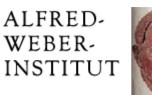
# Newsletter 19/2014





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## **AWI This Week**

Monday, 14.7.14	Departmental Seminar
17.15-18.45	Olaf Posch, Hamburg University
AWI 00.010	"Estimating Dynamic Equilibrium Models using Mixed Frequency Macro and Financial Data"
Tuesday, 15.7.14	Economics & Politics Seminar
14.15-15.45	Dany Jaimovich, Goethe University Frankfurt
AWI 02.036	"Missing links, missing markets: Evidence of the transformation process in the Economic networks of Gambian villages"
Wednesday 16 7 14	Internal Cominar
Wednesday, 16.7.14	Internal Seminar
12.15-13.15	Jonas Hedlund, University of Heidelberg
AWI 00.010	"Persuasion with Communication Costs"

## Abstracts

### Departmental Seminar

Olaf Posch

"Estimating Dynamic Equilibrium Models using Mixed Frequency Macro and Financial Data"\*

We provide a framework for inference in dynamic equilibrium models including financial market data at daily frequency, along with macro series at standard lower frequency. Our formulation of the macro-finance model in continuous-time conveniently accounts for the difference in observation frequency. We suggest the use of martingale estimating functions (MEF) to infer the structural parameters of the model directly through a non-linear optimization scheme. This method is compared to regression based methods and the general method of moments (GMM). We illustrate our approaches by estimating the AK-Vasicek model with mean-reverting interest rates. We provide Monte Carlo evidence on the small sample behavior of the estimators and report empirical estimates using 20 years of U.S. macro and financial data.

\* with Bent Jesper Christensen and Michel van der Wel

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

Dany Jaimovich

"Missing links, missing markets: Evidence of the transformation process in the economic networks of Gambian villages"

A unique dataset of social and economic networks collected in 60 rural Gambian villages is used to study the ways in which households with links outside the village (a proxy for market connections) behave in the locally available exchange networks for land, labor, input and credit. The econometric results at both household and link (dyadic) level provide evidence of: (i) substitutability between internal and external links, and (ii) substitutability between internal reciprocation and external links. These findings provide support for the transformation process of primitive economies described in a long tradition of anthropological work as well as recent theoretical models.

#### **Internal Seminar**

Jonas Hedlund

"Persuasion with Communication Costs"

This paper studies strategic transmission of verifiable information with reporting costs that continuously increase in the precision of the report. Contrary to previous literature, it is shown that the unraveling result first derived by Milgrom (1981) is relatively robust to costly reporting. A separating equilibrium exists even with arbitrarily high reporting costs. Intuitively, the costs work as a signaling device and a

combination of disclosure of information and costly signaling accomplishes full separation. With reporting costs there are multiple equilibria. A modified version of strong announcement proofness selects equilibria in which pools trade off reporting costs against less desirable induced receiver behavior. Finally, a separating equilibrium exists when the receiver has to make a costly effort in order to access the information in a report, as long as this cost is not too high.

## **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 International Conference of the Courant Research Centre Poverty, Equity, and Growth in Developing and Transition Countries and the Ibero-America Institute of Economic Research, University of Göttingen, July 2-4.

At the *World Congress of Environmental and Resource Economists* (WCERE) in Istanbul, June 28-July 2, the following papers were presented: **Johannes Diederich**: "A Re-Investigation of the Pure Group Size Effect in Providing Public Goods" (joint with Timo Goeschl and Israel Waichman); **Timo Goeschl:** "What do we learn from public good games about climate change mitigation? Evidence from an artefactual field experiment" (with Sara Elisa Kettner, Johannes Lohse and Christiane Schwieren); **Daniel Heyen**: "Free rider vs. free driver - R&D incentives for environmental technologies"; **Johannes Lohse**: "Social Information and Contribution Behavior: On the Malleability of Climate Change Mitigation Preferences" (with Timo Goeschl, Sara Elisa Kettner and Christiane Schwieren) and "Giving is a question of time: Response times and contributions to a real world public good" (with Timo Goeschl and Johannes Diederich).

At the 16th Conference on the Foundations of Utility and Risk (FUR), in Rotterdam, Netherlands, June 30-July 2, the following papers were presented: **Peter Duersch**: "Malevolent and Benevolent urns: The Ellsberg task as a game" (joint with Adam Dominiak); **Florian Kauffeldt**: "Confidence, Pessimism and their Impact on Product Differentiation in a Hotelling Model with Demand Location Uncertainty" (joint with Boris Wiesenfarth).

**Boris Wiesenfarth** presented his paper "Preventive Health-Care Measures under Ambiguity" at the 13th Annual International Conference on Health Economics, Management and Policy, Athens, Greece, June 23-26.

## **New Publications**

Axel Dreher: *The Political Economy of the United Nations Security Council. Money and Influence* (with James Vreeland), Cambridge University Press (2014).

## **Miscellaneous**

**Anna Merkel** was presented with this year's Alfred-Weber-Award for excellence in teaching by the economics students association of the Alfred-Weber-Institute for economics, University of Heidelberg.

#### Editorial deadline for issue 20/2014 of the newsletter: Wednesday, July 16 , 2014, 12 o'clock newsletter@awi.uni-heidelberg.de

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