

Anger, Silke; Kvasnicka, Michael

Working Paper

Biases in estimates of the smoking wage penalty

SFB 649 Discussion Paper, No. 2006,089

Provided in Cooperation with:

Collaborative Research Center 649: Economic Risk, Humboldt University Berlin

Suggested Citation: Anger, Silke; Kvasnicka, Michael (2006) : Biases in estimates of the smoking wage penalty, SFB 649 Discussion Paper, No. 2006,089, Humboldt University of Berlin, Collaborative Research Center 649 - Economic Risk, Berlin

This Version is available at:

<https://hdl.handle.net/10419/25172>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Biases in Estimates of the Smoking Wage Penalty

Silke Anger*
Michael Kvasnicka**



* DIW Berlin, Germany

** Humboldt-Universität zu Berlin, Germany

This research was supported by the Deutsche Forschungsgemeinschaft through the SFB 649 "Economic Risk".

<http://sfb649.wiwi.hu-berlin.de>
ISSN 1860-5664

SFB 649, Humboldt-Universität zu Berlin
Spandauer Straße 1, D-10178 Berlin



Biases in Estimates of the Smoking Wage Penalty

Silke Anger ^{a,*}

^a *DIW Berlin*

German Institute for Economic Research

Koenigin-Luise-Strasse 5, 14195 Berlin, Germany

E-mail: sanger@diw.de

Tel: +49-30-89789-526

Fax: +49-30-89789-109

Michael Kvasnicka ^b

^b *Humboldt University Berlin*

Department of Economics

Spandauer Strasse 1, 10099 Berlin, Germany

E-mail: kvasnicka@wiwi.hu-berlin.de

Tel: +49-30-2093-5667

Fax: +49-30-2093-5696

* Corresponding author

Abstract

Empirical studies on the earnings effects of tobacco use have found significant wage penalties attached to smoking. We produce evidence that suggests that these estimates are significantly upward biased. The bias arises from a general failure in the literature to control for the past smoking behavior of individuals. 2SLS earnings estimates show that the smoking wage penalty is reduced by as much as a third, if past smoking of individuals is controlled for. Our results also point to significant wage gains for individuals that quit smoking, a finding that is of substantial interest, given the lack of evidence on the earnings effects of smoking cessation.

Keywords: Smoking, wages, earnings regressions.

JEL classification: J31, I19, C51

We would like to thank Bob Hart and Carsten Trenkler for helpful comments. Support by the Deutsche Forschungsgemeinschaft through the SFB 649 ‘Economic Risk’ is gratefully acknowledged. All remaining errors are our own.

1. Introduction

Empirical studies on the earnings effects of tobacco use have found significant wage penalties attached to smoking, ranging from 2% to 24% (Levine, Gustafson, and Velenchik, 1997; Heineck and Schwarze, 2003; van Ours, 2004; Auld, 2005). Existing analyses, however, focus exclusively on the current smoking status of individuals.¹ This is likely to be a major shortcoming, as the comparison group includes not only individuals that have never smoked, but also former smokers. Unless the causal relationship between smoking and earnings is entirely contemporaneous, wage penalties calculated with reference to current smoking only will not reflect the true (overall) wage costs of smoking. For the magnitude of such estimates will also depend on the degree of contamination of the comparison group by past smokers, and on the strength of the effect of past smoking on current earnings.

For a number of reasons, past smoking is likely to matter for the current earnings of individuals. On the one hand, smoking may have persistent adverse effects on the earnings capacity of individuals. Not only may potential health damage caused by smoking be irreversible, but past discrimination by non-smokers might have led to irreparable career setbacks. In addition, lower productivity-enhancing human capital investments in the past due to higher rates of time preference of smokers may be difficult if not impossible to compensate later in life. On the other hand, however, smoking cessation may also have potential positive earnings effects (e.g. via motivation). Furthermore, former smokers may differ from individuals that have never smoked in unobserved individual characteristics, such as drive, or will power that render them intrinsically more productive. In sum, if past smoking has lasting adverse effects on the earnings of individuals, or if individuals that manage to quit exhibit characteristics that make them inherently

more productive than either current smokers, no-time smokers, or both, then estimates of the wage effects of tobacco use that are based on data of current smoking status alone will be biased. In the former case, estimates will be downward biased, and in the latter case upward. biased.

