

Report Type

Please indicate what type of report you would like to submit by selecting one of the following:

Mid Term Award Report

End of Award Report x

Full Name

Research centre: Cambridge-INET Institute, Faculty of Economics

Investigators: Professor Giancarlo Corsetti (Director), Professor Coen Teulings (Co-Director)

Coordinators: Prof. Sanjeev Goyal, Prof. Kaivan Munshi, Dr Vasco Carvalho, Prof. Hamish Low, Prof Hamid Sabourian, Prof. Chris Harris, Prof. Oliver Linton, Prof. Alexei Onatski

Please provide full name and title of the main applicant/award holder and names of all co-applicants, where applicable

Your E-Mail Address

inet@econ.cam.ac.uk

Faculty/Department

Economics

Project Title

Cambridge-INET Institute

Project Start Date

2012 / August / 01

Project End Date

2017 / July / 31

Project Abstract

(Max 250 Words)

Since its inception, Cambridge-INET has sought collaboration with---and funding by---CERF to foster research excellence in finance and economics in Cambridge, supporting projects across research groups on finance topics and the role of finance in microeconomic decisions and macroeconomic dynamics. Research in finance and economics is at the core of Cambridge-INET. Cambridge-INET was set up to promote fundamental and innovative research in economics, with the goal of pursuing excellence in New Economic Thinking in Cambridge, and contributing to our understanding of the economic and financial systems as an integrated system. Through a variety of instruments and initiatives, such as studentships and postdocs, visiting professor programme, conferences and

workshops, summer schools, dissemination activities, the Institute supports rigorous and high-impact empirical and theoretical research in Cambridge. Although the initiatives of the Institute are not limited to specific areas, its organisation is structured around four strategic themes: Networks, crowds and markets; Transmission mechanisms and policy; Information, Uncertainty and Incentives; Empirical Analysis of Financial Markets.

Activities and Achievement

A 300 word (maximum) and 100 word (minimum) summary of the main research results, in non-technical language, should be provided below. It should cover the aims and objectives of the project, main research results and significant academic achievements, dissemination activities and potential or actual impacts on policy and practice.

Since April 2017, Cambridge-INET researchers have produced a number of working papers and submitted papers to leading international journals. In this period, the working paper series has 7 new titles.

Since April 2017, Cambridge-INET has held 4 conferences, mostly in collaboration with publically funded projects. These were: Mini Conference: Political Economics (4 May), Labour Markets, Human Capital and Public Policy (9 May), Panel Data Workshop (23-24 May), the World Outlook and the International Monetary System: A conversation with Prof. Maurice Obstfeld, Chief Economist at the IMF (29th May) and the International Economic Association Roundtable on The Economics of Religion (10-11 July).

From the start of April, Cambridge-INET has hosted and co-organised about 22 seminars, in collaboration with the Faculty, also in the form of research-oriented reading groups and workshops.

The support of Cambridge-INET is determinant for successful bids for external research funds, at UK and European level. In addition to the Centre for Macroeconomics, sponsored by the ESRC and two Horizon2020 grant projects, ADEMU and IBSEN, Cambridge-INET supported a project focused on Brexit, which obtained funds from the ESRC.

Cambridge-INET research has achieved important advances in all the main themes. New collaborations and projects have been developed, led by Faculty members and postdocs in areas in which Cambridge-INET and the Cambridge Faculty have established an international intellectual leadership: network and markets, institutions and development; the assessment of fiscal and monetary policy, the economics of unemployment crisis and secular stagnation, financial econometrics, herding behaviour and behavioural theories of decision making. Work from the themes has provided the basis for policy involvement by researchers, e.g., in the preparation for the coming G7 meeting in Italy, and the design of official lending by the European Stability Mechanism in Europe, and positioning papers at the European Central Bank and the Bank of England.

Cambridge-INET has intensified its programme of public talks and debates on emerging issues in theory and policy. Cambridge-INET has started a video series, with interviews and dialogues aiming to explain in a simple and accessible manner major research topics and results and also covers public events on contemporary issues, sponsored by Cambridge-INET.

Young researchers sponsored by Cambridge-INET are increasing successful. During this year's job market, they had interviews and fly outs in top schools, both economics and finance, and multiple offers. See below postdocs and PhDs careers' information.

