Newsletter 22/2017

Upcoming Seminars

Monday, 23.10.2017   **Departmental Seminar**

13.30-14.30   Michael Kosfeld, Goethe University Frankfurt

AWI 00.010   (invited by Jörg Oechssler)

"The Role of Time and Reference-Dependent Preferences in Human Capital Acquisition and Labor Market Transition"

Wednesday, 25.10.2017   **Internal Seminar**

12.15-13.15   Andis Sofianos

AWI 00.010   "Intelligence, Personality and Gains from Cooperation in Repeated Interactions"

Wednesday, 25.10.2017   **Macro & Econometrics Seminar/ HeiKaMEtrics-Seminar**

17.00-18.00   Michael Rockinger, University of Lausanne

AWI 01.030   "Predicting Long-Term Financial Returns: VAR vs. DSGE Model – A Horse-Race"

Departmental Seminar

Michael Kosfeld

"The Role of Time and Reference-Dependent Preferences in Human Capital Acquisition and Labor Market Transition"*

Evidence suggests that acquiring human capital is related to better life outcomes, yet young peoples' decisions to invest in or stop acquiring human capital are still poorly understood. We investigate the role of economic time preferences and behavioral biases in such decisions. Using a data set that is unique in its combination of real-world observations on student outcomes and experimental data on economic preferences, we find that a low degree of long-run patience is a key determinant of dropping out of upper-secondary education. Further, for students who finish education we show that one month before termination of their program, present-biased students are less likely to have concrete continuation plans while loss averse students are more likely to have a definite job offer already. Our findings provide fresh evidence on students' decision-making about human capital acquisition and labor market transition with important implications for education and labor market policy.

* with Uschi Backes-Gellner, Holger Herz, and Yvonne Oswald

Internal Seminar

Andis Sofianos

"Intelligence, Personality and Gains from Cooperation in Repeated Interactions"*

Intelligence and personality significantly affect social outcomes of individuals. We study how and why these traits affect the outcome of groups, looking specifically at how these characteristics operate in repeated interactions providing opportunity for profitable cooperation. Our experimental method creates two groups of subjects who are similar but have different levels of certain traits, such as higher or lower levels of intelligence, Conscientiousness and Agreeableness. We find that intelligence has a large and positive long-run effect on cooperative behaviour when there is a conflict between short-run gains and long-run losses. Initially similar, cooperation rates for groups with different intelligence levels diverge, declining in groups of lower intelligence, and increasing to reach almost full cooperation levels in groups of higher intelligence. Cooperation levels exhibited by more intelligent subjects are payoff sensitive, and not unconditional. Personality traits have a natural, although transitory, effect on cooperation rates.

*with Eugenio Proto and Aldo Rustichini

Macro & Econometrics Seminar / HeiKaMEtrics-Seminar

Michael Rockinger

"Predicting Long-Term Financial Returns: VAR vs. DSGE Model – A Horse-Race"

Das Abstract: "This paper considers an institutional investor who is implementing a long-term portfolio allocation strategy using forecasts of financial returns. We compare the performance of two competing macro-finance models, an unrestricted Vector AutoRegression (VAR) and a fully structural Dynamic Stochastic General Equilibrium (DSGE) model, at forecasting financial returns. We show that the DSGE model outperforms the unrestricted VAR at forecasting financial returns in the long term and generates substantially higher Sharpe ratios for mean-variance allocations. Even if it contains fewer unknown parameters, the DSGE model benefits from economically grounded restrictions that help anchor financial returns in the long term.

Talks and Research Visits

Sarah Langlotz presented the paper "Stimulant or depressant? Opium cultivation and the geography of conflict in Afghanistan" (joint work with Kai Gehring and Stefan Kienberger) at the *Political Economy Workshop* in Bruneck/Brunico, Italy, October 12-13.

Christina Gathmann presented the paper "Spillover Effects of Mass-Layoffs" (joint with Ines Helm and Uta Schönberg) at the Annual Conference of the Committee on Regional Theory and Policy (Ausschuss für Regionaltheorie und –politik) of the Verein für Socialpolitik in Bochum, October 5-7.

Ole Monscheuer presented his paper "National Attachement and the Integration of Second-generation Immigrants" at the CReAM/RWI workshop on the Economics of Migration in Essen, September 29-30.

At the Annual Conference of the Verein für Socialpolitik in Wien, September 3-6, **Anna Busse** presented her paper "Low-Skilled Labor in Hospital Production: Evidence from the Suspension of Compulsory Military Service in Germany"; **Verena Lauber** presented the paper "College Openings and Local Economic Development" (joint with Christina Gathmann and Francesco Berlingieri). She also chaired the panel "Wages I".

Christina Gathmann presented the paper "From Licensing to Certification: An Analysis of Germany's Crafts and Trade Sector" (joint with Franziska K. Lembcke) at the 73rd Annual Congress of the International Institute of Public Finance (IIPF) in Tokyo, August 18-20.

New Publications

Christina Gathmann und Nicolas Keller (2017), Access to Citizenship and the Economic Assimilation of Immigrants, Economic Journal, forthcoming.

Verena Lauber left Christina Gathmann's chair on September 30 and accepted a position at the Federal Ministry for Economic Affairs and Energy, Berlin.