

## Inhalt / Contents

### Abhandlungen / Original Papers

<i>Bönke, Timm, Carsten Schröder</i> , Poverty in Germany – Statistical Inference and Decomposition . . . . .	178–209
<i>Hohendanner, Christian</i> , Ein-Euro-Jobs und reguläre Beschäftigung One-Euro-Jobs and Regular Employment. . . . .	210–246
<i>Kappler, Marcus</i> , Business Cycle Co-movement and Trade Intensity in the Euro Area: is there a Dynamic Link? . . . . .	247–265
<i>Krieger, Tim, Stefan Traub</i> , Wie hat sich die intragenerationale Umverteilung in der staatlichen Säule des Rentensystems verändert? Has Intragenerational Redistribution Become Less Important in Pension Systems' Public Pillar? . . . . .	266–287

### Diskussionsbeitrag / Discussion Paper

<i>Meyer, Dirk</i> , Kosten des Europäischen Finanzstabilisierungsmechanismus (EFSM) aus deutscher Sicht The Costs of the European Financial Stability Facility (EFSF) – The German Point of View. . . . .	288–303
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### Literaturabhandlung / Review Paper

<i>Wagner, Adolf</i> , Fortgeschrittene Evolutorische Ökonomik Advanced Evolutionary Economics . . . . .	304–313
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### Buchbesprechungen / Book Reviews

<i>Pies, Ingo, Martin Leschke (Hrsg.)</i> , Douglass Norths ökonomische Theorie der Geschichte . . . . .	314
<i>Schöbel, Enrico</i> , Steuerehrlichkeit – Eine politisch-ökonomische und zugleich finanzsoziologische Analyse der Einkommensteuerrechtsanwendung und -befolgung in Deutschland . . . . .	316

## Abhandlungen / Original Papers

# Poverty in Germany – Statistical Inference and Decomposition

By **Timm Bönke, Berlin, and Carsten Schröder, Kiel**

JEL H53; I38

Poverty; Oaxaca-Blinder decomposition; bootstrap; equivalence scale.

Received: 23.12.2009

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### Summary

Based on six harmonized cross-sections of the German Sample Survey of Income and Expenditure, we study inter-temporal changes in poverty from year 1978 to 2003. Results are decomposed by region and household types, and the bootstrap method is applied to test for the statistical significance of all our findings. Across household types, single parents with children have the highest poverty risk. Most striking is a huge regional divide in poverty which only narrows slightly over the period under investigation: the incidence and the intensity of poverty are substantially higher in the New states. A nonlinear Oaxaca-Blinder decomposition is conducted to quantify the separate contribution of regional differences in households' characteristics to the likelihood of being poor. Estimates from the decomposition indicate that differences in the distributions of socioeconomic characteristics play a negligible role for the 1993 poverty divide. Already in year 2003, however, differences in the distributions of characteristics explain more than fifty percent of the poverty divide, indicating that the poverty divide is likely to become a persistent phenomenon.

## **Ein-Euro-Jobs und reguläre Beschäftigung**

**Eine Analyse potenzieller Substitutionseffekte mit Daten des IAB-Betriebspanels**

### **One-Euro-Jobs and Regular Employment**

**An Analysis of Potential Substitution Effects Using the IAB Establishment Panel**

**Von Christian Hohendanner, Nürnberg**

JEL I38; J68; L30; M51

One-Euro-Jobs; active labour market policy; substitution; displacement; IAB-establishment panel; difference-in-difference; propensity score matching.

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#### **Summary**

The most widespread active labour market program in Germany is the so-called 'One-Euro-Job'. Participants carry out social activities like caring for the elderly, city cleaning or environmental activities. The principal objective is to improve or maintain the employability of hard-to-place unemployed. However, there is a certain risk of within-firm substitution of regular employees by One-Euro-Job participants. The aim of the study is to identify such substitution effects in participating establishments. For this purpose I present some descriptive results from the survey 'Experience with One-Euro-Jobs'. In a further step I use data from the IAB Establishment Panel 2004 to 2007 to identify substitution effects. To account for selectivity, I apply a difference-in-difference approach and propensity score matching. The empirical results indicate that regular employment relationships are not substituted by One-Euro-Jobs. This holds for West as well as for East Germany. However, the identification of within-firm substitution in the matching procedure requires that the program has no employment effect on the control group. Otherwise, substitution effects cannot be identified. For this reason, I provide evidence for potential displacement effects in the control group using a fixed-effects panel model. The results indicate that the control group is not affected by the program.

