



NEWSLETTER

No. 1

07. January 2009

Humboldt-Universität zu Berlin
Collaborative Research Center 649
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CURRENT EVENTS

More information can be found here:
http://sfb649.wiwi.hu-berlin.de/fedc/events_en.php

- 08-11 January 2008 **Econ Boot Camp**
Location: Spandauer Str. 1
Information at: [Seminar outline](#)
- 28 January 2008 **Jour fixe Winter 2009**
Location: Spandauer Str. 1
Information at: [Seminar outline](#)

REGULAR RESEARCH SEMINARS

An overview is available at:
<http://sfb649.wiwi.hu-berlin.de/fedc/seminars.jsp>

ECONOMIC RISK SEMINAR

Location: Spandauer Str. 1, room 203
Time: every Monday, 2 p.m.

- 05 January 2008 **Mauro Politis**
(University of Milan)
"The Continuous Time Random Walk in high-frequency finance"
- 12 January 2008 **Dick J. C. van Dijk**
(Erasmus University Rotterdam)
"Partial Likelihood-Based Scoring Rules for Evaluating Density Forecast in Trails"
- 19 January 2008 **Yarema Okhrin**
(University Bern)
"Adaptive Model Combinations for Volatility Forecasts"
- 26 January 2008 **Jakub Steiner**
(University of Edinburgh)
"Coordination of heterogeneous population"

SCHUMPETER SEMINAR

Location: Spandauer Str. 1, Room 125
Time: every Tuesday, 4 p.m.

- 06 January 2008 **Jean-Robert Tyran**
(University of Copenhagen)
"Tax Salience, Voting and Deliberation"

- 13 January 2008 **TBA**
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 "tba"
- 20 January 2008 **Bartosz Mackowiak**
 (European Central Bank)
 "Sectoral price data and models of price setting"
- 27 January 2008 **Eric Maurin**
 (Ecole Normale Supérieure)
 "Sentence Reductions and Recidivism: Lessons from the Bastille Day Quasi Experiment"

WIAS RESEARCH SEMINAR MATHEMATICAL STATISTICS

Location: Weierstrass Institute for Applied Analysis and Stochastics, Mohrenstraße 39, 10117 Berlin
 Erhard-Schmidt-Hörsaal
 Time: every Wednesday, 10 a.m.

- 07 January 2008 **Gilles Blanchard**
 (Fraunhofer Institut FIRST Berlin)
 "Some results on resampling in high dimension from a non-asymptotic point of view"
- 14 January 2008 **Melanie Schienle**
 (Humboldt-Universität zu Berlin)
 „Nonparametric Nonstationary Regression“
- 21 January 2008 **Julia Dony**
 (Vrije Universiteit, Brüssel)
 "An empirical process approach to uniform in bandwidth consistency of kernel-type estimators"
- 28 January 2008 **kein Gastvortrag: Jour fixe des SFB 649**

RINGVORLESUNG WS 08/09 "DIE INTERNATIONALE BANKEN-, KREDIT- UND FINANZKRISE: ANALYSE, URSACHEN, LÖSUNGEN"

Location: Spandauer Str.1, R. 201
 Time: 6-8 p.m.

- 07 January 2008 **Joachim Gassen**
 (Humboldt-Universität zu Berlin, Institut für Rechnungswesen und Wirtschaftsprüfung)
 "Accounting for the Financial Crisis"

- 14 January 2008 **Sigrid Müller**
(Humboldt-Universität zu Berlin, Institut für
Finanzierung)
"Exotische Finanzprodukte: Angebot vs. Nachfrage"
- 21 January 2008 **Helmut Gründl**
(Humboldt-Universität zu Berlin, Institut für
Versicherungs- und Risikomanagement)
"Finanzkrise und Versicherungswirtschaft"
- 28 January 2008 **Wolfgang Härdle**
(Humboldt-Universität zu Berlin, Institut für Statistik)
"Sind CDO's zu zähmen"

NEWS OF THE CRC 649

The CRC 649 welcomes all new projects, which have been approved for the second funding period and is looking forward to future collaboration:

Prof. Joachim Gassen (A7): "Accounting and Cost of Capital"

Prof. Roland Strausz (A8): "Regulatory Risk"

Prof. Alexandra Spitz-Oener (A9): "Service Sector Employment as a Fallback System to Mitigate Low Educated Employees' Labor Market Risks"

