

**THE PHILLIPE MONASTER CENTER  
FOR ECONOMIC RESEARCH**

**ACTIVITY REPORT**

**2014/15**

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## **I. MEMBERS OF THE MONASTER CENTER FOR ECONOMIC RESEARCH**

**DIRECTOR:** Prof. Ezra Einy

Steering committee: Prof. Tomer Blumkin, Dr. Nadav Ben-Zeev and Prof. Ezra Einy

### **MEMBERS**

Dr. Suleiman Abu-Bader

Dr. Aamer Abu-Qarn

Dr. Nadav Ben-Zeev

Prof. Tomer Blumkin, Chairman, Department of Economics

Dr. Danny Cohen-Zada

Prof. Leif Danziger

Prof. Ezra Einy, Director, Monaster Center for Economic Research

Dr. Koresh Galil

Prof. Mark Gradstein

Prof. Ori Haimanko

Prof. Moshe Justman

Dr. Shirlee Lichtman-Sadot

Dr. Oren Rigbi

Prof. Aner Sela

Prof. Avia Spivak

Dr. Karine van der Beek

Prof. Oscar Volij

Prof. David Wettstein

Dr. Ro'i Zultan

## II. OPENING REMARKS

I am happy to open this report with a few words about what went at the Department of Economics during 2014-15. First, there were some comings and goings. In regard to the latter, Arie Arnon has retired from the Department. Prof. Arnon is renowned world-wide for his research on the Israeli-Palestinian conflict on which subject he has been the organizer of many international conferences and seminars, as well as the author of several important books and countless articles. Also our post-doc visitor, Mridu Prabal Goswami, completed his second year here and recently returned to India where he is doing research at the Indian Statistical Institute in Calcutta. During his stay here, he co-authored two articles with department members both of which have been published in professional journals. As for new members, we welcome Ariel Levi. Ariel's research interests are in finance, structured products, credit markets, and their ramifications for financial stability. Some of his studies include: the efficiency of country ETFs in the very short term and the role of synchronized trading; the underpricing of counterparty credit risk in ETNs; and more. I mention as well that two members of the department received promotions this year: Oren Rigbi was promoted to senior lecturer and Ro'i Zultan was promoted to senior lecturer with tenure.

The Center continued to cover the submission costs to journals and conferences of the members and their students. And, as in previous years, junior faculty members additionally benefited from partial reimbursement of their conference registration fees. Monaster's secretarial assistance is also still covered by the Center.

There was much seminar activity during the past year. In addition to our own department members and invited guests from within the country, numerous young job candidates gave talks at the weekly seminar meeting. Among these several may potentially join the department as tenure track faculty members. This is all done through the support of the Center.

Department members attended many prestigious conferences and seminars in Israel and abroad where they presented and shared their research accomplishments.

Moreover, as enumerated in the Report, numerous papers, authored and co-authored by department members, were published in top journals. Monaster's working paper series continued to flourish as reflected by the 13 papers produced by department members. Additionally, several individual research projects are still supported through competitive grants such as the ISF. Our goal is to continue to achieve and maintain excellence in both research and teaching.

As in the past years, we take this opportunity to thank Rita Ginzburg for providing her invaluable computer-related consultation and services; the Center's secretary, Ella Ginzburg, who keeps the office of the Monaster Center running at the highest efficiency; and our English editor, Estelle Schulgasser, who offers her editing services, and whose efforts are indispensable in compiling this report.

Prof. Ezra Einy, Director

### III. ACTIVITIES IN DETAIL

#### 1) Guests of the Center and the Department of Economics

This year, owing to the support from the Center, we hosted the following guest lecturers from abroad:

Raphael Callel (UC Berkeley)  
 Marc Patrick Brag Klemp (University of Copenhagen)  
 Roe Teper (University of Pittsburgh)  
 Daniel Shoag (Harvard Kennedy School)  
 Juan Carlos Suarez Serrato (Duke University)  
 Dan Levin (Ohio State University)  
 Yan Chen (University of Michigan)  
 Tom Vogl (Princeton University)  
 Sefi Roth (LSE)  
 Joshua Sherman (University of Vienna)  
 Dan Zeltzer (Princeton University)

#### 3) Seminar Lectures Presented by Department Members and Guests from Israel and Abroad (these include those that are presented as part of the regular Thursday seminar program and special seminars).

- 01.01.15 Ran Eilat (Tel-Aviv University)  
 “Mediators and Bilateral Trade”
- 14.01.15 Raphael Calel (UC Berkeley)  
 “Environmental Policy and Directed Technological Change: Evidence from the European Carbon Market”
- 15.01.15 Marc Patrick Brag Klemp (University of Copenhagen)  
 “The Biocultural Origins of Human Capital Formation”
- 12.03.15 Moshe Hazan (Tel-Aviv University)  
 “The Baby Boom and World War II: A Macroeconomic Analysis”
- 19.03.15 Alex Krumer (Ariel University)  
 “Does the Corruption Perception Index Predict the Outcome of Competitions? Evidence from a Natural Experiment Around the World”
- 26.03.15 Edith Sand (Bank of Israel)  
 “On the Origins of Gender Human Capital Gaps: Short and Long Term Consequences of Teachers’ Stereotypical Biases”
- 16.04.15 Ity Shurtz (HUJI)  
 “The Impact of Age-Based Financing of Screening Tests on Utilization and Outcomes: the Case of Amniocentesis”
- 30.04.15 Roe Teper (University of Pittsburgh)  
 “Learning the Krepsian State: Exploration through Consumption”

