



NEWSLETTER 2019-28

CALENDAR:

Departmental Seminar

Christopher Busch (Autònoma de Barcelona):
Higher-Order Income Risk over the Business Cycle

Monday, December 9
16:30-18:00
H26

Economic and Social History Seminar

Alfred Reichenberger (Regensburg):
*Vom Werk ins Netz: Auf- und Ausbau der Infrastruktur zur
Energieversorgung in Bayern*

Wednesday, December 11
18:15–20:30
VG 1.30

ABSTRACTS:

Departmental Seminar

Christopher Busch:

Higher-Order Income Risk over the Business Cycle

Abstract: Recent empirical evidence documents many regularities of individual and household income dynamics that are not captured by the canonical income process, which combines transitory and persistent shocks with symmetric distributions. Does this matter from a macroeconomic perspective? We find that the answer to this question is yes. To arrive at this answer, we first develop a novel Generalized Method of Moments (GMM) approach that allows us to identify non-zero skewness and excess kurtosis of the transitory and persistent shocks within the otherwise standard framework of the canonical income process. In the standard case, distributions are characterized by their dispersion, and typically parameterized as log-Normal. We apply our method to household data from the United States and Germany. For both countries, we find countercyclical variance and procyclical skewness of persistent shocks. All distributions are highly leptokurtic. The existing tax and transfer scheme reduces the dispersion and left-skewness of shocks. We then develop a standard incomplete-markets life-cycle model, in which agents face the estimated post-government income process and decide on consumption and savings. Within this framework we refer to left-skewness and excess kurtosis of shocks as higher-order risk. We show, first, that the welfare implications of higher-order risk are potentially large: depending on risk attitudes of households, it matters quantitatively whether shocks display left-skewness and excess kurtosis, or not. Second, higher-order risk matters quantitatively for the welfare costs of business cycles. Third, there is more consumption self-insurance in an environment with higher-order income risk.

Economic and Social History Seminar

Alfred Reichenberger (Regensburg):

Vom Werk ins Netz: Auf- und Ausbau der Infrastruktur zur Energieversorgung in Bayern

Abstract: Der Vortrag stellt erste Ergebnisse meines Promotionsprojektes zur Infrastrukturentwicklung der Elektrizitätswirtschaft in Bayern vor. Insbesondere wird darauf eingegangen, wie sich aus den zu Beginn des 20. Jahrhunderts entstandenen Inselnetzen zur regionalen Stromversorgung in den folgenden Jahrzehnten ein überregional zusammenhängendes Verbundnetz entwickeln konnte.

We gratefully acknowledge financial support of the Departmental Seminar by the Regensburger Universitätsstiftung Hans Vielberth.

**RegensburgEconNews**

Newsletter of the Institute of Economics and Econometrics,
University of Regensburg

To subscribe to / unsubscribe from this newsletter,
please go to <https://www-mailman.uni-regensburg.de/mailman/listinfo/regensburgeconnews> or send an
email to econ.news@ur.de

Editorial deadline for Newsletter No. 2019-29:
Wednesday, December 11 – 11 am

**FAKULTÄT FÜR
WIRTSCHAFTSWISSENSCHAFTEN**

INSTITUT FÜR
VOLKSWIRTSCHAFTSLEHRE UND
ÖKONOMETRIE

Universitätsstraße 31 ■ 93040 Regensburg

Newsletter-Redaktion:

Telefon: +49 941 943-2710

Fax: +49 941 943-2734

E-Mail: econ.news@ur.de

Internet: www-economics.ur.de

Bildnachweis: http://commons.wikimedia.org/wiki/File:Regensburg_08_2006.jpg