Network of Swiss Economists Abroad

19th End-of-Year Conference of Swiss Economists Abroad

December 20, 2024

University of Luzern

Organizers: Enrico Berkes (University of Maryland Baltimore County), Aline Bütikofer (Norwegian School of Economics) and Patrick Gaule (University of Bristol)

Local Organizers: Lukas Schmid (University of Luzern)

Learn more about our network at www.swisseconomistsabroad.org

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News

19th End-of-Year Conference of Swiss Economists Abroad

Daily Schedule

Thursday, December 19

19:00 - 21:30	**Conference Dinner** (Schiffsrestaurant Willhelm Tell, Landungsbrücke 9, 6006 Luzern, Switzerland)

Friday, December 20

8:30 - 9:00	**Arrival, Registration, Coffee** (Foyer Mensa Unilu)		
9:00 - 9:10	**Welcome Session** (4.A05)		
9:15 - 10:35	**Parallel Sessions 1 – 3**		
	1. Gender (4.A05)	2. Macro I (4.B51)	3. Finance I (4.B54)
10:35 - 11:05	**Coffee Break** (Foyer Mensa Unilu)		
11:05 - 12:25	**Parallel Sessions 4 – 6**		
	4. Environment (4.A05)	5. Macro II (4.B51)	6. Theory (4.B54)
12:25 - 14:00	**Lunch** (Foyer Mensa Unilu)		
14:00 - 15:20	**Parallel Sessions 7 – 8**		
	7. Urban/Innovation (4.A05)	8. Finance II (4.B51)	
15:20 - 15:40	**Coffee Break** (Foyer Mensa Unilu)		
15:40 - 17:00	**Parallel Sessions 9 – 10**		
	9. Labor (4.A05)	10. Banking (4.B51)	
17:00	Apéro	(Museumscafé KKL, 4th Floor)	

19th End-of-Year Conference of Swiss Economists Abroad

Detailed Conference Program

Friday, December 20

8:30 - 9:00	**Arrival, Registration, Coffee** (Foyer Mensa Unilu)
9:00 – 9:10	**Welcome Session** (4.A05)
9:15 - 10:35	**Session 1: Gender** (4.A05)
Aline Buetikofer	Parenthood and the Gender Gap in Commuting.
Lukas Roth	Index Design and Workforce Gender Diversity
Christian Ochsner	Gender after war: Casualties, nation building and extremism after the collapse of the Habsburg Empire
9:15 - 10:35	**Session 2: Macro I** (4.B51)
Oliver Pfaeuti	The Inflation Attention Threshold and Inflation Surges
Santiago Alvarez-Blaser	Inflation and Price Dispersion: New Cross-Sectoral and International Evidence
Pascal Meichtry	On the Distributional Effects of Conventional Monetary Policy and Forward Guidance
9:15 - 10:35	**Session 3: Finance I** (4.B54)
Luzi Hail	Investor Uncertainty and Voluntary Disclosure
Mathias Hasler	Looking Under the Hood of Data-Mining
Thomas Maurer	Unfair Benchmarks and Excessive Risk Taking of Mutual Funds
10:35 - 11:05	**Coffee Break** (Foyer Mensa Unilu)
11:05 - 12:25	**Session 4: Environment** (4.A05)
Matthias Roesti	Broadband internet and fact-resistant beliefs: The case of climate change skepticism
Marco Ceccarelli	Climate Transition Beliefs
Stefano Carattini	Climate Change in the Classroom
Sarah Meier	The Impact of Wildfires on Local Avian Biodiversity

11:05 - 12:25	**Session 5: Macro II** (4.B51)
Oliver Vogt	Optimal FX Interventions with Limited Reserves in Shallow Markets
David Torun	Harmonizing the Harmonized System
Michele Pelli	How Do Pension Funds React to Negative Policy Rates?
11:05 - 12:25	**Session 6: Theory** (4.B54)
Fidel Petros	Reducing wasteful end-year spending: the case of resources pooling
Andras Niedermayer	Rational Panic Purchases
12:25 - 14:00	**Lunch** (Foyer Mensa Unilu)
14:00 - 15:20	**Session 7: Urban/Innovation** (4.A05)
Christian Hilber	Structural Density and Homeownership
Lucienne Disch	People- or Place-Based Policies to Tackle Disadvantage? Evidence from Matched Family-School-Neighborhood Data
Patrick Gaule	Finding Young Einsteins: Olympiads and STEM Talent Discovery
14:00 - 15:20	**Session 8: Finance 2** (4.B51)
Filippo Cavaleri	The Demand for Safe Assets
Fabienne Schneider	Transaction Costs, the Price of Convenience, and the Cross-Section of Safe Asset Returns
Mathias Kruttli	Liquidity Provision in a One-Sided Market: The Role of Dealer-Hedge Fund Relationships
15:20 - 15:40	**Coffee Break** (Foyer Mensa Unilu)
15:40 - 17:00	**Session 9: Labor** (4.A05)
Gazi Kabas	The labor market effects of carbon prices
Jeremias Klaeui	Job search breadth and job finding
15:40 - 17:00	**Session 10: Banking** (4.B51)
Guillaume Sublet	Rate caps on revolving credit lines: Who benefits?
Lukas Altermatt	Money Creation in a Neoclassical Economy: Equilibrium Multiplicity and the Liquidity Trap

