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Divergence of Italian PEPP Purchases from Capital Key Smaller than Before

The ECB has made a first step in the decision to lower bond purchases from April 2022 onwards. A new study by ZEW Mannheim with the support of the Brigitte Strube Stiftung examined the government bond purchases in terms of their allocation among eurozone countries over time. The results show that since the beginning of the pandemic the share of purchases of government bonds from Cyprus, Italy, Slovenia, Spain and Ireland under its two purchase programmes, PSPP and PEPP, has significantly exceeded the ECB's capital key.

The PSPP programme has already been active since 2015, while the PEPP was launched in March 2020 to cushion the effects of the COVID-19 crisis. The deviations of the share of purchases from the ECB capital key, which serves as a benchmark, are smaller this year than in 2020. While Italy's PEPP shares were still clearly above the national capital key in the first year of the pandemic at 13.1 per cent, they deviated by only 2.5 per cent from January to September 2021.

Despite this recent approximation of purchases to the ECB capital key, the bond holdings of the euro central banks show a very high imbalance in relation to the economic output of the euro states. For Spain, Portugal and Italy, the ratio to GDP is already close to 40 per cent. For other eurozone countries such as the Baltic states, Luxembourg, Malta and Ireland, this ratio is below 15 per cent. According to the study, the ratio of the stock of public sector securities in the national central banks' balance sheets to government debt is already almost 30 per cent on average in the eurozone. This means that for more and more countries the issuer limit of 33 per cent has been exceeded. The issuer limit refers to the maximum share of an issuer's outstanding securities that the ECB is prepared to buy under the PSPP. Above this limit, the ECB Governing Council has a blocking minority in future negotiations on a debt cut. As a result, the ECB is increasingly becoming the most powerful lender calling the shots in future debt crises.

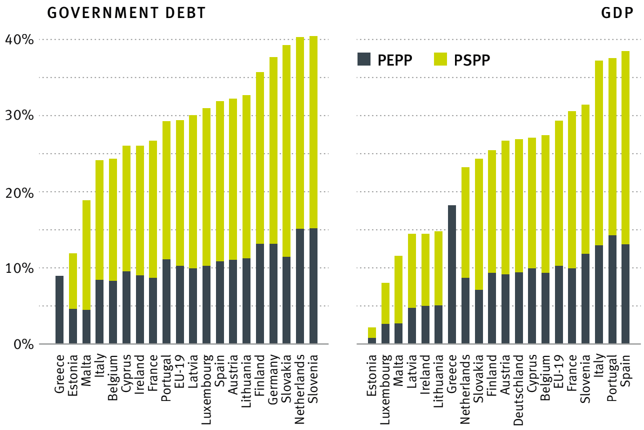
Purchases are likely to exhaust exactly the maximum volume set so far

The ECB has limited PEPP purchases until March 2022 and set a ceiling of 1,850 billion euros. The ZEW study has made a projection of the purchase volume until March based on the current pace. The results show that purchases are likely to exhaust exactly the maximum volume set so far. However, this also means that there is hardly any leeway for additional purchases in the event of economic setbacks caused by the pandemic over the coming months.

According to the study, Greece stands out in that the ratio of PEPP purchases of Greek government bonds to GDP is currently 18 per cent, far exceeding all other euro countries. When it comes to financing the effects of the COVID-19 crisis, Greece is more dependent on the PEPP than any other euro country.

The authors conclude that the ECB Governing Council faces a difficult decision on the future of the bond-buying programmes. The Governing Council's further decisions will be a balancing act. On the one hand, it urgently needs to scale back bond purchases as the economy normalises and inflation pressure increases so as not to be accused of engaging in monetary government financing. On the other hand, it is uncertain whether some highly indebted eurozone states will be able to remain liquid without these bond purchases.

PEPP AND PSPP STOCKS (SEPTEMBER 2021) AS A SHARE OF GOVERNMENT DEBT AND GDP 2021



Source: Data on debt and GDP are taken from the AMECO database by the European Commission. The underlying GDP variable is defined as GDP at current prices. The variable debt is defined as general government gross debt. All data on PSPP and PEPP purchases are taken from the ECB website.

Download the ZEW expert brief at: *www.zew.de/PU83066-1*

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Tax Race to the Bottom Harms Location Attractiveness of Western Europe

In a globalised and digitalised economy, the mobility of capital and labour is increasing. This promotes global tax competition: in the case of corporate income taxation, a race to the bottom can still be observed today. Contrary to this trend, the effective average tax burden of a highly qualified employee (with a net income of 100,000 euros) is noticeably stagnating, while top statutory tax rates for high-income earners are rising. In the future, however, the taxation of highly qualified, mobile workers could become more important due to the massive digitalisation boost caused by the coronavirus pandemic. These are the key findings of a study conducted by ZEW Mannheim together with the University of Mannheim and the University of Kiel.

In order to analyse the attractiveness of a tax location for internationally operating companies, the researchers not only examined the development of corporate taxes, but also took a closer look at the tax conditions for highly qualified employees in 26 OECD countries over the last decade. The effective average tax burden on corporate investments continues to be on a downward trend. There are major differences between the countries studied. In France, for example, the effective average tax burden of companies is 34.7 per cent – the highest value in Europe in 2019. In comparison, Germany ranks third among the EU Member States considered with almost 29 per cent. Overall, it can be observed that the downward trend and the accompanying tax competition for corporate investments has slowed down in recent years.

