

Activity Report
September 1, 2011 – August 31, 2012



Excellence in
Management
Education

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1 Preface



During the academic year 2011-2012, 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 involved in virtually all areas of activity of the WHU. This comprised contributing to all degree programs of WHU, working on significant research projects in a number of different topics in international economics, assisting in different ways academic and political institutions, and serving in several leadership roles at WHU.

Regarding teaching, the team was again involved in both the undergraduate and the graduate program offerings of WHU. The courses 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 Haiti in the discussions at the New York head office of the UN. The team also supervised a number of Bachelor and 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 a very high number of publications in international peer reviewed journals during the academic year 2011-2012. 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 to Stability in the Euro Area” with Dr. Christiane Nickel from the ECB giving the key note address on current fiscal challenges in the 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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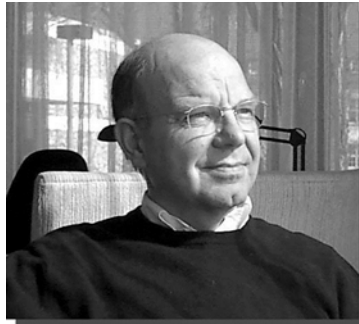
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3 Teaching



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 2011

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

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 2012 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 Haiti. 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

Literature Seminar in Economics: Economic Concepts and Policies

Professor Michael Frenkel

Students studied different topics with regards to economic concepts and policies by preparing seminar theses rounding it up by a presentation. Thereby, students were introduced into the methods of academic research.

2 SWS – 3.0 ECTS

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

Mathematics II: Linear Algebra

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 we emphasized applications from microeconomics, macroeconomics and international economics.

2 SWS – 3.0 ECTS

European Economic Integration

Tobias Biller

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

Master of Science

Exchange Rates and International Finance

Professor Michael Frenkel, 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

Seminar on Globalization

Professor Michael Frenkel, 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

Doctoral Studies

Recent Developments of International Economics

Professor Michael Frenkel

The course discussed several recent publications in international economics.
2 SWS

Research Seminar Economics (FORSEM)

Professor Achim Czerny, Professor Ralf Fendel, Professor Michael Frenkel, Professor Christina Günther, Professor Kai Hüscherlath, Professor Markus Reisinger, Professor Jan-Christoph Rülke, Professor Jürgen Weigand

The seminar offered the opportunity to learn more about and to discuss recent research papers presented by economists of different universities and research institutions.
2 SWS

3.2 Courses, Spring Term 2012

Bachelor of Science

Macroeconomics I: Production, Income Accounting and Business Fluctuations

Andreas Tudyka, Lilli Zimmerman

Macroeconomics focuses on the economy as a whole by considering all factors together in the economy, i.e., households, firms, and the government. Macroeconomics helps to develop an understanding for recent economic developments, which companies have to consider in their strategic plans in order to avoid mistakes. As a consequence, macroeconomics focuses on aggregate markets and also on aggregate variables such as output, unemployment, growth, inflation, interest rate etc. The course was divided into two parts: The first part dealt with national accounting and therefore the question “What have been?”. The second part focused on the developments in the goods and money market in the short run. Furthermore, the possibilities and limitations of economic policy were discussed.

2 SWS – 3.0 ECTS

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

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

Doctoral Studies

Recent Developments of International Economics
Professor Michael Frenkel

The course discussed several recent publications in international economics.
2 SWS

Research Seminar Economics (FORSEM)

Professor Achim Czerny, Professor Ralf Fendel, Professor Michael Frenkel, Professor Christina Günther, Professor Kai Hüschelrath, Professor Markus Reisinger, Professor Jan-Christoph Rülke, Professor Jürgen Weigand

The seminar offered the opportunity to learn about and to discuss recent research papers presented by economists of different universities and research institutions.
2 SWS

Panel Data Analysis

Professor Christina Günther, Professor Jan-Christoph Rülke

The course provided doctoral students with recent application in panel data analysis. To this, methods were discussed using applied microeconomic and macroeconomic examples. The content covered a wide range of recently developed techniques to analyze panel data.
2 SWS

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 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.

Part-Time Master of Business Administration

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.

Executive Master of Business Administration

The Business Environment in Europe

Professor Michael Frenkel

This part of the European module 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

European Bachelor Summer Institute

Trade Integration in Europe and the European Union

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 European Monetary Union and the role of national central banks, the role of the euro in the world and current economic developments in the euro area.

