



Stockholm
University

INSTITUTE FOR
INTERNATIONAL
ECONOMIC STUDIES

Annual Report
2015/2016

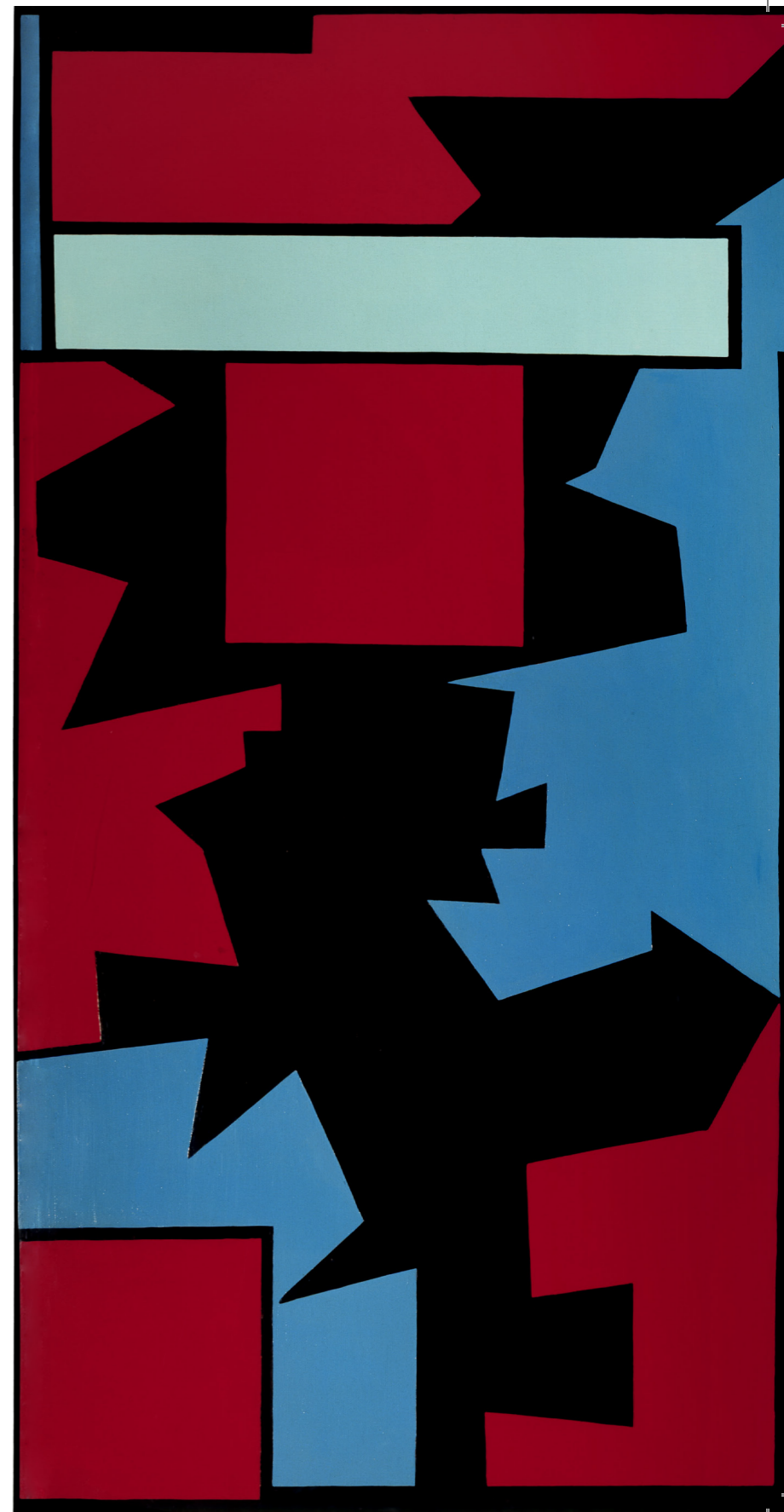
Research Activities
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Front Cover: Olle Baertling, Hommage à Magnelli, 1950, Oil on canvas.

Back Cover: Universitetsvägen, Villa Bellona, autumn 2016.

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PER KRUSELL
ASSAR LINDBECK
MATS PERSSON
TORSTEN PERSSON
DAVID STRÖMBERG
JAKOB SVENSSON

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LARS E.O. SVENSSON

Visiting Professors:

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ROBERT SHIMER

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ALMUT BALLEER
TESSA BOLD
TIMO BOPPART
TOBIAS BROER
KONRAD BURCHARDI
SEBASTIAN KOEHNE
ALEXANDRE KOHLHAS
KURT MITMAN
ARASH NEKOEI
PETER NILSSON
JONATHAN DE QUIDT
ANNA SANDBERG
KATHRIN SCHLAFMANN
ROBERT ÖSTLING

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SAMAN DAROUGHHEH
RICHARD FOLTYN

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San Diego
FILIP ROZSYPAL, LSE

Publications:

ANNIKA ANDREASSON
VIKTORIA GARVARE
HANNA WEITZ

Visitors Program and Seminars:

ANNIKA ANDREASSON
TIMO BOPPART
TOBIAS BROER
KONRAD BURCHARDI
ROBERT ÖSTLING

News at the Institute 2015/2016

INGVILD ALMÁS, TIMO BOPPART, KONRAD BURCHARDI and HANNES MALMBERG received a grant from the Ragnar Söderberg Foundation for the project “Market Integration and Economic Development”.

ALMUT BALLEER was appointed research professor at Ifo Institute, CEPR Research Affiliate and Managing Editor of the *German Economic Review*.

AUDINGA BALTRUNAITE successfully defended her doctoral thesis *Political Economics of Special Interests and Gender* in May 2016. Jordi Blanes-I-Vidal, LSE, was the discussant. She joined Bank of Italy as a research fellow in the fall of 2016.

AGNETA BERGE and CAROLINA LINDHOLM will join the IIES as research assistants starting on September 1 2016. It will also be their first year in the graduate program.

TOBIAS BROER continued to be on part-time (mostly 80 percent) parental leave during the academic year after the birth of his twin daughters Nora and Alma.

KONRAD BURCHARDI, BENEDETTA LERVA and JONATHAN DE QUIDT received funding for the project “Credit Constraints and Capital Misallocation in Agriculture: Theory and Evidence from Uganda” from The Swedish Research Council and for the project “Collateralised Lending for Microenterprise: Impact, Misallocation and Moral Hazard” from PEDL.

LARS CALMFORS took up a researcher position at the Research Institute of Industrial Economics which he combines with being professor emeritus at IIES. He was appointed as an expert in the Government Commission on the fiscal surplus target.

MICHELA CARLANA and DIVYA DEV will spend the period September (October) 2016 – August 2017 as visiting graduate students within the PODER (Marie Curie) exchange program. They are graduate students at Bocconi University and University College London, respectively.

SERENA COCCIOLO, SIRUS DEHDARI, MATILDA KÄLLSTRÖM, KASPER KRAGH-SØRENSEN, BENEDETTA LERVA, MATTI MITRUNEN and HAS VAN VLOKHOVEN were admitted as graduate students, starting in September 2016.

SERENA COCCIOLO will spend February-December 2017 at MIT.

HARRY FLAM was appointed chairman of the Swedish Fiscal Policy Council starting in July 2016.

VIKTORIA GARVARE joined the administrative team in March 2016. She holds a temporary position until January 2018, replacing HANNA WEITZ who is on maternal leave.

NIELS-JAKOB HARBO HANSEN has accepted a position as economist at the IMF, starting in September 2016.

JOHANNES HAUSHOFER, Princeton University, will be visiting the IIES in the academic year 2016/2017.

MOUNIR KARADJA has accepted a post doc at the Department of Economics at Uppsala University starting September 2016.

SHUHEI KITAMURA will be joining the W. Allen Wallis Institute of Political Economy at University of Rochester as a postdoctoral researcher in September 2016.

ASSAR LINDBECK received The Global Economy Prize awarded by the Kiel Institute for the World Economy. The award ceremony will be held in 2017.

JAAKKO MERILÄINEN will spend the fall of 2016 at Stanford University.

MATTI MITRUNEN will spend the fall of 2016 at Columbia University.

ARASH NEKOEI will visit University of California Berkeley during the fall semester 2016.

PETER NILSSON received a grant from FORTE for his project entitled “Unemployment and Consumption Patterns: Evidence Using Administrative Data from Sweden”.

TORSTEN PERSSON was appointed Honorary Foreign Member of the American Economic Association in 2016. He also received a ten-year Swedish Research Council Distinguished Professor grant from the Swedish Research Council as well as an ERC Advanced Grant.

KATHRIN SCHLAFMANN was appointed Research Affiliate of the Centre for Economic Policy Research (CEPR) in the Monetary Economics and Fluctuations programme. She also spent four weeks at Goethe University in Frankfurt as a SAFE visitor in the area of Macro Finance-Monetary Policy and Fiscal Stability.

MIRI STRYJAN will be joining the Department of Economics at Ben Gurion University of the Negev, Israel, as an assistant professor in the fall of 2016.

LARS E.O. SVENSSON was a resident scholar at the Research Department of the International Monetary Fund, Washington, DC, until April 2016.

HAS VAN VLOKHOVEN will spend the year 2017 at Stanford University.

ROBERT ÖSTLING got tenure at the IIES in February 2016. Robert also received a large grant from Riksbankens Jubileumsfond for his research “Economic Effects of Wealth Shocks” in the fall of 2015.

