THE PHILLIPE MONASTER CENTER
FOR ECONOMIC RESEARCH

ACTIVITY REPORT

2013/14
TABLE OF CONTENTS

I. MEMBERS OF THE CENTER AND THE STEERING COMMITTEE 3

II. OPENING REMARKS (presented by Ezra Einy, Director) 4

III. ACTIVITIES IN DETAIL: Conferences, Guests, Seminars, Research Contracts, Fellowships and Awards, Committees, Appointments, and Cooperation with Other Institutions

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: Prof. Ezra Einy

Steering committee: Prof. Ezra Einy, Prof. Aner Sela and Prof. David Wettstein

MEMBERS:

Dr. Suleiman Abu-Bader
Dr. Aamer Abu-Qarn
Prof. Arie Arnon
Prof. Ofer Azar, Department of Business Administration
Prof. Gila Benisti
Dr. Nadav Ben-Zeev
Prof. Tomer Blumkin
Dr. Dror Brenner
Dr. Danny Cohen-Zada
Prof. Leif Danziger
Prof. Ezra Einy, Director, Monaster Center for Economic Research
Dr. Koresh Galil
Prof. Mark Gradstein
Prof. Ori Haimanko
Prof. Moshe Justman
Dr. Shirlee Lichtman-Sadot
Dr. Oren Rigbi
Prof. Edna Schechtman, Department of Industrial Engineering and Management
Dr. Ella Segev, Department of Industrial Engineering and Management
Prof. Aner Sela, Chairman, Department of Economics
Prof. Haim Shalit
Prof. Avia Spivak
Dr. Karine van der Beek
Prof. Oscar Volij
Prof. David Wettstein
Dr. Ro’i Zultan
II. OPENING REMARKS

During 2013-14 the Monaster Center continued its support of economic research through the sponsorship of seminars and visits from abroad. The center also continued to cover the submission costs to journals and conferences of the members and their students. And, as in previous years, junior faculty members additionally benefited from partial reimbursement of their conference registration fees. A last contribution is that the secretarial assistance still continues to be partially funded by the center. For this period, Ezra Einy replaced Ori Haimanko as Director.

The research activities of the Center's members were extremely productive during the period of the report with nearly 50 articles being published or accepted for publication, some in leading economics journals. Several individual research projects are still supported through competitive grants, such as the ISF and GIF. Our research seminar continued to meet weekly, many of the lectures being delivered by visitors from other universities in Israel and from abroad. In addition, the working paper series distributed under the auspices of the Center continued to flourish, issuing ten more articles produced by the department members. All titles are available on the Internet in the site The Monaster Center for Economic Reserarch.

We are especially glad to report that two of our members received academic promotions: Tomer Blumkin to Associate Professor and Ro'i Zultan to Senior Lecturer.

As usual, we take this opportunity to thank Rita Ginzberg for providing her invaluable computer-related consultation and services; the Center’s secretary, Ms. Ella Ginzburg, for her indispensable assistance; and our English editor, Ms. Estelle Schulgasser, who offers her invaluable help in our writing activities, and whose efforts are indispensable in compiling and editing this report.

Prof. Ezra Einy, Director
III. ACTIVITIES IN DETAIL

1) During the period of this report, Prof. Avia Spivak from the Department of Economics jointly with Prof. Rami Yosef from the Department of Business Administration organized the conference "Choosing for Tomorrow: the future of pension savings in Israel," a conference for researchers and decision-makers in the fields of pensions and financial education. The conference took place on November 20, 2014. Noted speakers included Dr. Karnit, Flug, Governor of the Central Bank of Israel; Ms. Dorit Salinger, Director of Capital Markets, Insurance and Savings, Israel Ministry of Finance; Prof. Eugene Kandel, Head of the National Economic Council, Israel Prime Minister's Office; and Prof. David Leiser and Eyal Carmel, The Pensions, Insurance and Financial Literacy Research Center, Ben-Gurion University of the Negev.

