

Activity Report September 1, 2013 – August 31, 2014



Chair of Macroeconomics and International Economics

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1 Preface



During the academic year 2013-2014, the team of the Chair of Macroeconomics and International Economics together with the assistant professorship in International Economics and the Center for EUropean Studies (CEUS) were again involved in all program areas of WHU. In addition to this, the team worked on significant research projects in a number of different topics in international economics, assisted in different ways academic and political institutions, and served in several leadership roles at WHU.

Regarding teaching, the team taught courses or modules in both the undergraduate and the graduate program offerings of WHU. Teaching continued to receive very good student evaluations. In addition, seminars and workshops were conducted in which specific questions of macroeconomics and international economics were examined. All of these curriculum components were received with great interest. As in previous years, a group of students of the Bachelor of Science program had the opportunity to participate in the National Model of United Nations (NMUN) in which they this time presented Chile in the discussions at the New York head office of the UN. The team also supervised a number of Master theses during the academic year of this report.

Regarding research activities, there was again a strong focus on studying the expectation formation process in international financial markets by examining forecasts for various economic variables and the implied economic relationships. This led to several publications in international peer reviewed journals during the academic year. The members of the team also participated in a number of conferences and presented research papers in various research seminars. The Center for EUropean Studies (CEUS) organized a workshop on “Challenges of European Monetary Union at the Age of 15”.

Other activities included contributing to the leadership of the WHU, serving on editorial boards and refereeing manuscripts for several academic journals. Together with Professor Fendel the team remains the academic liaison for Germany of the World Economic Forum for the management survey in the context of generating the Global Competitiveness Report.

2 The Team



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3 Teaching



The Chair organizes courses in the various degree and non-degree programs of WHU that look at the macroeconomic and the international economic environment. Degree programs of the WHU in which courses are offered by the team comprise the Bachelor of Science program, the Master of Science program, the MBA program, the Part-time MBA program, the Executive MBA program and the doctoral program. In addition, the Chair and the Center for European Studies were involved in the special university programs. The Chair also coordinates the program of the core courses in economics, mathematics and statistics in the Bachelor of Science program. The courses are partly delivered by adjunct faculty members from other universities.

3.1 Courses, Fall Term 2013

Bachelor of Science

Principles of the Market Economy

Professor Ralf Fendel, Professor Michael Frenkel

The course introduced participants to principles of economics and demonstrated the basic functioning of a market economy. It also discussed the role of the public sector in market economies. The material covered both microeconomic and macroeconomic topics.

2 SWS – 3.0 ECTS – 1st Semester

Mathematics II: Linear Algebra

Assistant Professor Jan-Christoph Rülke

The course covered mathematical methods required for economic analysis. Additionally, the course provided an overview of functions of several variables, the implicit function theorem (The Swiss Army-Knife of Comparative Statics), convex sets, concave and quasi-concave functions, unconstrained and constrained optimization. Moreover, equality and inequality constraints were discussed as well as matrix algebra, linear equation systems and their solution. Throughout the course applications from microeconomics, macroeconomics and international economics were emphasized.

2 SWS – 3.0 ECTS – 1st Semester

National Model United Nations

Professor Michael Frenkel, Matthias Mauch

The aim of the course was to prepare a group of students for the conference National Model United Nations (NMUN). The conference took place in spring 2014 and the group actively participated in this conference. The idea of NMUN was to simulate the process of diplomatic decision making in the different committees of the United Nations. During the conference the student group represented Chile. The course highlighted the history and structure of the UN as well as the historic and economic background of the represented country. Furthermore, basics of diplomatic behavior in disputes were trained.

2 SWS – 3.0 ECTS – 5th Semester

Macroeconomics I: Production, Income Accounting, and Business Fluctuations

Professor Lilli Zimmermann

The course covered national accounting, the goods market, the financial market and the IS/LM model. Macroeconomic concepts were explained and economic policy issues were discussed.

2 SWS – 3.0 ECTS – 3rd Semester

Master of Science

Exchange Rates and International Finance

Professor Michael Frenkel, Assistant Professor Jan-Christoph Rülke

The course introduced concepts used to analyze finance aspects in the world economy. It examined how economic linkages between countries affect domestic economic developments and studies, in particular the role of the exchange rate and the relationship between exchange rates, inflation, and interest rates.