Tax incentives have also been shown to influence domestic and cross-border migration of highly skilled workers. If the tax burden on highly skilled labour increases, this can also have an indirect impact on employers. Countries that impose above-average taxes on highly skilled workers become less attractive as an employment location for international companies. These differences can be immense, as the example of an unmarried and childless employee who has a disposable income of 100,000 euros after taxes and duties shows: In 2019, Russia levied an

The taxation of highly qualified, mobile workers could become more important due to the massive digitalisation boost caused by the COVID-19 pandemic.

Photo: © istockphoto.com/Nomad

effective average tax rate on highly skilled labour of 16.3 per cent, while this was 59.5 per cent in Belgium. In other words, employers in Russia had to pay 119,474 euros in 2019, while Belgian employers paid 246,914 euros – more than double – to provide the same disposable income. Important drivers for the differences in the tax burden are, on the one hand, the statutory personal income tax rate and, on the other hand, the social security contributions in the specific countries. Overall, the ZEW researchers observed that the average effective tax burden on highly qualified professionals has remained rather constant in recent years.

When combining both indicators, four clear strategies can be identified

To determine the overall attractiveness of countries from a tax perspective and their scope for future tax competition, the researchers combined both indicators – effective average tax burden on companies and on highly qualified workers. As before, both indicators show great differences between the countries. These regional differences have the potential to significantly influence the geographical distribution of (innovative) companies and highly skilled labour, especially in an integrated region like the European Union.

Overall, four tax strategies could be identified among the 26 OECD countries studied: The eastern EU Member States tend to pursue a traditional low-tax policy – Russia and Switzerland also fall into this category. Belgium, France, Italy and Spain, on the other hand, have an above-average effective tax burden for companies and highly qualified workers. The northern EU Member States under consideration, as well as Ireland and Slovenia, are characterised by a below-average effective tax burden on mobile capital income, while highly qualified labour is taxed at an above-average rate there. In the fourth strategy, pursued by India, Japan and the USA, the tax burden is reversed: Corporations are taxed above average and highly qualified workers below average.

The authors of the study conclude that this puts central and western EU Member States under high competitive pressure. In order not to lose their attractiveness, countries like France, Italy and Germany in particular need to reduce the tax burden. Germany has failed to implement major tax reforms in recent years and has thus become less appealing for investment in capital and labour.

Pandemic-related budget gaps and the global minimum tax could slow down this trend

It remains to be seen whether the race to the bottom in corporate taxation will continue. In any case, the pandemic-induced budget gaps make this scenario less likely. Furthermore, according to the authors, it is still unclear to what extent the global minimum tax rate of 15 per cent recently adopted by OECD countries will reduce tax competition on corporate investments. Against the background of increasing restrictions on corporate tax planning and the transition to a knowledge-based economy, the taxation of labour could become more important in terms of tax competition in the future. Already today, some countries in the European Union, especially those with above-average tax rates for employees, offer tax incentives for highly qualified foreign workers in order to become more attractive in the competition for internationally mobile specialist and management staff. However, providing such incentives may lead to tax competition between EU countries.

The study can be downloaded at: *www.zew.de/PU83087-1*

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IN THIS ISSUE

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Green Public Procurement Criteria Encourage Green Product Innovation

In recent years German and European policymakers have been devoting considerable attention to the issue of green public procurement. By adding green procurement criteria to public sector calls for tender, policymakers hope to encourage the development of environmentally friendly products and processes. ZEW researchers recently examined this issue. Their empirical analysis indicates that green procurement criteria can create an important incentive effect – but not for all firms.

Public sector procurement represents a considerable share of demand in certain subsectors – and thus has a strong impact on the products and services offered by firms. In 2017, for example, public procurement corresponded to 16 per cent of European Union gross domestic product (GDP).

In recent years, environmental criteria have become increasingly common in public sector calls for tender. This is not least due to the fact that green public procurement has a high political priority, as demonstrated by the European Commission's strategy for smart, sustainable, and inclusive growth or the current discussion about its mandatory introduction within the public procurement regime of the European Union. One goal of introducing such criteria in public sector calls for tender is to encourage companies to develop green innovations.

The researchers analysed how green public procurement impacted private-sector environmental innovation in 2008 and 2014. When a company introduces a new product or process that has environmental benefits compared to the company's usual way of doing business, this is termed an 'environmental innovation'.

No impact on the introduction of new, environmentally friendly processes

The ZEW study drew on German data from the European Community Innovation Survey, a representative survey of innovation activities among firms with at least five employees. The researchers also based their study on data from the European Union's Tenders Electronic Daily database and from the German Patent and Trade Mark Office.

Analysis of these data shows that companies acquiring public sector contracts with green criteria are 20 percentage points more likely to introduce environmentally friendly product innovations. However, green public procurement has no statistically significant impact on the introduction of new, environmentally friendly processes (e.g. manufacturing techniques). One possible explanation for this discrepancy could be that tender criteria tend to focus on product characteristics, rather than underlying processes.