- 07.05.15 Itai Ater (Tel-Aviv University)  
“The Economics of Rights: The Effect of the Right to Counsel”
- 14.05.15 Daniel Shoag (Harvard Kennedy School)  
“Shops and the City: Evidence on Local Externalities and Local Government Policy from Big-Box Bankruptcies”
- 21.05.15 Itai Arieli (Technion)  
“Commitments in Extensive Form Games”
- 28.05.15 Juan Carlos Suarez Serrato (Duke University)  
“State Taxes and Spatial Misallocation”
- 04.06.15 Ariel Levy (Technion)  
“A Tale of Two Risks”
- 11.06.15 Assaf Zussman (HUJI)  
“Rockets: The Housing Market Effects of a Credible Terrorist Threat”
- 18.06.15 Dan Levin (Ohio State University)  
“Bridging Nash Equilibrium with the Level-K Model”
- 25.06.15 Alan Miller (University of Haifa)  
“Benchmarking”
- 02.07.15 Yan Chen (University of Michigan)  
“Social Identity and Online Microfinance”
- 29.10.15 Michel Strawczynski (HUJI)  
“The Optimal Long-Run EITC System”
- 05.11.15 Raphael Franck (Bar-Ilan University)  
“Is Industrialization Conducive to Long-Run Prosperity”
- 12.11.15 Sarit Weisburd (Tel-Aviv University)  
“Police Presence, Rapid Response Rates, and Crime Prevention”
- 19.11.15 Ron Lavi (Technion)  
“Contests for Revenue Share”
- 26.11.15 Tania Baron (Tel-Aviv University)  
“Wage Growth Decomposition: Mobility, Learning and Loss of Human Capital in Unemployment”
- 03.12.15 Tom Vogl (Princeton University)  
“Habit Formation in Voting: Evidence from Rainy Elections”
- 06.12.15 Yair Antler (Tel-Aviv University)  
“Multilateral Risk-Sharing with Manipulation”

- 10.12.15 Sefi Roth (LSE)  
“The contemporaneous Effect of Indoor Air Pollution on Cognitive Performance: Evidence from the UK”
- 17.12.15 Joshua Sherman (University of Vienna)  
“Bargaining at Retail Stores: Evidence from Vienna”
- 24.12.15 Dan Zeltzer (Princeton University)  
“Gender Homophily in Referral Networks: Consequences for the Medicare Physician Gap”
- 27.12.15 Avihai Lifschitz (Tel-Aviv University)  
“Political Lobbying in a Recurring Environment”
- 31.12.15 Naomi Gershoni (Tel-Aviv University)  
“The Impact of Extended Reproductive Time Horizons: Evidence from Israel’s Expansion of Access to IVF”

#### **4) Research Contracts, Fellowships and Awards**

Suleiman Abu-Bader was awarded an Israeli National Insurance Institute Grant in the amount of NIS 203,000 for the period 2013-15. The research project is entitled “Socio-Economic Survey of the Arab-Bedouin Community in the Negev.”

Aamer Abu-Qarn received a grant from the Robert H. Arnow Center for Bedouin Studies and Development for his research project “Does it pay to study?”

Joint with Ro’i Zultan, Tomer Blumkin was awarded a grant from the Israel Science Foundation in the amount of 123,000 NIS (2014 - one year) for the project “The Role of Wage Subsidies in Welfare Policy: A Behavioral Perspective.”

Leif Danziger is a research fellow at the Center for Economic Studies (CESifo) in Munich, Germany as well as the Institute for the Study of Labor (IZA) in Bonn, Germany.

Ezra Einy is a fellow of the Society for the Advancement of Economic Theory.

Mark Gradstein is a Research Fellow at the Collegio Carlo Alberto, Italy.

Ezra Einy, Ori Haimanko, and Aner Sela continued to hold a grant from the Israel Science Foundation in the amount of 226,000 NIS (2013-2015) for the project entitled “Contests with asymmetric information.”

Moshe Justman continues to hold a research grant from the Rothschild Caesarea Foundation in the sum of IS 200,000 for 2012-15 on: “Estimating the impact of Israeli high schools on access to higher education.” He is also a Professional Research Fellow at the University of Melbourne, where he is part of a group conducting funded research on education in Victoria using standardized test scores.

Shirlee Lichtman-Sadot is the recipient of a Marie Curie International Reintegration Grant, European Commission, "School Food Environments," in the amount of €100,000 for the period 2014-2018.

Oren Rigbi was awarded the following grants:

ISF Grant in the amount of 46,686\$ for a proposal entitled "The Economics of Rights: Benefits and Costs."

The GIF Young Grant in the amount of 28,000 Euro for his proposal entitled "The Economics of Organizational Structure, Police Activity, Crime and Plea Bargaining" (together with Itai Ater and Yehonatan Givati).

A grant from the Elrov Real Estate Institute at Tel-Aviv University in the amount of \$10,000 (together with Itai Ater).

A grant from the Maurice Falk Institute for Economic Research in Israel for his project entitled "The Causal Consequences of Religious Participation on Political Compromise and Risk Attitudes" in the amount of 50,000 NIS (together with Danny Cohen Zada).

He won (together with Itai Ater and Yehonatan Givati) the Ga'aton Award for 2014 for the best paper on the Israeli economy by the Bank of Israel and the Israeli Economic Association. The prize money amounted 15,000 NIS. The paper is entitled "Organizational Structure, Police Activity, and Crime: Evidence from an Organizational Reform in Jails."

Since 2003 Aner Sela is a Research Fellow of the CEPR.

Avia Spivak is a Senior Fellow at the Van Leer Institute.

Ro'i Zultan (with Miki Malul) were awarded a Gilford Glazer Faculty of Management, Ben-Gurion University grant for inter-faculty research, "The Public Sector in the Lab," ~\$7,800 in total and with Ella Segev a grant in the amount of \$10,000 from the 2015 International Foundation for Research in Experimental Economics Small Grants Program, "Asymmetric Sequential Auctions." Dr. Zultan still holds a grant from the Israel Science Foundation (no. 214/13) titled entitled "Group Reciprocity: Changing Attitudes Towards Groups." The grant is for the period 2013-2015 and is in the amount of ~\$40,000 p.a., ~\$80,000 in total.

## **5) Committees, Appointments and Cooperation with Other Institutions in Israel and Abroad**

Suleiman Abu-Bader collaborates with Israel Waichman from University of Kiel, Germany and Uri Ben-Zion from the Open University and Western Galilee College. He is coordinator of economic studies at the Eilat Campus of Ben-Gurion University.

Aamer Abu-Qarn serves as the academic coordinator of economics at Achva Academic College. He is a member of the Master's Degree Committee of the Faculty of Humanities and Social Sciences at Ben-Gurion University. He collaborates with Salem Abo Zaid from Texas Tech University, Muhammad Asali from Tbilisi State University, Michael Beenstock from the Hebrew University, and Markus Brückner from the University of Queensland.

