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Annual Report
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© Institute for International Economic Studies (IIES)

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Photo: Ingmarie Andersson.

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In memory of Professor Assar Lindbeck
1930-2020



Photo: Niklas Björling/Stockholm University.

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 academic 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.



Photo: Sören Andersson/Stockholm University.

Board of Directors

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

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

John Hassler, Professor of Economics, Deputy Director of IIES

Harry Flam, Professor Emeritus, IIES

Karin Bäckstrand, Professor in Environmental Social Science, Stockholm University

Love Ekenberg, Professor of Computer and Systems Science, Stockholm University

Lars Heikensten, Executive Director of the Nobel Foundation

Kerstin Lidén, Professor of Archaeology, Stockholm University

Karl O. Moene, Professor of Economics, Oslo University

Michael Sohlman, Former CEO, the Nobel Foundation



Torsten Persson, Photo: Orasis Foto/MÅ.

News at the IIES

Ingvild Almås was elected Member of the EEA Council. As a council member, Ingvild will play an important part in strengthening the economic sciences in Europe. She was also appointed member of the Monetary Policy and Financial Stability Committee at Norges Bank (the Central Bank of Norway).

Agneta Berge spent two months at UC Berkeley.

Monir Bounadi, Mohammadreza Farajpour, Stefan Hinkelmann, Philipp Hochmuth and Fabian Sinn joined the IIES as Graduate Students.

Tobias Broer was promoted to Associate Professor. From January 2020, he reduced his time at the IIES to 20 percent, as he took up an appointment at the Paris School of Economics.

Konrad Burchardi was promoted to Associate Professor at the IIES. He was also elected member of the Editorial Board at *The Review of Economic Studies* - one of the leading economics journals in the world.

Lars Calmfors was elected member of a reference group advising the Swedish Minister of Finance, Magdalena Andersson, on economic policy during the corona crisis. He was also a member of the Restart Commission (Omstartskommissionen), Stockholm Chamber of Commerce (Stockholms Handelskammare).

Jonathan de Quidt was appointed Research Affiliate at CEPR.

Ida Kristine Haavi and Jinci Liu joined the IIES as Research Assistants in September 2020.

John Hassler was elected board member of the green and liberal think tank FORES. He was also elected member of the Royal Swedish Academy of Sciences' class of social sciences.

Alexandre Kohlhas spent July-September 2020 at Copenhagen Business School.

Kieran Larkin joined the IIES as an Assistant Professor in September 2020 after having spent the previous academic year at the IIES as a Visiting Researcher.

Juan Llavador Peralt joined the IIES as a First-Year Graduate Student.

Francesco Loiacono spent six months at Chicago Booth School of Business during the academic year 2019/2020.



Tobias Broer.

Laia Navarro-Sola and Joshua Weiss became new Assistant Professors at the IIES. Laia joined the IIES in September 2020. Joshua will spend a year as a post doc at Federal Reserve Bank of Richmond before heading to the IIES in September 2021.

Chloé Nibourel, graduate student at the Stockholm School of Economics, joined the IIES as a Visiting Graduate Student.

Peter Nilsson was promoted to Professor as of April 30, 2020. He was on parental leave in spring, which he viewed as “a blissful experience during the pandemic”.

Per Krusell was the President of the European Economic Association 2020 and gave the Presidential Address there. “What was challenging was to organize our first ever virtual annual meeting, in ‘Nottingham’.”

Otto Jarhult joined the IIES as a Research Assistant and Data Analyst.

Kurt Mitman was awarded a Richard Selten Visiting Professor Fellowship by the Richard Selten Institute at the University of Bonn. He was a Visiting Professor at Bocconi University in October 2020. Kurt also received an award from the IZA Coronavirus Emergency Research Thrust, (€ 7,500). Furthermore, he delivered the Banque de France – PSE Lecture “The Fiscal Multiplier” on 22 October 2020. In addition, Kurt co-founded the Virtual Macro Seminar Series - an open online international, inter-institutional macroeconomics seminar series.

Jonna Olsson was awarded the Arnbergsska Prize for her thesis *Work, Wealth and Well-being*.

Torsten Persson was appointed member of the Swedish Corona-commission, which is tasked with evaluating how the COVID-19 pandemic struck Sweden and how well it was handled by the authorities. The commission published its first report in December 2020 to be followed by two more reports in October 2021 and February 2022.

Jakob Svensson was a CEPR-VDEV Webinars speaker in November 2020. He was also the keynote speaker at the Essen Health Conference 2020: “What Do Doctors and Teachers Know and Do? Evidence from 10,000 Clinics and Schools in Africa”.



Konrad Burchardi.



IIES Staff

There are around 60 people at the IIES consisting of research staff, administrative staff, graduate students and visiting researchers from all over the world

Administration



Christina Lönnblad
Head of Administration



Åsa Andersson
Administrator



Karl Eriksson
IT Manager/
Systems
Administrator



Ulrika Gålnander
Administrator



Tove Happonen
Administrator



Hanna Weitz
Administrator &
Communications officer



Otto Jarhult
Research Assistant/
Data Analyst



Caroline Olsson
Research Assistant/
Data Analyst

Research Assistants



Märta Almgren

Areas of research: Macroeconomics. In particular monetary policy, wealth inequality and climate economics.



Dominik Biesalski

Areas of research: Development and political economics.



Ida Kristine Haavi

Areas of research: Macroeconomics, and capital and trade dynamics. This includes theoretical foundations of trade and capital flows, and the connection to corporate finance and investor choices.



Mattias Hallberg

Areas of research: Political economy and the role of personal networks in political decision making, and human capital formation and education policy.



Jinci Liu

Areas of research: Money and banking, trade, and applied microeconomics, particularly related to financial stability, the housing market, export, and labor.

First-year Graduate Student



Juan Llavador Peralt

Areas of research: Macroeconomic measurement, distributional macroeconomics and the interaction between technology and inequality.



Researchers

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



Jakob Svensson, Professor, Director of the IIES

Areas of research: Development economics.



John Hassler, Professor, Deputy Director of the IIES

Areas of research: The economics of climate change.



Ingvild Almås, Professor

Areas of research: Development economics (with a focus on household decision making and child development) and experimental economics (with a focus on economic inequality and fairness as well as climate, temperature and decision making).



Almut Balleer, Affiliated Researcher

Areas of research: Macroeconomics, specifically macro-labor, monetary economics, applied macroeconomics.



Tessa Bold, Associate Professor

Areas of research: Development economics, currently mainly working on structural transformation in agriculture.



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, and economic development.



Tobias Broer, Associate Professor

Areas of research: Heterogeneous-agent macroeconomics, consumption, saving, and risk-sharing, expectation-formation, monetary policy, and investor disagreement.



Konrad Burchardi, Associate Professor

Areas of research: Constraints to productivity growth in developing countries, social structure and economics, and economic consequences of migration.



Lars Calmfors, Professor Emeritus

Areas of research: Macroeconomics, specifically fiscal policy, and labor economics. In particular employment policy, wage setting, and trade union membership.



Jonathan de Quidt, Assistant Professor

Areas of research: Behavioral economics and development economics.



Mitch Downey, Assistant Professor

Areas of research: Political economics (particularly the influence of money in politics and how divisive politics undermines effective government performance), and labor economics (how large long-run phenomena like technology, trade, de-unionization, and climate change affect workers).



Harry Flam, Professor Emeritus

Areas of research: European economic integration.



Alexandre Kohlhas, Assistant Professor

Areas of research: Macroeconomic consequences of information frictions.



Per Krusell, Professor

Areas of research: Macroeconomics broadly defined: long-run analysis on technological change, sustainability, climate change, agriculture and its role in development, inequality, and labor supply as well as short-run analysis, on fiscal and monetary multipliers, COVID-19, and labor markets.



Kieran Larkin, Assistant Professor

Areas of research: Macroeconomics - consumption and savings decisions. Macro-labor.



Assar Lindbeck, Professor Emeritus

Areas of research: Unemployment (the insider-outsider theory), problems of the welfare state, and the interplay between economic incentives and social norms.



Kurt Mitman, Associate Professor

Areas of research: Macroeconomics broadly defined. Particularly the interplay between heterogeneity and aggregate fluctuations. Monetary and fiscal policy, consumer default policy, asset pricing, sudden stops and housing, integrated assessment models addressing the COVID-19 crisis.



Laia Navarro-Sola, Assistant Professor

Areas of research: Human capital, education, and labor in developing countries.



Arash Nekoei, Assistant Professor

Areas of research: Labor and public economics. In particular unemployment, immigration and inequality.



Peter Nilsson, Professor

Areas of research: Labor and health economics.



Mats Persson, Professor Emeritus

Areas of research: Macroeconomics and public economics.



Torsten Persson, Professor

Areas of research: Currently political economics, and development, especially on the two-way relations between institutions, culture, and performance. In the past year, he initiated a major cross-disciplinary research program on the Covid-19 pandemic and its consequences.



Alessandra Peter, Visiting Researcher

Areas of research: Macroeconomics, particularly firms, development, and inequality.



Maria Sandström, Visiting Researcher

Areas of research: Macroeconomics: pension reform and household savings, and industrial economics: the role of intangible capital.



Kathrin Schlafmann, Researcher

Areas of research: Household finance and macroeconomics.



David Schönholzer, Assistant Professor

Areas of research: The efficient provision of public goods, the role of governance, and the development of state capacity. Issues in local public finance in the U.S., the economic history of the state, and the provision of public goods in a development context.



Peter Svedberg, Professor Emeritus

Areas of research: Development economics.



Lars E.O. Svensson, Affiliated Professor

Areas of research: Monetary policy, and macroprudential policy. Especially in relation to housing prices and household debt.



Yimei Zou, Assistant Professor

Areas of research: International trade and macroeconomics (growth and structural change).



IIES Assistant Professor, Laia Navarro-Sola.

Interview with Laia Navarro-Sola

Meet IIES Assistant Professor Laia Navarro-Sola. Laia joined the IIES in September 2020 after earning her PhD from Northwestern University in Illinois, USA.

“It is a very vibrant and welcoming research environment”

The combination of leading researchers working in areas related to Laia’s own research – labor and development economics – is one of the main reasons she decided to join the IIES. She also found that the environment at the IIES is very supportive, providing excellent conditions for junior faculty to conduct high-quality research. However, this vibrant environment has changed quite a bit during the pandemic.

“Joining the IIES in the middle of the pandemic has watered-down the experience, since many interactions and events have moved to a remote environment, but I am looking forward to going back to a business-as-usual environment once the pandemic situation improves.”

Creating the IIES Virtual Office

Setting foot in a new work place in the midst of the Coronavirus pandemic has required a bit of adjusting to say the least. Laia certainly made the best of the situation and is the brainchild behind the IIES virtual office!

“As a newly appointed faculty in a new place, I missed the casual interactions that would occur in the office in a non-pandemic environment. I saw some conferences using Gather to engage participants beyond the presentations, and I thought we could try to replicate that here. The main purpose was to create a virtual space where people could log in, sit in their “virtual offices” while they were working at home, see other people con-



nected, and stop by others' offices or common areas for casual chats the same way we would knock on each other's doors if we were all at the IIES."

Research on televised lessons in Mexico and remote education in Bangladesh

Laia's current research aims to understand questions at the intersection of development and human capital and education. One of her projects investigates the impact of expanding access to secondary education through schools that use televised lessons in Mexico. Another project studies parental investment decisions regarding remote education using a randomized control trial in Bangladesh during the Covid-19 pandemic. Laia and her co-authors examine how the take-up and use of remote educational tools change if monetary, time, or information constraints that parents face, are relaxed.



