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EDITORIAL

The current financial crisis has for obvious reasons raised doubts about our banking system. Regulators and politicians have thus made it their goal to increase the stability of the financial system and to reduce the risk of future financial crises. Basel III undoubtedly shows the right way here, albeit a very demanding one. This is because the provisions of the new system of rules require adjustments with regard to capital and liquidity, and tie up extensive human and technical resources. A particular challenge for banks in this context is the historically low level of interest rates. Prompted by regulatory requirements, a battle for deposits has broken out. How can an overnight rate of 2.5% be earned when banks park their money risk-free at the European Central Bank or lend it at the same rate as a building loan? How can banks generate a sufficient return in the future with a reasonable risk?

Banks are facing up to this challenging environment. They are responding to the regulatory requirements, in part even with a fundamental restructuring of their business models. At the same time, regulators are discussing, planning and approving a visible multitude of further steps related to the different areas of the banking business. For example, the provisions on consumer protection, the financial transactions tax, the MiFID II (the updated version of the Markets in Financial Instruments Directive), and also the discussion on the introduction of a separation between commercial and investment banking. An overall impact analysis for the interaction of all regulatory measures is lacking to date, but it is urgently necessary.

In a country heavily dependent on bank financing, such as Germany, it is unlikely that there will be no impact on the real economy if one over-tightens the regulatory screw. The endeavor to regulate every eventuality via Basel III and beyond runs the risk of jeopardizing a key industry. Banks fulfill essential tasks in respect of the real economy. As financial intermediaries, they mediate between suppliers and users of capital. In doing so, they channel capital towards productive uses and carry out transformation of maturities, lot sizes and risks. Despite the entrance of new market participants, banks are and will continue to remain indispensable.

The action of regulators is currently defined by a deep distrust of free market solutions. This distrust precipitates the view that, market interventions, if they are not actually necessitated by market failures, may themselves produce a destabilizing effect. In contrast, solutions that have emerged from "best practice" may indeed contribute to stability. Thus, when considering how our banking system should look in the future, one must also question which particular banking system has empirically proven crisis-resistance in the past.

Cooperative banks have evidently been a stabilizing factor during the financial crisis. The Liikanen Group, for example, which dealt with the necessity of more far-reaching regulatory reforms in Europe, explicitly stated in its final report that cooperative banks make a positive contribution to GDP growth in Germany. The financial crisis has clearly demonstrated that: (1) cooperative banks possess a solid business model and a viable, effective protection scheme – the cooperative sector did not need to access government support during the financial crisis; (2) cooperative banks consistently uphold their duty in respect of the real economy – they continuously increased their lending to non-banks, with this rising by 12% in the period from 2007 to mid-2012, which is above the industry average; and (3) cooperative banks enjoy the trust of their customers – from 2007 to mid-2012, customer deposits for cooperative banks increased by 18%, again above the industry average. Moreover, the 1 million additional members since 2007 represent a clear vote of confidence.

And what does better contribute to the stability of banking markets than confidence?

Wolfgang Kirsch
Chief Executive Officer of
DZ BANK AG

INCREASED DISCLOSURE REQUIREMENTS FOR THE SUPERVISORY BOARDS OF STOCK CORPORATIONS

Katja Langenbucher
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Combining insights of comparative law, economics and sociology, we find good reasons to expect competitive advantages for corporate boards that take into account the principles of independence, qualification and diversity when recruiting supervisory board members: we trust that an independent supervisory board member will monitor an executive board more successfully than members of a supervisory board with professional or personal links to (some of) the executive board members.

Adding certain minimum criteria in respect of qualification to the process of selecting supervisory board members should facilitate the same monitoring task (Bebchuk et al., 2009). So-called "groupthink" mechanisms can be mitigated by aiming for diverse, rather than homogeneous supervisory boards (see Janis, 1972, for groundbreaking research on this issue, which is added to by Bainbridge, 2002). We understand diversity to be "non-homogenous", that is, it involves variation with regard to gender, but also the professional and international background.

Rather unsurprisingly, we see that these three principles of independence, qualification and diversity form part of the legal systems (including "soft law") of several countries. Analyzing six countries (the United Kingdom, Austria, France, Spain, Switzerland and the United States), we find legal rules on qualification in each country, with there being a focus on the need for a financial expert. In European countries, this is triggered by a European Union (EU) directive. Furthermore, Swiss law contains a rule requiring international experience for super-

visory board members. Each of the six countries' legal systems includes some independence requirement for supervisory board members. Four of the six countries have enacted a diversity requirement. With regard to Germany, a number of empirical studies suggest that, when supervisory board members are recruited in Germany, too little

attention is paid to any of these three principles.