2) 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:

Yaniv Reingewertz (George Washington University)
Yoram Halevy (University of British Columbia)
Mark Schankerman (London School of Economics)
Laura Gee (Tufts University)
Aniol Llorente-Saguer (Queen Mary University)
Ram Fishman (George Washington University)
John Knowles (University of Southampton)
David Hughes Jones (University of Essex)
David Dillenberger (University of Pennsylvania)
Markus Brueckner (National University of Singapore)
Kuart Mitman (Stockholm University)
Assaf Romm (Harvard University)
Amnon Maltz (New York University)
Ron Peretz (London School of Economics)

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

02.01.14 Moti Michaeli (The Hebrew University)
“The Origins of In-Group Bias and the Cost of Signaling Sociality”

09.01.14 Liad Blumrosen (The Hebrew University)
“Redistribution Mechanisms”

16.01.14 Yaniv Reingewertz (The George Washington University)
“Education Resources and Student Performance: Evidence from Arab Municipalities in Israel”
06.03.14 Samuel Hollander (Ben-Gurion University)  
“John Stuart Mill on Imperialism and Related Matters”

13.03.14 Moses Shayo (The Hebrew University)  
“Courts after Conflict”

20.03.14 Yoram Halevy (University of British Columbia)  
“No Two Experiments are Identical”

27.03.14 Mark Schankerman (London School of Economics)  
“Patents and Cumulative Innovation: Causal Evidence from the Courts”

03.04.14 Laura Gee (Tufts University)  
“Social Networks and Labor Markets: How Strong Ties Relate to Job Transmission on Facebook's Social Network”

24.04.14 Michael Beenstock (The Hebrew University)  
“Spatial Equilibrium under Imperfect Spatial Substitution: Theory and Evidence”

01.05.14 Todd Kaplan (Haifa University and University of Exeter)  
“An Experiment on the Causes of Bank Run Contagions”

08.05.14 Aniol Llorente-Saguer (Queen Mary University)  
“Get Rid of Unanimity: The Superiority of Majority Rule with Veto Power”

15.05.14 Ram Fishman (George Washington University)  
“Diffusion of a New Technology: Evidence from Large Scale Data on Drip Irrigation Adoption in Gujarat, India”

22.05.14 John Knowles (University of Southampton)  
“Dynamic Squeezing: Marriage and Fertility in France After World War One”

29.05.14 David Hugh-Jones (University of Essex)  
“Why are Heterogeneous Societies Inefficient? Theory, History and an Experiment”

05.06.14 David Dillenberger (University of Pennsylvania)  
“Cautious Expected Utility and the Certainty Effect”

09.06.14 Limor Hatzor (The Hebrew University)  
“Higher Education Funding – A Portfolio of Loans”

12.06.14 Anastasia Gorodzeisky (Ben-Gurion University)  
“Competitive Threat, Racial Prejudice and Anti-immigrant Sentiment in European Societies”

26.06.14 Markus Brueckner (National University of Singapore)  
“Estimating Aggregate Capital-Output Elasticities”

30.10.14 Avi Ebenstein (The Hebrew University)
“Patrilocality and Missing Women”

06.11.14 Kurt Mitman (Stockholm University)
“Do Unemployment Benefit Extensions Explain the Emergence of Jobless Recoveries”

13.11.14 Tomer Blumkin (Ben-Gurion University)
“Deserving Poor and the Desirability of a Minimum Wage”

04.12.14 Assaf Romm (Harvard University)
"An Approximate Law of One Price in Random Assignment Games"

17.12.14 Amnon Maltz (New York University)
"Rational Choice with Category Bias: Theory and Experiments"

18.12.14 Elyashiv Wiedman (Hebrew University)
"Good Information Cascades"

24.12.14 Ron Peretz (London School of Economics)
"Empirical Distribution of Equilibrium Play and its Testing Application"

25.12.14 Pavel Jelnov (Tel-Aviv University)
"The Marriage Age U-shape"

4) Research Contracts, Fellowships and Awards

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

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

Arie Arnon is currently working on a new monograph entitled (provisionally) “Keynes(ians) and Hayek(ians) on Cycles, Crises and Economic Policy: Some Major Trends in Macroeconomics Thinking From the Great Depression to the Long Recession.” In the years 2013-2014 this project will be supported by a grant of $74,000 from INET, The Institute for New Economic Thinking.

Nadav Ben Zeev was awarded a Max Weber Fellowship for Postdoctoral Studies at the (European University Institute (2013).