Prof. Ulrich Horst/ Prof. Peter Imkeller (A11): "Securitization and Equilibrium Risk Transfer"

Dr. Hauke Heekeren/ Dr. Jörg Rieskamp (A12): "Contextual Influences on Risk Perception in Investment Decisions"

Prof. Helmut Gründl/ Dr. Thomas Post (B9): "Aggregate Mortality Risk and its Impact on the Asset Liability Management of Life Insurance Companies"

Prof. Wolfgang Härdle/ Prof. Ostap Okhrin (B10): "Dynamic Copula in Finance"

Prof. Martin Odening (C11): "Weather Risk Management in Agriculture using Weather Derivatives"

Furthermore, the CRC 649 would like to thank all members of the first funding period for their work and support.

REVIEW ABOUT CRC 649 EVENTS

WORKSHOP ON "SPARSITY AND INVERSE PROBLEMS IN STATISTICAL THEORY AND ECONOMETRICS": 5 TO 6 DECEMBER 2008

On 5 and 6 December a workshop on "Sparsity and Inverse Problems in Statistical Theory and Econometrics" took place in the Weierstrass Institute. The workshop was financed by the help of CRC 649 and the PASCAL network.

Data sets with a very large number of explanatory variables are becoming more and more common as features of both applications and theoretical investigations. In economical applications for instance, the revealed preference of market players is observed, and the analyst tries to understand them by a complex model by which the players' behavior can be understood as an indirect observation.



Peter Bickel and Vladimir Spokoiny preparing a session

State-of-the art statistical approaches often formulate such models as inverse problems, but the corresponding methods can suffer of the curse of dimensionality: when there are "too many" possible explanatory variables, additional regularization is needed. Inverse problem theory already offers sophisticated regularization methods for smooth models, but is just beginning to integrate sparsity concepts. For high-dimensional linear models, sparsity regularizations have proved to be a convincing way to tackle the issue both in theory and practice, but there remains a vast ground to be explored. Paralleling the statistics community are also recent advances in machine learning methodology and statistical learning theory, where the themes of sparsity and inverse problems have been intertwined.

The workshop focused on different ways to attack a same question: there are many potential models to choose from, but each of them is relatively simple - each model is parameterized by many variables, most of them are zero. Yet, the choice of the right model or regularization parameter is crucial to obtain stable and reliable results. The invited speakers were:

G rard Biau (Pierre and Marie Curie University, Paris), Peter Bickel (University of California at Berkeley), Peter B hlmann (ETH Z rich), Sara van de Geer (ETH Z rich), Alois Kneip (University of Bonn), Joel Horowitz (Northwestern University), Alexander Tsybakov (CREST and Pierre and Marie Curie University, Paris), and Volker Kr tschmer (Berlin). There were also eight additional talks.

We will not be able to discuss the 16 talks. Their abstracts can be found in <http://pluto.mscc.huji.ac.il/~yaacov/SparsityWorkshop/BerlinWSAbstracts.pdf>

Among the interesting subjects that were covered by the invited speakers, we can mention the issue of variable selection in model with many variables, in fact, more variables than observations. Thus Joel Horowitz discussed variable selection in the context of additive models using the grouped LASSO. Peter B hlmann, gave a

convincing proof that bagging can be used to obtain a valid selection of variables. Sara van-de-Geer discussed the strong condition used currently in proving results about the LASSO and the Danzig selector. Similar techniques in a somewhat different context were described by Alexandre Tsybakov, who discussed the sparse recovery problem, essentially an errors-in-variables model.

Alois Kneip moved the discussion from just many explanatory variables to a continuity of them. He discussed the estimating of the slope function in a model in which the regressor is a function (and thus the conditional mean of the observation is the inner product between the observed function and the slope). Random forest is a method, similar in spirit to bagging, and likewise was suggested by Leo Breiman. Some properties of the random forests were described by Gérard Biau. Peter Bickel discussed kernel methods in particular in the context of clustering. Finally, Volker Krätschmer (with Rouslan Moro) discussed some inverse problems for the empirical risk problem, where the market risk is considered a mixture of the risk attitudes of different players.

The workshop was an opportunity to hear sixteen interesting talks. It was an opportunity to meet different people, all with interest in similar things. Like any other meeting, it included a workshop dinner, this time in the Cum-Laude restaurant. The technical aspects of the workshop were under the responsibility of Ms. Andrea Fiebig and Ms. Janine Tellingner. Without their help, we couldn't all enjoy this interesting event.

