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I. MEMBERS OF THE MONASTER CENTER FOR ECONOMIC RESEARCH

DIRECTOR: Prof. Ro’i Zultan

MEMBERS

Dr. Suleiman Abu-Bader
Dr. Aamer Abu-Qarn
Prof. Ofer Azar, Department of Business Administration
Dr. Tanya Baron
Dr. Nadav Ben-Zeev
Prof. Tomer Blumkin
Prof. Danny Cohen-Zada, Chairman, Department of Economics
Dr. Ran Eilat
Prof. Ezra Einy
Dr. Koresh Galil
Dr. Naomi Gershoni
Dr. Ada González-Torres
Prof. Mark Gradstein,
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
Prof. Ro’i Zultan
II. OPENING REMARKS

The 2018-2019 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 38 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. This year members of the Center were remarkably successful, as recognized by the University in a special award to the department. 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. Ity Shurtz, a graduate from UC Berkeley in 2011, and a former lecturer at the Hebrew University of Jerusalem. His main fields of research are health economics, public economics, and law and economics. We are also proud to announce that Ro’i Zultan was promoted to Associate Professor.

This year saw the departure of Leif Danziger, who retired in October 2018. Leif was highly active academically, doing high-quality research, collaborating with colleagues, and teaching at all levels. We hope he will continue to interact with the Department and wish him a fruitful retirement.

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

Prof. Ro’i Zultan, Director
Monaster Center for Economic Research
III. ACTIVITIES IN DETAIL

The 11th Annual Conference of the Israeli Chapter of the Game Theory Society was held this year at Ben-Gurion University. As part of the event, the Fourth Aumann Lecture was delivered by Prof. Paul Milgrom from Stanford University and the Annual Maschler Prize was awarded to this year’s outstanding research student.

Three brown bag seminars were held during the period of the report. Each seminar involved faculty and graduate students. They were as follows:

May 26 – Chaoran Sun: “Value Free Reduced Game Operators: an Axiomatic Approach.”
June 2 – Lawrence Choo: “Can Auctions Select People by Their Level-K Types?”

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:

Yotam Shem-Tov (University of California, Berkeley)
Juliana Londono-Velez (University of California, Berkeley)
Costas Meghir (Yale University)
Gideon Bornstein (Northwestern University)
Mark Schankerman (London School of Economics)
Matthias Blonski (Goethe University Frankfurt)
Christoph Vanberg (Heidelberg University)
Konrad Mierendorff (University College London)
Fernando Luco (Texas A&M University)
Renee Adams (Said Business School, University of Oxford)
Matthias Doepke (Northwestern University)
Jennifer L. Doleac (Texas A&M University)
Josh Goodman (Harvard University)
Johanna Rickne (Stockholm University)
Noam Yuchtman (University of California, Berkeley)
Dominik Sachs (University of Munich)

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).

22.11.18 Nathan Goldstein (Bar-Ilan University)
“What has Happened to Inflation Persistence? A New Expectations-Based Measure”

29.11.18 Zvika Neeman (Tel-Aviv University)
“How Bayesian Persuasion can Help Reduce Illegal Parking and Other Socially Undesirable Behavior”

09.12.18 Yotam Shem-Tov (University of California, Berkeley)
“Does Incarceration Increase Crime?”
13.12.18 Juliana Londono-Velez (University of California, Berkeley)  
“Can Wealth Taxation Work in Developing Countries? Quasi-Experimental Evidence from Colombia”

13.12.18 Costas Meghir (Yale University)  
“Marriages, Labor Supply, and the Dynamics of the Social Safety Net”

17.12.18 Gideon Bornstein (Northwestern University)  
“Entry and Profits in an Aging Economy: The Role of Consumer Inertia”

20.12.18 Mark Schankerman (London School of Economics)  
“Screening for Patent Quality”

27.12.18 Revital Bar (Hebrew University)  
“Ethnic Discrimination in the Housing Market: Evidence from Israel”

03.01.19 Eve Colson-Sihra (Hebrew University)  
“The Conspicuous Consumption of the Poor: Forgoing Calories for Aspirational Goods”