In the summer months some of our researchers and PhD students have engaged with policy institutions. As highlight, Emile Marin, affiliated with Cambridge-INET, is developing cutting-edge research at the ECB on uncovered interest parity.

Conferences/Workshops:

- **Workshop on Networks (21 April 2017)** Faculty of Economics, Cambridge

This Cambridge-INET workshop, organised by Leonie Baumann and Sanjeev Goyal focused on four topics in economic research on networks.

Resale mechanisms on networks (Andrea Galeotti, EUI); Gender and social networks (Lorenzo Ductor, Middlesex); Complexity, institutions and endogenous fragility (Matthew Elliott, Cambridge) and Theory and experiments on network formation (Sanjeev Goyal, Cambridge).

- **Mini conference: Political economics (4 May 2017)** Faculty of Economics, Cambridge

The joint Cambridge-INET and Faculty of Economics workshop focussed on three themes in political economy and was organised by Dr Toke Aidt. Professor Claudio Ferraz (PUC-Rio) spoke about the impact on internet access and social Media on the behaviour of politicians. Ruben Enikolopov (Universitat Pompeu Fabra) spoke about social media and protest participation and presented new evidence from Russia. Stephane Wolton (LSE) spoke about mass purges and top-down accountability in autocracies.

- **Labour Markets, Human Capital and Public Policy (9th May 2017)** Trinity College, Cambridge

The Labour Markets, Human Capital and Public Policy workshop focused on the recent research on the analysis of labour market and human capital, with a particular focus on policy implications and was organised by Dr Kai Liu and Prof Hamish Low. Using cutting-edge tools ranging from structural estimation to regression discontinuity design, four top scholars from the US presented latest research on topics of education, labour supply and intergenerational mobility. The talks provided new insights to the design and effectiveness of social policies, such as disability insurance and social welfare programs. The speakers were Costas Meghir (Yale), Hanming Fang (University of Pennsylvania), Magne Mogstad (U of Chicago), Gordon Dahl (U of California, San Diego).

- **Panel Data Conference (May 23-24 2017)**, Trinity College, Cambridge

This workshop organised by Oliver Linton and cemmap involved a number of domestic and international speakers presenting their work on panel data methods with applications in finance and macroeconomics. The speakers were Geert Dhaene (U of Leuven); Ivan Fernandez-Val (Boston University); Javier Hidalgo (LSE); Koen Jochmans (Science Po, Paris); Qi Li (Texas A&M University); Oliver Linton (Cambridge); Roger Moon (USC); Whitney Newey (MIT); Alexei Onatski (Cambridge); Peter C.B. Phillips (Yale); Hashem Pesaran (USC and Trinity College, Cambridge); Jeff Racine (McMaster University); Peter Robinson (LSE); Alexandra Soberon (Universidad de Cantabria); Haihan Tang (Cambridge); Paolo Zaffaroni (Imperial College).

- **International Economic Association Roundtable on The Economics of Religion (10-11 July 2017)**, St. Catharine's College, Cambridge

The International Economic Association Roundtable on the Economics of Religion was held at St. Catharine's College, Cambridge on 10-11 July 2017. It was organised by Dr Sriya Iyer, along with Dr Jean-Paul Carvalho (UC Irvine) and Dr Jared Rubin (Chapman). The Roundtable brought together some of the world's most distinguished economists and other scholars to debate and discuss the role of religion in society today.

Imminent and upcoming events:

