Economic Theory Workshop

Thursday 30th May 2024

ICOSS Conference Room

12:00-12:30: Lunch

12:30-14:00:

Matthew Polisson (University of Leicester)
Ever Since Ellsberg

Antonio Navas (University of Sheffield)
Are trade-unions deterring innovation? A heterogeneous firm's perspective

14:00-14:30: Coffee and tea

14:30-16:00:

David Delacretraz (University of Manchester)
Stability in Matching Markets with Sizes

Antonella Nocco (University of Salento)
Levelling the global playing field through optimal non-discriminatory corporate taxes and subsidies

16:00-16:30: Coffee and tea

16:30-17:15:

Mich Tvede (University of Sheffield)
Ambiguity and Voting

17:15: Social interaction

18:30 Workshop dinner

Abstracts

David Delacretaz

Stability in Matching Markets with Sizes

Matching markets such as day care, refugee resettlement, and student exchange involve agents of different sizes, that is agents who require different amounts of capacity. In that environment, I identify a conflict between bounding the size of claims to a certain number of units per object and eliminating waste: there may not exist any matching that satisfies both properties. I propose two fairness criteria, each of which possesses one of the two properties. I show that the choice between them has welfare implications and can be interpreted as a matter of consent.

Antonio Navas

Are trade-unions deterring innovation? A heterogeneous firm's perspective

This paper examines the impact that an increase in the bargaining power of unions has on quality improvement innovation both in autarky and free trade in a heterogeneous firms environment. We unveil that while the average effect of unions on innovation is negative, this effect is far from being common across firms. More productive firms will decrease their investment in quality following an increase in the bargaining power of the unions. In contrast, less productive firms will increase their investment in quality in response to an increase in unions' bargaining power. These results are maintained in a free trade environment. On top of that we do find that domestic firms will reduce their investment in quality towards the export market but foreign firms will increase their investment in quality in our market. (Joint with A. Nococco)

Matthew Polisson

Ever Since Ellsberg

Ellsberg's famous objection to Savage has led to the development of many new theories of choice under uncertainty. The most prominent decision-theoretic alternatives generalize Savage's subjective expected utility theory (EUT) by allowing for multiple priors. We provide the first fully nonparametric revealed preference analysis of such models using individual-level data collected from a portfolio choice experiment. We find that for many subjects there is considerable scope for multiple prior utility models to explain behavior not accounted for by subjective EUT. (Joint with Aluma Dembo, Shachar Kariv, and John K.-H. Quah)

Antonella Rocco

Levelling the Global Playing Field through Optimal Non-Discriminatory Corporate Taxes and Subsidies

Due to markup distortions, in international trade models with monopolistic competition and heterogeneous firms the market equilibrium is inefficient unless demand exhibits constant elasticity of substitution. When it does not, global welfare maximization generally requires policy intervention that is firm specific, and consequently of limited practical relevance due to its information requirements, discriminatory nature and susceptibility to rent seeking. We assess whether there are particular conditions under which countries can coordinate on the common use of policy tools that are not firm-specific but still maximize global welfare. We show that a demand system implying constant absolute pass-through from marginal cost to price is both necessary and sufficient for the existence of welfare-maximizing nondiscriminatory policies that can level the global playing field with a one-size-fits-all approach for all firms selling in a given market, eventually complemented by a global tax rate on corporate profits. (Joint with Gianmarco Ottaviano, Matteo Salto, Atsushi Tadokoro)

Mich Tvede

Ambiguity and Voting

We consider majority voting with ambiguous voters. An alternative is politically stable provided no other alternative is supported by more than 50% of the voters. In the absence of ambiguity, no alternative needs to be politically stable, so super-majority voting rules are needed to ensure the existence of a politically stable alternative. If voters are completely ambiguous so no pair of alternatives can be compared, then all alternatives are politically stable. We introduce a measure of ambiguity and show how it can be used to characterize the minimum level of ambiguity needed to ensure there is a politically stable alternative. (Joint with Hervé Crès)