19th End-of-Year Conference of Swiss Economists Abroad

Abstracts

[20 or 30 minutes per paper, including questions, depending on number of papers in session. The last person in a session is timekeeper.]

9:15 - 10:35 Session 1: Gender

Parenthood and the Gender Gap in Commuting

Aline Buetikofer (Norwegian School of Economics), *Rene Karadakic (Norwegian School of Economics), Alexander Willen (Norwegian School of Economics),*

Childbirth raises the opportunity cost of commuting and makes it difficult for both parents to work far away from home. Using detailed Norwegian employer-employee-matched register data, we show that the commuting behavior of men and women diverges immediately after childbirth and that those differences persist for at least a decade. This divergence in commuting behavior exposes mothers to more concentrated and rural labor markets with fewer job opportunities and lower establishment quality. These findings uncover a key mechanism underlying the child penalty documented in prior work and have important implications for the design of policies seeking to address the remaining gender wage gap.

Index Design and Workforce Gender Diversity

Vikas Mehrotra (University of Alberta), **Lukas Roth** *(University of Alberta), Yusuke Tsujimoto (Waseda University), and Yupana Wiwattanakantang (National University of Singapore)*

We examine the impact of index design on workforce gender diversity in a unique setting in Japan. In 2017, Japan's Government Pension Investment Fund adopted the MSCI Empowering Women Index, which requires firms to meet specific criteria for advancing women employees. Using a difference-in-differences methodology, we find that firms striving for index membership enhance gender diversity, particularly in managerial roles. These firms also reduce overtime work and increase paternity leave, reflecting a shift toward a more inclusive corporate culture. Our findings suggest that customer awareness and increased institutional ownership motivate firms to seek inclusion in the index.

Gender after war: Casualties, nation building and extremism after the collapse of the Habsburg Empire

Sinara Gharibyan (CERGE-EI) and Monika Koeppl-Turyna (EcoAustria), ***Christian Ochsner*** *(CERGE-EI),*

How does war affect the social fabric of societies? And is there any gender divide in nation-building and the shift toward extremism? To answer these questions, we use the unique voting system in Austria's First Republic (1918 to 1934), which counted vote shares and turnout by gender separately. We first discuss absolute differences in voting by gender before we link war exposure to the gender vote gap. We measure war exposure with the geo-coded location of origin of the universe of soldiers who were wounded, killed, prisoners of war, or missing during WWI. War exposure at the local level, i.e., between neighboring municipalities, is uncorrelated to pre-war characteristics. We find that higher war exposure increases female turnout much more than male turnout, but only in national elections and not in local elections. At the same time, higher female turnout in national elections translates to higher vote shares for pan-German parties that aimed to undermine the Austrian state. These differences are pronounced during the first years after WWI and slightly fade out during the late 1920s. We interpret these findings as a general mistrust of women compared to men in the new state with higher war exposure. Our results provide unique insights into gender differences during the process of nation-building and on the erosion of democracy toward extremism in particular.

9:15 - 10:35 Session 2: Macro I

The Inflation Attention Threshold and Inflation Surges

Oliver Pfaeuti (University of Texas at Austin)

At the outbreak of the recent inflation surge, the public's attention to inflation was low but increased quickly once inflation started to rise. In this paper, I quantify when and by how much the public's attention to inflation changes, and derive the macroeconomic implications of these attention changes. I estimate an attention threshold at an inflation rate of about 4%, and that attention doubles when inflation

exceeds this threshold. Adverse supply shocks become more inflationary in times of high attention, and the increase in people's attention to inflation in 2021 accounts for half of the subsequent supply-driven inflation. I develop a model accounting for the attention threshold and show that shocks that are usually short lived lead to a persistent surge in inflation if they induce an increase in peoples attention. The attention threshold further lengthens the last mile of disinflation after an inflation surge, and leads to an asymmetry in the dynamics of inflation.