10.01.19 Matthias Blonski (Goethe University, Frankfurt)  
“Moral Hazard with Excess Returns”

28.02.19 Christoph Vanberg (Heidelberg University)  
“Logrolling Affects the Relative Performance of Alternative q-Majority Rules”

14.03.19 Konrad Mierendorff (University College London)  
“Optimal Dynamic Allocation of Attention”

28.03.19 Fernando Luco (Texas A&M University)  
“Vertical Integration with Multiproduct Firms: When Eliminating Double Marginalization May Hurt Consumers”

04.04.19 Renee Adams (Said Business School, University of Oxford)  
“Corporate Gender Culture”

11.04.19 David Lagziel (Ben-Gurion University)  
“The Strategic Role of Pay Secrecy in Labor Markets with Matching Frictions”

02.05.19 Matthias Doepke (Northwestern University)  
“Employment Protection, Investment in Job-Specific Skills and Inequality Trends in the United States and Europe”

23.05.19 Jennifer L. Doleac (Texas A&M University)  
“The Effects of DNA Databases on the Deterrence and Detection of Offenders”
30.05.19 Josh Goodman (Harvard University)
“Heat and Learning”

06.06.19 Johanna Rickne (Stockholm University)
“Economic Losers and Political Winners: Sweden’s Radical Right”

13.06.19 Dov Samet (Tel-Aviv University)
“Desirability Relations I Savage’s Model of Decision Making”

20.06.19 Noam Yuchtman (University of California, Berkeley)
“Persistent Political Engagement: Social Interactions and the Dynamics of Political Movements”

11.07.19 Dominik Sachs (University of Munich)
“The Indirect Fiscal Benefits of low-Skilled Immigration”

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.

Suleiman Abu-Bader was awarded a grant from the National Institute of Social Insurance in the amount of 600,000 NIS for the project “Socio-economic Survey of the Arab-Bedouin households in Southern Israel.”

Tanya Baron was awarded an ISF grant in the amount of NIS 293,000 for the proposal “Short and Long Term Effects of Preschool Attendance on Cognitive and Non-Cognitive Outcomes of Arab Children” (together with Analia Schlosser from Tel-Aviv University).

Tomer Blumkin together with David Lagziel was awarded a two-year grant from the Israel Science Foundation 2019 entitled “Wage Secrecy in Labor Contracts” for the amount 230,000 NIS, equivalent to 65,714 US$ based on the current exchange rate.

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).


David Lagziel holds an ISF Grant in the amount of 230,000 NIS for a proposal entitled “Wage Secrecy in Labor Contracts” (joint with Tomer Blumkin).

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.”

(5) The National Insurance Institute of Israel (Bituach Leumi) in the amount of 91,000 NIS for the project “Spouse and Marriage Dynamics in Response to Pension Reforms.” This is a two-year grant starting from October 2019.

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.
Ro’i Zultan received the following two grants:
1. Faculty of Social Sciences and Humanities grant for interdisciplinary research, Ben-Gurion University: Measuring Trust, Increasing Trust with Kobi Gal). $15,000.

Committees, Society Fellowships, Appointments, and Research Collaborations

Suleiman Abu-Bader collaborates with Aamer Abu-Qarn and Miri Stryjan from Ben-Gurion University.

Aamer Abu-Qarn serves as the head of Eilat Campus Economics Program, and is a member of the Faculty of Humanities and Social Sciences Ph.D. committee. He collaborates with 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 1.14. 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); Yaron Lahav, Alisa Voslinsky and Michael Bar-Eli from Ben-Gurion University; Simcha Avugos from the Wingate Institute; Eran Sher from the Technion; and Mark Applebaum and Elia Morgulev from Kaye Academic College of Education.

Tanya Baron collaborates with Noriko Amano-Patino (Cambridge), Pengpeng Xiao (Yale), and Analia Schlosser (Tel-Aviv University)

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; Kaisa Kotakorpi and Tuomas Kosonen from the VATT Institute in Helsinki, Finland, and Amihai Glazer from UC Irvine.

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 Krumner from University of St. Gallen, and Naomi Gershoni from Ben-Gurion 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); Thomas Lindner (Vienna University of Economics and Business), 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.

