



Upcoming Seminars

Monday, 8.1.2024

13.30-14.30

AWI room 00.010

Departmental Seminar I

Matthias Lang, LMU München

"Benefits and Challenges of Ambiguous Product Information"

(Host: Sebastian Ebert)

Wednesday, 10.1.2024

12.15-13.15

AWI room 00.010

Departmental Seminar II

Alexandre Kohlhas, Oxford University

"Granular Sentiments"

(Host: Joep Lustenhouwer)

Abstracts

Departmental Seminar I

Matthias Lang, LMU München

"Benefits and Challenges of Ambiguous Product Information"*

We study the welfare effects of ambiguous product information for a buyer with α -max-min preferences and a price-setting seller. The buyer privately receives information about her valuation. We show that both can benefit when this information is ambiguous, and we characterize all possible combinations of consumer and producer surplus. Ambiguity concerning the valuation perceived by the buyer when making the purchase decision can induce the seller to change the price. Before receiving information, ambiguity concerning the purchase decision can make the buyer optimistic about buying only for high valuations, which relaxes the participation constraint. Our results inform the regulation of ambiguous information.

* with Cédric Wasser

Departmental Seminar II

Alexandre Kohlhas

"Granular Sentiments"*

We propose an empirically-consistent theory of business cycles, driven by fluctuations in sentiment towards a small number of firms. We measure firm-level sentiment with standard methods from computational linguistics. We find that 50 firms account for over 70% of the unconditional variation in U.S. sentiment and output over the period 2006-2021. The "granular sentiment residual", measuring sentiment towards the 50 firms, is dominated by firms that are closer to the final consumer, i.e. are downstream. To rationalize our findings, we embed endogenous information choice into a general equilibrium model with heterogeneous upstream and downstream firms. We show that attention centers on downstream firms, as they act as natural "information agglomerators". When calibrated to match select moments of U.S. data, the model shows that orthogonal shocks to the sentiment of the 20% most downstream firms explain more than 80% of sentiment-driven and 25% of total business fluctuations.

* with Rustam Jamilov, Sasha Talavera, and Mao Zhao

Editorial deadline for issue 02/2024 of the newsletter:
Wednesday, January 10, 2024, 12 p.m.
newsletter@awi.uni-heidelberg.de