Stockholm University

Institute for International Economic Studies

Annual Report 2024

Stockholm University
SE-106 91 Stockholm
SWEDEN

www.iies.su.se

ISSN 1104-4195

Design: Hanna Weitz, IIES/Stockholm University
Text: Institute for International Economic Studies (IIES)
Print: Ljungbergs Tryckeri AB
Photos: IIES, Stockholm University, Miriam Bratt (photo of Mattias Folkestad), Antonia Maassen (photo of Isabella Maassen), Caroline S. Wibling (photo of Peter Svedberg), Victoria Garvare Mahdessian/IIES, Ingmarie Andersson.
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Photo: Ingmarie Andersson.

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About the IIES

The Institute for International Economic Studies (IIES) is a research institute at Stockholm University. Founded in 1962, it has become one of Europe's leading institutions in advanced research in economics, broadly defined.

The mission of the IIES condenses the three broad goals of Stockholm University at a top level: to train PhD economists, conduct cutting-edge research, and actively engage in high-level public policy discussions in Sweden and beyond.

The three aims of the IIES are tightly interconnected. For the training of future PhDs and to ensure that any policy advice is updated and based on sound empirical and theoretical grounds, an ongoing close engagement with the international research frontier is necessary. To this end, the IIES researchers themselves engage in research projects aimed at broad international impact.

The PhD students based at the IIES are an integral part of its research environment. A defining feature of the PhD training, which is part of a Stockholm-wide program involving other institutions, is to encourage the students to take on ambitious and challenging questions of broad value to society. Upon graduation, IIES students go on to tenure-track jobs at universities worldwide or positions in government and other organizations. The list of leading Swedish decision makers with an IIES background is long.

The IIES has a global aim with its research. However, its international profile is broader than that. A significant fraction of the faculty as well as the PhD students, along with visiting seminar speakers and researchers, come from a wide variety of countries. The working language at the IIES is English.

A word from our Director

Dear friends of the IIES:

I find this annual report a very good, and positive, description of the activity at our workplace. One striking feature is the constant motion of people: new faculty, graduate students, and staff join, while others move on. Since our workplace is not very large, this gives a strong sense of dynamics and non-constancy. But we also note a strong sense of continuity: we keep delivering on our core tasks – research, teaching, and engagement with the broader public – in a steady and successful way.

The report also reveals the social, and human, side of the IIES. Beyond what is in the report, I would like to emphasize the joy we experience as our colleagues succeed in leisure endeavors (such as running marathons) or become parents, alongside a shared sadness when our colleagues move on. This year also brought the heartbreaking loss of Professor Paul Klein, a former IIES graduate and assistant professor; Paul worked at the economics department on the 7th floor and is sorely missed in many ways, as he was an integral part of our joint environment.

Finally, 2024 involved a management transition: I succeeded Jakob Svensson and Tessa Bold replaced John Hassler. I would therefore like to take this opportunity to thank them for excellent service for many years, one Tessa and I can only aspire to match. Jakob, in particular, has introduced and implemented many excellent ideas, among them the lyrics to the theme song "Sweet Home, Institutet", regularly performed with great timbre at our parties.

Per

Most of the members of our Board of Governors (as of August 1).

Board of Governors

Being a research institute, the IIES has an external Board of Governors consisting of the directors of the IIES, other representatives from Stockholm University and external members. The Board meets twice a year.

Until 31 July 2024:

Jakob Svensson (Chair), Professor of Economics, IIES Director

John Hassler, Professor of Economics, IIES Deputy Director

Susanne Ackum, Dean at the School of Business, Linnaeus University

Harry Flam, Professor Emeritus, IIES

Lars Heikensten, Former CEO of the Nobel Foundation

Mia Horn af Rantzien, Former CEO of the Center for Business and Policy Studies (SNS)

Kerstin Lidén, Professor of Archaeology, Stockholm University

Jonas Nycander, Professor of Meteorology, Stockholm University

Jonatan Riberth, (Student Representative), Graduate Student, IIES

Michael Sohlman, Former CEO of the Nobel Foundation

From 1 August 2024:

Per Krusell (Chair), Professor of Economics, IIES Director

Tessa Bold, Professor of Economics, IIES Deputy Director

Aino Bunge, Deputy Governor of the Riksbank

Karin Bäckstrand, Professor in Environmental Social Science, Stockholm University

Harry Flam, Professor Emeritus, IIES

Jens Henriksson, CEO, Swedbank

Mia Horn af Rantzien, Former CEO of the Center for Business and Policy Studies (SNS)

Kerstin Lidén, Professor of Archaeology, Stockholm University

Jonas Nycander, Professor of Meteorology, Stockholm University

Jonatan Riberth, (Student Representative), Graduate Student, IIES

Ann Öberg, CEO, Almega

Per Krusell and Tessa Bold took over as Director and Deputy Director of the IIES in August.

News at the IIES

Ingvild Almås is a Visiting Professor at Yale University during the 2024/2025 academic year.

Anton Arbman Hansing, Sofia Giovannetti, Mohammad Naderitabar, Artschil Okropiridse, Ehsan Sabouri Kenari and Leiv Storesletten joined the IIES as Graduate Students in the fall.

Alireza Azampour visited University of Pennsylvania from October 2023 to May 2024.

Almut Balleer was a speaker at Leibniz Wirtschaftsgipfel (Leibniz economics summit), and at RWI Wirtschaftsgespräch (RWI economics talk).

Tiago Bernardino visited the Economics and Research Department at Banco de Portugal during the summer.

Dominik Biesalski was on leave to take up a position at the International Labour Organization in Geneva, Switzerland.

Tessa Bold took over as Deputy Director of the IIES in August and was later in the fall promoted to Professor.

Monir Bounadi is a Recognized Student at the University of Oxford during part of the 2024/2025 academic year.

Tobias Broer left the IIES to join Paris School of Economics as Professor. He keeps an affiliation with the IIES, including regular visits and joint research projects.

Konrad Burchardi was promoted to Professor in the spring.

Lars Calmfors took on an assignment from Stiftelsen Fritt Näringsliv (the Swedish Free Enterprise Foundation) to lead a new inquiry into the consequences of Swedish adoption of the euro. He gave around 40 public appearances (speeches and participation in panel discussions) on various economic topics including at the Meeting of Nordic Finance Ministers, the Swedish Ministry of Finance, the Swedish Ministry of Employment, the Confederation of Swedish Enterprise (Svenskt Näringsliv), the Swedish Public Employment Services (Arbetsförmedlingen), various political parties, the Swedish Association of Young Doctors (Sveriges Yngre Läkares Förening), and the Almedalen political week in Visby.

Amanda Dahlstrand Rudin held a public lecture at University of Zurich called Skills, Matching and Online Work in December.

Merve Demirel is visiting Columbia University during the 2024/2025 academic year.

Mohammadreza Farajpour successfully defended his thesis *On the Economics of Energy and Climate Change* in the fall and is now a Risk Model Analyst at Santander Consumer Bank AS.

John Hassler was a member of the three-person government committee writing a report on the regulation of household mortgages (SOU 2024:71). John was also elected chairman of the Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel starting in 2025.

Brian Higgins joined the IIES as Assistant Professor in the fall after having spent one year as a Post Doc at Harvard University.

Stefan Hinkelmann successfully defended his thesis *On the Macroeconomics of the Energy Transition* in June and joined the OECD as Junior Economist in their Economics Department, Structural Policy Analysis Division.

Philipp Hochmuth successfully defended his thesis *Essays on Hours Worked and Cost-of-Living Inequality* in June and took up a position as Economist at the Monetary Policy Section of the Oesterreichische Nationalbank (the Austrian Central Bank).

Per Krusell took over as Director of the IIES in August.

Evelina Linnros successfully defended her thesis *Essays on Fertility and Health* in June and took up a position as analyst in the healthcare sector at the Swedish Association of Local Authorities and Regions, SALAR (Sveriges Kommuner och Regioner, SKR).

Filip Mellgren visited Yale University in the fall.

Kurt Mitman is on partial leave this year for a position as full professor at CEMFI. He also visited the Becker-Friedman Institute at the University of Chicago in May. Furthermore he was on partial paternity leave from October after the birth of his son Lukas PERicles.

Laia Navarro Sola was appointed a CESifo Research Network Affiliate. She also gave the keynote lecture at the Nordic PhD Workshop in the Economics of Education.

Chloé Nibourel successfully defended her thesis *Voters, Parties and Bureaucrats* at the Stockholm School of Economics (SSE). She is now a Post Doc at the Swedish Institute for Social Research (SOFI) at Stockholm University.

Fredrik Paues successfully defended his thesis *Essays on Housing Deregulation and Investment Behavior* in June after which he joined The National Institute of Economic Research (Konjunkturinstitutet).

Torsten Persson was elected as member of the ERC Scientific Council in January.

Thore Petersen visited Yale University from January to April.

Jonathan de Quidt is on leave for a position at Queen Mary University of London.

Veronica Salazar Restrepo from the London School of Economics and Political Science (LSE) will join the IIES as Assistant Professor in August 2025 after a one-year Post Doc in Geneva.

David Schönholzer left the IIES to take up a position as Assistant Professor at UC Santa Cruz.

Sreyashi Sen successfully defended her thesis *Essays on Markets and Institutions in Developing Countries* in June.

Fabian Sinn successfully defended his thesis *Essays on Labor Economics and Social Dynamics* in June.

Jinglun Yao is spending the academic year 2024/2025 at the IIES, funded by the Center for Monetary Policy and Financial Stability (CeMoF) at Stockholm University. He defended his doctoral thesis *Firms in Macroeconomics and International Economics* with Chad Jones and Vincent Sterk on October 16.

Joshua Weiss has taken up a position as lecturer at University of Bristol and is currently on leave from the IIES.

People at the IIES

There are around 90 people at the IIES consisting of research staff, adminstrative staff, graduate students and visiting researchers from all over the world.

Administration

Christina Lönnblad
Head of Administration

Sofia Andersson
Administrator (temp)

Karl Eriksson
IT Manager/Systems Administrator

Ulrika Gålnander
Administrator

Tobias Kjellberg
Administrator (temp)

Tove Lundström
Administrator

Hanna Weitz
Administrator & Communications officer

Research Assistants

Graduate Students

Edvin Ahlander
Areas of research: Macroeconomics and monetary economics.

Giuliana Ghia
Areas of research: Applied microeconomics with a specific focus on behavioral, development and economics of education.

Paola Giannattasio
Areas of research: Development economics and the economics of education.

Simon Handreke
Areas of research: Labor economics, with a special interest in the role of firms, managers, technological change, and non-cognitive skills.

Edvin Wastegård
Areas of research: Macroeconomics and labor economics.

Other Research Assistants

Marek Chadim
Research Assistant

Joseph Eriksson
Research Assistant

Suzy Guahk
Research Assistant

Jai Lee
Research Assistant

Jonathan Olausson Toft
Research Assistant

Ellinor Olsson Kaalhus
Research Assistant

Petter Sundqvist
Research Assistant

Camilla Puleo
Research Assistant

Researchers

Here you will find information on the IIES' researchers and their different research areas. More extensive information can be found on our web.

Jakob Svensson, Professor, Director until July
Areas of research: Development economics.

Per Krusell, Professor, Director from August
Areas of research: The economics of climate change and natural resources and a number of topics in macroeconomics, including inequality, monetary and fiscal policy, and labor markets.

John Hassler, Professor, Deputy Director until July
Areas of research: Macroeconomics and climate change, climate policy.

Tessa Bold, Professor, Deputy Director from August
Areas of research: Development economics, especially questions about agriculture, education and climate change.

Ingvild Almås, Professor
Areas of research: Applied (measurement and analysis of income inequality) and development (household decision making and child development).

Almut Balleer, Affiliated Researcher
Areas of research: Macroeconomics: macro-labor, monetary economics and applied macroeconomics.

Timo Boppart, Associate Professor
Areas of research: Macroeconomics with a particular emphasis on long-run macroeconomic questions involving growth, structural change, technological change, labor supply, firm dynamics, and development.