Results vary by company size

Further sifting of the data shows divergent impacts by company size. The introduction of green products or processes does not become more likely among large companies (250+ employees) following the successful acquisition of a public-sector contract with green criteria. By contrast, SMEs (small and medium-sized enterprises with fewer than 249 employees) have a 25 percentage point greater chance of introducing environmentally friendly products after winning a public-sector contract with green criteria. Notably, this effect is only observable for products, but not for processes.

Ultimately, the study confirms that green public procurement is effective as a demand-side policy tool for encouraging innovation, especially among small and medium-sized enterprises. This suggests that when designing green calls for tender, public procurement officers should consider the needs of small and medium-sized enterprises. Further research is still needed to determine the source of the missing incentive mechanism of green procurement criteria for large companies.

The complete study is available for download at:
www.zew.de/PU82817-1

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Local Support for Renewable Energy Decreases with the Expansion of Wind Power

To curb global climate change, it is necessary to significantly expand the use of renewable energies in the coming years. The success of this strategy depends largely on the acceptance and support of renewable energies among the population. While there is generally broad support for renewable energies, citizens' preference for green electricity tariffs decreases when a wind turbine is built in their immediate vicinity. This is a central result of a study conducted by ZEW Mannheim together with the French university Mines ParisTech and the University of Mannheim.

The study results underline how important it is to gain public support for the further expansion of renewable energies. Otherwise Germany will not achieve its climate targets. The ZEW study shows that citizens' approval drops significantly when a wind turbine is built in their immediate neighbourhood. Among other things, the researchers analyse the effects of wind power expansion on the preference for green electricity tariffs in the corresponding postcode areas. For example, the number of search queries for green electricity tariffs on price comparison websites drops by around 35 per cent when a wind turbine is built in the postcode area. The effect decreases with the distance of the wind turbine from the municipality in question.

Furthermore, the researchers examine the vote share of the Green party as another indicator. For example, the party's share of the vote in federal elections decreases by about 17 per cent with each new wind turbine built in a municipality. The effect weakens the further away the newly erected turbine is from the municipality in question. This can also be observed in European elections, where the effect is even somewhat greater in absolute terms (around 23 per cent). However, policymakers can counteract this with appropriate measures. The ZEW study shows that the negative effects of wind energy expansion are locally limited. Accordingly, the researchers find a decreasing negative effect on citizens' approval the further away the wind farm is from the town or city centre. Legal minimum distances between wind farms and inhabited areas could therefore limit resistance to the expansion of wind energy. The disadvantage, however, is that such regulations significantly narrow the space available for the construction of new wind farms in a country as densely populated as Germany.

Study recommends profit sharing to strengthen local support

In addition, politicians could grant the municipalities in question a financial share of the profits from wind turbines. In addition to a direct (voluntary) profit sharing, e.g. within the framework of the amendment of the Renewable Energy Sources Act (EEG) 2021, profits from wind turbines are subject to local commercial taxation. With the introduction of a special regulation to divide the tax base for wind energy plants between municipalities, the municipalities in which the plant was erected also benefit. The ZEW study suggests that profit sharing could strengthen local support. For example, municipalities that have arguably benefited from the tax reform show lower support losses for renewable energies after a wind turbine is built. The study authors therefore recommend this second option.

The study is available for download at:
www.zew.de/PU82831-1

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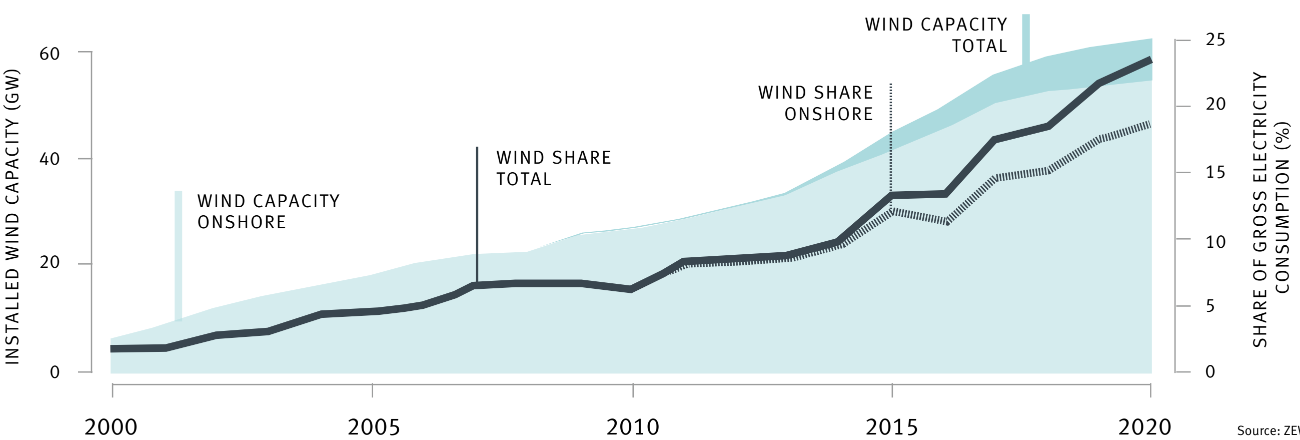
THE SHARE OF WIND POWER IN ELECTRICITY GENERATION IN GERMANY HAS INCREASED OVER THE LAST 20 YEARS