- **Text, Herding and Sentiment (12-13 September 2017)**, Trinity College, Cambridge
Organisers: Prof. Wolfgang Haerdle (Humboldt Uni, Berlin) and Prof. Oliver Linton (Uni of Cambridge)
Speakers: Larisa Adamyan (HUB); Josef Barunik (Charles University Prague); Dario Caldara (FRB); Paola Cerchiello (University of Pavia); Cathy YH Chen (HUB); Ying Chen (NUS); Wolfgang Karl Härdle (HUB); Bing Liu (UIC); Thomas Renault (Université Paris I - Pantheon-Sorbonne); Daniela Scida (FRB); Anastasija Teterova (University of St Gallen); Ya Qian (HUB); Weining Wang (HUB)
- **Cambridge-INET-Brexit Mini-Conference (29 Sept 2017)**, organised by Meredith Crowley (Cambridge) and Oliver Exton (Cambridge)
- **Workshop on Microstructure (10 Oct 2017)**, organised by Oliver Linton (Cambridge)
- **Masterclass Alain Chaboud (11-12 Oct 2017)**, organised by Oliver Linton (Cambridge)
- **Prof. Obstfeld talk** (date tbc), organised by Giancarlo Corsetti (Cambridge)
- **Macro event (4-5 May 2018)**, organised by Vasco Carvalho (Cambridge), Pontus Rendahl (Cambridge) and Giancarlo Corsetti (Cambridge)
- **Cambridge IBSEN International Conference on Large scale Experiments (24-26 July 2018)**, organised by Sanjeev Goyal (Cambridge) and Frédéric Moisan (Cambridge)

Seminars and Reading Groups sponsored by C-INET (from April 2017)

Seminars

- **Alan Sutherland (21 March) (University of St Andrews), Macroeconomics Seminar.**
Title: *Country Portfolios, Collateral Constraints and Optimal Monetary Policy (joint with Ozge Senay)*
- **Mirko Wiederholt (08 May) (Goethe University Frankfurt) Faculty Macroeconomics Seminar.** Title: *Inflation Expectations and Choices of Households: Evidence from Matched Survey and Administrative Data*
- **Don Andrews (15 May) (Yale University) Econometrics Seminars.** Title: *Identification-Robust Subvector Inference*
- **Sushil Bikhchandani (17 May) (UCLA Anderson School of Management) Microeconomics Seminars** Title: *Intermediated Surge Pricing*
- **Sylvain Sorin (22 May) (Universite Pierre et Marie Curie) Microeconomics Seminars.**
Title: *Replicator dynamics and online learning*
- **Andrea Galeotti (21 Apr) (European University Institute) Special Faculty Seminar.** Title: *Trading in networks and it is a joint work with Daniele Condorelli (Essex) and Ludovic Renou (Queen Mary)*

Reading Groups

- **Theory Workshop (22 June 2017) Flavio Toxvaerd (Faculty of Economics, Cambridge University)** Title: *Recursive Global Games*
- **Horizon 2020 ADEMU Macro Reading Group (15 June 2017) Maarten de Ridder (Faculty of Economics, Cambridge University)** Title: *Policy Shocks and Wage Rigidities: Empirical Evidence from Regional Effects of National Shocks*
- **Theory Workshop (15 June 2017) Mikhail Safronov (Faculty of Economics, Cambridge University)** Title: *Spatial Search*
- **Macro Faculty Lunch (May 31, 2017) Hamish Low (Faculty of Economics, Cambridge University)** Title: *Consumption and Income Persistence Across Generations*
- **Horizon 2020 ADEMU Macro Reading Group (25 May 2017) Meredith Crowley (Faculty of Economics, Cambridge University)** Title: *Markups and Exchange Rates: Evidence from Chinese Exporters*
- **Macro Faculty Lunch (24 May 2017) Charles Brendon (Faculty of Economics, Cambridge University)** Title: *Time Consistent Policy Design*

- **Networks Reading Group (19 May 2017) Maya Jalloul (Queen Mary University of London)**
Title: Strategic default in financial networks
- **Theory Workshop (18 May 2017) Shurojit Chatterji (Singapore Management University)**
Title: On Random Social Choice Functions with the Tops-Only Property
- **Macro Faculty Lunch (17 May 2017) Joao Duarte (Cambridge)** *Title: Monetary Policy, Housing and Consumption in the Euro Area (joint Sam Mann and Giancarlo Corsetti)*
- **Theory Workshop (11 May) Hannu Vartiainen (University of Helsinki)** *Title: Mechanism Design without Commitment - A Solution and Application to Bilateral Bargaining*
- **Macro Faculty Lunch (10 May) Swati Dhingra (LSE)** *Title: Piggy-Back Exporting, Intermediation and the Distributional Gains from Trade in Agricultural Markets (joint with Silvana Tenreyro)*
- **Networks Working Group (5 May) Arnold Polanski (University of East Anglia)** *Title: Communication networks, externalities and the price of information*
- **Theory Workshop (04 May) Michele Lombardi (University of Glasgow)** *Title: Temporary Implementation*
- **Macro Faculty Lunch (03 May) Jake Bradley (Faculty of Economics, Cambridge University)**
Title: Sluggish Mobility and the Stock and Flow of Employment Opportunity (joint with Axel Gottfries)
- **Theory Workshop (27 Apr) Daniel Bird (Tel Aviv University)** *Title: Dynamic Nonmonetary Incentives*
- **Macro Faculty Lunch (26 Apr) Farzad Saidi (Stockholm School of Economics)** *Title: Shock Propagation and Banking Structure (joint with Mariassuntta Giannetti)*