Staff Research Activities 2015/2016

PHILIPPE AGHION (Harvard University) spent at the IIES August 2016. Together with Timo Boppart he was working on the paper (1) “Missing Growth from Creative Destruction” (joint paper with Antonin Bergeaud, Peter J. Klenow and Huiyu Li). This paper argues that innovation involving creative destruction is not properly taken into account by current measures of TFP growth. When existing products are displaced by new producers, the statistical office often uses the price changes of surviving products to infer the price change of the replaced products. The paper develops a growth model with (exogenous) innovation to provide explicit expressions for “missing growth” from creative destruction, then compute missing growth for the overall economy based on the model. First, micro data from the U.S. Census on employment of incumbents, entrants, and exiters in all non-farm businesses is used to express missing growth as a function of these market shares. Second, the paper uses independent estimates of the arrival rates and step-sizes of the various types of innovations from existing studies. These two exercises lead to comparable estimates.

INGVILD ALMAS has published several papers: (1) “Willingness to Compete: Family Matters”, *Management Science*, 2016 (with Alexander Cappelen, Kjell Salvanes, Erik Sørensen and Bertil Tungodden); (2) “Fairness and Family Background”, *Politics, Philosophy and Economics*, 2016 (with Alexander Cappelen, Kjell Salvanes, Erik Sørensen and Bertil Tungodden); and also (3) “What Explains the Gender Gap in College Track Dropout?” for the *American Economic Review*, 2016 (with Alexander Cappelen, Kjell Salvanes, Erik Sørensen and Bertil Tungodden). In addition Ingvild was an organizer and on the program committee at the European meeting of the Economic Science Association 2016 in Bergen, Norway.

Getting ready to become a parent ALMUT BALEER had a busy year. She wrote a paper titled (1) “Does Short-Time Work Save Jobs? A Business Cycle Analysis”, *European Economic Review* 84, 2016 (with Britta Gehrke, Wolfgang Lechthaler and Christian Merkl). She gave seminars at University of Louvain-la-Neuve, University of Basel, IWH Halle, University of Konstanz, as well as conference presentations and discussions at NORMAC Smögen in August 2015, European Economic Association, Mannheim, in August 2015, Verein für Socialpolitik, September 2015, Joint BoE, ECB, CEPR and CFM Conference on Credit Dynamics in the Macroeconomy in London, December 2015, Workshop DFG Priority Program on Financial Markets and the Macroeconomy, Cologne, in February 2016 and at the European Summer Symposium in Macroeconomics (ESSIM) in Helsinki, May 2016.

TESSA BOLD has completed a study on the prevalence of fake agricultural inputs in Uganda

together with Jakob Svensson and David Yanagizawa-Drott. The paper is titled (1) “Low Quality, Low Returns, Low Adoption: Evidence from the Market for Fertilizer and Hybrid Seed in Uganda” (CEPR Working Paper 10743). She was also working on the papers: (2) “What Do Teachers Know and Do in Sub-Saharan Africa?” that is studying the quality of service delivery in seven sub-Saharan countries, which has been the fruition of a large-scale World Bank project she helped to initiate in 2010; and (3) “Village Risk-Sharing Revisited” (CEPR Working Paper 11143), joint paper with Tobias Broer. Tessa continued working with Ingvild Almås and Shuhei Kitamura on a project studying the effects of temperature on economic behavior and preferences and with Anna Aevarsdottir on a project studying the demand for and the effects of rural electrification in Tanzania. She presented her work at the CSAE conference in Oxford, at the Swedish Development Economics Association, at the RISE conference in London and at a seminar in Geneva.

TIMO BOPPART has been working on the following papers: (1) “Non-homothetic Preferences and Industry Directed Technical Change”, University of Zurich (Working Paper 123) (with Franziska J. Weiss); (2) “Rising Leisure Inequality” (with Rachel Ngai); and (3) “A Theory of Structural Change that Can Fit the Data!” (with Simon Alder and Andreas Müller). He also started a new project titled (4) “Labor Supply in the Past, Present, and Future: a Balanced-Growth Perspective” (with Per Krusell) and (5) “Missing Growth” (with Philippe Aghion, Antonin Bergeau, Pete Klenow and Huiyu Li). Timo presented his work at UCL, LSE, EIEF, Cagliari, PSE, Hong Kong UST, NBER EF&G, ASU, St. Gallen, ESSIM, Alicante, Collège de France, CEMFI, and SED. He also served on the junior hiring committee and he co-organized the seminar series.

TOBIAS BROER has been working on several projects: (1) “Consumption Risk Sharing with Private Information when Earnings are Persistent” (with Marek Kapicka and Paul Klein); (2) “The Home Bias of the Poor: Foreign Asset Portfolios across the Wealth Distribution”; (3) “Securitisation Bubbles: Structured Finance with Disagreement about Default Risk”; (4) “Collateralised Lending and Asset Prices when Investors Disagree about Risk” (with Afroditi Kero); (5) “The New Keynesian Transmission Mechanism: A Heterogeneous Agent Perspective” (with Niels-Jakob Harbo Hansen, Per Krusell and Erik Öberg); and (6) “Risk Sharing in Village Economies Revisited” (with Tessa Bold). During the year Tobias presented his work at the First Annual CEPR Spring Symposium in Financial Economics in London, at the Nordic Macro Conference 2015 in Smøgen, University of Oslo and at the Goethe University Frankfurt and Bocconi University.

During the past academic year, KONRAD BURCHARDI made publicly available the findings from his research on the long-run effects of international migrations on economic integration, (1) “Migrants, Ancestors, and Investments” (NBER Working Paper 21847), which

he also presented in seminars at IFN, Stockholm, NUS Business School in Singapore, Singapore Management University, Universitat Pompeu Fabra in Barcelona, Uppsala University and The Graduate Institute in Geneva. Further, he presented the first results from a randomized controlled trial on the incentive and output effects of share-cropping contracts at Paris School of Economics. He stayed for several short research visits at London School of Economics for his joint work with Timothy Besley and Maitreesh Ghatak.

LARS CALMFORS wrote and published several papers: (1) “The Swedish Macroeconomic Policy Framework”, in Pierre, J. (ed.), *Handbook in Swedish Politics*, Oxford University Press 2015; (2) “The Roles of Fiscal Rules, Fiscal Councils and Fiscal Union in EU Integration”, in Badinger, H. and Nitsch, V. (eds.), *Handbook in the Economics of European Integration*, Routledge 2015; (3) *Inför avtalsrörelsen 2016: Arbetsmarknadsekonomska rapport* (The Upcoming Wage Round 2016: Labour Policy Report) (with Petter Danielsson, Ann-Sofie Kolm, Tuomas Pekkarinen and Per Skedinger), Arbetsmarknadsekonomska rådet (Swedish Labour Policy Council) 2015; (4) *Dags för större lönespridning: Arbetsmarknadsekonomska rapport* (Time for Greater Wage Dispersion: Labour Policy Report) (with Petter Danielsson, Ann-Sofie Kolm, Tuomas Pekkarinen and Per Skedinger), Arbetsmarknadsekonomska rådet (the Swedish Labour Policy Council) 2016; (5) “Löneökningarna och avtalsrörelsen” (Wage Increases and the Upcoming Wage Round), *Ekonomisk Debatt* 2016:2; (6) “Migration, säsättnng och löner – hur ska vi ta itu med arbetsmarknadens tudelning?” (Migration, Employment and Wages – How Should We Handle the Polarised Labour Market?), to be published by *Entreprenörskapsforum* (Swedish Entrepreneurship Forum); and (7) “Eurosamarbetet – quo vadis?” (The Euro – Quo Vadis?), to be published by *Sieps* (Swedish Institute for European Policy Studies).

HARRY FLAM has been working on the (1) “Swedish Equity Mutual Funds: Performance, Persistence and Presence of Skill” (together with Roine Vestman). It was published in *Swedish House of Finance Research*, Paper No 14-04. He was chairman of the Centre for Business and Policy Studies (SNS) Economic Policy Group where he published the report (2) “Vart är vi på väg? Systemfel i transportpolitiken” (Where Are We Headed? Systemic Faults in Transportation Policy”) (with Maria Börjesson, Jan-Eric Nilsson and Ulrika Mörth). In addition Harry published (3) “Har vi en boprisbubbla?” (Do We Have a Housing Bubble?), *Ekonomisk Debatt* 2016:4.

The main focus of JOHN HASSLER’s research this year has remained on the economics of climate change. He wrote (1) “Climate Policy” (with Per Krusell and Jonas Nycander), the paper was accepted by *Economic Policy* and was given the status of Editor’s Choice; as well as (2) “The Fossil Episode” which was accepted for publishing in *Journal of Monetary Economics*; and the paper (3) “Should Developing Countries Constrain Resource-Income

Spending? A Quantitative Analysis of Oil Income in Uganda” (with Per Krusell, Abdulaziz Shifa and Daniel Spiro), which was accepted by *Energy Journal*. John with Per Krusell and Tony Smith, Yale, also wrote a chapter on the economics of climate change to appear in the new edition of *Handbook of Macroeconomics*.

SEBASTIAN KOEHNE published (1) “Optimal Income Taxation when Asset Taxation Is Limited”, *Journal of Public Economics* 136, 2016 (with Arpad Abraham and Nicola Pavoni) and revised the paper (2) “On the Taxation of Durable Goods”. He started new research projects on (3) “Pareto-Improving Tax Breaks” and (4) “Distributional Consequences of Medical Progress”. Sebastian also presented his work at Toulouse School of Economics, University of Ingolstadt, and at the Third Taxation Theory Conference, Toulouse.

ALEXANDRE KOHLHAS revised and completed the research papers: (1) “An Informational Rationale for Action over Disclosure” and (2) “Learning by Sharing: Monetary Policy and the Information Content of Prices”. He also started two new projects with the working titles (3) “Quantifying Imperfect Information: A Non-Structural Approach” (with Kristoffer Nimark) and (4) “Human Capital and Portfolio Choice: What We Don’t Know” (with



International Policy Talks” is a collaboration between Centre for Business and Policy Studies (SNS) and IIES. Here Arash Nekoei(IIES) presides over the discussion with Raj Chetty (Stanford University), on June 2, 2016.

