

DIW Berlin Annual Report 2007

“Growth is a process of creative destruction” is how the great economist Joseph A. Schumpeter describes the impetus behind modern national economies.

The photographs for this annual report were not chosen at random; they represent a process of creative destruction. They show industrial landscapes in which the relics of a former industrial power are just as easy to discern as the light architecture of the information economy of the 21st century. In the middle are pockets of disturbing wasteland on which nothing is happening.

What have emerged are photographs taken in Berlin-Oberschöneweide, a former site of heavy industry and the steel industry, and Berlin-Adlershof, where the greatest cluster of technology- and science-based enterprises has come into being in Germany in recent years. These districts of the city are symbolic of the economic transformation which has been more intense in Berlin than in any other European metropolis.

This makes Berlin an excellent place for economic research. By having moved to the very city center in 2007, DIW Berlin emphasizes that it is participating in the process of growth and change.

DIW Berlin Annual Report 2007



What impulse drives modern economies?
The relics of former industrial greatness sometimes obstruct one's view of new emerging structures

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The President's Report DIW Berlin 2007: The Capital's Institute in the Heart of Berlin

The German Institute for Economic Research (DIW Berlin) is Germany's largest economic research institute with an outstanding reputation of more than 80 years. DIW Berlin is an independent non-partisan and exclusively nonprofit organization that carries out sound fundamental and original research, provides advice to policymakers and offers services to the scientific community and to the wider public. It also trains future bright scholars through its own doctoral program and hosts the German Socio-Economic Panel (SOEP), one of the best household data sets of the world.

The research program of DIW Berlin focuses on three guiding themes:

- » identifying global economic trends,
- » researching conditions for prosperity and sustainable growth and
- » elaborating on the role of the activating state.

With our new location in the heart of Berlin, we are seeking greater dialogue and exchange with decision-makers from the world of politics, business, and social affairs. Science-based policy advice, the traditional task of DIW Berlin, can only benefit from this.

PROF. KLAUS F. ZIMMERMANN, PRESIDENT OF DIW BERLIN

These key dimensions shape the main focus of the seven research departments and the cross-departmental groups of the Institute. The departments are in close cooperation with universities, as many of its staff are also professors and lecturers with joint appointments. DIW Berlin's structure provides and ensures flexibility when reacting to the emergence of topical questions in economic and social policy.

In accordance with its statutes, DIW Berlin provides the general public with information about its research results. Research findings in different areas and topics are published in peer-reviewed top scientific journals, presented to the scientific community in prestigious conferences and disseminated to the broader public. One of the key functions served by the Institute is to supply decision-makers from business, politics, and the general public with up-to-date economic and structural data, forecasts, research reports, and services in the area of quantitative economics. The Institute's research findings are also very often discussed and cited in the media both domestically and internationally.



Prof Klaus F. Zimmermann

The Institute's vision is to provide its patrons with an equal measure of high-quality original research and objective sound policy advice. To this end, DIW Berlin's endeavors during the last few years have focused on expanding its research activities. While since 2000 other German economic research institutes have increased their publication rates in Social Science Citation Index (SSCI) refereed journals, DIW Berlin has made the greatest contribution towards this development, publishing 43 articles in SSCI journals in 2007 alone and maintaining the greatest absolute and relative publication output since 2004.

If policy advice is conducted properly, it should not formulate policy recommendations to be strictly observed but should offer options and shed light on their effects.

PROF KLAUS F. ZIMMERMANN, PRESIDENT OF DIW BERLIN

Today, first-class research and policy advice require substantial networking. Therefore, participation at key scientific conferences has become even more important. To maintain and expand the competitive position of DIW Berlin in the field of research and policy advice in the long term, it is necessary to intensify existing cooperations and to develop new partnerships.

In order to improve the quality of research and advice, DIW Berlin is expanding its international networking in key international cities such as Brussels and Washington DC where policy-oriented expertise already enjoys a significant presence. DIW Berlin's membership in a number of European networks (including EUROFRAME, ENEPRI, and FEMISE) and its contacts with partner institutions such as CEPR, CEPS and Bruegel give the Institute a high visibility as a respected authority at the European level. Washington with the US Congress and the White House, its many international organizations, think-tanks and first-class universities is also a place of high interest; a place where serious research and domestic and international policymaking are happening. DIW Berlin has access to all this through a privileged partnership with DIW DC, an independent, non-profit and nonpartisan US organization. In business since January 2007, DIW DC is an academic think-tank collaborating with the renowned Georgetown University and George Washington University. DIW DC engages in socio-economic educational and research activities and addresses current and emerging policy issues, offering practical advice to policymakers as well as the general public. The expansion of the presence of DIW Berlin in the US was at the heart of its strategic endeavors and a successful accomplishment in 2007.



Klaus F. Zimmermann, DIW President, and Thilo Sarrazin, Senator for Finance of Berlin

To increase and expand economic policy advice activities at DIW Berlin, DIW econ was created in 2007. DIW econ, a private consulting company, offers profit-oriented advice to international organizations, foreign governments, and business enterprises. Working in close cooperation with the Institute, the product portfolio of DIW econ spans across all areas of economics covered by the seven research departments of DIW Berlin; its consulting ranges from standard services to individual economic analyses. As a result of this broad range of interests and offerings, economic policy advice at DIW Berlin was greatly expanded in 2007.

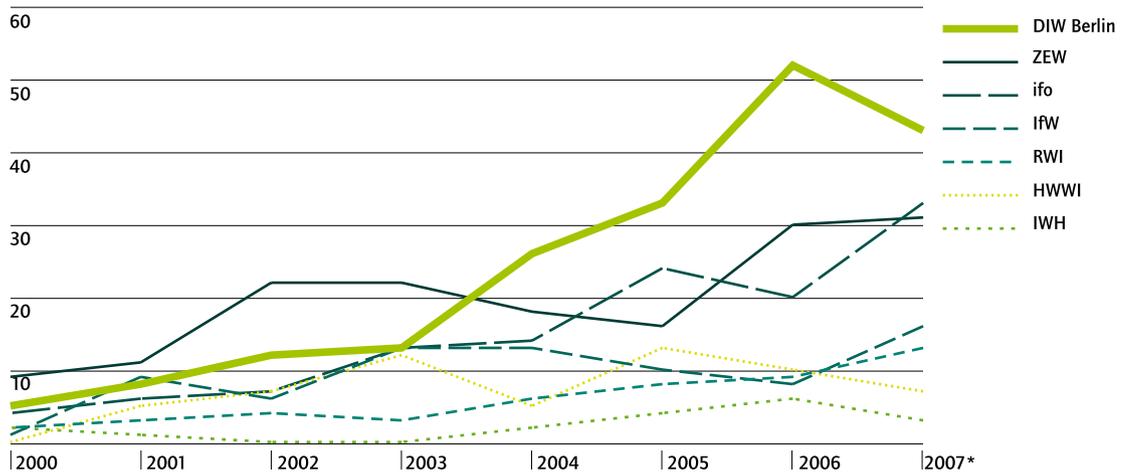
Scientific policy advice does not lack committees or discussion forums. What it lacks is transparency and exchange between the world of science, politics, and government departments.

PROF. KLAUS F. ZIMMERMANN

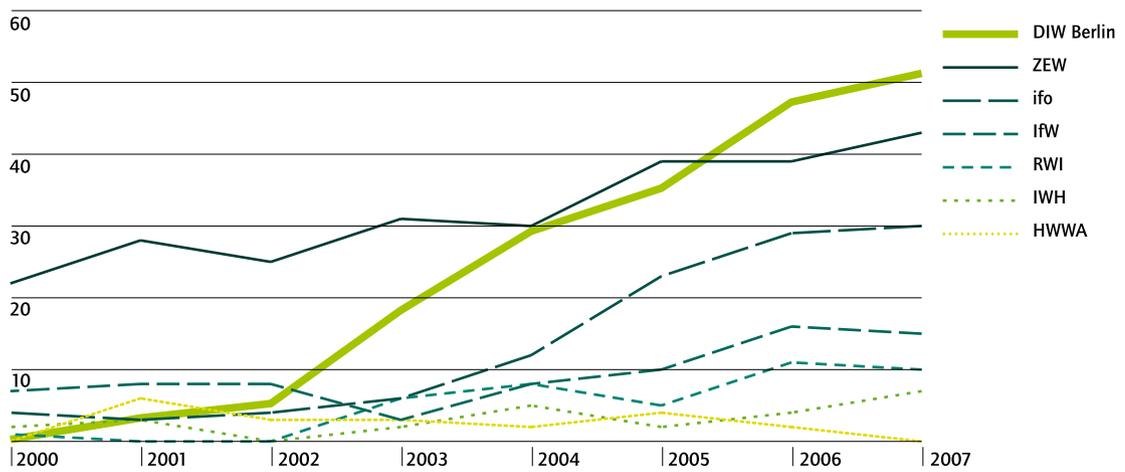
Established in 2006, the doctoral program of DIW Berlin's Graduate Center of Economic and Social Research also experienced expansion and solid improvements in 2007. The Graduate Center satisfies DIW Berlin's substantial need for qualified, economic policy-oriented academics by training promising economists and other social scientists who want to pursue scientific research, economic policy advice and service provision. An important feature of the doctoral training is instilling the students with an international outlook for policy-oriented research in economics and the social sciences. After attending academic courses and internships in Berlin, all doctoral students of each class complete a three-month international training in Washington DC. Organized and supervised by DIW DC the students take graduate courses, are exposed to the US academic style and develop fruitful relationships with American universities in the area. An equally important part of this international training is interning at US government organizations, think tanks and international organizations.

GRADUATE CENTER

Last year, the doctoral program which was begun in 2006 in the Graduate Center of Economic and Social Research at DIW Berlin was consistently expanded. By training excellent economists and social scientists who want to pursue both scientific research and economic policy advice and service provision, the need for qualified, economic policy-oriented academics at DIW Berlin will be met. An important characteristic of the doctoral training is the program's focus on international and economic policy. After attending academic courses and training placements in Berlin, all doctoral candidates will gain an insight into and contact with American universities and think tanks during a three-month stay in Washington D.C. The doctoral program in Washington will be supervised and organized by DIW DC. The first intake of the program has already successfully completed the training phase and has started the second part of the training, the on-the-job training in the specialist departments. The second class is now completing the training phase of the program. As a result of the engagement of many professors at Berlin universities in the Faculty of the Graduate Center, cooperation with universities in the city will also be intensified.



