



Fachbereich VWL / Department of Economics

# EconNewsletter

Editorial Contact: Michael Paetz  
tel: +49 40 42838-5561; e-mail: econ.newsletter.Wiso@uni-hamburg.de

JULY 8 – JULY 12, 2019

NEWSLETTER 2019-18

## SEMINAR CALENDAR

### Forschungsseminar “Quantitative Wirtschaftsforschung“

Wenyng Yao, Deakin Business School:

*Testing the Rank of Cojumps in High-Dimensional Financial Data  
with Market Microstructure Noise*

Tuesday July 9

12:15–13:45

R. 0029 (VMP 5)

### PhD Seminar

Florian Schütze, University of Hamburg:

*Forecasting Industrial Production in Germany using Uncertainty*

Thursday July 11

12:15–13:15

R. 0029 (VMP 5)

### Research Seminar “Microeconomics”

Thomas Graeber, Harvard University:

*Internal Uncertainty and Behavioral Weighting Functions*

Thursday July 11

17:15–18:45

R. 0029 (VMP 5)

### Research Seminar “Labour Economics”

- no seminar -

### HCHE Research Seminar

- no seminar -

### Hamburg Lectures on Law & Economics

- no seminar -

### Environmental and Development Economics

- no seminar -

## ABSTRACTS

### **PhD Seminar**

Florian Schütze, University of Hamburg::

*Forecasting Industrial Production in Germany using Uncertainty*

---

*Abstract:*

This paper conducts a forecast comparison to test if there is an advantage in using uncertainty measurements for directional, point and density forecasts of industrial production in Germany up to 12 month ahead. For this purpose, three different uncertainty proxies and 73 other real economy time series normally used for this objective are incorporated. The results indicate that models incorporating uncertainty are suited for this task and are performance wise among the best 10 percent of all models.

### **Research Seminar “Microeconomics”**

Thomas Graeber, Harvard University:

*Internal Uncertainty and Behavioral Weighting Functions*

---

*Abstract:*

Inverse S-shaped weighting functions famously pervade research in behavioral economics, including the probability weighting function in choice under risk, a weighting function in choice under ambiguity, and non-linear response patterns in both laboratory belief updating tasks and survey expectations. This paper proposes that all of these seemingly-disparate behavioral phenomena are generated by internal uncertainty: people’s meta-cognitive awareness that they do not know how to be rational, which induces them to shrink their beliefs and behavior towards a simple ignorance prior. We introduce a new experimental measurement of internal uncertainty and show that individuals with higher internal uncertainty exhibit more pronounced behavioral weighting functions in each of decision-making under risk or ambiguity, belief updating, and survey expectations. Exogenous manipulations of both internal uncertainty and people’s ignorance prior provide causal evidence for the role of internal uncertainty in economic choice.

*The next EconNewsletter will be published on Monday, July 15, 2019.*

*Editorial deadline: Friday, July 12, 2019.*

### **EconNewsletter**

Department of Economics

University of Hamburg

Von-Melle-Park 5, 20146 Hamburg

To un/subscribe from/to this newsletter, please

send an e-mail to [econ.newsletter.Wiso@uni-hamburg.de](mailto:econ.newsletter.Wiso@uni-hamburg.de)