This paper provides evidence that existing estimates of the wage penalty attached to smoking are likely to be biased, a bias that is shown to arise from the failure to control for the past smoking status of individuals. It also produces first estimates of the wage effects of smoking cessation, which should be of substantial interest not only to smokers but also to policy makers.

2. Data and Summary Statistics

We use data from the German Socio-Economic Panel (SOEP), a representative longitudinal survey of individuals in Germany conducted annually since 1984 (see Haisken-DeNew and Frick, 2005, for a detailed description of this dataset). In 2002, extensive information on the current and past smoking behavior of individuals was sampled, including whether or not individuals had smoked regularly in the past, and at what age they had started to smoke. Unlike previous studies, we may hence distinguish between three groups of workers in our data: smokers, past smokers, and individuals that have never smoked.

Estimation Sample: We restrict the estimation sample to male workers in 2002 that are of German nationality, aged 27-55, work between 10 and 60 hours a week, earn a gross hourly wage of at least €4, and live in West Germany. The sex, age and hours restrictions are imposed to further comparability with existing studies on the wage effects of smoking. They serve to avoid entangling issues related to life-cycle labor supply such as child rearing, full-time education, and

¹ An exception is the study by Lee (1999). However, it uses only very crude earnings information (the average

early retirement. The minimum hourly wage requirement in turn is set for plausibility reasons. In total, we have 1,968 individuals in our estimation sample.

Regression Variables: Our dependent variable is the log of gross hourly wages, which has been calculated from gross monthly earnings and actual weekly hours of work. The covariates included in all regression models are age and two sets of indicator variables for the respectively highest schooling and professional degree that individuals obtained. Instruments used in our 2SLS models are a dummy for early starting age of smoking (less than 16 years), which has been used also in van Ours (2004), a dummy for co-residing with at least one no-time smoker, and a dummy for co-residing with at least one former smoker.²

Summary Statistics: Summary statistics on workers in the estimation sample are provided in Table 1. Three major insights may be gathered. First, past smokers do represent a significant share of current non-smokers. In fact, four out of ten individuals not smoking in 2002 had once regularly smoked (39.2%). Second, past smokers differ markedly both in their average age levels, and in their educational and professional qualifications from individuals that have never smoked: they are on average older than no-time smokers, and they have a lower incidence of higher education. Past smokers, therefore, do not only account for a sizeable fraction of current non-smokers but also differ in productivity-related characteristics from no-time smokers. Finally, smokers, former smokers, and individuals who have never smoked exhibit substantially different likelihoods of co-residing with either a no-time smoker or a past smoker. These differences will be exploited in our 2SLS estimations to instrument for the current and past smoking status of

earnings in the occupational category of an individual irrespective of her full- or part-time employment status).

² See Section 3 for a discussion of these instruments and alternative ones used in the literature.

individuals. Note that average hourly wages of past smokers exceed not only those of smokers but also those of individuals that have never smoked.

- Table 1 about here –

3. Regression Results

Existing studies on the wage effects of tobacco have used a number of techniques to estimate potential wage penalties attached to smoking, including OLS, 2SLS, difference-in-differences, and hazard rates models. We use the first two types of analyses here, as these are the ones most commonly employed in the literature (cf. van Ours, 2004; Heineck and Schwarze, 2003; Levine, Gustafson, and Velenchik, 1997). Our regression models are kept deliberately parsimonious. We regress log hourly wages on indicator variables of current and past smoking status, controlling for the age, educational qualifications, and professional degrees of individuals.

Table 2 contains the regression output. Models 1 and 3 replicate existing studies in that both regression models only include an indicator variable for current smoking. Models 2 and 4, in contrast, control also for the past smoking status of individuals. In line with previous studies, a simple OLS regression (Model 1) reveals that current smokers experience a sizeable wage penalty relative to current non-smokers (4.5%), a wage discount that increases more than twofold to 9.9% if one controls for the endogeneity of current smoking by 2SLS (Model 3). When controlling also for past smoking (Model 2), however, the OLS estimate of the wage penalty of (current) smoking drops by as much as a third, to 3.1%. Moreover, and in contrast to current smoking, former smoking is associated with a wage premium of similar magnitude (3.5%) relative to no-time smokers. Instrumenting both current and past smoking status in Model 4 to

account for potential endogeneity confirms these findings: a wage penalty (albeit now statistically insignificant) for current smoking, and a wage premium for past smoking. Past smoking therefore clearly matters for current earnings. As a consequence, wage penalties that are calculated with respect to current smoking status only, as in the existing literature (Models 1 and 3), tend to overestimate the true wage costs of smoking. Finally, Model 5 restricts the estimation sample to individuals that have ever smoked, i.e. to current and past regular smokers only. Rerunning our 2SLS earnings regression for this more homogenous group of individuals (all have at some time initiated smoking) confirms that quitting smoking is associated with a substantial wage gain for smokers.

