

Activity Report
September 1, 2008 – August 31, 2009



Excellence in
Management
Education

**Chair of Macroeconomics and
International Economics**

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1 Preface



The Chair of Macroeconomics and International Economics together with the Center for European Studies (CEUS) developed and conducted a number of activities in the areas of teaching and research during the academic year 2008-2009. In addition, members of the team also served in different functions outside the WHU.

In the area of teaching, the team of the Chair of Macroeconomics and International Economics contributed to virtually all programs WHU offered during the academic year. Hence, courses were given at both the undergraduate and graduate level. The latter comprised more programs during the academic year under consideration, as WHU launched an MSc program and, in this context, also offers a specialization in economics. One of the highlights of the programs the team organized was the National Model of United Nations (NMUN) which, after several workshops on our campus, ended again with the group of students of the program participating in the simulation of the working of the United Nations in New York in spring 2009.

In the area of research, the team was very productive in developing research ideas, which led to a number of research papers. While one paper (published in *Applied Economics*) examined on the question whether or not the European Central Bank responded to inflation differentials in the euro area, several other papers focused on the expectation formation process or the beliefs of financial market participants. The members 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 “Ten years of European Monetary Union” which 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. One highlight of these activities was the participation in a working group around the Minister of Finance of Germany that looked into options of the policy response to the financial crisis 2008-2009.

2 The Team

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3 Teaching



The Chair organizes courses in the various degree and non-degree programs of WHU that look at the macroeconomic and the international economic environment. Degree programs of the WHU in which courses are offered by the team comprise the Bachelor of Science program, the Master of Science program, the MBA program, the Executive MBA program, the Master of Law and Business program and the doctoral program. In addition, the Chair and the Center for European Studies was 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 2008

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. The material covered both microeconomic and macroeconomic topics.

2 SWS – 3.0 ECTS

Macroeconomics I: Production, National Income Accounting and Business Fluctuations

Professor Michael Frenkel, Eliza Lis

Contrary to microeconomics, macroeconomics considers all companies and all consumers together, that is: the national economy as a whole! Therefore, macroeconomics focused on aggregate markets and aggregate variables such as output, unemployment, growth, inflation, interest rate etc. Simplified models with only a limited amount of markets such as an aggregate goods market and the financial market were the focus of the analysis. Furthermore, the possibilities and limitations of economic policy were discussed.

2 SWS – 3.0 ECTS

Heraeus Quandt Forum “National Model United Nations”

Professor Michael Frenkel, Lilli Zimmermann

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 2009 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 a specific country. The course highlighted the history and structure of the UN as well as the historic and economic background of the represented country/organization. Furthermore, basics of diplomatic behavior in disputes were trained.

2 SWS – 3.0 ECTS

Statistics I

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 I: Analysis

Professor Ulrich Schittko

The course covered essential mathematics for economic analysis. Additionally, the course provided an overview of basics (set theory, functions, sequences etc.) special functions and their characteristics, linear algebra and basic mathematical notions (limits, continuity and differentiability, optimization of function of one variable, functions of several variables).

1.8 SWS – 2.0 ECTS

Mathematics II: Linear Algebra

Professor Ulrich Schittko

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 Micro, Macro and International Economics.

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

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 Felix Höffler, 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 2009

Bachelor of Science

Macroeconomics I: Production, National Income Accounting and Business Fluctuations

Professor Michael Frenkel, Eliza Lis

Contrary to microeconomics, macroeconomics considers all companies and all consumers together, that is: the national economy as a whole! Therefore, macroeconomics focused on aggregate markets and aggregate variables such as output, unemployment, growth, inflation, interest rate etc. Simplified models with only a limited amount of markets such as an aggregate goods market and the financial market were the focus of the analysis. Furthermore, the possibilities and limitations of economic policy were discussed.

2 SWS – 3.0 ECTS

Seminar in Economics: Economic Challenges of Developing and Emerging Countries

Professor Michael Frenkel

Students studied different topics with regard to economic challenges of developing and emerging countries 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 II

Professor Peter Schulze

The course surveyed the most important instruments and procedures in inductive statistics. Additionally, the course provided examples and applications in the field of Macroeconomics and International Economics.

