



Upcoming Seminars

Monday, 16.12.2019

Departmental Seminar

13.30-14.30

AWI 00.010

Christiane Baumeister, University of Notre Dame, Paris
(invited by Sebastian R  th)

"Structural Interpretation of Vector Autoregressions with
Incomplete Identification: Setting the Record Straight"

Wednesday, 18.12.2019

Internal Seminar

12.15-13.15

AWI 00.010

Joep Lustenhouwer

"The Rationality Bias"

Abstracts

Departmental Seminar

Christiane Baumeister

"Structural Interpretation of Vector Autoregressions with Incomplete Identification:
Setting the Record Straight"*

A recent paper by Kilian and Zhou (2019) mischaracterizes our 2019 paper in American Economic Review and much of the related literature. They misstate our contribution to the literature on identification, mischaracterize the role of prior information about supply elasticity in our analysis, inaccurately describe the relation between structural elasticities and the impacts of shocks, and mischaracterize the literature on supply elasticity. Our purpose in this paper is to set the record straight.

*with James D. Hamilton

Internal Seminar

Joep Lustenhouwer

"The Rationality Bias"

We analyze differences in consumption and wealth in a New Keynesian model with rational households and households that are less sophisticated. The rationality bias of boundedly rational households systematically explains the emergence of consumption and wealth heterogeneity. This rationality bias can be decomposed into three individual components: the consumption expectation bias, the real interest rate bias and the preference shock expectation bias. For certain specifications of monetary policy these different components exactly offset each other, so that the rationality bias is eliminated. This might, however, not be desirable from a welfare perspective, since eliminating the rationality bias comes along with high inflation volatility.

Talks and Research Visits

Jürgen Eichberger will give a talk on "Strategic Ambiguity in Games", at the *Time, Uncertainties & Strategies*, VI Conference at Paris School of Economics in Paris, France, December 16, 2019.

Together with researchers of the University of Tübingen and University of Hohenheim, **Zeno Enders** organized the *2nd Workshop on International Financial Markets* on December 13 & 14, 2019, at the IWH in Heidelberg. Prof. Harald Uhlig (Chicago) will present the keynote speech on the economics of cryptocurrencies. Detailed information on the workshop is available [here](#).

*We wish you a Happy Holiday Season
and all the best for the New Year 2020*

Editorial deadline for issue 1/2020 of the newsletter:
Thursday, January 2, 2020, 12 p.m.
newsletter@awi.uni-heidelberg.de