

**THE PHILLIPE MONASTER CENTER
FOR ECONOMIC RESEARCH**

ACTIVITY REPORT

2010/11

**THE PHILLIPE MONASTER CENTER
FOR ECONOMIC RESEARCH
ACTIVITY REPORT
2010/11**

TABLE OF CONTENTS

I.	MEMBERS OF THE CENTER AND THE STEERING COMMITTEE	3
II.	OPENING REMARKS (presented by Ori Haimanko, Director)	4
III.	ACTIVITIES IN DETAIL: Guests, Seminars, Research Contracts, Fellowships and Awards, Committees, Appointments, and Cooperation with Other Institutions	5
IV.	PARTICIPATION IN CONFERENCES AND SEMINARS	12
V.	PUBLICATIONS	15
VI.	WORKING PAPERS: Titles and Recent Abstracts	18
VII.	RESEARCH SUMMARIES	23

I. MEMBERS OF THE MONASTER CENTER FOR ECONOMIC RESEARCH (some members are affiliated with departments other than the Department of Economics)

Director: Dr. Ori Haimanko

Steering committee: Dr. Ori Haimanko, Prof. Oscar Volij and Prof. David Wettstein

Members:

Dr. Suleiman Abu-Bader
 Dr. Aamer Abu-Qarn
 Dr. Salem Abu-Zaid
 Prof. Arie Arnon
 Dr. Ofer Azar, Department of Business Administration
 Prof. Gila Benisti
 Dr. Tomer Blumkin
 Dr. Danny Cohen-Zada
 Prof. Leif Danziger
 Prof. Ezra Einy
 Dr. Naomi Feldman
 Dr. Koresh Galil
 Dr. Arieh Gavious, Department of Industrial Engineering and Management
 Dr. Yaacov Gilboa
 Prof. Mark Gradstein
 Dr. Ori Haimanko, Director, Monaster Center for Economic Research
 Mr. Gadi Hazak
 Prof. Moshe Justman
 Prof. Israel Luski
 Dr. Oren Rigbi
 Dr. Bradley Ruffle
 Prof. Edna Schechtman, Department of Industrial Engineering and Management
 Dr. Ella Segev, Department of Industrial Engineering and Management
 Prof. Aner Sela
 Prof. Haim Shalit
 Prof. Zilla Sinuany-Stern, Department of Industrial Engineering and Management
 Prof. Avia Spivak
 Dr. Karine van der Beek
 Prof. Oscar Volij, Chairman, Department of Economics
 Prof. Jimmy Weinblatt
 Prof. David Wettstein
 Dr. Ro'i Zultan

II. OPENING REMARKS

The Monaster Center had another productive year in 2010-2011. During this period, close to 60 articles were published or accepted for publication, some in leading economics journals. External funding of individual projects through competitive grants (including the lucrative ISF, NSF, GIF, EU IRG) has also been significant. There was also an unusually high flow of visitors from other institutions, and our weekly seminar meetings were booked solid months in advance. The additional seminar devoted to empirical economics was often held weekly instead of bi-weekly due to high demand. In fact, sometimes as many as three seminars took place in one week. It is also important to mention that the Center received additional exposure when the 2nd Bi-annual International Thomas Guggenheim Conference (this year entitled “David Hume and the Scottish Enlightenment: Economic and Philosophical Studies”) was held in Ben-Gurion University, with Prof. Arie Arnon and Dr. Karine van der Beek serving on its organizing committee.

The Center continued to sponsor membership in academic societies, and cover the costs of submitting articles to journals and conferences of the members and their students. As in the previous year, young (untenured) faculty members additionally benefited from partial reimbursement of their conference registration fees.

Although the Center had to drastically reduce the extent of funds earmarked for secretarial assistance, the Department of Economics stepped in to cover some of the shortfall. The end result is that the secretary is now present at the Center during standard work hours four times a week, thereby minimizing inconvenience to the faculty.

Several noteworthy events took place in regard to appointments and promotions as well. Prof. Oscar Volij became the department chairperson, replacing Prof. Leif Danziger. We thank Leif for his leadership during the past two years, and wish Oscar smooth sailing for the rest of his term. We also wish success to Prof. Jimmy Weinblatt as he formally takes on the presidency of the Sapir Academic College, and congratulate Prof. Arie Arnon on his promotion to the rank of full professor. A warm welcome is extended to two newcomers: Dr. Ro'i Zultan, a specialist in behavioral economics, who begins his career in BGU as a lecturer, and Dr. Salem Abo-Zaid, a macroeconomist, who starts out as a postdoctoral fellow. Salem's appointment as a lecturer is expected next year, ensuring that the department maintains active research in macroeconomics thus filling a gap left by the departure of Dr. Benny Berdugo.

As always, we thank the Center's secretary, Ms. Ella Ginzburg, for her reliable year-round service. We moreover gratefully acknowledge the work of our English editor Ms. Estelle Schulgasser, who provides invaluable help in our writing activities, and whose efforts are indispensable in compiling and editing this report.

Dr. Ori Haimanko, Director

III. ACTIVITIES IN DETAIL

This year the special topic of the 2nd Bi-Annual International Thomas Guggenheim Conference, as hosted by the Department of Economics at Ben-Gurion University, was “David Hume and The Scottish Enlightenment: Economic and Philosophical Studies,” in celebration of 330 years of Hume’s birth. The Thomas Guggenheim Prize Lecture, an integral part of the conference, was delivered by its recipient Prof. Samuel Hollander, Professor Emeritus of the University of Toronto and former Professor of Economics at the Department of Economics of Ben-Gurion University.

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:

Benny Moldovanu (Universitat Bonn)
 Dan Friedman (University of California, Santa Cruz)
 Salem Abo-Zaid (University of Maryland)
 Ro’i Zultan (University College London)
 Gili Greenberg (Universita Bocconi)
 David Perez-Castrillo (Universitat Autònoma de Barcelona)
 David Frankel (Iowa State University)
 Markus Brueckner (The University of Adelaide)
 Peter Sudholter (University of Southern Denmark)
 Liran Einav (Stanford University)
 Eran Shmaya (Northwestern University)
 Yona Rubinstein (London School of Economics and Brown University)
 David Albouy (University of Michigan)
 Anat Bracha (Federal Reserve Bank of Boston)
 Nozomu Muto (Autònoma University, Barcelona)
 Yaniv Yadid-Levy (University of British Columbia)
 Uwe Sunde (University of St. Gallen)
 Ethan Ilzetzki (London School of Economics)
 Ali Yurukoglu (Stanford Graduate School of Business)
 Kim Oosterlink (Université libre de Bruxelles)
 Laszlo Goerke (Universitat Tübingen)
 Omer Biran (University of Paris IX, Dauphine)
 Uzi Segal (Boston College)
 Shai Bernstein (Harvard Business School)
 Noam Gruber (University of Michigan)
 Guy Michaels (London School of Economics)
 Guy Arie (Kellogg School of Management, Northwestern University)

2) 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, those that are presented at the bi-weekly empirical workshop, and special seminars).

