

SSES Annual Meeting  
**Finance and Financial Econometrics**  
St. Gallen, March 22-23, 2007



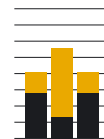
## Programme

**Swiss Institute of  
Banking and Finance**

University of St. Gallen  
Rosenbergstrasse 52  
CH-9000 St. Gallen  
Switzerland  
Phone +41 71 224 70 74  
Fax +41 71 224 70 88  
[www.sgvs2007.ch](http://www.sgvs2007.ch)

**Swiss Society of Economics  
and Statistics**

Secretariat  
SNB  
Börsenstrasse 15  
CH-8022 Zurich  
Switzerland  
Phone +41 44 631 32 34  
[www.sgvs.ch](http://www.sgvs.ch)



Schweizerische Gesellschaft für Volkswirtschaft und Statistik  
Société suisse d'économie et de statistique  
Società svizzera di economia e di statistica  
Swiss Society of Economics and Statistics

 **FINRISK**



University of St.Gallen

Università  
della  
Svizzera  
italiana

Facoltà  
di scienze  
economiche

Istituto  
di ricerche  
economiche  
IRE

## **PROGRAMME OVERVIEW**

*THURSDAY, MARCH 22, 2007*

- 08.30-10.00:** Arrival, Registration, Welcome Coffee
- 10.00-10.20:** Official Welcome
- 10.30-12.30:** Parallel Sessions A  
Session A1: Market microstructure I  
Session A2: Insurance  
Session A3: Microeconomics (theory)  
Session A4: Applied econometrics
- 12.30-13.30:** Lunch
- 13.30-15.30:** Parallel Sessions B  
Session B1: Asset pricing I  
Session B2: Banking  
Session B3: Financial econometrics I  
Session B4: Macroeconomics (theory)  
Session B5: Labour economics  
Session B6: Swiss economic policy
- 15.30-16.00:** Coffee Break
- 16.00-18.00:** Parallel Sessions C  
Session C1: Portfolio choice  
Session C2: Market microstructure II  
Session C3: Financial econometrics II  
Session C4: Experimental economics  
Session C5: Macroeconomics (empirical)  
Session C6: Industrial organisation
- 18.00:** SSES General Assembly
- 19.30:** Congress Dinner  
at the "Lokremise" in St. Gallen

*FRIDAY, MARCH 23, 2007*

- 08.30-10.30:** Parallel Sessions D  
Session D1: Asset pricing II  
Session D2: Corporate finance  
Session D3: Options  
Session D4: Monetary policy / economics  
Session D5: Econometrics (theory)  
Session D6: Public economics  
Session D7: Empirical economics
- 10.30-11.00:** Coffee Break
- 11.00-13.30:** Plenary Session
- 13.30-14.30:** Lunch
- End of the conference**

# PROGRAMME

THURSDAY, MARCH 22, 2007

**08.30-10.00:** Arrival, Registration, Welcome Coffee  
Foyer A,  
ground floor

**10.00-10.20:** Official Welcome  
A111

**10.30-12.30:** Parallel Sessions A

A 201

**Session A1: Market microstructure I**  
Chairman: Roman Meyer,  
University of St. Gallen

**Magnus Andersson, European Central Bank**  
*Using intraday data to gauge financial market  
responses to Fed and ECB monetary policy decisions*

**Angelo Ranaldo, Swiss National Bank**  
*Information Content and Predictability of  
Extreme Prices in Financial Markets*

**Vladimir Sokolov, Higher School of  
Economics, Moscow**  
*Open Market Operations and the Volatility of  
Bond Returns: Microstructure Evidence*

**Marco Wölfle, University of Freiburg,  
Germany**  
*Information Transmission among Commodities:  
A Volatility Approach to Input Markets*

A 202

**Session A2: Insurance**  
Chairman: Alvin Schwendener,  
University of St. Gallen

**Nadine Gatzert, University of St. Gallen**  
*Management Strategies in Life Insurance:  
An Examination with respect to Risk Pricing and  
Risk Measurement*

**Patrick Eugster, Peter Zweifel,  
University of Zurich**  
*Correlated Risks: A Conflict of Interest between  
Insurers and Consumers and Its Resolution*

**Martin Eling, Thomas Parnitzke,  
Hato Schmeiser, University of St. Gallen**  
*Management Strategies and Dynamic  
Financial Analysis*