Ansgar Walther and Selma Telalagic). Alexandre presented his work at Toulouse School of Economics, Boston College, Copenhagen University, Sveriges Riksbank as well as at conferences at the Barcelona Graduate School of Economics and the US Federal Reserve Board. He also visited the Federal Reserve Bank of New York, Copenhagen University and served on the graduate student admission committee in economics.

PER KRUSELL worked on a variety of research topics within macroeconomics broadly defined (inequality, growth, labor markets, financial economics, political economy and public economics) and on a project on economics and global climate change. Four of his papers were accepted for publication: (1) “Is Piketty’s ‘Second Law of Capitalism’ Fundamental?”, *Journal of Political Economy* (with Tony Smith); (2) “Unions in a Frictional Labor Market”, (with Leena Rudanko) was accepted for publication in the *Journal of Monetary Economics*; (3) “Climate Policy”, in *Economic Policy* (with John Hassler and Jonas Nycander); and (4) “Fiscal Multipliers in the 21st Century”, in *Journal of Monetary Economics* (with Pedro Brinca, Hans Holter and Laurence Malafry). Per also served on the advisor team for Hannes Malmberg, Erik Öberg, Karl Harmenberg, Jonna Olsson, Saman Darougheh, Magnus Åhl, Richard Foltyn, Jósef Sigurdsson, Niels-Jakob Harbo-Hansen, Kasper Kragh-Sørensen and Matilda Kilström at the IIES as well as Elin Molin at the Stockholm School of Economics and Laurence Malafry and Karin Kinnerud in Department of Economics at Stockholm University.

ASSAR LINDBECK spent the academic year working on the following papers: (1) “Social Norms and Monitoring in Income Insurance” (with Mats Persson); (2) Insurance and Norms when Health is Imperfectly Observed” (with Mats Persson); (3) “Pay Schemes and Competition for Talent” (with Jörgen Weibull); and (4) “How to Remove Rent Control”, *Ekonomisk Debatt* 2016:7.

KURT MITMAN’s research has focused on labor markets, with a particular emphasis on the effects of unemployment insurance, and credit and housing markets. He published the papers: (1) “Macroeconomics and Heterogeneity, Including Inequality” (with Dirk Krueger and Fabrizio Perri) in the *Handbook of Macroeconomics*, Vol 2; and (2) “On the Distribution of the Welfare Losses of Large Recessions in Advances in Economics and Econometrics: Theory and Applications, Eleventh World Congress”. He continued to do research on: (3) “Do Changes in Unemployment Insurance Explain the Emergence of Jobless Recoveries?”, PIER WP 14-013 (with Stanislav Rabinovich); (4) “Unemployment Benefits and Unemployment in the Great Recession: The Role of Macro Effects”, NBER WP 19499 (with Marcus Hagedorn, Fatih Karahan and Iouri Manovskii); (5) “The Impact of Unemployment Benefit Extensions on Employment: The 2014 Employment Miracle?”, NBER WP 20884 (with Marcus Hagedorn and Iouri Manovskii); (6) “Consumption and House

Prices in the Great Recession: Model Meets Evidence” (with Greg Kaplan and Gianluca Violante); (7) “Unemployment Benefits and Unemployment in the Great Recession: The Role of Micro Effects” (with Marcus Hagedorn, Fatih Karahan and Iourii Manovskii); (8) “Liquidity Effects of Unemployment Benefit Extensions: Evidence from Consumer Credit Data” (with Benjamin Pugsley and Fatih Karahan); (9) “Interpreting Recent Quasi-Experimental Evidence on the Effects of Unemployment Benefit Extensions,” NBER WP 22280 (with Marcus Hagedorn and Iourii Manovskii); (10) “Non-durable Consumption and Housing Net Worth in the Great Recession: Evidence from Easily Accessible Data”, NBER WP 22232 (with Greg Kaplan and Gianluca Violante). Kurt presented his work at the following leading universities and research institutes: EIEF, Toulouse, Edinburgh, University of Illinois Urbana-Champaign, University of Toronto, University of Pittsburgh/Carnegie Mellon University, Federal Reserve Bank of Cleveland, Bundesbank/ECB/CFS Goethe Frankfurt joint seminar, Washington University/Federal Reserve Bank of St. Louis, Missouri, Sveriges Riksbank, Swedish House of Finance, Cambridge-INET and Uppsala University.

He also presented research at the following international conferences: Nordic Summer Symposium in Macroeconomics, Minnesota Workshop in Macroeconomic Theory, NBER Economic Fluctuations and Growth Workshop, NBER Summer Institute (EFACR, EFBGZ), Society for Economic Dynamics Annual Meeting, Toulouse, Shanghai Macro Workshop, CEPR European Summer Symposium in International Macro (ESSIM), LAEF Macro and Business CYCLE Conference, Santa Barbara, European Search and Matching, Amsterdam, BoE/CEMMAP Conference on Housing. He was invited to discuss papers at the Cowles Summer Conference at Yale and Housing-Urban-Labor-Macro Conference at the Federal Reserve Bank of Chicago.

ARASH NEKOEI was working on four projects: (1) “On the Accumulation of Wealth: the Role of Inheritance” (with David Seim); (2) “Risk-Based Selection in Unemployment Insurance: Evidence and Implications” (with Camille Landais, Peter Nilsson, David Seim and Johannes Spinnewijn); (3) “Income Taxation and Skill Distribution” with Ali Shourideh; and (4) “Waiting for Recall? Evidence from Temporary Layoffs in Austria” with Andrea Weber. Arash gave seminars at: NBER Summer Institute, 9th AEA meetings (Session co-organizer), Lund University, University of California Berkeley, London School of Economics (LSE-UCL-IFS Joint Seminar), LMU (Munich) and IFAU (Uppsala).

PETER NILSSON was working on the following papers: (1) “Alcohol Availability, Prenatal Conditions, and Long-Term Economic Outcomes”, which was accepted for publication in *Journal of Political Economy*; (2) “The Optimal Timing of Unemployment Benefits: Theory and Evidence from Sweden” (with Camille Landais, Johannes Spinnewijn and Jonas Kolsrud); (3) “Risk Based Selection in Unemployment Insurance: Evidence and

Implications” (with Camille Landais, Arash Nekoei, David Seim and Johannes Spinnewijn); (4) “Congestion Charges and Children’s Health” (with Janet Currie, Emilia Simeonova and Reed Walker); (5) “Economic Status, Air Quality, and Child Health: Evidence from Inversion Episodes ” (IZA Discussion Paper 7928) (with Jenny Jans and Per Johansson); and finally peer effects in the workplace (6) “Businesses, Buddies, and Babies: Fertility and Social Interactions at Work” (with Lena Hensvik and Magne Krogstad Asphjell); (7) “Gender Differences in Other-regarding Preferences: Evidence from an Experiment Affecting 60,000 Workers’ Incentives to Shirk” (IZA Discussion Paper 8133). He continued revising the manuscript (8) “Early Lead Exposure and Outcomes in Adulthood” (with Hans Grönqvist and Per-Olof Robling). Peter also presented his research in seminars at Universities of Gothenburg, Lund, Zurich, Uppsala and Bergen.

MATS PERSSON wrote and published (1) “2015 års Ekonomipris till Angus Deaton” (The 2015 Economics Prize to Angus Deaton), *Ekonomisk Debatt* 2015:8 (with John Hassler, Torsten Persson and Jakob Svensson); (2) “Sickness Absence and Local Benefit Cultures”, *Scandinavian Journal of Economics* 118:1, 2016 (with Assar Lindbeck and Märten Palme); and (3) “Debts, Deficits and Multiple Equilibria: A New Role for ECB Monetary Policy?”, *CESifo Forum* 17:1, 2016.

TORSTEN PERSSON has been working on the following papers (1) “The Primary Effect: Preference Votes and Political Promotions”, forthcoming in *American Political Science Review*, 2016 (with Olle Folke and Johanna Rickne); (2) “Dynastic Political Rents”, forthcoming in *Economic Journal* in 2016 (with Olle Folke and Johanna Rickne); also (3) “Resilient Leaders and Institutional Reform: Theory and Evidence”, forthcoming in *Economica* 83, 2016 (with Timothy Besley and Marta Reynal-Querol); and (4) “2015 års ekonomipris till Angus Deaton” (The 2015 Economics Prize to Angus Deaton), *Ekonomisk Debatt* 2015:8 (with John Hassler, Mats Persson and Jakob Svensson). He also substantially rewrote (5) “Gender Quotas and the Crisis of the Mediocre Man: Theory and Evidence from Sweden”, 2016 (with Timothy Besley, Olle Folke and Johanna Rickne); he also wrote the new papers (6) “Who Becomes a Politician?”, 2016 (with Ernesto Dal Bó, Frederico Finan, Olle Folke and Johanna Rickne) and (7) “Democratic Values and Institutions”, 2016 (with Timothy Besley). During the academic year Torsten gave a number of seminars and lectures in Sweden, Europe, the US, and China. In October/November 2015, he visited the London School of Economics in his capacity as a Centennial Professor, where he gave a series of lectures to PhD students.

JONATHAN DE QUIDT is currently doing research on projects on land markets in developing countries, sources of misallocation in developing countries, on the theory of and evidence for implicit preferences in individual decision-making, on the economics of depression, and

on how to measure and bound experimenter demand effects. He is also working on new papers: (1) “Implicit Preferences Inferred from Choice”, CESifo Working Paper 2016 (with Tom Cunningham); (2) “Bonus Versus Penalty: How Robust Are the Effects of Contract Framing?”, CeDEx Working Paper 2016 (with Francesco Fallucchi, Felix Kölle, Daniele Nosenzo and Simone Quercia); and (3) “Depression for Economists” (with Johannes Haushofer). Jonathan gave seminars and participated in conferences at: Busara Center, Nairobi, Aix-Marseille, UC Santa Cruz, the NIBS conference, the NEUDC conference, CESifo behavioral economics, the Natural Experiments and Controlled Field Studies workshop and the Russell Sage ECBE conference as an invited discussant.