Inflation and Price Dispersion: New Cross-Sectoral and International Evidence

Santiago Alvarez-Blaser (Harvard Business School)

This paper investigates the relationship between price dispersion and inflation, shedding light on one major source of the cost of high inflation. By analyzing novel product-level web-scraped data from over 40,000 restaurants and supermarkets across 16 countries facing high and low inflation periods, I uncover new evidence of a significant positive correlation between inflation and price dispersion. My findings reveal that the average weekly inflation, ranging between zero and 15 percentage points across countries within a condensed time frame, is significantly associated with higher price dispersion in both the restaurant and supermarket sectors. The estimates indicate that the marginal effect of suboptimal inflation on product-level distortions is positive, economically significant and heterogeneous across sectors. Cross-sectionally, I find that an increase of annualized inflation from zero to 10 percent increases inefficient price dispersion for restaurants by 17% and for supermarkets by 29%. Finally, my results suggest that the relation of inflation and price dispersion does not disappear even at high levels of inflation, maintaining a distinct "V" shape around zero inflation inconsistent with standard menu cost models. This indicates a sustained impact of inflation on price dispersion, implying that accommodating higher inflation levels incurs substantial welfare costs.

On the Distributional Effects of Conventional Monetary Policy and Forward Guidance

Giacomo Mangiante (Banca d'Italia), ***Pascal Meichtry (Banque de France)**,*

This paper compares the distributional effects of conventional monetary policy and forward guidance. Adopting a structural VAR model, we first estimate the impact of both policies on the macroeconomy and on consumption inequality in the United States. We find similar responses of aggregate real and financial variables. In contrast, consumption inequality is countercyclical after a monetary policy shock, but responds procyclically to forward guidance, due to the diverse reactions of households at the top and bottom of the consumption distribution. We build a New Keynesian model with household heterogeneity to rationalize these differences. Motivated by the empirical evidence, we highlight the government's response via a fiscal transfer scheme that reacts to changes in the debt burden and to cyclical variations. A fiscal adjustment differing in timing and magnitude leads to a relatively larger decline in consumption among financially constrained agents under conventional monetary policy, but a smaller decline under forward guidance. Our findings emphasize the importance of considering the negative second-order effects that different central bank tools might entail and the crucial role of fiscal adjustments in mitigating these effects.

9:15 - 10:35 Session 3: Finance 1 I

Investor Uncertainty and Voluntary Disclosure

***Luzi Hail (University of Pennsylvania)**, Clare Wang (University of Colorado Boulder); Rachel Zhang (National University of Singapore)*

We examine whether managers respond to unexpected increases in investor uncertainty by accelerating the release of relevant information. If managers possess firm-specific information that could help resolve uncertainty among investors, we expect them to release it in a timely manner, independent of the nature of the news. Using a global panel containing observations from 33 countries over the 2004 to 2019 period, we find evidence consistent with this prediction. We identify unexpected increases in investor uncertainty by extreme stock price movements and show that firms are both more likely to issue voluntary disclosure and timelier in doing so after such shocks. The results are stronger when managers are likely endowed with more private information but mitigated or even opposite when the sources of investor uncertainty are macroeconomic rather than firm-specific factors. The voluntary disclosure following information shocks contains more verifiable, financial information and is more value relevant to investors as measured by absolute announcement returns and (abnormal) trading volume. Overall, our findings suggest that management responds to increased demand for information in times of investor uncertainty.

Looking Under the Hood of Data-Mining

Mathias Hasler (Boston College)

This paper re-evaluates academic research on 92 cross-sectional stock return predictors. Researchers studying return predictability must make decisions about portfolio construction; for example, whether to rebalance annually or monthly. In sample, the returns of portfolios constructed with the precise decisions made in the predictorsâ€™ papers are 0.22% per month larger than those of portfolios constructed with a random combination of decisions made in the literature. Out of sample, half of this difference disappears. Predictors published in

top- ranked journals show a pronounced effect. Publication-informed trading does not explain the disappearance. The results are consistent with decision-mining that produces biased return estimates.

Unfair Benchmarks and Excessive Risk Taking of Mutual Funds

Thomas Maurer (University of Hong Kong)*, Sanghyun Hugh Kim, WLU*

Unfair benchmarks lead mutual funds with disadvantaged styles to take greater risks to compete with advantaged peers. Exploiting the 2002 refinement of Morningstar peer groups, we show that when all U.S. domestic equity funds are ranked in a single peer group, ratings become highly correlated with the value premium, leading growth funds to take greater risks than value funds. This excessive risk-taking is more pronounced among funds with high-incentive advisory contracts. Extending our analysis to socially responsible investing (SRI) in recent years, we find consistent results: morally constrained funds take greater risks than their peers who overweight sin stocks.