Article by Ya'acov Ritov

NOBELPRIZE LECTURE 2008: 10 DECEMBER 2008

On 10 December 2008 the Collaborative Research Center 649 "Economic Risk" organized the 3rd public "Nobel Prize Lecture 2008: Visions in Business – the Humboldt-Universität zu Berlin explains the ideas of the Nobel laureate Paul Krugman".

The event, which was supported by the Society for Economics and Management at Humboldt-Universität zu Berlin, took place in the chapel of the faculty of Business and Economics.

Prof. Dr. Ulrich Kamecke, Professor for Competition Policy, presented the Nobel laureate Paul Krugman and his research on trade patterns and location of economic activity. Krugman's approach answers the questions to the effects of free trade and globalization and describes the driving forces which are responsible for a worldwide urbanization.



Prof. U. Kamecke, S. Braun, Prof. M. Burda

In this theory, which is based on the premise of the concept of economies of scale, Krugman integrated the research fields of international trade and economic geography. Krugman shows that worldwide trade is dominated by countries which have similar conditions and trade similar products. This kind of trade enables specialization and large-scale production, which result in lower prices and a greater diversity of commodities.



Economies of scale combined with reduced transport costs also explain why a large share of the world population lives in cities and why similar economic activities are concentrated in the same locations. Krugman shows that the outcome of these processes can well be that regions become divided into a high-technology urbanized core and a less developed periphery.

Following Prof. Kamecke's lecture, Prof. Michael Burda and Sebastian Braun (both Institute of Economic Theory II) had a lively sofa discussion under the direction of Prof. Roland Strausz (Institute of Microeconomic). Details and implications of Krugman's Theory were discussed and numerous questions of the audience answered. The attendance of this year's lecture exceeded all expectations, since many interested guests were unable to find a seat in the chapel.

NEWS OF THE PROJECTS

Wolfgang Härdle (B1) attended a workshop hosted by Dr Chun-Houh Chen and gave a talk on "Modelling and Forecasting Liquidity Supply Using Semiparametric Factor Dynamics" (Wolfgang Härdle, Nikolaus Hautsch, Andrija Mihoci) at the Institute of Statistical Science, Academia Sinica & International Chinese Statistical Association in Taipei, Taiwan from 1 to 3 December.

Wolfgang Härdle was also invited to the 4th World Congress of the International Association for Statistical Computing on Computational Statistics and Data Analysis in Yokohama Japan 5 to 6 December where, with the help of **Nikolaus Hautsch (B8)**, **Ostap Okhrin (B10)** and **Brenda Lopez Cabrera (B1)**, he organized and held an invited session entitled "Application in Finance".

During this session the following presentations were given:

"Modelling and Forecasting Liquidity Supply Using Semiparametric Factor Dynamics" (**Wolfgang Härdle**, **Nikolaus Hautsch (B8)**, **Andrija Mihoci (B1)**)

"Dynamics of the Multivariate Copula-Based Models" (Wolfgang Härdle, Yarema Okhrin)

"Implied Market Price of Weather Risk" (Wolfgang Härdle)

Wolfgang Härdle also organized and held a second Invited Session entitled: "Risk Management".

Wolfgang Härdle attended the 11th Symposium on Finance, Banking, and Insurance at Universität Karlsruhe from 17 to 19 December where he presented a paper co-written by **Brenda Lopez Cabrera** entitled "Implied Market Price of Weather Risk".

Ostap Okhrin (B10) gave a talk on „Dynamics of the Multivariate Copula-Based Models“ at the 4th World Conference of the *International Association for Statistical Computing* in Yokohama/Japan on 6 December. Furthermore on 18 December he gave a talk on „Copulae in Finance“ at „Quantitativ Ökonomisches Colloquium“ at Freie Universität Berlin.

NEWS OF THE RDC (FORMER FEDC)

The Risk Data Center has extended the database webinterface. We are thankful to subproject A6 of Prof. Kübler for providing experimental data and permitting free access. These data are collected by the subproject and are the base for several publications.

In addition, the RDC is currently setting up a new server. The server, called "Zappa", will increase the computational power available at the CRC 649. The server is a unix-based machine with 4 quad core processors and 32 GB Ram. Mainly, the software stata and matlab will be available on this server.

