

**HAPPY NEW YEAR  
2019**

**WISHING ALL OUR  
READERS A YEAR OF  
PEACE, JOY AND  
WELL-BEING!**



## **NEWSLETTER 2019-01**

### **CALENDAR:**

#### **Departmental Seminar**

Dana Sisak (Erasmus University Rotterdam):  
*Showing Off or Laying Low? The Economics of Psych-outs*

Monday, January 14  
16:30–18:00  
VG H26

#### **IOS Seminar**

David Heller (Goethe-Universität Frankfurt am Main):  
*The Impact of Financial Resources on Corporate Inventions*

Tuesday, January 15  
13:30–15:00  
WiOS 109 (Landshuter Str. 4)

**ABSTRACTS:****Departmental Seminar**

Dana Sisak

(Joint work with Philipp Denter and John Morgan)

*Showing Off or Laying Low? The Economics of Psych-outs*

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*Abstract:* We study situations where a new entrant with privately known talent enters into a contest with an incumbent whose talent is common knowledge. Prior to the competition, the "newbie" can attempt to "show off" his talent, which we model as a costly signaling game. We find that incentives to reveal one's talent can go in either direction---more talented types may wish to mimic less talented ones or the reverse, depending on the newbie's talent distribution compared to the one of the incumbent. In equilibrium though, showing off, i.e., costly signaling of one's type, occurs only when the newbie is exceptionally talented compared to the incumbent. Surprisingly, showing off occurs to the benefit of both parties; the newbie benefits for obvious reasons, the incumbent by economizing on wasted effort when overmatched. We use our findings to study the broader consequences of showing off, which is discouraged in many cultures through social norms. We show that norms against showing off raise total effort but worsen talent selection, and are thus appropriate only when effort is society's main concern.

**IOS Seminar**

David Heller

*The Impact of Financial Resources on Corporate Inventions*

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*Abstract:* This paper empirically investigates the impact of financial resources on firm-level patenting. The study utilizes the European Commission's effort to harmonize financial markets, the so-called Financial Service Action Plan, during the 2000s as a plausibly exogenous shift improving firms' access to funding. First, I show that financial market harmonization leads to increased bank lending to ex ante financially constrained firms. Second, I study whether and how affected firms adjust their patenting activities in terms of several value-relevant characteristics. I find that increased funding is associated with more patents in quantitative terms but of lower average technological quality and value. Moreover, affected firms alternate towards filing fewer explorative (i.e. impactful and generally applicable) but rather incremental patents. These results illustrate a more multilayered impact of finance on inventive activities than commonly suggested. I thus provide novel insights on the role of financial resources as crucial input factor for firm-level inventions against the background of a recent political agenda.

**CONFERENCE ATTENDANCE:**

**Tobias Hartl** attended the CFE 2018 in Pisa on December 15, 2018, where he presented his paper "*Macroeconomic Forecasting with Fractional Factor Models*".

**Rolf Tschernig** presented his project "*Identification of structural shocks via common fractional components*" at the Workshop on Long Memory on October 25, 2018 in Hannover.

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University of Regensburg

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Wednesday, January 16 – 11 am

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