

The Kiel Institute

A PRIMER



**Top Research in
Global Economic
Affairs**

- 4 Mission
- 6 Organization
- 8 How We Work
- 14 Research Areas
- 28 Think Tank Centers
- 32 Education
- 36 Publications
- 38 Public Outreach
- 42 People & Funding
- 44 Support Services
- 46 Social Life & Physical Health



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OUR MISSION

UNDERSTANDING AND SHAPING GLOBALIZATION

Due to the integration of the global economy, we witness a proliferation of global opportunities and problems. The solution-oriented exploration of these challenges has become more important nowadays than ever before. Accordingly, the Kiel Institute continues to develop its unique profile by focusing its research, think tank, and educational activities to promote sustainable and inclusive prosperity in a globalized world.

Since its establishment in 1914 the key mission of the Kiel Institute has centered on understanding the drivers of, and barriers to globalization. The nature of globalization, however, has changed fundamentally over the past few decades. After a century of unprecedented setbacks in global market integration, followed by equally unprecedented periods of recovery and rejuvenation, the world economy is now more interconnected than at any time in history, with most goods and services being produced in multiple countries. The world has also benefited from huge progress in fighting poverty, raising life expectancy, improving health, and acquiring skills.

These developments have been associated with new global economic opportunities that cannot be fully exploited by countries acting in isolation. The greatest opportunities are to be found in areas, such as macro-

economic stability, economic growth, natural resource management, the management of global value chains, and technology transfer from rich to poor countries.

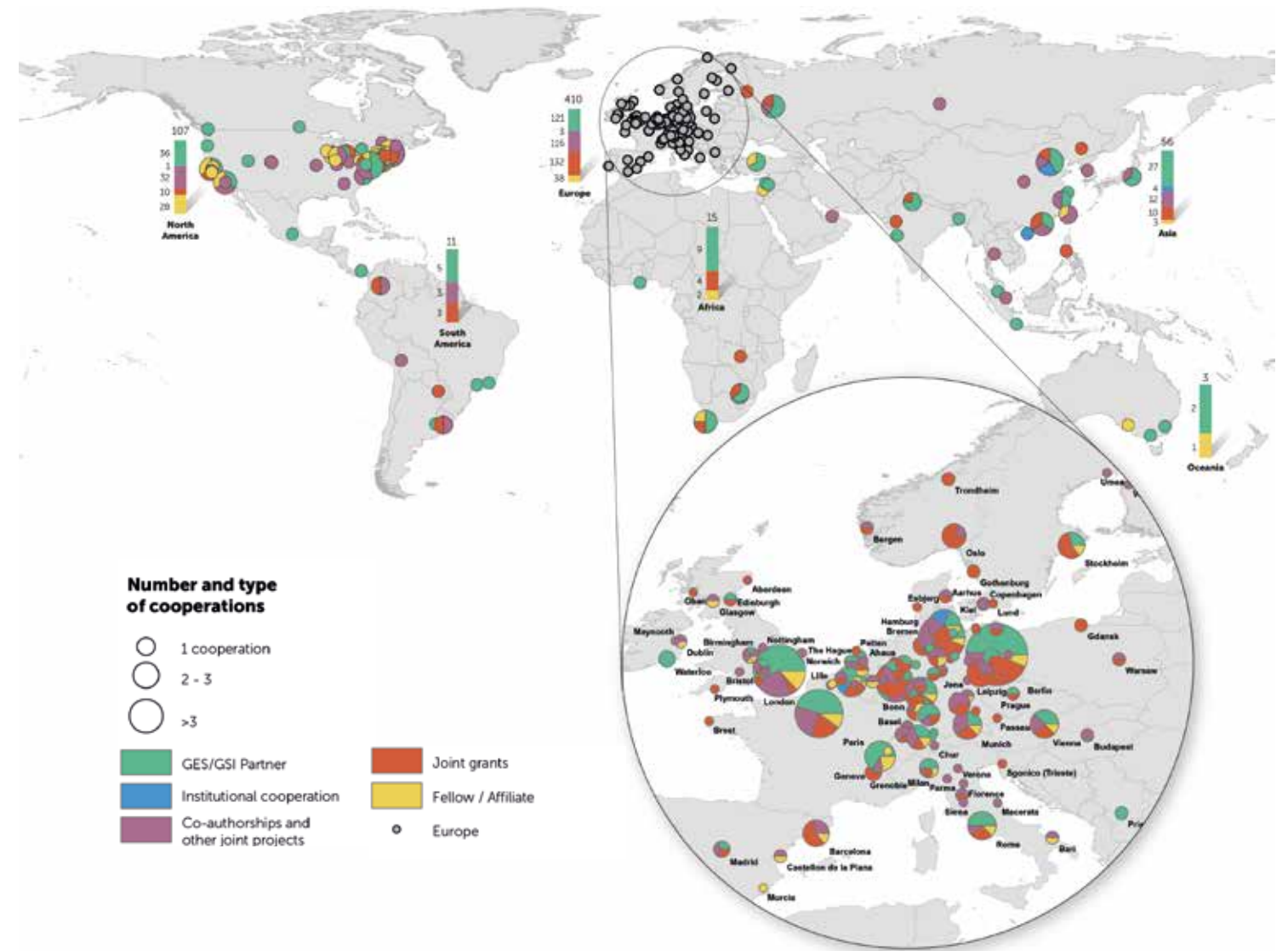
At the same time, the world has witnessed a dramatic intensification and proliferation of global economic, political, and social problems, ranging from climate change to financial crises and from food insecurity to inequality—to name but a few. Some of these problems (e.g., climate change and financial crises) transcend national boundaries, so that no country can tackle them on its own. Others are intrinsically national (e.g., food security) or regional (e.g., unemployment, inequality, and poverty) but are nonetheless globally connected.

The Kiel Institute considers itself to be the only German research institute—and one of the few worldwide—whose research, think tank, educational and other service activities are focused primarily on these global problems and opportunities. The Institute has identified five challenges, pictured in the adjacent figure.

Accordingly, the Kiel Institute's activities reflect an approach to global problem-solving with the following salient features:

- A multifaceted **understanding of human well-being**, sensitive to the possibilities that economic progress may become decoupled from social progress. With this direction, researchers seek to understand why, on the one hand, most people around the world are far more prosperous, healthier, better fed, less threatened by violence, and live longer than ever before; while, on the other hand, populism, nationalism, and religious and ethnic conflicts are on the rise.
- A broadly **interdisciplinary approach**: This feature enables researchers to investigate problems and op-

To sharpen its field of work the Institute identified five challenges under the broad heading of sustainable and inclusive prosperity.

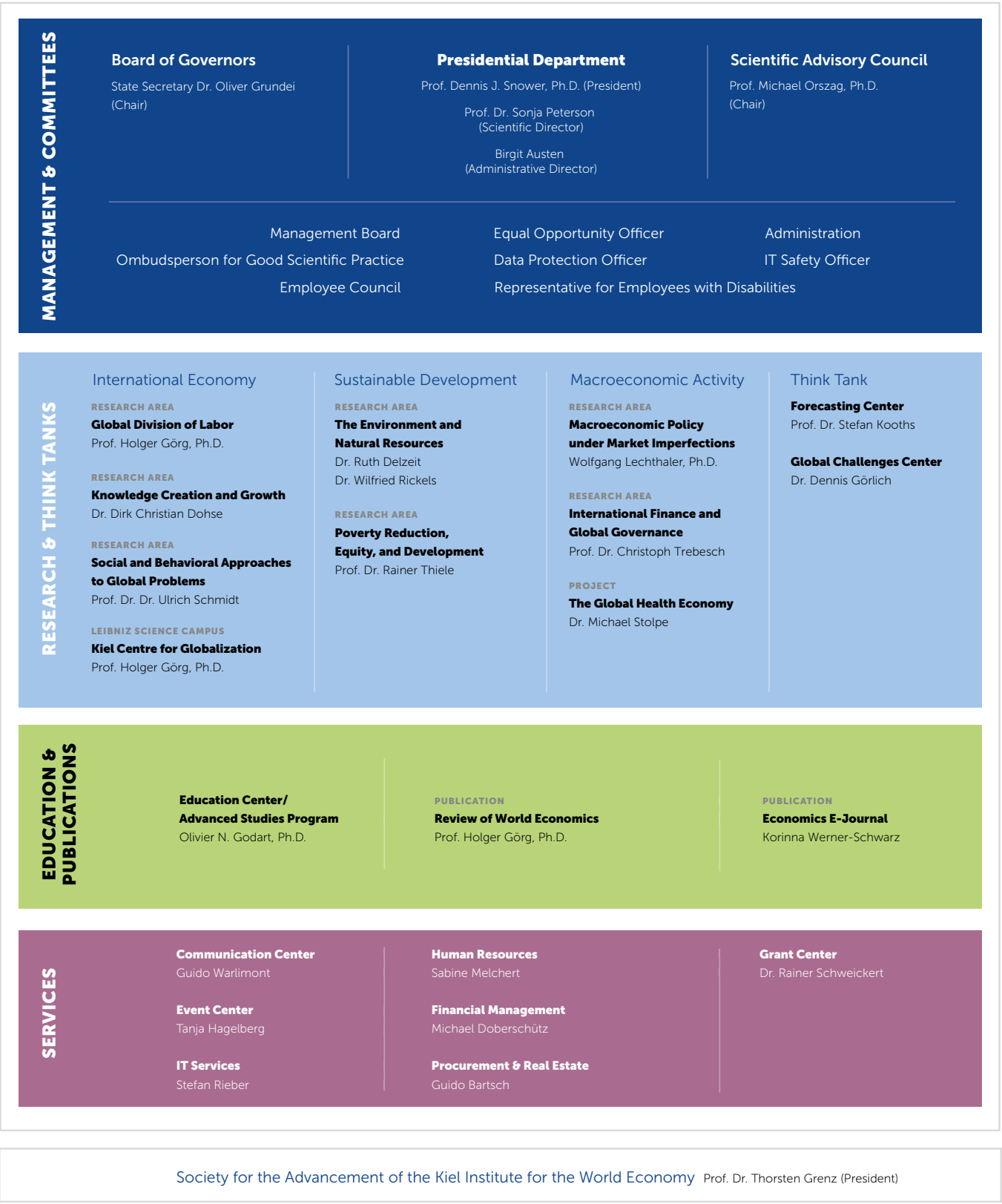


portunities arising from a nexus of interconnected economic, political, environmental, and social phenomena.

- The quest for an **integrated, coordinated approach to economic, environmental, and social policy-making** in its research and think-tank activities. This means that, wherever possible, the Kiel Institute pursues an approach to economic policy that covers conventional allocation and distribution issues, and also encompasses social norms and values, cultural phenomena, political processes, and planetary boundaries.
- A hub of international research on global issues: The Kiel Institute maintains and develops an **extensive network** (depicted above) that includes research institutions, individual researchers, and think tanks as well as stakeholders from politics, business, and civil society.

Globally Connected

As an institute focusing on global economic affairs, the Kiel Institute strives to be nationally and internationally visible, connected, and to collaborate with a large number of universities and nonuniversity research centers, think tanks and service institutions. All research areas and policy centers are participating in national or international networks and collaborative projects. The Institute also encourages and financially supports staff members to visit other academic and think tank institutions both in order to upgrade skills and to establish joint research projects. Another facet of networking and cooperation is to host external researchers and experts at the Kiel Institute.



Flat hierarchy and a decentral organization is a key feature of the Kiel Institute.

PRESIDENTIAL DEPARTMENT



Prof. Dr. Sonja Peterson is scientific director at the Kiel Institute for the World Economy and honorary professor at the CAU Kiel. Sonja Peterson is member of the research area “The Environment and Natural Resources.”

Prof. Dennis J. Snower, Ph.D., is President of the Kiel Institute for the World Economy, Professor at the Christian-Albrechts-University in Kiel (CAU), and Fellow at the Centre for Economic Policy Research (CEPR) in London. Dennis J. Snower is involved in the research areas “Social and Behavioral Approaches to Global Problems, Macroeconomic Policy under Market Imperfections,” and in the “Global Challenges Center.”

Birgit Austen is administrative director at the Kiel Institute for the World Economy heading the administration as well as the other support centers.



ABOUT THE INSTITUTE

In 1914, the Kiel Institute for the World Economy was founded by Bernhard Harms as “Königliches Institut für Seeverkehr und Weltwirtschaft” (Royal Institute for Marine Transport and World Economy). Today the Institute is an independent foundation under public law of the federal state of Schleswig-Holstein. The **Board of Governors** advises and decides on financial and fundamental matters concerning the Kiel Institute. Head of the Board is **Dr. Oliver Grundei**, State Secretary of the Ministry of Education, Science and Cultural Affairs of Schleswig Holstein.

Additionally, the **Scientific Advisory Council** counsels and supports the Institute and especially the Presidential Department. The Council is currently headed by **Prof. Michael Orszag, Ph.D.**

The Kiel Institute is a member of the Leibniz Association.

