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## AWI This Week

### **Monday, 7.7.14**

#### **Departmental Seminar**

17.15-18.45  
AWI 00.010

Tino Berger, University of Cologne  
"Global Macroeconomic Uncertainty"

### **Tuesday, 8.7.14**

#### **Economics & Politics Seminar**

14.15-15.15  
AWI 02.036

Ingo Isphording, IZA, Bonn  
"Peer effects in the formation of cognitive and  
non-cognitive skills - Evidence from US High Schools"

### **Wednesday, 9.7.14**

#### **Internal Seminar**

12.15-13.15  
AWI 00.010

Christian Conrad, University of Heidelberg  
"Misspecification Testing in GARCH-MIDAS Models"

### Departmental Seminar

Tino Berger

"Global Macroeconomic Uncertainty"

We measure global real and nominal macroeconomic uncertainty and analyze its impact on individual countries' macroeconomic performance. Global uncertainty is measured through the conditional variances of global factors in inflation and output growth, estimated from a bivariate dynamic factor model with GARCH errors. The impact of global and country specific uncertainty is measured by including the conditional variances as regressors. We refer to this as a dynamic factor GARCH-in-mean model. Global real uncertainty spikes around the mid-70s and during the Great Recession. Global nominal uncertainty declines in the 90s and increases during the Great Recession. We find significant influence of global macroeconomic uncertainty on output growth and/or inflation in all countries.

### Economics & Politics Seminar

Ingo Isphording

"Peer effects in the formation of cognitive and non-cognitive skills – Evidence from US High Schools"

We estimate peer effects in the production of cognitive and non-cognitive skills in a sample of US High school students. Peer effects in educational production are a crucial variable for the design of educational policies, especially in the case of ability grouping measures. The existence of peer effects acts as a social multiplier enhancing the effectiveness of individual interventions, but also aggravates potential negative impacts. While the literature on peer effects in educational output is extensive, we provide first time estimates on peer influence in inputs in the educational production function. Our identification is based on unique information on extensive friendship networks. These networks offer natural exclusion restrictions through indirect friendship relations that allow overcoming the reflection problem. Additional obstacles by self-selection and unobserved group shocks are addressed by network and school grade fixed effects.

### Internal Seminar

Christian Conrad

"Misspecification Testing in GARCH-MIDAS Models"\*

We develop a misspecification test for the multiplicative two-component GARCH-MIDAS model suggested in Engle et al. (2013). In the GARCH-MIDAS model a short-term unit variance GARCH component fluctuates around a smoothly time-varying long-term component which is driven by the dynamics of a macroeconomic explanatory variable. We suggest a Lagrange Multiplier statistic for testing the null hypothesis that the macroeconomic variable has no explanatory power. We provide asymptotic theory for our test statistic and investigate its finite sample properties by Monte Carlo simulation. Our test statistic can be considered as an extension of the Lundbergh and Teräsvirta (2002) test for evaluating GARCH models.

\*with Melanie Schienle (University of Hannover)

## Talks and Research Visits

**Christine Binzel** presented her paper "Does the Arrival of a Formal Financial Institution Alter Informal Sharing Arrangements? Experimental Evidence from Village India" (joint with Erica Field and Rohini Pande) at the Annual Conference of the Research Group on Development Economics of the German Economic Association in Passau, June 27-28.

**Matthias Hartmann** presented the paper "Cross sectional evidence on the relation between monetary policy, macroeconomic conditions and low-frequency inflation uncertainty" (joint with Christian Conrad) at the International Association for Applied Econometrics 2014 Annual Conference, Queen Mary University of London, June 26-28.

**Kai Gehring** presented his paper "Information Transmission within Federal Fiscal Architectures: Theory and Evidence" at the Crisis, Institutions, and Banking Union Workshop, at the Federal Ministry of Finance, organized by the Hertie School of Governance, Berlin, June 16 -17.

**Kai Gehring** presented his papers "The Home Bias in Sovereign Ratings" and "Geopolitics, Aid and Growth" at the 17th World Congress of the International Association, in Amman, Jordan, June 6-10.

**Matthias Hartmann** presented the paper "Dynamics or diversity? An empirical appraisal of distinct means to measure inflation uncertainty" (joint with Helmut Herwartz and Maren Ulm) at the 10th BMRC - DEMS Conference on Macro and Financial Economics and Econometrics, Brunel University, London, May 29.

## New Publications

Andreas Fuchs, Peter Nunnenkamp and Hannes Öhler: "Why Donors of Foreign Aid Do Not Coordinate: The Role of Competition for Export Markets and Political Support" was accepted for publication in *The World Economy*.

C. Degen, S.E. Kettner, H. Fischer, J. Lohse, J. Funke, C. Schwieren, T. Goeschl, J. Schröder: "Comprehension of climate change and environmental attitudes across the lifespan", *Zeitschrift für Gerontologie und Geriatrie*, forthcoming.

## New Discussion Papers

Almira Buzaushina, Zeno Enders, and Mathias Hoffmann: *International Financial Market Integration, Asset Compositions and the Falling Exchange Rate Pass-Through*, AWI Discussion Paper Series no. 569, June 2014.

Jörg Rieger: *Financial Integration with Heterogeneous Beliefs*, AWI Discussion Paper Series no. 568, June 2014.

Zeno Enders and Hendrik Hakenes: *On the Existence and Prevention of Speculative Bubbles*, AWI Discussion Paper Series no. 567, June 2014.

Johannes Lohse, Timo Goeschl, and Johannes Diederich: *Giving is a question of time: Response times and contributions to a real world public good*, AWI Discussion Paper Series no. 566, June 2014.

**Editorial deadline for issue 19/2014 of the newsletter:  
Wednesday, July 9, 2014, 12 o'clock  
newsletter@awi.uni-heidelberg.de**

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please contact the address above.