- Table 2 about here -

Instruments used in 2SLS estimations: Existing 2SLS estimates of the wage penalty attached to smoking are often implausibly large, which may be attributed to the use of potentially inadequate instruments (see van Ours, 2004; Heineck and Schwarze, 2003). We experimented with alternative instruments used in the literature (being married, having children), but all of these were rejected by overidentification tests.³ Our novel co-residency instruments, in contrast, proved to be both strong (F-tests) and valid (overidentification test⁴), i.e. uncorrelated with the error term in the wage equations, and produced 2SLS estimates that are far more realistic in terms of their magnitude.

³ Neither Heineck and Schwarze (2003) nor van Ours (2004) report overidentification tests for their preferred 2SLS specifications.

⁴ The tests of overidentifying restrictions have been carried out using the Stata ado file by Baum, Schaffer, and Stillman (2003).

Robustness of results: Our results are robust to various changes of the estimation sample, including, among others, the expansion of the age cohort to older workers, the omission of the minimum hourly wage restriction, or the increase of the lower threshold for weekly hours of work.⁵

4. Conclusion

This paper has shown that estimates of the wage penalty attached to tobacco use will be upward biased, if the past smoking status of individuals is not controlled for. Existing studies on the wage effects of smoking suffer from this defect, as they fail to differentiate between no-time smokers and past smokers among the group of individuals currently not smoking. We also find smoking cessation to be associated with sizeable wage gains for smokers. Further research, however, is required to uncover and quantify the underlying causes of these gains.

⁵ Results of these regressions are available from the authors upon request.

Literature

- Auld, M.C., 2005, Smoking, drinking, and income, *Journal of Human Resources* 40(2), 505-518.
- Baum C.F., M.E. Schaffer and S. Stillman, 2003, Instrumental variables and GMM: Estimation and testing, *Stata Journal* 3(1), 1-31.
- Haisken-DeNew, J.P. and J.R. Frick, 2005, Desktop Companion to the German Socio-Economic Panel Study, German Institute for Economic Research (DIW), Berlin.
- Heineck, G. and J. Schwarze (2003), Substance Use and Earnings: The Case of Smokers in Germany, IZA Discussion Paper No. 743.
- Lee, Y., 1999, Wage effects of drinking and smoking: An analysis using Australian twins data, University of Western Australia Working Paper No. 22.
- Levine P.B., T.A. Gustafson and A.D. Velenchik, 1997, More bad news for smokers? The effects of cigarette smoking on wages, *Industrial and Labor Relations Review* 50(3), 493-509.
- Van Ours, J.C., 2004, A pint a day raises a man's pay; but smoking blows that gain away, *Journal of Health Economics* 23 (5), 863-886.

Table 1: Summary statistics on workers by past and current smoking status

	Current Smokers:				Current Non-Smokers:			
			All non-smokers		No-time Smokers		Past Smokers	
	Mean (sd)		Mean (sd)		Mean (sd)		Mean (sd)	
<i>Dependent variable</i>								
Hourly gross wage (in €)	15.7	(5.9)	17.6	(6.6)	17.4	(6.8)	17.8	(6.2)
<i>Controls</i>								
Age (in years)	40.8	(7.3)	41.4	(7.4)	40.2	(7.3)	43.2	(7.2)
<i>Education (in %)</i>								
No school degree	0.02		0.01		0.00		0.01	
Primary	0.45		0.35		0.31		0.41	
Secondary	0.27		0.26		0.26		0.26	
Higher	0.22		0.36		0.40		0.30	
No Professional degree	0.11		0.06		0.05		0.06	
Apprenticeship	0.74		0.66		0.63		0.70	
University	0.15		0.29		0.32		0.24	
<i>Instruments</i>								
Co-residing with (in %)								
No-time smoker	0.33		0.55		0.61		0.46	
Past smoker	0.11		0.18		0.13		0.27	
Starting age less 16 (in %)	0.26		0.11		0.00		0.28	
N (Total = 1,968)	819		1,149		699		450	

Notes: Percentages of categories may not sum to one due to rounding differences.
Sample: SOEP 2002, West German male workers of German nationality, aged 27 to 55.