ANNA SANDBERG published (1) “The Importance of Family Background and Neighborhood Effects as Determinants of Crime”, *Journal of Population Economics* 29(1), 2016 (with Karin Hederos Eriksson, Randi Hjalmarsson and Matthew Lindquist). She presented her work at the meetings of the American Economic Association in San Francisco, the Gothenburg School of Economics, the annual conference of the European Society for Population Economics in Berlin, and the European meetings of the Economic Science Association in Bergen. In the spring of 2016, she was the opponent at the final seminar of PhD student Olof Rosenqvist at Uppsala University. She also received research grants from the Royal Swedish Academy of Sciences and the Torsten Söderberg Foundation as the principal investigator.

KATHRIN SCHLAFMANN focused on two papers this year: (1) “Housing, Mortgages, and Self Control” and (2) “Income Expectations and Household Consumption Decisions” (with Filip Rozsypal). She has been invited to present these projects in seminars at the Research Institute of Industrial Economics (IFN) in Stockholm, University of Gothenburg and Goethe University in Frankfurt. Moreover, Kathrin presented her work at the following conferences: Vienna Macroeconomics Workshop, Commercial-Housing-Urban-Macro Meeting (CHUM) at the St. Louis FED, Mannheim Quantitative Macroeconomics Workshop in Mannheim, Nordic Summer Symposium in Macroeconomics (NORMAC) in Ebeltoft, European Summer Meeting of the Econometric Society (ESEM) in Geneva, and the CEPR European Conference on Household Finance in Paris. Kathrin also acted as a discussant at the 4th National PhD Workshop in Finance at the Swedish House of Finance.

ROBERT SHIMER visited the IIES in September 2015. He gave a seminar presenting his paper (1) “The Proportional Hazard Model: Estimation and Testing using Price Change and Labor Market Data”. During the last academic year, he revised a number of papers: (2) “Markets with Multidimensional Private Information” (with Veronica Guerrieri); (3) “Efficiency and Information Transmission in Bilateral Trading (with Ivan Werning); (4) “Decomposing Duration Dependence in a Stopping Time Model” (with Fernando Alvarez

and Katarina Borovickova); (5) “The Proportional Hazard Model: Estimation and Testing Using Price Change and Labor Market Data” (with Fernando Alvarez and Katarina Borovickova); and (6) “Meeting Technologies in Decentralized Asset Markets” (with Maryam Farboodi and Gregor Jarosch).

DAVID STRÖMBERG was working on several papers: (1) “The Political Economy of Social Media in China” and, (2) “The Determinants of Media Bias in China”, together with Bei Qin and Yanhui Wu; also (3) “The Effect of Education on Innovation” (with David Seim); (4) “Weather and Infant Mortality in Africa” (with Masayuki Kudamatsu and Torsten Persson). He also published (5) “Media Coverage and Political Accountability: Theory and Evidence” in the *Handbook of Media Economics*, North-Holland.

JAKOB SVENSSON has completed the following projects: (1) “Lemon Technologies and Adoption: Measurement, Theory and Evidence from Agricultural Markets in Uganda” (with Tessa Bold, Kayuki Kaizzi and David Yanagizawa-Drott), revised and resubmitted to the *Quarterly Journal of Economics*; (2) “Experimental Evidence on the Long-Run Impact of Community Based Monitoring” (with Martina Björkman Nyqvist and Damien de Walque), submitted to *American Economic Journal*; (3) “Incentivizing Safer Sexual Behavior: Evidence from a Lottery Experiment on HIV Prevention” (with Martina Björkman Nyqvist, Lucia Corno and Damien de Walque), CEPR Discussion Paper 11542; (4) “Effect of a Micro Entrepreneur-Based Community Health Delivery Program on Under-Five Mortality in Uganda: A Cluster-Randomized Controlled Trial” (with Martina Björkman Nyqvist, Andrea Guariso and David Yanagizawa-Drott), CEPR Discussion Paper 11515. He has also completed draft versions of the papers (5) “What Do Teachers Know and Do in Primary Schools in Sub-Saharan Africa?” (with Tessa Bold et al); (6) “Can Good Products Drive out Bad? Evidence from Local Markets for Antimalarial Medicine in Uganda” (with Martina Björkman-Nyqvist and David Yanagizawa-Drott); and (7) “Reducing Child Mortality in the Last Mile: A Randomized Social Entrepreneurship Intervention in Uganda” (with Martina Björkman Nyqvist, Andrea Guariso and David Yanagizawa-Drott). In addition, Jakob has worked on the design of two large scale field experiments in health (on incentivized community health workers) and agriculture (on relaxing input and output markets constraints).

LARS E.O. SVENSSON has continued to work on several projects on the theory and practice of monetary policy and financial-stability policy. He completed the first draft of the paper (1) “Amortization Requirements May Increase Household Debt: A Simple Example”, IMF Working Paper No. 16/83 in April 2016; revised the paper (2) “Cost-Benefit Analysis of Leaning against the Wind: Are Costs Always Larger than Benefits, and even more so with a Less Effective Macroprudential Policy?”. The following papers were published or accepted for publication: (3) “Monetary Policy and Macroprudential Policy: Different and Separate”,

forthcoming in *Canadian Journal of Economics*; (4) “Inflation Targeting and Leaning against the Wind”, South African Reserve Bank 2015; (5) “Fourteen Years of Inflation Targeting in South Africa and the Challenge of a Changing Mandate”, South African Reserve Bank Conference Proceedings 19-36, 2014; (6) “Forward Guidance”, *International Journal of Central Banking* 11:19-64, 2015; (7) “A Simple Cost-Benefit Analysis of Using Monetary Policy for Financial-Stability Purposes,” in Blanchard, O.J., R.Rajan, K.S.Rogoff and L.H.Summers, (eds.), *Progress and Confusion: The State of Macroeconomic Policy*, MIT Press, forthcoming; (8) “What Can Monetary Policy Achieve and What Is the Relation between Monetary Policy and Financial Stability,” chapter X in Oesterreichische Nationalbank, *The Challenge of Economic Rebalancing in Europe: Perspectives for CESEE Countries*, Edward Elgar, 2015.

ROBERT ÖSTLING has continued his work on his long-term project about wealth effects. The first paper from this project is titled (1) “Wealth, Health and Child Development: Evidence from Administrative Data on Swedish Lottery Players” (with David Cesarini, Erik Lindqvist and Björn Wallace), and it has been published in the *Quarterly Journal of Economics* 2016:28. Robert has worked mostly with the second paper (2) “The Effect of Wealth on Household Labor Supply: Evidence from Swedish Lotteries” (with David Cesarini, Erik Lindqvist and Matthew Notowidigdo), which will soon be resubmitted to *American Economic Review*. Robert has also worked on two papers about the wealth effects on financial risk-taking (with Joseph Briggs, David Cesarini and Erik Lindqvist), and prepared a survey of lottery players (with David Cesarini and Erik Lindqvist). During the academic year he has presented in the research seminar at Maastricht University. He was also one of the organizers of the Visitors Program at IIES.

Articles Published or Accepted in Leading Journals by IIES Permanent Staff 2015/2016

Almut Balée, “Does Short-Time Work Save Jobs? A Business Cycle Analysis”, *European Economic Review* 84, 2016 (with Britta Gehrke, Wolfgang Lechthaler and Christian Merkl).

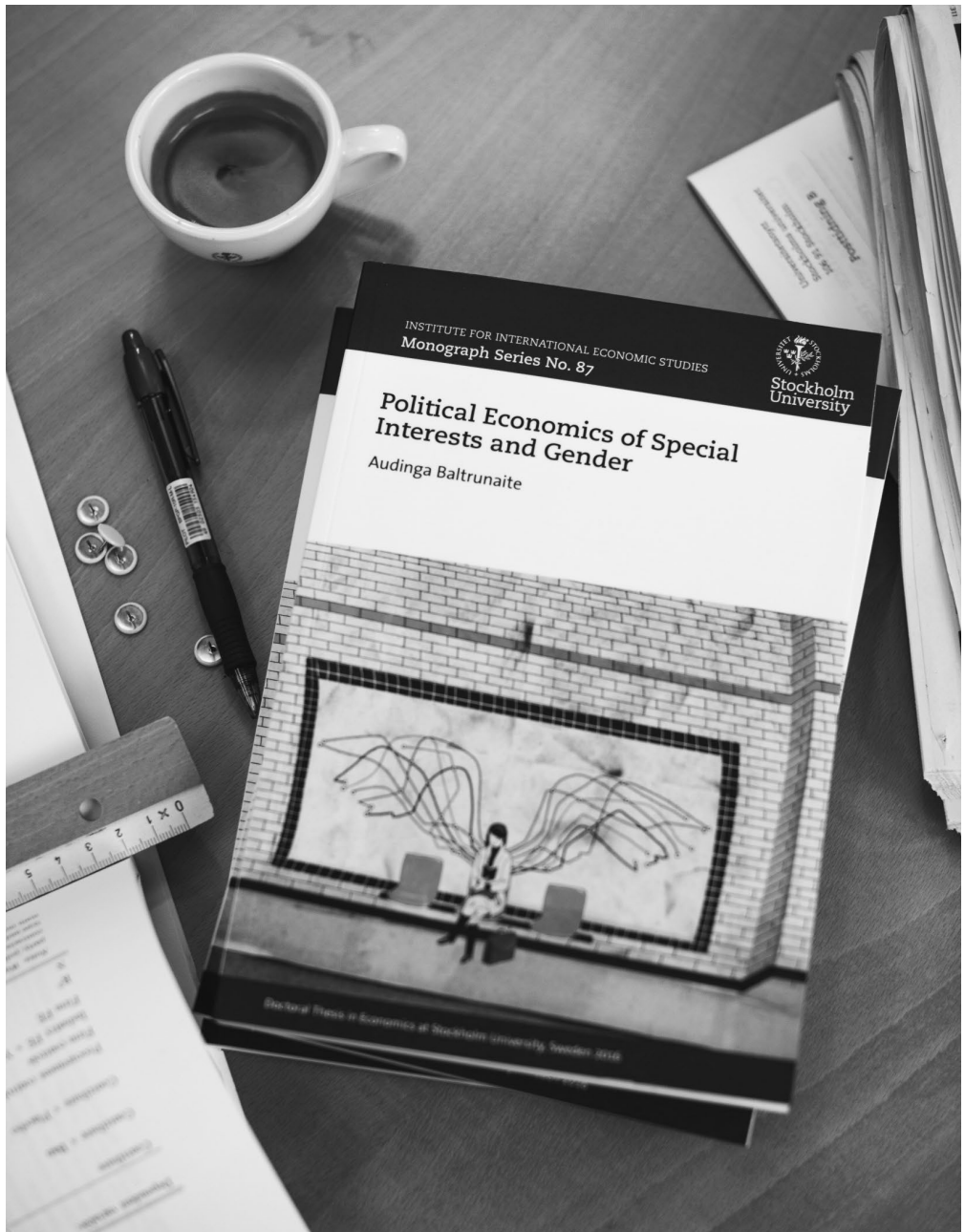
John Hassler, “Climate Policy”, *Economic Policy* 31, 2016 (with Per Krusell and Jonas Nylander).