The article aims to consider to what extent the above-mentioned principles of qualification, independence and diversity form part of German law today. This includes first and foremost a glance at European law. While the

Country	Executive committees Percentage of total, 2011[1]	Growth since 2007 Percentage points	Corporate boards Percentage of total, 2011[1]	Growth since 2007 Percentage points
Sweden	21	8	25	1
Norway	15	3	35	3
United Kingdom	11	8	16	4
Belgium	11	4	11	5
Netherlands	8	3	19	12
France	8	4	20	12
Czech Republic	8	0	10	-2
Italy	6	1	5	2
Germany	3	2	16	5
European average	**10**	**6**	**17**	**5**

Source: Women Matter 2012 "Making the Breakthrough" / McKinsey & Company
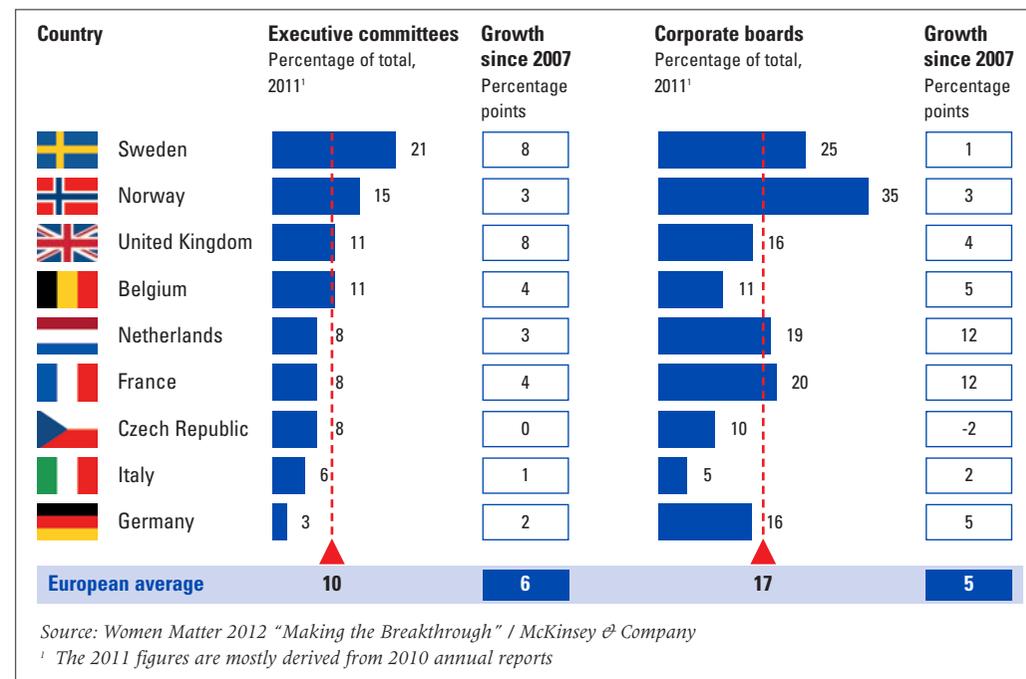[1] The 2011 figures are mostly derived from 2010 annual reports

Figure 1: Women's representation on executive committees and corporate boards by country, 2007 – 11

European Commission has been working on updating directives on corporate law, a number of Green Books have been published, which include a reference to all three of these principles.

By contrast, German law displays only the core features of these principles in its Aktiengesetz (the German Stock Corporation Act). The German Corporate Governance Code expands on this, setting some detailed requirements in respect of independence and diversity. Based on this starting point, we propose a number of policy strategies for the German legislator.

THE FEASIBILITY OF GENDER QUOTAS UNDER EUROPEAN AND GERMAN CONSTITUTIONAL LAW

Proposals for policy action by the German legislator presuppose their feasibility under both European and German constitutional law. There are few concerns with regard to European law. The current EU Green Books push for more, rather than less independence, diversity and qualification, albeit while recognizing that there may be some variance between the requirement of independence on the one hand and qualification on the other. Some concerns have been voiced as to the compatibility of gender quotas for corporate boards with the equal treatment clause of the EU Charter of Fundamental Rights. This article argues that soft gender quotas do not raise such concerns. Along these same lines, scholars have doubted that the German legislator could pass a law requiring a gender quota under the German Constitution. Again, this article argues that there is some room for introducing such requirements.

Following a thorough examination of the extent to which the principles of independence, diversity and qualification form part of contemporary German law, we propose the introduction of a mandatory public "Declaration of Strategy" for listed companies. The listing requirements of the New York Stock Exchange provide a model for such a declaration. The German Corporate Governance Code as well as the EU Green Book on Corporate Governance point in the same direction.

INTRODUCING A MANDATORY "DECLARATION OF STRATEGY"

It is proposed that a "Declaration of Strategy" (*"Besetzungserklärung"*) be made a part of the mandatory disclosure requirements in place for listed stock corporations. The Declaration would specify a corporation's strategy with regard to the composition of its supervisory board. While the legal rules now in place (see sections 100 and 105 of the German Stock Corporation Act) make some basic provisions here, the proposed declaration would be more stringent. The Declaration should stipulate the intended profile of the supervisory board, including, as a minimum, a reference to the principles of independence, qualification and diversity. In addition, the corporation should state the status quo as well as its plans for the new board members to be elected.

There seem to be two advantages to this policy: (i) requiring more disclosure fits in neatly with a number of existing disclosure requirements, thus entailing minimal transaction costs; and (ii) the proposal provides the legislator with considerable leeway in respect of the legal consequences of "incorrect" board compositions. While some European countries (i.e. Norway and France) have imposed quite harsh consequences for corporate boards not fulfilling certain quota requirements, it is not evident that this is the best path to take. Stipulating just a disclosure statement leaves room for corporations to flexibly adjust their adopted strategies in line with firm-specific requirements which might well differ according to company size, the production line, the number of international / female employees, a focus on exports, etc. Put differently: for now, we assume that disclosure statements and the market reactions to such statements provide sufficient incentives for corporations to work on their board composition. In addition, shareholders and investors should be provided with an evaluation of how newly elected board members and future board candidates conform to the published strategy.

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CAN FACEBOOK PREDICT STOCK MARKET ACTIVITY?