Ada González-Torres collaborates on several research projects with Laura Boudreau (Columbia Business School, Columbia University, New York City, USA); Elena Esposito (HEC - Université de Lausanne, Switzerland). She was selected to review papers for the upcoming 2020 Spring Young Economists Meeting (EAYE) at Università di Bologna, Italy. She is a Catalyst at the Berkeley Initiative for Transparency in the Social Sciences (BITSS) and gives workshops in Research Transparency in this framework. Last workshop she taught took place at the European University Institute in Florence, Italy, together with Prof. Michèle Belot (EUI) and Dr. Julia Schulte-Cloos (LMU Munich).

Mark Gradstein is a fellow at CEPR (London), CESifo (Munich), and IZA (Bonn). He was a Visiting Scholar at the Australian National University during April 2019.

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 and Ezra Einy from BGU.

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. She has ongoing projects with Oren Rigbi and Aamer Abu-Qarn, 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.

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 Madeestam (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 Assaf Sarid (University of Haifa) on a joint project on the geographical origins of mechanical skills and technological change in England; with Nadav Ben-Zeev (Ben-Gurion University); with Hodaya Lampert (Technion); with Lior Farbman (Ben-Gurion University, PhD); 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-Caстильо (Universitat Autonoma de Barcelona) and “Patents and Pools in Pyramidal Innovation Structures” with Hodaya Lampert (Technion, Israel Institute of Technology).

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. He is a member of the Faculty of the Natural Sciences Appointments Committee. He serves as associate editor for the Journal of Mechanism and Institution Design.

Ro’i Zultan serves on the following committees:
BGU Senate Follow-up Committee
Faculty of Social Sciences and Humanities M.A. Committee
He collaborates with Kobi Gal, 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); Santiago Oliveros (University of Essex); David Hugh-Jones (University of East Anglia); Zvika Neeman (Tel-Aviv University); Penelope Hernandez (University of Valencia); Philipp Külpmann (Vienna University) and Sven Fischer (Brunel University).

IV. PARTICIPATION IN CONFERENCES AND SEMINARS

Suleiman Abu-Bader

Aamer Abu-Qarn

Ofer Azar
ESA European Meetings 2019, Dijon, France
IAREP-SABE 2019 Conference, Dublin, Ireland
SPUDM 2019, Amsterdam, The Netherlands

Tanya Baron
9th Annual Search and Matching Conference (Oslo) – May 2019
Frontiers of Macroeconomics (Tel Aviv), discussant – June 2019
Midwest Macroeconomic Meetings (Athens, Georgia) – May 2019 – presentation by co-authors
Oxford Applied Microeconomics Workshop (UK) – May 2019 – presentation by co-authors

Nadav Ben Zeev
Asset Meeting, Athens, October 2019.

Tomer Blumkin
(with D. Lagziel) “Pay Secrecy in Labor Markets with Matching Frictions,” Cesifo Area Conference on Applied Microeconomics, Munich, Germany (March 2019); at the Linnaeus University, Department of Economics, Vaxjo, Sweden (May 2019), and at the Tel-Aviv University, Department of Economics (May 2019).
(with D. Lagziel) “Relative-Ambition and the Role of Wage Secrecy in Labor Contracts,” Cesifo Area Conference on Employment and Social Protection, Munich, Germany (April 2019), at the Israeli Economic Association, Annual Meeting (June 2019); and at the Tel-Aviv University, Coller Business School (December 2018).
Danny Cohen-Zada
“The Effect of School Entrance Age on Grade Repetition,” Annual Meeting of the Israeli Economic Association, June 2018.

Ran Ellat

Ezra Einy
International Conference on Game Theory, SUNY Stony Brook, July 2019.

Naomi Gershoni

Ada González-Torres
Presentations during the academic year 2018/2019:
Departmental Seminar at ETH Zurich, Switzerland; Working Group in African Political Economy, Cape Town University, South Africa; Israel Economic Association, Hebrew University, Israel; Spring Meeting for Young Economists (EAYE), Université Libre de Bruxelles, Belgium; Interdisciplinary Center (IDC), Israel; Pacific Development Conference, University of Southern California, USA; NCID/Fundacion Ramon Areces, Spain; Africa Center at Ben-Gurion University, Israel.