The Institute is an independent public-law foundation of the federal state Schleswig-Holstein.



ACADEMY & THINK TANK

HOW WE WORK LINKING ACADEMIC RESEARCH AND POLICY ADVICE

The research and think-tank agenda of the Kiel Institute focuses on creating solutions to urgent, socially relevant problems in global economic affairs. In this endeavor, academic research (basic as well as applied), policy work, and networking activities go hand in hand and cross-fertilize each other.

- Research findings are translated into formats (briefing papers, media contributions, blogs) that are accessible to decision-makers and the public and also disseminated through presentations, participation in panel discussions, contributions to policy task forces, and one-on-one advice.
- Research areas and think-tank centers combine their expertise to give advice on specific current policy issues, e.g., through commissioned reports, policy workshops, media contributions, active membership in policy advisory committees, and one-on-one advice (e.g., for ministers, directors and heads of international organizations, and heads of state).
- Multistakeholder networks established by the Kiel Institute address global economic problems and stimulate new research ideas.

The key indicator of academic output is the number and quality of publications in refereed journals. The Kiel Institute ranks these journals from A to E using criteria relevant to its mission and incentivizes higher-ranked publications via the allocated budgets. For think-tank activities, we look for impact and visibility documented in short narratives and substantiated by measurable output (media citations, invited presentations, etc.).



“20 Solutions Proposals for the G20”, presented by Dennis J. Snower, Peter Altmaier and Dirk Messner (left to right).

PUSHING FOR GLOBAL SOLUTIONS

Climate change, digitalization, trade disputes—the greatest challenges of our time are international. Global cooperation between nations to develop joint solutions is therefore essential. To support that effort, the Kiel Institute for the World Economy has greatly expanded its international consulting activities, focusing on multilateral bodies, particularly the G20.

Ultimately, the aim is to establish the Kiel Institute as a primary hub for the development and dissemination of proposed solutions to global economic problems. Experts from the Kiel Institute are directly involved in preparing these proposals. In addition, the Institute supports networks and platforms that generate possible solutions to global problems and present them to policy-makers and the public. “Our aim, in collaboration with leading international think tanks, is to develop strategic visions and concrete policy recommendations for global problems in support of the G20 and other major multilateral organizations,” says Dennis J. Snower, President of the Kiel Institute. In doing so, the Institute can draw on

its many years of experience as organizer of the Global Economic Symposium (GES).

ENCOURAGING RESULTS

One important result of these efforts was the German government’s decision to appoint the Kiel Institute and the German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE) as co-chairs of Think 20 (“T20”)—the international think-tank network of the G20—during the German G20 Presidency in 2017. The Kiel Institute was selected in part because of its long-term focus on transnational challenges and its many years of experience with the GES, which developed re-

search-based solutions to global problems with input from a variety of stakeholders. The T20 mandate increased the scope of the Institute to convert scientific findings into policy recommendations and strengthened its partnerships with influential think tanks in the G20 countries. Experts from the various research areas at the Kiel Institute led task forces on forced migration, global inequality and social cohesion, and the digital economy. Kiel Institute researchers also contributed to many other policy fields.

The new task-force-based T20 process established by the Kiel Institute and the DIE proved to be an effective way of developing concrete policy proposals for the G20. The G20 Information Centre at the University of Toronto found that 23 of the 89 most important T20 recommendations were wholly or partially adopted in the Hamburg G20 Leaders’ Declaration in July 2017. Of particular relevance were the T20 proposals on financial resilience, the 2030 Agenda, and digitization.

“It shows what can be achieved under an insightful, competent, and globally minded G20 Presidency, combined with a disciplined advisory process, drawing on the expertise of leading G20 think tanks and

other research organizations,” says Kiel Institute President Dennis J. Snower.

LONG-TERM SUPPORT FOR THE G20: THE GLOBAL SOLUTIONS INITIATIVE

The Kiel Institute used its cochairmanship of the T20 during the German G20 Presidency to launch the **Global Solutions Initiative** (GSI). Providing a long-term framework for international policy advice, the GSI plays an important role in contributing to the policy advisory activities of the Kiel Institute. It brings together leading research institutions and think tanks, representatives from politics, business, and civil society as well as future business-leaders to develop research-based solutions to global challenges and present them to policy-makers. Operating independently, the GSI supports the G20 and other international fora. Thematically, it is partly based on the T20 program under the annually rotating G20 Presidency. Having initiated the GSI, the Kiel Institute now coordinates its research efforts.



When Argentina succeeded Germany as President of the G20 for 2018, its T20 chairs announced their intention to cooperate with the Global Solutions Initiative and to use the G20 Insights Platform to pres-

ent policy briefs. The Kiel Institute’s Global Challenges Center is responsible for coordinating these research activities.



Kick-off meeting of the MEDAM team in Kiel

PROJECT

THE MERCATOR DIALOGUE ON ASYLUM AND MIGRATION

By launching the MEDAM project in May 2016, the Kiel Institute intensified its existing research on forced migration, labor migration, and integration, and is taking the lead within the three-year European research and consultation project.

In 2015 and 2016, more than 2.5 million people sought asylum in the EU. This large influx of refugees and other migrants not only exposed existing shortcomings in the EU asylum system; it also opened a sharp divide in attitudes towards immigrants and immigration between EU citizens, political parties, and member state governments. Through MEDAM, researchers develop implementable proposals for asylum and migration policy reforms and undertake research to close critical gaps in knowledge about the drivers and the effects of migration to Europe.

The project's core research partners are the Kiel Institute for the World Economy (IfW), the Migration Policy Centre (MPC), and the Centre for European Policy Studies (CEPS). The researchers seek better outcomes for all stakeholders by comprehensively addressing the European migration system and analyzing the complex interlinkages between countries of origin, transit and first asylum, immigrant integration, and policy coordination at the national, EU, and international levels.

Published in May 2017, the first MEDAM assessment report calls for a more equitable distribution of responsibility for protecting refugees—globally as well as within the EU. A meaningful start can be made through substantially higher financial support from the EU and its member states to developing countries that host refugees, better coordination of humanitarian with development assistance, and increased resettlement of vulnerable refugees from third countries to EU member states.

At present, many irregular immigrants apply for asylum as the only way to enter the labor markets of EU member states. To discourage irregular immigrants from undertaking dangerous journeys, legal employment opportunities for non-EU citizens in the EU should be expanded while efforts continue to curb irregular immigration. This approach would weaken criminal structures

along the migrant routes, enable the EU and its member states to enter into sustainable migration partnerships with countries of origin, ease pressure on asylum processing in EU member states, and give destination countries access to a larger pool of workers.

Beyond academic research, the transfer of knowledge between research institutions and politics as well as the public forms a central part of the project.

Some of the ongoing policy dialogue activities include:

- On both national and European levels, team members engage directly in bilateral meetings with individual policy-makers and other stakeholders, and an increase of frequency of such meetings is part of the project's second-year plan.
- A series of Brussels-based "closed door meetings" on critical issues with participants from the European Commission, EU member states and other stakeholders commenced in 2017, and is set to be expanded through targeted workshops in various European capitals.
- MEDAM's project head Matthias Lücke cochaired the T20 Task Force on Forced Migration during Germany's G20 presidency in 2017. The task force—including MEDAM team members—continues its work under the Argentinian G20 presidency.
- MEDAM also participates in the UN preparatory process of the global compact for migration, to be presented to the General Assembly in 2018.

The project is funded by Stiftung Mercator.

🌐 www.medam-migration.eu

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Homepage of the website developed by the Kiel Institute

LEIBNIZ SCIENCECAMPUS

KIEL CENTRE FOR GLOBALIZATION

With joining its first Leibniz ScienceCampus, the Kiel Institute is now part of the Association's aim to promote cooperation on an equal footing between Leibniz institutions and universities in the form of thematically-focused, complementary regional partnerships.

Globalization has rapidly intensified in the last few decades. Continuously expanding global supply chains are a key element of globalization. More and more companies are participating in cross-country production networks and supply chains in order to produce their products efficiently and continuously improve their competitiveness in the global markets. Global production and international trade enable companies to procure resources and intermediate goods needed for better prices in larger markets, and to sell their products globally. They also provide consumers with easier access to lowerpriced and/or better products. However, globalization does not only have winners but also losers and undesirable side effects.

Investigating the positive as well as the negative consequences of globalization and in particular of the expanding global supply chains is one of the key objectives of the "Kiel Centre for Globalization" (KCG) founded as a Leibniz ScienceCampus in October 2016. The KCG is a joint initiative of the Kiel Institute and the University of Kiel. It is financially supported by the Leibniz Association, the state of Schleswig-Holstein and the two founding scientific institutions. To investigate various aspects of globalization and global supply chains, experts from various disciplines such as economics, management, ethics, and philosophy work together closely on four different but interrelated research projects. Their knowledge in their specific research areas and their expertise in applying different research methods help mutually strengthen their research competence and further enhance the quality of the analyses.

Building on the globalization research, the KCG also aims at providing policy suggestions to interested stakeholders, including the public.

The KCG research team is currently working on four different but interrelated projects:

1. Cross-cultural differences in the perception of corporate social responsibility and consumer social responsibility along global supply chains
2. Experimental studies on moral responsibility in global supply chains
3. Modeling economic and social dimensions of global supply chains
4. Global supply chains, environmental regulation, and green innovation

Up-to-date information about KCG research results, publications, and events can be found on the KCG website:

🌐 www.kcg-kiel.org

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GLOBAL DIVISION OF LABOR

Globalization has dramatically changed the way economies work. Trade, international investment, and migration, in conjunction with rapid technological progress, have led to an increasing international division of labor whereby production facilities are spread around the globe. This is commonly believed (certainly by many academic economists and policy-makers) to promote growth in both developed and developing countries. Their credo is that international production and trade lead to a better provision of goods and services, greater global economic integration (especially through global supply chains), increase the scope for economic specialization, and may facilitate the participation of people in emerging and developing countries in global economic exchange. Yet, while greater international specialization is commonly viewed as raising economic prosperity, even those in favor of globalization would concede that it cre-

ates not only winners but losers as well—and also has unintended adverse side effects. Against this backdrop, **the overall research objective of the “Global Division of Labor” research area is to empirically analyze key aspects of the international division of labor in the course of growing globalization and to develop answers to the challenges created by globalization.** Research focuses on the determinants and effects of international trade, foreign direct investment, and international migration at the worldwide and regional levels. Publications produced by the research area show, for instance, that in the industrialized source countries trade- and FDI-induced offshoring favors high-skilled and non-routine jobs even over medium-skilled, while in the developing host countries, capital inflows raise corporate productivity via various transmission channels and diminish migration outflows of unskilled labor.

Key Insights Derived from our Research

In contrast to public worries, investor-state arbitration disputes within trade agreements are not biased against states.

Sanctions against Russia backfire considerably to Western economies—even without considering Russian retaliation.

Immigrant workers in a firm increase exporting—to their home country and overall.

Digitalization opens a window of opportunity for women’s catching-up—if they make clever use of their superior social skills.

Trust-based working time motivates employees and spurs innovation—if excessive overtime is avoided.

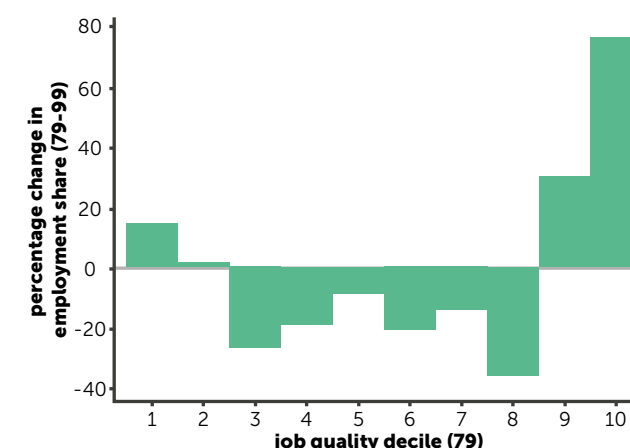
A strong welfare state in a globalized world may not only compensate the losers from globalization, but also improve a country’s competitiveness.

Selected Funding Institutions

- EU Framework Programme (EU FP7)
- German Federal Ministry of Finance (BMF)
- German Federal Ministry of Economics (BMWi)
- Deutsche Forschungsgemeinschaft (DFG)/NORFACE ERA-Net
- Leibniz Association (“Competition” and “ScienceCampus”)
- Fritz Thyssen Foundation
- Sino-German Science Center

Selected Partners and Networks

- UNIDO
- Aarhus University BSS, Denmark
- Lund University, Sweden
- Universities of Nottingham and Aberdeen, both UK
- Institute for Employment and Research (IAB), Germany
- Helmut-Schmidt-Universität Hamburg
- Jilin University, China
- Nicholas Bloom (Stanford, USA), John Van Reenen (MIT, USA), Eric Neumayer (LSE, UK), Mathieu Crozet (Université Paris Saclay, France)



Hollowing-out of medium-skilled employment (Goos and Manning, 2007).