A 204

**Session A3: Microeconomics (theory)**  
Chairman: Kai-Joseph Fleischhauer,  
University of St. Gallen

**Giacomo Scandolo, University of Florence;  
Pauline Barrieu, London School of Economics**  
*General Pareto optimal allocations and applications  
to multi-period risks*

**Gianmaria Martini, University of Bergamo, Italy;  
Gianluca Femminis, Catholic University of Milan**  
*RJVs and Welfare with Knowledge Spillovers:  
A Dynamic Non-Tournament Model*

**Joao Montez, Thomas von Ungern-Sternberg,  
University of Lausanne**  
*Supply contracts and the Shapley value:  
a non-cooperative implementation*

**Seraina Buob, University of Berne**  
*To Mitigate or To Adapt? The Strategies for Combating Climate Change*

**A 207**

**Session A4: Applied econometrics**  
**Chairman: Martin Huber, University of St. Gallen**

**Stephan Wiehler, University of St. Gallen**  
*Bias Reducing Estimation of Treatment Effects in the Presence of Partially Distorted Data*

**Franz Kronthaler, Halle Institute for Economic Research**  
*Effectiveness of competition law: what macro-economic factors can tell us*

**Jan-Egbert Sturm, Axel Dreher, ETH Zurich; James R. Vreeland, Yale University**  
*Does membership on the UN Security Council influence IMF decisions? Evidence from panel data*

**Tommaso Mancini, Paris-Jourdan Sciences Economiques; Laurent L. Pauwels, Graduate Institute of International Studies, Geneva**  
*Did the Euro Affect Trade? Answers from End-of-Sample Instability Tests*

**12.30-13.30: Lunch**  
**Foyer B, ground floor**

**13.30-15.30: Parallel Sessions B**

**A201**

**Session B1: Asset pricing I**  
**Chairman: Peter Gruber, University of St. Gallen**

**Christian Schlag, Lue Wu, Goethe University; Nicole Branger, University of Southern Denmark**  
*Rational Laymen versus Over-Confident Experts: Who Survives in the Long Run?*

**Mathias Hoffmann, University of Zurich**  
*Proprietary Income, Entrepreneurial Risk, and the Predictability of U.S. Stock Returns*

**Andrea Vedolin, Fabio Trojani, University of St. Gallen; Andrea Buraschi, Tanaka Business School**  
*The joint behaviour of credit spreads, stock options and equity returns when investors disagree*

**Frederik Lundtofte, University of St. Gallen**  
*The Quality of Public Information and The Term Structure of Interest Rates*

**A 202**

**Session B2: Banking**  
**Chairman: Kai-Joseph Fleischhauer, University of St. Gallen**

**Martin Brown, Swiss National Bank; Christian Zehnder, University of Zurich**  
*The Emergence of Information Sharing in Credit Markets*

**Jozsef Molnàr, Bank of Finland; Marton Nagy, Magyar Nemzeti Bank, Budapest; Csilla Horvath, Radboud University Nijmegen**  
*Empirical Analysis of Retail Bank Competition: the Case of Hungary*

**Uwe Vollmer, University of Leipzig; Demo Dietrich, Halle Institute for Economic Research**  
*Banks' Internationalization Strategies: The Role of Bank Capital Regulation*

**Ulrike Neyer, Martin-Luther-University Halle**  
*The Stability of the Banking Sector and Credit Default Swaps*

**A 204**

**Session B3: Financial econometrics I**  
**Chairman: Kameliya Filipova, University of St. Gallen**

**Thomas Breuer, Martin Jandacka, Vorarlberg University of Applied Sciences**  
*Temporal Aggregation of GARCH Models: Conditional Kurtosis and Optimal Frequency*

**Catalin Starica, Göteborg University**  
*Is Garch (1, 1) as good a model as the accolades of the Nobel prize would imply?*

**Christian Conrad, ETH Zurich; Enno Mammen, University of Mannheim**  
*A Specification Test for a Class of GARCH-in-Mean Models*

**Markus Leippold, Federal Reserve Bank of New York and University of Zurich; Andreas Blöchliger, Credit Suisse**  
*Testing Probability Calibrations: Application to Credit Scoring Models*