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

European Business Management Study Program, LeBowCollege of Business, Drexel University

Trade and Monetary Integration in Europe

Professor Michael Frenkel

Participants were introduced to business-relevant stylized facts of European countries, the role of European countries in the global economy, and the rationale of European integration. The implications for international business were assessed and the prospects of further trade and monetary integration in Europe were discussed.

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. The presentations by officials contributed to a better understanding of how the European Central Bank perceives its role and implements monetary policy. Furthermore, participants learned about the functioning of the Czech Banking System and the recent economic developments in the Czech Republic. The presentations by officials of ČSOB contributed to a better understanding of these issues. Moreover, participants were introduced to the business environment in the Czech Republic. The visit to the Staropramen Brewery highlighted the business challenges and opportunities in an EU country that is fairly advanced, an EU member, but a country still with its own national currency. Students learned about the economic effects of increased capital inflows in Central and Eastern Europe and the consequence of the catching-up process. The course aimed at providing an understanding for the forces of FDI in Central and Eastern Europe and the main economic effects of increased FDI flows were examined. Furthermore, students learned about the Balassa-Samuelson effect and its implication for business activities.

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

3.3 Dissertations

3.3.1 Economic Aspects of European Union Trade Policy by Marco Semmelmann

The European Union is the largest destination and origin of trade flows in the world, ahead of the United States and China. This makes the EU a major player in international trade and provides it with substantial negotiating power. The aim of this dissertation is to provide economic insight to two empirical issues of the EU trade policies: the EU's anti-dumping actions and its preferential trade agreements. In addition, the dissertation briefly analyses EU trade policy vis-à-vis developing countries. One chapter investigates, whether the recent European Union preferential trade agreements increased trade with the contractual partners by looking at a panel data set covering the years 1994 to 2007. Overall, preferential trade agreements augmented trade between the European Union countries and their contractual partners. Another chapter investigates the negative or positive

effect on trade caused by the imposition of EU anti-dumping measures. In fact, the imports of EU-15 countries from those countries named in the anti-dumping investigation decrease significantly. Consequently, the anti-dumping measures reach their goal. Within the dissertation it is also answered which economic factors actually influence the decision whether the EU imposes an anti-dumping measure or not. If the named country is an industrial country, if the country had concluded a preferential trade agreement with the EU or the trade volume in the concerned product section is relatively high, anti-dumping measures are less likely to be imposed than in other cases. Factors like the size of the GDP or if China is one of the countries named in the investigation, only play a subordinated role. The dissertation concludes that EU external trade policy has had an impact on trade flows and the effect has been substantial, both in terms of free trade agreements and other preferential trade agreements, as well as with regard to the use of anti-dumping actions.

3.3.2 Trade Determinants and Current Account Forecasts by Lilli Zimmermann

The purpose of the thesis is to make a contribution to research analyses on the key determinants of international trade on the one hand and the performance of macroeconomic forecasts on the other. To shed more light on international trade determinants the thesis focuses on German merchandise exports. To assess the relative importance of the export determinants, the multivariate estimation technique of Johansen (1988, 1992) is employed. In contrast to the two-step residual based methodology developed by Engle and Granger (1987) the Johansen procedure allows to test for more than just one cointegration vector in a multivariate setting and is based on a simultaneous estimation of the long-run relationship and the short-run adjustment process of the variables under consideration. The thesis also examines the contribution of different determinants to the development of German exports over the period 2000-2010.

While econometric analyses on the key determinants of international trade entail crucial information for policymakers, trade forecasts are also essential in order to decide on the future course of action. Therefore, the thesis also analyzes data from the Consensus Economics Forecast Poll and explores the characteristics of more than 60.000 forecasts of key macroeconomic variables. In a first step, it concentrates on current account forecasts and studies the rationality, heterogeneity, and accuracy of these forecasts. In addition to the test of traditional unbiasedness and orthogonality criteria for forecast rationality, it sheds some light on questions about the herding behavior of current account forecasters. In a second step, the thesis explores the strategic behavior of private sector forecasters with respect to forecasts published by international organizations, such as the IMF and the OECD. In particular, it analyzes whether private sector forecasters herd towards the projections published by these international organizations. The results of this analysis do not only provide insights on how forecasters form their expectations, but also have important macroeconomic implications.