Number of publication in SSCI journals (*preliminary figures for 2007).
Source: Annual Reports of the institutes, DIW Berlin library



Presentations at international conferences: DIW Berlin maintains its leading position.
Source: Annual Reports of the institutes, DIW Berlin library

Over the past few years, DIW Berlin has aggressively and painstakingly improved its academic performance, reaching an important milestone in its mission to provide sound economic policy advice. DIW Berlin's dedicated academic experts and researchers along with its consultants maintain and deliver high caliber competitive output. The highly motivated doctoral students, who are trained at the Graduate Center to become excellent researchers and reputable policy advisers, ensure the continued provision of this service in the future.

It is the Institute's ambition to establish itself further as an internationally leading institute for applied economic research and policy advice. A number of strategic moves have been undertaken to this end, which are highlighted by the continued expansion of international networking activities and the Institute's move into its new office building in the center of Berlin. Given its wide range of new initiatives, DIW Berlin will be able to maintain and strengthen its position as a leading economic and internationally competitive research institute in the years to come.

Prof Klaus F. Zimmermann, President



Klaus F. Zimmermann, DIW President, at the opening ceremony of DIW Berlin on 11/15/2007 (top)

Alexander Fisher, Managing Director at DIW and Holger Hatje, Chairman of the Society of Friends of DIW Berlin (bottom, photo: Hetzner)

DIW Berlin at the New Site



DIW Berlin at its new site
Ideal location for policy advice: ministries, organizations, and embassies are within walking distance of the new headquarters of DIW Berlin

IN THE HEART OF THE CAPITAL: MORE THAN NEW ROOMS

The German Federal Ministry of Finance is 504 meters away, the British Embassy is 746 meters away, the offices of the *Süddeutsche Zeitung* are just around the corner, think tanks and business associations are just across the road. No, people are not talking about the Bundestag or the Chancellery but about DIW Berlin. In July 2007, it left its previous location in suburban Berlin-Dahlem and moved to its new headquarters at Mohrenstraße 58 and the corner of Friedrichstraße: 504 meters away from the German Federal Ministry of Finance, 746 meters from the British Embassy, round the corner...

The departure for the center of the capital was more than a change of geographical location. Instead, it was also associated with the claim of further expanding the role of DIW Berlin as being one of the top addresses for scientifically based economic policy advice. The proximity to the political world, trade associations, embassies, the media, NGOs, and representations of enterprises should promote and emphasize the idea that the Institute is targeting its research work at the epicentre of social and economic policy debate.

With our new location in Berlin-Mitte, we are also making it clear to the outside world that we are targeting our research work at the epicentre of social and economic policy debate.

DR ALEXANDER FISHER, THE MANAGING DIRECTOR OF DIW BERLIN

With its central location in the heart of the capital, an era has come to an end and DIW Berlin has linked up with a pre-war tradition. When it was founded as the Institute of Business Cycle Studies (IfK) in 1925, the Institute first had its headquarters on Unter den Linden and exercised a presence in the capital from its central position. With its economic forecasts, employment market data, and sector indices, it put its stamp on the economic policy of the Weimar Republic.

DAHLEM CAPITAL-ELEGY: TOO CLOSE AND YET TOO FAR AWAY

This is quite different from the situation immediately after the war when DIW Berlin had its headquarters in the Dahlem villa district at the outskirts of the city which was characterized by the FU Berlin for more than six decades. Because of the division of the city, Berlin developed a position on the periphery of German and European politics. The symbolic importance of the city in the conflict between East and West was matched by its insignificance in the everyday political life of Federal Germany. The consequent distance from the political world had distinct benefits for the work at DIW Berlin. However, after Berlin became the federal capital in 1990, the traditional site in Dahlem was no longer able to offer the benefits of distance from the activity of the capital or the benefits of geographical proximity: the Institute was both too near and yet too far away.

Now DIW Berlin takes a lively part in the political business of the capital and benefits from its central location. This is just as noticeable from the press conferences as from the number of requests for interviews. The public response to events at DIW Berlin has also clearly risen. The infrastructure of the building at Mohrenstraße 58, which includes a conference hall with modern conference technology for up to 150 guests as well as five other conference rooms, contributes to this.



Top picture (from left): Volker Strauch, Berlin's State Secretary of Economy, Arnulf Loy, Executive Board of Zurich Gruppe Deutschland, Klaus F. Zimmermann and Holger Hatje, Head of Berliner Volksbank, cutting the red ribbon; bottom picture (from left): panel discussion at the opening ceremony with Bert Rürup, Klaus F. Zimmermann and Peer Steinbrück, Minister of Finance, on 11/15/2007

The Move in Figures

46 servers moved from Dahlem to Berlin-Mitte **99.5** At this percentage of regular working time, the IT department has been able to guarantee the availability of all central IT services and DIW applications during the move because two computer centers were running in parallel operations
177 new shelves were purchased for the new library in Mohrenstraße named after the economist Arthur Hanau **250** PCs were taken down and re-installed **273** coffee-cups provide for optimal catering at the new site **286** new door signs inform about what is in which room in Mohrenstraße **300** meters WLAN cable were laid **350** floor outlets with connected sockets for telephone and computer cable were allocated and labeled in Mohrenstraße **794** meters of picture rails were installed **1,200** meters of books and journals started their journey to the new site **5,211** packing cases were packed and transported from Berlin-Dahlem to Berlin-Mitte. With the move, the distance between the headquarters of DIW Berlin and the seat of the Deutsche Bundestag was reduced by **10,783** meters



Gert Dreiberg planned and coordinated the move from Dahlem to Mitte

WHAT WAS THE MOVE LIKE? FIVE QUESTIONS TO THE COORDINATOR OF THE MOVE

What was the mood of employees like when they were told: Pack up your things; we're moving? To begin with, some people were a bit sceptical, as they liked being in Dahlem. But it is great being in the center and having such well-equipped offices!

5,211 packing cases were moved from Berlin-Dahlem to Berlin-Mitte – 46 servers, 250 PCs und 322 desks – and, and, and ... How were you able to oversee all of that? The main thing was obviously that the move had to take place over one weekend. We packed up in Dahlem on Thursday evening. The last computer was switched off. But we wanted to make sure that we did not have to pack everything right down to the last printer, so some items were packed a few weeks in advance. Many employees were involved during the weekend and helped out. Also, four-fifths of the new furniture was already in the new building by the beginning of June. This furniture was not brought up in the lift, but was brought in through the window using a forklift truck. There was a colossal logistics operation. Up until then, I had only known where things would go virtually, as I had planned everything in advance on the computer.

What was the greatest challenge for you? ... seeing that all of the plans which had been made in advance were a waste of time when it came to implementation. You have to be flexible if a cupboard has to go somewhere else. I could not stick rigidly to the system and say, "I did not foresee that". It really required hands-on work. The engineer also helped out and stuck labels on to furniture at the weekend. At the end of the day, all of the staff went along with it and showed great flexibility.

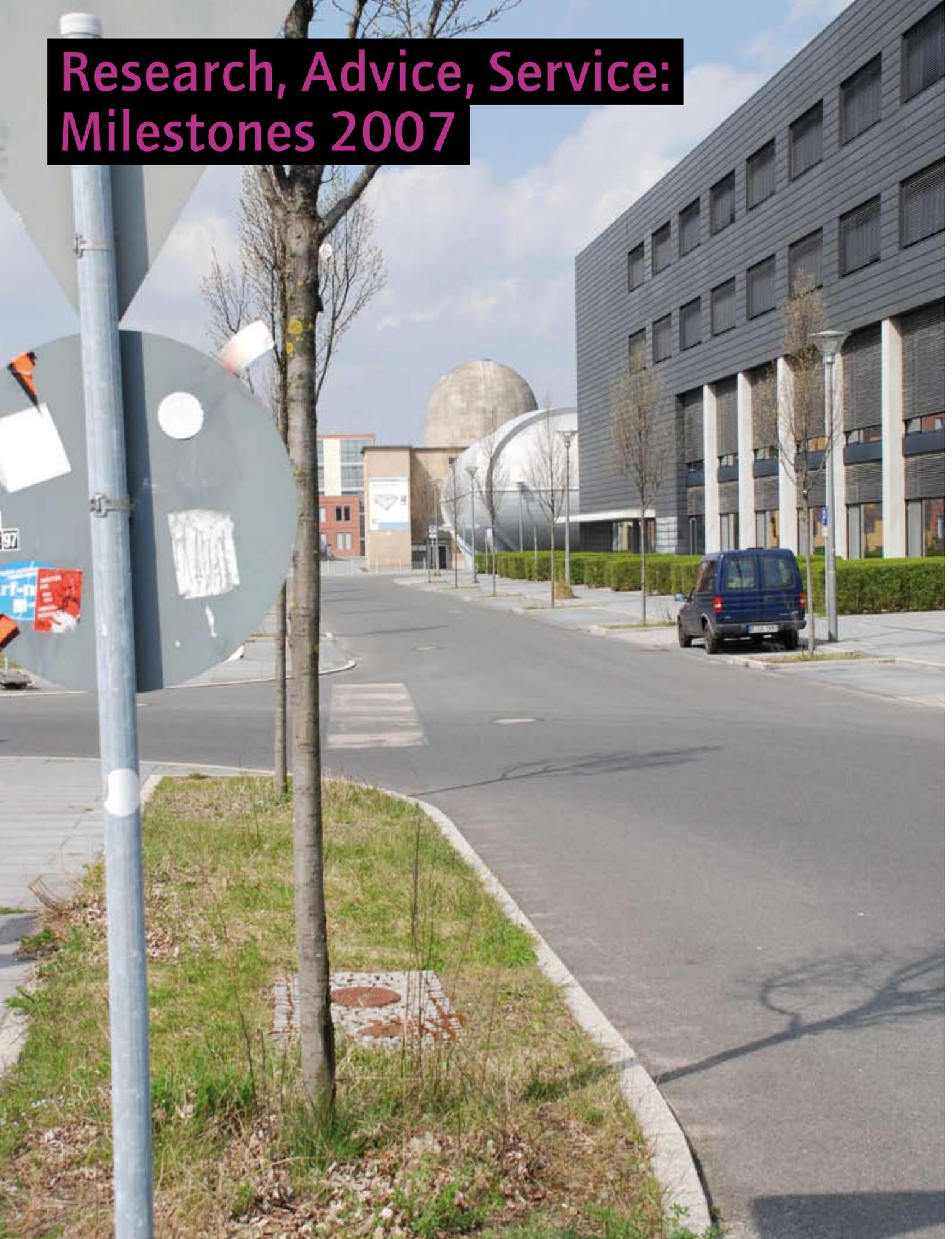
Often there is chaos for weeks after a move. You can't find this or that, etc. Is there still a lot to do? You can perhaps not notice them, but there are still traces of the move which are visible today. When we moved in, the first internal moves took place when people saw that not everything was going to be as they had imagined it would be. Some packing cases were missing, but these turned up again later on.