**A 207**

**Session B4: Macroeconomics (theory)**  
**Chairman: Jonathan Schulz, University of St. Gallen**

**Andreas Schäfer, University of Zurich**  
*Sustainability, Fertility Differentials, and Directed Technological Change*

**Francesco Furlanetto, University of Lausanne**  
*Fiscal Shocks and the Consumption Response when Wages are Sticky*

**Reto Föllmi, Josef Zweimüller, University of Zurich**  
*Structural Change and the Kaldor Facts of Economic Growth*

**Michael Oechslin, University of Zurich**  
*Foreign Aid, Political Instability, and Economic Growth*

**A 210**

**Session B5: Labour economics**  
**Chairman: Martin Huber, University of St. Gallen**

**Conny Wunsch, Michael Lechner, University of St. Gallen**  
*Active Labour Market Policy in East Germany: Waiting for the Economy to Take Off*

**Michael Lechner, Conny Wunsch, University of St. Gallen**  
*Are Training Programs More Effective when Unemployment is High?*

**Sebastian Weber, Graduate Institute of International Studies, Geneva**  
*Labor Market Structures, Trade and their Effect on Unemployment*

**A 212**

**Session B6: Swiss economic policy**  
**Chairman: Alexander Dentler, University of St. Gallen**

**Katrin Assenmacher, Swiss National Bank**  
*Modeling Monetary Transmission in Switzerland with a Structural Vector Error Correction Model*

**Enzo Rossi, Swiss National Bank;**  
**Franziska Bignasca, Zürcher Kantonalbank**  
*Applying the Hirose-Kamada filter to Swiss data: Output gap and exchange rate pass-through estimates*

**Marcel R. Savioz, Enzo Rossi, Swiss National Bank**  
*Improving GDP forecasts with money*

**Marc Wildi, ETH Zurich**  
*Real-Time Signal Extraction: an Application of Customized Optimization Criteria*

**15.30-16.00: Coffee Break**  
Foyer A,  
ground floor

**16.00-18.00: Parallel Sessions C**

**A 201**  
**Session C1: Portfolio choice**  
**Chairman: Anna Cieslak, University of St. Gallen**

**Pascal St-Amour, HEC Lausanne**  
*Benchmarks in Aggregate Household Portfolios*

**Markus Leippold, University of Zurich;**  
**Daniel Egloff, Zurich Cantonalbank;**  
**Liuren Wu, Zicklin School of Business, New York**  
*Variance Risk Dynamics, Variance Risk Premia, and Optimal Variance Swap Investments*

**Paolo Porchia, Fabio Trojani, University of St. Gallen;**  
**Andrea Buraschi, Tanaka Business School**  
*Correlation risk and optimal portfolio choice*

**Claudio Tebaldi, University of Verona;**  
**Eduardo S. Schwartz, Anderson Graduate School of Management, Los Angeles**  
*Illiquid Assets and Optimal Portfolio choice*

**Session C2: Market microstructure II**  
**Chairman: Kameliya Filipova, University of St. Gallen**

**Loriano Mancini, University of Zurich;**  
**Yacine Aït-Sahalia, Princeton University**  
*Out of Sample Forecasts of Quadratic Variation*

**Angelo Rinaldo, Swiss National Bank;**  
**Charlotte Christiansen, Aarhus School of Business**  
*Realized Bond-Stock Correlation: Macroeconomic Announcement Effects*

**Fulvio Corsi, University of Lugano**  
*Realized Correlation Tick-by-Tick*

**Marcel Tyrell, Baris Serifsoy, Goethe University Frankfurt**  
*Investment Behavior of Stock Exchanges and the Rationale for Demutualization - Theory and Empirical Evidence*

**Session C3: Financial econometrics II**  
**Chairman: Martin Huber, University of St. Gallen**

**Marc S. Paoletta, Luca Taschini, University of Zurich**  
*An Econometric Analysis of Emission Trading Allowances*

**Michael Rockinger, Eric Jondeau, HEC Lausanne**  
*The Impact of news on higher moments*

**A 202**

**A 204**

**Matthias Sydow, Olli Castren, Chiara Osbat,  
European Central Bank**  
*What drives investors' behaviour in different FX Market  
Segments? A VAR- based return decomposition  
analysis*