Tomer Blumkin is a member of the CesIfo Research Institute in Munich and the IZA Institute for labor economics in Bonn. He is currently serving as the chair of the department of economics here (since August 2015). Tomer collaborates with Leif Danziger and Ro'i Zultan from Ben-Gurion University, Efraim Sadka, Eran Yashiv and Yoram Margalioth from Tel-Aviv University, and Luca Micheletto and Spencer Bastani from Uppsala University.

Danny Cohen-Zada collaborates with Todd Elder from Michigan State University, Yotam Margalit from Columbia University, and Alex Krumer and Zeev Shtudiner from Ariel University. He is also a research fellow at the Institute for the Study of Labor (IZA) (Bonn, Germany) since September 2010.

Leif Danziger collaborates with Tomer Blumkin from Ben-Gurion University, Eyal Baharad and Ruth Ben-Yashar both from Bar-Ilan University, Eran Yashiv from Tel-Aviv University, and Eliav Danziger from Simon Fraser University.

Koresh Galil collaborates with Zvika Afik (Ben-Gurion University), Dan Amiram (Columbia University), Ohad Arad (Ben-Gurion University), Uri Ben-Zion (Ben-Gurion University), Balazs Cserna (Goethe University of Frankfurt), Avigail Konikov (Bar-Ilan University), Eyal Lahav (Academic College), Ariel Levy (Technion), Cesario Mateus (Greenwich University), Offer Shapir (NYU-Shanghai), Neta Sher (Ben-Gurion University).

Ori Haimanko continues to serve on the editorial board of the Journal of Mathematical Economics as an associate editor. In 2014-2015 he co-edited the special issue of the International Journal of Game Theory in Honor of Abraham Neyman. Prof. Haimanko does collaborative research on the following projects: Games with Incomplete Information – joint with Atsushi Kajii (University of Kyoto) and Contests with Asymmetric Information – joint with Ezra Einy and Aner Sela from Ben-Gurion University, Benyamin Shitovitz from the University of Haifa, Ram Orzach from Oakland University, Mridu Prabal Goswami from ISI Kolkata.

Moshe Justman is a Senior Research Fellow in the Van Leer Jerusalem Institute, where he heads the Institute's Program on Civil Society. He collaborates with Brendan Houg, Kyle Peyton and Susan Mendez at Melbourne University and with Danny Cohen-Zada and Karine van Der Beek at Ben-Gurion University. He serves on the Advisory Board of the Oxford Research Encyclopedia of Education.

Shirlee Lichtman-Sadot collaborates on projects with Edith Sand from the Bank of Israel and Oren Rigbi (Ben-Gurion University). She also carries out a project with Neryvia Pillay, a Ph.D. candidate from Stanford University.

Oren Rigbi collaborates with Itai Ater from Tel-Aviv University, Yehonatan Givati from the Hebrew University, Jonathan Meer from Texas A&M University, Danny Cohen Zada from Ben-Gurion University and Yotam Margalit from Columbia University.

Aner Sela does joint research with Ori Haimanko, Ezra Einy and Ram Orzach (Oakland University). He serves as a co-editor for the Journal of Economics and Management Strategy.

Avia Spivak collaborates on research with Nathan Sussman (Hebrew University), Rami Yosef (Ben-Gurion University) and Oded Palmon in the US. Since 2007 he is a member of the Shochat sub-committee for tuition in higher education and a member of the committee for the Israel Prize for Economics.

Karine van der Beek collaborates with Prof Joel Mokyr (Northwestern University) and with Nadav Ben-Zeev (Ben-Gurion University) on a joint project: “Technology-skill Complementarity during the Industrial Revolution: 1710-1810”; with Moshe Justman (BGU); and with Naomi Feldman (Federal Reserve Board). In 2014 she was appointed to serve as Head of the Economics Curriculum for the IAF Flight Course, Ben-Gurion University of the Negev. She was also appointed to serve as Trustee of the European Historical Economics Society. In 2015 Dr.van der Beek was appointed as a Research Affiliate at the Centre of Economic Policy Research (CEPR), London.

Oscar Volij collaborates with Casilda Lasso (University of the Basque Country) and Ignacio Palacios-Huerta (LSE). He serves as associate editor for the Journal of Public Economic Theory.

David Wettstein works on the following joint research projects: “Multi-Person Bargaining” with Yuan Ju (York University); “The Design of Multi-Stage Contests” with Todd R. Kaplan (University of Haifa); “Auctions and Contests” with David Pérez-Castrillo (Universitat Autònoma de Barcelona) and “Implementation in General Environments” with Mridu Prabal Goswami (Indian Statistical Institute, Kolkata, India). Prof. Wettstein is also both a member of the University Higher Appointments Committee and serves as Head of the Interdisciplinary Ph.D. Program at Ben-Gurion University..

Ro'i Zultan serves on the Ben-Gurion University Human Subjects Research Committee and on the Center for Decision Making and Economic Psychology Steering Committee.

#### **IV. PARTICIPATION IN CONFERENCES AND SEMINARS**

##### **Aamer Abu-Qarn**

Seminar presented at Eastern Economic Association Conference, Boston, 2014.

##### **Nadav Ben Zeev**

2015: IDC, Herzlyia.

**Tomer Blumkin**(May 2015) “The Signaling Role of Corporate Social Responsibility,” Cesifo Area Conference on Employment and Social Protection, Munich, Germany.

(May 2015) “Optimal Wage Redistribution in the Presence of Adverse Selection in the Labor Market,” Cesifo Area Conference on Employment and Social Protection, Munich, Germany.

(June 2015) “The Signaling Role of Corporate Social Responsibility,” Israel Economic Association, Annual Meeting, Tel Aviv, Israel.

**Leif Danziger**

European Economic Association meeting in Mannheim, Germany, August 2015.

**Ezra Einy**

Conference in honor of scientific achievements of Abraham Neyman, The Hebrew University of Jerusalem (June 2015), talk title: "The Value of Public Information in Common-Value Tullock Contests."

**Koresh Galil**

Multinational Finance Society, Prague (Czech Republic), June 2014.

World Finance Conference, Venice (Italy), July 2014.

**Mark Gradstein**

CESIFO Conference on Public Economics, April 2014.

**Ori Haimanko.**

Microeconomics Theory Seminar, Institute for Economic Research, Kyoto University (February 2015), talk title: "Tullock Contests with Asymmetric Information."