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

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

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

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

Moshe Justman is a Senior Research Fellow in the Van Leer Jerusalem Institute, where he currently heads the Institute’s Program on Civil Society. In addition, he was awarded a research grant on: Semi-parametric estimation of the impact of Israeli high schools on access to higher education, by the Rothschild Cesarea Foundation, 2012-15. Prof. Justman is part of a group at the University of Melbourne that was awarded a research contract to conduct empirical analysis of education in Victoria, Australia, 2011-15.

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

Oren Rigbi was awarded the following grants: The GIF Young Grant in the amount of 28,000 Euro for his proposal entitled "The Economics of Organizational Structure, Police Activity, Crime and Plea Bargaining" (together with Itai Ater and Yehonatan Givati). A grant from the Elrov Real Estate Institute at Tel-Aviv University in the amount of $10,000 (together with Itai Ater). A grant from the Maurice Falk Institute for Economic Research in Israel for his project entitled "The Causal Consequences of Religious Participation on Political Compromise and Risk Attitudes" in the amount of 50,000 NIS (together with Danny Cohen Zada). He won (together with Itai Ater and Yehonatan Givati) the Gâaton Award for 2014 for the best paper on the Israeli economy by the Bank of Israel and the Israeli Economic Association for the amount of 15,000 NIS. The paper is entitled "Organizational Structure, Police Activity, and Crime: Evidence from an Organizational Reform in Jails."

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

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

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.

David Wettstein holds a grant from the Israel Science Foundation in the amount of $50,000 (2012-2014) for the project “Innovation Contests - Characterization of Equilibria and the Design of Optimal Contests.”
Ro'i Zultan (PI) was awarded a grant from the Israel Science Foundation (no. 214/13) titled entitled “Group reciprocity: changing attitudes towards groups.” The grant is for the period 2013-2015 and is in the amount of ~$40,000 p.a., ~$80,000 in total.

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

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

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

Arie Arnon works together with the Aix Group, a group of Israeli, Palestinian and international economists on research devoted to the economic aspects of a permanent agreement between Israel and Palestine. He serves as coordinator of the Israeli side and is head of the research group. The research is done within the framework of the Aix Group since 2002. From 2012 to 2014 the Group will work on the roles of economics and politics in the Israeli-Palestinian conflict, the economic costs associated with the status quo for the Israeli and Palestinian economies and compare various scenarios for possible permanent status agreements. Several grants facilitate the research.

Ofer Azar continued to serve as Editor to the Journal of Behavioral and Experimental Economics, formerly the Journal of Socio-Economics. This journal is ranked among the top three in both behavioral economics and socio-economics. Prof. Azar is also an Associate Editor for two other top journals in this field: the Journal of Economic Behavior & Organization and the Journal of Economic Psychology. He also serves as an Advisory Board Member in the SSRN Journals in Behavioral & Experimental Economics. In addition, Prof. Azar is the Chairperson of the Executive Committee of the International Confederation for the Advancement of Behavioral Economics and Economic Psychology (ICABEEP). His term as President of the Society for the Advancement of Behavioral Economics (SABE) ended in July 2014. He is also Head of the Multidisciplinary Specialty in the Department of Business Administration and the Teaching Committee Chairperson of the Guilford Glazer Faculty of Business and Management at Ben-Gurion University of the Negev.

Prof. Azar’s recent research collaborations include Ronnie Lidor, the Head of the Zinman College of the Wingate Institute, Michael Bar-Eli from the Department of Business Administration at BGU, and several graduate students.

Tomer Blumkin is a member of the CesIfo Research Institute in Munich and the IZA Institute for labor economics in Bonn. He is also a Member of the Ph.D. Committee, Faculty of Social Sciences and Humanities, Ben-Gurion University. Tomer collaborates with Leif Danziger and Ro’i Zultan from BGU, Efraim Sadka, Eran
Yashiv and Yoram Margalioth from Tel-Aviv University, Luca Micheletto and Spencer Bastani from Uppsala University, and with Yotam Shem-Tov from Berkeley.

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

Leif Danziger collaborates with Eyal Baharad and Ruth Ben-Yashar both from Bar-Ilan University and with Eran Yashiv from Tel-Aviv University.

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

Prof. Ori Haimanko continues to serve on the editorial board of the Journal of Mathematical Economics as an associate editor. He does collaborative research on the following projects: Games with Incomplete Information – joint with Atsushi Kajii (University of Kyoto); Contests with asymmetric information – joint with Ezra Einy and Aner Sela from BGU, Benyamin Shitovitz from the University of Haifa, and Ram Orzach from Oakland 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 BGU and Yotam Margalit from Columbia University.