John Hassler, “The Fossil Episode”, *Journal of Monetary Economics* 83, 2016 (with Hans-Werner Sinn).

Per Krusell, “Is Piketty’s ‘Second Law of Capitalism’ Fundamental?”, *Journal of Political Economy* 123:4, 2015 (with Anthony A. Smith Jr).

Kurt Mitman, “Macroeconomic Effects of Bankruptcy and Foreclosure Policies”, *American Economic Review* 106, 2016.

Robert Östling, “Wealth, Health, and Child Development: Evidence from Administrative Data on Swedish Lottery Players”, *Quarterly Journal of Economics* 131, 2016 (with David Cesarini, Erik Lindqvist and Björn Wallace).



Audinga Baltrunaite's "Political Economics of Special Interests and Gender", 2016.

Visiting Fellows 2015/2016

JOSEPH BRIGGS from NYU has visited the institute several times during the academic year to work with Robert Östling on two joint papers: (1) “Windfall Gains and Stock Market Participation” and (2) “Wealth, Portfolio Allocations, and Risk Preferences”. Both papers are co-authored with David Cesarini and Erik Lindqvist.

TOM CUNNINGHAM, former assistant professor at IIES and now data scientist at Facebook, visited the institute in September 2015, to work with Jonathan de Quidt on two projects: (1) “Implicit Preferences Inferred from Choice”, where a technique is being developed for measuring people’s “implicit” preferences from their choices, and an experimental project titled (2) “Judgements of Preference and Judgements of Fact”, to try and determine whether peoples judgments of fact are biased in the same way as their judgments of preference. Both projects remain in progress.



Revival of the annual IIES sailing trip. Ingvild Almås, Johannes Hausbofer and Konrad Burchardi fighting the wind of the archipelago, in June 2016.

In August 2015 and January 2016, JOHANNES HAUSHOFER (Princeton University) visited the IIES to work with Jonathan de Quidt and Ingvild Almås. Ingvild and Johannes are working on a project titled (1) “The Income Elasticity for Consumption of Calories: Evidence from Unconditional Cash Transfers in Kenya”. In this project they are studying the response of Kenyan households to unconditional cash transfers. In particular, they ask whether food consumption increases in step with cash transfers, i.e. what the elasticity of calories is relative to increases in income. Jon and Johannes are working on two projects, titled (2) “Depression for Economists” and (3) “Measuring and Bounding Experimenter Demand Effects”. The first of these projects attempts to describe clinical depression in the language of economics, and develops a simple economic model to understand how depression could arise from changes in the beliefs about returns to effort. The second project tackles experimenter demand effects, a common problem in both lab and field experiments, by inducing them: participants are explicitly asked to behave in particular ways, and the degree to which they respond to these requests can be used to estimate how large the demand effects could plausibly be in a particular study.

NILS-PETTER “NIPPE” LAGERLÖF (York University in Toronto) visited the IIES 17-23 August, 2015, and 9 May-3 June, 2016. During both visits, he worked with then PhD student, now PhD, Shuhei Kitamura, on revising the paper (1) “Geography and State Fragmentation”, previously titled “Natural Borders”. It examines the effect of geography on the location of state borders. Nippe also found time to enjoy the cool and bright Swedish summer nights.

VALERIE RAMEY (University of California, San Diego) visited the institute for one week in April 2016. She presented her paper (1) “News Shocks in Open Economies: Evidence from Giant Oil Discoveries,” which is now forthcoming in the *Quarterly Journal of Economics*. She had productive meetings with numerous graduate students in which they summarized their dissertation research and she gave them feedback and suggested related literatures. She also met numerous faculty members. For example, she discussed current account swings with Torsten Persson, the oil industry with Per Krusell, and various other topics with other faculty members such as Kurt Mitman, Kathrin Schlafmann, and Timo Bopart.

In November 2015 when FILIP ROZSZYPAL (London School of Economics) visited IIES, he worked on the project (1) “Income Expectations and Household Consumption Choices” (with Kathrin Schlafmann). He also started a new project on the role of sectoral productivity shocks on the aggregate dynamics of unemployment and vacancies. He presented his work at University of Barcelona, LSE, Cambridge, and at the Computing at Economics and Finance, at conference in Bordeaux, Surveys in Macroeconomics in Hamburg and at the Business Cycles and Growth conference in St Gallen and discussed a paper at the NORMAC conference in Ebeltoft.

Tenure-track Assistant Professor Position

The Institute for International Economic Studies, Stockholm University, seeks to fill one position at the tenure-track, assistant-professor level, in any field, beginning in the academic year 2017/2018.

Applicants should have a PhD in economics (or be near completion of the doctorate). A commitment to excellence in research is a prerequisite. The position offers a low teaching load (primarily at the PhD level) and a competitive salary. Applicants should submit a CV, at least three letters of recommendation, and samples of research such as thesis chapters or publications.

To ensure full consideration, applications must be submitted at <http://econjobmarket.org> by November 25, 2016. Candidates on a shortlist will be interviewed at the ASSA Annual Meetings in Chicago, January 2017. Other arrangements may be possible for short-listed candidates not based in the US who do not plan to attend the meetings.

For questions, please contact: Prof. Torsten Persson, e-mail: torsten.persson@iies.su.se

Teaching 2015/2016

INGVILD ALMÅS taught several courses at the PhD level: “Development Economics I” and “Development Economics II” (with Tessa Bold, Andreas Madestam, Jakob Svensson and Anna Tompsett) in the fall of 2015, and “Behavioral Economics I” (with Anna Sandberg, Jonathan de Quidt and Robert Östling) and “Experimental Methods” (with Tessa Bold, Konrad Burchardi, Jonathan de Quidt and Robert Östling) in the spring of 2016.

TESSA BOLD taught three PhD courses: “Development Economics I” and “Development Economics II” (with Ingvild Almås, Konrad Burchardi, Andreas Madestam, Jakob Svensson and Anna Tompsett) in the fall of 2015, as well as “Experimental Methods” (with Ingvild Almås, Konrad Burchardi, Jonathan de Quidt and Robert Östling) in spring of 2016. She also supervised Erik Textorius for his master’s thesis.

TIMO BOPPART taught “Macroeconomics I” (with Lars Ljungqvist) at the PhD level in the spring of 2016.

TOBIAS BROER taught two PhD courses “Macroeconomics with Financial Frictions” (with Alexandre Kohlhas) and “Applied Macroeconomic Research” (with Per Krusell, Kurt Mitman and Kathrin Schlafmann), both in the fall term. He also supervised Niels-Jakob Harbo Hansen for his doctoral thesis.

KONRAD BURCHARDI taught the undergraduate course “Intermediate Development Economics”, and at the PhD level: “Development Economics I” and “Development Economics II” (with Jakob Svensson, Andreas Madestam, Tessa Bold, Anna Tompsett and Ingvild Almås), all in the fall of 2015, as well as “Experimental Methods” (with Jon de Quidt, Tessa Bold, Ingvild Almås and Robert Östling) in the spring term.

Lars Calmfors taught the undergraduate course “Intermediate Macroeconomics” in the fall of 2015 and the spring of 2016. He also taught the master course “Labour Economics and Wage-setting Theory” in the spring of 2016.

JOHN HASSLER taught the PhD level course “Macroeconomics II” (with Karl Wallentin) in the spring of 2016.

SEBASTIAN KOEHNE taught the PhD level courses “Mathematics III” in the fall of 2015 and “Public Economics I” (with Arash Nekoei) in the spring term.

ALEXANDRE KOHLHAS taught the PhD course “Macroeconomics with Financial Frictions” (with Tobias Broer) in the fall of 2015.

PER KRUSELL taught several graduate courses: “Applied Macroeconomic Research” (second year) at Stockholm University, and “Macro I” (first year) at London School of Economics, as well as “Macro and Inequality” (second year) at Yale University. He also taught a short PhD course “Climate and the Economy” at Oslo University.

KURT MITMAN taught two PhD level courses “Applied Macroeconomic Research” (with Per Krusell, Tobias Broer and Kathrin Schlafmann) and “Quantitative Macroeconomic Methods” (with Kathrin Schlafmann) in the fall of 2015.

ARASH NEKOEI taught two PhD courses during the academic year 2015/2016: “Public Economics I” (with David Seim) and “Public Economics II” (with Sebastian Koehne).

PETER NILSSON taught the master’s course “Policy Analysis in Labor Economics” (with Peter Fredriksson) in the fall of 2015.

MATS PERSSON taught an undergraduate course in “Macroeconomics” in the fall of 2015.

