

## Activity Report September 1, 2012 – August 31, 2013



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## 1 Preface



During the academic year 2012-2013, the team of the Chair of Macroeconomics and International Economics together with the Assistant Professor in International Economics and the Center for EUROpean Studies (CEUS) were again significantly involved in all areas of activity of the WHU – Otto Beisheim School of Management. This comprised contributing to all degree programs of WHU, working on a number of research projects, notably in the area of international economics, and serving in several leadership roles at WHU. There were also a number of activities outside the WHU, in which the team members participated.

Regarding teaching, the two professors and their teams participated in both the undergraduate and the graduate program offerings of WHU. The courses continued to receive very good student evaluations. 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, in 2013, they represented Colombia in the discussions at the New York head office of the UN. Teaching activities also included the supervision of a number of Bachelor and Master theses during the academic year 2012-2013.

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 a number of publications or accepted manuscripts for publication in international peer reviewed journals. The Center for EUROpean Studies (CEUS) organized a workshop on “The Future of Economic Policies in Europe” with Johannes Lindner (European Central Bank) giving the key note address on “Managing Turbulent Times: Towards a Stronger EMU”.

Other activities included contributing to the leadership of the WHU, serving on editorial boards of 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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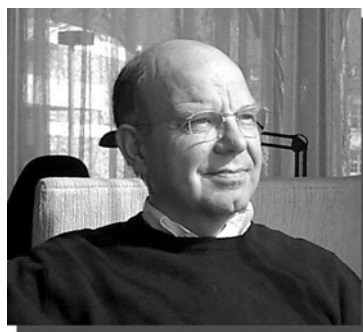
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## 3 Teaching



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 2012

#### 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

**Statistics I: Descriptive Statistics and Economic Data Analysis**  
Professor Peter M. Schulze

The course provided a survey of the most important instruments and procedures for economists in descriptive statistics with illustration by example.

2 SWS – 3.0 ECTS – 1st Semester

**National Model United Nations**  
Professor Michael Frenkel, Andreas Tudyka

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 2013 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 Colombia. 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 – 3rd Semester

**Literature Seminar in Economics: Recent Developments in Labor Economics and Social Welfare Systems**  
Professor Michael Frenkel

Students studied different topics with regard to recent developments in labor market regulations and social welfare systems by preparing seminar theses in small groups rounding it up by a presentation of their assigned topic and research results. Thereby, students learned how to conduct academic research and acquired academic writing skills.

2 SWS – 3.0 ECTS – 3rd Semester

**European Economic Integration**  
Matthias Mauch, Christina Strobach

The course covered the main economic aspects and the current developments of the European Union. The topics of the course were related to the creation of the Single European Market, the European Monetary Union, and the common policies of the European Union. The focus was on the discussion of the rationale, the content, and the implications of various policies in the context of European integration. In each lecture, the course aimed to point out the advantages and disadvantages of these measures for governments, the business sector, and individuals.

2 SWS – 3.0 ECTS – 5th Semester

## Master of Science

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### 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 SWS – 4.0 ECTS – 1st Semester

### Seminar on Globalization

Professor Michael Frenkel, Assistant Professor Jan-Christoph Rülke

The seminar covered recent developments in international monetary economics. Different topics have been presented such as exchange rate models, the role of expectations in macroeconomic modeling and the analysis of commodity markets. The students turned in a seminar thesis and presented their results.

2 SWS – 4.0 ECTS – 1st Semester

## Doctoral Studies

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### 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

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### The World Economy

Professor Michael Frenkel

This course introduced the main international aspects that are relevant for firms involved in international business transactions and discussed special features of the European integration process. The global business environment involves trade, international investment and foreign exchange operations. The topics covered in the course explored how economic linkages between countries affect the optimal decision of firms and how they affect domestic economic developments. European aspects focused on trade integration and the monetary unification process in Europe.