Edna Schechtman is head of the Department of Industrial Engineering and Management. She does joint research with Hillel Bar Gera and Yisrael Parmet (BGU), Zvi Livneh and Tamar Paz-Elizur (Weizmann Institute). She serves as an associate editor for Metron.

Ella Segev collaborates with Paul Schweiner (York University), Gal Hochman (Rutgers University), Anna Rubinchik (Haifa University), and David Ong (HSBC, Business School, Beijing, China).

Aner Sela does joint research with Ori Haimanko, Ezra Einy and Ram Orzach (Oakland University). He serves as a co-editor for the Journal of Economics and Management Strategy.
Haim Shalit does joint research with Sergio Ortobelli (University of Bergamo, Italy), Frank Fabozzi (EDHEC Business School) and Shlomo Yitzhaki (Hebrew University of Jerusalem).

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.

Karine van der Beek collaborates with Prof Joel Mokyr (Northwestern University, IL) and with Nadav Ben-Zeev (BGU) on a joint project: “Technology-skill Complementarity during the Industrial Revolution: 1710-1810”, with Moshe Justman (BGU); and with Naomi Feldman (Federal Reserve Board).

Oscar Volij collaborates with Casilda Lasso (University of the Basque Country), Bradley Ruffle and Shmuel Nitzan (Bar-Ilan University). He serves as associate editor for the Journal of Public Economic Theory.

David Wettstein works on the following joint research projects: “Rational Bargaining in Games with Coalitional Externalities” 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 Autonoma de Barcelona). Prof. Wettstein is also a member of the University Higher Appointments Committee and serves as Head of the Interdisciplinary Ph.D. Program.

IV. PARTICIPATION IN CONFERENCES AND SEMINARS

Aamer Abu-Qarn

Suleiman Abu-Bader

Arie Arnon

Ofer Azar
Seminar presentations
Ben-Gurion University of the Negev (November 2013)
City University of Hong Kong (February 2014)
Bar-Ilan University (June 2014)
Conference presentations
Invited plenary lectures at conferences/meetings
“Relative Thinking,” II International Research-to-Practice Conference “Economic
psychology: Past, Present, Future” Saratov, the Russian Federation (May
2014).
"Do Customers Return Excessive Change in a Restaurant? A Field Experiment on
Dishonesty," II International Research-to-Practice Conference “Economic
psychology: Past, Present, Future” Saratov, the Russian Federation (May
2014).
“Relative Thinking,” Keynote Speech at the 2014 International Conference on Data
Science and Advanced Analytics (DSAA 2014) and 2014 International
Conference on Behavioral, Economic and Socio-cultural Computing (BESC
2014), Shanghai, China (November 2014).
Parallel sessions at conferences/meetings
"Relative Thinking,” Learning, Bounded Rationality and Decisions Conference, The
Dead Sea, Israel (January 2014).
"Relative Thinking with Substitute Goods: Does it Exist with Real Choices?" SABE
"Relative Thinking with Substitute Goods: Does it Exist with Real Choices?" ESA
European Meetings, Prague, Czech Republic (September 2014).

Nadav Ben Zeev
2013  Presentations at Bar-Ilan University; Ben-Gurion University of the Negev;
Haifa U; Hebrew University of Jerusalem; Interdisciplinary Center (IDC) Herzilia;
Max Weber Conference, Florence; University of Tel-Aviv.
2014: The 18th T2M Annual Conference (Theories and Methods in
Macroeconomics), University of Lausanne, Switzerland.

Tomer Blumkin
Conference presentations
Area Conference on Employment and Social Protection, Munich, Germany
(June, 2014) “Deserving Poor and the Desirability of Minimum Wage Rules", Taxation
Theory Conference, University of Cologne, Cologne, Germany
Research visits and invited talks
University of Uppsala, Economics Department, March-August 2014 (Sabbatical
Leave)
Turku University, Department of Economics, Turku, Finland, June 2014 (Seminar
presentation and research visit)

Leif Danziger
CESifo Area Conference on Employment and Social Protection, Munich, Germany,
May 2013.