Laia Navarro-Sola - Assistant Professor

2020 - PhD in Economics, Northwestern University with the thesis *Essays on Human Capital in Developing Countries*

2014 - MA in Economics, Barcelona Graduate School of Economics

2013 - BA in Economics, Universitat Pompeu Fabra

Research interests: Human capital, education, and labor in developing countries.

Graduate Students

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



Anna Aevarsdottir

Areas of research: Development economics and political economics.



Mattias Almgren

Areas of research: Macroeconomics. In particular labor, growth, structural change, and monetary.



Gualtiero Azzalini

Areas of research: Macroeconomics. Particularly macro-labor and heterogeneous agents.



Agneta Berge

Areas of research: Macroeconomics with a special focus on inequality and labor markets.



Monir Bounadi

Areas of research: Political economics, development economics, and causal inference.



Tillmann von Carnap

Areas of research: Development and agricultural economics.



Divya Dev

Areas of research: Political economy, gender, and development.



Mohammadreza Farajpour

Areas of research: Macroeconomics. Especially environment, energy, and business cycles.



Richard Foltyn

Areas of research: (Quantitative) macroeconomics, household finance and inequality.



José-Elías Gallegos Dago

Areas of research: Macroeconomics, monetary economics, and imperfect expectations.



Selene Ghisolfi

Areas of research: Development economics, behavioral economics, peer and network effects, and political economics.



Stefan Hinkelmann

Areas of research: Environmental Macroeconomics - Climate change and sustainability.



Philipp Hochmuth

Areas of research: Macroeconomics. Especially heterogeneous agent models, macro-labor and monetary policy.



Markus Karlman

Areas of research: Macroeconomics, housing, and household finance.



Karin Kinnerud

Areas of research: Macroeconomics, housing markets, household finance, and monetary policy.



Markus Kondziella

Areas of research: Macroeconomics. In particular growth, firm dynamics and distribution.



Kasper Kragh-Sørensen

Areas of research: Macroeconomics and housing, taxation and inequality.



John Kramer

Areas of research: Monetary economics and macro labor.



Benedetta Lerva

Areas of research: Development economics, experimental and agricultural economics, and the economics of education.



Carolina Lindholm

Areas of research: Finance and macroeconomics, and economic policy.



Evelina Linnros

Areas of research: Gender, health, and development economics.



Ricardo Lima

Areas of research: Macroeconomics and time series analysis, with particular focus on monetary policy and household finance.



Francesco Loiacono

Areas of research: Development economics. In particular how to integrate forced migrants into local labor markets in low-income countries, increase transparency in public procurement in contexts of low-state capacity, and how credit affects small and medium businesses' growth in poor economies.



Chloe Nibourel (Visiting Graduate Student from SSE)

Areas of research: Political economy, public economics, and applied microeconomics.



Fredrik Paues

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



Markus Peters

Areas of research: Macroeconomics and household finance.



Sreyashi Sen

Areas of research: Macroeconomic development, development economics, and economic growth.

**Fabian Sinn**

Areas of research: Applied microeconomics, labor, inequality, and economic history.

**Xueping Sun**

Areas of research: Political economy, with a special focus on China's development and the Chinese bureaucracy system.

**Sebastian Tebbe**

Areas of research: The intersection of public and behavioral economics with application to the environment, health and nutrition.

**Claire Thürwächter**

Areas of research: Financial macroeconomics: firm heterogeneity and monetary policy transmission.

**Has van Vlokhoven**

Areas of research: Macroeconomics with a special focus on firm dynamics and innovation.

**Magnus Åhl**

Areas of research: Macroeconomics. In particular rich household heterogeneity and the interaction with monetary policy and economic shocks.



In the spring of 2020, Christoffer Jessen Weissert visited the IIES from University of Copenhagen.

Visiting Fellows

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.

During [Max Bres'](#) (European University Institute) visit to the IIES, he mostly worked on a project about the macroeconomic consequences of demographic changes through consumption behaviors. Overall, he viewed it as immensely valuable, both academically and personally, to be included in such a lively and inclusive research environment during this difficult year and as many worked from home.

[Mattia Fracchia](#) (Nova SBE) visited the IIES from February to July and October to December 2020. During the first part of his visit, Mattia analyzed the results of a lab-in-the-field experiment in Guinea-Bissau, which tested how to motivate agents in pro-social settings through increased perceived social impact. He also worked on the finalization of the paper “Incentivizing Community Health Workers in Guinea-Bissau: Experimental

Evidence on Social Status and Intrinsic Motivation”, joint with Teresa Molina-Millán (Alicante) and Pedro C. Vicente (Nova). During the second part of his visit, Mattia started a new project on COVID-19 in Mozambique as coordinating P.I., joint with Alex Armand (Nova) and Pedro C. Vicente (Nova). He is very grateful for the experience at the IIES. The Institute’s atmosphere is supportive and uplifting, with both the faculty and the PhD students always keen on dedicating time to give feedback on ongoing projects or new ideas. Plus, the PhD students are incredibly welcoming and inclusive, making the time in Stockholm so much fun!

My Hedlin (European University Institute) spent the fall semester of 2020 at the IIES as part of her doctoral studies. Despite the obstacles presented by the pandemic to interact in person, she immediately felt included in the macro research group. During her visit, she primarily worked on the connection between money creation and credit creation by commercial banks. Through stimulating discussions with fellow students and professors at the IIES, she was able to make significant progress on her work and would be happy to come back again soon.

Brigitte Hochmuth (University of Erlangen-Nuremberg) spent two weeks at the IIES in March 2020 to work on her PhD thesis. Her research focuses on the macroeconomic effects of labor market policies and the interaction of the credit and labor markets. Brigitte’s second thesis advisor, Kurt

“...benefitted immensely from the stimulating research environment”

Mitman, gave her the opportunity to visit the IIES, where she presented her research at a Brown Bag Seminar and benefitted immensely from the stimulating research environment. In addition, she could discuss brilliant research with other graduate students at the IIES (among them her younger brother Philipp) attend interesting seminars, and take part in the great events

of the Assar Lindbeck Conference. It was an amazing and very productive visit, which unfortunately was cut short by the outbreak of the COVID-19 pandemic, but she would love to return to the IIES in the future.

Mariajose Silva Vargas (Maastricht University and UNU-Merit) has become a frequent visitor to the IIES. In 2020 she visited us once again, this time for a full year. During this time she was able to work closely with her co-authors, Jonathan de Quidt and Francesco Loiacono on the analysis and design of two field experiments: the first related to frictions and solutions to land market fragmentation and misallocation in Uganda, and the second focusing on ways to improve the integration of refugees in the Ugandan labor market. Moreover, she was able to be an active part of the “Development Tea”, a weekly meeting to share research ideas, receive feedback and talk about recent trends in development research. Although most of the meetings were conducted online, she was still able to have some breaks from the COVID emergency, and meet students and faculty, travel with some to the amazing Swedish countryside and take her dog Sirius White on long walks and on play dates. As usual, she found it to be a great academic and personal experience!

Christoffer Jessen Weissert (University of Copenhagen) visited the IIES during the spring term. While visiting the IIES he started a project that looks at consumption basket heterogeneity across income groups and the role it plays for inflation dynamics. Christoffer received valuable feedback from presentations at the PhD students’ weekly seminar, the Informal Macro Discussion Buddies’ seminar, and the weekly macro seminar. He was very happy about the time he got to spend at the IIES and is thankful for the push it gave to his research and for the personal experiences he got, amongst these participation at the IIES soccer and “innebandy” (floorball) clubs!



Professor Assar Lindbeck at the conference.

A tribute to Assar Lindbeck

Conference: Assar Lindbeck - Academic Research for the Public Service

As a celebration of Professor Lindbeck's 90th birthday and his contribution to economic research and the public debate, the IIES and SNS organized a conference on the role researchers can and should play in shaping public policy. The conference was later broadcast on Swedish national television, SVT.

Assar Lindbeck wanted to create an internationally renowned research institute

Professor Assar Lindbeck has been instrumental in shaping the IIES into what it is today. When he took over from Gunnar Myrdal as Director of the IIES in 1971, he had a vision of its



First panel debate in Aula Magna.



Former Swedish PM, Carl Bildt, speaking at the conference.

becoming an internationally renowned research institute, but he also wanted it to foster new promising economists in Sweden. This vision is now part of the IIES' core. Not only does the IIES recruit young international economists and invite prominent researchers from leading international universities and organizations to hold seminars in the IIES Seminar Series, but the Stockholm graduate program of which the IIES is part offers graduate students from around the globe the opportunity to write their thesis at the IIES where they form an integral part of the research environment and are encouraged to actively participate in seminars and to not hesitate to debate with faculty.

Lindbeck's role in shaping Swedish social policy

Lindbeck has also played an important role in the Swedish policy debate. He has worked closely with former Swedish Prime Minister (and Social Democrat) Olof Palme on different policies, and was also appointed by former Prime Minister, Carl Bildt, of the Swedish liberal-conservative party (Moderaterna) to form a commission to propose reforms during the economic

crisis in the 1990's – later dubbed the Lindbeck Commission. He has also actively engaged in the public debate through the media, not being afraid to speak his mind on any topic presented to him.

On 10 March a conference was held in honor of Professor Lindbeck who turned 90 earlier in the year

Among the speakers were former Prime Minister, Carl Bildt, renowned Swedish journalist, Erik Fichtelius, Professor Jenny Madestam at Södertörn University, and the Chair of the Swedish House of Finance, Gabriel Urwitz. Leading the conversation were IIES Professor John Hassler and Vice Deputy of Sveriges Riksbank Anna Breman.

With the Lindbeck Commission as a starting point, the aim of the conference was to look ahead. Researchers should play an active role in spreading their research to a larger audience, and participate in the social and political debate.

Carl Bildt started off the conference explaining the rationale behind the Lindbeck Commission and stressed the importance of politicians' ability and need to listen to scholars and seriously consider what the research says.

Associate Professor Jenny Madestam presented the issue from the standpoint of an academic.

More researchers should work harder at making their findings known to a wider audience, but why aren't they? In part, the cultural clashes between



Associate Professor Jenny Madestam.

scholars and journalists, and scholars and politicians could be a reason. Academia can, however, be an excellent research department for a journalist.

Erik Fichtelius' reports on the Lindbeck Commission's 113 proposals and

their impact on the social debate give proof of when academic research, politics and journalism together can make a profound difference, if they just work together. Gabriel Urwitz further stressed the importance of research on the social debate.

Assar himself looked to the future and what role researchers can play in economic crises to come. In particular, he brought up the environment, finance and migration and how researchers can provide policy advice to politicians on these matters.



Journalist Erik Fichtelius.



IIES Professor John Hassler introducing Gabriel Urwitz.



Our sincerest gratitude

We would like to thank our speakers for their both entertaining and interesting presentations, as well as our audience of somewhat over 300 politicians, journalists, researchers and representatives from the business community. We are also thankful to the SNS for their work in co-organizing the event with us.

Last, but certainly not least, we would like to extend our thanks and gratitude to Assar Lindbeck – for the influential research you have done, for the research institute you have built and for the inspiration you continue to give!

In memoriam: Assar Lindbeck (1930-2020)

Professor Assar Lindbeck passed away in August 2020 at the respectable age of 90. Professor Emeritus Mats Persson was a student, colleague and friend to Assar. Throughout the years they collaborated on many projects and published an array of articles together. These are Mats' own words on Assar's deeds and his importance to the IIES.

