



Upcoming Seminars

Monday, 6.12.2021

Departmental Seminar

13.30-14.30

AWI room 00.010

Gernot J. Müller

"The expectations channel of climate change: implications for monetary policy"

(host: Zeno Enders)

Wednesday, 8.12.2021

Internal Seminar

12.15-13.15

Via Zoom-meeting

Michael Stollenwerk

"Probability Distributions for Realized Covariance Matrices"

Abstracts

Departmental Seminar

Gernot J. Müller

"The expectations channel of climate change: implications for monetary policy"

We measure expectations about the short-run economic impact of climate change in a representative survey of US consumers. Respondents expect not much of an impact on GDP growth, but perceive a high probability of costly, rare disasters---suggesting they are salient of climate change. We also document that expectations vary systematically with socioeconomic characteristics, media consumption and various information treatments. We calibrate a New Keynesian model to key results of the survey and spell out two implications for monetary policy. First, climate-change related disaster expectations lower the natural rate of interest substantially. Second, upwards shift in disaster expectations are contractionary.

*with Alexander Dietrich and Raphael Schoenle

Internal Seminar

Michael Stollenwerk

"Probability Distributions for Realized Covariance Matrices"

Realized covariance matrices (RCs) are an important input to assess the risks involved in different investment allocations and it is thus useful to model and forecast them. To this end, generalized autoregressive score (GAS) models are employed. These models are ideal for comparing different probability distributions in terms of their ability to model and forecast RCs, since the dynamic parameters of the conditional observation density are updated by incorporating the shape of the distribution itself (via the scaled score of the log-likelihood). A novel type of probability distribution is derived and compared to all other probability distributions so far applied to RCs in the literature. The necessary inputs for the GAS models (Fisher information matrix and score) are derived for all distributions. An in-sample fit comparison confirms previous results that "fat-tailed" distributions outperform others and shows that the novel distribution achieves the best fit. Out-of-sample forecasting comparisons will be done using different economically relevant loss functions.

Talks and Research Visits

Christoph Vanberg presented the paper "Legislative Bargaining with Private Information", (online) at the Economics Research Seminar, *University of Bayreuth*, December 1.

Andis Sofianos presented the paper titled "Does mining fuel bubbles? An experimental study on cryptocurrency markets" (with Marco Lambrecht and Yilong Xu) at the *Southern Economic Association Annual Meeting*, November 21.

New Publications

S. Baliatti, L. Getoor, D. Goldstein, and D. Watts "Reducing Opinion Polarization: Effects of Exposure to Similar People with Differing Political Views" *Proceedings of the National Academy of Sciences* (PNAS) "In Press".

New Working Papers

Christoph Becker, Peter Duersch, Thomas Eife, and Alexander Glas: "Extending the Procedure of Engelberg et al. (2009) to Surveys with Varying Interval-Widths", AWI Discussion Paper Series, No. 707, November 2021.

Containing Inflation?

A contribution in the magazine *Wirtschaftswoche* asked the question whether inflation should be contained by price controls (see [here](#)). In the article, AWI macro economist Zeno Enders comments on the risk of misallocation potentially caused by such price distortions. Several researchers at the AWI are currently involved in measuring inflation and inflation expectations. Research on inflation expectations of consumers by Christian Conrad, and of businesses by Zeno Enders, is supported by the DFG Priority Programme "Experience & Expectation: Historical Foundations of Economic Behaviour" (see [here](#)).

**A relaxing holiday season and
a pleasant beginning of the New Year 2022
to all of you**



Editorial deadline for issue 1/2022 of the newsletter:
Wednesday, 6.1. 2022, 12 p.m.
newsletter@awi.uni-heidelberg.de