**A 207**

**Session C4: Experimental economics**  
**Chairman: Kai-Joseph Fleischhauer,  
University of St. Gallen**

**Armin Schmutzler, Daniel Halbheer, Ernest Fehr,  
Lorenz Götte, University of Zurich**  
*Self-Reinforcing Market Dominance*

**Christian Thöni, University of St. Gallen;  
Simon Gächter, University of Nottingham**  
*Social Interaction in the Workplace*

**Alois Stutzer, University of Basel; Lorenz Götte,  
Michael Zehnder, University of Zurich**  
*Active Decisions and Pro-Social Behavior:  
A Field Experiment on Blood Donation*

**Florence Miguet, Tobias Müller, University of  
Geneva**  
*Trust: The forgotten factor shaping attitudes towards  
immigrants ?*

**A 210**

**Session C5: Macroeconomics (empirical)**  
**Chairman: Jonathan Schulz, University of St. Gallen**

**Stefan Gerlach, Bank of International Settlements;  
Peter Kugler, University of Basel**  
*Deflation and Relative Prices: Evidence from Japan  
and Hong Kong*

**Catalin Starica, Göteborg University; Jörg Polzehl,  
Vladimir Spokoiny, Weierstrass Institute for Applied  
Analysis and Stochastics, Berlin**  
*When did the 2001 recession really start?*

**Elmar Mertens, Study Center Gerzensee**  
*Are Spectral Estimators Useful for Implementing  
Long-Run Restriction in SVARs?*

**Sarah Rupprecht, ETH Zurich**  
*When do Firms Change Their Price Setting Plans?  
Evidence from Micro Panel Data*

**A 212**

**Session C6: Industrial organisation**  
**Chairman: Martin Ruesch, University of St. Gallen**

**Werner Hediger, University of Zurich**  
*Framing corporate social responsibility and contribution  
to sustainable development*

**Michael Kosfeld, University of Zurich;  
Ferdinand von Siemens, University of Munich**  
*Competition, Cooperation and Corporate Culture*

**Stefan Buehler, University of Zurich;  
Annette Boom, Copenhagen Business School**  
*Restructuring Electricity Markets when Demand is  
Uncertain: Effects on Capacity Investments, Prices and  
Welfare*

**18.00:  
A 111**

**SSES General Assembly**

**19.30:**

**Congress Dinner  
at the "Lokremise" in St. Gallen**

**FRIDAY, MARCH 23, 2007**

**08.30-10.30: Parallel Sessions D**

**A111**

**Session D1: Asset pricing II**  
**Chairman: Peter Gruber, University of St. Gallen**

**Walter Distaso, Tanaka Business School;**  
**Valentina Corradi, University of Warwick;**  
**Antonio Mele, London School of Economics**  
*Macroeconomic Determinants of Stock Market Volatility and Volatility Risk- Premia*

**Enrico De Giorgi, University of Lugano;**  
**Francesco Audrino, University of St. Gallen**  
*Beta Regimes for the Yield Curve*

**Anna Cieslak, Fabio Trojani, University of St. Gallen; Andrea Buraschi, Tanaka Business School**  
*Correlation Risk and the Term Structure of Interest Rates*

**Thomas Nitschka, Mathias Hoffmann, University of Zurich**  
*The consumption-exchange rate anomaly: An asset pricing perspective*

**A201**

**Session D2: Corporate finance**  
**Chairman: Alvin Schwendener, University of St. Gallen**

**Claudio Loderer, Urs Wälchli, University of Berne**  
*Protecting minority investors: Listed versus unlisted firms*

**Christian Kaserer, Benjamin Moldenhauer, Technische Universität München**  
*Insider Ownership and Corporate Performance - Evidence from Germany*

**Urs von Arx, ETH Zurich;**  
**Andreas Schäfer, University of Zurich**  
*The Influence of Pension Funds on Corporate Governance*

**Andrea Gamba, University of Verona;**  
**Matteo Tesser, Universitat Politecnica de Catalunya**  
*Structural estimation of real options models*

**A202**

**Session D3: Options**  
**Chairman: Roman Meyer, University of St. Gallen**

**Alexey Medvedev, Olivier Scaillet, University of Geneva**  
*Pricing American options under stochastic volatility and stochastic interest rates*

