



NEWSLETTER 2018-27

CALENDAR:

Departmental Seminar

Javier Legris (Universidad de Buenos Aires):
The Place of Economics in the Encyclopedia of Unified Science

Monday, November 19
16:30–18:00
H26

IOS Seminar

Olga Popova (IOS Regensburg):
*Natural resources and income inequality: Synthetic control
method evidence*

Tuesday, November 20
13:30–15:00
WiOS 109 (Landshuter Str. 4)

Lunch Seminar

Simon Jäger (MIT):
Wages and the Value of Nonemployment

Wednesday, November 21
12:00–13:30
VG 2.35

ABSTRACTS:**Departmental Seminar**

Javier Legris:

The Place of Economics in the Encyclopedia of Unified Science

Abstract: The Encyclopedia of Unified Science finally published its volume devoted on methodological problems in Economics 50 years ago. It should be the last of the whole series. It was entitled Methodology of Mathematical Economics and Econometrics and the author was the Austrian-born econometrician Gerhard Tintner. The Encyclopedia was an outcome of the general program of Unified Science that had been originally driven by Otto Neurath at the beginning of the 1930s in the context of the Vienna Circle and the school of Logical Empiricism. The aim of this paper is twofold. Firstly, we examine the evolution of the philosophical ideas on Economics within the program of the Unified Science that led to Tintner's book. Secondly, we attempt to make an assessment of Tintner's book in relation to this background and to the situation of the philosophy of Economics at the time of its publication. Hence, the difficulties in placing Economics (and Social Sciences in general) in the program of Unified Science will be pointed out. Moreover, we will suggest a reevaluation of some ideas developed by the logical empiricists (Neurath above all) in the light of the current methodological problems in Economics.

IOS Seminar

Olga Popova:

Natural resources and income inequality: Synthetic control method evidence

Abstract: We examine the causal effect of natural resource discoveries on income inequality using the synthetic control method on data from 1947 to 2009. We focus on the natural discoveries in Denmark, Netherlands and Norway in the 1960-1970s and use top 1% and top 10% income share as the measure of income inequality. Many previous studies have been concerned that natural resources may increase income inequality. To the contrary, our results suggest that natural resources decrease income inequality or have no effect. We attribute this effect to the high institutional quality of countries we examine.

Lunch Seminar

Simon Jäger:

Wages and the Value of Nonemployment

Abstract: Nonemployment is often posited as a worker's outside option in wage setting models such as bargaining and wage posting. The value of this state is therefore a fundamental determinant of wages and, in turn, labor supply and job creation. We measure the effect of changes in the value of nonemployment on wages in existing jobs and among job switchers. Our quasi-experimental variation in nonemployment values arises from four large reforms of unemployment insurance (UI) benefit levels in Austria. We document that wages are insensitive to UI benefit levels: point estimates imply a wage response of less than \$0.01 per \$1.00 UI benefit increase, and we can reject sensitivities larger than 0.03. In contrast, a calibrated Nash bargaining model predicts a sensitivity of 0.39 – more than ten times larger. The empirical insensitivity holds even among workers with a priori low bargaining power, with low labor force attachment, with high predicted unemployment duration, among job switchers and recently unemployed workers, in areas of high unemployment, in firms with flexible pay policies, and when considering firm-level bargaining. The insensitivity of wages to the nonemployment value we document presents a puzzle to widely used wage setting protocols, and implies that nonemployment may not constitute workers' relevant threat point. Our evidence supports wage-setting mechanisms that insulate wages from the value of nonemployment.

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