

# BONN ECON NEWS

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Montag, 09.07.2012

## VERANSTALTUNGEN DIESER WOCHE / ACTIVITIES OF THIS WEEK

### **Dienstag, 10.07.2012**

IZA Forschungsseminar  
12.00 Uhr, IZA Schaumburg-Lippe Str. 9

**Fernando A. Lozano**, Pomona College  
“What Happened to God's Time? The  
Evolution of Secularism and Hours of Work  
in America, Evidence from Religious  
Holidays”

### **Mittwoch, 11.07.2012**

Macro/Econometrics/Finance Workshop  
12.15 Uhr, Lennéstr. 35, AG-Raum, 1. Etage

**Ronald Rühmkorf**, Universität Bonn  
“Sovereign Borrowing, Financial Assistance  
and Debt Repudiation”

Micro Workshop BGSE  
12.15 Uhr, Juridicum, Raum 055

**no seminar**

Micro Theory Seminar  
16.15 Uhr, Fakultätszimmer

**no seminar**

### **Donnerstag, 12.07.2012**

IZA Brown Bag Seminar  
12.00 Uhr, IZA, Schaumburg-Lippe-Str. 9

**Maria Zumbühl**, Maastricht University  
“Parental investment and the intergenerational  
transmission of economic preferences”

Macro/Econometrics/Finance Seminar  
16.15 Uhr, Juridicum, Raum 055

**Felix Kübler**, Universität Zürich  
“Margin Requirements and Asset Prices”

## **IZA FORSCHUNGSSEMINAR**

**Fernando A. Lozano**, Pomona College

“What Happened to God's Time? The Evolution of Secularism and Hours of Work in America, Evidence from Religious Holidays”

### Abstract

Are American workers less likely to observe a religious holiday now than they were 30 years ago? In this paper I use evidence from religious holidays to explore the evolution of market hours' exibility and religious observance during the last thirty years. To do so, I take advantage of three different sources of exogenous variation: the first is the timing of the Current Population Survey, which allows me to observe data that is collected during different holidays in different years. The second is the timing of the religious holiday, as most are scheduled either with the lunar or the solar calendar. The third is the required observance of the holiday: in some holidays believers are called to abstain from work (Yom Kippur), in other holidays not (Tu b'Shevat), some holidays have been secularized (Saint Patrick's Day), and other holidays not (Good Friday). Additionally, I differentiate between any changes in hours of work during religious holidays across time and changes across cohorts. My results suggest that work schedules' flexibility has changed little during the sample period, yet less people are taking time off from work during Good Friday, while more people take time off from work during Yom Kippur, Rosh Hashanah, Mardigras and Saint Patricks Day. These results are consistent with the increasing secularization of Christians in America, the Baal Teshuva movement among Jewish Americans, and the commercialization of Mardigras or Saint Patrik's Day. These results suggest a change in which holidays workers choose to observe.

## **MACRO/ECONOMETRICS/FINANCE WORKSHOP**

**Ronald Rühmkorf**, Universität Bonn  
(*joint work with Florian Kirsch*)

“Sovereign Borrowing, Financial Assistance and Debt Repudiation”

### Abstract

The availability of financial assistance by official lenders might have counteracting effects on the default incentives for a borrowing sovereign. On the one hand it can help to avoid defaults by bridging times of fundamental crises or resolving coordination failures among private investors. On the other hand the insurance effect of bailout loans might induce the sovereign to accumulate higher debt levels due to lower interest rates, which in turn could lead to more defaults by the sovereign. To assess the overall effect of the presence of financial assistance on the probability of defaults we construct a quantitative model of endogenous credit structure and sovereign default that additionally allows for self-fulfilling default expectations. Calibrating the model to Argentinian data we find that the presence of the bailout facility reduces the number of defaults that occur due to self-fulfilling runs by the private investors. However it also increases the average debt levels causing an overall increase of the probability of a default.

**IZA BROWN BAG SEMINAR**

**Maria Zumbühl**, Maastricht University

“Parental investment and the intergenerational transmission of economic preferences”

Abstract

We study empirically whether there is scope for parents to shape the economic preferences and attitudes of their children through purposeful investments. We exploit information on the risk and trust attitudes of parents and their children, as well as rich information about parental efforts in the upbringing of their children from the German Socio-Economic Panel Study. Our results show that parents who invest more in the upbringing of their children are more similar to them with respect to risk and trust attitudes and thus transmit their own attitudes more strongly. The results are robust to including variables on the relationship between children and parents, family size, and the parents' socioeconomic background.

**MACRO/ECONOMETRICS/FINANCE SEMINAR**

**Felix Kübler**, Universität Zürich

*(joint work with Johannes Brumm, Michael Grill and Karl Schmedders)*

“Margin Requirements and Asset Prices”

Abstract

This paper examines the effect of collateral constraints and margin requirements on asset prices in a general equilibrium setup. We consider a Lucas-style infinite-horizon exchange economy with heterogeneous agents and endogenous collateral constraints. In our calibrated economy with disaster risk, collateral constraints lead to a large increase in the return volatility of long-lived assets, thus regulation of margin requirements on all these assets has a strong stabilizing effect. This finding is in line with the popular sentiment that collateralized borrowing contributes to market volatility, a view supported by previous theoretical analyses. In stark contrast, empirical evidence shows that the regulation of margin requirements for stocks does little to reduce stock market volatility. Our main contribution is to resolve this apparent contradiction between theoretical and empirical results. In a model with different collateralizable assets, stocks constitute only a comparatively small fraction of total margin-eligible assets. The regulation of margin requirements on this fraction of collateralizable assets has no significant impact on its volatility. However, the volatility of other assets decreases monotonically as margins on stocks are increased. These important spillover effects have been neglected in much of the previous literature as well as in the policy debate.

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