Conference in honor of scientific achievements of Abraham Neyman, The Hebrew University of Jerusalem (June 2015), talk title: "Approximate Robustness to Incomplete Information."

**Moshe Justman**

"Social Inequality and Educational Opportunity in Israel," Conference of the Initiative for Applied Research on Education, Jerusalem.

"Predicting VCE Outcomes from NAPLAN Scores," DEECD, Melbourne, ISI Conference, New Delhi.

"Differential Funding," Conference on equal opportunity in education, Ramat Gan.

"Gender Differences in Advanced STEM Subjects," at the Weizmann Institute in Israel and in Melbourne University. Victoria.

**Shirlee Lichtman-Sadot**

2014: AEFPP - San Antonio, TX; American Society of Health Economists – Los Angeles, CA; Western Economic Association Conference – Denver, CO.

**Oren Rigbi**

Paper presentations at the EIEF (Italy) – October 2015 and the University of Munich, CESifo and the University of Hamburg - November 2015

**Aner Sela.**

Seminar at National University of Singapore.

15<sup>th</sup> SAET Conference, Cambridge, July 2015.

**Karine van der Beek**

April 2014: Research Seminar in Applied Economics and Management (RSAEM) at the Solvay Brussels School of Economics and Management (SBS-EM), the Department of Applied Economics of ULB, Brussels.

October 2014: Departmental seminar at the School of Economics, Interdisciplinary Center (IDC), Herzliya, Israel.

September 2014: Second CEPR Economic History Symposium, Vienna, Austria.  
 March 2014: The Economic History Society Annual Conference, University of Warwick, Coventry, UK.

**Oscar Volij**

“The Value of a Draw,” presented at the annual meeting of the Association for Public Economic Theory (PET15), 2-4 July, 2014, Luxembourg City, Luxembourg.

**David Wettstein**

2015 “Patents and Pools in Pyramidal Innovation Structures” (with H. Lampert), RES-York Annual Symposium on Game Theory, University of York, York, UK.

**Ro'i Zultan**

Invited seminars:

2015, European Bank for Reconstruction and Development. “The Public Sector in the Lab: The Role of Incentives.”

2015, Business School, Tel-Aviv University. “Auction Mechanisms and Bidder Collusion.”

2015, Game Theory Seminar, Bar-Ilan University. “Imperfect Recall and Time Inconsistencies: An experimental test of the absentminded driver ‘paradox’.”

Conferences:

“Punishment and Reward Institutions with Harmed Minorities,” International Meeting on Experimental and Behavioral Social Sciences, Toulouse, France, 2015; Economic Science Association European Meeting, Heidelberg, Germany, 2015; and Economic Sciences Association North-American Meeting, Dallas, Texas, US, 2015.

“Auction Mechanisms and Bidder Collusion: Bribes, Signals, and Selection,” London Experimental Workshop, London, UK, 2015.

“Do Participants Believe the Experimenter?” Economic Science Association European Meeting, Heidelberg, Germany, 2015.

**V. PUBLICATIONS 2014-15** (names of Center members appear in capital letters)

Abdelfattah, Y., ABU-QARN, A.S., Dunne, P. and Zaher, S. (2014) “The Demand for Military Spending in Egypt,” *Defence and Peace Economics* 25(3):231-245.

BEN ZEEV, N. and Pappa, E. “Chronicle of a War Foretold: The Macroeconomic Effects of Anticipated Defense Spending Shocks.” (forthcoming in *Economic Journal*).

BEN ZEEV, N. and Khan, H. (2015) “Investment-Specific News Shocks and U.S. Business Cycles,” *Journal of Money, Credit and Banking* 47(7):1443-1464.

BEN ZEEV, N. and Pappa, E., (2015) “Multipliers of Unexpected Increases in Defense Spending: An Empirical Investigation,” *Journal of Economic Dynamics and Control* 57:205-226.

BLUMKIN, T., DANZIGER, L. and Yashiv, E. (2015) “Asymmetric Firm Productivities: The Case for Declining Unemployment Benefits Revisited” (second revision requested by *International Tax and Public Finance*).

Bastani, S., BLUMKIN, T., and Micheletto, L. (2015) "Optimal Wage Redistribution in the Presence of Adverse Selection in the Labor Market," accepted for publication in *Journal of Public Economics*.

DANZIGER, L. and Ben-Yashar, R. "When Is Voting Optimal?" *Economic Theory Bulletin* (forthcoming).

DANZIGER, L. and Danziger, E. (2015) "A Pareto-Improving Minimum Wage," *Economica* 82:236-252.

DANZIGER, L. and Ben-Yashar, R. (2014) "On the Optimal Composition of Committees," *Social Choice and Welfare* 43:973-980.

EINY, E., HAIMANKO, O., Orzach R., and SELA, A. "Common-Value All-Pay Auctions with Asymmetric Information and Bid Caps," *International Journal of Game Theory*, accepted, to be published in the special issue in honor of Abraham Neyman.

EINY, E., Goswami M.P., HAIMANKO, O., Orzach, R., and SELA, A. "Common-Value All-Pay Auctions with Asymmetric Information," *International Journal of Game Theory*, accepted.

EINY, E., HAIMANKO, O., Moreno D., SELA, A. and Shitovitz, B. (2015). "Equilibrium Existence in Tullock Contests with Incomplete Information," *Journal of Mathematical Economics* 61:241-245.

GALIL, K., Shapir, O., Amiram, D., and Ben-Zion, U. (2014) "The Determinants of CDS Spreads," *Journal of Banking and Finance* 41:271-282.

Bakalyar, I. and GALIL, K. (2014) "Rating Shopping on the Israeli Corporate Bond Market," *International Review of Financial Analysis* 33:270-280.

Afik, Z., Feinstein, I. and GALIL, K. (2014) "The (Un)informative Value of Credit Rating Announcements in Small Markets," *Journal of Financial Stability* 14:66-80. 512-514.

HAIMANKO, O. and Kajii, A. "Approximate Robustness of Equilibrium to Incomplete Information," *International Journal of Game Theory*, accepted.

JUSTMAN, M., Blass, N., Dahan, M., Kraus, M., and Zussman, N. (2014) Differential Budgeting of Education in Israel. Israel Democracy Institute and Van Leer Jerusalem Institute. 47 pp. In Hebrew.

