Editorial:
Germany does not need a minimum wage

RWI Essen raises its economic forecast for 2007

Child poverty not only dependent on family constellation and employment

“German Stata Users Group Meeting” – Workshop on the financial situation of hospitals in NRW – More women in economic science

Ruhr Economic Papers – RWI : Materialien

Interna: RGS scholar earns doctorate after just two and a half years – RWI Scientific Adviser Harald Uhlig moves to Chicago – “Ruhr Economic Papers” – New staff members at RWI Essen and RGS Econ

No. 2/2007
Germany does not need a minimum wage

One of the effects of the single European market and increasing globalization is to intensify the international division of labor. On a national level, there are both winners and losers, although in total there are surely more winners. These clearly include the consumers, as the prices they have to pay are lower. The losers particularly include local poorly qualified workers, as it is their jobs which are being relocated abroad due to the lower costs, or are exposed to increased competition from migrants. With set wage levels, both of these lead to unemployment and a slowdown in wage growth.

The number of “genuine” losers could be reduced if the displaced workers rapidly found new jobs. For that reason among others, increased flexibility on the labor market was advocated in the run-up to expansion of the EU. That has not however come about to a sufficient extent, particularly in Germany. On the contrary, the current call for minimum wages constitutes a drive towards stronger segregation and greater inflexibility on the labor market.

What effect would a minimum wage have on employment? Economic theory provides no clear answer, and empirical studies point to extremely heterogeneous effects. There are however plausible indications that minimum wages are associated with negative consequences for younger workers in particular, while frequently no great effects on employment as a whole are found. Globalization should, though, place the negative effects in the foreground: In the light of low transport costs, it becomes increasingly irrelevant to many businesses whether they can find cheap labor on the domestic market or – if prevented from doing so by a minimum wage – relocate their production. Furthermore, it is by no means clear how minimum wages can be monitored cost-effectively and an expansion of illicit work prevented.

In the public discussion, attention is frequently drawn to statutory minimum wages and lower unemployment in other countries. On the one hand this ignores the fact that those countries have relatively flexible labor markets and there is in consequence little room for the negative effects of minimum wages on employment. On the other hand, the question of how high the unemployment rate would be in those countries if there were no minimum wage is not answered. It is reasonable to assume that it would be even lower.

Finally, the argument that minimum wages would be a means of strengthening domestic demand is practically absurd. The over 600,000 additional jobs sometimes mentioned in this connection cannot be taken seriously, as long as the potential job losses resulting from the higher wage level are left out of the calculation. The persisting weakness in growth is, rather, evidence of Germany’s real problem, an insufficient growth in potential output. Improving this can only be effected with further structural reforms on the labor and goods markets and by sound public finances.

Promotion of political acceptance of the extended single European market is, then,
the only really relevant argument for the introduction of a statutory minimum wage. The main losers would however then still be problem groups on the labor market, for instance poorly qualified young people.

Thomas K. Bauer

Research news

RWI Essen raises its economic forecast for 2007

RWI Essen has raised its forecast for growth of real Gross Domestic Product (GDP) in 2007 by 0.2 percentage points from its March forecast to 2.5%. For 2008, we are still forecasting GDP growth of 2.6%. The growth in employment is expected to continue and the unemployment rate to continue to drop, from around 8.8% in 2007 to around 7.9% in 2008. The position of public budgets is expected to improve further, with the deficit ratio likely to drop to 0.3% in 2007, and even a slight budget surplus is probable for the following year. RWI Essen expects an inflation rate of 1.9% for both this and the coming year – slightly higher than forecast in March. The causes are above all the recent upturn in energy prices and the rising unit labor costs with increasing utilization of capacity.

RWI Essen has slightly raised its economic forecast for 2007. The institute is now expecting a rise of 2.5% in real Gross Domestic Product. In March, the forecast was still only 2.3%. For 2008, it is still anticipating growth of 2.6% (2.2% when adjusted for working days).