TORSTEN PERSSON taught the second year graduate courses “Political Economics II” (with David Strömberg) and “Political Economics III” at Stockholm University (with Andreas Madestam, Per Pettersson-Lidbom and David Strömberg) in the spring term. He also gave a PhD course at London School of Economics in “Political Economics” (with Gilat Levy). He was the advisor or co-advisor of six PhD students.

JONATHAN DE QUIDT taught two courses at the PhD level: “Behavioral Economics I” (with Robert Östling, Ingvild Almås and Anna Sandberg) and “Experimental Methods” (with Robert Östling, Ingvild Almås, Konrad Burchardi and Tessa Bold).

ANNA SANDBERG taught a PhD course in the spring of 2016 called “Behavioral Economics I” (with Ingvild Almås, Robert Östling and Jonathan de Quidt).

KATHRIN SCHLAFMANN taught the second year PhD course “Quantitative Macroeconomic Methods” (with Kurt Mitman) and “Applied Macroeconomic Research” (with Tobias Broer, Per Krusell and Kurt Mitman), both in the fall of 2015. She also supervised a master student thesis, spring 2016.

DAVID STRÖMBERG taught three PhD courses in the spring of 2016: “Management and

Analysis of Big Data” (with Lena Hensvik and Peter Mozelius), “Political Economics II” (with Torsten Persson) and “Political Economics III” (with Andreas Madestam, Torsten Persson and Per Pettersson-Lidbom). He gave supervision to several PhD students during the academic year.

JAKOB SVENSSON taught the master level course in “Development Economics” and the PhD level courses “Development Economics I” and “Development Economics II” (with Ingvild Almås, Tessa Bold, Konrad Burchardi, Andreas Madestam and Anna Tompsett), all in the fall term 2015.

ROBERT ÖSTLING taught an undergraduate course in applied game theory called “Economic Strategic Thinking”. He also taught graduate courses in “Behavioral Economics I” (with Jon de Quidt, Anna Sandberg and Ingvild Almås) and “Experimental Methods” (with Ingvild Almås, Tessa Bold, Konrad Burchardi and Jon de Quidt), both in the spring of 2016. Robert’s PhD student Manja Gärtner successfully defended her thesis in November 2015.

Extramural Activities

KONRAD BURCHARDI served as associate editor at *Journal of Development Economics*.

LARS CALMFORS served as the chair of the Swedish Labour Policy Council (Arbetsmarknadsekonomska rådet). He chaired the Scientific Advisory Council for the Programme on Economic Reforms and Entrepreneurship at Fores, served as a member of the Advisory Council (insynsrådet) at Sieps (the Swedish Institute for European Policy Studies) and was an expert in the Government Commission on the fiscal surplus target. He was a regular columnist in *Dagens Nyheter* (the leading Swedish morning daily). He gave lectures and speeches on various topics at the European Commission, the Swedish Ministry of Finance (Finansdepartementet), the Swedish National Institute of Economic Research (Konjunkturinstitutet), the National Audit Office (Riksrevisionen), the Center for Business and Policy Analysis (SNS), Fores, Sieps (the Swedish Institute for European Policy Analysis), the Association of Municipal Economists (Kommuneekonomernas



Harry Flam in the audience of the conference “The Future for EU and EMU?”, September 2015.

förening), the Trade Union Congress (LO), the Swedish Confederation of Professional Associations (Saco), the Confederation of Swedish Enterprise (Svenskt Näringsliv), the Moderate Party (Moderaterna), the Liberal Party (Liberalerna), the Association of Financial Firms (Finansbolagens förening), Haygroup and the Royal Coin Cabinet (Kungliga myntkabinettet).

HARRY FLAM served as a chairman of the Scientific Council at the Centre for Business and Policy Studies (SNS) and was a member of the Shadow Riksbank Executive Board at the business daily *Dagens Industri* (which takes mock decisions on monetary policy ahead of the Riksbank's decisions).

JOHN HASSLER served his last year as chairman of the Swedish Fiscal Policy Council. His three-year appointment ended in June 2016 when Harry Flam took over as chairman. John remains an adjunct member of the prize committee for the Prize in Economic Sciences in Memory of Alfred Nobel and is associate editor of *Macroeconomic Dynamics* and *Scandinavian Journal of Economics*.

SEBASTIAN KOEHNE assisted the Swedish National Audit Office (Riksrevisionen) in their analysis of the Swedish tax system. His paper "Optimal Taxation in Practice: Lessons for the Swedish Tax System" draws conclusions from recent findings in optimal tax theory taking into account trends across the OECD countries as well as practical challenges for tax policy.

PER KRUSELL served on several Scientific Advisory Boards and on the Advanced Grant evaluation panel of the European Research Council. Per also served as a scientific consultant to Sveriges Riksbank and on the board of SNS. In addition, Per gave a number of lectures and seminars and conference presentations in Europe and the United States and also participated in the public debate in various media outlets.

MATS PERSSON served as a member of the Prize Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. On November 4, 2015, he also gave the Félix Neubergh Lecture at the University of Gothenburg, on "Greece, the Eurozone, and the European Central Bank's Monetary Policy".

TORSTEN PERSSON served as the Secretary of the Prize Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, and as the Director of the Institutions, Organizations and Growth program of CIFAR (the Canadian Institute For Advanced Research). He was also a member of the Nobel Foundation's Program Committee. Torsten chaired the Advisory Board of the Toulouse School of Economics,

and was a member of the Tenure Committee at Bocconi University and the Board of ENTER (a collaboration between different some of the best Ph D training programs in Europe).

JAKOB SVENSSON served as a member of the Committee for the Prize in Economic Sciences in Memory of Alfred Nobel. Member of the Expert Group for Evaluation and Analysis of Swedish International Aid. Lead Academic – Uganda, International Growth Center (IGC). Jakob was a visiting professor at the Norwegian School of Economics (NHH) in Bergen. He also served as chairman of the Association of Swedish Development Economists (ASWEDE).

LARS E.O. SVENSSON gave the opening speech, “The Rationale for Macroprudential Policy,” at the First Annual ECB Macroprudential Policy and Research Conference, April 26-27, 2016. He gave several other policy-oriented key-note addresses, speeches, lectures, and presentations during the year; see the sections “New” and “Practical Monetary Policy” on his website, www.larseosvensson.se. He has also published blog posts on his website and contributed to the Voxeu.org website.

ROBERT ÖSTLING has continued to serve on the Swedish Consumer Agency’s Scientific Advisory Board. He continued to write blog posts about economics and economic policy for the Swedish blog Ekonomistas. Robert is also responsible for the new policy seminar together with SNS, the “SNS/IIES International Policy Talks”.

Completed Theses 2015/2016

In May 2016, AUDINGA BALTRUINATE successfully defended her thesis *Political Economics of Special Interests and Gender*, consisting of four self-contained essays on political economics and dealing with two major themes - special interests and gender. The first essay, titled “Political Finance Reform and Public Procurement: Evidence from Lithuania”, examines whether political donations can buy influence. More specifically, it studies whether firms trade political contributions for public procurement contracts, which is an important policy outcome: with around 15% of GDP, it accounts for a substantial part of the global economy. To answer this question, she focuses on the Lithuanian political economy and examines how a ban on corporate donations affects the awarding of procurement contracts to companies that donated in the past. Consistent with political favoritism, contributing firms’ probability of winning goes down by five percentage points as compared to that of non-donor firms after the ban.

The second article, titled “Gender Quotas and the Quality of Politicians” (co-authored with Piera Bello, Alessandra Casarico and Paola Profeta) studies the effects of the in-



Audinga Baltruinate successfully defended her doctoral thesis “Political Economics of Special Interests and Gender” in May 2016, further to which she joined the Bank of Italy as a Research Fellow.

introduction of gender quotas in candidate lists on the quality of elected politicians. It reverses the argument that gender quotas may have an adverse effect on the quality of selected representatives. On the contrary, focusing on Italian local politics, and measuring the quality of politicians primarily by their years of education, they show that due to the introduction of gender quotas, the average education of elected politicians increased significantly more in municipalities affected by the policy. Quality should therefore be an argument in favor of rather than against the introduction of gender quotas.

A closely-related third paper, titled “Affirmative Action and the Power of the Elderly” (co-authored with Alessandra Casarico and Paola Profeta) assesses the role of gender quotas in influencing the age of elected politicians. With the goal of rebalancing gender representation in politics, gender quotas may trigger a broader renovation and rejuvenation of the political class, typically dominated by elderly male. To assess the existence of this spill-over effect, they rely on the temporary introduction of gender quotas in Italian local elections in the 1990s (studied also in the previous chapter) and show that this policy measure also leads to the election of politicians that are younger by more than one year. This finding suggests that gender quotas may help mitigate the ruling of “male gerontocracies”.

The last paper, “Let the Voters Choose Women” (co-authored with Alessandra Casarico, Paola Profeta and Giulia Savio) assesses the impact of parties’ recruitment of candidates and voters’ electoral preferences in contributing to female under-representation in politics. The authors exploit the introduction of Italian Law 215/2013, which prescribes both gender quotas on candidate lists and double preference voting conditioned on gender, whereby voters can express two preferences (instead of one) if they vote for candidates of different genders. The former is designed to affect the behavior of parties, and the latter the behavior of voters. They estimate that the policy leads to a 22 percentage-point increase in the share of elected female politicians, mostly because female candidates receive more preference votes. Given the lack of evidence on the effects of such affirmative action measures, this contribution may provide useful guidance in the design of policies to promote female empowerment in politics.

Theses in Progress 2015/2016

ANNA AEVARSDOTTIR's research interests cover a broad range of topics in the fields of development economics and political economics. Within these fields, she is particularly interested in issues relating to energy, health, education and gender. Over the past year, she has been working on a field study that explores the impact and adoption of solar power in Sub-Saharan Africa. In addition to this, she is currently working on the design of a new field project that will explore intra-household decision making and investments in children's education. Fieldwork for this new study is expected to begin in early 2017. Other work in progress explores the relationship between health at birth and future outcomes and the impact of conditional cash transfers on maternal and child mortality.