2.5 SWS – 5.0 ECTS – 1st Semester

Doctoral Studies

Literature Seminar: Recent Developments in International Economics

Professor Michael Frenkel

The course discussed several recent publications in international economics.

2 SWS – 3.0 ECTS

Part-Time Master of Business Administration

The World Economy

Professor Michael Frenkel

This course examined crucial aspects of international economics that are relevant for firms involved in international business. The global business environment involves trade, international investment and foreign exchange operations. The topics covered in this course explored how economic linkages between countries affect the optimal decision of firms and how they affect domestic economic developments. The course also discussed – as a special feature – the European integration process where the focus is on trade integration and the monetary unification process.

3.2 Courses, Spring Term 2014

Master of Business Administration

The World Economy

Professor Michael Frenkel

This course introduced students to important economic aspects that are relevant for firms involved in international business. It also discussed special features of the European integration process. The examination of the global business environment focuses on international trade, foreign direct investment and foreign exchange operations. The discussions of concepts were complemented by cases that aim at illustrating how economic linkages between countries affect the decision of firms.

Executive Master of Business Administration

The Business Environment in Europe

Professor Michael Frenkel

This part of the European module presented the main aspects of trade integration and monetary unification that are relevant for firms involved in international transactions with Europe. It emphasized that international business needs to understand the implications of regional integration issues if it aims at making optimal decisions by avoiding crucial mistakes. The insights were relevant not only for Europe, but also for other regions in the world where economic integration has also become a significant policy issue. The discussions also looked at the crisis in the euro area, the crisis management policies, the progress made so far.

Special University Programs

European Bachelor Summer Institute

Trade Integration in Europe and the European Union

Professor Michael Frenkel

The course aimed at introducing students to some stylized facts about European Union the integration process in Europe, the rationale of general trade liberalization and of regional integration and the rationale of the SEM.

European MBA Summer Institute I and II

European Economic Integration: Trade and Monetary Integration in Europe

Professor Michael Frenkel

The course introduced students to business-relevant stylized facts of European countries, to the role of European countries in the global economy, and to the background of European integration. In addition, the discussion of the content and consequences of the Single European Market (SEM) and the process of European monetary integration provided an understanding of the content and implications for international business.

European Module of the Tepper School of Business MBA-Program

European Economic Integration: Trade and Monetary Integration in Europe

Professor Michael Frenkel

The course introduced students to business-relevant stylized facts of European countries, to the role of European countries in the global economy, and to the background of European integration. In addition, the discussion of the content and consequences of the Single European Market (SEM) and the process of European monetary integration provided an understanding of the content and implications for international business. Participants were introduced to the functioning of the European Monetary Union and the recent developments in the euro area.

European Module of the Undergraduate Program, Stephen M. Ross School of Business at University of Michigan

European Economic Integration: Trade and Monetary Integration in Europe

Professor Michael Frenkel

The course aimed at introducing students to business-relevant stylized facts of European countries, to the role of European countries in the global economy, and to the background of European integration. In addition, the discussion of the content and consequences of the Single European Market (SEM) and the process of European monetary integration provided an understanding of the content and implications for international business.

EMBA Visit

Arizona State University

The Financial Crisis and the Euro Crisis from a Macroeconomic Point of View

Professor Michael Frenkel

The course introduced students to some stylized facts about Europe, the Euro crisis and its rescue programs and Germany's economic success. Students learned about the business implications of the Single European Market, the meaning of a common currency for different sovereign countries and the implications for firms operation in the monetary union and the policy strategy of the European Central Bank.

