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# The Politics of Surprise Devaluations: Modelling Motives for Giving Up a Peg

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JEL E42; F41; H29

Grand corruption; political instability; exchange rate regime; monetary policy; fiscal policy; rent-seeking.

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## Summary

Planned “surprise” devaluations are often spurred by non-economic circumstances: a rent-seeking government; political instability; or the opportunity to put the blame on a predecessor government. In this paper, these aspects are incorporated in the monetary and fiscal policy framework first suggested by Alesina and Tabellini (1987). It is shown that reneging on a fixed exchange rate promise unambiguously produces short term benefits, but long run losses. This leads to a non-straightforward trade-off between greediness (propensity for expropriation) and political stability (which implies a low time preference). The findings are empirically relevant and theoretically robust to extensions.

## **Technologiestandort Deutschland und internationale Wissensspillover**

**Welchen Einfluss nehmen ausländische MNU auf deutsche Exporte?**

### **Technology Site Germany and International Knowledge Spillovers**

**What Effect do Foreign MNCs have on German Exports?**

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JEL F1; F2; O32; O33

Innovationen; Exporte; F&E-Spillover; FDI; Patente; Gravitationsmodell.

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#### **Summary**

The inherent technical capability of a domestic economy has a significant effect upon trade. In addition, the innovation achievement potential of foreign countries and their companies may also enhance a given situation. International trade and foreign direct investment (FDI) provide knowledge transmission channels for innovation and research and development spillovers. Applying a Panel Analysis for the period 1990 to 2008, this study examines the bilateral export flows of Germany with the remaining 31 OECD countries. Using an extended gravity model the study investigates which influence the trade partners' innovation potential, as well as the research intensity of foreign multinational companies (MNCs) has upon German exports. The novel aspect of this study is the introduction of a direct measure for knowledge spillover. The findings show, that the trade partners' innovation potential as well as their FDI has a significant positive influence upon trade. In particular, the more innovative a foreign MNC located in Germany is, the greater the amount of German exports.

# Identifying Free-riding in Home Renovation Programs Using Revealed Preference Data

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JEL C25; D12; Q4

Energy efficiency; residential sector; random utility model; discrete choice simulation.

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## Summary

Identifying free-ridership is significant to several issues relevant to program evaluation, including the calculation of net program benefits and assessments of political acceptability. Despite the potential of free-ridership to seriously undermine the economic efficiency of a program intervention, for instance to foster energy efficiency, the issue remains largely absent from contemporary environmental and energy policy discussions in Europe. One reason for this neglect is the inherent difficulty of assessing which households would have undertaken the energy-conservation activity even without the program. This paper proposes a procedure to calculate the free-rider share using revealed preference data on home renovations from Germany's residential sector. We employ a discrete-choice model to analyze the effect of grants on renovation choices, the output from which is used to assess the extent of free-ridership under a subsidy program very akin to an implemented grants program in Germany. Our empirical results suggest only very moderate energy savings induced by the program, making free-riding a problem of outstanding importance.

# Trust and Control at the Workplace

## Evidence from Representative Samples of Employees in Europe

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JEL D03; J8; M12; M5

Autonomy; control; monitoring; performance appraisal; regulation of working time; trust.

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### Summary

Based on two representative samples of employees, the German Socio Economic Panel and the European Social Survey, we explore the relation between certain measures of control in employment relationships (i. e. working time regulations, use of performance appraisal systems, monitoring by supervisors, autonomy to organize the work) and individuals' inclination to trust others. Trust is measured by the general trust question like in most other economic studies based on surveys. We find that strict working time regulations, monitoring and lack of autonomy – all indicators for control at the workplace – are negatively associated with trust. Monitoring also moderates the relation between the existence of a formal performance appraisal system and individuals' trust. Moreover, we contribute to the literature on trust by gathering hints to other potential correlates of trust.

# Ein nutzungskostenbasierter Ansatz zur Messung des Faktors Kapital in aggregierten Produktionsfunktionen

## A User Cost Approach to Capital Measurement in Aggregate Production Functions

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JEL E01; O47; C43

Capital measurement; aggregation; production function; TFP.

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### Summary

A method is proposed to measure capital services in production. This means that productive assets are weighted according to their user costs. The user costs of the individual asset classes are estimated based on data from the national accounts and other sources. The results show that, in the observation period between 1991 and 2011, enterprises' capital services expand faster than the officially published capital stock. For the economy as a whole, this applies only to phases of cyclical expansion. As the capital stock is aggregated using asset prices, the differences can be explained by the different weighting methods in conjunction with the varying speeds at which the individual asset types have accumulated over time. In growth accounting, different estimates of total factor productivity emerge. The methodological difference, however, does not significantly affect the estimates of parametric production function specifications.

## Dating Business Cycles in Historical Perspective: Evidence for Switzerland

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JEL E32; C22

Classical business cycle; turning points; GDP revisions; Switzerland.

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### Summary

In this study we suggest a chronology of the classical business cycle in Switzerland based on dating algorithms suggested in Artis et al. (2004) and Harding and Pagan (2002). A further contribution of our study is that we determine the sensitivity of the chronology with respect to the particular GDP vintage used. For this purpose we employ a real-time database that contains 59 vintages of GDP data starting from 1997Q4 and ending in 2012Q2. We show that major changes in identified phases of the classical business cycle in Switzerland can be well traced to several benchmark revisions to the national accounts. In the absence of benchmark revisions the vintage-to-vintage variation exerts a comparatively minor effect on identified phases of the classical business cycle.

## Modified Scheffé's Prediction Bands

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JEL C32; C53

Prediction band; Scheffé's band; path-forecast; vector autoregression.

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### Summary

The formula for the Scheffé prediction bands proposed by Jordà and Marcellino (2010) is reconsidered. It is demonstrated, that in many cases of practical interest, the bands fail to satisfactorily approximate the uncertainty associated with a path-forecast. A modification of the Scheffé method is proposed which improves the coverage properties of the bands.



## Knowledge Protection Practices in Innovating SMEs

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JEL O32; O34; O38

Appropriability; innovation protection mechanisms; patents; employee retention; SMEs.

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### Summary

This paper examines the use of innovation protection mechanisms in small and medium enterprises (SMEs). By starting from a knowledge-based view the aim is to achieve a better understanding of how the role perceived by innovating SMEs of patent protection and the long-term retention of qualified personnel relates to different company-specific factors. Moreover, the interplay between patents and employee retention and their mutual interdependencies with other appropriation methods such as secrecy or lead time advantages are explored. This is because different knowledge protection practices must not only separately provide barriers to imitation, but may also reinforce each other as complements. In several ways, the results provide insights into some of the appropriation strategies taken by smaller firms. For example, a staff-related appropriation strategy seems to be essential for many SMEs because of their informal mode of learning and innovation characterized by experience-based know-how with strong tacit elements. A relatively strong complementary relationship has been observed between employee retention and the use of lead time advantages. The paper concludes with a discussion of the implications for policy and research.