Tobias Broer, Associate Professor
Areas of research: Heterogeneous-agent macroeconomics, monetary and fiscal policy, risk and insurance.

Konrad Burchardi, Professor
Areas of research: Economic transformation of Sweden during the 19th century, the sources of low productivity in developing countries and the economic impact of international migrations.

Bet Caeyers, Affiliated Researcher
Areas of research: Development economics. In particular early childhood development; scaling.

Lars Calmfors, Professor Emeritus
Areas of research: Macroeconomics (in particular fiscal and monetary policy) and labor economics (in particular wage formation and collective agreements).

Sara Casella, Researcher
Areas of research: Macroeconomics. Specifically how labor income, health, and disability risk impact households and families.

Amanda Dahlstrand-Rudin, Affiliated Researcher
Areas of research: Organizational economics, health economics and development economics.

Mitch Downey, Assistant Professor
Areas of research: Public sector decision-making: how bureaucracies function, how they are affected by political dynamics, and how to improve their performance through personnel policies, algorithms, and reform efforts—especially in politically sensitive areas like policing.

Harry Flam, Professor Emeritus
Areas of research: European economic integration, trade and industrial policy.

Brian Higgins, Assistant Professor
Areas of research: Macroeconomics, household finance, and real estate.

Alexandre Kohlhas, Affiliated Researcher
Areas of research: What survey data on expectations can tell us about data-consistent models of expectation formation, and how systematic differences in people's expectations interact with their economic choices to shape income inequality and mobility in the macroeconomy.

Kieran Larkin, Assistant Professor
Areas of research: Macroeconomics, consumption, macro-labor, and human capital.

Kurt Mitman, Associate Professor
Areas of research: Macroeconomics, with a focus on how heterogeneity affects aggregate fluctuations. Research covers monetary and fiscal policy, consumer default, asset pricing, sudden stops, and housing. Recently, macroeconomic models of pandemics, particularly in response to COVID-19.

Laia Navarro-Sola, Assistant Professor
Areas of research: Human capital, labor economics, economics of education, and development economics.

Arash Nekoei, Associate Professor
Areas of research: Public and labor economics, and economic history.

Peter Nilsson, Professor
Areas of research: Labor and health economics: human capital formation, mental health, and labor market outcomes.

Mats Persson, Professor Emeritus
Areas of research: Macroeconomics and public economics.

Torsten Persson, Professor
Areas of research: Political economics. Currently theoretical work on the dynamics of culture, institutions, and policy, and empirical work on the selection of Swedish politicians. He also leads SWECOV, a cross-disciplinary research program on the COVID-19 pandemic and its consequences in Sweden.

Jonathan de Quidt, Associate Professor
Areas of research: Behavioral and development economics.

Stephan Schneider, Visiting Researcher
Areas of research: Political economics and environmental economics.

David Schönholzer, Assistant Professor
Areas of research: Primarily public economics and political economy, with further interests in development, urban, and history.

Peter Svedberg, Professor Emeritus
Areas of research: Development economics.

Lars E.O. Svensson, Affiliated Professor
Areas of research: Monetary policy, macroprudential policy, housing and house prices, household debt, solvency, and liquidity, aggregate data and the distribution of microdata.

Anna Tompsett, Affiliated Researcher
Areas of research: Development, environment, public goods, and collective action.

Joshua Weiss, Assistant Professor
Areas of research: Implications of firm heterogeneity (big and small firms or young and old firms) for the macroeconomy.

Jinglun Yao, Researcher
Areas of research: Macro development and international finance.

Yimei Zou, Assistant Professor
Areas of research: Economic growth and aggregate productivity. Recent projects explore the interaction between demographic structure and the macroeconomy.

Meet new Assistant Professor Brian Higgins

Brian Higgins joined the IIES as an Assistant Professor in the fall after having spent one year as a Post Doc at Harvard University.

Brian is originally from Dublin, Ireland. He earned his PhD in economics from Stanford University, and a BA and MSc in economics from Trinity College Dublin. His research interests include macro, housing and finance.

Brian impressed us with his job market paper "Racial Segmentation in the US Housing Market" where he studies racial segmentation in the US housing market since 1960. He documents large differences in housing outcomes for Black and White households. In 1960, Black households are on average 20 percentage points less likely to own a house (relative to White households with the same income); if they own, their house values are lower by the equivalent of almost one year of annual income; and even

when renting they spend less by the equivalent of one month of rental expenditures. By 2019, the rent and price gaps have declined by about half, whereas the gap in ownership rates has not changed.

To interpret these facts, he uses a dynamic housing assignment model with a choice to buy or rent housing. Brian estimates the degree of market segmentation by inferring differences in the quality of housing available to Black and White households, and the resulting differences in rents, prices, and the cost of owning a home.

The model infers that Black households pay higher quality-adjusted rents and prices, especially at the high end, and thus sort into lower quality homes. In terms of lifetime consumption-equivalent welfare, relative to an integrated market, the average Black household is five percent worse off in 1960 and remains one percent worse off in 2019.

“I am excited to join the IIES. It is a fantastic research environment and I look forward to working with a talented group of economists. Not to mention from my first visit it became clear that it is a fun and friendly community”, says Brian.

Brian Higgins, Assistant Professor

2023 - Ph.D. in Economics, Stanford University
2015 - M.Sc. in Economics, Trinity College Dublin
2014 - B.A. (Mod.) in Economics, Trinity College Dublin

Research interests: Macroeconomics, household finance, and real estate.

Graduate Students

All our graduate students spend their final years of study at the IIES writing their doctoral theses.

Märta Almgren
Areas of research: Macroeconomics, with a focus on monetary- and fiscal policy.

Anton Arbman Hansing
Areas of research: Political economics.

Huen Tat Au-Yeung
Areas of research: Behavioral economics (beliefs and expectation).

Alireza Azampour
Areas of research: Macroeconomics (firm financing and labor, environmental) and political economics.

Agneta Berge
Areas of research: Macroeconomics, with a special interest in labor markets and wage setting.

Tiago Bernardino
Areas of research: Macroeconomics (in particular fiscal and monetary policy) and public economics.

Iacopo Bianchi
Areas of research: Applied microeconomics with a strong interest in development economics and a particular focus on Sub-Saharan Africa.

Dominik Biesalski
Areas of research: Development economics with a focus on (informal) labor markets and poverty.

Monir Bounadi
Areas of research: Applied microeconomics, political economics, and economic history.

Sofia de Caprariis
Areas of research: Game theory, political economics, and environmental economics.

Chek Yin Choi
Areas of research: Macroeconomics. In particular international trade, competition and supply chains.

Merve Demirel
Areas of research: Development, migration, and gender economics.

Martina Dosser
Areas of research: Macroeconomics. In particular macro-labor, macroeconomic policy and inequality.

Mohammadreza Farajpour
Areas of research: Macroeconomics. Especially climate change, and energy.

Mattias Folkestad
Areas of research: Political selection, democratization, education policy, renewable energy.

Sofia Giovannetti
Areas of research: Macroeconomics, macro-finance and industrial organization. In particular, the drivers of innovation and aggregate productivity.

Ida Kristine Haavi
Areas of research: Macroeconomics, specifically monetary policy and how this affects firm behavior. Current work focuses on the effects of changes in exchange rates and foreign capital on firm dynamics, and firm price-setting behavior under rational inattention.

Stefan Hinkelmann
Areas of research: Energy, climate change and environmental macroeconomics; macro-housing.

Philipp Hochmuth
Areas of research: Macroeconomics. In particular consumption basket heterogeneity, nonhomothetic preferences and entrepreneurship.

Maija Kaartinen
Areas of research: Macroeconomics and climate policy, with a focus on firm dynamics, trade, innovation, and industrial policy.

Shuhei Kainuma
Areas of research: Applied microeconomics with particular interests in political, historical, and development economics.

Shuwen Kang
Areas of research: Macroeconomics, inequality, education, and social security.

Carolina Lindholm
Areas of research: Macroeconomics and finance.

Evelina Linnros
Areas of research: Health, gender and development economics.

Jinci Liu
Areas of research: Labor, organizational and personnel economics with a particular interest in team productivity.

Juan Llavador Peralt
Areas of research: Macroeconomics, particularly economic growth, quantitative macroeconomics, and heavy tails in economics.

Isabella Maassen
Areas of research: Macroeconomics, with a focus on labor markets, innovation, and imperfect competition.

Patrizia Massner
Areas of research: Labor economics, public economics, and health economics.

Filip Mellgren
Areas of research: Macroeconomics and productivity.

Mohammad Naderitabar
Areas of research: Macroeconomics and information economics, with a focus on inequality and innovation; industrial organization; and family economics, with an emphasis on the marriage market.

Chloé Nibourel (Visiting Graduate Student from SSE)
Areas of research: Political economics.

Artschil Okropiridse
Areas of research: Public, development, and political economics; state capacity, conflict, voting.

Jonas Overhage
Areas of research: Macro- and monetary economics broadly, with a focus on business dynamism, economic growth and the role of information frictions for monetary policy.

Fredrik Paues
Areas of research: Macroeconomics with a particular focus on household finance, fiscal policy, and housing.

Thore Petersen
Areas of research: Macroeconomics, resource use and substitution.

Jonatan Riberth
Areas of research: Inequality, vaccine hesitancy and economic history.

Ehsan Sabouri Kenari
Areas of research: Labor economics with a focus on wealth and income inequality, human capital development.

Sreyashi Sen
Areas of research: Development economics, political economy, and macro-development.

Fabian Sinn
Areas of research: Labor economics, health economics, and inequality.

Leiv Storesletten
Areas of research: Macroeconomics, broadly with a focus on monetary policy and capital taxation.

Yanran Zhu
Areas of research: Macroeconomics, education, social insurance, and social mobility.

Stephan Schneider is visiting the IIES for one academic year.

Visitors

Each year the IIES welcomes researchers and graduate students from all over the world to visit our vibrant research environment. They get to meet and interact with IIES staff as well as get a glimpse of Stockholm and all it has to offer.

Stephan Schneider has been visiting the IIES since September 2024 as a Postdoc Mobility Fellow funded by the Swiss National Science Foundation. After a short stay in 2022, this is his second visit to the IIES research community.

A major focus of his stay will be his project on Swedish wind turbines, where he collaborates with IIES PhD student Mattias Folkestad. Stephan aims to use his time in Stockholm to access and analyze spatial and register data and to discuss the progress of the project with leading experts in his field, such as IIES professors Torsten Persson, Jakob Svensson, Konrad Burchardi, and Mitch Downey. The opportunity to exchange new research ideas


Suzanna Khalifa

and recent progress in a collaborative atmosphere, for instance at the weekly group meetings "Development Tea" and "Advising Political Economy" is one of the reasons why he chose to spend his first post-doc year in Stockholm. The fact that he has been able to deepen his academic contacts, friendships, and cross-country skiing skills has contributed to a successful time in Stockholm so far.

Suzanna Khalifa (Sciences Po Paris) spent part of the fall 2024 at the IIES. Her research aims at understanding the persistence of harmful social norms in developing countries. Suzanna enjoyed the activities carried out at the IIES such as the high-quality seminars and development tea. She had the opportunity to meet and talk to great economist including Torsten Persson, Tessa Bold, Laia Navarro Sola, and many others.

"...made my stay productive and enjoyable at the same time"

"The quality of the research at the IIES and the remarquable hospitality of their members made my stay productive and enjoyable at the same time."

Center for Monetary Policy and Financial Stability (CeMoF)

CeMoF is a collaboration between the IIES, Stockholm Business School, and the Department of Economics at Stockholm University.

Formed in the Spring of 2021, CeMoF's main mission is to promote the education of graduate students in the areas of monetary policy and financial stability.

CeMoF is generously supported by a grant from Riksbankens Jubileumsfond of SEK 60 million with the objective of consolidating the PhD program and the research environment within the fields of monetary policy and financial stability. The grant was obtained in an open call, involving a competitive process.