How did you manage to stay calm in the midst of all the chaos? I was surprised at how calm I remained since there were times when everything was really falling down around my ears. Even my wife was surprised as she knew all that I had to do there. However, despite it all, I was quite calm and enjoyed the task.



Growth and change are shaping Berlin as a business location

Research, Advice, Service: Milestones 2007



With our subsidiary DIW econ, we want to provide more economic advice and increase the research output of DIW Berlin at the same time.

PROF KLAUS F. ZIMMERMANN, PRESIDENT OF DIW BERLIN

DIW ECON GMBH: NEW SUBSIDIARY SHARPENS ADVICE PROFILE

DIW econ is the new subsidiary of DIW Berlin and started its operation on July 1, 2007. The company, founded with the agreement of the Board of Trustees of DIW Berlin, has its head office under the same roof as the Institute. The new economics consulting company is part of a comprehensive strategy of DIW Berlin to go on the offensive with regard to the changes in what is required of the economic research institutes. DIW econ will thus refine the research profile of the Institute and expand the volume and quality of advice provided by DIW Berlin.

DIW econ offers market-oriented, scientifically based economic consulting. The main focus is on applied analysis by making the „numbers tell their story“ to the client. Having access to the scientific expertise of DIW Berlin and the combination of top-class scientists and experienced advisers, DIW econ offers tailor-made project solutions and up-to-date scientific analyses. The Berlin economy and its decision-makers are a key area when it comes to the advice of DIW econ. However, well-known international companies such as Deutsche Bahn AG and the International Post Corporation in Brussels are also among its first clients.



Foundation of DIW econ:
Dr Alexander Fisher, Managing Director at DIW Berlin, and Dr Lars Handrich, Managing Director at the new advisory subsidiary, with Prof Klaus F. Zimmermann, DIW President

We focus our attention on national and international institutions and enterprises which require advice. We supply empirically well-founded economic analysis.

DR LARS HANDRICH, MANAGING DIRECTOR OF DIW ECON

So far the projects implemented by DIW econ can be assigned to the following fields of activity:

- » Strategy Advice
- » Labor Market
- » Regulation
- » Competition
- » Energy Industry
- » Postal Services
- » Regional Economy / Berlin
- » Emerging Markets / Eastern Europe

In its future structure, DIW econ will essentially reflect the research departments of DIW Berlin. As shareholder, the Board of DIW Berlin has appointed Dr Lars Handrich as the Managing Director of DIW econ GmbH. Dr Handrich has previously worked for DIW Berlin on numerous advice projects and managed the Communications Department in 2007 as acting head.

DIW DC in Washington

Economists should not only preach the advantages of globalization to others but face its challenges themselves.

PROF KLAUS F. ZIMMERMANN



Top picture: Opening of DIW DC in Washington on 10/23/2007 with Edward Lazear, Chief Economic Advisor to the American President; middle picture: Klaus Scharioth, German Ambassador to the United States, bottom picture (from left): Klaus F. Zimmermann, Amelie Constant, Klaus Scharioth and Edward Lazear, Photos: Liz Lynch

DIW IN WASHINGTON, D.C.:

“MAKING RESEARCH AND ADVICE MORE INTERNATIONAL”

The international networking of DIW Berlin has been strengthened by the formation of DIW DC, which is based in Washington, as an independent American organization has close links with Georgetown University. “We want to make our research more international and communicate the results in a way which is closer to policy,” said the President of DIW Berlin, Klaus F. Zimmermann, at the opening ceremony on October 23 which was attended by the German Ambassador to the United States, Klaus Scharioth, as well as the Chairman of the US Expert Committee and Economic Advisors of the US President, Edward Lazear. The head of DIW DC is Professor Amelie Constant, who teaches at Georgetown University and who is also Deputy Program Director of the Bonn Institute for the Study of Labor (IZA). This step will also strengthen the cooperation of DIW Berlin with the international research network of IZA, with whom DIW DC also enjoys a privileged relationship.

Whether labor market or health reform, whether childcare or climate change–policy needs well-founded science-based advice. In turn, we as scientists need a global perspective.

PROF AMELIE CONSTANT, PH. D., DIRECTOR OF DIW DC

With DIW DC as its new partner organization, DIW Berlin is continuing its strategy of securing and further developing the quality of its scientific work by means of international cooperation. The new institution sees itself as a catalyst and bridge-builder between scientific research and policy advice. Through publications, conferences, and programs within the context of the DIW Berlin Graduate Center, both spheres should have close links with each other.

DIW DC STANDS FOR TRANSATLANTIC NETWORKING AND COMMUNICATION:

- » establishing research and advice cooperation between think tanks and universities;
- » communicating scientific economic expertise on Germany and Europe to the United States;
- » engaging in transatlantic dialogue about matters of economic policy.

DIW DC plays a particularly important role for the DIW Graduate Center. For example, a research stay in Washington is just as well an inherent part of the doctoral training as are traineeships at German and American institutions.

DIW Graduate Center of Economic and Social Research

SPECIFIC SUPPORT FOR YOUNG SCIENTISTS

Since the autumn of 2006, DIW Berlin has restructured and expanded its doctoral training. The Graduate Center of Economic and Social Research has provided a clear framework for post-graduate support since then. In the context of the Leibniz Society, the Graduate Center has the title of a Leibniz Graduate School. Also in 2007, we have been able to attract eight new postgraduates from Germany and abroad.

The Graduate Center is an establishment which provides ongoing training and supervision at DIW Berlin in cooperation with Freie Universität Berlin (FU), Humboldt-Universität zu Berlin (HU), Technische Universität Berlin (TU), Europa-Universität Viadrina Frankfurt (Oder), and Universität Potsdam. It is supervised by Prof Georg Meran, Vice-President of the Institute. The Graduate Center trains economists, social scientists, statisticians in social science, and industrial engineers who possess a 'Diplom' (equivalent to a master's degree) or an MA (graduated with honors) as academically excellent, internationally renowned researchers and supervises them through a doctorate. Graduates of the Graduate Center are successfully able to communicate the results of their research within the international academic community and provide politicians, civil society and the private sector with effective advice on matters of economics and social affairs. The program seeks to enhance the capacity to employ scientific methodology. The professional handling of data and scientific data analysis, the provision of training in communication skills in the international world of politics and the provision of training in management skills are further objectives.

Doctoral candidates complete two stages of training lasting for a total of three years and consisting of full-time training for the first year and a subsequent period of in-depth research for the next two years. The full-time training consists of academically advanced courses in theory and empirical methods, more advanced courses (field courses), a module in academic management and a research traineeship at leading economic research institutes in the United States. DIW DC which works closely with DIW Berlin and the Faculty of Macroeconomics at Georgetown University supports the on-site supervision of graduate training. There is an examination at the end of the individual training modules.



Graduates of the year 2007 with
Klaus F. Zimmermann and DIW
Berlin Vice-President Georg Meran

The doctoral candidates were again in wintry Washington, D.C., in 2007/2008. They had to master an extensive program: two advanced courses in "Economic Policy" and "Macroeconomic Theory" as well as a large number of lectures which were held on the premises of DIW DC. They also had to complete a period of practical training at well-known institutions such as the World Bank, the International Monetary Fund, and the Brookings Institution.

The doctoral candidates are introduced to the different fields of research at the Institute from the very beginning and make the decision of where to specialize later on. The research phase is closely linked to research work in the departments of DIW Berlin (on-the-job training). All courses are conducted in English. The aim of the program is to recruit young prospective scientists from abroad by means of international recruitment programs.

The academic training and examination requirements of the Graduate Center are based on close co-operation between the above universities and DIW Berlin. Cooperation agreements which provide for cooperation with teaching as well as cooperation on research have been concluded with all five universities. Many employees at the Institute give regular lectures at the universities, whether it is as part of an established regular professorship or as a result of lecturing contracts. Holders of regular professorships at the above universities are members of the Faculty of the Graduate Center.

THE DOCTORAL CANDIDATES OF DIW BERLIN

GRADUATE CENTER, YEAR 2006

Eva Berger
Frauke Braun
Astrid Cullman
Burcu Erdogan
Johannes Geyer
Daniela Glocker
Sven Heitzler
Catherine Müller
Marc Vothknecht
Nicolas Ziebarth
Johannes Ziemendorff

GRADUATE CENTER, YEAR 2007

Nataliya Barasinska
Ludwig Ernsthaller
Olga Nottmeyer
Frauke Peter
Pia Rattenhuber
Geza Sapi
Wolf-Peter Schill
Isabel Teichmann

The Research Data Centre of the Federal States at DIW Berlin

WHAT IS NOT ON THE INTERNET:

RESEARCHERS WITH DIRECT ACCESS TO OFFICIAL DATA

NEW EXTERNAL BRANCH OF THE RESEARCH DATA CENTER AT DIW BERLIN

It is not on the Internet, and its e-mail transmission is strictly prohibited: even in the digital era, access to officially collected statistical data is a matter of special importance. Given this background, a new guest institution at DIW Berlin can be sure to attract much attention: The Research Data Center of the state statistical offices established a new external research facility at DIW Berlin in October 2007. With this branch, not only DIW scientists gained particularly central access to the data of the Research Data Center (FDZ).