Ezra Einy
International Conference on Game Theory and Economic Theory, SUNY at Stony
Brook, July 2013.
International Conference on Game Theory, Economic Theory and Mathematics,
Udense, Denmark, November 2013.
Koresh Galil
Multinational Finance Society, Prague (Czech Republic), June 2014.

Mark Gradstein
CESIFO Conference on Public Economics, April 2014.

Ori Haimanko.
Departmental Seminar, School of Economics, Singapore Management University, Singapore.

Moshe Justman
Chair, academic committee, Israel Economic Association Meetings, Tel Aviv.
"Two Methods of Estimating School Effects and Tracking Student Progress," AERA annual meetings, Philadelphia, PA.
"Social Inequality and Educational Opportunity in Israel, George Washington University, Washington, DC; and AERA annual meetings, Philadelphia, PA.
"Predicting VCE outcomes from NAPLAN scores," Department of Education and Early Childhood Development, Melbourne.

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

Oren Rigbi
Paper presentation at the University of Munich, March 2014.

Ella Segev
“Multi-stage Sequential All-Pay Auctions,” presented at the The Eighth International Conference on. Game Theory and Management, St. Petersburg, Russia (2014) and at the SIG10 (Spain, Italy, Netherland Game Theory Society Meeting in Krakow, Poland (2014).

Aner Sela.
Seminar at Bar-Ilan University.

Haim Shalit
"On Pertinent Risk" presented at 22nd Pacific Basin FEAM Conference, Nagoya Japan, September 4-5, 2014
"Optimizing MCSD Portfolios" presented at the 54th Euro Working Group on Commodities and Financial Modelling Meeting in Milan Italy, Dec. 4-6, 2014.
Karine van der Beek
April 2014: Research Seminar in Applied Economics and Management (RSAEM) at the Solvay Brussels School of Economics and Management (SBS-EM), the Department of Applied Economics of ULB, Brussels, Belgium.
October 2014: Departmental seminar at the School of Economics, Interdisciplinary Center (IDC), Herzliya, Israel.
September 2014: Second CEPR Economic History Symposium, Vienna, Austria.
March 2014: The Economic History Society Annual Conference, University of Warwick, Coventry, UK.

Oscar Volij
“Level r consensus and stable social choice,” presented at the annual meeting of the Association for Public Economic Theory (PET14), 10-13 July, 2014, Seattle, USA, and at a departmental seminar in the University of Glasgow on November 11, 2014.

David Wettstein
“Innovation Contests” (with D. Perez-Castrillo), 30th Meeting of the Israeli Economic Association, Tel Aviv, Israel, 2014.

Ro’i Zultan

Presentations at informal seminars:
Program for Evolutionary Dynamics, Harvard University, When and Why Does Intergroup Conflict Increase Intragroup Cooperation?, 2014

Seminar presentations:
Department of Economics, Heidelberg University, Auction Mechanisms and Bidder Collusion.
Center for Economics and Neuroscience, Bonn University, Subjective Wellbeing and Productivity in the public and private sectors: the role of incentives.
Department of Economics, University of Hamburg, The Public Sector in the Lab: the Role of Incentives.
Department of Psychology, Tel-Aviv University, Intergroup Conflict in the Lab.
Department of Economics, University of Nottingham, Auction Mechanisms and Bidder Collusion.
Max Planck Institute of Economics, The Public Sector in the Lab: The Role of Incentives.
Department of Economics, Tufts University, Auction Mechanisms and Bidder collusion.
Department of Economics, Bar-Ilan University, Auction Mechanisms and Bidder Collusion.
V. PUBLICATIONS 2013-14 (names of Center members appear in capital letters)


Steiger, E.-M., and ZULTAN, R. “See No Evil: Information Chains and Reciprocity in Teams,” accepted for publication in the *Journal of Public Economics*.

VI. WORKING PAPER SERIES 12/13/14 and abstracts of RECENT working papers (issued from the Monaster Center for Economic Research)

**Discussion Paper Series 2012**


12-03  R. Abramitzky, L. Einav and O. Rigbi, “Is Hanukkah Responsive to Christmas?”

12-04  O. Rigbi, “The Effects of Usury Laws: Evidence from the Online Loan Market.”

12-05  J. Meer and O. Rigbi, “Transactions Costs and Social Distance in Philanthropy: Evidence from a Field Experiment.”