3.4 Bachelor Theses

3.4.1 The Influence of Fiscal Policies on the Exchange Rates and the Role of Expectations

by Sebastian Dienemann

Sebastian Dienemann's thesis presents a detailed overview of theoretical models and empirical findings regarding the influence of fiscal policy on the exchange rate. Additionally, the Bachelor thesis aims at contributing new empirical insights about the dynamics on the foreign exchange market concerning the effects of fiscal policy under the consideration of expectations. In particular, the dynamics of the USD/EUR exchange rate are analysed in order to investigate whether government spending can account for exchange rate fluctuations. For this reason, the author sets up an empirical model based on the work of Mundell and Fleming to investigate the possible impact of government spending on exchange rate fluctuations. Additionally, the Bachelor thesis differentiates between forecasts of exchange rate behaviour as well as realized exchange rate fluctuations.

3.4.2 Benefits of Product Variety and Welfare Gains in the Process of Globalization

by Roman Greißinger

A vast body of theoretical as well as empirical trade literature is to identify welfare gains from globalization. Inspired by Krugman's New Trade Theory, this Bachelor thesis examines in particular the benefits of product variety that results from the liberalization of trade. The author provides a literature review of empirics in this field and discusses in-depth three sources of welfare gain in the model of monopolistic competition: efficiency gains, price reductions and variety gains. The author thus derives his arguments for free trade and achieves a further contribution to the debate on the merits and perils implied by globalization.

3.4.3 The ECB's Independence During the Crisis: An Economic Analysis

by Julien Jensen

The bachelor thesis of Julian Jensen analyses the measures undertaken by the European Central Bank (ECB) during the crisis with respect to the question of whether these measures were motivated by the aim of maintaining price stability or whether political pressure slowly undermines the central bank's independence. To do so, the author first discusses the concept of central bank independence and narrows it down to the case of the ECB. Furthermore, he outlines the extraordinary monetary policy measures undertaken by the central bank and assesses if these measure were actually in line with the ECB's primary objective.

3.4.4 The Twin Deficits Hypothesis and Its Importance for the BRIC Countries

by Frederik Liebler

This thesis aims at discussing the twin deficits hypothesis in detail and testing its importance on the basis of multiple regression models for Brazil, Russia, India and China. In general, the twin deficits hypothesis states that a change in government budget balance positively influences the current account balance, meaning that for example a fiscal consolidation will lead to an improvement in current account balance. This potential flow of causality can be explained through the national accounting model as well as the Mundell-Fleming model. When testing the twin deficit hypothesis for Brazil, Russia, India and China, the multiple regression analyses performed in this thesis cannot provide general support for the twin deficits hypothesis holding for all of these countries. Only in China relevant regression coefficients are consistently positive and statistically significant. Consequently, this thesis can only provide support for the twin deficits hypothesis for China.

3.4.5 Optimal Monetary Fiscal Policy Response to World-Wide Decline in Demand

by Niklas Restle

The purpose of this paper is to find the optimal response of fiscal and monetary policy to a decline in demand. Various tools and their effects on demand are viewed from a theoretical point of view in order to establish a hierarchy of instruments for policy makers. First, from a traditional Keynesian viewpoint different policy instruments that influence demand are recapped with regard to their respective effectiveness. Then, the New Keynesian model is invoked to further investigate unconventional policy measures, when the interest rate is at its zero lower bound. In a last section, monetary and fiscal policies implemented by governments and central banks in the U.S. and the Euro Area are evaluated with respect to their effects on the aggregate demand.

3.4.6 Balassa-Samuelson Effect – Causes and Effects

by Anne Ringbeck

The bachelor thesis investigates the theoretical foundations of the Balassa-Samuelson Effect and assesses its existence for a selected group of European economies. To do so, the author first provides an overview of the literature and augments this part by focusing also on inter-country real income comparisons and demand-side factors. In the second part, the author conducts an empirical analysis intending to identify the Balassa Samuelson effect for a group of official candidate countries to the EU as well as a group of countries that has already joined the Union.