Source: ZEW

Volunteers Contribute Significantly to the Integration of Refugees

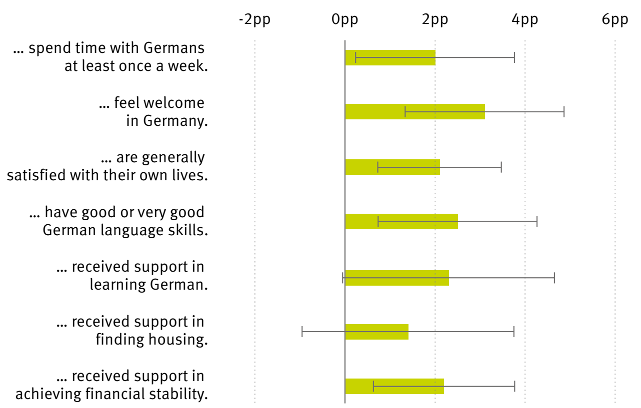
Civic engagement in Germany has played an important role in the integration of refugees since autumn 2015. Refugees living in regions with active volunteer groups have had more frequent contact with Germans, have better German language skills and higher life satisfaction. These are the results of a recent study by ZEW Mannheim.

According to the study, female refugees and refugees with low levels of education benefit most from local volunteering initiatives. Women and people without a school-leaving qualification are the groups most likely to face challenges in the education system and the labour market. This is why they are particularly dependent on a reliable local support system after their arrival in Germany.

Highly skilled refugees find better paid jobs with the help of volunteers

In regions where support from volunteers is high, refugees with a university degree will find better paid work on average.

CORRELATION BETWEEN CIVIC ENGAGEMENT AND THE LIKELIHOOD THAT REFUGEES ...



In regions with one additional association founded per 1,000 inhabitants, the statistical probability that a refugee spends time with Germans at least once a week increases by 2 percentage points compared to otherwise identical regions.
Source: IAB-BAMF-SOEP survey 2016 – 2019, ZEW

Other than that, no further correlation was found between the assistance provided to refugees and their success on the labour market, according to the authors of the study. One possible explanation is that refugees focus on acquiring German language skills first, so that labour market effects can only be observed after three to four years. Finding a job also more likely depends on the situation in the local labour market than on the support provided by volunteers.

Active civic engagement helps refugees find jobs and housing, as well as acquire language skills and financial stability. The results suggest that refugees who are in contact with locals have better access to state benefits. This shows that voluntary initiatives and public assistance are complementary systems.

Civic engagement increased after 2015 and comes in many forms

In autumn 2015, at the peak of the last refugee wave, numerous associations and other established voluntary initiatives supported refugees upon their arrival in Germany, which helped to coin the term “welcome culture” (German: “Willkommenskultur”). Many new initiatives were founded. The representative ZiviZ Survey found that roughly 90,000 civic organisations provided assistance to refugees in 2016, in which about 15 per cent of the German civil population was engaged. It is estimated that three to four years after 2015, between three and six million people volunteered for this purpose.

The volunteers support the refugees in many ways, for instance in the form of joint leisure activities, language lessons, overcoming hurdles in daily life, communicating with authorities or applying for jobs. The ZEW researchers used the founding of new voluntary initiatives as an indicator for active assistance for refugees. The correlation between the founding of a local association and the actual involvement in helping refugees was found to be statistically significant.

The ZEW expert brief can be downloaded (in German only) at: *www.zew.de/PU82981-1*

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Q&A: Is the German Network Enforcement Act Effective?

"State Legislation Can Reduce Hateful Content on Social Media"

Hateful content is widespread on social media. Almost without restraint, users disregard rules and criminal laws on the internet and insult, defame or threaten other people. To counteract this, the Network Enforcement Act (NetzDG) took effect in Germany on 1 January 2018. The regulation is effective in curbing harmful content on the internet, as digital expert Raphaela Andres explains in the interview.

What is the aim of the Network Enforcement Act?

The German Network Enforcement Act took effect on 1 January 2018 and aims to combat hate crime and criminal content on social networks. This includes, for example, insults, defamation, public incitement to commit crimes and sedition. Social networks such as Twitter, Facebook and YouTube are obliged by law to remove or block undoubtedly illegal content within 24 hours of receiving a complaint. In less obvious cases, they have seven days to decide whether action needs to be taken. If the operators do not comply with their obligations, they face fines in the millions.

What methods did you use to assess whether the law is effective or not?

Using the online microblogging platform Twitter as an example, we downloaded over two million tweets from a random subset of followers of the German AfD and the Austrian FPÖ – both right-wing populist parties – between 2016 and 2019. The latter served as a control group, as there was no comparable legal regulation in Austria at the time. Hate speech is widespread in the right-wing populist community, as it often uses anti-elite rhetoric, expresses scepticism about migration and direct links to hate crimes by this group have been shown. Therefore, the impact of the law on this sub-group has been of particular interest to us.

We automatically filtered out over 160,000 messages from the 2.3 million tweets retrieved that contained buzzwords such as "islam", "terror" or "migration" and examined these tweets for their intensity of hate. Each of the tweets was then given a score between 0 and 1. Messages with a score of 0.5 or higher were considered potential hate speech.