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The potential role of investor sentiment in financial markets has received a great deal of attention from economists since John Maynard Keynes appealed to "animal spirits" to explain stock market anomalies. Behavioral models of asset pricing pioneered by De Long, Shleifer, Summers and Waldmann (1991) introduce "irrational noise traders" in financial markets and formally show the relation between noise trader sentiment and asset prices.

A voluminous empirical literature also examines the effects of investor sentiment on the stock market and documents that sentiment can persist in financial markets and influence stock prices (e.g. Tetlock, 2007). As Malcolm Baker and Jeffrey Wurgler (2006) argue: "Now, the question is no longer, as it was a few decades ago, whether investor sentiment affects stock prices, but rather how to measure investor sentiment and quantify its effects".

In this paper, I propose a novel and direct measure of investor sentiment, which is based on credible direct reports about the subjective well-being of millions of people. Specifically, I measure investor sentiment using Facebook's Gross National Happiness (hereafter referred to as "GNH"), which is based on a textual analysis of emotion words posted by more than 160 million users in Facebook.

A NOVEL SENTIMENT MEASURE: GROSS NATIONAL HAPPINESS

Compared to existing measures of investor sentiment, GNH has particularly attractive properties. First and foremost, GNH is based on the linguistic tone of status updates, which can be considered as credible direct reports of subjective well-being. Specifically, a status update is a short, self-descriptive message provided by the user to the question *"What's on your mind?"* Therefore, these updates often have informational content on what people actually think or feel; a point illustrated by Figure 1, which presents examples of status updates in Facebook. To this extent, GNH brings us closer to the source of investor sentiment (i.e. animal spirits), as compared to existing market or survey based sentiment measures.

Second, GNH is compiled from Facebook, which is currently the largest social network with more than one billion active users worldwide. In the US alone, there are over 160 million Facebook users (i.e. almost 50 percent of the entire population) across all age groups. Thus, GNH is likely to capture sentiment among the entire US population. Third, Facebook computes GNH on a daily basis, which allows me to track investor sentiment at a high level of frequency. Overall, GNH appears to qualify as a reasonable proxy for investor sentiment.

GROSS NATIONAL HAPPINESS AND STOCK MARKET ACTIVITY

Using vector autoregressive models, I then examine the relation between GNH and daily stock market activity. First and foremost, I find that GNH can predict future stock market returns. This effect is statistically significant and economically meaningful. For example, a one standard deviation increase in
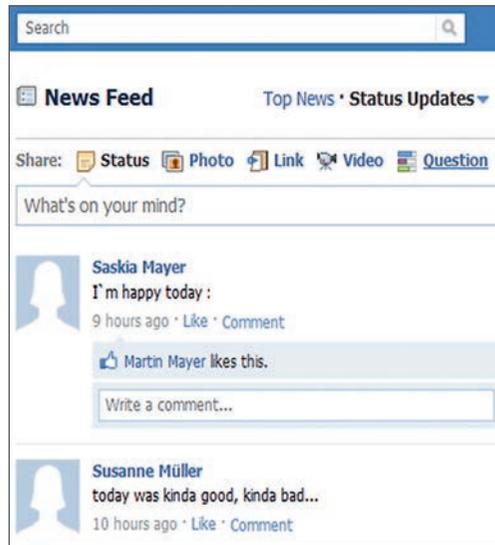
Figure 1: Status updates in Facebook

GNH is associated with a 13.04 basis points increase in the next day's returns, which is larger than the unconditional mean of market returns over the sample period. Consistent with the sentiment theory, GNH's positive influence on market returns is only temporary and is fully reversed in the following trading week. Moreover, GNH retains most of its predictive ability even when I employ a more conservative return window such

as open-to-close returns in lieu of close-to-close returns.

Second, I show that changes in GNH robustly forecast increases in trading volume, which is consistent with sentiment theories contending that unusually high or low levels of investor sentiment are associated with a high market trading volume. These findings support the notion that GNH serves as a proxy for investor sentiment. By contrast, the alternative interpretation that GNH may convey information about economic fundamentals does not appear to receive any support from the data. For example, the relation between GNH and daily stock market activity remains the same even after I control for daily economic and business conditions in the forecasting regressions. Moreover, I examine the predictive content of GNH for near-term macroeconomic conditions and find no predictive ability for GNH and macroeconomic measures, casting further doubt on the information interpretation of GNH.

VALIDATION ANALYSIS

I also perform a validation analysis in a natural setting to reinforce the idea that GNH is a proxy for investor sentiment. In particular, I examine the effects of differential GNH on the relative price deviations of dual-listed companies. I find that the relative price deviations of "Siamese twin" companies are positively associated with the relative GNH of their respective markets. The results remain the same when I control for non-synchronous trading and exchange rate fluctuations. This finding supports the hypothesis that country specific sentiment can partly explain twin price disparities, and provides additional evidence for the sentiment interpretation of GNH.

To my knowledge, this paper is one of the first that applies information from online social networking sites to finance. Therefore, apart from testing investor sentiment theories, this paper also highlights the usefulness of data from online social networks, which could possibly provide a rich source of information for

other possible economics and finance-related applications. The tests in my paper constitute one possible application of the data compiled from online social networks. I leave the many other applications for future research.