3.4.7 The Sustainability of Public Finances by Max Schöne

The sustainability of government debt is essential for long-term economic stability and prosperity; nevertheless, previous efforts aimed at preventing excessive government deficits and unsustainable economic developments could at best be described as areas for improvement from today's perspective. The simmering problem of exuberant debt accumulation has, fuelled by the economic and financial crisis, suddenly become ubiquitous and the resulting economic turmoil in several major economies and the inevitable debt restructuring in Greece, the twelfth largest economy in the European Union (EU), are unprecedented. Motivated by the failure of past regulatory forces to maintain economic stability and sustainability, this thesis abstracts from rule-based regulatory frameworks and provides an attempt to shed light on the question why market forces themselves failed to contain the pursuit of unsustainable fiscal trajectories by policy makers which, at the point of collapse, pose a significant economic and political challenge with tremendous costs to countries and markets.

3.4.8 The Money Multiplier – Has It Changed During the Financial Crisis? by Nico Schulte

The Bachelor thesis of Nico Schulte profoundly investigates the changes of the money multiplier during financial crises and the reaction of central banks is being evaluated. The author compares several crises and analyses the behaviour of central banks and the changes of the money multiplier since the Great Depression. Given the theoretical background on central bank behaviour, the author first compares the behaviour of central banks and money multiplier shocks in a historical perspective. The second part investigates technically the implications of economic trends on monetary policy and the money multiplier. Lastly recent monetary developments are being analysed and interpreted in the light of current events.

3.4.9 Assessing the Great Trade Collapse 2008-2009 by Daniel Willmann

The Bachelor thesis prepared by Daniel Willmann highlights the particularities about the Great Trade Collapse 2008-2009 and attempts to explain this event in the economic history. Macroeconomic shocks on both the supply and demand sides are considered in the analysis. However, the author more intensively deals with international trade of intermediate goods which are named to have gained more importance in the global value-added chains and of which the negative demand shock has been found to be mainly responsible for the trade collapse. The thesis is further based on relevant and illustrative descriptive data analysis.

3.5 Master Theses

3.5.1 The Uncovered Interest Rate Parity – An Empirical Analysis of Exchange Rate Forecasts

by Arne Doll

The thesis examines the expectation formation process in the foreign exchange market and particularly looks into whether exchange rate forecasters apply the uncovered interest rate parity. To this end, the thesis uses survey data to analyse whether exchange rate forecasts are linked to interest rates and monetary policy changes.

3.5.2 On the Nature of Interest Rate Forecasts

by Matthias Knoche

The thesis focuses on the properties of interest rate forecasters. It examines whether the forecasts are rational and explores whether the interest rate forecasters tend to herd or anti-herd. (Anti-)herding occurs if forecasters deliberately place their interest rate projections towards (further away from) the consensus forecast.

3.5.3 Central Bank Interventions Policy in Emerging Economies – An Empirical Investigation of Reaction Functions and Profitability

by Florian Sander

The thesis investigates the intervention policy of emerging markets, such as Mexico or Argentina. While the current literature mostly explores the nature of interventions in industrialized countries, less is known whether central banks in emerging economies respond to exchange rate changes. Hence, the thesis empirically implements a central bank's reactions function to estimate the impact of exchange rate misalignments on the intervention policy.

3.5.4 Do Simple Monetary Policy Rules Have to Fail in Time of Crisis? A New Attempt to Provide for Economic Distress

by Arvid Seeberg-Elverfeldt

This paper examines whether the central banks in the developed world explicitly take into account economic distress when making their policy decisions. This is tested by augmenting forward-looking monetary policy rules for eight developed economies with a risk spread that is widely acknowledged as an indicator of financial sector instability. The study is conducted under consideration of the most important findings regarding simple monetary policy rules. By employing real-time data in the form of Consensus Economics Forecasts, the analysis accounts for the monetary authorities' uncertainty about future developments at the time that they make their decisions. Finally, a modified rule that additionally allows for monetary-

fiscal policy interaction is tested. The findings suggest that, although the spread appears to be a useful decision criterion for monetary policy design, it is better applied in non-linear monetary policy models.

3.6 Seminar on Globalization

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.

3.7 Seminar: Economic Concepts and Policies

In the Bachelor of Science program, a seminar was conducted on the topic “Economic Concepts and Policies”. Within the scope of the seminar students studied different topics related to economic concepts and policies by preparing seminar theses rounding it up by a presentation. 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: Demographic Transitions and the "Demographic Dividend", Intergenerational Transfers and Public Policy, Demography and Economic Growth, Immigration and Demographic Change, Retirement Systems Compared.