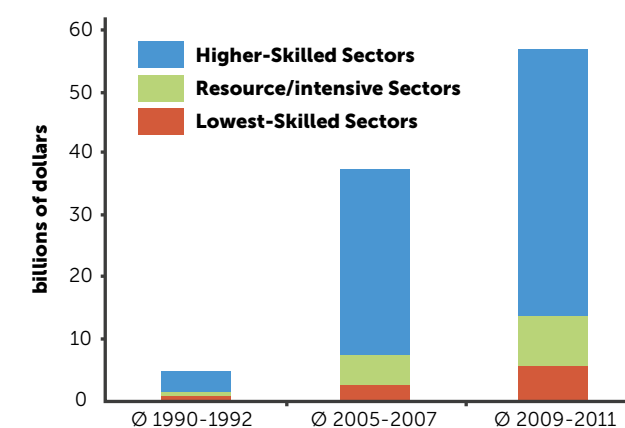
SCIENTIFIC RESEARCH

Trade Liberalization and the Shrinking Middle Class

Recent empirical work demonstrates a sharp “hollowing-out” of middle-class, middle-skill employment in a broad set of industrialized countries, and traces this back inter alia to trade liberalization and increased import competition. In a recent paper, we build one of the first trade models in which human capital responses to globalization may be nonmonotonic, with some workers moving up the skill acquisition ladder in response to wage changes, others downward into lower-skill occupations. This puts the universal panacea of politicians against rising income polarization and intensified competition with foreign exporters into question: Solid education can no longer in itself guarantee a good job in a thriving middle class with ever improved standards of living. In this situation, educational subsidies at the lower and middle rungs of the educational ladder can bolster middle class employment for some time but may prove untenable in the long run, while subsidies at the higher rungs of the educational ladder are regressive and still leave some mid-skill workers to drop into lower-skill sectors. The first-best policy for bolstering the middle class is highly targeted education subsidies and wage top-ups like in the US Trade Adjustment Assistance program.

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- Goos, M., Manning, A. (2007). Lousy and lovely jobs: the rising polarization of work in Britain. *Rev. Econ. Stat.*, 89, 118–133.



Manufacturing FDI Flows to Developing Countries (UNCTAD, 2014).

PUBLIC OUTREACH

How to attract Quality FDI to Developing Countries?

Recent research offers ample empirical evidence on successfully creating the long-term employment opportunities so badly needed in developing countries, relying on private, not public, foreign investment. In a keynote address to the UNIDO Investment Conference 2016 in Vienna, we presented this evidence under the general demise of identifying strategies to attract “Quality FDI.” This may be characterized as linking foreign investors into the local host country, i.e., by contributing to the creation of value-adding jobs, enhancing the skill base of host economies, facilitating the transfer of technology, boosting competitiveness of domestic firms and enabling their access to markets, as well as operating in a socially and environmentally responsible manner. To achieve this, potential host countries need tailored policies to support a smooth integration of indigenous and foreign firms into world-wide supply-chain networks. They need to align the framework conditions towards foreign investors straight and to target policies for maximizing spillovers into the indigenous economy. Setting-up an investment promotion agency and establishing export processing zones seem useful. By contrast, policy-makers should abstain from any policies favoring specific companies or prioritizing SMEs.

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- UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics).



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Publication Highlights

- American Economic Review
- China & World Economy
- Economics Letters
- Journal of Economic Geography
- Journal of the European Economic Association
- Management Science
- Research Policy

KNOWLEDGE CREATION AND GROWTH

Innovation and technological change are main drivers of globalization, even in times when political support of globalization seems to diminish. Recent years have seen an increasing globalization of R&D and a shift of knowledge-intensive activities from industrialized to emerging countries. This development is amplified by the rise of the digital economy and the increasingly cooperative nature of innovation. As knowledge is key to growth, competitiveness and employment, global shifts in the production and flows of knowledge induce a global shifting of wealth. Against this background, the **research area aims at a better understanding of the determinants of knowledge creation, diffusion and knowledge-based growth—and their interrelation with globalization—in industrialized and emerging economies.**

Core research themes include (i) **Digitalization, Participation and Exclusion**; (ii) **Innovation and Internationalization**; and (iii) **Innovation and Growth in Emerging Economies**. Findings in research module (i) show, e.g., that there are several digital divides in access to and

use of digital technologies, and that the digital gap between rich and poor countries is rather persistent. In research module (ii) we find, e.g., that incremental product innovations have a positive and immediate impact on exporting, whereas more drastic innovations take longer to affect exports. Conversely, exporters are more likely to adopt green innovation than nonexporters. Research on new innovation patterns in China (research module (iii)) shows that the country still lags behind in genuine innovation and faces substantial and increasing interregional differences with respect to higher education, R&D, and innovation output.

The research area has successfully applied for funding by DFG, EU and BMBF and plays an important role in the new **Kiel Centre for Globalization** (see page 13). These grants have enabled the research area to recruit some highly-talented young researchers, to extend its international research network and to expand its research to new global challenges such as socio-economic consequences of the digital transformation.

Key Insights Derived from our Research

Exporters are more likely to adopt green production technologies than nonexporters.

Bad neighborhood hampers Internet adoption in poor countries.

Cultural diversity is a main driver of innovation in Europe.

Personality shapes workers' labor-market resilience in the digital age.

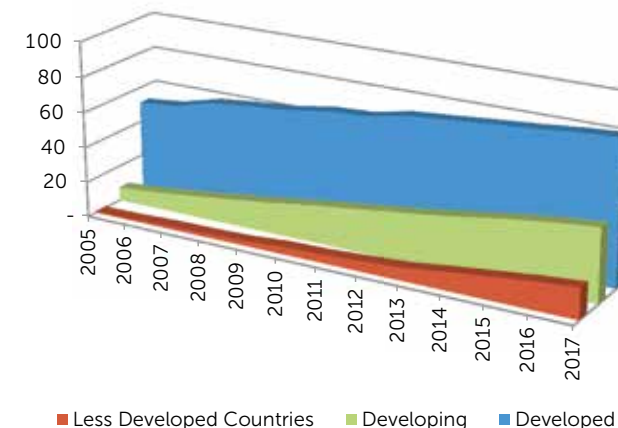
Regional inequality of knowledge resources in China is on the rise.

Selected Partners and Networks

- David B. Audretsch, Indiana University and CEPR
- Eric von Hippel, MIT, Sloan School of Management
- Christian Dippel, UCLA and NBER
- Oliver Falck, CESifo and LMU Munich
- Chinese Academy of Social Sciences (CASS)
- London School of Economics
- Zhejiang University
- Institute for Employment Research (IAB), Germany
- Center for Regional and Innovation Economics (CRIE), University of Bremen
- Karlsruhe Institute of Technology (KIT)

Selected Funding Institutions

- Deutsche Forschungsgemeinschaft (DFG)
- European Commission
- German Federal Ministry for Education and Research (BMBF)
- Leibniz Community
- Konrad-Adenauer-Stiftung (KAS)



Percentage of population using the Internet
(ITU 2017; own compilation).

SCIENTIFIC RESEARCH

Economic and Political Consequences of Digitalization

The digital revolution changes the way we work, we conduct innovation and trade, and even the way we vote. The research area has explored various aspects of this change. One finding, for instance, is that noncognitive skills, such as emotional stability and openness to experience make workers resilient against job losses due to digitalization. An additional finding is that macrogeographic location (neighborhood) is a key factor explaining the large and persistent digital gap between rich and poor countries.

An important consequence of digitalization is that it contributes to a “democratization of innovation” by facilitating user innovation. Kiel Institute researchers are among the first to analyze the interplay between user innovation and traditional firm-level innovation, showing that social welfare rises when firms implement user innovation. Moreover, research area members have shown that during the initial phase of the Internet, a “crowding-out” of political information occurred, which decreased political participation.

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Comprehensive discussions lead to better results: research area members Aoife Hanley, Wan-Hsin Liu and Frank Bickenbach (left to right) in a team meeting.

PUBLIC OUTREACH

The Role of Science & Technology Policy for Economic Development

The research area plays an active role as an advisor to the German Federal Government, the EU Commission and the T20 as well as maintaining a critical voice in the public discussion on innovation policy and economic performance. It has actively contributed to the discussion on the economic impact of cutting edge research and the future of the “Excellence Initiative”, a funding measure designed to enhance the international visibility and research excellence of German universities (Bickenbach et al., 2016). Results of this study have been extensively discussed in the German media and by leading university representatives, and have been presented at the T20 Summit in Beijing in July 2016.

The research area—as part of a larger research consortium—has been commissioned to carry out the accompanying research to the Federal Research Ministry’s “InterSpiN” program, a 100-million-euro program aimed at fostering location-based innovation and international R&D cooperation. The research area analyses the conceptual design and success of the new funding measure and gives critical feedback to the Federal Research Ministry (BMBF), thus contributing to the design and further development of one of the most important measures of current innovation policy in Germany. To provide an international forum for the discussion of policy implications of R&D internationalization, research area members organized a special session at the 57th Congress of the European Regional Science Association (ERSA) in 2017.

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- Dohse, D.C., Fornahl, D., Vehrke, J. (forthcoming). Fostering Place-based Innovation and Internationalization—The New Turn in German Technology Policy. European Planning Studies.



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SOCIAL AND BEHAVIORAL APPROACHES TO GLOBAL PROBLEMS

In the course of the past century, humanity has confronted a multitude of seemingly intractable global problems. These include economic challenges, such as financial crises and persistent poverty, but also social, environmental, and political issues. Market failure is the explanation offered by mainstream economics for the persistence of many global problems. Accordingly, economists commonly advocate policies that offer individuals full compensation for the benefits and costs they generate—through taxes and subsidies, redefinition of property rights, and various laws and regulations. The invisible hand, along with the associated explanation for market failures, presupposes that people are purely self-interested, have stable preferences, and behave perfectly rationally. The view underlying this research area is that **the conception of human motivation and decision-making in traditional**

economics is outdated and inconsistent with current evidence from other disciplines, such as neuroscience, cognitive science, cognitive psychology, developmental psychology, behavioral economics, and other fields. For example, people are not exclusively self-interested since **they have capacity for fairness, empathy, compassion, and caring**. They are not exclusively rational because most of their behavior is substantially **motivated by emotions and heuristics**. They are not exclusively individualistic since their preferences are significantly **determined by the social groups** to which they belong. This research area analyzes the impact of social interaction and behavioral responses of individual agents on the emergence of global economic problems and considers the design of possible solutions in view of these results.

Key Insights Derived from our Research

Women quota can prevent excessive risk-taking.

Guessing the social norm increases charitable giving.

Economic inequality can boost risky investments.

Differential discounting of gains and losses solves the equity premium puzzle.

Publication Highlights

- American Economic Review P&P
- Current Biology
- Experimental Economics
- Journal of Experimental Psychology: General
- Management Science
- Nature Communications
- Proceedings of the National Academy of Sciences of The United States of America

Selected Funding Institutions

- Institute for New Economic Thinking (INET)
- Leibniz Association
- International Growth Centre
- Deutsch-Israelische Stiftung für wissenschaftliche Forschung und Entwicklung
- Science of Philanthropy Initiative

Selected Partners and Networks

- OECD
- International Panel on Social Progress
- Public & Environmental Economics Research Centre, Johannesburg
- MPI Leipzig
- Centre for Decision Research and Experimental Economics, Nottingham
- Princeton University (Pietro Ortoleva and Marc Fleurbaey)



Kiel Institute researcher Gianluca Grimalda is giving instructions to a participant.

SCIENTIFIC RESEARCH

Violence hampers cognitive abilities

Almost half a million people were deliberately killed worldwide in 2012, according to the Homicide world study. However, violence leaves lasting scars on the well-being of survivors. According to the World Health Organization, as many as 250 million people suffered from Posttraumatic Stress Disorder (PSD) in 2012.

Most research on violence has focused on its consequences on individuals' health and behavior. Our research area carried out the first study establishing the effects of exposure to violence on individuals' cognitive abilities. The study focused on two key cognitive abilities, namely short-term memory, i.e., the capacity to store information in one's brain, and cognitive control, i.e., the capacity to use concentration and fluid intelligence in one's decisions.

The research involved Colombian civilians exposed either to urban violence or to warfare. In the latter case, participants in our study were war refugees who had been forcibly displaced from their homes 14 years earlier. The research found that higher exposure to violence significantly reduced short-term memory and cognitive control, but only in the group actively recalling emotional states linked with such experiences. No effect of violence was found in the group who recalled either emotionally neutral or joyful experiences.