CeMoF is governed by a director (Professor Roine Vestman at the Department of Economics at Stockholm University) and a deputy director (Professor Per Krusell at the IIES), a management team, and a board. There is also a number of researchers and graduate students affiliated with the Center.

Meet Jinglun Yao, Researcher at the IIES, financed by CeMoF

Jinglun Yao is spending the academic year 2024/2025 at the IIES, funded by CeMoF.

Jinglun is from Hubei, China. He studied at Fudan University and Ecole Polytechnique before pursuing his PhD at the London Business School, under the supervision of Hélène Rey.

Jinglun's research interests are within macroeconomics and international economics


Jinglun Yao

"In particular, I am currently working on macro development, industrial policy and international financial spillovers. I take advantage of newly developed methodologies in the continuous-time setting for modeling these questions."

"My research fields align with the strength of the IIES and CeMoF, which makes it particularly rewarding to spend one year here. I look forward to discussing with the faculty and students and to becoming part of the community at Stockholm University."

Seminars

Each semester the IIES invites prominent researchers from all over the world to hold seminars. The following seminars were held during 2024.

Job Talks

Nicholas Swanson, University of California, Berkeley
Under-training by Employers in Spot Labor Markets: Evidence from Burundi (with Luisa Cefala, Pedro Naso and Michel Ndayikeza)

Lorenzo Incoronato, University College London
Place-based Industrial Policies and Local Agglomeration in the Long Run (with Salvatore Lattanzio)

Lukas Freund, University of Cambridge
Superstar Teams: The Micro Origins and Macro Implications of Coworker Complementarities

Jinglun Yao, London Business School
Knowledge is (Market) Power

Veronica Salazar-Restrepo, London School of Economics
Does Conservation Work in General Equilibrium? (with Gabriel Leite-Mariante)

Chang Liu, University of Rochester
Foreign Currency Borrowing and Exporter Dynamics in Emerging Markets

Sara Spaziani, Brown University
Optimal Unemployment Insurance Financing: Theory and Evidence from Two US States

Morgane Richard, University College London
The Spatial and Distributive Implications of Working-from-home: A General Equilibrium Model

Jonas Gathen, Toulouse School of Economics
Making a Growth Miracle — Historical Persistence and the Dynamics of Development

Guangbin Hong, University of Toronto
Two-Sided Sorting of Workers and Firms: Implications for Spatial Inequality and Welfare

Lisa Ho, MIT
Bringing Work Home: Flexible Arrangements as Gateway Jobs for Women in West Bengal

Seminars in the IIES Seminar Series

Spring 2024

Sule Alan, EUI
Empowering Adolescents to Transform Schools: Lessons from a Behavioral Targeting

Jens Ludwig, University of Chicago
Machine Learning as a Tool for Hypothesis Generation (with Sendhil Mullainathan)

Ulf Zölitz, University of Zurich
Same-Sex Teacher Effects in Education

Enrico Moretti, Berkeley
Size Matters — Matching Externalities and the Advantages of Large Labor Markets (with Moises Yi)

Victoria Gregory, Federal Reserve Bank of St. Louis
Subjective Earnings Risk

Anmol Bhandari, University of Minnesota
A Perturbational Approach for Approximating Heterogeneous-Agent Models (with Thomas Bourany, David Evans and Mikhail Golosov)

Lorenzo Casaburi, University of Zurich
Land Markets and Land Allocation: Evidence from Kenya and Uganda

Benny Kleinman, University of Chicago
Wage Inequality and the Spatial Expansion of Firms

Abigail Adams-Prassl, University of Oxford
The Dynamics of Abusive Relationships

Alessandro Dovis, University of Pennsylvania
Long-term Contracts, Commitment, and Optimal Information Disclosure (with Paolo Martellini)

Sam Norris, University of British Columbia
Conviction, Incarceration, and Policy Effects in the Criminal Justice System (with Vishal Kamat and Matthew Pecenco)

Thomas Winberry, University of Pennsylvania
Capital, Ideas, and the Costs of Financial Frictions (with Pablo Ottonello)

Annika Bacher, BI Oslo
Spousal Insurance around the World (with Kevin Donovan, Philipp Grübener, Lukas Nord and Todd Schoellman)

Camille Landais, LSE
Gender without Children

Gabriel Ulyssea, UCL
Rural Migrants and Urban Informality: Evidence from Brazil (with Clement Imbert)

Livia Alfonsi, Harvard Business School
Meet Your Future: Experimental Evidence on the Labor Market Effects of Mentors (with Mary Namubiru and Sara Spaziani)

Michela Carlana, Harvard Kennedy School
How Far Can Inclusion Go? The Long-term Impacts of Preferential College Admissions (with Michaela M. Tincani and Enrico Miglino)

Gianluca Violante, Princeton University
Job Amenity Shocks and Labor Reallocation (with Sadhika Bagga, Lukas Mann and Aysegül Sahin)

Barbara Biasi, Yale School of Management
What Makes Good Applied Economics?

Fall 2024

Pete Klenow, Stanford University
How Much Will Global Warming Cool Global Growth?

Awa Ambra Seck, Harvard Business School
En Route: The French Colonial Army, Emigration, and Development in Morocco

Guy Michaels, LSE
Evaluating Urban Planning: Evidence from Dar es Salaam

Alexey Makarin, MIT Sloan School of Management
Trade Sanctions (with Konstantin Egorov, Vasily Korovkin and Dzhamilya Nigmatulina)

Andrew Atkeson, UCLA
Reconciling Macroeconomics and Finance for the U.S. Corporate Sector: 1929 - Present (with Jonathan Heathcote and Fabrizio Perri)

Marta Prato, Bocconi University
Career Choice of Entrepreneurs, Inventors, and Economic Growth (with Ufuk Akcigit, Harun Alp and Jeremy Pearce)

Joonas Tuhkuri, Stockholm University
Winners and Losers of Technology Grants: Evidence on Jobs and Skills

Hugo Reichardt, CREI
Scale-biased Technical Change and Inequality

Eva Vivalt, University of Toronto
The Employment Effects of a Guaranteed Income: Experimental Evidence from Two U.S. States

Heather Sarsons, University of British Columbia
Measuring Gender Attitudes (with Josh Dean, Christine Exley and Muriel Niederle)

Basile Grassi, Bocconi University
The EU Miracle: When 75 Million Reach High Income

Lena Hensvik, Uppsala University
Outside Opportunities and the Gender Gap in Pay

Philippe Aghion, Collège de France
Transition to Green Technology along the Supply Chain

Ana Costa-Ramon, University of Zurich
(Not) Thinking about the Future: Inattention and Maternal Labor Supply

IIES/SNS International Policy Talks

The IIES/SNS International Policy Talks is a collaboration with SNS (Centre for Business and Policy Studies) where the mission is to bring insights from leading international economists to the Swedish policy debate. These talks are hosted by the SNS.

Spring 2024

Jens Ludwig, University of Chicago
Can Behavioral Science Reduce Crime?

Participants: Gunilla Dobrin, rePULSE, Jenny Kärrholm, The Swedish National Board of Institutional Care (SiS) and Ulrika Liljeberg (C), spokesperson for the Centre Party in Sweden. Chaired by IIES Assistant Professor Mitch Downey.

The European Research Council (ERC) awarded Arash Nekoei 20 Million SEK for research on increased social mobility.

Selected Research

The IIES annually produces research of the utmost quality with areas of research covering a wide spectrum. This year's selection of research projects gives further proof of the diverse and vibrant research environment at the IIES.

Mandatory Notice of Layoff, Job Search, and Efficiency

Researchers: Arash Nekoei, David Seim, Jonas Cederlöf and Peter Fredriksson.

Imagine you are working in a stable job when you start hearing rumors of layoffs. In many OECD countries, there is a policy designed to soften the impact of sudden job loss: Mandatory Notice (MN). This policy requires employers to give workers advance notice before layoffs. Though it may seem straight-

forward, its effects on both workers and companies are more complex than they appear.

The core purpose of MN is to give workers time to prepare for impending job loss. Instead of being suddenly unemployed, workers can begin job hunting. At the same time, they are still employed, which reduces the risk of prolonged unemployment and increases the likelihood of securing a better job. However, like most policies, MN comes with trade-offs.

Longer layoff notices boost job quality and cut unemployment, but hurt productivity.

"On the one hand, allowing workers time to search while still employed can result in productivity gains, as workers find jobs that better match their skills. On the other hand, workers who know they're being laid off might become less motivated, leading to a drop in productivity", says Arash Nekoei.

MN shifts job search from periods of unemployment to employment. This is a key advantage, according to Arash Nekoei, since job search while still employed is generally more effective.

"Workers secure better jobs, earn higher wages, and avoid long unemployment gaps. In contrast, those searching while unemployed face challenges like job market stigma and pressure to accept lower offers."

Interestingly, the results reveal that workers given longer MN do not only receive more notice but also larger severance packages. This evidence provides empirical support for a longstanding conjecture, dating back at least to Lazear's work in the late 1980s, which posits that private agents will offset any inefficient policy through side payments.

Nevertheless, it is the longer notice period, not the severance, that leads to better outcomes: shorter unemployment spells and higher wages. In fact, larger severance payments delay job searches without impacting wages.

Another finding is that notified workers become less productive during their notice period, as expected. Moreover, MN also delays the separation of workers from unproductive jobs. While this represents a cost to society, the overall benefits — better job matches and reduced unemployment — outweigh the short-term productivity losses. Overall, the policy raises productive efficiency.

The benefits of more extended notice periods are significant but not universal. While longer notice typically results in better job matches and reduced unemployment, it is not a one-size-fits-all solution. Some industries, particularly fast-growing ones, might find the productivity loss too costly. For firms in such sectors, offering severance (rather than notice) may be more appealing to encourage faster departures.

The authors show theoretically that the possibility of offering severance improves the efficiency of MN policies. Companies can offer higher severance to incentivize quicker exits in situations where longer notice is inefficient.

Nekoei and coauthors show that Mandatory Notice policies provide significant benefits for workers. They require firms to inform workers in advance of a layoff. Such a heads-up allows workers to find better jobs while still employed. This reduces unemployment, leads to higher wages, and creates a more efficient labor market overall. Although firms may face short-term productivity losses, the long-term gains more than compensate for these losses.

Ultimately, MN policies should strike a balance between the

needs of workers and employers in an evolving labor market. While not without drawbacks, these policies offer a net benefit in the Swedish setting. In general, some mandatory notice is a key component of optimally designed employment legislation.

Presidential Address: Economics and Measurement: New Measures to Model Decision Making

Researchers: Ingvild Almås, Orazio Attanasio and Pamela Jervis.

Traditional economic models typically assume that individuals make decisions based on perfect information and rational thinking, aiming to maximize their utility or benefit. However, real life is not that simple. People often face uncertainty, limited information, and cognitive biases that influence their choices. These factors can make it difficult for economists to predict behavior accurately using existing models.

The researchers argue for the development of new measurement tools that account for the nuances of human decision-making. These tools would better capture how people process information, assess risks, and make choices under uncertainty. For example, instead of just looking at final decisions, economists could examine the process individuals go through when weighing options. This might include tracking how they gather information, how long they take to decide, and how they react to different types of risks.

One of the key insights from this research is that human behavior is often influenced by factors that traditional models overlook. For instance, emotions, social influences, and cognitive limitations play significant roles in decision-making. By incorporating these elements into economic models, economists can

create more accurate and realistic predictions.

The implications of these new measurement tools are far-reaching. For policy-makers, understanding the real drivers of decision-making can lead to better-designed interventions, such as more effective tax policies or targeted financial regulations. Businesses, too, can benefit by tailoring their strategies to align with how consumers actually make choices, rather than how they are assumed to act in traditional models.

> Emotions, social influences, and cognitive limitations play significant roles in decision-making.