All in all, only minor revisions were necessary. The national income and product accounting data published in May and the latest economic indicators extensively confirm our March estimations. The relatively strong expansion in the first quarter was, then, not least attributable to the unusually mild weather. For the current quarter, the seasonally adjusted indicators are – as we expected – already pointing to a counter-reaction. Production in the construction industry, for instance, has been declining for two months.

RWI Essen outlook June 2007; change to previous year in %

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<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>Gross domestic product</td>
<td>2.8</td>
<td>2.5</td>
<td>2.6</td>
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<td>Use of gross national product</td>
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<td></td>
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<tr>
<td>Consumption</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Private Households</td>
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</tr>
<tr>
<td>General Government</td>
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<td>1.2</td>
<td>1.4</td>
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<tr>
<td>Gross fixed capital formation</td>
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<td>5.9</td>
<td>4.6</td>
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<tr>
<td>Equipment</td>
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</tr>
<tr>
<td>Construction</td>
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<td>4.7</td>
<td>3.4</td>
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<tr>
<td>Other capital</td>
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<td>Change in stocks, contribution to growth</td>
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<td>–0.1</td>
<td>–0.1</td>
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<td>Domestic demand</td>
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<td>Net exports, contribution to growth</td>
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<td>0.4</td>
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<td>Exports</td>
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<td>7.6</td>
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<tr>
<td>Imports</td>
<td>11.6</td>
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<tr>
<td>Persons employed</td>
<td>39 092</td>
<td>39 560</td>
<td>39 900</td>
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<tr>
<td>Unemployed persons</td>
<td>4 487</td>
<td>3 795</td>
<td>3 400</td>
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<td>Unemployed rate</td>
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<td>1.9</td>
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<tr>
<td>Unit labor costs</td>
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<tr>
<td>General government fiscal balance</td>
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<td>–7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Bill. €</td>
<td>–1.6</td>
<td>–0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>% of GDP</td>
<td></td>
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<tr>
<td>Balance of current account</td>
<td>116.6</td>
<td>143.0</td>
<td>160.0</td>
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Own calculations. Sources: Statistisches Bundesamtes, Deutsche Bundesbank and Bundesagentur für Arbeit. – *Prices of previous year (chained index, 2000 = 100). – **Including private non-profit institutions. – †National concept. – ††National accounting. – †In relation to occupied population incl. unemployed. – †‡Cost-of-living index for private households. – †§Compensation per employed in relation to real GDP per engaged person. – †‖Concept of National Accounts. – †§§Concept of balance of payments. – *Estimation of RWI Essen.
Industrial production, and especially the production of input goods, also recently fell. Nevertheless, the upswing ought to continue, as already indicated by the large number of incoming orders in the first quarter. Furthermore, economic expansion is likely to have a broader base in future, as private consumption expenditure has now surely resumed a stronger upward trend following the expected reversal at the start of the year, particularly because the situation on the labor market is continuing to improve.

Exports are expected to increase significantly more strongly than forecast in March, although the global economic background appears not to have changed fundamentally. The renewed strong increase in foreign orders in the first quarter suggests that the competitiveness of German exporters has improved more than previously assumed. The forecast for the rise in exports was therefore increased from 7.7 to 8.8%.

For both this and the coming year, RWI Essen expects inflation to be slightly higher than forecast in March. This is fundamentally attributable to energy prices, which recently rose once again, and unit labor costs, which are increasing due to the significantly improving utilization of capacity. The inflation rate is expected to be 1.9% in both years. The unemployment rate will prospectively fall to 8.8% this year and 7.9% in the coming year. Continued creation of jobs requiring social security contributions in particular is likely.

The government’s financial position is recovering even more strongly than previously expected, above all as a result of strongly increasing taxation income. This year, the nationwide deficit ratio is expected to fall to 0.3%, and a small budget surplus is even probable in 2008 provided that the moderate expenditure policy is continued and the level of social security payments is not changed.