- » How efficiently do German hospitals work?
- » What are the effects of taxes and social security payments on private households and enterprises?
- » What development potential do new service enterprises have?

These are seemingly simple questions which can, however, not be answered without a reliable data basis. Internationally competitive research is not possible without the evaluation of statistical microdata.

THERE ARE NO TIME-CONSUMING BUSINESS TRIPS

The information held by the Research Data Centre includes more than 60 different statistical measures which are of central importance to social scientists and economists. Up until now, scientists have had to make time-consuming business trips since highly sensitive data can only be processed at especially secure work areas in the research data centres. Transmission by e-mail or via the internet or the provision of data on CD-ROMs is not allowed for reasons of data protection. The new external research facility means that it is now possible to have access to data at four secure work areas at DIW in the centre of Berlin.

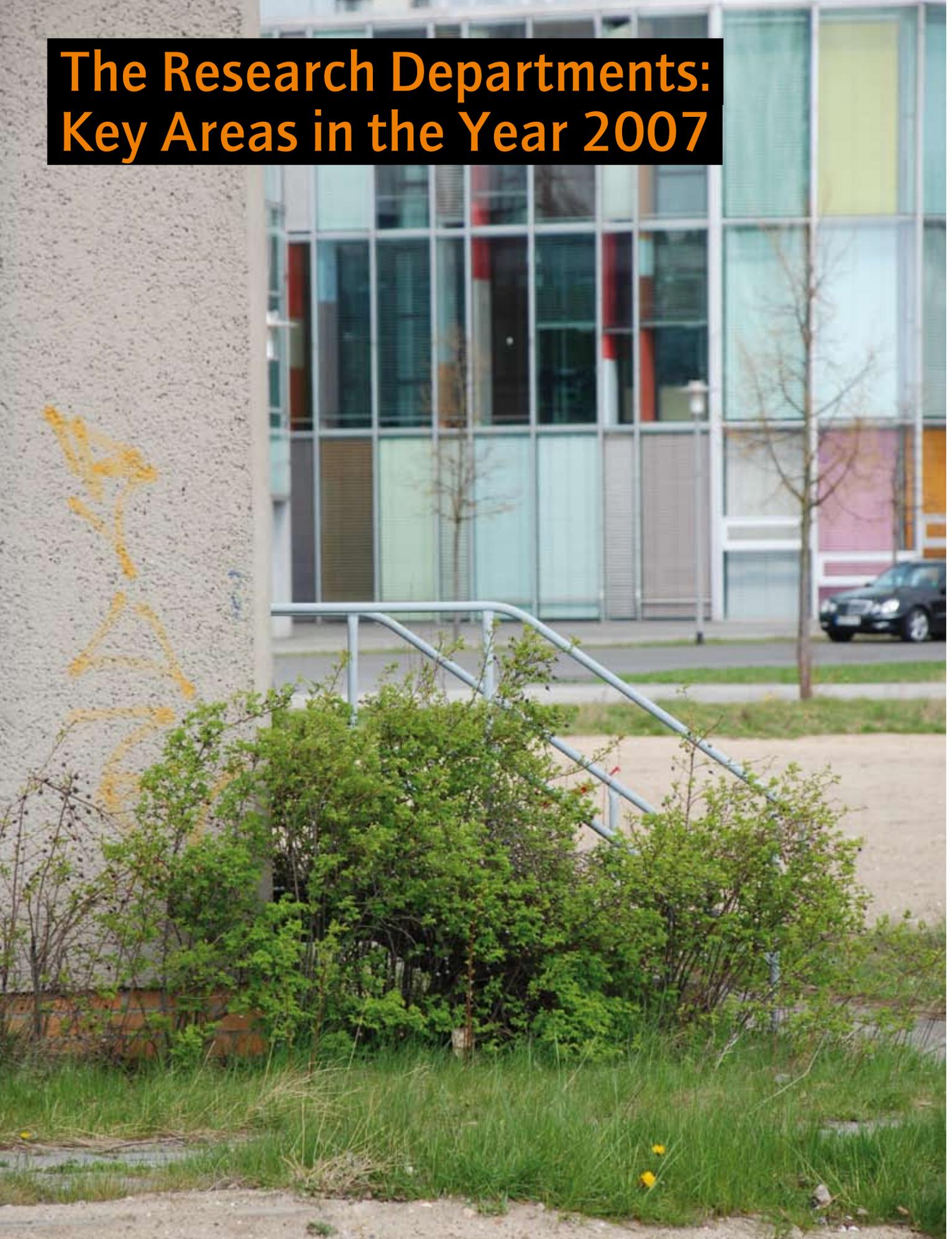
The background to this new external research base is also the many years of commitment of leading employees at DIW Berlin to a better data infrastructure in Germany: initially in the form of the Kommission zur Verbesserung der informationellen Infrastruktur zwischen Wissenschaft und Statistik (KVI, Committee for the Improvement of the Information Infrastructure between Science and Statistics) and now in the form of the Rat für Sozial- und Wirtschaftsdaten (RatSWD, German Council for Social and Economic Data).

In future, not only scientists at DIW Berlin will benefit from the Research Data Centre. The new central position of DIW in Berlin-Mitte will particularly enable researchers at the surrounding universities and institutes of applied sciences to have easy data access.



Prof Ulrike Rockmann, President
of the State Statistical Institute
Berlin-Brandenburg

The Research Departments: Key Areas in the Year 2007



Department of Macro Analysis and Forecasting

We make the claim of systematically tackling economic problems with a methodological approach which is based on the latest international developments.

PD DR CHRISTIAN DREGER

EXCLUSION FROM JOINT DIAGNOSIS OPENS UP NEW OPPORTUNITIES

The year 2007 has been characterized by a break in macroeconomic research at DIW Berlin: For the first time in five decades, the joint diagnosis to forecast the German and world economy was put out to tender. Despite its high level of expertise in consultancy and research as reflected in the large number of relevant expert reports and publications, DIW Berlin was not successful in the tendering process. This might be viewed as a setback by outsiders. But it has opened up new opportunities for the Department.

In particular, the Department has become able to fully concentrate on the reorganization required to improve the scientific foundation of the economic analysis. Moreover, new opportunities to broaden the former German focus and chances to raise international cooperation have been utilized. The Department is already playing a leading role here.

With economic research, we meet the challenges of international economic competition, even when this is difficult.

PROF ALFRED STEINHERR

ECONOMIC RESEARCH AT DIW BERLIN – INTERNATIONAL NETWORK

A central field of activity of the Department of Macro Analysis and Forecasting is the analysis and forecasting of the regional, national, and international economic evolution. The Department interprets the developments mainly from a new-Keynesian perspective. Research is underpinned by state-of-the-art econometric methods. Among others, the macroeconomic models are used to determine ranges of uncertainty around the point forecasts, and for sensitivity analysis with respect to different exogenous settings. The Department also examines the effects of alternative economic policy measures by using simulation models.

In the context of the research network EUROFRAME, economic experts of DIW Berlin prepared forecasts for the economic development in the Euro-area on behalf of the European Commission. In addition to DIW Berlin, CPB The Hague, WIFO in Vienna, Promoteia Bologna, OFCE Paris, NIESR London, ESRI Dublin, ETLA Helsinki, and the IfW Kiel participate in the network. Macroeconometric multi-country models have been developed further in the context of long-term cooperation with Global Insight Inc., a leading worldwide provider in this area. Research work has been supported by the German Federal Ministry of Finance.

The aim of an anti-cyclical finance policy must be a budget which remains balanced over a full economic cycle.

FLORIAN ZINSMEISTER



Press conference on the fundamentals of the economic trend

EU ECONOMIC FORECASTS: ARE THE METHODS SUITABLE?

The European Commission uses a large number of methods to produce economic forecasts. They range from indicator and factor models to expert forecasts for individual countries. Macroeconometric models are used for medium-term forecasts and the simulation of alternative economic policy measures. To study the quality of these procedures, the Department has evaluated the forecasting services of the General Directorate of Economic and Financial Affairs of the European Commission in cooperation with the Belgian ADE Institute. Key issues like the benefit of the forecasts for individual departments of the Commission, communication between the agencies involved, and the suitability of the methods have been explored, and suggestions were developed. For example, EU forecasts have a very short-term outlook. Predictions are less helpful for an assessment of structural reforms in the product and labor markets. Hence, some change of perspective is required in this area.

STRENGTHENING FISCAL POLICY EXPERTISE

Other international consultancy projects included EU-financed programs in Lesotho and Bosnia-Herzegovina. Apart from the development and introduction of macroeconomic analytical and forecasting tools, both projects include intensive training measures to improve the knowledge and expertise of staff responsible for the preparation of policy decisions. The Monetary and Exchange Rate Policies Project was conducted in selected ASEAN countries on behalf of the Asian Development Bank (ADB). It has focused on a joint strategy for monetary policy for Laos, Cambodia, and Vietnam in order to strengthen the importance of these countries within the ASEAN Group.

SECTOR-SPECIFIC EXPERTISE

The DIW Macroanalysis and Forecasting Team has also expanded its sector-specific expertise. With the BVL/DIW Logistics Indicator, a sectoral barometer was created on behalf of the Bundesvereinigung Logistik (BVL, German Logistics Association). This indicator will be used to measure and interpret economic developments in the German logistics sector on a quarterly basis.

Economic development in Germany varies considerably from one federal state to the other – we want to advance economic analysis from a regional perspective.

KONSTANTIN KHOLODILIN, PH. D.

Economic experts at DIW Berlin have also advised Microsoft Deutschland GmbH. In the “Information Society and Competition” Economic Round Table, well-known experts from the competition policy sector discussed matters relating to the regulation of the New Economy. The Department also analyzed the effects of the macroeconomic importance of the ISO standardization of the OpenXML document format for the German software industry.

In a very export-oriented country such as Germany, it is not possible to avoid logistics – the BVL/DIW Logistics Indicator is a seismograph of macroeconomic development.