2 SWS – 3.0 ECTS

Introduction into Economic Analysis and Forecasting – Empirical Methods Professor Ulrich Schittko

The course was designed to introduce students to the basic techniques of econometric analysis (Empirical Methods). Mainly we focused on the understanding of the linear regression model, its extensions and its empirical applications in econometrics and related fields. The main objective was to enable students to learn and apply standard econometric techniques to answer quantitative economic questions using real-life data. The used software was STATA.

2 SWS – 3.0 ECTS

International Management Pre-Course Professor Michael Frenkel, Professor Lutz Kaufmann

The aim of the course was the understanding of the challenges of international management.

1 SWS

Master of Science

Seminar: International Financial Markets 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 in a block course.

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 Felix Höffler, 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

Master of Business Administration

The World Economy

Professor Michael Frenkel

This course discussed crucial aspects of doing business on a global scale. The focus was on the environment of international business, as this is essential to understand the functioning of the world economy. After an introduction to globalization, reasons for doing international trade and the causes as well as the consequences of trade policies were examined. Subsequently, the course looked the reasons and consequences of foreign direct investment and investigated government policies towards these investment activities. Then, regional economic integration aspects were studied. The last part centered on the foreign exchange market. Specifically, the importance of this market for international business, its opportunities and risks, and the reasons for foreign exchange market crises were explained.

3 SWS – 3.0 ECTS

Executive Master of Business Administration

The Business Environment in Europe

Professor Michael Frenkel, Professor Jürgen Weigand

The course 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 such 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. The course studied the principle issues and looked at cases as example of how these issues impact on individual firms.

Along with the competitive pressure of globalization, EU market integration as well as deregulation of key industries has fundamentally changed the challenges and opportunities firms face in European markets. The objective of this 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. The course discussed how European industries, such as financial services, telecoms, or utilities, have been transforming under the pressures of increasing international competition, stepped up competition policy and deregulation efforts. The course also focused on a particular industry and developed key learning points by “war gaming”.

Bucerius/WHU Master of Law and Business

International Trade and 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.

Metro Business Program Advanced

China and the World Economy

Professor Michael Frenkel

The course provided an overview over China's recent and future developments. Comparing China to the U.S. and Germany, the course analyzed the causes and consequences of China's rapid growth. Some stylized facts highlighted the main quantitative aspects of the current situation (e.g. the trade structure, the political situation, and the demographic development and energy issues). Afterwards, the module also introduced participants into the problems challenging the Chinese Economy and highlighted the current situation of China's role at the WTO. Since property rights also play an important role in the context of international trade policies, the module also covered economic and political aspects of dealing with international property rights. The discussion focused also on China's trade conflict with the European Union.

Special University Programs

European MBA Summer Institute I and II

The Economic and Political Environment of Business in Europe

Professor Michael Frenkel

This course examined the international role of the Euro and how European financial markets cope with the current global financial crisis. In addition, the course studied how the European Monetary Union (EMU) works. It combined official views from the European Central Bank with an assessment from the banking industry. Furthermore, participants were introduced to business relevant stylized facts of European countries, the role of European countries in the global economy, and the background of European integration. The implications for international business were assessed and the relationship between trade and monetary integration were examined. Finally, the prospects of further integration in Europe were discussed.

EMBA-Program Melbourne School of Business I and II

The Economic Environment of Business in Europe

Professor Michael Frenkel

The aim of the course was to comprehend the meaning of a common currency for different sovereign countries, to understand the policy and strategy of the European Central Bank and to realize the implications of a common currency for financial markets.

Michigan BBA Program

The Economic Environment of Business in Europe

Professor Michael Frenkel

This lecture introduced participants to business relevant stylized facts of European countries, the role of European countries in the global economy, and the background of European integration. Furthermore, it examined the international role of the Euro and how European financial markets cope with the current financial crisis. In addition, the students studied how the European Monetary Union (EMU) works.

European Summer Institute

Bachelor of Business Administration Program

The Economic and Political Environment of Business in Europe

Professor Michael Frenkel

This lecture introduced participants to business relevant stylized facts of European countries, the role of European countries in the global economy, and the background of European integration. The implications for international business were assessed and the relationship between trade and monetary integration were examined. Finally, the prospects of further integration in Europe were discussed. This lecture examined the international role of the Euro and how European financial markets cope with the current global financial crisis. In addition, the students learned how the European Monetary Union (EMU) works. The course combined official views from the European Central Bank with an assessment from the banking industry.