Visitors (From mid-March 2017)

- **Eleanora Mavroeidi (Bank of England) (26 April 2017)**
- **Martin Wolf (University of Bonn) (25-26 April 2017)**

Host: Prof Giancarlo Corsetti

- **Marcin Dziubinski (Warsaw University) (02-16 July 2017)**
- **Francis Bloch (Paris School of Economics) (7-13 June 2017)**
- **Sushil Bikhchandani (UCLA Anderson School of Management) (28 Apr - 9 Jun 2017)**
- **Andrea Galeotti (16-24 April 2017)**

Host: Prof Sanjeev Goyal

- **Swati Dhingra (London School of Economics) (8-12 May 2017)**
- **Mirko Wiederholt (Goethe University Frankfurt) (8-12 May 2017)**
- **Mirko Draco (University of Warwick) (21 April 2017)**
- **Basile Grassi (University of Oxford) (3-31 March 2017)**

Host: Prof Vasco Carvalho

- **Dilip Mookherjee (Boston University) (18 June - 22 June 2017)**
- **Ruochen Dai (Peking University) (8 May - 21 May 2017)**

Host: Prof Kaivan Munshi

- **Chen Huang (Humboldt-Universität zu Berlin) (1 Feb-30 May 2017)**
- **Songnian Chen (Hong Kong University of Science and Technology) (22-24 May 2017)**
- **Don Andrews (Yale University) (15- 18 May 2017)**

Host: Prof Oliver Linton

- **Mike Elsbj (University of Edinburgh) (1 May - 28 May 2017)**

Host: Pontus Rendahl

- **Shurojit Chatterji (Singapore Management University) (17 May -18 May 2017)**

Host: Hamid Sabourian

- **Gordon Dahl (University of California, San Diego) (8 May - 12 May 2017)**
- **Costas Meghir (Yale University) (9 May-10 May 2017)**
- **Magne Mogstad (University of Chicago) (7 May - 10 May 2017)**
- **Hanming Fang (University of Pennsylvania) (8 May-9 May 2017)**

Host: Prof Hamish Low

- **Dr Claudio Ferraz (Pontifical Catholic University of Rio de Janeiro) (3 May- 6 May 2017)**
- **Kai Gehring (University of Zurich) (14 Mar - 24 Mar 2017)**

Host: Dr Toke Aidt

- **Dr Michele Lombardi (University of Glasgow) (3-5 May 2017)**

Host: Dr Juan Block

- **Dr Arnold Polanski (University of East Anglia) (5 May 2017)**

Host: Dr Leonie Baumann

- **Daniel Bird (Tel Aviv University) (27 April 2017)**
- **Matt Leduc (International Institute for Applied Systems Analysis) (12 Jan - 01 Apr 2017)**

Host: Dr Matt Elliott

Grants supported by C-INET:

Brexit-ESRC Grant (Meredith Crowley and Giancarlo Corsetti); Horizon2020: ADEMU (Giancarlo Corsetti) and IBSEN (Sanjeev Goyal)

See previous report for the grant descriptions. In the context of the Brexit Grant, Cambridge Researchers gain access to detailed data sets at firm level on export/import activities and employment. Currently a team of Faculty Postdocs and PhDs are working on these datasets to carry out the research activities of the grant.