DR STEFAN KOOTHS



Head of Department
Alfred Steinherr

BVL/DIW LOGISTICS INDICATOR
Project Management: Dr Stefan Kooths

Since the autumn of 2006 the BVL/DIW Logistics Indicator has been calculated by DIW Berlin for the Bundesvereinigung Logistik e.V. (BVL, German Logistics Association). The BVL/DIW Logistics Indicator is an economic seismograph of the German logistics industry, the third largest economic sector with 2.6 million employees. The indicator is calculated on the basis of estimates made quarterly as a result of a survey of experts at the top 200 companies for which logistics plays a key role. Characteristic of the way in which the indicator is constructed is that both sides of the logistics market are surveyed: logistics service providers on the one hand and users from the world of industry and commerce on the other.

As a system for the optimization of value creation chains, logistics is far more than transport, traffic, and storage. So far, the macroeconomic importance of this sector from a statistical point of view has not been properly recorded. The BVL/DIW Logistics Indicator closes this gap.

Department of International Economics



Tilman Brück, Head of Department

SECURITY POLICY AS THE MAIN FOCUS OF RESEARCH

Last year, one of the highlights of our work in the area of development economics was the start of the research program MICROCON which deals with conflict research at the level of individual households in less developed countries (www.microconflict.eu). In addition, the Department played a central role in the international “Households in Conflict Network” (HiCN) and organized its annual workshop for 2007 (www.hicn.org).

We furthermore provided policy advice to the United Nations Development Programme (UNDP) on reconstruction after wars and expertise on “weak countries” to the United States Agency for International Development (USAID). In another advisory project for the Syrian Vice-President, we analyzed the current situation regarding local economic reforms there. Moreover, researchers of the department conducted field work in Burundi, Rwanda, Egypt, and Syria for the acquisition of data and the establishment of local contacts.

Wars and conflicts, weak institutions, political crises, and discrimination that either prevent or slow down sustainable development – here our research work starts.

PROF TILMAN BRÜCK

IN-DEPTH EXAMINATION OF POVERTY IN THE UKRAINE

Within Europe, we worked intensively at completing the most comprehensive survey on poverty in the Ukraine that had ever been conducted. For this, we used data from the Ukrainian Longitudinal Monitoring Survey Consortium of which we are a member. The Consortium meanwhile has made good progress in the acquisition of new data and is going to publish its findings soon.

A research paper prepared on poverty in the Ukraine was accepted at meetings of the Verein für Socialpolitik, the European Economics Association (EEA), and the American Social Sciences Association (ASSA), and it attracted much attention. This paper, prepared by Brück, Danzer, Muravyev, and Weißhaar, won the “Development Studies Association (DAS) Conference Prize” at the annual conference of the DAS in the autumn of 2007.

In another context, we are in the process of organizing a workshop on the microeconomic restructuring in Russia and the Ukraine as a part of the ESCIRRU project under the direction of DIW Berlin (www.diw.de/escirru).

Economic transactions in Russia and the Ukraine have tremendous effects on other European countries. We therefore have to focus our attention increasingly on the interdependency of economic and social changes in both these countries.

NATALIA WEISSHAAR

LEADING CENTER FOR THE ECONOMIC ANALYSIS OF TERRORISM

Arguably, the most important news in the year 2007 was the success we achieved in the field of anti-terrorism and security policy. On the one hand, Head of Department Tilman Brück co-authored together with Friedrich Schneider a general study on the subject of anti-terrorism policy commissioned by the European Commission, and on the other, we were awarded a research project on this subject which was funded with three million euros. It extends over four years, was started on March 1, 2008, and will be financed under the EU's 7th Framework Programme for Research.

Finally, we also were successful in a tendering procedure of the European Commission to launch the "Network for Economic Analysis of Terrorism (NEAT)". The network brings together Europe's leading economists interested in research on anti-terrorism and security policy and is coordinated by DIW Berlin's Department of International Economics. In summary, DIW Berlin is now becoming a leading center for the economic analysis of terrorism and security within Europe through the use of innovative microeconomic methods and data sources.

Violent conflicts considerably restrict economic development. Every third person worldwide lives in a poor country burdened by conflicts. At the same time, we know alarmingly little about the effects a conflict has on the behavior and welfare of households.

CARLOS BOZZOLI

THE FOCUS IS ON TRAINING

For the support of our research work and the expansion of our competencies, the department regularly conducts a series of in-house seminars. Our "research lab" serves to discuss research ideas, to obtain early results, and to get prompt feedback from competent colleagues. In contrast, our series of "research seminars" helps to pass on almost completed work to the entire department to obtain feedback directly before release. Thirdly, we hold a retreat once a year to discuss new research topics and projects within the department.

Together with the universities in Göttingen and Frankfurt/Main, the department organizes, in addition, an annual workshop for doctoral candidates to support cooperation and promote the candidates' willingness to learn. In addition, the candidates of the department regularly attend summer courses and partner institutions abroad and present their works at workshops and conferences.

Our overall research interest is in the role of the state in welfare state. How does the state affect the allocation of resources and the distribution of income in society?

PROF VIKTOR STEINER



Viktor Steiner, Head of Department

The Department of Public Economics examined central issues of fiscal and social policy in a series of research projects in 2007. The department currently focuses on analyses in the area of taxation of personal income and company taxation, public pensions and basic income support, the evaluation of labor market policy, and reform models for state-financed subsidies.

FISCAL POLICY: HOW MUCH DOES THE CORPORATE TAX REFORM COST? AND HOW DOES IT WORK?

In the fiscal policy research area, we conduct analyses of incentive effects and of the optimal design of tax concessions in the low-wage sector. A current key aspect of the research area concerns analyses of company taxation on the basis of a micro-simulation model which is constantly being developed for this purpose in the context of research cooperation with the German Federal Ministry of Finance. With this model, accompanying analyses of the corporate tax reform 2008 were conducted, and a study on fundamental reform concepts on trade tax was prepared.

Another key aspect concerns the empirical analysis of the effects of taxation of income on the entrepreneurial behavior of self-employed persons. For this, empirical analyses of the effects of previous tax reforms on the quota of self-employed persons were conducted. The tax reforms examined thereby serve as “natural experiments”. On the other hand, we evaluated the effects of the tax reform 2000 and of alternative tax concepts. This was accomplished on the basis of a structural model which also took into account the effects of taxation of income on the decision to go into business for oneself.

Money for more income tax relief is not available – in spite of a good economic situation, public households are only just about balanced. If the economy slows down, deficits will rise again. This is why budget consolidation should be continued.

DR STEFAN BACH

In a current study, the effective personal taxation of income was analyzed by taking very high incomes into special account on the basis of microdata of income tax statistics and the Socio-Economic Panel (SOEP) of DIW Berlin. The results published in a discussion paper met with a great response in the media and enlivened public debate on the sharing of burdens in the German tax system.

In addition, the department dealt with the reform of the commuter tax allowance and commented on it in hearings of the Deutsche Bundestag (German Parliament).

SOCIAL POLICY: DEMOGRAPHIC CHANGES REQUIRE NEW MODELS OF SOCIAL SECURITY

In the research area of social policy we examined the effects of reforms in the area of family policy and the effect of demographic change on state-financed health and pension schemes in Germany and in other European countries. Parallel to this, we dealt with the future development of retirement income and the effects of pension reforms on the security of income in old age. For this, we developed, together with cooperation partners from Belgium, Italy, and Ireland, a dynamic micro-simulation model in a project funded by the European Commission. On the basis of the Socio-Economic Panel, this not only illustrates the demographic but also the long-term labor market development, and especially the development of the retirement income. With this, it can also be applied to the ex-ante-analysis of the long-term effects of policy reforms. The analyses of the determinants of health expenditure in demographic change were continued. Furthermore, the department participates in the preparation of the report “Social Observatory” on behalf of the European Commission.

LABOR MARKET: HOW DO LABOR MARKET AND EDUCATION POLICY REFORMS WORK?

We conducted empirical impact analyses on the effects of labor market and education policy reforms. Current examples of this are analyses of the labor market effects of combined wages models in the low-wage sector and on the introduction of minimum wages. On the basis of a micro-econometric model, the effects of combining unemployment aid and social benefits into Unemployment Benefit II (“Hartz IV”) and the reduction of the period of entitlement to Unemployment Benefit I were examined.

In the area of education policy we dealt with the effects of educational financing on access to university education and the course of studies. The results of these studies constitute important preliminary work in the context of the development of reform models for the financing of university studies.



Marco Caliendo and Katharina Wrolich (top); Stefan Bach, Deputy Head of the Department Public Economics with Peter Haan (bottom)

The expansion of childcare and the promotion of full-time schools have positive effects on mothers participating in the workforce.

DR KATHARINA WROHLICH

Department of Information Society and Competition

In 2007, the Department of Information Society and Competition further developed its competition and regulation policy profile in several studies and research publications. The series of seminars which was organized in conjunction with Prof Kai Mitusch of Technische Universität Berlin supported and enriched both doctoral training and academic exchange.

Competition policy is constantly confronted with new challenges resulting from technical progress, globalization, and the liberalization of formerly state-controlled industries. The utilization of economic theories for the assessment of these changes is crucial in order to guarantee effective competition in the future.

PROF CHRISTIAN WEY

MARKETS AND COMPETITION: EXPERIMENTAL TEST OF RESEARCH RESULTS

In the key area of market and competition research, we intensified our work on the industrial economic analysis of retailing. Against the background of an increasing concentration in retailing, we accordingly analyzed the strategies of retailing in both horizontal competition and with a view to vertical relations to suppliers with the methods of contract and negotiation theory. Research works on the subjects of “setting retail prices below the cost price of products”, “one-stop-shopping-behavior” and “retail mergers” formed the key issues. Prof Christian Wey gave lectures on the competition policy treatment of buyer power in retailing at meetings of various competition authorities such as the British Competition Commission and the Norwegian Competition Authority.

A competitive analysis which disregards the negotiation-relations between purchasing managers and suppliers cannot convince. In fact, negotiations have to be explicitly incorporated in the modeling of competition.