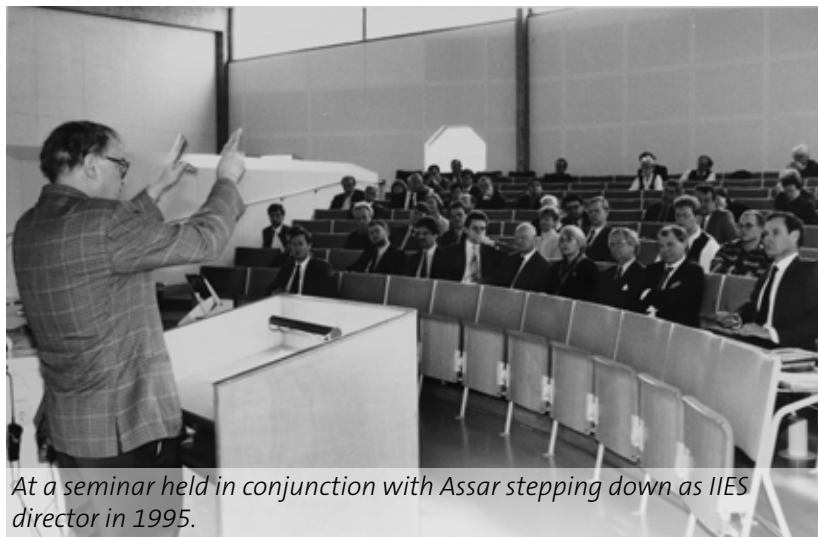
One may argue about Assar Lindbeck's main contribution to economics. Was it his scientific research (which includes the discovery of "probabilistic voting" as a useful alternative to the Median Voter Theorem, and his work on insiders and outsiders in the labor market)? Or was it his contribution to the



Assar at University of London being promoted to Honorary Doctor by the Her Royal Highness The Princess Royal Anne, in 1988.

economic policy debate in Sweden and abroad (which culminated with the system-changing committee report *Turning Sweden Around* in the 1990s)? Or was it his modernization of the PhD program in Economics in the 1970s?

Here it seems appropriate to instead emphasize his transformation of the Institute for International Economic Studies (IIES).



At a seminar held in conjunction with Assar stepping down as IIES director in 1995.

When Assar was appointed director of the IIES in 1971, it was a dormant institution without any clear objective. It had originally been set up as a service unit to Professor Gunnar Myrdal when writing his *Asian Drama*. After the book was published, the Swedish Government might rightfully have asked whether the IIES was really needed any longer. But Assar transformed it into a modern research institute with a very ambitious goal: to become the country's spearhead in economic research.

The Institute grew quickly; a small group of hungry young researchers were promptly recruited, and in the early 1970s, the IIES consisted of one tenured professor (i.e., Assar) and a handful of graduate students and recent PhDs plus a few secretaries, occupying half a floor in the "A" building of Stockholm University. Today the Institute has six tenured professors (and a few retired professors who seem to hang around indefinitely), about 15 associate and assistant professors, five administrators and the same number of RAs, plus around 25 graduate students, occupying one floor and a half at the university. And this is not only a growth in terms of quantity, but in quality as well, as testified



Celebrating Assar's 65th birthday at Ulriksdals Vårdshus.



At the unveiling of a portrait of Stockholm University's (then) University Director Rune Lindquist. Standing with Assar is former Head of Administration, Ulla Wide Larsson.

by the publications in top international journals.

One might think that administering such a growth – and financing it – would have been an overwhelming task for the director of the Institute. But in addition to Assar's many skills, he also proved to possess an impressive flair for delegation and for fundraising. As a result, the IIES remains today the country's leading economics research institution, but it has also set the standard for teaching. In the 1970s and 1980s, university professors rarely soiled their hands with undergraduate teaching – but Assar changed that, at least at Stockholm University. As a result of his personal example, all IIES professors have well-defined and hard-to-avoid teaching obligations, and this feature has arguably increased the quality of the university's undergraduate program.



As the director of the Institute, two features were remarkable about Assar. One is obvious: he inspired us younger researchers by his brilliant mind, his creativity as well as his hard work. He always emphasized that one cannot achieve anything by simply being clever – one must be prepared to work hard, too. The other feature is perhaps more unusual among top economics professors: he was always at the Institute, having lunch with us almost every day and discussing economic policy as well as theoretical issues over all those far too brief meals. He rarely spent any time away from the Institute to do well-paid consulting work, or to socialize with the rich and the powerful (but of course he spent some time abroad, to pick up new ideas at the



A typical “walking seminar”. From left: Kerstin Johansson, Assar Lindbeck, Mats Persson, Jonas Agell and Ingrid Werner.

world’s top universities, and he quickly disseminated those ideas to us upon return to home base). We juniors thus enjoyed the great privilege of having instant and free-of-charge access to one of the world’s most knowledgeable economists, an access that would have cost large amounts to banks and corporations that might have been interested in consultations.

After Assar’s retirement in 1995, the next generation took the helm. But he hung around in the corridors, and it is a testimony of his leadership skill that he never intervened or questioned the authority of the new directors of the Institute. Instead he concentrated on his own research, and he published empirical as well as theoretical work even at the mature age of 80-90. He could see that hard work prevailed, and that the IIES proceeded along the paths first outlined by him in the 1970s.

IIES Seminar Series

Each semester the IIES invites prominent researchers from all over the world to hold seminars. The following seminars were held at the IIES in 2020. As of mid-March 2020, all seminars were given online via Zoom

Spring 2020

Dita Eckardt, London School of Economics

“Are Chemists Good Bankers? Returns to the Match between Training and Occupation”

Bruno Pellegrino, University of California, Los Angeles

“Product Differentiation, Oligopoly, and Resource Allocation”

Pengpeng Xiao, Yale University

“Wage and Employment Discrimination by Gender in Labor Market Equilibrium”

Juliette Thibaud, University of Zurich

“Aiming Higher: Spillover Effects of Affirmative Action in Higher Education”

Laia Navarro-Sola, Northwestern University

“Secondary School Expansion through Televised Lessons: The Labor Market Returns of the Mexican Telesecundaria”

Joshua Weiss, New York University

“Intangible Investment and Market Concentration”

Nick Sander, University of California, Berkeley

“Causal Effects of Capital Inflows”

Yoko Okuyama, Yale University

“Toward Better Informed Decision-Making: The Impacts of a Mass Media Campaign on Women’s Outcomes in Occupied Japan”

Maarten de Ridder, Cambridge University

“Market Power and Innovation in the Intangible Economy”

Susanna Berkouwer, University of California, Berkeley

“Credit and Attention in the Adoption of Profitable Energy Efficient Technologies in Kenya” with Joshua T. Dean

Katarina Jensen, University of California, Berkeley

“The Political Consequences of Immigration: Evidence from Refugee Shocks in Denmark”

Tony Wiskich, Australian National University (ANU)

“Tipping, Peak Temperature and Weighing Cows, Geoengineering and Coal”

Weijie Zhong, Stanford University

“Optimal Dynamic Information Acquisition”

Fall 2020

Jaakko Meriläinen, ITAM

“The Violent Origins of Finnish Equality” with Matti Mitrinen and Tuomo Virkola

Alessandra Peter, IIES/NYU

“Houses and Families across Countries” with Monika Piazzesi and Martin Schneider

Esteban Rossi-Hansberg, Princeton University

“The Economic Geography of Climate Change” with José-Luis Cruz

Ines Helm, Department of Economics, Stockholm University
“The Dynamic Response of Municipal Budgets to Revenue Shocks” with Jan Stuhler

Andreas Madestam, Department of Economics, Stockholm University
“Repayment Flexibility and Risk Taking: Experimental Evidence from Credit Contracts” with Marianna Battaglia and Selim Gulesci

Abhijeet Singh, Stockholm School of Economics (SSE)
“Myths of Official Measurement: Auditing and Improving Administrative Data in Developing Countries”

Jakob Svensson, IIES
“Market Access and Quality Upgrading: Evidence from Randomized Experiments” with Tessa Bold and Selene Ghisolfi

Conny Olovsson, Sveriges Riksbank
“International Business Cycles: Quantifying the Effects of a World Market for Oil” with Johan Gars

Kirill Bousyak, University College London (UCL)
“Non-Random Exposure to Exogenous Shocks: Theory and Applications” with Peter Hull

Golvine de Rochambeau, Sciences Po
“Informational Barriers to Market Access: Experimental Evidence from Liberian Firms”

Johannes Boehm, Sciences Po
“Growth and the Fragmentation of Production”

Mortiz Kuhn, University of Bonn
“The Geography of Job Creation and Job Destruction” with Iouri Manovskii and Xincheng Qiu

Silvana Tenreyro, Bank of England

“Dollar Dominance and the Impact of Monetary Policy”

Roland Rathelot, University of Warwick

“Job Search and Labour-Market Tightness during the COVID Crisis: New Evidence from Sweden” with Lena Hensvik and Thomas Le Barbanchon

Monica Martinez-Bravo, Center for Monetary and Financial Studies (CEMFI)

“In Vaccines We Trust? The Effects of the CIA’s Vaccine Ruse in Immunization in Pakistan”, with Andreas Stegmann

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. The series was largely put on hold due to the pandemic.

Fall 2020

John Hassler, IIES, and Florence Jaumotte, International Monetary Fund (IMF)

Special IMF & IIES/SNS International Policy Talk:

“World Economic Outlook 2020 on Mitigating Climate Change”



Per Krusell presenting the SNS-report: Swedish Policy for Global Climate.

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.

Energy Structure and International Trade

Researchers: Yimei Zou, with Polina Ustyuzhanina

Countries differ significantly in energy intensity, defined as units of energy per unit of gross output, even when they are at comparable stages of economic development. For example, the Swedish economy features a much higher energy intensity than its Danish counterpart. Furthermore, such cross-country variation in energy intensity exists even within a single industry. In this project, the researchers want to understand what are the forces shaping an economy's energy structure in a world where both industry outputs (such as steel) and energy inputs (such as coal) are traded around the globe.

First, industry-level data on energy use and energy prices for the OECD countries is collected. They find that cross-industry variation matters more than cross-country variation in explaining the overall variance in aggregate energy intensity.

Second, together with data on the quantities and prices of non-energy inputs, they back out the efficiencies separately for energy and non-energy inputs. This would allow the researchers to see if industries in different countries adopt different technologies biased towards one type of input versus the other.

Finally, they build a multi-industry quantitative model of international trade featuring an energy sector. Calibrating the model to OECD countries, the hope is to quantitatively assess the role played by international trade in giving rise to the cross-country differences in energy structure. The aim is also to use the model to evaluate the environmental implications of trade policies targeting energy commodities and services.

Three Experiments on the Willingness to Pay for High-Return Investments

Researchers: Konrad Burchardi, Jonathan de Quidt and Benedetta Lerva, with Selim Gulesci and Stefano Tripodi

The researchers are interested in why high-return investment opportunities sometimes go unexploited in low-income countries. This has been found in many settings, and there are several competing explanations, but a leading one is credit constraints, which means in essence that people cannot raise enough cash at the time they need it to pay for the opportunity.

They study this question using a technique called Willingness to Pay elicitation. In a nutshell, a modified auction is used to measure the maximum amount people are willing to pay for an investment opportunity. If people are willing to pay less than

the true value of the opportunity, one can learn that something is preventing them from taking it up. If the situation improves when they are given additional cash (through a lottery designed by the researchers), it is inferred that the lack of ability to raise funds played a role in their low willingness to pay.

Why do high-return investment opportunities go unexploited in low-income countries?

Three experiments have been run on this theme. The first (in Uganda) is a simple test of four different Willingness to Pay elicitation methods (that is, four slightly different ways to conduct the auction). The

researchers learned that all of these worked surprisingly well, measured in terms of participants' understanding and correct use of the mechanism.

The second project (in Tanzania this time) offers a remedial education program for teenage girls who are at risk of dropping out of school. Households who were offered the program are willing to pay a reasonable amount for it, but there is a great deal of variation. The research finds that a large part of this is explained by credit constraints: when people are given cash, they are willing to pay more for the program, especially those households who the surveys identified as being credit constrained.