Postdocs:

Current/Remaining Cambridge-INET Postdocs:

- Leonie Baumann (Microeconomic theory, social and economic networks, and game theory)
- Mikhail Safronov (Microeconomic Theory)
- Chen Wang (Large Random Matrices, Cointegration, Portfolio Choice)

Outgoing Postdocs

- Juan Block (Microeconomic theory, in particular, repeated games and reputations, learning in games and evolutionary game theory)
- Abhimanyu Khan (Applied evolutionary game theory, networks, industrial organisation)
- Maren Froemel (Applied evolutionary game theory, networks, industrial organisation)
- Soheil Mahmoodzadeh (Market Microstructure, High Frequency Trading, Financial Economics)
- Miguel Morin (Macroeconomics and Economic History)
- Scott Swisher (Macroeconomics, networks, and economic history)

New Postdocs (start 1st September 2017):

- Aubrey Clark (Harvard)
- Marco Valerio Geraci (Université libre de Bruxelles)
- Alexey Gorn (Bocconi Uni, Milan)

Affiliated Postdocs:

- Jake Bradley (Labour; search and matching models; structural estimation)
- Joao Duarte (Macroeconomics, Real Estate and Monetary Policy)
- Frederic Moisan (Game theory, behavioral economics, experimental economics, interactive epistemology, rationality, social preferences, cooperation, social networks, collective intentionality, social identity, moral psychology, logic)
- Jamil Nur (Labour Economics, Public Economics, Public Finance, Applied Microeconomics)
- Tim Uy (International Economics, Macroeconomics, Economic Growth and Development, Computational Methods, Networks)

PhD students:

- Jin Deng Keith Chan (Information, uncertainty and incentives) – joined Sept 2017

- Rafe Martyn (Transmission, mechanisms and economic policy)
- David Minarsch (Networks, crowds and markets)
- Ekaterina Smetanina (Forecasting, Volatility). Visited Duke University during Spring 2017
- Jeroen Dalderop (Asset Pricing, Microstructure). Visited Princeton University, Autumn, 2016

Careers:

C-INET Postdocs and related Postdocs:

- Juan Block: College Lecturer at Murray Edwards College and Cambridge-INET affiliated Senior Research Fellow
- Abhimanyu Khan: Assistant Professor at Shiv Nadar University, New Delhi
- Peter Malec: Data Scientist at ERGO Group, Nuremberg
- Christopher Rauh: Assistant Professor, Université de Montréal
- Tim Uy: Senior Consultant at Deloitte, Chicago

PhD students sponsored by C-INET

- Anil Ari: Economist at the International Monetary Fund
- Jasmine Xiao: Assistant Professor, University of Notre Dame, USA

Dissemination

Dissemination A. Please outline any specific plans you have for further publication and/or other means of dissemination of the outcomes and results of the research. B. Discuss any potential or actual impacts on policy and practice that your work may have.

The working papers series are routinely submitted to leading international journals. An increasing number of them are currently being accepted for publication in top international journals. In addition, the Institute holds conferences, workshops, seminars, reading groups, and summer schools to disseminate the findings of research.

As highlight for the past months Cambridge-INET working papers provided the basis for international meetings in preparation of the G7 in Italy, IMF and ESM conferences on international official landing in Singapore. Progress has been made on the work on high frequency trading in the foreign exchange market in collaboration with researchers from the IMF and the ECB.

The successful seminar with the chief economist of the IMF, Prof. Obstfeld in May led to an agreement with the IMF to have periodical events in Cambridge. The next one is currently being planned for October 2017.

Outputs

Please give full details of the outputs which should accompany this report. For each research paper, please, provide: a) the title b) an abstract c) web link where the paper can be downloaded d) bibliographical reference in case the paper is accepted for publication e) details regarding conferences or seminars where the paper has been presented For other outputs (such as software, datasets), please, provide a description of the output and a web link through which the output can be downloaded. If a web link is not available then provide an electronic copy with this report.

New Working papers:

Official Sector Lending Strategies During the Euro Area Crisis, Giancarlo Corsetti, Aitor Erce and Timothy Uy, (wp1712)

Fixed on Flexible Rethinking Exchange Rate Regimes after the Great Recession, Giancarlo Corsetti, Keith Kuester and Gernot J. Müller, (wp1711)

Socially Embedded Preferences, Environmental Externalities, and Reproductive Rights, Aisha Dasgupta and Partha Dasgupta, (wp1710)

Can Italy Grow Out of Its NPL Overhang? A Panel Threshold Analysis, Kamiar Mohaddes, Mehdi Raissi, and Anke Weber, (wp1709)

