



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, 8.7.2019**

#### **Departmental Seminar / HKMetrics-Seminar**

13.30-14.30

AWI 00.010

Markus Pelger, Stanford University

(invited by Christian Conrad)

"Factors that Fit the Time Series and Cross-Section of Stock Returns"

### **Wednesday, 10.7.2019**

#### **Internal Seminar**

12.15-13.15

AWI 00.010

Illia Pasichnichenko

"A Smooth Utility Model for Belief Functions"

### **Wednesday, 10.7.2019**

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

13.30-14.30

AWI 00.028

Jochen Güntner, Johannes Kepler University Linz

"Time-varying effects of oil price shocks on price setting – Evidence from German manufacturing firms"

### Departmental Seminar

Markus Pelger

"Factors that Fit the Time Series and Cross-Section of Stock Returns"\*

We propose a new method for estimating latent asset pricing factors that fit the time-series and cross-section of expected returns. Our estimator generalizes Principal Component Analysis (PCA) by including a penalty on the pricing error in expected returns. We show that our estimator strongly dominates PCA and finds weak factors with high Sharpe-ratios that PCA cannot detect. Studying a large number of characteristic sorted portfolios we find that five latent factors with economic meaning explain well the cross-section and time-series of returns. We show that out-of-sample the maximum Sharpe-ratio of our five factors is more than twice as large as with PCA with significantly smaller pricing errors. Our factors are based on only a subset of the stock characteristics implying that a significant amount of characteristic information is redundant. \*with Martin Lettau

### Internal Seminar

Illia Pasichnichenko

"A Smooth Utility Model for Belief Functions"

Belief functions, or normalized totally monotone capacities, are used in decision modelling to represent partial information and subjective judgements. We propose a model of preferences among belief functions, which allows for smooth indifference curves and better separation of tastes and beliefs, than the Choquet integral. In our model, a generalised average is used instead of maximums and minimums. Thus, familiar methods from decision analysis under risk can be applied for studying decision maker's tastes.

### Macro & Econometrics Seminar

Jochen Güntner

"Time-varying effects of oil price shocks on price setting – Evidence from German manufacturing firms"

We revisit the question whether oil supply and demand shocks are transmitted via aggregate supply or aggregate demand using firms' price-setting and production responses in the ifo Business Surveys. We find that, on average over our sample period, all oil price shocks are inflationary, albeit to a different degree. Splitting the sample into three sub-periods, we find strong evidence for a demand-side story: Negative oil supply shocks are deflationary and contractionary in the 1980s and 1990s, yet inflationary and expansionary after 2000, while speculative oil demand shocks are deflationary and contractionary in the 1980s, inflationary and expansionary in the 1990s, and neutral after 2000. We show that the variation in impulse responses over time coincides with firms' optimism or pessimism about their current state of business and future commercial expectations.

## Talks and Research Visits

At the *24th Annual Conference of the European Association of Environmental and Resource Economists* in Manchester June 26-29 the following papers were presented:

**Anca Balietti:** "Lease Splitting and Dirty Entrants: The Unintended Consequences of India's Environmental Clearance Reform" (with Anant Sudarshan, Rohini Pande, Kevin Rowe, and Lucy Page); **Johannes Diederich:** "Subsidizing Quantity Donations: Matches, Rebates, and Discounts Compared" (with Timo Goeschl, Raphael Epperson, Catherine C. Eckel, and Philip Grossman); **Florian Diekert:** "Groups discipline resource use under scarcity" (with Kjell Arne Brekke); **Tillmann Eymess:** "Dissecting Social Norms of Cooperation: A Conditional Process Analysis" (with Florian Diekert); **Timo Goeschl:** "Exogenous vs. Endogenous Nudges in Social Dilemmas: An Online Experiment on Public Goods" (with Johannes Diederich and Israel Waichman); **Robbert Schaap:** "Prudence and Precautionary Saving by Natural Resource Users".

**Rajesh Ramachandran** gave a talk on "Vernacularization, the Protestant Reformation and Development" (with Christine Binzel and Andreas Link) at the *Society for Institutional & Organizational Economics*, Stockholm School of Economics, Sweden, June 27-29.

**Angelika Müller** presented her paper "Broken Promises – evaluating an incomplete cash transfer program" at the *19th Jan Tinbergen European Peace Science Conference*, 24-26 June, The Hague. In addition, she presented her paper "Trees and the grid – electrification and timber consumption in Nigeria" at the 24th Annual Conference of the European Association of Environmental and Resource Economists, 26-29 June, at the University of Manchester.

**David Vespermann** presented the paper "Effects of a European Unemployment Insurance" (joint work with Zeno Enders) at the 19th RIEF Doctoral Meetings held at the Aix-Marseille School of Economics, June 28.

**Andis Sofianos** gave a talk on "Self-Reported and Revealed Trust – Experimental Evidence".at the Workshop *(De-) contextualizing the analysis of trust – a discussion about the conditions of social trust* at the University of Cologne from June 27-28.

**Stefan Trautmann** gave a keynote lecture on "Risky Decisions for Others and Financial Investment Advice: Experimental Evidence" at the 2019 Behavioral and Experimental Economics Workshop at Shanghai University of Economics and Finance, Shanghai, June 25. He also presented the paper "Implementing (Un)Fair Procedures?" at Nanjing Audit University, Nanjing, June 26, and East China Normal University, Shanghai, June 27.

**Jürgen Eichberger** gave a lecture on "Decision Under Uncertainty and Risk" at the Paris International Summer School of Sorbonne University, Paris, France, on *Preferences, Decisions and Games* from June 25-26, bringing together PhD students, postdoctoral researchers, and researchers with different backgrounds (Operations Research, Artificial Intelligence, Economics) interested in mathematical and computational aspects of preference modeling, decision making and game theory.

**Marco Lambrecht** introduced a poster to present information on his joint research with Jörg Oechssler and Peter Dürsch on "Measuring skill and chance in games" at the conference poster session., at the LEG 2019: *Learning, Evolution & Games Conference* organized by the Department of Economics of Bar Ilan University, Ramat Gan, Israel, from June 24-26.

## **New Publications**

van den Broek, K. L., Walker, I., & Klöckner, C. A. (2019). Drivers of energy saving behaviour: The relative influence of intentional, normative, situational and habitual processes. *Energy Policy*, 132, 811-819.

## **Miscellaneous**

Karlijn van den Broek was selected for the Postdoc Academy for Transformational Leadership, funded by the Robert Bosch Stiftung, after a competitive assessment and selection process. This 2-year programme is designed to train the next generation of leaders in sustainability and transformation research in Europe.

**Editorial deadline for issue 19/2019 of the newsletter:  
Wednesday, July 10, 2019, 12 p.m.  
[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

If you would like to receive the newsletter by email,  
please contact the address above.