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Newsletter 09/2025

ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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Upcoming Seminars

Monday, 19.05.2025

Departmental Seminars

13.30-14.30

AWI room 00.010

Enzo Weber, IAB & Uni Regensburg

" Labor Market Adjustments to Population Decline "

(Host: Christian Conrad)

15:00-16:00

AWI room 01.030

Kai Gehring, Bern

" Insuring peace: Index-based livestock insurance, droughts, and conflict "

(Host: Axel Dreher)

Tuesday, 20.05.2025

External Seminar

18.00-19.00

AWI room 00.024

Dagmar Balve-Hauff & Kristina Kötterheinrich (BMWE) at

" Women in Economics "

Wednesday, 21.05.2025

Internal Seminar

12.15-13.15

AWI room 00.010

Richhild Moessner

" Reactions of household inflation expectations to a symmetric inflation target and high inflation "

Wednesday, 21.05.2025	**Macro & Econometrics Seminar**
13.30-14.30	Johannes Zahner, FFM
AWI room 01.030	" Whatever it takes to understand a central banker - Embedding their words using neural networks "

Abstracts

Departmental Seminar

Enzo Weber

" Labor Market Adjustments to Population Decline: A Historical Macroeconomic Perspective, 1875-2019 "

Advanced economies will face population decline, particularly among those of working age. Yet, evidence of labor market implications is sparse. Creating a historical dataset for sixteen advanced economies from 1875 to 2019, we identify population shocks and trace the economic effects conditionally on the demographic regime. Our results suggest regime-specific differences: First, population decline quickly passes through to the labor market, translating into swifter disinvestment and declines in employment, but the effects of population growth take time. Second, during population decline, labor force participation increases in response to reduced labor supply. Likewise, initially swift disinvestment tendencies decelerate. Consequently, we find only incomplete capital adjustment. Third, despite declining labor supply, we find neither decreases in unemployment nor significant changes in wages. Finally, while population decline tends to depress total factor productivity, our results indicate that negative effects for economic growth are mitigated by increases in participation and the capital-labor ratio.

Kai Gehring

" Insuring peace: Index-based livestock insurance, droughts, and conflict " *

We provide quasi-experimental evidence of how an innovative market-based solution using remote-sensing technology can mitigate drought-induced conflict. Droughts are a major driver of conflict in Africa, particularly between nomadic pastoralists and sedentary farmers. The Index-Based Livestock Insurance (IBLI) piloted in Kenya provides automated, preemptive payouts to pastoralists affected by droughts. Combining plausibly exogenous variation in rainfall and the staggered rollout of IBLI in Kenya over the 2000-2020 period, we find that IBLI strongly reduces drought-induced conflict. Key mechanisms include a reduction in herd sizes, as well as income smoothing and asset-price stabilization, contributing to an overall reduced migratory pressure for pastoralists. Our study suggests that market-based solutions are a scalable, cost-effective pathway to mitigate conflict, complementing political solutions such as institutional reforms.

* joint work with Kai Gehring[†] Paul Schaudt[‡]

External Seminar

Join us for an inspiring evening with Dr. Dagmar Balve-Hauff and Kristina Kötterheinrich from the Wirtschaftspolitik department of the Federal Ministry for Economic Affairs and Climate Action (BMWE)! Dr. Balve-Hauff brings years of experience shaping economic policy and supporting young talent. Kristina Kötterheinrich is a passionate voice in energy and climate policy, with a focus on sustainable solutions. These seasoned economists and leaders in climate and economic policy will share their experiences, discuss current challenges, and offer insights into career paths in the public sector.

Internal Seminar

Richhild Moessner

" Reactions of household inflation expectations to a symmetric inflation target and high inflation "

We analyse the reactions of households' expectations of euro-area inflation to the ECB's monetary strategy change to a symmetric inflation target in July 2021, and to the subsequent sharp rise in euro area inflation. We use a randomised control trial within a monthly representative Dutch household survey of short- and long-term euro-area inflation expectations, where half of respondents receive information about the ECB's inflation target and actual inflation. We find that the announcement of the new strategy did not materially affect households' inflation expectations, but the high realisations of actual inflation did. Households' expected probabilities of high inflation also increased significantly in response to high above-target inflation. These results suggest that inflation expectations of households became less well anchored. Inflation expectations also became more responsive to inflation realisations in the period of high inflation, reflecting inter alia media attention and reduced rational inattention.

Macro & Econometrics Seminar

Johannes Zahner, FFM

" Whatever it takes to understand a central banker - Embedding their words using neural networks "

Dictionary-based methods represent the most commonly used approach for quantifying the qualitative information from (central bank) communication. In this paper, we propose machine learning models that generates embeddings from words and documents. Embeddings are multidimensional numerical text representations that capture the underlying semantic relationships within text. Using a novel corpus of 22,000 documents from 128 central banks, we generate the first domain-specific embeddings for central bank communication that outperform dictionaries and existing embeddings on tasks such as predicting monetary policy shocks. We further demonstrate the efficacy of our embeddings by constructing an index that tracks the extent to which Federal Reserve communications align with an inflation-targeting stance. Our empirical results indicate that deviations from inflation-targeting language substantially affect market-based expectations and influence monetary policy decisions, significantly reducing the inflation response parameter in an estimated Taylor rule.