Racah, A., Henner-Shapira, H., Amiad, A., Bar, R., Biran, I., Eliraz, Y., Heiman, N., JUSTMAN, M., Lev-Sadeh, D., Menkes, M., and Shilo, Y. (2014) Report of the Subcommittee on Poverty and Education, Committee for the War on Poverty, Ministry of Social Affairs, Jerusalem. 66 pp. In Hebrew.

JUSTMAN, M. and VAN DER BEEK, K. (2014) "Market Forces Shaping Human Capital in Eighteenth Century London," *Economic History Review* 68(4):1177-1202.

LICHTMAN-SADOT, S. (2014) "The Value of Postponing Pregnancy: California's Paid Family Leave and the Timing of Pregnancies," *B.E. Journal of Economic Analysis and Policy (Contributions)*, Vol. 4 (2014).

RIGBI, O., COHEN-ZADA, D. and Margalit, Y. "Does Religiosity Affect Support for Political Compromise?" *International Economic Review*, forthcoming

RIGBI, O. and Ater, I. (2014) "Organizational Structure, Police Activity, and Crime: Evidence from an Organizational Reform in Jails," *Journal of Public Economics* 115:62-71.

Megidish, R. and SELA, A. (2014) "Caps in Sequential Contests," *Economic Inquiry* 52(2):608-617.

Segev, E. and SELA, A. (2014) "Sequential All-Pay Auctions with Head Starts," *Social Choice and Welfare* 43(4):893-923.

Megidish, R. and SELA, A. (2014) "Sequential Contests with Synergy and Budget Constraints," *Social Choice and Welfare* 42(1):215-243.

Minchuk, Y. and SELA, A. (2014) "All pay Auctions with Certain and Uncertain Prizes," *Games and Economic Behavior* 88:130-134.

VAN DER BEEK, K. (2014) "England's Eighteenth Century Demand for High-Quality Workmanship: Evidence from apprenticeship, 1710-1770." Forthcoming in John Nye, Avner Greif, and Lynne Kiesling eds., *Institutions, Innovation, and Industrialization: Essays in Economic History and Development*, a festschrift volume in the honor of Prof. Joel Mokyr (Princeton University Press. 2014).

Ruffle, Bradley, and VOLIJ, O. (2015) "First-Mover Advantage in Two-Sided Competitions: An Experimental Comparison of Role-Assignment Rules," forthcoming in *International Journal of Game Theory*, DOI 10.1007/s00182-015-0493-7.

Mahajne, M., Nitzan, S., and VOLIJ, O. (2015) "Level  $r$  Consensus and Stable Social Choice," forthcoming in *Social Choice and Welfare*, DOI: 10.1007/s00355-015-0882-7.

de la Vega, C.L. and VOLIJ, O. (2014) "Segregation, Informativeness and Lorenz Dominance," *Social Choice and Welfare* 43:3, 547-564.

Palacios-Huerta, I. and VOLIJ, O. (2014) "Axiomatic Measures of Intellectual Influence," *International Journal of Industrial Organization* 34:85-90.

Pérez-Castrillo, D. and WETTSTEIN, D. “Discrimination in a Model of Contests with Incomplete Information about Ability,” forthcoming in *International Economic Review*.

Prabal Goswami, M. and WETTSTEIN, D. “Rational Bidding in a Procurement Auction with Subjective Evaluations,” forthcoming in *International Journal of Industrial Organization*.

Borm, P., Ju, Y. and WETTSTEIN, D. (2015) “Rational Bargaining in Games with Coalitional Externalities,” *Journal of Economic Theory* 157:236-254.

Kaplan, T. R. and WETTSTEIN, D. (2015) “The Optimal Design of Rewards in Contests,” *Review of Economic Design* 19: 327-339.

Vittoria Levati, M., Uhl, M., and ZULTAN, R. (2014) “Imperfect Recall and Time Inconsistencies: An experimental test of the absentminded driver ‘paradox’,” *International Journal of Game Theory* 43(1):65-68.

Klor, E., Kube, S., Winter, E. and ZULTAN, R. (2014) “Can Higher Bonuses Lead to Less Effort?” Incentive Reversal in Teams,” *Journal of Economic Behavior & Organization* 97:72-83.

Steiger, E.-M., and ZULTAN, R. (2014) “See No Evil: Information Chains and Reciprocity in Teams,” *Journal of Public Economics* 109:1-12.

**VI. WORKING PAPER SERIES 13/14/15 and  
abstracts of RECENT working papers  
(issued from the Monaster Center for Economic Research)**

**Discussion Paper Series 2013**

- 13-01 B.J. Ruffle and Y. Tobol, “Honest on Mondays: Honesty and the temporal distance between decisions and payoffs.”
- 13-02 N.E. Feldman and B.J. Ruffle, “The Impact of Tax Exclusive and Inclusive Prices on Demand.”
- 13-03 E. Einy, O. Haimanko, D. Moreno, A. Sela, and B. Shitovitz, “Tullock Contests with Asymmetric Information.”
- 13-04 C. Lasso de la Vega and O. Volij, “A Simple Proof of Foster’s (1983) Characterization of the Theil Measure of Inequality.”
- 13-05 M. Mahajne and O. Volij, “Level  $r$  Consensus.”
- 13-06 E. Einy, O. Haimanko, R. Orzach, and A. Sela, “Common-Value All-Pay Auctions with Asymmetric Information.”
- 13-07 A. Zapechelnjuk and R. Zultan, “Job Search Costs and Incentives.”

- 13-08 O. Weisel and R. Zultan, "Social Motives in Intergroup Conflict."
- 13-09 E. Klor, S. Kube, E. Winter and R. Zultan, "Can Higher Rewards Lead to Less Effort? Incentive Reversal in Teams."
- 13-10 S. Lichtman, "The Value of Postponing Pregnancy: California's Paid Family Leave and the Timing of Pregnancies."
- 13-11 M. P. Goswami, "Non Fixed-Price Trading Rules in Single-Crossing Classical Exchange Economies."
- 13-12 C. Lasso de la Vega and O. Volij, "Segregation, Informativeness and Lorenz Dominance."
- 13-13 O.H. Azar, "Optimal Strategy of Multi-Product Retailers with Relative Thinking and Reference Prices."
- 13-14 T.R. Kaplan, B.J. Ruffle, and Z. Shtudiner, "Waiting to Cooperate."
- 13-15 M. Justman and A. Krush, "Less Equal *and* Less Mobile: Evidence of a Decline in Intergenerational Income Mobility in the United States."
- 13-16 B. Houg and M. Justman, "A Comparison of Two Methods for Estimating School Effects and Tracking Student Progress from Standardized Test Scores."
- 13-17 M. Justman and K. van der Beek, "Market Forces Shaping Human Capital in Eighteenth Century London."
- 13-18 K. Galil, O.M. Shapir, D. Amiram and U. Ben-Zion, "The Determinants of CDS Spreads."