11:05 - 12:25 Session 4: Environment

Broadband internet and fact-resistant beliefs: The case of climate change skepticism

Matthias Roesti (Harvard Business School)

In the present study, I explore the informational role of broadband internet in forming and spreading fact-resistant attitudes, specifically climate change skepticism. My approach uses fine-grained broadband quality data in the U.S. along with an identification strategy relying on terrain-induced variations in the cost of broadband deployment. Overall, the results indicate that better internet can encourage unwarranted skepticism, albeit only to a limited extent. Suggestive evidence is further consistent with middle-aged and more Republican-leaning segments of the population driving any negative overall impacts toward denialism, while younger and less conservative segments, if at all, tend to respond in the opposite way.

Climate Transition Beliefs

Marco Ceccarelli (VU Amsterdam) & *Stefano Ramelli (University of St. Gallen and Swiss Finance Institute)*

We study an overlooked driver of ``green'' investments, different subjective expectations about the future trajectory of the energy transition (climate transition beliefs). In a representative survey of U.S. retail investors (N=1,007), we observe considerable heterogeneity in climate transition beliefs at different horizons (2030, 2040, and 2050). We show that transition optimism strongly positively correlates with expected green financial performance and preferences for green investments, especially for investors without strong pro-environmental attitudes. Two pre-registered information provision experiments (total N=4,004) provide causal evidence of the role of heterogeneous transition beliefs in driving green return expectations and investment decisions. By influencing green investments, the prevailing beliefs around the energy transition can potentially have important self-fulfilling tendencies.

Climate change in the classroom

Stefano Carattini (Georgia State University*), Pamela Giustinelli (Bocconi University) and Marcella Veronesi (Technical University of Denmark)*

Knowledge gaps and biased beliefs concerning both climate change and climate policy represent a major obstacle to the decarbonization process. Climate education may represent a scalable solution to address such biased beliefs. In the context of a nationwide reform of the secondary school curriculum in Italy, we built a course on climate change and climate policy and implemented a field experiment training thousands of teachers on climate change in a staggered fashion. At baseline and endline we collected survey data on teachers, students, and parents to examine starting knowledge, attitudes, behaviors, perceptions, and preferences and how such outcomes vary following exposure

The impact of wildfires on local avian biodiversity

Sarah Meier (University of Exeter)*, Eric Strobl (University of Bern)*

Biodiversity is a vital component of natural capital, supporting ecosystem services essential for climate regulation (e.g., water and air filtration, flood protection), agricultural productivity (e.g., food provisioning), and industries like pharmaceuticals, all of which underpin economic well-being. However, biodiversity is in steep decline. Human land use alterations and climate change are shifting natural fire regimes, resulting in longer, more intense fire seasons that pose a threat to ecosystems and species survival. This study quantifies the impact of wildfires on avian biodiversity in the contiguous United States, where wildfire activity has surged in recent decades. Combining systematically collected data from the North American Breeding Bird Survey with high-resolution satellite imagery on burned areas, crops, and climatic variables, we estimate the causal effects of wildfires on biodiversity. Implementing an instrumental variable strategy, our

results suggest a short-term negative impact of forest and shrubland fires on a range of biodiversity metrics, including species richness, abundance, and phylogenetic diversity. These results provide valuable insights for policymakers, emphasising the need for targeted fire suppression strategies and informing cost-effective conservation efforts to protect essential ecosystems vital for key economic sectors, particularly amid projected increases in fire intensity in many parts of the world.

11:05 - 12:25 Session 5: Macro II

Optimal FX Interventions with Limited Reserves in Shallow Markets

*Marcin Kolasa (IMF), **Oliver Vogt (University of British Columbia, Vancouver School of Economics)**, Pawel Zabczyk (IMF)*

We investigate the optimal discretionary use of foreign exchange intervention (FXI) policy in a small open economy model driven by both fundamental (endowment) shocks and non-fundamental (portfolio flow) shocks. The model features endogenous FX market depth and is subject to a lower bound on FX reserves. In the competitive equilibrium, FX market depth depends on conditional exchange rate volatility. Specifically, FX markets become more shallow with stronger portfolio outflows and higher levels of external debt. The central bank's optimal intervention policy is not solely targeted at contemporaneous portfolio flow shocks but also incorporates a forward-looking element due to the risk of depleting reserves. Notably, the central bank should intervene aggressively in response to current portfolio outflow shocks only if future shocks are anticipated to be relatively mild. When portfolio outflow shocks are expected to intensify, maintaining a precautionary level of reserves rather than engaging in aggressive FX sales is more appropriate. By acting as a liquidity provider, the central bank enhances overall FX market depth. Implementing the optimal policy yields considerable welfare gains, with unconditional gains exceeding conditional gains. This difference reflects the costs of reserve accumulation associated with the transition to the optimal policy steady state.

