THE PHILLIPE MONASTER CENTER
FOR ECONOMIC RESEARCH

ACTIVITY REPORT

2016/17
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I. MEMBERS OF THE MONASTER CENTER FOR ECONOMIC RESEARCH

DIRECTOR: Prof. Oscar Volij

MEMBERS

Dr. Suleiman Abu-Bader
Dr. Aamer Abu-Qarn
Prof. Ofer Azar, Department of Business Administration
Dr. Nadav Ben-Zeev
Prof. Tomer Blumkin
Dr. Danny Cohen-Zada
Prof. Leif Danziger
Dr. Koresh Galil
Dr. Naomi Gershoni
Prof. Mark Gradstein, Chairman, Department of Economics
Prof. Ori Haimanko
Dr. Ariel Lavi
Dr. Shirlee Lichtman-Sadot
Dr. Oren Rigbi
Prof. Aner Šela
Dr. Miri Stryjan
Dr. Karine van der Beek
Prof. Oscar Volij
Prof. David Wettstein
Dr. Ro’i Zultan
II. OPENING REMARKS

The 2016-2017 academic year was another productive period for the Center, with the Department of Economics providing a dynamic and stimulating environment for high-quality research. This is evidenced by the over 42 articles accepted or appearing in top international journals as well as the high number of presentations and attendance at international and local conferences and seminars. And as each year, the departmental weekly seminar continued to provide the opportunity to learn about the latest developments in economic research from within Israel and abroad.

Several individual research projects are still supported through competitive grants, such as the ISF and the GIF. In addition, the working paper series distributed under the auspices of the Center continued to flourish, issuing a high number of articles produced by the department members (as enumerated in this report). (All titles are available on the Internet on the site entitled The Monaster Center for Economic Research.)

This year we are happy to welcome a new member to the academic staff of the department: Dr. David Lagziel, a graduate from the Mathematics Department of Tel-Aviv University, is a mathematical economist interested in game theory and mechanism design. We are also happy to welcome Dr. Ran Eilat, a micro-theorist and graduate of Tel-Aviv University who, after spending two years at the European University in Florence, joined our ranks in October 2017.

Once again, we thank Ms. Ella Ginzburg and Ms. Estelle Schulgasser for their support in the production of this report.

Prof. Oscar Volij, Director
Monaster Center for Economic Research
III. ACTIVITIES IN DETAIL

The Fourth Guggenheim Conference on the History of Economic Thought was organized by department member Karine van der Beek and was held at Ben-Gurion University December 18-19, 2017. The conference was funded by the Guggenheim Program in the History of Economic Thought. This year's topic was the role of expectations in economics. Among the guest speakers were, Michael Bordo (Rutgers University), Amos Witztum (London School of Economics), Cristina Marcuzzo (Sapienza University of Rome), James Forder (University of Oxford), Warren Young (Bar-Ilan University), Elise Brezis Young (Bar-Ilan University), Arie Arnon (Ben-Gurion University), Alex Cukierman (Tel-Aviv University), Assaf Razin (Tel-Aviv University), Nathan Sussman (the Hebrew University) among other researchers. The keynote lecture was delivered by Duncan K. Foley (New School for Social Research), and was entitled “Expectations: Theory and Applications in Historical Perspective.”

Guests of the Center and the Department of Economics

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

Mark Koyama (George Mason University)
Elias Lafi Khalil (Monash University)
Alon Kalay (Columbia University)
Daniele Nosenzo (University of Nottingham)
Dan Amiram (Columbia University)
Noah Stoffman (Kelley School of Business)
Giovanni Mastrobuoni (University of Essex)
Stefania Albanesi (University of Pittsburgh)
Daniele Paserman (Boston University)
Hani Mansour (University of Colorado, Denver)
Ariell Zimran (Vanderbilt University)
Moshe Hoffman (Harvard University)
Kjell Salvanes (NHH – Norwegian School of Economics)
Ilan Cooper (BI Norwegian Business School)
Ada Gonzalez-Torres (European University Institute)
Alon Bergman (University of Rochester)
Yaniv Yedid Levi (University of British Columbia)
Shahar Rotberg (University of Toronto)
Yuval Salant (Kellogg School of Management, Northwestern University)
Anat Bracha (Federal Reserve Bank of Boston)

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

05.01.17 David Lagziel (Tel-Aviv University)
“The Tried-Stone Scheme and a Million-Dollar Bet”

08.01.17 Yair Kochav (Ben-Gurion University)
“Does Israel Suffer from Dutch Disease due to the High-Tech Sector?”
12.01.17  Ella Segev (Ben-Gurion University)
“Social Learning and the Design of New Experience Goods”

