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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
Prof. Danny Cohen-Zada
Prof. Leif Danziger
Dr. Ran Eilat
Prof. Ezra Einy
Dr. Koresh Galil
Dr. Naomi Gershoni
Prof. Mark Gradstein, Chairman, Department of Economics
Prof. Ori Haimanko
Dr. David Lagziel
Dr. Shirlee Lichtman-Sadot
Dr. Oren Rigbi
Prof. Edna Schechtman
Prof. Aner Sela
Dr. Miri Stryjan
Dr. Karine van der Beek
Prof. Oscar Volij
Prof. David Wettstein
Dr. Ro’i Zultan
II. OPENING REMARKS

The 2017-2018 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 47 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 two new members to the academic staff of the department: Dr. Ada González-Torres, a graduate from the European University Institute in Florence, Italy, whose research focuses on development economics and political economy, and Dr. Tatiana Baron, a graduate from the Economics Department of Tel-Aviv University, who is a mathematical economist particularly interested in macroeconomics. We are also proud to announce two academic promotions: Danny Cohen-Zada was promoted to Associate Professor and Nadav Ben Zeev to Senior Lecturer.

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

On March 26, 2018 a conference was held in honor of the retirement of Prof. Avia Spivak from our department entitled “The New World of Pensions and Retirement: An International Economic and Psychological Perspective.” The conference brought together specialists from the US, Europe, and Israel in order to present their perspectives on their national pension systems, and to foster mutual learning and better policymaking. Speakers included Laurence J. Kotikoff (Boston University); Pierre Pestieau (University of Liège, Belgium); Mark Pearson (Deputy Director of Employment, Labor and Social Affairs at the OECD); Axel Börsch-Supan (Director of SHARE-ERIC); Avia Spivak (Ben-Gurion University of the Negev); Dorit Salinger (Commissioner of Capital Markets, Insurance & Savings, Israel); Adi Brender (Bank of Israel); Orly Sade (The Hebrew University of Jerusalem); Eytan Sheshinski (The Hebrew University of Jerusalem and the Israel Democracy Institute); Joe Ostroy (UCLA); Uzi Segal (Boston College); and David Leiser (Ben-Gurion University).

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:

Jorge Ale Chilet (University of Pennsylvania)
Jonathan Meer (Texas A&M University)
Oliver Gürtler (University of Cologne)
David Pérez-Castrillo (Universitat Autònoma de Barcelona)
Andrea Pozzi (Einaudi Institute for Economics and Finance (EIEF))
Topi Miettinen (Hanken School of Economics)
Ariell Reshef (Paris School of Economics)
Omer Ozak (Southern Methodist University)
Petra Persson (Stanford University)
Bernard Black (Northwestern University Pritzker School of Law)

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

04.01.18 Jorge Ale Chilet (University of Pennsylvania)
“Collusive Price Leadership in Retail Pharmacies in Chile”

11.01.18 Eran Yashiv (Tel-Aviv University)
“The Importance of Hiring Frictions in Business Cycles”

18.01.18 Dotan Persitz (Tel-Aviv University)
“Social Clubs and Social Networks”

08.03.18 Alex Gershkov (Hebrew University of Jerusalem)
“A Theory of Auctions with Endogenous Valuations”

15.03.18 Jonathan Meer (Texas A&M University)
“Dropouts Need Not Apply: Minimum Wages and Skill Upgrading”
22.03.18 Oliver Gürtler (University of Cologne)  
“Promotion Signaling, Discrimination, and Positive Discrimination Policies”

10.04.18 David Pérez-Castrillo (Universitat Autònoma de Barcelona)  
“Team Diversity Evaluation by Research Grant Agencies: Funding the Seeds of Radical Innovation in Academia?”

