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Terrorism and International Tourism: The Case of Germany

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JEL L83; Z12

Terrorism; 9/11; Islamic countries; tourism demand.

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Summary

We analyse how German tourists react to unanticipated shocks that alter their risk perception of selected tourism destinations. Using a difference-in-difference strategy which flexibly accounts for macroeconomic conditions and also addresses potential problems of serial correlation, we isolate significant effects of the 9/11 (2001) terrorist attacks, as well as for the attacks in Egypt (1997), Tunisia (2002), Morocco (2003) and Indonesia (2003). These terror attacks impacted especially on Islamic countries all over the world, indicating a transmission mechanism driven by ethnic and religious proximity. At the same time, tourism into Islamic countries was temporarily substituted by tourism to (south) European countries.

On the Rationality of Medium-Term Tax Revenue Forecasts: Evidence from Germany

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JEL E62; H20; H68

Tax revenue forecasting; forecast rationality; budgetary planning.

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Summary

This paper examines tax revenue projections in Germany for the period 1968 to 2012 with a focus on forecasting rationality. It is shown that tax revenue forecasts for the medium-term are upward biased. Overoptimistic revenue projections are particularly pronounced after the German reunification and reflect upward-biased GDP projections in this period. The predicted tax-GDP-ratio appears to be upward biased, as well. The forecasts are likely to overestimate tax revenues if the predicted tax-GDP-ratio exceeds its structural level of approximately 22 ½ percentage points. The results also indicate that forecast errors of short-term projections for the current year exhibit serial correlation. It is conceivable that the non-rational behaviour can be traced back to the specific institutional setting of revenue forecasting and budgetary planning in Germany.

Family Background and Educational Attainment – Are there Birth Order Effects in Germany?

Martina Eschelbach

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JEL I21; J13

Birth order; sibling configuration; educational attainment; Germany; gender differences.

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Summary

This paper contributes to the literature on the determinants of children's human capital by analyzing the effects of birth order in Germany. These effects are typically attributed to sibling rivalry for parental resources. For our analysis we use data collected as part of the German Life History Study on birth cohorts 1946–1977. We find a substantial positive impact of being first born on the probability of completing higher secondary education. Analyzing gender differences, we find stronger effects for boys. Furthermore, birth order effects are more prevailing in small families. The results are discussed against the background of equal opportunities in the German educational system.

Averaging Across Asset Allocation Models

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JEL C52; G11; G14

Investment strategy; diversification; Markowitz; portfolio optimization; model averaging; portfolio allocation.

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Summary

Combination of asset allocation models is rewarding if (i) the applied risk function is concave and (ii) there is no dominating model. We show that most common risk functions are either concave or at least concave in common applications. In a comprehensive empirical study using standard asset allocation models we find that there is no constantly dominating model. The ranking of the models depends on the data set, the risk function and even changes over time. We find that a simple average of all asset allocation models can outperform each individual model. Our contribution is twofold. We present a theory why the combined model is expected to dominate most individual models. In a comprehensive empirical study we show that model combinations perform exceptionally well in asset allocation.

Literaturbeitrag / Review Paper

Macroeconometric Models – From “Little Science” to “Big Science”

A Review Article

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JEL B23; C30; C50

Structural macroeconometric models; perspectives of model development; model transparency.

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Summary

This is a fine, useful book on the history and structure of macroeconometric models. Its perspective is “applied” and has a “positivistic bias”. It gives a good (or not so good) picture of the state of the art. The problems of the now “Big Science” deserve more attention than the modelling community (and *Welfe*) so far has been willing to pay. The trend towards ever larger policy-relevant models will continue. However, few of them are accessible to third parties. “Transparency”, a major goal models had once started to increase, continues to get out of sight.