19.01.17  Mark Koyama (George Mason University)
“Economic Shocks, Inter-Ethnic Complementarities and the Persecution of Minorities: Evidence from the Black Death”

26.01.17  Elias Lafi Khalil (Monash University)
“The Aspirational Income Hypothesis: On the Limits of the Relative Income Hypothesis”

16.03.17  Alon Kalay (Columbia University)
“Complementarity between Audited Financial Reporting and Voluntary Disclosure: The Case of Former Andersen Clients”

23.03.17  Daniele Nosenzo (University of Nottingham)
“Preferences for Truth-Telling”

30.03.17  Dan Amiram (Columbia University)
“Do Executive Compensation Contracts Maximize Firm Value: Evidence from a Quasi-Natural Experiment”

20.04.17  Oren Rigbi (Ben-Gurion University)
“The Effect of Mandatory Disclosure of Supermarket Prices”

27.04.17  Noah Stoffman (Kelley School of Business)
“Trust Busting: The Effect of Fraud on Investor Behavior”

04.05.17  Sivan Frenkel (Tel-Aviv University)
“Strategic Disclosure with a Partially Informed Market”

07.05.17  Hodaya Lampert (Ben-Gurion University)
“Patents and Pools in Pyramidal Innovation Structures”

11.05.17  Giovanni Mastrobuoni (University of Essex)
“Criminal Discount Factors and Deterrence”

18.05.17  Stefania Albanesi (University of Pittsburgh)
“Credit Growth and the Financial Crisis: A New Narrative”

25.05.17  Adi Brender (Bank of Israel)
“The Welfare and Labor Market Effects of Mandatory Pension”

01.06.17  Moshe Justman (Ben-Gurion University)
“Economic Research and Education Policy Project STAR and Class Size Reduction”

08.06.17  Daniele Paserman (Boston University)
“Climate Change Policies and Electoral Accountability”

15.06.17  Shai Levi (Tel-Aviv University)
“Do Firms Under-report Information on Cyber-Attacks?” Evidence from Capital Markets”

19.06.17 Hani Mansour (University of Colorado, Denver)
“Casualties, Prejudice and Labor Market Outcomes among Muslims and Arabs in the U.S.”

22.06.17 Ariell Zimran (Vanderbilt University)
“Explaining the Antebellum Puzzle: Market Access, Food Prices, and Stature in the Antebellum United States, 1820-1847”

29.06.17 Moshe Hoffman (Harvard University)
“A Game Theoretic Explanation for the Quirks of Altruism”

02.11.17 Sergiu Hart (Hebrew University of Jerusalem)
“Smooth Calibration, Leaky Forecasts, Finite Recall and Nash Dynamics”

09.11.17 Edith Sand (Bank of Israel)
“Religion-based Discrimination”

16.11.17 Ity Shurtz (Hebrew University of Jerusalem)
“Physician Workload and Treatment Choice: The Case of Primary Care”

23.11.17 Kjell Salvanes (NHH- Norwegian School of Economics)
“Breaking the Links: Natural Resource Booms and Intergenerational Mobility”

30.11.17 Yael Elster (Hebrew University of Jerusalem)
“Rockets and Votes”

07.12.17 Tanya Baron (Ben-Gurion University)
“Human Capital Accumulation, Search Frictions and the Gender Wage Gap in Labor Market Equilibrium”

07.12.17 Ilan Cooper (BI Norwegian Business School)
“What Drives Q and Investment Fluctuations”

12.12.17 Ada Gonzalez-Torres (European University Institute)
“Epidemics and Conflict: Evidence from the Ebola Outbreak in Western Africa”

13.12.17 Alon Bergman (University of Rochester)
“The Causal Effects of Pharmaceutical Payments on Physician Prescriptions”

14.12.17 Yaniv Yedid Levi (University of British Columbia)
“Can Sticky Quantities Explain Export Insensitivity to Exchange Rates”

21.12.17 Shahar Rotberg ((University of Toronto)
“Should Capital and Housing be Taxed Differently”
21.12.17  Yuval Salant (Kellogg School of Management, Northwestern University)  
“Statistical Inference in Games”

26.12.17  Beata Shwartz (The Hebrew University of Jerusalem)  
“Competition and Market Power in Deregulated Fertilizers in India”

28.12.17  Anat Bracha (Federal Reserve Bank of Boston)  
“The Effect of Text Reminders and APR Information on Creditworthiness in the United States”

Research Contracts, Grants, Fellowships and Awards

Danny Cohen-Zada was awarded the following two grants:
2017 - The Maurice Falk Institute for Economic Research in Israel, “The Life Cycle Effects of School Entrance Age on Educational and Economic Outcomes,” two years, 40,000 NIS.  