06.01.11 Benny Moldovanu (Universitat Bonn)
 “Search Committees”

13.01.11 Dan Friedman (University of California, Santa Cruz)

- “Separating the Hawks from the Doves: Evidence from Continuous Time Laboratory Games”
- 23.02.11 Salem Abo-Zaid (University of Maryland)
“Optimal Long-Run Inflation with Occasionally-Binding Financial Constraints”
- 24.02.11 Ro’i Zultan (University College London)
“Production Technology in Teams: Discrimination, Incentive Reversal and Transparency”
- 02.03.11 Raphael Franck (Bar-Ilan University)
“Political Consequences of Income Shocks: The Consolidation of Democracy in France”
- 03.03.11 Mark Gradstein (Ben-Gurion University)
“Dictatorship, Democracy, and Development: Olson Revisited”
- 09.03.11 Gili Greenberg (Universita Bocconi)
“Small Firms, Big Patents? Estimating Patent Value Using Data on Israeli Start-Ups Financing Rounds”
- 10.03.11 Laszlo Goerke (Universitat Tubingen)
“Relative Consumption, Working Time, and Trade Unions”
- 24.03.11 Kim Oosterlink (Université libre de Bruxelles)
“The Price of Degenerate Art”
- 30.03/11 Rita Troitsky (Ben-Gurion University)
“A Simulation of the Effect of the Extension Order of the Pension Laws on the Living Standards of the Elderly in Israel”
- 31.03.11 Omer Moav (Hebrew University of Jerusalem)
“The Early State: Malthusian Dynamics and Asymmetric Information”
- 07.04.11 Ali Yurukoglu (Stanford Graduate School of Business)
“The Effects of Bundling in Multichannel Television Markets”
- 11.04.11 Omer Biran (University of Paris IX, Dauphine)
“Core Stable Bidding Rings in Independent Private Value Auctions with Externalities”
- 13.04.11 Oren Rigbi (Ben-Gurion University)
“Transactions Costs and Social Distance in Philanthropy: Evidence from a Field Experiment”
- 14.04.11 Ethan Ilzetzki (London School of Economics)
“Kosher Pork”

- 27.04.11 Rosit Rosenboim-Levy (Ben-Gurion University)
“Corporate Governance Aspects in Cross-Listing”
- 28.04.11 Uwe Sunde (University of St. Gallen)
“Democratization and Civil Liberties: The Role of Violence during the Transition”
- 05.05.11 Yaniv Yadid-Levy (University of British Columbia)
“Technology Adoption and Labor Market Dynamics”
- 11.05.11 Sarit Cohen-Goldner (Bar-Ilan University)
“A Reevaluation of the Role of Family in Immigrants’ Labor Market Activity: Evidence from a Comparison of Single and Married Immigrants”
- 18.05.11 Nozomu Muto (Autonoma University, Barcelona)
“Strategic Complexity and the Core in Bargaining Games”
- 19.05.11 Eran Manes and Dani Shapira (Ben-Gurion University)
“Poverty (Tenure) Track”
- 25.05.11 Anat Bracha (Federal Reserve Bank of Boston)
“Relative Pay and Labor Supply”
- 02.06.11 David Albouy (University of Michigan)
“Metropolitan Land Values and Housing Productivity”
- 09.06.11 Yona Rubinstein (London School of Economics and Brown University)
“Evaluating the Effect of Minimum Wage Using the Differential Impact of Federal Minimum Wage on State Effective Minimum Wages”
- 13.06.11 Eran Shmaya (Northwestern University)
“Outcome Equivalence and Garbling of Signals”
- 16.06.11 Liran Einav (Stanford University)
“Learning from Seller Experiments in Online Markets”
- 21.08.11 Peter Sudholter (University of Southern Denmark)
“On the Shapley NTU Value and the Generalized Nash Solution”
- 24.08.11 Markus Brueckner (The University of Adelaide)
The Effectiveness of Government Expenditures during Financial Crisis: Evidence from Regional Government Spending in Japan 1990-2000
- 03.11.11 Alon Eizenberg (Hebrew University of Jerusalem)
“Upstream Innovation and Product Variety in the United States Home PC Market”
- 09.11.11 Asaf Zussman (The Hebrew University of Jerusalem)
“On the Sources of Discrimination against Minorities in the Marketplace: Evidence from Israel”

- 10.11.11 David Frankel (Iowa State University)
“Unions, Manufacturers, and Bailouts”
- 17.11.11 David Perez-Castrillo (Universitat Autònoma de Barcelona)
“Investment, Duration, and Exit Strategies for Corporate and Independent
Venture Capital-Backed Start-ups”
- 23.11.11 Eyal Lahav (Ben-Gurion University)
“Time Preferences of Teenagers and Soldiers”
- 24.11.11 Reut Megidish (Ben-Gurion University)
“Allocation of Prizes in Contests with Participation Constraints”
- 01.12.11 Tomer Blumkin (Ben-Gurion University)
“The Quantity-Quality Trade-Off Revisited: A Case for Taxing Children”
- 07.12.11 Hillel Rapoport (Bar-Ilan University)
“Migration, FDI and the Margins of Trade”
- 08.12.11 Uzi Segal (Boston College)
“On the Likelihood of Cyclic Comparisons”
- 15.12.11 Noam Gruber (University of Michigan)
“Keeping up with the Zhangs: household saving behavior as a function of
relative wealth”
- 19.12.11 Shai Bernstein (Harvard Business School)
“Does Going Public Affect Innovation”
- 21.12.11 Guy Michaels (London School of Economics)
“Do Giant Oilfield Discoveries Fuel Internal Armed Conflicts?”
- 22.12.11 Naomi Hausman (Hebrew University of Jerusalem and NBER)
“University Innovation, Local Economic Growth, and Entrepreneurship”
- 22.12.11 Koresh Galil (Ben-Gurion University)
“Informed Trading Prior to Default”
- 29.12.11 Guy Arie (Kellogg School of Management, Northwestern University)
“Dynamic Cost and Moral Hazard”

3) Research Contracts, Fellowships and Awards

Ofer Azar received a grant from the Marketing Science Institute. In a recent ranking of economists from all over the world, Dr. Azar ranked 69th among authors in IDEAS/RePEc whose first publication is within the last 10 years, in a ranking that uses the average of about 30 different rankings.

Ezra Bar-Ziv continues to be supported by the following grants:

Ministry of Infrastructure (2007-2010) in the amount of \$250,000 for a project on coal gasification.

BSF (2007-2011) in the amount of \$180,000 for a project on porosity and reactivity of chars.

Danny Cohen-Zada received a grant in the amount of \$17,250 from Yad Hanadiv. The grant is for creating a database for investigating brain drain from Israel.

