Manchester Economics Doctoral Conference 2018

Room A113, Samuel Alexander

Thursday 3rd May 2018

10:25 – 10:30	Welcome Address
10:30 – 12:00	Session I: Microeconomics and Applied Microeconometrics
12:00 – 13:30	Lunch Break – Foyer
13:30 – 15:00	Session II: Economics (Theory and Applied)
15:00 – 15:30	Tea Break – Foyer
15:30 – 17:00	Session III: Macroeconomics (Theory and Applied)
17:00 – 17:10	Endnote/Thanks
18:00 onwards	BBQ and drinks at Krobar

SESSION I: Microeconomics and Applied Microeconometrics

10:30 – 11:00 Lois Simanjuntak

11:00 – 11:30 Jubril Animashaun

11:30 – 12:00 Camilla Knudsen

SESSION II: Economics (Theory and Applied)

13:30 – 14:00 Nico Ochman

14:00 – 14:30 Chashika Kalubowila

14:30 – 15:00 Selma Godinjak

SESSION III: Macroeconomics (Theory and Applied)

15:30 – 16:00 Lin Lang

16:00 – 16:30 Manuel Mosquera Tarrio

16:30 – 17:00 Nicholas Rees

10:30 – 11:00 Lois Simanjuntak

Organic social information with heterogeneous buyers

We study the incentives of a commercial social network to control two kinds of information circulating on its online platform: display advertising from sellers to users and "social information" in the form of purchase decisions shared among users. We show that the platform may strategically limit the amount of organically spread social information to maximise its revenue from advertising if the two sources of information are substitutes. However, if buyers are sufficiently heterogeneous in their levels of susceptibility, the information channels can complement each other. The complementarity enables the platform to maximise both the flow of organic social information and its advertising revenue. Finally, we show that social information improves social welfare, thereby establishing the existence of welfare-maximising equilibria.

11:00 – 11:30 Jubril Animashaun

Colonialism, Institutional Quality and the Resource Curse

In many countries, there is an inverse relationship between petroleum endowment and development outcomes; a condition often called the resource curse. Several reasons have been adduced for this condition with a growing emphasis placed on the quality of socio-political and economic institutions as determining factors. However, the simultaneity bias arising from identifying the casual impact of institutional quality and resource abundance on economic outcome makes the strength and channel of this paradox hard to see. This paper explores an additional channel to explain the resource curse across oil-rich countries. We hypothesise that European-organised mercantilism and resource exploitation practices during the colonization era can have an enduring effect, manifesting as inherited socio-political institutional structures that moderate the benefits from oil endowment. We investigate this hypothesis using an Instrumental Variable (IV) Estimation and data for a sample of 69 oil-rich countries with at least a discovery of giant oil reserves from 1960-2015. Our findings show while giant oil discoveries have an adverse effect on the log of growth in GDP per capita five years after discovery, however, this effect is moderated by institutional quality. Specifically, we find that oil-countries without the experience of European exploitative colonization have better institutional quality, more oil discoveries and can reverse resource curse, whereas, countries with exploitative colonial experience cannot. We suggest devising suitable socio-political indicators that support transparency and accountability of government and foreign oil firms can reduce the resource curse in many oil-rich countries.

11:30 – 12:00 Camilla Knudsen

Willingness to Pay versus Willingness to Work:

Evidence from a Discrete Choice Experiment in Rural India

Stated preference studies are increasingly used to estimate economic values of non-market goods and services in developing countries. However, in areas where respondents are mainly engaged in subsistence activities, the estimation of reliable marginal rates of substitution between non-market goods and money has been questioned. A number of studies propose to address this problem by using labour, instead of money, as payment vehicle. Comparing labour and monetary estimates is potentially difficult because it requires an estimate of the opportunity cost of time. Some studies have used daily wage rates to estimate monetary values of labour contributions and other studies have used the opportunity cost of leisure time.

This paper presents the results from a split-sample Discrete Choice Experiment (DCE) about improved water availability conducted in nine villages in rural India. Respondents were randomly assigned to one of two treatments using either money or work as the payment vehicle. Our results inform the optimal configuration of MGNREGA, India's flagship rural employment scheme, due to provide millions of people with improved, climate-change-resilient, water infrastructure. We estimate the opportunity cost of time using area-average and individual-specific wage data. These estimates inform the debate regarding the relative merits of using labour or money as the payment vehicle in DCEs when the relevant population is engaged primarily in subsistence agriculture.

