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AWI This Week

Monday, 9.7.12

Departmental Seminar

17.15-18.45
AWI 00.010

Christoph Kuzmics, Bielefeld University
"Inferring Preferences from Choices Under Uncertainty"

Tuesday, 10.7.12

Economics & Politics Seminar

14.15-15.15
AWI 02.036

Matthias Neuenkirch, Philipps University Marburg
"What's in a Second Opinion? Shadowing the ECB and the Bank of England"

Wednesday, 11.7.12

Departmental Workshop

17.15-18.45
AWI 00.010

Karin Loch, University of Heidelberg
"Anticipating Long-Term Stock Market Volatility"

Jour Fix

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Seminar

Christoph Kuzmics

"Inferring Preferences from Choices Under Uncertainty"

If a decision maker, in a world of uncertainty à la Anscombe and Aumann (1963), can choose acts according to some objective probability distribution (by throwing dice for instance) from any given set of acts, then there is no set of acts that allows an experimenter to test more than the Axiom of EUOL (that the DM evaluates objective lotteries with an expected utility function). In fact there is no (common) experimental design that allows an experimenter to test more than EUOL. For any decision problem (or set of decision problems), for any preference relation that satisfies the Axiom EUOL, and for any optimal choice (or collection of choices) given this preference relation, there is another preference relation that satisfies EUOL plus the Savage axioms, for which this choice is also optimal.

Economics & Politics Seminar

Matthias Neuenkirch

"What's in a Second Opinion? Shadowing the ECB and the Bank of England"

The European Central Bank (ECB) and the Bank of England (BoE) are shadowed by professionals and academic economists who provide a separate policy rate recommendation in advance of the central bank's announcement. We explore differences between shadow and actual committee decisions based on an adapted Taylor rule and report a few systematic differences especially in the case of euro area shadow committee. The shadow committee of the ECB tends to be relatively less inflation averse and more activist than its UK counterpart, at least vis-à-vis the respective policy making bodies. Perhaps most significantly our interpretation of the stance of the shadow committees is sensitive to the use of real time data, in particular during the global financial crisis.

Departmental Workshop

Karin Loch

"Anticipating Long-Term Stock Market Volatility"*

We investigate the relationship between long-term U.S. stock market risks and the macroeconomic environment. Following Engle et al. (2012) we model stock return volatility as a two component GARCH-MIDAS process. While the short-term component is assumed to follow a GARCH process, the long-term component is specified as a function of low frequency macroeconomic variables. We extend the analysis in Engle et al. (2012) by using a richer data set of macroeconomic variables and include various measures of economic activity, price developments, interest rates, and leading indicators. Additionally, we combine the macro realizations with expectations data from the Survey of Professional Forecasters.

Our results show that long-term stock market volatility is clearly linked to the macro environment in a countercyclical way. The explicit modeling of the long-term component allows us to anticipate changes in stock market risk. Moreover, incorporating the macro environment pays off in terms of long-term volatility forecasts. Both the model fit and long-term forecasts can be further improved by combining observed with expectations data. Finally, we find a significant positive risk-return relation when separating short- and long-run volatility.

*with Christian Conrad

Talks and Research Visits

Timo Goeschl presented the paper "Price and Non-Price Effects in Giving to Global Public Goods: Evidence from a Framed Field Experiment" (joint with Johannes Diederich) at the Annual Meeting of the European Association of Environmental and Resource Economists, Prague, June 27-30.

Daniel Heyen presented his paper "Information acquisition under Ambiguity - Why the Precautionary Principle may keep us uninformed" (with Timo Goeschl and Boris Wiesenfarth) at the Annual Conference of the European Association of Environmental and Resource Economists, Prague, June 28.

Zeno Enders presented the paper "International Financial Markets' Influence on the Pricing Currency Choice" at the Third Conference on Recent Developments in Macroeconomics at the ZEW, Mannheim, 27-28 June.

Benjamin Roth presented the paper "Does Meeting Make the Difference? How personal conversation affects the assessment of risk preferences" (joint with Andrea Leuermann) at the *ESA* International Conference in New York, on June 21-24.

Alec Spröten presented his paper "Age differences in the reaction to incentives – do older people avoid competition?" (joint work with Christiane Schwier) at the *ESA* world meeting 2012, New York, June 21-24

Timo Goeschl presented the paper "Long-term Environmental Problems and Strategic Intergenerational Transfers" (joint work with Daniel Heyen and Juan Moreno-Cruz) at the Summer Conference of the Association of Environmental and Resource Economists in Asheville, NC, June 4-5, 2012.

Timo Goeschl presented the paper "Ambiguity and Information Acquisition: Why the Precautionary Principle May Keep Us Uninformed" (joint work with Daniel Heyen and Boris Wiesenfarth) at the Annual Meeting of the Society for Environmental Law and Economics, Bloomington, Indiana, June 1-2, 2012.

Julia Loy presented her invited paper "Firm-Level Determinants of Participation in EMAS – A Study of German Publicly Listed Companies" (joint work with Timo Goeschl and Daniel Römer) at the EPA-funded workshop on "Voluntary Pollution Control" at the Ohio State University on May 20-21, 2012.

Timo Goeschl presented the paper "Strategic Agency Behavior Under 'Fire-Alarm Oversight: The Case of Regulatory Enforcement" (joint work with Johannes Jarke) at the 22nd Meeting of the American Law and Economics Association in Stanford, CA, on May 19, 2012.

Miscellaneous

Timo Goeschl participated in the 1st Meeting for the new DFG Priority Program on "The Governance of Climate Engineering" in Hildesheim on June 25-26. Heidelberg has had a major role in spearheading the proposal.

Timo Goeschl headed the DFG Roundtable on Ecology and Economics that took place in Hamburg, June 14-15, 2012 and was jointly organized with Gerd Graf from Rostock University.

The award for the best paper published in the journal Environmental and Resource Economics in 2011 goes to Heidelberg – almost. While the affiliation of the lead author of the paper is Heidelberg, Travis Warziniack, junior professor at the Dept. of Economics from 2009 to 2011, has since moved on. The paper titled "Stepping stones for biological invasion: A bioeconomic model of transferable risk" (Environmental and Resource Economics 50(4), 605-627, DOI: 10.1007/s10640-011-9485-7) was cited as "a superb paper uniting a diversity of insights drawn from multiple disciplines to show how economics can address a major environmental issue in a sophisticated manner" by the Award Committee.

**Editorial deadline for issue 18/2012 of the newsletter:
Wednesday, July 11, 2012, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.