The paper highlights a shift in economic thinking, moving away from idealized models of decision-making to ones that reflect the messy reality of human behavior. By developing and applying new measurement tools, economists can gain deeper insights into the complexities of decision-making, ultimately leading to better outcomes for individuals, businesses, and society as a whole.

Intergenerational Mobility, Inequality, and Entrepreneurship along the Path of Development

Researchers: Arash Nekoei, Jósef Sigurdsson and Torsten Håkansson.

“A society where individuals can pursue their dreams, striving to become whatever they desire, excels both in efficiency and equity. However, throughout history, following parents' occupations was the norm, changing social class an exception. The

question remains: what caused the increase in social mobility? My research program aims to answer these questions with three interconnected projects, says Arash. “The drivers of mobility we uncover may bolster both mobility and growth, challenging the traditional efficiency and equity trade-off.”

Project I tackles the main obstacle to studying mobility: the availability of long-run individual-level panel data of parents and children.

“Digitizing an overlooked series of historical books, I will build a unique dataset of incomes and occupations of the universe of Swedish taxpayers since 1905, matched with panel data of firms with their revenue, payroll, and top executives since 1857. The novelty lies in the universal coverage of data, spanning the birth of prosperous, innovative, and inclusive Sweden with an advanced welfare state,” says Arash.

Project II leverages this comprehensive dataset to establish stylized facts about mobility in labor and capital incomes, as well as in occupation and entrepreneurship.

“They will shed light on the long-run patterns of mobility and its associations with inequality and growth, resolve long-standing controversies, and bring new insights into the debate,” says Arash.

Project III develops a novel theoretical model of mobility that uncovers the drivers of mobility.

“The model shows that social mobility is driven by the tension between opportunities for social climbers to access physical and human capital and the privileges of the elite to hinder such access. We exploit quasi-experimental evidence to test this theory, using the expansion of private banks and public education, as well as the rise and fall of progressive taxation,” says Arash.

Graduate Student Research

In the years leading up to their thesis defense, graduate students at the IIES conduct research in several fields within economics. During 2024, these were their research projects.

Märta Almgren has worked on (1) "Bank Capital Flows and Exchange Rates". In this early-stage project, Märta investigates the impact of bank capital flows on exchange rate dynamics in Sweden, using a newly acquired dataset on cross-border banking flows. Drawing inspiration from recent work on granular banking flows and exchange rates, she aims to explore how Swedish banks' cross-border lending and borrowing activities influence the value of the Swedish krona. By leveraging detailed micro data on banks' external assets and liabilities, she will examine whether large banks' idiosyncratic flows have disproportionate effects on exchange rates. She plans to apply a granular instrumental variable approach as empirical strategy, focusing on the causal effects of capital flows and the potential state-dependent nature of these effects. This project will contribute to understanding how financial intermediaries influence exchange rate dynamics, particularly in small open economies like Sweden. In (2) "Firm-Level Exchange Rate Pass-Through" (with Mathias Klein) they analyze exchange rate pass-through (ERPT) to producer prices at the firm level in Sweden. Using detailed product-level data underlying the Swedish Producer Price Index (PPI), they investigate how firms adjust their prices in response to exchange rate fluctuations. By linking firm-level import exposure to price changes from input-output tables in the national accounts, they aim to uncover heterogeneities in ERPT across firms and product groups. They explore non-linearities in pass-through, including how firm characteristics and states of the economy (e.g., high inflation or geopolitical uncertainty) affect pricing behavior. This study offers insights into firm-specific pricing strategies and their broader macroeconomic implications.

Anton Arbman Hansing has primarily worked on two projects. In (1) "Misreporting for Votes: Strategic Self-Presentation on Swedish Ballots", he studies how political parties and candidates choose to present their personal information — such as age, job, and hometown — on election ballots. He finds that 9% of candidates report their age incorrectly, with older candidates reporting to be younger than they are and vice versa. In addition, local parties hide information that is unfavorable to their top candidates. Lastly, he estimates how the information provided on ballot affects voting results. Another project, (2) "Bureaucrazy? Politicized Staff Replacement in Colombia" (with Juan Felipe Ladino and Artschil Okropiridse), studies how political discretion in hiring affects bureaucratic turnover in Colombian municipalities. They find that when incumbent mayoral parties lose close elections, there is a 50% reduction in contractor retention, with implications for municipal service delivery.

Anton Arbman Hansing

Huen Tat Au-Yeung has been working on (1) "Stereotypes and Memory" (with Zhuokun Liu) where they provide experimental evidence for how imperfect memory sustains stereotypes: widely held but inaccurate beliefs about groups. First, they find that relying on memory biases both beliefs and recalls of the gender gap. Second, they do not find the same bias for individuals. Then they extend the Bayesian framework to incorporate imperfect recall and document memory attention: subjects place less weight on new information by 50%. (2) "Correlation Neglect with Endogenous Information Acquisition": When people read new information, they usually overlook the fact that the information is potentially interrelated. Huen Tat argues that such abstraction does not only affect how people form beliefs, but also the information they choose to gather in the first place.

Alireza Azampour has worked on (1) "A New Approach to Analyzing Economic Systems" (with Mohammad Naderitabar) where they examine economic problems through a systemic lens. They identify two distinct impulse response functions — "On Impact" and "Forward-Looking"— and define stability criteria for each. As this project is in its early stages, their goal is to establish foundational principles and highlight applications. Alireza is also finalizing (2) "Firm-Level Debt and Employment" (with Alireza Sepahsalri, Oskar Skans and Mikael Carlsson). This paper explores firms' trade-offs between short- and long-term debt, balancing exit risk with financial burden. Alireza's contributions include developing analytical equations and quantitative solutions. He aims to further refine his expertise in macroeconomic methods to enhance this study. Additionally, in (3) "Power Sector Transition Dynamics: A Generator-Level Model of Green Technology Investments" (with Maija Kaartinen), they analyze how cost reductions and efficiency gaps affect electricity generation dynamics. Their research, motivated by gas price shifts and solar adoption trends, calibrates a model to assess policy impacts on the technological composition of electricity capacity. Finally, Alireza is developing a political economy model examining how parties balance ideological consistency with attracting competent members. Greater flexibility may enhance competence but risk ideological shifts, shaping the party's long-term identity. This project contributes to research on individual roles in political and economic outcomes.

Agneta Berge has primarily worked on four different papers. In her paper (1) "Two-tier Collective Wage Bargaining in a Frictional Labor Market", Agneta develops a theory of two-tier wage bargaining, in which wages are bargained both centrally, at a sector, and locally, at a firm, which is a common wage-setting practice in many countries. She finds

Agneta Berge

that, when workers' labor supply reacts to the wage, the local wage bargaining works quite differently than economists normally think. In the paper (2) "In-house Hiring vs. Staffing Agencies", Agneta (with Ann-Sofie Kolm and Per Krusell) studies two types of hiring and wage setting practices that exist in the labor market, and find that firms, if they can choose, prefer to rent workers from staffing agencies instead of hiring them in-house. In (3) "Accounting for Rented Labor and Capital", Agneta and Timo Boppart observe that labor and capital inputs to production are to varying degrees rented, instead of employed or bought, and study how measures of the labor share, the capital share and productivity change, when accounting for rented labor and capital. In (4) "Identity Capital and Wealth Accumulation", Agneta (with Per Krusell and Fredrik Paues) develop a theory of identity capital to understand the persistently very strong accumulation of wealth at the top of the distribution.


Tiago Bernardino

Tiago Bernardino has been working on three research projects. In (1) "Monetary Policy and Demand Composition" he assesses how demand composition in terms of goods and services influence monetary policy transmission. In (2) "The Heterogeneous Effects of Supply Shocks in Necessity Goods" (with Pedro Brinca, Saman Darougheh and Márcia Silva-Pereira) they investigate how macroeconomic outcomes are affected after a relative price shock on the necessity goods sector, and compare different government interventions. In (3) "Monetary Policy and Household Wealth Composition" (with Pedro Brinca, Melissa Ferreira, Hans Holter, Mariana Pires and Luís Teles Morais) they look at how monetary policy changes household wealth portfolios in terms of risk composition. Finally, in (4) "The Full, Persistent and Symmetric Pass-through of a Temporary VAT Cut" (with Ricardo

Duque Gabriel, João Quelhas and Márcia Silva-Pereira) they study how consumer prices were affected by a temporary VAT change in Portugal.

Iacopo Bianchi is currently working on a set of different projects. The first (1) "Clustering at the Business Level: Micro-Firm Markets, Competitive Forces, and Innovation" (with Dominik Biesalski) investigates how market structure and imitation threats influence small entrepreneurs' decision to innovate. In a second project titled (2) "Different Return for the Same Agricultural Hired Labor: Evidence from Uganda" (with Cristina Clerici and Stefano Tripodi), they look at labor market frictions in rural agricultural markets. In a third project titled (3) "Imported Homophobia? The Role of British Colonization in Shaping Attitudes toward Homosexuals in Sub-Saharan Africa" (with Dominik Biesalski and Cristina Clerici) they investigate whether British colonial rule fostered homophobic sentiments in Sub-Saharan Africa. Finally, in (4) "What Drives Sex Segregation in the Labor Market? Evidence from Ugandan Students" (with Dominik Biesalski and Cristina Clerici) they investigate how information, expectations, and preferences of young adults in Uganda impact labor market outcomes.

Dominik Biesalski has been working on his thesis titled *Essays on Working Conditions, Occupational Choices, and Discrimination*. The first chapter (1) "The Economic Effects of Unsafe Work: Evidence from Uganda's Waste Sector" investigates how improved workplace safety affects the economic livelihoods of informal waste collectors in Uganda. The second chapter (2) "Information, Expectations, and Preferences: Occupational Choices of Young Adults in Uganda" (with Cristina Clerici and Iacopo Bianchi) explores the drivers of occupational choices by young adults in Uganda. The third chapter (3) "The Colonial Roots of Homophobic Attitudes in Sub-Saharan Africa" (also with Iacopo Bianchi and Cristina Clerici) analyzes the role of colonialism in shaping discriminatory attitudes toward individuals identifying as homosexual across Sub-Saharan Africa.

Monir Bounadi has focused on completing his thesis, which includes four projects. In (1)"Female Teachers: The Roots of Women's Emancipation" (with Mattias Folkestad), they analyze how the feminization of teaching in 19th-century Sweden influenced women's life trajectories in early 20th-century Sweden, emphasizing school reforms as a catalyst for women's entry into professional roles. (2) "Mecca's Tidal Pull: Inter-ethnic Contact and Nationhood" explores how increased pilgrimage to Mecca from colonial Indonesia, spurred by Dutch Islamic policies, advanced Islamization and inter-ethnic ties, linking colonization to religious transformation. In (3) "Coffeehouses and the Rise of Science" (with Jens Oehlen), they estimate the role of 17th-century London coffeehouses in fostering the development of modern science. Finally, (4) "The Great Reduction of 1680" (with Jonatan Riberth) uses Sweden's Crown reclamation of noble estates as a natural experiment to assess the long-term effects of a large-scale wealth reduction on noble families' wealth, lifespan, and human capital.

Sofia de Caprariis is currently working on two papers. The first is titled (1) "Bank Bail-outs, Domestic Sovereign Debt and Electoral Concerns". Although conventional wisdom (and economic theory) dictates that a government faced with a troubled banking system should bail it out, bank bailouts are notoriously unpopular with voters, and since governments are motivated by re-election concerns it is then meaningful to analyze how the adverse opinion of voters on bank bailouts will affect its choices in this area. This paper analyzes the impact of the opinion of voters of bank bail-outs — and the consequent effect on the re-election probability of the government in power — on the optimal choice of the government regarding bank bail-outs, and, relatedly, on debt roll-over and additional debt issuance. The second paper, which is at a very early-stage, focuses (through building a game-theoretical model) on how re-election concerns and the preferences of politicians shape the environmental conservation choices of countries.