13:30 – 14:00 Nico Ochman

Do Immigrant Children Outperfom Their Parents?

Evidence From the UK Immigrant Wage Differential

Existing (UK) evidence shows significant first-generation immigrant-native wage differentials. For the UK, the same evidence suggests that the second-generation of immigrants does better than their parents relative to natives. Non-UK studies further find that controlling for the source of human capital in the form of foreign versus domestic degrees and work experience substantially reduces the immigrant-native wage gap of the first generation. Combining these strands of literature for the UK, I find significantly reduced first-generation wage differentials and little statistical evidence for the second generation outperforming its first-generation counterpart. A failure to control for the source of human capital thus introduces downwards bias in the first-generation immigrant-native wage differential.

14:00 – 14:30 Chashika Kalubowila

Monetary Policy and Bank Behaviour in the Deposits Markets

Deposits is the primary source of loanable funds resulting from the household's savings decisions. A volatility in deposits as a result of changes in the household's savings decisions, will have a direct effect on the availability and the price of loans. Yet the literature has given little attention on the financial frictions that arise in the primary source of these loanable funds—the deposits—until Drechsler et al, (2017) recognized the deposit channel as a new transmission channel of monetary policy in a partial equilibrium setting. This paper extends their idea and examines how various shocks including the monetary policy shock may propagate through the economy and influence the real sector in a general equilibrium environment similar to Bratsiotis (2018), though with emphasis on deposits and the monopolistic competition of banks.

14:30 – 15:00 Selma Godinjak

Housing, Leverage and the Labour Market

This paper aims to provide a better understanding of the cyclicality of household leverage with respect to employment. We set up a DSGE model with a housing market, two types of households (patient and impatient ones), endogenous household leverage and a search-and-matching labour market. We show that a positive relationship between the endogenous household leverage and employment arises through credit riskiness. This model is also able to provide an explicit analysis of the link between the endogenously changing household leverage and various labour market variables, including job vacancies.

15:30 – 16:00 Lin Lang

Government Debt and Fiscal Reform in the UK

Our research is motivated by a fact that the government expenditures relative to economic growth in the UK have increased dramatically in recent years, as a result, the debt to output ratio has reached to a very high level. This ratio is projected to rise in the next few decades due to the population aging problem existing in the UK which will give upward pressures on related government expenditures and consequently will lead to a further increase in the government debt. We argue that the UK government is not willing its debt to grow to an unprecedented high level, thus at some point it is necessary for the UK government to take action to stabilize the debt. This paper tries to use a standard growth model to explore what amount of additional taxes needed in the UK to finance the future government expenditures and at the same time reduce the debt to output ratio to a specific level. We find that the required revenue is very large, which is about 20-24% of consumption expenditures. Also, when using a distorting tax (consumption tax or labor income tax) to achieve the goal, such tax rate needs to increase to a very high level, even though the government is allowed to broaden its tax base.

16:00 – 16:30 Manuel Mosquera Tarrio

Learning Under Multiple Public Information Sets

The paper analyses how individuals form expectations using historical data when they first must decide which set of information to use. I consider situations in which individuals have imperfect knowledge regarding realizations of past variables and face signals from alternative information sets, in an otherwise standard monetary inflation model of adaptive learning. Historical data sets may contain noisy information but also misleading, released with the aim of modifying decisions and expectations of individuals. Using evidence on Argentina's official and unofficial consumer price indexes (2007-2011), I analyse how individuals can choose which data to use in forming expectations about aggregate inflation by using price information of their own consumption basket. I argue that if the rates of inflation across individuals are sufficiently heterogeneous, expectations also diverge. To characterize the inflation distribution, I use prices from an online retailer combine with household expenditure information from the consumer survey.

16:30 – 17:00 Nicholas Rees

Behavioural heterogeneity in an asset market with leverage

We simulate a behavioural heterogeneous agents model for an asset market with boundedly rational participants. Agents in the model agree on a fundamental asset price but differ in their short run expectations regarding deviations from that fundamental. Agents are characterised as having either fundamentalist or chartist beliefs such that they expect reversion to the mean or a continuation of the trend respectively and have the option of employing leverage in order to increase their expected returns. An evolutionary selection mechanism allows agents to switch between forecasting strategies based upon their relative historic performance leading to self-reinforcing dynamics.