Integration and Segregation, Sanjeev Goyal, Penélope Hernández, Guillem Martínez-Cánovas, Frédéric Moisan, Manuel Muñoz-Herrera and Angel Sánchez, (wp1708)

Reassessing Railroads and Growth: Accounting for Transport Network Endogeneity, Scott N. Swisher IV (wp1707)

Policy Shocks and Wage Rigidities: Empirical Evidence from Regional Effects of National Shocks, Maarten de Ridder and Damjan Pfajfar (wp1706)

New Published papers:

Fixed on Flexible Rethinking Exchange Rate Regimes after the Great Recession, Giancarlo Corsetti, Keith Kuester and Gernot J. Müller, IMF Economic Review

Community Leaders & the Preservation of Cultural Traits, Anja Prummer and Jan-Peter Siedlarek, Journal of Economic Theory, Vol 168, pp 143-176

Voting, Education, and the Great Gatsby Curve, Christopher Rauh, Journal of Public Economics, Vol 146, pp 1-14, (lead article).

Major Difficulties and Any Other Issues

Major difficulties Please detail below any major difficulties, scientific or administrative/logistical, encountered during your research and comment on any consequent impact on the project. Provide details including any advice you might have for resolving such problems in future projects. Other issues and unexpected outcomes Please describe any outcomes of your research, beneficial or otherwise that were not expected at the outset or other issues which were important to the research. If there are none, please state so.

The need to position the Institute within the Cambridge community and worldwide raises strategic and organisational issues. A key question is the scope for collaboration. By its very nature and goals, Cambridge-INET pursues excellence in new economic thinking, which requires significant collaboration across disciplines. At this stage in the development of C-INET, it is important to establish robust links with other parts of the Cambridge research community, both in other Faculties and Colleges. Potential areas of collaboration include finance and economics, financial and economic history, neuroscience, mathematics and computation, conflict and violence analysis, environmental studies, risk assessment and management, law and economics, and European Studies. Within the Faculty, Cambridge-INET is hosting other (publically funded) projects such as CFM, ERC and

prospectively Horizon 2020. Further projects could be promoted in collaboration with researchers from outside the Faculty.

Web Links

Please insert here any web links to relevant outputs and web pages. If there are none, please state so.

Annual report 15-16: <http://www.inet.econ.cam.ac.uk/about/annual-report>

Working papers: <http://www.inet.econ.cam.ac.uk/papers/working-papers>

Published papers: <http://www.inet.econ.cam.ac.uk/papers/published-papers>

Events: <http://www.inet.econ.cam.ac.uk/our-events>

Visitors: <http://www.inet.econ.cam.ac.uk/visitors>

Seed Funding: <http://www.inet.econ.cam.ac.uk/research-support/seed-fund-projects>

Our Postdocs: <http://www.inet.econ.cam.ac.uk/research-support/postdocs>

Our PhD students: <http://www.inet.econ.cam.ac.uk/research-support/phd-stu>

Student scholarships: <http://www.inet.econ.cam.ac.uk/research-support/student-scholarships>

Video Series: <http://www.inet.econ.cam.ac.uk/video-series>

Annual Report: <http://www.inet.econ.cam.ac.uk/about/annual-report>

Optional - detailed findings and output

Optional - if you would like to provide a more detailed report containing the information you have provided to us, please attach a Word document here.

Choose File – insert file here.

n/a

Additional Information

This section can be used to provide any additional information that may be relevant

n/a

Declaration

The CERF Database is a publicly available online research database, containing summary details of all CERF research projects and their associated publications and outputs. Please select one of the statements below.

Details of relevant outputs of this award have been submitted to the CERF Database and details of any ensuing outputs will be submitted in due course.

This award has not yet produced any relevant outputs, but details of any future publications will be submitted to the CERF database as soon as they become available.

Signature - Main Award Holder

A handwritten signature in black ink, consisting of several loops and strokes, positioned to the right of a grey rectangular box.

This Report is an accurate statement of the objectives, conduct, results and outputs (to date) of the research project funded by CERF.

Submit Reset

We will confirm the receipt of this form. If you have not received an email confirmation within 24 hours of submitting the form, please let us know by email : admin@cerf.cam.ac.uk