

Kiel Institute for World Economics
at the University of Kiel

Annual Report 2004

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I. The Institute in 2004: An Overview

The Kiel Institute for World Economics at the University of Kiel (IfW) is one of the world's major centers for research in international economics and documentation. The Institute's main activities are economic research, economic policy consulting, and the documentation and provision of information about international economic relations. The Institute's publications and services are addressed to academics in Germany and abroad as well as to decision-makers in both the public and private sector, and to those people in the general public interested in domestic and international economic policy. The Institute's Library is one of the world's largest libraries for economics and social sciences, and the Institute's Economic Archives have a comprehensive collection of newspaper articles.

The Institute, founded by Bernhard Harms in 1914 as the *Königliches Institut für Seeverkehr und Weltwirtschaft*, has its roots in the *Staatswissenschaftliches Seminar* at the University of Kiel, which was established in 1899. In 1934, the Institute was given its present name, *Institut für Weltwirtschaft*. Today the Institute is affiliated with the University of Kiel, but is still an independent institution. It is a member of the *Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz (WGL)*, which unites institutes and service providers that are of supra-regional importance.

In the field of academic research, the Institute focuses on applied economic research. The Institute engages especially in the empirical analysis of current economic policy issues, in the identification and theoretical analysis of newly emerging economic phenomena, and in preemptive innovative economic thinking to find new solutions to economic policy problems.

In 2004, numerous research projects were initiated, followed up, or completed. The resulting publications were presented at several international and national conferences and were published in various studies and contributions to renowned economic journals. Further, due to improved online access, the services offered by the Library, which also functions as the German National Library of Economics (ZBW) and is also a member of the WGL, and the Economic Archives were increasingly taken advantage of by both domestic and foreign users.

One important event in 2004 was the evaluation of the Institute's research departments by the Leibniz Association. The Senate Evaluation Committee of the Leibniz Association (SAE) evaluates all of the institutions in the Leibniz Association at least every seven years. Based on its statement and on a recom-

mentation by the Senate of the Leibniz Association, the federal and the state governments, who are members of the Commission for Educational Planning and Research Promotion (BLK), determine whether the requirements for further supporting the Leibniz institutions are fulfilled.

Last year the Library as a service institution was evaluated and its further support by the federal and the state governments was approved. In September 2004, an international evaluation group visited the research departments of the Institute for World Economics. An official SAE statement will be issued in 2005.

The Institute attributes great importance to the advanced training of economists. It offers an international postgraduate program and encourages the regular exchange of research results by hosting conferences, workshops, and guest lectures. In 2004, numerous research associates at the Institute were engaged in work on their doctoral dissertations, some on their *Habilitation*. Christian Pierdzioch *habilitated* at the University of Kiel and was awarded a position as a Privatdozent at the same university. Björn Christensen and Christophe Kamps were awarded doctorates at the University of Kiel. In January, Claudia Buch was appointed Professor of Economic Theory at the University of Tübingen. However, she remains associated with the Institute as a research professor for international finance and macroeconomics. In October, Oliver Lorz was appointed Professor for International Economic Relations at the RWTH Aachen. Christian Pierdzioch was appointed to a tenured position at the University of Saarland.

Several economists from the Institute were awarded prizes for their outstanding endeavors. Joachim Scheide was appointed an honorary professor at the University of Kiel, Federico Foders was appointed an honorary professor at the University of Cologne. Christophe Kamps was awarded the Erich-Schneider Preis of the Department of Economics at the University of Kiel for his dissertation “The Dynamic Macroeconomic Effects of Public Capital: Theory and Evidence for OECD Countries.” Henning Sichel Schmidt was awarded the Reimut-Jochimsen Preis 2004 for his contribution on “Europäische Infrastrukturpolitik der Europäischen Gemeinschaft im Rahmen der Neuausrichtung der Strukturfonds” [European Infrastructure Policy of the European Union in the Context of Readjusting the Structural Funds]. Herbert Giersch and Horst Siebert were appointed fellows of the European Economic Association (EEA).

The most important personnel change in the course of 2004 was at the leadership level. The position of President of the Kiel Institute for World Economics, which had been vacant since April 2003, was reoccupied. Professor Dennis Snower was appointed Professor of Economic Theory at the University of Kiel and President of the Institute for World Economics on October 1, 2004. Dennis Snower was born in Vienna on October 14, 1950. He attended Oxford University and Prince-

ton University, where he was awarded his Ph.D. in 1975. Numerous research and teaching positions at the universities in Vienna, Stockholm, Florence, London, New York, Jerusalem, and Tel Aviv followed. Since 1989, Dennis Snower had been Professor of Economics at Birkbeck College at the University of London. His main research areas are labor economics and macroeconomics. In numerous publications, Dennis Snower has also dealt with issues in industrial economics, public finance, and information sciences.

In the course of 2004, there were also several staffing changes. After Claudia Buch moved to the University of Tübingen, Christian Pierdzioch became temporary head of the Financial Markets Research Area at the beginning of 2004.

After more than thirty years on the academic staff of the Library, Abel Koch-Klose retired at the end of January. After thirty-nine years at the Institute, Rainer Schmidt, who worked in the fields of population and labor market as a research associate in the Business Cycles Research Department, retired at the end of March. Jörg-Volker Schrader, who had been research associate in the Regional Economics Research Department since 1978, retired in May. At the end of May, Hans-Hinrich Glismann, a research associate in the Growth, Structural Change, and the International Division of Labor Department and head of the Social Security and Growth Group, retired after almost thirty-five years at the Institute. Frauke Siefkes, academic staff member of the Library since 1970 and head of the Eastern and Southeastern Europe Group for the last several years, retired at the end of October. After more than thirty years at the Institute, Hugo Dicke, a research associate in the Growth, Structural Change, and the International Division of Labor Department and head of the European Integration Group, retired at the end of the year.

At the end of the year, the Institute had 270 employees, 54 percent of whom were female and 29 percent of whom were part-time employees. Of the total, 123 employees worked in the President's Department, the Information, Editorial, and External Relations Department, and the five research departments. 119 worked in the Library, and 28 in the Administration. Of the 270 employees, 76 were academics and 194 were nonacademics, 4 of whom were trainees.

In mourning and thankfulness the staff members commemorate Sybille Ruhnke, who died on November 29, 2004 of a severe disease. Miss Ruhnke had been working for the editorial office at the Institute since 1982.

II. Research and Advisory Activities

1. Main Areas of Research

The Institute's central area of research is the international division of labor from a static and dynamic point of view. The Institute analyzes the sectoral and spatial allocation of goods, services, and factors of production. In particular, it analyzes the endowments of countries, including their environment, the changes in these endowments over time, and the international interdependencies between monetary and fiscal policies and between business cycles of various countries. In analyzing these phenomena, special emphasis is given to the consideration of institutional settings in national as well as international terms and to the incentive and political economy systems that are part of these settings.

Research in 2004 concentrated on the following topics:

- the effects of globalization on national goods and factor markets and world-wide locational competition,
- international trade flows and the multilateral trade order, including trade in services,
- the effects of regional integration and trade liberalization, with special emphasis on the perspective of European integration and enlargement,
- the impact of technical and structural changes on labor and capital markets,
- the effects of international environmental and climate policies,
- the economic use and protection of biological diversity,
- the impact of transport and communication costs on the spatial structure of economic activity,
- the determinants of regional differences in growth and innovation,
- the relationship between economic development and the availability of natural resources,
- the impact of private and public capital flows on the growth of developing countries and newly industrializing countries,
- the prospects for poverty alleviation in developing countries,
- monetary policy in developing countries and newly industrializing countries,
- the monetary policy of the European Central Bank and the role of the euro exchange rate,
- reforms of labor markets and social security systems in industrialized countries,
- national and international business cycles under the impact of the oil price hike and new large markets in Eastern Europe and East Asia,

- fiscal policy and subsidies in Germany,
- the international integration of currency and financial markets and the implications for the macroeconomic performance of open economies,
- banking regulation and bank lending activities.

As many of these topics were closely related to one another, the Institute's research departments worked together on several research projects.

The Institute is assisted by its Scientific Advisory Council in choosing its future research projects. The Advisory Council promotes the integration of the Institute into research networks and promotes collaboration with leading economists. Its members are proposed by the president and appointed for a period of four years by the Schleswig-Holstein Minister of Education, Science and Research, and Culture. In 2004 its members were:

Prof. André Sapir, Ph.D., professor at the Université Libre de Bruxelles and member of the Group of Policy Advisers of the European Commission (chairman),

Prof. Dr. Axel Börsch-Supan, professor at the Macroeconomics and Economic Policy Department at Mannheim University (vice-chairman),

Prof. Sebastian Edwards, Ph.D., Henry Ford II Professor at the University of California at Los Angeles,

Prof. David Greenaway, Ph.D., professor of economics and director at the Leverhulme Centre for Research on Globalisation and Economic Policy at the University of Nottingham,

Prof. Dr. Gerd Hansen, former professor and chair of the Institute for Statistics and Econometrics at the University of Kiel (until April 30, 2004).

Succeeding Prof. Hansen, Prof. Dr. Thomas Lux, chair of Monetary Economics and International Finance at the University of Kiel, was appointed to the Scientific Advisory Council.

At the beginning of 2004, the founding members Martin Feldstein, Helmut Hesse, Otmar Issing, and Anne Krueger retired from the Scientific Advisory Council. The Kiel Institute is greatly indebted to these long-standing members for their expert advice.

2. President's Department

The President's Department focused its research in 2004 on labor markets, the new economy, and money markets and banking activities. The Financial Markets Research Area, though affiliated with the President's Department, is an independent research group.

Research on labor markets was carried out by finishing two projects in cooperation with foreign researchers and by starting one new project. One of the finished projects dealt with the *influence of on-the-job learning* on the employment effects of dismissal costs. It was shown that this form of learning can have a negative impact on employment. The other project dealt with the *inflation-employment tradeoff*. Based on the interplay between monetary expansion and nominal frictions, monetary policy was shown to have permanent effects on unemployment.

The new project deals with the *economic incentive structure in the labor market*. Evaluation of effective economic incentives for the transition from one labor market state to another plays a crucial role in successfully reforming labor market institutions. For example, the current unemployment benefit system in Germany reduces the payoff from entering into and remaining in employment. This externality has to be minimized. The economic incentive effects of labor market institutions in Germany as well as their interdependencies are to be modeled dynamically in this research project. This approach will help assess alternative policy options and reform proposals in terms of their incentive effects and their potential reduction of existing externalities.

Research on the new economy was continued by focusing on *the impact of open source software on competition and innovation*. Based on the economic properties of software as a digital good, a theoretical framework was developed which explains the empirical picture of software markets. Drawing on the theory of contestable markets as a reference point for economic policy, the Department used the special characteristics of open source software, as compared to proprietary software, to analyze its potential for innovation and growth.

The Department analyzed whether competition between open source and proprietary software is fair and nondiscriminating, and which factors impede or facilitate the diffusion of open source software. It was shown that supply-side and demand-side factors as well as the public sector and regulatory conditions influence software markets. It was also shown that there are barriers to open source deployment that can be ascribed to a lack of information and to un-

certainty about the open source model of software development. Open source software is in principle regarded as an experience good rather than a search good, i.e., it is hard to value its quality in advance.

Additionally, the legal setting for open source software was analyzed, with special emphasis given to copyright and patent law as the relevant intellectual property rights for software. Research in this field also dealt with the current discussion on reforming the patentability of computer-implemented inventions and the planned directive of the European Union on this issue; and some recommendations on how to formulate legal protection were derived. The Department plans to focus future research on alternative policy strategies on open source software and open standards.

Previous years' research on *banking regulation* was continued by conducting a new project on whether banks' regulatory capital influences banks' loan supply. The concern is that when banks' regulatory capital declines and approaches the regulatory minimum, banks may be forced to restrict their lending activities. Hence, firms that apply for loans may not be able to obtain the necessary funding for their investments. As this scenario is most likely in economic downturns, banks may even intensify downturns. This issue is particularly relevant for Germany, as bank lending constitutes 96 percent of the outside funding of nonfinancial firms (for comparison, in the United States bank lending constitutes only 45 percent). The data on German banks were provided by the Deutsche Bundesbank. Only recently, another project was started to empirically analyze the highly relevant policy question whether competition in the banking sector and financial stability are rivaling or compatible objectives.

In another project the *effects of bank capital regulation (Basle Accord) on the transmission of monetary policy* were analyzed. In cooperation with the Austrian Central Bank, the role of regulatory capital in the bank lending channel and the existence of the bank capital channel were examined. First results indicate that low-capitalized banks react more restrictively to a monetary contraction than their well-capitalized peers. In contrast to results of other studies on Austria, banks represent a nonnegligible share of the banking sector. Thus, it can be concluded that the effects of monetary policy are amplified by banks. The results for Austria are in accordance with an empirical study for Italy. There is almost no empirical evidence for other countries. One reason is that many central banks have been collecting regulatory data for a few years only, and these data are treated with strict confidentiality.

A further macroeconomic research project conducted by the Department addressed *the importance of real-time data in economic forecasting*. Since comprehensive macroeconomic real-time databases are continuously emerging, the

relevance of real-time data has also shifted into the focus of the forecasting literature. In order to provide a fair evaluation of a model's forecast performance relative to previous competing models or professional forecasts generated in real time, all models and forecasts must apply data originally available to the rival forecasters. Nonetheless, the literature has not agreed upon a single appropriate approach to real-time forecasting. The project analyzed and compared the predictive accuracy of the two main competing approaches in the literature in order to extend the knowledge on real-time forecasting and to provide a better basis for the choice of the appropriate approach. In this context the predictive performance of two policy-relevant sentiment surveys in real-time forecasting of the most clearly watched economic series—real GDP growth—was investigated. The results support findings of previous studies regarding the impact of real-time data on forecasting comparisons. Evaluating series of rolling forecasts generated by recursively estimated models relative to the Survey of Professional Forecasters, the supposed generally superior performance of one approach relative to the other cannot be supported. Furthermore, the results suggest that one sentiment survey enhances real-time prediction of real GDP growth, which is understated in conventional forecasting.

○ Financial Markets Research Area

The globalization of financial markets is a key element of the ongoing international integration of the world economy. The Financial Markets Research Area (headed by *Christian Pierdzioch*) used both theoretical and empirical research techniques to analyze the consequences of the international integration of financial markets. To this end, macroeconomic and microeconomic research questions were studied.

The aim of one of the macroeconomic research projects was to analyze the *implications of international financial integration for the dynamic effects of macroeconomic shocks in open economies*. One focus of this research project was to study the implications of the process of global financial market integration for the propagation of monetary policy shocks. A key result of this research project is that the structure of households' preferences and the structure of the goods markets play a key role for the way a monetary policy shock propagates through an open economy. Following much of the earlier theoretical literature, this result was derived by assuming that the extent of global financial market linkages is independent of business cycle fluctuations. Because recent empirical research has demonstrated that financial integration may change over time, the Research Area used data for the G7 countries to test how well this assumption fits the data. The results of this empirical research support, as a rule, the assumption that the

degree of financial integration is invariant to the determinants of the business cycle fluctuations. This empirical result lends support to the results of the theoretical work of the Research Area on the implications of international financial integration for the propagation of macroeconomic shocks in open economies.

Another ongoing macroeconomic project aims at analyzing the *implications of the integration of international financial markets for the volatility of consumption* growth. Standard macroeconomic theory implies that increasing financial market integration reduces the volatility of consumption growth, because households can smooth their intertemporal consumption path better. Empirical studies that are able to verify this theoretical prediction typically use panel data methods and data samples consisting of rather heterogeneous countries. In contrast, the Research Area refrains from this approach and applies a pure time-series approach to the sample of G7 countries. Preliminary results indicate that the theoretical prediction of standard macroeconomic models cannot be verified. Thus, the results documented in the earlier literature must be interpreted with caution, since they seem to be sensitive with respect to the data and methods used.

In its microeconomic projects, the Research Area analyzed not only selected organized markets such as equity markets for fast-growing firms, but also various forms of financial intermediation such as venture capital companies and banks. In the microeconomic project focusing on *equity markets for fast-growing firms*, it analyzed whether noise traders were present in selected European markets. Noise traders are market participants whose demand for stocks is not driven by fundamentals, but, for example, by rumors, informational cascades, and other nonfundamental factors. Noise trading may give rise to a disconnection of stock prices from fundamentals, to excess volatility, and to irrational exuberance. As a result, noise trading may give rise to speculative bubbles, and it may adversely affect the efficiency of stock markets. Efficient stock markets are means to channel scarce investment funds to the most productive firms. The most productive firms in an economy are often highly innovative, fast-growing firms. Unfortunately, fast-growing high-tech firms often have almost no access to public credit and equity markets.

In a microeconomic project on *venture capital companies*, several empirical studies were conducted to deepen the understanding of *cross-country variations*. In a first empirical study, the Research Area tested the link between investment specialization patterns at particular stages of firms' development and industries of venture capital companies, and the dominance of various sources of capital with respect to new fund activity. The results of this study suggest that sources of

capital, such as banks and pension funds, matter for venture capitalists' investment decisions. In a second empirical study, determinants of international venture capital flows were tested. Internationalization in venture capital markets can take place via international flows of sources to various funds, international syndication, and domestic subsidiaries of foreign VC companies.

A main focus of the Financial Markets Research Area continued to be on the banking industry. Currently, research focuses on the analysis of *shock transmission through international bank lending activities*. In order to gain deeper insights into the relation between international bank lending and the real sector, individual data on German banks provided by the Deutsche Bundesbank were used. In a first step, the business cycle sensitivity of German bank lending in various regions around the globe was analyzed. In a second step, the link between business cycles and international bank lending in 19 different industries was analyzed.

3. Growth, Structural Change, and the International Division of Labor (Research Department I)

The research agenda of the Growth, Structural Change, and International Division of Labor Department (headed by *Henning Klodt*) focuses on medium- and long-term economic development of highly developed countries and the integration of the world economy. Major topics are structural adjustment and its labor market implications, the development of international trade and factor movements, the economic consequences of technological progress, and the perspectives of European integration.

Important research fields in 2004 were the process of structural change towards services, the implications of outsourcing and offshoring for the German labor market, trade integration in an enlarged European Union, the prospects for reforming unemployment insurance, the determinants of long-term unemployment, the role of venture capital markets for innovative performance, technological change in health care, and the determinants of migration.

○ Structural Change and Growth

The Structural Change and Growth Group (headed by *Henning Klodt*) continued its research on *structural adjustment in the German economy*. It was shown that structural change is highly vivid and has created about four million additional jobs in the service sector over the past decade. However, this did not prevent a

substantial rise in unemployment, because an equal number of jobs has disappeared in the industrial sector and the labor force has been growing. Furthermore, it was demonstrated that the stepwise increase in unemployment basically reflects sectoral asymmetries of labor market adjustment over the business cycle combined with an extremely low intersectoral mobility of workers.

The research on the *labor market effects of offshoring activities* departed from the differences in theoretical predictions in different analytical frameworks. In traditional trade theory, foreign direct investment reduces the capital stock of the home country and thereby reduces domestic employment (at given wages). In new trade theory, foreign direct investment improves the exploitation of firm-specific scale economies and increases the number of domestic jobs in the provision of headquarter services.

The empirical evidence suggests that models derived from new trade theory are much more on the mark. About 86 percent of German outward investment stocks in 2003 were directed towards other industrial countries (above all the United States), whereas the share of low-wage countries (including the new EU members and China) is still very limited. Moreover, foreign direct investment was dominated by high-tech industries and not by low-tech industries, which particularly suffer from high German labor costs. Finally, the development of domestic employment tended to be much more favorable in industries with strong multinational activities than in other industries. As a result, public concerns about a massive export of jobs via foreign direct investment do not seem to be well founded.

○ International Economics and Structural Change

In cooperation with the Infrastructure, Institutions, and Integration Group, the International Economics and Structural Change Group (headed by *Jürgen Stehn*) started a research project on *regional centers of trade integration in an enlarged EU*. The basic assumption is that the enlargement process does not necessarily result in a homogeneous economic space but in a heterogeneous network of trade relations differing by intensity. The research project intends to identify the specific determinants of European trade integration and to display the regional centers of gravity in the enlarged EU. The research project is based upon a combined approach deploying both standard economic explanations for integration processes and historical and cultural determinants indicating path dependencies. These determinants of economic integration mirror various forms of distance: real geographical distances as well as “virtual distances” as exerted by tariffs or nontariff trade barriers, different languages, diversities in business cultures, traditions or economic systems. It will be tried to develop empirical

measures for virtual distances based upon e.g. historical trade data or international indicators for good governance.

A bundle of analytical concepts will be applied to assess the accession countries' progressive trade integration into the enlarged EU, with an emphasis on the gravity approach. The models that explicitly take real and virtual distances into account should identify the forces influencing the formation of regional trade patterns in an enlarged EU. As a cross-check, the FDI activities in the accession countries will be analyzed by an analogous gravity approach that should also give further information on the economic interaction in Europe. Subsequently, these gravity models will be redesigned in a way that they can provide insight into the structural impacts of trade relations in an enlarged EU. For this purpose, innovative measures of inter- and intraindustrial trade flows will be applied, using deeply disaggregated trade data.

In cooperation with the Social Security Group the research project on *reforming the German unemployment insurance* was completed. The thrust of the project was the problem of whether there exists a superior alternative to the existing compulsory public "insurance" against the risks of unemployment. The question was posed whether an alternative system of unemployment insurance could be at the same time less costly and more efficient regarding the reduction of unemployment.

In order to take account of the experience with unemployment insurance in Germany and other countries, the history of German unemployment insurance and the international discussion regarding an efficient financial backup for the unemployed was presented and evaluated. It turned out that other times and other countries were well advised to include incentives to work in the regulation of unemployment insurance, and that the best economic approach would probably be to install a private and competitive insurance system. Though this idea was not entirely new, a host of academic objections has been raised regarding the insurability of unemployment risks. It could, however, be shown in the project that neither major counterarguments, such as "moral hazard" and "adverse selection," nor minor ones, such as measurement problems, can be considered relevant.

In view of the lower rates of unemployment in the United States and the quite different type of unemployment insurance compared to European systems, a closer look was taken at the U.S. way of coping with the problem of unemployment insurance. In the United States, a system of experience rating provides for negative feedbacks between a firm's costs of unemployment insurance and the number of this firm's layoffs. A huge number of empirical studies substantiating these feedbacks and the ways they work was evaluated in the project.

On the basis of this information, the Group designed a new unemployment insurance system that provides incentives both on the side of employees and unemployed persons and on the side of employers in order to reduce unemployment in the last end. On the side of employees (and potentially unemployed employees), a model to determine the height of the individual risk and the corresponding individual insurance premium based on this risk was developed, taking into account a wide range of potential unemployment insurance benefits. On the side of employers, a modified kind of the American experience rating system was suggested in order to profit from negative feedbacks on the employers' side and in order to reinsure the system of unemployment insurance. The partition system was calibrated on the basis of empirical information about Germany in 2000, including simulations on the costs and benefits of such a new system of unemployment insurance.

Another research project on unemployment dealt with *structural changes in the labor market*. Special emphasis was laid on theoretical and empirical work on reservation wages of unemployed persons in Germany. Based on research results on the validity of reported reservation wages generated from the German Socio-economic Panel (GSOEP) the *determinants of reservation wages* have been analyzed. The results show that on average reservation wages in Germany are 10 percent higher than the individual wages before unemployment, which implies a low willingness to make wage concessions on the part of unemployed persons. In contrast, reservation wages found in comparable international investigations are close to the last income level. By analyzing the impact of unemployment duration on reservation wages, it was shown that reported reservation wages hardly decline with an increase in unemployment duration. One possible reason for this might be the relatively high level of unemployment transfer payments especially for persons with low qualifications, whose reservation wages differ the most from the wages before unemployment.

Before drawing conclusions from these findings, a dynamic search model was developed to analyze the impact of the reform of the unemployment insurance system in the course of the Agenda 2010 on the reservation wages of unemployed persons and on the transition in employment. It was shown that the reform of the unemployment transfer payments mainly affects unemployed persons with a high income before unemployment. In contrast, unemployed persons with low income before unemployment are hardly affected by the reform, which implies that especially for the group of low-qualified persons—the group with the highest unemployment risk—there is nearly no increase in the incentives to take a new job.

○ Technology and Growth

The Technology and Growth Group (headed by *Michael Stolpe*) continued to study the financing of new technology-based firms and the policy implications of technological change in health care. In the first area, an international research collaboration which studied the impact of European financial markets on corporate performance was brought to a successful completion. The particular focus was *the role of venture capital and primary equity markets in financing fast-growing technology-based firms in Europe*. Start-up firms appear to drive innovation in many of the most dynamic areas of high technology, such as biotechnology. In the United States, a highly developed venture capital industry has reduced the financing problems that high-tech start-ups face in a credit market. The U.S. economy has hence been able to exploit a much greater variety of technological and economic opportunities than other countries have. The objective of the Group's research was to understand why Europe has been so slow to develop its own genuine venture capital industry with a focus on high technology. Moreover, the Group has asked what kind of government policies in individual countries or at the European level would have the potential to improve the efficiency of venture capital.

To answer these questions, the Group's empirical research has studied the determinants of venture capital investments in individual countries and their influence on the efficiency of primary equity markets during the hot issue market of the late 1990s. Hot issue markets can generate important welfare gains by opening a window in which new technology-based firms are rewarded through access to external finance at temporarily reduced costs of capital, which provides these firms with a unique opportunity to expand. This is essentially a feedback effect through which an expanding primary equity market improves the refinancing conditions for venture capital. The prior literature has ignored such feedback effects. The Group's research showed that in order to understand the impact of this feedback, international differences in levels must be distinguished from the temporal development of venture capital investments. The temporal comovements in Europe's national venture capital markets could be explained by the feedback that creates international interdependence in the valuation of primary equity markets, while differences in levels were primarily attributable to country-specific patterns of technological specialization, and not to a path-dependent process of agglomeration.

Against this background, the Group looked at policy options for national governments and at the specific recommendations of Europe's Risk Capital Action Plan, adopted by the European Commission in 1998, for a common strategy in the European Internal Market. The Group argued that the success of political

intervention cannot be gauged from the observed aggregates of venture capital investments alone, but must take into account initial conditions and the evolution of microeconomic efficiency over time. Venture capital-backed initial public offerings open an observational window on the relative efficiency of individual venture capital organizations. The Group's empirical findings suggest that the behavior of venture capital organizations in the less-developed German market can be explained to some extent by a learning model, while the behavior of the more mature French market is better explained by a signaling model. Targeted government subsidies thus have a greater justification in the case of Germany than in the case of France. In general, temporary subsidies can only be justified if there is a learning process that improves the efficiency of venture capital over time. The empirical research could not refute the hypothesis that the temporal sequence of initial public offerings from different areas of technology reveals a learning process that is based on rational expectations.

In its second research area, the Group continued to develop the *theoretical foundations of technological change in health care*. In a first part of this research, the Group produced a survey of decision-theoretic approaches to the production of health care services and derived implications for health policy. The greatest challenge at the beginning of the 21st century is to accelerate the diffusion of new medical knowledge, a public good, and to enhance the efficiency in the adoption of new technologies. The research has generated suggestions as to how technological innovation in medical practice can be organized as an open system, based on principles which underlie the "Republic of Science" and the open source movement in software development. The Group developed recommendations with regard to specific reforms in ambulatory, stationary, and managed care that would help to enhance the innovative capacity and efficiency of health systems.

In another part of its health economics research, the Group studied *the impact of alternative financing arrangements on the efficiency of health care production*. The stock of medical knowledge and the sum of clinical experience that is relevant for successful health care in a given epidemiological situation are public goods and therefore play a special role as inputs in the production of health care services. The randomness with which many diseases strike individuals provides another rationale to assume a certain degree of ex ante nonrivalry in medical care—from the consumers' point of view. The Group's research explored the policy implications of this nonrivalry and considered a wide range of financing alternatives that are available when distributional objectives are satisfied by other policy instruments.