## 3.2 Courses, Spring Term 2013

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### Bachelor of Science

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#### Statistics II: Foundations of Econometrics

Professor Peter Schulze

The course surveyed the most important instruments in inductive statistics and procedures in econometric analysis. The course taught students the basic methods of inductive statistics and introduced the students to econometric analysis to examine and quantify economic phenomena.

2 SWS – 3.0 ECTS – 2nd Semester

#### European Economic Integration

Matthias Mauch, Christina Strobach

The course covered the main economic aspects and the current developments of the European Union. The topics of the course were related to the creation of the Single European Market, the European Monetary Union, and the common policies of the European Union. The focus was on the discussion of the rationale, the content, and the implications of various policies in the context of European integration. In each lecture, the course aimed to point out the advantages and disadvantages of these measures for governments, the business sector, and individuals.

2 SWS – 3.0 ECTS – 4th Semester

### Master of Business Administration

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#### 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 of concepts were complemented by cases that aimed at illustrating how economic linkages between countries affect the decision of firms.

### Executive Master of Business Administration

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#### The Business Environment in Europe

Professor Michael Frenkel

This part of the European module of the EMBA-Program introduced 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 integration issues if it aims at making optimal decisions and avoiding crucial mistakes. The insights were relevant not only for Europe, but also for other regions in the world where economic integration has become a significant policy issue. Students also discussed the crisis in the euro area and alternative scenarios of crisis solution.



## Special University Programs

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International Module of the EMBA-Program, Melbourne Business School

*European Economic Integration: Trade and Monetary Integration in Europe*

Professor Michael Frenkel

The course introduced students to some stylized facts about the European Union, the integration process in Europe, the rationale of general trade liberalization and of regional integration and the rationale of monetary integration. Students learned to understand the business implications of the Single European Market and to comprehend the meaning of a common currency for different sovereign countries and the implications for firms operating in the monetary union. Furthermore, the course introduced students to the policy and strategy of the European Central Bank and the implications of the European integration process for the world economy.

European Bachelor Summer Institute

*Trade Integration in Europe and the European Union / Emerging Markets in Europe: Central and Eastern Europe*

Professor Michael Frenkel

The course introduced students to some stylized facts about the European Union, the integration process in Europe, the rationale of general trade liberalization and of regional integration and the rationale of the SEM. Furthermore, the course focused on the monetary integration in Europe, the functioning of the European Monetary Union, the role of national central banks, the role of the euro in the world and current economic developments in the euro area. Students learned about the business environment in Central and Eastern Europe, motives and types of investments in Central and Eastern Europe, the impact of the crisis on doing business in the region and the rationale of monetary unification.

European MBA Summer Institute I and II

*The Economic and Political Environment of Business 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. Furthermore, the course aimed at introducing participants to the functioning of the European Monetary Union and the recent developments in the euro area.

European Module of the Tepper School of Business MBA-Program  
*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. Participants were introduced to the functioning of the European Monetary Union and the recent developments in the euro area. Participants were introduced to the developments of the financial markets, the banking system and to recent economic developments in the Czech Republic. Moreover, participants learned about the business environment in the Czech Republic.

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. Furthermore, the course introduced participants to the functioning of the European Monetary Union and the recent developments in the euro area.

European Management Study Program, Robert H. Smith School of Business, University of Maryland  
*Doing Business in the Euro Zone*  
Professor Michael Frenkel

The visit of the European Central Bank contributed to a better understanding of how the European Central Bank perceives its role and implements monetary policy. Officials of the European Central Bank held presentations.

### 3.3 Bachelor Theses

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#### 3.3.1 Optimizing the German Pension System: Transition to a Means-Tested Public Insurance under the Influence of Demographic Change by Felix Assion

The German pension system is built on three different pillars, which combine Pay-As-You-Go (PAYG) as well as Fully Funded (FF) elements. This thesis analyses the current status of the German pension system and highlights three major weaknesses, which have to be tackled in the near future in order to keep the system sustainable. Especially, the vulnerability of the German public insurances (Gesetzliche Rentenversicherung – GRV) concerning demographic change represents a threat for the future functioning. It will be shown that a replacement of the public insurance by a FF element would even worsen the situation and therefore, it can't be seen as a suitable reform. The focus of this thesis lies on a welfare analysis, which evaluates whether the implementation of a means-tested PAYG could help to offset the negative effects of demographic change on the German pension system.