Harmonizing the Harmonized System

*Piotr Lukaszuk (SECO), **David Torun (Harvard Kennedy School)***

International trade research relies heavily on data reported at the product level. Regular classification updates of the “Harmonized System” lead to intertemporal inconsistencies affecting up to 44% of world goods trade. Existing methods to standardize product vintages either drop numerous products over time or bulk updated codes into large synthetic categories. We largely overcome these issues by developing an algorithm that exploits the persistence of trade data to convert trade flows between vintages. Our conversion estimates are robust to year and sample choices. Provided a clear correspondence and persistent data, the algorithm can be applied to other classifications.

How Do Pension Funds React to Negative Policy Rates?

*Konrad Kevin Meyer (University of Zurich), **Michele Pelli (Research Collaboration Unit, Central Bank of Ireland)***

Using unique data from the Occupational Pension Supervisory Commission (OPSC) on Swiss pension funds, we study how these institutions respond to the introduction of negative policy rates in 2015. We show that, in response to the treatment, pension funds reduce their portfolio allocation to cash and bonds, while they increase their exposure to equity, real estate, and alternative investments. Such shift towards risky assets reflects a reach for yield behavior that was more pronounced for pension funds with larger cash holdings prior to the treatment.

11:05 - 12:25 Session 6: Public

Reducing wasteful end-year spending: the case of resources pooling

Fidel Petros (WZB Berlin & Berlin School of Economics)

Many organizations have budgets that expire at the end of the fiscal year and may face incentives to rush to spend resources on low-quality projects at year's end. So far, the best solution presented to this problem (Liebman and Mahoney, AER 2017) was to fully roll over budget leftovers so that budget holders do not face the incentive to waste leftovers and spend only money on higher-quality projects. Nevertheless, I show that roll-over might be a problem for the principal allocating budgets if the prevalence of high-quality projects is too low, as agents would keep accumulating money, which would put pressure on the principal since the latter can justify that money gets stored only if this eventually indeed leads to the production of (significantly) better projects. As a reconciliation to the principal and agents' respective problems, I theoretically show the possibility for agents to pool their resources with other agents as a Pareto-improving solution compared to no rollover. Pooling resources can even be socially better than roll-over if agents exert high pro-sociality or care about efficiency. The policy implication of this project is that where roll-over is legally impossible or organizationally difficult to implement, the possibility of letting agents pool their resources may be a very good solution, especially if agents exert some form of distributional preferences.

Rational Panic Purchases

Andras Niedermayer CY Cergy Paris University

We analyze rational panic purchases in a two-period model that incorporates uncertainty about sellers' capacity and buyers' need for the good. Even if sellers have enough capacity to satisfy demand, there may be shortages because consumers panic purchase. We show that panics can only occur if consumers are risk averse or in noncompetitive equilibria. In noncompetitive equilibria, sellers initially price below opportunity cost to induce a panic and achieve higher prots later. Conventional wisdom for various policies may be overturned when it comes to preventing panic purchases. Our theory also provides explanations for several puzzling empirical observations.

14:00 - 15:20 Session 7: Urban/Innovation

Structural Density and Homeownership

Christian Hilber (London School of Economics), *Andreas Mense (IAB)*

One of the most salient stylized facts about homeownership is that multifamily units "typically located in more central parts of cities" are much less likely to be owner-occupied than single-family units. This fact is consistent with landlord production efficiency advantages associated with structural density. To derive testable predictions and guide our empirical analysis, we first develop a simple modified monocentric city model that features landlord production efficiency advantages and spatial variation in structural density arising from centrality and soil conditions. To identify the causal effect of structural density and to disentangle it from other determinants of homeownership, we employ a novel instrumental variable strategy derived from the engineering literature, exploiting differences in soil quality. Our instrumental variable panel fixed effects estimates at the English ward-level suggest that a ten percentage points increase in the local share of multifamily housing causes the local homeownership rate to decrease by around nine percentage points. We confirm our findings using an alternative empirical strategy and employing a large panel of households across all of Europe. The effects implied by our causal IV-estimates are consistent with observed spatial differences in homeownership, both across England (in-sample) and Europe (out-of-sample).