DR VANESSA VON SCHLIPPENBACH

In the context of the DFG research project “Trade-Unions and Oligopolies“ which is conducted in conjunction with Prof Justus Haucap of the Universität Nürnberg-Erlangen, we have published a number of contributions which are of relevance to a competitive organization of labor market institutions as well. In the research project “Innovation and Coordination” we were able to cast light upon market dynamics and so-called “critical mass”-effects in markets with switching costs and network effects. The department started to test agents’ behavior in coordination games together with its research partners. In this project which

The economically efficient application of new information technologies presupposes the confidence of consumers in these technologies. This requires the application of specific consumer-policy instruments such as online-trust-marks or property rights relating to data security.

KORNELIA HAGEN

is funded by the VolkswagenStiftung we work in close collaboration with Prof Christian Schade of Humboldt Universität zu Berlin.

INFORMATION SOCIETY AND E-COMMERCE: ACCELERATED TECHNOLOGICAL CHANGE

The department's second focus of research is on the subject of information society and e-commerce. In the context of the EU project "E-Business Market Watch" we developed a number of sectoral studies in which the interdependence of the application of information and communication technology (ICT) and compatibility was examined. This project also led to several publications dealing with issues of ICT adoption, innovation and procurement strategies.

A study on the interdependence of copyright, patent protection and innovation in software markets was prepared within the framework of the project "The Economic Importance of Networks" which we conduct on behalf of the German Federal Ministry of Economics. Finally, in 2007 we were able to successfully complete a study for the European Commission on the subject "Trust and Confidence of Consumers in the Information Society".

Almost nowhere is the interplay of competition and state intervention as fascinating as it is in the case of industries based on networks. For example, the question which institutional conditions best assist in promoting investment and innovation processes, is largely unsolved.

DR PIO BAAKE

NETWORKS AND REGULATION: FOCUS ON TELECOMMUNICATIONS

In the third key area networks and regulation, the department was able to further expand its competence in questions of the regulation of telecommunications markets. On behalf of Deutsche Telekom AG, regulation and industrial policy in the telecommunications sector were compared in various European countries. In addition, the department started with several studies on the postal sector and was able to complete a short study for the International Postal Corporation (Brussels) on liberalization principles in the postal sector and a study on the subject of "Macroeconomic Productivity Progress and Price-Cap Regulation" on behalf of Deutsche Post AG.

The effect of market liberalization on employment models in the railroad sector was examined in a short study for Deutsche Bahn AG.



Top picture: Vanessa von Schlippenbach and Pio Baake; bottom picture: Christian Wey, Head of the Department of Information Society and Competition

Department of Innovation, Manufacturing, Service



Head of Department Axel Werwatz, (top);
Klaus Kinkel, Chairman of Deutsche Telekom Stiftung (bottom)

The strength of the German economy is based to a large degree on the productivity of its industry. According to this, the manufacturing sector renders a particularly high contribution to value added compared to other industrial countries. This is why questions relating to the future structure of the economy, the role of industry and services, as well as questions relating to the economic policy shaping this process are of great urgency. Against this background, the Department of Innovation, Manufacturing, Service (ID) researches the behavior of enterprises, and the development of markets. Innovations and their general conditions are thereby the center of research. The scientific focus of the department is on empirical industrial economics. Building on the sound foundation of industrial economic models, the following projects formed the key work in 2007:

EVALUATION OF INNOVATION IN THE GERMAN ECONOMY AS KEY TASK

The technological productivity of Germany in international comparison is the central issue of one of the most important research projects of DIW Berlin, the Innovation Indicator. On behalf of the Deutsche Telekom Stiftung and the Bundesverband der Deutschen Industrie (Federal Association of the German Industry), the indicator annually examines the environment for innovation in Germany and in 16 other OECD states since 2005. The third version of the Innovation Indicator published in 2007 had its content developed even further. By the addition of new individual indicators, the explanatory power of the Innovation Indicator was improved again. For example, human capital has now been more precisely entered in the 2007 issue.

The reason our research work is so fascinating is that we attempt to advance to the heart of the economic matter with our questions: How do companies react to changes in the general macroeconomic conditions? And, in turn, what effects do entrepreneurial decisions have on the economy as a whole? Thus nothing less than the connection of the totality to the concrete is concerned.

PROF MARTIN GORNIG

Other research works have been integrated in the first report of the newly established independent Expertenkommission für Forschung und Innovation (EFI) (Commission of Experts for Research and Innovation) under the chairmanship of Prof Dietmar Harhoff for the federal government. On the one hand, the department examined the effects internationalization of the research of multi-national enterprises has on the attractiveness of Germany as a research location. On the other hand, we assessed the development of economic structures and productivity in international comparison. Through this it became apparent that Germany has further improved its production portfolio in the period from 1995 to 2005 in favor of research-intensive goods and skill-intensive performances. With its specialization on research-intensive goods, the country is well prepared for global competition. Moreover, Germany profited from the fact that companies in industries such as machine construction and automobile manufacture could market their products at relatively high prices whilst the United States and Japan suffered from the price decline for ICT products.

In terms of innovation, Germany is not at the international cutting edge – this is mainly due to weaknesses in German educational and research policy. DR HEIKE BELITZ

START-UP FINANCING: MARKET SELECTION AND QUALITY COMPETITION

Successful foundation of companies is a significant factor for the prosperous development of an economy. New companies play a key role for fast market launch and dissemination of new technologies and products. Since founders seldom have adequate funds available, the successful start-up of a company is to a large degree dependent on financing. Up to now, the theoretical and economic discussion mainly assumes that companies financed with venture capital are more successful than start-ups that are financed by banks.

Empirical research was, however, not able to completely confirm this assumption. Up to now it remains unanswered whether selection processes or qualitative differences among the types of financiers are responsible for a different performance of start-ups financed by banks and those financed with venture capital.

In order to obtain answers to these fundamental questions, we are currently conducting a systematic examination of the relative importance of banks and venture capital providers as company start-up financiers with the help of the unique company data set of the Kreditanstalt für Wiederaufbau (KfW) and our own survey. This research project seeks to clarify whether and if and according to what criteria the markets for start-up financing will be divided between banks and venture capital providers, and which type of financier contributes more to a company's success. Precise economic recommendations for the organization of the institutional framework of start-up financing are to be derived from the results. The examination exclusively refers to new companies which are not listed on the stock market.



Dorothea Lucke and Bernd Görzig, speakers at the Industrial Conference

Opening of the FDZ gives impetus to microdata analysis

The Forschungsdatenzentrum (FDZ) (Research Data Centre) of the regional statistical offices opened an external agency at DIW Berlin (s. p. 21) on October 16, 2007. With access to corporate data from the official statistics in Germany, an entirely new perspective has opened up especially for empirical analyses of industrial economic questions. The effects of corporate behavior on growth and employment can now be examined in their complexity.

Supported by research funds of the 6th Research Framework Programme of the EU and the German Federal Ministry of Economics and Technology, the ID department conducted a series of analyses on the basis of official microdata. Thus it can be shown with the help of the microdata set from the production and cost structure survey of an affiliated company that companies that reduce their product range can realize considerably higher increases in productivity than is the case with companies which expand their product portfolio. Conversely, companies with an increasing number of products prove to be faster growing.

Such results are not only of high scientific conceptual interest, but flow directly into recommendations on innovation policy. In order to make the potentials of microdata analysis even clearer for policy advice, the ID Department organized a conference on this subject at the German Federal Ministry of Economics on May 21, 2007. The contributions and results of this conference were published in the Vierteljahrsheft 3/2007 under the heading "Firmendaten: Nützlich für die wissenschaftliche Politikberatung?" (Company data: Useful for scientific policy advice?)

The global crisis in financial markets seen in all its urgency shows how important efficient worldwide rules are to the financial system.

PD DR DOROTHEA SCHÄFER

Since access to the relevant microdata is, in general, difficult to obtain in Germany, knowledge about the choice and the effectiveness of the financing is particularly fragmentary for this type of company. The project conducted by DIW Berlin and Technische Universität Freiberg in cooperation with the Kreditanstalt für Wiederaufbau is a contribution which aims at closing these gaps.

The Innovation Indicator developed by DIW Berlin shows that increasing the efficiency of our educational system is one of the central tasks to ensure our future ability in innovation.

DR KLAUS KINKEL, CEO OF THE DEUTSCHE TELEKOM STIFTUNG (FOUNDATION)

DIW DATABASE: STRUCTURE OF CONSTRUCTION VOLUME

Project Management: Prof Martin Gornig

Statistics: Thomas Asperger

The quarterly calculation of the construction volume according to construction sectors and producer groups has been prepared by DIW Berlin and has been constantly updated since the sixties. This work is currently supported by the German Federal Office for Building and Regional Planning in the context of the research initiative “Zukunft Bau” of the German Federal Ministry of Transport, Building and Urban Affairs.

The calculations of the construction volume represent the development of the construction sector in the most important areas of the demand side (residential, industrial, and public construction) which is also of interest to the providers of construction works (producer groups). On the supply side, it is differentiated among:

- » Performance of the construction trade, broken down into structural and civil engineering (formerly the main construction trade), building installation, and other building trades (formerly the finishing trades).
- » Contributions from the manufacturing trade (steel construction and light metal construction, prefabricated construction and installations), in addition to services which are more similar to finishing work such as building fitter workshops, electrical fixtures, planning and architect’s performance, and other construction works (self-constructed plants, outdoor facilities).

Table material offers a framework for orientation for both the economic trend and structural displacements with regard to market shares. The 2007 volume contains details on the structure of the building volume in the Federal Republic of Germany from 1995 to 2006. It is available in paperback format or as a CD-ROM – each at a unit price of 20 euros.

Department of Energy, Transportation, Environment

The climate protection goals of the EU are ambitious, but perfectly feasible—it is crucial to implement them in an economically efficient manner.

PROF CLAUDIA KEMFERT

GLOBAL CLIMATE CHANGE: STRONG COMMITMENT IN POLICY ADVICE

What are the costs and what are the benefits of climate protection? How can sustained energy supply and sustained mobility be ensured? How can the energy, transportation, and environmental instruments be further developed? These questions are the focus of this department's research work. The high political relevance and topical nature of these aspects have become especially prominent in 2007. The federal government passed, for example, an Integrated Energy and Climate Programme, the European Council locked in its targets in energy and climate policy, and, on Bali, the United Nations Climate Change Conference agreed on how to proceed with a climate protection regime after 2012. In this context, the department has provided advice to the federal government and the European Commission. Prof Claudia Kemfert is, inter alia, a member of the High Level Group on Energy and Climate appointed by José Barroso, President of the European Commission.