26.04.18 Andrea Pozzi (Einaudi Institute for Economics and Finance (EIEF))  

03.05.18 Topi Miettinen (Hanken School of Economics)  
“Exploration in Teams and the Encouragement Effect: Theory and Experimental Evidence”

10.05.18 Ariell Reshef (Paris School of Economics)  
“Techies, Trade, and Skill-Biased Productivity: Firm Level Evidence from France”

24.05.18 Itay Saporta (Tel-Aviv University)  
“What Drives Differences in Management Practices?”

31.05.18 Omer Ozak (Southern Methodist University)  
“Borderline Disorder: (de facto) Historical Ethnic Borders and Conflict in Africa”

07.06.18 Tali Larom (Interdisciplinary Center Herzliya)  
“The Labor Market in Israel, 2000-2016)”

14.06.18 Petra Persson (Stanford University)  
“The Roots of Health Inequality and the Value of Intra-family Information”

21.06.18 David Leiser (Ben-Gurion University)  
“How We Misunderstand Economics and Why it Matters: The Psychology of Bias, Distortion and Conspiracy”

25.10.18 Bernard Black (Northwestern University Pritzker School of Law)  
“The Effect of Health Insurance on Mortality: What Can We Learn from the Affordable Care Act Coverage Expansions”

01.11.18 Itzhak Gilboa (Tel-Aviv University)  
“Second-Order Induction and Statistical Games”

08.11.18 Karine van der Beek (Ben-Gurion University)  
“The Geographical Origins of Mechanization and Industrialization in 18th Century England”

15.11.18 Ity Shurtz (Hebrew University)  
“Physician Workload and Treatment Choice: the Case of Primary Care”
Research Contracts, Grants, Fellowships, and Awards

Aamer Abu-Qarn (together with Shirlee Licthman-Sadot) is the recipient of the National Insurance Institute Research Grant (138,830 NIS); a grant from the Maurice Falk Institute for Economic Research in Israel (40,000 NIS); and a grant from the Heth Academic Center for Research of Competition and Regulation Grant (25,000 NIS), all on the public transportation impact on work and educational outcomes.

Danny Cohen-Zada was awarded the following grants:

Naomi Gershoni is the recipient of grants from the following sources:
(1) ISF (Israel Science Foundation) - grant no. 1394/17 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 was awarded the following grants:
(1) The National Insurance Institute of Israel (Bituach Leumi) (with Aamer Abu-Qarn) in the amount of 138,830 NIS for the project “The Effects of Public Transportation Penetration into Arab Communities in Israel on Labor Market, Education, and Health Outcomes.” This is a two-year grant starting from November 2018.
(2) The Falk Institute for Economic Research in Israel (with Aamer Abu-Qarn) in the amount of 45,000 NIS for the project “The Effects of Public Transportation Penetration into Arab Communities in Israel on Labor Market, Education, and Health Outcomes.” This is a two-year grant starting from August 2018.
(3) The Falk Institute for Economic Research in Israel in the amount of 25,000 NIS for the project “Spouse and Marriage Dynamics in Response to Pension Reforms.” This is a two-year grant starting from August 2018.
(4) Heth Center for Competition and Regulation Research in Israel (with Aamer Abu-Qarn) in the amount of 25,000 NIS for the project “The Effects of Public Transportation Penetration into Arab Communities in Israel on the Female Labor Market and Education Outcomes.”

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 holds the following grants:

1. BSF (with Erika Deserranno, Kellogg) in the amount of 120,000 USD for the project “Leadership and sustainability of community-based development projects.” This is a two-year regular BSF grant extending from September 2017 through August 2019.
2. The Israeli Ministry of Science, Technology and Space (with Suleiman Abu-Bader and Nuzha Allassad Alhuzail) in the amount 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 extending from January 2018 through December 30, 2020.
3. The National Insurance Institute of Israel (Bituach Leumi) in the amount 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 extending from October 2017 through September 2019.
4. The Harry S. Truman Research Institute for the Advancement of Peace in the amount of 10,000 USD for the project “Sustainable financial inclusion in East Africa: Leveraging community groups” This is a two-year grant extending from October 2017 – September 2019.

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 a member of the Faculty of Humanities and Social Sciences Ph.D. committee. 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, and its impact factor has increased to 0.966. Prof. Azar is also an Associate Editor of the Journal of Economic Psychology and Head of the Multidisciplinary Specialty in the Department of Business Administration.

Prof. Azar’s recent research collaborations include Ronnie Lidor (the President of The Academic College at Wingate, Wingate Institute); Dina Van-Dijk, Yaron Lahav and Michael Bar-Eli from Ben-Gurion University; and Elia Morgulev, among others.