The third project (back in Uganda) is still in progress, and is the most ambitious. Here the researchers study the question of low (in fact, almost zero) chemical fertilizer take-up among small-holder farmers, in a setting where the returns to fertilizer tend to be very high. The same approach is used, a willingness to pay elicitation coupled with a cash lottery, but this time the farmers are tracked for some time afterwards. The research confirms that high returns are indeed going unexploited, and that once again credit constraints are an important part of the story. The researchers are digging much deeper into who it is that is miss-

ing out on those high returns, and what the ideal policy responses would look like.

Risk-based Selection in Unemployment Insurance: Evidence and Implications

Researchers: Arash Nekoei and Peter Nilsson, with Camille Landais, David Seim and Johannes Spinnewijn

In this paper the researchers study whether adverse selection can rationalize a universal mandate for unemployment insurance (UI).

Building on a unique feature of the unemployment policy in Sweden, where workers can opt for supplemental UI coverage above a minimum mandate, the research provides the first direct evidence for adverse selection in UI and derives its implications for UI design.

The researchers find that the unemployment risk is more than twice as high for workers who buy supplemental coverage. Exploiting the variation in risk and prices, they show how 25-30% of

The unemployment risk is more than twice as high for workers who buy supplemental coverage.

this correlation is being driven by risk-based selection, with the remainder driven by moral hazard. Due to the moral hazard - and despite the adverse selection - it is found that mandating the supplemental coverage to individuals with a low willingness-to-pay would be sub-optimal. The research shows under which conditions a design leaving the choice to workers would dominate a UI system with a single mandate. In this design, using a subsidy for supplemental coverage is optimal and complementary to the use of a minimum mandate.

Economic and Social Outsiders but Political Insiders: Sweden's Populist Radical Right

Researchers: Torsten Persson, with Ernesto Dal Bo, Frederico Finan, Olle Folke and Johanna Rickne

In this paper politicians and voters of Sweden's populist radical-right party are studied.

On the politician side, the Sweden Democrats overrepresent marginalized people who have a weak labor-market attachment, a poor socioeconomic background, and do not have a traditional nuclear family; the other parties underrepresent these groups. On the voter side, marginalized groups support the Sweden Democrats more strongly, especially labor-market outsiders.

The researchers interpret the outsider overrepresentation as a factor behind the party's success. They also explore four follow-up questions:

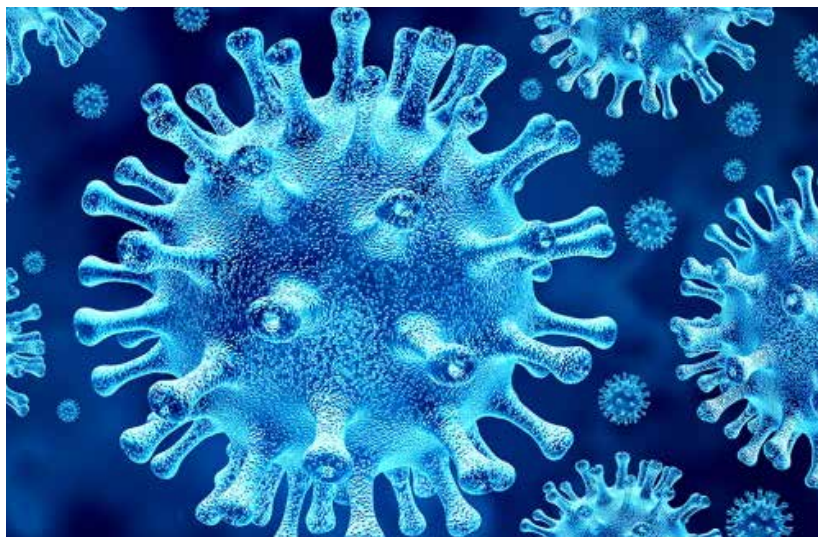
Outsider overrepresentation is a factor behind the success of the Sweden Democrats.

First, they show that outsider overrepresentation does not extend to other new parties in Sweden.

Second, they find that the insider-outsider distinction offers insights into the particular temporal and spatial pattern of the party's growth.

Third, they demonstrate that Sweden-Democrat politicians and voters share political attitudes that are radically different from those held by politicians and voters of other parties.

Finally, we uncover that Sweden-Democrat politicians score lower on a number of valence dimensions than other-party politicians.



Research on COVID-19

Economics and Epidemics: Evidence from an Estimated Spatial Econ-SIR Model

Researchers: Kurt Mitman, with Mark Bognanni, Doug Hanley, and Daniel Kolliner

The COVID-19 pandemic presents perhaps the most daunting challenge to economic policymakers in the past century. By engaging in economic activity, individuals subject themselves to infection risk, while infected people impose negative externalities on others by spreading the virus. In the absence of a vaccine or cure, policymakers can combat the virus's spread only through “non-pharmaceutical interventions” (NPIs, e.g., recommending social distancing, stay-at-home orders). While community NPIs may effectively slow the rate of new infections, they do so primarily by reducing economic activity. This research quantifies the tradeoffs policymakers face in setting NPI policies. To do so,

the reserchers extend the traditional epidemiological modeling framework (Kermack and McKendrick 1927) to allow for economic agents to endogenously choose to mitigate their exposure.

The traditional epidemiological modeling framework prescribes that individuals move from a Susceptible state to an Infected state, and finally to a Recovered state, a framework known as an SIR model. The SIR model is now well understood and adequate for many purposes, but it also faces fundamental limitations for thoroughly assessing COVID-19 policies. One such significant limitation is that new infections in the SIR model occur mechanically, without allowing for a behavioral response - letting individuals choose how much to reduce their economic activity to mitigate their own infection risk. We now know from granular mobility reports that the “naive” behavior of the traditional framework stands at odds with the data - individuals significantly reduced their economic activity as infections rose, even in the absence of government-mandated NPIs such as stay-at-home orders.

Quantifying both the endogenous mitigation response of individuals and the effects of NPIs requires a framework that captures the two-way interaction between the spread of the virus and economic activity. In this work, the researchers develop a model that merges economic decision-making with the evolution of the virus. By revealed preference, the estimated model allows us to estimate the cost of contracting the virus, which can be weighed against the economic costs of various NPI policies for informed policymaking.

While the preceding discussion highlights the general importance of using the Econ-SIR framework, for the model and its conclusions to be credible, it must capably recreate the observed empirical dynamics of the key economic and health variables. This research is the first to use the full trajectories of economic and health data over the COVID-19 pandemic to discipline an Econ-SIR model.

The researchers use the estimated model to study future policy options. Three potential “end game” scenarios are considered. The pandemic ends: (i) when a sufficient number of people have become infected (so-called herd immunity); (ii) when it is possible to curtail community transmission completely - either by eradicating the virus or implementing a wide-scale test, trace, and quarantine (TTQ) program; and (iii) when a vaccine (or cure) arrives.

A strong lockdown followed by a moderate reopening is suggested until the vaccine has been fully deployed.

Finally, now that the vaccine has arrived, it makes sense to implement a strong lockdown to get infections under control, followed by a moderate reopening until the vaccine has been fully deployed. Vaccinated individuals (who were not previously infected) will never become infected. Hence, fewer infections occurring before the vaccine’s arrival mean a greater reduction in total infections. In this case, the short-term economic losses are more than made up for by the gains in terms of fewer total infections after the implementation of the vaccine.

Integrated Epi-Econ Assessment

Researchers: Timo Boppart, John Hassler, and Per Krusell, with Karl Harmenberg and Jonna Olsson

The ongoing pandemic put policy makers overnight in the difficult position of making life-and-death decisions. Should we minimize deaths due to covid-19? Or should the economy also be taken into account, and if so how? Should remaining life expectancy matter for who is given ICU treatment? Ultimately these questions are philosophical ones, and there is no clear right and wrong answer. However, this feature is not unique to

the corona crisis and similar decisions involving an expected number of deaths, i.e., statistical lives, are taken by governments every day, be it in traffic safety regulation, the criminal system or in regulations in the health sector.

The pandemic asks for a unified model that integrates the EPI-demiological dynamics as well as the ECONomy.

This research argues that as a guiding principle the pandemic asks for a unified model that integrates the EPI-demiological dynamics as well as the ECONomy; an

epi-econ IAM. Such a framework can help ensure the internal consistency of decisions and facilitate their communication and democratic accountability.

In this paper the researchers make some advances in building such a theory. A successful such framework does not only require a model of economic activity (hours worked, income and consumption) but also a more comprehensive theory of time allocation. Such a model is built and calibrated to time-use data that allows working time, home production or leisure to be either socially interactive or not. The researchers then use their quantitative theory as a laboratory to study what happens under different scenarios and what the social optima are under a particular welfare function.

The main findings are: (i) Heterogeneity in vulnerability between young and old individuals, their remaining life expectancy and labor productivity are quantitatively important. (ii) The welfare effects beyond a simple GDP metric are important. These additional effects are health consequences and lost lives on the one hand but also the enjoyment of socially interactive leisure time. (iii) Informed individuals do change their behavior in the face of the pandemic but there are still substantial externalities and scope for policy interventions. (iv) Whether the opti-

mal policy is characterized by achieving herd immunity without over-crowding the hospitals or a hard intervention suppressing the spread of the virus crucially depends on the value of a statistical life and when and whether a cure or a vaccine arrives.

What value to attribute to a “life” involves subjective judgement. However this research shows that one can benchmark this value by changing the epidemiological calibration of the model to mimic the seasonal flue or Ebola and check how the optimal policy differs from how governments actually deal with these viruses. The epi-econ IAM that is provided is not by any means a final answer to all policy trade-offs during a pandemic. Such a framework can, but also has to be, adjusted to the daily changing circumstances during a pandemic. The hope is that the current modelling effort makes us better prepared for the next pandemic.

Do Temporary Shocks Lead to Persistent Recessions?

Researchers: Tobias Broer, with Jeppe Druedahl, Karl Harmenberg and Erik Öberg

The immediate effect of the COVID-19 outbreak was a strong reduction in aggregate economic activity as countries locked down and consumers avoided social activities. Although much of this original shock was expected to be temporary, policymakers and economists alike were concerned that it could lead to a persistent contraction in demand and activity if households were to increase their savings in anticipation of a long-lasting deterioration of labor market conditions.

This research asks: Under what conditions might this concern, that temporary shocks might be propagated through a persistent reduction in consumption demand, be justified?

The researchers show how the structure of labor markets is key for the consumption response to temporary shocks. When job creation is costless, as in standard models of the labor market, a temporary fall in productivity has no long-term consequences, as firms hire their workers back quickly after the shock subsides. When there is hysteresis in hiring, in contrast, for example because some jobs are lost and need to be recreated by paying an upfront start-up cost, the increase in the number of unemployed through increased firing and slow vacancy creation leads to a fall in the job-finding rate that lasts substantially longer than the shock itself. This strongly increases precautionary savings and reduces aggregate demand, which amplifies the original fall in output and propagates it for a long time after the shock has subsided. The research shows how versions of the model where some of its elements (sticky prices, no market for private insurance, sluggish hiring because of fixed costs of creating vacancies, and a direct effect of the shock on job separations) are absent do not predict such propagation. Finally, it shows how match-saving subsidies like those enacted by some countries can effectively stabilize output in response to a temporary shock.

A Global Outlook on the Coronavirus Pandemic: Health Risks and Trade-offs

Researchers: Ingvild Almås, Tessa Bold, Tillmann von Carnap and Selene Ghisolfi, with Jesse Heitner and Justin Sandefur

When the pandemic began, countries of all income levels were quick to put in place tough restrictions on economic activity and public life. While at that point, we knew little about how dangerous the virus would actually be, development economists pointed to the hardship that lockdowns inflicted on people already suffering from poverty and weak social safety nets. Against this background, the researchers started to work on two related questions:

What is the health risk posed by the virus to developing countries? Given health risks and poverty levels, how should a balanced response differ between richer and poorer countries?