Executive Education

General Management Plus Program

The World Economy

Professor Michael Frenkel

This course introduced students to important economic aspects that are relevant for firms involved in international business. It also discussed special features of the European integration process. The examination of the global business environment focused on international trade, foreign direct investment and foreign exchange operations. The discussions aimed at illustrating how economic linkages between countries affect the decision of firms. The course gave a brief overview of international transactions and the factor driving these transactions. Special attention was given to international trade flows, foreign direct investment and the functioning of the foreign exchange market

3.3 Dissertation Defense

3.3.1 Fiscal Rules, Fiscal Dynamics and Fiscal Policy by Yiqiao Sun

While monetary policy was considered to play the primary role in stabilizing the economy before the crises, fiscal policy has been put at the forefront of the debates among economists and policymakers during and after the crises. Making use of a unique and up-to-date dataset provided by the IMF, this thesis tasks to reveal policy implications for the introduction of fiscal rules with regard to the timing, type and design, of which a sound understanding is an essential basis for developing the "next-generation" fiscal rules. A first assessment of the effectiveness of existing rules will imply verifying whether central governments comply with fiscal rules. Specific to rules-adopting countries, fiscal bias can be defined as the difference between the numerical rule and the realized value of the targeted fiscal variable. Assuming that countries which systematically fail to hit the fiscal rule targets might base their fiscal policy decisions on different incentives and strategies, the investigation leads to GMM-estimating the loss function based on fiscal dynamics and to uncovering whether over- or underperformance relative to the fiscal rule is perceived differently across countries. Revealed government preferences may indicate whether in effect the formally imposed and a theoretically derived optimal rule might be in place.

3.4 Master Theses

3.4.1 The Effectiveness of Fiscal Rules by Julien Escande

This paper looks into the effectiveness of fiscal policy rules within a sample 87 countries. More specifically, the focus is set on budget balance rules. The effectiveness of budget balance rules is tested with respect to actual budgetary outcomes and with respect to the rules. Stationary tests on fiscal gap time series are used for this purpose. Compliance with fiscal rules enforced by rules-setting is expected to be displayed by stationary of fiscal gaps. In this context, further issues such as budgetary processes, fiscal transparency and institutions are also considered.

3.4.2 When Is Ricardian Equivalence Valid? by Maximilian Roedder

This thesis tested the Ricardian equivalence proposition empirically for Germany and France based on quarterly data from 1991q1 to 2013q3 employing an autoregressive distributed lag model in error correction form. Therefore, this thesis contributes to existing research by using recent data and by clearly focusing the econometric analysis on Germany and France. This focus allowed for the individual customization of the model lag structure for the two countries which led to superior model fits. The results indicate that significant partial private/public saving offsets existed in both countries. While the estimated private/public saving offset for Germany was 31.4% in the short term and 51.4% in the long term, it was 83.5% for France in the short term while the long term estimate was insignificant. Thus, this thesis concludes for France that government financing decisions only had a very limited potential to stimulate aggregate demand since they were almost fully mitigated by the private sector within one quarter. In addition, the results for Germany lead to the conclusion that German households exhibited significant Ricardian behavior as well although the partial private/public saving offset took longer to materialize fully. This left room for fiscal policy to stimulate aggregate demand in Germany, specifically in the short term.

3.4.3 Why Do Nations Fail? by Katharina Wagner

The goal of this thesis is an improved understanding of the dynamics of growth and economic progress. To this end, this thesis examines various scientific theories about economic development, focusing on the most recent strand of work, which stresses the importance of the institutional environment. Since a large amount of additional data has become available over the last few years, the explanatory power of the different development theories are also tested empirically, on the basis of a dataset from 2010.

3.5 Research Seminar in Economics



3.5.1 Fall Semester 2013

- **Oliver Guertler** (University of Cologne)
“The Optimality of Heterogeneous Tournaments”
- **Christian Seel** (University of Maastricht)
“The Value of Information in Asymmetric All-Pay Auctions”
- **Dennis Gaertner** (University of Bonn)
“Corporate Leniency in a Dynamic World: The Preemptive Push of an Uncertain Future”

3.5.2 Spring Semester 2014

- **Andreas Niedermayer** (University of Mannheim)
“Foreclosure Auctions, Two-Sided Private Information, and Securitization”
- **Sebastian von Engelhardt** (Friedrich Schiller University Jena)
“Market Power in Internet Search Markets: The Google Case”
- **Armin Schmutzler** (University of Zurich)
“Incomplete Information and Honesty in Relational Contracts”
- **Tobias Wenzel** (Düsseldorf Institute for Competition Economics, Heinrich Heine University)
“Shrouding Add-On Information: An Experimental Study”
- **Thomas S. Lontzek** (University of Zurich)
“The Cost of Delaying Stochastic and Abrupt Climate Change”
- **Heike Karle** (ETH Zurich)
“Loss Aversion and Consumption Choice: Theory and Experimental Evidence”
- **Simon Cowan** (University of Oxford)
“Welfare-Increasing Third-Degree Price Discrimination”
- **Eberhard Feess** (Frankfurt School of Finance)
“Risk, Probability Weighting and Gender in Betting Markets”