What are your key findings?

Our analysis shows a higher effectiveness of legal regulation to curb harmful content on the internet compared to simply relying on the self-commitment of social network providers. We have found evidence that the intensity of hate speech was reduced by about two percentage points and that the number of hate tweets was reduced by an average of ten per cent after the law came into force in Germany. At the same time, this leads to fewer hateful comments being retweeted or liked. In the study, we found that hateful messages were retweeted an average of four times. Thus, if a hateful content is not shared, the usual chain of further hate tweets is interrupted, which adds to a more appropriate use of the platform. So the law has also contributed to a somewhat friendlier atmosphere on the internet.

Our findings are particularly relevant given that hate speech is increasingly followed by deeds and can even lead to violent riots like the one at the US Capitol a year ago. Comparable laws based on the German model are currently being discussed both in the EU and in other countries. The results of our study should stimulate discussion and serve as a guideline for regulation designs that aim to reduce online hate and fake news, such as the European Digital Services Act.

Photo: © ZEW

Raphaela Andres
has been a researcher in the ZEW Research Department "Digital Economy" since 2018 and is currently also a PhD student at Télécom Paris – Institut Polytechnique de Paris. In her research, she mainly focuses on empirical policy analyses in the digital context and firm-level consequences of adopting new technologies. She studied economics at the University of Mannheim, the Vienna University of Economics and Business in Austria and the Universidad Carlos III de Madrid in Spain.
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Where do you still see potential for improvement?

We should think about how the current regulation in Germany could be made even more efficient. One possibility for further curbing hateful content might be to simplify the complaints procedure for users. The existing reporting procedure is far too complex. Currently, users have to name the exact offence themselves and sign that a false accusation is a violation of the platform regulations. Reporting hateful messages thus becomes a risk for the user and an obstacle to a more efficient fight against hate on the internet. This could act as a deterrent; after all, the process is lengthy and not everyone is legally trained. Apart from that, further research is needed to assess the potential problem of excessive deletion of posts, so-called "overblocking", as our data did not allow for an analysis of this potential threat to an environment of open discussion.

→ **Find the complete study at:** *www.zew.de/PU83103-1*

New Government Plans to Relieve Burden on Lower Income Groups

The plans of the German government coalition to raise the minimum wage and introduce a basic child allowance ("Kindergrundsicherung") will have a positive financial impact, especially for low-wage earners. Both measures will lead to higher incomes for up to ten million Germans, according to calculations by ZEW on behalf of Süddeutsche Zeitung. The calculations are based on the ZEW-EviSTA model and data of the Socio-Economic Panel (SOEP).

Households with an annual income below 20,000 euros benefit the most from the planned measures of the new coalition government, according to the calculations. Raising the minimum wage from currently 9.60 to 12 euros per hour and increasing the generosity of child allowances would result in an additional 700 euros for this income group – an increase of five to six per cent.

Because of the child allowance increase, not only low-income families will benefit. Families with incomes between 30,000 and 80,000 euros can expect to receive 1,000 to 1,300 euros from this measure, if the Green Minister of Family Affairs wins support for her party's model. According to this model, the basic child allowance would combine the child benefit, child-specific social benefit and child supplement, which have so far been separate benefits. The proposed basic allowance, which all families would receive regardless of their income, would be higher than the current child benefit.

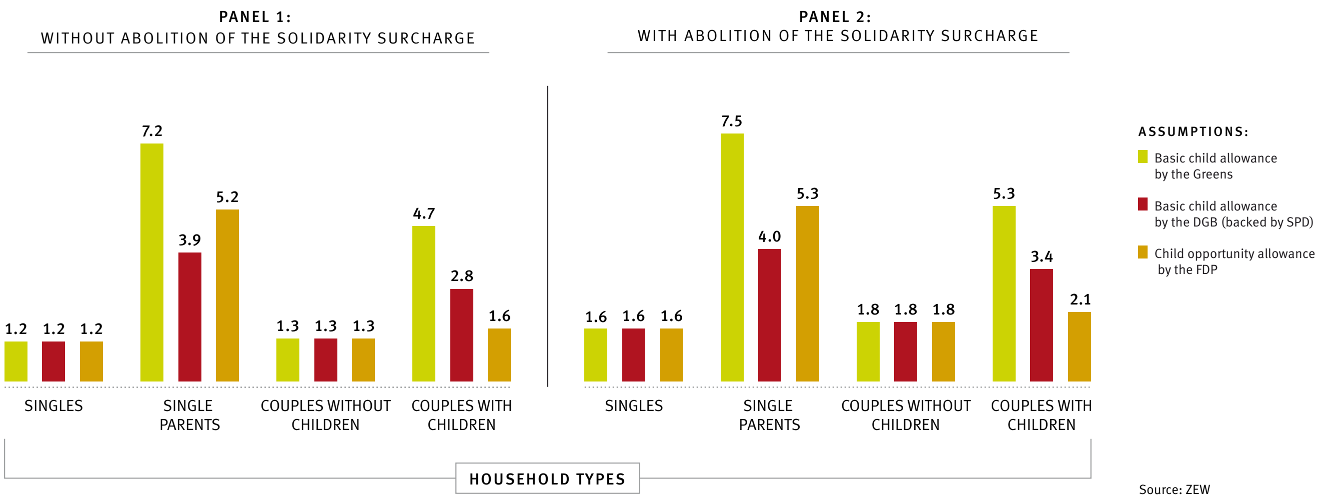
The minimum wage increase and the new basic child allowance would reduce income inequality. Assuming that the basic child allowance is introduced, the Gini coefficient, which measures inequality, would fall by about four per cent. Whether the government coalition's policies will lead to a balanced redistribution, however, depends on what measures the new government will take if the solidarity surcharge, which is still levied on the top ten per cent of income earners, is abolished. If it were abolished without replacement, very high incomes would be relieved to a greater extent than the middle class. That would not make sense in terms of income redistribution. Households with an annual income of more than 250,000 euros would be relieved by 3.2 per cent, similar to those with incomes between 20,001 and 55,000 euros. For the broad middle class with an income of 55,001 to 80,000 euros, on the other hand, the relative income increase would be smaller. Instead of disproportionately relieving the top ten per cent, the current solidarity surcharge could be integrated into income tax without affecting redistribution or tax revenue.