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Child poverty not only dependent on family constellation and employment

Whether and for how long children experience poverty up to their 18th year has to do both with the composition of their family and its involvement in the labor market, and with other factors unobservable by researchers such as the parents’ motivation. This is the result of a current study by RWI Essen. Children of single parents are, accordingly, especially at risk of being poor. The risk of poverty falls, in contrast, when at least one parent works full time. Actions aimed at assisting parents into such employment opportunities therefore also reduce child poverty.

Children who grow up with only one parent, whose parents have a low degree of formal education, or in whose family the head of household does not work full time, have a greater risk of growing up permanently in poverty. Additionally to these observed characteristics of households, however, unobservable factors (for researchers) such as motivation, preferences or unobservable capabilities of the parents have a great influence on the experience of poverty by children. Similarly to the composition of the family or its labor market status, these unobservable factors influence both the probability that a child will be born into poverty and the probability of rapidly escaping from poverty again, and indeed also the probability of then descending back into poverty.

These are the central results of a current study by RWI Essen. The study uses data from the German Socio-Economic Panel
(GSOEP), a representative longitudinal poll of private households in Germany, and observes the development of poverty of children from their birth onwards to their coming of age at 18. “Poor” in the sense of the study means having less than 50% of median income at one’s disposal. That is the income precisely at the center of the income distribution (50% of the population is therefore above that level, and 50% below).

Children of single parents have a greater risk of poverty

The simulations in the study show how strongly the composition of the family and its position on the labor market influence the poverty experiences of its children. If one assumes that the family composition and job situation do not change during childhood, a child born into a two person household where the head of household works full time will on average spend less than six months in poverty during his or her childhood (i.e. from birth to age 18). The majority of these children never live in poverty for even a single year, and almost none of them in long-term poverty. A child born into a single person household in which the head of household does not work full time spends, in contrast, an average of five of his or her eighteen years of childhood in poverty. In such household environments, very many children experience long-term poverty, i.e. for more than five or even ten years, many from birth onwards.

For policy-makers, this means that actions which increase participation on the labor market by adults with children can at the same time reduce child poverty. Such actions could, for example, include the improved day care facilities for children which are currently under discussion.

The study is part of the doctoral dissertation by Dr. Marcus Tammm, now successfully completed. The dissertation, entitled “Poverty of Children in Germany and its Impact on Children’s Health and Educational Outcomes” can be found at www.rwi-essen.de/tamm/tammpub.

The study presented, “Always Poor or Never Poor and Nothing in Between?” has been published as No. 56 of the “RWI : Discussion Papers” and is available as a PDF download from www.rwi-essen.de/dp

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Awarded research contracts


Utilization of Capacity and Treatment Quality – an empirical analysis on the basis of patient data from German hospitals. Project with the support of the Fritz-Thyssen-Stiftung. Contact: Christoph Schwierz. Duration: 12 months.


Innovation Report 2007. Project for the Ministry of Innovation, Science, Research and Technology of North Rhine-West-

Dates

“German Stata Users Group Meeting” at RWI Essen

Users of the statistics software “Stata” from throughout Germany met at RWI Essen for the 5th “German Stata Users Group Meeting” on April 2. The day’s agenda consisted above all of presentations. They were predominantly concerned with Stata programs written by users, case studies on Stata from teaching and research institutions, and experience with and criticism of the capabilities of the program.

With Christopher Baum (Boston College), Ben Jann (ETH Zurich) and Maarten Buis (Vrije Universiteit Amsterdam), the event had several international guest speakers. Apart from the presentations, there was time remaining for discussions and an exchange of experience between the academics.

The official program was concluded by a “surgery” with Bill Rising from StataCorp. He reported on planned innovations in future program versions and listened to criticism and suggestions from the around 30 Stata users present.