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 collaborates with Leif Danziger, Ro’i Zultan, and David Lagziel 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; and 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, and Naomi Gershoni 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.

Ran Eilat collaborates with Kfir Eliaz (Tel-Aviv University); Ady Pauzner (Tel-Aviv University); Xiaosheng Mu (Yale University); Marina Agranov (Caltech); Konstantin Sonin (University of Chicago), and Alexander Frug (UPF, Barcelona).

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

Koresh Galil collaborates with Zvika Afik and Mosi Rosenboim (Ben-Gurion University); Lior David-Pur (Ben-Gurion University); Neta Gilat (Tel-Aviv University); Eyal Lahave (Academic College); Margalit Samuel (Tel-Aviv University), Offer Shapir (NYU-Shanghai); Rodrigo Zeidan (NYU-Shanghai).

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

Mark Gradstein is a fellow at CEPR (London), CESifo (Munich), and IZA (Bonn).

Ori Haimanko continues to serve on the editorial board of the Journal of Mathematical Economics as an associate editor. He collaborates with Atsushi Kajii from Kyoto Institute of Economic Research, University of Kyoto.

David Lagziel collaborates with Prof. Tomer Blumkin (BGU) and Prof. Ehud Lehrer from Tel-Aviv University.

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

Oren Rigbi is a Research Fellow at the Center for Economic Studies (CESifo) in Munich, Germany. He collaborates with Itai Ater from Tel-Aviv University; Yehonatan Givati from the Hebrew University; Jonathan Meer from Texas A&M University; Danny Cohen-
Zada and Shirlee Lichtman-Sadot from Ben-Gurion University; Yotam Margalit from Columbia University; and Yona Rubinstein from LSE.

Edna Schechtman is a statistician (emeritus) from the Department of Industrial Engineering and Management. She does joint research with Hillel Bar Gera (Ben-Gurion University of the Negev); Gideon Schechtman (the Weizmann Institute of Science); Diamanta Benson and Ofer Levi (Open University); and Amit Shelef (Sapir College). She serves as an associate editor for Metron. In addition, she is a member of the Israel Council for Higher Education (“Malag”) Committee for the Appointment of Professors.

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

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 2017-Sept 2019). She is also a member of Africounters, an annual workshop on Africa, supported by the Truman Institute at HUJI. Dr. Stryjan currently collaborates with Suleiman Abu-Bader (BGU); Nuzha Allasad 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 (MIT); Jonas Poulsen (Uppsala University); Thorsten Rogall (University of British Columbia); Munshi Suleiman (BRAC International and Makerere University); and Lame Ungwang (Friedrich Schiller University).

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.

Oscar Volij collaborates with Casilda Lasso (University of the Basque Country) and Federico Weischelbaum (Universidad Di Tella). He serves as associate editor for the Journal of Public Economic Theory.

David Wettstein works on the following joint research projects: “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 (Indian Statistical Institute North-East Centre). 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. Until recently he served as a member of the University Students Disciplinary Tribunal and is presently a member of the Faculty of the Natural Sciences Appointments Committee.

Ro’i Zultan serves on the following committees:
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 (Brunel University).

IV. PARTICIPATION IN CONFERENCES AND SEMINARS

Aamer Abu-Qarn

Suleiman Abu-Bader

Ofer Azar
Conference presentations:
ESA International Meetings 2018, Berlin
IAREP-SABE 2018 Conference, London
Conference on Decision Sciences, Konstanz

Nadav Ben Zeev

Tomer Blumkin
“The Efficiency Enhancing Role of Mandatory Parental Leave Rules,” Dondena Centre for Research on Social Dynamics, Bocconi University, Milan, Italy (February 2018) and the University of Nuremberg, Department of Economics, Germany (January 2018).
“Relative-Ambition and the Role of Wage Secrecy in Labor Contracts,” Inter-disciplinary Center (IDC), Hertzlia, D. of Economics (June 2018 and the Hebrew University in Jerusalem, Behavioral and Experimental Economics Workshop (October 2018).

Danny Cohen-Zada
“The Effect of School Entrance Age on Grade Repetition,” Annual Meeting of the Israeli Economic Association, June 2018.