Chek Yin Choi has been working on three papers for his thesis. The first project, (1) "Trends of Price Dispersion in Intermediate Good Market and Misallocation", is about intermediate input trade. As trade costs decrease, all companies are highly integrated in the global value chain, but in different ways depending on their size and productivity. This has important implications on general economic issues such as inequality. The project aims at estimating such effects with a quantitative model. The second project, (2) "Local and Unified Markets", describes how firms compete at both national and local levels. Finally (3) "Inflation Persistence and a New Phillips Curve" (with Juan Llavador, Kurt Mitman and Marcus Hagedorn) is about inflation dynamics in a model where price changes are costly in the form of menu cost.

Merve Demirel's research focuses on understanding how international educational migration impacts migrants, as well as their families and peers in low-resource settings. International migration might substantially increase the income and consumption levels of students, while at the same time providing migrants with a more global outlook and a new perspective through exposure to a different economic and political system and culture, potentially affecting their attitudes, preferences, and aspirations. It could also result in spillover effects on migrants' families and friends who stay behind, through increased remittances and information transfers, leading to a brain drain or gain. Migrants might experience negative effects due to adjusting into new environments, feeling homesick, socio-cultural isolation, or the potential of experiencing racial discrimination abroad. Through the three papers (1) "Gender Differences in Educational Migration: Evidence from University Applications in India"; (2) "Moving to Opportunity Abroad: The Effects of International Educational Migration" (with Toman Barsbai, Philipp Moskopp, Marcello Perez-Alvarez and Matthias Sutter) and; (3) "Educational Migration Prospects and Human Capital Investments: Evidence from a Uganda-Germany College Access

Program" (with Toman Barsbai, Philipp Moskopp, Marcello Perez-Alvarez and Matthias Sutter) the goal of her research is to paint a comprehensive and nuanced picture of the effects of international educational migration on migrant students and their home communities.

Martina Dosser has been working on three projects. In (1) "Downward Wage Rigidity and the Intensive and Extensive Margin of Labor Adjustments", she studies how firms respond to economic hardship if they are not able to reduce their labor costs by cutting wages. In particular, she evaluates the relative importance of lay-offs and reductions in working hours as alternative adjustment margins. In two other projects the focus is on the pass-through of key interest rates to deposit rates. Empirical evidence suggests that the deposit rate pass-through is incomplete and that deposit rates adjust rigidly and asymmetrically to changes in policy rates. In (2) "Deposit Rate Pass-through and the Transmission of Monetary Policy", Martina explores the relation between deposit rate pass-through and monetary policy. In particular, she investigates how sluggish and incomplete pass-through affects the transmission of monetary policy. Finally, in (3) "Multiple Equilibria in a Small-open Economy with Bank Market Power", Martina evaluates the long-term effects of financial intermediaries' market power. A household's savings decision has both an intensive and extensive margin, i.e. they decide how much and where to save. She studies the interaction between these two margins and banks' market power and its long-term implications for the economy.


Martina Dosser

Mattias Folkestad's research explores empirical questions in politics and education, using registry data and digitized archives.

In (1) “Female Teachers: The Roots of Women’s Emancipation” (with Monir Bounadi) they show how state-supported female teacher education in 19th-century Sweden spurred women’s workforce entry, political participation, and the suffrage movement (1902–1919). In (2) “Wind Power and Veto Power” (with Stephan Schneider) they examine how municipal veto power affects wind turbine siting in Sweden, analyzing its impact on energy efficiency, social costs, and environmental justice. In (3) “Starting Young: How Age Limits Shape Political Participation” Mattias uses a Difference-in-Discontinuity design, and finds that second-time voters are significantly more likely to run for office. He also assesses the impact of lowering the voting age to 16. Finally, in (4) “Does Money Matter? Impact of a Redistributive School Funding Formula on School Spending and Student Outcomes” (with Lisa Laun and Lena Hensvik), they estimate the effects of a redistributive funding formula on disadvantaged schools, identifying its impact on student outcomes and underlying mechanisms.

Sofia Giovannetti has been working on one project titled (1) “Institutional Ownership and Firm Innovation”, that seeks to understand the relationship between institutional ownership and firms’ investment decisions. A novel strand of literature suggests that institutional ownership contributes to increased volatility in equity markets. Inspired by this literature, Sofia works on building a macroeconomic model to understand the interaction between institutional ownership and firms’ investment decisions.

Ida Kristine Haavi has worked on (1) “The Role of Firm Financial Frictions in the Transmission of Foreign Shocks” (with Yijia Chen): In this project they investigate the effects of a sudden stop in available foreign capital on firm investment. They build a model with goods trade and free financial flows, where firms face a collateral constraint. They use this framework to understand how different degrees of this collateral constraint change the transmission of foreign shocks. In (2) “Firm Price-Setting

Behavior under Rational Inattention" (with Chloé Castagnet) they investigate how firms potentially change their price-setting behavior between low and high inflation periods. In high inflation periods, the loss from setting the "wrong" price is higher, hence information about the market becomes more valuable. Since information is costly, this potentially takes resources away from production and R&D, and they study how this changes the welfare costs of inflation.

Maija Kaartinen's research focuses on analyzing the impacts of climate policy and industrial subsidies through firm dynamics, innovation, and trade. Her paper, (1) "Power Sector Transition Dynamics" (with Alireza Azampour), analyzes how firms' investment costs and capital influence technology adoption and retirement decisions in the power sector. Using data on US power plants, they calibrate a firm-level model to compare the effects of different climate policies in the presence of fixed costs. Her second project, (2) "Fuel Switching" (with Ossian Prane), examines how carbon taxes affect firms' fuel consumption choices using Swedish manufacturing data. They develop a model that captures firms' fuel input decisions at both the extensive and intensive margins to assess how carbon taxes influence emissions and structural change. Her third project (3) "Agricultural production functions" (with Tessa Bold, Per Krusell and Timo Boppart) analyzes the implications of firm-level technology choices in agricultural production. Finally, (4) "Optimal Place-based Industrial Policy" investigates how local industrial subsidies influence productivity through scale externalities and global production networks, with a focus on green technologies.

Shuhei Kainuma worked on (1) "State Capacity and Economic Development in Meiji Japan": this project examines whether and how state capacity development translates into economic development during the process of modern state formation and economic growth, with a focus on Meiji Japan. Using its experience of drastic institutional reforms as a case study, the research

explores a specific segment of government — the judicial branch — to document the historical evolution of state capacity and its potential role at the onset of modern economic growth. To achieve this, relevant historical records are being digitized.

Shuwen Kang has focused on the paper (1) "Revisiting Efficiency-equity Trade-off: Wage Compression and Efficiency in Higher Education" (with Yanran Zhu). Economists have long acknowledged the tradeoff between efficiency and equity. Conventional arguments against redistribution claim that reduced inequality dampens the incentive to attain better education, thereby reducing the average level of human capital. This paper challenges this argument by exploring whether reducing the wage gap between university and high-school graduates can improve the average level of human capital by alleviating two main talent misallocation inefficiencies in higher education. First, does compressing wages discourage low-ability students from affluent families from enrolling in university simply for higher future earnings? Second, can it enable bright, low-income students to secure enough resources to attend university?

Jinci Liu has worked on multiple projects during the year. The project (1) "How Does Division of Labor Affect Team Productivity" tries to understand how to efficiently. allocate tasks to workers In the project (2) "How Words Affect Productivity and Retention", she studies how managerial communication, especially toxic comments, affect worker productivity and industry-wise retention.


Jinci Liu

Juan Llavador Peralt has worked on (1) "The Phillips Curve" (with Chek Choi, Marcus Hagedorn and Kurt Mitman), which studies the role of nominal demand in explaining the empirically observed inflation persistence. The second paper (2) "On

the Heavy Tailed Nature of Economic Growth" deals with the skewed nature of economic growth, and aims at explaining the relationship between the firm size distribution and economic growth. Finally, in (3) "Growth Requires Risk", Juan studies the role of the inherently stochastic nature of innovation discovery in the context of aggregate growth.

Isabella Maassen has been working on three projects. In a project titled (1) "Gender, Geographic Mobility, and Labor Markets in General Equilibrium", Isabella examines how the differential moving rates between men and women affect their outcomes on the labor market. The data shows that women are less likely to move for a job, or commute long distances. This reduces their opportunities on the labor market compared to men. As women also tend to work in different jobs, the project also investigates how the average rate of mobility affects wages within an occupation, and explores the implications for inequality. In (2) "Capital Replacement Decisions", she aims to understand how firms decide to replace old capital like machines and software with newer, more productive versions. If we know how firms make these decisions, we can identify policy measures that make the aggregate economy more productive. Finally, the paper (3) "Monopsony Power and Creative Destruction" (with Filip Mellgren and Jonas Overhage) adds monopsony power on the labor market, i.e. firms having wage setting power, to a model where firms invest in R&D in order to grow, and gain profits from being market leaders. The model allows them to study how the increase in monopsony power over the last decades affects innovation incentives in firms, crucial for economic growth. Additionally, it explores the impact on the efficient allocation of resources across firms, providing insights into market dynamics and economic policy.

Patrizia Massner has worked on projects studying drivers of economic inequalities and policies that address these inequalities. Specifically, her current research ranges from examining the

effects of policies (e.g., subsidizing formal elderly care or the expansion of remote work) to exploring the role of employer labor market power and the career-family tradeoff. For example, in one of her projects (1) "Should Elderly Care be Subsidized? Theory and Evidence from Sweden" (with Jens Wikström), they investigate the question of how much governments should subsidize elderly long-term care. Theoretically, these subsidies provide an insurance value by mitigating the substantial financial risks associated with becoming dependent and in the requirement of care in later life. However, this insurance value must be balanced against the fiscal externalities that subsidies introduce, as both seniors and their adult children (as the potential caregivers) may respond to lower prices in elderly care. They leverage a Swedish policy reform and high-quality administrative data to empirically estimate the impact of elderly care subsidies on the economic and health outcomes of both seniors and their adult children.


Filip Mellgren

Filip Mellgren has been working on (1) "Monopsony and Creative Destruction" (with Isabella Maassen and Jonas Overhage). This project adds monopsony power on the labor market, i.e. firms having wage setting power, to a model where firms invest in R&D in order to grow and gain profits from being market leaders. The model allows the researchers to study how the increase in monopsony power over the last decades affects innovation incentives in firms, crucial for economic growth. Additionally, it explores the impact on the efficient allocation of resources across firms, providing insights into market dynamics and economic policy. (2) "Skill Demand across Firms and Aggregate Implications" (with Anders Åkerman and Horng Wong): How does market power shape the labor market? How does the labor market shape market power? In this project,

Swedish administrative data is used to estimate firm level productivity in order to empirically document the relation between firm level market power and labor market outcomes. Estimated values are then used in an economic model to generate an understanding of important mechanisms. (3) "Firm Size Distribution and Production Technology": How does production technology vary across firms depending on firm size and what does differences in production technology mean for how the economy reacts to policy decisions? In this project, estimated firm level production parameters are used to document substantial differences between business models of firms. The quantitative findings will then be used in an economic model to study consequences for policy making.

Mohammad Naderitabar has been working on four projects. In a project titled (1) "Marriage Market & Wealth Inequality" (with Ehsan Sabouri Kenari), he investigates the role of assortative mating in wealth inequality, examining whether marrying a wealthier partner influences investment behavior and career risks, such as entrepreneurship. In another untitled project on intangible taxes, innovation, and growth (with Jinglun Yao and Joseba Martinez), the goal is to understand the interrelation between the tax system and the market for ideas (as intangible capital) and its implications for innovation, growth, and wefare. Third, in a project titled (2) "A New Approach to Analyzing Economic Systems" (with Alireza Azampour), he aims to develop analytical stability criteria for economic systems. Then, given the system's responses to both causal and non-causal (or forward-looking) impulses, if the stability criteria are satisfied, one can determine the response to any other shock without solving it from scratch. Finally, in a project titled (3) "Oligopolistic Time Competition" (with Kianoush Saeedi), he seeks to understand why firms, expecting high positive demand shocks in the near future (e.g., around Black Friday), choose to compete based on timing to introduce their offers before the shock. The mechanism in mind is driven by the search costs and obfuscation strategies of firms.