Basic child allowance and solidarity surcharge make balanced budget less likely

According to the calculations by ZEW, the impact of the coalition parties' social policy measures on the national budget depends most of all on how the basic child benefit will be designed and whether the solidarity surcharge will be abolished without replacement.

For their analysis, the ZEW researchers simulated three basic child allowance models discussed in the election campaign, which the planned coalition working group could follow. They took into account changes in income tax, the revenue from social security contributions and the expenditure on child benefit as well as other state social transfers, including the basic child allowance of the Greens, the proposal of the German Trade Union Confederation (DGB), supported by the SPD during the elec-

CHANGE IN AVERAGE INCOME BY HOUSEHOLD TYPE IN %



Source: ZEW

tion campaign, and the child opportunity allowance ("Kinderchancengeld") of the liberal FDP.

According to a calculation by ZEW, in all three variants of the basic child allowance, single parents and couples with children achieve significantly higher percentage income gains through the coalition's plans than singles and couples without children (see Figure on page 8). Introducing the basic child allowance proposed by the Greens, in conjunction with all other measures, would cost the new government 9.6 billion euros per year. The DGB's basic child benefit, on the other hand, would generate a surplus of 1.5 billion euros, and the FDP's child opportunity allowance even 7.1 billion euros. The surplus results mainly from additional income tax and solidarity surcharge revenues. In addition, the volume of social security contributions will increase if the government raises the minimum wage to twelve euros.

Abolishing the solidarity surcharge without replacement would result in a revenue shortfall of eight billion euros for the federal government. Together with the basic child allowance, this would increase the deficit in the national budget by between 0.6 billion euros (FDP model) and 17.6 billion euros (Green model).

The ZEW expert brief is available to download (in German only) at: *www.zew.de/PU83064-1*

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Negative Returns for University Dropouts

About one in four students in Germany drops out of a bachelor's programme and about one in six drops out of a master's programme. Although many of those affected start vocational training after dropping out, the time spent at university has negative financial consequences both for the tax authorities and for the dropouts themselves, according to a recent study by ZEW Mannheim.

On the one hand, dropping out becomes a negative business for public budgets: Compared to high school graduates who go straight into vocational training, the government expenditure for dropouts exceeds the expected income from taxes and other levies over the following 40 years of their working lives. On the other hand, dropouts face a negative individual return on education compared to the reference group.

Information about attractive alternatives to university could reduce dropout rate

There are ways to mitigate the negative effects. Providing information about attractive alternatives to studying at university can help encourage high school graduates to pursue vocational training who would otherwise likely leave university without a degree. In addition, it is helpful to introduce measures that support students in successfully completing their studies, such as clearly structured curricula and regular contact with lecturers.

Dropping out of a degree also affects public budgets

For public budgets, individuals dropping out of a degree programme generates a negative return of minus 5.9 per cent on average, while a successful completion of a degree programme means a positive return of 6.6 per cent. Individuals who drop out of university after two years and subsequently complete a three-year vocational training programme also face negative returns. In comparison, the individual returns to successfully completing a degree are over seven per cent.

In addition, the economists used data from the Socio-Economic Panel to analyse at what income level there would cease to be any fiscal return to education for graduates. In the simulation, gross income would have to be about 15 per cent lower for the returns to the public budget to fall to zero.

Download the ZEW policy brief at: *www.zew.de/PU83036-1*

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Photo: © Gorodenkoff Productions OU/stock.adobe.com

Labour Economist Moves from the US to ZEW Mannheim

As of July 2022, Professor Nicolas Ziebarth will head the Research Department “Labour Markets and Human Resources” at ZEW Mannheim. The role as research department head is linked to a professorship in the Department of Economics at the University of Mannheim. With Nicolas Ziebarth, the ZEW department will establish the new research area “Health in Working Life” and investigate the functioning of health-related social security systems as well as the (re)integration of workers with health impairments into the labour market. Particular attention will be given to systems of paid sick leave, sickness benefits and reduced earning capacity pension.

