

Activity Report
September 1, 2010 – August 31, 2011



Excellence in
Management
Education

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1 Preface



The Chair of Macroeconomics and International Economics together with the assistant professorship in International Economics and the Center for European Studies (CEUS) were again significantly involved in many activities of the WHU. The activities of the two professorships included contributing to all teaching programs of the WHU; conducting research with a focus on international economics; and participating in as well as directing several managerial tasks of the school. Together with their team, they also served in different functions outside the WHU.

In the area of teaching, the team offered a number of courses both at the undergraduate and the graduate level. 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 from the Bachelor of Science program had the opportunity to participate in the National Model United Nations (NMUN) which, after several workshops on our campus, led to the students participating in the simulation of the working of the United Nations in New York in spring 2011. This year, students presented the Republic of Uganda. Finally, a number of Bachelor and Master theses were supervised by the team.

In the area of research, the team was very productive in developing research ideas, which led to a number of research papers and publications. Several papers published or accepted for publication deal with the formation of expectations in a number of important markets such as, for example, the foreign exchange market and the oil market. Some other papers look at monetary and fiscal policy. Journals, in which research was published by the team in the academic year 2010-2011 include, for example, the following: *Journal of Macroeconomics*, *Review of International Economics*, *Applied Economics*, *German Economic Review*, and *Economics Letters*. The Center for European Studies (CEUS) organized a workshop on “Monetary and Fiscal Policy Challenges in the Euro Area” and brought together scholars from various European countries.

Other activities included contributing to the leadership of the WHU, serving on editorial boards of several academic journals, forming – together with Professor Fendel – the academic liaison for Germany of the World Economic Forum for the management survey in the context of generating the Global Competitiveness Report, and service to other institutions.

2 The Team

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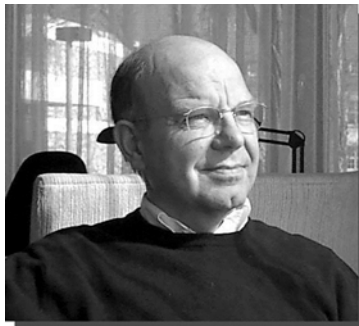
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3 Teaching



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, the Master of Law and Business 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 2010

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

Heraeus Quandt Forum “National Model United Nations”

Professor Michael Frenkel, Tobias Biller, 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 2011 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 the Republic of Uganda. 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

Business Environment in Europe

Lilli Zimmermann

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 – 3.0 ECTS

Seminar on Globalization

Professor Michael Frenkel, Professor Jan-Christoph Rülke

The seminar covered recent developments in international monetary economics. In order to analyze different topics such as exchange rate models or determinants of international capital flows. The students turned in a seminar thesis and presented their results.

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 Felix Höffler, Professor Kai Hüschelrath, 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 2011

Bachelor of Science

Macroeconomics I: Production, National Income Accounting and Business Fluctuations

Professor Ralf Fendel, Professor Michael Frenkel

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 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

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 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. The course also discussed special features of the European integration process. The examination of the global business environment focuses on international trade, foreign direct investment and foreign exchange operations. The discussions of concepts were complemented by cases that aim at illustrating how economic linkages between countries affect the decision of firms.

3 SWS – 3.0 ECTS

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 focus on trade integration and the monetary unification process in Europe.

2 SWS – 3.0 ECTS

Executive Master of Business Administration

The Business Environment in Europe

Professor Michael Frenkel, Professor Jürgen Weigand

The first 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 to several major regions in the world where economic integration has become a significant policy issue.

Over the past two decades, market integration and deregulation of key industries as well as the competitive pressures of globalization have fundamentally changed the challenges and opportunities firms face in European markets. The objective of the second part of the course was to identify and understand the forces and trends on both the supply and demand side that affect the competitive strategies of firms in European markets. Of particular interest to strategic management is the global outreach of the European Commission as regards competition policy and the application of European Competition Law.

Bucerius/WHU Master of Law and Business

International Trade and Foreign Direct Investment

Professor Michael Frenkel

This course introduced the main international aspects which are relevant for firms involved in international business transactions and discussed features of regional economic integration. Important aspects of the global business environment involve trade and international investment. 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.