MBA-Program Tepper School of Business
The Business Environment in Europe
Professor Michael Frenkel

This lecture examined the international role of the Euro and how European financial markets cope with the current global financial crisis. In addition, the students learned how the European Monetary Union (EMU) works. The course combined views of the banking sector with the official views of the European Central Bank. Furthermore, this lecture introduced participants to business relevant stylized facts of European countries, the role of European countries in the global economy, and the background of European integration. The session focused on the consequences of the Single European Market and the process of European monetary integration. The implications for international business were assessed and the relationship between trade and monetary integration were examined. Finally, the prospects of further integration in Europe were discussed.

MBA-Program University of Stellenbosch Business School
International Finance
Professor Michael Frenkel

The aim of the course was to comprehend the meaning of exchange rates, to understand the link between exchange rates and the balance of payments, to realize the implications of international parity relations, to understand the reason, the transmission and the effectiveness of foreign exchange intervention and to realize the implications of a monetary union.

EMBA-Program CEIBS
The Economic Environment of Business in Europe
Professor Michael Frenkel

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

3.3 Defenses of the Dissertation

3.3.1 Germany's Export Performance and Economic Growth: Determinants, Linkages and Challenges by Lilli Zimmermann

In the course of the current financial and economic crisis Germany's export performance has sharply deteriorated, bringing back to the foreground the question what are the key determinants of exports. Within the framework of this dissertation six different hypotheses are reviewed systematically for their ability to explain German exports. Using quarterly data from 1992 to 2008 the estimation results of the single equation error correction models indicate that world demand, price competitiveness, energy prices and the fragmentation of production processes are crucial factors with world demand being the main driver. This result can mainly be traced back to Germany's well established trade links not only to the industrial countries but also to the fast-growing economies. Price competitiveness plays a comparatively smaller role in explaining Germany's export growth. Even though the

prolonged effort in containing costs through wage moderation was significant, the effect of price competitiveness on Germany's export performance is diluted by the nominal appreciation of the euro during the period 2003-2008. Highly interesting are the results on the relationship between the oil price and exports. The positive long-run relationship supports the argument that with rising energy prices and natural resources becoming scarce the demand for energy-efficient products and alternative energy technologies increases. Since Germany is leading in these industries, German manufacturers strongly benefit from this development. Further, the results indicate that Germany's export performance has benefited from the ongoing specialization. Due to the fact that German companies have organized their value chain of production in such a way as to optimally exploit the comparative advantages of individual firms and locations, they are able to increase their exports. There is no conclusive evidence of exports being determined by Germany's R&D expenditure or FDI activities. Further, the results of the forecasting exercise indicate that German exports will slump in the first three quarters of 2009 before they stabilize in the fourth quarter of the same year.

3.3.2 Adaptive Learning in New-Keynesian Macroeconomics by Dirk Bleich

Expectations play a key role in modern macroeconomics. Current economic variables depend on forecasts, which in turn depend on current economic variables. In other words, current and future economic variables are self-referential. A consequence of this interdependence is that the way how economic agents form their expectations plays a crucial role for determinacy and uniqueness of economic equilibria. The standard approach for modelling expectations in macroeconomics is to assume *rational expectations* (RE). An interesting question that arises is what happens if economic agents deviate minimally from RE. One possibility of such a "minimal deviation" is to assume that economic agents are to be about as smart as (good) economists, who behave like econometricians or statisticians when forecasting future variables of the economy. They learn about the economy as new data is available. The crucial question is whether agents will reach the rational expectation equilibrium when they form expectation according to the adaptive learning approach.

The implications of the learnability criterion for monetary policy have been analyzed by different authors. Simple and optimal monetary policy rules have been analyzed in a New-Keynesian model with sticky prices (and flexible wages) à la Woodford (1999) and their learnability has been considered. However, the implications of the learnability criterion for monetary policy rules in a model with sticky wages and prices (Erceg et al., 2000) have not been considered yet. Therefore, one goal of the dissertation is to investigate the implications of different monetary policy rules in such a model environment, taking into account the adaptive learning approach. Moreover, there is a lack of empirical work dealing with the question whether agents really apply such adaptive learning rules when they make forecasts. Therefore, another goal of the dissertation will be to carry out empirical work.