Mark Gradstein

Ori Haimanko

August 2019 – Summer Workshop on Economic Theory (SWET), Otaru Chamber of Commerce, Otaru, Japan. Title: "Strong Robustness to Incomplete Information and the Uniqueness of a Correlated Equilibrium.”

David Lagziel

Shirlee Lichtman-Sadot
Urban Economics and Public Services in Developing Countries - Jinan University, Guangzhou, China (July 2019).
Oren Rigbi

Aner Sela
19th SAET Conference, Ischia, Italy, July 2019.
The 34th EEA and the 72nd ESEM, Manchester, UK, August 2019.

Miri Stryjan
Invited seminars

Karine van der Beek
“The Wheels of Change: Human Capital, Millwrights, and Industrialization in Eighteenth-Century England.” (with Joel Mokyr and Assaf Sarid), presented at a Conference in the Honor of Nicholas Crafts: “Nicholas Crafts @70 Conference” England (March 2019) and at the Solvay Brussels School of Economics and Management, ULB (Université libre de Bruxelles), Belgium (June 2019).

Oscar Volij

David Wettstein
“Extensions of the Shapley Value for Environments with Externalities,” (with I. Macho-Stadler and D. Pérez-Castrillo), Seminar at the Department of Environmental Economics and Management, the Hebrew University of Jerusalem (April 2019).

Ro’i Zultan
Invited seminars:
Samford University, “Manipulation in Prediction Markets,” 2018 and at Haifa University, 2019.
Conference presentations:
“Group Reciprocity,” Learning, Evolution and Games, Bar-Ilan University, Israel, 2019.
“Manipulation and (Mis)trust in Prediction Markets,” 72nd European Meeting of the Econometric Society, Manchester, UK, 2019.

V. PUBLICATIONS 2017-18 (names of Center members appear in capital letters)


VI. WORKING PAPER SERIES nd abstracts for the period of the report (issued from the Monaster Center for Economic Research)

**Discussion Paper Series 2018**

18-01 K. Galil and N. Gilat, “Predicting Default More Accurately: To Proxy or not to Proxy for Default?”

18-02 N. Ben-Zeev, “The TFP Channel of Credit Supply Shocks.”

18-03 S. Lichtman-Sadot, “Can Public Transportation Reduce Accidents? Evidence from the Introduction of Late-Night Buses in Israeli Cities.”

18-04 A. Sela, “Reverse Contests.”
18-05  A. Iluz and A. Sela, “Sequential Contests with First and Secondary Prizes.”

18-06  I. Ater and O. Rigbi, “Unchain my Chain: The Impact of Founding Couples on Family Businesses.”


18-08  D. Lagziel and E. Lerner, “Transferable Deposits as a Screening Mechanism.”

18-09  D. Lagziel and E. Lehrer, “Performance Cycles.”

18-10  D. Lagziel, “Credit Auctions and Bid Caps.”


18-12  M. Mahajne and O. Volij, “Condorcet Winners and Social Acceptability.”

**Discussion Paper Series 2019**


19-01  E. Einy, O. Haimanko and David Lagziel, “Strong Robustness to Incomplete Information and the Uniqueness of a Correlated Equilibrium.”

19-02  T. Blumkin and D. Lagziel, “Relative Ambition and the Role of Wage Secrecy in Labor Contacts.”

19-03  T. Blumkin and D. Lagziel, “Pay Secrecy in Labor Markets with Matching Frictions.”


19-05  D. Lagziel and E. Lehrer, “A Bias of Screening.”

19-06  N. Ben Zeev, Is there a Single Shock that Drives the Majority of Business Cycle Fluctuations?

19-07  N. Ben Zeev, “Identification of Sign-Dependency of Impulse Responses.”

19-08  N. Ben Zeev, “Adjustable-Rate Mortgages, Systematic Monetary Policy, and the Root Cause of the Financial Crisis.”