By observing regional aspects, we examined the influence of climate change on the damage caused by extreme climate events. In conjunction with the GeoForschungsZentrum Potsdam (German Research Centre for Geosciences) and other partners, we are conducting the MEDIS project for the assessment of economic damage especially caused by flooding. Other projects deal with the effects of climate change on such different sectors as, for example, the finance or the fruit economy.



Top picture: Claudia Kemfert heads the Department of Energy, Transportation, Environment; bottom picture: Jochen Diekmann, Deputy Head of Department

The Economy of Climate Change: Methodological Basics

Global long-term scenarios are analyzed with the World Integrated Assessment General Equilibrium Model (WIAGEM). For the computation of economic effects of climate protection policy in all sectors of the economy, general equilibrium models (CGE) such as GTAP-E are further developed. In so doing, the modeling of the endogenous technical progress constitutes a special challenge. The influence of induced technical change and of behavioral changes is examined in the WIATEC project. Dynamic stochastic general equilibrium models (DSGE) are being developed as well.

In order to be able to effectively reduce the emission of greenhouse gases, climate protection instruments must be applied by taking economic and technological aspects into account. In this context, the European Emissions Trading is currently in the foreground. The department has provided scientific advice to the federal government for this by the preparation of the National Allocation Plan (NAP II). We currently support the further development of the European Emissions Trading system for the period after 2012. The economic effects of emissions trading on the European economies are analyzed by us also by means of equilibrium models.

Toll systems can help us to make better use of limited infrastructure and to reduce emissions.

DR HEIKE LINK



Top picture: Thure Traber;
bottom picture: Barbara Praetorius

HOW CAN A CLIMATE-COMPATIBLE ENERGY POLICY BE IMPLEMENTED?

Under technological aspects, the increased use of renewable energy plays an important role for a sustained energy supply. In various projects, we assess economic promotional instruments. With this, the department contributes to the amendment of the Erneuerbare-Energien-Gesetz (EEG) (Renewable Energy Act) and the further development of promotional policy in Europe. In addition, we are developing a model for the determination of the macroeconomic and sectoral effects of renewable energy in conjunction with DIW's Department of Innovation, Manufacturing, Service.

In view of the sharply risen world market prices for oil, gas, and coal, even higher energy prices have to be anticipated in the future. In a project for the Federal Environmental Agency, we examined the effects of high energy prices on climate protection. Data underlying policy scenarios for the report on projected progress 2009 are currently being prepared.

The department is participating in two projects of interdisciplinary sustainability research in the "Social-Ecological Research" program of the Federal Ministry of Education and Research (BMBF): The project "Transformation and Innovation in Power Systems" (TIPS) investigates how selected innovations (micro cogeneration or carbon capture and storage, for example) can contribute to a sustainable electricity system, and analyzes the innovation dynamics and sustainability impacts with a general equilibrium model and with actor-oriented, institutional economic approaches. In the project "Integrative Analysis of Regional Wealth Creation in Urban-Rural Areas", we developed methods for the assessment of sustainability especially in the Berlin-Brandenburg area.

Applied economic research can, for example, mean: We manage to reach "low hanging fruit", i.e. climate protection measures which cost little but make a great difference.

DR THURE TRABER

LIBERALIZATION AND GLOBALIZATION OF ENERGY MARKETS

We are analyzing the effects of liberalization of the European power market with the help of the game theory model EMELIE which is being further developed in the EU project ADAM with model dynamization and the EU expansion being in the foreground.

The globalization of natural gas markets is examined in collaboration with Technische Universität Dresden and DIW's Department of International Economics. In a project supported by Electricité de France, various methods are applied ranging from econometric-statistical analyses to the development of a numeric model (GASMOD).

CLIMATE-COMPATIBLE TRANSPORT: ARE THE INCENTIVES CORRECT?

The EU research project GRACE pursues the goal of supporting the development of sustainable transport systems by means of price systems which are oriented at the costs of using

Tax harmonization in the EU leads to a particularly difficult political terrain – but it is of fundamental importance for energy and climate policy.

DR UWE KUNERT

DIW DATABASE: VERKEHR IN ZAHLEN (TRANSPORT IN FIGURES)

Project Management: Sabine Radke

The data basis on transport statistics prepared every year by DIW Berlin on behalf of the German Ministry of Transport, Building and Urban Affairs is published in the paperback “Transport in Figures“.

Included are, among other things, information and time series on

- » transport in its institutional framework
Gross fixed capital formation; gross and net fixed assets; employees, receipts, gross value added; characteristic figures of all transport sectors
- » transport in functional categories
Population, employees, private households; modal split of employees and students; length of the infrastructure, road land; rate of motorization, road traffic flow; expenses for traffic, net position on transport; motor vehicles fleet, registrations, mileage; driver’s licenses; road accidents; cross border traffic, transit; passenger traffic: volume and performance, traffic purposes; freight transport: volume and performance; cargo rates, consumer price indices, development of costs; energy consumption, environmental pollution
- » international indicators of transportation

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Future energy supply must be environmentally compatible, economical and safe at the same time. In this, renewable energy sources and the efficient use of energy play an important role.

DR JOCHEN DIEKMANN

infrastructure. In the context of this project we have worked at a methodological basis for full cost estimates to include the econometric assessment of marginal costs of the use of infrastructure in transport. In addition, user reactions to differing complex price systems were examined. European transport policy shall be supported by the newly started project CATRIN especially in the implementation of new price systems.

In the context of mobility analysis, we are examining, in cooperation with Rutgers University and the Brookings Institution the trends and determinants of the mobility behavior in the United States of America and in Germany. Hereby the influences of demography, land utilization, and policy are determined on the basis of statistical analysis of microdata. Mobility behavior up to the year 2025 is in the foreground of a study funded by BMW AG. Behavioral changes in the transport area were finally also the central issue in the European Excellence Network Project COST WATCH.

The ability of man to absorb and categorize information is limited. This simple observation confronts environmental economic research with immense challenges.

DR BARBARA PRAETORIUS

With regard to the taxation of motor vehicles, carbon dioxide emissions are taken into account in Europe to an increasing degree. We analyzed the incentive effects of existing and future motor vehicle taxes in several European countries on behalf of Volkswagen AG. The effects of changed basic energy and environmental conditions on the use of fuels in selected regions (Brazil, China, India, Russia, U.S.A, European Union) up to the year 2015 are examined in another study.

On a statistical basis, the department prepares annual data collections on transport as well as mileage and consumption (see box). In addition, the department, in collaboration with the Arbeitsgemeinschaft Energiebilanzen (Working Group on Energy Balances), prepares the central portion of the German energy statistics.

Department Socio-Economic Panel Study (SOEP)

We are working at obtaining a constantly refined picture of the “social cosmos” in Germany and in international comparison.

TOM SIEDLER, PH D

The Wissenschaftsrat (German Council of Science and Humanities) has rated the Socio-Economic Panel (SOEP) at DIW Berlin as “excellent”. With this, the SOEP belongs to the top three ranked sociological research establishments in Germany. The result of the rating confirmed that interdisciplinary research is conducted at the highest level at DIW Berlin. DIW Berlin is not a purely economic research institution and, accordingly, has to be evaluated in a diversified manner. Since the DIW Department SOEP mainly deals with sociological research work, it was included in the sociology rating with its entire research output.

In its research rating which was conducted for the first time with regard to the subjects’ chemistry and sociology, the Wissenschaftsrat examined the research performance in Germany in the years from 2001 to 2005. The 254 sociology units evaluated were spread among 54 universities and three non-university establishments – besides the Max-Planck-Institut (MPI) für Gesellschaftsforschung in Cologne, the Wissenschaftszentrum Berlin (WZB), and the SOEP at DIW Berlin. Research quality has been rated overall as excellent in only three out of 57 establishments. These are the Institute for Sociology at the Universität Mannheim, the MPI in Cologne, and the SOEP. Within the individual rating categories the Wissenschaftsrat has not made a further rating. In sociological research, the SOEP also ranks among the top institutes: Only one other unit, the chair of Prof Jürgen Gerhards at FU Berlin was rated as excellent. Prof Gert Wagner, Head of the SOEP: “It is surely no coincidence that Jürgen Gerhards is a DIW research professor as well and works in close collaboration with the SOEP.”

The Socio-Economic Panel is one of the most successful socio-scientific projects having the most far-reaching consequences in Germany.

PROF E. JÜRGEN ZÖLLNER, SENATOR OF SCIENCE, BERLIN

EXCELLENT RESEARCH: THE BASIS FOR THE FUTURE DEVELOPMENT OF THE SOEP SURVEY

Because the department’s own research constitutes the most important basis of the design of the Longitudinal Study SOEP and of the department’s service, it has to be conducted at the highest possible level with regard to both basic research and applied analyses. This goal was achieved for both areas as confirmed by the Wissenschaftsrat. Excellent research creates the basis for the further development of the Longitudinal Study SOEP planned over the next years. First preliminary and feasibility studies for this future expansion funded by the Federal Ministry of Education and Research have been conducted by us since 2007 with ongoing unrestricted service and intensive policy advice.

RELIABLE DATA BASIS FOR POLICY ADVICE

Since 2007, improved access to particularly sensitive “geo-referenced” data of the SOEP by means of the remote data processing program SOEP-remote has been one of the interim stages on the path to a more meaningful data basis and expanded service. In 2007, the first differentiated repeated survey (first survey in 2002) on the wealth situation was conducted.



Top picture: E. Jürgen Zöllner (r), Berlin’s Senator of Science, when Gert C. Wagner, Head of the SOEP, is awarded the Federal Cross of Merit
Photo: Stephan Röhl;
bottom picture: Elke Holst (middle) with two participants of the SOEP user workshop

We involved the GDR in the SOEP in the observation of living conditions as early as June 1990 – nowhere else are we able to obtain such an accurate picture of the process of transformation which has taken place in the whole of Germany.