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The full article is available at:
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1919008

COMBINING STRUCTURED AND UNSTRUCTURED DATA SOURCES FOR SUPPORT IN FINANCIAL DECISION MAKING

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Investors have to react quickly to new company-related information in order to be able to profit from stock price movements. However, they are confronted with large amounts of data that have to be analyzed properly for profitable investment decisions. To assist this process, decision support systems can be used that aid decision makers by analyzing structured and/or unstructured data, i.e. data providing rich, structural information (e.g. price data stored according to a particular schema) or no such structural information such as plain text documents. The paper at hand documents research within the EU-funded research project FIRST.

In previous research, financial decision support artifacts are mainly built upon single data sources: under diverse approaches, data mining techniques are applied to forecast financial variables based on structured data. Other studies focus on the analysis of unstructured data, such as corporate disclosures or financial news. Although there have been some first studies that simultaneously consider both types of data, they are limited in scope. For example, they do not cover major phenomena like the continued media exposure related to technical analysis.

Technical analysis represents a methodology that aims at forecasting future stock price movements by taking into account structured data, namely technical indicators based on historical market data (Park and Irwin, 2007). Technical analysis contradicts the assumptions of the efficient market hypothesis, since historical data is used to forecast future stock prices. However, behavioral finance serves as a theoretical foundation: irrational behavior on the part of market participants can result in longer periods of asset mispricing. In this case, asset mispricing can be attributed to positive feedback investment strategies, i.e. investors buying stocks after prices rise and selling stocks after prices fall (Shleifer, 2000).

STUDY SETUP

Within our study, we investigate whether the incorporation of these behavioral aspects can increase the performance of financial decision support systems. Thus, we present a machine learning approach which forecasts stock price changes taking into account both structured and unstructured data sources, i.e. technical indicators as well as financial news. To be able to forecast daily stock price changes using both types of data, we consider those days for which both news articles and closing prices are available. For that purpose, we map each news article to the related stock's closing price. Thereafter, the price change within the trading day is calculated and the documents are labeled "positive" or "negative" respectively. Additionally, news articles are preprocessed to make them compatible with the machine learning algorithms applied. Furthermore, different technical indicators are calculated to be used as additional input variables.

In this context, the selection of technical indicators is a crucial task as there is no generally agreed representative set of technical indicators that can be used for stock price predictions (Tsai and Hsiao, 2010). In order to avoid data snooping, we focus on a limited set of technical indicators based on practitioners' literature dealing with technical analysis and previous academic studies. Furthermore, we focus on unstructured data represented by financial news articles dealing with DAX constituents. The final dataset used within this

study for training and evaluating the proposed approach is composed of 1,217 financial news articles as well as the related technical indicators.

Based on these input data, two support vector machine (SVM) classifiers (Vapnik, 1995) are trained within a supervised machine learning setup: SVM-TA, a classifier based on structured data (i.e. taking into account technical indicators as input variables and the label as an output variable) and SVM-TM, a classifier based on unstructured data (i.e. taking into account the news article representations as input variables and the label as an output variable). Finally, a third classifier, CONS, is set up taking into account the predictions of SVM-TA and SVM-TM: CONS consolidates the forecasts made by SVM-TA and SVM-TM and provides a forecast only when these two classifiers provide the same forecasts. This study setup is evaluated by means of 10-fold cross validation. In this context, the performance metrics "accuracy" (share of correct classifications in the total number of classifications), "precision" (share of true positives (negatives) in the total number of predicted positives (negatives)) and "recall" (share of correctly predicted positives (negatives) in the total number of positives (negatives)) are calculated.

RESULTS

Considering the percentage of cases classified correctly by SVM-TA (Figure 1), the usage of
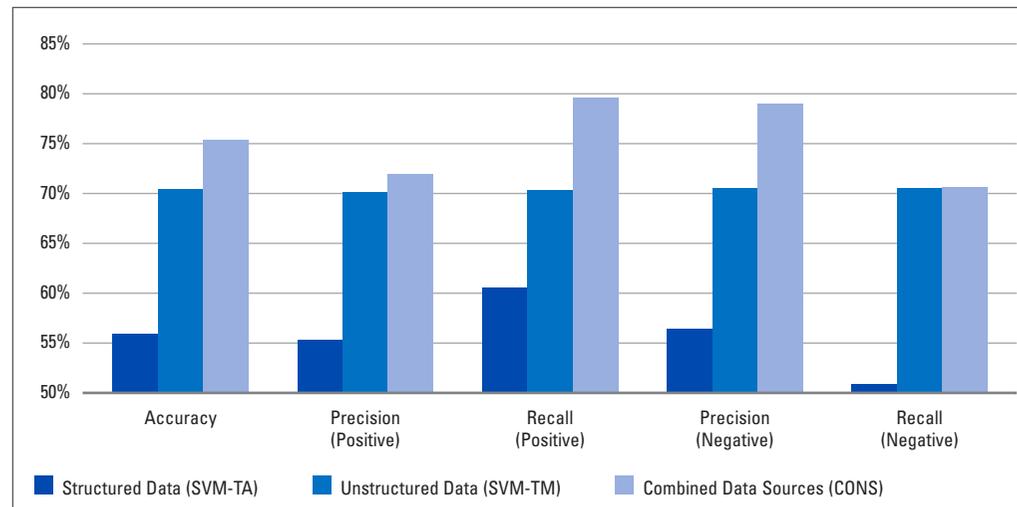

Figure 1: Forecasting stock price changes based on different data sources, empirical results

technical indicators to forecast stock market reactions leads to an accuracy of 56.04%, i.e. relying on technical indicators only does not lead to promising results. Taking into account the performance of SVM-TM, it is evident that an accuracy of 70.42% is a good result. Additionally, the classes positive and negative can be forecasted with similar precision and recall. Finally, if a forecast is only accepted if both SVM-TA and SVM-TM result in the same prediction (CONS), an accuracy of 75.24% is achieved. This result is superior to the results of SVM-TA and SVM-TM.