Naomi Gersoni received a grant (no. 1394/17) from the ISF (Israel Science Foundation) for a proposal entitled “Individual vs Group Decision-Making: Evidence from a Natural Experiment in Arbitration Proceedings.” The grant is for the period 2017-2020 and is in the amount of~$23,000 per year (~$69,000 in total).

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

Oren Rigbi was awarded the following grants:
ISF Grant in the amount of 150,000$ for a proposal entitled “The Economics of the Israeli Food Retail Markets” (together with Itai Ater).
ISF Grant in the amount of 69,000$ for a proposal entitled “The Economics of Rights: Benefits and Costs.”

Miri Stryjan was awarded the following grants:
(1) BSF (with Erika Deserranno, Kellogg) of 120,000 USD for the project “Leadership and sustainability of community based development projects.” This is a two-year regular BSF grant, starting from September 2017.
(2) A grant from the Israeli Ministry of Science, Technology and Space (with Suleiman Abu-Bader and Nuzha Allassad Alhuzail) of 300,000 ILS for the project “How does microfinance contribute to female empowerment? The case of the Arab-Bedouin community in Israel.” This is a three-year grant, whose starting date is yet to be announced.
(3) The National Insurance Institute of Israel (Bituach Leumi) of 80,000 ILS for the project “Microfinance in a developed country - The case of the disadvantaged Bedouin population in Israel.” This is a two-year grant starting from October 2017.
(4) The Harry S. Truman Research Institute for the Advancement of Peace grant of 10,000 USD for the project “Sustainable financial inclusion in East Africa: Leveraging community groups” This is a two-year grant starting from October 2017.
(5) The Israeli Center for Third Sector Research (BGU) of 1,000 USD for the project “The effect of group leader characteristics on microfinance groups.”
(6) A one-year grant from the Tamar Golan Africa Centre, BGU of 1,000 USD for research on financial literacy training in community groups in Africa.

Ro’i Zultan received the following two grants:
1. Faculty of Social Sciences and Humanities grant for interdisciplinary research, Ben-Gurion University: The Moral Comparison of Modes of Deception: A New Experimental Approach for Solving an Old Normative Debate (with Shlomo Cohen). $15,000.

Committees, Society Fellowships, Appointments, and Research Collaborations

Suleiman Abu-Bader collaborates with Elena Ianchovichina from the World Bank, USA and Miri Stryjan from Ben-Gurion University.

Aamer Abu-Qarn serves as head of the M.A. degree teaching committee, and is the Academic Coordinator of Economics at Achva Academic College. He collaborates with Salem Abo Zaid from Texas Tech University, Muhammad Asali from Tbilisi State University, and Michael Beenstock from the Hebrew University.

Ofer Azar continued to serve as Editor to the Journal of Behavioral and Experimental Economics. This journal is ranked among the top three in behavioral economics and socio-economics. Combining the data for the current and previous title of the journal (Journal of Socio-Economics) shows that its impact factor has increased to 0.832 (ranked 186/346 among JCR economics journals) and that it received 1496 citations in 2016 (ranked 114/346). Prof. Azar is also an Associate Editor of the Journal of Economic Psychology, and at the end of 2016 he completed his term (since 2011) as an Associate Editor of the Journal of Economic Behavior and Organization. He is also Head of the Multidisciplinary Specialty and Vice Chairman in the Department of Business Administration and the Research Students Committee Chairperson of the Guilford Glazer Faculty of Business and Management at Ben-Gurion.

Prof. Azar’s recent research collaborations include Ronnie Lidor, the Head of the Zinman College of the Wingate Institute, Dina Van-Dijk, Yaron Lahav and Michael Bar-Eli from Ben-Gurion University, as well as several graduate students.

Tomer Blumkin 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. Tomer has completed his two-year stint as the chair of the Department of Economics. Tomer collaborates with Leif Danziger and Ro’i Zultan from Ben-Gurion University, Efraim Sadka, Eran Yashiv and Yoram Margalioth from Tel-Aviv University, Michel Strawczynski from the Hebrew University, Luca Micheletto from Bocconi University, Spencer Bastani from Linnaeus University, Kaisa Kotakorpi and Tuomas Kosonen from the VATT institute in Helsinki, Finland.

Danny Cohen-Zada is a research fellow at the Institute for the Study of Labor (IZA) in Bonn, Germany) since September 2010. He collaborates with Todd Elder from Michigan State University, Alex Krumer from University of St. Gallen, Offer Shafir from NYU Shanghai, Zeev Shtudiner from Ariel University, and Mosi Rosenboim from Ben-Gurion University.

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. He 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.