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 was elected Economic Theory Fellow, Society for the Advancement of Economic Theory.

Naomi Feldman was awarded a Global Development Network Regional Research Competition Grant, (with Peter Katuščák) in the amount of \$11,275, and also an Economic and Social Research Council Small Grant (with Francesca Cornaglia) for £80,000. The title of the project is “Wages, Productivity and Marriage: The Case of Major League Baseball.”

Mark Gradstein is a research fellow at the following institutes: Center for Economic Policy Research (CEPR) (London, UK) since 2001 (Public Policy Program); the Center for Economic Studies (CESifo) (Munich, Germany) since 1999; and the Institute for the Study of Labor (IZA) (Bonn, Germany) since 2004. He also holds a research fellowship from the Development Research Group at the World Bank.

Oren Rigbi was awarded a EU International Reintegration Grant in the amount of 100,000 Euro (2009-2013) entitled “Insights from Person-to-Person Credit Markets” and also a grant from the Israel Science Foundation in the amount of \$87,861 (2010-2013) entitled “The Economics of Alternative Credit Markets.”

Bradley Ruffle was the recipient of a grant from the German-Israeli Foundation for Scientific Research and Development (GIF). The research project is entitled “Pricing Strategies in a Dynamic Network Market: An Experimental Analysis,” and is being carried out with A. Weiss and F. Heinemann.

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

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

Karine van der Beek is the recipient of an Israel Science Foundation (ISF) Individual Grant for the project: “The Development in Human Capital on the Eve of the Industrial Revolution (1710-1772).” The grant is in the amount of \$66,500 for the period 2011-2013. She also received a U.S.-Israel Binational Science Foundation (BSF) Regular Grant (together with Joel Mokyr from Northwestern University, IL), for the project “Technology-skill Complementarity during the Industrial Revolution: 1710-1810” in the amount of \$84,000 for the period 2011-2013. She continues to be supported by The Institute for New Economic Thinking (INET) Inaugural Grant for

the project: “Technology-Skill Complementarity on the Eve of the Industrial Revolution: New Evidence from England (1710-1772)” in the Amount of \$22,600 for the period 2011-12.

4) Committees, Appointments and Cooperation with Other Institutions in Israel and Abroad

Many of the members of the Center collaborate on a regular basis with investigators from various research centers and academic institutions in Israel and abroad.

Suleiman Abu-Bader cooperates with a group of Israeli, Palestinian and international economists on research devoted to the economic aspects of a permanent agreement between Israel and Palestine. This research is done within the framework of the AIX Group.

Aamer Abu-Qarn collaborates with Paul Dunne from the Bristol School, University of West England and with Miki Malul from Ben-Gurion University. Additionally, he is an active member of the fifth research stage of the AIX group, which deals with the economic dimensions of the Arab peace initiative.

Arie Arnon, cooperating with some twenty-five researchers in economics and other disciplines, helped to create the Economics and Society Program at the Van Leer Jerusalem Institute,. He also cooperates with a group of Israeli, Palestinian and international economists on research devoted to the economic aspects of a permanent agreement between Israel and Palestine for which he is coordinator of the Israeli side and head of the research on the Palestinian refugees. This research is done within the Aix Group since 2002. In 2010 and 2011 the Group will work on economic elements associated with the Arab Peace Initiative. A grant from the EC will facilitate the research.

Ofer Azar is an Associate Editor of the Journal of Economic Behavior and Organization and of the Journal of Economic Psychology. He is also an Editorial Board Member of the Journal of Socio-Economics and is an Advisory Board Member of SSRN Journals in Behavioral & Experimental Economics.

Dr. Azar serves as President-Elect of the Society for Advance of Behavioral Economics (SABE), and as the Chairperson of the Executive Committee of the International Confederation for the Advancement of Behavioral Economics and Economic Psychology (ICABEEP). He is also the Newsletter Editor of the International Association for Research in Economic Psychology (IAREP), and Israel’s country representative both in IAREP and in SABE. He is on the Scientific Committee of the SABE 2012 and IAREP 2012 conferences.

Dr. Azar recently collaborated with Michael Bar-Eli and David Brock from Ben-Gurion University of the Negev. At Ben-Gurion University of the Negev Dr. Azar serves as the Head of the Multidisciplinary Specialty, and Chairperson of the Teaching Committee in the Department of Business Administration, and as a member of the University Senate.

Tomer Blumkin is a member of the Cesifo Research Institute in Munich and the IZA Institute for labor economics in Bonn. He collaborates with Prof. Volker Grossmann from Fribourg University in Switzerland.

Danny Cohen-Zada collaborates with Todd Elder from Michigan State University, with Jonathan Meer from Texas A & M, and Yotam Margalit from Columbia 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 Eyal Baharad from Haifa University and Ruth Ben-Yashar from Bar-Ilan University.

Naomi Feldman collaborates with Joel Slemrod (University of Michigan), Bradley Ruffle (BGU) and Francesca Cornaglia (Queen Mary University of London).

Koresh Galil collaborates with Zvika Afik (BGU), Ohad Arad (BGU), Uri Ben-Zion (BGU), Avigail Konikov (Bar-Ilan University), Cesario Mateus (Greenwich University), and Offer Shafir (BGU).

Yaacob Gilboa serves as Head of the Department of Applied Economics of Sapir Academic College.

Ori Haimanko does collaborative research on the following projects: Economies with Incomplete Information – joint with Ezra Einy (BGU) and Atsushi Kajii (University of Kyoto); Competitive Contracts with Heterogeneous and Other-regarding Agents – joint with John Geanakoplos (Yale) and Pradeep Dubey (SUNY and Yale); and Values of Cooperative Games – joint with Pradeep Dubey (SUNY and Yale).

Oren Rigbi collaborates with Itai Ater from Tel-Aviv University, Jonathan Meer from Texas A&M University, Tomer Blumkin and Danny Cohen Zada from BGU and Yotam Margalit from Columbia University.

Bradley Ruffle serves as an Associate Editor at the International Journal of Industrial Organization (IJIO) (since 2006). He is also guest editor of an issue of the IJIO on “Experiments in Industrial Organization” to appear in early 2011. He collaborates with Naomi Feldman (BGU), Todd Kaplan (Haifa University), Richard Sosis (University of Connecticut) and Oscar Volij (BGU).

Edna Schechtman does joint research with Shlomo Yitzhaki (Central Bureau of Statistics), Mike Sherman (Texas A&M University), David Shinar (BGU) and Yisrael Parmet (BGU). She currently serves as president of the Israel Statistical Association.

Ella Segev collaborates with Ron Lavi (Technion), Paul Schweiner (York University), Gal Hochman (Rutgers University), Gabrielle Gayer (Haifa University) and Aner Sela

Aner Sela does joint research with Ella Segev.