12-06  I. Ater and O. Rigbi, “Price Control in Franchised Chains: The Case of McDonald’s Dollar Menu.”

12-07  N.E. Feldman and B.J. Ruffle, “The Impact of Tax Exclusive and Inclusive Prices on Demand.”


12-09  O. Haimanko, “Approximate Robustness of Equilibrium to Incomplete Information.”


12-11  E. Segev and A. Sela, “Multi-Stage Sequential All-Pay Auctions.”

12-12  R. Megidish and A. Sela, “Sequential Contests with Synergy and Budget Constraints.”

Discussion Paper Series 2013


13-02  N.E. Feldman and B.J. Ruffle, “The Impact of Tax Exclusive and Inclusive Prices on Demand.”

13-03  E. Einy, O. Haimanko, D. Moreno, A. Sela, and B. Shitovitz, “Tullock Contests with Asymmetric Information.”


13-05  M. Mahajne and O. Volij, “Level r Consensus.”

13-06  E. Einy, O. Haimanko, R. Orzach, and A. Sela, “Common-Value All-Pay Auctions with Asymmetric Information.”

13-07  A. Zapechelnyuk and R. Zultan, “Job Search Costs and Incentives.”

13-08  O. Weisel and R. Zultan, “Social Motives in Intergroup Conflict.”


13-16  B. Houng and M. Justman, “A Comparison of Two Methods for Estimating School Effects and Tracking Student Progress from Standardized Test Scores.”

13-17  M. Justman and K. van der Beek, “Market Forces Shaping Human Capital in Eighteenth Century London.”

ABSTRACTS OF DISCUSSION PAPERS (issued since the previous report)

SEGREGATION: THEORETICAL APPROACHES

Oscar Volij
Discussion Paper 14-01

We survey the segregation literature with a focus on axiomatic models. We particularly mention James and Tauber [18], who propose a short list of properties for the evaluation of evenness and exposure indices for the case of two groups, and Reardon and Firebaugh [26] who evaluate several such indices, for the multigroup case. Full characterizations of indices of or families of indices, however, did not appear until Philipson [25]. We will concentrate on indices defined within the traditional model of segregation in which members of different groups, e.g. men and women, or blacks, whites and Hispanics, are located in different locations.
Common-Value All-Pay Auctions with Asymmetric Information and Bid Caps
Ezra Einy, Ori Haimanko, Ram Orzach, and Aner Sela
Discussion Paper 14-02
We study two-player common-value all-pay auctions (contests) with asymmetric information under the assumption that one of the players has an information advantage over his opponent and both players are budget-constrained. We generalize the results for all-pay auctions with complete information, and show that in all-pay auctions with asymmetric information, sufficiently high (but still binding) bid caps do not change the players' expected total effort compared to the benchmark auction without any bid cap. Furthermore, we show that there are bid caps that increase the players' expected total effort compared to the benchmark. Finally, we demonstrate that there are bid caps which may have an unanticipated effect on the players' expected payoffs – one player's information advantage may turn into a disadvantage as far as his equilibrium payoff is concerned.

EQUAL TREATMENT OF EQUALS IN CLASSICAL QUASILINEAR EXCHANGE ECONOMIES
Mridu Prabal Goswami
Discussion Paper 14-03
This paper shows that there does not exist a social choice function that satisfies strategy-proofness, Pareto-efficiency and equal treatment of equals simultaneously, in classical exchange economies. This result establishes the incompatibility of fairness and efficiency in strategy-proof social choice functions as found in Cho and Thomson (2013), which reaches the same conclusion for exchange economies with linear preferences.

AUCTIONS AND LEAKS: A THEORETICAL AND EXPERIMENTAL INVESTIGATION
Sven Fischer, Werner Guth, Todd R. Kaplan and Ro'i Zultan
Discussion Paper 14-04
We study first- and second-price private value auctions with sequential bidding where second movers may discover the first movers' bids. There is a unique equilibrium in the first-price auction and multiple equilibria in the second-price auction. Consequently, comparative statics across price rules are equivocal. We experimentally find that in the first-price auction, leaks benefit second movers but harm first movers and sellers. Low to medium probabilities of leak eliminate the usual revenue dominance of first-price over second-price auctions. With a high probability of a leak, second-price auctions generate higher revenue.