In the absence of distributional concerns, it is clear that the financing of technological change in health care must be the primary focus of attention. Technological change has long been recognized as the most important source of the steady rise of per capita health spending that is observed in many countries, especially in those belonging to the OECD. The application of new medical knowledge is characterized by global economies of scale so that progress in medical and pharmaceutical technologies can—in principle—benefit all countries without diminishing the benefits to any one country. But the increasingly unequal distribution of per capita spending on pharmaceuticals has recently incited international conflicts over the distribution of the financial burden of developing new ethical drugs. The Group's research is designed to show how national systems of financing health care and medical innovation should be organized in an open world economy, so that the maximum level of efficiency is obtained in all countries.

○ European Institutions

A focus of the European Institutions Group (headed by *Hugo Dicke*) was the analysis of the emerging *institutional relations between the EU and Turkey and their economic implications for the old EU member states*. The key working hypothesis of this project was that after Turkey's accession to the EU the current privileged partnership between Turkey and the EU would be replaced, possibly only temporarily, by a less favorable status of Turkey as a member state. This hypothesis was tested by taking stock of the institutional regime governing trade and factor flows between Turkey and the EU. In addition, the future development of institutional relations both during and after the conclusion of negotiations was predicted and derived in analogy to the agreements made with the new members in the last enlargement round of the EU. Using the theory of regional integration as a starting point, the economic implications for the old member states were assessed, taking into account the new structure of international transfer payments.

A project dealing with the economic *determinants of cross-border labor flows in Europe* was continued. On the basis of an earlier study on immigration to Germany, which stressed the role of immigration policies, an international comparison of the immigration policies of old and new EU member states was carried out in 2004. The main purpose was to identify those regulations that have the strongest impact on the level, direction, and composition of cross-border labor flows. Also, the research dealt with the question whether immigration policies contribute to the considerable divergence that can be observed between actual flows and the potential flows estimated by many economists. Moreover,

the operation of, and the incentive structure related to, a number of policy instruments were closely scrutinized with respect to the policy goals of limiting, managing, and promoting migration. The work looked at different groups of migrants (population with ethnic roots, population of former colonies, guest workers, other economic migrants, family members entitled to reunification programs, asylum seekers and refugees, others (students, pupils, etc.)) as well as at legal and illegal flows. The international comparison included the immigration policies of Australia, Canada, and New Zealand, which differ from those of European countries in that they select immigrants according to their qualifications and income, thereby helping to reduce the costs of immigration to be borne by the receiving country. Finally, the issue was addressed whether these countries had created incentives to stem illegal migration. Work in progress in the context of the extended version of the Ricardo model of international trade includes, inter alia, the empirical relationship between labor, trade, and capital flows.

4. Environmental and Resource Economics (Research Department II)

Research activities in the Environmental and Resource Economics Department (headed by *Gernot Klepper*) concentrate on the impact of scarce natural resources and environmental quality on the allocation and welfare of an economy. Since the benefits of environmental quality or the cost of the deterioration of the environment are often not sufficiently internalized, the causes and consequences of such inefficiencies constitute a major part of the Department's research activities. Policy instruments as well as institutions are analyzed with respect to their ability to internalize these inefficiencies in the allocation of environmental and natural resources. Since many of the environmental externalities have cross-border effects, a special research focus is on the international allocation effects, of environmental externalities and of their internalization. This includes the analysis of the international coordination of environmental and resource policies and the creation of new international institutions designed to help reaching an efficient use of environmental and natural resources.

A special focus of research in 2004 was given to the interdependency between economic development and the availability of natural resources, international environmental policy instruments especially in climate policy, and the use and control of biodiversity in an international context. Simulation studies of environmental policy instruments and their impact based on computable general equilibrium models were a major methodological cornerstone of the Department's work.

○ Environmental Economics

The Environmental Economics Group (headed by *Gernot Klepper*) focused its research on methodological and conceptual aspects of the allocation of environmental resources. In the area of environmental policy it concentrated on the realization of national and international environmental policy objectives and the design of policy instruments.

A major focus of the Group was on the *climate change induced by the emission of greenhouse gases*. This research area has two aspects. First, it concerns the economic consequences of the projected regionally differentiated impacts of climate change. Secondly, it focuses on the different abatement strategies which can be used to alleviate the expected climate change. Such analyses are primarily done with the dynamic computable general equilibrium model DART, which is adapted to analyzing the economic effects of climate change as well as the impact of different climate policy measures such as the Kyoto mechanisms and other international climate policy initiatives.

A major aspect of policy analyses in the year 2004 was the *European Emission Trading System (ETS) for CO₂*, which is to be introduced in January 2005. The emission trading scheme has been developed in order to control the CO₂ emissions of the energy-intensive industry sectors in an efficient way to meet the targets of the Kyoto protocol. It includes currently roughly 13,000 energy-intensive installations, which together are responsible for about 45 percent of the European CO₂ emissions. The year 2004 experienced a controversial debate about the optimal allocation of emission rights to the different sectors and the prospects of competitiveness effects of the ETS. The DART model was used to assess the impact of different allocation mechanisms of emission rights on the costs of meeting the Kyoto protocol in the European Union and on European competitiveness. In addition, the trade in emission rights and the likely level of prices for CO₂ emissions were investigated. The potential of the flexible mechanisms of the Kyoto protocol, i.e., the Clean Development Mechanism (CDM) and Joint Implementation (JI) for meeting the European Kyoto targets, have also been analyzed.

The Group was also involved in two *model experiments of the German Forum for Energy Modeling* with its DART model. The objective of these experiments is to compare the results of different models with respect to specific climate and energy policies and to advance the development of new models and of model modifications. The major theme of Model Experiment IV (MEX IV), which was finished in May 2004, was the long-term contribution of the German energy sector to European climate protection. It analyzed, among other things, the ef-

fects of the European and of the international trade in emission rights. The Model Experiment V (MEX V), which is being continued up to mid-2005, is concerned with innovation and modern energy technologies. In connection with the general equilibrium model, the major focus is on modeling technical progress. In the past, technical progress in the energy sector has been introduced into computable general equilibrium models through exogenous improvements in energy efficiency. However, there is consensus today that technical progress does not take place autonomously but depends on learning curves, on public and industrial research in development activities, on energy prices, and on economies of scale. Therefore, technical progress should be modeled as an endogenous variable depending on other model parameters. The modeling forum MEX V discusses these issues and develops initial procedures with which to implement endogenous technical progress in the DART model.

The Group also participated in a European Network on the Modeling of the Transition to Sustainable Economic Structures (TranSust). This network is designed to analyze *European institutions and policies oriented towards climate policy issues* and to expand the focus of climate policy towards the general sustainability strategy. The Group focused in this network on the interplay between energy prices and energy policies as well as climate policies. In a theoretical as well as in a simulation analysis the relationship between abatement costs of climate policies and energy prices in open economies was analyzed. It was shown that the interaction between climate policy measures and energy prices has an important effect on the impact of climate policies.

An important aspect of climate and energy policies is the support of renewable energy resources. Biofuels as a substitute for fossil fuels constitute one alternative for reducing greenhouse gas emissions and for preserving scarce fossil energy resources. In Germany all biofuels have been exempted from the mineral oil tax since 2004. In addition, the European Commission has asked the member states to increase significantly the share of biofuels in the overall fuel consumption over the next few years. These initiatives were investigated in the project on the *climate policy aspects of biofuels, especially of bioethanol*.

The project consisted of an evaluation of the energy and greenhouse gas balances in the production and use of biofuels with special consideration of new technologies. This evaluation has shown that the substitution of fossil gasoline by bioethanol can indeed save much more greenhouse gas emissions than previously estimated. Nevertheless, the results depend strongly on the type of agricultural feedstocks and on the size and technology of the ethanol production facilities. The commercial success depends to a large extent on the evaluation of the markets for joint products from the bioethanol production.

The project has shown that the production of bioethanol in Europe is not competitive with respect to the traditional fossil fuels and it is relatively costly in an international comparison. As a consequence the tax exemption for biofuels in Germany and the support programs for biofuels in Europe will lead to increasing imports from low-cost producers in the rest of the world. This is especially the case if one considers the expected reduction in the protection of the alcohol and sugar markets in Europe.

One of the most successful suppliers of bioethanol is Brazil, which can produce at the lowest cost and has a large export potential. Because of the use of modern technologies and advanced energy conservation concepts in the production facilities as well as the low-cost production of sugar cane bioethanol, Brazilian producers can supply bioethanol at about half the price as in Europe. The ecological evaluation of the bioethanol production has also shown that Brazil performs better in terms of energy and greenhouse gas balances than the European Union.

An important aspect of international environmental policy is the *preservation and the sustainable use of biological diversity*. The Group continued to analyze the regulatory mechanisms that have been implemented internationally for the preservation of global biodiversity.

One of the possibilities for the commercial use of genetic information is in biotechnology R&D which predominantly happens in industrial countries but uses genetic material from ecosystems located in developing countries. The question is as to whether trade in genetic resources on private markets can create incentives for the preservation of biodiversity and can thus support international and national interventions for the protection of biodiversity. In an empirical analysis of the markets for genetic resources it was found that there are little incentives given for the preservation of biodiversity. This is due to the interaction of several factors such as nonrivalry in the use of genetic information, the possibility to substitute genetic material from nature in the research process, and the strong competition between the suppliers of genetic material.

Apart from the possibility of protecting biodiversity by using it in a sustainable fashion, there is the option to protect the most sensible ecosystems by excluding these areas from intensive commercial use. For the creation and the management of such protected ecosystems in developing countries, international transfers are provided by the industrialized world. The Group analyzed such transfers which are administered through the Global Environment Facility (GEF). It turned out that the payments are predominantly made for the management of already protected areas and to a much lesser extent for expanding the protection on new areas. One of the principles for allocating these international funds is the

principle of incremental costs. The analysis of the GEF projects has shown that there are conflicting interpretations of this principle and that it is implemented differently in GEF projects.

In 2004, the project on the *economic potential of labels for the protection of consumers and the environment* was continued. Labeling systems are increasingly used worldwide as an instrument of consumer policy and environmental policy as well. They are information instruments which provide consumers with detailed and verifiable information on certain qualities of a product in order to reduce market failures due to information asymmetries and to support consumer decisions based on individual preferences. On the other hand, labeling systems are used by producers in order to differentiate products in global markets and to signal specific product qualities. The use of labeling systems can therefore result in intentional as well as unintentional allocation effects.

For the analysis of labeling systems a detailed database was developed which covers most of the labeling systems existing in Germany, the European Union, and in many developing countries. In addition, in several case studies the design and the impact of specific labeling systems have been analyzed and differences between labels in industrialized and developing countries have been identified. Based on this empirical database the economic impact of labeling systems has been investigated. One important aspect of labeling systems is the dual effect of providing more transparency in a market and at the same time segmenting markets thus reducing this transparency. This is of special concern in international trade for the developing countries. So far, the WTO has not resolved this conflict between the principles of open markets, the misuse of labeling systems as a non-tariff barrier, and the interests of producers and consumers in obtaining verifiable information.

The risks and opportunities of labeling systems for the developing countries were a special focus of this project. These countries can either design their own labels and use them in export markets, or they can use foreign labels, or they can negotiate agreements on the mutual recognition of national labels. In this context the potential of harmonizing labeling systems through mutual recognition, and of introducing the principle of ecological equivalence have been analyzed.

○ Natural Resources

The Natural Resources Group (headed by *Manfred Wiebelt*) continued its research on economic and social sustainability in resource-rich developing economies. The existing computable general equilibrium model was modified to be suitable for the analysis of long-term development processes. The empirical

research concentrated on the relationship between natural resource availability and economic growth for different types of natural resources. For a number of resource-rich countries it was analyzed which institutional design and which economic reforms would support sustainable growth in an economy. In addition, in collaboration with the Environmental Economics Group, a comprehensive survey of partial and general equilibrium models for the analysis of trade policies was completed. Finally, the Group initiated several contacts for establishing interdisciplinary networks in the area of sustainable growth, mega-cities, and globalization.

In collaboration with the Stability and Structural Adjustment Group the GEM-PIA model (*General Equilibrium Model for Poverty Impact Analyses*) was developed. GEM-PIA is a computable general equilibrium model with a disaggregated production and household sector combining structuralistic as well as neoclassical features for the analysis of long-term development processes. An important feature of GEM-PIA is the distinction between formal and informal activities in the production sector, which is an important aspect of the dualistic structure of many resource-dependent economies. It also disaggregates labor markets as well as capital markets. As such, the GEM-PIA model is now suitable for analyzing and simulating the growth of urban informal sectors. Finally, the model captures the institutional details determining the medium- and long-term aspects of physical capital growth. As done with a short-term model, a long-term model was coupled with a micro simulation model which captures the heterogeneity of the population and is thus able to identify the poverty and distributional effects of alternative development paths.

The short-term as well as the long-term model were used in 2004 for the analysis of *pro-poor growth development strategies in Bolivia*. In collaboration with the Development Economics and Global Integration Department, the short-term analysis focused on the adjustment to external shocks and the reduction of poverty in the agricultural sector. The long-term analyses focused on the potential income that can be generated from the sizable deposits of natural gas in Bolivia and from the future reforms of the labor market and the tax system in rural and urban areas.

The simulation exercises have shown that repeated external shocks such as the climate phenomenon El Niño not only create significant income losses in the agricultural sector which is directly affected by El Niño, but also results in a reduction of supply, thus increasing prices for foodstuffs in urban areas and reducing real income of the urban population. Institutions such as the World Bank have advocated to improve the access to local credit markets for the rural population in order to fight poverty and accelerate economic growth. Such

policies could reduce rural poverty but they would not improve the growth rate of the economy because of the existing structure of the Bolivian economy.

Similar results were found in the long-term analysis which was done in collaboration with the University of Göttingen. The simulation exercises have shown that the potential for sustainable growth especially in the country is rather limited. This is due to the fact that rural households have to continuously cope with the above-mentioned external shocks. In addition, high transport costs coupled with a low capital endowment limit the growth potential of rural enterprises. However, investment in public goods such as the rural infrastructure and agricultural research can lead to improvements in the productivity of agricultural activities. Such productivity improvements are also responsible for the success of improved access to credits and complementary private investments. The research project also found that the modern and dynamic part of the Bolivian agriculture is too small in order to absorb the agricultural labor force. Therefore, a poverty reduction policy oriented towards modern agriculture is not likely to be successful. Finally, the agricultural regions do not profit from Bolivia's rich endowment with natural gas. To the contrary, rural regions are negatively affected by the economic adjustment, and poverty increases. Overall, the Group found that the prospects for the development of rural regions depend to a large extent on the development of economic activities in the cities. They would absorb part of the excess labor force in rural sectors and increase their demand for agricultural products and foodstuffs such that agricultural incomes can rise.

There exist several options for improving urban growth and reducing urban poverty. Despite the little interaction with the rest of the economy, the development of the gas sector can improve the situation in urban areas. These positive effects are the larger, the more widespread investment is induced by the activities in the gas sector. The financial resources the government will acquire from the gas industry should be used in part for poverty reduction measures, however, a major part should go into public investment.

There are two structural reforms still outstanding: the deregulation of the urban labor market and the reform of the income tax system. Both would have positive effects on economic growth and poverty reduction. However, they have been heavily opposed by the urban workforce. The simulation studies have also shown that such opposition can be overcome if the structural reforms are combined with the development of the Bolivian gas sector.

The Group also cooperated in a World Bank project on the *poverty impact of the DOHA Round in Brazil*. This project is designed to identify specific trade policy measures which support poverty reduction. In this project different trade policy scenarios are simulated with models based on the Global Trade Analysis Project.

The results of these models are used as an input in national models which are used to estimate the poverty impacts of these trade policies. The case study on Brazil is especially designed to measure the size of the poverty reduction and distribution effects of the change in trade policies in a medium-term scenario incorporating important structural changes such as different sectoral productivity growth rates, intersectoral migration, and demographic change. Currently, this model is being coupled with a micro simulation model in order to better identify the distribution effects of trade policy at the household level.

The Group was also involved in a joint project of the Department for African Studies of the University of Leipzig and the Africa Institute in Hamburg on *pro-poor growth in Uganda*. This project assessed the recent development of the income distribution and the poverty situation in the last 10 years on the basis of household surveys. Relatively high growth rates in the 1990s brought a significant reduction in poverty because the agricultural sector, which dominates the Ugandan economy, had high growth rates. In the same manner the recent slow growth in the agricultural sector was responsible for the negative development of poverty in the year 2000. However, rural-urban migration and a change in the sectoral employment structure alleviate some of the slow growth effects on poverty. The project also investigates the impact of the Ugandan policy in education and health activities. The introduction of compulsory schooling was quite successful in the 1990s. However, the poor population had hardly any access to secondary and tertiary education and thus benefited from the public expenditure on education only partially. An additional problem has been the low quality of schooling. In the health sector, public expenditure has reached the poorer parts of society. However, there have also been problems with the quality of the health services provided.

In a cross-section study the Group analyzed the phenomenon that economies which are well endowed with natural resources grow on average more slowly than resource-poor economies. This "resource curse," as it has been named in the literature, has found many explanations so far. The literature, however, has ignored that different types of natural resources may have a different impact on the resource curse. The study has revealed that specific natural resources which may be more or less geographically concentrated induce different types of economic and political transmission mechanisms into the overall economy.

5. Regional Economics (Research Department III)

Within the thrust of the Institute's research, the Regional Economics Department (headed by *Rüdiger Soltwedel*) focuses on the spatial perspective, i.e., on how centripetal and centrifugal forces are shaping the spatial division of labor. Currently, its research tries to answer questions such as whether the integration process fosters the agglomeration of economic activity or entails deconcentration; whether it is a positive-sum game for all of the regions or whether some of them are losing out; what the policy implications are and which regional governance structures are appropriate for succeeding in the indispensable process of institutional and locational competition.

○ Regional Growth and Spatial Structure

The research focus of this Group (headed by *Dirk Dohse*) was on the determinants of regional disparities in innovation and growth and on the regional impact of European integration and enlargement.

According to recent theoretical models from New Economic Geography and Endogenous Growth Theory, external agglomeration benefits are of paramount importance for microeconomic location decisions as well as for the macroeconomic performance of regions and countries: intensive division of labor, the exploitation of internal and external scale economies, and the rapid intraregional diffusion of new knowledge all foster growth in densely populated countries and regions. There are, however, also agglomeration diseconomies that work in the opposite direction. These include higher real estate prices, traffic congestion, and the deterioration of the environment.

Although there are numerous macro-level studies on the growth effects of agglomeration, very little is known about the impact of agglomeration on firm (i.e., microeconomic) performance. Therefore, the Group continued its investigations on the *relationship between locational characteristics and firm growth*. The empirical analysis was based on a model of firm growth that is specific to characteristics of the location, firm, and industry.

Following earlier work by Lucas and Rauch, the Group interpreted the average level of human capital in a region as a local public good entering the resident firms' production function. It was found that young, knowledge-intensive firms which are located in regions with a high average level of human capital grow faster than firms in regions with a low average level of human capital. This indicates that human capital externalities have a significant impact on growth—not only at the macro but also at the micro level.

In a new project, the Group began to analyze whether there is a statistically significant *relationship between regional growth* (GDP growth as well as employment growth) and the *average firm size in German counties* (Kreise). In a first step, the Group analyzed the regionalized value added tax statistics of the German Länder in order to generate a database on the average firm size (measured by revenue) for the manufacturing, retail, wholesale, and service sectors. The average regional firm size, measured by revenue, shows a high degree of correlation with the average regional firm size, measured by employment available from the last population and work place census. In a second step of analysis, the Group will regress regional GDP and employment growth on average regional firm size and a number of control variables derived from economic theory.

The results of this analysis are of high policy relevance—in particular with respect to east Germany—as it is often argued that the lack of large enterprises and the low average firm size in east Germany are major impediments that hamper the catch-up process with the West.

Another project aims at *estimating the strength and spatial scope of spread effects of urban centers*. In contrast to earlier studies which used to approximate spread effects by the intensities of commuting between regions, this project builds upon recent models of urban economics where the location decisions of firms and households are determined simultaneously. The Group defines a spread effect of urban centers onto a nonurban location as the difference between the observed land price at that location and a hypothetical land price that would prevail if the urban centers did not exist. Particular emphasis is put, on the one hand, onto estimating the hypothetical, or reference, land price. It is estimated empirically from exogenous factors of location (national conditions and resources, amenities) as well as from spread effects among the nonurban regions. Particular emphasis is put, on the other hand, onto adequately modeling the decay of the intensity of spread effects with increasing distance from urban centers. According to recent urban models, land prices may not change continuously and linearly with increasing distance from the center.

Although the focus of the empirical investigation is on west Germany, the results will be relevant for east Germany as well. Assuming that, in the long run, the strength and spatial scope of spread effects of urban centers will not differ significantly between east and west Germany, the study will help assess to what extent peripheral regions in east Germany will benefit from a policy of focusing German federal public assistance towards east German urban centers, which has recently been proposed by several scholars and politicians.

Research on the *regional implications of European integration* was continued with particular reference to the eastern enlargement of the EU in a project that is scheduled to last until 2005. In cooperation with six other west and east European research institutes, the Group is analyzing empirically how integration and enlargement processes affect the division of labor among EU regions and, consequently, the regional income distribution. During the second phase of the project until mid-2004, large sets of longitudinal regional data were completed and analyzed in a series of country studies by means of descriptive statistics. During the current third phase, more comprehensive results on the relationship between integration and regional structural adjustment will be obtained by econometric analysis. These results will allow inferences to be drawn about potential evolutions of European regions in the aftermath of the eastern enlargement. During the final phase of the project starting in mid-2005, the Group will identify the regions endangered by a potential economic downturn, assess the challenges from integration for regional policy on a European, national, and local level, and draw some policy conclusions from the analysis.

○ Infrastructure, Institutions, and Integration

The Infrastructure, Institutions, and Integration Group (headed by *Claus-Friedrich Laaser*) continued the Institute's earlier work which had resulted in several critical assessments of transport infrastructure policy, especially the EU program "trans-European networks." In a new project on *EU infrastructure policy*, the recent discussion on providing and financing infrastructure projects by the EU has been extended by an explicit discussion of the consequences that the *accession of Central and East European countries* might bear. This topic has become especially relevant when in mid-July 2004 the European Commission launched its proposals for a new Directive on the European Structural Funds. These funds are the main financial source by which the Community can support infrastructure projects. However, in the enlarged Community it will be necessary to reallocate a substantial part of the funds in favor of the new member states.

As to the question of the future sizing and allocation of the Structural Funds' financial means, this basically requires a political compromise between the interests of the new EU members (as much assistance as possible), those old members that presently receive EU support (possibly no less assistance than up to now), and those old members that currently are so-called net payers (possibly no higher payments than today). Against this background, the new research project is focused on the more general problem of an economically sound allocation of competences between different layers of government in federal systems.

A benchmark for a plausible solution to the said problem and, thus, for the proposed reorientation of EU infrastructure policy is given by the principles of subsidiarity and fiscal equivalence, both of which play a prominent role in the traditional theory of fiscal federalism. In effect, these principles imply that competences for infrastructure policy on the Community level are justified either if the existence of the relevant infrastructure generates so-called interjurisdictional externalities (e.g., using one country's internal road network by foreigners without compensation) or if infrastructure expenses by the Community are explicitly used to improve the perspectives for economic growth especially in the new member states, in order to overcome the existing income disparities between old and new members of the Community.

In view of these considerations, the Group recommended that (1) EU infrastructure policy should further facilitate the establishment of trans-European networks by a Community-wide institutional framework for coordination of international infrastructure projects and by granting financial support in order to compensate for Community-wide interjurisdictional externalities, (2) such financial support should be concentrated on relatively few (about four) really "trans"-European corridors while other primarily bilateral links between each two countries should be left to bilateral agreements and financing, and (3) infrastructure projects in the new member states should, in view of their low real income levels, which imply only minor possibilities for national or even private financing, and in view of the goal of reducing the disparities to the old member states, be given additional financial support from EU sources, i.e., more support than would normally be justified by the kind of externalities mentioned before. The search for the required political compromise may be facilitated by the existing limit of 4 percent, in relation to a country's gross domestic product, for all financial allocations in the framework of EU structural policy. Such a limit may, with respect to the recipients' absorption capacity, be economically justified as well.

Research on the design of the institutional framework for the airport industry was continued. The focus was on the effects of alternative governance structures (ownership and regulatory regimes) on the efficiency of airports. Most airports worldwide are subject to economics and regulations. Because airport infrastructure facilities represent immobile investments dedicated to specific uses and are characterized by long working lives once these investments have been made, the future economic fate of a regulated airport is bound to future decisions by the regulator. However, the social welfare effects of regulation depend on the willingness of airports to invest in such facilities. Hence, the design of a governance structure for the airport industry can be analyzed as a contract problem. On this basis, previous research conducted by the Group showed that complementarities exist between appropriate ownership structures and the design of the institutional

framework for the airport industry. Hypotheses were generated about what may constitute a misalignment of ownership structures and certain elements of the institutional framework. Now that empirical research on the efficiency effects of alternative alignments was started, the efficiency of an airport will be measured in terms of generated air traffic, taking the airport's potential traffic (which is a function of specific characteristics of its hinterland) explicitly into account. This requires (i) the identification of those geographical and economic hinterland characteristics that determine the airport's potential traffic as well as (ii) the measurement of the effect institutional variables may have on the transformation of potential traffic into actual traffic. The estimation of the impact of alternative governance structures on the airports' ability to attract air traffic will be based on a comparative analysis of governance structures that are employed in different countries.

6. Development Economics and Global Integration (Research Department IV)

In the Development Economics and Global Integration Department (headed by *Rolf J. Langhammer*), research is principally targeted toward two major issues: First, analyzing the interactions between growth, institution building, geography and poverty distribution in developing countries and emerging markets. This analysis takes account of growth effects of private and public capital flows like foreign direct investment and development aid as well as the effects of import barriers to the international trade in goods and services. Second, it is targeted toward analyzing the prerequisites of monetary and exchange rate policies that are necessary to ensure macroeconomic stability in the process of economic growth.

○ International Capital Flows

The focus of this Research Group (headed by *Peter Nunnenkamp*) focused on important aspects of development financing, notably the determinants and effects of foreign direct investment as well as the distribution of foreign aid, and on the consequences of structural reforms on the distribution of income in developing countries.

In cooperation with the United Nations Conference on Trade and Development (UNCTAD), the Group analyzed the *challenges Latin America is facing in global competition for foreign direct investment (FDI)*. The region's impaired

attractiveness was attributed to competitive weaknesses affecting large parts of the region as well as to country-specific problems. Structural bottlenecks were identified as the common root of the decline in both foreign and domestic investment. In addition, the backlash against privatization has spread across the region, not least because the benefits of various privatization-related FDI projects fell short of high expectations. For example, the injection of FDI into Mexico's now foreign-dominated banking system strengthened the capital base of banks and, thus, rendered them less prone to a crisis, but the presence of foreign banks had little effect on the limited supply and high cost of credit to the production sector. Country-specific challenges included the relocation of FDI from Mexico's export-oriented maquiladoras, which was largely due to fiercer competition from China and other Asian countries, as well as the need for host countries such as Chile to diversify and upgrade FDI inflows.

Based on previous work suggesting that the determinants as well as the effects of FDI vary between different types of FDI, the Group developed a two-pronged research agenda, comprising cross-country analyses and country-specific case studies, in order to assess the economic growth effects at a disaggregate level. The planned project, jointly proposed with UNCTAD's Division on Investment, Technology, and Enterprise Development, has two related aims: (i) to identify the heterogeneous nature of FDI by explicitly taking into account the different motives for, and different types of, FDI; and (ii) to test the hypothesis that host-country conditions, FDI characteristics as well as the interplay between these factors shape the economic effects of FDI in developing host countries. The project is expected to help explain the ambiguous findings on the link between FDI and economic growth presented in previous studies, which, typically, apply highly aggregated FDI data. At the same time, a more detailed account of FDI and its economic effects is expected to underline the argument that it is more difficult for policy-makers to derive macroeconomic benefits from FDI than to attract FDI.

