

## The 1st Sophia Research Workshop in Economics, 29th March, 2017

**13:30-13:35**      **Opening Remarks**

**Chairman:**      **Tetsuya Horie** (Sophia University, Faculty of Economics)

**13:40-14:30**      **Kohei Kamaga** (Sophia University, Faculty of Economics)

**Title:** "When Do Utilitarianism and Egalitarianism Agree on Evaluation?: Intersection Approach"

**Abstract:** We examine the range of the agreement between the utilitarian social welfare ordering these binary relations. The intersection of these SWOs is seen as an intermediate egalitarian quasi-ordering in the sense that it is an extension of the generalized Lorenz social welfare quasi-ordering (SWQ) and is a subrelation of the leximin SWO. Our first result shows that the intersection of the utilitarian and leximin SWOs is characterized (in terms of subrelation) by strong Pareto, anonymity, Pigou-Dalton equity, and a new equity axiom concerning a composition of a rank-preserving progressive utility transfer and a rank-preserving regressive utility transfer. Further, in the second result, we show that an SWO satisfying the axioms of separability and cardinal full comparability in addition to the four axioms is either the leximin SWO or the lexicographic composition of the utilitarian and leximin SWOs which applies the utilitarian SWO first.

**14:40-15:30**      **Takuya Hasebe** (Sophia University, Faculty of Liberal Arts)

**Title:** "Copula-based Treatment Effect Estimators of Count Data Outcome"

**Abstract:** In this paper, we propose a copula-based maximum likelihood estimator of a switching regression model of count data outcome, where a possible outcome differs across two alternate states and individuals endogenously select into one of the states. Building on the switching regression model, we derive estimators of various treatment effects: the average treatment effect (ATE), the average treatment effect on the treated (ATT), the local average treatment effect (LATE), and the marginal treatment effect (MTE). A Monte Carlo study demonstrates the performance of our proposed estimators. We also illustrate an application that examines the effects of physician advice on alcohol consumption, using the data employed by previous studies.

**15:30-16:00**      **Break**

**Chairman:**     **Naoaki Minamihashi** (Sophia University, Faculty of Economics)

**16:00-16:50**     **Michiru Kosaka** (Sophia University, Faculty of Liberal Arts)

**Title:** "The Real Effects of Carry Trade" (with Hernan Seoane)

**Abstract:** We study the impact of carry trade investment strategies in emerging small open economies. We empirically quantify the differences of the correlations between the carry trade return and macroeconomic variables in developed and emerging economies. Observing that there are significant differences, we build VAR models which include the measure of carry trade activity and macroeconomic variables of Mexico and Canada. Next, using the data of the balance of payments and cross-border borrowing and lending, we explore the differences of the nature of net capital flows triggered by the carry trade investment in these economies. In this presentation, our plan of the DSGE modelling will be also discussed.

**17:00-17:50**     **Masashige Hamano** (Sophia University, Faculty of Economics)

**Title:** "International Transmission and Risk Sharing through Product Quality Changes"

**Abstract:** This paper explores the role played by product quality together with product variety in international transmission mechanism and international risk sharing. We built a two-country DSGE model that embodies endogenous choice of product quality by heterogeneous firms. In our calibrated model, quality upgrading or downgrading of exporting goods has a sizable impact on international welfare transmission. In addition it generates a wealth transfer that reconciles consumption-real exchange rate anomaly under incomplete financial markets. For the latter we find supportive evidence with a panel data set.

**18:00-18:50**     **Francesco Zanetti** (The University of Oxford, Department of Economics)

**Title:** "State Dependence in Labor Market Fluctuations: Evidence, Theory and Policy Implications"

**Abstract:** This paper documents a novel stylized fact: the volatility in the unemployment rate and the job separation rate is larger in periods with low aggregate productivity. A Diamond-Mortensen-Pissarides model with endogenous job separation and on-the-job search replicates reasonably well these empirical regularities. Endogenous job separation embeds powerful state dependence, and the volatility of the job separation rate is larger in states with low aggregate productivity and in response to contractionary shocks. State dependence introduces critical differences in the timing of labor market reforms enacted at distinct states of aggregate productivity. A permanent removal of layoff taxes is welfare enhancing in the long run, but it involves distinct costs across states of productivity in the short run. Welfare losses are more than twice as large when the reform is enacted in periods with high aggregate productivity.

**18:50-19:00**     **Closing Remarks**