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

Koresh Galil collaborates with Zvika Afik (Ben-Gurion University), Uri Ben-Zion (Ben-Gurion University), Lior David-Pur (Ben-Gurion University), Eyal Lahav (Academic College), Mosi Rosenboim (Ben-Gurion University), Offer Shapir (NYU-Shanghai), Neta Sher (Tel-Aviv University), Rodrigo Zeidan (NYU-Shanghai).

Naomi Gershoni collaborates with Corinne Low, the Wharton School, University of Pennsylvania; Analia Schlosser, Tel Aviv University; and Itay Saporta, Tel-Aviv University. She serves as a member of the Professional Ethics Committee appointed by the Israeli Economic Association.

Mark Gradstein serves on the Ministry of Education’s committee for evaluating the economics program in the Israel Academic College in Ramat Gan. He is a Research Fellow at the Collegio Carlo Alberto, Italy.

Ori Haimanko continues to serve on the editorial board of the Journal of Mathematical Economics as an associate editor. He collaborates with Atsushi Kajii (University of Kyoto), Ezra Einy, and Aner Sela.

Ariel Levy collaborates with Dan Amiram (Columbia Business School); Balazs Cserna (Frankfurt University); Offer Lieberman (Bar-Ilan University); Amon Schriber (Bar-Ilan University); Zvi Weiner (Hebrew University); and Idan Hodor (Hebrew University).

Shirlee Lichtman-Sadot collaborates on projects with Edith Sand from the Bank of Israel and Yona Rubinstein from the Interdisciplinary Center Herzliya and the London School of Economics, and has completed a collaboration with Neryvia Pillay Bell, a PhD candidate at Stanford University. She has ongoing projects with Oren Rigbi, Aamer Abu-Qarn and Roi Zultan, all from Ben-Gurion 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, Yotam Margalit from Columbia University, Shirlee Lichtman-Sadot from Ben-Gurion University and Yona Rubinstein from LSE.

Aner Sela does joint research with Ori Haimanko and Ezra Einy (Ben-Gurion University, Benyamin Shitovitz (Haifa University), and Diego Moreno (Universidad Carlos III de Madrid. He serves as a co-editor for the Journal of Economics and Management Strategy and since 2003 is a Research Fellow of the CEPR.

Karine van der Beek collaborates with Prof Joel Mokyr (Northwestern University) and with Nadav Ben-Zeev (Ben-Gurion University) on a joint project on the sources of mechanical skills and technological change during the Industrial Revolution; with Assaf Sarid (Haifa University); with Moshe Justman (Ben-Gurion University); and with Naomi Feldman (Federal Reserve Board). She is a Research Affiliate at the Centre of Economic Policy Research (CEPR), serves as Trustee of the European Historical Economics Society and is on the steering committee of the Israeli Economic History Association.
Miri Stryjan is a member of the Tamar Golan Africa Centre at Ben-Gurion University and a fellow of The Harry S. Truman Research Institute for the Advancement of Peace, HUJI for the period during which she holds a grant from them (Oct 2016-Sept 2018). Dr. Stryjan currently collaborates with Suleiman Abu-Bader (BGU), Nuzha Alasad Alhuzail (Sapir College), Evelina Bonnier (Stockholm School of Economics), Erika Deserranno (Kellogg, Northwestern University), Selim Gulesci (Bocconi), Francesco Loiacono and Andreas Madestam (both from Stockholm University), Vesall Nourani (Cornell University), Jonas Poul森 (Uppala University) Thorsten Rogall (University of British Columbia) and Munshi Suleiman (BRAC International).

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

David Wettstein works on the following joint research projects: “Bidding with Coalition Externalities” with Yuan Ju (York University); “The Design of Multi-Stage Contests” with Todd R. Kaplan (University of Haifa); “Values for Environments with Externalities” with Inés Macho-Stadler and David Pérez-Castrillo (Universitat Autonoma de Barcelona) and “Implementation in General Environments” with Mridu Prabal Goswami (Indira Gandhi Institute of Development Research). Prof. Wettstein is the Vice Dean of the Kreitman School of Advanced Graduate Studies and serves as Head of the Interdisciplinary Ph.D. Program at Ben-Gurion University.

Ro’i Zultan serves on the following committees:
BGU Human Subjects Research Committee
Center for Decision Making and Economic Psychology Steering Committee
BGU Senate Follow-up Committee
Faculty of Social Sciences and Humanities M.A. Committee
Faculty of Social Sciences and Humanities ad-hoc committee for evaluating teaching methods.
He collaborates with Tomer Blumkin, Shirlee Lichtman-Sadot, Shlomo Cohen, Ella Segev and Miki Malul (all from Ben-Gurion University); Shaul Shalvi (University of Amsterdam); Ori Weisel (Tel-Aviv University); Todd Kaplan (Haifa University); Lawrence Choo (University of Erlangen-Nuremberg); Aniol Llorente-Saguer (Queen Mary, University of London); David Hugh-Jones (University of East Anglia); and Sven Fischer (Newcastle University).