3.8 Research Seminar in Economics (FORSEM)



3.8.1 Fall Semester 2011

- **Dr. Max Peter Menzel** (University of Hamburg)
“Cluster Life Cycle”
- **Dr. Julia Schmidt** (WZB, Berlin)
“Hindsight Bias and Delegation”

- **Professor André Schmidt** (University Witten/Herdecke)
“Industry versus Services: Why Is There No Service Gap in Germany”
- **Dr. Thomas Gall** (University of Bonn)
“College Admission and High School Integration”
- **Professor Udo Kreickemeier** (University of Tübingen)
“Two-Way Migration between Similar Countries”
- **Dr. Kathrin Müller** (ZEW)
“The Construction of a Low Cost Airline Network”

3.8.2 Spring Semester 2012

- **Professor Lukas Menkhoff** (University of Hannover)
“Exchange Rate Expectations of Chartists and Fundamentalists”
- **Professor Monika Schnitzer** (University of Munich)
“The Use of Tax Haven in Exemption Regimes”
- **Dr. Georg Licht** (ZEW)
“Do German Courts Like German Patents More Than European Patents?
The Role of Application Routes in Patent Infringement Cases”
- **Dr. Gregor Zöttl** (University of Munich)
“Information Disclosure in Dynamic Buyer-Determined Procurement
Auctions”
- **Dr. Fabian Herweg** (University of Munich)
“Price Discrimination in Input Markets: Quantity Discounts and Private
Information”
- **Professor Volker Nocke** (University Mannheim)
“Merger Policy with Merger Choice”

3.9 National Model United Nations – NMUN



In April 2012, 18 WHU students travelled to New York to take part in the NMUN NY 2012 conference and represented Haiti, 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 2011 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. 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 a.M. in January 2012.

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. Monetary Policy and Oil Price Expectations. *Applied Economics Letters*, Vol. 19 (10), 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 Heterogeneous FOMC Forecasts Consistent with the Fed's Monetary Policy? *Economics Letters*, Vol. 116 (1), pp. 5-7.

Frenkel, M. and Koske, I. 2012. Are the Real Exchange Rates of the New EU Member Countries in Line with Fundamentals? – Implications of the NATREX Approach. *Jahrbücher für Nationalökonomie und Statistik*, Vol. 232 (2), pp. 129-145.

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4.2 Articles Accepted for Publication in Refereed Journals

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Frenkel, M., Rülke, J.-C. and Stadtmann, G. Twisting the Dollar? On the Consistency of Short-Run and Long-Run Exchange Rate Expectations. Forthcoming *Journal of Forecasting*.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. Forecasting Metal Prices – Do Forecasters Herd? Forthcoming *Journal of Banking and Finance*.

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. and Rülke, J.-C. Currency Crises, Uncertain Fundamentals, and Private-Sector Forecasts. Forthcoming *Applied Economics Letters*.

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. Prognosen von Metallpreisen: Asymmetrische Verlustfunktionen und Rationalität. Forthcoming *Kredit und Kapital*.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. A Note on Forecasting Emerging Market Exchange Rates – Evidence of Anti-Herding. Forthcoming *Review of International Economics*.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. Housing Starts in Canada, Japan and the United States: Do Forecasters Herd? Forthcoming *Journal of Real Estate Finance and Economics*.

Reitz, S., Rülke, J.-C. and Stadtmann, G. Non-Linearities in Oil Price Expectations – Evidence from the Survey of Professional Forecasters. Forthcoming *Journal of Economic Dynamics and Control*.

Rülke, J.-C. Do Professional Forecasters Apply the Phillips Curve and Okun's Law? – Evidence from Six Asian Pacific Countries. Forthcoming *Japan and the World Economy*.

Rülke, J.-C. Do Corporate Profit Forecaster Herd? – Evidence from Canada, UK and the U.S. Forthcoming *International Journal of Finance and Economics*.

4.3 Other Publications

Frenkel, M., Mauch, M. and Rülke, J.-C. 2012. Die Impossible Trinity der Euro Zone. *Das Wirtschaftsstudium (WISU)*, Vol. 41 (1), pp. 98-102.

Pierdzioch, C., Rülke, J.-C. and Stadtmann, G. 2012. Finanzkrise und Immobilienmarkt – eine Analyse auf der Basis des Aktienmarktes. *Fachzeitschrift für Immobilien und Finanzierung*, Vol. 63 (8), pp. 266-269.