#### **Discussion Paper Series 2014**

- 14-01 O. Volij, "Segregation: Theoretical Approaches."
- 14-02 E. Einy, O. Haimanko, R. Orzach and A. Sela, "Common-Value All-Pay Auctions with Asymmetric Information and Bid Caps."
- 14-03 M. Prabal Goswami, "Equal Treatment of Equals in Classical Quasilinear Exchange Economies."
- 14-04 S. Fischer, W. Guth, T.R. Kaplan and Ro'i Zultan, "Auctions and Leaks: A Theoretical and Experimental Investigation."
- 14-05 S. Dekel, S. Fischer and Ro'i Zultan, "Punishment and Reward Institutions with Harmed Minorities."
- 14-06 A. Llorente-Saguer and Ro'i Zultan, "Auction Mechanisms and Bidder Collusion: Bribes, Signals and Selection."

- 14-07 D. Perez-Castrillo and D. Wettstein, "Discrimination in a New Model of Contests with Two-Sided Asymmetric Information."
- 14-08 E. Einy, D. Moreno, and B. Shitovitz, "The Value of Public Information in Common-Value Tullock Contests."
- 14-09 H. Shalit, "Measuring Risk in Israeli Mutual Funds: Conditional Value-at Risk vs. Aumann-Serrano Riskiness Index."
- 14-10 G. Gertsman and H. Shalit, "Optimizing MCSD Portfolios."

### **Discussion Paper Series 2015**

- 15-01 N. Ben Zeev, "What Can We Learn About News Shocks From the Late 1990s and Early 2000s Boom-Bust Period?"
- 15-02 M. Brueckner, A. Chong and M. Gradstein, "Does Economic Prosperity Breed Trust?"
- 15-03 Z. Afik, O. Arad and K. Galil, "Using Merton's Model: an empirical assessment of alternatives."
- 15-04 U. Benzion, K. Galil, and E. Lahav, "Debt Composition and Lax Screening in the Israel Corporate Bond Market."
- 15-05 K. Galil and N. Sher, "Predicting Default More Accurately: to proxy or not to proxy for default?"
- 15-06 A. Krumer, R. Megidish and A. Sela, "Round-Robin Tournaments with a Dominant Player."
- 15-07 S. Bastani, T. Blumkin and L. Micheletto, "Optimal Wage Redistribution in the Presence of Adverse Selection in the Labor Market."
- 15-08 "T. Blumkin, L. Danziger and E. Yashiv, "Optimal Unemployment Benefit Policy and the Firm Productivity Distribution."
- 15-09 A. Krumer, R. Megidish and A. Sela, "First-Mover Advantage in Round-Robin Tournaments."
- 15-10 Y. Minchuk and A. Sela, "Asymmetric Sequential Search under Incomplete Information."
- 15.11 B. Hounq and M. Justman, "Out-of-Sample Predictions of Access to Higher Education and School Value-Added."
- 15-12 M. Justman and K. Peyton, "Credible Enforcement of Compulsory Schooling by Linking Welfare Payments to School Attendance: Lessons from Australia's Northern Territory."

- 15-13 N. Friedman-Sokuler and M. Justman, “Gender Streaming and Prior Achievement in High School Science and Mathematics.”

**ABSTRACTS OF DISCUSSION PAPERS** (issued since the previous report)

**WHAT CAN WE LEARN ABOUT NEWS SHOCKS FROM THE LATE 1990s  
AND EARLY 2000s BOOM-BUST PERIOD?**

Nadav Ben Zeev

Discussion Paper 15-01

The major boom-bust period of 1997-2003 is commonly viewed as an expectations-driven episode in which overly optimistic expectations about information and communications technology were followed by their downward revision. This paper employs a novel approach to identifying the news shocks of this period that restricts the identified shock to have its maximal three-year moving average of realizations in the 1997-1999 boom period, followed by a negative average in the bust period. I provide robust evidence that this shock raises output, hours, investment, and consumption, and accounts for the majority of their business cycle variation.

**DOES ECONOMIC PROSPERITY BREED TRUST?**

Markus Brueckner, Alberto Chong and Mark Gradstein

Discussion Paper 15-02

We explore whether national economic prosperity enhances mutual generalized trust. This is done using panel data of multiple waves of the World Values Surveys, whereby national income levels are instrumented for using exogenous oil price shocks. We find significant and substantial effects of national income on the level of trust in the economy. In particular, a one percent increase in national income tends to cause an average increase of one percentage point (or more) in the likelihood that a person becomes trustful. One possible rationalization for this, exhibited in a simple model, is that perceived prosperity signals that many people are trustworthy.

**USING MERTON’S MODEL: AN EMPIRICAL  
ASSESSMENT OF ALTERNATIVES**

Zvika Afik, Ohad Arad and Koresh Galil

Discussion Paper 15-03

It is surprising that although four decades have passed since the publication of Merton’s (1974) model, and despite the development and publications of various extensions and alternative models, the original model is still used extensively by practitioners, and even academics, to assess credit risk. We empirically examine specification alternatives for Merton’s model and a selection of its variants, concluding that prediction goodness is mainly sensitive to the choice of assets expected return and volatility. A Down-and-Out Option pricing model and a simple naïve model outperform the most common variants of the Merton model, therefore we recommend using the simple model for its easy implementation.