Executive Education

Metro Business Program

Developments in International Trade

Professor Michael Frenkel

The course provided an overview over recent developments in international trade. Some stylized facts highlighted the main quantitative aspects of the current situation. The module introduced participants also into basics of the rationale of trade policies. Since regional integration has also played an important role in the context of international trade policies, the module also covered economic and political aspects of regional integration. Furthermore, the discussion focused on the World Trade Organization (WTO) as the main body for the promotion of international trade liberalization.

Special University Programs

European MBA Summer Institute I and II

The Economic and Political Environment of Business in Europe

Professor Michael Frenkel

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

Michigan BBA Program

European Economic Integration: Trade and Monetary Integration in Europe

Professor Michael Frenkel

The course introduced participants to business relevant stylized facts of European countries, the role of European countries in the global economy, and the background of European trade integration. The course also examined the monetary integration in Europe and the role of the euro in the world economy. In addition, the course studied the rationale of the European Monetary Union (EMU).

European Summer Institute
Bachelor of Business Administration Program
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.

International Module of the MBA-Program Tepper School of Business
European Economic Integration: Trade and Monetary Integration in Europe
Professor Michael Frenkel

The course introduced participants 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 focused on the functioning of the European Monetary Union and the recent developments in the euro area. 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. Participants were introduced to the functioning of the Czech National Bank and the recent monetary developments in the Czech Republic. Moreover, participants were introduced to the business environment in the Czech Republic.

EMBA-Program CEIBS
European Economic Integration
Professor Michael Frenkel

The lecture discussed the European Union, multilateral and regional integration, effects of trade liberalization in Europe and the European monetary integration.

EMBA-Program Melbourne Business School
European Economic Integration: Trade and Monetary Integration in Europe
Professor Michael Frenkel

The course introduced students to the integration process in Europe, to some stylized facts about Europe, the rationale of general trade liberalization and of regional integration and the rationale of monetary integration.

MBA-Program Drexel University
European Economic Integration
Professor Michael Frenkel

The course introduced participants 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.

3.3 Dissertation Defense

Has the Monetary Transmission Mechanism in the Euro Area Changed? Evidence from a Factor-Augmented VAR with Time-Varying Parameters

by Andreas Tudyka

The evolution of the monetary transmission mechanism in the Euro Area is investigated through a Bayesian factor-augmented vector autoregression with stochastic volatility and time-varying parameters subject to inequality constraints. This approach exploits the informational content of a great number of variables while keeping the parameter space within an estimable range, therefore avoiding the “curse of dimensionality” problem. Identification of the time-varying parameters is achieved through sign restrictions which remain agnostic about the simultaneous interactions as well as long-run behavior of the structural parameters. Moreover, the roots of the VAR polynomial defined by the model parameters are subject to inequality constraints in order to avoid explosive behavior. The present state of research is still in disagreement about the existence of a structural change of the transmission mechanism, especially for the Euro Area, for which the approach as outlined has not been undertaken yet. This question is not only of academic interest but also of high policy relevance as changing transmission mechanism may have significant implications for conducting sound and effective monetary policy.

3.4 Dissertation

Monetary Policy Rules: Empirical Applications based on Survey Data
by Dirk Bleich

The aim of the thesis is to provide different studies of how econometric evaluation of monetary policy based on forward-looking Taylor rules is conducted. The thesis demonstrates that such a relatively simple monetary policy rule is well suited to analyze a wide range of questions regarding monetary policy. The first part of the thesis discusses theoretical results of other authors regarding the Taylor principle, which states that the nominal interest rate should be adjusted by more than one-for-one with changes in the inflation rate. This result is used in the subsequent

chapters as a guideline for evaluation of three empirical applications based on survey data of Consensus Economics. The first application deals with the question whether the introduction of inflation targeting affects monetary policy. It considers 18 countries before and after the introduction of inflation targeting and provides evidence that the introduction of inflation targeting is consistent with a monetary policy aiming to stabilize inflation, i.e. the Taylor principle is fulfilled. The second application investigates the consequences of oil price movements for monetary policy. It uses an oil price augmented Taylor rule and provides robust estimates that the Bank of Canada, the Bank of England, Federal Reserve and European Central Bank respond to increase in oil price expectations with an increase in the interest rate. Interestingly, these central banks do not respond to the realized oil price. The third application analyzes monetary policy conditions in Spain before and after the changeover to the Euro by estimating forward-looking Taylor rules. Based on the Taylor principle, the ECB's monetary policy since 1999 is evaluated as to expansionary for Spain's economy. Moreover, the application provides evidence that the Spanish housing boom is associated with the ECB's monetary policy. The thesis demonstrates that forward-looking Taylor rules are well suited to be applied in the real world and that macroeconomic performance has been better when central banks decisions are based on such rules. However, Taylor rules should not be interpreted as mechanic rules and should only be used as a guideline for monetary policy. Thus, Taylor rules do not replace a complete monetary policy analysis.