As regards the question whether the combination of structured and unstructured data based on technical indicators and financial news articles can improve forecasting results, it can

be noted that the consolidated approach (as represented by CONS) is superior to classical technical analysis or text mining.

OUTLOOK

Financial decision support systems profit from the inclusion of different data sources and the incorporation of market participants' behavior. In this context, the EU-funded research project FIRST (http://www.project-first.eu) aims at providing a large-scale information extraction and integration infrastructure for supporting financial decision making. Both the Goethe University Frankfurt (Chair of e-Finance) and the University of Göttingen (Chair of Electronic Finance and Digital Markets) are partners in FIRST, together with seven international partners from industry and academia.

Future work in the course of this project will extend the analysis from news published in the mainstream media to user-generated content from social media. Thereby, the project provides an evolving infrastructure to handle a large amount of social media content from related data streams. Further, it supports the identification of covered financial instruments and the corresponding sentiment expressed. Based on these technologies, further problems regarding the support of retail investors and reputational risk management will be addressed.

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LIIKANEN COMMISSION MAKES PROPOSALS FOR AN EFFICIENT AND SUSTAINABLE FINANCIAL SYSTEM

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In February 2012, EU Commissioner Michel Barnier established a High-level Expert Group to analyze whether there is a need for structural reforms of the EU banking sector and to make any relevant proposals, with the objective of establishing a stable and efficient banking system serving the needs of citizens, the economy and the internal market. The group was chaired by Erkki Liikanen, Governor of the Bank of Finland. Jan Pieter Krahnen, Professor of Corporate Finance at Goethe University, was the only German national in the Liikanen Commission and one of two academics in the group. The group presented its final report on October 2.

In evaluating the European Banking Sector, our group put great emphasis on understanding the events leading up to the financial crisis. While we found that no particular business model fared considerably better or worse than other models, our analysis did reveal an increased disposition to excessive risk-taking in financial markets in the decade leading up to the crisis. We ascribe this development to the fact that risk levels were not adequately reflected in the cost of capital. Furthermore, the strong linkages between financial institutions created high levels of systemic risk, which ultimately hampered an orderly winding down of financial institutions and in turn made rescue operations at the expense of taxpayers seem inevitable.

In our recommendations to the European Commission, we support the regulatory reform agenda that has been initiated over the past years. We make several proposals directed at augmenting the existing agenda, for instance in the area of recovery and resolution of financial institutions and in the area of capital requirements. To address, in particular, the "too-big-to-fail" problem, we come to the conclusion that additional structural reforms are necessary.

MANDATORY SEPARATION OF PARTICULARLY RISKY TRADING ACTIVITIES

In working out our structural reform proposal, we had the advantage of being able to analyze the proposals put forward by similar commissions in the US and the UK and being able to witness the difficulties that the implementation of these proposals entail. We believe that our recommendations for structural reform meet the common objective of insulating the deposit-taking bank from particularly risky trading activities, while recurring on a definition of risky trading that will make a separation of the respective activities easier.

We suggest to require, within a banking group, the legal separation of proprietary trading of securities and derivatives as well as market making activities from the deposit-taking bank, whenever the bank's assets held for trading and available for sale amount to a significant share of the bank's business. We propose a threshold of 15-25% of trading assets to total assets or a threshold of EUR 100 billion in absolute assets held for trading. The legally separated trading entity and the deposit-taking bank can operate within a bank holding company structure.

By the legal detachment of the trading entity, a banking group's ability to take excessive risks with insured deposits is curtailed. The funding costs for the trading entity will increase as a result of the separation, and this will reduce also its propensity to excessive risk-taking. Furthermore, the separation will make bank-

ing more transparent and will thereby facilitate supervision and – if needed – resolution.

Our recommendation explicitly does not separate investment banking from the deposit bank. Deposit banks continue to be able to provide to their customers hedged trading and securities underwriting and will thus have sufficient flexibility to offer a portfolio of services to corporate clients. We believe that the proposal leaves the core of the European universal banking model unimpaired, while offering the benefit of safeguarding deposits and critical banking functions.

PROPOSAL FOR BAIL-IN INSTRUMENTS

As a measure directed foremost at decreasing the level of systemic risk in the market and therefore at improving resolvability of individual institutions, we propose the introduction of a new class of debt instruments that we call "bail-inable debt". These debt instruments will share losses in the event of failure. We suggest that banks build up a sufficiently thick layer of bail-inable debt, perhaps comparable in size to the amount of their equity. In the case of substantial losses, these debt instruments can be written down, or converted into equity and be used to compensate depositors and cover the costs of recapitalization. The loss-absorbency role of the bail-in instruments needs to be

clearly defined, such that investors will take into account their level of risk and ask an appropriate price early on.

To reduce the danger of a systemic break down following a bail-in, the new class of debt will need to be held outside of the banking system. The introduction of bail-inable debt is a significant step towards credible resolvability of banks, since less interconnectedness reduces the fear that the entire banking system will be brought down by the failure of one significant market player. The coupon for bail-in instruments will reflect the risk-level of the bank's activities, such that their introduction is also effective in further decreasing the incentives to excessive risk taking.