IV. PARTICIPATION IN CONFERENCES AND SEMINARS

Aamer Abu-Qarn
“A High-Tech Based Dutch Disease: The Case of Israel” presented at the EBES Conference, Madrid, Spain, 2017.

Suleiman Abu-Bader

Ofer Azar
Conference presentations:
SPUDM 2017 Conference
IAREP-SABE 2017 Conference
Seminar presentations at:
University of Santiago De Compostela, Spain
NHH – Norwegian School of Economics, Bergen, Norway
University of Leicester, UK
University of Nottingham, UK

Nadav Ben Zeev
Presentations during 2017 at Bar-Ilan University; Tel-Aviv University; Bank of Israel (Discussant); Carleton University; 31st Annual Canadian Macro Study Group (CMSG) meeting, Carleton University, Ottawa, Canada (discussant); Centre for Monetary and Financial Economics (CMFE) News Shocks and Business Cycles Workshop, Carleton University, Ottawa, Canada; and BIS-IDB Workshop on cross-border flows in a new economic environment, Mexico City, Mexico.

Tomer Blumkin
Presentations

Danny Cohen-Zada

Leif Danziger
European Economic Association Meeting in Lisbon, Portugal, August 2017.

Ezra Einy
International Conference on Game Theory, SUNY Stony Brook, July 2017.
International Conference on Game Theory in Honor of Dov Monderer, Technion, Haifa, June 2017.

Naomi Gershoni
“The Impact of Extended Reproductive Time Horizons: Evidence from Israel's Expansion of Access to IVF” - Tel-Aviv University Applied Micro Workshop, Tel-Aviv, December 2016.
Seminar presentation at the Hebrew University, Department of Environmental Economics, March 2017.

Mark Gradstein
Conference for the Association for Public Economics Theory 2017.
Research Center at IZA (Center for Labor Economics).
Ori Haimanko
The 28th International Conference on Game Theory, SUNY at Stony Brook. Plenary talk, title “The Axiom of Equivalence Power and the Banzhaf Index.”

Ariel Levy

Shirlee Lichtman-Sadot

Oren Rigbi

Aner Sela

Miri Stryjan
Invited seminars

Karine van der Beek

Oscar Volij
V. PUBLICATIONS 2016-17 (names of Center members appear in capital letters)


**VI. WORKING PAPER SERIES 15/16/17 and abstracts of RECENT working papers**

(issued from the Monaster Center for Economic Research)

**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?”


15-05  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.”


15-10  Y. Minchuk and A. Sela, “Asymmetric Sequential Search under Incomplete Information.”


15-13  N. Friedman-Sokuler and M. Justman, “Gender Streaming and Prior Achievement in High School Science and Mathematics.”
**Discussion Paper Series 2016**


16-05  O. Ravid, M. Malul, and R. Zultan, “The Effect of Economic Cycles on Job Satisfaction in a Two-Sector Economy.”


16-07  T.R. Kaplan and D. Wettstein, “Two-Stage Contests with Preferences over Style.”


16-10  N. Ben Zeev, E. Pappa, and A. Vicondoa, “Emerging Economies Business Cycles: The Role of the Terms of Trade Revisited.”


16-12  A. Sela, “Two-Stage Contests with Effort-Dependent Rewards.”

16-13  M. Amiad and A. Sela, “The Optimal Allocation of Punishments in Tullock Contests.”


**Discussion Paper Series 2017**


17-02  M. Mahajne and O. Volij, “Consensus and Single-peakedness.”

17-03  O. Haimanko, “The Banzhaf Value and General Semivalues for Differentiable Mixed Games.”

Investors want to be able to evaluate the true and complete risk of the financial assets they hold in a portfolio. Yet, the current analytic methods provide only partial risk measures. In a different approach, by viewing a portfolio of securities as a cooperative game played by the assets that minimize portfolio risk, investors can calculate the exact value each security contributes to the common payoff of the game. This is known as the Shapley value. It is determined by computing the contribution of each asset to the portfolio risk, by looking at all the possible coalitions in which the risky asset would participate. I develop this concept in order to decompose the risk of mean-variance optimal portfolios and mean-Gini portfolios. This decomposition lets us better rank risky assets by their comprehensive contribution to the risk of optimal portfolios. Such a procedure allows investors to make unbiased and true decisions when they analyze the inherent risk of their holdings. In an application, the Shapley value is calculated for asset allocation and for portfolios of individual securities. The empirical results are contrary to some of the findings of conventional wisdom and beta analysis.
Consider a set of \( K \) alternatives. We say that an alternative is socially acceptable if the number of individuals that rank it among their most preferred half of the alternatives is at least as large as the number of individuals that rank it among the least preferred half. A Condorcet winner is not necessarily socially acceptable. We propose a concept of consensus as a condition on preference profiles that guarantees that majority rule yields a transitive preference relation and furthermore that the resulting Condorcet winner is a socially acceptable alternative. This new condition is weaker than single-peakedness of preferences.