3.5 Bachelor Theses

3.5.1 Accumulation of Foreign Exchange Reserves – Theoretical and Practical Considerations

by Isaam Abedin and Oliver Mickler

The thesis presents an in depth analysis of theoretical and practical implications of foreign exchange reserve accumulation paying particular attention to the decisive role of emerging market economies. In the first section the reader is introduced to the topic from a theoretical point of view. In the second section of the thesis the identified motives, risks and costs as well as mechanisms to define the optimal level of reserve holdings are applied in the form of regional and country specific case studies of Brazil, Russia, India and China.

3.5.2 Public Debt and Economic Growth in the European Monetary Union

by Valentin Barde

The thesis deals with the topic of public debt and economic growth in the European Monetary Union. It is presented in detail, how and why the European debt crisis evolved providing insights on the public debt development in the EMU since the

1970s, the macroeconomic imbalances as well as the structural problems explained with the Greek example. The thesis deals with the short-term Keynesian and long-term conventional public debt effects. The debt-growth relation is scrutinized theoretically and empirically. Further sections are devoted to the question how to establish sound public finances and stability in order to escape from severe indebtedness and regain confidence at capital markets.

3.5.3 Demographic Change in Germany by Alexander Igelmann

Alexander Igelmann discusses Germany's demographic development in the past since 1950 on the basis of age composition, mortality rates, fertility rates and migration. The thesis analyses the reasons for the developments of the mentioned factors and forecasts the future development until 2060. The consequences for the pension system, the health system, the labour market, private consumption and other areas of Germany's economy are described and potential solutions to overcome these problems are suggested.

3.5.4 Monetary Policy and Inflation in Russia – Inflation Targeting and the Taylor Rule by Steven Junker

The thesis is structured as follows: The first chapter forms the basis and centers around inflation, dealing with its costs and benefits as well as an optimal inflation rate. The next chapter presents the inflation targeting framework and applies this monetary policy strategy to the Russian Federation. In the following chapter the results of the Taylor rule are compared to the monetary policy pursued in Russia in the past and its findings are analysed. The last chapter contains an outlook into the future of the Russian monetary policy.

3.5.5 The Economic Long-Term Effects of Investment in the Education Sector in Low-Developed Countries by Benjamin Liese

The thesis takes a closer look at the theoretical foundations of the relation between education and growth. The thesis starts with the Harrod-Domar model which is followed by the Solow model. After that the more elaborate model including human capital, the augmented Solow model is introduced. In the next section actual research literature is reviewed. Data on human capital in growth regressions is analysed to see its effect in low-developed countries. The following section deals with policy implications which result from the theoretical and empirical analysis and the last section summarizes the main research findings.

3.5.6 Assessing Debt Sustainability in the G7 Countries by Oliver Mohr

In his thesis Oliver Mohr identifies the sources of budgetary weaknesses and determines the necessary size of fiscal adjustments in the G7 countries to ensure sustainable debt dynamics in the long run. Pursuing a high degree of consistency and comparability among the estimation results, two clear-cut primary gap indicators are introduced based on the discussion of the intertemporal budget constraint. A subsequent in-depth decomposition of the Intertemporal Primary Gap and the Debt Target Primary Gap of the respective country constitutes the centerpiece of the assessment of debt sustainability in view of post-crisis, tectonic budgetary upheavals and strong ageing dynamics.

3.5.7 Effectiveness of Capital Controls by João Miguel Rodrigues

The thesis recapitulates and analyses the research on the effectiveness of capital controls principally conducted since the beginning of 2000. The idea is to emphasize the reasons for policymakers to impose capital controls, to evaluate success factors and give an overview of current research findings and beyond that to derive first assessments on the effectiveness of capital controls employed in the aftermath of the global financial crisis.

3.5.8 Assessing Debt Sustainability in the European Monetary Union by Christoph Rösler

After an overview of the current economic and political situation in the EMU, Christoph Rösler elaborates the theoretical foundations of sustainability assessments. These findings are then used to look more closely at the debt situation in Portugal, Ireland, Greece, and Spain. The examination of the debt situation in the four countries is split up into an analysis of their recent debt developments and a forecast of debt sustainability until 2020. The last chapter presents a short overview on some possible remedies for unsustainable debt levels and comes to the conclusion that expenditure based fiscal adjustments seem most promising.