#### 3.3.2 The BRICS and the Current Crisis: Have They Gained or Lost? by Marleen Awe

Provided the ascending role of the BRICs in the world economy and background of the Great Recession, this thesis analyzes the main drivers of economic growth in these countries and how they are interlinked with the rest of the world in order to assess their gains or/and losses from the recent crises. Two main components of the thesis are essential: First, the thesis points out the particularities that characterize the economy of each of the BRICs. Second, interaction mechanisms with the Western economies in troubles such as trade channels, FDI flows and financial assets holding linkages are further described to answer the initially posed question.

#### 3.3.3 Equilibrium Real Exchange Rates during the Crisis – An IMF Approach by Daniel Bäuml

The European sovereign debt crisis revealed severe divergences among the European Monetary Union (EMU) member states. Several politicians and economists claim that the Euro is too strong for the peripheral countries like Greece, Spain, or Portugal while it is too weak for the more stable core countries like Germany and the Netherlands. In the second part, this thesis describes the most important basic theories about exchange rate determination. As the concept of purchasing power parity (PPP) has some drawbacks and fails in the short-run, the third and fourth part deal with a range of more sophisticated approaches. The fifth part examines in detail three common determination approaches developed and applied by the International Monetary Fund (IMF). In the last part of this thesis the External Sustainability method, one of the IMF approaches, is applied to estimate the misalignment of real exchange rates within selected EMU members.

### 3.3.4 The Effect of an Energy Price Shock on the European Economy by Fabian Blatt

The main goal of the Bachelor thesis is to compare the effects of an oil price shock on GDP and on unemployment for three cases within Europe. Some research on this topic has already been done, but there is no paper, that specifically tests for the given scenarios given countries like the EMU zone, Austria and Norway and Southern Europe. Thus the thesis aims to add its part to research on this topic. The key finding of the thesis demonstrates that oil does not have a significant effect on the economy of EMU. Further, no significant differences between an oil exporting and oil importing country are to be found. The case that investigates Southern European countries finds a significant negative impact on increasing oil prices in GDP and unemployment for Greece and Italy. The counterintuitive negative impact on unemployment can be explained by endogeneity and missing variables.

### 3.3.5 Der demographische Wandel und die daraus resultierenden Effekte auf die Arbeitskraft und die Sparquote (The Demographic Change and the Resulting Effects on the Workforce and the Savings Rate) by Yvonne Hildebrandt

The thesis analysis the economic effects of the ongoing demographic change in Germany. In order to do so, a working definition of demographic change is adopted and several factors such as the birth and mortality rate as well as migration, which affect the population size and are crucial to population forecasts, are investigated in more detail. A particular focus lies on the effect of the demographic development with respect to the savings rate and the work force, which is analyzed by means of the Solow growth model as well as the lifecycle hypothesis. Finally policy suggestions of how Germany could better meet the challenges arising from the demographic change are laid out. These suggestions include an increase in the retirement age, higher effort to attract skilled migrants as well as an increased emphasis on the knowhow of experienced elderly coworkers on the firm level.

### 3.3.6 Minimum Wage Legislation – Assessing a Hypothetical German Scenario by Nils Niederhagen

It is the intention of the following thesis to shed light on the German minimum wage debate. In order to accomplish this, first an overview of the existing minimum wage literature and specifically the associated effect is given. Focus lays here particularly on the wage and employment effect. Second, two models – the perfect competition and monopsony model – are introduced to set a theoretical framework for the labor market. Third, an empirical analysis is put forward trying to prove one model as correct. An ANOVA model is used to establish a statistical significant difference in employment between minimum and non-minimum wage OECD countries; a regression model is employed to estimate the size of the employment effect; and a calculation adopting the regression estimate is applied to assess the hypothetical case of a German minimum wage introduction. Last, the most important implications for politics are highlighted.