3.6 National Model United Nations – NMUN



In April 2014, 19 WHU students travelled to New York to take part in the NMUN NY 2014 conference and represented Chile, an interesting, but also challenging task. National Model United Nations (NMUN) is a realistic simulation of processes, functioning and decision-making at the United Nations. The fundamental idea is to give students the opportunity to get to know the internal structures of the United Nations better and experience first-hand how politics is conducted on the world stage. NMUN – this means 4000 students from the whole world with different moral concepts, ideals, backgrounds and ways of life who slip in the role of an unfamiliar country for them. Since October 2013 participating students prepared the five day lasting conference in New York. By conducting research, presentations and discussions the students created a knowledge base concerning tasks, challenges, structure and function of the UN.

This year the students from WHU represented the political voice of Chile in the General Assemblies of NMUN, but also contributed to committees on other important international issues such as the proclamation of gender equality, international crime prevention and criminal justice and nuclear safety. To deepen the knowledge gained throughout the course and to improve the preparation for New York in form of hands-on experience, the team also took part in the MainMUN conference held in Frankfurt in February 2014. Additionally the students got hands on advice from diplomats at the Permanent Missions of Germany and Chile during their stay in New York.

NMUN is part of the Studium Generale program for Bachelor students and is offered by the Chair of Macroeconomics and International Economics.



4 Research Activities: Publications, Cooperation and Presentations



In its research activities the Chair analyzes theoretical and empirical aspects of macroeconomics and international economics with relevance to economic policy. During the period covered by this report, the research activities resulted in a number of publications in books and academic journals.

4.1 Publications in Refereed Journals

Bleich, D., Fendel, R. and Rülke, J.-C. 2013. Monetary Policy and Asset Price Volatility. *Economics Bulletin*, Vol. 33 (3), pp. 1669-1680.

Fendel, R. and Rülke, J.-C. 2013. Expectations and the Quantity Equation – Evidence from Eastern European Countries. *Applied Economics*, Vol. 46 (3), pp. 329-335.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. 2013. Forecasting Changes in House Prices under Asymmetric Loss: Evidence from the WSJ Forecast Poll. *Credit and Capital Markets*, Vol. 46 (4), pp. 499-525.

Pierdzioch, C. and Rülke, J.-C. 2013. A Note on the Anti-Herding Instinct of Interest-Rate Forecasters. *Empirical Economics*, Vol. 45 (2), pp. 665-673.

Pierdzioch, C. and Rülke, J.-C. 2013. A Note on Forecasting the Rate of Change of the Price of Oil: Asymmetric Loss and Forecast Rationality. *Economies*, Vol. 1 (1), pp. 6-13.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. 2013. House Price Forecasts, Forecaster Herding, and the Recent Crisis. *International Journal of Financial Studies*, Vol. 1, pp. 16-29.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. 2013. On the Internal Consistency of the Term-Structure of Forecasts of Housing Starts. *Applied Economics Letters*, Vol. 20 (9), pp. 847-851.

4.2 Articles Accepted for Publication in Refereed Journals

Fritsche, U., Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. A Note on Forecasting the Euro: Do Forecasters Have an Asymmetric Loss Function? Forthcoming ***International Economic Journal***.

Fritsche, U., Pierdzioch, C. and Rülke, J.-C. Forecasting the Brazilian Real and the Mexican Peso: Asymmetric Loss, Forecast Rationality, and Forecaster Herding. Forthcoming ***International Journal of Forecasting***.

Pierdzioch, C., Tillmann, P. and Rülke, J.-C. Using Forecasts to Uncover the Loss Function of FOMC Members. Forthcoming ***Macroeconomic Dynamics***.