3.5.9 The History of Exchange Rate Regimes by Christian Sprinkmeyer

The thesis especially focuses on the functionality of balance of payments adjustment mechanisms under different exchange rate regimes in history. Both the balance of payments concept and the adjustment mechanisms are explained by utilizing a macroeconomic model. In addition, an introduction into fixed and floating exchange rate regimes is provided. Apart from a short presentation of the trends in

the current international monetary system, the major determinants of choosing either fixed or floating exchange rate regimes are examined. Theoretical considerations and two presented examples suggest that in recent years floating exchange rate regimes were advantageous for most countries.

3.5.10 The Role of Financial Stability for Macroeconomic Performance by Daniela Werthes

Daniela Werthes considers the link between financial stability and macroeconomic performance. The thesis overviews important players in the international financial system and sheds light on arising problems in the current situation. A major part is devoted to the links between financial institutions and the rest of the economy. Various indicators used by the IMF are explained with respect to Germany, Brazil, the USA and China. The following assessment relates the indicators of financial stability to the macroeconomic performance of the aforementioned countries.

3.6 Master Theses

3.6.1 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.

3.6.2 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.

3.6.3 Central Bank Intervention Policy in Emerging Countries 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.

3.6.4 Monetary Policy Response to the Financial Crisis by Arvid Seeberg-Elverfeldt

The thesis covers the responds of central banks to the economic and financial crisis of 2007-09. To this end, the thesis investigates empirically whether and how the interest rate setting behaviour has changed under the times of crisis. The econometric framework of the empirical analysis is the Taylor rule which assumes that the short-term interest rate depends on the expected real and monetary development.

3.7 Theses WHU/BLS Master of Law and Business

3.7.1 The Legal and Commercial Background Conditions Related to the Active Entrance of the KettenWulf Group in the Indonesian Market by Cut Nya Dartina Rinatha Darmawan

The objective of this research is to support the KettenWulf group in its intention to enter the Indonesian market. The rules, regulations, and policies of the Indonesian government regarding the entrance of a foreign entity, in particular entities dealing in the conveyor chain industry sector, are identified. To reach an understanding of the Indonesian market in terms of political, legal, economical, socio-cultural, and technological conditions have to be taken into account. The objective of the thesis also includes deriving recommendations as to whether and how a market entry for the KettenWulf group will be feasible and profitable.

3.7.2 Screening of Foreign Investment in Canada: A Wind of Change? by Marc-Alexandre Tremblay

The thesis starts by setting out the contextual background of Canada's foreign investment regulatory framework, providing an overview of the review process under the ICA and an analysis of key recent developments in this context. In Section 2, the thesis takes a closer look at the government's administration of the

ICA, as the thesis tries to determine whether a new trend is discernable and contemplate how exactly the government's actions measure up in an international setting. Finally, in Section 3, the thesis discusses the implications of the BHP decision both within Canada and abroad and examines the challenges that lie ahead, while also exploring some avenues for reform.

3.7.3 Starbucks' Experience with FDI and Its Entry Strategy to Move into India by Maryam Warnke

In this Master Thesis different possible foreign market entry modes are identified. Moreover, relevant factors influencing Starbucks's potential market entry mode to India, such as economical, legal and social factors as well as company internal factors, are outlined. In addition, previous entry modes of Starbucks into other countries such as the UK, Japan and New Zealand are analysed. Finally, based on the collected data the most suitable entry mode are chosen for Starbucks' entry strategy into the Indian market.

3.8 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, profitability of central bank operations, central bank communication, empirical assessment of macroeconomic forecasts and monetary policy rules.

3.9 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: Macroeconomic Effects of Taxation, The Social and Economic Consequences of Demographic Change, The Impact of Technological Progress on Factor Productivity and Unemployment, Efficiency Wages and Work Incentives, The Impact of Migration on Labor Markets.