Table 2: Wage effects of current and past smoking

	OLS		IV		
	Model 1	Model 2	Model 3	Model 4	Model 5 (w/o no-time smokers)
Smoker	-0.045 (3.19) ^{***}	-0.031 (1.95) [*]	-0.099 (1.80) [*]	-0.064 (1.33)	-0.162 (2.22) [*]
Past Smoker		0.035 (1.90) [*]		0.116 (1.70) [*]	
Age	0.010 (10.51) ^{***}	0.010 (10.13) ^{***}	0.010 (10.06) ^{***}	0.009 (7.66) ^{***}	0.007 (4.94) ^{**}
<i>Education</i>					
Primary	0.077 (2.14) ^{**}	0.075 (2.10) ^{**}	0.071 (1.95) [*]	0.065 (1.77) [*]	0.057 (1.29)
Secondary	0.193 (5.24) ^{***}	0.192 (5.22) ^{***}	0.185 (4.88) ^{***}	0.181 (4.72) ^{***}	0.168 (3.7) ^{***}
Higher	0.288 (7.61) ^{***}	0.288 (7.61) ^{***}	0.278 (7.05) ^{***}	0.276 (6.95) ^{***}	0.253 (5.32) ^{***}
Apprenticeship	0.074 (2.89) ^{***}	0.075 (2.91) ^{***}	0.068 (2.59) ^{***}	0.069 (2.62) ^{***}	0.073 (2.41) [*]
University	0.266 (8.29) ^{***}	0.268 (8.35) ^{***}	0.254 (7.32) ^{***}	0.257 (7.49) ^{***}	0.252 (6.06) ^{***}
Constant	2.094 (38.06) ^{***}	2.091 (38.01) ^{***}	2.139 (30.28) ^{***}	2.137 (30.68) ^{***}	2.320 (20.19) ^{***}
R ² adjusted	0.26	0.26	0.25	0.24	0.21
N	1,968	1,968	1,968	1,968	1,269
<i>Instruments</i>			Early starting age Co-resident past smoker Co-resident no-time smoker	Early starting age Co-resident past smoker Co-resident no-time smoker	Early starting age Co-resident past smoker Co-resident no-time smoker

Notes: Absolute t-values in parentheses. F-tests of joint significance of the instruments are highly significant in all models. P-values of the Sargan's test statistic: 0.322 (Model 3), 0.968 (Model 4), 0.528 (Model 5).

Sample: SOEP 2002, West German male workers of German nationality, aged 27 to 55.

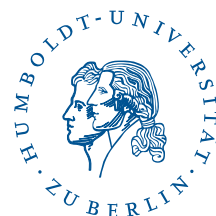
SFB 649 Discussion Paper Series 2006

For a complete list of Discussion Papers published by the SFB 649, please visit <http://sfb649.wiwi.hu-berlin.de>.