PUNISHMENT AND REWARD INSTITUTIONS WITH HARMED MINORITIES
Sagi Dekel, Sven Fischer, and Ro'i Zultan
Discussion Paper No. 14-05
Public goods benefit all individuals in a community without the power of exclusion. Often, however, the public good may be a public bad for certain members of the community. Examples include heterogeneous preferences and not-in-my-backyard (NIMBY) problems. When the benefits of the public good exceed the good, and efficient provision may also be Pareto improving if the harmed minorities are compensated. We study experimentally voluntary provision to a public good where provision is efficient, but harms one member of the group. We test the effects of punishment and reward institutions in this setup, with and without communication.
We find that punishment and reward institutions do not facilitate public good provision. With communication, majority players increase their contribution if they can compensate the harmed minority.

**AUCTION MECHANISMS AND BIDDER COLLUSION: BRIBES, SIGNALS AND SELECTION**  
Aniol Llorente-Saguer and Ro'i Zultan  
Discussion Paper 14-06

The theoretical literature on collusion in auctions suggests that the first-price mechanism can deter the formation of bidding rings. In equilibrium, collusive negotiations are either successful or are avoided altogether, hence such analysis neglects the effects of failed collusion attempts. In such contingencies, information revealed in the negotiation process is likely to affect the bidding behavior in first-price (but not second-price) auctions. We test experimentally a setup in which collusion is possible, but negotiations often break down and information is revealed in an asymmetric way. The existing theoretical analysis of our setup predicts that the first-price mechanism deters collusion. In contrast, we find the same level of collusion in first-price and second-price auctions. Furthermore, failed collusion attempts distort the bidding behavior in the ensuing auction, leading to loss of efficiency and eliminating the revenue dominance typically observed in first-price auctions.

**DISCRIMINATION IN A NEW MODEL OF CONTESTS WITH TWO-SIDED ASYMMETRIC INFORMATION**  
David Pérez-Castrillo and David Wettstein  
Discussion Paper 14-07

We study contests with asymmetric information and identical contestants, where contestants’ efforts and innate abilities generate output of varying qualities. Designer’s revenue depends on the quality of the output and she offers a reward to the contestant achieving the highest quality. We characterize the equilibrium behavior, outcomes and payoffs for both nondiscriminatory and discriminatory (where the reward is contestant-dependent) contests. We derive conditions under which the designer obtains a larger payoff when using a discriminatory contest and describe settings where these conditions are satisfied.

**THE VALUE OF PUBLIC INFORMATION IN COMMON-VALUE TULLOCK CONTESTS**  
Ezra Einy, Diego Moreno and Benyamin Shitovitz  
Discussion Paper 14-08

Consider a symmetric common-value Tullock contest with incomplete information in which the players' cost of effort is the product of a random variable and a real function of effort, $d$. We show that the Arrow-Pratt curvature of $d$, $R_d$, determines the sign of the effects of changes in the level of information on the equilibrium expected efforts and payoffs: If $R_d$ is increasing and the value (cost of effort) is independent of the state, then the equilibrium expected effort increases (decreases) with the level of information. Moreover, if $R_d$ is increasing (decreasing), then the value of public information is non-negative (non-positive).
MEASURING RISK IN ISRAELI MUTUAL FUNDS: CONDITIONAL VALUE-AT-RISK VS. AUMANN-SERRANO RISKINESS INDEX
Haim Shalit
Discussion Paper 14-09
Standard performance indices use risk and return measures based on the variance or the beta to evaluate and rank mutual funds. These approaches, however, may fail to convey proper valuations unless assets are normally distributed. The aim of this paper is to use two more recently developed risk measures as conditional-value-at-risk (CVaR) and Aumann-Serrano’s (AS) riskiness index to evaluate the performance of Israeli mutual funds. These two risk measures are coherent and comply with second-degree stochastic dominance. CVaR is more adequate to evaluate the risk inherent in the lower tails of the distribution while the AS riskiness index provides an unequivocal ranking of risky assets for all risk-avers. I show how to calculate the measures for Israeli mutual funds and I provide new performance rankings that are compared to the standard performance ratios.