3.10 Research Seminar in Economics (FORSEM)



3.10.1 Fall Semester 2010

- **Professor Ralph Winter** (Sauder School of Business, University of British Columbia)
“Duopoly Theory with Exclusionary Contracts: The Abuse of Joint Dominance”
- **Dr. Zeno Enders** (University Bonn)
“Expansionary and Contractionary Technology Shocks”
- **Professor Peter Tillmann** (Justus-Liebig-University Gießen)
“What Do We Learn from Individual FOMC Forecasts?”
- **Professor Martin Dresner** (Robert H. Smith School of Business, University of Maryland)
“The Impact of Flight Delays on Passenger Demand and Consumer and Producer Welfare”
- **Professor Vivek Ghosal** (Georgia Institute of Technology, Atlanta)
“Quality Competition, Innovation and Market Share Dynamics in the Automobile Industry”
- **Professor Philipp Harms** (Johannes-Gutenberg-University Mainz)
“Distribution Costs and the Home Bias in Equities”

3.10.2 Spring Semester 2011

- **Professor Anming Zhang** (University of British Columbia, Vancouver, Canada)
“Price Cap vs. Rate-of-Return Regulation on Capacity, Utilization, Quality and Welfare”
- **Dr. Felix Hammermann** (Deutsche Bundesbank)
“Konsequenzen für die Geldpolitik aus der Finanzkrise”

3.11 National Model United Nations – NMUN



In April 2011, 15 WHU students travelled to New York to take part in the NMUN NY 2011 conference and represent the Republic of Uganda, 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 2010 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.

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

Fendel, R., Frenkel, M. and Rülke, J.-C. 2011. Ex-ante Taylor Rules – Newly Discovered Evidence from the G7 Countries. ***Journal of Macroeconomics***, Vol. 33, pp. 224-232.

Fendel, R., Frenkel, M. and Rülke, J.-C. 2011. Ex-Ante Taylor Rules and Expectation Forming in Emerging Markets. ***Journal of Comparative Economics***, Vol. 39, pp. 230-244.

Fendel, R., Lis, E. and Rülke, J.-C. 2011. Do Professional Forecasters Believe in the Phillips Curve? - Evidence from the G7 Countries. ***Journal of Forecasting***, Vol. 30 (2), pp. 268-287.

Frenkel, M., Lis, E. and Rülke, J.-C. 2011. Has the Economic Crisis of 2007-2009 Changed the Expectation Formation Process in the Euro Area? ***Economic Modelling***, Vol. 28, pp. 1808-1814.

Nickel, C., Rother, P. and Rülke, J.-C. 2011. Expected Fiscal Variables and Bond Spreads in CEEC and Emerging Markets. ***Applied Financial Economics***, Vol. 21 (17), pp. 1291-1307.

Fendel, R., Frenkel, M. and Rülke, J.-C. 2010. Real-Time Data Does Not Make a Difference! – Evidence from the Expectation Formation Process. ***Empirical Economic Letters***, Vol. 9 (7), pp. 723-729.

Frenkel, M., Stadtmann, G. and Rülke, J.-C. 2010. Expectations in the Yen/Dollar Market - Evidence from the Wall Street Journal Poll. ***Journal of the Japanese and International Economics***, Vol. 24 (3), pp. 355-368.

Lis, E. and Nickel, C. 2010. The Impact of Extreme Weather Events on Budget Balances. *International Tax and Public Finance*, Vol. 17 (4), 378-399.

Pierdzioch, C., Stadtmann, G. and Rülke, J.-C. 2010. New Evidence of Anti-Herding of Oil-Price Forecasters. *Energy Economics*, Vol. 32 (6), pp. 1456-1459.

Reitz, S., Stadtmann, G. and Rülke, J.-C. 2010. Are Oil-Price-Forecasters Finally Right? – Regressive Expectations towards More Fundamental Values of the Oil Price. *Jahrbücher für Nationalökonomie und Statistik*, Vol. 230 (4), pp. 454-466.

4.2 Articles Accepted for Publication in Refereed Journals

Bleich, D., Fendel, R. and Rülke, J.-C. Monetary Policy and Oil Price Expectations. Forthcoming *Applied Economics Letters*.

Dinkel, A. and Rülke, J.-C. How Do Forecasters Form Oil Price Expectations? Forthcoming *Empirical Economics Letters*.

Frenkel, M. and Koske, I. Are the Real Exchange Rates of the New EU Member Countries in Line with Fundamentals? – Implications of the NATREX Approach. Forthcoming *Jahrbücher für Nationalökonomie und Statistik*.

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*.