THE USE OF BAIL-IN INSTRUMENTS IN REMUNERATION SCHEMES

The crisis demonstrated that current governance and control mechanisms were insufficient to prevent excessive risk taking in the market. In fact, incentive schemes for banks' management augmented the willingness to take on risk for short-term benefits while disregarding medium and long-term risks. As a concrete measure directed at improving internal risk management, we propose to pay out bonuses in the form of bail-inable debt. In the

event of a failure, members of the management holding bail-inable debt would share the losses and will therefore be more inclined to steer business activities based on their contribution to long-term sustainable performance.

The complete final report by the High-level Expert Group is available for download at:
http://ec.europa.eu/internal_market/bank/docs/high-level_expert_group/report_en.pdf

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http://www.hof.uni-frankfurt.de/policy_platform

WHAT ECONOMISTS CAN LEARN FROM NEUROSCIENTISTS

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Wolf Singer is an internationally renowned neuroscientist. Singer was a Director at the Max Planck Institute for Brain Research from 1981 to 2011 and is a Founding Director of both the Frankfurt Institute for Advanced Studies (FIAS) and the Frankfurt-based Ernst Strüngmann Institute (ESI), which works on cognitive neuroscience in cooperation with the Max Planck Society. In September 2012, the FIAS and the House of Finance organized a joint research conference entitled "Systemic Risk: Economists Meet Neuroscientists", where Singer held a speech on the possibilities of learning from biological evolution.

Do you think that interdisciplinary research between neuroscientists and economists will give us new insights into systemic risk? What can economists learn from neuroscientists in this regard?

It is my firm belief that economists and, in a wider sense, all institutions concerned with the management of complex, man-made systems can learn from those who analyze biological systems. Living systems are alive because they succeed in maintaining homeostasis and structural integrity in spite of their extreme complexity and despite the often unpredictable hazards of the environment in which they are embedded. Hence, these systems have acquired through an evolutionary selection system properties that render them robust, resilient and self-stabilizing.

Can you give some examples?

Mechanisms supporting stability can be studied at many different levels: at the level of individual cells, organs (such as the immune system or the brain), whole organisms, and, finally, super organisms (such as ant and bee colonies). Among these model systems, the brain is of particular interest because of its outstanding complexity and the highly non-linear dynamics evolving within neural networks. The brain, like economic systems, consists of a very large number of interactive players, in this case the neurons that cooperate in order to bring about coordinated behavior. Knowledge about the mechanisms that stabilize the extraordinarily complex dynamics of the human brain is likely to be valuable for the design of stable economic systems.

During the joint conference of the FIAS and the House of Finance held in September 2012, you talked about central evaluation systems as a design principle to obtain stability in the brain. Is that an idea that can be transferred to the real world or the world of economics?

Yes. Required are interaction architectures which assure that distributed local processes generate globally ordered states. This demands both nested control systems which establish local stability and central evaluation centers that monitor global states and counteract trends towards instability.

Can you think of any further topics where economic research could benefit from an interdisciplinary approach including natural scientists?

Economic systems can be understood as complex self-organizing networks with non-linear dynamics. Hence, network and complexity theory are relevant for the understanding of economic dynamics. Since the nodes in economic networks are human beings, disciplines investigating the behavioral dispositions of humans are of utmost importance for the understanding of economic dynamics and the design of stable system architectures. These disciplines would include psychology, ethnology, anthropology, sociology and cognitive/social neuroscience.

And, vice versa, is there something that neuroscientists can learn from us economists?

Yes – how to organize economically efficient research structures and how to optimize the modest salaries in academia.

SELECTED HOUSE OF FINANCE PUBLICATIONS

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forthcoming in Journal of Economic Dynamics and Control

Faia, E., Lechthaler, W., Merkl, C. (2012)

"Fiscal Stimulus and Labor Market Policies in Europe",

forthcoming in Journal of Economic Dynamics and Control

Florstedt, T. (2012)

"Korporatives Denken im Schuldverschreibungsrecht",

forthcoming in Zeitschrift für Wirtschaftsrecht (ZIP)

Gomber, P., Schweickert, U., Theissen, E. (2013)

"Liquidity Dynamics in an Electronic Open Limit Order Book: An Event Study Approach",

forthcoming in European Financial Management

Hubener, A., Maurer, R., Rogalla, R. (2012)

"Optimal Portfolio Choice with Annuities and Life Insurance for Retired Couples",

forthcoming in Review of Finance

Slamka, C., Jank, W., Skiera, B. (2012)

"Second-Generation Prediction Markets for Information Aggregation: A Comparison of Payoff Mechanisms",

Journal of Forecasting, Vol. 31, Issue 6, pp. 469-489

Wandt, M. (2012)

"Gesetzliche Schuldverhältnisse",

5th Edition, Verlag Franz Vahlen, Munich

VOLKER WIELAND PROPOSED FOR GERMAN COUNCIL OF ECONOMIC EXPERTS

The German Government has proposed Volker Wieland, Professor of Monetary Economics at the Institute for Monetary and Financial Stability (IMFS), as a member of the German Council for Economic Experts. Conditional on being appointed by the Federal President, Wieland would serve a term of five years starting in March 2013. "I would be very happy to join the Council", said Wieland. "I would particularly enjoy bringing insights from basic research to bear on policy analysis and advice. I am especially interested in the opportunity to contributing to the Council's work on monetary policy, European Monetary Union, fiscal policy and consolidation as well as regulation of the financial industry." Volker Wieland has held the Chair of Monetary Economics at the IMFS endowed by the Foundation Stiftung Geld und Währung since March 2012. As of June 2012 he was elected Managing Director of the IMFS. Wieland received a Ph.D. in economics from Stanford University in 1995 and subsequently worked as an economist at the US Federal Reserve Board in Washington D.C. for five years.