OPTIMIZING MCSD PORTFOLIOS
Gleb Gertsman and Haim Shalit
Discussion Paper 14-10
Marginal Conditional Stochastic Dominance (MCSD) states the probabilistic conditions under which, given a specific portfolio, one risky asset is marginally preferred to another by all risk-averse investors. Furthermore, by increasing the share of dominating assets and reducing the share of dominated assets one can improve the portfolio performance for all these investors. We use this standard MCSD model sequentially to build optimal portfolios that are then compared to the optimal portfolios obtained from Chow's MCSD statistical test model. These portfolios are furthermore compared to the portfolios obtained from the recently developed Almost Marginal Conditional Stochastic Dominance (AMCSD) model. The AMCSD model restricts the class of risk-averse investors by not including extreme case utility functions and reducing the incidence of unrealistic behavior under uncertainty. For each model, an algorithm is developed to manage the various dynamic portfolios traded on the New York, Frankfurt, London, and Tel Aviv stock exchanges during the years 2000-2012. The results show how the various MCSD optimal portfolios provide valid investment alternatives to stochastic dominance optimization. MCSD and AMCSD investment models dramatically improve the initial portfolios and accumulate higher returns while the strategy derived from Chow's statistical test performed poorly and did not yield any positive return.

VII. RESEARCH SUMMARIES OF CENTER MEMBERS
Suleiman Abu-Bader
Dr. Abu-Bader’s research interests deal with the application of econometric techniques to study macroeconomic relations. He investigates growth-related issues in the Middle East as well as the relationship between economic growth, globalization, income inequality, and poverty in developing countries. His current research is focused on studying those factors which explain the differences in income inequality levels and changes over time of the Bedouin in the Negev and of the Palestinians in the West Bank and Gaza Strip.
Aamer Abu-Qarn
Dr. Abu-Qarn focuses his research on the determinants of economic growth in general and on the MENA region in particular. To accomplish this, he applies both time series techniques and panel data methods. He also examines various aspects of the Israeli-Arab conflict, including testing for structural breaks in military expenditures, the arms race, and the relationship between defense and economic growth. Recently, he has focused on the determinants of labor force participation of Arab females.

Arie Arnon
Arie Arnon's research interests primarily deal with macroeconomics, monetary theory and policy, and the Israeli economy. In recent years the focus of his research was on the history of economic thought, the outcome of which was the publication of a monograph "Money, Banking and the Economy: Monetary Theory from Hume and Smith to Wicksell" by Cambridge University Press. Prof. Arnon is currently working on a new monograph entitled (provisionally) “Keynes(ians) and Hayek(ians) on Cycles, Crises and Economic Policy: Some Major Trends in Macroeconomics Thinking From the Great Depression to the Long Recession.” In the years 2013-2014 this project will be supported with a grant of $74,000 by INET, The Institute for New Economic Thinking. Prof. Arnon also continues to be actively involved in regional economics and research on economic policies in the Middle East, particularly on 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 which he headed until 2011.

Ofer Azar
Ofer Azar’s main research areas are behavioral economics, experimental economics, industrial organization and strategy,. His recent research has focused on several topics in particular. 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
My research interests lie in the areas of macroeconomics and macroeconometrics. My work aims to contribute to our understanding of the sources of business cycles. To accomplish this, I employ suitable macroeconometric methods. Currently, I am mainly studying the role of changes in expectations about future investment-specific technology in the business cycle. I am also engaged in another project that studies the role of changes in expectations about fiscal policy in the economy.

Tomer Blumkin
My research continues to focus on normative issues related to the design of the tax and transfer system. I examine; inter-alia: the role of labor migration and tax competition on the optimal degree of redistribution with special emphasis on top-earners, the optimal structure of means-tested and universal child benefit allowances, the efficiency-enhancing role of mandatory parental leave rules, the desirable role of minimum wage legislation in re-distribution towards the class of deserving poor, the
optimal non-linear tax-and-transfer system in the presence of adverse selection in the labor market and the signaling role of corporate social responsibility.

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

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

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

**Koresh Galil**
Dr. Galil's research interests focus on empirical finance and credit risk. His current projects include empirical examination of several alternatives for application of Merton’s (1974) model for prediction of default, rating shopping, rating accuracy, corporate bond issuance, informed trading prior to default events and anomalies in credit derivatives markets.

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

**Ori Haimanko**
Prof. Haimanko’s 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 monotonic values of cooperative games.

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

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

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

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.

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 is presently using new riskiness measures to quantify risk in mutual funds and portfolios.

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

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

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