People- or Place-Based Policies to Tackle Disadvantage? Evidence from Matched Family-School-Neighborhood Data

Lucienne Disch (University of Pennsylvania)

Many studies examine the impact of families, schools, and neighborhoods on children’s outcomes, but there is little comprehensive quantification of their interactive effects. This paper investigates how family-school-neighborhood combinations influence human capital accumulation, as measured by test score gains. I propose a framework that accounts for family sorting into neighborhoods and schools, as well as potential nonlinear interactions among the three factors. To do so, I build on Bonhomme, Lamadon, and Manresa (2019), extending their clustering approach to an educational setting. I estimate the model using matched family-school-neighborhood data from North Carolina and decompose the distribution of test score gains into match-specific sources. The institutional setting, where multiple residential areas are assigned to the same school and multiple schools serve the same area, allows me to disentangle neighborhood effects from school value-added. My identification strategy leverages test score variation from children who move and/or change schools. The empirical findings highlight the crucial role of the family and reveal significant positive complementarities that are especially pronounced in environments with relatively high test score gains, particularly benefiting children at the lower end of the test score distribution. I examine the potential impacts of two potential educational policies on test scores -- improving school quality and reallocating children across different schools and neighborhoods -- and find that neighborhood effects outweigh school effects, as school value-added is shaped by location.

Finding Young Einsteins: Olympiads and STEM Talent Discovery

Ruchir Agarwal (Columbia and Global Talent Fund), ***Patrick Gaule (University of Bristol and Global Talent Fund),*** *Yuyan Jiang (University of Cambridge)*

Discovering and supporting young talent early can speed up progress in science and technology. Yet, there is little systematic evidence on how to discover promising STEM talent at an early stage. In this paper, we explore whether the International Science Olympiads competitions for top high school students can be used for STEM talent discovery. Using novel hand-collected data, we present three main findings: (1) Among the top 500 Science Olympiad scorers annually, over 50% achieve PhDs, far exceeding the US average of 1% and the global average of 0.2%. (2) Among major scientific award winners, 5% have taken part in Science Olympiads, rising to 13% for mathematics awards. (3) International Mathematical Olympiad (IMO) participants excel in both math and other fields â€“ securing 80% of the scientific awards that are awarded to Olympiad alumni over time. Moreover, IMO medalists become scientific prize winners at thirty times the rate of undergraduate alumni from the worldâ€™s top ten universities (seventy-five times for IMO gold medalists). Overall, our results suggest that high school competitions, and the IMO in particular, can be an excellent way to discover promising STEM talent at an early stage.

14:00 - 15:20 Session 8: Finance 2

The Demand for Safe Assets

Filippo Cavaleri (University of Chicago), *Angelo Ranaldo (University of Basel), Enzo Rossi (Swiss National Bank)*

We examine the impact of heterogeneity in demand for safe assets across the primary and secondary market in a multi-unit uniform price auction with resale opportunities and risk-averse agents. Our analysis advances hypotheses suggesting that uncertainty about future demand decreases with a greater number of bidders and less dispersion in individual valuations. A greater number of market participants enhances information aggregation, reducing future demand uncertainty. Conversely, larger dispersion in holding costs increases uncertainty. Such risks arise endogenously and they are not tied to uncertainty about fundamentals. We test these predictions using a unique dataset of individual bids from Swiss Confederation bond auctions, spanning from 1980 to 2023. Our dataset uniquely includes bidder identities, linking demand schedules to investor characteristics. The main contribution is the integration of both private and common value components in safe asset demand, and to study how these forces impact bond demand. Our results support the theoretical predictions and reveal which agents with a resale motive submit steeper demand schedules when volatility and bid dispersion increase.

Transaction Costs, the Price of Convenience, and the Cross-Section of Safe Asset Returns

Ragnar Juelsrud (Norges Bank), Plamen T. Nenov (Norges Bank & BI Norwegian Business School), ***Fabienne Schneider (Bank of Canada),*** *Olav Syrstad (BI Norwegian Business School)*

We study the cross-section of safe asset returns using a tractable asset pricing model with multiple safe assets, agent heterogeneity, transaction costs, and aggregate risk. Changes in the supply or in the transaction costs of a single safe asset induce purifying/polluting effects on the convenience yields of all assets via an aggregate price of convenience. An increase in aggregate risk or risk aversion in our model ends up decreasing liquidity premia via a safety value channel -- a repricing effect on risk-free (safe) assets due to a flight to safety adjustment in agents' portfolios. We test the predictions of our model using data on US Treasury yields and changes in Treasury supply. Consistent with our theory, we show that the convenience yield defined as the difference between a maturity matched Treasury-OIS spread and the 3-months Treasury-OIS spread increases with the supply of long maturity bonds and decreases with the supply of shorter maturity bonds. It also increases with the MOVE Index, which is closely correlated with illiquidity and transaction costs in the Treasury market. However, it decreases with the VIX, consistent with our safety value channel. Overall, our tractable model can be useful for analysing the asset pricing effects of central bank market operations as well as unconventional monetary policies.