For the first question, the researchers combined available estimates on the infection fatality rate (IFR) - the share of infected people dying from the disease - per age group and for different preconditions with the demographic profiles of all countries to calculate country-specific IFRs. It was predicted that - in line with more recent seroprevalence studies - the average person in a rich country is up to five times more likely to die from an infection than one in Sub-Saharan Africa, even when accounting for weaker health systems.

For the second question, the researchers applied a macroeconomic model to the United States and Uganda. In the model, economic decisions affect the pandemic and vice versa, and the welfare effects of restrictions of varying intensity can be compared. It is found that lockdowns in developing countries should be less stringent, as any reduction in consumption is less efficient in terms of saving lives – because of the lower IFR - and represents a relatively larger loss of welfare – because of lower incomes. The researchers also discuss how a central parameter - the cost society assigns to a loss of life from COVID-19 - may be calculated and how it affects the implications of the model.

Lockdowns in developing countries should be less stringent.



Head of Administration, Christina Lönnblad, and her wonderful Icelandic horse, Hafdís, give the thumbs up to last year's Annual Report.

Graduate Student Research

In the years leading up to their dissertation defense, graduate students at the IIES conduct research in several fields within economics. During 2020, these were their research projects.

Mattias Almgren has mainly worked on three papers this year. In (1) “Monetary Policy and Liquidity Constraints: Evidence from the Euro Area” (with John Kramer, Ricardo Lima and José Gallegos) Mattias and his co-authors investigate whether economies in the euro area respond differently to monetary policy, and the causes being these differences. (2) “Home Production and Structural Change” (with John Kramer and Josef Sigurdsson) looks at how, since at least the mid 1940’s, an ever increasing share of aggregate expenditures is allocated towards service consumption. In this project Mattias investigates to what extent considering home produced services can help understand the data. Finally, in (3) “Occupational Choice, Misallocation of Talent, and Intergenerational Mobility” he looks at the positive correlation between children’s and parents’ earnings, and seeks to understand the drivers behind this correlation.

Gualtiero Azzalini’s year has primarily been spent working on two papers. In one paper, he investigates firm idiosyncratic productivity shocks and the extent to which they are transferred to their workforce’s wages across the business cycle. Empirical work has shown that the pass-through of these shocks to wages over the cycle depends on their sign. Gualtiero tries to rationalize this finding in a search and matching model where firms value the wage stability of their risk-averse employees. In the second strand of work, together with two co-authors, Gualtiero analyzes how the joint behavior of individuals’ earnings and returns on wealth influences their consumption/saving decisions and thus, the shape of the wealth distribution. While several papers have studied this question considering earnings, not much

is known when both elements are considered jointly. This might be important to understand, in particular the behavior of the very rich, for whom the share of income from returns on wealth is typically larger.

In a solo-authored project, [Agneta Berge](#) wants to understand how the degree of centralization in wage negotiations affects several outcomes, like the allocation of labor across different firms and industries, the labor share distribution and the aggregate productivity in the economy. In a research project with Timo Boppart, they aim to study the nature of economic production at the microeconomic firm and plant level, and its effect on macroeconomics. This entails studying questions related to both prices and quantities of factor inputs as well as produced output, and their effects on macroeconomic outcomes. In both these projects, a combination of Swedish microdata and structural models is used to answer the research questions. Finally, together with Per Krusell and Fredrik Paues, Agneta wants to contribute with an answer to the question of why the rich save so much. They develop some theory that helps explain patterns of top wealth accumulation and portfolio composition, and will launch an interview study with wealthy Swedes to collect data on their saving motives once the pandemic situation so allows.

The core objective of [Monir Bounadi's](#) research is to explain social change and economic development. For this reason, he has been working on a project on the effects of European rule in the non-European world. It focuses on the consequences of the policies towards Islam in European empires. One such set of policies involved the facilitation of the Hajj. Under Imperial rule, greater numbers of Muslims could embark on the Hajj than ever before. In Mecca, pilgrims could form inter-colonial communities and a united interpretation of Islam. Using colonial sources, Monir plans to conduct an empirical study on the sociopolitical effects of the Hajj from the 19th to the 20th century.

Tillmann von Carnap is interested in how geography, infrastructure and private traders shape how farmers in developing countries can access markets for their products. He uses large spatial datasets and remote sensing analysis to gain insights into areas where other data is often scarce. The two main projects he has worked on during 2020 focus on different aspects of market access. The first is an impact evaluation of a road building program in Mozambique, where Tillmann and his co-authors want to understand how farmers change the way they use land resources if market access becomes more reliable. For this purpose, they combine a ground-survey of transport availability and road quality with remotely-sensed measures of agricultural productivity. In the second project, Tillmann's focus is on the locations where much of rural trade is taking place in developing countries, namely weekly markets. He uses satellite images to find these markets and then track their activity over time.

During the year, **Divya Dev's** research has been focused on (1) "Women in the Public Sector: Tracing the Long Run Impacts of Missionary Activity in East Africa". In this paper she estimates the long-term impacts of protestant missionary activity



on female labor market participation with a special focus on the public sector in East Africa. At the same time, she has also been working, along with her co-authors, to study expatriate voting behavior with the goal of seeking to understand how where individuals live may affect their decision to vote in their home country elections. Finally, she has continued her work on the research project entitled (2) “The Impact of Gender Quotas: Has India’s Political Reservation System Improved the Representation of Women in Local Government?”, which looks at persistent effects of caste-gender quotas in India’s rural government system.

Mohammadreza Farajpour joined the IIES in September 2020 and has mainly worked on two projects. In (1) “Climate Policies and Input Substitution over Time” (with Stefan Hinkelmann), they investigate quantitatively how the impact of climate policies such as a carbon tax differs in the short and the long run in the macroeconomy. They document limited possibilities to switch from fossil fuels to “green” alternatives over short time horizons. Over longer time periods, however, this substitutability increases significantly. The same pattern holds true for aggregate energy in the production process, so that the energy intensity of production can only decrease in the long run without limiting output. They then build a quantitative macroeconomic growth model that accounts for these patterns through a technology-choice channel. It is found that, in order to achieve similar emission targets, carbon taxes should be increased by about 13% permanently compared to models that focus on the long run only. The economic costs of doing so are surprisingly small, especially in the short run. Additionally, they find that quantitatively, the possibilities of inter fuel substitution are much less important than being able



*Mohammadreza
Farajpour.*

to decrease the overall energy intensity of the economy. In a second project entitled (2) “Exchange Rate Cyclicalities and Country Size” (with Anders Åkerman and Anna Seim) they want to investigate the role of the exchange rate on business cycles and the aggregate risk of countries. In recession, small countries usually buy more safe haven currencies such as US dollars. This will result in a depreciation of the national currency of the small country which will increase the trade balance, hence mitigating the recession intensity. However, the trade balance of large countries such as the US will decrease as the national currency appreciates, hence enlarging the recession. They want to see if there is any empirical evidence for this theory and if small countries use the exchange rate as an insurance tool for their business cycles.

José-Elías Gallegos Dago has been working on four different research projects over the year. In (1) “Monetary Policy and Liquidity Constraints” (with Mattias Almgren, John Kramer and Ricardo Lima) José-Elías and his co-authors investigate the relation between the share of individuals with financial constraints (i.e., cannot borrow) and the effectiveness of monetary policy. They find that a larger share of financially constrained individuals is associated with a larger effect of monetary policy on GDP, in the euro area countries. In (2) “Inflation Persistence, Dispersed Information and the Phillips Curve” he shows that the recent fall in inflation persistence, and its decoupling from GDP is the result of firms’ reduced information frictions. He also shows that the flattening of the Phillips curve is the result of these information frictions. In a third paper: (3) “HANK beyond FIRE” (which is related to his first project) José-Elías studies how incomplete information affects the effectiveness and the transmission of monetary policy. He shows that the amplification magnitude due to financial frictions is dampened, and explains the key role of GE effects. Finally, in (4) “Reconciling Empirics and Theory” (with Atahan Afsar, Richard Jaimes and Edgar Silgado-Gómez) José-Elías and co-authors construct and

estimate a Behavioral New Keynesian model, and show that including cognitive discounting helps us obtain structural estimates that align well with the micro estimates.

Stefan Hinkelmann has been working together with fellow graduate student Mohammadreza Farajpour, investigating quantitatively how the impact of climate policies such as a carbon tax differs over the short and the long run in the macroeconomy. They document limited possibilities to switch from fossil fuels to “green” alternatives over short time horizons. Over longer time periods, however, this substitutability increases significantly. The same pattern holds true for aggregate energy in the production process, so that the energy intensity of production can only decrease in the long run without limiting output. They then build a quantitative macroeconomic growth model that accounts for these patterns through a technological-choice channel and find that, in order to achieve emission targets, carbon taxes should be increased by about 13% permanently compared to models that focus on the long run only and that the economic costs of doing so are small. Additionally, Stefan finds that quantitatively, the possibilities of interfuel substitution are much less important than being able to decrease the overall energy intensity of the economy.

Philipp Hochmuth has mainly been working on his project (1) “Consumption Basket Heterogeneity and a Non-homothetic Price Index” (with Markus Pettersson and Christoffer Weissert). Statistical agencies around the world typically calculate consumer price inflation based on one representative consumption basket for the whole population and measure price changes for this basket over time. In practice, a particular household might consume very different goods depending on its income. In this project Philipp and his co-authors first try to understand the differences in consumption between poor and rich households. In a second step they build upon this knowledge and develop a new price index that allows for a changing composition

of goods depending on a household's income. Thus, they can calculate a more accurate measure of inflation that also takes income changes into account. For example, their new price index automatically accounts for the changing composition of consumption baskets during a recession. This would allow them to calculate a more accurate measure of aggregate and individual welfare during booms and recessions.



Markus Kondziella.

During the year **Markus Kondziella** has worked on three different projects for his thesis. In (1) “Micro PPI-based Real Output Forensics” (with Timo Boppart, Mikael Carlsson and Markus Peters) they use the producer price index (PPI) micro data on total private goods production in Sweden 1992-2017 to analyze the implication for output growth under different counterfactual aggregate price deflators. In a separate project with Gualtiero Azzalini and Zoltán Rácz: (2) “Heterogeneous Returns, Individual Income and the Wealth Distribution” Markus and his co-authors study how the correlation between individual earnings and individual returns affects the consumption-savings decision and the wealth distribution. At the beginning of the fall semester 2020, Markus also started working on a third project documenting diverging productivity and profitability of firms within industries in the Swedish economy starting in 2003. The goal of this project is to understand the drivers behind this divergence and its effects on economic growth.

John Kramer has focused on three papers: (1) “Monetary Policy and Liquidity Constraints: Evidence from the Euro Area”, (2) “The Curious Incidence of Shocks across the Income Distribution”, and (3) “Labor Market Dynamics across the Earnings Distribution”. John’s research concerns the intersection of the

labor market and monetary policy. In his first paper, together with three other PhD students, he tries to understand whether countries with a higher share of households who hold their wealth in illiquid forms, e.g., housing as opposed to savings accounts, are more affected by changes in interest rates than those with a smaller share. This appears to be the case, in line with previous theoretical models. In his second project, co-authored with Kurt Mitman and Tobias Broer, John investigates if monetary policy as conducted by the European Central Bank affects different income groups heterogeneously. They find evidence that individuals who earn less see their earnings more exposed to surprising interest rate changes, while top-earners are more insulated from movements of the whole economy. For his final paper, John is working on a model that can rationalize labor market flows and earnings movements in business cycles.