**Leif Danziger**

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

*CESifo Area Conference on Global Economy, May 2017.*

**Ran Eilat**


**Ezra Einy**

International Conference on Game Theory, SUNY Stony Brook, July 2018.

**Koresh Galil**

“Too-Big-To-Fail is Too Difficult to Predict” – World Finance Conference, December 2017.

**Naomi Gershoni**


**Mark Gradstein**


**Ori Haimanko**


The 29th International Conference on Game Theory, SUNY at Stony Brook (July 2018). Title: “Composition Independence in Compound Games: a Characterization of the Banzhaf Power Index and the Banzhaf Value.”

**David Lagziel**


**Shirlee Lichtman-Sadot**


Invited seminar: Hebrew University, Department of Environmental Economics and Management, December 2017.
Oren Rigbi
Venice Summer Institute: Evidence-Based Policy Advice: How it is Produced and Used, 2018.
CESifo Group Munich, 2018.

Edna Schechtman

Aner Sela
OLOGO Workshop, Piraeus, Greece, June 2018.

Miri Stryjan
Invited seminars
“Loan Contract Structure and Adverse Selection: Survey evidence from Uganda,” presented at the CSAE Annual Conference at Oxford University, 2018 and the International Workshop on Agriculture and Economic Development in Memory of Prof. Yair Mundlak, Hebrew University, 2018.

Karine van der Beek

Oscar Volij

David Wettstein
2018 “Two-Stage Contests with Preferences over Style,” (with Todd R. Kaplan), The 29th International Conference on Game Theory, Stony Brook, NY.

Ro’i Zultan
Invited seminars:
“What is Rationality?” presented at SIDEER Student Symposium, Sde Boker, Israel, 2018.
V. PUBLICATIONS 2017-18 (names of Center members appear in capital letters)


GALIL, K. and Gilat, N., Predicting Default More Accurately: to Proxy or not to Proxy for Default? (forthcoming in *International Review of Finance*).


SCHECHTMAN, E. and Shelef, A. “Correlation and the Time Interval over which the Variables are Measured – a Non-Parametric approach. (forthcoming in *PLOS ONE*).


VI. WORKING PAPER SERIES 16/17/18 and abstracts of recent working papers (issued from the Monaster Center for Economic Research)

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.”


17-06  C. Cohen, O. Levi and A. Sela, “All-Pay Auctions with Asymmetric Effort Constraints.”


17-08  T. Ifergane and A. Sela, “Signaling in Contests.”

17-09  N. Nissim and A. Sela, “The Third Place Game.”


17-12  N. Ben-Zeev, “Exchange Rate Regimes and Sudden Stops.”


17-14  S. Abu Bader and E. Ianchovichina, “Polarization, Foreign Military Intervention, and Civil Conflict.”

17-15  S. Lichtman-Sadot, “Can Public Transportation Reduce Accidents? Evidence from the Introduction of Late-Night Buses in Israeli Cities.”

17-16  I. Macho-Stadler, D. Pérez-Castrillo and D. Wettstein, “Extensions of the Shapley Value for Environments with Externalities.”
ABSTRACTS OF DISCUSSION PAPERS (issued since the previous report)

PREDICTING DEFAULT MORE ACCURATELY: TO PROXY OR NOT TO PROXY FOR DEFAULT?
Koresh Galil and Neta Gilat
Discussion Paper 18-01

Previous studies targeting accuracy improvement of default models mainly focused on the choice of the explanatory variables and the statistical approach. We alter the focus to the choice of the dependent variable. We particularly explore whether the common practice in the literature of using proxies for default events (bankruptcy or delisting) to increase sample size indeed improves accuracy. We examine four definitions of financial distress and show that each definition carries considerably different characteristics. We discover that the effort of rating agencies to correctly measure the timing of default is valuable. Our main conclusion is that one cannot improve default prediction by making use of other distress events.
THE TFP CHANNEL OF CREDIT SUPPLY SHOCKS
Nadav Ben Zeev
Discussion Paper 18-02
Recent work stresses a potentially important relation between credit supply shocks and aggregate TFP based on input misallocation. I examine this relation using state-of-the-art credit supply shock and aggregate TFP measures. An adverse credit supply shock has a weak and very short-lived effect on aggregate TFP. This finding suggests that the TFP channel of credit supply shocks has a very transient and limited role in their transmission to the real economy. The response of input reallocation to credit supply shocks along the firm size and good durability dimensions is consistent with a weak TFP channel of credit supply shocks.