**THE BANZHAF VALUE AND GENERAL SEMIVALUES FOR DIFFERENTIABLE MIXED GAMES**

Ori Haimanko

Discussion Paper 17-03

We consider semivalues on \( p\mathbb{M}_\infty \), a vector space of games with a continuum of players (among which there may be atoms) that possess a robust differentiability feature. We introduce the notion of a derivative semivalue on \( p\mathbb{M}_1 \), and extend the standard Banzhaf value from the domain of finite games onto \( p\mathbb{M}_1 \) as a certain particularly simple derivative semivalue. Our main result shows that any semivalue on \( p\mathbb{M}_1 \) is a derivative semivalue. It is also shown that the Banzhaf value is the only semivalue on \( p\mathbb{M}_1 \) that satisfies a version of the composition property of Owen (1978) and that, in addition, is non-zero for all non-zero monotonic finite games.

**THE MEASUREMENT OF INCOME SEGREGATION**

Casilda de la Vega and Oscar Volij

Discussion Paper 17-04

We examine the problem of measuring the extent to which students with different income levels attend separate schools. Unless rich and poor attend the same schools in the same proportions, some segregation will exist. Since income is a continuous cardinal variable, however, the rich-poor dichotomy is necessarily arbitrary and renders any application of a binary segregation measure artificial. This paper provides an axiomatic characterization of two measures of income segregation that take into account the cardinal nature of income. Both measures satisfy an empirically useful decomposition by subdistricts.

**THE SOCIALLY ACCEPTABLE SCORING RULE**

Muhammad Mahajne and Oscar Volij

Discussion Paper 17-05

We say that an alternative is socially acceptable if the number of individuals that rank it among their most preferred half of the alternatives is at least as large as the number of individuals that rank it among the least preferred half. We show that there exists a unique scoring rule that always selects a subset of socially acceptable alternatives.

**ALL-PAY AUCTIONS WITH ASYMMETRIC EFFORT CONSTRAINTS**

Chen Cohen, Ofer Levi and Aner Sela

Discussion Paper 17-06

We study all-pay auctions with discrete strategy sets and analyze the equilibrium strategies when players have asymmetric values of winning as well as asymmetric effort constraints. We show that for any number of players if one of them has the highest effort constraint then, independent of the players’ values of winning, he is the only player with a positive expected payoff. In a case that two players have the same highest effort constraint then they do not necessarily have the highest expected payoffs. Our results show a significant distinction of the equilibrium strategies between two players and a larger number of players, particularly when the player with the highest effort constraint is not unique.
THE OPTIMAL DESIGN OF ROUND-ROBIN TOURNAMENTS WITH THREE PLAYERS
Alex Krumer, Reut Megidish and Aner Sela
Discussion Paper 17-07

We study the optimal design of round-robin tournaments with three symmetric players. We characterize the subgame perfect equilibrium in these tournaments with either one or two prizes. We show that the players who wish to maximize their expected payoffs or their probabilities of winning have different preferences about the order of games under tournaments with one or two prizes. We analyze the optimal allocations of players for a designer who wishes to maximize the players' expected total effort in the tournaments with one and two prizes, and by comparing between them, we demonstrate that in order to maximize the players' expected total effort the designer should allocate only one prize.

SIGNALING IN CONTESTS
Tomer Ifergane and Aner Sela
Discussion Paper 17-08

We analyze whether pre-contest communications would occur in contest models with asymmetric information. We find that in Tullock contests signals can be effectively used in equilibrium. We then study all-pay contests and show that such signals are not effective, and therefore pre-contest communications will not occur in equilibrium.

THE THIRD PLACE GAME
Netanel Nissim and Aner Sela
Discussion Paper 17-09

We study an elimination tournament with four contestants, each of whom has either a high value of winning (a strong player) or a low value of winning (a weak player) and these values are common-knowledge. Each pair-wise match is modelled as an all-pay auction. The winners of the first stage (semifinal) compete in the second stage (final) for the first prize, while the losers of the first stage compete for the third prize. We examine whether or not the game for the third prize is profitable for the designer who wishes to maximize the total effort of the players. We demonstrate that if there are at least two strong players, there is always a seeding of the players such that the third place game is not profitable. On the other hand, if there are at least two weak players, then there is always a seeding of the players such that the third place game becomes profitable.