Artschil Okropiridse has worked on (1) "Election Day is Firing Day: Short-term Bureaucrats and Political Turnover" (with Anton Arbman Hansing and Juan Felipe Ladino). This paper investigates how political turnover affects bureaucratic hiring, focusing on the churn within the bureaucracy and its impact on public services, such as the rollout of the COVID-19 vaccine. In the early-stage project (2) "Labour Market Effects of a WWII Anti-segregation Policy" Artschil analyzes the labor market impacts and political backlash of a U.S. World War II policy that banned segregation and discriminatory hiring practices. The study aims to understand how this policy contributed to the party realignment of the 1930s and 1940s. Finally, in (3) "Price Increases and Voter Behavior" Artschil explores the relationship between inflation and voter behavior. The unprecedented global voter turnout in 2024, coupled with frequent incumbent losses, has been attributed by some to high inflation. Using non-aggregate inflation estimates, the study supports this hypothesis.

Jonas Overhage has mainly been working on three projects. The project (1) "Changing Entrepreneurship" seeks to uncover links between household entrepreneurship decisions, and how they affect firm- and economy level outcomes. More specifically, the project aims to investigate the increase in business applications during and after the Covid-19 pandemic. In addition, the project (2) "Monetary Policy Transmission under Imperfect Information" focuses on the role of informational frictions in the response to monetary policy. Households form expectations about the state of the economy by observing information such as their own wage. Their decisions are then guided by these expectations, which may slow the response to monetary policy shocks, as households take time to understand the true effect of any given policy. Lastly, the project (3) "Monopsony Power and Creative Destruction" (with Filip Mellgren and Isabella Maassen) adds monopsony power on the labor market, i.e. firms having wage setting power, to a model where firms invest in R&D in order to grow and gain profits from being market leaders. The

model allows them to study how developments in monopsony power over the last decades affect innovation incentives in firms, crucial for economic growth. Additionally, it explores the impact on the efficient allocation of resources across firms, providing insights into market dynamics and economic policy.

Thore Petersen has worked on two projects. (1) "Can the Plants Turn Green? Micro- and Macro-level Substitution between Energy Sources" is the title of Thore's main paper. In this paper, he analyzes data from the census of German manufacturing firms and seeks to estimate the elasticity of substitution between clean and dirty fuels: How easily firms switch from dirty towards clean energy sources. In another (untitled) project, he aims to theoretically answer the question of how to optimally distribute assets between firms that face collateral constraints under aggregate risk.


Jonatan Riberth

Jonatan Riberth has been working on four projects. In one project, (1) "Family Wealth and Gender Gap in Life-time Labor Earnings" (with Mahmod Arai, Emma von Essen and Michael Lundholm) they explore gender differences in intergenerational mobility and quantify the implications for the gender income gap. They draw on literature in sociology, arguing that gender roles are more pronounced among the wealthy. In another project (2) "Dynastic Human Capital and Ethnic Capital and Intergenerational Mobility of Immigrants" (with Adrian Adermon, Mikael Lindahl and Mårten Palme) they look at mobility among immigrants to Sweden. They hypothesize that immigrants are subject to peer effects from immigrants of the same background. They quantify these peer effects by augmenting standard models of intergenerational mobility with proxies for what is commonly referred to as 'ethnic capital'. In a

third project titled (3) “Medical Scandals and Vaccine Hesitancy” (with Svenja Miltner) they look at the relationship between vaccine hesitancy and previous health scandals. They do this by considering individuals who developed narcolepsy, as a side effect of the swine flu vaccination. They use new individual level data on Covid and swine flu vaccinations to measure vaccine hesitancy during the Covid pandemic among the affected individuals. They find that affected individuals have a lower Covid vaccine take up, take fewer doses and delay their vaccination compared to similar individuals. Finally, in (4) “The Great Reduction of 1680” (with Monir Bounadi) Jonatan studies the long run intergenerational and political effects of an exceptionally large wealth confiscation. Using large language models, they build a new individual level dataset covering the Swedish nobility in order to answer how affected individuals, and their descendants, respond to this wealth shock.

Ehsan Sabouri Kenari’s research examines how economic policies and social structures shape inequality, labor markets, and human capital development. In (1) “Mothers at Work: Impacts on Children’s Human Capital and Income” (with Arash Nekoei and Josef Sigurdsson) he studies the long-term consequences of rising female labor supply on children’s education and earnings, leveraging Sweden’s 1971 tax reform. Understanding these effects is crucial for assessing the broader implications of labor market policies on intergenerational mobility. In another study; (2) “Marriage Market and Wealth Inequality” (with Mohammad Naderitabar) he investigates the role of assortative mating in wealth inequality, examining whether marrying a wealthier partner influences investment behavior and career risks, such as entrepreneurship. Additionally, in (3) “The Economic Costs of Compulsory Military Service” (with Mohammad Hoseini), he analyzes the economic consequences of compulsory military service, a policy still prevalent in many developing countries. Through this research, he aims to provide insights into the mechanisms driving inequality and inform policies that promote economic opportunity and social mobility.

Leiv Storesletten has primarily worked on a project with the provisional title (1) "Capital Gains Taxation and Monetary Policy". Capital gains taxes are not adjusted for inflation. This means that a period of high inflation gives an incentive for firms to delay the realization of their capital gains, also called a lock-in effect on capital. The disortions caused by this lock-in effect will rise during a boom, and be at their highest at the beginning of a recession. Through adding an additional cost of inflation, central banks should take these distortions into account when setting the interest rate.

Yanran Zhu has focused her attention on the project (1) "Re-visiting Efficiency-Equity Trade-Off: Wage Compression and Efficiency in Higher Education" (with Shuwen Kang). In some countries, university education costs a lot, and people with university degrees earn much more than those with only a high school diploma. The high cost prevents smart students from low-income families from going to university, while the big pay gap attracts mediocre students from high-income families to the university. When they become parents, those with university degrees who also earn a lot invest heavily in their children's education and let them attend university, while those with only high school diplomas who earn much less cannot do the same. Such a dynamic reinforces intergenerational persistence in both education and income over time. A common policy remedy is to give more financial support to low-income students. This project explores a different policy: reducing the pay gap so a university degree does not automatically guarantee a much higher income. The intuition is that when the pay gap is small, students will go to university only if they have the right skills and truly value learning, and parents with only high school diplomas can also afford university education for their children. The authors build a model to examine whether this policy can direct the right students to the university and thus create a more efficient and fairer higher education system.

Wonderful venue for this year's Crayfish Party.

Publications

One of the main objectives of the IIES is to produce outstanding research for publication in leading international journals. In addition, IIES researchers publish reports, books and chapters in books as well as working papers.

Accepted for Publication

Journals

Timo Boppart, John Hassler and Per Krusell
"Integrated Epi-econ Assessment: Quantitative Theory", *Quantitative Economics* (with K. Harmenberg and J. Olsson).

Arash Nekoei
"Mandatory Notice of Layoff, Job Search, and Efficiency", *Quarterly Journal of Economics* (with J. Cederlöf, P. Fredriksson and D. Seim).

Jakob Svensson
"Weather Shocks, Infant Mortality, and Adaptation: Experimental Evidence from Uganda", *Journal of Development Economics* (with M. Björkman-Nykvist, T. von Carnap and A. Guariso).

Published

Journals

Ingvild Almås
"Presidential Address: Economics and Measurement: New Measures to Model Decision Making", *Econometrica*, 92(4): 947–978 (with O. Attanasio and P. Jervis).

Ingvild Almås
Comment on "Presidential Address: Economics and Measurement: New Measures to Model Decision Making", *Econometrica*, 92(4): 991-993 (with O. Attanasio and P. Jervis).

Almut Balleer
"Minimum Wages and Financial Constraints in Firms", *European Economic Review*, 163(2024): 104678 (with H. Arabzadeh and B. Gehrke).

Almut Balleer
"Demand or Supply? Price Adjustment during the Covid-19 Pandemic", *International Journal of Central Banking*, 20(1): 94-158 (with S. Link, M. Menkhoff and P. Zorn).

Timo Boppart, John Hassler, Per Krusell and Jakob Svensson
"2024 års ekonomipris till Daron Acemoglu, Simon Johnson och James A. Robinson" (The 2024 Economics Prize to Daron Acemoglu, Simon Johnson and James A. Robinson), *Ekonomisk Debatt*, 52(8): 6-15 (with T. Andersson et al.).

Konrad Burchardi and Jonathan de Quidt
"Borrowing Constraints and Demand for Remedial Education: Evidence from Tanzania", *The Economic Journal*, 134(662): 2621-2637 (with S. Gulesci and M. Sulaiman).

Lars Calmfors
"Bör överskottsmålet ersättas av ett underskottsmål?" (Should the Surplus Target Be Replaced by a Deficit Target?), *Ekonomisk Debatt*, 52(1): 23-37.

Lars Calmfors
"Monopson på arbetsmarknaden – en kommentar" (Monopsony in the Labor Market – A Comment), *Ekonomisk Debatt*, 52(7): 3-6 (with P. Skedinger).

Kurt Mitman
"Do Unemployment Benefit Extensions Explain the Emergence of Jobless Recoveries?", *Journal of Economic Dynamics and Control*, 169(Dec): 104964 (with S. Rabinovich).

Jakob Svensson
"Human Resource Challenges in Health Systems: Evidence from 10 African Countries", *Health Policy and Planning*, 39(7): 693-709 (with A. Sheffel et al.).

Torsten Persson
"Organizational Dynamics: Culture, Design, and Performance", Journal of Law, Economics & Organization, 40: 394-415 (with T. Besley).

Anna Tompsett
"Training Caretakers to Clean Community Wells is a Highly Cost-effective Way to Reduce Exposure to Coliform Bacteria", *npj Clean Water*, 7(110) (with M.A. Habib, S. Cocciolo and M.M.A. Raihan).

Anna Tompsett
"Pathways from Research to Sustainable Development: Insights from Ten Research Projects in Sustainability and Resilience Getting to Solutions", *Ambio*, 53(2024): 517-533 (with A. Scaini, J. Mulligan et al.).

Books and Chapters in Books

John Hassler and Per Krusell
"The Macroeconomics of Climate Change: Starting Points, Tentative Results, and a Way Forward", in Pisani-Ferry, J. and Posen, A. (eds.), *The Green Frontier: Assessing the Economic Implications of Climate Action*, Washington DC: The Peterson Institute of International Economics (with C. Olovsson).

Working Papers

Almut Balleer
"Heterogeneous Preferences, Spousal Interaction, and Couples' Time-use", CEPR Discussion Paper No. 19587 (with M. Merz and T.K. Papp).

Almut Balleer
"Monetary Policy in the Presence of Supply Constraints: Evidence from German Firm-level Data", CEPR Discussion Paper No. 18732 (with M. Noeller).

Amanda Dahlstrand Rudin
"CEO-Firm Matches and Productivity in 42 Countries", NBER Working Paper No. 33324 (with D. László, H. Schweiger, O. Bandiera, A. Prat and R. Sadun).

Amanda Dahlstrand Rudin
"Online versus In-Person Services: Effects on Patients and Providers", IZA Discussion Paper No. 17177 (with N. Le Nestour and G. Michaels).

Brian Higgins
"Mortgage Borrowing Limits and House Prices: Evidence from a Policy Change in Ireland", ECB Working Paper No. 2909.

Arash Nekoei
"The Economic Burden of Burnout", CEPR Discussion Paper No. 19091 (with J. Sigurdsson and D. Wehr).

Torsten Persson
"Optimal Contracts and Inflation Targets Revisited", CEPR Discussion Paper No. 19126 (with G. Tabellini).

Lars E.O. Svensson
"Is Swedish Household Debt Too High? Solvency, Liquidity, and Debt-financed Overconsumption", CEPR Discussion Paper No. 19717 and NBER Working Paper No. 33222.