Haim Shalit does joint research with Sergio Ortobelli (University of Bergamo, Italy), Svetlozar T. Rachev (University of Karlsruhe), Shlomo Yitzhaki (Central Bureau of Statistics), Frank Hespeler (UC San Diego), and Doron Greenberg (Ariel University Center).

Zilla Sinuany-Stern is a member of the EURO Distinguished Service Medal Jury.

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

Oscar Volij collaborates with Ana Urrutia and Casilda Lasso (University of the Basque Country). He serves as associate editor for the Journal of Public Economic Theory.

David Wettstein works on the following joint research projects: “Coalitional Externalities, Strategic Bargaining and Efficient Values” with Peter Borm (Tilburg University) and Yuan Ju (York University); “The Optimal Design of Rewards in Contests” with Todd R. Kaplan (University of Haifa); and “Innovation Contests” with David Perez-Castrillo (Universitat Autònoma de Barcelona).

IV. PARTICIPATION IN CONFERENCES AND SEMINARS

Aamer Abu-Qarn

Determinants of Labor Force Participation of Arab Women in the Negev, International Conference of the Middle East Economic Association, Barcelona, Spain, June 23-24, 2011.

Suleiman Abu-Bader

AIX Group –International Conference “Trading Peacefully: How to Increase Trade in MENA after a Comprehensive Arab-Israeli Peace,” Rabat, Morocco, February 2011 (with Joseph Zeira and Saad Khatib).

EEA - European Economic Association 26th Annual Congress, Oslo, Norway, August 2011.

Arie Arnon

June 2010, History of Economics Society Annual Meeting, Syracuse, USA,

“Baring, Boyd and Bullion: The Two Polar Views taking Shape in 1800-1802.”

June 2010, Hyman Minsky Conference, Levy Economic Institute, Bard College, USA,

“The Puzzling Slow Rise of a Theory of Central Banking:

Between Lender of Last Resort, Defensive and Active Monetary Policies.”

October 2010 Seminar, Seoul University, “The Puzzling Slow Rise of a Theory of Central Banking: Between Lender of Last Resort, Defensive and Active Monetary Policies.”

February 2011, Aix Conference, Rabat, Morocco, “The Palestinian Refugees: Regional and Bilateral Economic Dimensions.”

May 2011, ESHET conference, Istanbul, Turkey, “Crises and Theorizing Economic Policy: The Case of Monetary Theory during the 19th Century.””

Ofer AzarConference presentations

- 2010: 6th International Meeting on Experimental & Behavioral Economics (IMEBE), Bilbao, Spain; International Meeting of the Economic Science Association, Copenhagen, Denmark; IAREP/SABE/ICABEEP, Cologne, Germany; The 3rd Annual Conference on the Psychology of Investments, Rishon-Le'Zion, Israel; The 4th Israel Strategy Conference, Haifa, Israel
- 2011: 7th International Meeting on Experimental & Behavioral Economics (IMEBE), Barcelona, Spain; International Conference on Behavioral Decision Making, The Interdisciplinary Center Herzliya (IDC), Israel; ICABEEP/IAREP/SABE, Exeter, UK.

Seminar presentations

2010 - University of Valencia, THEMA - Université de Cergy-Pontoise / ESSEC Business School, Ben-Gurion University of the Negev.

Danny Cohen-Zada

D. Cohen-Zada and T. Elder, "Religious Pluralism, Religious Market Shares and the Demand for Religious Schooling." Annual Meeting of the Association for the Study of Religion, Economics, and Culture, Crystal City, Virginia, April 2011.

Leif Danziger

Conference: The Macroeconomics of Financial Market Imperfections and Housing Markets, Mishkenot Sha'nanim, March 2011.

CESifo Area Conference on Employment and Social Protection, Munich, Germany, May 2011.

Seminar at the Institute for the Study of Labor, Bonn, Germany, June 2011.

Ezra Einy

International Conference on Game Theory and Economic Theory, SUNY at Stony Brook, July 2011.

Naomi Feldman

Michigan Tax Invitational, Ann Arbor, MI 2010.

National Tax Association, Chicago, IL 2010.

Koresh Galil

INFINITI, 2011, Dublin, Ireland, 2011.

Yaacov Gilboa

"Achievement Gaps in the Israeli Education System," presented at the 12th Annual International Conference on Education, Athens, and the Israeli Economic Association, Maale Hachamisha, 2010.

Mark Gradstein

CESifo Workshop in Public Economics, 2010.

Ori Haimanko

The 7th Spain-Italy-Netherlands Conference on Game Theory, Paris, France, July 2011.

Oren Rigbi

Annual Meeting of the American Economics Association, Denver, CO, January 2011.
European Microfinance Conference, Groningen, the Netherlands, June 2011.

Bradley Ruffle

“Are Good-Looking People More Employable?” Hebrew University-Jerusalem (April 2010), IMEBE meetings, Bilbao (April 2010).

"Do We Need Laboratory Experiments in Economics," History and Philosophy of Economics 24th Annual International Workshop, Jerusalem (December 2010).

“The Impact of Tax Exclusive and Inclusive Prices on Demand,” 4th Psychology of Investment Conference, Rishon Lezion (December 2011).

Ella Segev

Invited talk – Dagstuhl Seminar, German, “Efficiency Levels in Sequential Auctions with Dynamic Arrivals.”

The Arne Ryde Memorial Lectures on Dynamic Pricing Workshop, Sweden,
“Price Discrimination Based on Buyers’ Purchase History.”

Aner Sela

10th SAET Conference, Singapore, August 2010.

Tournaments, Contests and Relative Performance Evaluation, North Carolina, March 12 - 13, 2011.

Haim Shalit

“Using the Aumann-Serrano Riskiness Index in Portfolio Analysis,” presented at 49th Meeting of the Euro Working Group on Financial Modeling held in Helsinki, Finland, November 24-26, 2011.

Karine van der Beek

September 2011: European Historical Economics Society Conference, Dublin.

June 2011: Conference Honoring Professor Joel Mokyr, Evanston, IL.

June 2011: Economics Departmental Seminar, Bar-Ilan University, Ramat Gan.

Oscar Volij

“An Axiomatic Characterization of the Theil Index of Income Inequality,” presented at 11th SAET Conference, Faro, Portugal, June 2011.

David Wettstein

“Innovation Contests” (with Perez-Castrillo, D.), the 22nd International Conference on Game Theory in Stony Brook, U.S., 2011.

Ro'i Zultan

Workshop on *Trust and Trustworthiness: Economic and Political Perspectives*.

Truman Institute and the Center for the Study of Rationality, the Hebrew University of Jerusalem, 14-15. November 2011. Paper title: “See No Evil: Information Chains and Production in Teams.”

V. PUBLICATIONS 2010-11 (names of Center members appear in capital letters)

ABU-BADER, S. and ABU-QARN, A. S. (2010) "Trade Liberalization or Oil Shocks: Which Better Explains Structural Breaks in International Trade Ratios?" *Review of International Economics* 18(2):250–264.