- 001 "Calibration Risk for Exotic Options" by Kai Detlefsen and Wolfgang K. Härdle, January 2006.
- 002 "Calibration Design of Implied Volatility Surfaces" by Kai Detlefsen and Wolfgang K. Härdle, January 2006.
- 003 "On the Appropriateness of Inappropriate VaR Models" by Wolfgang Härdle, Zdeněk Hlávka and Gerhard Stahl, January 2006.
- 004 "Regional Labor Markets, Network Externalities and Migration: The Case of German Reunification" by Harald Uhlig, January/February 2006.
- 005 "British Interest Rate Convergence between the US and Europe: A Recursive Cointegration Analysis" by Enzo Weber, January 2006.
- 006 "A Combined Approach for Segment-Specific Analysis of Market Basket Data" by Yasemin Boztuğ and Thomas Reutterer, January 2006.
- 007 "Robust utility maximization in a stochastic factor model" by Daniel Hernández-Hernández and Alexander Schied, January 2006.
- 008 "Economic Growth of Agglomerations and Geographic Concentration of Industries - Evidence for Germany" by Kurt Geppert, Martin Gornig and Axel Werwatz, January 2006.
- 009 "Institutions, Bargaining Power and Labor Shares" by Benjamin Bental and Dominique Demougin, January 2006.
- 010 "Common Functional Principal Components" by Michal Benko, Wolfgang Härdle and Alois Kneip, January 2006.
- 011 "VAR Modeling for Dynamic Semiparametric Factors of Volatility Strings" by Ralf Brüggemann, Wolfgang Härdle, Julius Mungo and Carsten Trenkler, February 2006.
- 012 "Bootstrapping Systems Cointegration Tests with a Prior Adjustment for Deterministic Terms" by Carsten Trenkler, February 2006.
- 013 "Penalties and Optimality in Financial Contracts: Taking Stock" by Michel A. Robe, Eva-Maria Steiger and Pierre-Armand Michel, February 2006.
- 014 "Core Labour Standards and FDI: Friends or Foes? The Case of Child Labour" by Sebastian Braun, February 2006.
- 015 "Graphical Data Representation in Bankruptcy Analysis" by Wolfgang Härdle, Rouslan Moro and Dorothea Schäfer, February 2006.
- 016 "Fiscal Policy Effects in the European Union" by Andreas Thams, February 2006.
- 017 "Estimation with the Nested Logit Model: Specifications and Software Particularities" by Nadja Silberhorn, Yasemin Boztuğ and Lutz Hildebrandt, March 2006.
- 018 "The Bologna Process: How student mobility affects multi-cultural skills and educational quality" by Lydia Mechtenberg and Roland Strausz, March 2006.
- 019 "Cheap Talk in the Classroom" by Lydia Mechtenberg, March 2006.
- 020 "Time Dependent Relative Risk Aversion" by Enzo Giacomini, Michael Handel and Wolfgang Härdle, March 2006.
- 021 "Finite Sample Properties of Impulse Response Intervals in SVECMs with Long-Run Identifying Restrictions" by Ralf Brüggemann, March 2006.
- 022 "Barrier Option Hedging under Constraints: A Viscosity Approach" by Imen Bentahar and Bruno Bouchard, March 2006.

SFB 649, Spandauer Straße 1, D-10178 Berlin
<http://sfb649.wiwi.hu-berlin.de>

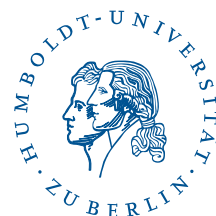
This research was supported by the Deutsche
Forschungsgemeinschaft through the SFB 649 "Economic Risk".



- 023 "How Far Are We From The Slippery Slope? The Laffer Curve Revisited" by Mathias Trabandt and Harald Uhlig, April 2006.
- 024 "e-Learning Statistics – A Selective Review" by Wolfgang Härdle, Sigbert Klinke and Uwe Ziegenhagen, April 2006.
- 025 "Macroeconomic Regime Switches and Speculative Attacks" by Bartosz Maćkowiak, April 2006.
- 026 "External Shocks, U.S. Monetary Policy and Macroeconomic Fluctuations in Emerging Markets" by Bartosz Maćkowiak, April 2006.
- 027 "Institutional Competition, Political Process and Holdup" by Bruno Deffains and Dominique Demougin, April 2006.
- 028 "Technological Choice under Organizational Diseconomies of Scale" by Dominique Demougin and Anja Schöttner, April 2006.
- 029 "Tail Conditional Expectation for vector-valued Risks" by Imen Bentahar, April 2006.
- 030 "Approximate Solutions to Dynamic Models – Linear Methods" by Harald Uhlig, April 2006.
- 031 "Exploratory Graphics of a Financial Dataset" by Antony Unwin, Martin Theus and Wolfgang Härdle, April 2006.
- 032 "When did the 2001 recession *really* start?" by Jörg Polzehl, Vladimir Spokoiny and Cătălin Stărică, April 2006.
- 033 "Varying coefficient GARCH versus local constant volatility modeling. Comparison of the predictive power" by Jörg Polzehl and Vladimir Spokoiny, April 2006.
- 034 "Spectral calibration of exponential Lévy Models [1]" by Denis Belomestny and Markus Reiß, April 2006.
- 035 "Spectral calibration of exponential Lévy Models [2]" by Denis Belomestny and Markus Reiß, April 2006.
- 036 "Spatial aggregation of local likelihood estimates with applications to classification" by Denis Belomestny and Vladimir Spokoiny, April 2006.
- 037 "A jump-diffusion Libor model and its robust calibration" by Denis Belomestny and John Schoenmakers, April 2006.
- 038 "Adaptive Simulation Algorithms for Pricing American and Bermudan Options by Local Analysis of Financial Market" by Denis Belomestny and Grigori N. Milstein, April 2006.
- 039 "Macroeconomic Integration in Asia Pacific: Common Stochastic Trends and Business Cycle Coherence" by Enzo Weber, May 2006.
- 040 "In Search of Non-Gaussian Components of a High-Dimensional Distribution" by Gilles Blanchard, Motoaki Kawanabe, Masashi Sugiyama, Vladimir Spokoiny and Klaus-Robert Müller, May 2006.
- 041 "Forward and reverse representations for Markov chains" by Grigori N. Milstein, John G. M. Schoenmakers and Vladimir Spokoiny, May 2006.
- 042 "Discussion of 'The Source of Historical Economic Fluctuations: An Analysis using Long-Run Restrictions' by Neville Francis and Valerie A. Ramey" by Harald Uhlig, May 2006.
- 043 "An Iteration Procedure for Solving Integral Equations Related to Optimal Stopping Problems" by Denis Belomestny and Pavel V. Gapeev, May 2006.
- 044 "East Germany's Wage Gap: A non-parametric decomposition based on establishment characteristics" by Bernd Görzig, Martin Gornig and Axel Werwatz, May 2006.
- 045 "Firm Specific Wage Spread in Germany - Decomposition of regional differences in inter firm wage dispersion" by Bernd Görzig, Martin Gornig and Axel Werwatz, May 2006.