3.3.3 New Impulses Affecting Fiscal Policy by Eliza Lis

The aim of the dissertation is to explore the impact of new impulses on fiscal variables.

First, we analyze the implications of climate change for fiscal policy by assessing the impact of large scale extreme weather events on changes in public budgets. We apply alternative measures for large scale extreme weather events and conclude that the budgetary impact of such events ranges between 0.23% and 1.1% of GDP depending on the country group. Developing countries face a much larger effect on changes in budget balances following an extreme weather event than do advanced economies. Based on these findings, we discuss implications for fiscal policy and publicly-provided disaster insurance. Our policy conclusions point to the enhanced need to reach and maintain sound fiscal positions given that climate change is expected to cause an increase in the frequency and severity of extreme weather events.

Secondly, we explore the linkages between fiscal responses and credit crunches and hereby the effectiveness of fiscal policy during credit crunches for 63 advanced and developing countries during 1970 – 2008. In a first step we determine the financial cycles of private credit and therefore are able to determine the beginning and duration of crises episodes. We identify 228 credit contractions and consider the top 25% as credit crunch episodes (57 episodes) based on the cumulative losses, which serve as an indicator for the severity of a crisis. By estimating a simultaneous equations model with three equations we are able to identify whether financial crises trigger a fiscal response and how effective fiscal policy is in responding to financial crises.

3.4 Bachelor Theses

3.4.1 The Impact of the Financial Crisis on Developing Countries by Jin-Kyu Jung

This bachelor thesis examines the impact channels of the financial crisis on the developing countries. First, Mr. Jung discusses the development of the financial and economic crisis before he derives a theoretical model, which explains channels for financial contagion. Five different important impact channels, namely capital markets, official development assistance, remittances, global trade, commodity markets and foreign exchange rates are identified for developing countries. In a case study the different impacts are examined for South Africa. Specifically, an empirical analysis for the foreign exchange rates impact is conducted.

3.4.2 The Evolution of Competitiveness and FDI in Central and Eastern Europe

by Julian Leitner and Christian Meyer

This bachelor thesis examines the competitiveness of eleven countries in Central and Eastern Europe and investigates the role of foreign direct investment in explaining changes in comparative advantages. Relying on current trade data from different national and international sources the concept of Revealed Comparative Advantages (RCA) is used to derive appropriate indices to quantify competitiveness. The quantitative analysis indicates that most of the countries under consideration experienced increasing trade volumes ever since the fall of the iron curtain and the economic transition towards the open market economy. Besides, the results point towards significant shifts in competitiveness within aggregate product categories. FDI seem to possess some explanatory power for the shifts in competitiveness from one product category to another. However, the results remain inconclusive regarding the causality between FDIs and comparative advantages. Further research needs to be done in this respect.

3.5 Seminar: International Financial Markets

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, the profitability of central bank operations, trading strategies in international finance and the effectiveness of foreign exchange interventions. The seminar was held at the WHU.

3.6 Seminar: Economic Challenges of Developing and Emerging Countries

In the “Bachelor of Science” program, a seminar was conducted on the topic “Economic Challenges of Developing and Emerging Countries”. Within the scope of the seminar students studied different topics related to economic challenges of developing and emerging countries 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: Trade Openness as a Driving Force for Economic Growth and Poverty Reduction; How does Foreign Direct Investment Promote Economic Growth?; How Effective is Foreign Aid in Promoting Economic Growth?; The Impact of Microfinance on Economic Development. The seminar was held at the WHU.