ABU-BADER, S. and Gottlieb, D. "Poverty, Education and Employment among the Arab-Bedouin in Israel." In *Monetary Poverty and Social Exclusion around the Mediterranean Sea*, edited by Florent Bresson and Valerie Berenger, Springer (in press).

ABU-BADER, S. and Gradus, Y. (eds.) (2011) *The Negev Bedouin Statistical Data Book No. 3*. Ben-Gurion University Press.

ABU-QARN, A.S. (2010) "The Defense-Growth Nexus: An Application for the Israeli-Arab Conflict," *Defence and Peace Economics* 21(4):291-300.

ABU-QARN, A.S. (2010) "Economic Ramifications of the Israeli-Arab Conflict – Introduction," *Defence and Peace Economics* 21(4):285-289.

ARNON, A. (2011), *Monetary Theory and Policy from Hume and Smith to Wicksell: Money, Credit and the Economy*, Cambridge: Cambridge University Press, 448 pages.

ARNON, A., J. Weinblatt, J. and Young, W. (eds.) (2011) *Perspectives on Keynesian Economics*, Heidelberg: Springer-Verlag, 304 pages.

ARNON, A. (2011), "Keynes, Wicksell and Active Monetary Policy" in Arnon, A., J. Weinblatt, J. and W. Young, W. (eds.), *Perspectives on Keynesian Economics*, Heidelberg: Springer-Verlag, pp. 207-229.

ARNON, A., Weinblatt, J. and Young, W. (2011) "Introduction" in Arnon, A., Weinblatt, J. and Young, W. (eds.), *Perspectives on Keynesian Economics*, Springer-Verlag, pp. 1-11.

ARNON, A. (2011) "Economic Aspects in the Israeli-Palestinian Conflict" in Newman, D. and Peters, J. (eds.), *Routledge Handbook of the Israeli-Palestinian Conflict*, London: Routledge.

AZAR, O.H. (2010) "Can More Consumers Lead to Lower Profits? A Model of Multi-Product Competition," *Journal of Economic Behavior and Organization* 76(2):184-195.

AZAR, O.H. and Brock, D.M. (2010) "The Development of Strategy Process Research and the Most Influential Articles and Authors," in Kellermanns, Franz W. and Pietro Mazzola (Editors), *Handbook of Strategy Process Research*, Edward Elgar Publishing.

AZAR, O.H. (2011) "Do People Think about Absolute or Relative Price Differences when Choosing between Substitute Goods?" *Journal of Economic Psychology* 32(3):450-457.

- AZAR, O.H. (2011) "Relative Thinking in Consumer Choice between Differentiated Goods and Services and its Implications for Business Strategy," *Judgment and Decision Making* 6(2):176-185.
- AZAR, O.H. (2011) "Business Strategy and the Social Norm of Tipping," *Journal of Economic Psychology* 32(3):515-525.
- AZAR, O.H. (2011) "Does Relative Thinking Exist in Real-World Situations? A Field Experiment with Bagels and Cream Cheese," *Economic Inquiry* 49(2):564-572.
- AZAR, O.H. (2011) "Do Consumers Make Too Much Effort to Save on Cheap Items and Too Little to Save on Expensive Items? Experimental Results and Implications for Business Strategy," *American Behavioral Scientist* 55(8):1077-1098.
- AZAR, O.H. and Bar-Eli, M. (2011) "Do Soccer Players Play the Mixed-Strategy Nash Equilibrium?" *Applied Economics* 43(25):3591-3601.
- Fetchenhauer, D., AZAR, O.H., Antonides, G., Dunning, D., Frank, R.H., Lea, S. and Ölander, F. "Monozygotic Twins or Unrelated Stepchildren? On the Relationship between Economic Psychology and Behavioral Economics," forthcoming in *Journal of Economic Psychology*.
- AZAR, O.H. "What Affects Customer Success When Bargaining for a New Car? Some Empirical Evidence," forthcoming in *Journal of Socio-Economics*.
- BLUMKIN, T. and Sadka, E. (2010) "Rising UI Benefits over Time," *International Tax and Public Finance* 17:501-517.
- BLUMKIN, T. and Grossmann, V. (2010) "May Increased Partisanship Lead to Convergence of Parties' Policy Platforms," *Public Choice* 145:547-569.
- Sander, W. and COHEN-ZADA, D. (2010) "The Economics of Catholic Schools," *International Encyclopedia of Education* (Economics of Education Section), 3rd edition, edited by Barry McGraw, Penelope Peterson and Eva Baker, Amsterdam: Elsevier.
- Sander, W. and COHEN-ZADA, D. "Religiosity and Parochial School Choice: Cause or effect?" forthcoming in *Education Economics*.
- COHEN-ZADA, D. and Sander, W. "Religious Participation versus Shopping: What makes people happier," forthcoming in *Journal of Law and Economics*
- Ben-Yashar, R. and DANZIGER, L. (2011) "Symmetric and Asymmetric Committees," *Journal of Mathematical Economics* 47: 440-447.
- DANZIGER, L. (2010) "Uniform and Nonuniform Staggering of Wage Contracts," *Labour Economics* 17:1038-1049.
- DANZIGER, L. (2010) "Endogenous Monopsony and the Perverse Effect of the Minimum Wage in Small Firms," *Labour Economics* 17:224-229.

- EINY, E. HAIMANKO, O., and Tumendemberel, B. (2010). "Continuity of the Value and Optimal Strategies when Common Priors Change," forthcoming in *International Journal of Game Theory*.
- EINY, E. and HAIMANKO, O. "Characterization of the Shapley-Shubik Power Index without the Efficiency Axiom," forthcoming in *Games and Economic Behavior*.
- FELDMAN, N. (2010) "Mental Accounting Effects of Income Tax Shifting," *Review of Economics and Statistics* 92(1):70-86.
- FELDMAN, N. (2010) "Time is Money: Choosing between Charitable Activities," *American Economic Journal: Economic Policy* 2(1):103-130.
- BEN-ZION, U., GALIL, K., Rosenboim, M. and Shabtay, H., (2011) A Reexamination of Value Creation through Strategic Alliances, *International Journal of Banking Accounting and Finance* 3, (2/3):133-154.
- GALIL, K. and Soffer, G. (2011) "Good News Bad News and Rating Announcements: an Empirical Investigation," *Journal of Banking and Finance* 35:3101-3119.
- Shafir, O., BEN-ZION, U. and GALIL, K, "The Performance of Mutual Funds Ratings in Israel," forthcoming in *Quarterly Economics* (Hebrew).
- GRADSTEIN, M. and Chong, A. (2011) "Is the World Flat? Country Level and Firm Level Determinants of Law Compliance," *Journal of Law, Economics, and Organization* 27(2):245-271.
- GILBOA, Y. and JUSTMAN, M. (2010) "Equal Opportunity in Higher Education in Israel," in *Growing Gaps – Educational Inequality Around the World*, eds. P. Attewell and K. Newman. Oxford University Press.
- Dubey, P., Geanakoplos, G. and HAIMANKO, O. "Wages Versus Prizes With Envy and Pride," forthcoming in *Japanese Economic Review*.
- RIGBI, O., Abramitzky, R. and Einav, L. (2010) "Is Hanukkah Responsive to Christmas?" *Economic Journal* 120(545):612-630.
- Kaplan, T.R. and RUFFLE, B.J. "Which Way to Cooperate?" forthcoming in *Economic Journal*.
- Hans-Theo, N. and RUFFLE, B.J. (2011) "Introduction to the Special Issue on Experiments in Industrial Organization," *International Journal of Industrial Organization*, 29(1):1-3.
- Hochman, G. and SEGEV, E. (2010) "Managed Trade with Imperfect Information," *International Economic Review* 51(1):187-211.