Our results suggest that a traumatic experience that is unresolved may negatively affect a person's ability to exercise key cognitive abilities even decades after the trauma had occurred, thus persistently affecting their ability to function well in life. In the future, we are particularly interested in identifying effective therapies that may help victims of violence, such as war refugees, to overcome these negative consequences of violence and, thereby, improve their well-being.

Selected References

- Bogliacino, F., Grimalda, G., Ortoleva, P., Ring, P. (2017). Exposure to and Recall of Violence Reduce Short-term Memory and Cognitive Control. Proceedings of the National Academy of Sciences of The United States of America, 114(32), 8505–8510.



Members of the IPSP gather to work on their report.

PUBLIC OUTREACH

International Panel on Social Progress

The International Panel on Social Progress (IPSP) was born out of the initiative of some participants in the International Panel on Climate Change, who thought that an assessment of the state of social progress around the world was as necessary as one on climate change. Under the Presidency of Amartya Sen and the leadership of, among others, Marc Fleurbaey, IPSP brings together around 300 academics from around the world and from different areas in the social sciences.

The report aims to disseminate knowledge among all social actors, movements, organizations, politicians and decision-makers, in order to provide them with the best expertise on questions that bear on social change. A first draft of the report was open to comments from academics as well as civil society. The final report will be published by Cambridge University Press.

A key underlying assumption of the IPSP that social justice encompasses a broad variety of themes evolving around the general issue of inequality in well-being, resources and power. IPSP accepts that views on social justice are multifaceted, but claims that this fact should not deter researchers from monitoring progress in the measures that are relevant to a particular field. The report is organized into 22 chapters covering economic, social, political and cultural issues. These issues include income inequality, sustainable growth, financial transformations, democracy and citizenship, the media, global movements, religion, education, social identity, and many more.

Gianluca Grimalda from this research area is coordinating author of the Chapter on "Social Justice, Well-Being and Economic Organization." He has presented drafts of the chapter in seminars held at the OECD, Paris; Frederick Ebert Stiftung, Berlin; Institute for International and Development Studies, Geneva.

www.ipsp.org



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THE ENVIRONMENT AND NATURAL RESOURCES

Natural resources and environmental services are essential for wealth and development. Despite that, they have remained poorly acknowledged in national and international policy designs. **A turning point toward the design of sustainable national and international policies could be the United Nations 2030 Agenda for Sustainable Development and the UNFCCC Paris Agreement**, which call for ambitious efforts to achieve sustainable development and strong climate change mitigation, respectively. The research carried out by the Environment and Natural Resources research area **focuses on three topics: climate, land, and ocean**. It analyzes in particular the effectiveness, efficiency, and distributional implications of national and international climate policies (applying in particular the DART computable general equilibrium model), the suitability of land and agricultural policy measures for shaping the transformation process

toward sustainable development, taking international repercussions on global markets into account, and the contribution of natural ocean-based resources and services to inclusive wealth. The research area applies and develops models and practical tools to assess **trade-offs between policy objectives, identify priorities for decision makers, and derive synergies and multi-purpose solutions**. In doing so, it contributes to the Kiel Institute’s mission of developing solutions for sustainable and inclusive prosperity in a globalized world. The research output is leveraged for consulting, which is part of a **large number of third-party funded projects** (constituting on average 70 percent of the research area’s activities).

Key Insights Derived from our Research

The projected demand for food, feed, fuels, and fibre by the mid of the century could be met without cropland expansion.

There is little empirical evidence that economic development (expressed in per capita gross domestic product/GDP) contributes to sustaining oceanic resources.

Increases in food priced due to biofuel policies are moderate if model exercises take complex value-chains into account.

Publication Highlights

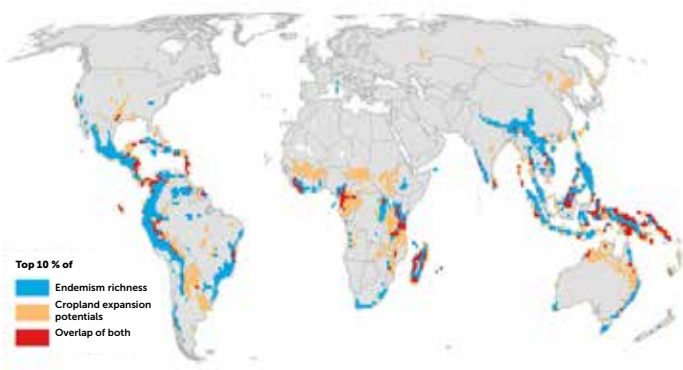
- Environmental and Resource Economics
- Global Environmental Change
- Journal of Environmental Economics and Management
- Nature Communication
- Nature Energy
- Proceedings of the National Academy of Sciences of The United States of America
- Review of Environmental Economics and Policies

Selected Funding Institutions

- Deutsche Forschungsgemeinschaft (DFG)
- German Federal Ministry of Education and Research (BMBF)
- German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
- German Agency for Renewable Resources (FNR)
- Kiel Center for Globalization (KCG), funded by the Leibniz Community

Selected Partners and Networks

- GLUES (Global Assessment of Land Use Dynamics, Greenhouse Gas Emissions and Ecosystem Services)
- Excellence Cluster “The Future Ocean” (DFG)
- Priority Program 1689 Climate Engineering (DFG)
- Energy Modelling Forum (EMF)
- German Committee in Future Earth
- Wolfram Mauser (LMU Munich)
- Christian Henning and Martin Quaas (both Kiel University)
- Martin Visbeck and Andreas Oschlies (Geomar)
- Christina von Haaren (Hannover University)



Overlay of top 10 % natural cropland expansion potentials and global endemism richness.

SCIENTIFIC RESEARCH

Assessing Trade-offs among the Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development with its broad set of individual indicators prevents straightforward assessment of synergies and trade-offs between the various indicators, targets, and goals. This complicates the identification of policies leading to sustainable development. We analyze the trade-offs between SGD 2 (Zero Hunger) and SDG 15 (Life of Land) (Delzeit et al., 2017). We show that improved food security from allowing the expansion of cropland takes place not only in those regions where crop production rises, but also in net importing countries such as India and China. This comes at the social cost of reduced biodiversity because estimated cropland expansion takes place in many regions that are valuable for biodiversity conservation (see Figure). Furthermore, we analyze trade-offs within SDG 14 (Life below Water) for EU coastal states (Rickels et al., 2016). Based on a composite indicator, we show that while in general the EU coastal states perform quite reasonably on the SDG 14 measure. However, certain countries like Slovenia (strong performance) and Portugal (weaker performance) rank very differently in terms of the two concepts of sustainability. The overall first rank goes to Germany, followed by France and Belgium.

Selected References

- Delzeit, R., Zabel, F., Meyer, C., Václavík, T. (2017). Addressing future trade-offs between biodiversity and cropland expansion to improve food security. *Regional Environmental Change*, 17 (5), 1429–1441.
- Rickels, W., Dovern, J., Hoffmann, J., Quaas, M.F., Schmidt, J.O., Visbeck, M. (2016). Indicators for monitoring sustainable development goals. An application to oceanic development in the European Union. *AGU Earth’s Future*, 4 (5), 252–267.



Gernot Klepper (right) at the 5th Dialogue on Climate Economics (“Forum Klimaökonomie”) in Berlin.

PUBLIC OUTREACH

Dialogue on Climate Economics

Since 2014, the research area has coordinated the networking activities of the “Dialogue on Climate Economics” on behalf of the German Ministry of Education and Research. The network includes more than 20 German research projects on “Economics of Climate Change.” The dialogue aims i) for providing a platform for communication and exchange between German climate economists and stakeholders from politics, business, and society; ii) for pointing out the relevance of economic research on climate related aspects to these interest groups; and iii) fostering an approach in climate economics that is both challenge-driven as well as solutions-oriented. At the core of the activities is the “Forum Klimaökonomie”—a well-established series of discussion forums which provide the platform for exchange between researchers and practitioners—and networking conferences and workshops to foster the solutions-oriented development of economic research on climate change. The interdisciplinary dialogue i) leverages the contribution of the research area in influencing Germany’s socioeconomic climate change research and ii) provides an important channel to disseminate research findings to relevant stakeholders and decision-makers.

www.kiel-earth-institute.de/Klimaoekonomie.html

Photo: © IfW / Andreas Lemke photography



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POVERTY REDUCTION, EQUITY, AND DEVELOPMENT

The international community is committed to achieving the Sustainable Development Goals (SDGs) by 2030. The SDGs are based on a more holistic understanding of development than the previous Millennium Development Goals (MDGs). In addition to the objective of reducing absolute poverty, they stress the importance of peace and good governance and call for low-, middle-, and high-income countries to work together to achieve sustainable development. The research area produces empirical research to support this sustainable development agenda. Our research can be broadly divided into two mutually reinforcing thematic blocs.

In the first bloc, we address the SDGs that are related to various dimensions of development, such as ending poverty and hunger. At the micro level, we analyze how large-scale land acquisition in Africa impacts local farm populations, for example, and how emigration affects the families left behind and broader society in

the countries of origin. At the macro level, we address the issue of whether and how global efforts to alleviate poverty through more foreign aid can be successful. In addition, we study how competition among various donors and external actors (e.g., the EU, China, and Russia) affects economic development in neighboring countries.

In the second bloc, we address the SDGs that target international cooperation and governance issues. Examples of our work here include studying whether and how migrants transmit ideas that then become important drivers of political change in their home countries as well as the factors that shape the attitudes of individuals toward immigration in receiving countries. We also analyze how competing global and regional economic integration processes impact domestic institutions, policies, and cooperation.

Key Insights Derived from our Research

International migration often benefits the most vulnerable such as the elderly or children left behind.

Emigration can significantly contribute to the democratization of the origin country.

Donors bypass recipient governments with weak institutions by channeling foreign aid through NGOs.

Publication Highlights

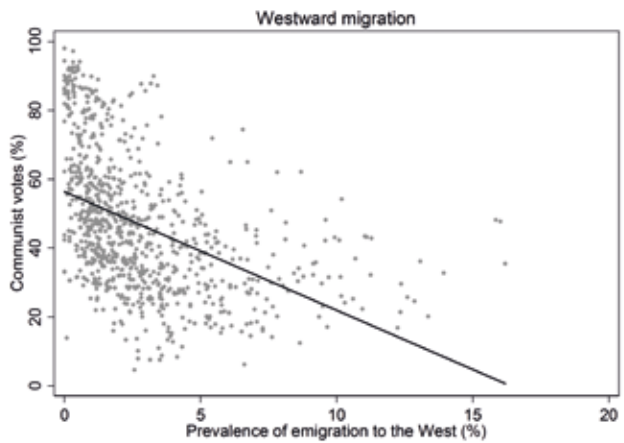
- American Economic Journal: Applied Economics
- American Economic Journal: Macro
- European Economic Review
- Journal of Development Economics
- Journal of European Public Policy
- Journal of Health Economics
- Management Science

Selected Funding Institutions

- European Union
- German Ministry for Development Cooperation (BMZ)
- German Ministry for Education and Research (BMBF)
- Gesellschaft für internationale Zusammenarbeit (GIZ)
- International Growth Center (IGC) International Initiative for Impact Evaluation (3ie)
- International Initiative for Impact Evaluation (3ie)
- Stiftung Mercator
- Volkswagen Foundation

Selected Partners and Networks

- Hillel Rapoport (Paris School of Economics)
- Dean Yang (University of Michigan)
- Axel Dreher (Heidelberg University)
- Dierk Herzer (Helmut-Schmidt Universität, Hamburg)
- International Food Policy Research Institute (IFPRI)
- Poverty Reduction, Equity and Growth Network (PEGNet)
- European University Institute (EUI), Florence
- Centre for Economic Policy Studies (CEPS), Brussels



Emigration to Western Europe in 2004 and Communist votes in 2009 across Moldovan communities.

SCIENTIFIC RESEARCH

The Effect of Labor Migration on the Diffusion of Democracy

It has long been argued that the emigration of young and educated individuals weakens the scope for political change in developing countries. In a globalized world with cheap communication and travel, however, emigration may no longer imply that migrants lose their voice back home. Migrants may be more likely than ever before to transmit new political norms and information from their host country to their country of origin.

We test this hypothesis for the case of Moldova, which experienced large emigration to both more democratic Western Europe and less democratic Russia following its independence in 1991. We find that emigrants pass their newly formed political information and beliefs back to their home communities in Moldova. Emigrants to Western Europe inform their families about democratic values, whereas those to Russia reinforce less democratic ideas. For every percentage point increase in emigration to a full Western democracy, there is a corresponding 1.3 percentage point decrease in votes for the Communist party in Moldova's 2009 elections. The effect is large enough to outweigh the emigration of liberal voters from the electorate and eventually contributed to the fall of the Communist government with a poor democratic record. Emigration to advanced democracies can thus strengthen the democratization of migrants' origin countries.