Ziebarth is an economist at the renowned Cornell University in the US, where he has been studying the interaction of (social) insurance systems with labour markets and population health for more than ten years. His primary research interests are sick pay, reduced earning capacity pension, job security and undeclared work. Ziebarth studied economics at Humboldt University and the Technical University of Berlin. From 2006 to 2011, he worked for the German Socio-Economic Panel at DIW Berlin. He then joined Cornell University, where he was appointed associate professor with tenure in 2017. Ziebarth has received several awards for his research, which, among other things, served as the basis for US legislation on sick pay.


Photo: ZEW

HR Manager Melanie Mohrbacher (centre) and Managing Director Thomas Kohl (right) welcome Nicolas Ziebarth (left) to ZEW.

Dr. Jan Kinne Receives Research Award from Volksbank Weinheim Stiftung and ZEW

Dr. Jan Kinne was honoured with the “Future of the Working World” research award 2021 by the Volksbank Weinheim Stiftung and ZEW. In his work, Kinne demonstrates that with the help of artificial intelligence (AI), company website contents can be evaluated online with high-frequency and in a fully automated manner. Currently, such searches are mainly done manually by specialised companies, i.e. by humans. He applies this method to analyse, for example, the innovation activity of companies and the impact of the COVID-19 pandemic on businesses. Kinne transferred his scientific findings into practice and founded the start-up istari.ai together with his business partner and co-author Dr. David Lenz. Jury member and ZEW Managing Director Thomas Kohl said that, “It is particularly noteworthy that Jan Kinne was successful with his spin-off based on his work. This once again demonstrates the innovative and practice-oriented nature of the research conducted at ZEW.”

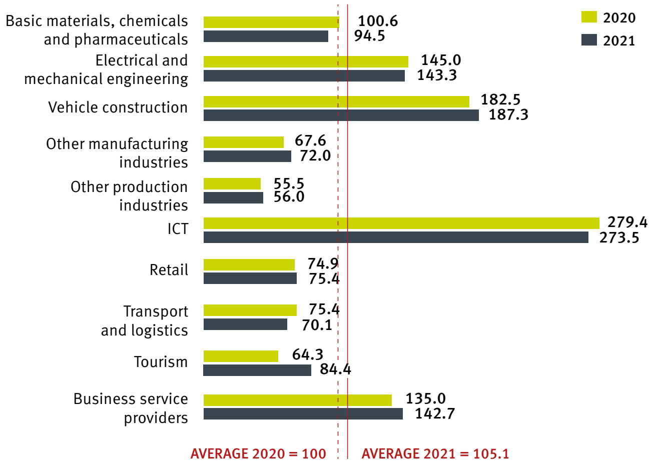
MIFE Tackles Financial Literacy Across the Disciplines

What do individuals know about financial issues and how does this influence their savings and consumption decisions? How can financial education support the development of financial knowledge and skills? These and related questions were discussed during the inaugural conference of the Mannheim Institute for Financial Education (MIFE), a joint initiative of ZEW and the University of Mannheim. The conference took place online on 29 and 30 November 2021 and was followed by an early career workshop on 1 and 2 December 2021. To foster interdisciplinary research about financial literacy and financial education, Professor Carmela Aprea from the University of Mannheim and Professor Tabea Bucher-Koenen from ZEW jointly founded MIFE in May 2020. More than 100 experts from academia, policy, and practice joined the inaugural conference online. Highlights of the event were the keynotes given by Professor Annamaria Lusardi (George Washington University School of Business), Professor David Leiser (Ben Gurion University of the Negev), and Professor Claudia Buch (Deutsche Bundesbank).

High-profile researchers exchanged ideas at the virtual MIFE Inaugural Conference 2021. Photo: © ZEW

German Economy More Digital Thanks to Better General Conditions

RESULTS OF THE DIGITALISATION INDEX BY SECTOR



In index points, survey years 2020 and 2021 Source: Büchel, Jan, and Barbara Engels, 2021

Almost the entire German economy has become more digital than it was in 2020, according to the annually calculated Digitalisation Index 2021. The digitalisation level in the German economy increased by eight per cent from 2020 to 2021. Improved framework conditions are the main driver of this development. Unsurprisingly, the ICT sector is still very clearly ahead in the sector comparison with 273.5 index points. However, the sector recorded a slight decline last year, while other sectors were able to catch up, such as vehicle construction, which comes in second place again with 187.3 points. The tourism sector improved particularly strongly, by around 20 index points. Bringing up the rear in the ranking are retail (75.4 points), other manufacturing industries (72.0 points), transport and logistics (70.1 points) and other production industries (56.0 points). However, most of these sectors have also improved compared to the previous year.