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Workshop on the financial situation of hospitals in NRW

“The economic position of the hospitals in NRW – an extract from the Hospital Rating Report 2007” was the title of a workshop staged by the Krankenhausgesellschaft Nordrhein-Westfalen jointly with RWI Essen and ADMED GmbH at the St. Elisabeth Foundation in Essen on May 21, 2007. It dealt with calculations on the situation of the hospitals in North Rhine-Westphalia. The event thus followed on from the “Hospital Rating Report 2007” published in January, which studied the financial position of hospitals throughout Germany and showed that hospitals in NRW are on average in a more favorable position than those in the country as a whole. The paramount reason is the relatively large number of hospitals owned by non-governmental, non-profit institutions, which exhibit a lower probability of insolvency on average.

Overall, the calculations also revealed that NRW is notable for a high bed density, low utilization of bed capacity and long in-patient durations, thus providing generous hospital treatment from the point of view of patients. The low utilization of bed capacity and high hospital density lead to strong competition for patients. This is likely to become even significantly fiercer in the future, especially in the Ruhr region.

The expected increase in the number of hospitalizations by the year 2020 in NRW is significantly below that for the rest of Germany. The Ruhr Area is particularly affected by population shifts in this regard, while the expected number of cases in the remainder of NRW is only slightly below the average. In spite of a good initial economic position, not all the hospitals will survive this exacerbated competition.

A press conference was held before the start of the event to inform the regional press of these results. There, Richard Zimmer (Managing Director of Krankenhausgesellschaft NRW), Dr. Sebastian Krolop (ADMED GmbH) and Dr. Boris Augurzky (RWI Essen) faced the representatives of the press.

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More women in economic science

Tomorrow’s female economic researchers were at the center of the “Seeking female scientists” event which took place at RWI Essen on May 15. It was aimed at female students and doctoral candidates in economics, and provided information on opportunities for doctoral studies and other occupations at RWI Essen. These were attractively introduced in brief presentations by RWI doctoral student Sandra Schaffner and former RWI researcher Prof. Dr. Friederike Welter.

RGS doctoral student Annika Frohloff also reported on the opportunities for postgraduate studies at the Ruhr Graduate School in Economics (RGS Econ), a joint initiative by the universities of Bochum, Dortmund and Duisburg-Essen and RWI Essen, which takes in eight postgraduates each year and – providing them with full scholarships – leads them to their doctorates in three years.

The event clearly illustrated the opportunities available for a doctoral qualification outside university, and showed that the path thereafter may well lead back to university.

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Publications

Ruhr Economic Papers

The previous “RWI : Discussion Papers” have been incorporated in the “Ruhr Economic Papers” (cf. p. 14). Downloads at www.rwi-essen.de/rep

(1) Christoph M. Schmidt, Policy Evaluation and Economic Policy Advice

Arguably, one of the most important developments in the field of applied economics in recent decades has been the emergence of systematic policy evaluation, with its distinct focus on the establishment of causality. Economic policy advice on that basis can however only be successful if it is based on an appropriate study design, experimental or observational. It will especially thrive in societies that provide liberal access to data, accept the merits of randomized assignment to study and control groups, and guard the independence of research institutions.
(2) Annika Frohloff, Cost and Technical Efficiency of German Hospitals – A Stochastic Frontier Analysis

Using a newly available and multifaceted dataset provided by the German Federal Statistical Office, this paper is the first to investigate both the technical and cost efficiency of more than 1,500 German general hospitals, by applying a stochastic frontier analysis. The empirical results for the years from 2000 to 2003 indicate that private and non-profit hospitals are on average less cost-efficient and technically efficient than publicly owned hospitals. Furthermore, the paper reveals that non-subsidized hospitals are less efficient than their respective counterparts. With regard to patients’ characteristics, a high ratio of old patients decreases efficiency whereas a high ratio of female patients and a high surgery rate increase it.

(3) Panu Poutvaara and Lars-H.R. Siemers, Smoking and Social Interaction

The study covers the social interaction of non-smokers and smokers as a sequential game, incorporating insights from social psychology and experimental economics into an economic model. It becomes apparent overall that smoking is unduly often accepted when accommodating smokers is the social norm. The introduction of smoking and non-smoking areas does not overcome this specific inefficiency. The conclusion is therefore drawn that smoking bans may represent a required (second-best) policy.