Selected References

- Barsbai, T., Rapoport, H., Steinmayr, A., Trebesch, C. (2017). The Effect of Labor Migration on the Diffusion of Democracy: Evidence from a Former Soviet Republic. *American Economic Journal: Applied Economics*, 9 (3), 36–69.



Executive Director of the Institute of Policy Analysis and Research (IPAR-Rwanda) discussing a paper presented by a junior researcher at the PEGNet Conference 2016 in Kigali, Rwanda.

PUBLIC OUTREACH

Poverty Reduction, Equity and Growth Network (PEGNet)

PEGNet is a network that brings together researchers from the Global North and South who have an interest in the poverty-inequality-growth nexus. Additionally, this networks links participants to practitioners and development policy bodies in Germany and other OECD countries. Its aims are:

- to promote the exchange of ideas between researchers and practitioners;
- to use research results as an input for policy advice;
- to initiate joint activities with partner institutions.

PEGNet was founded in 2005 as a joint initiative of researchers from the Kiel Institute for the World Economy, the University of Göttingen and the Goethe University of Frankfurt, as well as practitioners from German development institutions.

To date, PEGNet has gained a wide standing through its annual conference that alternates between European and African countries. A highlight of the annual conferences is the PEGNet Best Practice Award that is granted to best practices in cooperation between researchers and practitioners.

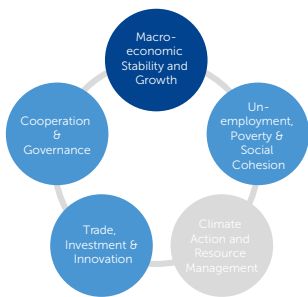
Other noteworthy PEGNet activities include the organization of expert discussion meetings that facilitate discourse between experts from academia and policy, the PEGNet Policy briefs published by experts on topics that center on the poverty-inequality-growth nexus, and the organization of panels and sessions at international events.

www.pegnet.ifw-kiel.de



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MACROECONOMIC POLICY UNDER MARKET IMPERFECTIONS

Market economies experience frequent and prolonged fluctuations in economic activity, with recessions following booms. Recessions are of particular concern to the general public and policy-makers because they imply underutilization of productive resources, particularly in the form of **unemployment**. Booms can create problems of their own, potentially leading to misallocation, an overheated economy and **inflationary pressures**. To some extent, these business cycle fluctuations are the efficient reactions to changes in economic conditions, like changes in aggregate productivity. But they can also be the result of insufficient demand or policy mistakes and they can be intensified by financial interlinkages, cross-border spillovers and market imperfections like labor market frictions or financial fric-

tions. This implies the question whether fiscal and/or monetary policy should be used to stabilize business cycle fluctuations.

These questions lie at the heart of the research area “Macroeconomic Policy under Market Imperfections.” We seek to understand **what drives business cycle fluctuations**, whether these fluctuations are efficient or inefficient, **how macroeconomic stabilization policy affects the economy** and whether it should be used to reduce fluctuations in macroeconomic variables. To answer these questions we build on a broad range of methods, e.g., using small-scale theoretical models to derive analytical insights, calibrated or estimated DSGE models for simulations, or structural VARs and network analysis for empirical analysis.

Key Insights Derived from our Research

Short-time work is a powerful automatic stabilizer.

Monetary policy is more effective during the acute phase of financial crises.

The debt-to-GDP ratio has become less relevant as a determinant for government bond spreads.

Publication Highlights

- American Economic Journal: Economic Policy
- European Economic Review
- International Economic Review
- Journal of Econometrics
- Journal of Economic Dynamics and Control
- Journal of Money Credit and Banking
- Journal of Political Economy
- Review of Economic Dynamics

Selected Funding Institutions

- Deutsche Forschungsgemeinschaft (DFG)
- Leibniz Association
- European Commission
- European Parliament
- Fritz Thyssen Foundation

Selected Partners and Networks

- European Central Bank
- Deutsche Bundesbank
- Federal Reserve Bank, New York
- Federal Reserve Bank, Richmond
- Christian Aßmann, University of Bamberg
- Christian Merkl, University of Erlangen-Nuremberg
- Mariya Mileva, California State University at Long Beach
- Carl Walsh, UC Santa Cruz



Mike Elsby discusses unemployment at our conference in Nuremberg.

PUBLIC OUTREACH

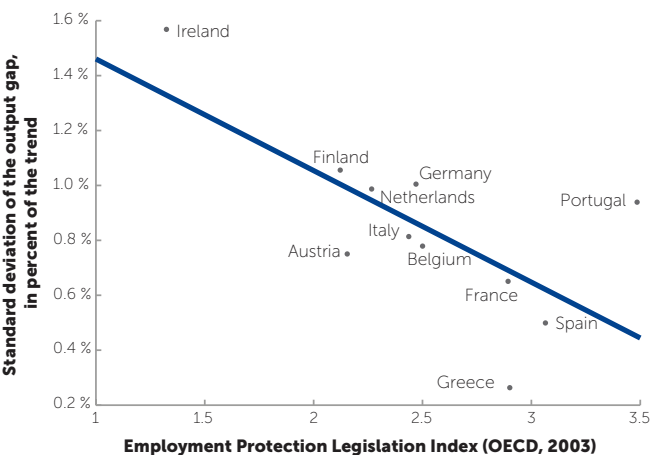
Leibniz Network Ensuring Economic and Employment Stability

The Leibniz network Ensuring Economic and Employment Stability (EES) is an international, policy-oriented network that addresses the link between the business cycle and labor market frictions. Such an integrated approach advances our knowledge of business cycle fluctuations. Additionally, the network fosters the design of improved macroeconomic policies that reduce the severity of recessions and help to bring about faster economic recoveries. Supported by funds from the Leibniz association, the network was set up in 2009 and has since organized at least one annual conference.

We were quickly able to establish a **high profile in the macro-labor community** which is reflected in both prominent participants at our conferences and well-known coorganizing institutions. Previous participants at our conference include Peter Diamond, Dale Mortensen and Christopher Pissarides (all winners of the 2010 Nobel Prize in Economics), Lawrence Christiano, Martin Eichenbaum, Jordi Galí, Robert Hall, John Haltiwanger, Per Krusell, Robert Shimer, Harald Uhlig, Gianluca Violante, and Carl Walsh. Previous coorganizing institutions include the European Central Bank, the regional branches of the US Federal Reserve in Philadelphia, New York and Richmond, CREI (Pompeu Fabra), and the Institute for Employment Research (IAB).

www.ees.ifw-kiel.de

Photo EES: © IAB/Jutta Palm-Novak



Higher employment protection is associated with lower output volatility.

SCIENTIFIC RESEARCH

Selection on Labor Markets

Labor market frictions present an important topic for our research area. Accordingly, we developed our own way to model labor market frictions in macroeconomic models. The starting point of our efforts was a certain dissatisfaction with the dominant search and matching model; partly due the matching model's inability to generate sufficiently large fluctuations in unemployment in response to productivity shocks (the “Shimer puzzle”). Partly due to the fact that the matching framework fails to provide insights on the hiring process by treating it like a black box.

In contrast to the matching model, the selection model is built on the idea that **firms choose their workers based on their “suitability,”** i.e., firms select the workers that fit it best. This suitability can, e.g., be modeled as an idiosyncratic hiring cost that differs across worker-firm pairs. Only those workers are hired for whom the hiring cost falls below a certain threshold. In the first paper that developed this framework we showed that the selection model is more successful in replicating the volatility of unemployment over the business cycle. In subsequent papers we have used the approach to analyze the efficiency properties of the model, the effects of short-time work and optimal monetary and fiscal policy.

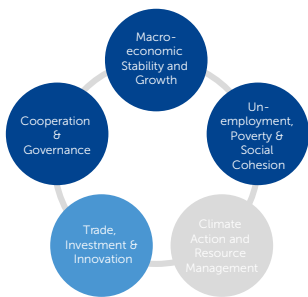
Selected References

- Chugh, S., Merkl, C. (2016). Efficiency and Labor Market Dynamics in a Model of Labor Selection. *International Economic Review*, 57 (4), 1371–1404.
- Faia, E., Lechthaler, W., Merkl, C. (2013). Fiscal Stimulus and Labor Market Policies in Europe. *Journal of Economic Dynamics and Control*, 37 (3), 483–499.
- Faia, E., Lechthaler, W., Merkl, C. (2014). Labor Selection, Turnover Costs and Optimal Monetary Policy. *Journal of Money, Credit and Banking*, 46 (1), 115–144.



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Dr. Manuel Funke
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Publication Highlights

- American Economic Journal: Applied Economics
- American Economic Review, Papers & Proceedings
- Brookings Papers on Economic Activity
- European Economic Review
- IMF Economic Review
- Journal of Economic Perspectives
- Journal of the European Economic Association

INTERNATIONAL FINANCE AND GLOBAL GOVERNANCE

The research area “International Finance and Global Governance” was newly created in April of 2017. Our research agenda has one common theme: **to explore the risks and the opportunities of financial globalization, including political risks.** Another common theme is that we **work empirically and take a long-term perspective**, drawing on decades or even centuries of data. The results of our projects show that history offers many lessons to address current global problems.

Much of our research focuses on **classic international finance topics** such as cross-border capital flows, sovereign debt and default, current account imbalances, financial stability, and economic crises. The distinguishing feature is that we address these topics with a **wealth of new**

data, which we collect ourselves, in order to gain new evidence and to inform theory and policy debates.

Our second main focus is on global governance and political economy, **in particular on the international financial architecture as well as on the role of political shocks on the global economy.** We are convinced that the phenomena of globalization and international finance have to be studied in a broader context that takes the political and social realm seriously. Indeed, **populism and the political backlash against open markets is now probably the main challenge to the future of globalization**, in general, and for the fate of international financial cooperation, in particular.

Key Insights Derived from our Research

Sovereign debt is a lucrative investment despite frequent defaults and haircuts.

The main cost of populism is political, not economic.

Boom and bust cycles have been an inherent feature of international capital markets for 200 years.

Germany earns lower returns on its foreign assets than other countries.

Lawsuits by hedge funds are reshaping sovereign debt markets worldwide.

Selected Funding Institutions

- German Federal Ministry of Education and Research (BMBF)
- Deutsche Forschungsgemeinschaft (DFG)
- Leibniz Research Alliance—Crises in a Globalised World
- Deutsche Bundesbank

Selected Partners and Networks

- Affiliations with CEPR and CESifo
- Close interactions with researchers at the IMF, the ECB, and at the US Federal Reserve
- Main current coauthors include Marcos Chamon (IMF), Mitu Gulati (Duke), Guillermo Ordonez (U Penn), Carmen Reinhart (Harvard), Julian Schumacher (ECB), Moritz Schularick (Bonn) and Mark Wright (Fed Minneapolis)



Christoph Trebesch presenting at the IMF's Annual Research Conference.



Anti-Trump protest at the US-Embassy in London in January 2017.

PUBLIC OUTREACH

Trends and Cycles in International Capital Flows

The research area's head Christoph Trebesch was invited to hold the opening presentation at the Annual Research Conference of the International Monetary Fund (IMF) in November 2017 (jointly with Carmen Reinhart). The focus of his speech were two recent papers analyzing trends and cycles in international capital flows over the very long run (Reinhart, Reinhart, and Trebesch (2016, 2017 one of them published in the American Economic Review: Papers Proceedings). The projects build on a new, ambitious “Global Capital Flow Database” which assembles country-level, capital flow, worldwide time series data for the past 200 years. The data show that cross-border financial flows have been and continue to be cyclical, with 14 boom-bust cycles arising over the past two centuries. Several of these busts were followed by a wave of financial crises, in particular after “double busts” of global capital flows and global commodity prices. The main conclusion is that global factors such as capital flows and commodity markets can help to predict economic crisis early on and play a crucial role for global financial stability.

Selected References

- Reinhart, C., Reinhart, V., Trebesch, C. (2016). Global Cycles: Capital Flows, Commodities, and Sovereign Defaults, 1815–2015. American Economic Review: Papers Proceedings, 106 (5), 574–580.
- Reinhart, C., Reinhart, V., Trebesch, C. (2017). Capital Flow Cycles: A Long, Global View. Conference Paper.

SCIENTIFIC RESEARCH

The Economics of Populism

The research area was awarded a major grant by the German Federal Ministry of Education and Research (BMBF) for the project “Populism and economic upheavals since 1870—a quantitative analysis” (EUR 634,000, 2017–2020). For this project we are putting together a “census of populism” dataset, spanning 100+ countries and extending back to 1870. The project builds on our earlier work on the political aftermath of financial crises, for which we analyzed over 800 elections in 1870–2014 and which was widely covered in the international and domestic press.

One of the central issues we are currently exploring is the consequences of populist rule. Our preliminary results suggest that populist governments are not bound to fail in economic terms, as often suggested. Populist governments, especially right-wing populist governments, on average show a performance of GDP and stock markets that is indistinguishable from nonpopulist governments. At the same time, populist rulers can do great damage to the political system at home and abroad, by undermining the free press, by weakening domestic institutions and by conducting a confrontational foreign policy. In sum, the main costs of populism seem to be political and societal, rather than economic. We should therefore not count on financial markets to act as a “watchdog” against populism.