### 3.3.7 Monetary Policy of the ECB: Comparison with the Bank of England, the Federal Reserve System and the Bank of Japan by Philipp Prestel

The thesis displays a comparison of monetary policy reactions of the four major central banks (ECB, FED, BoE, BoJ) right before and during the most recent financial and sovereign debt crisis. The study is initiated by a general outline of the monetary policy strategies of the different central banks as well as a comparison of the strategies with the one of the ECB. Furthermore, the functioning of the monetary transmission mechanism as well as the concept of the Taylor rule are investigated more closely. In a second step, an individual Taylor rule is estimated by means of OLS for each central bank individually. Last, the extraordinary measures undertaken by the monetary institutions are analyzed more closely.

### 3.3.8 Does the European Monetary Union Fulfill the Requirements of an Optimum Currency Area? by Charlotte Rettberg

This thesis deals with the question whether the European Monetary Union (EMU) constitutes an Optimum Currency Area (OCA). The requirements for an OCA have been analysed for the years since the creation of the Euro Area. This thesis uses the commonly defined criteria to evaluate the benefits and costs of the EMU accordingly. Additionally, the focus is also put on possible enlargement of the EA. Furthermore, a comparison between the US and the EMU is conducted and thereby the differences are highlighted.

### 3.3.9 Anticyclical Keynesian Fiscal Policy – The Difference between Theory and Praxis: Is the Keynesian Model Applicable to the Real World? by Patrick Schulz

This thesis examines the applicability of anticyclical Keynesian fiscal policy in the real world. The first part introduces to the topic by summarizing the emergence and development of Keynesian theory, some related models and literature. In the second part, fiscal mechanisms in crises are analysed on the basis of an ordinary least squares regression (OLS) to test the applicability of the Keynesian model. The oil crises in the United States in the 1970s, Japan's "Lost Decade" in the 1990s, and the financial crisis in the United States at the end of the 2000s are taken as examples. It can be stressed that several adjustments had been made to the traditional Keynesian model so that it can be better applied to work in reality. However, finally the applicability of the Keynesian model is rejected due to the increasing level of national debts across nations.

### 3.3.10 Is Inflation Targeting an Effective Framework of Monetary Policy? by Christian Siebert

This thesis investigates, whether inflation targeting central banks in Europe have achieved better inflation outcomes than non-targeting central banks, which include the European Central Bank. In particular, levels and variability of inflation are analysed as well as the anchoring of consumers' inflation expectations. First, a difference-in-difference approach is employed to compare the performance improvement of both groups over time. Then, the anchoring of consumers' inflation expectations in each country is evaluated using a VAR model and results are compared across countries and groups. Eventually, some descriptive statistics about inflation outcomes during the financial and economic crises are provided. The results indicate that the performance of central banks converged regardless of the respective monetary policy regime. Both targeters and non-targeters have eventually achieved low and stable inflation rates. Euro area countries already exhibited better outcomes in the late 1990s and consequently showed less improvement. The anchoring of consumers' inflation expectations appears to depend on past central bank performance rather than the specific framework used. In most countries, however, changes in actual inflation significantly influence inflation expectations in the following months. During the crisis, no systematic differences can be observed between targeters and non-targeters.

### 3.3.11 Labour Market Dynamics and Rigidities in Germany and the U.S. by Daniel Kirch

This thesis investigates labour market rigidities translate into real economic activities. To this end, the thesis compares the German to the U.S. labour market. It focuses on institutional differences as well as dynamics with respect to start-up companies. Implications for economic policies are given along an own empirical assessment of the dynamics of the unemployment rate and the real growth rate. Both variables, known in the framework of Okun's Law are investigated for seven major economies and compared to previous studies. The thesis concludes that labour market dynamics and economic growth are highly linked.