Similar to the case with FDI, the link between foreign aid and economic growth proved to be highly ambiguous in earlier empirical investigations. More recently, it has been shown that the effectiveness of aid could be improved if bilateral donors and multilateral institutions reallocated aid to countries where poverty-related needs are greatest and where the local institutional and economic policy environment rendered it most likely that aid would be used productively. Various donors claim that this insight has already increasingly shaped the allocation of their aid. However, the Group found little empirical evidence supporting the view of well targeted aid. In particular, many donors have failed so far to direct aid predominantly to countries where local conditions were favorable. The response of donors, including donors whose aid is often supposed to be well targeted, to changing institutional and policy conditions turned out to be fairly

weak. Furthermore, the evidence was in conflict with the proposition that multilateral institutions provided better targeted aid than bilateral donors did.

The Group continued its research on the *distributive effects of structural reforms in Bolivia*. The starting point of the analysis was the striking perception gap on the country's post-reform economic performance. On the one hand, Bolivia has long been hailed by academic scholars and the donor community as a "success story" for comprehensive and far-reaching structural reforms. On the other hand, there has been growing discontent among the Bolivian poor with the slow progress in improving their living standard, which culminated in social unrest in 2003. The main obstacle to analyze the roots and causes of this perception gap is the lack of reliable pre-1997 micro data on incomes and consumption expenditures in the rural areas of Bolivia. To overcome these data constraints, the Group developed, in collaboration with the University of Göttingen, a new micro simulation methodology and combined the information provided by four Bolivian Living Standard Measurement Surveys and three Bolivian Demographic and Health Surveys to generate an intertemporally comparable set of micro data on simulated incomes for total Bolivia in 1989, 1994, 1999, and 2002. The simulated incomes were used to estimate detailed poverty profiles in order to track the evolution of poverty for different subgroups of the population over time as well as to evaluate the "pro-poorness" of the simulated income changes between 1989 and 2002 with the help of growth incidence curves. The results suggest that Bolivia experienced pro-poor growth between 1989 and 1999, but the reduction in the incidence of poverty was partly wiped out in the strong recession between 1999 and 2002. Additionally, the welfare gains were unevenly distributed: the divides between (a) urban and rural households, (b) small and large households, (c) skilled and unskilled workers, and (d) formal and informal workers have increased over time.

○ Industrialization and Foreign Trade

This Group (headed by *Matthias Lücke*) continued to focus on the evolution of the multilateral trading system and on modeling the effects of regional integration and trade liberalization, especially in the immediate EU periphery.

One study conducted by the Group analyzed the *challenges and opportunities for developing countries from the ongoing Doha Round negotiations on international trade in services*: To what extent should developing countries formally commit to liberalizing their service imports under the terms of the General Agreement on Trade in Services (GATS)? The Group argued that developing countries will clearly benefit from liberalizing service imports as long as liberalization enhances competition on the supply side. This is typically the case for producer

services, such as domestic and international transport, financial services, and telecommunications. The lifting of restrictions on the foreigners' access to markets (including through direct investment) will tend to improve service quality or lower prices and thereby enhance the international competitiveness of downstream industries. In Doha Development Round negotiations, therefore, developing countries may find it useful to commit to liberalizing imports of producer services.

By contrast, the benefits of import liberalization are less clear for some consumer services where supply is subject to network monopolies (e.g., water and energy distribution) or demand is constrained by poverty (health care, education). Here, achieving a socially optimal level of supply may require carefully calibrated government policies, possibly with international donor support. For developing countries, such sectors should not be priority areas for making commitments on service imports under the GATS. At the same time, most service exports by developing countries, especially IT services transmitted electronically, face few import barriers in industrialized countries. However, under the GATS, service exports may also be delivered through temporary movement of natural persons. If Doha Development Round negotiations were to increase the opportunities for such temporary labor migration, the benefits to developing countries could be large. Additionally, international trade in services has been subject to analyses dealing with the uniformity of EU trade policies in services as well as with the explicative power of revealed comparative advantage indices. With respect to the former issue, it was shown that the EU is not yet a complete customs union in service trade. As concerns the latter issue, the explicative power of RCAs is very much dependent on the specific mode of supply (through trade or direct investment).

Another study examined *developing country market shares in U.S. apparel imports*. It estimated tariff-equivalent measures of nontariff barriers in the form of inadequate physical infrastructure, lack of producer services, and similar bottlenecks in exporting countries. This research combined new export-tax-equivalent estimates of quota rents under the Agreement on Textiles and Clothing (ATC) with qualitative information from surveys of major exporting firms. While quotas impacted exports significantly as expected, production costs, the quality of infrastructure, and transport costs were also important. This finding suggests that liberalizing infrastructure and transport services can be a key step towards improving the competitiveness of exports; after all, an additional day in transit from an exporting (developing) country to an importing (industrialized) country entails, on average, a 0.8 percent increase in the landed price.

Related research examined the *trade effects of antidumping measures (ADMs) applied by the EU*. The Group identified a total of 160 antidumping orders and suspension agreements in place at the end of 2001, affecting imports from 36 countries. It used econometric techniques to compare the affected trade flows to a reference group of 50 other exporting countries that were not affected by ADMs or various other trade barriers. The Group found that countries with only 1 to 5 orders in place lost up to 7 percent of their potential exports to the EU, while the countries most affected by ADMs (like China, India, and Taiwan) lost more than 15 percent. These numerically large estimates suggest that ADMs may well have eroded, in considerable measure, the gains from tariff reductions under GATT/WTO trade liberalization over the last score of years.

Recent work modeling the effects of *regional integration and trade liberalization focused on Russia*, especially the country's proposed accession at the WTO as well as regional integration with member countries of the Commonwealth of Independent States (CIS) and the European Union. Constructing a computable general equilibrium (CGE) model for Russia presented crucial challenges in terms of setting up the required databases; methodologically, the Group sought to move beyond "first generation" models (perfect competition with heterogeneous goods) to incorporate increasing returns to scale, imperfect competition, and long-run dynamics. The findings suggest that a free trade area with the EU or regional integration with CIS countries would result in significant trade liberalization and, hence, welfare gains. By contrast, the impact of WTO accession on Russia's trade barriers on imports would be small, judging from its most recent "tariff offer" during the accession negotiations. Additional market access for Russian exports would also remain limited because, Russia's exports consist largely of energy commodities whose trade (at least externally) is already liberalized.

○ Human Capital and Economic Growth

This Group (headed by *Erich Gundlach*) concluded a microeconomic research project that aimed at improving the understanding of the impact of *schooling institutions on student performance*. One aspect was to develop a model of educational production that would show how different schooling institutions might interact in shaping the incentives of the actors in the schooling system. The other major aspect of the project was a detailed empirical assessment of the presumed impact of schooling institutions on student performance on the basis of PISA data, which allow for rigorous tests of hypotheses that are advanced in the literature. The empirical results of the project supported the theoretically expected link from schooling institutions to student performance. The estimation

results showed that schooling institutions like central exams, the distribution of responsibilities between schools and the schooling administration, the distribution of responsibilities between administrative levels, the influence of teachers and parents on schooling policy, or the presence of private schools all impact on average student performance in a theoretically predicted and quantitatively important way. In summary, these results provide an alternative perspective for recent debates on improving the outcomes of the education sector, which up to now have mainly focused on increasing education expenditure rather than on reforming schooling institutions.

Macroeconomic research conducted by the Group reconsidered the potential *relevance of geographic factors* for an understanding of the vast *cross-country differences in the level of development*, which can be observed today. Partly by highlighting the arguments of an older literature and partly by presenting new empirical evidence, Jeffrey Sachs and coauthors have argued that measures of geography such as malaria prevalence may directly impact on the level of economic development in addition to the impact of the institutional framework of a country. Other recent empirical studies deny any direct impact of geography on the level of economic development and instead emphasize the primacy of institutions over geographic factors. The main disagreement in the present debate is not about theoretical possibilities, but rather about the robustness of the empirical evidence presented by each camp. A robust answer to this empirical question may have substantial implications for devising appropriate international development policies. For instance, foreign aid may mainly be targeted on initiating policy reform and on improving institutions in impoverished countries if no direct development effects of malaria prevalence can be identified empirically. But given that there are direct performance effects of malaria prevalence, foreign aid may also be spent on solving biophysical or technological problems which are specific to public health in tropical countries. In summary, the empirical results obtained by the Group tend to support the view that for a given impact of the institutional framework of a country, there appears to be a statistically significant, robust, and quantitatively important impact of a measure of malaria prevalence on the level of development. Hence both good institutions and a favorable disease ecology appear to be necessary though not necessarily sufficient recipes for economic success.

Another question that necessarily arises in the discussion of potential determinants of growth and development is whether a *weak quality of the institutional framework of a poor country* may not itself be a direct consequence of poverty rather than being its main cause. In cooperation with a member of the Institute's Advanced Studies Program a research project was initiated that aims at estimating the empirical relevance of this hypothesis, which has recently received some

attention outside academic economic research. For instance, in context with the realization of the Global Millennium Development Goals of the United Nations it has been claimed that many sub-Saharan African countries are actually not governed worse than other developing countries if only their below-average level of development is appropriately considered for such a comparison—which would imply that sub-Saharan countries would qualify, like other developing countries, for supportive measures considered under the Millennium Development Goals despite a conceded lower actual quality of their institutional frameworks. The main point of the project is thus to find out whether the suggested hypothesis of an income-dependent quality of the institutional framework in a country will prove to be robust to alternative statistical approaches, samples of countries, and data sets. Given that the presumed relation does indeed exist, the next step would be to identify other potential factors that might affect a country's level of development in order to see why a given level of income-adjusted institutional quality might not suffice to understand observed international differences in the level of development.

○ Stability and Structural Adjustment

The Group (headed by *Rainer Schweickert*) worked on monetary policy in emerging market economies, on European integration from the perspective of new member countries and neighboring countries of the EU, and on structural adjustment in low-income countries. Research on *monetary policy in emerging market economies* focused on the actual and optimal role of the (real) exchange rate in the definition of monetary policy in the economies with a flexible exchange rate regime. Generalized reaction functions for the central banks of Latin American, European, and Asian countries have been analyzed on the basis of vector autoregressive models. The empirical results demonstrate that the exchange rate actually plays a significant role for the conduct of monetary policy even in countries which claim to be free floaters and to follow an inflation targeting approach. In a theoretical approach, supported by DAAD for participation in the PhD guest program of the Universidad Pompeu Fabra in Barcelona, structural features of emerging markets will be integrated into the framework of a new open economy macro model in order to evaluate alternative monetary policy strategies.

In a project on European integration from the perspective of new member countries and neighboring countries of the EU, *European monetary integration after EU enlargement* was analyzed in cooperation with the Industrialization and Foreign Trade as well as International Business Cycle Groups. Inspecting the status of the new member states with respect to the monetary and fiscal Maastricht

criteria shows that considerable progress has been made, and fears that structural real appreciation would pose a problem of monetary policy inconsistency seem to be overblown. Looking at the exchange rate regimes implemented in the new member states and the remaining two accession states, the corner solutions seem to work well. The examples of Estonia, Lithuania, and Bulgaria (Currency Boards) as well as Poland, the Czech Republic, and Hungary (Inflation Targeting) demonstrate that such corner solutions can help to design and sustain consistent macroeconomic strategies. This is a reason why expectations about gains from entering EMU should not be too optimistic. For the old member states of the EU, it is at least difficult to find a significant increase in trade flows or a decline of long-term interest rates when EMU has been established. Most of the gains have been realized in the process of monetary integration. However, monetary integration has a role in supporting domestic policies and completing monetary integration, i.e., introducing the common currency can lock in the gains realized so far.

Another aspect of European integration, the *institutional development in the EU neighbor states in Southeast Europe* was evaluated in cooperation with the Institute for Political Science at the Kiel University on the basis of a comparative indicator approach. Taking the Governance Indicators of the World Bank as a proxy for institutional development revealed that the countries in the Balkan and Black Sea regions, but to a considerable extent also the new member states of the EU are still far away from the standard set by the old member states. Generally, with the exception of Turkey, the legislative institutions are better developed than the administrative and judicial institutions. This points at deficits in the implementation of existing laws. Looking at the countries which are closest to EU membership reveal that institutional development in Bulgaria and Croatia is better than in Romania and Turkey. Without considerable institutional progress in new and potential future member states the institutional heterogeneity in the EU will increase further. This implies considerable costs for the process of integration, especially for the process of decision-making and for the potential of poor member states to catch up. Therefore, the analysis of institutional development in Europe supports a more careful enlargement policy.

The Group continued its work on structural adjustment in low-income countries. As part of a World Bank comparative country study on operationalizing the concept of pro-poor growth, the Group conducted the case study for Bolivia, in collaboration with the University of Göttingen as well as the International Capital Flows and Natural Resources Groups. A computable general equilibrium (CGE) model was employed to show possible scenarios for the evolution of growth, poverty, and inequality in Bolivia. It turned out that after the current recession urban areas may experience higher growth rates than in the 1990s and, as a con-

sequence, a marked poverty reduction. Such a favorable outcome will, however, only materialize if the planned gas projects, some of which are on hold because of political resistance, are realized and if outstanding reforms of the urban labor market and the tax system are carried out. For rural areas, prospects are much bleaker. This is partly due to the fact that recurrent external shocks impair agricultural development, but it also reflects the limited impact of specific measures such as investments in rural infrastructure and improved access to credit on the productivity of smallholders at least in the short to medium run.

Analyzing the causes of *sub-Saharan Africa's economic stagnation* was another focus of the work on structural adjustment in low-income countries. In a previous project, it had already been shown that the widespread discrimination against agriculture has had a negative impact on the region's development. Beside this, two additional bottlenecks have been identified. First, institutional quality is far below the international average, with very few exceptions such as Botswana and Mauritius. Second, the sub-Saharan countries located in the tropics suffer from geographical disadvantages such as low soil fertility and high malaria prevalence. Both impediments to development cannot easily be removed, but some progress is conceivable. There are indications, for instance, that even Africa might experience some sort of "Green Revolution" if efforts in international agricultural research were carefully tailored to local conditions.

7. Business Cycles (Research Department V)

The Business Cycles Department (headed by *Joachim Scheide*) analyzes and forecasts the cyclical development in the world economy with a particular focus on Germany, the euro area, and other industrial countries. Furthermore, various strategies for economic policy are analyzed in order to evaluate whether they can contribute to price level stability, economic growth, and a more stable cyclical development of output.

The development of the theoretical basis for understanding and forecasting business cycles is a central task of the Department. In addition, modern econometric methods are used to improve the empirical basis for the forecasts and the assessment of economic policy. The Department uses several databases which are permanently updated by adding national and international data from official and nonofficial sources when analyzing the cyclical development and the situation of public finances.

Four times a year, the Department analyzes the business cycles and prepares the forecasts which are published in the journal "Die Weltwirtschaft" and also as

“Kiel Discussion Papers.” In addition, special topics related to business cycle research and macroeconomic policy are published. In the spring and in the fall, the analyses focus particularly on world economic events and on issues related to the business cycle and economic policy in the euro area. These publications also serve as the basis for the traditional “Kieler Konjunkturgespräche” (Kiel Business Cycle Conference), a meeting at which national and international experts discuss the outlook for the world economy. In the fall and in the spring, the Department, together with the other five major economic research institutes in Germany, prepares an extensive report on the economic situation in Germany and the rest of the world and on current issues of economic policy. This report, which is financed by the federal government, is then presented to the public.

The analysis of economic policy and the cyclical development in the euro area was a major topic of business cycle research. In 2004, the Department continued and intensified its cooperation, started several years ago, with other European research institutes (these being: CPB, The Hague; DIW, Berlin; ESRI, Dublin; ETLA, Helsinki; NIESR, London; OFCE, Paris; Prometeia, Bologna and Wifo, Vienna). This international network of institutes, named EUROFRAME, prepares joint forecasts and policy analyses for the euro area and the European Union; furthermore, the network cooperates in the field of basic research on the macro economy. In addition, members of the Department regularly participate in conferences of the Association d’Instituts Européens de Conjoncture Economique (AIECE), a large network of European research institutes.

○ Basic Business Cycle Research

Research in this Group (headed by *Kai Carstensen*) focused on three projects concerning the analysis and use of real-time data. Real-time data are those data which are actually available at a certain point of time. Data available later on differ from real-time data due to revisions and corrections. Hence, unrevised real-time data for recent observations can be highly uncertain.

The first project dealt with an *econometric model for the revisions of real-time data* in order to obtain a statistically valid description of the revision process. This would allow comparing the revision processes of different variables and in different countries. In addition, such a model could be useful to include the specific uncertainty of early releases in forecasts or in real-time analyses of decision makers.

In the second project, an *indicator for real-time forecasts* was implemented. Applying a factor model, the indicator extracts relevant information from a large panel of economic time series. In a second step, it is used as explanatory variable

in a forecasting model. Due to the semi-automatic implementation it is, in principle, possible to produce forecasts every day. However, the forecast accuracy still has to be verified.

In a third project, the Group started to construct *a real-time data set for German fiscal policy* in order to analyze fiscal decision processes and, in particular, the efficiency and unbiasedness of fiscal forecasts. The Group asked whether fiscal forecasts always use all available information and whether there are systematic forecast errors, e.g., because budget deficits or business cycles are systematically mispredicted.

In addition to these real-time projects, a project was carried out concerning *public investment in OECD countries*. Since the end of the 1980s, there has been an increased debate in the economic literature about whether the public capital stock is productive or not. Empirical studies of the productivity of the public capital stock have been limited to a small number of countries for which official estimates of the capital stock are available. In the Group's project, internationally comparable estimates of the public capital stock were produced for 22 OECD countries for the period 1960–2001. On the basis of these estimates, the productivity of the public capital stock in these countries was investigated with the help of various econometric methods. The estimation results from an application of single equation regression models (production functions) and cointegrated vector autoregressive models suggest that the public capital stock has statistically significant positive output effects in the majority of countries. On behalf of the European Investment Bank the project will be continued in order to investigate whether there are significant public capital stock gaps in European Union member countries.

Another project concerning the *efficiency of unit root tests in small samples* was almost completed. It is well known in the literature that the power of unit root tests strongly depends on a nontestable assumption concerning the first observation of the sample. With the help of the exact distribution of the test statistics, the power loss in small samples was examined and a method for improving the power was suggested.

Moreover, the effects of the May 2003 revision of the *ECB monetary policy strategy* on the *reaction function of the ECB* was examined in another research project. Tests for structural stability of the reaction function could not detect a statistically significant break, no matter whether the reaction function was estimated with real-time data or with revised data. Hence, the results indicate that the ECB did not change its observable behavior after the policy revision.

○ German Business Cycle

The German Business Cycle Group (headed by *Carsten-Patrick Meier*) analyzes and forecasts the *business cycle in Germany*. The recovery in Germany, which had started in the middle of the year before, continued in 2004. The impulses, however, came mainly from abroad. Foreign demand expanded forcefully in the first half of the year, despite the sharp appreciation of the euro in the two years before. The main cause was the strong upswing in the world economy, in particular in the United States and in Asia. When these impulses declined in the second half of the year, the cyclical upswing in Germany lost momentum. Domestic demand fell in the first half of 2004. The second half saw some rise in domestic demand, but this was not strong enough to fully compensate for the decline in exports. The weakness of domestic demand is partly a reflection of low potential output growth in Germany, which implies dampened long-run income perspectives of private households. In addition, consumers were held back by the unfavorable conditions on the labor market. Against this background, it was not surprising that the lowering of income taxes at the start of the year did not lead to a rise in domestic demand.

The Group continued its work on the *forecasting model for German exports*. One of the model's components—the index of industrial production of German trading partners—was extended to include 30 countries. In addition to the 18 industrial countries of the old model, 8 new Central and Eastern European member states of the European Union, Russia, and the Asian countries of China, Taiwan, and South Korea were added. National production indexes were weighted with the country's share in German exports and aggregated to a single index. The weights are now time-varying for each country. Specific equations guarantee that the forecasts for industrial production of the respective country are consistent with the Group's GDP forecast for that country.

The appreciation of the euro in the years 2002 and 2003 led to new efforts to quantify the *effects of exchange rate changes on the German economy*. In contrast to other investigations, the approach allows modeling the feedback effects between Germany and the rest of the euro area as well as between exports and imports and for a direct exchange rate channel on domestic demand. A small macroeconomic model for domestic demand in the euro area was built, for which the euro area was divided into two regions: Germany and the rest of the euro area. The main equations of the model were specified and estimated separately for the two regions. Particular emphasis was given to modeling the integration of the two regions into international trade and the consequences for region-specific effective exchange rates and foreign demand impulses. The model analysis found that the results of exchange rate changes are stronger in Germany than in the rest of the euro area. A permanent effective appreciation of

the euro by 10 percent reduces GDP growth in Germany in the first year by 0.8 percentage points, in the rest of the euro area the effect is only 0.4 percentage points. The estimated effects are somewhat smaller than those found in previous studies, partly because of the direct terms-of-trade effect on domestic demand.

In the political discussion as well as in the theoretical analysis, labor input measured in total hours worked becomes more and more important. This is due to the fact that labor contracts have become more and more heterogeneous due to timework for example. Therefore the informative value of the number of employed persons has decreased significantly. In this context a research project was started to explain the *development of total hours worked* using empirical methods. It was shown that the change in total hours worked in Germany was linked to the degree of wage restraint. In the analysis, three definitions of wage restraint were used: first, wage restraint was defined as difference between the growth rate of the net national product and the growth rate of the employee's actual hourly remuneration. Second, wage restraint was defined as difference between the growth rate of the net national product and the growth rate of the negotiated hourly wage with and, third, without considering nonwage labor costs. Regressions based on all three definitions have shown that wage restraint has a positive effect on total hours worked. The effect of negotiated hourly wage restraint is smaller than the effect of a restraint of actual hourly remuneration. This is evidence to suggest that part of the restraint of the negotiated hourly wage is neutralized by the induced wage drift.

Given the very modest GDP growth in Germany in the period 2001–2003, the Group asked whether this was due to a short-term, business cycle phenomenon or to a decreased growth rate of potential output. A project on the likely prospects of *potential output growth in Germany* served to gain more insights into this issue. Output was decomposed into its five components labor productivity, total hours worked per employee, employment rate (ratio of employment to labor force), labor force participation rate, and the working-age population; the last four build the component of total hours worked. Using a Hodrick–Prescott filter, the time series of the components with the exception of working-age population were cyclically adjusted. Potential output growth was calculated as the sum of the growth rates of its components. Based on these calculations, potential output growth decreased from 2 percent in 1994 to 1.2 percent in 2003. Whereas the weak level is especially the result of constantly negative growth rates of total hours worked, the decrease is caused by a decelerated growth rate of labor productivity. The negative growth rates of total hours worked are especially the result of a negative trend in total hours worked per employee. The decreasing growth rates of labor productivity since the mid-nineties can be explained by a decreasing growth of total factor productivity. In this context the accumulation of human capital, the institutional framework for labor and goods markets as well

as the investment in information and communication technologies are of special importance. With regard to the next years, various parts of the so-called Agenda 2010 will help to boost labor supply. The influence on labor demand is expected to be smaller. A critical figure is the average labor volume of employees, which is not expected to increase. Average total hours worked of full-time employees will increase; however, there will be a larger share of part-time jobs. Given a decreasing working-age population, potential output growth will remain at about 1 percent until the end of the decade.

○ International Business Cycle

The International Business Cycle Group (headed by *Klaus-Jürgen Gern*) analyzed *business cycles in industrial countries*. In addition, the current economic developments in a number of emerging market economies in Asia, Latin America, and Central and Eastern Europe were examined. Furthermore, in cooperation with the commodity group of the AIECE (Association d'Instituts Européens de Conjoncture Economique), increased attention was given to the analysis and forecast of world commodity markets. The analyses showed that the world economy continued to expand vividly in the first months of 2004 but lost momentum afterwards. A factor behind this was the fading out of economic policy stimulus in the United States and the measures to restrain growth in China, which is experiencing a pronounced boom of economic activity. A further dampening factor was the strong increase in commodity prices, including crude oil quotations, which accelerated and reached time and again new record levels.

Against this background, assessing the *impact of the strong rise in oil prices* played a major role in the forecast. The Group's analysis of the situation in oil markets concluded that oil prices can be expected to remain for a considerable period of time at much higher levels than had generally been assumed in other forecasts. In addition to theoretical considerations about the impact of higher oil prices on oil importing and oil exporting countries as well as on the world economy in general, quantitative estimates of the effects on output and inflation were taken from the literature and critically assessed. It was found that an oil price increase of the magnitude observed (and assumed for the forecast) will have significant effects, particularly in a number of emerging economies, but will not be enough to trigger a global recession. A pronounced monetary policy restriction, which had contributed to such a development after previous oil shocks, is currently unlikely as inflationary expectations are still at very low levels.

The high and increasing current account deficit of the United States is still feeding concerns about the sustainability of the world economic expansion.

Against this background, the *determinants of the U.S. current account* were examined. In an econometric approach it was shown that the development of the current account can be explained very well using the real effective exchange rate of the dollar and the growth differential between the United States and the rest of the industrial countries as explanatory variables. The estimated long-term relationship implies that major changes in the real exchange rate or in the growth differential are necessary in order to reduce the external deficit of the United States significantly. Conversely, a current account adjustment in the United States would have serious consequences for the global economic outlook.

In the recent past, there has been discussion about the danger of a deflationary development in large industrial countries such as the United States or Germany. While in the face of the global economic upturn and the strong rise in commodity prices this concern has diminished for the time being, the question remains of interest whether the beginning of a deflationary process is predictable. In order to address this question, the Group examined if *deflation in Japan* could have been foreseen. In a first step the predictable power of a number of variables was compared with that of a simple univariate autoregressive model. Then a dynamic simultaneous model was estimated. The findings are that deflation was extremely hard to foresee. This is not due to a structural break in the prediction power of the variables but because they perform badly before as well as after the burst of the Japanese asset price bubble. Only financial variables such as loans granted and the price for housing are good indicators for Japanese price movements.

A further focus of the Group's work has remained on analyzing *economic developments in the euro area*. Here cooperation with other European research institutes was continued and intensified when preparing the project of a joint economic forecast in the context of a European Forecasting Network. The Group continued to make contributions to a project on a business cycle indicator for the euro area, which allows taking up the pulse of the economy up to three quarters ahead of the latest available official GDP figures. Much work was devoted to the analysis of monetary policy, which against a variety of gauges was characterized as being expansive. This course was judged as being appropriate. In the face of the strong appreciation of the euro until spring the question was analyzed whether the ECB should have intervened in the foreign exchange markets. The empirical evidence shows that interventions are generally not successful in influencing the trend of the exchange rate development, particularly if they are sterilized. While unsterilized interventions can potentially have an impact, they are problematic because they may conflict with the goal of price level stability. Consequently, the ECB should be cautious as concerns foreign exchange interventions, even more so since the negative effect of an euro appreciation on output is not as large as often assumed, according to the results of simulations with a

small macroeconomic model. The analysis of fiscal policy continued to be dominated by the discussion about the Stability and Growth Pact. It was found that the problems of a number of countries in keeping the deficit below the limit of 3 percent of GDP do not stem from the design of the Pact but from insufficient consolidation efforts in the past. More specifically, it was pointed out that not the cyclically low growth has led to the violation of the rules of the Pact but the fact that the structural deficits have been increased since the end of the 1990s and not been reduced as planned. Should the Stability and Growth Pact be abandoned altogether, this would have significant disadvantages not the least because the incentives for new member states to fulfill the convergence criteria would be seriously damaged.

