



Upcoming Seminars

Monday, 9.5.2022

Departmental Seminar

13.30-14.30
AWI room 00.010

Chengwei Liu, ESMT Berlin
"Underdogs and One-hit Wonders: When is Overcoming Adversity Impressive?"
(host: Stefan Trautmann)

Wednesday, 11.5.2022

Internal Seminar

12.15-13.15
AWI room 00.010

Jakub Janus
"Cross-border flights to safe assets in bond markets: evidence from emerging market economies "

Wednesday, 11.5.2022

Macro and Econometrics Seminar

13.30 -14.30
AWI room 01.030

Ali Elminejad
"Macroprudential Policies and (Un)employed Households"

Departmental Seminar

Chengwei Liu

"Underdogs and One-hit Wonders: When is Overcoming Adversity Impressive?"

Success tends to increase and failure tends to decrease the chances of future success. We show that this impact of past outcomes can change how diagnostic success or failure are about the competence of an individual or a firm. Succeeding under adverse circumstances is especially impressive when initial failure reduces the success chances more for low quality agents than for high-quality agents. Succeeding after initial failure (a successful underdog) can also indicate higher expected quality than succeeding twice if initial success increases the success chances of all agents to a high level. The outcome after success can be especially informative about quality, implying that failing after an initial success (a one-hit wonder) indicates lower quality than failing twice does. We find evidence consistent with these predictions in data on Canadian professional hockey players and on data from the Music Lab experiment: initial failure combined with eventual success is associated with high quality. The results have implications for understanding when failure should be attributed to the person in charge or to the situation, when underdogs and individuals who overcame adversity are especially impressive, and for understanding when a naïve "more is better" heuristic for evaluating performance can be misleading.

Internal Seminar

Jakub Janus

"Cross-border flights to safe assets in bond markets: evidence from emerging market economies"

This paper investigates cross-border flights to safety (FTS) in sovereign bond markets from the perspective of emerging market economies (EMEs). Accurate identification of such events provides us with a detailed picture of sharp changes in prices of international assets and potential sources of EMEs' financial fragility. We construct new measures of FTS occurrence and magnitude by focusing on extreme movements in long-term bond markets vis-à-vis the U.S. for a diverse group of 21 EMEs. An adaptable time-series anomaly detection algorithm is used to recognize patterns in daily data on bond return for the period from 2002 to 2021. The FTS episodes in the entire sample of EMEs turn out to be short-lived and map well into periods of international financial and economic downturns. We show that the relative importance of the U.S. dollar fluctuations in driving FTS increases after the Global Financial Crisis. This lends support to the notion of the dollar exchange rate being a major source of risk for EMEs. Moreover, the results from panel data models indicate that a range of country-specific economic, financial, and political factors does matter for FTS occurrence but even more so for their magnitude. The role of domestic drivers of FTS, however, is limited and further subsides post-2010, suggesting that flights from bond markets are mostly triggered by shocks originating outside of EMEs. As a by-product, we present a database on FTS episodes in bond markets.

Macro and Econometrics Seminar

Ali Elminejad

"Macroprudential Policies and (Un)employed Households"

This is a work in progress studying the effect of monetary and macroprudential policies on the behavior of households under the Two-Agent New Keynesian setting. We develop a Two-Agent New Keynesian DSGE model à la Gertler and Karadi (2011) to compare different policy regimes' welfare and stabilization impacts. We investigate whether there is a welfare benefit from a conventional monetary policy when it incorporates macroprudential measures.

Talks and Research visits

Jürgen Eichberger gave a talk on "Cases and States" (with Ani Guerdjikova) at the *Treffen des Theoretischen Ausschusses* im Verein für Socialpolitik, Berlin, April 29-30.

Christian Conrad presented the paper "Modelling Volatility Cycles: The MF2 GARCH Model" (joint with Robert Engle, Stern School of Business) at the RCEA Conference on Recent Developments in Economics, Econometrics and Finance, March 4-6 and the 29th Annual Symposium of the Society for Nonlinear Dynamics and Econometrics, March 10-11, 2022.

New Publications

Axel Dreher's "Banking on Beijing. The Aims and Impacts of China's Overseas Development Program" (co-authored with Andreas Fuchs, Bradley Parks, Austin Strange, Michael J. Tierney) has finally been published with Cambridge University Press.

New and Leaving Staff

Christopher Zuber has left Zeno Enders' chair of Macroeconomics and joined the scientific staff of the German Council of Economic Experts as an economist starting on May 1.

Editorial deadline for issue 8/2022 of the newsletter:
Wednesday, May 11, 2022, 12 p.m.
newsletter@awi.uni-heidelberg.de