CAN PUBLIC TRANSPORTATION REDUCE ACCIDENTS? EVIDENCE FROM THE INTRODUCTION OF LATE-NIGHT BUSES IN ISRAELI CITIES
Shirlee Lichtman-Sadot
Discussion Paper 18-03
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 specification 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 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.

REVERSE CONTESTS
Aner Sela
Discussion Paper 18-04
We study a reverse contest with n agents, each of whom has both a linear reward function that increases in the agent’s effort and an effort constraint. However, since the effort (output) of the players has a negative effect on society the designer imposes a punishment such that the agent with the highest effort who caused the greatest damage is punished. We analyze the equilibrium of this model with either asymmetric or asymmetric agents. At all equilibrium points, all the agents are active and all have positive expected payoffs. We characterize the properties of the agents’ equilibrium strategies and compare them to the well-known equilibrium strategies of the all-pay auction in which the agent with the highest effort wins a prize.

SEQUENTIAL CONTESTS WITH FIRST AND SECONDARY PRIZES
Asaf Iluz and Aner Sela
Discussion Paper 18-05
We study a sequential two-stage Tullock contest with two asymmetric players. The players compete for two prizes; the player with the highest effort in the first stage wins the secondary prize while the player with the highest total effort in both stages wins the first prize. Both players have the same cost functions where the marginal cost in the first stage
is higher than in the second one. We analyze the subgame perfect equilibrium of this contest and reveal a paradoxical behavior such that the players’ utilities increase in their marginal effort cost.

UNCHAIN MY CHAIN: THE IMPACT OF FOUNDING COUPLES ON FAMILY BUSINESSES
Itai Ater and Oren Rigbi
Discussion Paper 18-06
We use unique data on the largest U.S. restaurant chains to investigate how familial ties among founders of restaurant chains affect the propensity of a chain to be sold to external investors and to expand internationally. We find that founding couples (i.e., a husband and wife) are more likely to maintain ownership for a longer time period and are less likely to sell the chain compared to other types of founders such as single founders or chain founders with no family ties. We also show that restaurant chains whose founders kept control over the chain, and in particular founding couples, are less likely to expand internationally. Overall, our findings suggest that couple ownership has clear implications for strategic decisions of firms.

INFORMATION AGGREGATION IN ARROW-DEBREU MARKETS: AN EXPERIMENT
Lawrence Choo, Todd R. Kaplan, and Ro’i Zultan
Discussion Paper 18-07
Studies of experimental and betting markets have shown that markets are able to efficiently aggregate information dispersed over many traders. We study information aggregation in Arrow-Debreu markets using a novel information structure. Compared to previous studies, the information structure is more complex, allows for heterogeneity in information among traders – which provides insights into the way in which information is gradually disseminated in the market – and generates situations in which all traders hold identical beliefs over the traded assets’ values, thus providing a harsh stress test for belief updating. We find little evidence for information aggregation and dissemination in early rounds. Nonetheless, after traders gain experience with the market mechanism and structure, prices converge to reveal the true state of the world. Elicited post-market beliefs reveal that markets are able to efficiently aggregate dispersed information even if individual traders remain uninformed, consistent with the marginal trader hypothesis.

TRANSFERABLE DEPOSITS AS A SCREENING MECHANISM
David Lagziel and Ehud Lehrer
Discussion Paper 18-08
We design incentive schemes for portfolio managers that screen low-skill managers: only the best portfolio managers, in terms of expected payoffs, agree to participate in the single-period investment. The results hold in general financial markets, where uninformed investors face managers of different capabilities, and can only observe their one-shot realized returns. Our model is robust and accounts for general screening problems.

PERFORMANCE CYCLES
David Lagziel and Ehud Lehrer
Discussion Paper 18-09
A decision maker repeatedly exerts effort to produce output. His past average performance defines his reward. We show that the decision maker’s optimal strategy dictates a cyclic, oscillatory performance throughout the stages. Our model applies to a wide-range of
economic settings where agents are subjected to history-based payoffs, including an R&D investment problem, the delegated portfolio-managers problem, and a dynamic advertising problem.