OLIVIA BERTELLI (Paris School of Economics) visited the IIES between May 2015 and June 2016 as a Marie-Curie PODER fellow. During this time she completed the last year of her doctoral program that she has conducted at the Paris School of Economics. Her research interests are in development economics, focusing on agriculture and food security issues in Sub-Saharan Africa. While at IIES, she finalized her job market paper (1) "The More the Merrier? Adjusting Fertility to Weather Shocks", in which she investigates household fertility decisions in reaction to income shocks in rural Nigeria. She also kept working on a research project studying the adoption of agricultural technologies in rural Uganda. She actively participated in the institute's academic life, attending seminars and presenting her works in the internal Brown Bag seminar and the Micro-wave seminar. Finally, the time spent at IIES has also been the occasion for Olivia to start a new research project with Selene Ghisolfi, a doctoral student, on studying of elite capture in rural Uganda.

SAMAN DAROUGHEH is a doctoral student focusing on issues of macroeconomics and labor. During the 2015/2016 academic year, he focused on two projects. His project "Shopping Time and Macroeconomics" shows that the time spent shopping varies over the business cycle, and has the potential to procyclically affect firm profits. With that in mind, he developed a general equilibrium model where shopping time is endogenously determined and analyzed the determinants of shopping time. Together with Gustaf Lundgren (SSE) he developed a model aimed at explaining the recent rise in long-term unemployment through statistical discrimination in the hiring process. In order to feature discrimination, they extend the canonical Blanchard-Diamond (1994) model in order to allow the model to match several critical moments. A side result of combining persistent differences in productivity and increased discrimination/screening in recessions is that the quality of the applicant pool deteriorates throughout longer recessions. During the following recovery, being unemployed is a worse signal - even for applicants of high

ability, leading to lower hiring rates and a job-less recovery. The effects increase in the (persistent) productivity differences.

RICHARD FOLTYN continued his work in the field of heterogeneous-agent macroeconomics. In an ongoing project titled (1) “Self-Selection and Social Security Reform” (with Jonna Olsson), he investigated how differences in terms of assets, wages and health determine optimal retirement decisions. Evidence from Swedish as well as US data suggests that high earners choose to work longer, a result not necessarily obtained in standard life-cycle models. In a framework which allows for heterogeneity along several dimensions and is calibrated to a US panel of the elderly, including realistic health and survival processes, he explored whether a more flexible model can match self-selection patterns observed in the data, and how this affects implications of a social security reform such as an increase in the full retirement age. In the second paper, (2) “On the Redistributive Effects of Government Bailouts in the Mortgage Market” (with Kurt Mitman and Dirk Krueger), he investigated positive and normative implications of bailout guarantees for mortgage lenders. The implicit guarantee for debt issued by Fannie Mae and Freddie Mac in the US prior to 2008 led to lower borrowing costs in the mortgage market, affecting the distribution of real estate ownership and leverage among US households. On the other hand, the bailouts in 2008 required injections of \$187bn of taxpayer money into these companies. The project attempts to quantify this trade-off of lower borrowing rates and higher taxes to fund bailouts in a model of heterogeneous households, identifying beneficiaries and losers of such a policy as well as the overall welfare effects.

SELENE GHISOLFI’s research interests lie in development economics, behavioral economics, network effects and political economics. She has been working on a technology adoption project in Uganda and a community driven approach to water sanitation in Bangladesh. Her paper (1) “Contribution Requirements and Preferences for Redistribution” proposes a method to estimate social attitudes toward equality and equity in a community and to analyze the impact of participating in a community-driven development program on these. She designed bargaining games to elicit preferences for redistribution and remuneration of contributions, where they have to decide how to allocate a common endowment among themselves, with and without the requirement of contributing to the creation of the common endowment. The results will shed some light on the importance of social fairness norms and the impact of the contribution requirements on inequality, and on how participatory processes can change the preferences for redistribution.

NIELS-JAKOB HARBO HANSEN has spent his time working on a number of projects within the field of macroeconomics. In one project (with Hannes Malmberg) he is trying to understand how flows in the labor market are driving changes in the unemployment

and participation rate in Sweden. In another project, he is matching data on official job-openings with data for hiring at the plant level in Sweden. In a third project, he is matching micro level data on job openings as measured via surveys and register data. The aim of these two projects is to better understand (i) how vacancies are translated into hires and (ii) how well official vacancy statistics measure the total amount of job-openings in the economy. Lastly, he was working on a project on the New Keynesian transmission channel (with Tobias Broer, Per Krusell and Erik Öberg) where the aim is to gauge how robust the transmission is to the introduction of heterogeneous agents.

KARL HARMENBERG worked on his dissertation focusing on heterogeneity and consumption in a business cycle context. During the year, he and fellow student Erik Öberg finished a draft of a paper titled (1) “Durable Expenditures under Time-Varying Income Risk”, which he presented at Tilburg University and the Society of Economic Dynamics Annual Meeting in Toulouse. The paper studies how unemployment risk differentially affects non-durable and durable expenditures. Using Italian microdata they document that durable expenditures are sensitive to changes in unemployment risk while non-durable expenditures are not. By explicitly modeling the durable purchases and including realistic frictions, they are able to match this and several other micro-level observations. Taking into account durable purchases and the frictions associated with them changes several macroeconomic statistics. For example, when taking into account the frictions associated with durable goods the marginal propensity to expend on durable goods is sensitive to unemployment risk.

MATHIAS IWANOVSKY has been working in the area of development and political economics. Using spatial methods and high-resolution data he focused on novel techniques to answer relevant questions using historical examples. He researches issues in Cambodia, the United States of America and Africa. In Cambodia, Mathias’ first research project (i) estimates the value of free education using a unique policy intervention. The second project in Cambodia (ii) looks at the historic impacts of violence. Using a detailed data set on locations of violence during the Khmer Rouge genocide, he looks at how these atrocities shape modern political beliefs as well as loyalty towards the government. In Africa, Mathias is estimating the impact of ethnic networks on trade flows, using historical distributions of ethnic groups as a measure for the ethnic population today. His findings suggest a strong positive impact of co-ethnic membership across state borders and underline the importance to end the ethnic separation and the exclusion prevalent in some African countries. His latest work, located in the USA, asks whether public ownership of an abundant resource is more efficient in the long run than private management.

MOUNIR KARADJA worked on completing his thesis, entitled *On the Economics and Politics of*

Mobility. The thesis will be consisting of four essays: the first essay, also the job market paper, is (1) “Exit, Voice and Political Change: Evidence from Swedish Mass Migration to the United States”. The essay shows that locations in Sweden which saw larger emigration to the United States in the 19th century display a higher demand for political change. More specifically, they had a higher membership in local labor unions, struck more and voted more for left-wing parties. In addition, local political elites appear to have responded to this change, as redistributive spending on welfare also increased. The second essay, (2) “Mass Migration and Technological Innovation at the Origin”, uses a similar framework to the first, and shows that high-emigration municipalities in Sweden saw greater levels of technological innovation in the long run, as measured by the number of patents taken by local inventors. The third essay (3) “Richer (and Holier) than Thou? The Effect of Relative Income Improvements on Demand for Redistribution” measures how well a representative sample of Swedish citizens can place themselves in the Swedish income distribution. The main result is that, on average, Swedish citizens underestimate their relative income substantially. The essay also employs a randomized survey experiment, where half of the respondents are told their actual relative income, and shows that individuals who learn that they are relatively richer update their political preferences to the right on the political scale. The final chapter (4) “Wealth, Home Own-



PhD students of the IIES at Audinga Baltruinate's defense dinner, May 2016.

ership and Mobility” shows how individual mobility is affected by a reform that allowed individuals to purchase their rental apartments at steep discounts. The results show that it led to large increases in residential mobility after the reform. Moreover, this effect is not driven by the large increases in wealth, but can instead mostly be explained by individuals moving from the status quo system of rent-control to a market based system where apartments can be sold freely.

SHUHEI KITAMURA’s main interests lie within economic development and political economy. He spent most of the time working on his job market project, (1) “Land Ownership and Development: Evidence from Postwar Japan”. He finds that land ownership positively affects the adoption of new agricultural technologies and the reallocation of labor from rural to urban. He also quantifies the aggregate impact of the reform on Japanese economic growth. His second project, (2) “Loyalty and Treason: Theory and Evidence from Japan’s Land Reform”, examines the political impact of the same reform. Finally, his third project (3) “Geography and State Fragmentation” (co-authored with Nils-Petter Lagerlöf) investigates the roles of geography on border location in Europe and surrounding areas since 1500 until today. He presented his projects at several universities including University of Tokyo and Kyoto University.

NATHANIEL LANE’s thesis, titled “States of Development,” explores the role of state institutions and elite politics in shaping economic development. The main chapter, (1) “Manufacturing Revolutions: Industrial Policy and Networks in South Korea,” uses a natural experiment to study the role of state interventions in producing the East Asian “Growth Miracle”. In particular, this study interrogates the short- and medium-run effects of industrialization strategies pursued by Korea in the postwar period. My second chapter, (2) “State Capacity, Local Governance, and Economic Development in Vietnam” is co-authored with Melissa Dell (Harvard University) and Pablo Querubin (NYU). In this project, we study how historic state institutions lead to the long-run divergence of East and South East Asian economies. A third chapter, “Workers of the World, Unite: The Economic Effects of Labor Day Demonstrations in Europe”, with Andreas Madestam (Stockholm University) and David Yanagizawa-Drott (ETH-Zurich), examines the effects of labor mobilization on economic outcomes using three decades of data on May Day protests across Europe. He also taught Management and Analysis of Big Data, in the spring of 2016, with Lena Hensvik, Peter Mozelius and David Strömberg.