Schweitzer, P. and SEGEV, E. (2011) "The Optimal Prize Structure of Symmetric Tullock Contests," forthcoming in *Public Choice*

Kaplan, T. and SELA, A. (2010) "Effective Contests," *Economics Letters* 106:38-41.

SELA, A. "Sequential Two-Prize Contests," forthcoming in *Economic Theory*.

Moldovanu, B., SELA, A. and Shi, X. "Carrots and Sticks: Prizes and Punishments in Contests," forthcoming in *Economic Inquiry*.

Groh, C. Moldovanu, B. SELA, A. and Sunde, U. "Optimal Seeding in Elimination Tournaments," forthcoming in *Economic Theory*.

SELA, A., (2011) "Best-of-Three All-Pay Auctions," *Economics Letters* 112(1):67-70.

SHALIT, H. and Yitzhaki, S. (2010) "How Does Beta Explain Stochastic Dominance Efficiency," *Review of Quantitative Finance and Accounting* 35(4):431-444.

SHALIT, H. (2010) "Finding Better Securities while Holding Portfolios," *Journal of Portfolio Management* 37(1):31-42.

VOLIJ, O. and Frankel, D (2011) "Measuring School Segregation," *Journal of Economic Theory* 146:1-38.

de Clippel, G., Perez-Castrillo, D. and WETTSTEIN, D. "Egalitarian Equivalence under Asymmetric Information," forthcoming in *Games and Economic Behavior*.

Levati, M.V. and ZULTAN, R. (2011) "Cycles of Conditional Cooperation in a Real-time Voluntary Contribution Mechanism," *Games* 2:1-15.

Greiner, B., Güth, W. and ZULTAN, R. "Social Communication and Discrimination: A video experiment," forthcoming in *Experimental Economics*.

Hugh-Jones, D. and ZULTAN, R. "Reputation and Cooperation in Defense," forthcoming in *Journal of Conflict Resolution*.

ZULTAN, R. "Strategic and Social Pre-Play Communication in the Ultimatum Game, forthcoming in *Journal of Economic Psychology*.

**VI. WORKING PAPER SERIES /09/10 /11 AND
ABSTRACTS OF RECENT WORKING PAPERS
(issued from the Monaster Center for Economic Research)**

Discussion Paper Series 2009

09-01 A. Sela, "Best-of-Three All-Pay Auctions."

- 09-02 U. Ben-Zion, K. Galil, M. Rosenboim, and H. Shabtay, "A Re-examination of Value-Creation through Strategic Alliances."
- 09-03 O. Hochman, "Efficient Agglomeration of Spatial Clubs."
- 09-04 G. Hochman, O. Hochman, E. Hochman, A. Heiman and P.-S. Leung, "Advertising Versus Sales in Demand Creation."
- 09-05 E. Einy, O. Haimanko, and B. Tumendemberel, "Continuity of the Value and Optimal Strategies when Common Priors Change."
- 09-06 I. Macho-Stadler, D. Perez-Castrillo and D. Wettstein, "Dividends and Weighted Values in Games with Externalities."
- 09-07 O. Azar, "Does Relative Thinking Exist in Real-World Situations? A Field Experiment with Bagels and Cream Cheese."
- 09-08 B. Berdugo and S. Hadad, "How Does Investors' Legal Protection Affect Productivity and Growth?"
- 09-09 S. Shahrabani, U. Benzion and T. Shavit, "Recalled Emotions and Risk Judgments: Field Study of the 2006 Israel-Lebanon War."
- 09-10 B. Ruffle, "When Do Large Buyers Pay Less? Experimental Evidence."
- 09-11 D. Greenberg and H. Shalit, "Hedging with Stock Index Options: A Mean-Extended Gini Approach."
- 09-12 H. Shalit, "Using OLS to Test for Normality."
- 09-13 B. Berdugo and U. Meir, "Education, Rent Seeking and Growth."

Discussion Paper Series 2010

- 10-01 B.J. Ruffle, A. Weiss and A. Etziony, "Coordination and Critical Mass in Network Market: An Experimental Investigation."
- 10-02 B.J. Ruffle and R. Sosis, "Do Religious Contexts Elicit More Trust and Altruism? An Experiment on Facebook."
- 10-03 A. S. Abu-Qarn, "The Defence-Growth Nexus Revisited: Evidence from the Israeli-Arab Conflict."
- 10-04 E. Einy and O. Haimanko, "Characterization of the Shapley-Shubik Power Index Without the Efficiency Axiom."
- 10-05 O. Hochman, "Efficient Agglomeration of Spatial Clubs."
- 10-06 B. Ruffle and Z. Shtudiner, "Are Good-Looking People More Employable?"

- 10-07 R. Megidish and A. Sela, "Caps in Sequential Contests."
- 10-08 R. Megidish and A. Sela, "Allocation of Prizes in Contests with Participation Constraints."
- 10-09 E. Erez and A. Sela, "Round-Robin Tournaments with Effort Constraints."
- 10-10 M. Malul, M. Rosenboim, and T. Shavit, "The Role of Employment Protection During an Exogenous Shock to an Economy."
- 10-11 H. Shalit, "Portfolio Risk Management Using the Lorenz Curve."

Discussion Paper Series 2011

- 11-01 P. Dubey, J. Geanakoplos, and O. Haimanko, "Prizes versus Wages with Envy and Pride."
- 11-02 I. Bakalyar and K. Galil, "Rating Shopping and Rating Inflation: Empirical Evidence from Israel."
- 11-03 C.L. de la Vega, A. Urrutia, and O. Volij, "An Axiomatic Characterization of the Theil Inequality Ordering."
- 11-04 M. Gradstein, "Dictatorship, Democratic Transitions, and Development."
- 11-05 T.R. Kaplan and B.J. Ruffle, "Which Way to Cooperate."
- 11-06 E. Segev and A. Sela, "Sequential All-Pay Auctions with Head Starts and Noisy Outputs."
- 11-07 R. Zultan, "Strategic and Social Pre-Play Communication in the Ultimatum Game."
- 11-08 E.-M. Steiger and R. Zultan, "See No Evil: Information Chains and Reciprocity in Teams."
- 11-09 R. Zultan, "Timing of Messages and the Aumann Conjecture: A Multiple-Selves Approach."

