gaps between the economy, society, and the university. By advising the department on the elaboration of well-defined and long-term strategic goals, the members of the advisory board play a major role in developing the department into a world-class institution at the heart of Europe.

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Peter A. Fischer
Economics editor-in-chief
Neue Zürcher Zeitung NZZ
Zurich, Switzerland



Serge Etienne Gaillard
Head of the Labor
Directorate at SECO – State Secretariat
for Economic Affairs
Bern, Switzerland



Rabih Abouchakra
Managing Director
Office of Strategic Affairs
Crown Prince Court
Abu Dhabi



Thomas Held
Former director of Avenir Suisse –
Think Tank for social and
economic issues
Zurich, Switzerland



Philippe Aghion
Professor of Economics
Harvard University
Cambridge (MA), USA



Philipp M. Hildebrand
Chairman of the Governing Board
Swiss National Bank
Zurich, Switzerland



Dan Ariely
Professor of Psychology
and Behavioral Economics,
Duke University
Durham (NC), USA



Bengt Holmstrom
Professor of Economics
MIT
Cambridge (MA), USA



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Chairman of the Board of Trustees
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Baron Daniel Janssen
Honorary Chairman of the Board
Solvay
Brussels, Belgium



André Schneider
CEO and Chairman,
André Schneider Global Advisory
Former Managing Director
and Chief Operating Officer,
World Economic Forum
Geneva, Switzerland

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Carolina Müller-Möhl
President of the Müller-Möhl Group
Zurich, Switzerland



Marcel Rohner
Founder and President, Löwenfeld Inc.
and Member of the Board of Directors,
UBP – Union Bancaire Privée
Member of the Board of several financial
services and industrial companies
Aarau, Switzerland



Urs Rohner
Chairman of the Board of Directors
Credit Suisse Group AG
Zurich, Switzerland

Members of the Advisory Board

The advisory board is still growing. An up-to-date list of members will be published on our web page: www.econ.uzh.ch/departement/advisoryboard.html

Professors

Christian Ewerhart
Information Economics and Contract Theory

Josef Falkinger
Public Finance and Macroeconomics

Ernst Fehr
Microeconomics and Experimental Economic Research

30 Bruno S. Frey
Theory of Economic Policy and Non-Market Economics

Jacob Goeree
Organizational Design

Michelle Goeree
Empirical Economics/Empirical Policy Analysis

Todd Hare
Neuroeconomics

Mathias Hoffmann
International Trade and Finance

Beat Hotz-Hart
Economics of Innovation and Economy of Switzerland

Nick Netzer
Microeconomics

Christian Ruff
Brain Stimulation in Neuroeconomics

María Sáez-Martí
Microeconomics and Game Theory

Armin Schmutzler
Microeconomics, Industrial Organization,
and Environmental Economics

Klaas Enno Stephan
Computational Neuroeconomics

Philippe Tobler
Neuroeconomics and Social Neuroscience

Rainer Winkelmann
Statistics and Empirical Economic Research

Ulrich Woitek
Economic History

Michael Wolf
Econometrics and Applied Statistics

Fabrizio Zilibotti
Macroeconomics and Political Economy

Peter Zweifel
Applied Microeconomics

Josef Zweimüller
Macroeconomics and Labor Markets

Senior Postdoctoral Researchers

Björn Bartling

Microeconomics and Experimental Economic Research

Slim Bridji

Economic History

Filippo Brutti

Macroeconomics and Political Economy

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Statistics and Empirical Economic Research

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Organizational Design

Andreas Kuhn

Macroeconomics and Labor Markets

Alexey Kushnir

Organizational Design

Hwa Ryung Lee

Empirical Economics / Empirical Policy Analysis

Susanne Leiberg

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