



## Upcoming Seminars

### **Monday, 5.2.2024**

13.30-14..30

AWI room 00.010

### **Departmental Seminar**

Botond Koszegi, University of Bonn

"Understanding Markets with Socially Responsible Consumers"

### **Wednesday, 7.2.2024**

12.15-13.15

AWI room 00.010

### **Internal Seminar**

Julian Matthes & Katharina Momsen

"Preferences and Demand for Narratives"

### **Wednesday, 14.2.2024**

13.30-14.30

AWI room 01.030

### **Macro & Econometrics Seminar**

Ramon de Punder

"Proper and Robust Autoregressive Derivative-Adaptive Models "

### Departmental Seminar

Botond Koszegi

"Understanding Markets with Socially Responsible Consumers"\*

Many consumers care about climate change and other externalities associated with their purchases. We analyze the behavior and market effects of such "socially responsible consumers" in three parts. First, we develop a flexible theoretical framework to study competitive equilibria with rational consequentialist consumers. In violation of price taking, equilibrium feedback non-trivially dampens a consumer's mitigation efforts, undermining responsible behavior. This leads to a new type of market failure, where even consumers who fully "internalize the externality" overconsume externality-generating goods. At the same time, socially responsible consumers change the relative effectiveness of taxes, caps, and other policies in lowering the externality. Second, since consumer beliefs about and preferences over dampening play a crucial role in our framework, we investigate them empirically via a tailored survey. Consistent with our model, consumers are predominantly consequentialist, and on average believe in dampening. Inconsistent with our model, however, many consumers fail to anticipate dampening. Third, therefore, we analyze how such "naive" consumers modify our theoretical conclusions. Naive consumers behave more responsibly than rational consumers in a single-good economy, but may behave less responsibly in a multi-good economy with cross-market spillovers. A mix of naive and rational consumers may yield the worst outcomes.

\*with Marc Kaufmann and Peter Andre

### Internal Seminar

Julian Matthes & Katharina Momsen

"Preferences and Demand for Narratives"

This paper contributes to the growing literature on the economics of narratives by investigating how agents with limited attention economize between narratives and data. In a series of online experiments participants face a prediction task and are given historical data points and narratives that interpret these data points to help them form a belief. In some treatments, participants repeat the prediction task with the option to choose between additional historical data and an additional narrative. We find that the majority of subjects prefers 'soft' narratives over 'hard' information. Additionally, our experiments is designed to investigate what properties of narratives are attractive to economic agents. Contrary to the existing literature, we find no evidence that agents prefer simple narratives or those that induce higher anticipatory utility.

## Macro & Econometrics Seminar

Ramon de Punder

"Proper and Robust Autoregressive Derivative-Adaptive Models"

We introduce a novel class of derivative-adaptive filters, generalizing the Generalized Autoregressive Score (GAS) model. The cornerstone of this enhancement lies in the substitution of the derivative component of the logarithmic scoring rule with the censored version of a strictly proper scoring rule, renowned for its strict local propriety. This modification elevates the GAS model by broadening the traditional optimality criteria, shifting from an exclusive reliance on Kullback-Leibler divergence to encompassing a more general class of localized Bregman divergences. Concurrently, the evolution towards weighted scoring rules regularizes the balance between signal and noise, addressing the bias-variance tradeoff in the processing of incoming observations.

A central aspect of our exposition is a detailed examination of the censored scoring rule's construction, its specific cases, and the implied generalization of the Neyman-Pearson lemma. Understanding the censored scoring rule's characteristics is key to understanding and solving a shortcoming of the GAS model's original optimality proof. We also discuss the enhanced statistical power of censored scoring rules relative to conditional scoring rules, evidenced through Monte Carlo simulations and empirical studies. In doing so, we offer a concise review of the paper "Localizing Strictly Proper Scoring Rules" by De Punder et al. (2023).

## Talks and Research visits

On the 13th anniversary edition of the SEET *Southern Europe Experimental Team's Meeting 2024 Workshop*, held in Málaga, Spain, from February 1 to February 2, 2024, at the Facultad de Estudios Sociales y Comercio, Universidad de Málaga, **Joerg Oechssler** presented the paper "Dissolving an ambiguous partnership" (joint work with Alex Roomets) on February 1.

## New Working Papers

Christoph K. Becker, Peter Duersch, Thomas A. Eife, and Alexander Glas: "Using point forecasts to anchor probabilistic survey scales", AWI Discussion Paper Series, No 743, January 2024.

Olga Goldfayn-Frank, Pascal Kieren, and Stefan Trautmann: "A Choice-Based Approach to the Measurement of Inflation Expectations", AWI Discussion Paper Series No 742, January 2024.

Editorial deadline for issue 06/2024 of the newsletter:  
Wednesday, April 10, 2024, 12 p.m.  
[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)