The new member states of the EU are eager to introduce the euro sooner or later; three countries—Estonia, Lithuania, and Slovenia—have already entered the ERM II and thus fulfilled one precondition for joining the Monetary Union. In cooperation with Department IV, the problem of *monetary integration of the new member states* was examined. It was found that potential economic gains from introducing the euro primarily lie in the import of credibility and the possibility to lock in the gains of establishing a stable macroeconomic environment. With respect to the Maastricht convergence criteria significant progress has been made. While inflation is still too high in some countries and fiscal deficits will have to be reduced further, it seems possible to achieve the convergence criteria within a relatively short period of time. The comparison of different monetary strategies in the transition phase, namely giving up monetary autonomy in the framework of a currency board versus continuing a national monetary policy in an inflation targeting approach, concluded that there is no generally superior exchange rate regime.

A project was started to examine *regional inflation differences within the euro area*. Existing studies show that a significant convergence of prices has already occurred in the early 1990s, but that there are still major differences in the price levels for various categories of goods. In order to analyze the inflation differences a general equilibrium model with rigid prices and different preferences is employed. With this model, the effects of regional shocks to productivity and government expenditure will be examined in order to quantify to what extent they contribute to inflation differences within the euro area. Starting from this, conclusions for the (single) monetary policy of the ECB and the national fiscal policies are to be deducted. Of special interest is the question to what extent the coordination of fiscal policies among euro area member states is necessary.

Finally, research on *developments in the property markets* was continued. House prices in many industrial countries exhibit a high degree of volatility, which

threatens macroeconomic growth, particularly because it endangers financial market stability and could lead to balance sheet problems in the household sector as a consequence of a decline in house prices. Yet monetary policy looks ill-suited to control this problem, as it is already burdened by a two-target-one-instrument problem: controlling consumer prices and stabilizing output. Against this background a project was started to evaluate an alternative approach which is addressing the design of mortgage markets that play a crucial role in transmitting—especially upward—shifts in demand into subsequent house price increases and may promote the realization of a bubble-burst-scenario. An international comparison of house price volatility and mortgage market institutions is expected to shed light on the issue to what extent price volatility can be limited by manipulating those parameters which determine the transmission of demand into prices such as loan-to-value ratios, mortgage equity withdrawal, and fixed versus variable interest rates.

○ Public Finance

The Public Finance Group (headed by *Alfred Boss*) continued the analysis of *subsidization policy in Germany*. In 2004 the focus was on tax expenditures. The problems arising when tax expenditures are to be defined and measured were addressed in detail. The extent and the structure of the tax expenditures (as to favored branches and purposes) in the period 2004–2008 were estimated. It turned out that given the present state of legislation, tax expenditures will go down significantly until 2008.

The Group also investigated numerous proposals for a *reform of the German income tax*. Such proposals were formulated by political parties as well as by specific research groups. The intention is to lower marginal income tax rates substantially and at the same time to reduce or even to abolish tax expenditures and thus to simplify the income tax code. The proposals were evaluated by means of efficiency criteria (e.g., neutrality as to financing decisions or to the decision as regards the legal status of a firm). To take an example, the proposal of the German Council of Economic Experts proved to be advantageous with respect to these criteria. For some proposals, the gross wage income distribution for different groups of taxpayers were used to find out the consequences for the wage income tax revenues. The results were supplemented to gain an impression of the overall consequences of a tax reform for the public sector's budget. It was concluded that a fundamental tax reform would be possible without reducing overall tax revenues if all tax expenditures were abolished. However, the odds for implementing such a reform were assessed to be very small, due to the resistance of various interest groups.

Table: Interdepartmental Research

<i>Major research field</i>	Dept. I	Dept. II	Dept. III
<i>International trade</i>	Foders, Klodt, Schrader, Stehn	Deke, Klepper, Wiebelt	Laaser
<i>Economic growth in the world economy</i>	Stolpe	Klepper, Peterson, Wiebelt	Bode, Dohse
<i>Labor markets</i>	Christensen		Soltwedel
<i>Innovation and technology</i>	Klodt, Stolpe	Deke	Bode, Dohse
<i>International institutional arrangements</i>	Foders, Stehn	Deke, Henke	
<i>Deepening and widening of European integration</i>	Foders, Schrader, Stehn		Bode, Krieger- Boden, Laaser, Sichelschmidt, Soltwedel
<i>European Monetary Union</i>			
<i>Financial markets and currencies</i>	Stolpe		
<i>Regulation and markets</i>		Henke, Klepper	Bickenbach, Laaser, Sichelschmidt, Soltwedel, Wolf
<i>Social security</i>		Lay	
<i>Income distribution</i>	Schrader, Stolpe	Lay, Wiebelt	

Dept. IV	Dept. V	President's Dept./ Editorial Dept.
Langhammer, Spinanger	A. Kamps	
Gundlach	C. Kamps	
Spatz	Oskamp	Brown, Lehment, Snower
Gundlach		Mundhenke, Schertler
Langhammer, Nunnenkamp, Spinanger	Scheide	Stolz
Schweickert, Vinhas de Souza	Gern, C. Kamps	
Schweickert	Benner, Carstensen, Gern, Meier, Scheide, C. Kamps	Lehment, Pierdzioch, Yener
Hammermann, Nunnen- kamp, Schweickert	Carstensen, A. Kamps, C. Kamps, Meier, Scheide	Lehment, Pierdzioch, Schertler, Stolz, Yener
	Boss, Rosenschon, Sander	Merkl, Mundhenke
Thiele	Boss, Gern, Rosenschon	Brown, Merkl, Snower
Spatz		

8. Interdepartmental Research

Work in some major research fields involves more than one department. The table on pages 48–49 shows which departments, and which members of staff, were involved in extensive interdepartmental research in particular major research fields. It does not reveal the complete range of research conducted at the Institute.

9. Cooperation with Researchers and Research Organizations

The Kiel Institute aims to intensify its exchange with economists from other countries and to improve upon its reputation as a center of international economic research. In order to intensify this exchange, the Kiel Institute relies on an international research network, which was established in 2001 and consists of renowned economists acting as International Research Fellows.

They promote worldwide awareness of the Institute's activities and research findings and stimulate further research by providing expert advice, participating in joint projects, holding seminars and lectures, and conducting research at the Institute. The network currently includes the following Research Fellows:

Alberto Alesina	Jordi Galí	Damien J. Neven
David Audretsch	Hans Genberg	Maurice Obstfeld
Richard Baldwin	David Greenaway	Roberto Perotti
Scott Barrett	Ricardo Hausmann	Richard Pomfret
Geert Bekaert	Geoffrey Heal	James Riedel
Willem Buiter	Elhanan Helpman	Dani Rodrik
Ricardo Caballero	Dale Henderson	Andrew Rose
Alan V. Deardorff	Arye L. Hillman	Gilles Saint-Paul
Paul De Grauwe	Richard Layard	André Sapir
Michael Dooley	Donald Lessard	Richard Schmalensee
Gunter Dufey	Richard M. Levich	Guido Tabellini
Bernard Dumas	Assar Lindbeck	Niels Thygesen
Sebastian Edwards	Karl-Göran Mäler	Ingo Walter
Barry Eichengreen	Catherine L. Mann	Jeffrey G. Williamson
Wilfred Ethier	Richard Marston	Holger C. Wolf
Martin Feldstein	Bennett T. McCallum	Charles Wyplosz
Jeffrey A. Frankel	Peter Neary	

In 2004, the Institute cooperated closely with the other major German economic research institutes, especially in preparing semiannually the Joint Report on the National and International Business Outlook (*Gemeinschaftsdiagnose*), which is commissioned by the Federal Ministry of Economics and Labor. Under the heading “European Business Cycle Analysis” the Institute cooperated with the CPB Netherlands Bureau for Economic Policy Analysis (The Hague), the Deutsches Institut für Wirtschaftsforschung (DIW, Berlin), the ETLA Research Institute of the Finnish Economy (Helsinki), the National Institute for Economic and Social Research (NIESR, London), the Observatoire Français des Conjonctures Économiques (OFCE, Paris), the Austrian Institute of Economic Research (WIFO, Vienna), and Prometeia (Bologna).

Further, the Institute cooperated with the following national and international institutions:

- the Akademie für Raumforschung und Landesplanung (ARL), Hannover (R. Soltwedel)
- the Banco Nazionale d’Italia, Rome (J. Stehn)
- the Bank of Finland, Helsinki (L. Vinhas de Souza)
- the Bulgarian Academy of Sciences, Sofia (E. Bode, C. Krieger-Boden, R. Soltwedel)
- Cambridge Econometrics, Cambridge (G. Klepper, S. Peterson)
- the Center for Economic and Social Research (CASE), Warsaw (L. Vinhas de Souza)
- the Center of European Integration Studies (ZEI), Bonn (E. Bode, C. Krieger-Boden, R. Soltwedel)
- the Center for Strategic and International Studies (CSIS), Washington (P. Nunnenkamp)
- the Center for Research in International Economics (CREI), Barcelona (R.J. Langhammer, R. Schweickert)
- the Centre d’Economie et d’Ethique pour L’Environnement et le Développement (C3ED), Guyancourt (G. Klepper, S. Peterson)
- the Centre d’Etudes Prospectives et d’Informations Internationales (CEPII), Paris (R.J. Langhammer)
- the Centre for International Climate and Environmental Research, Oslo (G. Klepper, S. Peterson)
- the Centre International de Recherche sur l’Environnement et le Développement (CIRED), Nogent sur Marne (G. Klepper, S. Peterson)
- the Centro de Estudios Económicos Tomillo S.L. (CEET), Madrid (G. Klepper, S. Peterson)
- the Centro Europa Ricerche of the University of Rome “La Sapienza” (M. Stolpe)

- the Centro de Investigación y Docencia Económicas (CIDE), Mexico-City (P. Nunnenkamp)
- the Centrum für Angewandte Politikforschung der Ludwig-Maximilians-Universität (CAP), Munich (J. Stehn)
- the Climate Network Europe (CNE), Brussels (G. Klepper, S. Peterson)
- the Colégio de México, Mexico-City (R. Soltwedel)
- the Consumer Unity and Trust Society (CUTS), Jaipur (India) (P. Nunnenkamp)
- the Department of Economics of Stockholm University (G. Klepper, S. Peterson)
- the Deutsche Bundesbank, Frankfurt am Main (C. Pierdzioch, S. Stolz, L. Vinhas de Souza)
- the Deutsches Institut für Wirtschaftsforschung, Berlin (C. Pierdzioch, A. Schertler, S. Stolz)
- the Economic and Social Research Institute (ESRI), Dublin (E. Bode, C. Krieger-Boden, R. Soltwedel)
- the Energy Research Centre of the Netherlands (ECN), Petten (G. Klepper, S. Peterson)
- the Europäische Akademie zur Erforschung von Folgen wissenschaftlich-technischer Entwicklungen, Bad Neuenahr-Ahrweiler (G. Klepper)
- the European Investment Bank (EIB), Luxemburg (C. Kamps)
- the European University Institute, Florence (R.J. Langhammer, R. Schweickert)
- the Fondazione Eni Enrico Mattei (FEEM), Venice (G. Klepper, S. Peterson)
- Indiana University at Bloomington (D. Dohse)
- the Institut für Afrikakunde, Hamburg (J. Lay)
- the Institut für Energiewirtschaft und Rationelle Energieanwendung (IER), University of Stuttgart (G. Klepper, S. Peterson)
- the Institute for Environmental Studies, Free University of Amsterdam (IVM) (G. Klepper, S. Peterson)
- the Institut für Europäische Politik (IEP), Bonn (J. Stehn)
- the Instituto Nacional de Estadística, La Paz, Bolivia (J. Spatz)
- the Institute for International and Development Economics (IIIDE), Rotterdam (D. Spinanger)
- the Instituto de Investigaciones Socio-Económicas, La Paz, Bolivia (J. Spatz)
- the Institut für Umweltsystemforschung, Universität Osnabrück (G. Klepper, S. Peterson)
- the Institut für politische Wissenschaft of the University of Kiel (J. Lay, M. Lücke, M. Wiebelt)
- the Institute of World Economics (IWE), Budapest (E. Bode, C. Krieger-Boden, R. Soltwedel)

- the Institute of South-East Asian Studies, Singapore (R.J. Langhammer)
- the Institut für Systemtechnik und Innovationsforschung (ISI), Karlsruhe (G. Klepper, S. Peterson)
- the Inter-American Development Bank, Washington, D.C. (R.J. Langhammer, R. Schweickert)
- the Internationale Weiterbildung und Entwicklung gGmbH (InWEnt), Berlin (P. Nunnenkamp)
- Johannes-Gutenberg-Universität, Mainz (S. Stolz)
- the Lodz Institute for Forecasting and Economic Analyses (LIFEA), Lodz (G. Klepper, S. Peterson)
- the Max-Planck-Institut für ausländisches öffentliches Recht und Völkerrecht, Heidelberg (G. Klepper)
- the National Economic Research Institute (neri), Beijing (R. Soltwedel)
- the National Institute of Economic and Social Research, London (C. Pierdzioch, A. Schertler, S. Stolz)
- the New Economic School (NES), Moscow (L. Vinhas de Souza)
- the Österreichische Institut für Wirtschaftsforschung (WIFO), Vienna (G. Klepper, S. Peterson)
- the Österreichische Nationalbank, Vienna (C. Merkl, L. Vinhas de Souza)
- the Potsdam Institut für Klimafolgenforschung, Potsdam (O. Deke, G. Klepper)
- Purdue University (GTAP), West Lafayette, Indiana (D. Spinanger)
- the Rheinisch-Westfälische Technische Hochschule, Aachen (M. Wiebelt)
- SUERF—The European Money and Finance Forum, Vienna (S. Stolz, L. Vinhas de Souza)
- the Swiss Banking Institute of the University of Zürich (K. Carstensen)
- the Tilburg University, Tilburg, the Netherlands (C. Pierdzioch, A. Schertler, S. Stolz)
- the Unidad de Análisis de Políticas Sociales y Económicas, La Paz, Bolivia (J. Spatz)
- the United Nations Conference on Trade and Development (UNCTAD), Geneva (P. Nunnenkamp)
- the United Nations University, Comparative Regional Integration Studies (UNU-CRIS), Bruges (L. Vinhas de Souza)
- the United Nations University, Institute for New Technology in Maastricht (M. Stolpe)
- the Università Tor Vergata, Rome (J. Stehn)
- the University of Gent, (C. Pierdzioch, A. Schertler, S. Stolz)
- the Universität Göttingen (J. Lay, J. Spatz, R. Thiele, M. Wiebelt)
- the Universität Köln, Wirtschafts- und Sozialwissenschaftliche Fakultät (F. Foders)

- the Universität Leipzig (J. Lay)
- the University “Luigi Bocconi,” Milan (E. Bode, C. Krieger-Boden, R. Soltwedel)
- the University Pompeu Fabra, Barcelona (F. Hammermann)
- the Universität Tübingen (K. Carstensen, C. Pierdzioch, S. Yener, A. Schertler, S. Stolz)
- the Université Libre de Bruxelles (K. Carstensen)
- the University Association of Contemporary European Studies (UACES), London (L. Vinhas de Souza)
- the University of Maryland, IRIS Center (L. Vinhas de Souza)
- the University of Oxford, Finance and Trade Policy Research Centre (M. Stolpe)
- the University of Thessaly, Volos (E. Bode, C. Krieger-Boden, R. Soltwedel)
- the University of Warwick, Coventry (M. Stolpe)
- the Utrecht School of Economics, Utrecht, Netherlands (S. Stolz)
- the World Bank, Washington (M. Lücke, J. Lay, D. Spinanger, L. Vinhas de Souza)
- the Wissenschaftliche Hochschule für Unternehmensführung, Koblenz (F. Foders, C. Pierdzioch)
- the Zentrum für Europäische Wirtschaftsforschung (ZEW), Mannheim (G. Klepper, S. Peterson)

Further, the Institute cooperates on a regular basis with the following associations, of which it is a member:

- Association of German Economic Research Institutes (ARGE)
- Association d’Instituts Européens de Conjoncture Économique (AIECE)
- Deutsches Forschungsnetz
- Deutscher Bibliotheksverband (DBV).

Frequently, several members of the research staff are working as Kiel Institute Fellows at the National Bureau of Economic Research (NBER) in Cambridge, Mass.

10. Advisory Activities and Participation in Organizations

In 2004, numerous economists from the Institute were active in an advisory capacity in national and international groups and organizations:

Alfred Boss was a member of the Committee for Tax Assessment at the Federal Ministry of Finance in Berlin. On a session of the Public Finance Committee he advised the Federal Ministry of Finance in its assessment of the sectoral effects of tax allowances.

Dirk Dohse was a member of the Committee “Regionaltheorie and Regionalpolitik des Vereins für Socialpolitik” and a member of the Scientific Council of the Master Course MUMAT at the Economics Faculty of the Università Cattolica del Sacro Cuore at Piacenza. He advised the Bündnis 90/Die Grünen at the Federal Parliament on issues of innovation policy and of supporting eastern Germany and the Economic Council Germany of the Christian Democrats on issues of technology and cluster policy.

Herbert Giersch was a member of the Advisory Council of Economists attached to the Federal Ministry of Economics and Labor.

Christophe Kamps was a member of the Public Finance Committee at the Federal Ministry of Finance in Berlin.

Gernot Klepper was a member and the deputy chairman of the National Committee on Global Change Research of the Federal Ministry of Education and Research and the DFG, Germany’s major research funding agency. He was a member of the Kollegium der Europäischen Akademie zur Erforschung von Folgen wissenschaftlich-technischer Entwicklungen in Bad Neuenahr/Ahrweiler. He was a member of the “High-Level Network of Environmental Economists” attached to the Directorate Environment of the EU and of the European Environmental Agency.

Henning Klodt was appointed a member of the “Wissensträger Mensch” Group, designed to encourage the Innovation Initiative “Partner for Innovation” of the Federal Government. He advised the Federal Ministry of Economics and Labor on the regulatory perspective of telecommunications at a strategy workshop in Bonn. He also advised the Economic Policy Committee of the FDP at the Federal Parliament on “Innovation and Competition.”

Rolf J. Langhammer was a member of the Advisory Council of Economists attached to the Federal Ministry of Economic Cooperation and Development, a member of the Advisory Council of the Deutsches Übersee-Institut in Hamburg, and a member of the Editorial Boards of the “ASEAN Economic Bulletin” and the “Journal of the Asia Pacific Economy.” Moreover, he was a member of the panel of experts of the Bertelsmann-Stiftung established to elaborate a ranking for the development and transformation process.

Jann Lay advised the Deutsche Gesellschaft für technische Zusammenarbeit (GTZ) and the World Bank.

Matthias Lücke advised on behalf the World Bank the Ethiopian Ministry for Trade and Industry on Ethiopia's planned accession to the WTO.

Peter Nunnenkamp was a member of the Advisory Council of the periodical entitled "Lateinamerika Analysen" and of the panel of external experts for the Research Bulletin of the State Bank of Pakistan. He advised UNCTAD in its preparatory work for the World Investment Directory for Latin America and for the World Investment Report 2004. Moreover, he was consulted as an expert by the Fritz Thyssen Foundation.

Joachim Scheide was consulted as an expert by various committees of the Federal Parliament and by the Council of Experts for the Evaluation of the Overall Economic Situation in Germany. He advised the Ministry of Finance of the State of Schleswig-Holstein on the interest rate prospects. He was elected President of the Association d'Instituts Européens de Conjoncture Economique (AIECE) at Brussels. Moreover, he was a member of the Advisory Board of the Blekinge Institute of Technology, Sweden.

Hartmut Schröder was a board member of the IT-Anwenderkreis Norddeutschland. Furthermore, deputy chairman of the IT-Arbeitskreis der Leibniz-Gemeinschaft, and a member of the Technical Infrastructure Working Group in the Gemeinsamer Bibliotheksverbund (GBV).

Rainer Schweickert advised the Federal Ministry of Economic Cooperation and Development on the post-Washington consensus at a round table discussion and on the G20 consensus on sustainable growth.

Horst Siebert was a member of the Eminent Persons Group of the Van Lennep Subsidies Initiative, Jelle Zijlstra Research Fellow at the Netherlands Institute for Advanced Studies in Wassenaar, and professor on International Economics at the Johns Hopkins University in Bologna. In 2004 he was a member of the Group of Economic Analysis of the European Commission, which is directly attached to Romano Prodi, and a member of the Advisory Council of Economists attached to the Federal Ministry of Economics and Labor. He was deputy chairman of the Board of Trustees of the Thyssen Foundation, Fellow of the European Economic Association, and a board member of the Aspen Institute Italia. He was a member of the Advisory Committee of the Claremont-Bologna International Economic Policy Forum, the Academia Scientiarum et Artium Europaeae in Salzburg, the Joachim Jungius-Gesellschaft, and the Board of Directors of the Asia Pacific Society. He was a member of the committee of the Deutsches Museum in Munich and of the jury which awarded the Postbank Finance Awards 2003/2004. Further, he was a member of the Editorial Boards of the "Journal of Policy Reform," "Environmental and Resource Economics," and the "International Yearbook of Environmental and Resource Economics: A Survey of Current

Issues,” and the Editorial Advisory Boards of the “Zeitschrift für Umweltpolitik und Umweltrecht” and “Perspektiven der Wirtschaftspolitik,” the latter published by the Verein für Socialpolitik. He was also a member of the Advisory Boards of “Macroeconomics and Monetary Economics Abstracts” of the Social Science Electronic Publishing, Inc. (SSEP), USA, and of “International Finance,” “European Economics Abstracts,” and “Macroeconomic Abstracts.”

Dennis J. Snower was a fellow at the Centre for Economic Policy Research (CEPR), at the Forschungsinstitut zur Zukunft der Arbeit (IZA), at CESifo, and at the Euro Area Business Cycle Network (EABCN). He was a member of the Advisory Council attached to the Faculty of Applied Economics of Cambridge University, the Institut für Höhere Studien Wien, and Nereus (Networked Economic Resources for European Scholars).

Julius Spatz was a member of the Editorial Board of the “Revista Latino Americana de Desarrollo Económico.” He advised the Deutsche Gesellschaft für technische Zusammenarbeit (GTZ).

Dean Spinanger was a member of the Academic Council of the Centre Français d’Études et de Recherches sur les Zones de Liberté Économique and the Board of Directors of the Institute of International Economics in Rotterdam. He advised various Hong Kong public authorities in matters of trade. He also advised the World Bank concerning trade in textiles and clothing (with particular respect to Cambodia), relating to WTO trade negotiations, and Purdue University in West Lafayette, Indiana, regarding the Global Trade Analysis Project (GTAP). He advised the Heritage Foundation as a Public Policy Expert as well as the OECD, the Asian Development Bank, and UNCTAD in matters dealing with the trade in textiles and clothing and the implications of China’s accession to the WTO.

Jürgen Stehn was Distinguished Member of the Villa Mondragone International Economic Association and advised in this capacity the Economics Faculty of the University “Tor Vergata” in Rome on research issues concerning the world economy. He advised the Landesregierung Schleswig-Holstein (state government) in his capacity as a member of a working group to recommend ways and means of simplifying official economic statistics.

Horst Thomsen was a member of the Advisory Board of Wissenschaftliche Bibliotheken attached to the Schleswig-Holstein Ministry of Education, Science, Research, and Cultural Affairs and a member of the Verbundleitung des Gemeinsamen Bibliotheksverbundes (GBV). He was one of the spokespersons of the Arbeitskreis Bibliotheken und Informationseinrichtungen der Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz (WGL). He was a member of the Interdisziplinärer Verbund der Serviceeinrichtungen and of Section B (Economics and Social Sciences, Regional Sciences) of the WGL. Moreover, he was the

spokesman of the Arbeitsgemeinschaft Zentrale Fachbibliotheken. He was also a member of the expert panel attached to the DFG Program “Leistungszentren für Forschungsinformation” and a member of the Beirat der Virtuellen Fachbibliothek Pädagogik.

Lúcio Vinhas de Souza was an elected board member of the University Association of Contemporary European Studies (UACES) for the period 2003–2006. He was consulted as an expert for projects that were applied for funds in line with GDN (Global Development Network)/World Bank, managed by CERGE-EI, Charles-University in Prague.

Manfred Wiebelt was a member of the Editorial Board of the journal “Revista Latino Americana de Desarrollo Económico” and advised the Deutsche Forschungsgemeinschaft (DFG).

11. Commissioned Expert Reports and Research Projects

○ Research Projects and Reports Completed in 2004

Gemeinschaftsdiagnose der führenden deutschen Wirtschaftsforschungsinstitute im Frühjahr 2004 [Joint Report of the Major German Economic Institutes on the National and International Business Outlook in Spring 2004]

J. BENNER, A. BOSS, K.-J. GERN, C. KAMPS, A. KAMPS, C.-P. MEIER, F. OSKAMP, J. SCHEIDE, R. SCHMIDT, commissioned by the Federal Ministry of Economics and Labor, together with DIW, HWWA, ifo, IWH, RWI

Gemeinschaftsdiagnose der führenden deutschen Wirtschaftsforschungsinstitute im Herbst 2004 [Joint Report of the Major German Economic Institutes on the National and International Business Outlook in Fall 2004]

J. BENNER, A. BOSS, K.-J. GERN, A. KAMPS, C.-P. MEIER, F. OSKAMP, J. SCHEIDE, commissioned by the Federal Ministry of Economics and Labor, together with DIW, HWWA, ifo, IWH, RWI

Schooling Institutions and Student Performance

E. GUNDLACH, together with the ifo-Institut, Munich, commissioned by Volkswagenstiftung

Open Source Software im Wettbewerb [Open Source Software and Competition]

H. KLODT, J. MUNDHENKE, commissioned by the Federal Ministry of Economics and Labor

Pro-poor Growth in Uganda

J. LAY, commissioned by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and the World Bank

Operationalizing Pro-poor Growth: Country Case Study Bolivia

J. LAY, J. SPATZ, R. THIELE, M. WIEBELT, commissioned by the Kreditanstalt für Wiederaufbau and the World Bank

Challenges and Opportunities for Developing Countries from the Liberalization of International Trade in Services

M. LÜCKE, D. SPINANGER, commissioned by the Deutsches Institut für Entwicklungspolitik (DIE) and the Federal Ministry of Economic Cooperation and Development

Verteilungseffekte von Steuerungsinstrumenten zur Krisenbewältigung in Entwicklungsländern: Konzeptionelle Fundierung und Fallanalyse der Strukturanpassung in Bolivien [Distribution Effects of Instruments Used to Overcome Crises in Developing Countries: Underpinning and Analyzing Structural Adjustment in Bolivia]

P. NUNNENKAMP, J. SPATZ, commissioned by Volkswagenstiftung

Modellexperiment IV (MEXIV): Längerfristiger Beitrag der deutschen Energiewirtschaft zum europäischen Klimaschutz [Modeling Experiment IV: Long-Term Contribution of the German Energy Industry to EU Climate Policy]

S. PETERSON, commissioned by the Federal Ministry of Economics and Labor, together with 12 other German research institutes

European Financial Markets, Venture Capital, and High-Tech Firms

A. SCHERTLER, M. STOLPE, commissioned by the European Commission, together with the Institute for New Technology in Maastricht, the Finance and Trade Policy Research Centre of the University of Oxford, the Centro Europa Ricerche of the University of Rome "La Sapienza," and the Business School of the University of Warwick

Makroökonomische Stabilisierung und Wachstum in Schwellenländern [Macroeconomic Stabilization and Growth in Emerging Countries]

R. SCHWEICKERT, R. THIELE, commissioned by the Federal Ministry of Finance

Post Transition Macro Questions

L. VINHAS DE SOUZA, commissioned by the IRIS/USAID, together with the New Economic School (NES) in Moscow and the International Center for Economic Growth (ICEG) in Budapest

○ Research Projects and Reports Currently Being Prepared

Gemeinschaftsdiagnose der führenden deutschen Wirtschaftsforschungsinstitute [Joint Report of the Major German Economic Institutes on the National and International Business Outlook]

J. BENNER, A. BOSS, K.-J. GERN, A. KAMPS, C.-P. MEIER, F. OSKAMP, J. SCHEIDE, commissioned by the Federal Ministry of Economics and Labor, together with DIW, HWWA, ifo, IWH, RWI

The Impact of European Integration and Enlargement on Regional Structural Change and Cohesion (EURECO)

E. BODE, D. DOHSE, C. KRIEGER-BODEN, R. SOLTWEDEL, commissioned by the 5. Rahmenprogramm der EU-Forschungsförderung, together with Zentrum für Europäische Integrationsforschung (ZEI), Bonn; University "Luigi Bocconi," Milan; Economic and Social Research Institute (ESRI), Dublin; University of Thessaly, Trikala, Greece; Institute of World Economics in the Hungarian Academy of Sciences, Budapest; Bulgarian Academy of Sciences, Sofia

Wirtschaftliches Potenzial von Kennzeichen für Verbraucher- und Umweltschutzzwecke [Economic Potential of Labels for Consumer and Environment Protection]

J.M. HENKE, G. KLEPPER, commissioned by the Federal Ministry of Economics and Labor

Modelling the Transition to Sustainable Economic Structures (TranSust)

G. KLEPPER, S. PETERSON, commissioned by the European Union in the context of its 5. Rahmenprogramm, together with 10 other European research institutes

Regionale Schwerpunkte der Handelsintegration in einer erweiterten Europäischen Union [Regional Gravity Centers in the International Trade of an Enlarged European Union]

H. KLODT, C.-F. LAASER, K. SCHRADER, commissioned by the Fritz Thyssen Stiftung

Putting Development Back into the Doha Agenda: Poverty Impacts of a WTO Agreement. Case Study for Brazil

J. LAY, commissioned by the World Bank

Vollbeschäftigungsszenario 2010: notwendige gesamtwirtschaftliche Bedingungen zur Wiedergewinnung der Vollbeschäftigung in Deutschland bis zum Jahr 2010 [Full Employment Scenario 2010: Necessary Conditions for Regaining Full Employment in Germany until 2010]

C.-P. MEIER, commissioned by the Federal Ministry of Economics and Labor

Modellexperiment V (MEXV): Innovation und moderne Energietechnik [Modeling Experiment V (MEXV): Innovation and Modern Energy Technology]

S. PETERSON, commissioned by the Federal Ministry of Economics and Labor, together with 13 other German research institutes

Volatility in the Global Economy: The Role of Financial Markets

C. PIERDZIOCH, S. YENER, commissioned by the Fritz Thyssen Stiftung

EUROFRAME Indicator

J. SCHEIDE, together with several other European economic research institutes

Monetary Policy in Selected CIS Countries

L. VINHAS DE SOUZA, commissioned by the University Association for Contemporary European Studies, together with the United Nations University-Comparative Regional Integration Studies (UNU-CRIS) and the Bank of Finland Institute of Transition (BOFIT).