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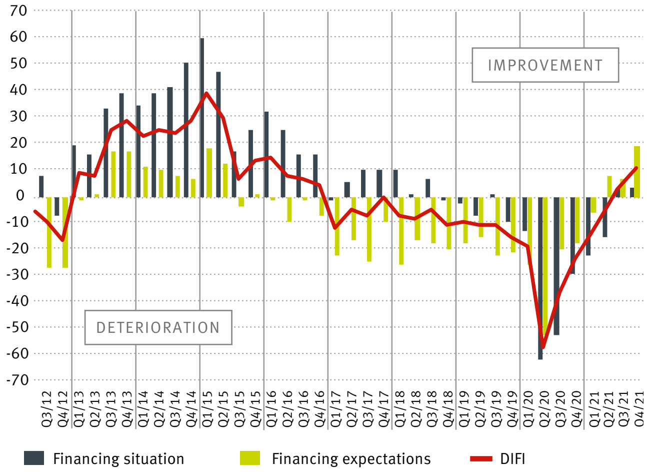
Sentiment Indicator for Commercial Real Estate Financing Continues to Rise

AGGREGATE IN % POINTS



Source: JLL/ZEW

Even though the sentiment indicator's growth is not as strong as in the previous quarter, the German Real Estate Finance Index (DIFI) by ZEW and JLL has risen for the sixth time in a row and reached its highest level since the beginning of 2016. In the fourth quarter of 2021, the DIFI stands at 10.7 points, 5.1 points higher than in the previous quarter. While the assessments of the financing situation have tended to stabilise in the past six months compared to the previous quarter, the experts expect the financing situation to improve in the coming six months. A look at the individual real estate segments shows that the increase of the DIFI in the fourth quarter of 2021 is primarily due to the favourable development in the office and hotel segments. The corresponding DIFI sub-indicators, which reflect both the current situation and expectations, are only exceeded by the DIFI sub-indicator for logistics properties in the fourth quarter of 2021.

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20th ZEW ICT Conference

ZEW will organise the 20th ZEW Conference on the Economics of Information and Communication Technologies (ICT) on 6 – 8 July 2022. The objective of the conference is to discuss recent scientific contributions to the economics ICT and the economics of ICT industries. There will be an additional workshop for PhD students on 6 July. The most outstanding contribution will be honoured with the Heinz König Young Scholar Award endowed with 5,000 euros. Interested researchers are asked to submit a full paper in PDF format to ict-conference@zew.de no later than 1 March 2022. More information: *www.zew.de/VA3722-1*

Mannheim Energy Conference

ZEW is pleased to announce the 10th Mannheim Conference on Energy and the Environment on 16 and 17 May 2022. Leading experts as well as researchers at all career levels are invited to present and discuss innovative current research in the fields of energy and environmental economics. The conference will cover a broad range of aspects concerning the relationship between energy use and supply, environment, economic well-being, and regulation and policy. It is planned to hold the conference on site in Mannheim. If necessary, a hybrid format can be arranged. More information: *www.zew.de/VA3733-1*

Focusing on European Added Value

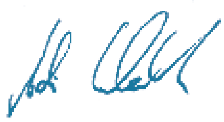
Little noticed by the public, the coalition agreement signed by Germany's new ruling government contains a bombshell passage: a clear call for the European Union to be transformed into a federal state. Instead, the focus should be on measures that generate 'European added value'. Almost as an aside, the new coalition agreement recommends that the European Union convoke a 'constitutional convention' that would lead to 'a federal state'.

In the next clause, this assertion is attenuated, as it is stated that the EU should 'also be organised in a decentralised manner in accordance with the principles of subsidiarity and proportionality'. Nevertheless, the coalition agreement lays a basis for a further shift in power from Europe's national capitals to Brussels. The shifting of greater budgetary powers to Brussels would be an inherent consequence. While we should welcome further steps to integrate the EU, – in accordance with the principle of subsidiarity and for good economic reasons – additional decision-making powers should only be transferred to Brussels when this truly creates 'European added value'.

Competencies at the supranational level can create 'added value' when they promise to generate economies of scale or put an end on 'free-riding behaviour' by individual Member States. Examples include the regulation of the single market and common European trade policy. Yet there is a need for EU-level action in many other fields. These include development aid, migration and refugee policy, defence policy, and climate and environmental policy. These domains are united by the fact that potential policy approaches have transnational ramifications. As a prerequisite for joint action in these domains, Member States must pursue similar political objectives. The expansion of European infrastructure is also a matter of common interest which exceeds the financing ability of individual states. Consistent with this insight, the coalition agreement advocates the development of pan-European digital, rail, and energy infrastructure.

The international coordination of health and pandemic policies has been one outcome of the COVID-19 crisis. Germany's new ruling coalition aims to promote a strengthened Union Civil Protection Mechanism, with procurement at the EU level. This is a step in the right direction. The crisis has also shown a need for improved European coordination in responding to macroeconomic shocks. During a crisis, less-impacted Member States should assist those suffering more acutely. The 750 billion euro recovery package could have laid the groundwork for such an instrument. However, in its current form, it falls short, as assistance is not granted according to the severity of the crisis, but rather according to pre-crisis GDP. The coalition agreement describes the recovery package an 'instrument limited in time and amount'; and as such, does not call for its expansion.

The search for European added value should not be misunderstood as a one-way street. Indeed, in line with the principle of subsidiarity, the EU should desist from taking action and should even relinquish competencies when action at the Member State level would be more appropriate. Direct payments to the agricultural sector, for example, are made without any recognisable European added value and cannot be justified as a standard item in the EU budget. The policy areas in which EU-level action is needed are far-reaching. We should therefore welcome the efforts by the ruling coalition to encourage further European integration. Yet policymakers should rigorously consider whether EU-level management generates added value, rather than blindly expanding the power of EU institutions.



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