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Upcoming Seminars

Monday, 9.7.2018

Departmental Seminar I

13.30-14.30

AWI 00.010

Christian Brownlees, Pompeu Fabra University Barcelona
(invited by Christian Conrad)
"Community Detection in Partial Correlation Network
Models"

Wednesday, 11.7.2018

Departmental Seminar II

12.15-13.15

AWI 00.010

Francesco Cerigioni, Pompeu Fabra University Barcelona
(invited by Andis Sofianos)
"Rationality and Observed Behavior"

Wednesday, 11.7.2018

Macro & Econometrics Seminar

14.00-15.00

AWI 01.030

Alexander Glas
"Deja Vol' Revisited: Survey Forecasts of Macroeconomic
Variables Predict Volatility in the Cross-section of Industry
Portfolios"

Departmental Seminar I

Christian Brownlees

"Community Detection in Partial Correlation Network Models"

We introduce a class of partial correlation network models with a community structure for large panels of time series. In the model, series are partitioned into latent groups such that correlation is higher within groups than between them. We then propose an algorithm that allows us to detect the communities using the eigenvectors of the sample covariance matrix. We study the properties of the procedure and establish its consistency. The methodology is used to study real activity clustering in the U.S. and Europe.

*with Gudmundur Gudmundsson and Gabor Lugosi

Departmental Seminar II

Francesco Cerigioni

"Rationality and Observed Behavior"

Rationality and higher-order rationality are both central assumptions implicit in most of economic theory. Yet, growing evidence suggests that, while a large majority of experimental subjects play rational actions in simple games, only a considerably smaller fraction satisfies higher-order rationality. An important step towards identifying higher-order rationality from experimental data was made recently by Kneeland (2015), using a new methodology which avoids common identification problems and does not require belief elicitation, through the use of a new class of games, namely ring games. We argue that her methodology suffers from problems of both framing individuals to choose actions that are consistent with higher-order rationality, as well as of allowing for an easy inductive step to identify such actions. To overcome these two shortcomings, we propose a novel class of games with incomplete information, the e-ring games, that builds on the ring games used by Kneeland (2015), while using an information and communication structure related to the email game of Rubinstein (1989). We use our new class of games to identify higher-order rationality, to check within subject persistence of the identified rationality level across games and, for the first time, to provide a comparison of different methods of measuring higher order rationality. We find that it is feasible to use our newly defined class of games to classify levels of rationality of experimental subjects. Moreover, we show that for the same subject, higher-order rationality is generally very variable across games and that the ring games used by Kneeland (2015) may indeed be subject to both framing and easy inductive reasoning.

Macro & Econometrics Seminar

Alexander Glas

"Deja Vol' Revisited: Survey Forecasts of Macroeconomic Variables Predict Volatility in the Cross-section of Industry Portfolios"*

We investigate the question whether macroeconomic variables contain information about future stock volatility beyond that contained in past volatility. We show that forecasts of GDP and industrial production growth from the Federal Reserve's Survey of Professional Forecasters predict volatility in a cross-section of 49 industry portfolios. The expectation of higher growth rates is associated with lower stock volatility. Inflation forecasts predict higher or lower stock volatility depending on the state of the economy and the stance of monetary policy. Forecasts of higher unemployment rates are good news for stocks during expansions and go along with lower stock volatility. Our results hold in- as well as out-of-sample and pass various robustness checks.

*with Christian Conrad

Talks and Research Visits

At the *2018 ESA World Meeting*, June 28-July 1, at the Humboldt-University Berlin, Germany, the following papers were presented: **Liza Charroin**: "The performance of q-majority rules with logrolling: theoretical and experimental evidence"; **Marco Lambrecht**: "Measuring Skill and Chance in Games"; **Anna Merkel**: "Active versus Passive Risk Taking: An Experimental Analysis"; **Joerg Oechssler**: "Copy Trading"; **Hannes Rau**: "Gender Differences in Negotiations – Experimental Evidence"; **Robert Schmidt**: "Measuring heterogeneity of social norm perception on the individual level"; **Christiane Schwieren**: "The effect of experience on social norm perception in laboratory experiment participants"; **Andis Sofianos**: "Self-reported & Revealed Trust: Experimental Evidence"; **Christoph Vanberg**: "Legislative bargaining with costly communication"; **Martin Vollmann**: "Subjective and Objective Skill Evaluation"; **Yilong Xu**: "Social Information and Selfishness".

Miscellaneous

Valentin Lang, former PhD student at the chair of Axel Dreher, has successfully defended his doctoral thesis on "Political Decisions, Economic Effects: How International Organizations Govern the Globalized Economy", July 1, 2018.

Editorial deadline for issue 19/2018 of the newsletter:
Wednesday, July 11, 2018, 12 p.m.
newsletter@awi.uni-heidelberg.de

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