INFORMATION IN TULLOCK CONTESTS
A. Aiche, E. Einy, O. Haimanko, D. Moreno, A. Sela and B. Shitovitz
Discussion Paper 17-10

We study the effect of changes of players’ information on the equilibrium efforts and payoffs of Tullock contests in which the common value of the prize is uncertain. When the diseconomies of scale in exerting effort increase at a large (small) rate, in contests with symmetric information expected effort decreases (increases) as players become better informed, while in two-player contests with asymmetric information a player with information advantage exerts less (more) effort, in expectation, than his opponent. In classic Tullock contests with symmetric information the equilibrium expected effort and payoff are invariant to the information available to the players. And when information is asymmetric, a player’s information advantage is rewarded. Moreover, in two-player contests, while both players exert the same expected effort regardless of their information, expected effort is smaller when one player has information advantage than when both players have the same information. Interestingly, the player with information advantage wins the prize less frequently than his opponent.
SELF-IMPOSITION OF PUBLIC OVERSIGHT
Mark Gradstein
Discussion Paper 17-11
We argue that policymakers may have self interest in policy restraints through public oversight. Self-imposition of public oversight can be beneficial for the policymaker because it may help alleviating the dynamic inconsistency problem that she otherwise faces. In the exhibited setting, self-imposed public oversight takes the form of a tax ceiling, which can only be overridden through the legislature’s consent. This mechanism is shown to create a valuable credible commitment for the policymaker to future tax restraints, thus inducing larger productive effort.

EXCHANGE RATE REGIMES AND SUDDEN STOPS
Nadav Ben-Zeev
Discussion Paper 17-12
The recent global financial crisis has re-emphasized the need for better understanding the relation between exchange rate regimes (ERRs) and Sudden Stops’ severity. Global credit supply shocks produce a suitable quasi-natural experiment for studying this relation. Toward this end, I use popular ERR measures for a panel of 29 emerging market economies (EMEs) to establish that output responds significantly more adversely to contractionary global credit supply shocks in the fixed ERR than in the non-fixed ERR; net capital outflows are much more severe in the fixed ERR; and the drop in exports (currency) is higher (lower) in the fixed ERR.

COMPOSITION INDEPENDENCE IN COMPOUND GAMES: A CHARACTERIZATION OF THE BANZHAF POWER INDEX AND THE BANZHAF VALUE
Ori Haimanko
Discussion Paper 17-13
We introduce the axiom of composition independence for power indices and value maps. In the context of compound (two-tier) voting, the axiom requires the power attributed to a voter to be independent of the second-tier voting games played in all constituencies other than that of the voter. We show that the Banzhaf power index is uniquely characterized by the combination of composition independence, four semivalue axioms (transfer, positivity, symmetry, and dummy), and a mild efficiency-related requirement. A similar characterization is obtained as a corollary for the Banzhaf value on the space of all finite games (with transfer replaced by additivity).

POLARIZATION, FOREIGN MILITARY INTERVENTION, AND CIVIL CONFLICT
Suleiman Abu Bader and Elena Ianchovichina
Discussion Paper 17-14
In a behavioral model of civil conflict foreign military intervention alters the resources available to warring groups and their probability of winning. Such a model highlights the importance of distributional measures along with the modifying effect of the intervention for conflict incidence. The paper confirms empirically the finding in the literature that ethnic polarization is a robust predictor of civil war, but it also finds evidence that religious polarization is positively and significantly associated with civil conflict in the presence of foreign military intervention of nonhumanitarian and non-neutral nature. Such external interventions exacerbate religious polarization leading to high-intensity conflicts in the Middle East and North Africa region, but not in the rest of the world. These results suggest that unlike in the rest of the world where civil conflicts are mostly about a public prize linked to ethnic polarization, in MENA they are mostly about a sectarian-related public prize. The results are robust to allowing different definitions of
conflict, model specifications, data time spans and to controlling for other types of foreign military interventions.

**CAN PUBLIC TRANSPORTATION REDUCE ACCIDENTS? EVIDENCE FROM THE INTRODUCTION OF LATE-NIGHT BUSES IN ISRAELI CITIES**
Shirlee Lichtman-Sadot
Discussion Paper 17-15

The notion that public transportation can mitigate accidents has been widely claimed but to date empirical evidence that supports this relationship in a causal manner is scarce. We present results from difference-in-differences (DID) and triple differences (DDD) frameworks that exploit the introduction of late-night buses (night buses) into cities in Israel beginning in 2007. Our preferred DDD estimation utilizes spatial, temporal, and time-of-day variation in estimating the effect of night bus frequencies on accident outcomes. The results show a reduction in accidents involving young drivers in response to night buses, on the order of magnitude of 37% in the mean metropolitan area served by night buses. Injuries resulting from these accidents also decrease by 24%. Our results are robust to alternative DDD estimations, which utilize variation in the day of the week that night buses operate. Overall, the results suggest that public transportation - and in particular late-night public transportation - can entail substantial benefits in terms of road accident reduction.