○ Further Research Projects

BICKENBACH, F., The Allocation of Competences for the Regulation of Europe's Network Industries.

BODE, E., Quantifying the Spread Effects of Cities.

CARSTENSEN, K., Unit Root Tests in Small Samples.

CARSTENSEN, K., Analysis of Real Time Data.

DEKE, O., Instruments of International Biodiversity Policy.

DOHSE, D., Agglomeration and Growth in Knowledge-Based Societies.

FODERS, F., International Factor Mobility.

GERN, K.-J., External Imbalances in the World Economy.

HAMMERMANN, F., Empirical Analysis of Monetary Policy in Newly Industrializing Countries under a Regime of Flexible Exchange Rates.

- HENKE, J.M., Information as an Environmental Policy Instrument.
- KAMPS, A., Empirical Analysis on Deflation in Japan.
- KLEPPER, G., Carbon Management.
- KLODT, H., Structural Change and Industrial Policy.
- LANGHAMMER, R.J., Trade Liberalization in Services.
- LAY, J., Resource-Based Development in Central Asia and the Caucasus.
- LAY, J., Macro-Micro Models for Poverty and Distributional Policy Impact Analysis.
- LÜCKE, M., Resource-Based Development in Central Asia and the Caucasus.
- LÜCKE, M., Migrants' Remittances and Economic Development in Moldova.
- MUNDHENKE, J., Intellectual Property Rights for Software.
- NUNNENKAMP, P., Determinants and Effects of Foreign Direct Investment in Developing Countries.
- NUNNENKAMP, P., Distribution of Bilateral and Multilateral Aid.
- PETERSON, S., Analysis of International Climate Policies.
- PETERSON, S., Modelling Technological Change in Energy-Economy Models.
- PIERDZIOCH, C., International Financial Markets and Macroeconomic Dynamics: A NOEM Perspective.
- ROSENSCHON, A., Structural Analysis and Assessment of Subsidies in Germany.
- SCHRADER, K., Intraindustry Trade and Structural Adjustment.
- SCHRADER, K., International Comparisons of Labour Market Policies.
- SCHWEICKERT, R., Benchmarking European Integration.
- SCHWEICKERT, R., European Monetary Integration.
- SICHELSCHMIDT, H., Infrastructure Policy of the European Union.
- SPATZ, J., Determinants and Effects of Foreign Direct Investment in Developing Countries.
- SPINANGER, D., The Impact of China's Accession to the WTO on Adjacent States.
- STEHN, J., Distribution Effects of Intraindustry Trade.
- STOLPE, M., Technological Change in Health Care.

STOLPE, M., Financing Technological Innovation: The Role of Venture Capital and Primary Equity Markets.

STOLZ, S., Procyclicality in the German Banking Sector.

STOLZ, S., The Role of Capital Regulation for the Behavior of Banks.

THIELE, R., Agricultural Supply in Low-Income Countries.

VINHAS DE SOUZA, L., Trade Liberalization in Eastern Europe.

VINHAS DE SOUZA, L., Monetary Policy in Selected CIS Countries.

WIEBELT, M., Sustainable Development.

WIEBELT, M., Modelling Micro-Macro Interaction in CGE Models.

WOLF, H., Measuring and Comparing Efficiency in the Airport Sector.

III. Documentation Services

1. The Library

The German National Library of Economics (Deutsche Zentralbibliothek für Wirtschaftswissenschaften, ZBW), directed by *Horst Thomsen*, is the largest library for economics in Germany and the largest special library of its kind in the world. The Library is responsible for acquiring and indexing economic publications from all over the world and making them available to its local, national and international users. As a special service the ZBW indexes articles from both journals and books. The Library's holdings include printed publications as well as a large collection of electronic media. The Library offers a number of information and research services.

The Library is assisted in providing its services by an Advisory Board (Fachbeirat), which consists of the following experts:

Dr. Klaus Franken, Director of the University Library of Constance (chairman)

Dr. Elisabeth Niggemann, General Director of the Deutsche Bibliothek

Reinhard Rutz, Deutsche Forschungsgemeinschaft

Professor Dr. Wolf Schäfer, Helmut Schmidt University—University of the Bundeswehr, Hamburg

○ Evaluation

The Committee on Research Promotion of the Bund-Länder Commission for Educational Planning and Research Promotion (BLK) agreed on the continued unconditional funding for the Library for the next seven years. The approval, decided in February 2004, was based on an evaluation report prepared for the Senate of the Leibniz Association. In the report, the Library was described as being future-oriented with a strategy of sustainable development that should be continued.

○ Holdings

By the end of 2004, the Library had increased its holdings to over 2.7 million bound volumes, which are stored on more than 50 kilometers of shelving. Around 40,000 bibliographical volumes and 30,000 monographs were acquired.

Nearly 19,000 periodicals (magazines, annuals, and journals) are acquired on a regular basis, 43 percent of these publications are electronic documents.

○ Information Services

The Library's holdings are catalogued in the Common Library Network (Gemeinsamer Bibliotheksverbund, GBV), which is the base of the local ZBW online databank *ECONIS*. The ZBW database is part of various GBV databases including the Union Catalogue of the Common Library Network (*Gemeinsamer Verbundkatalog, GVK*), *GVK Plus* (GVK plus *Online Contents*), and *Online Resources (OLR)*.

The *ECONIS* databank, to be reached at <http://zbwopc4.zbw.ifw-kiel.de:8080/>, recorded an increase of 660,000 new titles, bringing its holdings to over 2 million references. Of these new titles, approximately 550,000 titles were added by the continued retroconversion of the card catalog holdings referring to the years before 1986.

On the basis of *ECONIS* a number of different services were provided:

- The series of internet bibliographies, *ECONIS-Select*, documented entries for over 50 wide-ranging topics including the German labor market reform Hartz IV or IMF policies.
- Each month lists of selected monographs and serials recently acquired by the Library were published on its homepage.
- The list with more than 1,600 serials titles from which individual articles are indexed was updated.

ECONIS is also made available by a commercial database host, the Gesellschaft für Betriebswirtschaftliche Information (German Business Information, GBI). Its online database *wisoplus Wiwi* now contains around 1,3 million titles provided by *ECONIS* databank. The *wiso* database is a collection of a number of different databases in the field of social sciences making it the largest literature database in Germany.

○ Document Delivery

A focal point of the document delivery services in 2004 was increasing the availability of electronic full-text sources for library users. By the end of 2004 the collection of working papers from 64 economic research and university institutes could be accessed using the document server *ZBW Opus*, which also serves as a long-term institutional repository. More than 58,000 links to Internet publications could be found in the *ECONIS* databank.

Part of the online version of WISOnet Plus was provided by the digitalized full texts of the project *EconDoc*. The full texts of over 8,300 economic journals were made available to the Library's users via the Electronic Journals Library (*Elektronische Zeitschriftenbibliothek, EZB*). The Electronic Journals Library is a national collaborative service of the University of Regensburg.

Due to the Library's subscriptions to databases such as *Business Source Premier*, from the publishing house *EBSCO*, and *JSTOR*, the scholarly Journal archive, the users of the Library could profit from the additional full-text access to journals which are of particular interest to economists.

The Library continued to increase the large number of works it provided through the electronic document delivery service. The Library supplies journal articles and monographs for the document delivery services *subito* and *GBV-direct* and takes part in the electronic interlibrary loan system of the GBV.

○ Public Relations

As in previous years, the Library successfully presented its products and services at a number of important conferences and trade fairs. At most of these presentations, the Library shared a stand with the three German national libraries. For the first time the Library presented itself to an international audience of economists at the Annual Congress of the European Economic Association in Madrid. All the presentations focussed on giving information on the innovative projects and online services the Library provides.

○ Cooperation and Projects

The Library continued to foster relations with other libraries and with research institutes.

The special relationship with the other two German national libraries—the German National Library of Science and Technology (TIB/UB) and the German National Library for Medicine (ZBMed)—is particularly close and resulted in the conclusion of a formal cooperation agreement. A contract for the delivery of selected data from ECONIS was signed with The German Institute for International Educational Research (DIPF) in Frankfurt.

The joint provision of a range of services by the University and City Library of Cologne (USB Cologne) and the Library is the main aim of the DFG project *Virtual Library for Economics and Business Studies—EconBiz*. The portal is available online at <http://www.econbiz.de/> and is continually being enlarged. The core product is a subject area guide for high-quality Internet sources which is

continually updated by a large number of cooperation partners in the field of economics and business studies. A new product in EconBiz is a calendar of events in economics. An online communication center for virtual subject information has been tested.

In *EconDoc*, a project sponsored by the German Federal Ministry of Education and Research, the Library, GBI in Munich, the Hamburg Institute of International Economics (HWWA), and the USB Cologne have made almost 200 German language economic journals available on the Internet. There are now over 2.2 million references to full-text journal articles available at <http://www.econdoc.de/>. In addition, the Library offers direct links to EconDoc journals in its ECONIS databank.

A portal for researchers in economics is being developed within the project *NEREUS*. Partners of the Library in this project are the London School of Economics and Political Science, the Université Libre de Bruxelles, the Universiteit van Tilburg, the Erasmus Universiteit Rotterdam, and the University College Dublin.

The Library is responsible for the *retrospective digitalization of journals* in economics for the SSG-Zeitschriftendigitalisierung project. The goal of this cooperative project is to digitalize selected renowned scientific journals found in the collections of twelve major special libraries. The full-text database DigiZeitschriften was offered as a one-year subscription at special rates to libraries and academic organizations during a test period.

A service for the document delivery of licensed electronic journals was established by the pilot program for providing a nationwide access to e-journal articles (electronic-only journals).

The Library participated in a project that is developing and implementing a cross-walk between the *Standard Thesaurus Economics* (STW) and the Economics Subject Headings of the *Schlagwortnormdatei* (subject heading index SWD) for improving the retrieval in economics, a project which was headed by The Deutsche Bibliothek and which included the HWWA, the USB Cologne, and the GBV Common Library Network as further partners. The aim of the project was to link the indexing terms in the area of economics of the SWD and STW so that subject searching in several independent databases would be possible. The project was successfully completed in August 2004.

The *AUTINDEX* project, a cooperation between the HWWA, the Society for the Advancement of Information Research at the University of Saarland (IAI), and the Library was completed. Aim of this project was the automatic generation of keywords for indexing using the Standard Thesaurus Economics. For this end

a software was developed and implemented which automatically processes electronic full texts using linguistic and statistical methods.

2. The Economic Archives

Since November 2001, the Economic Archives (headed by *Bernhard Klein*) and the press articles documentation center of the HWWA Institute in Hamburg have provided the reference database ECONPRESS. Both institutes select reports from about 100 newspapers and journals, published in various countries all over the world. Articles are classified using a system based on the classification index of the institutes' libraries, covering all countries in the world and about 700 subjects. The classification and other information on the articles, e.g., name of author, institution, enterprise or key words, are added to the bibliographical data. Thus, a database is provided which allows online research on the Internet, at <http://www.hwwa.de:81/>, and will help anyone interested in economic problems to find useful and current reports from newspapers and journals.

The articles cover 29 topics:

economics	Banking	crafts
money, financial markets	Insurance	services
international economics	real estate	trade
public finance	public services (incl.	transport
labor	armed forces)	information and
business administration	nonprofit organizations	communication
agriculture (incl. forestry	Education	nature, environment
and fishery)	health, medicine	law
energy and water	social welfare	politics
commodities	Culture	society
industry	science, research	

In addition, there are special collections on persons, institutions, and enterprises.

The Economic Archives are a public institution and are thus open to the general public. The 14 million clippings, covering the years 1920–2000, are available as paper copies or on microfilm. Articles after January 1, 2001, are no longer available in Kiel; they are now available at the press articles documentation center of the HWWA in Hamburg.

Since summer 2003, parts of ECONPRESS have been used by GBI, a company providing business information. GBI offers articles from 30 ECONPRESS

sources. They are linked with other data and can be searched for via a database called FITT ECONPRESS. Unlike ECONPRESS, this database allows the full text to be displayed for a fee. In addition it is now possible to obtain a collection of reference data in ECONPRESS (at no charge) and to find the full text in GBI, which is almost directly linked to our database.

IV. Teaching and Lecturing

1. Universities and Colleges

In 2004, several staff members at the Institute were once again active in teaching and lecturing at universities and colleges. Since October 1 Dennis Snower has been Professor of Theoretical Economics at the University of Kiel and held lectures and seminars in the main course. The following staff members also held regular lectures, seminars, or exercises at the same university: Joachim Benner, Alessio J.G. Brown, Kai Carstensen, Björn Christensen, Federico Foders, Annette Kamps, Jörn Kleinert, Rolf J. Langhammer, Jann Lay, Harmen Lehment, Christian Merkl, Frank Oskamp, Christian Pierdzioch, Joachim Scheide, Andrea Schertler, and Michael Stolpe.

Federico Foders held lectures at the University of Cologne, Erich Gundlach taught at the Helmut Schmidt Universität in Hamburg and at the Justus-Liebig-Universität in Gießen. Bernhard Klein taught at the Fachhochschule für Verwaltung und Dienstleistung in Altenholz, Gernot Klepper held lectures at the International Management School in Malente. Oliver Lorz held lectures at the Rheinisch-Westfälische Technische Hochschule in Aachen and at the University of Constance, Horst Siebert held lectures at the Johns Hopkins University in Bologna. Bernhard Klein, Paul J. Kramer, and Manfred Salden taught at the Fachhochschule Kiel.

2. Advanced Studies Program

The Advanced Studies Program in International Economic Policy Research, the postgraduate program offered by the Institute, was established in 1984. This ten-month program, conducted fully in English, is designed for young economists coming straight from university as well as economists with several years of professional experience who are interested in learning about the current issues in research in international economics.

As a rule, there are 8-10 one- or two-week courses in various fields in international economics which are taught by renowned professors from all over the world. The courses are supplemented by a number of one- or two-day seminars on topic issues in economic theory and policy. As part of the Advanced Studies Program, participants prepare two working papers, which they present and dis-

cuss at special conferences. The papers are published in the Kiel Advanced Studies Working Paper Series.

A limited number of participants may also attend selected courses only. This arrangement is especially addressed to economists employed at companies or institutions who have a distinct interest in new developments in their area of work.

Since 1984, more than 400 participants have graduated from the program and received the Advanced Studies Certificate (A.S.C.). Many of them have assumed leading positions in governmental and intergovernmental organizations, academic institutions, and international business.

The twenty-first Advanced Studies Program commenced in August 2004 with 25 participants from 13 different countries (Bolivia, Denmark, Estonia, Germany, India, Indonesia, Italy, Mexico, Norway, Peru, Poland, Slovak Republic, Spain). The first part of the program included the following courses:

- Macroeconomics in Open Economies I (Philip Lane, University of Dublin),
- Macroeconomics in Open Economies II (Maurice Obstfeld, University of California at Berkeley),
- Economic Growth and Development (Fabrizio Zilibotti, Institute for International Economic Studies, Stockholm),
- Monetary and Fiscal Policy in the EU (Paul De Grauwe, University of Leuven),
- Monetary Policy: Theory and Practice (Athanasios Orphanides, Federal Reserve Board, Washington).

The program also included a special course on Empirical Methods in Macroeconomics, which was taught by Kai Carstensen and Björn Christensen (Kiel Institute).

During the second part of the program in 2004/05 the following courses will be offered:

- International Trade (Keith Maskus, University of Colorado),
- European Economic Integration (Marius Brühlhart, University of Lausanne),
- Labour Market Economics (Giuseppe Bertola, University of Torino),
- Exchange Rate Economics (Menzie Chinn, University of Wisconsin),
- Macroeconomics for Developing Countries (Andrés Velasco, Harvard University).

The application period for the next session of the program—which will begin in August 2005—has already begun. The following economists will be teaching in the next session: Holger Wolf (Georgetown University, Washington), Richard Levich (New York University), Lawrence Christiano (Northwestern University), Roel Beetsma (University of Amsterdam), Ronald MacDonald (University of Strathclyde), Dennis Snower (Kiel Institute), James Markusen (University of Colorado), Richard Baldwin (The Graduate Institute for International Studies, Geneva), William Easterly (New York University).

3. Guest Lectures and Seminars at Universities

Guest lectures and seminars were held by Kai Carstensen at the Statistisch-ökonomisches Seminar and at the Agrar- und Ernährungsökonomisches Kolloquium of the University of Kiel; Federico Foders at the University Constance; Erich Gundlach at the University of Aarhus, at the University of Frankfurt a.M., and at the Technische Universität Dresden; Christophe Kamps at the Statistisch-ökonomisches Seminar of the University of Kiel, at the Economic and Social Research Institute (ESRI) in Dublin, and at the European Investment Bank (EIB) in Luxemburg; Oliver Lorz at the University of Kassel; Peter Nunnenkamp at the University of Flensburg; Christian Pierdzioch at the University Hannover; Gernot Klepper at the Hochschule in St. Gallen and at the University in Hamburg; Henning Klodt at the University of Kiel; Rolf J. Langhammer at the University of Frankfurt a.M. and at the University of Erlangen-Nürnberg; Jann Lay at the Graduate Research School an der Stellenbosch University South Africa; Matthias Lücke at the University of Frankfurt a.M. and at the Applied Economic Policy Course of the Joint Vienna Institute; Joachim Scheide at the Freie Universität Berlin; Andrea Schertler at the Deutsche Bundesbank; Lúcio Vinhas de Souza at the Deutsche Bundesbank; Michael Stolpe at the Agrar- und Ernährungsökonomisches Kolloquium of the University of Kiel.

V. Conferences

1. Conferences Organized by the Institute

The Institute's traditional *Kiel Week Conference* was held on June 21–22, 2004, under the heading "Labor Mobility and the World Economy." More than thirty researchers from all over the world discussed whether and under which conditions sending and receiving countries might gain from migration, what links exist between migration and international capital flows, whether a globalized world economy offers alternatives to migration, whether the systems of social security prevailing in the sending and receiving countries are in need of adjustment, and whether harmonizing immigration policies in the 25 member states of the European Union would generate benefits as compared to traditional (national) policies.

Keynote speaker was Jeffrey G. Williamson (Harvard University), who gave a lecture on "International Migration: Long-Run Trends and Challenges for Economic Policy." The Institute further welcomed the following participants (among others): Jutta Allmendinger (Institute for Employment Research IAB and University of Munich), Frank Barry (University College Dublin), Holger Bonin (Institute for the Study of Labor IZA, Bonn), Johannes Bröcker (University of Kiel), Herbert Brücker (German Institute for Economic Research DIW, Berlin), Gil Epstein (Bar-Ilan University), Gabriel Felbermayr (University of Linz), David Greenaway (University of Nottingham), Timothy Hatton (Australian National University), Sanjay Jain (University of Virginia), Jörn Kleinert (University of Tübingen), Wilhelm Kohler (University of Linz), Doris König (Bucerius Law School, Hamburg), Per Lundborg (FIEF Stockholm and University of Gothenburg), Martin Paldam (University of Aarhus), Stefania Pasquetti (European Commission), Joaquim Ramos Silva (Technical University of Lisbon), Gerald Willmann (University of Kiel), Holger Wolf (Georgetown University, Washington), and Kar-yiu Wong (University of Washington). Federico Foders, Henning Klodt, Rolf J. Langhammer, Harmen Lehment, and Joachim Scheide represented the Institute.

In March and September, the 69th and 70th *Business Cycle Conferences* took place at the Institute. In March the heading of the conference was "Towards a More Balanced Growth in the World Economy" and in September the heading was "World Economy: Is the Party Already Over?" More than one hundred experts from Europe, Japan, and the United States analyzed the cyclical situation of

the world economy and discussed the future development in the most important developed and emerging countries.

The Institute was host to the spring conference of the *Association d'Instituts Européens de Conjoncture Economique* (AIECE) on May 6–7, 2004. Representatives of 38 European economic research institutes as well as of several international organizations (IMF, EU, ECB, Eurostat, OECD, and UN) analyzed questions of cyclical trends as well as long-term implications of the EU enlargement. Klaus-Jürgen Gern, Frank Oskamp, and Joachim Scheide represented the Institute; the latter was elected the new president of AIECE.

On the occasion of the 20th anniversary of the *Advanced Study Program* the Institute held a conference entitled “The World Economy: Perspectives for the 21st century” on March 27–28, 2004, in which numerous Alumni of the Advanced Studies Program participated. Lectures were given by Rolf J. Langhammer (Institute for World Economics), Anne-Marie Gulde (International Monetary Fund), and Christian Ketels (Institute for Strategy and Competitiveness, Harvard Business School). Sebastian Edwards (University of California at Los Angeles) gave the Anniversary Lecture on “Current Account Adjustment in the World Economy.”

On May 26, 2004, Professor Dr. Dr. h.c. Helmut Hesse and Professor Dr. Dr. h.c. Otmar Issing were awarded the *Bernhard Harms Medal*. The medal is awarded to persons who have contributed to the Kiel Institute’s research on the world economy in the tradition of Bernhard Harms, the founder of the Institute. The laudation by Rolf J. Langhammer was followed by the lectures “Globalisierung—Chance oder Niedergang?” [Globalization—Opportunity or Downfall?] by Helmut Hesse and “Globalisierung—Zerrbild und Wirklichkeit” [Globalization—Caricature and Reality] by Otmar Issing.

In August, the *Bernhard Harms Prize* of the Kiel Institute for World Economics was awarded to Professor Maurice Obstfeld from the University of California at Berkeley. Maurice Obstfeld is the 21st laureate of the prize, which was awarded first in 1965 and which is currently endowed with 25,000 Euro. The research of Maurice Obstfeld is focused on problems of the international financial markets and on international macroeconomics. The purpose of his works in this field is to identify and explain the economic factors which contribute to the integration of the international financial and capital markets. His research results have been published in numerous articles in renowned international economic journals; his textbooks belong to the standard works in their field. On the occasion of the award ceremony on August 27, 2004, Professor Obstfeld gave a lecture entitled “External Adjustment.”

Together with the Arbeitsgemeinschaft der Bibliotheken und Dokumentationsstellen der Ost-, Ostmittel- und Südosteuropaforschung (ABDOS) e.V. [Consortium of Libraries and Documentation Centers of Eastern, Eastern-Central, and Southeastern European Research] and the Südosteuropagesellschaft München (SOG) [Southeastern Europe Society Munich], the German National Library of Economics (ZBW), library of the Kiel Institute for World Economics, organized the 33th ABDOS conference on “*Die erweiterte Europäische Union und Südosteuropa: Stand und Perspektiven der Informationsvermittlung*” [The Enlarged European Union and Southeastern Europe: State and Perspectives of Communicating Information] on May 24–26, 2004. Main issues were the European integration and information landscape, Eastern Europe portals, and the international cooperation on information and literature exchange. Frauke Siefkes, Olena Dolud, Susanne Schäfers, and Birgit Fingerle represented the ZBW.

In a number of other workshops Eastern Europe was the main focus, too. On February 5–6, 2004, the Institute, in collaboration with the International Center for Economic Growth—European Center (IGEC-EC) organized a workshop on “*Economic and Political Relations after the EU Enlargement: The Visegrad Countries and Russia, Ukraine, Belarus, and Moldova*” in Budapest. Together with the New Economic School in Moscow the Institute organized there a workshop on “*Analysis of Monetary and Trade Policy Questions for the Russian Federation*” on June 4, 2004. On July 12–13, 2004, the Institute, in collaboration with the United Nations University—Comparative Regional Integration Studies (UNU-CRIS), organized a workshop on “*Monetary Policy in Selected CIS Countries*” in Bruges (Belgium). Each time Lúcio Vinhas de Souza represented the Institute with a lecture (“Monetary Policy Rules for Russia”).

In the framework of the *Euro-Latin Study Network on Integration and Trade* (ELSNIT), initiated by the Inter-American Development Bank, in which the Institute together with the Centre de Recerca en Economia Internacional (CREI) [Center for Research in International Economics], the Robert Schuman Centre for Advanced Studies (RSC), and the Centre d’Etudes Prospectives et d’Informations Internationales (CEPII) is member of the Steering Committee, two conferences were held. On April 27–28, 2004, the results from the first annual ELSNIT conference were presented at a conference in Buenos Aires organized by the Instituto para la Integración de América Latina y el Caribe (INTAL) [Institute for the Integration of Latin America and the Caribbean]. At that conference, the members of the steering committee presented policy papers on topics prepared by them. Rolf J. Langhammer represented the Institute with a paper on “EU Enlargement and the Adjustment Process” (with Rainer Schweickert as coauthor). On October 29–30, 2004, the second annual conference of ELSNIT took place at the RSC in Florence. The Institute and CEPII jointly organized a

session on the empirical aspects of integration and trade. Two other sessions organized by CREI and the RSC, respectively, dealt with macroeconomic and institutional aspects of integration and trade. In each of the three sessions, six papers selected by the Steering Committee were presented and discussed. Rolf J. Langhammer and Rainer Schweickert represented the Institute.