SFB 649, Spandauer Straße 1, D-10178 Berlin
<http://sfb649.wiwi.hu-berlin.de>

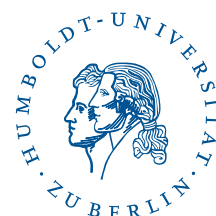
This research was supported by the Deutsche
 Forschungsgemeinschaft through the SFB 649 "Economic Risk".



- 046 "Produktdiversifizierung: Haben die ostdeutschen Unternehmen den Anschluss an den Westen geschafft? – Eine vergleichende Analyse mit Mikrodaten der amtlichen Statistik" by Bernd Görzig, Martin Gornig and Axel Werwatz, May 2006.
- 047 "The Division of Ownership in New Ventures" by Dominique Demougin and Oliver Fabel, June 2006.
- 048 "The Anglo-German Industrial Productivity Paradox, 1895-1938: A Restatement and a Possible Resolution" by Albrecht Ritschl, May 2006.
- 049 "The Influence of Information Costs on the Integration of Financial Markets: Northern Europe, 1350-1560" by Oliver Volckart, May 2006.
- 050 "Robust Econometrics" by Pavel Čížek and Wolfgang Härdle, June 2006.
- 051 "Regression methods in pricing American and Bermudan options using consumption processes" by Denis Belomestny, Grigori N. Milstein and Vladimir Spokoiny, July 2006.
- 052 "Forecasting the Term Structure of Variance Swaps" by Kai Detlefsen and Wolfgang Härdle, July 2006.
- 053 "Governance: Who Controls Matters" by Bruno Deffains and Dominique Demougin, July 2006.
- 054 "On the Coexistence of Banks and Markets" by Hans Gersbach and Harald Uhlig, August 2006.
- 055 "Reassessing Intergenerational Mobility in Germany and the United States: The Impact of Differences in Lifecycle Earnings Patterns" by Thorsten Vogel, September 2006.
- 056 "The Euro and the Transatlantic Capital Market Leadership: A Recursive Cointegration Analysis" by Enzo Weber, September 2006.
- 057 "Discounted Optimal Stopping for Maxima in Diffusion Models with Finite Horizon" by Pavel V. Gapeev, September 2006.
- 058 "Perpetual Barrier Options in Jump-Diffusion Models" by Pavel V. Gapeev, September 2006.
- 059 "Discounted Optimal Stopping for Maxima of some Jump-Diffusion Processes" by Pavel V. Gapeev, September 2006.
- 060 "On Maximal Inequalities for some Jump Processes" by Pavel V. Gapeev, September 2006.
- 061 "A Control Approach to Robust Utility Maximization with Logarithmic Utility and Time-Consistent Penalties" by Daniel Hernández-Hernández and Alexander Schied, September 2006.
- 062 "On the Difficulty to Design Arabic E-learning System in Statistics" by Taleb Ahmad, Wolfgang Härdle and Julius Mungo, September 2006.
- 063 "Robust Optimization of Consumption with Random Endowment" by Wiebke Wittmüß, September 2006.
- 064 "Common and Uncommon Sources of Growth in Asia Pacific" by Enzo Weber, September 2006.
- 065 "Forecasting Euro-Area Variables with German Pre-EMU Data" by Ralf Brüggemann, Helmut Lütkepohl and Massimiliano Marcellino, September 2006.
- 066 "Pension Systems and the Allocation of Macroeconomic Risk" by Lans Bovenberg and Harald Uhlig, September 2006.
- 067 "Testing for the Cointegrating Rank of a VAR Process with Level Shift and Trend Break" by Carsten Trenkler, Pentti Saikkonen and Helmut Lütkepohl, September 2006.
- 068 "Integral Options in Models with Jumps" by Pavel V. Gapeev, September 2006.
- 069 "Constrained General Regression in Pseudo-Sobolev Spaces with Application to Option Pricing" by Zdeněk Hlávka and Michal Pešta, September 2006.