Liquidity Provision in a One-Sided Market: The Role of Dealer-Hedge Fund Relationships

Mathias Kruttli (Kelley School of Business, Indiana University)*, Marco Macchiavelli (Isenberg School of Management, UMass Amherst), Phillip Monin (Federal Reserve Board), Xing (Alex) Zhou (Cox School of Business, Southern Methodist University)*

We show that dealers' prime brokerage relationships with hedge funds enhance their ability to provide liquidity in a one-sided market. During the March 2020 bond market liquidity crisis, dealers connected with hedge funds that are natural buyers of corporate bonds charged lower transaction costs on bonds subject to more mutual fund fire sales. The effect is particularly strong in bonds lacking other buyers, such as insurance companies. Dealers' leverage and funding constraints do not explain our results, nor do dealer's connections with hedge funds that are natural buyers of other asset classes. Hedge funds more likely engaged in CDS-bond basis trading and those with a higher risk appetite increased their corporate bond exposure more during the crisis. Our findings reveal that dealers' willingness to provide liquidity in a one-sided market is influenced by their connections to corporate bond trading hedge funds.

15:40 - 17:00 Session 9: Labor

The labor market effects of carbon prices

Andreas Fuster (EPFL), ***Gazi Kabas (Tilburg University)****, Vincenzo Pezone (Tilburg, Kasper Roszbach-Norges Bank)*

We investigate how polluting firms adjust their labor market policies after facing a carbon price shock. In particular, we exploit the carbon price increase in the European Trading System in 2017 and detailed labor market data from the Netherlands. On the one hand, firms may pass the costs of higher carbon prices onto the workers and lower their salaries. On the other hand, firms may increase wages to increase efficiency. We find that higher carbon prices increase the skill premium of workers who have experience in carbon emission reduction. Especially, we document that workers who have STEM education experience an increase in their wages after the carbon price shock. This wage increase is driven by STEM workers who switch to other companies. The hiring companies value the firm-specific knowledge of these workers: the wage increase is higher if the incumbent firm has a higher efficiency in carbon emissions. In line with higher wages, we find a larger probability of STEM workers who work at efficient firms. We also find a change in pay structure: the wage increase is driven by higher bonuses.

Job search breadth and job finding

Jeremias Klaeui (CREST ENSAE)

I investigate job market matching, analyzing how jobseekers distribute their consideration over different segments of the economy and how this affects which job openings help them find employment. Utilizing clicks on an online job portal as a proxy for job consideration, I estimate a differentiated jobs model of which jobs jobseekers are likely to consider, revealing significant heterogeneity based on gender, education, and labor market history. This heterogeneity leads to different consideration scopes, even for two workers located in the same occupation and commuting zone. I examine the effect of job openings on job finding in a monthly hazard regression. The job openings are categorized by their likelihood of jobseeker consideration predicted by my model. I show that the effects of job openings on job finding are highest for openings in a worker's most considered segments of the economy and decrease with lower predicted consideration. To isolate variation in labor demand from labor supply factors, mass-hiring events are introduced as a measure of job openings. Finally, I differentiate between broad and narrow jobseekers. Broad jobseekers have positive job-finding elasticities to a wider range of job openings than narrow jobseekers. However, the narrow jobseekers, who focus their consideration on few segments of the economy, have much higher job finding elasticities from openings in those segments. I discuss implications for place-based policies and job-search advice

15:40 - 17:00 Session 10: Banking

Rate caps on revolving credit lines: Who benefits?