Reisinger, M. and Rülke, J.-C. 2012. The Good, the Bad and the Ugly. *Das Wirtschaftsstudium (WISU)*, Vol. 41 (4), pp. 515-516.

Rülke, J.-C. and Stadtmann, G. 2012. Das Dinner-Paradoxon. *Das Wirtschaftsstudium (WISU)*, Vol. 41 (6), p. 801.

Rülke, J.-C. and Stadtmann, G. 2012. Preisabsprachen, Strafen und Kartelle. *Das Wirtschaftsstudium (WISU)*, Vol. 41 (2), pp. 188-189.

Rülke, J.-C. and Stadtmann, G. 2011. Nash Gleichgewichte. *Das Wirtschaftsstudium (WISU)*, Vol. 40 (12), pp. 1616-1617.

Rülke, J.-C. and Stadtmann, G. 2011. Optimale Strategien bei Spielshows. *Das Wirtschaftsstudium (WISU)*, Vol. 40 (10), pp. 1327-1328.

4.4 Participation in Summer Schools

Mauch, M. August 2012. *Advanced Econometrics*. The London School of Economics and Political Science, London.

Tudyka, A. August 2012. *Non-Parametric Econometrics*. Johannes Gutenberg University, Mainz.

Sun, Y. March 2012. *Open Economy Macroeconomics and Fiscal Policy in Closed and Open Economies*. Budapest School for Central Bank Studies, Budapest.

Tudyka, A. September 2011. *New Tools for Short-Term Forecasting*. CEMFI, Madrid.

4.5 Research Cooperation and External Activities

Sun, Y. June – July 2012. Internship at the Organization for Economic Co-operation and Development (OECD) – Economics Department, Structural Surveillance Division, Paris.

Mauch, M. April 2012. Referee at the European Public Conference, Institut Barcelona D'Estudis Internacionals (IBEI), Barcelona.

Frenkel, M. April 2012. Meeting of the Bundesfachkommission Europäische Wirtschafts- und Währungspolitik, Berlin.

Frenkel, M. March 2012. Panel Discussion: Deutsche Unternehmen in Entwicklungsländern – Neuzeitimperialismus oder effektive Armutsbekämpfung, SensAbility Conference 2012, Vallendar.

Frenkel, M. March 2012. Panel Discussion: Zwischen Eigeninteresse und Gemeinwohlverpflichtung, Conference „Die beargewöhnte Elite – Auf der Suche nach einem neuen Verhältnis zu gesellschaftlichen Führungskräften“, Evangelische Akademie im Rheinland, Bonn.

Frenkel, M. February 2012. Working Group: Influence: Rankings and Accreditation, EFMD Meeting for Deans and Directors General, Nottingham.

Frenkel, M. November 2011. Panel Discussion: Curricular von Business Schools auf dem Prüfstand, HHL-Forum 2011 „Unternehmensführung neu denken – Was lernen wir aus den jüngsten Kreisen“, HHL – Leipzig Graduate School of Management, Leipzig.

4.6 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 Quarterly,
- Economic Inquiry,
- Emerging Market Review,
- International Economics and Economic Policy,
- International Journal of Forecasting,
- International Review of Finance and Economics,
- Journal of Macroeconomics,
- Journal of Real Estate Economics and Finance,
- North American Journal of Finance and Economics.

4.7 Presentations in Research Seminars

Mauch, M. March 2012. "International Evidence on Chartists and Fundamentalists in Exchange Rate Markets". 14th Göttinger Workshop – Internationale Wirtschaftsbeziehungen, Göttingen.

Tudyka, A. March 2012. "Non-Linear Effects of Government Spending in High-Debt Regimes – The Case of the Current Account". 14th Göttinger Workshop – Internationale Wirtschaftsbeziehungen, Göttingen.

Rülke, J. April 2012. „Uncovering the Loss Function of FOMC Members“. Spring Meeting of Young Economists, Mannheim.

Rülke, J. April 2012. „Uncovering the Loss Function of FOMC Members“. Scottish Economic Society Conference, Perth.

Tudyka, A. June 2012. "Fiscal Stimulus in Times of High Debt: Reconsidering Multipliers and Twin Deficits". XIII Conference on International Economics, Granada.

4.8 Other Presentations

Frenkel, M. March 2012. "Entwicklung durch Wachstum?". Forum Christlicher Wissenschaftler, Gießen.

Frenkel, M. January 2012. „GDP als Wohlstandsindikator“. Verein für entwicklungspolitische Forschungsförderung, Montabaur.