**Axel Kind, Frode Brevik, University of St. Gallen**  
*The Exercise of Options Embedded in Norwegian Student Loans*

**Stefano Herzel, Flavio Angelini, University of Perugia**  
*Variance of hedging strategies in discrete time*

**Alessandro Sbuelz, University of Verona; Anna Battauz, Bocconi University, Milan**  
*Closed-form optimal investment when present values and costs are jump-diffusions*



A204

**Session D4: Monetary policy / economics**  
**Chairman: Martin Ruesch, University of St. Gallen**

**Marco Cavaliere, University of Berne;**  
**Sebastian Edwards, UCLA, Los Angeles**  
*Does Inflation Targeting contribute to dampen inflationary effects of external shocks?*

**Jan-Egbert Sturm, Axel Dreher, ETH Zurich;**  
**Jakob de Haan, University of Groningen**  
*When is a central bank governor fired? Evidence based on a new data set*

**Andrea Fracasso, Cinzia Alcidi, Alessandro Flamini,**  
**Graduate Institute of International Studies, Geneva**  
*"Tailored" Rule. Does One Fit or Hide All?*

**Carlo Strub, Aleksander Berentsen,**  
**University of Basel**  
*Central Bank Design with Heterogeneous Agents*

A207

**Session D5: Econometrics (theory)**  
**Chairman: Martin Huber, University of St. Gallen**

**Markus Frölich, Michael Lechner,**  
**University of St. Gallen**  
*Exploiting regional treatment intensity for the evaluation of labour market policies*

**Patrick Gagliardini, University of Lugano;**  
**Olivier Scaillet, HEC Geneva**  
*Tikhonov Regularisation for Functional Minimum Distance estimators*

**Lorenzo Camponovo, University of Lugano;**  
**Olivier Scaillet, HEC Geneva;**  
**Fabio Trojani, University of St. Gallen**  
*Robust Subsampling*

**Jaya Krishnakumar, David Neto,**  
**University of Geneva**  
*Estimation and Testing in Threshold Cointegrated Systems Using Reduced Rank*

A210

**Session D6: Public economics**  
**Chairman: Kai-Joseph Fleischhauer,**  
**University of St. Gallen**

**Lars Feld, University of Heidelberg;**  
**Timothy Goodspeed, Hunter College and**  
**CUNY Graduate Center**  
*Discretionary Grants and Soft Budget Constraints in Switzerland*

**Christian Keuschnigg, University of St. Gallen**  
*Exports, Foreign Direct Investment and the Costs of Corporate Taxation*

**Marius Brühlhart, University of Lausanne;**  
**Mario Jametti, York University, Toronto**  
*Does Tax Competition Tame the Leviathan?*

**Inna Verbina, Graduate Institute of International**  
**Studies, Geneva**  
*Why cross sectional consumption pattern cannot be explained by permanent income hypothesis?*

A212

**Session D7: Empirical economics**  
**Chairman: Jonathan Schulz, University of St. Gallen**

**Blaise Melly, Patrick A. Puhani,**  
**University of St. Gallen**  
*Privatisation and Changes in the Wage Structure: Evidence from Firm Personnel Records*

**Rosalía Vazquez-Alvarez, Michael Lechner,**  
**University of St. Gallen**  
*Stochastic labour market shocks and active Labour market policies: a theoretical and empirical analysis*

**Michael Gerfin, University of Berne**

*Welfare Reform in Switzerland - A microsimulation case study for Basel*

**Signe Krogstrup, Graduate Institute of International Studies, Geneva;**

**Sébastien Wälti, Trinity College Dublin**

*Women and budget deficits*

The Swiss Society of Economics and Statistics wishes to thank the following sponsor for its generous support of the conference:

**10.30-11.00: Coffee Break**  
Foyer A,  
ground floor

**11.00-13.30: Plenary Session**  
A 111

**Chairman: Fabio Trojani, University of St. Gallen**

**Liuren Wu, Zicklin School of Business, USA**

*Modeling Financial Security Returns and Option Pricing with Time-Changed Levy Processes*

**Andrea Buraschi, Tanaka Business School, Imperial College, London, UK**

*Asset Pricing with Heterogeneous Beliefs*

**Ken Singleton, Stanford Graduate School of Business, USA**

*The Market Price of Default Risk*

**13.30-14.30: Lunch**  
Foyer A,  
ground floor

**End of the conference**