3.7 Research Seminar in Economics (FORSEM)



3.7.1 Fall Semester 2008

- **Professor Se-il Mun, Phd** (Kyoto University, Graduate School of Economics)
“Allocation of Services among Multiple Airport in a Metropolitan Area”
- **Martin Hornbach** (CORIVUS Management GmbH)
“Heilsbringer oder Scharlatane – Die heutige Sicht von Unternehmensberatern aus Sicht eines “beratenden Unternehmers”
- **Professor Peter Forsyth** (Monash University, Victoria, Australia)
“The Impact of Climate Change Policy on Competition in the Air Transport Industry”
- **Dr. Georg Gebhard** (Ludwig-Maximilians-University Munich)
“The Impact of the Internet on Retail Competition: Evidence from Differences in Internet Access Induced by Cable-Technologies”
- **Marcos Poplawski-Ribeiro, PhD** (CEPII, Paris; Tinbergen Institute, Amsterdam)
“Financial Market’s Credibility on the Stability and Growth Pact – Evidence from Survey Data”
- **Dr. Wolfgang Lemke** (European Central Bank, Frankfurt)
“The Equity Risk Premium in an Arbitrage Free-Model of Bond and Stock Market Dynamics”
- **Dr. Martin Mandler** (Justus-Liebig-University Giessen)
“Learning and Ex-Ante Interest Rate Uncertainty – An Empirical Investigation Using Taylor Rules and Real-Time Data”
- **Professor Wolfgang Wiegard** (University Regensburg)
“Eckpunkte des Gutachtens des Sachverständigenrats 2008/2009”
- **Dr. Stefan Reitz** (Deutsche Bundesbank, Frankfurt)
“Financial Intermediation and the Role of Price Discrimination in a Two-Tier Market”

3.7.2 Spring Semester 2009

- **Professor Dr. Bernhard Herz** (University Bayreuth)
“The Dynamics of Currency Crises and the Risk to Defend the Exchange Rate”
- **Dr. Carsten Burhop** (MPI Bonn)
“Der Patentmarkt im Deutschen Reich, 1877-1913”
- **Professor Justus Haucap**
“On-net/off-net Price Differentiation in Mobile Telecommunications”
- **Dr. Kurt van Dender** (Joint Transport Research Center of the ITF and the OECD, Paris)
“Pricing Congestion with Heterogeneous Agglomeration Externalities and Workers”
- **Professor Falko Fecht** (European Business School)
“The Dark and the Bright Side of Liquidity Risks: Evidence from Open-end and Real Estate Fund in Germany”

3.7.3 Professor Norbert Walter’s speech “Links oder Konservativ – Aber gegen den Markt (Rolle des Staates in der sozialen Marktwirtschaft)” on October 28, 2008, was presented within the lecture “Principles of the Market Economy”



On October 28, 2008, Professor Dr. Norbert Walter, Head of Deutsche Bank Research, gave a talk on the topic “The government’s role in the social market economy”. He emphasized on the importance of government rule in the economy for providing a solid ground for private agents. Especially in times like these, when economics is in crisis the government should be aware of its functions and objectives. However, Professor Walter also points to the limits of government actions. It should not generally be the case that the government takes actions once the private sector becomes unstable. In order to face the recent financial crisis he recommends to bethink of the essentials economics.

3.8 National Model United Nations – NMUN



In April 2009, 18 WHU students travelled to New York to take part in the NMUN NY 2009 conference and represent the Democratic Republic Congo, 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 2008 students of the Bachelor Class of 2010 prepared the five day lasting conference in New York. By conducting research, presentations and discussions the students created a knowledge base concerning task, challenge, 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. Special thanks go out to the „Bertha Heraeus und Kathinka Platzhoff Stiftung” without whose support the visit to the conference would not have been possible and with it the opportunity to get to know the functions and working methods of the UN.



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., and Frenkel, M. 2009. Inflation Differentials in the Euro Area: Did the ECB Care? *Applied Economics*, Vol. 41, pp. 1293-1302.

4.2 Articles Accepted for Publication in Refereed Journals

Fendel, R., Lis, E. and Rülke, J. 2009. Expectations on the NAIRU - Evidence from the G7 countries, Forthcoming *Empirical Economics Letters*.

Fendel, R., Lis, E. and Rülke, J. 2009. Do Professional Forecaster Believe in the Phillips Curve? - Evidence from the G7 Countries. Forthcoming. *Journal of Forecasting*.

Frenkel, M., Rülke, J. and Stadtmann, G. 2009. Two Currencies One Model? Evidence from the Wall Street Journal Poll. Forthcoming *Journal of International Financial Markets, Institutions and Money*.

Pierdzioch, C., Rülke, J. and Stadtmann, G. 2009. Do professional economists' forecasts reflect Okun's law? Some evidence for the G7 countries? Forthcoming *Applied Economics*.

4.3 Other Publications

Fendel, R. and Bleich, D. 2009. Der Learning Ansatz II: eine geldpolitische Anwendung [The Learning Approach in Monetary Theory] forthcoming **Das Wirtschaftsstudium (WISU)**, Vol. 38.