Lars E.O. Svensson
"Are Swedish House Prices Too High? Why the Price-to-Income Ratio Is a Misleading Indicator," CEPR Discussion Paper No. 18580, and NBER Working Paper No. 31862.

Reports

Lars Calmfors
Economic Policy beyond the Pandemic in the Nordic Countries, Stockholm: Nordregio and the Nordic Council of Ministers, Report 12 (ed. with N. Sánchez Gassen).

Almut Balleer
"Job Retention Schemes", in Calmfors, L. and Sánchez Gassen, N. (eds.), *Economic Policy beyond the Pandemic in the Nordic Countries*, Stockholm: Nordregio, Report 12, Chapter 3.

Harry Flam and Mats Persson
Krona på rätt kurs? En ESO-rapport om den svenska valutans utveckling 1993-2024 (The Swedish Exchange Rate 1993-2024), Report to the Swedish government's expert group on public economics, SOU 2024:4.

Other publications

Anna Tompsett
"Using Satellite Imagery to Monitor Remote Rural Economies at High Frequency", *arXiv preprint*, arXiv:2407.12953 (with T. von Carnap, R.M. Asiyabi and P. Dingus).

Anna Tompsett
"A Machine-learning Pipeline for Merging and Georeferencing Very Large Archives of Historical Aerial Photographs", in *2024 IEEE International Conference on Big Data (BigData)*, Washington DC: IEEE (with E. Noda, L.Y. Huang, T. Chong, S. Jain, A. Madestam, H. Druckenmiller and S. Hsiang).

First IIES-all meeting with Per Krusell as director. Former director Jakob Svensson was also thanked for his many years of excellent leadership.

Completed Doctoral Theses

Graduate students continuously produce research of high quality during their time at the IIES. This research culminates in their thesis, of which a number are published and defended each year. During 2024 the following theses were successfully defended at the IIES:

Mohammadreza Farajpour: *On the Economics of Energy and Climate Change*

Understanding the relationship between energy, climate policies, and the economy is crucial in our fight against climate change. Mohammadreza sheds light on how climate policies like carbon taxes impact the economy over different time horizons, the trends in energy intensity, and the complex nature of climate risks faced by firms.

Climate policies and input substitution: short vs. long run

Mohammadreza (with Stefan Hinkelmann) explores how carbon taxes affect the economy over time. In the short run, switching to green energy is limited, but long-term adoption grows. Their research suggests that carbon taxes should be about 10% higher than previously estimated to meet emission targets, with minimal economic costs, particularly in the short term. Reducing overall energy intensity is more crucial than simply shifting fuel types.

The decline in energy intensity: technological advances lead the way

U.S. energy intensity has dropped significantly over 50 years, driven primarily by technological advances rather than economic shifts. Without sectoral changes, the decline would have been even greater. Mohammadreza's modeling shows that electrification will further accelerate this trend.

Climate risk: the dual threat of transition and physical risks

Firms face two major climate risks: transition risks (policy changes, market shifts) and physical risks (extreme weather). Analyzing U.S. firms (2002–2023), Mohammadreza developed a Climate Risk Index, revealing transition risks as the biggest threat, particularly in energy, agriculture, transport, and real estate.

A path forward: balancing policy and progress

Mohammadreza's research underscores the need to consider both short- and long-term effects in climate policies and highlights technological innovation as key to reducing energy intensity. His work provides critical insights for shaping a resilient, sustainable economy.

Stefan Hinkelmann:
On the Macroeconomics of the Energy Transition

In the quest for a sustainable future, understanding the dynamics of climate policies and their impact on our economy is paramount. Stefan delves deep into the intricate relationship between environmental regulations and the shifting landscape of energy usage. The startling findings illuminate the path towards a greener tomorrow.

Carbon taxes may need permanent boost to meet emission targets

Stefan's research shows that while carbon taxes have limited short-term impact due to constraints on fuel substitution, their effectiveness grows over time. To meet long-term emission targets, a permanent increase in carbon taxes is necessary.

Electrification sparks change

In the short run, fossil fuels and electricity complement each other, but over time, electricity becomes a viable substitute.

Stefan's model highlights technological advancements as the key driver of this shift.

Charting the energy transition

Three factors drive the low-carbon transition: energy efficiency improvements, technological shifts toward electrification, and green infrastructure expansion. While progress occurs even without intervention, carbon taxation is essential to accelerate the transition and achieve net-zero emissions by 2050.

Green subsidies: catalysts for change

Targeted green subsidies significantly reduce fossil fuel reliance by addressing externalities in technology and learning-by-doing. However, poorly designed incentives, like Investment Tax Credits, may lead to unintended rebounds in fossil fuel use after expiration.

Stefan's work underscores the importance of sustained policy efforts in achieving a sustainable, high-growth economy free from fossil fuel dependence.

Philipp Hochmuth: *Essays on Hours Worked and Cost-of-Living Inequality*

In a rapidly evolving economic landscape, the traditional image of the hard-working entrepreneur is undergoing a notable shift. Over the past three and a half decades, a surprising trend has emerged: entrepreneurs are working fewer hours than ever before. In his thesis, Philipp indicates that this decline in hours worked among entrepreneurs surpasses that of regular workers, accounting for a significant portion of the overall decrease in total work hours.

Entrepreneurs are working less

This decline spans all demographics and industries but has not led to higher hourly income. Philipp's analysis using the Roy

model suggests that diminishing returns to long hours and reduced market competition drive this trend.

Lower-income households are hit harder by price changes

Philipp and co-authors find that lower-income households face greater inflation volatility, driven by essential expenses like food and utilities. A historical analysis (1959–2023) reveals a persistent gap in inflation rates between rich and poor, highlighting the disproportionate impact of price fluctuations on low-income groups.

These insights shed light on evolving work patterns and economic inequality, offering key takeaways for policy and economic growth.

Evelina Linnros: *Essays on Fertility and Health*

Scientific research can uncover surprising connections between health conditions and broader societal issues. Evelina delves into

the complex ways health issues influence everything from marriage to earnings, and how mental health and nutritional status are affected by prenatal conditions.

Infertility risk is linked to early marriages in Madagascar

In Madagascar, infertility risk influences marriage and childbirth timing. Exposure to an infertility-causing parasite increases infertility rates by 40%, prompting a 22% rise in early marriage and fertility as women attempt to secure childbirth sooner. This highlights how health uncertainties shape social behaviors.

Severe birth tears: maternal health affects the post-childbirth earnings loss

Maternal health also has lasting economic consequences. Severe birth tears, affecting 5% of first-time mothers, lead to a 6% greater earnings loss over five years. The impact is most pronounced among lower-income women, who have less access to post-injury medical care, underscoring how health inequalities translate into economic disparities.

Prenatal exposure to increased alcohol availability leads to long lasting effects on mental health

The effects of prenatal conditions extend beyond birth. A short-term policy that increased alcohol availability led to a 16% higher likelihood of mental health disorders in midlife for those exposed in utero, particularly during the second trimester. This suggests that early environmental factors, beyond income, have profound and lasting effects on mental well-being.

Exposure to locust swarms during the prenatal period increases the risk of child stunting

Environmental shocks can also have severe developmental consequences. Exposure to locust swarms in utero raises the risk of child stunting by 16%, emphasizing the importance of robust pest monitoring systems in protecting both agricultural livelihoods and public health.

This thesis sheds light on the intricate ways health issues, societal outcomes and environmental conditions are intertwined. From the implications of infertility risk on marriage practices to the long-term mental health effects of prenatal conditions and the importance of maintaining pest monitoring systems for child health, understanding these connections can inform better policy and healthcare decisions, ultimately improving lives across the globe.

Chloe Nibourel (visiting graduate student from SSE): *Voters, Parties and Bureaucrats*

Politics is constantly evolving. In her thesis, Chloe sheds new light on how voter behavior, youth representation, and algorithms impact democracy. From the rise of radical-right parties to the challenges young people face in entering politics, and even how bureaucrats compare to algorithms when it comes to governmental decisions, these findings reveal surprising trends that could reshape the political landscape.

The radical right's ripple effect

In France, radical-right candidates do more than just shake up the competition — they change how people vote. When these candidates enter the race, they mobilize their supporters. Unlike the media's emphasis, Chloe does not find support for the claim that anti-radical right voters particularly mobilize against that party. But their presence does not just influence who votes; it also affects who wins. The study finds that the mere presence of a radical-right candidate alters the probabilities of success for other parties.

Why young people struggle to enter politics

Sweden, like many democracies, faces a growing gap between the age of its politicians and the younger population. One study suggests that this problem starts early: young first-time voters are much less likely to pursue a political career than those voting in their second election. This suggests that political engagement takes time to develop — meaning that encouraging high-level political engagement among youth early on could provide a better representation of youth interests in politics.

Are algorithms better than bureaucrats?

Governments worldwide are increasingly turning to algorithms to make decisions, from tax audits to fraud investigations. But are they always better than human judgment? A study on financial investigations in labor unions finds that rigid rule-based approaches often lead to worse outcomes than allowing experienced bureaucrats to use their discretion. This suggests

that while data-driven rules can be useful, they are not always a replacement for human expertise — especially in complex decisions.

The takeaway

These studies highlight three key forces shaping modern politics: the influence of radical-right parties, the challenges of youth representation, and the role of algorithms in governance. As societies navigate these trends, policymakers and voters alike must consider how to balance tradition with innovation in shaping the future of democracy.

Fredrik Paues: *Essays on Housing Deregulation and Investment Behavior*

Sweden's journey towards prosperity is illuminated through Fredrik's thesis, spanning diverse realms: housing reform, investment behavior, and identity capital. From unlocking the potential of deregulating the rental housing market to unraveling the intricate interplay between personal traits and financial decisions, these chapters offer a holistic understanding of the path to economic prosperity in this dynamic nation.

Sweden's rental housing regulations have long been regarded as among the strictest in the OECD. But what happens when the doors of regulation swing open? Fredrik delves into the welfare effects of deregulating Sweden's rental housing market, shedding light on a path to greater prosperity for its citizens.

Deregulation could lead to welfare gains

Sweden's strict rental regulations limit market flexibility. Using a static general equilibrium model, Fredrik finds that allowing free trade of rental contracts could increase annual welfare by 411 SEK per adult. A dynamic model shows that while deregulation raises prices in regulated housing, unregulated stock sees price declines. Preferences vary — nonhomeowners favor swift reform, while homeowners and insiders prefer a gradual shift.

Investment behavior in Sweden

Examining Sweden's pension system, Fredrik finds that individuals with prior investment experience and strong noncognitive skills are more likely to opt out of default funds, while cognitive skills drive fund reallocations. He also introduces identity capital — the idea that people invest in their "life project" — showing that individuals resist adjusting savings or investments based on fluctuations in personal identity-related assets.

In essence, the thesis paints a compelling picture of the intricate web of factors influencing economic decisions in Sweden. From the deregulation of the rental housing market to the interplay between personal traits and investment behavior, each piece contributes to a richer understanding of the path to prosperity in Sweden.

Sreyashi Sen: *Essays on Markets and Institutions in Developing Countries*

Sreyashi delves deep into the complexities of labor regulations, job security provisions, and capital market frictions to understand their effects on India's industrial performance and economic inequality. By examining state-level labor reforms, the impact of job security laws on plant size and efficiency, and the long-term economic outcomes of initial wealth conditions in the presence of capital market imperfections, the three chapters in the thesis provide a comprehensive view of how policies and

market imperfections influence industrial growth and societal prosperity. Here is a closer look at the findings and their implications for policymakers and stakeholders.

Labor regulations and industrial performance: evidence from India

Analyzing Indian state-level labor reforms (2003–2016), Sreyashi finds that pro-employer reforms boost plant output (2.8%), wage bills (2.1%), and average worker earnings (2.1%). Contrary to prior research, pro-worker reforms show no significant negative effects, while targeted pro-employer policies prove particularly effective.