**DEBT COMPOSITION AND LAX SCREENING IN THE ISRAEL  
CORPORATE BOND MARKET**

Uri Benzion, Koresh Galil and Eyal Lahav

Discussion Paper 15-04

Corporate bond markets may suffer from investors' lack of competence in screening out low-quality issuers. We use data from the Israeli capital market in 1999-2009 to investigate the quality of corporate bond issuers and the role of the institutional investors in the screening process in the corporate bond market. The findings suggest that higher quality firms were more likely to issue bonds, but firms of lower quality tended to raise a higher fraction of their debt through bond issuance. Firms with higher proportion of their debt in bonds out had also a higher tendency to default. Institutional investors intensively funded firms with higher share of bonds in their long-term debt despite their lower quality, and therefore were partially responsible for the lax screening in the corporate bond market.

**PREDICTING DEFAULT MORE ACURATELY: TO PROXY OR NOT TO  
PROXY FOR DEFAULT?**

Koresh Galil and Neta Sher

Discussion Paper 15-05

Previous studies targeting accuracy improvement of default models mainly focused on the choice of the explanatory variables and the statistical approach. We alter the focus to the choice of the dependent variable. We particularly explore whether the common practice (in literature) of using proxies for default events (bankruptcy or delisting) to increase sample size indeed improves accuracy. We examine four definitions of financial distress and show that each definition carries considerably different characteristics. We discover that rating agencies effort to measure correctly the timing of default is valuable. In predicting default and in explaining CDS spreads, a default model significantly outperforms any other type of financial-distress model, despite being estimated on a substantially smaller sample (72 defaults compared to 409 bankruptcies and 923 delistings).

**ROUND-ROBIN TOURNAMENTS WITH A DOMINANT PLAYER**

Alex Krumer, Reut Metgidish and Aner Sela

Discussion Paper 15-06

We analyze the subgame perfect equilibrium of the round-robin tournament with one strong (dominant) and two weak players, and compare between this tournament and the one-stage contest with respect to the round-robin tournament given that the weak players are matched in the second stage. If, however, the allocation of players is randomly determined then the contest designer might prefer the one-stage contest. Last, if the contest designer's goal is to maximize the players' expected total effort, then if the asymmetry between the players is relatively low he should use the one-stage contest, but, if the asymmetry is relatively high the round-robin tournament should be used.

**OPTIMAL WAGE REDISTRIBUTION IN THE PRESENCE OF ADVERSE  
SELECTION IN THE LABOR MARKET**

Spencer Bastani, Tomer Blumkin and Luca Micheletto

Discussion Paper 15-07

In this paper we highlight a novel role played by the non-linear income tax in the presence of adverse selection in the labor market due to asymmetric information

between workers and firms. Relying on the Rothschild and Stiglitz equilibrium concept, we show that an appropriate choice of the tax schedule enables the government to affect the wage distribution by controlling the transmission of information in the labor market. This represents an additional channel through which the government can foster the pursuit of its redistributive goals.

### **OPTIMAL UNEMPLOYMENT BENEFIT POLICY AND THE FIRM PRODUCTIVITY DISTRIBUTION**

Tomer Blumkin, Leif Danziger and Eran Yashiv  
Discussion Paper 15-08

This paper provides a novel justification for a declining time profile of unemployment benefits that does not rely on moral hazard or consumption-smoothing considerations. We consider a simple search environment with homogeneous workers and low- and high-productivity firms. By introducing a declining time profile of benefits, the government can affect the equilibrium wage profile in a manner that enhances the sorting of workers across low- and high-productivity firms. We demonstrate that optimal government policy depends on the dispersion and skewness of the firms' productivity distribution.

### **FIRST MOVER ADVANTAGE IN ROUND-ROBIN TOURNAMENTS**

Alex Krumer, Reut Megidish and Aner Sela  
Discussion Paper 15-09

We study round-robin tournaments with either three or four symmetric players whose values of winning are common knowledge. In the round-robin tournament with three players there are three stages, each of which includes one match between two players. The player who wins in two matches wins the tournament. We characterize the sub-game perfect equilibrium and show that each player maximizes his expected payoff and his probability to win if he competes in the first and the last stages of the tournament. In the round-robin tournament with four players there are three rounds, each of which includes two sequential matches where each player plays against a different opponent in every round. We characterize the sub-game perfect equilibrium and show that a player who plays in the first match of each of the first two rounds has a first-mover advantage as reflected by a significantly higher winning probability as well as a significantly higher expected payoff than his opponents.

### **ASYMMETRIC SEQUENTIAL SEARCH UNDER INCOMPLETE INFORMATION**

Yizhaq Minchuk and Aner Sela  
Discussion Paper 15-10

We study a two-stage sequential search model with two agents who compete for one job. The agents arrive sequentially, each one in a different stage. The agents' abilities are private information and are derived from heterogeneous distribution functions. In each stage the designer chooses an ability threshold. If an agent has a higher ability than the ability threshold in the stage in which he arrives, he gets the job and the search is over. We analyze the equilibrium ability thresholds imposed by the designer who wishes to maximize the ability of the agent who gets the job minus the search cost. We also investigate the ratio of the equilibrium ability thresholds as well as the optimal allocation of agents in both stages according to the agents' distributions of abilities.

**OUT-OF-SAMPLE PREDICTIONS OF ACCESS TO HIGHER EDUCATION  
AND SCHOOL VALUE-ADDED**

Brendan Houg and Moshe Justman

Discussion Paper 15-11

We demonstrate out of sample that Australia's nationally standardized grade-nine test scores combined with demographic and socio-economic covariates provide accurate probabilistic predictions of students' prospective access to higher education. While prior scores have the larger effect, family background has a substantial further impact on access, and our findings indicate where these effects are largest. Among larger schools, out-of-sample predictions based solely on student characteristics and ninth-grade scores account for 87% to 89% of the variance in school-level success rates, and value-added indicators derived out-of-sample explain a further 5-6 percentage points—over 40% of the remaining variance.

**CREDIBLE ENFORCEMENT OF COMPULSORY SCHOOLING BY  
LINKING WELFARE PAYMENTS TO SCHOOL ATTENDANCE:  
LESSONS FROM AUSTRALIA'S NORTHERN TERRITORY**

Moshe Justman and Kyle Peyton

Discussion Paper 15-12

We apply a difference-in-difference analysis to demonstrate the importance of credibility for enforcing compulsory schooling by linking welfare assistance to school attendance. The unique circumstances of Australia's School Enrolment and Attendance through Welfare Reform Measure (SEAM) led indigenous parents of truant children in the Northern Territory initially to believe that continued truancy jeopardized their welfare income. Consequently, SEAM had a substantial, immediate impact on participation rates in standardized tests. However, as administrators rarely withheld welfare payments from truant families the credibility of the threat was undermined and most of the initial improvement in participation dissipated.