Pierdzioch, C. and Rülke, J.-C. Central Banks' Interest Rate Projections and Forecast Coordination. Forthcoming ***North American Journal of Economics and Finance***.

Pierdzioch, C. and Rülke, J.-C. Do Inflation Targets Anchor Inflation Expectations? Forthcoming ***Economic Modelling***.

Pierdzioch, C. and Rülke, J.-C. Interest-Rate Forecasters Herd? International Evidence. Forthcoming ***Applied Economics Letters***.

Pierdzioch, C. and Rülke, J.-C. On the Internal Consistency of Stock Market Forecasts. Forthcoming ***Journal of Behavioral Finance***.

Pierdzioch, C. and Rülke, J.-C. Housing Starts, Forecaster Herding, and the Livingston Survey. Forthcoming ***International Journal of Economics and Finance***.

4.3 Participation in Summer Schools

Sun, Y. April 2014. ***Advanced Time Series Methods***. Budapest School Central Bank Studies, Budapest, Hungary.

Sun, Y. July 2014. ***Macroeconomic Times Series Methods***. Barcelona Graduate School of Economics, Barcelona, Spain.

Sun, Y. July/August 2014. ***Macroeconometrics***. University of Salento, Lecce, Italy.

4.4 Research Cooperation and External Activities

Frenkel, M. October 2013. EQUIS Peer Review Team Visit, University of South Australia – UniSA Business School, Adelaide, Australia.

Frenkel, M. October 2013. Meeting of the EQUIS Committee, EFMD, Brussels, Belgium.

Frenkel, M. February 2014. EQUIS Peer Review Team Visit, Keio University – Keio Business School, Tokyo, Japan.

Frenkel, M. June 2014. Meeting of the EQUIS Awarding Body, EFMD, Brussels, Belgium.

Mauch, M. June 2014. Research Internship with the European Central Bank, Frankfurt.

Sun, Y. July 2014. Workshop “Fiscal Policy and Macroeconomic Performance”. Deutsche Bundesbank and Kiel Institute for World Economy, Frankfurt.

4.5 Referee and Editorial Activities

Michael Frenkel serves on the editorial board of the following journals:

- Global Finance Journal,
- International Journal of Business,
- Jahrbücher für Nationalökonomie und Statistik.

Furthermore, Michael Frenkel is editor of the series “Studien zu Internationalen Wirtschaftsbeziehungen” published by P. Lang Publisher.

Jan-Christoph Rülke acted as reviewer for the following journals:

- Applied Economics,
- Economics Bulletin,
- Emerging Market Review,
- Emerging Markets Finance and Trade,
- International Economics and Economic Policy,
- International Journal of Forecasting,
- Jahrbücher für Nationalökonomie und Statistik,
- Journal of International Money and Finance,

- Journal of Macroeconomics,
- Journal of Money Credit and Banking,
- Managerial Finance,
- Review of International Economics,
- Structural Change and Economic Dynamic.

4.6 Presentations in Research Seminars

Rülke, J.-C. September 2013. "Government's Budget Balance Forecasts under Asymmetric Loss". Central Bank Communication Conference, Waterloo.

Rülke, J.-C. September 2013. "Government's Budget Balance Forecasts under Asymmetric Loss". Verein für Socialpolitik, Düsseldorf.

Sun, Y. February 2014. "On the Loss of Deviations from Fiscal Rules: What Does Fiscal Gap Tell Us?". 16th Göttinger Workshop – Internationale Wirtschaftsbeziehungen, Centrum für Europa-, Governance- und Entwicklungsforschung der Universität Göttingen und LMU München, Göttingen.

Rülke, J.-C. February 2014. "Government's Budget Balance Forecasts under Asymmetric Loss". Institut für Weltwirtschaft, Kiel.

Rülke, J.-C. February 2014. "Government's Budget Balance Forecasts under Asymmetric Loss". 16th Göttinger Workshop – Internationale Wirtschaftsbeziehungen, Centrum für Europa-, Governance- und Entwicklungsforschung der Universität Göttingen und LMU München, Göttingen.

4.7 Other Presentations

Frenkel, M. October 2013. "War der Euro ein Fehler?" („Was the Euro a Mistake?"). Dinner Speech InPraxi, Düsseldorf.