## 3.4 Master Thesis

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### 3.4.1 Central Bank Transparency and Inflation Expectations – Does Inflation Targeting Matter? by Anthony Wick

This thesis examines the question whether a higher level of transparency supports a central bank in the anchoring of expectations and thereby facilitates monetary policy conduct. In order to obtain answers to this issue, the empirical findings on the macroeconomic effects of central bank transparency need to be reviewed. Moreover, an empirical analysis is executed to complement the evidence found in the academic literature. In this examination, the focus is put on developing and emerging countries and on a monetary policy strategy named inflation targeting.

## 3.5 MBA Thesis

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### 3.5.1 How to Fight Corruption? An Assessment of the United Nations Model

by Labib Kazkaz

This thesis discusses the approach of the United Nations in fighting corruption. After the introduction to corruption definitions and prevailing typologies, the content focuses on integrated strategies and indicators that demonstrate success. Unlike other organizations the United Nations combats corruption through evidence-based data collections and international cooperation of all member states that are signatories of the United Nations Convention against Corruption. The Convention is the sole international and legally binding instrument to combat corruption requiring member states to implement its provisions into national law. Some amendments of the Conventions' provisions have to be taken into consideration in future. The research also shows that the implementation Review Mechanism of the Convention is generating and processing new key findings that are causal factors of corruption.

## 3.6 EMBA Thesis

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### 3.6.1 The EU: Built to Serv(ic)e?

by Russell Proffitt-Perchard

This thesis explores the development of the European Union's (EU) Single Economic Market (SEM) through the lens of the main markets the EU has tried to address: the goods market and the services market, the developments that have been made, the opportunities still on the table and which countries and businesses are best places to exploit future developments.

## 3.7 Seminar on Globalization

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In the elective "International Economics and Finance" in the Master of Science program, a seminar was conducted on the topic "Recent Developments in International Monetary Economics". It focused on recent issues in the fields of exchange rate economics, international monetary economics and international finance. The seminar emphasized on theoretical foundations as well as empirical applications of exchange rate related problems. Topics dealt with central bank intervention in foreign exchange markets, commodity markets, empirical assessment of macroeconomic forecasts and the role of expectations in macroeconomic modelling.

### 3.8 Seminar: Recent Developments in Labor Economics and Social Welfare Systems

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In the Bachelor of Science program, a seminar was conducted on the topic “Recent Developments in Labor Economics and Social Welfare Systems”. The seminar aimed at giving an overview of current issues related to recent developments in labor markets and social welfare systems that have taken place in an international context. The seminar also served as an introduction to academic work and thereby prepared students for their bachelor thesis later on. The seminar emphasized on theoretical foundations as well as the introduction of the students into the methods of academic research. Among others the following topics were regarded: Minimum Wages and Employment, Funded versus Unfunded Retirement Systems, Health Care Systems Compared: Moral Hazard, Adverse Selection, Financing and Reform.

### 3.9 Research Seminar in Economics

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#### 3.9.1 Fall Semester 2012

- **Paul de Bijl** (CPB Den Haag)  
“What Have We Learned? New Directions for Telecommunications Policy”
- **Hans-Theo Norman** (University of Düsseldorf)  
“Tacit versus Explicit Collusion in Oligopoly Experiments”
- **Philipp Wichardt** (University of Rostock)  
“Judgement and Behaviour in the Prisoner’s Dilemma: The Impact of Moral and Strategic Considerations”
- **Sebastian Kranz** (University of Bonn)  
“Incentive Regulation for Transmission Network Operators”
- **Johannes Münster** (University of Cologne)  
“Subjective Evaluation versus Public Information”



- **Alexander Rasch** (University of Cologne)  
“What Drives Fraud in a Credence Goods Market? – Evidence from a Field Study”
- **Ulrich Kaiser** (University of Zürich)  
“Regulation of Pharmaceutical Prices: Evidence from a Reference Price Reform in Denmark”
- **Sven Rady** (University of Bonn)  
“Strongly Symmetric Equilibria in Bandit Games”
- **Martin Peitz** (University of Mannheim)  
“Advertising in Media Markets: The Effects of Mergers and Entry”