Gajendran Raveendranathan (McMaster University), Georgios Stefanidis (York University,) ***Guillaume Sublet (University of Montreal),***

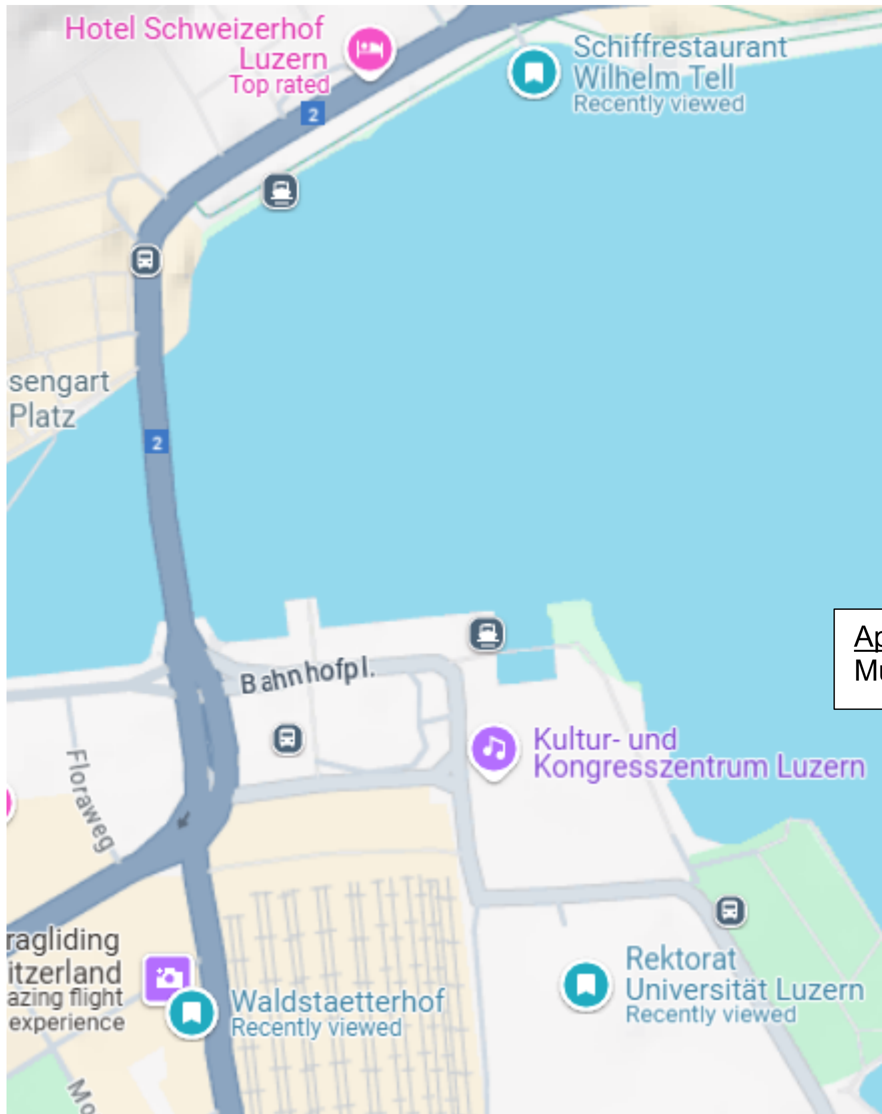
High markups, frequent customer solicitations, and long-term relationships between consumers and lenders are salient features of the credit card market. A recent literature accounts for these features via search and matching. We show that such high markups are associated with excess credit card offers and a deadweight loss due to market power. The optimal rate cap leads to ef- ficiency gains equivalent to 1 percent of income (25% of the value of credit access). The main beneficiaries are asset-poor consumers with a credit card and incumbent lenders. Further, most of the gains are realized along the transition, which highlights the inter-generational trade-offs of regulation in the presence of long-term relationships.

Money Creation in a Neoclassical Economy: Equilibrium Multiplicity and the Liquidity Trap

Lukas Altermatt (University of Essex), *Hugo van Buggenum (ETH Zurich); Lukas Voellmy (Swiss National Bank)*

We introduce banks that issue liquid deposits backed by bonds and capital into an otherwise standard cash-in-advance economy. Liquidity transformation by banks increases aggregate consumption and investment relative to a cash-only economy but can also lead to inefficient overinvestment. Furthermore, liquidity transformation can lead to multiple steady-state equilibria with different interest rates and real outcomes. Whenever multiple equilibria exist, one of them constitutes a `liquidity trap', in which nominal bond rates equal zero and banks are indifferent between holding bonds and reserves. Whether economic activity is higher in a liquidity trap or in a (coexisting) equilibrium with positive interest rates is ambiguous, but the liquidity trap equilibrium is more likely to go in hand with overinvestment.

19th End-of-Year Conference of Swiss Economists Abroad



Dinner place: Schiffsrestaurant Willhelm Tell, Landungsbrücke 9, 6006 Luzern, Switzerland

Apero place: KKL Museumscafé 4th Floor

Sessions: University of Lucerne, Frohburgstrasse 3, Lucerne

Accommodation: Hotel Waldstätterhof, Zentralstrasse 4, 6003 Luzern, Switzerland