ABSTRACTS OF DISCUSSION PAPERS (issued since the previous report)

GENERALIZED COLEMAN-SHAPLEY INDICES AND TOTAL-POWER MONOTONICITY
Ori Haimanko
Discussion Paper 18-13
We introduce a new axiom for power indices, which requires the total (additively aggregated) power of the voters to be nondecreasing in response to an expansion of the set of winning coalitions; the total power is thereby reflecting an increase in the collective power that such an expansion creates. It is shown that total-power monotonic indices that satisfy the standard semivalue axioms are probabilistic mixtures of generalized Coleman-Shapley indices, where the latter concept extends, and is inspired by, the notion introduced in Casajus and Huettner (2018). Generalized Coleman-Shapley indices are based on a version of the random-order pivotality that is behind the Shapley-Shubik index, combined with an assumption of random participation by players.

STRONG ROBUSTNESS TO INCOMPLETE INFORMATION AND THE UNIQUENESS OF A CORRELATED EQUILIBRIUM
Ezra Einy, Ori Haimanko, and David Lagziel
Discussion Paper 19-01
We define and characterize the notion of strong robustness to incomplete information, whereby a Nash equilibrium in a game $u$ is strongly robust if, given that each player knows that his payoffs are those in $u$ with high probability, all Bayesian-Nash equilibria in the corresponding incomplete-information game are close – in terms of action distribution – to that equilibrium of $u$. We prove, under some continuity requirements on payoffs, that a Nash equilibrium is strongly robust if and only if it is the unique correlated equilibrium. We then review and extend the conditions that guarantee the existence of a unique correlated equilibrium in games with a continuum of actions. The existence of a strongly robust Nash equilibrium is thereby established for several domains of games, including those that arise in economic environments as diverse as Tullock contests, Cournot and Bertrand competitions, network games, patent races, voting problems, and location games.
RELATIVE AMBITION AND THE ROLE OF WAGE SECRECY IN LABOR CONTRACTS
Tomer Blumkin and David Lagziel
Discussion Paper 19-02

In this paper, we study the properties of optimal labor contracts in an efficiency-wage setting with homogeneous workers whose utilities depend both on their absolute and relative wages, compared to their co-workers. Assuming that relative wages carry a two-sided effect over workers' incentives, we characterize necessary and sufficient conditions for wage dispersion and wage secrecy to be part of the optimal labor contract. We show the important role played by the extent of complementarity exhibited by the production function, and further demonstrate the robustness of our results to the incorporation of general equilibrium stability considerations.

PAY SECRECY IN LABOR MARKETS WITH MATCHING FRICTIONS
Tomer Blumkin and David Lagziel
Discussion Paper 19-03

This paper studies the strategic role of wage secrecy arrangements in a labor market with matching frictions. We demonstrate how firms employ pay-secrecy policies to control the dissemination of wage-related information to job applicants, via professional social networks. Consequently, wage dispersion, both within and across firms, arises in equilibrium, ensuring that firms derive positive rents. We further show that matching frictions arise endogenously in equilibrium and serve as a coordination device to support tacit collusion between competing firms.

A COMPARISON OF NOISY SIGNALS IN SCREENING
David Lagziel and Ehud Lehrer
Discussion Paper 19-04

This paper studies the impact of different noises over screening processes. Specifically, it deals with a decision problem in which one decision maker screens a set of elements based on noisy unbiased evaluations. Given that the decision maker uses threshold strategies we show that additional binary noise can potentially improve a screening - an effect that resembles a “lucky-coin toss.” On the other hand, once optimal screening strategies are introduced, this effect disappears as any additional noise can only damage the screening process. We compare different noises under threshold strategies and optimal ones, and provide several (partial) characterizations of cases in which one noise is preferable over another. Doing so, we establish a novel method to compare noise variables through a mapping between percentiles.

A BIAS OF SCREENING
David Lagziel and Ehud Lehrer
Discussion Paper 19-05

This paper deals with the issue of screening. It focuses on a decision maker who, based on noisy unbiased assessments, screens elements from a general set. Our analysis shows that stricter screening not only reduces the number of accepted elements, but possibly reduces their average expected value. We provide a characterization for optimal threshold strategies for screening, and also derive implications to cases where such screening strategies are suboptimal. We further provide various applications of our results to credit ratings, auctions, general trade, the Peter Principle, and affirmative action.
IS THERE A SINGLE SHOCK THAT DRIVES THE MAJORITY OF BUSINESS CYCLE FLUCTUATIONS?
Nadav Ben Zeev
Discussion Paper 19-06

I estimate the set of models in which one shock drives the majority of business cycle fluctuations. This shock explains the bulk of the long-run variation in the relative price of investment and a significant share of that in TFP and features a boom-bust behavior in the late 1990s-early 2000s period. Based on theory and the common view that the late 1990s-early 2000s episode was driven by overly optimistic expectations about information and communications technology which were thereafter revised downwards, the business cycle shock can be interpreted as a news shock about a general purpose technology represented by investment-specific technology.