Carolina Lindholm's research fields are macroeconomics and finance. In 2020, she completed the paper (1) "Impact of Pension Reform on Household Incomes and Savings: A Quantitative Analysis of the Swedish Case" with Markus Peters and Maria Sandström. The paper augments a heterogeneous-agent lifecycle model with a detailed description of the Swedish pension system to quantify the effects of a major pension reform on incomes and savings. Carolina, Markus and Maria received funding from Skandia's research program on long-term savings and are continuing this work in a new project using Swedish registry data. Carolina also worked on the paper "Measuring Banks' Distance to Default", in which she aims to augment a credit risk model to more accurately measure the stability of the banking sector. In the spring of 2020, Carolina was a visiting graduate student at Stanford Graduate School of Business.

Evelina Linnros has continued to work on projects for her thesis in health and gender economics. She has been planning a project that will explore how fertility decisions are affected by the birth experience using Swedish registry data. She has also started



Evelina Linnros.

work on a project on the role of incorrect beliefs in contraceptive method choice in Sub-Saharan Africa. Evelina has also begun initial work on two other projects; one on the impacts of locust infestations on agricultural and health outcomes in Sub-Saharan Africa, and another on how a perinatal mental health intervention affected mothers' health and labor market outcomes.

Francesco Loiacono has been working on his job market paper (1) "Improving Refugees' Labor Market Integration in Low-Income Countries". From February 2021, he will be based in Kampala, Uganda to run a Randomized Controlled Trial. The aim of the experiment is to study policies that can help refugees integrate in the local labor market. The project has finally resumed after a halt due to the COVID-19 outbreak. With his research team, Francesco and his co-authors will recruit a sample of refugee job seekers and local firms based in Kampala. They will study the effect of certifying job seekers' skills and the provision of short-term internships on the subsequent labor market outcomes of refugee workers. Together with Andreas Madestam, Selim Gulesci and Miri Stryjan he administered a short survey

on the phone to approximately 1700 business owners in Uganda, with the aim to understand how COVID has affected SMEs in Uganda. His other work is still in progress, where he is planning to complete the drafts of at least three other papers by the end of 2021.



Francesco Loiacono.

Chloé Nibourel joined the IIES in September 2020, and has been working on the first chapter of her thesis. She has a draft where she studies the impact of extreme right candidates on election outcomes in France. Chloé investigates how the presence of a far-right candidate influences voters' turnout, but also strategies, vote shares and winning probabilities of other candidates. In the future, she would like to develop projects in public economics as well. Chloé is interested in the broad question of migrations. For example, she would like to further investigate the consequences of public policies encouraging mobility on the countries of origin.

Markus Peters worked on three projects for his thesis in macro-economics. He received the Skandia Long-term Savings Grant for studying the effect of the pension reform on savings in (1) "The Impact of Pension Reform on Household Income and Savings", together with Carolina Lindholm and Maria Sandström. In a joint project with Mikael Carlsson, Timo Boppart and Markus Kondziella, he studies how improvements in product quality affect output growth in the paper (2) "Micro PPI-based Real Output Forensics". Finally, he investigates the relationship between production networks and growth dynamics in the project (3) "Production Networks over the Course of Economic Development".

Sreyashi Sen has mainly been working on two papers: (1) “Productivity Effects of Labor Regulations: Evidence from India”. This paper contributes new evidence on the impact of a specific type of labor regulation on different levels of productivities in the formal manufacturing sector in India over the period 2000 to 2014. The author exploits quasi-random variation in the timing of amendments to The Industrial Disputes Act across different states in the country over this time period. Using this variation, and a structural model of heterogeneous firms to quantify



productivities, an event study design is used to estimate the dynamic impacts of the policies on manufacturing sector outcomes. Data from the manufacturing census, Annual Survey of Industries, is used to measure the productivities of interest which are at the level of the manufacturing establishment or plant, as well as the level of 4-digit manufacturing industries. The project also aims to decompose the aggregate industry effect of the policies into separate microeconomic channels –

changes in the physical productivities of a plant, the efficiency of allocation of resources across plants within narrowly defined industries and the entry or exit of plants within these industries. In her second paper (2) “Human Capital Investments and Occupational Choice with Financial Frictions”, Sreyashi quantifies the role of financial frictions in explaining the dynamics of human capital investments and the occupational choice between being a worker or an entrepreneur in developing countries. Individuals are heterogeneous with respect to initial wealth, as well as entrepreneurial productivity which is endogenously determined as a function of human capital investments made early in life. Borrowing constraints can affect human capital acquisition which is costly, as well as the decision to be an entrepreneur where the constraint takes the form of a collateral constraint. The project seeks to investigate what the long-run steady states

of this economy are, and how they may vary depending on the initial joint distribution of wealth and human capital. It also aims to find parameter values for which aggregate poverty traps exist in this model economy.

In **Fabian Sinn**'s main thesis project, Fabian studies how earnings differences affect individuals' decisions to move up the job ladder or create incentives to change careers. He has also been working on a project with Saman Darougheh, Arash Nekoei and Josef Sigurdsson in which they analyze how accessible high-quality firms are. They reveal how high-quality firms explain differences in life-time earnings and how falling off the firm-quality ladder has lasting effects on a worker's career.

Xueping Sun has been working on her paper (1) "The Innovation Cost of Short Horizon: Evidence from Local Leaders in China" (with David Strömberg). China's upward accountability system relies crucially on the high turnover of local leaders for the alignment of interests. While extensive research has studied the promotion prospect of political turnovers by looking into contemporary outcomes, little attention has been paid to the horizon aspect and how it affects the intertemporal choice and long-run outcome. Xueping and her co-author bridge the gap by studying the impact of the leader's planning horizon on applications for local patents during 2000-2018. Using leaders' CV:s data, they develop a novel measure of political connection as identification variation in leaders' career concerns. They find that connected leaders get promoted earlier, have a shorter planning horizon, and reduce future innovation. They explain their findings as a combination of a direct effect and an indirect effect due to the pursuit of fast investment over slow investment driven by a shorter planning horizon.





Sebastian Tebbe has spent 2020 working on two papers. (1) “Spillover Effects of Food Consumption”. The recent taxes on sugar-sweetened beverages in seven U.S. cities ignited a public policy debate about sin taxes and resulted in polarized views about their purpose. The key elements of their proponents are that they discourage consumers from purchasing goods deemed to harm the unaware individual and society per se, while a common objection is that they are regressive. In this paper, Sebastian wants to incorporate consumption network effects into the optimal sin tax, so that one can account for aggregated consequences that go beyond the individual consumption changes. To quantify the food consumption, he exploits the UPC-by-store level scanner data from the Nielsen Retail Scanner for the period 2007 to 2018. He supplements the food purchases with a social network using the Social Connectedness Index (SCI). (2) “Consumer Contagion of Vehicle Reforms: Theory and Evidence from Swedish Car Market”. A major question of the energy system transformation in economic and policy debates is how to most effectively spur a transition to a new equilibrium. Emerging innovative technologies face the problem that the adoption of new products depends on the size of the existing network, creating significant barriers for initial adopters. Early adopters of electric vehicles, for example, are confronted with an insufficient charging infrastructure network, which requires

a substantial effort to charge the vehicle. Hence, early adopters of emerging innovative products experience large private (learning) costs while creating social (learning) benefits for subsequent adopters. Despite this heterogeneous effect in the acquisition, subsidies of vehicles are mainly constant and flat over time, resulting in a sub-optimal diffusion of the technology in the presence of networks. Sebastian wants to quantify how much a household has to be compensated to make the transition in the presence of network effects.

In **Claire Thürwächter's** paper (1) “Heterogeneity in Corporate Debt Structures and the Transmission of Monetary Policy” (with Frédéric Holm-Hadulla) she studies how differences in the aggregate structure of corporate debt affect the transmission of monetary policy. This paper is motivated by the observation that firms increasingly rely on bonds in their corporate debt mix and we ask what implications this has for monetary policy. Claire and her co-author make use of an empirical model, which they estimate on data for euro area countries. In a related project with the (working) title (2) “Heterogeneous Firms and Monetary Policy” (with Karin Kinnerud) she approaches this question with the use of a dynamic macro model. A third early-stage project of Claire's looks at the implications of bank market power for the amount and the costs of loans granted to firms. This projects seeks to answer what are the macroeconomic implications of concentration in the banking sector.



Claire Thürwächter.

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

Ingvild Almås

“The Economics of Hypergamy”, *The Journal of Human Resources* (with A. Kotsadam, E.R. Moen and K. Røed).

Tessa Bold and Tobias Broer

“Risk Sharing in Village Economies Revisited”, *Journal of the European Economic Association*.

Timo Boppart

“A Theory of Structural Change that Can Fit the Data”, *American Economic Journal: Macroeconomics* (with S. Alder and A. Müller).

Selene Ghisolfi

“Can Community Deep Tubewells Provide Safe Drinking Water? Evidence from a Randomized Experiment in Rural Bangladesh”, *World Bank Economic Review* (with S. Cocciolo, A. Habib, S.M.A. Rashid and A. Tompsett).

Alexandre Kohlhas

“Learning by Sharing: Monetary Policy and Common Knowledge”, *American Economic Journal: Macroeconomics*.

Peter Nilsson

“Congestion Pricing, Air Pollution and Children’s Health”, *Journal of Human Resources* (with J. Currie, E. Simeonova and R. Walker).

Arash Nekoei and Peter Nilsson

“Risk-Based Selection in Unemployment Insurance: Evidence and Implications”, *American Economic Review* (with C. Landais, D. Seim and J. Spinnewijn).

Torsten Persson

“Choosing Ethnicity: The Interplay between Individual and Social Motives”, *Journal of the European Economic Association* (with R. Jia).

Kathrin Schlafmann

“Housing, Mortgages, and Self-Control”, *Review of Financial Studies*.

Books and Chapters in Books

Torsten Persson

“Culture, Institutions, and Policy”, in Bisin, A. and Federico, G. (eds.), *The Handbook of Historical Economics* (with G. Tabellini).

Torsten Persson and Jakob Svensson

“Alleviating Global Poverty: A Note on the Experimental Approach”, in Lundahl, M., Rauhut, R. and Hatti, N. (eds.), *Poverty in Contemporary Economic Thought* (with P. Fredriksson, S. Jävervall and E. Mörk).

Working Papers

Tessa Bold, Selene Ghisolfi and Jakob Svensson

“Market Access and Quality Upgrading: Evidence from Three Field Experiments”, CEPR Discussion Paper Series.

Published

Journals

Ingvild Almås, Tessa Bold, Tillman von Carnap and Selene Ghisolfi
“Predicted COVID-19 Fatality Rates Based on Age, Sex, Comorbidities and Health System Capacity”, *BMJ Global Health*, 5(9) (with J. Sandefur and J. Heitner).

Ingvild Almås

“Cutthroat Capitalism versus Cuddly Socialism: Are Americans More Meritocratic and Efficiency-Seeking than Scandinavians?”, *Journal of Political Economy*, 128(5): 1753-1788 (with A. Cappelen and B. Tungodden).

Timo Boppart and Per Krusell

“Labor Supply in the Past, Present, and Future: A Balanced-Growth Perspective”, *Journal of Political Economy*, 128(1): 118-157.

Tobias Broer and Per Krusell

“The New Keynesian Transmission Mechanism: A Heterogeneous-Agent Perspective”, *Review of Economic Studies*, 87(1): 77-101 (with N-J. Harbo Hansen and E. Öberg).

Lars Calmfors

“Financial Regulation and Macroeconomic Stability in the Nordics”, *Nordic Economic Policy Review*, 2020: 7-20 (with P. Englund).