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- Funke, M., Schularick, M., Trebesch, C. (2016). Going to Extremes: Politics after Financial Crises, 1870–2014. European Economic Review, 88, 227–260.
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FORECASTING CENTER

The Forecasting Center is the Kiel Institute’s macroeconomic think tank and business cycle analysis unit, **bringing together theoretical expertise, empirical evidence, and institutional knowledge**. Based on the ongoing diagnosis of macroeconomic developments and policy challenges, we act as an interface between external stakeholders and the research areas. We proactively identify prevailing problems, develop research-based solutions, and communicate the results in the form of consulting output.

Our **comprehensive package of regular forecasts** comprises quarterly outlooks for the world economy and Germany (two-year horizon), complemented by semiannual outlooks for the euro area and medium-term projections for Germany (five-year horizon), including in-depth analysis of potential output. We contribute to the Joint Economic Forecast produced by Germany’s leading economic research institutes and to the government’s Federal Tax Revenue Projections. Our work is fed into all major consensus

polls, including the ECB survey of professional forecasters. We cooperate with partners all over the world, such as the European research networks EUROFRAME and AIECE. The Kieler Konjunkturgespräche is our flagship conference on international business cycles and global economic affairs, where we share our research outcomes and discuss global macroeconomic issues with other forecasters, policy-makers, and business-leaders. The center also publishes Kiel Subsidy report and edits the in-house series “Kieler Policy Brief” and the more extensive “Kieler Beiträge zur Wirtschaftspolitik.” Policy advice is directed to **national and international addressees**, with international outreach gaining in importance on the EU level (macroeconomic surveillance, monetary policy). Our strong media impact, publications in policy-journals and involvement in policy-oriented committees reflect the relevance of our work and our influence as a think tank.

Key Insights Derived from our Research

Making sense of post-unification productivity numbers in Germany is more of a jigsaw than of a puzzle.

With respect to reducing the German current account surplus, the scope for short-run policy interventions is limited given macroeconomic and political constraints in using some of the often proposed measures and low effectiveness of others.

Greek policy-makers should keep in mind that the reform process is essential for improving the conditions for doing business in Greece and attracting private investors who could initiate the kind of structural change Greece needs to generate economic growth in the long run.

Selected Funding Institutions

- German Federal Ministry of Economic Affairs and Energy (BMWi)
- German Federal Ministry of Finance (BMF)
- European Parliament
- World Free Zone Organization
- World Economic Council

Selected Partners and Networks

- Association d’Instituts Européens de Conjoncture Economique (AIECE)
- European Forecasting Research Association for the Macro-Economy (EUROFRAME)
- Joint Economic Forecast (“Gemeinschaftsdiagnose”)
- ECB Survey of Professional Forecasters
- Consensus Economics
- Focus Economics



Since the beginning of the Euro crisis, the Area has examined the economic development and the reform process in Southern European crisis countries, most recently the regional economic structures in Spain were examined to evaluate the effects of a unilateral independence of Catalonia and to discuss reforms following the principles of fiscal federalism. Other examples include Greece and Italy.

SELECTED CONSULTING PROJECTS

“Productivity in Germany—Measurement and Drivers”,

joint commissioned by the Federal Ministries of Finance/Economic Affairs and Energy (2016 to 2017) and in cooperation with research area “Global Division of Labor.”

Embedded in an international context—comparison of productivity trends in major industrialized countries—this project elucidates the driving forces behind the observed productivity slow-down in postunification Germany. We find that the development in Germany can, by and large, be explained by a concatenation of drivers shaping individual episodes and that there is little reason to assume that the general productivity process has come to a final end. We also present alternative measures that allow for a better interpretation of the data. Specifically, we compare value productivity vs. volume productivity to capture cross-sector value spill-overs as reflected by sectoral terms-of-trade effects. Additionally, we highlight the role of potential productivity to account for the macroeconomic efficiency of labor use.

Ademmer, M., Bickenbach, F., Bode, E., Boysen-Hogrefe, J., Fiedler, S., Gern, K., Görg, H., Groll, D., Hornok, C., Jannsen, N., Kooths, S., Krieger-Boden, C. (2017). Produktivität in Deutschland – Messbarkeit und Entwicklung. Kieler Beiträge zur Wirtschaftspolitik, 12.

“Scientific advisory services to the European Parliament’s Committee on Economic and Monetary Affairs for the Monetary Dialogue with the European Central Bank”,

(2015–2020); partly in cooperation with other research areas (e.g., “Macroeconomic Policy under Market Imperfections”) and including frequent presentations in Brussels.

Within this framework we prepare scientific briefing papers covering European monetary affairs on a quarterly basis. With monetary policy being one of the key topics in business cycle research, this project allows for direct contribution to the European policy debate. By doing so, we stay in close contact with policy makers and the overall debate on the European reform process thus strengthening our institutional knowledge. Also, our participation in the Monetary Dialogue has triggered the request for further consultancy work in neighboring European policy affairs (European Policy Coordination, European Fiscal Stance).

Most recent briefing papers:
· February 2018: Inflation paper.

- November 2017: TARGET (im-)balances at record level: Should we worry?
- September 2017: The corporate sector purchase programme (CSPP): Challenges and prospects .

“Policy options for reducing the German current account surplus,”

commissioned by the Federal Ministry of Finance as input to the G20 consultations in 2017. In recent years, the German current account balance has risen to elevated levels both by historical comparison and by international standards. These surpluses are subject to increasing international criticism based on the perception that they are detrimental to both domestic and foreign economies. Based on simulations using the NiGEM model, we evaluate the effect of eight economic policy measures (e.g., increase of public investment, reduction of corporate taxes, more restrictive monetary policy in the euro area, structural reforms in other EU countries). The bottom line of our research is that domestic policy makers have few realistic means of sustainably reducing Germany’s current account balance from its present 8 percent of gross domestic product (GDP) to below the 6 percent target. A reduction of this magnitude goes beyond what is politically feasible. The greatest effect can be expected from debt-financed cuts in corporate taxes, as national savings would be absorbed by more domestic investment resulting in higher imports. However, while tax cuts totaling 1 percent of GDP would lower Germany’s current account balance by 1.2 percentage points, the required magnitude would imply wiping out nearly two thirds of corporate taxes in Germany. Beyond the macroeconomic metrics, a general insight must not be overlooked: policy interventions that primarily aim at reducing the current account balance, cannot automatically be conceived as appropriate for economic policy, the reason being that such policies may induce unintended side effects in other parts of the economy.

Boysen-Hogrefe, J., Gern, K., Groll, D., Hauber, P., Jannsen, N., Kooths, S. (2017). Wirtschafts-, Finanz- und Geldpolitik: Wirkungen auf die deutsche Leistungsbilanz. Kieler Beiträge zur Wirtschaftspolitik, 11.

SUBSIDY REPORT

Since 1979, the Kiel Subsidy Report has been documenting the financial grants and tax preferences in Germany extended by various federal authorities as well as by special budgets and the European Union. Accordingly, it considers a broader definition of subsidies that also include payments to nonprofit organizations. More recently, a new set of evaluation criteria was introduced, applying a traffic light scheme to signal the relative harmfulness of the subsidy.

Photo: © Sasha Popovic, Flickr (CC BY-NC-ND 2.0)



Dr. Dennis Görlich
Head
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GLOBAL CHALLENGES CENTER

The Global Challenges Center aims to make the Kiel Institute a leading developer and provider of solutions for global economic challenges. At the heart of our activities lies the **Global Solutions Initiative**. This initiative is a multistakeholder process, which develops research-based solutions to address global challenges. It targets decision-makers of the G20, the G7, and other multilateral institutions. The Global Solutions Initiative leverages the annual, official G20 dialogue with think tanks—the **T20**—to deliver its recommendations. The content of the Global Solutions Initiative is driven by the **Council for Global Problem-Solving (CGP)**. The CGP comprises some of the most respected and influential think tanks worldwide and is committed to providing long-term policy advice on global challenges. The Global Challenges Center coordinates the CGP’s research activities. The contributors to the Global Solutions Initiative meet at the annual high-level

Global Solutions summit in Berlin. Global Solutions brings leading academics and think-tank scholars together with leading decision-makers from politics, business, and civil society. As such, we provide a platform to present their recommendations and enable immediate discussion with potential implementers of these recommendations. The recommendations are published on the **G20 Insights Platform**, which serves as an up-to-date knowledge base for G20 stakeholders. Papers that pass a peer-review process can also be published in the **Global Solutions Papers**, a publication series by the Economics E-Journal. The Global Challenges Center is also involved in organizing workshops on current economic topics and in MEDAM, a major European research and political consulting project. More on the Global Solutions process and the interlinkages between the different elements on pages 10 and 11.



Intense discussions are a main feature of the annual Global Solutions Summit taking place in Berlin.

Conferences

The multistakeholder conference Global Economic Symposium (GES), launched in 2008, has established significant international reputation as a research-centered, solution-oriented conference. It has attracted numerous Nobel Laureates, Heads of State, Ministers, CEOs, heads of international organizations and many other high-level decision-makers. In 2017, the GES was merged with the final summit of the Think 20 Dialogue (T20). During the German G20 presidency in 2017, the Global Challenges Center coordinated the T20, including the official concluding summit in Berlin under the motto Global Solutions. With this Global Solutions Conference, we continued the successful GES event series and leveraged it by merging with the T20 Summit. In September 2017, the GES presented three workshops in Kiel to delve deeper into specific issues on the G20 agenda and to reach out to the local community.

www.global-solutions.international

Council for Global Problem-Solving

Many of the world’s biggest challenges are cross-border problems and can only be solved by cooperating internationally. These problems include climate change, financial crises, or cybersecurity. Yet, even though convincing and effective solutions are often available, implementing them in many countries simultaneously remains a challenge. The political situation and public opinion may not always facilitate the adoption of effective measures to counter cross-border problems. Hence, ongoing global exchange and dialogue is vital in order to make progress. The Council for Global Problem-Solving, founded by the Kiel Institute for the World Economy in 2005, is one such opportunity for exchange and dialogue. By connecting the world’s most reputed think tanks in G20 countries and beyond, research-based solutions to global problems are developed, discussed and channeled into the diverse international policy landscape. The Council provides leverage for the think tanks’ individual work; building on our philosophy that solving global problems requires global cooperation.

www.cgp-council.org

Photos: © Global Solutions / Tobias Koch

PROJECT AREA

THE GLOBAL HEALTH ECONOMY

Dr. Michael Stolpe
Head
michael.stolpe@ifw-kiel.de

In the emerging technology-driven global health economy, purely national health policies are often no longer fully effective, nor efficient. Examples include policies to address the spread of infectious diseases and antimicrobial resistance across borders, rising obesity amid the transition to sugar-rich diets in many countries and the challenges of using new technology to improve health-care productivity.

Our research shows that investments in health are key to human capital formation and economic growth in low- and middle-income countries, but also to a successful demographic transition in rich countries.

With our international research network, including the DFG-funded excellence cluster Inflammation at Interfaces, we develop novel models of decision-making and healthcare productivity that may be calibrated for a range of diseases. For example, our award-winning research on cost-effective innovations in caries treatment has demonstrated the importance of using evidence on the key role that income and social class plays in disease prevalence for greater efficiency in diagnostic and treatment strategies. In this context, we have identified and quantified substantial productivity gains from adopting investment strategies in medical decision-making—insights that may help revolutionize healthcare in the age of big data.

We have presented our findings at important third-party events, such as the biannual World Congress on Health Economics, the World AIDS Conference and the Tokyo Fiscal Forum of the IMF, and advised international organizations, governments and the public at high-level conferences in numerous countries, such as Austria, Canada, Cyprus, Germany, France, and the United States.

Recent peer-reviewed research includes our empirical assessment of the likely impact of a sugar tax on obesity and mortality in Germany and a proposal to reduce the excessive mortality from pneumonia in nursing homes, where an increasing percentage of the world’s aging population lives.

Selected References

- Schwendicke, F., Stolpe, M. (2017). Taxing sugar-sweetened beverages: impact on overweight and obesity in Germany. BMC Public Health, 17, 88.
- Schwendicke, F., Stolpe, M., Müller, F. (2017). Professional oral healthcare for preventing nursing home-acquired pneumonia: a cost-effectiveness and value of information analysis. Journal of Clinical Periodontology, 44(12), 1236–1244.

“Our job is to think, to complain, and to make our voices heard.”



Jeffrey Sachs
Professor at Columbia University and Special Advisor to the UN at Global Solutions 2017

“The most impressive think-tank gathering that I have seen.”

Richard Samans
Managing Director of the WEF at Global Solutions 2017



“We cannot neglect the differences when we define the human needs.”