GUESTS OF THE CRC 649

You find a summary about all guests here:
<http://sfb649.wiwi.hu-berlin.de/fedc/guests.jsp>

Current Guests of the CRC 649 "Economic Risk":

20.11.2008-
31.01.2009

Tim Kessler
Philipps-Universität Marburg
Project: The performance effects of service diversification
Ziegelstr. 13a, room 601, phone 2093 1462



10.11.2008-
31.12.2008

Daniela Eskelson
Potsdam
Project: Mainstreaming of climate risks and opportunities in the financial sector, socially responsible investments: market volume, return and risk of socially responsible investments in comparison to the overall market
Ziegelstr. 13a, room 601, phone 2093 1462



19.08.2008-
19.04.2009

Peter Henssen

Universität Dortmund
Project: Long-Term performance of Private
Equity Buyout companies in Europe/Germany
Ziegelstr. 13a, room 607, phone 2093 1455



23.06.2008-
31.12.2008

Nataliya Barasinska

DIW Berlin
Project: Private Equity, Venture Capital and
Performance of Firms
Ziegelstraße 13a



02.06.2008-
31.12.2008

Irina Okhrin

Europa Universität Viadrina Frankfurt/Oder
Project: Surveillance of the optimal portfolio
composition
Spandauer Str. 1, room 307, phone 2093 5602



13.12.2007-
31.12.2008

Tobias Berg

Technische Universität München
Project: Terminal Value Estimation in Residual
Income Models and an Application to the
Estimation of the Market Risk Premium
Ziegelstr. 13a, room 607, phone 2093 1455



16.11.2007 -
31.12.2008

Jan Philipp Weber

Freie Universität Berlin
Project: Macroeconomic determinants of real
estate bubbles
Ziegelstr. 13a, room 601, phone 2093 1462



31.05.2007 -
31.12.2008

Eduardo Ortiz Sanchez

University of Oxford
Project: Effekt der Wahl des Basiswertes auf
den Preis von Wetterderivaten
Ziegelstr. 13a, room 601, phone 2093 1462



01.01.2006 -
31.12.2008

Christoph Schneider

Universität Mannheim
Project: Corporate Finance / Corporate
Governance
Phone 0621/181-1949



NEW DISCUSSION PAPERS

You find all discussion papers under:

http://sfb649.wiwi.hu-berlin.de/fedc/discussionPapers_en.php

2008-069

Enzo Weber

"Structural Dynamic Conditional Correlation"

2008-070

Till Dannewald, Lutz Hildebrandt

„A Brand Specific Investigation of International Cost Shock
Threats on Price and Margin with a Manufacturer-Wholesaler-
Retailer Model"

2008-071

Felix Bierbrauer, Lydia Mechtenberg

"Winners and Losers of Early Elections: On the Welfare
Implications of Political Blockades and Early Elections"

2008-072

Enzo Weber, Yanqun Zhang

"Common Influences, Spillover and Integration in Chinese Stock
Markets"

2008-073

Oliver Blaskowitz, Helmut Herwartz

"Testing directional forecast value in the presence of serial
correlation"

PUBLICATIONS

Frank Heinemann, Rosemarie Nagel and Peter Ockenfels (C10)

Measuring Strategic Uncertainty in Coordination Games, *Review of
Economic Studies* 76 (1) 2009, p. 181-221.

CRC 649 STAFF

At this point the Collaborative Research Center 649 "Economic Risk" wants to present Timo Eisenschink, staff member of the new subproject A7 "Accounting and Cost of Capital" of Prof. Joachim Gassen.

Timo Eisenschink was born in Berlin. He graduated in business administration at Humboldt-Universität zu Berlin (2003 to 2008). His diploma thesis empirically investigates the relation between accounting system choice and real earnings management. During his studies he worked as a student assistant at the Chair of Financial Accounting and Auditing, Humboldt-Universität zu Berlin and as an intern in the Transaction Advisory Services for Ernst & Young AG. Since December 2008, Timo is working as a research assistant at the Chair of Financial Accounting and Auditing. His research interests cover Earnings Quality and Earnings Management, Agency-Theory, Empirical Accounting Research, Cost of Capital and Disclosure. He is also interested in music, soccer, squash and movies.



Timo Eisenschink (A7)

QUOTE OF THE MONTH

„ We judge ourselves by what we feel capable of doing, while others judge us by what we have already done.“

Henry Wadsworth Longfellow
(1807-1882)

Please also note that the newsletter is published on the homepage of the CRC 649.

**The CRC 649 – Newsletter is published at the beginning of each month.
Editorial deadline for the second Newsletter 2009 is 31.01.2009.**