Fendel, R. and Bleich, D. 2009. Der Learning Ansatz I: eine Einführung [An Introduction into the Learning Approach in Macroeconomics], **Das Wirtschaftsstudium (WISU)**, Vol. 38, pp. 985-989.

Fendel, R. and Frenkel, M. 2009. Die Subprime-Krise 2007/08: Ursachen, Auswirkungen und Lehren [The Subprime Crisis 2007/08: Causes, Impact and Lessons]. **Wirtschaftswissenschaftliches Studium (WiSt)**, Vol. 38, pp. 78-85.

Rülke, J. and Kühl, M. 2009. Das Reversal Paradoxon. **Das Wirtschaftsstudium (WISU)**, Vol. 6, pp. 810 - 811.

Rülke, J. and Kühl, M. 2009. Wahlentscheidungen und die Tiebout-Hypothese. **Das Wirtschaftsstudium (WISU)**, Vol. 10, pp. 1306 – 1307.

Rülke, J. and Stadtmann, G. 2009. Tauben und Falken. **Das Wirtschaftsstudium (WISU)**, Vol. 2, pp. 208 - 209.

Rülke, J. and Stadtmann, G. 2009. Spiel, Satz und Sieg. **Das Wirtschaftsstudium (WISU)**, Vol. 4, pp. 510 – 511.

Rülke, J. and Stadtmann, G. 2009. Dynamische Spiele und Gleichgewichte. **Das Wirtschaftsstudium (WISU)**, Vol. 12.

Rülke, J. and Stadtmann, G. 2008. Multiple Gleichgewichte und Fokalfpunkte. **Das Wirtschaftsstudium (WISU)**, Vol. 12, pp. 1644 – 1645.

Rülke, J. and Stadtmann, G. 2008. The only way is up? Match outcome and stock price reactions of Borussia Dortmund in: **Myths and facts about football: The economics and psychology of the world's greatest sport**, edited by P. Andersson, P. Ayton, and C. Schmidt.

Rülke, J. and Zimmermann, L. 2008. Das Medianwähler-Modell. **Das Wirtschaftsstudium (WISU)**, Vol. 10, pp. 1328 - 1329.

4.4 Summer Schools

Rülke, J. June/July 2009. EABCN Training School, Monetary Policy **Design in the New Keynesian Model**, CREI and Universitat Pompeu Fabra, Barcelona (lectures by Professor Jordi Gali and Professor Tommaso Monacelli).

Tudyka, A. August 2009. Summer School in Economics and Finance, ***Advances in Monetary Policy Analysis***, CEMFI, Madrid (course taught by David López-Salido).

Zimmermann, L. September 2009. European Central Bank, ***Introductory Course to Eviews***, (lectures by Dr. Lorenzo Trapani, Lecturer in Finance, Cass Business School, London).

4.5 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 books were published during the academic year 2008/2009:

- Expectations in Financial Markets – A Survey Data Approach
(Jan-Christoph Rülke)
- The New Open Economy Macroeconomics of Exchange Rate Pass-Through and Foreign Direct Investment
(Christoph Swonke)



Michael Frenkel also serves on the editorial board of the “Deutsche Bank Research Papers”. During the academic year 2008/2009 the following papers were published in this series:

- Die seltsam stabile Größenstruktur deutscher Städte
- The Captives’ End: Lebenszyklusmuster in der Entwicklung der deutschen IT-Outsourcing-Industrie
- Monitoring banking sector risks: An applied approach

Michael Frenkel also assisted the

- Johannes Gutenberg-University Mainz

in evaluating applicants for a position of “Professor in International Economics.”

4.6 Presentations in Research Seminars

Frenkel, M. April 2009. “Weltwirtschaft in der Krise”. 12. Konjunkturpolitisches Symposium, Herbert Giersch Stiftung / IW Köln, Frankfurt.

Lis, E. September 2009. “The Impact of Extreme Weather Events on Budget Balances and Implications for Fiscal Policy“. Jahrestagung des Vereins für Socialpolitik, Magdeburg.

Lis, E. April 2009. “Do Professional Forecaster Believe in the Phillips Curve? - Evidence from the G7 Countries“. Scottish Economic Society Conference, Perth.