Together with SUERF—The European Money and Finance Forum, the Institute organized a *workshop on “Banking Risks in International Markets”* on February 27-28, 2004. The eleven lectures dealt with international activities of banks and the resulting risks for the stability of the banking system. The participation of international researchers, central bankers, and private bankers led to interesting discussions. Claudia Buch, Christian Pierdzioch, Andrea Schertler, and Stéphanie Stolz represented the Institute.

Together with the Deutsche Bundesbank and the University of Tübingen, the Institute organized a *workshop on “Multinationals and International Integration”* on October 8–9, 2004. At the workshop numerous internationally renowned researchers from Germany and abroad discussed among other things the role of multinational enterprises for intraindustrial trade, the determinants of foreign direct investment, and the relevance of multinational enterprises in regard to the international business cycle. Furthermore the role of multinational enterprises in the development of international stock exchanges and the resulting implications for the optimal portfolio diversification of investors were discussed. Rolf J. Langhammer, Claudia Buch as well as Jörn Kleinert, a former staff member of Research Department I, represented the Institute.

As part of the research project European Financial Markets, Venture Capital, and High-Tech Firms, the Institute organized an international *workshop on “European Integration, Financial Systems, and Corporate Performance”* on February 23, 2004. At this workshop macroeconomic as well as microeconomic questions were discussed, in particular those about the influence of financial markets on the economic growth in the Single European Market, about the influence of European monetary policy on the investment behavior of private enterprises, about the effects of national regulations of labor and financial markets on entrepreneurial investment decisions, about the empirical relevance of finance restrictions on the introduction of new technologies, and about the development of the European market for venture capital. Christian Pierdzioch, Andrea Schertler, and Michael Stolpe (Lecture “Europe’s Entry into the Venture Capital Business: Efficiency and Policy”) represented the Institute.

In collaboration with the Center for Information and Network Economics at the University Munich and the ifo Institute Munich, the Institute organized the *Kiel-Munich Workshop on the Economics of Information and Network Industries* for

the fourth time on August 30–31, 2004. The contributions of about 20 participants from Germany and abroad dealt among other things with the theoretical analysis of market failure and regulation tasks in telecommunications and the energy industry as well as the modeling of competition processes in e-business. Meeting place was the convent Seeon close to Munich. Henning Klodt represented the Institute.

In collaboration with the IT College Putbus and the Federal Ministry of Economics and Labor, the Institute organized a *workshop on “Open Source Software”* in Putbus on Rügen on July 8–9, 2004. On the first day the focus was on the economic potential of Open Source Software, in particular its impact on competition and innovation in software markets. On the second day general conditions and market barriers were analyzed. About 30 participants discussed about the relevance of Open Source Software and potential need for economic policy actions. Henning Klodt and Jens Mundhenke represented the Institute and gave lectures.

In collaboration with the Arbeitsgemeinschaft Selbständiger Unternehmer [Workgroup of Independent Entrepreneurs], the Institute organized an *economic policy workshop* on December 17, 2004. Private entrepreneurs and researchers of the Institute exchanged their views on various topical economic policy issues, such as growth prospects for Germany, labor market reform, EU enlargement, and immigration policy. Alfred Boss, Björn Christensen, Hugo Dicke, Federico Foders, Joachim Scheide, and Jürgen Stehn represented the Institute.

On the occasion of the Kiel Week, the Institute once again organized a *Lecture Series* (June 21–24, 2004), in order to present its research activities to a broader audience. Lectures were given by Björn Christensen on “Arbeitslosigkeit in Deutschland: Ursachen und Lösungswege” [Unemployment in Germany: Causes and Remedies], Sonja Peterson on “Europäischer Emissionshandel: Effiziente Klimapolitik oder Bedrohung der Wettbewerbsfähigkeit?” [European Emission Trading: Efficient Climate Policy or Threat to Competitiveness?], Joachim Scheide on “Wirtschaftspolitik in Deutschland: Aufbruch oder Stillstand?” [Economic Policy in Germany: New Start or Standstill?], and Matthias Lücke on “Die Welthandelsordnung nach Cancun: Droht eine Nord-Süd-Konfrontation?” [The World Trade Order after Cancun: Is there a Threat of a North-South Confrontation?].

The following economists lectured at the Institute’s *Staff Seminars* in 2004: Ulrich Wagner (Yale University) on “Testing the Pollution Havens Hypothesis for the German Manufacturing Sector,” Filip Abraham (University of Leuven) on “EU Enlargement towards Central and Eastern European Countries,” Yelena Kalyuzhnova (University of Reading) on “EU Interests in the Caspian Sea

Region,” Ron Boschma (University of Utrecht) on “The Spatial Formation of the Automobile Industry in Great Britain 1968–1985,” and Philip Lane (University College Dublin) on “Financial Globalization and Exchange Rates.”

2. External Conferences

In 2004, many of the Institute’s economists were invited to participate in, or present papers at, conferences in Germany and other countries:

BODE, E., 43rd Annual Meeting of the Western Regional Science Association in Wailea (paper “Output Effects of Agglomeration Externalities”).

BODE, E., 4th Congress on Proximity Economics: Proximity, Networks and Coordination in Marseille (paper “Productivity Effects of Agglomeration Externalities”).

BODE, E., 44th European Congress of the European Regional Science Association in Porto (paper “Agglomeration Externalities in Germany”).

BOSS, A., Workshop “Hayek-Tage 2004” of the Friedrich A. von Hayek-Gesellschaft and the Friedrich A. von Hayek-Stiftung in Freiburg.

BOSS, A., Workshop “Duale Einkommensteuer: Modell für eine grundlegende Steuerreform” of the Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung and the Max-Planck-Institut für Geistiges Eigentum, Wettbewerbs- und Steuerrecht of the Justus-Liebig-Universität Gießen in Frankfurt am Main.

BOSS, A., Roundtable “Tax Competition” of the Liberales Institut der Friedrich-Naumann-Stiftung, of the Heritage Foundation, and the Center for Freedom and Prosperity in Berlin (paper “The Taxation of Capital Income: Is Harmonization Desirable?”).

BOSS, A., Colloquium “Föderalismusreform als wirtschaftspolitische Chance” der Friedrich-Naumann-Stiftung in Berlin (paper “Steuerwettbewerb”).

CARSTENSEN, K., Annual Meeting of the Verein für Socialpolitik in Dresden (paper “Stock Market Downswing and the Stability of Money Demand in the Euro Area”).

CARSTENSEN, K., Statistical Workshop in Frankfurt am Main (paper “Assessing and Improving the Performance of Nearly Efficient Unit Root Tests in Small Samples”).

CHRISTENSEN, B., 15th Malenter Symposium “Youth Employment, Empowerment and Participation: Securing the Future” in Lübeck.

DOHSE, D., 19th Congress of the European Economic Association and Econometric Society European Meeting in Madrid (paper “The Impact of Location on Firm Growth”).

DOHSE, D., DRUID Summer Conference 2004 “Industrial Dynamics, Innovation and Development” in Copenhagen (paper “Concentration, Co-Agglomeration and Spillovers—The Geography of New Market Firms in Germany”).

DOHSE, D., International Workshop “Cluster Policies and Local Development” of the Università Cattolica del Sacro Cuore in Piacenza (paper “Cluster-Based Technology Policy—The German Experience”).

DOHSE, D., Annual Meeting of the Ausschuss für Regionaltheorie und Regionalpolitik of the Verein für Socialpolitik in Kiel (paper “Measuring and Testing Localization—Where Do We Stand?”).

FODERS, F., Göttinger Workshop “Internationale Wirtschaftsbeziehungen” of the Georg-August-Universität in Göttingen (paper “Long-Run Determinants of Immigration to Germany 1974–1999: A Ricardian Approach”).

FODERS, F., Conference “Structural Change and Exchange Rate Dynamics in the Context of EU Eastern Enlargement” of the Universität Wuppertal (comment on “The Absence of Technology Spillovers from FDI in Transition Economies”).

FODERS, F., Workshop “Transformationsprozesse in Mittel- und Osteuropa” of the Institut für Qualitätsentwicklung an Schulen Schleswig-Holsteins im Bildungszentrum Tannenfelde (paper “Stand der Reformen in Polen”).

FODERS, F., Seminar “Europa-Lateinamerika: Zwischen globalen und nationalen Interessen” of the Gustav-Heinemann Bildungsstätte in Malente (paper “Erweiterung der amerikanischen Freihandelszone: Vorbild EU?”).

GERN, K.-J., Workshop “Presidential and Congressional Elections 2004 in the United States: Politics, Economics and Transatlantic Implications” of the Council on Foreign Relations and the Deutsche Bank Research in Berlin (comment on Peter Hooper “Towards Recovery: The US Economic Outlook”).

GERN, K.-J., 7th Annual Meeting Energy of the Berlin-Brandenburgische Akademie für Wohnungswirtschaft (BBA) in Berlin (paper “Auswirkungen des Energiepreisanstiegs auf die Weltwirtschaft”).

GIERSCH, H., Economic Policy Symposium of the Herbert-Giersch-Stiftung “Herausforderungen des demographischen Wandels für die neuen Bundesländer” in Berlin.

GIERSCH, H., Magdeburg Workshop of the Herbert-Giersch-Stiftung “Labour Market Imperfections, Unemployment, and Growth” in Schloss Wendgräben.

GUNDLACH, E., 9th International Convention der East Asian Economic Association in Hong Kong (paper “The Primacy of Institutions Reconsidered: The Effects of Malaria Prevalance in the Empirics of Development”).

GUNDLACH, E., Training Course “Bildungsökonomie für alle” of the GTZ Eschborn (paper “Neuere Erkenntnisse der empirischen Wachstums- und Entwicklungsforschung”).

GUNDLACH, E., Workshop of the Bundesministerium für Bildung und Forschung in Bonn (paper “Investition in Humankapital”).

HAMMERMANN, F., UACES Conference in Birmingham (paper “Evaluating the Role of the Exchange Rate in Inflation Targeting Regimes of Emerging Market Economies”).

HAMMERMANN, F., 9th Spring Meeting of Young Economists in Warsaw (paper “Evaluating the Role of the Exchange Rate in Inflation Targeting Regimes of Emerging Market Economies”).

HAMMERMANN, F., 6th Göttinger Workshop International Economic Relations (paper “A VAR Analysis of Monetary Policy in Poland and Chile: Do Exchange Rates Matter?”) in Göttingen.

HAMMERMANN, F., 7th Development Policy Seminar of the Verein für Entwicklungswirtschaftliche Forschungsförderung in Weimar.

HAMMERMANN, F., Review of Economic Studies Meeting 2004 at the Humboldt-Universität Berlin.

HENKE, J.M., 2nd Workshop Biofuels “Kraftstoffe der Zukunft 2004” of the Landesvertretung Niedersachsen in Berlin (paper “Bioethanol und globale Marktentwicklung für Biokraftstoffe”).

HENKE, J.M., PhD Summer Academy “Creating and Transforming Markets for Sustainability” of the Universität St. Gallen (paper “Information as an Environmental Policy Instrument”).

HENKE, J.M., Workshop “Innovationen bei der Bioethanolerzeugung und ihre Auswirkungen auf Energie- und Treibhausgasbilanzen” of the meó Consulting Team für die Fachagentur Nachwachsende Rohstoffe on authority of Bundesministerium für Verbraucherschutz, Ernährung und Landwirtschaft in Cologne.

HENKE, J.M., Workshop “Marktanalyse Nachwachsende Rohstoffe” of the meó Consulting Team für die Fachagentur Nachwachsende Rohstoffe on authority of Bundesministerium für Verbraucherschutz, Ernährung und Landwirtschaft in Cologne.

HENKE, J.M., International Congress “E-World, Energy & Water” in Essen (paper “Kraftstoffe auf biologischer Basis im Vormarsch. Globale Sicht: Zukunftschancen und Zukunftsrisiken”).

KAMPS, A., 9th Spring Meeting of Young Economists in Warsaw (paper “Could Deflation in Japan Have Been Foreseen?”).

KAMPS, C., Annual Meeting of the European Economic Association in Madrid (paper “The Dynamic Effects of Public Capital: VAR Evidence for 22 OECD Countries”).

KAMPS, C., Annual Meeting of the Verein für Socialpolitik in Dresden (paper “The Dynamic Effects of Public Capital: VAR Evidence for 22 OECD Countries”).

KAMPS, C., Annual Meeting of the International Institute of Public Finance in Milan (paper “The Dynamic Effects of Public Capital: VAR Evidence for 22 OECD Countries”).

KAMPS, C., 1st EUROFRAME Conference on Economic Policy Issues in the European Union in Paris (paper “The Dynamic Effects of Public Capital: VAR Evidence for 22 OECD Countries”).

KLEPPER, G., Symposium of the Fachagentur für Nachwachsende Rohstoffe on authority of Bundesministerium für Verbraucherschutz, Ernährung und Landwirtschaft in Berlin.

KLEPPER, G., National Colloquium of the Nationales Komitee für Global Change Forschung (NKGCF) zur Global Change Forschung in Berlin (chairman of the panel discussion “A New Paradigm for Global Change Research”).

KLEPPER, G., Environmental Policy Session of the Auswärtiges Amt in Berlin (paper “Die Konkretisierung des Stabilisierungsziels der Klimarahmenkonvention”).

KLEPPER, G., Symposium “Warnsignal Klima” of the Universität Hamburg (paper “Mögliche Folgen der Wasserknappheit für die Weltwirtschaft”).

KLEPPER, G., Workshop on the Global Change Research of the Deutsche Forschungsgemeinschaft (DFG) in Bonn.

KLEPPER, G., Round-Table Discussion Deutsche Forschungsgemeinschaft “Konsummuster, Ressourcenverbrauch und Globaler Wandel” in Bonn.

KLEPPER, G., Workshop “Wirtschaftswachstum oder Klimaschutz?” of the Evangelische Akademie in Loccum (paper “Wirtschaftliche Entwicklung und deren klimapolitische Relevanz”).

KLEPPER, G., Workshop of the Deutsche Forschungsgemeinschaft “Anwendungsorientierung der Global Change Forschung” in Berlin (paper “Nutzen und Kosten proaktiver Strategien”).

KLEPPER, G., Workshop “Untersuchung der Biokraftstoffproduktion und des Biokraftstoffmarktes in Brasilien” of the Fachagentur für Nachwachsende Rohstoffe on authority of Bundesministerium für Verbraucherschutz, Ernährung und Landwirtschaft in São Paulo (paper “Energie- und Treibhausgasbilanzen für Ethanol”).

KLEPPER, G., Network of World Class Economist Meeting of the European Environment Agency (EEA) in Brussels.

KLEPPER, G., 22nd MIT Global Change Forum and 6th FEEM Climate Policy Workshop of the Fondazione Eni Enrico Mattei in Venice.

KLEPPER, G., Workshop of the Deutsches Institut für Wirtschaftsforschung (DIW) “Sustainability Impact Assessment—Herausforderungen für die ökologisch-ökonomische Modellbildung” in Berlin (paper “Integrierte ökologisch-ökonomische Modelle im Klimaschutz”).

KLEPPER, G., 34th ISC-Symposium “Wachstum ohne Grenzen?” of the ISC Foundation in St. Gallen (paper “No Limits to Growth?—No Limits to Growth!”).

KLEPPER, G., Workshop “Sozialwissenschaftliche Forschung zum globalen Wandel” of the Geographisches Institut der Universität Bonn.

KLEPPER, G., Workshop “Integrated Assessment of Sustainable Development” of the Abdus Salam International Centre for Theoretical Physics in Trieste (paper “Marginal Abatement Costs in General Equilibrium—The Role of World Energy Prices”).

KLEPPER, G., Workshop “Ökobilanzen für Ethanol” of the meó Consulting Team in Hannover (paper “Energie- und Treibhausgasbilanz für Ethanol”).

KLODT, H., Workshop “Dienstleistungsstandort Niedersachsen” of the Niedersächsisches Landesamt für Statistik in Hannover (paper “Der Weg in die Dienstleistungsgesellschaft – Ausprägung, Ursachen und Perspektiven”).

KLODT, H., Panel discussion “Globalisierung—Traum oder Albtraum?” of the Theatergesellschaft in Kiel.

KLODT, H., Conference “The Transition to Market-guided Reform in the Democratic People’s Republic of Korea” of the Korea Institute for Future Strategies in Bonn (paper “The Transition to Market-guided Economies in Post-Socialist Countries: Experiences, Lessons, and Implications for the Democratic People’s Republic of Korea”).

KLODT, H., 33rd Workshop of the List Gesellschaft “50 Jahre List Gesellschaft—Was hat uns List heute noch zu sagen?” in Frankfurt am Main (paper “EU-Osterweiterung: Anpassungsdruck für die deutsche Wirtschaft?”).

KLODT, H., Session “Effizienz und Wettbewerb” of the Arbeitsgruppe Wettbewerb of the Wirtschaftspolitischer Ausschuss im Verein für Socialpolitik in Münster.

KLODT, H., Annual Meeting “Institutionelle Grundlagen effizienter Wirtschaftspolitik” of the Wirtschaftspolitische Ausschuss im Verein für Socialpolitik in Münster.

KLODT, H., J. MUNDHENKE, Workshop “Open Source Software” of the IT College Putbus, of the Bundesministerium für Wirtschaft und Arbeit, and the Institut für Weltwirtschaft in Putbus (paper “Die Bedeutung von Open Source Software für Wettbewerb und Innovation”).

KRIEGER-BODEN, C., 44th European Congress “Regions and Fiscal Federalism” of the European Regional Science Association (ERSA) in Porto (paper “Regional Structural Change and Cohesion in the Process of European Integration: A Comparison of French, German, Portuguese and Spanish Regions”).

KRIEGER-BODEN, C., Regional Science Conference of the IHK Halle-Dessau in Halle/Saale (paper “Regionalpolitische Ansätze und ihre Auswirkungen auf Wachstum und Beschäftigung”).

KRIEGER-BODEN, C., Conference “New Economic Geography—Closing the Gap between Theory and Empirics“ of the HWWA, Utrecht School of Economics, and the Universität Groningen in Hamburg (comment on Matthieu Crozet and Parmina Koenig “The Cohesion vs Growth Tradeoff: Evidence from EU Regions”).

KRIEGER-BODEN, C., 2nd Workshop of the EURECO Project “The Impact of European Integration and Enlargement on Regional Structural Change and Cohesion” in Volos (paper “Country Studies on Spain, France, and Germany”).

LAASER, C.-F., 33rd Workshop of the ABDOS “Die erweiterte Europäische Union und Südosteuropa—Stand und Perspektiven der Informationsvermittlung” in Kiel (paper “Neue Partner in Europa”).

LAASER, C.-F., 43rd Session of the Fachausschuss Seeschiffahrtsstraßen, Hafen und Schiff der HTG/STG in der Wasser- und Schifffahrtsdirektion Nord in Kiel (paper “Der Weg der Baltischen Staaten in den Europäischen Binnenmarkt—Die Ostsee als Integrationsmotor”).

LAASER, C.-F., Session of the Ständiger Fachausschuss des Deutschen Nautischen Vereins von 1868 in Hamburg (paper “Der Weg der Baltischen Staaten in den Europäischen Binnenmarkt—Die Ostsee als Integrationsmotor”).

LAASER, C.-F., Workshop “Transformationsprozesse in Mittel- und Osteuropa” of the Institut für Qualitätsentwicklung an Schulen Schleswig-Holsteins im Bildungszentrum Tannenfelde (paper “Die baltischen Staaten: Von der UdSSR in die EU”).

LAASER, C.-F., Workshop “Lebensraum Stadt: Zivilisation oder Barbarei?” of the Institut für Qualitätsentwicklung an Schulen Schleswig-Holsteins und der Hermann Ehlers Akademie in Kiel.

LANGHAMMER, R.J., Conference of the “Euro-Latin Study Network on Integration and Trade” of the Inter-American Development Bank in Buenos Aires.

LANGHAMMER, R.J., Annual Meeting 2004 “Neuere Ansätze der Entwicklungszusammenarbeit” of the Ausschuss Entwicklungsländer des Vereins für Socialpolitik in Cologne.

LANGHAMMER, R.J., Scientific Workshop “Reformstau in Europa?” of the ARGE in Berlin.

LANGHAMMER, R.J., Annual Meeting 2004 “Marktwirtschaft und Risiko” of the Ausschuss für Entwicklungsländer des Vereins für Socialpolitik in Dresden.

LANGHAMMER, R.J., 5th World Knowledge Forum, KDI School Session on National Growth Strategies to Achieve \$20,000 per capita GDP in Seoul (paper “The German Economic Sclerosis: Cyclical, Structural, Surmountable?”).

LANGHAMMER, R.J., 15th Malente Symposium “Youth Employment, Empowerment and Participation: Securing the Future” of the Dräger-Stiftung in Lübeck.

LANGHAMMER, R.J., Second Annual Conference of the Euro-Latin Study Network on Integration and Trade (ELSNIT) of the Inter-American Development Bank in Florence (Steering Committee).

LANGHAMMER, R.J., Workshop “Integration in Asia and Europe: Historical Dynamics, Political Issues and Economic Perspectives” of the Universität Wuppertal.

LAY, J., World Bank Annual Bank Conference on Development Economics (ABCDE) “Doha, Monterrey and Johannesburg: Are We on Track?” in Brussels.

LAY, J., 7th Annual Conference on Global Economic Analysis “Trade, Poverty, and the Environment” of Purdue University in Washington, D.C.

LORZ, O., Annual Conference of the Verein für Socialpolitik in Dresden (paper “On the Endogenous Allocation of Decision Powers in Federal Structures”).

LORZ, O., Annual Conference of the International Institute of Public Finance in Milan (paper “On the Endogenous Allocation of Decision Powers in Federal Structures”).

LORZ, O., Conference “Research in International Economics and Finance” in Paris (paper “On the Endogenous Allocation of Decision Powers in Federal Structures”).

LORZ, O., Göttingen Workshop “Internationale Wirtschaftsbeziehungen” (paper “On the Endogenous Allocation of Decision Powers in Federal Structures”).

LÜCKE, M., Workshop “Wirtschaftsentwicklung in Belarus”, Deutsch-Belarusische Partnerschaftskonferenz of the Internationales Bildungs- und Begegnungswerk Minsk.

LÜCKE, M., International Policy Dialog “Export Competitiveness—Verbesserung der Exportfähigkeit von Entwicklungsländern” of the InWEnt and UNCTAD in Bonn.

MEIER, C.-P., Annual Meeting of the Verein für Socialpolitik in Dresden (paper “Assessing Macroeconomic Forecast Uncertainty: An Application to the Risk of Deflation in Germany”).

MERKL, C., 3rd Annual Conference “Forecasting Financial Markets and Economic Decision-Making” in Lodz (paper “A Preliminary Evaluation of Monetary Policy Rules for Russia”).

MERKL, C., Workshop of the Volkswirtschaftliche Studienabteilung der Österreichischen Nationalbank in Vienna (paper “Die Effekte der Kapitalregulierung auf den Transmissionsmechanismus der Geldpolitik”).

MERKL, C., UACES 34th Annual Conference and 9th Research Conference “The European Union: New Neighbours, New Challenges” in Birmingham (paper “An Evaluation of Monetary Policy Rules for Russia”).

MUNDHENKE, J., Conference “Kommerzielle Software und Open Source Software—Ein kompakter Überblick aus Wissenschaft und Praxis” of the Bundesverband Digitale Wirtschaft in Berlin (paper “Open Source Software im Wettbewerb”).

MUNDHENKE, J., Conference “Open Source Software im Professionellen Einsatz” of the IT College in Putbus (paper “Die Bedeutung von Open Source Software für Wettbewerb und Innovation”).

MUNDHENKE, J., Workshop “Open Source Software” of the IT College Putbus, of the Bundesministerium für Wirtschaft und Arbeit, and the Institut für Weltwirtschaft in Putbus (paper “Open Source Software im Wettbewerb: Rahmenbedingungen und Markthemmnisse”).

NUNNENKAMP, P., International Seminar “FDI Policies and Regulation: How to Foster Economic Development?” of the Consumer Unity and Trust Society (CUTS Centre for Competition, Investment & Economic Regulation) in Geneva (paper “How to Promote Development-Friendly FDI: An Agenda for Policy Changes”).

NUNNENKAMP, P., Congress “Zukunftsaussichten der deutschen Automobil- und Automobilzulieferindustrie” of the Ruhr-Universität Bochum (paper “Internationale Wertschöpfungsketten und Absatzmärkte: Das Beispiel der deutschen Automobilindustrie”).

NUNNENKAMP, P., 21st International Scientific Conference “Regional and Global Development in the Modern World Economy” of the Wroclaw University of Economics in Wroclaw (paper “How to Promote Development-Friendly FDI: An Agenda for Policymakers in Developing and Transition Countries”).

NUNNENKAMP, P., Seminar on Sicherheitspolitik 2004 of the Bundesakademie für Sicherheitspolitik in Berlin (paper “Verteilungspolitische Herausforderungen der Globalisierung: Die Rolle von IWF und World Bank”).

NUNNENKAMP, P., International Conference “Institutions and Development Performance” of the Arab Planning Institute in Beirut (paper “Why Economic Growth Has Been Weak in Arab Countries. The Role of Exogenous Shocks, Economic Policy Failure and Institutional Deficiencies”).

NUNNENKAMP, P., International Seminar “Socially Responsible Investment for Development Financing Institutions” of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) in Hong Kong (paper “New Paradigm, Latest Fad, or Ingenious Plot? A View on CSR and SRI-related Issues from Developed Markets”).

NUNNENKAMP, P., Trilateral Conference “Perspektiven der EU-Russland-Beziehungen nach der EU-Erweiterung” of the Deutsche Gesellschaft für Auswärtige Politik in Berlin (paper “Zum ordnungspolitischen Spannungsverhältnis von Staat und Wirtschaft”).

NUNNENKAMP, P., Workshop “New Issues in Regional Monetary Coordination” of the Institute for Ibero-American Studies in Hamburg (Discussant “Chances and Limits of South-South Monetary Coordination”).

NUNNENKAMP, P., Seminar “Globalization and Regionalism: Liberal Stocktaking of Chances and Risks” of the Internationale Akademie der Friedrich-Naumann-Stiftung in Gumpersbach (paper “Globalization and Regionalism: Economic Alternatives or Complementary Concepts?”).

NUNNENKAMP, P., International Expert Meeting “Discussing Recent Evaluation Results of the Independent Evaluation Office of the IMF” of the InWEnt in Berlin.

NUNNENKAMP, P., Workshop “Globalisierung gestalten: Herausforderungen für die deutsche Entwicklungsforschung und -politik” of the Deutsches Institut für Entwicklungspolitik (DIE) in Bonn (panel discussion “Schwellenländer als Partner bei der Gestaltung der Globalisierung”).

NUNNENKAMP, P., Seminar “Challenges Facing the Arab Entrepreneurs in the Globalization Era” of the Friedrich-Naumann-Stiftung and the Arab Forum for Young Entrepreneurs in Cairo (paper “Globalization—Opportunities for Economic Growth in the Arab World”).

NUNNENKAMP, P., Conference “Development Aid: Why and How?—Towards Strategies for Effectiveness” of the Agence Française de Développement and the European Development Research Network in Paris.

NUNNENKAMP, P., Seminar “Die internationalen Finanz- und Handelsorganisationen und Global Governance” of the Friedrich-Ebert-Stiftung in Bonn (paper “Die internationalen Finanzkrisen der 90er Jahre: Auswirkungen für World Bank und IWF”).

NUNNENKAMP, P., Second International HWWA-Conference on Public Choice and Development “The Political Economy of Aid” of the HWWA in Hamburg (paper “Targeting Aid to the Needy and Deserving: Nothing But Promises?”).