(4) Wolfgang Leininger and Axel Ockenfels, The Penalty-Duel and Institutional Design: Is there a Neeskens-Effect?

This paper documents an increase in the scoring probability from penalties in soccer, which separates the time period before 1974 significantly from that after 1976: the scoring probability increased by 11%. This is explained in that the institution of penalty-shooting before 1974 in game theory terms represents a 2x2-game, whereas after 1976 it can best be described by a 3x3 game form. The authors present historical evidence to the effect that this change in the perception of penalty-duels (as two different games), was caused by Johan Neeskens’ penalty-taking during the 1974 World Cup, as he shot a penalty directly into the center of the goalmouth.

(5) Ronald Bachmann and Michael C. Burda, Sectoral Transformation, Turbulence, and Labor Market Dynamics in Germany

The long-term rise of European unemployment since the 1960s is hard to explain without reference to structural change. Observing individual data on West German workers, a marked increase in structural change and turbulence, in particular since 1990, becomes apparent. In growing sectors, net structural change was driven by accessions from non-participation rather than unemployment; contracting sectors reduced their net employment primarily via lower accessions from non-participation. Recessions are associated with increased intensity of sectoral reallocation. Beyond this cyclical component, German reunification and eastern enlargement of the EU appear to have contributed significantly to the accelerated pace of structural change.

(6) Thomas K. Bauer, Deborah A. Cobb-Clark, Vincent Hildebrand, and Mathias Sinning, A Comparative Analysis of the Nativity Wealth Gap

This paper investigates the source of the gap in the relative wealth position of immigrant households residing in Australia, Germany and the United States. The results indicate that in Germany and the United States wealth differentials are largely the result of disparity in the educational attainment and demographic composition of the native and immigrant populations, while income differentials are relatively unimportant in understanding the
nativity wealth gap. The situation is different in Australia, where immigrants obviously cannot translate their relative educational and demographic advantage into a wealth advantage, but lag slightly behind the Australians.

(7) Dirk Engel and Torge Middendorf, Investment, Internal Funds and Public Banking in Germany

Previous studies have frequently suspected that low investment-cash flow sensitivities of German firms may be caused by the dominance of public banking. On the basis of an accounting dataset of German firms, it is shown that the dependence of investment spending on internal funds does not significantly differ between firms attached to savings banks, cooperative banks or commercial banks.

(8) Andrew M. Jones and Stefanie Schurer, How Does Heterogeneity Shape the Socioeconomic Gradient in Health Satisfaction?

Individual heterogeneity plays a key role in explaining variation in self-reported wellbeing and, in particular, health satisfaction. It is hypothesized that the influence of this heterogeneity varies over levels of health and increases over the life-cycle. These hypotheses are tested with data on health satisfaction from 22 waves of the German Socio-Economic Panel (GSOEP).

(9) Justus Haucap, Uwe Pauly and Christian Wey, A Cartel Analysis of the German Labor Institutions and Its Implications for Labor Market Reforms

This paper offers a cartel explanation for the stability of German collective bargaining institutions. It is shown that a dense net of legal safeguards has been woven around the German wage setting cartel. These measures make deviation by cartel insiders less attractive and simultaneously erect entry barriers for alternative unions. The authors propose policy measures that remove these barriers and facilitate outside competition by alternative collective bargaining organizations.

(10) Torge Middendorf, The Impact of Cohort Size and Local Labor Market Conditions on Human Capital Accumulation in Europe

Recent studies emphasize the impact of macroeconomic factors, for instance cohort size and the situation on the local labor market, on educational attainment. The results of this paper suggest that neither the size of the birth cohort nor the local unemployment rate induces a change in the individual’s schooling decision. Data from the European Community Household Panel were used for this study.