Frenkel, M., Rülke, J.-C. and Zimmermann, L. Do Current Account Forecasters Herd? – Evidence from the Euro Area and the G7 Countries. Forthcoming *Review of International Economics*.

Pierdzioch, C., Stadtmann, G. and Rülke, J.-C. On the Internal Consistency of Short-Term, Medium-Term, and Long-Term Oil Price Forecasts. Forthcoming *Applied Economics*.

Pierdzioch, C., Stadtmann, G. and Rülke, J.-C. Is There a Core of Macroeconomics That Euro Area Forecasters Believe In? Forthcoming *German Economic Review*.

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

Reitz, S., Taylor, M.P. and Rülke, J.-C. Nonlinear Impact of Foreign Exchange Intervention - The Australian Case. Forthcoming *Economic Record*.

Rülke, J.-C. and Tillmann, P. Do FOMC Member Herd? Forthcoming *Economics Letters*.

4.3 Other Publications

Biller, T. and Rülke, J.-C. 2011. Angewandte Auktionstheorien. **Das Wirtschaftsstudium**, Vol. 1, pp. 66-67.

Fendel, R. and Rülke, J.-C. 2011. Bank Run. **Das Wirtschaftsstudium**, Vol. 5, p. 655.

Gadatsch, N. and Rülke, J.-C. 2011. Pendlerverhalten. **Das Wirtschaftsstudium**, Vol. 7, pp. 928-929.

Pierdzioch, C., Stadtmann, G. and Rülke, J.-C. 2011. Auslöser und Auswirkungen von Währungskrisen. **Das Wirtschaftsstudium**, Vol. 7, pp. 979-983.

Pierdzioch, C., Stadtmann, G. and Rülke, J.-C. 2011. Die Wirkungen von Handelsbeschränkungen – Eine wohlfahrtstheoretische Analyse. **Das Wirtschaftsstudium**, Vol. 3, pp. 375-379.

Reisinger, M. and Rülke, J.-C. 2011. Das Triell. **Das Wirtschaftsstudium**, Vol. 10.

Rülke, J.-C. and Zimmermann, L. 2011. Ölpreis und OPEC. **Das Wirtschaftsstudium**, Vol. 3, pp. 340-341.

Bleich, D. 2010. Ist die Entwicklungszusammenarbeit kontra-produktiv? in: Fendel, R. (ed.), **Conference Transcript „13. Entwicklungspolitisches Seminar des Vereins für entwicklungsökonomische Forschungsförderung“** in cooperation with Kfw Entwicklungsbank and DEG.

Rülke, J.-C. 2010. Book review of Purchasing Power Parity (ed. H. Manzur). **Jahrbücher für Nationalökonomie und Statistik**, Vol. 3, pp. 359-360.

4.4 Books

John, K.D. and Frenkel, M. 2011. Volkswirtschaftliche Gesamtrechnung, 7th edition, Franz Vahlen Verlag, Munich.



4.5 Participation in Summer Schools

Biller, T. August 2011. **Advanced Econometrics**. The London School of Economics and Political Science.

Rülke, J. September 2010. **Monetary-Fiscal Policy Interactions**. University Amsterdam, Tinbergen Institute, EABCN Training School.

Zimmermann, L. September 2010. **Arbeiten mit makroökonomischen Modellen**. University Leipzig, Institut für empirische Wirtschaftsforschung.

Tudyka, A. August 2010. **Solving and Estimating DSGE Models**. University of Amsterdam, Amsterdam School of Economics.

4.6 Referee and Editorial Activities

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

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

Furthermore, Michael Frenkel is editor of the series “Studien zu Internationalen Wirtschaftsbeziehungen” published by P. Lang Publisher. The following book was published during the academic year 2010/2011.

- Essays on International Asset Management: Evidence for Developed West and Emerging East (Marina Nikiforow)



Michael Frenkel also serves on the editorial board of the “Deutsche Bank Research Papers”.

4.7 Presentations in Research Seminars

Bleich, D. March 2011. “Monetary Policy and Oil Price Expectations”. 13th Göttinger Workshop – Internationale Wirtschaftsbeziehungen, Göttingen.

Rülke, J.-C. July 2011. “Do Professional Forecasters Chase after Central Bank Projections?”. BGSE Macro Workshop, Bonn.

Rülke, J.-C. June 2011. “Do Private Sector Forecaster Desire to Deviate from the German Council of Economic Experts?”. RWI Research Seminar, Essen.