### 3.9.2 Spring Semester 2013

- **Karim Sadrieh** (University of Magdeburg)  
“Understanding the Emergence of Public Debt”
- **Christian Wey** (Heinrich-Heine-University Düsseldorf)  
“The Effects of Remedies on Merger Activity in Oligopoly”
- **Peter Welzel** (University of Augsburg)  
“Risk-Taking by the Banking Firm”
- **Peter J. Jost** (WHU – Otto Beisheim School of Management)  
“The Ball Is Round, the Game Last 90 Minutes, Everything Else Is Pure Theory”

### 3.10 National Model United Nations – NMUN



In April 2013, 19 WHU students travelled to New York to take part in the NMUN NY 2013 conference and represented Colombia, 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 2012 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 Colombia 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 EfMUN conference held in Erfurt in January 2013.

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. 2012. Inflation Targeting Makes the Difference: Novel Evidence on Inflation Stabilization. *Journal of International Money and Finance*, Vol. 31 (5), pp. 1092-1105.

Bleich, D., Fendel, R. and Rülke, J.-C. 2012. Monetary Policy and Oil Price Expectations. *Applied Economics Letters*, Vol. 19, pp. 969-973.

Fendel, R. and Rülke, J.-C. 2012. Some International Evidence on the Lucas Supply Function. *Economics Letters*, Vol. 114 (2), pp. 157-160.

Fendel, R. and Rülke, J.-C. 2012. Are Heterogenous FOMC Forecasts Consistent with the Fed's Monetary Policy? *Economics Letters*, Vol. 116 (1), pp. 5-7.

Fendel, R., Frenkel, M. and Rülke, J.-C. 2013. Do Professional Forecasters Trust in Taylor-Type Rules? – Evidence from the Wall Street Journal Poll. *Applied Economics*, Vol. 45 (7), pp. 829-838.

Frenkel, M. and Rülke, J.-C. 2013. Is the ECB's Monetary Benchmark Still Alive? *Economics Bulletin*, Vol. 33 (2), pp. 1204-1214.

Frenkel, M., Rülke, J.-C. and Stadtmann, G. 2013. Bankenrettung und Bankenaufsicht. *Zeitschrift für Wirtschaftspolitik*, Vol. 62 (1), pp. 23-44.

Frenkel, M., Rülke, J.-C. and Zimmermann, L. Do Private Sector Forecasters Chase after IMF or OECD Forecasts? *Journal of Macroeconomics*, Vol. 37, pp. 217-229.

Frenkel, M., Rülke, J.-C. and Zimmermann, L. Do Current Account Forecasters Herd? Evidence from the G7 Countries. *Review of International Economics*, Vol. 20 (2), pp. 221-236.

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## 4.2 Articles Accepted for Publication in Refereed Journals

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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*.

Pierdzioch, C. and Rülke, J.-C. A Note on Forecasting the Rate of Change of the Price of Oil: Asymmetric Loss and Forecast Rationality. Forthcoming *Economics*.

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. A Note on the Anti-Herding Instinct of Interest-Rate Forecasters. Forthcoming *Empirical Economics*.

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

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. Forecasting Changes in House Prices under Asymmetric Loss: Evidence from the WSJ Forecast Poll. Forthcoming *Kredit und Kapital*.

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Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. House Price Forecasts, Forecaster Herding, and the Recent Crisis. Forthcoming *International Journal of Financial Studies*.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. Forecasting the Dollar/British Pound Exchange Rate: Asymmetric Loss and Forecast Rationality. Forthcoming *Economics Bulletin*.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. Prognosen von Metallpreisen: Asymmetrische Verlustfunktionen und Rationalität. Forthcoming *Kredit und Kapital*.

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

### 4.3 Other Publications

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Croonenbroeck, C., Rülke, J.-C. and Stadtmann, G. 2013. Prinzipal-Agenten Konflikt mit Kreditbeschränkung. *Das Wirtschaftsstudium (WISU)*, Vol. 42 (5), pp. 652-653.