Lis, E. April 2009. “The Impact of Extreme Weather Events on Budget Balances and Implications for Fiscal Policy“. 14th Spring Meeting of Young Economists (SMYE), Istanbul.

Lis, E. January 2009. “The Impact of Extreme Weather Events on Budget Balances in Developing Countries“. Association for the Support of Research on Development Economics, Seminar on Migration, Erfurt.

Rülke, J. July 2009. “Expectations in Financial Markets – A Survey Data Approach“. European Central Bank (ECB), Lunchtime Seminar, Frankfurt.

Rülke, J. July 2009. “Expectations on the Yen/Dollar Exchange Rate“. International Conference in Economics and Finance, Geneva.

Rülke, J. June 2009. “Ex-Ante Taylor Rules – Evidence from the G7 Countries“. Western Economic Association International 84th Annual Conference, Vancouver.

Rülke, J. June 2009. "Ex-Ante Taylor Rules – Evidence from the G7 Countries". Conference on New Challenges to Central Banking in a Global Financial System, Namur.

Rülke, J. May 2009. "Inflation Targeting Matters! – Novel Evidence from Ex-ante Taylor Rules in Emerging Markets". Annual International Conference on Macroeconomic Analysis and International Finance, Rethymnon.

Rülke, J. April 2009. "Inflation Targeting Matters! – Novel Evidence from Ex-ante Taylor Rules in Emerging Markets". Scottish Economic Society, Annual Conference, Perth.

Rülke, J. April 2009. "Expectations on the Yen/Dollar Exchange Rate". 14th Spring Meeting of Young Economists (SMYE), Istanbul.

Rülke, J. April 2009. "Inflation Targeting Matters! – Novel Evidence from Ex-ante Taylor Rules in Emerging Markets". University of Southern Denmark, Internal Seminar, Odense.

Rülke, J. April 2009. "Inflation Targeting Matters! – Novel Evidence from Ex-ante Taylor Rules in Emerging Markets". Deutsche Bundesbank, Internal Seminar, Frankfurt.

Rülke, J. March 2009. "Is there an informal target zone for Australian Dollar and if so how does it work?". 5th Macroeconomic Research Meeting (MAREM), IAW Tübingen.

Rülke, J. March 2009. "Financial market's credibility on the Stability and Growth Pact". WHU – Otto Beisheim School of Management, Brown Bag Seminar, Vallendar.

Rülke, J. January 2009. "Does the financial market believe in the Taylor rule? – Evidence from the G7 Countries" Campus for Finance, WHU – Otto Beisheim School of Management, Vallendar.

Rülke, J. December 2008. "Expectations on the Yen/Dollar Exchange Rate". WHU – Otto Beisheim School of Management, Internal Seminar, Vallendar.

Rülke, J. November 2008. "Does Inflation Targeting matter? – Evidence from the expectation formation process in emerging markets". DIW Macroeconometric Workshop, Berlin.

Rülke, J. November 2008. "Do Professional Economists' Forecasts React Okun's Law?". IFO Workshop, Makroökonomik und Konjunktur, Dresden.

Rülke, J. October 2008. "Expectations on the Yen/Dollar Exchange Rate". WHU – Otto Beisheim School of Management, Brown Bag Seminar, Vallendar.

Tudyka, A. October 2008. "Opportunity Windows, Commitment Devices, and Institution Building in Small Open Economies – Evidence from the EU Periphery". Irish Society of New Economists Fifth Annual Conference, Galway.

Zimmermann, L. September 2009. "Large Public Debt Reductions in the European Union: Lessons from the Past, Lessons for the Future". European Central Bank, Internal Seminar, Frankfurt.

Zimmermann, L. March 2009. "Key Determinants of Germany's Export Performance". 11th Göttinger Workshop Internationale Wirtschaftsbeziehungen, Göttingen.

4.7 Other Presentations

Frenkel, M. July 2009. "Die Finanzkrise aus makroökonomischer Sicht". Medienbriefing, WHU – Otto Beisheim School of Management, Vallendar.

Frenkel, M. March 2009. "Internationale Finanzkrise". Rotary Koblenz.

Frenkel, M. February 2009. "Was die Hochschulen bieten – Management-Ausbildung im deutschsprachigen Raum". MBA Konferenz, Berlin.

Frenkel, M. October 2008. "Finanzkrise und Lage der Weltwirtschaft". WHU – Otto Beisheim School of Management, Vallendar.

