



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

Upcoming Seminars

Tuesday, 25.7.2017

Economics and Politics Seminar

13.45-14.45

Simon Wiederhold, Ifo Institute

AWI 01.030

"Returns to ICT Skills"

Wednesday, 26.7.2017

Internal Seminar

12.15-13.15

Christopher Zuber

AWI 00.010

"The Effect of Recessions on Potential Output Estimates:
Size, Timing, and Determinants"

Wednesday, 26.7.2017

Macro & Econometrics Seminar

17.15-18.15

Alexander Glas

AWI 01.030

"Overconfidence and rounding in survey-based
distribution forecasts"

Economics and Politics Seminar

Simon Wiederhold

"Returns to ICT Skills"

How important is mastering information and communication technology (ICT) in modern labor markets? We answer this question with unique data on ICT skills tested in 19 countries. Our two instrumental-variable models exploit technologically induced variation in broadband Internet availability that gives rise to variation in ICT skills across countries and German municipalities. We find that a one-standard-deviation increase in ICT skills raises earnings by about 25 percent. Exogenous broadband availability cannot explain numeracy or literacy skills, suggesting that estimated returns are unaffected by general ability. One mechanism driving positive returns is selection into occupations with high abstract task content.

*with Oliver Falck und Alexandra Heimisch

Internal Seminar

Christopher Zuber

"The Effect of Recessions on Potential Output Estimates: Size, Timing, and Determinants"*

We analyze when and how much potential output estimates are revised following recessions. We find that (i) they are revised downward, (ii) revisions are larger after supply-driven recessions, (iii) the size of revisions are in line with results obtained by statistical filters, (iv) average revisions are equal in size to those obtained in a simulation with no hysteresis, and (v) the recession depth and pre-recession values of the primary balance, the current account, and credit volumes are significant predictors of post-recession revisions. In the long-run, 45 % of the revision of potential output estimates is due to revisions of the capital stock, 22 % is due to revisions of trend labor input, and 33 % is due to revisions of trend TFP. Our results call for improved methods for estimating potential output and suggest that average recessions do not generate substantial hysteresis effects.

*with Jonas Dovern

Macro & Econometrics Seminar

Alexander Glas

"Overconfidence and rounding in survey-based distribution forecasts"*

The variances of survey-based density forecasts are widely used as a means to quantify macroeconomic uncertainty. However, it has been documented empirically that the ex-ante variances from density 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 density 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.

*with Matthias Hartmann

Talks and Research Visits

Gert Pönitzsch participated in the Summer Institute on Field Experiments at the University of Chicago. Together with a peer-to-peer lending platform he developed a field experiment to increase investor engagement, July 9-13.

Florian Diekert presented his paper "Why do fishermen comply with regulations? The role of preferences" at the *Annual Meeting of the European Association of Environmental and Resource Economists*, Athens, June 28 to July 1.

Onno Kleen presented his paper "Volatility Forecasting Using Multiplicative Component Models" (with Christian Conrad), at the *Fourth Annual Conference of the International Association for Applied Econometrics*, Sapporo, Japan, June 26-29.

New Publications

Dietmar Fehr: "Costly Communication and Learning from Failure in Organizational Coordination", *European Economic Review*, Vol 93, 106-122, 2017.

Asatryan, Zareh, Thushyanthan Baskaran, Theodoris Grigoriadis und Friedrich Heinemann (2017): "Direct Democracy and Local Public Finances under Cooperative Federalism", *Scandinavian Journal of Economics* 119 (3), 801-820.

Magdalena Buckert, Brigitte Kudiela und Christian Fiebach: "How stressful are economic competitions in the lab? An investigation with physiological measures", *Journal of Economic Psychology*, forthcoming.

Dietmar Fehr: "Equilibrium Selection in Similar Repeated Games: Experimental Evidence on the Role of Precedents" (with John Duffy), *Experimental Economics*, forthcoming.

Miscellaneous

Florian Diekert was invited to share his expertise on fisheries with the audience after the screening of the documentary "Der letzte Fisch - Unsere Meere am Scheideweg", on board of the MS Wissenschaft, the floating science center of the Federal Ministry of Education and Research (BMBF).

Anna Merkel will do a Short-term research visit at the Center for Experimental Social Sciences at the der NYU, New York, U.S., from September to December.

Gert Pönitzsch will be a visiting researcher at the University of Chicago from September until November. During his visit, he will develop a field experiment on charitable giving with John List.

New and Leaving Staff

Christine Binzel will be joining the Institute of Economics at FAU Erlangen-Nuremberg as a Professor of Economics, focusing on the Economy and Society of the Middle East, on October 1.

Alejandro Donado will leave the AWI on the 31st of august to take a position at the Frankfurt School of Finance and Management.

Lorenz Hartmann will leave the AWI end of August to finish his PhD at his home *University of Exeter*, UK.

Israel Waichman is leaving the AWI to take a Professor position at Bard College Berlin, a liberal arts college, starting fall 2017.

Have a nice and refreshing summer vacation!!

Editorial deadline for issue 21/2017 of the newsletter:
Wednesday, October 11, 2017, 12 p.m.
newsletter@awi.uni-heidelberg.de

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please contact the address above.