Frenkel, M. March 2014. "What Is Likely to Affect the World Economy during the Next 5 Years?". 21st Annual Global Conference hosted by the American University of Sharjah, Dubai, United Arab Emirates.

Frenkel, M. May 2014. "Internationale Währungen" („International Currencies"). Bischöfliches Cusanus-Gymnasium, Koblenz.

4.8 Conferences

Frenkel, M. January 2014. Participation: “The End of Double-Digit Growth – Implications for Economic Sustainability in Asia”. Konrad-Adenauer-Stiftung in cooperation with Chulalongkorn University, Bangkok, Thailand.

Frenkel, M. February 2014. Participation: “EFMD Conference for Deans & Directors General”. School of Business, Economics and Law at the University of Gothenburg, Gothenburg, Sweden.

Frenkel, M. March 2014. Discussant to Holger Wolf (Georgetown University, Washington): “Weathering the Euro Crisis Outside the Euro-Zone – The Role of the Exchange Rate Regime“. International Conference of the bdrv Research Institute, Düsseldorf, in cooperation with the EIIW/University of Wuppertal.

5 Contributions to the Leadership of the WHU



Professor Michael Frenkel serves in different functions contributing to the leadership of the WHU – Otto Beisheim School of Management. He

- is Dean of the WHU – Otto Beisheim School of Management and, in this role, chairs a number of committees and represents WHU in several national and international institutions;
- serves as Director of the Center for European Studies, Director International Relations, Director Special University Programs and Member of several Appointment Committees of the WHU – Otto Beisheim School of Management;
- participates in the Board of Directors of the gGmbH of the Bucerius/WHU-Program “Master of Law and Business” and in the Advisory Board of the gGmbH of the Bucerius/WHU-Program “Master of Law and Business”;
- chairs the WHU Alumni Board.

6 Connections to the Business Community and to Institutions



During the period covered by this report, several activities with cooperations and institutions were continued. Eight activities were of particular importance:

- **Association for the Support of Research on Development Economics**

The cooperation with the association includes the organizing of an annual seminar that brings together academics and practitioners in order to discuss recent developments in development economics. The seminar was held in Montabaur in January 2014. The presented papers and the discussions focused on recent issues of economic development.

- **Kreditanstalt für Wiederaufbau (KfW)**

The Chair of Macroeconomics and International Economics continued its close cooperation with KfW, the German development bank. This cooperation comprised e.g. advising the KfW on future activities of economic studies.



- **World Economic Forum (WEF), Geneva, Switzerland**

The cooperation between Professor Michael Frenkel and the WEF began in 2002 and has focused on supporting the WEF in its work on the annually published World Competitiveness Report. This report currently ranks about 85 countries with respect to their current and their growth competitiveness. It is based on officially published data and the results of a survey among business leaders. The chair provides input into collecting data and conducting the survey among German businesses. This cooperation has also led to several publications on the methodology of the World Competitiveness Report, on the performance of Germany compared to other industrial countries, and on the changes in competitiveness of individual European countries.



- **European Quality Improvement System (EQUIS)**

Professor Michael Frenkel is a member of the EQUIS Committee of the efmd ("European Foundation of Management Development") for the EQUIS quality label for business schools. He participates on a regular basis in Peer Review Visits in the context of the EQUIS accreditation process. In addition, he is a member of the Deans Steering Committee which prepares the annual Deans and Directors General Meeting of the efmd.



- **Ausschuss für Außenwirtschaftstheorie und –politik**

Michael Frenkel is member of the “Ausschuss für Außenwirtschaftstheorie und –politik“. This committee represents a high-profile group of academics in international economics and discusses most recent research developments in the area of international economics during its annual meeting.



- **Erweiterter Vorstand des Vereins für Socialpolitik**

Professor Michael Frenkel served as board member of the “Verein für Socialpolitik“. The members met in 2013 and 2014 and discussed economic policy as well as academic related issues. The board members also organize the next annual meetings of the “Verein für Socialpolitik“.