IDENTIFICATION OF SIGN-DEPENDENCY OF IMPULSE RESPONSES
Nadav Ben Zeev
Discussion Paper 19-07

The potential asymmetry of impulse responses to macroeconomic shocks, i.e., the possibility that the economy responds differently to positive and negative shocks, has received increased attention recently. I argue, both analytically and through Monte Carlo simulations, that estimating potential asymmetries by positing a dichotomous moving average (MA) representation that explicitly distinguishes between the MA coefficients on the basis of the shock realizations’ sign yields biased estimates of true asymmetry. By contrast, estimating a second-order polynomial in the shock that explicitly models its second-order effect is able to produce unbiased estimates of true asymmetry. Applying the latter specification to study the empirical asymmetries in the economy’s response to credit supply and monetary policy shocks, I find response asymmetries that are much smaller than those obtained from the dichotomous specification but that are still significant and economically interesting. Financial frictions seem to be an important amplification mechanism driving these asymmetries.

IDENTIFICATION OF SIGN-DEPENDENCY OF IMPULSE RESPONSES
Nadav Ben Zeev
Discussion Paper 19-08

Motivated by the theoretical prediction that the indexation mechanism underlying adjustable rate mortgages (ARMs) can serve as a significant shock-absorber for mortgage default rates, this paper highlights a novel mechanism based on the initial share of prime ARMs as a potential root cause of the recent financial crisis. Using U.S. state-level data in a panel fixed-effects Bayesian local projections framework, I find that the joint existence of the favorable credit supply shock realizations and high prime ARM prevalence of the mid-2000s boom period significantly raised mortgage default rates in the period leading up to the onset of financial crisis, thus setting the stage for its materialization.

ASYMMETRIC BUSINESS CYCLES IN EMERGING MARKET ECONOMICS
Nadav Ben Zeev
Discussion Paper 19-09

I document that business cycles in emerging market economies (EMEs) for pre-2008 data appear to be rather symmetric while being strongly asymmetric when post-2008 data is included. I then study this asymmetry through the lens of global risk appetite shocks, which are commonly viewed as central to the recent global recession and are implied by theory to have the potential of generating asymmetric business cycles. Using a nonlinear panel fixed-effects
Bayesian framework that can identify sign-dependent impulse responses, I show that adverse global risk appetite shocks lead to much bigger declines in EMEs’ output than the corresponding increases induced by favorable shocks. Financial frictions in EMEs seem to be an important mechanism underlying the strong asymmetry in impulse responses.

EMPLOYMENT PROTECTION LEGISLATION AND ECONOMIC RESILIENCE: PROTECT AND SURVIVE
Nadav Ben Zeev
Discussion Paper 19-10

Employment protection legislation (EPL) policies are in use throughout the developed world but their role in the transmission of macroeconomic shocks into the real economy is mostly unstudied. We illustrate the potential role of these policies as amplifiers of macroeconomic shocks in a simple search and matching model which indicates that strict EPL can lead to factor-misallocation-induced output losses in the presence of adverse shocks. We then perform a quasi-natural experiment which utilizes global credit supply shocks, especially the large ones observed in the recent financial crisis, to study this role within a non-linear, state-dependent panel fixed-effects local projections framework using a panel of 21 OECD economies. We show that strict EPL is associated with a weaker initial response of the labor market, which is followed by a stronger and more persistent decline in real output as well as a slower return of unemployment and hours worked to their pre-shock levels. The stronger output decline can be mostly explained by a stronger fall in aggregate total factor productivity (TFP), suggesting that EPL strictness may hinder reallocation and thus act as a shock amplifier which prevents the recovery of output via persistent factor-misallocation-induced TFP losses.