Rülke, J.-C. May 2011. “Do Professional Forecasters Chase after Central Bank Projections?”. Center for Quantitative Economics Seminar, Münster.

Rülke, J.-C. March 2011. „Do Professional Forecaster Desire to Deviate from the German Council of Economic Experts?”. 13th Göttinger Workshop – Internationale Wirtschaftsbeziehungen, Göttingen.

Rülke, J.-C. January 2011. “Housing Starts in Canada, Japan, and the United States: Do Forecasters Herd?”. Campus for Finance, WHU – Otto Beisheim School of Management, Vallendar.

4.8 Other Presentations

Frenkel, M. June 2011. “Moderne Leistungsstrukturen in Universitäten und Fakultäten”. 73. Wissenschaftliche Jahrestagung des Verbandes der Hochschullehrer für Betriebswirtschaft e.V., Kaiserslautern.

Frenkel, M. February 2011. “Sind Christentum und Leistungskultur Gegensätze?”. Kongress christlicher Führungskräfte, Nürnberg.

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 all 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 2011. 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**

Since summer 2007 Professor Michael Frenkel has been the chairman 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. In 2011, Professor Michael Frenkel organized the annual meeting in Heidelberg.



- **Erweiterter Vorstand des Vereins für Socialpolitik**

Professor Michael Frenkel served as board member of the "Verein für Socialpolitik". The members met in 2010 and 2011 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 2011

The Center for European Studies (CEUS), which is led by Professor Michael Frenkel, organized its sixth annual workshop from 18th to 20th May, 2011. Thirty participants from various universities and national central banks gathered together at WHU to present and discuss the results of their research at the workshop entitled “Monetary and Fiscal Policy Challenges in the Euro Area “.

The highlight of the workshop was a keynote speech by Ludger Schuknecht (ECB), entitled “The Benefits of Fiscal Consolidation in Uncharted Water“. This year’s CEUS Workshop once again more than lived up to expectations and gave academics from various European institutions and universities the chance to engage in an informal exchange of ideas on a very high academic level.

The following papers were presented and discussed during the workshop:

- **Angela Nolte** (University of Edinburgh)
“A Greek Tragedy with a Happy Ending? – Orderly Debt Restructuring in the EU”
- **Simone Salotti** (National University of Ireland, Galway), Luigi Marattin (University of Bologna), Paolo Peasani (University of Tor Vergata)
“Public Debt and Interest Rate Dynamics”
- **Nadjeschda Arnold** (Center for Economic Studies, University of Munich), Beatrice Scheubel (Center for Economic Studies, University of Munich)
“Sovereign Debt in a Monetary Union”
- **Adalbert Winkler** (Frankfurt School of Finance and Management)
“The Joint Production of Confidence: Lessons from 19th Century US Commercial Banks for 21st Century Euro Area Governments”
- **Margarita Grushanina** (Vienna University of Economics and Business Administration)
“Macroeconomic Stability within the European Monetary Union – GVAR Model for the Euro Area Countries”

- **Josef Hollmayr** (Goethe University Frankfurt)
“Fiscal Spillovers and Monetary Policy Transmission in the Euro Area”
- **Francisco de Castro Fernández** (Bank of Spain), Javier J. Pérez (Bank of Spain), Marta Rodríguez-Vives (European Central Bank)
“Fiscal Data Revisions in Europe”
- **Jan Hogrefe** (ZEW Mannheim), Benjamin Jung (Tuebingen University), Wilhelm Kohler (Tuebingen University)
“Readdressing the Trade Effect of the Euro: Allowing for Currency Misalignment”
- **Michal Brzoza-Brzezina** (National Bank of Poland and Warsaw School of Economics), Pascal Jacquinot (European Central Bank), Marcin Kolasa (National Bank of Poland and Warsaw School of Economics)
“Can We Prevent Boom-Bust Cycles during Euro Area Accession?”
- **Tsvetomira Tsenova** (Bulgarian National Bank)
“Are Long-Term Inflation Expectations Well-Anchored? – Evidence from the Euro Area and the United States”
- **Britta Niehof** (Philipps-University of Marburg), Bernd Hayo (Philipps-University of Marburg)
“Identification through Heteroscedasticity in a Multicountry and Multimarket Framework”
- **Deniz Kozanoglu** (University Jean Monnet and Istanbul University)
“Banking and Financial Supervision in Europe: The Essential Need of an Adequate Harmonization”