- **Academic Advisory Board of the Federal Ministry of Economic Cooperation and Development**

Professor Michael Frenkel continues to serve as a member of this advisory board. During the meetings of the advisory board, topics with a clear relevance to the work of the ministry are discussed. The advisory board prepares studies the staff of the ministry can draw on. In a number of cases, these studies are based on specific requests of the staff.

- **Freie Theologische Hochschule Gießen**

Professor Michael Frenkel is a member of the Academic Board (“Hochschulrat“) of the “Freie Theologische Hochschule“ in Gießen, Germany.

7 Sustainability



Sustainability is typically at the core of long-term economic considerations. However, it is well known that in economic policy the political economy affects government decisions more than long-term considerations. Hence, economic courses also during the academic year 2013-2014 discuss the long-term effects of economic policy decisions, the sustainability dimension and reasons why such decisions may be in contrast to sustainability requirements.

Sustainability questions are also an important element in the analyses that enter the Global Competitiveness Report of the World Economic Forum with which the team cooperates. The Report examines various dimensions of economic policies and, as one crucial issue, focuses on whether or not the policy stance of the countries included in the sample is consistent with requirements of the long run.

8 Center for European Studies (CEUS)



CEUS Workshop 2014

The Center for European Studies (CEUS), under the leadership of Professor Michael Frenkel, organized its 9th annual workshop on May 22 and 23, 2014. Participants from various universities and national central banks gathered at WHU to present and discuss the results of their research. This year's workshop was entitled "Challenges of European Monetary Union at the Age of 15".

This year's CEUS Workshop more than lived up to expectations of the participants. It not only gave academics from around Europe the chance to present current research, but also to network and thereby to engage in an informal exchange of ideas.

The following papers were presented and discussed during the workshop:

- Bernd Hayo (Philipps-University Marburg), **Matthias Neuenkirch** (University of Trier)
"Central Bank Communication in the Financial Crisis: Evidence from a Survey of Financial Market Participants"
- Bernd Hayo (Philipps-University Marburg), **Edith Neuenkirch** (Philipps-University Marburg)
"The German Public and Its Trust in the ECB: The Role of Knowledge and Information Search"
- **Adalbert Winkler** (Frankfurt School of Finance and Management)
"The Lender of Last Resort in Court"
- Mariarosaria Comunale (University of Rome Tor Vergata), **Jeroen Hessel** (De Nederlandsche Bank)
"Current Account Imbalances in the Euro Area: Competitiveness or Financial Cycle?"
- Anna Samarina (University of Groningen), **Dirk Bezemer** (University of Groningen)
"Capital Inflows and Credit Allocation"
- **Maria Gelman** (Christian-Albrechts-University Kiel), Stefan Reitz (Christian-Albrechts-University Kiel)
"International Portfolio Diversification: The Role of Third-Country Effects"

- **Ayako Saiki** (De Nederlandsche Bank), Sunghyun Henry Kim (Sungkyunkwan University and Suffolk University)
“Business Cycle Synchronization and Vertical Trade Integration: A Case Study of the Eurozone and East Asia“
- Michiel Bijlsma (CPB Netherlands Bureau for Economic Policy Analysis and Tilburg University), **Jasper Lukkezen** (CPB Netherlands Bureau for Economic Policy Analysis and Utrecht University), Kristina Marinova (CPB Netherlands Bureau for Economic Policy Analysis)
“Measuring Too-Big-To-Fail Funding Advantages from Small Banks’ CDS Spreads“
- **Monika Šestáková** (City University Bratislava)
“The Impact of Euro Adoption on the Slovak Economy“
- **Margarita Rubio** (University of Nottingham)
“Macroprudential Policy Implementation in a Heterogeneous Monetary Union“
- **Jean-Bernard Chatelain** (Paris School of Economics, University Paris I Panthéon Sorbonne), Kirsten Ralf (ESCE International Business School)
“Stability and Identification with Optimal Macroprudential Policy Rules“
- **Giulia Rivolta** (University of Milan)
“The Conduct of Monetary Policy in the Euro Area: Evidence from Time-Varying Parameters Reaction Functions“
- **Fabio Verona** (Bank of Finland), Inês Drumond (Banco de Portugal), Manuel M. F. Martins (University of Porto)
“Financial Shocks and Optimal Monetary Policy Rules“