GOETHE UNIVERSITY AMONG TOP TEN UNIVERSITIES WORLDWIDE

In the 2012 Global Employability Survey Goethe University Frankfurt came in tenth. The survey, carried out by Emerging, a French consulting firm, and Trendence, a German research institute specializing in recruitment, asked more than 2,500 recruiters and 2,200 chief executives and business managers from 20 countries which universities produce the ideal young graduates. As the best of eight German universities among the top 150, Goethe University performed extraordinarily well, which reflects the high quality of its bachelor and master programs.

Rank	School	Country
1	Harvard Univ.	U.S.
2	Yale Univ.	U.S.
3	Univ. of Cambridge	Britain
4	Univ. of Oxford	Britain
5	Stanford Univ.	U.S.
6	Mass. Institute of Technology	U.S.
7	Columbia Univ.	U.S.
8	Princeton Univ.	U.S.
9	Imperial College London	Britain
10	Goethe-Univ. Frankfurt am Main	Germany

INTERDISCIPLINARY CONFERENCE ON SYSTEMIC RISK

The House of Finance is collaborating with the Frankfurt Institute for Advanced Studies (FIAS) on the issue of systemic risk. A common challenge for these Goethe University institutions is the necessity to better understand and more actively manage systemic risks which substantially threaten modern societies in important spheres of life and work. The goal of joining research forces is to combine the specific strengths of both institutions and to study yet almost misunderstood phenomena through an interdisciplinary approach involving economists, neuroscientists and physicists. As a starting point, the FIAS and the House of Finance held a joint conference entitled "Systemic Risk: Economists Meet Neuroscientists" on 17 and 18 September 2012 (see interview on page 12). Coordinators of the conference were Ester Faia (see conference photo), Professor of Monetary and Fiscal Policy, and Jochen Triesch, Johanna Quandt Research Professor.

FINANCIAL EXPERTS PARTICIPATE IN PRESS WORKSHOP ON THE "RIESTER PENSION"

On 27 September 2012, experts from academia, industry and the media discussed three controversial theses about the German "Riester pension". The first one, addressed under the headline "The way towards funded pensions was wrong – Germany should return to a public pay-as-you-go system", was defended by Gustav Horn (seated on the right of the photo) from the IMK, the Macroeconomic Policy Institute of the Hans-Böckler-Stiftung. Horn said that it would be best to discontinue the Riester support and to use the money saved to strengthen the public pay-as-you-go scheme. His counterpart, the pension expert Bert Rürup (seated on the left of the photo), objected by reminding those present that pensions derived from public pay-as-you-go schemes depend upon national income and are therefore more precarious. The second panel discussion was on the opacity and overpricing of Riester products and the third raised the question whether Riester contracts only pay off if the saver gets to be 100 years old. Axel Kleinlein from the non-profit Bund der Versicherten reproached insurance providers for basing their models on a life expectancy that is too high and for thus making pension payments that are too low. Jochen Ruß from the University of Ulm, however, objected that a careful calculation was demanded by law. The three hour workshop proved a very good platform for discussing this important societal issue.

NEW PROFESSOR OF MACROECONOMICS AT THE HOUSE OF FINANCE

Mirko Wiederholt has taken up the Chair of Macroeconomics at the House of Finance formerly held by Thomas Laubach, who left Frankfurt to become a Senior Advisor at the Federal Reserve Board in Washington DC last spring. By appointing Wiederholt, Goethe University's Faculty of Economics and Business Administration was able to fill the vacancy in its Department of Money and Macroeconomics within a short period of time. Previously, Mirko Wiederholt was an Assistant Professor at Northwestern University in the United States, an institution with one of the best economics departments in the world, and also at Humboldt University in Berlin. In 2003, he gained a Ph.D. in economics at the renowned European University Institute in Florence. His research focuses on the role of information in macroeconomics, the causes of business cycles, as well as the effectiveness of monetary policy and its optimal design. Wiederholt's papers have been published in excellent journals such as the American Economic Review.

YOUNG RESEARCHERS WIN FIRST PRIZE IN AUDITOR ORGANIZATION COMPETITION

Stefan Jobst and Sunny Kapoor, both Research Assistants at the Chair of Prof. Brigitte Haar, have won the first prize in this year's paper competition of the Stiftung Hessischer Wirtschaftsprüfer (Foundation of Hessian Auditors). The honored paper deals with the question of how far executive boards, supervisory boards and auditors can rely on the ratings of financial products. It was recognized for making an important contribution to the ongoing academic debate, as well as the discussion in terms of law and the world of practice.