Croonenbroeck, C., Rülke, J.-C. and Stadtmann, G. 2013. Optimale Strategien bei Auktionen. *Das Wirtschaftsstudium (WISU)*, Vol. 42 (3), pp. 312-313.

Frenkel, M. and Rülke, J.-C. 2012. Die Klausur. *Das Wirtschaftsstudium (WISU)*, Vol. 41 (10), pp. 1348-1352.

Frenkel, M. and Tudyka, A. 2012. Der Zusammenhang von Leistungs- und Kapitalbilanz. *Wirtschaftswissenschaftliches Studium (WiSt)*, Vol. 41 (11), pp. 589-594.

Frenkel, M. 2012. Wie gelingt der Karrieresprung? *Frankfurter Allgemeine Zeitung*.

Rülke, J.-C. 2012. Das Simpson-Paradoxon. *Das Wirtschaftsstudium (WISU)*, Vol. 41 (12), pp. 1582-1583.

### 4.4 Participation in Summer Schools

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Mauch, M. August 2013. *The Cointegrated VAR Approach: Methodology and Applications*. University of Copenhagen, Copenhagen, Denmark.

Sun, Y. July/August 2013. *Advanced Econometrics*. London School of Economics and Political Science, London, United Kingdom.

Sun, Y. March 2013. *Bayesian Econometrics*. Universidade de Coimbra, Coimbra, Portugal.

### 4.5 Research Cooperation and External Activities

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Frenkel, M. November 2012. EQUIS Peer Review Team Visit, National Chengchi University, Taipei, China.

Frenkel, M. November 2012. Meeting of the EQUIS Committee, EFMD, Brussels, Belgium.

Frenkel, M. February 2013. Panel Discussion: Privatisierung der deutschen Universitätslandschaft – (R)Evolution des humboldtschen Bildungsideals, University of Mannheim, Mannheim.

Frenkel, M. February 2013. AACSB Re-Accreditation Visit, Universidade Católica Portuguesa, Lissabon, Portugal.

Frenkel, M. April 2013. EQUIS Peer Review Team Visit, Xiamen University – School of Management, Xiamen, China.

Frenkel, M. May 2013. EQUIS Special Re-Accreditation Visit, HEC, Paris, France.

## **4.6 Referee and Editorial Activities**

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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:

- Economics Bulletin,
- Economic Systems,
- Emerging Market Review,
- Emerging Markets Finance and Trade,
- International Economics and Economic Policy,
- International Review of Finance and Economics,
- North American Journal of Finance and Economics,
- Manchester School.

## **4.7 Presentations in Research Seminars**

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Mauch, M. February 2013. “Do Exchange Rate Forecasters Herd?”. 15th Göttinger Workshop – Internationale Wirtschaftsbeziehungen, Centrum für Europa-, Governance- und Entwicklungsforschung der Universität Göttingen und LMU München, Göttingen.

Mauch, M. June 2013. "Exploring Expectation Formation in Exchange Rate Markets: New Evidence on the Chartists and Fundamentalists". European Economic and Financial Society (EEFS), Berlin.

Rülke, J.-C. July 2013. "Government's Budget Balance Forecasts under Asymmetric Loss". ZEW Summer Workshop on Current Fiscal Policy Challenges in Europe, Mannheim.

Rülke, J.-C. May 2012. "Households' Inflation Expectations". Research Seminar, Austrian Central Bank, Vienna.

Rülke, J.-C. April 2012. "Using Forecasts to Uncover the Loss Function of FOMC Members". 17th Spring Meeting of Young Economists, Mannheim.

Rülke, J.-C. April 2012. "Using Forecasts to Uncover the Loss Function of FOMC Members". Scottish Economic Society Conference, Perth.

## 4.8 Other Presentations

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Frenkel, M. September 2012. „Die weltwirtschaftliche Verflechtung in einer globalisierten Welt“. Rotary Club, Koblenz.

Frenkel, M. September 2012. „Wachstum und Lebensqualität“. Philosophisch Theologische Hochschule, Vallendar.

