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AWI This Week

Monday, 30.6.14

Departmental Seminar

17.15-18.45

Gerhard Illing, LMU

AWI 00.010

"Forward Guidance in a Simple Model with a Zero Lower Bound"

Wednesday, 2.7.14

Internal Seminar

12.15-13.15

Matthias Hartmann, University of Heidelberg

AWI 00.010

"Inflation uncertainty in the Eurozone –
Evidence from ECB-SPF data"

Departmental Seminar

Gerhard Illing

"Forward Guidance in a Simple Model with a Zero Lower Bound"*

In this paper we present a three period setup to model central bank forward guidance in a liquidity trap. We analyze the role of long-run and short-run price stickiness under discretion and commitment in a straightforward and intuitive way. Despite the impact of price rigidity on welfare being non-linear, losses under discretion are lowest with perfectly flexible prices. We show why the zero lower bound may still be binding even long after the shock has gone and characterize conditions when a commitment to hold nominal rates at zero for an extended period is optimal. We then introduce government spending and show that under persistently low policy rates optimal government spending becomes more front-loaded, while procyclical austerity fares worse than discretionary government spending.

*with Thomas Siemsen

Internal Seminar

Matthias Hartmann

"Inflation uncertainty in the Eurozone – Evidence from ECB-SPF data"*

Since the inception of the Euro, inflation expectations of professional forecasters evolve smoothly and center around the inflation target of the European Central Bank (ECB). In contrast, forecast uncertainty has strongly increased during the year 2008 and remains high until today. In this study, we discuss how inflation uncertainty expressed by participants of the ECB's Survey of Professional Forecasters is empirically measured, how it relates to other sorts of macroeconomic uncertainty and how it might be affected by indicators of monetary policy.

*with Alexander Glas

Talks and Research Visits

Jonas Dovern presented the paper "Does Joint Modeling of the World Economy Pay Off? Evaluating Forecasts from a GVAR from a Multivariate Perspective" at the conference on "Recent Developments in Macroeconomics" at the ZEW in Mannheim, June 23-24.

Zeno Enders presented the paper "Global Banking, Trade, and the International Transmission of the Great Recession" at the CEPR Workshop "The European Crisis – Causes and Consequences" at the University of Bonn, June 20-21.

Marta Curto presented the paper "Does electoral competition curb partisan favoritism?" at the 2014 Beyond Basic Questions Workshop, Heidelberg, June 20-21.

Jonas Dovern presented the paper "Wake-Up Call or Business as Usual? How the Recent Crisis Affected Macro Forecasters in the Euro Area" at the workshop on *Uncertainty and Probabilistic Forecasting during the Financial and Economic Crisis* at Heidelberg University, June 20-21.

New Publications

Christoph Vanberg: *An experimental study on the incentives of the probabilistic serial mechanism* (with M. Kurino and D. Hugh-Jones), *Games and Economic Behavior*, forthcoming.

Christoph Brunner, Audrey Hu, Jörg Oechssler: *Premium Auctions and Risk Preferences: An Experimental Study*, *Games and Economic Behavior*, forthcoming.

Miscellaneous

Julia Rückert, Ph.D. student at the research team for Development Policy, has successfully defended her doctoral theses, supervised by Hartmut Sangmeister, on "The European Water Framework Directive as a driver for good water governance in the Republic of Turkey", University of Heidelberg, June 26.

Erika Günther, Ph.D. student at the research team for Development Policy has successfully defended her doctoral theses, supervised by Hartmut Sangmeister, on "Food and Nutrition (In-)Security in the Caribbean: The Double Burden of Food Import Dependency and Health Risks", University of Heidelberg, June 20.

**Editorial deadline for issue 18/2014 of the newsletter:
Wednesday, July 2, 2014, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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