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Newsletter 4/2023

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

Monday, 30.1.23	**Departmental Seminar**
13.30-14.30 AWI room 00.010	Florian Zimmermann, Bonn University "Stories, Statistics and Memory" (Host: Anca Balietti)
Wednesday, 1.2.23	**Internal Seminar**
12.15-13.15 AWI room 00.010	Julius Schölkopf "Macroeconomic Announcements and the Volatility Feedback Effect"

Abstracts

Departmental Seminar

Florian Zimmermann

"Stories, Statistics and Memory"

For most decisions, we rely on information encountered over the course of days, months or years. We consume such information in various forms, including abstract summaries of multiple data points – statistics – and anecdotes about individual instances – stories. This paper proposes that the information type – story versus statistic – is a central determinant of selective memory. In controlled experiments we show that the effect of information on beliefs decays rapidly and exhibits a pronounced story-statistic gap: the average impact of stories on beliefs fades by 33% over the course of a day, but by 73% for statistics. Consistent with a model of similarity and interference in memory, prompting contextual associations with statistics improves recall. A series of mechanism experiments highlights that the story-statistic gap is primarily driven by lower similarity of stories to interfering information. Our findings have important implications for understanding the power of stories in mass media and designing effective information campaigns.

Internal Seminar

Julius Schölkopf

"Macroeconomic Announcements and the Volatility Feedback Effect"*

We investigate to what extent the volatility feedback effect can explain the time-varying sensitivity of the stock market to macroeconomic announcements. We combine a standard present value representation of returns with a novel two-component volatility model for the conditional variance of dividend news. For this model, we show that discount rate news is mainly driven by news to the long-term component of volatility and that returns are most sensitive to news when volatility is high. In addition, the model predicts that the asymmetric response of stock returns to good and bad news is most pronounced in high-volatility regimes. Empirically, we show that the model's predictions can explain the instantaneous response of the S&P 500 to major U.S. macroeconomic announcements.

*with Christian Conrad and Nikoleta Tushteva

New Working Papers

Christoph Becker, Peter Duersch, and Thomas Eife: "Measuring Inflation Expectations: How the Response Scale Shapes Density Forecasts", AWI Discussion Paper Series No.723, January 2023.

David Canning: "Conducting Cost Benefit Analysis in Expected Utility Units Using Revealed Social Preferences" , AWI Discussion Paper Series No.722, January 2023.

Editorial deadline for issue 05/2023 of the newsletter:
Wednesday, February 1, 2023, 12 p.m.
newsletter@awi.uni-heidelberg.de