Frenkel, M. January 2013. „Die Deutschen sind nicht die Dummen!“ (Presentation and Discussion about the Euro and Debt Crisis in Europe), Familienunternehmer – ASU und Junge Unternehmer BJU, Andernach.

Frenkel, M. March 2013. „The Euro Crisis, the German Economy, and the Future of the Euro“. WHU – Otto Beisheim School of Management, Vallendar.

Frenkel, M. April 2013. „Euro Crisis and No End – A Macroeconomic and a Financial Markets Point of View“. Dialog Days 2013, WHU – Otto Beisheim School of Management, Düsseldorf.

## 4.9 Conferences

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Frenkel, M. January 2013. Chairman of the Conference, EFMD Deans and Directors General Conference, Istanbul, Turkey.

Mauch, M. June 2013. Chair of the Session: Exchange Rate Determination, European Economic and Financial Society (EEFS), Berlin.



## 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 2013. 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 2012 and 2013 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 2012-2013 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 2013

The Center for European Studies (CEUS), under the leadership of Professor Michael Frenkel, organized its eighth annual workshop on May 16th and 17th, 2013. Twenty-nine 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 "The Future of Economic Policies in Europe".

The highlight of the workshop was a keynote speech by Johannes Lindner from the European Central Bank. He talked about "Managing Turbulent Times: Towards a Stronger EMU". In his speech he emphasized that the application of standard and non-standard measures by the ECB has aided to keep price stability under control despite the large challenges of the sovereign debt crisis. These unconventional policies however also created momentum for lasting reforms to address the shortcomings at national and supranational level.

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:

- Natasa Bilkic (University of Paderborn), Ben Carreras Painter (University of Paderborn), **Thomas Gries** (University of Paderborn)  
"Unsustainable Sovereign Debt – Is the Euro Crisis only the Tip of the Iceberg?"
- Vasileios Paligiannis (European Central Bank), **Alessandro Ruggieri** (University of Rochester)  
"Debt (Mis)Management in the Eurozone: Evidence from a Panel VAR"
- **Kai Daniel Schmid** (Macroeconomic Policy Institute Düsseldorf), Michael Schmidt (Graduate School of Economics, Finance, and Management, Frankfurt)  
"Hypnosis Before Wake-up Call?! – EMU, the Changing Role of Public Debt and the Revival of Sovereign Credit Risk Perception"
- Enrique Alberola (Bank of Spain), Ángel Estrada (Bank of Spain), **Daniel Santabárbara** (Bank of Spain)  
"Growth Beyond Imbalances – Sustainable Growth Rates and Output Gap Reassessment"

- Teresa Sastre (Bank of Spain), **Francesca Viani** (Bank of Spain)  
“The Estimation of Current Account Misalignments”
- Sami Oinonen (Bank of Finland), **Maritta Paloviita** (Bank of Finland), Lauri Vilmi (Bank of Finland)  
“How Have Inflation Dynamics Changed Over Time? Evidence from the Euro Area and USA”
- Philipp Harms (Johannes Gutenberg-University Mainz), **Joachim Lutz** (Johannes Gutenberg-University Mainz)  
“Foreign vs. Domestic Public Debt and the Composition of Government Expenditure: A Political-Economy Approach”
- Romain Houssa (CRED and CeReFiM (University of Namur), CES (University of Leuven) and CESifo), **Olivier Hubert** (CRED and CeReFiM (University of Namur))  
“Monetary-Fiscal Policy Interactions and the Impact of Fiscal Stimulus on the Yield Curve”
- **Margarita Rubio** (University of Nottingham), José A. Carrasco-Gallego (Universidad Rey Juan Carlos)  
“Macroprudential Measures, Housing Markets, and Monetary Policy”
- Christian Pierdzioch (Helmut-Schmidt-University, Hamburg), **Jan-Christoph Rülke** (WHU – Otto Beisheim School of Management)  
“Government Forecasts of Budget Balances Under Asymmetric Loss: International Evidence”