**EXTENSIONS OF THE SHAPLEY VALUE FOR ENVIRONMENTS WITH EXTERNALITIES**
Inés Macho-Stadler, David Pérez-Castrillo and David Wettstein
Discussion Paper 17-16

Shapley (1953a) formulates his proposal of a value for cooperative games with transferable utility in characteristic function form, that is, for games where the resources every group of players has available to distribute among its members only depend on the members of the group. However, the worth of a coalition of agents often depends on the organization of the rest of the players. The existence of externalities is one of the key ingredients in most interesting economic, social, or political environments. Thrall and Lucas (1963) provide the first formal description of settings with externalities by introducing the games in partition function form. In this chapter, we present the extensions of the Shapley value to this larger set of games. The different approaches that lead to the Shapley value in characteristic function form games (axiomatic, marginalistic, potential, dividends, non-cooperative) provide alternative routes for addressing the question of the most suitable extension of the Shapley value for the set of games in partition function form.

**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 the relationship between ethnical\religous polarization and civil conflicts, with special focus on the MENA region.
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. Additionally, he has focused on the determinants of labor force participation of Arab women and the impact of access to public transportation on labor market, health, and education outcomes.

Ofer Azar
Ofer Azar’s main research areas include behavioral economics, experimental economics, industrial organization and strategy. His recent research has focused on several particular topics. One was to examine experimentally 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.” Some other recent research studies analyzed the behavior and decision-making of sports players, and the willingness of restaurant customers to report excessive change.

Nadav Ben Zeev
Nadav Ben-Zeev’s research interests lie in the areas of macroeconomics and macroeconometrics. His work aims to contribute to our understanding of the sources of business cycles. To accomplish this, he employs suitable macroeconometric methods. Currently, he is mainly studying the role of changes in expectations about future investment-specific technology in the business cycle. He is also engaged in another project that studies the role of changes in expectations about fiscal policy in the economy.

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 and the optimal tax treatment of charitable contributions by businesses. 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. Over the last year Prof. Blumkin has been involved in an empirical project examining the effect of permanent tax reductions on emigration from Israel for the period 2004-2010.

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) welfare effects of a minimum wage; (2) design and implications of labor contracts; (3) macroeconomic consequences of adjustment costs; (4) properties of voting mechanisms; and (5) uncertainty and the number of export destinations.
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.

Naomi Gershoni
Naomi Gershoni's main fields of interest are applied labor economics and law and economics. A significant part of her research focuses on the Israeli labor market and aims to examine how policy interventions impact conditions, individuals' outcomes and gender equality. Part of her work is conducted in collaboration with the Israeli Employment Services, where together with researchers from Tel-Aviv University, she is involved in the design and evaluation of active labor market programs for job seekers. In addition, she studies decision patterns and the impact of reputation concerns in the context of arbitration.

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.

Ariel Levi
Ariel Levy’s research interests lie in the areas of empirical finance, investment products, and credit risk. In his research he analyzes pricing patterns and anomalies and identifies the underlying mechanisms that govern them. His research has been published in academic journals such as the Review of Finance and the Journal of Banking and Finance. He joined the Department of Economics at Ben-Gurion University this year as an Assistant Professor after spending several years at the Technion - Israel Institute of Technology in Haifa. Ariel received his Ph.D. in economics from UCLA, and holds undergraduate and graduate degrees in philosophy and economics from the Hebrew University in Jerusalem.

Shirlee Lichtman
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. Another direction of her research is California's Paid Family Leave Program and its effect on birth timing as well as child health outcomes. Some of her current projects make use of public transportation data from Israel in order to evaluate the effect of public transportation on road accidents and the effect of penetration of public transportation into Arab communities in Israel on the labor market, educational attainment and health outcomes.

Oren Rigbi
Dr. Rigbi’s main research interests are applied microeconomics, industrial organization, and law and economics. Much of his time is devoted to investigating the economics of the Israeli food markets with emphasis on the effects of price transparency, the nature of the vertical relationships
and the evolution of the competition in the online segment. In the past he studied alternative credit markets including person-to-person markets and online charitable giving markets in developed and developing countries. In addition, he explored 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.

**Miri Stryjan**  
Dr. Stryjan is a development economist. She relies on applied microeconomics and randomized field experiments to study questions related to financial services and small business activity, group dynamics and civilian participation in violence in developing countries, primarily East Africa.

**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 income segregation, income inequality, and recursive games.

**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.