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Upcoming Seminars

Monday, 12.6.2017

Departmental Seminar

17.15-18.15

AWI 00.010

Saumitra Jha, Stanford Graduate School of Business

(invited by Andreas Fuchs)

"Valuing Peace: The Effects of Financial Market Exposure
on Votes and Political Attitudes"

Wednesday, 14.6.2017

Internal Seminar

12.15-13.15

AWI 00.010

Alexander Glas

"Overconfidence and rounding in survey-based distribution
forecasts"

Departmental Seminar

Saumitra Jha

"Valuing Peace: The Effects of Financial Market Exposure on Votes and Political Attitudes"*

Financial markets expose individuals to the broader economy. Does participation in financial markets also lead citizens to re-evaluate the costs of conflict, their views on politics and even their voting decisions? Prior to the 2015 Israeli elections, we randomly assigned financial assets from Israeli and Palestinian companies to likely voters and gave them incentives to actively trade for up to seven weeks. Exposure to financial markets systematically shifted vote choices and increased support for peace initiatives. We delineate the mechanisms for this change and show that financial market exposure led to learning and reevaluation of the economic costs of conflict.

*with Moses Shayo

Internal Seminar

Alexander Glas

"Overconfidence and rounding in survey-based distribution forecasts"

The variances of survey-based distribution forecasts are widely used as a means to quantify macroeconomic uncertainty. However, it has been documented empirically that the ex-ante variances from distribution forecasts and the ex-post performance in terms of prediction errors are not well aligned. For example, participants of the Survey of Professional Forecasters of the FED or the ECB frequently report ex-ante uncertainty forecasts that are markedly below the size of their squared ex-post forecast errors. This is often interpreted as "overconfidence". More generally, the detection of this misalignment calls the reliability of survey-based variance predictions into question. We show that this finding can be understood as the result of rounded survey responses in a model with heterogeneous information. Our main result implies that poorly informed forecasters tend to round small probabilities in the tails of the distribution to zero. This results in spuriously narrow distribution forecasts. The theoretical finding suggests an easily implementable ex-ante correction, namely to discard survey responses which are strongly rounded. For survey forecasts regarding inflation, GDP growth and unemployment in the U.S. and the Euro area, this rule is shown empirically to deliver an improved match between ex-ante and ex-post forecast variances.

Talks and Research Visits

Anna Merkel presented the paper "Legislative Bargaining with Subjective Claims" (joint with Christoph Vanberg) at the 10th Maastricht Behavioral and Experimental Economics Symposium, June 6.

Katharina Richert presented her paper "The International Finance Corporation's hidden lending motives" (joint with Axel Dreher) at the Beyond Basic Questions Workshop at the University of Milano at Garda Lake, June 4-6.

At *Beyond Basic Questions Workshop*, Gargnano (Lombardy), Italy, June 5-6 the following papers were presented: **Andreas Fuchs**: "Does Aid Help Refugees Stay? (joint work with Axel Dreher and Sarah Langlotz); **Sarah Langlotz**: "Farmer or Fighter? Opium cultivation and the geography of conflict in Afghanistan" (joint work with Kai Gehring and Stefan Kienberger).

Andreas Fuchs became member of the Research Group on Development Economics of the German Economic Association after having presented the paper "The Causal Effects of Trade, Aid and Investment on China's Image Abroad" at the committee's annual meeting, University of Göttingen, June 1-2, where also the following papers were presented: **Sven Kunze**: "The Allocation and Financing of Emergency Aid after the 2015 Earthquake in Nepal"; **Valentin Lang**: "Room for Discretion? Biased Decision Making in International Financial Institutions" (joint with Andrea Presbitero); **Sarah Langlotz**: "Farmer or Fighter? Opium cultivation and the geography of conflict in Afghanistan" (joint work with Kai Gehring and Stefan Kienberger) and **Katharina Richert**: "The International Finance Corporation's hidden lending motives" (joint with Axel Dreher).

Sven Kunze participated at the *Alliance Graduate Summer School* "Research Methods for Sustainable Development", at the Columbia University in Paris, May 29 - June 2.

New Working Papers

Johannes Diederich and Timo Goeschl: "Does Mitigation Begin At Home?", Heidelberg University, AWI Discussion Paper Series, No 634.

Goeschl and Shunsuke Managi: "Public in-kind relief and private self-insurance", Heidelberg University, AWI Discussion Paper Series, No 633.

Editorial deadline for issue 15/2017 of the newsletter:
Wednesday, June 14, 2017, 12 p.m.
newsletter@awi.uni-heidelberg.de

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