ABSTRACTS OF DISCUSSION PAPERS (issued since the previous report)

PRIZES VERSUS WAGES WITH ENVY AND PRIDE

Pradeep Dubey, John Geanakopolos and Ori Haimanko
Discussion Paper No. 11-01

We show that if agents are risk neutral, prizes outperform wages if and only if there is sufficient pride and envy relative to the noisiness of performance. If agents are risk averse, prizes are a necessary supplement to wages (as bonuses).

RATING SHOPPING AND RATING INFLATION: EMPIRICAL EVIDENCE FROM ISRAEL

Inna Bakalyar and Koresh Galil
Discussion Paper No. 11-02

The collapse of structured bond ratings during the 2007-2008 financial crisis called attention to the possibility of rating inflation due to lowered rating standards and rating shopping. Nevertheless, little empirical evidence has been offered for this prospect. The Israeli corporate credit rating market serves as solid ground for investigating this matter. In this study, we use data on corporate bond ratings assigned by two local rating agencies affiliated with S&P and Moody's during the period 2004-2009. We show that while one agency (Midroog) systematically assigned higher ratings, the ratings of the other agency (S&P-Maalot) were inflated due to rating shopping. These conclusions are based on several findings: the presence of selection bias in dual ratings, the superior accounting features of firms rated by S&P-Maalot relative to those similarly rated by Midroog, and the greater tendency of single ratings by S&P-Maalot to be downgraded. We confirm the predictions of recent theoretical studies that rating inflation may occur even when the value of the rating agencies derives from their reputation.

AN AXIOMATIC CHARACTERIZATION OF THE THEIL INEQUALITY ORDERING

Casilda Lasso de I Vega, Ana Urrutia and Oscar Volij
Discussion Paper No. 11-03

We identify an ordinal decomposability property and use it, along with other ordinal axioms, to characterize the Theil inequality ordering.

DICTATORSHIP, DEMOCRATIC TRANSITIONS, AND DEVELOPMENT

Mark Gradstein
Discussion Paper No. 11-04

In this paper, employing the political agency framework, we revisit the comparison between autocracy and democracy with respect to their effect on growth outcomes. We find that ability to replace an incumbent political leader through election is no guarantee in itself for the welfare superiority of the latter regime; in fact, the opposite consequence may result. Legislative constraints on expropriation are shown to have the potential to enhance the welfare advantage of election, whereas moral hazard reduces the ability of election to effectively screen incumbent political leaders and thereby reduces welfare. Endogenous initiation of democratic transitions will be done by autocratic rulers under the threat of removal from office. Implications of the latter result are discussed in the light of recent democratization episodes in Africa.

WHICH WAY TO COOPERATE

Todd R. Kaplan and Bradley J. Ruffle
Discussion Paper No. 11-05

We introduce a two-player, binary-choice game in which both players have a privately known incentive to enter, yet the combined surplus is highest if only one enters. Repetition of this game admits two distinct ways to cooperate: turn taking and cutoffs, which rely on the player's private value to entry. A series of experiments

highlights the role of private information in determining which mode players adopt. If an individual's entry values vary little (e.g., mundane tasks), taking turns is likely; if these potential values are diverse (e.g., difficult tasks that differentiate individuals by skill or preferences), cutoff cooperation emerges.

SEQUENTIAL ALL-PAY AUCTIONS WITH HEAD STARTS AND NOISY OUTPUTS

Ella Segev and Aner Sela
Discussion Paper No. 11-06

We study a sequential (Stackelberg) all-pay auction with two contestants who are privately informed about a parameter (ability) that affects their cost of effort. Contestant 1 (the first mover) exerts an effort in the first period, while contestant 2 (the second mover) observes the effort of contestant 1 and then exerts an effort in the second period. Contestant 2 wins the contest if his effort is larger than or equal to the effort of contestant 1; otherwise, contestant 1 wins. We characterize the unique subgame perfect equilibrium of this sequential all-pay auction and analyze the use of head starts to improve the contestants' performances. We also study this model when contestant 1 exerts an effort in the first period which translates into an observable output but with some noise. We study two variations of this model where contestant 1 either knows or does not know the realization of the noise before she chooses her effort. Contestant 2 does not know the realization of the noise in both variations. For both variations, we characterize the subgame perfect equilibrium and investigate the effect of a random noise on the contestants' performance.

STRATEGIC AND SOCIAL PRE-PLAY COMMUNICATION IN THE ULTIMATUM GAME

Ro'i Zultan
Discussion Paper No. 11-07

Pre-play face-to-face communication is known to facilitate cooperation. Various explanations exist for this effect, varying in their dependence on the strategic content of the communication. Previous studies have found similar communication effects regardless of whether strategic communication is available. These results were so far taken to support a social-preferences based explanation of the communication effects. The current experiment provides a replication and extension of previous results to show that different processes come into play, depending on the communication protocol. Specifically, pre-play communication in an ultimatum game was either restricted to nongame-related content or unrestricted. The results show that strategic, but not social, communication affects responders' strategies. Thus, the existing results are cast in a new light. I conclude that pre-play communication effects may be mediated by qualitatively different processes, depending on the social context.

SEE NO EVIL: INFORMATION CHAINS AND RECIPROCITY IN TEAMS

Eva-Maria Steiger and Ro'i Zultan
Discussion Paper No. 11-08

Transparency in teams can facilitate cooperation. We study contribution decisions by agents when previous decisions can be observed. We find that an information chain,

in which each agent directly observes only the decision of her immediate predecessor, is at least as effective as a fully-transparent protocol in inducing cooperation under increasing returns to scale. In a comparable social dilemma, the information chain leads to high cooperation both in early movers when compared to a non-transparent protocol and in late movers when compared to a fully-transparent protocol. We conclude that information chains facilitate cooperation by balancing positive and negative reciprocity.

**TIMING OF MESSAGES AND THE AUMANN CONJECTURE:
A MULTIPLE-SELVES APPROACH**

Ro'i Zultan

Discussion Paper No. 11-09

The Aumann (1990) conjecture states that cheap-talk messages do not necessarily help to coordinate on efficient Nash equilibria. In an experimental test of Aumann's conjecture, Charness (2000) found that cheap-talk messages facilitate coordination when they precede the action, but not when they follow the action. Standard game-theoretical modeling abstracts from this timing effect, and therefore cannot account for it. To allow for a formal analysis of the timing effect, I study the sequential equilibria of the signaling game in which the sender is modeled as comprising two selves: an acting self and a signaling self. I interpret Aumann's argument in this context to imply that all of the equilibria in this game are 'babbling' equilibria, in which the message conveys no information and does not affect the behavior of the receiver. Using this framework, I show that a fully communicative equilibrium exists—only if the message precedes the action but not when the message follows the action. In the latter case, no information is transmitted in any equilibrium. This result provides a game-theoretical explanation for the puzzling experimental results obtained by Charness (2000). I discuss other explanations for this timing-of-message effect and their relationship to the current analysis.

