Ph.D. Students Seminar

SoSe 2021

Department of Economics

The seminar meets (bi-)weekly on Thursdays, **12:15-13:15**.

Due to the corona pandemic, it will take place online via Zoom.

Ph.D. students are invited to present their work, if their supervisor is a member of the economics department ("Erstmitglied" or "Zweitmitglied"). The paper should be at an advanced stage at the time of presentation (this is, ready for presentation at a conference). The supervisor is required to attend the presentation. If you have questions, please contact **Melanie Krause** (melanie.krause@uni-hamburg.de).

Presenter information: Please keep your presentation under **35 minutes** in order to have enough time for questions and discussions.

Date	Speaker	Title
22.04.2021	Presenter: Björn Bos Supervisor: Drupp	Portfolio Choice under Pandemic Uncertainty
06.05.2021	Presenter: Emile du Plessis Supervisor: Fritsche	Reading Between the Lines: Quantitative Text Analysis of Banking Crises
03.06.2021	Presenter: Raphael Terasa Supervisor: Funke	Fiscal Policies in High Debt Euro-Area Countries: A Two-Country Currency Union DSGE Model of Italy and the Euro Area
17.06.2021	Presenter: Onur Düzgün Supervisor: Lucke	Does the Euro Harm Europe? A Synthetic Control Approach
24.06.2021	Presenter: Sami Diaf Supervisor: Fritsche	Policy Preference at Central Banks: Quantifying Monetary Policy Signals using Topic Models
01.07.2021	Presenter: Timo Promann Supervisor: Mühlheußer	You Lie? I Lie? How Social Norms and Reputational Concerns Affect Honesty

Abstracts:

22.04.2021, Björn Bos, "Reading Between the Lines: Quantitative Text Analysis of Banking Crises"

We study how background health uncertainty induced by pandemic prevalence affects individual portfolio choice. In an online panel survey including an incentivized portfolio investment task, we repeatedly elicit financial risk taking behavior of more than 5,000 participants, sampled from the

German population. We exploit exogenous variation in the number of SARS-CoV-2 infections and deaths across time and space, and show with a fixed effects estimation that the local COVID-19 prevalence has a negative effect on risk taking. We find that an increase in the local number of infected persons per 100,000 residents by 1 percent decreases investments in a risky asset by 0.03 percent on average. Given the substantial pandemic dynamics, this can explain sizable shifts in portfolio choices, a large portion of which appears to be driven by fear. Our results point towards an important role of background health uncertainty for financial risk taking and portfolio choice.

06.05.2021, Emile du Plessis, "Reading Between the Lines: Quantitative Text Analysis of Banking Crises"

This paper develops five indicators based on a large corpus of economic news articles to forecast financial crises. The methodological approaches feature the identification of key topics within a large volume of texts, as well as the measurement of similarity between texts. A Banking Crisis Lexicon Index and Sentiment Index are developed through analysing a vast amount of economic articles to detect the evolution of banking sector discourse. Findings from Granger causality highlight leading indicators status and receiver operating characteristics suggest robust forecasting performance strength of the Banking Crisis Lexicon Index, globally and for developed economies up to two years preceding a crisis. While the aggregated Sentiment Index constitutes a coincidental indicator, for developed economies it is a short-term leading indicator. A combined lexicon and sentiment index exhibit solid forecasting performance. Statistical models Wordscores and Wordfish are introduced to study banking crises and underscore crisis classification strength. A hand-coding approach is used to verify the veracity of the indices and provides credence to the vital contribution of published deliberations in understanding and detecting banking sector frailties. In reading between the lines, this paper contributes to the literature on quantitative text analyses in constructing text-based latent banking crisis indicators.

03.06.2021, Raphael Terasa, "Fiscal Policies in High Debt Euro-Area Countries: A Two-Country Currency Union DSGE Model of Italy and the Euro Area"

This paper investigates how much the maturity and the size of the public debt-to-GDP ratio impact the effectiveness of a fiscal stimulus in Italy. I use a currency union DSGE model, calibrated for Italy and the rest of the Euro zone, that features leverage constrained banks, sovereign default risk and several distortionary taxes. The effectiveness of the fiscal stimulus is measured through the magnitude of the fiscal multiplier and the size of the welfare effects. My results indicate that a high debt-to-GDP ratio leads to smaller fiscal multipliers and to lower welfare gains. In addition, increasing the maturity of sovereign bonds is costly in terms of output but increases the welfare gains of the fiscal stimulus.

17.06.2021, Onur Düzgün, "Does the Euro Harm Europe? A Synthetic Control Approach"

How would have Europe grown without the Euro? This study examines the per capita GDP trajectories of 766 NUTS3-regions from the Eurozone-11 countries applying the synthetic control method proposed by Abadie and Gardeazabal (2003) and Abadie, Diamond and Hainmueller (2010, 2015). We extend the original method for the case of multiple treated units. The results of the analysis suggest that the common currency regime reduced Europe‘s per capita GDP growth by, on average, about 0.4% per year. This corresponds to an average loss of per capita income of €116 per year (in 2015 euros). In some countries, e. g. Italy, the effect is much stronger and uniformly negative across regions. On the other hand, there are some noteworthy exceptions elsewhere in the Eurozone. In Germany, for instance, regions with a major car manufacturer seem to have benefited from European Monetary Union

24.06.2021, Sami Diaf, "Policy Preference at Central Banks: Quantifying Monetary Policy Signals using Topic Models"

This work analyzes central banking information flow and proposes a novel methodology to estimate policy preferences at the individual level by uncovering the debated topics within its released speeches using semi-supervised topic models to track policy signals and quantify them. While most of the literature related to central banking corpora used unsupervised topic models, we propose a semi-supervised, keyword-based approach built upon Keyword Assisted Topic Model (*KeyATM*) that defines groups of words linked to monetary objectives assigned to central bankers. Applying the dynamic *KeyATM* on the Federal Reserve Governors' speeches during the period 1996-2020 outperforms other unsupervised variants in terms of topic content and helps capturing policy signals that were found in-line with the prevailing economic conjuncture in the United States. Results confirm inflation as a trailing topic after the 2008 financial crisis, while non-keyword topics were found to match the financial stability, financial innovation and the banking regulation, with noticeable imbalances among Governors and presidency tenures. Furthermore, topic scores could be used as leading indicators that predict, with a great accuracy, the US monthly inflation rate as well as other uncertainty indicators.

01.07.2021, Timo Promann, "You Lie? I Lie? How Social Norms and Reputational Concerns Affect Honesty"

This paper investigates whether social norms and reputational concerns affect honest behavior interactively. Participants of our online experiment are playing a version of the die roll game by Fischbacher and Föllmi-Heusi (2013). A difference in perceived social norms is induced by grouping participants with either three players who behaved honestly in the die roll game before or three dishonestly behaving players. Reputational concerns are supposed to be stronger for participants who's decision is made public to their group and who receive feedback by their group concerning this decision. We expect that reputational concerns increase honesty when the norm is to be honest, yet that reputational concerns can have a backfiring effect when the norm is to be dishonest, i.e., reputational concerns could make people act more according to the underlying social norm – in this case of dishonesty and thereby encourage dishonesty.