PETERSON, S., Annual Meeting of the Verein für Socialpolitik in Dresden (paper “The EU Emissions Trading Scheme—Allowance Prices, Trade Flows, Competitiveness Effects”).

PETERSON, S., International Conference on “Input-Output and General Equilibrium: Data, Modeling and Policy Analysis” of the ECOMOD and the International Input-Output Association (IIOA) in Brussels (paper “The EU Emissions Trading Scheme—Allowance Prices, Trade Flows, Competitiveness Effects”).

PETERSON, S., Annual Meeting of the International Energy Workshop of the Energy Modeling Forum (EMF), International Energy Agency (IEA), and the International Institute for Applied Systems Analysis (IIASA) in Paris (paper “The EU Emissions Trading Scheme—Efficient Climate Policy or a Danger for the European Competitiveness?”).

PIERDZIOCH, C., Annual Meeting of the Verein für Socialpolitik in Dresden (paper “The Effects of the Foreign Exchange Market Interventions of the Bank of Japan on the \$/Yen Exchange Rate Volatility”).

PIERDZIOCH, C., S. YENER, Workshop on Computational Finance in Kiel (paper “On the Hump-Shaped Output Effect of Monetary Policy in an Open Economy”).

SCHEIDE, J., Review of Economic Studies Meeting 2004 at the Humboldt-Universität Berlin.

SCHEIDE, J., EUROFRAME Conference “Fiscal Policies in the European Union” at OFCE in Paris (paper “What Is a Good Fiscal Policy?”).

SCHEIDE, J., Meeting of the Advisory Board of the Blekinge Institute of Technology as well as Conference (paper “Germany—A Drag for Euroland’s Economy”).

SCHEIDE, J., Meeting of the Association d’Instituts Européens de Conjoncture Economique (AIECE) at the EU in Brussels.

SCHEIDE, J., Hermann Ehlers Akademie in Kiel (paper “Wirtschaftspolitik in Deutschland: Kommt der kranke Mann Europas wieder auf die Beine?”).

SCHERTLER, A., Annual Meeting of the Verein für Socialpolitik in Dresden (paper “European Venture Capital Markets: Sources of Funds and Investment Characteristics”).

SCHRADER, K., Workshop “Transformationsprozesse in Mittel- und Osteuropa” of the Institut für Qualitätsentwicklung an Schulen Schleswig-Holsteins im Bildungszentrum Tannenfelde (paper “Mittel- und Osteuropa im Transformationsprozess”).

SCHRÖDER, H., Workshops “Technische Infrastruktur” of the GBV in Göttingen, Illmenau, Hannover, and Hamburg.

SCHRÖDER, H., IT Workshop of the Leibniz-Gemeinschaft in Berlin (paper “Neukonzeption des Intranets der WGL” and “Reorganisation der Soft- und Hardwaredatenbank”).

SCHRÖDER, H., IT Workshop of the Leibniz-Gemeinschaft at the Forschungsinstitut Senckenberg in Frankfurt am Main (paper “Das Intranet der WGL, Präsentation der neuen Wissensdatenbank”).

SCHWEICKERT, R., Second Annual Conference of the Euro-Latin Study Network on Integration and Trade der Inter-American Development Bank, the Robert Schuman Centre for Advanced Studies (RSC), Center for Research in International Economics (CREI), Centre d’Etudes Prospectives et d’Informations Internationales (CEPII), and the Institut für Weltwirtschaft in Florence.

SCHWEICKERT, R., International Policy Dialogue “Searching for Alternatives—Beyond the Washington Consensus” of the InWEnt/BMZ in Berlin (paper “Fiscal and Monetary Policy—Appropriated Instruments for a Growth Policy?”).

SCHWEICKERT, R., Workshop “Transformationsprozesse in Mittel- und Osteuropa” im Bildungszentrum Tannenfelde (paper “EU-Beitritt Bulgariens und Rumäniens—Utopie oder Realität?”).

SIEBERT, H., Seminar of the Dipartimento di Scienze Economiche of the Università Bologna in Bologna (paper “Why We Need the Stability Pact”).

SIEBERT, H., Alumni Conference “Regionalism versus Multilateralism: A False Choice?” of the Paul H. Nitze School of Advanced International Studies (SAIS), Johns Hopkins University Bologna in Bologna.

SIEBERT, H., Conference “Die Zukunft deutscher Unternehmen im globalen Wettbewerb”, Baden-Badener Unternehmer-Gespräche in Baden-Baden (paper “Zukunftsszenarien der globalen Weltwirtschaft”).

SIEBERT, H., Seminar of the Minister der Russischen Föderation für wirtschaftliche Entwicklung und Handel in Moscow (paper “Der Kobra Effekt—Über institutionelle Anreize”).

SIEBERT, H., Seminar of the Leontief Institut in Saint Petersburg (paper “Der Kobra Effekt—Über institutionelle Anreize”).

SIEBERT, H., Panel Discussion Wirtschaftswissenschaftliche Nobelpreisträger at the University of Constance and on the island of Mainau.

SIEBERT, H., Conference “Changes of Governance in Europe, Japan, and the U.S.—Corporations, State, Markets, and Intermediaries” of the Max Planck Institute for Foreign Private and Private International Law and the Japan-German Center Berlin in Berlin (paper “Corporatist versus Market Approaches to Governance”).

SIEBERT, H., Conference “EMU and Economic Governance” of the EU-Kommission, at the same time Meeting of the Group of Policy Advisers of the European Commission in Brussels.

SIEBERT, H., Panel Discussion “The Future of the European Union” of the NYU Stern School of Business in Paris.

SIEBERT, H., Session “Rheingauer Gespräche” of the Hessischer Ministerpräsident at Schloss Johannisberg (paper “Ein höherer Wachstumspfad von 3 Prozent plus—In Deutschland unmöglich?”).

SIEBERT, H., Fireside Chat of the Frankfurter Allgemeine Zeitung and of the Ludwig-Erhard-Stiftung in Berlin (paper “Wie gelangt Deutschland auf einen höheren Wachstumspfad?”).

SIEBERT, H., 12th Schönhauser Roundtable “Deutschland altert—Die demographische Herausforderung annehmen” of the Bundesverband Deutscher Banken in Berlin (paper “Deutschland altert—Die wirtschaftlichen Folgen”).

SOLTWEDEL, R., Conference of the European Ministers of Transportation “ECMT Roundtable 128” at the OECD in Paris.

SOLTWEDEL, R., International Conference “Urban Impacts of the Information Society: Facts, Fiction and Policies” in The Hague (paper “Urban Specialization in the Information Age—Empirical Findings for Germany”).

SOLTWEDEL, R., Business Cycle Conference of the IHK Nord Westfalen “Weg vom Trend—mehr Wachstum für die Region” in Münster (paper “Zunehmende Bedeutung der Metropolen in der Wissensgesellschaft?”).

SOLTWEDEL, R., Deutsch-schweizerische Kooperation of the Akademie für Raumplanung und Landesentwicklung in Bern (paper “Volkswirtschaftlich effiziente Infrastrukturen und Akzeptanz für Marktwirtschaftliche Instrumente in der Raumplanung (MIR) durch verschiedene Akteursgruppen”).

SOLTWEDEL, R., Workshop of the Sozialforschungsstelle Dortmund “Fokus-Gruppe Deutschland: Cluster! Politik?” in Dortmund (paper “Innovative Cluster—Zauberwort der regionalen Wirtschaftspolitik?”).

SOLTWEDEL, R., Workshop Wirtschaftsethik DIE FURCHE—Veranstaltungsreihe zu Fragen der Wirtschaftsethik des Instituts Austria perspektiv of the Österreichische Wirtschaft in Vienna (paper “Bleibt im internationalen Standortwettbewerb die Moral auf der Strecke?”).

SOLTWEDEL, R., International Workshop of the Konrad-Adenauer-Stiftung “Soziale Marktwirtschaft und harmonische Entwicklung” in Beijing (papers “Regional- und Strukturförderung—Zur Angleichung regionaler Lebensverhältnisse”, “Ökonomie und Natur: Umweltverträgliches Wirtschaften als Problem von Wirtschaft und Politik”).

SOLTWEDEL, R., 1st Economic Symposium of the Bundesvereinigung der deutschen Arbeitgeberverbände “Aufbau Ost—Blühende Landschaften oder Mezzogiorno Mitteldeutschland?” in Berlin.

SOLTWEDEL, R., Seminar of the Konrad-Adenauer-Stiftung “El diálogo social México—Union Europea” in México-City (papers “Der soziale Dialog zwischen Gewerkschaften und Unternehmen in Deutschland”, “Soziale Marktwirtschaft im verschärften internationalen Standortwettbewerb”).

SPATZ, J., OECD Forum “Die Internationale Perspektive für Wachstum und Beschäftigung” in Berlin.

SPATZ, J., World Bank Annual Bank Conference on Development Economics (ABCDE) “Doha, Monterrey and Johannesburg: Are We on Track?” in Brussels.

SPATZ, J., Workshop “Operationalizing Pro-poor Growth” of the World Bank, AFD, DFID, BMZ, GTZ, and KfW in Eschborn (coauthor “Operationalizing Pro-poor Growth—Country Case Study: Bolivia”).

SPATZ, J., 15th Malenter Symposium of the Dräger-Stiftung “Youth Employment, Empowerment and Participation: Securing the Future” in Lübeck.

SPINANGER, D., Annual Conference of the American Economic Association in San Diego (comment on “Phase 3 of the MFA Phaseout: Who Will Be the Dominant Players?”).

SPINANGER, D., EU-LDC Network Annual Conference “Multilateralism at Risk” in Brussels (chairman of the session “Trade—A Developing Country Perspective”).

SPINANGER, D., “The Annual Workshop” at the Österreichisches Institut für Wirtschaftsforschung in Vienna (comment on “The Challenge to the EU by a Rising Chinese Economy”).

SPINANGER, D., Conference of the Central Bank of Finland “Increased Interdependence of Greater China—Prospects and Pitfalls” in Helsinki (paper “The Rise of China—Implications for Europe”).

SPINANGER, D., Conference of the French Institute of International Relations (ifri) “European Governance and European Opinions on Trade and Sustainable Development” in Paris (paper “Trade and Social Standards: What’s Next After the World Commission on the Social Dimension of Globalization?”)

SPINANGER, D., GTAP Conference at the World Bank in Washington (papers “Trading Apparel: Developing Countries in 2005” and “Liberalizing Quotas on Textile and Clothing: Has the ATC Actually Worked?”).

SPINANGER, D., Anti Dumping Conference of the University of Nottingham in Nottingham (paper “Trade Effects of the Anti-Dumping in the EU”).

SPINANGER, D., Luxembourg Finance Forum of the Deutsche Bank Luxembourg S.A. in Luxembourg (paper “Chinas Rolle in der Weltwirtschaft: Die Gefahren sind unsere Chancen”).

SPINANGER, D., Conference of the Foreign Trade Association (FTA) on “Textile Trade After 2004: Competition or New Dirigisme?” in Brussels (paper “The Dangers Ahead: What Comes After 31.12.04?”).

SPINANGER, D., Conference of the East-Asian Economic Association (chairman of the session “Regional Economies and Distribution in China” and comment on “The Determinants of Export Propensity: The Case of Manufacturing Industries of Guangdong, China”).

SPINANGER, D., Conference of the Konrad-Adenauer-Stiftung “Completing the First Three Years of Chinese WTO-Membership—Stock Taking of the Present Situation and the Challenges Ahead” in Shanghai (paper “The Question of Tariff and Non-Tariff Measures in Doha”).

STEHN, J., Conference “Prozeß und Perspektiven der Europäischen Einigung” of the Bundesakademie für Sicherheitspolitik in Berlin (paper “Die EU: Fit für die Osterweiterung?”).

STEHN, J., Seminar “Exportmanagement” of the Südwestfälische IHK in Hagen (paper “Die Entwicklung der deutschen Exportmärkte”).

STEHN, J., Workshop “Exploring the Potential of an Enlarged EU” of the Bertelsmann Stiftung in Gütersloh (paper “The Future of Trade Integration in the EU”).

STOLZ, S., IfW-SUERF Workshop “Banking Risks in International Markets” in Kiel (paper “Does Capital Regulation Matter for Bank Behavior? Evidence for German Savings Banks”).

STOLZ, S., 7th Conference of the Schweizerische Gesellschaft für Finanzmarktforschung in Zürich (paper “Does Capital Regulation Matter for Bank Behavior? Evidence for German Savings Banks”).

STOLZ, S., Annual Conference of the European Financial Management Association in Basel (paper “Does Capital Regulation Matter for Bank Behavior? Evidence for German Savings Banks”).

STOLZ, S., Annual Conference of the Deutsche Gesellschaft für Finanzwirtschaft in Tübingen (paper “Does Capital Regulation Matter for Bank Behavior? Evidence for German Savings Banks”).

STOLZ, S., 25th SUERF Colloquium in Madrid (paper “Does Charter Value Matter for Banks’ Capital Buffer? Evidence for EU Banks”).

THIELE, R., Annual Conference of the Ausschuss Entwicklungsländer des Vereins für Socialpolitik in Cologne (paper “The Macroeconomic Effects of Foreign Aid”).

THIELE, R., 7th Development Policy Seminar of the Verein für Entwicklungsökonomische Forschungsförderung in Weimar (paper “Die wirtschaftliche Stagnation Afrikas: Ursachen und Möglichkeiten der Überwindung”).

THOMSEN, H., Conference of the Gemeinsamer Bibliotheksverbund (GBV).

VINHAS DE SOUZA, L., 25th SUERF Colloquium of the Instituto de Estudios Superiores de la Empresa (IESE) in Madrid (paper “Financial Liberalization and Business Cycles: The Experience of the New EU Member States in The Baltics and Central Eastern Europe”).

VINHAS DE SOUZA, L., UACES 34th Annual Conference and 9th Research Conference “The European Union: New Neighbours, New Challenges” in Birmingham (paper “Monetary Policy Rules for Russia”).

VINHAS DE SOUZA, L., Annual Conference of the “Money, Macro and Finance Research Group” at the Cass Business School in London (paper “Financial Liberalization and Business Cycles: The Experience of the New EU Member States in The Baltics and Central Eastern Europe”).

VINHAS DE SOUZA, L., First Meeting of the UACES Study Group on “Monetary Policy in Selected CIS Countries” (UNU-CRIS) in Bruges (paper “Monetary Policy Rules for Russia”).

VINHAS DE SOUZA, L., USAID/IRIS Regional Think Tank Conference in Kranjska Gora (paper “Final Report on the Project ‘Analysis of Monetary and Trade Policy Questions for the Russian Federation’”).

VINHAS DE SOUZA, L., Workshop “Analysis of Monetary and Trade Policy Questions for the Russian Federation” of the New Economic School in Moscow (paper “Monetary Policy Rules for Russia”).

VINHAS DE SOUZA, L., World Bank “Annual Bank Conference on Development Economics in Europe (ABCDE)” in Brussels (paper “A Wider Europe: Trade Relations between an Enlarged EU and the Russian Federation”).

VINHAS DE SOUZA, L., Workshop on Transition Economics of the Bank of Finland in Helsinki (paper “Monetary Policy Rules for Russia”).

VINHAS DE SOUZA, L., Conference of the International Center for Economic Growth—European Center (ICEG-EC) “Economic and Political Relations after the EU Enlargement: The Visegrad Countries and Russia, Ukraine, Belarus and Moldova” in Budapest (paper “Monetary Policy Rules for Russia”).

WIEBELT, M., Annual Conference of the Verein für Socialpolitik in Dresden (paper “Prospects for Pro-poor Growth in Bolivia: A CGE Analysis”).

WIEBELT, M., Roundtable Workshop on Pro-poor Growth of the Johann Wolfgang Goethe-Universität Frankfurt am Main (discussant “Quantitative Tools in Pro-poor Growth Analysis”).

WIEBELT, M., Workshop “Operationalizing Pro-Poor Growth” of the World Bank, AFD, DFID, BMZ, GTZ, and KfW in Eschborn (coauthor “Operationalizing Pro-poor Growth – Country Case Study: Bolivia”).

WIEBELT, M., Roundtable “Megastädte und globaler Wandel” of the Deutsche Forschungsgemeinschaft (DFG) in Bonn.

WOLF, H., GARS-Workshop “How to Make Slot Markets Work” in Berlin (paper “The Auctioning of Airports Slots—A View from the Perspective of Transaction Costs Economics”).

WOLF, H., World Conference of the Air Transport Research Group in Istanbul (paper “Institutional Obstacles of an Efficient Air Transport Infrastructure Policy”).

VI. Publications

The economists at the Kiel Institute presented their research findings to economists, the business community, and the general public in in-house publications and out-of-house publications.

The in-house publications were edited by the Editorial Group (headed by *Dietmar Gebert*). In addition, this Group edited papers presented by economists from home and abroad on the occasion of the Kiel Week Conference, and also articles accepted for publication in the “Review of World Economics/Weltwirtschaftliches Archiv” upon recommendation by a referee.

In 2004, the Editorial Group edited 5 “Kieler Studien/Kiel Studies,” 9 “Kieler Diskussionsbeiträge/Kiel Discussion Papers,” and 4 issues of the Institute’s quarterly journals: “Review of World Economics/Weltwirtschaftliches Archiv” and “Die Weltwirtschaft.” In addition, the Institute published the conference volume entitled “Macroeconomic Policies in the World Economy” and the Bernhard-Harms-Lecture by Maurice Obstfeld entitled “External Adjustment.”

1. In-House Publications

Summaries of the Institute’s publications were published in 19 “Kieler Kurzberichte” and, for the English-speaking public, in 12 “Kiel Reports.” Further information on the following 2004 publications can be found, together with information on the Institute’s 2003 publications, in “Publikationsverzeichnis/Publications 2003–2004” and on the Internet (<http://www.ifw-kiel.de>).

Furthermore, the Institute’s Internet homepage contains information about ongoing research activities at the Institute, about the organizational structure of the Institute, and about the services offered by the Library and the Economic Archives. Additionally, abstracts of the publications and the full text of some research papers can be downloaded. In 2004, the Internet was accessed on average about 300,000 times per month. Most of the time, the reports on the current business situation and the list of new publications were accessed.

○ Kieler Studien/Kiel Studies

BOSS, A., K.-J. GERN, C.-P. MEIER and J. SCHEIDE, Mehr Wachstum in Europa durch eine Koordination makroökonomischer Politik? Zur Kombination von Geld- und Lohnpolitik sowie zur Steuerharmonisierung in der EU.

BUCH, C.M., Globalization of Financial Markets. Causes of Incomplete Integration and Consequences for Economic Policy.

KAMPS, C., The Dynamic Macroeconomic Effects of Public Capital. Theory and Evidence for OECD Countries.

KLEINERT, J., The Role of Multinational Enterprises in Globalization.

STRAUSS, H., Demand and Supply of Aggregate Exports of Goods and Services. Multivariate Cointegration Analyses for the United States, Canada, and Germany.

○ Contributions to the Conference Volume of the Institute

SCHEIDE, J., Macroeconomic Policy Coordination in Europe—An Agnostic View. In H. Siebert (ed.), *Macroeconomic Policies in the World Economy*. Berlin: Springer-Verlag.

○ Review of World Economics/Weltwirtschaftliches Archiv

This quarterly journal contains articles by scholars from all over the world who are dedicated to the mainly empirical analysis of international economics. The articles deal with trade in goods and services, currency regimes and exchange rates, foreign trade policy, capital flows and migration of labor, economic development in individual countries, and the international coordination of economic policies.

In editing the journal, the Institute was advised by its International Advisory Board, the members of which were

Alberto F. Alesina (Harvard University, Cambridge, Mass.), Richard E. Baldwin (Graduate Institute of International Studies, Geneva), Paul De Grauwe (University of Louvain), Barry Eichengreen (University of California at Berkeley), Francesco Giavazzi (Bocconi University, Milan), David Greenaway (University of Nottingham), Elhanan Helpman (Harvard University, Cambridge, Mass., and Tel Aviv University), Arye L. Hillman (Bar-Ilan University, Ramat Gan, Israel), J. Peter Neary (University College, Dublin), Maurice Obstfeld (University of California at Berkeley), Richard Pomfret (University of Adelaide), Niels Thygesen

(University of Copenhagen), Holger C. Wolf (Georgetown University, Washington), Charles Wyplosz (Graduate Institute of International Studies, Geneva).

In 2004, staff members of the Institute published the following papers in the "Review of World Economics":

NUNNENKAMP, P., and J. SPATZ, Intellectual Property Rights and Foreign Direct Investment: A Disaggregated Analysis.

○ Die Weltwirtschaft

Each issue of this quarterly journal contains analyses of, and forecasts about, business cycles in Germany and several other industrial countries. In addition, in 2004 the journal dealt with topics on Europe: the European Emissions Trading System, immigration policy in Europe, and competition policy in Europe. Other topics were the labor market in Germany, the growth effects of FDI in developing countries, and the competition policy issue of open source software.

BENNER, J., K.-J. GERN, C. KAMPS, A. KUHN, B. SANDER and J. SCHEIDE, Weltwirtschaft im Aufschwung.

BENNER, J., K.-J. GERN, A. KUHN, F. OSKAMP, B. SANDER and J. SCHEIDE, Konjunktur in den Industrieländern bleibt aufwärts gerichtet.

BENNER, J., K.-J. GERN, A. KAMPS, F. OSKAMP, B. SANDER and J. SCHEIDE, Weltkonjunktur überschreitet Höhepunkt.

BENNER, J., K. CARSTENSEN, K.-J. GERN, F. OSKAMP and J. SCHEIDE, Euroland: Konjunktur verliert wieder an Fahrt.

BENNER, J., K.-J. GERN, F. OSKAMP, B. SANDER and J. SCHEIDE, Abgeschwächter Produktionsanstieg in den Industrieländern.

BOSS, A., A. KUHN, C.-P. MEIER, F. OSKAMP, B. SANDER, J. SCHEIDE and R. SCHMIDT, Deutsche Konjunktur: Gedämpfte Erholung.

BOSS, A., A. KUHN, C.-P. MEIER, F. OSKAMP, B. SANDER, J. SCHEIDE and R. SCHMIDT, Konjunkturerholung in Deutschland setzt sich in mäßigem Tempo fort.

BOSS, A., A. KAMPS, C.-P. MEIER, F. OSKAMP, B. SANDER and J. SCHEIDE, Deutschland: Konjunktur flaut schon wieder ab.

BOSS, A., C.-P. MEIER, F. OSKAMP, B. SANDER and J. SCHEIDE, Spürbare Verlangsamung der Konjunktur in Deutschland.

FODERS, F., Zuwanderungspolitik in Europa: Begrenzung, Steuerung oder Förderung der Migration?

GERN, K.-J., C. KAMPS, C.-P. MEIER and J. SCHEIDE, Verhaltener Aufschwung in Euroland.

KLEPPER, G., and S. PETERSON, Das Europäische Emissionshandelssystem—Effiziente Klimapolitik oder Gefahr für die europäische Wettbewerbsfähigkeit?

KLODT, H., Strukturwandel und Arbeitsmarktprobleme in Deutschland.

KLODT, H., Mehr Arbeitsplätze durch Auslandsinvestitionen.

LEHMENT, H., and F. OSKAMP, Gesamtwirtschaftliche Bedingungen für einen Anstieg des Arbeitsvolumens in Deutschland.

MUNDHENKE, J., Chancen und Risiken von Softwarepatenten: Eine Bewertung der geplanten EU-Richtlinie über die Patentierbarkeit computerimplementierter Erfindungen.

NUNNENKAMP, P., Wachstumseffekte von Direktinvestitionen in Entwicklungsländern: Warum hohe Erwartungen häufig enttäuscht werden.

SCHWEICKERT, R., and A. GAWRICH, Institutionelle Entwicklung in Europa—Wie weit sind die südosteuropäischen Länder?

SCHWEICKERT, R., and I. ŠIKULOVÁ, Der Weg der Slowakei in die Europäische Union—Vom Spätstarter zum Starreformer?

STEHN, J., Wettbewerbsaufsicht in der EU: Zentralisierung oder Dezentralisierung?

○ Kieler Diskussionsbeiträge/Kiel Discussion Papers

Several “Kiel Discussion Papers” analyzed the current economic situation in Europe and Germany; others dealt with issues pertaining to development policies.

BENNER, J., K. CARSTENSEN, K.-J. GERN, F. OSKAMP and J. SCHEIDE, Euroland: Recovery Will Slow Down.

DOHSE, D., Regionale Verteilung innovativer Aktivitäten in Ostdeutschland.

GERN, K.-J., C. KAMPS, C.-P. MEIER and J. SCHEIDE, Moderate Upswing in Euroland.

GERN, K.-J., F. HAMMERMANN, R. SCHWEICKERT and L. VINHAS DE SOUZA, European Monetary Integration after EU Enlargement.

KAMPS, C., C.-P. MEIER and F. OSKAMP, Wachstum des Produktionspotentials in Deutschland bleibt schwach.

LÜCKE, M., and D. SPINANGER, Liberalizing International Trade in Services: Challenges and Opportunities for Developing Countries.

NUNNENKAMP, P., and R. THIELE, Strategien zur Bekämpfung der weltweiten Armut: Irrwege, Umwege und Auswege.

NUNNENKAMP, P., Why Economic Growth Has Been Weak in Arab Countries: The Role of Exogenous Shocks, Economic Policy Failure and Institutional Deficiencies.

SCHWEICKERT, R., and R. THIELE, From Washington to Post-Washington? Consensus Policies and Divergent Developments in Latin America and Asia.

○ Kieler Arbeitspapiere/Kiel Working Papers

In 2004, the “Kiel Working Papers” dealt with a wide range of issues: tax reforms in Germany, monetary policies in Europe and emerging countries, integration of financial markets, health system, poverty and distribution, and environment and development policies. In several working papers, the refinement of statistical methods was the topic. All working papers are available on the Internet (<http://www.ifw-kiel.de/pub/kap/kap.htm>) as pdf files.

BADE, F.-J., C.-F. LAASER and R. SOLTWEDEL, Urban Specialization in the Internet Age—Empirical Findings for Germany.

BOSS A., Radikale Steuerreform in Deutschland?

BOSS, A., and T. ELENDRER, Vorschläge zur Steuerreform in Deutschland: Was bedeuten sie? Was “kosten” sie?

BOSS, A., and A. ROSENSCHON, Steuervergünstigungen in Deutschland: Eine Aktualisierung.

CARSTENSEN, K., and R. COLAVECCHIO, Did the Revision of the ECB Monetary Policy Strategy Affect the Reaction Function?

DEKE, O., Financing National Protected Area Networks Internationally—The Global Environment Facility as a Multilateral Mechanism of Transfer.

DEKE, O., Internalizing Global Externalities from Biodiversity—Protected Areas and Multilateral Mechanisms of Transfer.

DEKE, O., Der Preis des “Grünen Goldes”—Informationen und Informationsdefizite über den Marktwert genetischer Ressourcen.

DÖPKE, J., and C. PIERDZIOCH, Politics and the Stock Market—Evidence from Germany.

ESANOV, A., C. MERKL and L. VINHAS DE SOUZA, A Preliminary Evaluation of Monetary Policy Rules for Russia.

GUNDLACH, E., The Primacy of Institutions Reconsidered: The Effects of Malaria Prevalence in the Empirics of Development.