Alexandre Kohlhas

“An Informal Rationale for Action over Disclosure”, *Journal of Economic Theory*, 187(May): 105023.

Kurt Mitman

“The Housing Boom and Bust: Model Meets Evidence”, *Journal of Political Economy*, 128(9): 3285-3345 (with G. Kaplan and G.L. Violante).

Kurt Mitman

“Non-Durable Consumption and Housing Net Worth in the Great Recession: Evidence from Easily Accessible Data”, *Journal of Public Economics*, 189(Sep): 104-176 (with G. Kaplan and G.L. Violante).

Kurt Mitman

“Household Heterogeneity and the Transmission of Foreign Shocks”, *Journal of International Economics*, 124(May): 103303 (with S. de Ferra and F. Romei).

Peter Nilsson

“Understanding How Low Levels of Early Lead Exposure Affect Children’s Life-Trajectories”, *Journal of Political Economy*, 128(9): 3376-3433 (with H. Grönqvist and P-O. Robling).

Mats Persson

“Sick Pay Insurance and Sickness Absence: Some European Cross-Country Observations and a Review of Previous Research”, *Journal of Economic Surveys*, 34(1): 85-108 (with M. Palme).

Torsten Persson

“2020 års ekonomipris till Paul Milgrom och Robert Wilson” (The 2020 Economics Prize to Paul Milgrom and Robert Wilson), *Ekonomisk Debatt*, 48(8): 5-12 (with T. Andersson, T. Ellingsen, P. Fredriksson, E. Mörk, P. Strömberg and I. Werner).

Jakob Svensson

“Analysis of Clinical Knowledge, Absenteeism and Availability of Resources for Maternal and Child Health: A Cross-Sectional

Quality of Care Study in 10 African Countries”, *BMJ Global Health*, 5(12) (with L. Di Giorgio, D. Evans, M. Lindelow, S.N. Nguyenm, W. Wane and A. Welander Tärneberg).

Lars E.O. Svensson

“Macroprudential Policy and Household Debt: What Is Wrong with Swedish Macroprudential Policy?”, *Nordic Economic Policy Review*, 2020: 111-167.

Lars E.O. Svensson

“Monetary Policy Strategies for the Federal Reserve”, *International Journal of Central Banking*, 16(Feb): 133-193.

Lars E.O. Svensson

“What Rule for the Fed? Forecast Targeting”, *International Journal of Central Banking*, 16(Dec): 39-95.

Books and Chapters in Books

Lars Calmfors

“Finanspolitik för ett starkare Sverige”, in Eklund, K. (ed.), *Idéer för ett starkare Sverige: Omstartskommissionen*, Stockholm: Ekerlids förlag.

Per Krusell

“Sources of U.S. Wealth in the Past, Present, and Future”, *NBER Macroeconomics Annual*, 35, University of Chicago Press (with J. Hubmer and A.A. Smith, Jr.).

Working Papers

Ingvild Almås

“Adverse Selection into Competition: Evidence from a Large-Scale Field Experiment in Tanzania”, Discussion Paper Series in Economics from Norwegian School of Economics, Department

of Economics, No 19/2020 (with L.I. Oppedal Berge, K. Bjorvatn, V. Someville and B. Tungodden).

Ingvild Almås

“The Effect of Gender-Targeted Transfers: Experimental Evidence from India”, CEPR Discussion Paper No. 15218 (with V. Somville and L. Vandewalle).

Ingvild Almås, Tessa Bold, Tillmann von Carnap and Selene Ghisolfi

“Containment Policies in Emerging Countries”, CEPR COVID Economics, Issue 27 (with J. Sandefur).

Almut Balleer

“Uncovering the Mechanism(s): Financial Constraints and Wages”, CEPR Discussion Paper No. 15585 (with H. Arabzadeh and B. Gehrke).

Almut Balleer

“Demand or Supply? Price Adjustment during the COVID-19 Pandemic”, CEPR Discussion Paper No. 14907 (with S. Link, M. Menkhoff and P. Zorn).

Tobias Broer

“Consumption Insurance over the Business Cycle”, CEPR Discussion Paper No. 14579.

Kieran Larkin

“(S)Cars and the Great Recession”, NBER Working Paper No. 27956 (with O. Attanasio, M. Ravn and M. Padula).
Also published as CEPR Discussion Paper No. 15361.

Kurt Mitman

“Economics and Epidemics: Evidence from an Estimated Spatial Econ-SIR Model”, CEPR Discussion Paper No. 15310 (with M.

Bognanni, D. Hanley and D. Kolliner).

Also published as IZA Discussion Paper No. 13797 and FEDS 2020-091.

Kurt Mitman

“Whether, When and How to Extend Unemployment Benefits: Theory and Application to COVID-19”, CEPR Discussion Paper No. 15748 (with S. Rabinovich).

Kurt Mitman

“Optimal Unemployment Benefits in the Pandemic”, CEPR Discussion Paper No. 14915 (with S. Rabinovich).

Kurt Mitman

“Why Does Capital Flow from Equal to Unequal Countries?”, CEPR Discussion Paper No. 15647 (with S. de Ferra and F. Romei).

Arash Nekoei

“Seven Facts about Temporary Layoffs”, CEPR Discussion Paper No. 14845 (with A. Weber).

Arash Nekoei and Fabian Sinn

“Human Biographical Record (HBR)”, CEPR Discussion Paper No. 15825.

Peter Nilsson

“Do Employees Benefit from Worker Representation on Corporate Boards?”, NBER Working Paper No. 282269 (with C. Blandhol, M. Mogstad and O.L. Vestad).

Claire Thürwächter

“Heterogeneity in Corporate Debt Structures and the Transmission of Monetary Policy”, ECB Working Paper No. 2402 (with F. Holm-Hadulla).

Reports

Lars Calmfors

Fiscal Frameworks and Fiscal Sustainability in the Nordics, Nordic Council of Ministers, 2020:004.

Lars Calmfors

Avgörande mål - en ESO-rapport om sysselsättningspolitiska formuleringar, Expertgruppen för studier i offentlig ekonomi, Finansdepartementet, Stockholm, 2020:6.

John Hassler and Per Krusell

SNS Economic Policy Council Report 2020: Swedish Policy for Global Climate, SNS, Center for Business Policy Studies, Stockholm (with B. Carlén, J. Eliasson, F. Johnsson, T. Lindahl, J. Nycander, Å. Romson and T. Sterner).

Other publications

Mats Persson

“Assar Lindbeck: 1930-2020”, *IVA Aktuellt*, 2020(4).



Clockwise from top left: Benedetta Lerva, Has van Vlokhoven, Markus Karlman, Selene Ghisolfi, Magnus Åhl, Richard Foltyn, Karin Kinnerud and Kasper Kragh-Sørensen.

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 2020 the following theses were successfully defended at the IIES:

Richard Foltyn:

Essays in Macroeconomics and Household Finance

In this thesis, Richard investigates the savings and portfolio-choice decisions households make, and the underlying drivers of such decisions. In particular, he studies differences in economic behavior that arise due to heterogeneity in wealth, life expectancy, beliefs, and home-ownership status, among others, as well as the differential impact of policies on such households.

Selene Ghisolfi:

Fairness, Technology Adoption, Water Sanitation and Pandemic Control: Six Essays on Four Topics in Development Economics

Selene's thesis investigates how to design poverty-reducing policies in developing countries in the best possible way, in a variety of settings. Two chapters look at whether the very common practice of requiring community contributions to local development projects is beneficial for the communities, and find that this practice decreases the take-up and increases the within-community inequality, using a lab in the field (ch. 1) and a field experiment building safe communal tubewells in Bangladesh (ch. 3). Selene then finds that such tubewells improve the quality of the water consumed by the households only moderately (ch. 4). In chapter 2, she finds that Ugandan maize farmers' yields and profits improve if linked to a buyer who rewards the quality of the produce. Chapters 5 and 6 focus on designing optimal policies for the containment of the current COVID-19 pandemic in developing countries. Selene estimates that the fatality rate in developing countries is 1/3 of the fatalities estimated in



Selene Ghisolfi's thesis defense in October 2020.

developed countries (ch. 6) and that, due to lower fatality and a lower initial income level, optimal lockdowns should be much less stringent in developing countries.

Markus Karlman:

Essays on Housing: Tax Treatment, Prices, and Macroeconomic Implications

Markus's thesis consists of three chapters. In the first: "Costly Reversals of Bad Policies: The Case of the Mortgage Interest Deduction" (with Karin Kinnerud and Kasper Kragh-Sørensen) he measures the welfare effects of removing the mortgage interest deduction under a variety of implementation scenarios. To this end, Markus and his co-authors build a life-cycle model with heterogeneous households calibrated to the U.S. economy, which features long-term mortgages and costly refinancing. They find that most households would prefer to be born into an economy without the deductibility. However, when they incorporate transitional dynamics, less than forty percent of the households are in favor of a reform and the average welfare effect is negative. This result holds under a number of removal designs. "Mortgage Lending Standards: Implications for Consumption Dynamics" (with Karin Kinnerud and Kasper Kragh-Sørensen) investigates to what extent stricter mortgage lending standards affect households' ability to smooth consumption. Using a heterogeneous-household model with incomplete markets, Markus and his co-authors find that a permanently lower loan-to-value (LTV) or payment-to-income (PTI) requirement only marginally affects the aggregate consumption response to a negative wealth shock. Even the distribution of marginal propensities to consume across households is remarkably insensitive to these permanent policies. In contrast, households' consumption responses can be reduced if a temporary stricter LTV or PTI requirement is implemented prior to a negative wealth shock. However, strong assumptions need to be made for temporary policies to be welfare improving. "The Great House Price Divergence: A Quantitative Investigation of House Price Fundamentals" investigates what explains the widening gap in house prices between U.S.

metropolitan areas. In this paper, Markus builds a two-region Rosen-Roback model with heterogeneous households, mortgage borrowing constraints, and housing markets to answer this question. He finds that changes in regional productivity and the real interest rate explain 86% of the observed increase in the dispersion of prices across metropolitan areas and 66% of the increase in the national house price index since 1995. Endogenous migration and location-varying land rents are key for these findings. When decomposing the results, both wages and the real rate contribute substantially to both the change in the level and the dispersion of house prices. Turning to dynamics, prices are quick to adjust to changes in house price fundamentals, whereas migration is slow. This rapid change in prices leads to significant wealth and welfare gains among homeowners in expensive locations.

Karin Kinnerud:

Financial Choice and Public Policy

Karin's thesis is focused on public policies, how different households are affected differently by these policies, and how this in



Karin Kinnerud's thesis defense in September 2020.

turn affects overall outcomes and policy evaluations. Broadly speaking, she considers how different households' financial choices influence how they are affected by and how they respond to policy changes. The policies Karin considers include changes of taxes and regulations in the mortgage market, monetary policy, and fund choices in pension systems.

Kasper Kragh-Sørensen:

On Housing, Mortgages and Taxation

Kasper's thesis explores the implications of housing and mortgage market policies that are actively debated in many countries. In Chapter 1, "Costly Reversals of Bad Policies: The Case of the Mortgage Interest Deduction" (with Markus Karlman and Karin Kinnerud), they study how U.S. households are affected by removing the mortgage interest deduction and whether such a removal is a good idea. In Chapter 2, "Optimal Property Taxation", Kasper analyzes how much we should tax residential properties. In the third chapter, "Mortgage Lending Standards: Implications for Consumption Dynamics" (also co-authored with Markus Karlman and Karin Kinnerud) they investigate to what extent mortgage regulations affect how much households change their consumption, when they experience a temporary fall in wealth. Kasper believes that an important takeaway from this thesis is that modern macroeconomic models, which take it seriously that all households are not the same, do not only make the model economy richer and more realistic. They can also be used to offer insights into the political aspects of current policies. Indeed, most policies are rarely enacted solely out of efficiency concerns, which is key in a model with a single representative household. Thus, a policy that is deemed bad in models with one household may still exist because a sufficient number of people like it. Although he does not have a full account of the political process in making these decisions, he strongly believes that this thesis provides an insightful first step into thinking about why certain policies are chosen.