(11) Colin Vance and Rich Iovanna, Gender and the Automobile – An Analysis of Non-work Service Trips

This analysis investigates the determinants of non-work automobile travel against the backdrop of two questions: Does gender play a role in determining the probability of car use and the distance driven? If so, what role is played by other socioeconomic attributes of the individual and the household in which they reside? The results indicate that although women, on average, undertake more non-work travel than men, they undertake less of such travel by car. All in all, policies targeted at reducing automobile dependency are unlikely to have uniform effects across the sexes.


It is shown that taxation should set incentives so that qualified labor is substituted for nonqualified labor. In this regard, it is efficient to tax labor income regressively with respect to qualification. Furthermore, the monetary cost of education should be taxed at a level that restores efficiency in education. A tax on capital income allevi-
ates the distortion that progressive taxation of labor income exerts on human-capital investment.

(13) Tobias Wenzel, Liberalization of Opening Hours with Free Entry

This paper studies competition in prices and opening hours in a model with free market entry. It analyzes the impact of a liberalization of opening hours. The model predicts that in the short run prices will remain constant, but increase in the long run. Concentration in the retail sector will rise and opening hours will increase in two steps, immediately after deregulation and further over time. Finally, employment in the retail sector increases.

RWI : Materialien

Downloads at www.rwi-essen.de/mat


The study examines the links between demographic change, new businesses founded, and the promotion of new businesses. In concrete terms, the fundamental results gathered from the survey of chambers of commerce and local authority institutions in 2005 and 2006 were analyzed in the course of a project on the foundation of new businesses in times of an aging population. Furthermore, the results of more intensive analyses dealing in detail with the positioning of the chambers in the promotion landscape and the various cooperation strategies are presented. The background is on the one hand the discussion concerning a clear organization of the German promotion and consultancy system. Alternative actions may appear appropriate above all in closer cooperation and bundling of services offered by various institutions. On the other hand, demand, especially from older persons interested in founding new businesses, has significantly increased.

The change observed in the group of persons interested in founding new businesses in recent years provides a foretaste of what is to come. As staff availability is apparently not keeping step with that change, the pressure on foundation consultancy providers to become more efficient is rising. On that basis, many factors speak in favor of examining the requirements and potentials of older persons interested in founding businesses, and the estimations of the chambers on possible needs for adjustment in new business consultancy. The aim of this study is to provide an initial national survey from the point of view of the foundation intermediaries.
The draft bill on strengthening competition in the statutory medical insurance sector (GKV-WSG) provides for the introduction of a health fund and the levying of additional premiums on and payments of dividends to the insured persons from 2009 onwards. This changeover in the financing of the statutory medical insurance scheme also permits the expectation of distribution effects between the Federal States for two reasons. Firstly, in contrast to the present risk adjustment scheme, the entire premium income of the statutory medical insurers, i.e. not allowing for administrative costs and the costs of optional benefits (around 8% of total expenditure) will be redistributed between the insurers. States with high income and a favorable risk structure will then be placed under a greater burden. Secondly, the inter-state budget adjustment which insurance funds covering more than one state perform internally will be changed.

Regional distribution effects of the planned health fund are of great political relevance. Many state governments thus regard it as legitimate to keep potential burdens on “their” insured population low. Against this background, the quantification of the regional distribution effects of the health fund outlined in this study appears to be a relevant area for academic research. The increased burden or burden relief on each Federal State is consistently presented there as the sum of increase or relief for the insured persons living there.

For several years, modern information and communications technologies (ICT) have been considerably gaining in importance. Over and above their growing share in total economic production, their cross-sectional character holds out the promise of many opportunities, as it creates new methods of networking and permits new forms of the international division of labor. IT service providers are of special importance in seizing these opportunities. They act in an environment characterized by rapidly progressing technological change and increased integration in national and international corporate networks. The growing spread of high quality Internet access and both standardization and modularization are regarded as important driving forces behind the tradability of IT services and their sales worldwide. Opportunities for suppliers are however also created with the advance of standard software, making customized adaptation and consultancy more and more necessary. The study performs a stocktaking of the situation of IT service providers, especially with regard to their internationalization.
RGS scholar earns doctorate after just two and a half years

After only two and a half years Christoph Hanck (27), a scholarship student at the Ruhr Graduate School in Economics (RGS Econ), finished his graduate studies, earning his doctorate at the University of Dortmund. Thus his progress was significantly faster than the three years planned for the dissertation, in itself quite an ambitious target. As a member of the first class of graduate students at RGS Econ, Christoph Hanck began his graduate studies in October of 2004. Thus he is, at the same time, the first RGS Econ graduate.