DR PETER KRAUSE

With this, entirely new analyses on wealth dynamics can find their way into the federal government's Third Poverty and Wealth Report (Armut- und Reichtumsbericht). In policy advice, we again conducted income distribution computations for the Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (SVR, German Council of Economic Experts) in 2007. Furthermore, SOEP-based research results have been incorporated at the highest level in the family-policy debate and decision-making.

WHAT CAN WE KNOW ABOUT LIFE COURSES/LIFE SPANS?

The life course-/life span-approach, the importance of which is constantly increasing from the perspective of all social and behavioral sciences, the SOEP will improve the survey of the start and the end of life courses/life spans. Data is not only to be gathered "from the cradle to the grave" but also before birth and after death, i.e. from mothers and surviving family members. It has, for example, been tested to inquire about the death of family members at surviving family members. A test by means of which methods of collecting data on the abilities and competencies of small children can be collected better, is conducted in parallel to this. In this context, we collaborate with the Universität Zürich and the ZEW Mannheim. This project is based on a successful application in the context of the "Pact for Innovation" of the Leibniz-Society (WGL).

Long-term analyses such as that of the SOEP enable us to detect and recognize social trends, regardless of whether it is a matter of the role of women in working life or changes in attitude to the work-life balance.

DR ELKE HOLST

EXTERNAL VIEW IMPROVES THE SOEP

In 2007, we further expanded our cooperation with other scientists for the strengthening of the multi- and interdisciplinary character of the SOEP. This, for example, applies to the Max-Planck-Institut für Bildungsforschung, the Universität des Saarlands or the Universität

Social cosmos: The network of observation stations is becoming more closely knit

The SOEP longitudinal study can be compared to a system of weather measurement stations. At many thousands of places in Germany (and throughout the world), measurements of the weather and climate are constantly being made. An analysis of these microdata makes it possible to obtain a picture of the weather and to make better forecasts. This is because the number of measurement stations is constantly increasing. And the measuring apparatus is becoming even more specialized and more accurate. The same is to apply to the gathering of data by the SOEP: the data gathering process is to be expanded and refined in order to obtain an ever more detailed sequence of pictures of the "social cosmos" within Germany and of Germany compared with the rest of the world.

Our studies show: To present poverty in Germany as the problem of a culturally neglected, new underclass is to ignore the reality.

DR OLAF GROH-SAMBERG

Bielefeld. For the first time, we placed orders for the preparation of expert's reports on the future development of the SOEP with external scientists, i.e. with educational scientists and psychologists of Bamberg and Heidelberg universities, the FU and HU Berlin, and Cornell University, USA.

LONG-TERM STUDY SOCIO-ECONOMIC PANEL (SOEP)

Management: Prof Gert G. Wagner

Data transmission: Dr Jan Goebel

All of the services which are provided by the Socio-Economic Panel Study (SOEP) can be found on the DIW home page. The person to contact in connection with technical matters is Michaela Engelmann (soepmail@diw.de), while the person to contact about matters of content either is Prof Jürgen Schupp, or Dr Joachim Frick (jschupp@diw.de, jfrick@diw.de).

SOEP data are supplied for research purposes with working documents in SPSS, SAS, and STATA format on DVD. There is the possibility of remote access or a guest stay for analyses which involve more precisely structured regional information.

Courses on the handling of SOEP data are held every year in Germany and abroad. The SOEPnewsletter provides all data users with regular information about important items of news which affect the SOEP (see www.diw.de/soep). The information which we provide online includes the interactive SOEPinfo program which provides information about all variables of the SOEP and provides programming help with data processing, SOEPLIT, a literature database which makes it possible to search previous publications which include SOEP data, SOEPmonitor, a pdf document which contains time series with key figures relating to the employment market, education, income, subjective indicators as well as the living and housing situation, reports on methods, questionnaires, documentation of user-friendly variables and survey method analyses in the form of pdf documents.

Available as a DVD with online documentation (30 euros)

The SOEP is a service institution of the Leibniz Society (WGL).

The Service Departments



Scientists should find optimal working conditions at DIW Berlin. We also want to ensure broad communication of the results of their research to members of the public. We put every effort into achieving this.

DR ALEXANDER FISHER, MANAGING DIRECTOR OF DIW BERLIN

MORE THAN NEW FURNITURE: WITH NEW STRUCTURES AND NEW PEOPLE IN THE MIDDLE OF THE CAPITAL

The year 2007 was a time of change for the service departments of DIW Berlin. The move from Dahlem to Berlin-Mitte was a logistic challenge and was the culmination of many months of effort. At the same time, the formation of DIW econ as a subsidiary for the consultancy business and the opening of DIW DC as a link with the American capital showed that the fresh start in Berlin-Mitte was not only associated with a new geographical setting, but with far-reaching structural changes (for this, see the detailed reports of the move on page 8, details of the formation of DIW econ on page 13, and details of DIW DC on page 14).

However, it was not only in a geographical sense, but also in terms of personnel that 2007 represented a time of considerable change for the service departments. It brought with it the opportunity to press ahead with further structural changes at DIW Berlin. In the former Department of Information and Organization, a new Head of Department was appointed after the departure of Dörte Höppner: In the autumn of 2007, Carel Mohn was appointed the Head of the newly named Communications Department.

Service Departments: Services for the Academic World

The three service departments support the academic work of DIW Berlin by providing key services.

Their key tasks are:

Management Services

- » Finances
- » Human Resources
- » Controlling

Information and Communication Technology

- » Information Technology
- » Communications Technology
- » Central Databases
- » Webmaster

Communications

- » External and Internal Communications, Publications
- » Event Management
- » Library & Documentation
- » Office Management (Building, Print Office, Driver Service, Reception, Catering)



Top picture: Alexander Fisher, Managing Director at DIW Berlin;
bottom picture: Carel Mohn, Head of Communications
Photo: Baumbach

With the departure of Matthias Reichel and Heidelinde Kneissl, which also took place in 2007, the two main positions of the Head of the Department of Management Services and the Head of the Human Resources Department were combined. As their successor, Rolf Pompe has added to the strength of the management team of DIW Berlin since the beginning of 2008. Jens Brinton's departure also represented the loss of the former Head of the Department of Information Technology at DIW Berlin.

FROM "I AND O" TO COMMUNICATIONS

The former Department of Information and Organization since the autumn of 2007 has been known as the Communication Department. The new name is not only shorter and more concise, but its content is also linked with the further expansion of internal and external communications.

A step in this direction has been the relaunch of the *Wochenbericht*, the most important and the second oldest publication of DIW Berlin. At the occasion of the 80th anniversary of the first issue from 1928, we ordered a relaunch of the flagship DIW publication. With new sections and a new, easy-to-read title page, we hope to make it even easier for readers to find what they want and to provide a more concise presentation of the most important results of our research.

NEW CONTENT MANAGEMENT SYSTEM: THE FIRST STAGE FOR WEB RELAUNCH

The two service departments of Information Technology and Communications have been working together on a further relaunch of the DIW website since the end of 2007. As an important stage on the road to this, the change to a new content management system was successfully managed in 2007. In the process, about 17,000 items were exported, restructured and, having been adapted to the new system, reimported. This has created a technical basis for achieving greater visibility of current topics as well as the great breadth of topics of the scientific work at DIW Berlin, with the desired relaunch of the website in terms of design and content. Parallel to this, the Department of Information Technology has established an application database to manage the programs operated in house.

OPTIMIZATION OF PROCESSES AND REPORTING

The endeavor to achieve an improvement in work processes and a more efficient use of the available resources was also intensively continued in 2007. Within this context, work has been done on an interface between the book-keeping software (MACH) and the personnel software (LOGA). As a consequence, work processes have been speeded up and sources of error and redundancies avoided.

The personnel software was also expanded with a personnel cost planning module, which now makes it considerably easier to ensure the accurate planning of personnel expenditure over many years. As a result of the monthly valuation of unfinished services (projects) lasting for less than a year, the transparency and meaningfulness of the reporting system which was introduced in 2007 has clearly been increased for the specialist departments and the Board.

**IT EXPERTS AS GUARDS AGAINST SPAM: 3,000 E-MAILS ARRIVE,
BUT 157,000 ARE FILTERED OUT**

Viruses mean lost working time: The macroeconomic losses caused by spam e-mails run into billions of euros. DIW Berlin also has to fight the growing tide of junk e-mails. Every day, around 160,000 e-mails reach the Institute, but only 3,000 “good” e-mails are allowed through. Efficient software modules which purposefully filter out spam and viruses make this possible. The IT Department has installed the necessary systems for this on two servers in a secure manner.



Greater coherence: All publications of DIW Berlin have now taken on a uniform look after an optical relaunch

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German Socio-Economic Panel Study

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Excellent location for economic research
Hardly any other European metropolis has been subjected to such a radical economic change as Berlin

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Holger Hatje, the new VdF Chairman, awards research prizes on the occasion of the meeting of members
Photo: Hetzner

The Vereinigung der Freunde des DIW Berlin e.V. (VdF) (The Society of Friends of DIW Berlin) has financially and intellectually supported the work of DIW Berlin since 1951. The VdF is registered as a non-profit society.

The partnership with national and international enterprises, the establishment of networks, and cooperation between scientists and entrepreneurs are the objectives of the Society of Friends of DIW Berlin.

Many German business associations as well as individual corporations from all sectors of industry and the services sector are represented in the Society of Friends of DIW Berlin. Dachser Systems GmbH and the law firm Dr Mann & Kollegen became new members of the VdF in 2007.

The exclusive and regular exchange of information between members and DIW Berlin, but also of the members among each other, is highly appreciated by all participants and offers various opportunities for establishing contacts and the maintenance of informal networks.

As part of their membership, VdF members are provided with the following services:

- » Annual subscription of the Wochenbericht of DIW Berlin free to the door
- » Participation in the annual Industrial Conference, a discussion forum on future perspectives of the German industry and its individual sectors
- » Participation in Berlin Lunchtime Meetings
- » Access to the Institute's library and the databases at DIW Berlin.

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