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AWI This Week

Monday, 28.4.14

Departmental Seminar

17.15-18.45

Benjamin Born, University of Mannheim

AWI 00.010

"Does Austerity Pay Off?"

Wednesday, 30.4.14

Internal Seminar

12.15-13.15

Ekkehard Köhler, Walter Eucken Institut, Freiburg

AWI 00.010

"German States Expenditures and Revenues in a
Multivariate and Panel Cointegration Analysis"

Departmental Seminar

Benjamin Born

"Does Austerity Pay Off?"*

Austerity measures are frequently enacted when the sustainability of public finances is in doubt. Such doubts tend to emerge simultaneously with sizeable sovereign yield spreads. Rising yield spreads, in turn, put further strain on government finances. Is austerity successful in restoring market confidence, bringing about a reduction in yield spreads? We take up this question using a new panel data set which contains sovereign yield spreads for 26 emerging and advanced economies. Using panel vector autoregressions we estimate the effects of temporary and permanent cuts in government consumption on yield spreads. We find that temporary austerity measures induce a short-term rise in yield spreads, while permanent austerity measures lower yield spreads.

*with Gernot Müller and Johannes Pfeifer)

Internal Seminar

Ekkehard Köhler

"German States Expenditures and Revenues in a Multivariate and Panel Cointegration Analysis"

This paper contributes new evidence to the empirical literature on the sustainability of public finances in the states of the Federal Republic of Germany with the following key features. First, it applies an unprecedented fiscal database from 1950 until 2011 for the Western states and from 1991 to 2011 for the Eastern states, respectively. Second, it offers a multi-level empirical test procedure that allows comparing evidence from time series analysis with second generation panel time series analysis. Third, it demonstrates an identification strategy for the selection of sub-panels to improve the explanatory power of panel cointegration tests for the analysis of fiscal sustainability.

Talks and Research Visits

Christian Conrad organized the invited session "Modeling Macroeconomic Uncertainty" and presented the paper "Measuring Persistence in Volatility Spillovers" (joint with Enzo Weber) at the *22nd Annual Symposium of the Society for Nonlinear Dynamics and Econometrics*, New York, April 17-18.

Matthias Hartmann presented the papers "Inflation uncertainty and monetary policy in the Eurozone - Evidence from the ECB survey of professional forecasters" (with Alexander Glas) at the *SUNY Albany*, New York, April 7 and "Cross sectional evidence on the relation between monetary policy, macroeconomic conditions and low-frequency inflation uncertainty" (with Christian Conrad) at the *Society for Nonlinear Dynamics and Econometrics 22nd Annual Symposium*, Baruch College, CUNY, New York, April 17.

Jürgen Eichberger presented the paper: "How do subjects view multiple sources of ambiguity?" (co-authored with Jörg Oechssler and Wendelin Schnedler), University of Exeter, April 4. For research, he stayed at the universities of Glasgow and Exeter from March 28 to April 5.

Christian Conrad presented the paper "Anticipating Long-Term Stock Market Volatility" (joint with Karin Loch) in the SEMINAIRE ECONOMETRIE DE LA FINANCE ET DE L'ASSURANCE at CREST, Paris, March 27.

New Publications

Jonas Dovern, Martin F. Quaas and Wielfried Rickels: *A Comprehensive Wealth Index for Cities in Germany* has been published in *Ecological Indicators*, 41, 79-86.

Christian Conrad, Karin Loch, and Daniel Rittler (2014): *On the macroeconomic determinants of long-term volatilities and correlations in U.S. stock and crude oil markets*, *Journal of Empirical Finance*, forthcoming.

Jonas Dovern, Ulrich Fritsche, Prakash Loungani and Natalia Tamirisa: *Information Rigidities: Comparing Average and Individual Forecasts for a Large International Panel*, *International Journal of Forecasting*, forthcoming.

Jonas Dovern and Björn van Roye: *International Transmission and Business-Cycle Effects of Financial Stress* was accepted for publication in the *Journal of Financial Stability*, forthcoming.

**Editorial deadline for issue 9/2014 of the newsletter:
Wednesday, April 30, 2014, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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