Frenkel, M. November 2012. „Die Euro-Krise: Gründe, Verlauf und Lösungen“. IHK, Koblenz.

Frenkel, M. November 2012. „Die Euro-Krise: Gründe, Verlauf und Lösungen“. WHU – Otto Beisheim School of Management, Vallendar.

Frenkel, M. October 2012. „Die Euro-Finanzkrise: Gründe, Verlauf und Lösungen“. SPD Ortsverein, Vallendar.

Rülke, J. March 2012. „Do European Consumer Believe in Macroeconomic Building Blocks?“. Workshop Survey Data Analysis, Kiel.

Rülke, J. October 2012 „Forecasting Housing Approvals in Australia“. Workshop Real Estate Forecasting, Hamburg.

4.9 Conferences

Frenkel, M. June 2012. Sasin Bangkok Forum, Bangkok.

Frenkel, M. May 2012. Annual Meeting of the Ausschuss für Außenwirtschaftstheorie und –politik, Kiel.

Frenkel, M. February 2012. International Conference on Global Business Environment, Bangkok.

Frenkel, M. November 2012. EFMD Africa Conference, Cape Town.

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. Seven 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 2012. 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 supervising the WHU students during internships and advising the KfW on future activities of economic studies.


- Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)**
 The cooperation on internships and internship theses began in 2002.


- 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 2011 and 2012 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 Center for European Studies (CEUS)



CEUS Workshop 2012

The Center for European Studies (CEUS) organized its seventh annual workshop on May 24 and 25. Twenty-four 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 to Stability in the Euro Area".

The highlight of the workshop was a keynote speech by Christiane Nickel from the European Central Bank. She talked about "Fiscal Policy Challenges in the EMU" and gave special attention to the so-called "fiscal compact". She emphasized that the main elements of the fiscal compact are a mandatory introduction of a balanced budget rule and an automatically triggered correction mechanism at the national level. It also includes a strengthened automaticity of the excessive deficit procedure within the reinforced Stability and Growth Pact.

This year's CEUS Workshop more than lived up to expectations of the participants.

The following papers were presented and discussed during the workshop:

- Nadjeschda Arnold (Center for Economic Studies, University of Munich), **Christopher Weber** (Center for Economic Studies, University of Munich)
"Disincentives for Governments in a Monetary Union"
- Simone Salotti (National University of Ireland, Galway), **Carmine Treccoci** (University of Brescia)
"Even Worse than You Thought: The Impact of Government Debt on Aggregate Investment and Productivity"
- **Peter Claeys** (University of Barcelona), Bořek Vašíček (Czech National Bank)
"Measuring Sovereign Bond Spillover in Europe and the Impact of Rating News"
- **Juha Kilponen** (Bank of Finland), Helinä Laakkonen (Bank of Finland), Jouko Vilmunen (Bank of Finland)
"Sovereign Risk, (Uncertainty) and Policy"

- **Matthias Bank** (University of Innsbruck), **Alexander Kupfer** (University of Innsbruck), **Rupert Sendlhofer** (University of Innsbruck)
“Performance-Sensitive Government Bonds – A New Proposal for Sustainable Sovereign Debt Management”
- **Matthias Neuenkirch** (Philipps-University Marburg)
“Monetary Policy Transmission in Vector Autoregressions: A New Approach Using Central Bank Communication”
- **Trond-Arne Borgersen** (Østfold University College, Norway), **Roswitha M. King** (Østfold University College, Norway)
“Relating Debt to Inflation among Transition Economies – A Blueprint from Mature Economies?”
- **Maritta Paloviita** (Bank of Finland), **Helvi Kinnunen** (Bank of Finland)
“Real Time Analysis of Euro Area Fiscal Policies: Adjustment to the Crisis”
- **Francisco De Castro** (European Commission), **Daniel Garrote** (Bank of Spain)
“The Effects of Fiscal Shocks on the Exchange Rate in the EMU and Differences with the US”
- **Falk Braeuning** (Tinbergen Institute and VU University Amsterdam), **Falko Fecht** (European Business School)
“Relationship Lending and Peer Monitoring: Evidence from Interbank Payment Data”
- **Alexis Derviz** (Czech National Bank), **Jakub Seidler** (Czech National Bank)
“Coordination Incentives in Cross-Border Macroprudential Regulation”