The impact of job security regulations on plant size in India

Regulations applying to plants with over 100 workers do not create a sharp break in plant size distribution, but evidence suggests resource misallocation and reduced output due to regulatory constraints at the threshold.

A quantitative study of poverty traps

A model of occupational choice with financial frictions shows how initial wealth disparities can lead to persistent economic divides. Some economies achieve high wages and efficiency, while others remain in low-wage equilibria benefiting only a few entrepreneurs.

Bridging policy and practice: lessons learned

Sreyashi's research highlights the nuanced effects of labor regulations and the risks of economic stagnation due to capital constraints. Pro-employer reforms generally enhance industrial performance, while pro-worker reforms do not harm efficiency. Addressing financial frictions through redistributive policies and improved credit access could help break poverty traps and promote equitable growth.

Fabian Sinn: *Essays on Labor Economics and Social Dynamics*

Curious about what truly drives success? In his thesis, Fabian Sinn offers eye-opening insights into how your coworkers, educational background, and even historical weather patterns can shape your achievements.

Coworkers influence earnings more than you might think

Analyzing Swedish workforce data, Fabian finds that coworker quality accounts for 10% of income variation — nearly as much as the firm effect. Higher education does not only benefit individuals but also raises coworkers' earnings by 8%, suggesting broader economic gains from education.

Women's historical status reveals surprising trends

Using a database of notable figures, Fabian traces women's representation over time. Initially linked to family connections,

self-made women rose from the 17th century onward, especially among writers in Protestant Europe, shaping today's gender dynamics.

Harsh weather early in life can hinder future achievements

Historical weather data shows that severe winters in infancy reduce the likelihood of higher education, high earnings, and historical impact, indicating that early-life adversities can create long-term disadvantages.

The Human Biographical Record: a comprehensive historical dataset

Fabian presents the Human Biographical Record (HBR), a dataset of seven million notable individuals, compiled from Wikipedia and Wikidata. It provides detailed biographical insights for historical research.

Social inclusion: a new measure of equality of opportunity

Introducing "social inclusion" as a new metric, Fabian quantifies how personal background influences success. Using advanced

prediction techniques, this approach offers a refined perspective on social mobility.

Disparities in medical innovation adoption

Examining 58 new medicines in Sweden, Fabian finds that hospitals in wealthier areas adopt treatments up to three times faster than those in lower-income regions, impacting survival rates and highlighting the need for equitable healthcare access.

Fabian's thesis uncovers the complex factors influencing success, from the impact of coworkers and education to the role of historical conditions and medical innovation. The results highlight the importance of addressing these factors to foster greater equity and enhance overall societal progress.

Placements of IIES Graduate Students 2024

- Mohammadreza Farajpour - Santander Consumer Bank AS
- Stefan Hinkelmann - OECD Economics Department, Structural Policy Analysis Division
- Philipp Hochmuth - Oesterreichische Nationalbank (the Austrian Central Bank)
- Evelina Linnros - Swedish Association of Local Authorities and Regions, SALAR (Sveriges Kommuner och Regioner, SKR)
- Chloé Nibourel - Post Doc at Swedish Institute for Social Research (SOFI) at Stockholm University
- Fredrik Paues - The National Institute of Economic Research (Konjunkturinstitutet)

Teaching

In addition to conducting research, the faculty at the IIES also undertake teaching at the Undergraduate, Master's and Graduate levels at Stockholm University. These are the courses that have been taught by IIES faculty during 2024.

Spring 2024

Undergraduate level

- Kvantitativa metoder för nationalekonomer
  Tessa Bold

- Makroteori med tillämpningar
  John Hassler

Master's level

- Climate and the Economy
  John Hassler

PhD level

- Design-based Research Using Observational Data
  Arash Nekoei

- From Idea to Paper
  Ingvild Almås, Tessa Bold and Anna Tompsett

- Labor IV: Imperfect and Regional Labor Markets
  Mitch Downey

- Growth and Productivity
  Timo Boppart and Joshua Weiss

- Monetary Economics
  John Hassler, Per Krusell and Kieran Larkin

- Political Economics II
  Torsten Persson

- Political Economics III
  Mitch Downey, Torsten Persson and David Schönholzer

- Econometrics I
  Mitch Downey

- Econometrics II
  Mitch Downey

- Towards Clarity and Grace in Academic Writing
  Tessa Bold and Anna Tompsett

- Macroeconomics I
  Timo Boppart

- Macroeconomics II
  Sara Casella and Kurt Mitman

Fall 2024

Undergraduate level

- Makroteori med tillämpningar
  John Hassler

- Introduction to Quantitative Methods in Economics
  Tessa Bold

Master's level

- Development Economics
  Konrad Burchardi

- Policy Analysis in Labor Economics
  Peter Nilsson

PhD level

- Development Economics I
  Laia Navarro-Sola, Jakob Svensson and Anna Tompsett

- Development Economics II
  Konrad Burchardi and Laia Navarro-Sola

- Labor Economics I - Labor Supply, Productivity, and Earnings Heterogeneity
  Arash Nekoei and Laia Navarro-Sola

- Mathematics II
  Tessa Bold, Alexandre Kohlhas and Juan Llavador-Peralt

- Microeconomics I
  Arash Nekoei

- Quantitative Macroeconomic Methods I
  Per Krusell and Kieran Larkin

- Quantitative Macroeconomic Methods II
  Brian Higgins, Kieran Larkin and Jinglun Yao

Lucia is celebrated in Sweden on 13 December each year. It is an old tradition that spread via universities in the 1800's.

Lucia (Tessa Bold) and her fellow singers congratulating each other on a job well done.

Extramural Activities

Several members of the IIES' faculty take part in public affairs and influence public policies. They participate prominently in the public economic discourse, serve in government commissions of inquiry, and more.

Ingvild Almås

- EEA Council.
- Scientific Advisory Board, Max Planck Institute for Research on Collective Goods in Bonn.
- On the Scientific Coordination Group at FAIR, NHH.
- Committee Member for Monetary Policy and Financial Stability, Norwegian Central Bank.

Tessa Bold

- Board member, the Swedish Institute of International Affairs (Utrikespolitiska institutet).

Timo Boppart

- Member of the editorial board of *The Review of Economic Studies*.
- Associate Editor, *Quantitative Economics* and *Econometrica*.
- Committee Member, Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.
- Professor at University of Zurich.

Konrad Burchardi

- Associate Editor of the *Scandinavian Journal of Economics* and the *Journal of Development Economics*.
- Member of the Editorial Board of *The Review of Economic Studies*.

Lars Calmfors

- Member of the Swedish Minister for Finance's Economic Council, of the Swedish Minister for Employment's Labour Market Policy Council, of the Swedish Public Employment Service's Scientific Council, and of the Expert Council of the Foundation Kunskapsverket.
- Leader of Project on Economic Policy during and beyond the Pandemic on behalf of the Nordic Council of Ministers and leader of inquiry into the consequences of Swedish adoption of the euro on behalf of Stiftelsen Fritt Näringsliv (the Swedish Free Enterprise Foundation).
- Chair of the think tank Fores' Scientific Council.
- Member of the Royal Swedish Academy of Sciences (KVA), of the Swedish Royal Academy of Engineering Sciences (IVA) and of the Council of the Center for Business and Policy Studies (SNS).

Harry Flam

- Senior Adviser at Swedish Institute for European Policy Studies (Sieps).
- Consultant for project on productivity growth at Center for Business and Policy Studies (SNS).

John Hassler

- Chair of Scientific Council on Climate at AP7.
- Evaluator of Swedish Monetary Policy for the Swedish Parliament together with Per Krusell and Roine Vestman.
- Member of academic advisory boards at Konjunkturinstitutet, SIEPS and Riksrevisionen.
- Committee Memeber, Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel
- Board Member, SNS, Fores and Stockholm Resilience Center.
- Member of the Swedish Finance Minister's Economic Council.

Per Krusell

- On the macro board of The National Institute of Economic Research (Konjunkturinstitutet).
- Secretary of the Prize Committee, Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.
- Evaluator of Swedish Monetary Policy for the Swedish Parliament together with John Hassler and Roine Vestman.

Kurt Mitman

- Served on the Center for Monetary Policy and Financial Stability (CeMoF) management team.
- External expert to the European Commission.
- Consultant to the Banco de España.

Peter Nilsson

- Co-editor at *The Economic Journal*.

Torsten Persson

- Visited the LSE for seven weeks, in his role as a Centennial Professor at the school.
- Member of the Scientific Council for the European Research Foundation and the Board for Riksbankens Jubileumsfond.
- Co-directed the research program "Institutions, Organizations, and Growth", which is supported by the Becker-Friedman Institute at the University of Chicago.

Jakob Svensson

- Convenor: 2024 Nobel Symposium in Microdevelopment, Stellenbosch, South Africa.
- Chair of the Committee, The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.
- Member of the Service Delivery Indicators' (SDI) Steering Committee.
- Chair of the Board, Association of Swedish Development Economists (ASWEDE).

- Elected Member, Board of Trustees, SNS.
- Member of the Technical Advisory Board for the Global Education Policy Dashboard.

Lars E.O. Svensson

- Expert in the Committee on the Review of Borrower-Based Macroprudential Measures for its report *Regulation of Household Debt*.

What's Christmas without a proper IIES celebration? This year we visited The Viking Museum here in Stockholm for our annual Christmas party.

The IIES in the Media

Stockholm University has an explicit so-called 'third aim' which calls for research to be spread outside of academia. IIES researchers frequently appear in both national and international media through interviews, written pieces and more. The IIES is also very active through its social media accounts on Facebook, X, Bluesky and LinkedIn.

Ingvild Almås's work on the Monetary Policy Board at the Norwegian Central Bank was covered in several Norwegian news outlets, for example TV2.

Almut Balleer was cited in German newspapers (*Zeit* and *Börsenzeitung*), was an expert guest on German national TV (ARD Morgenmagazin, Tagesschau 24) as well as on German radio (Bayerischer Rundfunk) on the topic Growth, German economic development.

Tiago Bernardino was interviewed by several Portuguese national media about his paper that studies the temporary VAT cut in Portugal. Together with Márcia Silva-Pereira (his co-author of the VAT cut paper) they wrote an op-ed talking about the results of their paper for one of the largest Portuguese newspapers, *Público*, where he also wrote an op-ed about the 2024 Nobel Prize in Economics winners. He also participated in The Science Network Pod(cast) about his research in economics and public policy.

Tessa Bold and Jakob Svensson, with several other experts, wrote an op-ed for Swedish newspaper *Dagens industri* (*Di*) highlighting the importance of strengthening Sweden's support for the World Bank's International Development Association (IDA).

Lars Calmfors was a regular columnist in the Swedish daily *Dagens Nyheter* (*DN*) with articles in 2024 on inter alia monetary and fiscal policies, labor market policy, working time reductions and the war in Ukraine. He was also interviewed around 50 times in various Swedish news medias, including the big newspapers, Sveriges Television (SVT), TV4, Swedish radio (Sveriges Radio, SR), on monetary and fiscal policy, inflation and the Euro.

Amanda Dahlstrand Rudin was interviewed in *Dagens Medicin* about her paper Defying Distance. She also wrote a VoxEU column on Online versus in-person services: Effects on patients and providers.

Mitch Downey was quoted several times in Swedish daily *Svenska Dagbladet* (*SvD*) on the US election and US politics.

John Hassler wrote several op-eds for Swedish newspapers *DN*, *SvD* and *Di*. He was also interviewd on many occasions by Swedish press.

Arash Nekoei spoke about his project on the economics of burnout on the Vox Podcast as well as wrote a column about the same project on VoxEU.

Jakob Svensson was interviewed by several news media about the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

Lars E.O. Svensson was a regular blogger on the Swedish economics blog Economistas.

Anna Tompsett's project in which a large and previously inaccessible archive of aerial photos is digitized and made freely available was covered by one of Sweden's leading dailies *SvD*, Swedish radio (SR) and E&E News by *Politico*.

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