EQUILIBRIUM EXISTENCE IN GAMES WITH A CONCAVE BAYESIAN POTENTIAL
Ezra Einy and Ori Haimanko
Discussion Paper 19-11

We establish existence of a pure-strategy Bayesian Nash equilibrium in Bayesian games with convex and compact action sets that have a continuous and concave potential at any state of nature. No assumptions are made on the information structure in these games; in particular, there may be uncountably many states of nature or information types, and in the latter case the common prior need not be absolutely continuous w.r.t. the product of its marginal. As an application, we show that Bayesian Nash equilibrium exists in many well-known games and their generalizations that have semi-quadratic payoffs, including Bertrand and Cournot oligopolies with linear demand.

EVIDENCE FROM A NATURAL EXPERIMENT IN ARBITRATION PROCEEDINGS
Naomi Gershoni
Discussion Paper 19-12

The importance of understanding the systematic differences between group and individual decisions has been well recognized in the literature. However, the vast majority of empirical evidence on this issue is derived from laboratory experiments, and hence does not reflect professional incentives and career concerns, both of which may play a crucial role. To fill this gap, I exploit a unique regulatory change that exogenously decreased the number of presiding arbitrators from three to one for a specific class of cases in the Financial Industry Regulatory Authority arbitration as well as an original data set of arbitration awards. The
findings indicate that sole arbitrators tend to render more moderate awards when compared to panels of three arbitrators. Adding arbitrator fixed-effects to the model confirms that this tendency is also present within arbitrators, implying that the same arbitrators are inclined towards more extreme “all or nothing” decisions when in groups. This finding rules out the possibility that the effect is driven by differences in the selection of arbitrators into panels. Rather, evidence supports a novel explanation of the polarization of groups: namely, individuals’ concerns about adverse effects of extreme decisions on their reputation are mitigated within groups, in which individual opinions are at least partially obscured.

OLDER YET FAIRER: HOW EXTENDED REPRODUCTIVE TIME HORIZONS RESHAPED MARRIAGE PATTERNS IN ISRAEL
Naomi Gershoni and Corinne Low
Discussion Paper 19-13†

Israel’s 1994 adoption of free in vitro fertilization provides a natural experiment for how fertility time horizons impact women’s marriage timing and other outcomes. We find a substantial increase in average age at first marriage following the policy change, using both men and Arab-Israeli women as comparison groups. This shift appears to be driven by both increased marriages by older women and younger women delaying marriage. Age at first birth also increased. Placebo and robustness checks help pinpoint IVF as the source of the change. Our findings suggest age-limited fertility materially impacts women’s life timing and outcomes relative to men.

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 ethnic/religious polarization, foreign military intervention, and civil conflicts, with special focus on the MENA region. At present, he is conducting the first socio-economic survey among the Arab-Bedouin community in Southern Israel.

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 focuses 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 analyze the behavior and decision-making of sports players and the dishonesty of children in math competition and of restaurant customers who receive too much change that can either be returned or kept.

**Tanya Baron**
Tanya Baron is a labor economist. Her primary research interests include individual career progression, inequality and the impact of business cycles on the labor market. In one ongoing project she studies the life-cycle gender wage gap and its components (in collaboration with Noriko Amano-Patino and Pengpeng Xiao). Another field of interest is the formation of human capital, and she has an ongoing project (in collaboration with Analia Schlosser) that studies the impact of public preschool attendance on the human capital development of Arab children, both in short- and long-term.

**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 redistribution 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.

**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, the 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.

Ada González-Torres
Dr. González-Torres main research areas are in development and political economy. Her work focuses on conflict, social norms and the role of information mechanisms in affecting development outcomes. Most recently, her research has focused on the political economy of disease outbreaks in West Africa, studying the link between epidemic disease and civil violence in the region, as well as the role of media in changing cultural norms and the spread of disease. Currently, she is working on a field experiment to study the design of whistleblowing mechanisms to improve worker well-being in the private sector in Bangladesh.

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 decision-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 on 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 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. He is currently serving as the head of the research division at the Israel Competition Authority.

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 with 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, and the economics of theft.
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.