CREDIT AUCTIONS AND BID CAPS  
David Lagziel  
Discussion Paper 18-10
In this paper we offer two contributions to the field of credit auctions. First, we compare first- and second-price credit auctions and provide solvency-dependent conditions such that one mechanism dominates the other in terms of expected payoffs of all the parties involved. In addition, we present a new possibility of using bid caps in credit auctions. We study the equilibria in the capped mechanism and show that bid caps can increase the expected payoffs of all sides, a win-win situation.

THE RISE OF MANIPULATION IN STIFF COMPETITIONS  
David Lagziel and Ehud Lehrer  
Discussion Paper 18-11
This paper deals with the issue of manipulation. We formulate a general competition framework where private values are attributed to players along with the ability to manipulate these values using costly noise. Although manipulation carries no clear advantages, our analysis shows that a stiff competition leads to a unique equilibrium where all players manipulate.

CONDORCET WINNERS AND SOCIAL ACCEPTABILITY  
Muhammad Mahajne and Oscar Volij  
Discussion Paper 18-12
We say that an alternative is socially acceptable if the number of individuals who rank it among their most preferred half of the alternatives is at least as large as the number of individuals who rank it among the least preferred half. A Condorcet winner may not be socially acceptable. However, if preferences are single-peaked or satisfy the single-crossing property, any Condorcet winner is socially acceptable.

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/religious 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 is to examine experimentally the bias of relative thinking in the context of how people make decisions between differentiated products and how workers respond to certain types of incentives. Another is 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 dishonesty of children in math competition and of restaurant customers who receive too much change that can either be returned or kept.

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 which examines 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. Prof. Blumkin is now engaged in a new research agenda that explores the positive foundations of wage secrecy arrangements in labor contracts and the normative justification for regulation aiming at enhancing wage transparency to address equity concerns.

Danny Cohen-Zada
Prof. Cohen-Zada’s research deals with the economics of education, the economics of religion, and the economics of sport. Currently, he is studying how school choice affects student educational and behavioral outcomes. In another project he estimates the long-run effects of school entrance age on student performance. His research in sport economics deals with how the efforts of one player in a team affects the efforts of the other players.

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.

Ran Eilat
Ran Eilat’s main fields of interest are economic theory, incentives theory, information theory and mechanism design. He currently studies the effects of privacy regulation on mechanism design; the effect of information asymmetry on political trust; and optimal information transmission with limited communication.
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, determinants of working capital, efficiency of corporate bond portfolios and anomalies in fixed-income 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. Some of this work involves the design and evaluation of various innovative programs carried out in collaboration with Israeli government agencies, such as the Israeli Employment Services, Ministry of Education and the Institute for Scientific and Technological Training. In addition, she studies decision patterns and the impact of reputation concerns on these patterns, and, more generally, on performance.

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, axiomatizations of value maps for cooperative games, and of power indices for voting games.

David Lagziel
Dr. Lagziel’s research lies in the fields of game theory, mechanism design, and economic theory. His studies on game theory and mechanism design focus on contests and auctions (namely, credit auctions, manipulation in contests, and incentive schemes for portfolio managers). A significant part of his current research deals with screening problems, where uninformed decisions-makers screen elements based on noisy unbiased assessments. Dr. Lagziel’s research work on economic theory deals with wage secrecy in labor contracts. His research collaboration with Prof. Blumkin aims to study the implications, advantages, and disadvantages of employing a wage-secrecy policy in labor contracts.

Shirlee Lichtman-Sadot
Dr. Lichtman-Sadot is an applied economist whose research emphasizes health, family, and education economics. Her work has focused on school food environments and their effect on various student outcomes. 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.

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 (ANOGI). Another direction is using Gini for time series data by replacing the variance and its related parameters by the Gini and its related parameters. In a recent paper, she (together with Dr. A. Shelef) showed that while the Pearson correlation coefficient is sensitive to the time interval used for reporting outcomes in a multiplicative model, the Spearman correlation tends to a limit when the time interval increases and therefore its use is recommended.

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 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.