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## AWI This Week

### Monday, 22.4.13

#### Departmental Seminar

17.15-18.45

Almut Balleer, RWTH Aachen

AWI 00.010

"Expansionary and Contractionary Technology Improvements"

### Wednesday, 24.4.13

#### Departmental Workshop

17.15-18.45

Matthias Hartmann

AWI 00.010

"An empirical study on institutional and macroeconomic determinants of long-term inflation uncertainty"

## 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

Almut Balleer

"Expansionary and Contractionary Technology Improvements"\*

What drives business cycles? This paper examines the effects of expansionary technology shocks (shocks that increase labor productivity and factor inputs) as opposed to contractionary technology shocks (shocks that increase labor productivity, but decrease factor inputs). We estimate these two shocks jointly based on a minimum set of identifying restrictions in a structural VAR. We show that most of the business cycle variation of key macroeconomic variables such as output and consumption is driven by expansionary technology shocks. However, contractionary technology shocks are important to understand the variation in labor productivity and production inputs. In addition, these shocks trigger different reactions of certain variables, which can help explain why existing evidence on technology shocks does not deliver clear results. We provide an interpretation of these two shocks in a simple DSGE model with managerial technology, which is consistent with our identifying restrictions. Here, expansionary shocks are conventional TFP shocks, while we think of contractionary shocks as process innovations which change the nature of the production function. We provide a microfoundation for these shocks based on shifts in the productivity distribution of firms.

\*with Zeno Enders

### Departmental Workshop

Matthias Hartmann

"An empirical study on institutional and macroeconomic determinants of long-term inflation uncertainty"

We examine how the interaction between the institutional framework of monetary policy and macroeconomic conditions affects uncertainty about inflation in the long-term. The unobservable inflation uncertainty is quantified by means of the slowly evolving component of inflation shock volatility in the framework of the semiparametric Spline-GARCH model (Engle and Rangel, 2008). For a cross section of 13 developed economies, we find that long term inflation uncertainty is higher during the mandate of central bank governors who are appointed under liberal governments. The effect is more pronounced if yearly inflation rates exceed a level of 4%."

## Talks and Research Visits

**Christina Gathmann** presented the paper "Trial and Error? Policy Experimentation during the US Welfare Reform" at the CESifo Area Conference on Public Sector Economics in Munich, April 11-13.

**Christina Gathmann** gave a lecture on "Monetary and Non-Monetary Returns to Education" at the Kick-off Workshop of the College for Interdisciplinary Educational Research, Social Science Research Center Berlin (WZB), March 18.

**Christian Conrad** presented the paper "Anticipating Long-Term Stock Market Volatility" (joint with Karin Loch) at the 3rd Humboldt-Copenhagen Conference on Financial Econometrics, Humboldt-Universität zu Berlin, March 14-16, 2013.

**Christina Gathmann** presented the paper "Taxing Childcare: Effects on Family Labor Supply and Children" at the University of Leicester, February 13.

## Miscellaneous

Christian Conrad participated in the kick-off meeting of the Macro-Risk Assessment and Stabilization Policies with New Early Warning Signals (RASTANEWS) project which was held in Milan at Palazzo Clerici on March 7-8. RASTANEWS is funded as a collaborative project within the Seventh Framework Programme of the European Community. Twelve European universities are working together on this project. Of the more than 100 grant applications RASTANEWS received the highest rating. The grant is € 2.4M in total. The scientific objective of the project is to provide guidance to policy-makers and suggest a new economic governance of the EU based on research results and a revision of the underlying macroeconomic model that policymakers and central bankers rely on in order to support macroeconomic policy. Christian Conrad contributes to a work package which shall produce a macroeconomic model of the Euro area, concentrating on real effects of financial variables, like stock and oil prices.

**Editorial deadline for issue 8/2013 of the newsletter:**

**Wednesday, April 24, 2013, 12 o'clock**

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