- KAMPS, C., The Dynamic Effects of Public Capital: VAR Evidence for 22 OECD Countries.
- KIZYS, R., and C. PIERDZIOCH, Business Cycle Fluctuations and International Financial Integration.
- KLEPPER, G., and S. PETERSON, The EU Emissions Trading Scheme: Allowance Prices, Trade Flows, Competitiveness Effects.
- KOETTER, M., T. NESTMANN, S. STOLZ and M. WEDOW, Structures and Trends in German Banking.
- KONCHYN, V., Komparative Wettbewerbsposition der Ukraine in den Produktions- und Handelsbeziehungen im Weltwirtschaftssystem und mit dem sich erweiternden Europa.
- LAASER, C.-F., and K. SCHRADER, The Baltic States' Integration into the European Division of Labour.
- LANGHAMMER, R.J., China and the G-21: A New North-South Divide in the WTO After Cancún?
- LAY, J., and T.O. MAHMOUD, Bananas, Oil, and Development: Examining the Resource Curse and Its Transmission Channels by Resource Type.
- LAY, J., R. THIELE and M. WIEBELT, Pro-Poor Growth in Bolivia: Accounting for External Shocks and Policy Reforms.
- LORZ, O., and G. WILLMANN, On the Endogenous Allocation of Decision Powers in Federal Structures.
- LÜCKE, M., and D. SPINANGER, Liberalisierung des internationalen Handels mit Dienstleistungen: Herausforderungen und Chancen für Entwicklungsländer.
- LÜCKGE, H., and S. PETERSON, The Role of CDM and JI for Fulfilling the European Kyoto Commitments.
- MEIER, C.-P., Investigating the Impact of an Appreciation of the Euro in a Small Macroeconometric Model of Germany and the Euro Area.
- NUNNENKAMP, P., G. CANAVIRE and L. TRIVEÑO, Targeting Aid to the Needy and Deserving: Nothing But Promises?
- PETERSON, S., The Contribution of Economics to the Analysis of Climate Change and Uncertainty: A Survey of Approaches and Findings.
- PIERDZIOCH, C., Feedback Trading and Predictability of Stock Returns in Germany, 1880–1913.
- PIERDZIOCH, C., Productivity Shocks and Delayed Exchange-Rate Overshooting.
- PIERDZIOCH, C., and S. YENER, On the Hump-Shaped Output Effect of Monetary Policy in an Open Economy.

PIERDZIOCH, C., and S. YENER, On the Welfare Effects of Monetary Policy When Households Try to Keep Up with the Rest of the World.

SCHERTLER, A., Sources of Funds and Specialization Patterns of European Venture Capital Investments.

SCHRADER J.-V., Erneute EU-Agrarreform: Umbau statt Abbau von Subventionen.

SCHWEICKERT, R., und R. THIELE, Makroökonomische Stabilisierung und Wirtschaftswachstum in Lateinamerika: Was bringt die Debatte über den Washington-Konsens?

SIEBERT, H., Germany in the European Union: Economic Policy under Ceded Sovereignty.

SIEBERT, H., Economic and Political Governance in Germany's Social Market Economy.

SIEBERT, H., Germany's Capital Market and Corporate Governance.

SIEBERT, H., Germany's Fiscal Policy Stance.

STOLPE, M., Europe's Entry into the Venture Capital Business: Efficiency and Policy.

STOLPE, M., Die Erstellung medizinischer Leistungen—Entscheidungstheoretische Grundlagen und gesundheitspolitischer Handlungsbedarf.

STOLPE, M., Non-Market Interaction in Primary Equity Markets: Evidence from France and Germany.

WIEBELT, M., GEM-PIA: A Real-Financial General Equilibrium Model for Poverty Impact Analysis—Technical Description.

2. Out-of-House Publications

Many of the Institute's economists published their research findings with out-of-house publishers or in out-of-house journals, many of which are refereed journals.

○ Monographs and Edited Volumes

BODE, E., D. DOHSE, C.-F. LAASER, H. SICHELSCHEIDT, and R. SOLTWEDEL (together with DIW, IAB, IWH, and ZEW), Zweiter Forschungsbericht wirtschaftswissenschaftlicher Institute über die wirtschaftliche Entwicklung in Ostdeutschland. Halle (Saale): IWH.

DOLUD, O., Nichtmonetäre Transaktionen in der ukrainischen Landwirtschaft: Determinanten, Spezifika und Folgen. Studies on the Agricultural and Food Sector in Central and Eastern Europe. Institut für Agrarentwicklung in Mittel- und Osteuropa (IAMO), Halle (Saale): IAMO.

HENKE, J.M., KLEPPER, G., N. SCHMITZ et al. (Hrsg.), Innovationen bei der Bioethanolerzeugung und ihre Auswirkungen auf Energie- und Treibhausgasbilanzen. Forschungsbericht der Fachagentur für Nachwachsende Rohstoffe. Münster: Landwirtschaftsverlag.

KLEPPER, G., et al., Konkretisierungsstrategien für Art. 2 der UN-Klimarahmenkonvention. Bad Neuenahr-Ahrweiler: Europäische Akademie zur Erforschung von Folgen wissenschaftlich-technischer Entwicklungen.

KLODT, H., Towards a Global Competition Order. Sankt Augustin: Academia.

SIEBERT, H., The German Economy. Beyond the Social Market. Princeton: Princeton University Press.

○ Articles in Economic Journals

Refereed Journals

BENNER, J., and C.-P. MEIER. Prognosegüte alternativer Frühindikatoren für die Konjunktur in Deutschland. Jahrbücher für Nationalökonomie und Statistik.

BODE, E., The Spatial Pattern of Localized R&D Spillovers: An Empirical Investigation for Germany. Journal of Economic Geography.

BOSS, A., and T. ELENDRER, Vorschläge zur Steuerreform in Deutschland: Was bedeuten sie? Was „kosten“ sie? Zeitschrift für Wirtschaftspolitik.

CARSTENSEN, K., and G. HANSEN, Inflationäre Schocks in Deutschland: Eine Common Trends Analyse. Jahrbücher für Nationalökonomie und Statistik.

CARSTENSEN, K., and F. TOUBAL, Foreign Direct Investment in Central and Eastern European Countries: A Dynamic Panel Analysis. Journal of Comparative Economics.

CHRISTENSEN, B., Anspruchslohn und Arbeitslosigkeit in Deutschland. Mitteilungen aus der Arbeitsmarkt- und Berufsforschung.

CHRISTENSEN, B., Der Einfluss der Agenda 2010 auf die Arbeitslosigkeitsdauer. *Zeitschrift für Wirtschaftspolitik*.

CHRISTENSEN, B., Reservationslöhne und Arbeitslosigkeitsdauer. *Jahrbücher für Nationalökonomie und Statistik*.

DOHSE, D., Germany's New Economy – Making a Face at Expectations. *Economic Trends*.

FODERS, F., Long-Run Determinants of Immigration to Germany 1974–1999: A Ricardian Approach. *European Review of Economics and Finance*.

HENKE, J.M., G. KLEPPER, and N. SCHMITZ, Tax Exemption for Biofuels in Germany: Is Bio-Ethanol Really an Option for Climate Policy? *International Journal of Energy*.

KLEPPER, G., and S. PETERSON, The EU Emissions Trading Scheme – Allowance Prices, Trade Flows, Competitiveness Effects. *European Environmental Journal*.

KLEPPER, G., and S. PETERSON, Trading Hot Air: The Influence of Permit Allocation Rules, Market Power, and the US Withdrawal from the Kyoto Protocol. *Environmental and Resource Economics*.

KLODT, H., Border Effects in Passenger Air Traffic. *Kyklos*.

LANGHAMMER, R.J., Halving Poverty by Doubling Aid: Is There Reason for Optimism? *The World Economy*.

LANGHAMMER, R.J., Revealed Comparative Advantages in Service Trade of the US, EU, and Japan. What Do They Tell Us? *Journal of World Investment and Trade*.

LORZ, O., and S. NASTASSINE, Political Participation of Mobile Citizens and the Size of the Welfare State. *CESifo Economic Studies*.

LORZ, O., Unemployment, Social Transfers, and International Capital Mobility. *Finanzarchiv*.

LORZ, O., Time Consistent Optimal Redistribution Policy in an Overlapping Generations Model. *Journal of Public Economic Theory*.

NUNNENKAMP, P., To What Extent Can Foreign Direct Investment Help Achieve International Development Goals? *The World Economy*.

NUNNENKAMP, P., and J. SPATZ, Foreign Direct Investment and Economic Growth in Developing Countries: How Relevant Are Host-Country and Industry Characteristics? *Transnational Corporations*.

PIERDZIOCH, C., Capital Mobility and the Effectiveness of Fiscal Policy in Open Economies. *Journal of Macroeconomics*.

PIERDZIOCH, C., Financial Market Integration and Business Cycle Volatility in a Monetary Union. *Scottish Journal of Political Economy*.

- PIERDZIOCH, C., Home Bias, Capital Mobility, and Macroeconomic Volatility. *Oxford Economic Papers*.
- PIERDZIOCH, C., Noise Trading and Delayed Exchange Rate Overshooting. *Journal of Economic Behavior and Organization*.
- PIERDZIOCH, C., Capital Mobility, Consumption Substitutability, and the Effects of Monetary Policy in Open Economies. *German Economic Review*.
- PIERDZIOCH, C., and G. STADTMANN, The Effectiveness of the Interventions of the Swiss National Bank – An Event-Study Analysis. *Swiss Journal of Economics and Statistics*.
- PIERDZIOCH, C., M. FRENKEL, and G. STADTMANN, On the Determinants of „Small“ and „Large“ Foreign Exchange Market Interventions: The Case of the Japanese Interventions in the 1990s. *Review of Financial Economics*.
- PIERDZIOCH, C., M. FRENKEL, and G. STADTMANN, The Accuracy of Press Reports Regarding the Foreign Exchange Interventions of the Bank of Japan. *Journal of International Financial Markets, Institutions, and Money*.
- PIERDZIOCH, C., M. FRENKEL, and G. STADTMANN, Wie entschlossen intervenieren Zentralbanken am Devisenmarkt? Neue empirische Evidenz für die Bank of Japan. *Kredit und Kapital*.
- PIERDZIOCH, C., M. FRENKEL, and G. STADTMANN, The Effects of Japanese Foreign Exchange Market Interventions on the Yen/U.S. Dollar Exchange Rate Volatility. *International Review of Economics and Finance*.
- PIERDZIOCH, C., M. FRENKEL, and G. STADTMANN, Japanese and U.S. Interventions in the Yen/U.S. Dollar Market: Estimating the Monetary Authorities' Reaction Functions. *Quarterly Review of Finance and Economics*.
- PIERDZIOCH, C., M. FRENKEL, and G. STADTMANN, Modeling the Intensity of Foreign Exchange Intervention Activity. *Economics Letters*.
- PIERDZIOCH, C., C.M. BUCH, and J. DÖPKE, Der Rückgang konjunktureller Schwankungen in Deutschland: Bessere Geldpolitik oder nur Glück gehabt? *Zeitschrift für Wirtschaftspolitik*.
- PIERDZIOCH, C., C.M. BUCH, and J. DÖPKE, Business Cycle Volatility in Germany. *German Economic Review*.
- ROSENSCHON, A., Ist die Finanzpolitik der Bundesländer nachhaltig? *Zeitschrift für Wirtschaftspolitik*.
- SCHERTLER, A., Explaining Cross-Country Variations in Venture Capital Investments: Theory and Empirical Evidence. *Kredit und Kapital*.
- SIEBERT, H., Why the German Labor Market Is Failing. *International Journal of Comparative Labour Law and Industrial Relations*.

SIEBERT, H., *Alemania: Un País de Inmigración*. *Revista Asturiana de Economía*.
SNOWER, D.J., and M. KARANASSOU, *Unemployment Invariance*. *German Economic Review*.

SPATZ, J., *The Impact of Structural Reforms on Wages and Employment: The Case of Formal and Informal Workers in Bolivia*. *Revista Latino Americana de Desarrollo Económico*.

SPINANGER, D., *Regulated Efficiency, World Trade Organization Accession, and the Motor Vehicle Sector in China*. *World Bank Economic Review* (Koautor: J. Francois).

Nonrefereed Journals

DICKE, H., and H.H. GLISMANN, *Vom Elend der Konjunkturprognosen*. *Research Notes*.

FODERS, F., *Argentinien und der Internationale Währungsfonds. Orientierungen zur Wirtschafts- und Gesellschaftspolitik*.

GUNDLACH E. (coauthor L. Wößmann), *Family Background, Schooling Resources, and Institutional Features: What Determines Student Performance in East Asian Countries?* *East Asian Economic Perspectives*.

KLODT, H., *Innovationsoffensive: Aufbruch in die Vergangenheit?* *Wirtschaftswissenschaftliches Studium (WiSt)*.

KLODT, H., *Der Weg in die Dienstleistungsgesellschaft: Ausprägung, Ursachen und Perspektiven*. *Statistische Monatshefte*.

LAASER, C.-F., and K. SCHRADER, *Die baltischen Staaten in der europäischen Arbeitsteilung*. *Die baltischen Staaten (Sonderheft von Der Bürger im Staat)*.

NUNNENKAMP, P., *Zielgerichtete Entwicklungshilfe?* *Internationale Politik*.

NUNNENKAMP, P., *Der Automobilstandort Deutschland unter Wettbewerbsdruck*. *Ifo-Schnelldienst*.

PIERDZIOCH, C., G. STADTMANN, and J. WEIGAND, *Internationale Wettbewerbsfähigkeit am Beispiel der CEE Länder*. *Das Wirtschaftsstudium (WISU)*.

PIERDZIOCH, C., M. FRENKEL, and G. STADTMANN, *Spekulative Übertreibungen auf Finanzmärkten: Ein Beispiel zum Zusammenwirken von rationalen und irrationalen Spekulanten*. *Wirtschaftswissenschaftliches Studium (WiSt)*.

PIERDZIOCH, C., C.M. BUCH, and J. DÖPKE, *Globalisierung und Konjunkturzyklen*. *Wirtschaftsdienst*.

PIERDZIOCH, C., C.M. BUCH, and G. STADTMANN, *Portfoliodiversifikation und die Volatilität internationaler Kapitalströme*. *Wirtschaftswissenschaftliches Studium (WiSt)*.

PIERDZIOCH, C., and G. STADTMANN, Bank Runs und Banken Krisen. *Wirtschaftswissenschaftliches Studium (WiSt)*.

SCHWEICKERT, R., How Far Away Is Europe? Institutional Development in Europe's Balkan and Black Sea Neighbours. *Intereconomics*.

SICHELSCHMIDT, H., Neue Bundesländer: Fortschritte bei der Verkehrsanbindung. *Internationales Verkehrswesen*.

○ Articles in Edited Volumes

International Volumes with Refereed Articles

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VII. Appendix

1. Recipients of the Bernhard Harms Prize, the Bernhard Harms Medal, and the Bernhard Harms Prize for Young Economists

○ Bernhard Harms Prize

Every two years the president of the Institute awards the Bernhard Harms Prize, which currently includes a cash award amounting to €25,000. The recipient is either a professor who has distinguished himself/herself through extraordinary achievement in the field of international economics or someone in the business community who has made a significant contribution to the improvement of world economic relations. The recipient is chosen by the Prize Committee of the Gesellschaft zur Förderung des Instituts für Weltwirtschaft (Society for the Promotion of the Kiel Institute for World Economics). After receiving the prize, which bears the name of the Institute's founder, the recipient holds the Bernhard Harms Lecture, which is then published by the Institute. The Bernhard Harms Prize was awarded for the first time in 1964 in honor of the 50th anniversary of the founding of the Institute. The recipients of this prize to date are:

Prof. Dr. Dr. h.c. GERHARD COLM, Washington, D.C. (1964)

SIR ROY HARROD, Christ Church College, Oxford (1966)

Drs. h.c. HERMANN JOSEF ABS, Frankfurt am Main (1968)

Prof. Dr. WASSILY LEONTIEF, Harvard University/New York University (1970)

Prof. Dr. Drs. h.c. GOTTFRIED HABERLER, Harvard University/American Enterprise Institute, Washington, D.C. (1972)

Prof. Dr. Drs. h.c. FRITZ MACHLUP, Princeton University (1974)

Prof. HARRY G. JOHNSON, Ph.D., University of Chicago (1976)

Prof. Dr. h.c. CHARLES P. KINDLEBERGER, Ph.D., Massachusetts Institute of Technology, Cambridge, Mass. (1978)

Prof. Dr. ERIK LUNDBERG, Stockholm School of Economics (1980)

Prof. Dr. WILLIAM FELLNER, Yale University/American Enterprise Institute, Washington, D.C. (1982)

Prof. Dr. BELA BALASSA, Ph.D., Johns Hopkins University, Baltimore/The World Bank, Washington, D.C. (1984)

Prof. W. MAX CORDEN, Ph.D., Australian National University, Canberra (1986)

- Prof. JAGDISH BHAGWATI, Ph.D., Columbia University, New York (1988)
Prof. ANNE O. KRUEGER, Ph.D., Duke University, Durham (1990)
Prof. Dr. h.c. RUDIGER DORNBUSCH, Ph.D., Massachusetts Institute of Technology, Cambridge, Mass. (1992)
Prof. MARTIN FELDSTEIN, Ph.D., Harvard University/National Bureau of Economic Research, Cambridge, Mass. (1994)
Prof. Dr. ASSAR LINDBECK, Universität Stockholm/Institute for International Economic Studies, Stockholm (1996)
Prof. ELHANAN HELPMAN, Ph.D., Harvard University/Department of Economics (1998)
Prof. JEFFREY D. SACHS, Ph.D., Harvard University/Center for International Development (2000)
Prof. STANLEY FISCHER, Ph.D., former First Deputy Managing Director of the International Monetary Fund/Massachusetts Institute of Technology, Cambridge, Mass. (2002)
Prof. MAURICE OBSTFELD, Ph.D., University of California at Berkeley (2004).

○ Bernhard Harms Medal

The Bernhard Harms Medal is awarded at irregular intervals. The medal is awarded to persons who have contributed to the Kiel Institute's research on the world economy in the tradition of Bernhard Harms. The recipients of the Bernhard Harms Medal to date are:

- Prof. Dr. OTTO PFLEIDERER, Stuttgart (1980)
Dr. KURT PENTZLIN, Hannover (1980)
Dr. DAVID GROVE, Washington, D.C. (1981)
TADEUSZ M. RYBCZYNSKI, M.Sc., London (1983)
Prof. GEORGE FRANK RAY, London (1983)
Prof. Dr. WOLFGANG F. STOLPER, Ann Arbor, Michigan (1984)
KARL-GUSTAV RATJEN, President of the Society for the Promotion of the Kiel Institute for World Economics, 1971–1984 (1984)
Dr. HANS D. BARBIER, Frankfurt am Main (1986)
Prof. Dr. GERHARD FELS, Cologne, Vicepresident of the Kiel Institute for World Economics, 1976–1983 (1986)
Prof. Dr. RUDOLF SCHEID, Frankfurt am Main (1988)
Prof. Dr. KARL SCHILLER, Jesteburg-Osterberg (1989)

Dr. h.c. TYLL NECKER, Bad Oldesloe (1989)

Prof. Dr. JUERGEN B. DONGES, Cologne, Vicepresident of the Kiel Institute for World Economics, 1983–1989 (1991)

Prof. Dr. Drs. h.c. HELMUT SCHLESINGER, Deutsche Bundesbank, Frankfurt am Main (1992)

Prof. INGO WALTER, Ph.D., New York University (1992)

BIRGIT BREUEL, President of the Treuhandanstalt, Berlin (1994)

Prof. Dr. HERBERT GRUBEL, Vancouver (1995)

Prof. VÁCLAV KLAUS, President of the Parliament of the Czech Republic (1999)

Prof. Dr. Dr. h.c. MARCUS BIERICH, Stuttgart, President of the Society for the Promotion of the Kiel Institute for World Economics, 1984–2000 (2000)

REINHARD MOHN, Gütersloh (2000)

Prof. Dr. Dr. h.c. HELMUT HESSE, Göttingen (2004)

Prof. Dr. Drs. h.c. OTMAR ISSING, European Central Bank, Frankfurt am Main (2004).

○ Bernhard Harms Prize for Young Economists

The Bernhard Harms Prize for Young Economists is a cash prize amounting to €7,500 and is awarded at irregular intervals. The recipients are economists of the Kiel Institute for World Economics who have conducted distinctive scientific research and are not older than 33 years. The aim of the Prize is to promote young, qualified scientists by making it possible for them to attend an internationally renowned university or visit a research institution. The recipients of the prize to date are:

Dr. ANDREAS GRÖHN (1998)

Dr. CHRISTIAN PIERDZIOCH (2001)

Dr. KATRIN SPRINGER (2002)

Dr. LUDGER WÖSSMANN (2002).

2. Staff (as of January 1, 2005)

Afrifa, Ljiljana	L	Andersson, Carmen	R III
Albrecht, Angelika	L	Arnhold, Regina	R I
Altmann, Flora	L	Arpe, Jutta M.	P

Baethe, Sabine	R II	Führmann, Margitta	R V
Ballert, Jörg	A		
Beling, Marlis	L	Gatzke, Gitta	L
Benner, Joachim	R V	Gebert, Dietmar	IEER
Bickenbach, Frank	R III	Gebühr, Christiane	R IV
Blum, Mathias	A	Gern, Klaus-Jürgen	R V
Bode, Eckhardt	R III	Gilbert, Jan	A
Boss, Alfred	R V	Gillam, Almuth	L
Brammer, Raymond	L	Glamann, Elke	L
Brauer, Martin	A	Glindemann, Marisa	A
Braunisch, Axinia	A	Glowatzka, Marion	R II
Bredemeyer, Annemarie	L	Goretzko, Fred	L
Brown, Alessio J.G.	P	Gosch, Detlef	L
Brüggmann, Aurette	L	Grabsch, Nora	L
Bruhse, Hans-Dieter	L	Graemer, Rosel	A
Büxenstein-Gaspar, Ilse	IEER	Grewe, Marianne	L
		Gruebner, Carola	L
Carstensen, Kai	R V	Gruner, Simone	L
Cenesiz, Mustafa Alper	P	Güder, Christine	L
Christensen, Björn	R I	Gummersbach, Birgit	IEER
		Gundlach, Erich	R IV
Daleske, Jana	L	Guttzeit, Christel	L
Dauidsen, Martina	L		
Deichsel, Stefan	L	Hackländer, Burkhard	L
Deke, Oliver	R II	Halbfas, Rita	R I
Dettmer, Bianka	R I	Hammermann, Felix	R IV
Dick, Hermann	L	Harder, Corinna	L
Dönges, Doris	A	Harders, Dörte	L
Dohse, Dirk	R III	Hartmann, Susanne	R I
Dolud, Olena	L	Hartz, Hans-Hermann	L
		Heinecke, Ute	R V
Ebbesen, Sven	A	Heinen, Ruth	L
Eckeberg, Elisabeth	IEER	Henke, Dennis	L
Eggemann, Gesa	L	Henke, Jan M.	R II
Ehlert, Ulrike	L	Henke, Regine	R V
Ente, Werner	IEER	Holst, Helga	L
		Hölterhoff, Kirsten	IEER
Feuring, Maria	IEER	Hoßfeld, Oliver	P
Fischer, Renate	A	Hübener, Sabine	R IV
Fingerle, Birgit	L	Hübner, Christine	P
Fliedner, Juliane	R I	Husfeld, Angela	R IV
Flieger, Elisabeth	IEER	Huß, Helga	R I
Flohr, Ralf	L	Hutzfeldt, Ingelore	A
Foders, Federico	R I	Hutzfeldt, Rolf	A
Freimuth, Britta	L		
Fromberg, Thorsten	L	Jung, Ingo	A
Führmann, Karin	L		

Kähler-Rust, Ursula	L	Lücke, Matthias	R IV
Kamps, Annette	R V	Lüdemann, Heimke	IEER
Kamps, Christophe	R V	Lüth, Jan	L
Kasch, Sabine	A		
Kiesner, Christine	IEER	Mähl, Joachim	L
Kirschning, Christopher	L	Maier, Sylvia	A
Kittelmann, Kristina	P	Matthiesen-Goß, Silke	R I
Klein, Bernhard	IEER	Meier, Carsten-Patrick	R V
Klenke, Sven	A	Merkel, Christian	P
Klepper, Gernot	R II	Metzler, Johannes	P
Klodt, Henning	R I	Meyer, Thorsten	L
Knieling, Christa	IEER	Michalski, Malgorzata	L
Kniep, Matthias	L	Michel, Joachim	L
Knoll, Matthias	P	Milewicz, Elisabeth	IEER
Kober, Gesine	L	Müller, Claudia	A
Kock, Kai Thomas	L	Mundhenke, Jens	P
Köller, Birte	L		
Kopischke, Ralf	A	Nohns, Detlef	L
Koslowski, Anke	L	Nunnenkamp, Peter	R IV
Kramer, Paul J.	IEER		
Krämer, Torge	L	Oelkers, Jens	A
Krause, Hiltrud	L	Oelkers, Martina	A
Krawiec, Patryk	L	Olivieri, Matteo	R V
Krieger-Boden, Christiane	R III	Oskamp, Frank	R V
Krische, Laura	P	Osterwaldt, Birgit	L
Kristahl, Karin	P		
Krüger, Cordula	L	Panneck, Bärbel	A
Krüger, Nicole	L	Perlak, Ursula	L
Kruse, Erich	L	Peterson, Sonja	R II
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		Pisani, Donald S.	L
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Lage, Manfred	L	Puls, Matthias	L
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Langhammer, Rolf J.	R IV	Raddatz, Roger	IEER
Launstein, Bianca	L	Radke, Alina	L
Lawaetz, Ingrid	R IV	Rahtkens, Jasmin	A
Lay, Jann	R II	Ramcke, Linda	P
Lehment, Harmen	IEER	Rank, Michaela	R IV
Levenhagen, Ina	L	Reese, Martina	L
Lewerenz, Werner	IEER	Reimers, Iris	L
Lipka, Regine	L	Richter, Wera	A
Lösel, Christine	L	Rödiger, Nina	L
Lorenzen, Astrid	L	Roese, Solveig	L
Lorenzen, Melanie	L	Rogge, Ingrid	L

Ronke, Nicole	L	Stubbe, Carola	L
Rosenschon, Astrid	R V	Süssenbach, Christina	L
Rother, Jacek	R V	Szypula, Ralph	L
Rühle, Stefanie	L		
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		Thiele, Rainer	R IV
Salden, Manfred	IEER	Thode, Annegret	L
Sander, Birgit	R V	Thomsen, Horst	L
Sander, Kristina	IEER	Thun, Britta	IEER
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Schäfer, Anja	A	Tobiesen, Helga	L
Schäfers, Susanne	L	Treske, Volker	IEER
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Schertler, Andrea	P	Türker, Sigrid	R I
Schmidt-Eisenlohr, Tim	P		
Schmidtke, Heinz	L	Uhlig, Susann	L
Schnee, Elke	L		
Schrader, Klaus	R I	Vierth, Carola	L
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Schröder, Gerlinde	L	Wagner, Heiko	A
Schröder, Hartmut	L	Walsdorf, Anke	P
Schröder, Karin	A	Walter, Bärbel	P
Schulte, Itta	IEER	Walter, Daniela	L
Schulz, Karolina	L	Wartenberg, Almut	L
Schütz, Margrit	R V	Wehrend, Norbert	L
Schwarz, Karin	IEER	Wehrend, Susanne	L
Schweickert, Rainer	R IV	Weiland, Jan Behrend	L
Schwetlick, Heidrun	L	Werner-Schwarz, Korinna	IEER
Seeck, Christa	IEER	Weskamp, Wolfgang	L
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Siegert, Olaf	L	Wöhler, Dagmar	L
Simon, Ulf	IEER	Wolf, Andrea	L
Skerra, Helmut	A	Wolf, Hartmut	R III
Snower, Dennis	P	Wolfrath, Birgit	IEER
Soltwedel, Rüdiger	R III	Wortmann, Karin	L
Spinanger, Dean	R IV	Wriedt, Michaela	L
Stark, Kerstin	IEER		
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Stehn, Jürgen	R I		
Stolpe, Michael	R I	Zacharias, Jakob	L
Stolz, Stéphanie	P	Zarnitz, Monika	L
Stribny, Jutta	R I	Zinke, Stephan	L
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L = Library; P = President's Department; R = Research Department.