Benedetta Lerva:

Worms, Farms and Schools: Three Essays on Investment Choices in Uganda

Benedetta's thesis is about understanding how people decide to invest their resources in Uganda. In each chapter, a set of people (farmers or parents) are presented with the opportunity to potentially increase the physical or human capital of their family. Questions she explores include: Do they take it? What happens if they do or do not? Could this opportunity be an avenue for economic development?



Benedetta Lerva at her thesis defense in August.

Has van Vlokhoven:

On the Cost of Capital, Profits and the Diffusion of Ideas

Has's thesis consists of four chapters, which are all about firm dynamics and macroeconomics. In the first two chapters he studies how costly it is for firms to employ capital and how much profits firms are making. One finding is that firms are nowadays making more profits than they used to do. Chapter



During the defense of Has van Vlokhoven in May 2020.

three explores what might be the underlying reason for this rise in profits. In the fourth chapter Has lookas at the diffusion of innovations across firms.

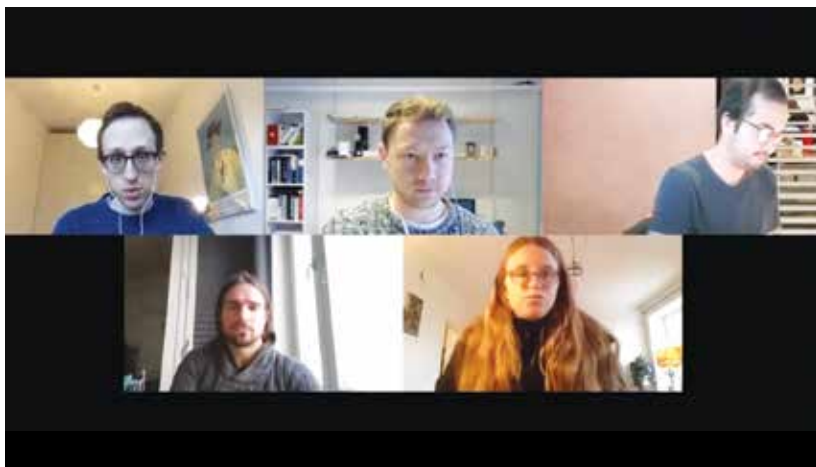
Magnus Åhl:

Essays on Individual-Level Wage Stickiness and Forward Guidance

Magnus's thesis consists of two main themes. The first concerns household heterogeneity and rigidity of wages, and one interesting result is that the wage friction affects the natural interest rate. The second theme concerns whether or not a central bank can use guidance of the intended future policy rate to affect market expectations today. The conclusion is that it can, but perhaps not to the extent it would like.

Placements of IIES Graduate Students 2020

- Richard Foltyn – University of Glasgow
- Selene Ghisolfi – Bocconi University
- Markus Karlman – NHH Norwegian School of Economics
- Karin Kinnerud – BI Norwegian Business School
- Kasper Kragh-Sørensen – University of Oslo
- Benedetta Lerva – Monash University
- Has van Vlokhoven - Tilburg University (after a 1-year postdoc at Columbia Business School)



Assistant Professor Alexandre Kohlhas (top left) teaching the course Quantitative Macroeconomic Methods II via Zoom.

Teaching

In addition to conducting research, the faculty at the IIES also undertake teaching at the Undergraduate, Masters and Graduate levels at Stockholm University. These are the courses that have been taught by IIES faculty during 2020.

Spring 2020

Master's level

- **Climate and the Economy**
John Hassler and Per Krusell (with C. Olovsson)

PhD level

- **Applied Macroeconomic Research**
Per Krusell, Kurt Mitman and Yimei Zou (with P. Klein)

- **Behavioral Economics I**

Ingvild Almås, Jonathan de Quidt and Robert Östling

- **Econometrics II**

Konrad Burchardi, Arash Nekoei and David Schönholzer

- **Topics in Growth and Trade**

Timo Boppart, Per Krusell and Yimei Zou

- **Macroeconomics I**

Timo Boppart and Alexandre Kohlhas

- **Political Economics II**

Torsten Persson (with D. Strömberg)

- **Political Economics III**

Torsten Persson and David Schönholzer (with A. Madestam, D. Strömberg and F. Szuc)

Fall 2020

Undergraduate level

- **Intermediate Development Economics**

Ingvild Almås, Konrad Burchardi and Mitch Downey

- **Makroteori med tillämpningar**

John Hassler

Master's level

- **Development Economics**

Jakob Svensson

- **Policy Analysis in Labor Economics**

Arash Nekoei and Peter Nilsson

PhD level

- **Behavioral Economics I**

Ingvild Almås and Jonathan de Quidt (with R. Östling)

- **Development Economics I**

Ingvild Almås and Jakob Svensson (with A. Madestam and A. Tompsett)

- **Development Economics II**

Ingvild Almås, Jonathan de Quidt and Laia Navarro-Sola (with M. Björkman-Nyqvist and A. Singh)

- **Labor Economics I**

Mitch Downey and Arash Nekoei

- **Mathematics II**

Tessa Bold and David Schönholzer

- **Mathematics III**

Tessa Bold and Alexandre Kohlhas

- **Microeconomics I**

Alexandre Kohlhas (with J. Semb)

- **Quantitative Macroeconomic Methods I**

Per Krusell, Kieran Larkin and Kurt Mitman

- **Quantitative Macroeconomic Methods II**

Per Krusell, Kieran Larkin, Alexandre Kohlhas and Kurt Mitman



*Mats Persson interviewed following a Nobel Prize announcement.
Photo: Markus Marcetic, KVA.*

Extramural Activities

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

Ingvild Almås served on the Scientific Advisory Board, The Max Planck Institute for Research on Collective Goods, Bonn, Germany. She was also the Chair of the portfolio board, Norwegian Research Council, area: Welfare, culture and society, as well as a part of the Scientific Coordination Group, FAIR Center of Excellence, Norwegian School of Economics.

Almut Balleer served as Managing Editor of the *German Economic Review*. She was also a Research Professor at the Ifo Institute in Munich (Germany) as well as a Research Affiliate at Center for Economic Policy Research (CEPR).

Timo Boppart served as a member of the editorial board of *The Review of Economic Studies*.

Konrad Burchardi was an Associate Editor at the *Scandinavian Journal of Economics*, *Journal of Development Economics* and *Economica*. He was also a Research Fellow of CEPR and CESifo, an Affiliate of BREAD, and finally an Associate of ThReD.

Lars Calmfors was a member of the Restart Commission (Omstartskommissionen) at the Stockholm Chamber of Commerce, a member of a reference group advising the Swedish Minister of Finance, Magdalena Andersson, on economic policy during the Corona crisis, a member of the Norwegian Government's Commission on Employment, as well as a member of the Advisory Council of the Swedish Institute for European Policy Studies (Sieps). In addition, Lars was Chief Editor of the *Nordic Economic Policy Review* (NEPR) as well as a scientific advisor to the Swedish think tank, Fores.

Harry Flam was a Senior Adviser at the Swedish Institute for European Policy Studies (Sieps).

John Hassler was Chairman of the SNS Economic Policy Council, which published the report "Swedish Policy for a Global Climate". He also organized and participated in numerous public meetings on climate policy as well as on the COVID-19 crisis. He was Associate Editor of *Macroeconomic Dynamics* and *Scandinavian Journal of Economics*. He was also a member of the scientific committee at the Swedish National Audit Office (Riksrevisionen), the National Institute of Economic Research (Konjunkturinstitutet) and the public pension fund AP-7 as well as a board member of the think tank Fores.

Per Krusell was an expert in Riksbankutredningen (a parliamentary commission overseeing Riksbanken - the Swedish Central Bank), which delivered a proposal for a new law governing the

roles and rules for the Riksbank. He served on various boards, for example, the SNS (Centre for Business and Policy Studies), and was a Member of the Prize Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel as well as a member of the Council for Macroeconomics at the National Institute of Economic Research (Konjunkturinstitutet). Furthermore, he was President of the European Economic Association (EEA) and held a part-time appointment at LSE (London School of Economics).

Kurt Mitman served as Managing Editor of the *Review of Economic Studies*. He was also an expert to the European Commission as well as a Visiting Scholar at Danmarks Nationalbank (the National Bank of Denmark).

Torsten Persson served as the Secretary of the Prize Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, a position that he left at the end of 2020. He was a member of the Nobel Foundation's Program Committee, of the Tenure Committee at Bocconi University, and the Board of ENTER (a collaboration between some of the best Ph.D. training programs in Europe).

Jakob Svensson was a Member of the Prize Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, of the Service Delivery Indicators' (SDI) Steering Committee at the World Bank, of Europe's Advisory Group at the Centre for Global Development (CDG), Chairman of the board of the Association of Swedish Development Economists (ASWEDE), as well as a Member of the Technical Advisory Board for the Global Education Policy Dashboard at the World Bank.

Lars E.O. Svensson was a Member of the Advisory Scientific Committee European Systemic Risk Board.

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 and Twitter.

Several members of the IIES faculty wrote op-eds in the two leading Swedish dailies *Dagens Nyheter* (DN) and *Svenska Dagbladet* (SvD), as well as *Dagens industri* (Di). [Lars Calmfors](#) was also a regular columnist in DN.

[John Hassler](#) writes a bi-weekly editorial for the Swedish daily evening paper, *Expressen*.

Many have also written regular blog posts on the Swedish economics blog, *Ekonomistas*, as well as on *VoxEU*, *VoxDev*, *IZA World of Labor* and others.

IIES faculty are regularly interviewed in newspapers, on TV and radio giving expert commentary on an array of topics, and their research is often mentioned both in Swedish and international media.

This year, many of our researchers were sought after to provide commentary on the economics of COVID-19. They were featured on CNN and SVT, in *The Wall Street Journal*, *Aftonbladet*, *Süddeutsche Zeitung*, *New York Times*, *The Telegraph* and *New Scientist*, to name but a few.

On social media, the IIES regularly publishes the latest news with an aim to find new contacts and make our research and institute known to a wider audience.

The New York Times

The Upshot

Experiment Shows Conservatives More Willing to Share Wealth Than They Say

Across 60 nations, Trump supporters are outliers on their views on economic inequality. But their actions suggest it's not a core philosophical difference.

By Jonathan Haidt

Published Feb. 23, 2020 | Updated Feb. 24, 2020

American conservatives are global outliers in views about the fairness of income inequality, and they're among the most likely to attribute such inequality to merit, an analysis of a global survey

Läraren

Förskolan | Förskoleklasser

Mer förskola gav bättre resultat i matte

Enligt en undersökning från 2018 gav förskola elever som gick i förskola bättre resultat i matte än elever som gick i förskoleklasser.

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svt NYHETER

Ingvild Almås

professor i nationalekonomi, institut för internationell ekonomi

När man politiskt förhindrar företag att vara aktiva

SVENSKA DAGBLADET

"Slopa dyra reformen - få mer för pengarna"

Försvaret står inför en stor utmaning. Det är att hitta sätt att spara pengar utan att påverka försäkringen. Det är en utmaning som inte har lösning. Det är en utmaning som inte har lösning. Det är en utmaning som inte har lösning.

THE WALL STREET JOURNAL

Don't Know How Much Stimulus Is Needed? Put It on Autopilot, Some Say

Stimulus packages are a political minefield. But some economists say the government should just let the market decide.

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Artista

Joe Bidens specialstyrka ska stärka facken på 100 dagar

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