**GENDER STREAMING AND PRIOR ACHIEVEMENT IN HIGH SCHOOL  
SCIENCE AND MATHEMATICS**

Naomi Friedman-Sokuler and Moshe Justman

Discussion Paper 15-13

Women's underrepresentation in mathematically intensive fields is often attributed to gender differences in mathematical ability. We test this hypothesis using administrative data on a cohort of Israeli eighth-grade students. These students exhibit recognized gendered patterns in their subsequent choice of advanced matriculation electives: girls favor biology and chemistry while boys favor physics and computer science. Linking these choices to eighth-grade standardized test scores, we find that these gendered patterns remain largely intact after controlling for prior achievement, indicating that they are not driven by gender differences in mathematical ability, nor are they explained by boys' comparative advantage in mathematics.

## VII. RESEARCH SUMMARIES OF CENTER MEMBERS

### **Suleiman Abu-Bader**

Dr. Abu-Bader's research interests deal with the application of econometric techniques to study macroeconomic relations. He investigates growth-related issues in the Middle East as well as the relationship between economic growth, globalization, income inequality, and poverty in developing countries. His current research is focused on studying those factors which explain the differences in income inequality levels and changes over time of the Bedouin in the Negev and of the Palestinians in the West Bank and Gaza Strip.

### **Aamer Abu-Qarn**

Dr. Abu-Qarn focuses his research on the determinants of economic growth in general and on the MENA region in particular. To accomplish this, he applies both time series techniques and panel data methods. He also examines various aspects of the Israeli-Arab conflict, including testing for structural breaks in military expenditures, the arms race, and the relationship between defense and economic growth. Recently, he has focused on the determinants of labor force participation of Arab females and the role of access to public transportation.

### **Tomer Blumkin**

Prof. Blumkin's research continues to focus on normative issues related to the design of the tax and transfer system. He examines, inter-alia, the efficiency-enhancing role of mandatory parental leave rules, the desirable role of minimum wage legislation in re-distribution towards the class of deserving poor, the optimal non-linear tax-and-transfer system in the presence of adverse selection in the labor market and the signaling role of corporate social responsibility and its tax policy implications. He is also engaged in experimental research examining the incentivizing role of wage subsidies provided to employer and workers in a setting with incomplete labor contracts.

### **Danny Cohen-Zada**

Dr. Cohen-Zada's research deals with the economics of education, the economics of religion and sport economics. Currently, he is studying how religious pluralism and religious market share affect the demand for religious schooling. In another project he estimates the treatment effect of religious schooling in Israel on student outcomes and drug use. Recently, he began a project on the causal effect of school entrance age on student performance. Dr. Cohen is also investigating whether religiosity affects political compromise. His research in sports economics deals with whether men or women choke more under pressure and which gender is more responsive to psychological momentum.

### **Leif Danziger**

Prof. Danziger's research concentrates on the following subject areas: (1) the output and welfare effects of a minimum wage; (2) the design and implications of labor contracts; (3) the macroeconomic consequences of adjustment costs; and (4) the properties of voting mechanisms.

### **Ezra Einy**

Prof. Einy's research concentrates on values of games, large games, voting games, utility theory, inequality measures, and refinement of correlated equilibria. His present focus is on solution concepts of economies with differential information.

**Koresh Galil**

Dr. Galil's research interests focus on empirical finance and credit risk. His current projects include empirical examination of quality trends in corporate ratings and sovereign ratings, the relation between economic profits and expected stock returns, corporate bond issuance, informed trading prior to default events and anomalies in credit derivatives markets.

**Mark Gradstein**

Prof. Gradstein's research interests are concerned with private versus public provision of public goods and public growth-promoting policies. His current project (jointly with M. Justman) focuses on growth promoting policies as implied by actual political mechanisms.

**Ori Haimanko**

Prof. Haimanko currently studies robustness of equilibria and continuity of equilibrium correspondences in games with incomplete information; competitive contracts and contests with asymmetric information; and axiomatizations of values of cooperative games.

**Moshe Justman**

Prof. Justman's current research focuses on the economics of education, including the analysis of standardized tests, gender and ethnic gaps in educational opportunity and achievement, and funding education; and intergenerational mobility.

**Shirlee Lichtman-Sadot**

Dr. Lichtman-Sadot is an applied economist, whose research emphasizes health, family and education economics. Her work has focused on school food environments and their effect on various student outcomes. Some of her current projects make use of data from Soroka University Medical Center for evaluating various policies and environmental factors experienced by pregnant women and their effect on birth outcomes.

**Oren Rigbi**

Dr. Rigbi's main research interests are applied microeconomics and industrial organization. Much of his time is devoted to investigating the economics of alternative credit markets including person-to-person markets and online charitable giving markets in developed and developing countries. In addition, he explores how the structure of law enforcement agencies affects their activities and crime.

**Aner Sela**

Prof. Sela's research concerns optimal designs of contests and auctions.

**Avia Spivak**

Prof. Spivak continues his research activities in two main fields of interest: the macro economics of Israel and the economics of pensions and social insurance.

**Karine van der Beek**

Dr. van der Beek's research interests include economic history, growth and institutions. She mainly focuses on industrialization, technological change and the evolution of human capital in pre-modern Europe. Her current research project explores the skilled labor sector in England during the Industrial Revolution.

**Oscar Volij**

Prof. Volij does research in economic theory and game theory. His current projects involve the measurement of segregation, income inequality, and two-sided competitions.

**David Wettstein**

Prof. Wettstein's current research focuses on introduction of new solution concepts for cooperative environments with externalities and asymmetric information; non-cooperative foundations for old and new cooperative solution concepts (the Nash Program); contests and auctions; patent policy and innovative activity.

**Ro'i Zultan**

Ro'i Zultan is an experimental economist with a background in cognitive and experimental psychology. He is mainly interested in understanding how groups shape cognitions and behavior as well as in more broad issues of cooperation and behavior in teams. He is also interested in some basic game theoretical issues, experimental auctions, and experimental methodology.