HANNES MALMBERG’s research in macroeconomic development primarily focuses on the relative importance of different sources of income differences. Hannes is currently working on skill differences, market integration, and the economic effects of an uncertain economic environment. He wrote several papers: (1) “Human Capital and Develop-

ment Accounting Revisited” (job market paper); (2) “Logistics Uncertainty and Economic Development – A Case Study of Ethiopia”, (with Kinley Salmon); (3) “Swedish Unemployment Dynamics: New Methods and Results”, (with Niels-Jakob Harbo Hansen) submitted for publishing; (4) “Price Level Determination When Tax Payments Are Required in Money”, (with Erik Öberg); and (5) “Supply Chain Risk and the Pattern of Trade”, (with Maximilian Eber). He also gave seminars and conference talks at PEDL Workshop, Nottingham, RES Junior Symposium, Brighton, GEP Postgraduate Conference, Nottingham, ENTER seminar Universitat Autònoma, Barcelona, GSMG seminar at Swedish Riksbank, 11th Oslo-BI-NHH Workshop.

JAAKKO MERILÄINEN was working on several projects in political economics. One central aim in his work is understanding the economic and political consequences of electoral outcomes. Three papers finished during the academic year belong to this category; (1) ”When Does Regression Discontinuity Design Work? Evidence from Random Election Outcomes” (with Ari Hyytinen, Tuukka Saarimaa, Otto Toivanen and Janne Tukiainen), (2) ”Primary Effect in Open-List Elections” (with Janne Tukiainen) and (3) ”Public Employees as Politicians: Evidence from Close Elections” (with Ari Hyytinen, Tuukka Saarimaa, Otto Toivanen and Janne Tukiainen). Jaakko also has an interest in economic and political history. In these fields, he was working on a paper studying the effects of time-saving technologies, in particular the milking machine, on women’s labor market and political participation (with Matti Mitrunen and Matti Sarvimäki) and on a paper studying working class alignment with the liberals in 19th century England using individual voter-level data (with Torun Dewan and Janne Tukiainen).

JONNA OLSSON spent the academic year working on her dissertation within the field of macroeconomics, especially questions concerning labor supply. In a project titled (1) “Self-Selection and Social Security Reform” (with Richard Foltyn) she looks at labor supply in older ages. In this project, they investigate how differences in terms of assets, wages and health determine the individual retirement decision, and how well actual behavior is captured by the standard life-cycle model. In another project (with Timo Boppart and Per Krusell) the question is about labor supply in the future. Hours worked per worker has been falling steadily over time in all countries, which suggests that the income effect of increasing wages dominates the substitution effect. Assuming steady labor productivity growth and stable preferences, what will then happen in the future? When will the participation rate start decreasing and how fast? Who will stop working, and when? Who should work, and when, from a normative perspective? In this project, they construct a heterogeneous agent macro model to answer these questions.

ERIK PRAWITZ’s primary research interests are in economic development, political eco-

nomics and economic history. During the last academic year, he primarily worked on a joint project with David Andersson and Mounir Karadja studying the effects of Swedish migration on technological innovation in the origin communities during the Age of Mass Migration (1850–1914), when about a quarter of the population left the country. They show that migration substantially increased the technological patents towards the end of the period of study and explore possible explanations for this result, such as labor market mechanisms and human capital flows. In related work together with Mounir Karadja, entitled (1) “Exit, Voice and Political Change: Evidence from Swedish Mass Migration to the United States”, he has studied the connection between emigration and the political development at home during the same migration episode. They show that high migration municipalities developed a stronger labor movement and analyze the potential mechanisms behind this result.

JÓSEF SIGURDSSON’s research focuses on topics within the fields of macroeconomics and labor economics. He visited the economics department at the Massachusetts Institute of Technology, on a grant from Jan Wallander and Tom Hedelius Foundation. While visiting MIT, Jósef took courses in labor economics and worked on three papers. He revised (1) “Time-Dependent or State-Dependent Wage-Setting? Evidence from Periods of Macroeconomic Instability” (with Rannveig Sigurdardottir) which was then published in *Journal of Monetary Economics* in April 2016. In this paper he uses unique microdata to study the nature of wage stickiness and the drivers of nominal wage changes. (2) “The Gift of Moving: Intergenerational Consequences of a Mobility Shock”, (with Emi Nakamura and Jón Steinsson) NBER Working Paper No. 22392. In this paper they use a natural experiment – a volcanic eruption, destroying one-third of houses in an island – to estimate moving costs and the benefits of geographic mobility. (3) “Household Debt and Monetary Policy: Revealing the Cash-Flow Channel (with Martin Flodén, Matilda Kilström and Roine Vestman). This paper studies the effect of monetary policy on spending when households hold debt with variable interest rates. They presented this paper at the SED annual meeting in July 2016.

MIRI STRYJAN does research in development economics and political economics in East Africa. During this year she has mainly worked on her job market paper which is a study about community based saving groups in rural Uganda. The study is a randomized experiment comparing two participatory democracy processes for selecting group leaders: (i) voting in a closed poll, and (ii) open discussion with consensus. The project is joint with Erika Deserranno and Munshi Sulaiman and has the working title (1) “Electoral Rules and Leader Selection – Experimental Evidence from Ugandan Community Groups”. She has also worked on an ongoing Randomized Control Trial together with Andreas Madestam, Selim Gulesci and Francesco Loiacono investigating how credit contract structure

impacts investment and growth in small enterprises taking loans in Uganda. The project has the working title (2) “Inside the Production Function: the Effect of Financial Contracts on Growing Firms’ Technology Use”. The last borrowers were entered into the experiment in May 2016 and the field work is expected to be finished by May 2017. Third, she has worked on a project about selection into borrowing using data from a survey of micro, small and medium sized enterprises in urban Uganda. In this study, Miri examines how selection into borrowing among firm owners is affected by changes of the interest rate or the collateral level of a microfinance loan contract. The project has the working title (3) “Selection into Borrowing: Survey Evidence from Uganda”. Finally, she has worked on the project (4) “Preparing for Genocide: Community Meetings in Rwanda” (with Evelina Bonnier, Jonas Poulsen and Thorsten Rogall) investigating the role of mandatory community work meetings in the early 1990’s in the participation in the subsequent Rwandan genocide.

MAGNUS ÅHL’s thesis focuses on macroeconomy and more specifically monetary policy. In a project titled (1) “How Big Is the Toolbox of a Central Banker? Managing Expectations with a Policy-Rate Path”, he investigates if and to what extent a central bank can use the announcement of a path for the policy rate to affect the market expectations of future interest rates, and thereby the macroeconomy. He uses Swedish data for the period since 2007, when the central bank of Sweden started to announce a policy-rate path, to answer these questions. Although the question is of general interest, it is of special importance during times when monetary policymakers are restricted by an effective lower bound for the policy rate itself, which is the case in some countries at the moment. Besides the empirical approach, Magnus attempts to use a new-Keynesian framework to further investigate these questions.

ERIK ÖBERG’s research is focusing on macroeconomics, with a special focus on topics in monetary economics and business cycles. The project titled (1) “The New Keynesian Transmission Mechanism: A Heterogeneous-Agent Perspective” (joint with IIES researchers Per Krusell and Tobias Broer, as well as recent graduate Niels-Jakob Harbo Hansen), investigates how wealth heterogeneity affects the transmission mechanism of monetary policy. In the workhorse model of monetary policy, the effect of household heterogeneity can be widely different depending on whether the source of aggregate nominal rigidities stems from rigid prices or rigid wages. In the project (2) “Price Level Determination when Tax Payments Are Required in Money”, Erik (together with Hannes Malmberg) theoretically investigates under what conditions the price level can be determined when the government requires households to pay taxes with government printed money. The idea that the price level can be determined under such a constraint is old but has not previously been investigated in a standard dynamic endowment economy. In

the project “Durable Expenditure Dynamics under Time-varying Unemployment Risk” (with Karl Harmenberg), they investigate to what extent business cycle fluctuations in consumption expenditures is amplified by the presence of microeconomic frictions in households’ purchases of durable goods. First, they document expenditure patterns at the micro level; second, they construct and calibrate a model of household consumption featuring adjustment frictions that can be tested against these findings; third, they study the macroeconomic implications of the model. A preliminary analysis suggests that these frictions indeed amplify the business cycle fluctuations in consumption expenditures.

Conference “*The Future for EU and EMU?*” in September 2015.

The Institute for International Economic Studies organized a two-day conference on the topic “*The Future for EU and EMU?*” at the beginning of September 2015. The purpose of the conference was to discuss the recent state of the research but also to connect that research literature to the current debate. The conference program included a number of leading experts in the world presenting their research and also included a well-attended panel debate with Professor Hans-Werner Sinn, IFO, University of Munich, Professor Charles Wyplosz, Graduate Institute, Geneva, former Finance Minister Anders Borg, Professor Lars Calmfors, IIES and Professor Harry Flam, IIES.





Seminars and Publications

Seminars

Seminars at the IIES normally take place on Tuesdays between 13.00 and 14.30 and Thursdays between 15.00 and 16.30. Most speakers (about 90% of the total) are non-Swedish. Timo Boppart, Tobias Broer, Konrad Burchardi, Robert Östling and Annika Andreasson (administration) are responsible for all seminars during the academic year.

Information about seminars of past and current academic years can be found on our web: <http://www.iies.su.se/research/seminars>. Invitations and papers presented at seminars can usually be received electronically.

Publications

A list of the IIES Seminar Papers can be found on our website. Should you wish to download PDF versions of the papers, please refer to <http://su.diva-portal.org/smash/search.jsf>

For the most exhaustive information on the publications of individual IIES researchers, visit their respective personal web pages.

The theses of our PhD students are published in our Monograph Series, a list of which is available via our website. For PDF downloads, do a search of the thesis on <http://su.diva-portal.org/smash/search.jsf>

The IIES Reprint Series was discontinued at the end of 2001. Our web contains a list of previous and recent publications.