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 existence of 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.

Arie Arnon

Arie Arnon's research interests primarily deal with macroeconomics, monetary theory and banking, the Israeli economy and in particular the labor market and the history of economic thought. He is currently working on a monograph "*Money, Banking and the Economy: Monetary Theory from Hume and Smith to Wicksell.*"

Prof. Arnon also continues to be actively involved in regional economics and research on economic policies in the Middle East, particularly on the Israeli–Palestinian relations. Since 2002 he has been the Israeli Coordinator of "The Aix Group" – a Working Research Group on the Economic Dimensions of the Israeli Palestinian conflict. In 2005 he initiated the "Program on Economics and Society" at the Van Leer Jerusalem Institute.

Ofer Azar

Ofer Azar's main research areas are industrial organization, strategy, behavioral economics, and experimental economics. Recently, Dr. Azar's research has focused in particular on the following two topics. One was to examine using experiments how people make decisions between differentiated products and how workers respond to certain types of incentives. Another was to analyze how firm strategy should respond to the consumer bias of "relative thinking".

Tomer Blumkin

Dr. Blumkin's main focus has continued to be public policy issues, including unemployment insurance, anti-discrimination and affirmative action policy in the context of the general welfare (tax and transfer) system. He has also been working on political economy issues, focusing on the role of ideological polarization and manipulative power of parties to affect 'irrational' voters. In his new work, Dr. Blumkin has examined the role of social stigma on the optimal design of welfare systems, focusing on the difference between universal and selective transfer systems and their implications on social welfare. Joint with Dr. Bradley Ruffle, Dr. Blumkin continued his experimental work on the equivalence between consumption and income taxes focusing on money-illusion explanations for observed individuals' misperception and establishing a novel case for shifting the tax system to a consumption tax base.

Danny Cohen-Zada

Dr. Cohen-Zada's research deals with both the economics of education and the economics of religion. Currently, he is studying how religious pluralism affects the demand for religious schooling and how religiosity affects donations. In another project he estimates the treatment effect of religious schooling in Israel on student outcomes and drug use.

Leif Danziger

Prof. Danziger's research branches into two directions. The first focuses on understanding the output and welfare effects of the minimum wage rate, and the second with the effects of adjustment costs and inventories on the inflation-output trade-off.

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.

Naomi Feldman

Dr. Feldman's research interests include behavioral public finance and taxation. She is particularly interested in the complexity of the U.S. income tax code, tax compliance, avoidance and evasion and violations of the life-cycle hypothesis. Past research topics have also included charitable giving and volunteering.

Koresh Galil

Dr. Galil's research interests focus on empirical finance and credit risk. His current projects include empirical examination of several alternatives for application of Merton's (1974) model for prediction of default, information content of sovereign ratings, rating shopping, properties of credit spreads, informed trading prior to default events and anomalies in credit derivatives markets.

Yaacov Gilboa

Dr. Gilboa's research deals with the economics of education, especially equality of opportunity within the education system. Currently, he is studying achievement gaps in the Israeli education system and the effects of public affirmative action policies on these gaps. In addition, he is working on identifying the effects of purchasable and non-purchasable factors on educational attainment.

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

Dr. Haimanko's currently studies robustness of equilibria and continuity equilibrium correspondences in games with incomplete information, optimal labor contracts in multi-agent settings with pride and envy among agents, and axiomatizations of monotonic values of cooperative games.

Moshe Justman

Prof. Justman's activities focus on the political economy of education. He also does work on technology policy and on regional development.

Israel Luski

Prof. Luski's research interests deal with the following areas of industrial organization: R&D and patent policy – optimal strategies for R&D investment; the economics of multinational corporations – the economic impact of multinational corporations on the host country; optimal incentives policy; nonprofit organizations – economic efficiency of nonprofit organizations, and government policy toward nonprofit organizations.

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 studies mechanisms through which a principal can mitigate agency problems in franchised chains and in medical insurance firms.

Bradley Ruffle

Dr. Ruffle is primarily an experimental economist. He uses experimental methods in the laboratory and in the field to test theories and examine phenomena in product and labor markets, industrial organization, negotiations, and the role of cooperation, trust, signaling, emotions, and cognitive biases in interactive and individual decision making. He also uses rational choice theories to understand religiosity and religious institutions.

Edna Schechtman

Prof. Schechtman's research is directed towards the use of Gini in various areas of statistics, starting with the Gini correlation, moving to Gini's simple and multiple regressions and finally analysis of Gini (ANOVI).

Ella Segev

Dr. Segev applies game theoretic tools for the analysis of economic situations such as contests, auctions and bargaining in order to describe equilibrium behavior in these situations and design optimal mechanisms.

Aner Sela

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

Haim Shalit

Prof. Shalit's research is directed toward the use of the mean-Gini model and Conditional Stochastic Dominance in financial markets. His research with Prof. Shlomo Yitzhaki of the Central Bureau of Statistics on the mean-Gini model has shown how risk aversion affects the essence of capital markets equilibrium. Prof. Shalit's research also focuses on extended Gini measures to construct optimal portfolios. In this endeavor, he works with Dr. Frank Hespeler using Mathematica to choose optimal portfolios for higher risk aversion investors. He also works with Prof. Sergio Ortobelli (University of Bergamo University), Prof. Svetlozar T. Rachev (University of Karlsruhe and University of California Santa Barbara) and Prof. Frank J. Fabozzi (Yale University) on orderings and risk probability functionals applied to optimal portfolios. Furthermore, Prof. Shalit is developing a new test for normality based on regression weights.

Zilla Sinuany-Stern

Prof. Sinuany-Stern's focuses on the following areas: industrial engineering, management science, operations research, data envelopment analysis (DEA), decision analysis, forecasting, operations management, production planning and control, models in academic planning, reliability and maintenance in production control.

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 and income inequality.

Jimmy Weinblatt

Prof. Weinblatt's research efforts are devoted to pursuing various issues within the large scale project on the Economic Aspects of Peace in the Middle East: macroeconomic modeling, Israeli-Jordanian-Palestinian trade and the development of special industrial zones. He recently completed his final term as Rector of the University.

David Wettstein

Prof. Wettstein focuses on the introduction of new solution concepts for cooperative environments with externalities and asymmetric information, as well as on the non-cooperative foundations for old and new cooperative solution concepts and optimal auction design.

Ro'i Zultan

Dr. Zultan studies normative and descriptive issues of individual decision making using the tools of game theory and experimental economics. His primary interests are cooperation in social environments and the effects of communication on behavior.