



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Monday, 4.07.11

17:15 - 18:45

AWI 00.010

Departmental Seminar 1

Timo Teräsvirta, Aarhus University

"Conditional Correlation Models of Autoregressive
Conditional Heteroskedasticity with Nonstationary
GARCH Equations"

Wednesday, 6.07.11

17:15 - 18:45

AWI 00.010

Departmental Seminar 2

Katrin Schmelz, MPI of Economics, Jena

"Cultural Determinants of Reactions to Control:
Evidence from a Large-Scale Internet Experiment"

Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Seminar 1

Timo Teräsvirta

"Conditional Correlation Models of Autoregressive Conditional Heteroskedasticity with Nonstationary GARCH Equations" (with Cristina Amado)

In this paper we investigate the effects of careful modelling the long-run dynamics of the volatilities of stock market returns on the conditional correlation structure. To this end we allow the individual unconditional variances in Conditional Correlation GARCH models to change smoothly over time by incorporating a nonstationary component in the variance equations. The modelling technique to determine the parametric structure of this time-varying component is based on a sequence of specification Lagrange multiplier-type tests derived in Amado and Teräsvirta (2011). The variance equations combine the long-run and the short-run dynamic behaviour of the volatilities. The structure of the conditional correlation matrix is assumed to be either time independent or to vary over time. We apply our model to pairs of seven daily stock returns belonging to the S&P 500 composite index and traded at the New York Stock Exchange. The results suggest that accounting for deterministic changes in the unconditional variances considerably improves the fit of the multivariate Conditional Correlation GARCH models to the data. The effect of careful specification of the variance equations on the estimated correlations is variable: in some cases rather small, in others more discernible. As a by-product, we generalize news impact surfaces to the situation in which both the GARCH equations and the conditional correlations contain a deterministic component that is a function of time.

Departmental Seminar 2

Katrin Schmelz

"Cultural Determinants of Reactions to Control:

Evidence from a Large-Scale Internet Experiment" (with Anthony Ziegelmeyer)

With the help of a large-scale internet study, we investigate experimentally the feedback effect from the political regime on the aversion to control in employment relationships. In our experimental design, the principal has the possibility to control the agent by choosing one out of three enforcement levels before the agent chooses an effort level. We implement a repeated trial environment and elicit incentivized beliefs before each repetition. Reunified Germany offers a great opportunity to analyze the long-term effects of an oppressive political regime on reactions to control in employment relationships. In former East Germany, institutionalized restrictions of citizens' choice sets was common practice. Our working hypothesis is that 45 years of heavy state intervention and indoctrination has instilled in people the view that the controls are justified and usually perceived by individuals as legitimate. In the first wave we rely on student samples from two East German and two West German locations. Born in the time of German reunification, students in both parts of Germany have experienced the same political regime but different values might have been transmitted to them by their parents and teachers. In the second wave we address the German population within an age range of 25 to 65 years. These older participants have experienced different political regimes in the East and in the West, and the influence of the political regime is likely to vary with age.

Talks and Research Visits

Andreas Roider has participated in the conference "Grossman and Hart at 25" in Brussels, June 24-26.

Jan Schnellenbach has served as an invited discussant at the Erasmus Law Review conference on the Law & Economics of Legal Evolution at Erasmus University Rotterdam, June 23.

Andrew Isaak has given a talk on "The Power of Images: Does Moral Priming affect Self-Monitoring and Image concerns in Cheating Behavior?" at the conference *Cognition incarnée et coopération* at the Université de Nice Sophia Antipolis (based on an experiment in progress with Daniel Römer and Johannes Jarke), June 23.

Jörg Oechssler presented the paper "Exploitation" (joint with Nikos Nikiforakis and Anwar Shah) at the Paris School of Economics, June 17.

Johannes Diederich has presented the paper "Willingness to Pay for Individual Climate Change Mitigation: A Large Field Experiment for Germany" (with Timo Goeschl) at the Climate Economics and Law Conference, Bern, Switzerland, June 16-17.

**Editorial deadline for issue 18/2011 of the newsletter:
Wednesday, July 6, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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