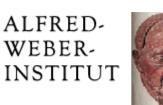
# Newsletter 7/2016



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# **Upcoming Seminars**

Monday, 2.5.2016	Departmental Seminar
17.15-18.15	Daniel Gutknecht, University of Mannheim
AWI 00.010	(invited by Christian Conrad)
	"Constrained Information Processing and Individual Income Expectations"
Tuesday, 3.5.2016	Economics and Politics Seminar
13.45-14.45	Gerald Schneider (Universität Konstanz)
AWI 01.030	"Goodbye Schengen: The Transformation of the European Asylum Regime"
Wednesday, 4.5.016	Internal Seminar
12.15-13.15	Florian Diekert
AWI 00.010	"Play with fire: Experiments to find the location of a catastrophic threshold"
Wednesday, 4.5.2016	Macro & Econometrics Seminar
17.00-18.00	Malte Küppel, Deutsche Bundesbank
AWI 01.030	"Approximating Fixed-Horizon Forecasts Using Fixed-Event Forecasts"

#### **Departmental Seminar**

Daniel Gutknecht

"Constrained Information Processing and Individual Income Expectations"\*

Do individuals use all information at their disposal when forming expectations about future events? In this paper we present an econometric framework to answer this question. We show how individual information sets can be characterized by simple nonparametric exclusion restrictions and provide a quantile based test for constrained information processing. In particular, our methodology does not require individuals' expectations to be rational, and we explicitly allow for individuals to have access to sources of information which the econometrician cannot observe. As an application, we use microdata on individual income expectations to study which information agents employ when forecasting future earnings. Consistent with models where information processing is limited, we find that individuals' information sets are coarse in that valuable information is discarded. We then quantify the utility costs of coarse information within a standard consumption life-cycle model. Consumers would be willing to pay 0.04% of their permanent income to incorporate the econometrician's information set in their forecasts.

\*(with Stefan Hoderlein und Michael Peters)

#### **Economics and Politics Seminar**

Gerald Schneider (Universität Konstanz)

"Goodbye Schengen: The Transformation of the European Asylum Regime"

Member states of the European asylum regime can limit the financial and social burden that refugees create through lower admission rate and a reduction of the support for the asylum seekers. This article examines theoretically and empirically, based on Holzer and Schneider (2002, Asylpolitik auf Abwegen), whether the manipulation of these two variables creates a race to the bottom that ultimately threatens the Schengen/Dublin framework. I will first present a simple model of regulatory competition in the domain of asylum policy making which explores the interactions between a "conservative" and a "liberal" state. Based on the predictions of the formal model, I examine European asylum cooperation with the help of yearly and quarterly data, covering the periods from 1980 to 2015 and 2002 to 2015 respectively. I will particularly explore with the help of longitudinal models whether the conflicting findings of a convergence in the number of asylum seekers admitted to the Schengen area (Holzer and Schneider 2002) and a divergence in the recognition rates are still valid (Neumayer 2006, JCR).

### **Internal Seminar**

#### Florian Diekert

"Play with fire: Experiments to find the location of a catastrophic threshold"

This paper considers a natural resource that replenishes fully but collapses irreversibly should total use exceed a threshold in any one period. A key aspect is that the threshold's location is almost always unknown. Because experimentation only reveals whether the threshold has been crossed or not, all experimentation is undertaken at once. A potentially large part of the state space remains unexplored when crossing the threshold is disastrous (in the sense that the post-event value is independent of the pre-event state). Moreover, the paper shows that the magnitude of the experiment is smaller the more valuable the current state, which implies that the eventual level of resource use depends on history. When the regime shifts is non-disastrous, learning involves several experiments, but only if the post-event value declines sufficiently strongly with the state variable. Similarly, the potential to obtain informative signals about the location of the threshold induces an additional incentive to experiment. However, the presence of such "early warning signals" may make the optimal plan more risky.

#### **Macro & Econometrics Seminar**

#### Malte Küppel

"Approximating Fixed-Horizon Forecasts Using Fixed-Event Forecasts"\*

In recent years, survey-based measures of expectations and disagreement have received increasing attention in economic research. Many forecast surveys ask their participants for fixed-event forecasts. Since fixed-event forecasts have seasonal properties, researchers often use an ad-hoc approach in order to approximate fixedhorizon forecasts using fixed-event forecasts. In this work, we derive an optimal approximation by minimizing the mean-squared approximation error. Like the approximation based on the ad-hoc approach, our approximation is constructed as a weighted sum of the fixed-event forecasts, with easily computable weights. The optimal weights tend to differ substantially from those of the ad-hoc approach. In an empirical application, it turns out that the gains from using optimal instead of ad-hoc weights are very pronounced. While our work focusses on the approximation of fixedhorizon forecasts by fixed-event forecasts, the proposed approximation method is very flexible. The forecast to be approximated as well as the information employed by the approximation can be any linear function of the underlying high-frequency variable. In contrast to the ad-hoc approach, the proposed approximation method can make use of more than two such information-containing functions.

\* Andreea Vladu

# **Talks and Research Visits**

**Zeno Enders** presented the paper "Growth expectations, undue optimism, and shortrun fluctuations" at the University of Hamburg, April 26 and at the Technical University of Darmstadt, April 27.

**Axel Dreher** gave a talk on *Globalisierung: Von der Entdifferenzierung zur Redifferenzierung*, at the Aktionsrat Bildung, Munich, Germany, April 22.

**Timo Goeschl** presented the paper "Clubbishness vs. Efficiency in the Provision of Pure Public Goods" at the workshop *Experiments for Environmental Policy Formation*, Scottish Institute for Research in Economics in Stirling, April 13-14.

**Timo Goeschl** presented a seminar titled "Innovation for Remaking the Planet: Some Economics of Geoengineering R&D", UNU-MERIT Seminar, Maastricht on April 7.

**Timo Goeschl** presented the paper "Cooperation in Public Goods: Calculated or Confused?" at the Economics Seminar, Stirling University, April 5.

**Christian Conrad** presented the paper "Misspecification testing in GARCH-MIDAS models" (joint with Melanie Schienle) at the Annual Conference of the Society for Nonlinear Dynamics and Econometrics in Tuscaloosa, Alabama, March 10-11.

# **New Publications**

Conrad, C., and E. Mammen (2016). "Asymptotics for parametric GARCH-in-mean models." Journal of Econometrics, forthcoming.

## **Miscellaneous**

Timo Goeschl has been appointed to the Expert Working Group on Marine Geoengineering at the UN International Maritime Organisation, London.

Editorial deadline for issue 8/2016 of the newsletter: Wednesday, Mai 4, 2016, 12 p.m. newsletter@awi.uni-heidelberg.de

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