SFB 649, Spandauer Straße 1, D-10178 Berlin
<http://sfb649.wiwi.hu-berlin.de>

This research was supported by the Deutsche
Forschungsgemeinschaft through the SFB 649 "Economic Risk".



- 070 "The Welfare Enhancing Effects of a Selfish Government in the Presence of Uninsurable, Idiosyncratic Risk" by R. Anton Braun and Harald Uhlig, September 2006.
- 071 "Color Harmonization in Car Manufacturing Process" by Anton Andriyashin, Michal Benko, Wolfgang Härdle, Roman Timofeev and Uwe Ziegenhagen, October 2006.
- 072 "Optimal Interest Rate Stabilization in a Basic Sticky-Price Model" by Matthias Paustian and Christian Stoltenberg, October 2006.
- 073 "Real Balance Effects, Timing and Equilibrium Determination" by Christian Stoltenberg, October 2006.
- 074 "Multiple Disorder Problems for Wiener and Compound Poisson Processes With Exponential Jumps" by Pavel V. Gapeev, October 2006.
- 075 "Inhomogeneous Dependency Modelling with Time Varying Copulae" by Enzo Giacomini, Wolfgang K. Härdle, Ekaterina Ignatieva and Vladimir Spokoiny, November 2006.
- 076 "Convenience Yields for CO₂ Emission Allowance Futures Contracts" by Szymon Borak, Wolfgang Härdle, Stefan Trück and Rafal Weron, November 2006.
- 077 "Estimation of Default Probabilities with Support Vector Machines" by Shiyi Chen, Wolfgang Härdle and Rouslan Moro, November 2006.
- 078 "GHICA - Risk Analysis with GH Distributions and Independent Components" by Ying Chen, Wolfgang Härdle and Vladimir Spokoiny, November 2006.
- 079 "Do Individuals Recognize Cascade Behavior of Others? - An Experimental Study -" by Tim Grebe, Julia Schmid and Andreas Stiehler, November 2006.
- 080 "The Uniqueness of Extremum Estimation" by Volker Krätschmer, December 2006.
- 081 "Compactness in Spaces of Inner Regular Measures and a General Portmanteau Lemma" by Volker Krätschmer, December 2006.
- 082 "Probleme der Validierung mit Strukturgleichungsmodellen" by Lutz Hildebrandt and Dirk Temme, December 2006.
- 083 "Formative Measurement Models in Covariance Structure Analysis: Specification and Identification" by Dirk Temme and Lutz Hildebrandt, December 2006.
- 084 "PLS Path Modeling – A Software Review" by Dirk Temme, Henning Kreis and Lutz Hildebrandt, December 2006.
- 085 "Relational Contracts and Inequity Aversion" by Jenny Kragl and Julia Schmid, December 2006.
- 086 "Overreaction and Multiple Tail Dependence at the High-frequency Level — The Copula Rose" by Wing Lon Ng, December 2006.
- 087 "What kind of shock was it? Regional Integration and Structural Change in Germany after Unification" by Michael C. Burda, December 2006.
- 088 "Imitation with Intention and Memory: an Experiment" by Astrid Matthey, December 2006.
- 089 "Biases in Estimates of the Smoking Wage Penalty" by Silke Anger and Michael Kvasnicka, December 2006.

SFB 649, Spandauer Straße 1, D-10178 Berlin
<http://sfb649.wiwi.hu-berlin.de>

This research was supported by the Deutsche
 Forschungsgemeinschaft through the SFB 649 "Economic Risk".