Like all RGS doctoral candidates, Christoph Hanck, who received financial support from the Alfried-Krupp von Bohlen und Halbach Foundation, spent the first year of his postgraduate studies at the Rhenish-Westphalian Institute for Economic Research (RWI Essen). Then he transferred to his Ph.D. advisor, Prof. Walter Krämer, at the Institute for Economic and Social Statistics at the University of Dortmund. The back-ground for his dissertation: Empirical macroeconomics often deal with variables – such as price levels or currency exchange rates – that appear to exhibit no long-term tendency to approach an equilibrium value. Whether this is actually the case is of central significance to many economic theories (such as the theory of purchasing power parities) and is regularly examined by way of statistical tests. Hanck now demonstrates in his dissertation entitled “Testing in Non-stationary and Dependent Panels with Applications to Purchasing Power Parity” how one can make use of the larger database resulting from panel data structures to develop more efficient statistical tests.

With the early submission of his dissertation, which was awarded the top score of summa cum laude, Christoph Hanck at the same time showed that in establishing RGS Econ – a joint initiative by the universities at Bochum, Dortmund and Duisburg-Essen and RWI Essen – a situation was created in which postgraduate students can earn a doctorate in macroeconomics quickly and under ideal conditions.

Having earned his doctorate, Christoph Hanck will be working as a scientific associate in special research field 475 (complexity reduction in multi-variable data structures) at the University of Dortmund.

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RWI Scientific Adviser Prof. Dr. Harald Uhlig moves to Chicago

Prof. Dr. Harald Uhlig is moving from the Humboldt University in Berlin to the University of Chicago. Prof. Uhlig, who will resign from the RWI Scientific Advisory Board in June 2007 was a member of that board since 2003, and in that function
played an active part in the restructuring of
the Institute. RWI Essen regrets that he is
leaving the Scientific Advisory Board, and
wishes him the very best and every success
in his work in the USA.

“RWI : Discussion Papers” become “Ruhr Economic Papers”

In March 2007, RWI Essen launched a new
series of publications, the “Ruhr Economic Papers” (ISSN 1864-4872). The previous
“RWI : Discussion Papers” are now included in that series. The “Ruhr Economic Papers” are published jointly by the economics faculties of the Universities of Bochum, Dortmund and Duisburg-Essen and by RWI Essen. RGS Econ is co-publisher. The responsible editors are Prof. Dr. Justus Haucap, RUB; Prof. Dr. Wolfgang Leininger, University of Dortmund, Prof. Dr. Volker Clausen, University of Duisburg-Essen, and Prof. Dr. Christoph M. Schmidt, RWI Essen. Editorial Office: Joachim Schmidt, e-mail: schmidtj@rwi-essen.de.

The purpose of the “Ruhr Economic Papers” is to disseminate research results from the institutions involved to an inter-
national audience, while at the same
time preserving the academic autonomy
of the faculties. The final objective is pub-
lication of the articles in a reviewed profes-
sional journal or anthology. The “Ruhr
Economic Papers” are published at ir-
regular intervals, and they are available as
PDF files and in printed form. See pp.
8ff for more about the current “Ruhr Eco-
nomic Papers”.