Yuyan Zhang
Director of CASS-IWEP at Global Solutions 2017



The summer school brings together young researchers from around the world.

ADVANCED STUDIES PROGRAM

The objective of the Advanced Studies Program in International Economic Policy Research (ASP) is to provide young economists with excellent further training in the field of international economic relationships. It started in 1994 and professors of great renown from notable universities such as Harvard, Stanford, MIT, Chicago, and Princeton were regularly recruited for the courses of the 10-month program. During a series of seminars, participants also gain insights into the practical activities of institutions and companies that operate internationally. Preparing an own research paper is another important element of the program. The participants benefit from instruction and support by the Kiel Institute scientists with practical experience.

More than 600 young economists from over 50 countries have successfully completed the program in past years. They remain connected to the institute through the ASP alumni organization. Numerous doctoral candidates from universities in and outside Europe also took part in the program's courses over the last few years.

Past graduates are engaged in a broad range of fields. About 80 of them work for international organizations, thereof more than 30 for the IMF and the World Bank. An approximately equal number is employed by national ministries and central banks. The number of graduates working for companies (especially in the financial sector) and associations around the world is especially high. Around 40 graduates currently work in research institutions, and about 70 have become professors at universities in Europe, North and South America, Asia, and Australia—40 percent of them are women. Among the most well-known graduates of the program are Claudia M. Buch (Vice President of the German Central Bank), Marcel Fratzscher (President of the DIW), Volker Wieland (member of the German Council of Economic Experts), Julio Velarde (Central Bank President, Peru), José Carlos Echeverry (former Finance Minister, Colombia), and Jan Hatzius (Chief Economist, Goldman Sachs).

KIEL INSTITUTE SUMMER SCHOOL (KISSEP)

In ten years about 250 students from numerous countries have taken part in the Kiel Institutes Summer School on Economic Policy (KISSEP). The summer

school targets graduate students in economics and related disciplines with a strong academic record and interest in policy issues as well as staff members of policy institutions with a graduate degree. The schedule will allow for plenty of opportunities for students to engage in debates and discuss their ideas and research with faculty and fellow students. Each year the overall topic varies but all topics are closely related to the research areas and projects at the Kiel Institute, e.g., in the last three years:

- Big data in macroeconomics and finance (2018) in cooperation with the research area "International Finance and Global Governance."
- The Economics of Migration and Asylum (2017) in cooperation with MEDAM (more on page 12).
- Education, Preferences and Economic Outcomes (2016) in cooperation with the second workshop on Social and Biological Roots of Economics.

The ASP and KISSEP benefit from the lively classes provided by world acclaimed academics, e.g., Rachel Croson, University of Texas at Arlington, pictured in 2016.



A smiling John List presenting to ASP students during his "Field Experiments in Economics" module in 2017.

EDUCATION

TRAINING YOUNG PEOPLE IS OUR BEST INVESTMENT INTO THE FUTURE.

The content of the Kiel Institute's two education programs is closely linked to its core international economic research foci and their course content is designed in view of current and emerging global economic and societal challenges, e.g., migration and asylum. Furthermore, professors and Senior Researcher integrate their research and practical exercise into their numerous courses taught at Kiel University and other institutions and the Kiel Institutes is active in promoting its junior researcher (Ph.D. candidates and postdocs) and to prepare them for their future careers in academia, policy, business and society.

Photos: © IHW / Michael Stefan



CAREER DEVELOPMENT FOR JUNIOR RESEARCHERS

Completing a **Ph.D. at the Kiel Institute prepares for all kinds of career objectives** ranging from a classical scientific career via getting ahead in nonuniversity research organizations, think tanks, international organizations or ministries, to occupations in the private sector.

Ph.D. candidates are involved in the specific projects of their research areas and often are additionally supporting projects of one or more of the Centers. This may include **project-related research, contributions to the think-tank activities, education or to the Kiel Institute publication activities, or the acquisition of third-party financed projects.** Dissertation topics are integrated into the research program of the Kiel Institute to ensure a timely completion of the dissertation. Additional tasks are allocated in line with career aims and support relevant skills, e.g., for policy or consulting careers.

Doctoral candidates have a **standard employment contract with 75 percent.** In some exceptional cases, for instance in third-party-funded projects with a tight work schedule they also have a full contract. The initial duration of contracts is three years, and at least two further one-year extensions are possible. In typical cases the target is to finish the dissertation within about four years.

Most of the Ph.D. candidates participate in the **Ph.D. program in Quantitative Economics at Kiel University**, while some pursue their dissertation

projects at other universities or at other faculties at Kiel University, such as the Agricultural Faculty. The Quantitative Economics program's focus on quantitative methods fits well with the empirical research focus of the Institute. To avoid conflicts between the project work at the Kiel Institute and the Ph.D. program, there is an agreement that the courses that normally have to be taken within one year can be stretched over a longer period for Kiel Institute's employees.

The Kiel Institute also offers **career opportunities for postdocs.** They typically receive two- or three-year contracts, with one or two extensions. The Institute ensures that there is room for pursuing own research interests and supports external stays of various lengths at universities as well as research and policy institutions, which are also open to advanced Ph.D. students. A limited number of junior professorships are available.

All junior researchers have access to **numerous additional training programs**, which include:

- the Advanced Studies Program (see page 33), which offers Ph.D. students the opportunity to attend courses by internationally renowned scholars and to discuss own research issues with them;
- the Kiel Institute Summer School on Economic Policy (KISSEP) (see page 33), which addresses topics that are closely related to the activities of the research areas;
- several seminar series which keep junior academics up-to-date with ongoing research; they also give them a platform to present their own research work.

Junior researchers also use the opportunity to obtain in-depth knowledge by attending further courses and summer schools outside Kiel or external courses on quantitative methods.

Many postdocs eventually leave the Institute and accept positions at universities, ministries, international organizations, and private firms. Recently, postdocs have, e.g., taken up professorships in Germany, the United Kingdom and the United States or joined the European Central Bank, the Swiss National Bank, the OECD, the FAO and German federal ministries. Postdocs also have the opportunity to apply for internal tenure positions. This involves a competitive procedure in which candidates are chosen based on performance criteria such as academic record, acquisition of third-party-funding, contributions to think-tank activities, and a medium-term research strategy.

TEACHING AT UNIVERSITIES

The Kiel Institute has a number of joint Professorships with the Business, Economics and Social Sciences Faculty of Kiel University and additionally senior researchers of the Institute teach in the Bachelor, Master and Ph.D. program of the Faculty. In numbers they teach about 40–50 lectures, seminars and tutorials per semester in their fields of expertise. Additionally, joint professorships with other universities also make for courses by Kiel Institute experts outside of Kiel. With regards to content, the lectures, seminars and tutorials represent the whole thematic scope of the Institute.



EXCELLENCE AWARDS IN GLOBAL ECONOMIC AFFAIRS

With the Excellence Awards, the Kiel Institute recognizes researchers and lecturers up to the age of 35 years for research work on global economic issues. The aim of the Excellence Awards is to build a community of the brightest young researchers in the area of global economic affairs. The prize includes a research stay at the Institute for the World Economy that is financed by various bursaries. Since 2007, nearly 40 young economists have been awarded the prize. Among the most well-known laureates are Marcel Fratzscher (President of the DIW) and Justin Wolfers (Professor at Michigan University, Senior Fellow at the Peterson Institute, and columnist of the New York Times) as well as 2017er laureate Gabriel Zucman, who made global headlines with his research concerning the Paradise Papers.

Excellence Awards laureates 2017: Samuel Bazzi (Boston University), Treb Allen (Dartmouth College), Gabriel Zucman (Berkeley) with Dennis J. Snower (left to right). At the top: Javier Bianchi (FED of Minneapolis) accepting the award in 2016.

PUBLICATIONS

REVIEW OF WORLD ECONOMICS

The Review of World Economics is a quarterly journal. Under the name Weltwirtschaftliches Archiv, it was founded in 1913 as the world's first journal with a focus on international economics. The Review has retained this focus, with particular emphasis on research in trade and trade policies, foreign direct investment, global supply chains, migration, international finance, currency systems and exchange rates, monetary and fiscal policies in open economies. The Review regards itself as one of the leading journal in international economics accepting only high-quality contributions.

<http://www.springer.com/economics/international+economics/journal/10290>

ECONOMICS E-JOURNAL

Economics is an open-access e-journal launched in 2017 by the Kiel Institute and the ZBW. By involving a large research community in an innovative open peer review process, the journal aims to provide fast access to top-quality papers. Publishing is seen as a cooperative enterprise between authors, editors, referees, and readers. Economics takes the form of an e-journal, i.e., submission, evaluation, and publication are electronic. It does not charge any author fees.

www.economics-ejournal.org

KIEL WORKING PAPERS

In the Kiel Working Papers series preliminary versions of research papers open for discussion are published.

www.ifw-kiel.de/pub/kap



At a glance: Scan the QR code and get access to all the publications on our website.



POLICY CONTRIBUTIONS

The Kiel Institute addresses decision-makers from policy, business and society through different tailored products. The *Kiel Policy Brief* provides its readers with quick, well-founded information on current economic policy issues and analyses. The *Kieler Beiträge zur Wirtschaftspolitik* are detailed studies on selected economic policy issues and present results of policy-related research.

The *Kiel Institute Focus* presents shorter comments on topical economic policy issues. The *Economic Outlook Series* regularly analyzes and forecasts economic activity in Germany, the Euro Area, and elsewhere in the world; its results are integrated into the work and discussion of the Institute's Forecasting Center concerning the joint economic forecast of the five leading German economic research institutes. The *G20 Insights Platform* offers policy proposals to the G20. Its Policy Briefs, produced by Task Forces from the Think20 (T20) Group and other sources, are clustered in policy areas and describe either policy recommendations or general visions. The platform is managed by the Kiel Institute.

www.ifw-kiel.de/publications

www.G20-insights.org

PUBLICATIONS FOR A BROADER PUBLIC

The Kiel Institute newsletter regularly informs you by e-mail about the Institute's research results, current economic policy analyses, events and innovations at the Kiel Institute. The annual *Kiel Institute Highlights* give you an insight into selected research, consulting, training and event activities of our institute as a large center of global economic research and inform you about the research program and the organizational structures of the Institute for the World Economy.

www.ifw-kiel.de/medien/ifw-newsletter

www.ifw-kiel.de/media/ifw-highlights



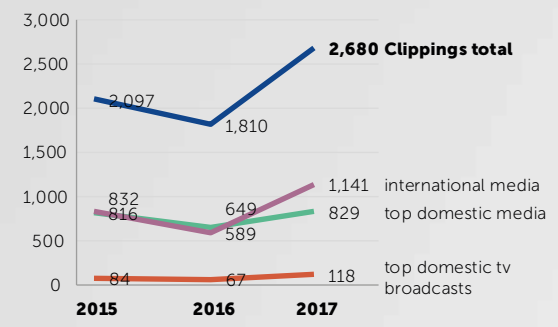
PUBLIC OUTREACH

The Kiel Institute's communication strategy considers numerous channels for disseminating research results, think-tank outputs, and statements on topical issues to the media, to inform and interact with the general public and to influence the public economic policy debate. Our communication outlets include classical media as well as social networks.

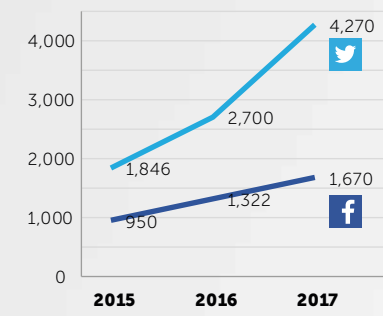
Over the past years, the Kiel Institute has significantly extended and improved its visibility and activity on social media channels, concentrating on networks that are popular among opinion-leaders in economic policy and research. In classical media, the number of clippings continues to grow and has reached new highs after a peak in 2015, when the ECB's quantitative easing and a looming Grexit fueled the press coverage.

Research results or policy advice of the Kiel Institute carry high impact on reporting of top national and international media. Examples of 2017 are:

- The recommendations developed by the T20 network for the German G20 presidency were covered by "Tagesschau" and "Tagesthemen" and were reported in national and international media (e.g., "New York Times").
- The Forecasting Center's warning in 2017 about an overheating of the German economy has repeatedly been taken up by national and international media, e.g., by "Süddeutsche Zeitung," "Financial Times," "Financial Tribune."
- A working paper by Julian Hinz and Matthieu Crozet on Russian sanctions had a broad media impact and was quoted among others in "The Times" and "Frankfurter Allgemeine Zeitung (FAZ)."
- A Policy Brief on the situation in Catalonia by Klaus Schrader and Claus-Friedrich Laaser made it, among others, into "Der Spiegel" and "FAZ."
- An experimental study by Ulrich Schmidt, Katharina Lima de Miranda and Lena Detlefsen on gender differences in risk behavior and lessons for the composition of corporate boards, was featured among others by "Die Welt," "Spiegel Online," "Focus."