Frenkel, M. November 2008. "Bankenkrise – Ursachen, Wirkung und Perspektiven". MKB Bank, Koblenz.

Frenkel, M. December 2008. "Accounting for Financial Instruments with Regard to the Subprime Crisis", WHU – Otto Beisheim School of Management, Vallendar.

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;
- is the academic director of the International Relations office at WHU;
- represents WHU in a number of national and international institutions.

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 Erfurt in January 2009. 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 this internship 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 served on the Awarding Body of the efmd ("European Foundation of Management Development") for the EQUIS quality label for business schools until the end of 2008. In this function, he participated in several meetings of the Awarding Body in Brussels and also in different peer review visits of EQUIS to business schools. He also participated in several Peer Review Visits in the context of the EQUIS accreditation process.



- **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 2009, Professor Michael Frenkel organized the annual meeting in Zürich.



- **Erweiterter Vorstand des Vereins für Socialpolitik**

Professor Michael Frenkel served as board member of the "Verein für Socialpolitik". The members met in 2008 and 2009 and discussed economic policy as well as academic related issues. The board members also organize the next two annual meetings of the "Verein für Socialpolitik" which will be in Kiel and Frankfurt/Main.

- **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.

- **Project „Internationale Finanzgruppe“**

Professor Michael Frenkel served during the academic year 2008-2009 as a member of the group "International Finance Group" headed and organized by Peer Steinbrück (Minister of Finance). The group met several times in 2008 and 2009 to discuss the challenges and policy options of the financial and economic crisis of 2008-2009.

7 Center for European Studies (CEUS)



7.1 CEUS Workshop 2009

The Center for European Studies (CEUS), which is run by Professor Dr. Michael Frenkel, organized its fourth annual workshop from June 4th to 5th, 2009. Thirty participants from various universities, national central banks, the European Central Bank, the Center for European Economic Research, and the European Commission gathered together at WHU to present and discuss the results of their research at the workshop entitled “Ten Years of European Monetary Union”.

The highlights of the workshop were two keynote speeches. Professor Dr. Dieter Gerdesmeier (ECB), gave a lecture entitled „Ten Years of EMU – The Past, the Present and the Future“. The other lecture was held by Paul van den Noord from the European Commission and entitled „The Euro: Past Successes and New Challenges“. This year’s CEUS 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:

- **Christian Pierdzioch** (Saarland University), Georg Stadtmann (University of Southern Denmark)
“Does the ECB Have a Time-Inconsistency Problem?”
- **Hans Peter Gruener** (University of Mannheim and Center for Economic Policy Research (CEPR))
“Why EMU is not a Failure”
- **Barbara Meller** (Goethe University Frankfurt), Dieter Nautz (Goethe University Frankfurt)
“The Impact of the European Monetary Union on Inflation Persistence in the Euro Area”
- **Atilim Seymen** (Centre for European Economic Research (ZEW))
“Business Cycle Dynamics in the Euro Area”
- **Maela Giofré** (University of Torino, Center for Research on Pensions and Welfare Policies and Collegio Carlo Alberto)
“Convergence of EMU Equity Portfolio”

- **Margarita Rubio** (Bank of Spain)
“Housing Market Heterogeneity in a Monetary Union”
- **David Sondermann** (University of Münster), Michael Ehrmann (European Central Bank)
“The Reception of Public Signals in Financial Markets – What If Central Bank Communication Becomes Stale?”
- **Garo Garabedian** (Ghent University and Hogeschool Ghent, Belgium), Michael Froemmel (Ghent University, Belgium), Franziska Schobert (Deutsche Bundesbank)
“Monetary Policy Rules in Central and Eastern European Countries: Does the Exchange Rate Matter?”
- **Sabine Herrmann** (Deutsche Bundesbank)
“Do We Really Know that Flexible Exchange Rates Facilitate Current Account Adjustment? – Some New Empirical Evidence for the CEE Countries”
- **Michal Bencik** (National Bank of Slovakia)
“Panel Estimates of the Influence of the Euro Introduction on Banking Sector of Selected Countries (1986 – 2006)”
- **Ralph Setzer** (European Commission), Guntram B. Wolff (European Commission)
“Money Demand in the Euro Area: New Insights from Disaggregated Data”