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New staff members at RWI Essen

As of April 1, 2007 Ronald Bachmann joined the “Labor Markets, Population and Health” competence area. He studied economics at the University of Cambridge, England, (BA Economics 1999) and at the London School of Economics (MSc Economics 2000). He then took his doctorate under Prof. Michael C. Burda at the Humboldt University in Berlin in the field of labor market economics (“A Dynamic Approach to Germany’s Unemployment Problem”). From September 2006 to March 2007 he worked in Prof. Ronald Schettkat’s department at the Bergische Universität in Wuppertal. At RWI Essen, he will focus on labor market economics and macroeconomics, search and matching theory, and applied econometrics.

Since April 1, 2007, graphic designer Daniela Schwindt has been strengthening the “Publications, PR and Graphics” department. A graduate communications designer, she studied at the Fach-
hochschule Wiesbaden, specializing in public relations, events and artistic work. She already worked as a freelance graphic artist during her time as a student, and then became a self-employed designer. At RWI Essen, Daniela Schwindt is responsible for the graphic design of the publications, and will also be further developing the Institute’s website.

From March 15, Dr. Tobias Zimmermann has been working in the “Growth and Cycles” competence area. He studied economics at the University of Hanover and the Ruhr University in Bochum. From 2002 to 2007, he was first an academic assistant, then a full member of the academic staff at the Chair of Theoretical Economics I at the Ruhr University in Bochum. In November 2006 he successfully completed his dissertation (entitled “Real economic cycles, efficiency wages and the role of oil price shocks – a theoretical and empirical study for the Federal Republic of Germany”). The work will shortly be published in the “RWI: Schriften”.

The scholarship holders of RGS Econ, 2006 cohort (Part 1)

In October 2006, the third cohort of eight scholars started their education at the Ruhr Graduate School in Economics (RGS Econ). Here and in the next RWI: News you can read short CVs of the scholars, whose education is substantially promoted by the Leibniz-Gemeinschaft and National-Bank Essen:

Daniel Baumgarten

joined the RGE Econ in October 2006. He studied International Economics at the University of Erlangen-Nürnberg and the University College Cork in Ireland, specializing in international economic relations and econometrics. His diploma thesis dealt with large-scale factor models as a forecasting tool for macroeconomic data. Parallel to his studies, Mr. Baumgarten interned at the German-Ecuadorian Chamber of Industry and Commerce and the German Corporation for Technical Cooperation (GTZ).


Christoph Braun

studied economics at the University of Bonn and at York University, Toronto, Canada. In May 2006, he completed his master’s degree (Diplom-Volkswirt) at the University of Bonn. In his coursework, he focused on microeconomics and public economics. His thesis (supervised by Prof. Dr. Georg Nöldeke) was based on a model of optimal unemployment insurance. Within this framework, he analyzed how the consideration of administrative costs affects the design of the unemployment benefit and tax schedule. Parallel to his studies, he worked as a student assistant at IWG BONN (Bonn Institute for Economic and Social Research), as a tutor of mathematics at Prof. Nöldeke’s chair at the University of Bonn and as a research assistant at IZA (Institute for the Study of Labor). In 2004, the Friedrich Ebert Foundation granted him a scholarship in recognition of scholarly achievements and community work.

Main fields of interest: Public Economics, Labor Economics.
Peggy David
holds a German Diplom in Economics from the Ruhr-University Bochum. During her studies she focused on macroeconomics, econometrics and empirical economic research. In her diploma thesis she examined the returns to education in Germany using data from the German Socio-Economic Panel. Additionally to her studies Ms. David worked as a student assistant at the RWI Essen.

Main fields of interest: Applied Microeconometrics, Education and Labor Economics

Markus Hörmann
studied economics at the University of Québec City and the University of Münster. His main fields of specialization are econometrics, energy and resource economics as well as labour market economics. His thesis addressed microeconometric methods, in particular regression and propensity score matching methods, to evaluate active labour market policies. Mr. Hörmann is further interested in applying these evaluation methods in different contexts, such as environmental policy. Parallel to his studies in Münster he worked as a research assistant to Prof. Bernd Wilfling at the Chair of Empirical Economics

Main fields of interest: Econometrics, Energy Economics and Labour Economics