Primer · Kiel Institute for the World Economy



Kiel Institute for the World Economy · Primer



GLOBAL ECONOMY PRIZE

Awarded since 2005, the Global Economy Prize is intended to recognize those who have proposed creative, groundbreaking solutions to deal with globalization and who dare to envision a more wholesome future by addressing the global problems of our time. It is awarded annually by the Kiel Institute for the World Economy and its partners, the City of Kiel and the Schleswig-Holstein Chamber of Commerce, to influential individuals in politics, business, and academia who have made an outstanding contribution to establishing a just and caring society based on personal initiative and responsibility.

More than 40 exceptional individuals have received the prize over the years. Their visits to the Institute have always provided valuable opportunities for discussion and engagement. With such high-caliber individuals coming to Kiel every year, the work of the Institute's researchers benefits from this chance to access the experience of experts and practitioners at the highest level.

A particular highlight was the illustrated acceptance speech by **Kristine and Douglas Tompkins**, who received the prize in the Business category for their environmental commitment. Another memorable winner in the Business category in recent years was **Jeffrey Immelt**, with his refreshingly down-to-earth attitude. The power of women in emerging economies was impressively represented by **Kiran Mazumdar-Shaw** and **Arundhati Bhattacharya**. In 2017, Italian fashion designer **Brunello Cucinelli** loosened up the award ceremony with his dazzling personality.

Richard H. Thaler received the prize in the Economics category in 2014, making a case for behavioral aspects of eco-

nomics; three years later, he was awarded the Nobel Prize. Another Global Economy Prize winner and Nobel laureate is **Daniel Kahneman**, often referred to as the father of behavioral economics. Fellow recipient **Joseph E. Stiglitz**, who was awarded the Nobel Prize for his work on markets with asymmetric information, is famous in a different field of economics.

In **Ellen Johnson Sirleaf** and **Mikhail Gorbachev**, two winners of the Nobel Peace Prize have received the Global Economy Prize in the Politics category. **Mario Monti** received the award in 2016 and highlighted the importance of the European Union at a critical juncture, with the Brexit referendum just around the corner. With laureate **Horst Köhler**, meanwhile, the focus in 2017 was placed on social justice and cohesion.

In 2018, the Global Economy Prize goes to **Klaus Schwab**, **Robert Shiller**, and **Bas van Abel**.



www.ifw-kiel.de/www



The location for the biannual Business Cycle Forum alternates between Kiel and Berlin.



FOSTERING DIALOGUE

The Kiel Institute organizes regular conferences on specific topics. The biannual business-cycle forum, the **Kieler Konjunkturgespräche**, is the Forecasting Center's flagship conference on international business cycles and global economic affairs. The Kiel Institute experts share their research outcomes and discuss global macroeconomic issues with other forecasters, policy-makers, and business leaders. At the annual **PEGNet Conference**, the focus is on the poverty-equity-growth nexus in developing countries. Once a year, the **Ensuring Economic and Employment Stability Network** considers the latest changes in labor markets in the context of business-cycle developments. Together with the **United Nations Industrial Development Organization (UNIDO)**, the Kiel Institute organizes regular conferences on global value chains, partly in conjunction with the Kiel Centre for Globalization.

Additionally, the Kiel Institute hosts several events that give the wider public easy access to high-level research. Examples in recent years include participation in the **European Researchers Night**, open house events, regular speeches by our experts as part of **Forum Bundesbank** (a public event staged by the Deutsche Bundesbank), and regular talks on current issues during the **Kieler Woche** festival.



Alongside the Global Economy Prize, the Kiel Institute also recognizes young economists with the **Excellence Award in Global Economic Affairs**. Once a year, four outstanding researchers up to the age of 35 receive the award, thereby joining a fantastic community of the brightest young researchers in global economic affairs (for details, see page 35). The **Bernhard Harms Prize** is awarded biannually to scholars with a distinguished record in the field of international economics. It was established in honor of the 50th anniversary of the founding of the Institute. Well-known recipients in recent years include Marc Melitz, Abhijit Banerjee, and Gene M. Grossman.

Marc Melitz (Harvard) accepting the Bernhard Harms Prize in 2016.

www.ifw-kiel.de/events



The Ensuring Economic and Employment Stability Network (EES) conducts annual meetings at different locations.



ABOUT PEOPLE AND MONEY

To fulfill our mission in research, consulting, and education we need staff and money. Here are the numbers.

HUMAN RESOURCES

Kiel Institute Workforce
As the Kiel Institute has been successful recently in raising more funding from other sources, the number of employees has increased accordingly. A total of 171 people were employed in 2017 (compared with 161 in 2016). The number of employees engaged in research is 95, with 76 staff members working in supporting roles.

The Kiel Institute is an international institution, with 18 percent of its researchers coming from 15 different countries outside Germany. Around 20 percent of the Kiel Institute's employees are working on Ph.D.s (for more information on the doctoral program, see

page 33). Since 2015, 15 people have completed their Ph.D. at the Kiel Institute.

Human Resource Development
The success of the Kiel Institute depends on the productivity, creativity, and motivation of its employees. Accordingly, the Institute seeks to ensure an excellent working environment, with a particular focus on continuous and systematic professional development.

Support for junior researchers: The Kiel Institute generally follows the career guidelines of the Leibniz Association. All junior researchers (Ph.D. and post-docs) are supported in a number of ways, including representation in the Institute's affairs, academic and practical advice, as well as access to training programs, conferences, and courses.

Photo: © ifw / Michael Stefan

All Kiel Institute employees gathered to celebrate the refreshed Corporate Design in 2016.

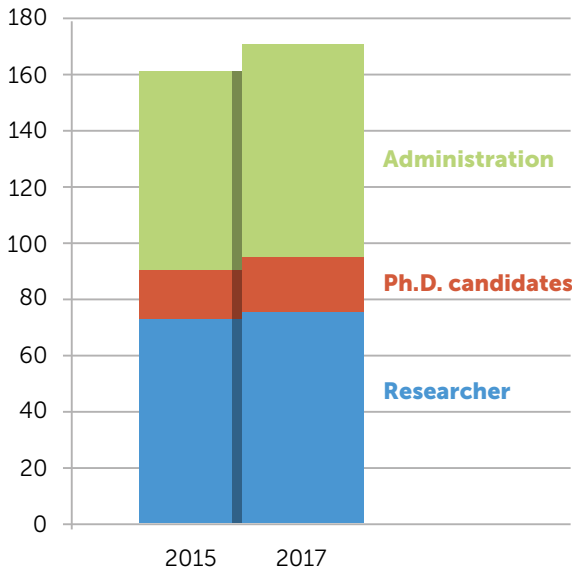
- **Flexibility:** The Kiel Institute offers several possibilities to individually adjust working hours. Examples include flexible working hours on a daily basis, part-time and mobile working options, and individual leave periods.
- **Lifelong learning:** Researchers at the Kiel Institute can participate in a range of seminars, courses, speeches, and conferences. Support staff can attend training courses and seminars—in-house and from external providers—to improve their functional and language skills.
- **Gender equality:** The Kiel Institute has received the Total E-Quality Certificate (including diversity option), in recognition of its efforts to support women in their career paths.

FINANCIAL RESOURCES

The Kiel Institute is a member of the Leibniz Association and therefore benefits from research funding provided under Article 91b of Germany's Basic Law by the Federal Government and by the Federal State of Schleswig-Holstein. The total budget of the Kiel Institute amounted to EUR 14.487 million in 2017. The bulk of this budget (around 72 percent) is state funding from the above sources.

Additionally, the Kiel Institute raises substantial funds from other sources to finance its wide-ranging activities. Some 28 percent of the Kiel Institute's budget comes from project-related funding and contract research. Major clients include various German ministries. Other funding is made available by the German Research Foundation (DFG) and the Leibniz Association in the context of research competitions. The Kiel Institute receives project-related funding from a range of foundations, corporations, and other organizations. Additionally, income is derived from the Institute's Advanced Studies Program (ASP) and the Kiel Institute Summer School (KISSEP), both of which take place annually; for more details see page 33. The various prizes awarded by the Kiel Institute are sponsored by private supporters.

Employees 2017



3rd Party Funding 2017 / 1,000 €



SERVICES

IMPORTANT SUPPORT TO ENABLE TOP RESEARCH

About 180 employees from more than 15 countries work at the Kiel Institute. To ensure that scientific employees can focus on their core tasks of research, consulting, and education, they are supported by several service units.

COMMUNICATION CENTER

The Communication Center manages the Institute’s public image and advises management and employees on communication content and channels. Alongside traditional press relations and designing and producing printed publications and event materials, this primarily covers creating and expanding websites and social media offerings. The center disseminates content across various media via traditional and digital channels and has developed specific expertise in the use of text, images, graphics, video, and online communication. It also manages and maintains a visually consistent identity as part of a continuously evolving corporate design. The center is an internal advisor and thought leader with regard to the ongoing development of communication in the digital age.

Head: Guido Warlimont

EVENT CENTER

The Event Center is responsible for designing, planning, and delivering Kiel Institute events. Personal contact is essential for building and maintaining a reliable international network. It is therefore crucial for the Institute to communicate directly and professionally via events with leading figures from research, business, and politics and with external funding providers. Internal events, meanwhile, boost employee identification and motivation. The Events Center ensures that the Institute presents a professional image and that events run smoothly in a resource-efficient manner.

Head: Tanja Hagelberg

IT SERVICES

The IT Service Center at the Kiel Institute promotes digitization based on the vision

that international economic research within open and flexible communities should not be limited by device, location, or time. Accordingly, our IT strategy focuses on managed digital identities as a core requirement for providing IT services in an open and secure environment.

Centralized technical services, such as databases and file shares, are provided via virtualized environments to ensure high availability and flexibility at low cost. A growing number of external cloud services, including groupware, virtual presence, and cloud computing solutions, are managed to support researchers in their work.

To complete the strategic vision of digitization within research, the Institute’s IT Service Center participates in a variety of relevant working groups and communities, such as research data management, service cooperation, knowledge exchange, and security.

Head: Stefan Rieber

ADMINISTRATION

The Administration Department brings together human resources, finance, facilities management, and procurement. It is responsible for recruiting qualified employees and ensuring an attractive and productive working environment, lean and legally robust internal processes, efficient budget spending, and careful use of materials and resources. It guarantees transparent purchasing channels and a sustainable and responsible cost structure. The Administration Department is also increasingly using digital tools to further optimize workflows.

Head: Birgit Austen

RESEARCH GRANTS CENTER

The Research Grants Center coordinates and supports external fundraising at the Kiel Institute. It provides a central knowledge resource on potential sources for research grants and application processes, especially on grants from the EU, the German Federal Government, German and international research foundations, and research associations. The center advises on the choice of appropriate grant providers and, on request, makes suggestions as to how to present a proposal. Through its administrative support during the application phase and, if required, also



during the project implementation phase, the center also enables the Kiel Institute’s academic staff to devote more time to their core tasks.

Head: Dr. Rainer Schweickert

For bigger events it is important that all support centers interlock their work in order to ensure a frictionless process.



IT Services take care of a smooth workflow on a daily basis.



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SOCIAL LIFE AND PHYSICAL HEALTH

At the Kiel Institute, work and social life are as closely connected as the individual employee wants them to be. Anything's possible, nothing's binding.

It starts with smaller social events, like the Institute's birthday bash each year on February 20th, or the living advent calendar, which sweetens the weeks before Christmas. Summer fetes and Christmas parties are celebrated on a larger scale and often include a special location, competition, or group game. For everyday social gatherings and an occasional coffee with colleagues, the onsite "Weltraum" venue offers space, coziness, and a great fjord view.

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Talking of competition—our employees are not lacking in athletic and team-playing skills:

- Once a year, a mixed team participates in the soccer tournament organized by Kiel University's Faculty of Business, Economics, and Social Sciences.
- Every Wednesday morning, the running group meets up and storms the hills behind the Institute. Additionally, members and nonmembers of the running group occasionally represent the Kiel Institute at community or business runs.
- Our regular yoga group provides support in stretching, building up strength and, most importantly, in helping to relax!
- Internal table tennis tournaments take place every year in the weeks leading up to Christmas, with employees, ASP students, interns, and occasionally even the Kiel Institute's president taking part.
- In 2017, for the first time, the Kiel Institute proudly took part in Kiel's Dragon Boat Race. The team managed to win the final race to secure an overall place of 49. We'll be back.

Special occasions call for special celebrations. The celebrations to mark the 100th anniversary of the

Kiel Institute were a great example of this. Apart from the official ceremony, the celebratory lecture, and an open-house event, there was also a huge party for all employees and their families. One result was the colorful painting that now hangs in the central hall. Following the idea of "Pixel Painting" by artist Christof Breidenich, the painting is made up of 162 individual paintings by the Institute's employees.

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