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AWI This Week

Monday, 5.11.12

Departmental Seminar

17.15-18.45
AWI 00.010

Steffen Altmann, IZA
"Incentives and Information as Driving Forces of
Default Effects"

Wednesday, 7.11.12

Departmental Workshop

17.15-18.15
AWI 00.010

Zeno Enders, University of Heidelberg
"Does business confidence cause economic activity?"

Jour Fix

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

Steffen Altmann

"Incentives and Information as Driving Forces of Default Effects"

We provide a theoretical framework for analyzing when decision makers should rationally follow default options instead of making active choices. We model decision-making in environments with default options as strategic interaction between a policy maker and decision makers. Our model identifies two key dimensions that affect behavior of both parties in equilibrium. First, choices of policy makers and decision makers are influenced by the degree to which their interests are aligned. Second, the strength of default effects depends on the parties' relative level of information about the decision environment, and decision makers' optimal choices. We test the key predictions of our model in a laboratory experiment and find supportive evidence that strategic incentives as well as the level of information affect behavior of policy makers and decision makers.

(joint with Armin Falk and Andreas Grunewald)

Departmental Workshop

Zeno Enders

"Does business confidence cause economic activity?"*

Measures of business confidence are positively correlated with future economic activity. In this paper, we identify shocks to business confidence and trace out their effects on economic activity. We motivate our identification strategy by a simple model in which agents do not contemporaneously observe the aggregate state of the economy and define as a confidence shock a misperception about the current state of the economy. Empirically, we identify confidence shocks as a "nowcast error": the difference between changes in firms' real time perception regarding the current business conditions sampled by the Ifo institute and the realized change in actual production. We find positive confidence innovations to have a significant and expansionary effect on macroeconomic aggregates.

*with Michael Kleemann and Gernot Müller

New Publications

Bhattacharya, Jay, Christina Gathmann and Grant Miller, "Gorbachev's Anti-Alcohol Campaign and Russia's Mortality Crisis", *American Economic Journal: Applied Economics*, forthcoming.

Miscellaneous

Malte Faber was invited by the Friedrich-Ebert-Stiftung to give jointly with the former Prime Minister of Schleswig-Holstein Heide Simonis a workshop on "The economic and philosophical and political analysis of the finance and Euro crises", Bonn, October 27.

**Editorial deadline for issue 24/2012 of the newsletter:
Wednesday, November 7, 2012, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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