EVENT CALENDAR

DECEMBER

Saturday, 1st
3 pm
GBS Graduation
"Goethe Full-Time MBA 2012"

Monday, 3rd
5 pm
EFL Jour Fixe
"Technological and Organizational Information System Development (ISD) Dynamic influencing risk-optimal Granularity"
Speaker: Moritz Christian Weber, Goethe University

Monday, 3rd
6 pm
Frankfurter Vorträge zum Versicherungswesen (Seminar)
"Implementing Solvency II; Current Development of the Japanese Insurance Act"
Speakers: Jens Gal, Koji Kinoshita

Tuesday, 4th
5.15 – 6.30 pm
Finance Seminar Series
Speaker: Thomas Dangl, TU Wien

Wednesday, 5th
12 – 1 pm
Finance Brown Bag Seminar
"Dissecting Market Efficiency"
Speaker: Rasa Karapandza, EBS Business School

Thursday, 6th
12.15 – 1.45 pm
Frankfurt Seminar in Macroeconomics
Speaker: Allesandra Pelloni, Università degli Studi di Roma "Tor Vergata"

Thursday, 6th
2.15 pm
Finance Seminar Series
Speaker: George Zanjani, Georgia State University

Friday, 7th
5 pm
ILF Book Presentation Series
"MENA einmal anders: Franz Maciejewski liest 'Nofretete'"

Tuesday, 11th
5.15 – 6.30 pm
Finance Seminar Series
Speaker: Michael Halling, University of Utah

Wednesday, 12th
12 – 1 pm
Finance Brown Bag Seminar
"What Makes Investors Optimistic, What Makes Them Afraid?"
Speaker: Thomas Post, Maastricht University

Wednesday, 12th
4 pm
ILF Discussion Series on Infrastructure
"Energiewende, Law and Finance 2013"
Speaker: Jens Weidmann, Deutsche Bundesbank

Thursday, 13th
12.15 – 1.45 pm
Frankfurt Seminar in Macroeconomics
Speaker: Florian Scheuer, Stanford University

Tuesday, 18th
5.15 – 6.30 pm
Finance Seminar Series
Speaker: Lars-Alexander Kühn, Carnegie Mellon Tepper

Tuesday, 18th – Friday, 21st
LEMF Colloquium
"The Legal Construction of Global Finance"
Speakers: Katharina Pistor, Columbia Law School

Wednesday, 19th
12 – 1 pm
Finance Brown Bag Seminar
"Short-sales constraints and financial stability: evidence from the 2011 Spanish ban"
Speaker: Sergio Mayordomo, University of Navarra

Wednesday, 19th
4 pm
LEMF Lecture
"The European Banking Union and Global Finance – The Hazards of Piecemeal Reforms"
Speaker: Katharina Pistor, Columbia Law School

Thursday, 20th
12.15 – 1.45 pm
Frankfurt Seminar in Macroeconomics
Speaker: Jacek Suda, Bank of France and PSE

JANUARY

Monday, 7th
5 pm
EFL Jour Fixe
"Profit Maximizing Contract Lengths for Cloud Computing Services"
Speaker: Siham El Kihal, Goethe University

Tuesday, 15th
7 pm
GBS Information Session
"Part-time Master in Finance"
Speaker: Uwe Walz, Goethe-University

Wednesday, 16th
12 – 1 pm
Finance Brown Bag Seminar
Speaker: Vesela Ivanova, Goethe University

Thursday, 17th
12.15 – 1.45 pm
Frankfurt Seminar in Macroeconomics
"Financial shocks, Learning, and the Great Recession (joint with Patrick Pintus)"
Speaker: Hector Calvo Pardo, University of Southampton

Tuesday, 22nd
8.30 am
ILF Breakfast Series
"Meta-Themen der Anwaltschaft"

Tuesday, 22nd
5.15 – 6.30 pm
Finance Seminar Series
Speaker: Tomislav Ladika, Amsterdam Business School

Wednesday, 23rd
12 – 1 pm
Finance Brown Bag Seminar
"Endogenous Stock Market Non-Participation"
Speaker: Eduard Dubin, Goethe University

Thursday, 24th
12.15 – 1.45 pm
Frankfurt Seminar in Macroeconomics
Speaker: Samad Sarferaz, ETH Zürich

Tuesday, 29th
5 pm
ILF Discussion Series "Meta-Themen der Anwaltschaft"
"Trends 2013: Keep off Commodities? Wandel im Rechtsmarkt"

Tuesday, 29th
5.15 – 6.30 pm
Finance Seminar Series
Speaker: Neal Stoughton, Vienna University of Business and Economics

Wednesday, 30th
5.30 – 7 pm
CFS Lecture
"The Myth and the Reality of the Establishment of the European Monetary Union"
Speaker: Harold James, Princeton University

Thursday, 31st
12.15 – 1.45 pm
Frankfurt Seminar in Macroeconomics
Speaker: Oscar Jorda, UC Davis, San Francisco FED

FEBRUARY

Monday, 4th
5 pm
EFL Jour Fixe
"Service Provisioning in Cloud Computing"
Speaker: Melanie Siebenhaar, Goethe University

Tuesday, 12th
5.15 – 6.30 pm
Finance Seminar Series
Speaker: Amit Goyal, University of Lausanne

Wednesday, 13th
5.30 pm
CFS Colloquium
"Chancen und Herausforderungen für die globale Finanzindustrie in einem neuen regulatorischen Umfeld: Eine Schweizer Perspektive"
Speaker: Axel Weber, UBS

Tuesday, 19th
8.30 am
ILF Breakfast Series
"Meta-Themen der Anwaltschaft"

Wednesday, 20th
6.30 pm
ILF Discussion Series on Infrastructure
"Energiewende und MENA-Region"

Wednesday, 27th
2.30 pm
EFL Conference
"10 Jahre EFL: Chancen der IT für das (Retail-) Banking"

Please refer to www.hof.uni-frankfurt.de/eventlist.html for continuous updates of the event calendar.
Please note that for some events registration is compulsory.

HOUSE OF FINANCE

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