## **Business Cycle Co-movement and Trade Intensity in the Euro Area: is there a Dynamic Link?**

**By Marcus Kappler, Mannheim**

JEL E32; F14; C32; C33

Business cycles; synchronisation; international trade; dynamic factor model.

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### **Summary**

This paper extends the recent literature that exclusively looks at the static link between bilateral trade intensity and business cycle synchronisation. A cross section augmented VAR framework with an unobserved common factor structure is used in order to apply the concept of Granger causality to test for dynamic links between variables. I conclude that although countries with intensive trade linkages also tend to have more similar business cycles in the long-run, the trade channel does not help to explain much of the short-run variation of business cycle co-movement in the euro area. The common factors have high predictive power for both business cycle co-movement and bilateral trade intensity. Thus, the paper provides evidence for the common shock view on business cycle synchronisation.

## **Wie hat sich die intragenerationale Umverteilung in der staatlichen Säule des Rentensystems verändert?**

Ein internationaler Vergleich auf Basis von LIS-Daten

## **Has Intragenerational Redistribution Become Less Important in Pension Systems' Public Pillar?**

An International Comparison Based on LIS Microdata

Von Tim Krieger, Paderborn, und Stefan Traub, Bremen

JEL H55

Pension reform; Beveridge vs. Bismarck; participation equivalence; income distribution; convergence.

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### **Summary**

We empirically investigate whether the significance of intragenerational redistribution in the public pillar of pension systems in 20 OECD countries has changed systematically since the 1980s and whether international convergence of the degree of intragenerational redistribution can be observed. Intragenerational redistribution is measured by the Bismarckian factor which provides information about the relative importance of the earnings-benefit link in the pension formula (as compared to a flat-benefit Beveridgean pension system). Based on micro data from the Luxembourg Income Study, we find both, a trend towards (more Bismarckian) pension systems which obey the principle of participation equivalence and an international convergence of pension systems. The reduced variation of pension systems (sigma convergence) is driven by countries with a high degree of intragenerational redistribution catching up with more traditional Bismarckian countries (beta convergence). Both, fundamental pension reforms as Sweden's and Italy's move to „notional defined contribution“ systems, and parametric reforms ranging from the removal of group-specific benefits to alternative calculations of contribution history, such as changing from „best years“ to the entire worklife, underlie this development.

## Diskussionsbeitrag / Discussion Paper

# Kosten des Europäischen Finanzstabilisierungsmechanismus (EFSM) aus deutscher Sicht

## The Costs of the European Financial Stability Facility (EFSF) – The German Point of View

Von Dirk Meyer, Hamburg

JEL E63; F33; G33

European financial stability facility; european stability mechanism; government debt crisis; national bankruptcy; no-bailing-out clause; EU-treaty.

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### Summary

The European Financial Stability Facility (EFSF), which is supported by the German *Gesetz zur Übernahme von Gewährleistungen im Rahmen des europäischen Stabilisierungsmechanismus (StabMechG)*, suspends the Stability and Growth Pact as the basis of the European Economic and Monetary Union. The actual 'suspension' from the 'no bail-out' restriction (Art. 125 TFEU) and the prohibition of funding national debts (Art. 123 TFEU) transfers risks and financial burdens from deeply indebted states to solvent EU member states. As a result an unauthorized „transfer union“ emerges, whose Central Bank lost its independence to a political leadership and cannot focus on its objective of price stability as contracted any longer. Even without the use of financial and guarantee aids the German economy suffers from a distorted yield structure and crowding-out effects of private investments. From the economic point of view the used measures are neither appropriate nor necessary for achieving financial stability within the European Economic and Monetary Union. Much less these measures are proportionate. Of course, the alternative of accepting a 'controlled' national bankruptcy would not have been without its formidable costs. However, its attribution of arrangements in the line with market requirements and the adherence to EU-contract provisions would have been the more worthwhile regulatory policy option for a more solid budgetary policy in the future.

Der Beitrag geht der Frage nach, ob und inwiefern der Europäische Finanzstabilisierungsmechanismus (EFSM), der durch das *Gesetz zur Übernahme von Gewährleistungen im Rahmen eines europäischen Stabilisierungsmechanismus (StabMechG)*<sup>1</sup> Eingang in deutsches Recht gefunden hat, die Europäische Währungsunion (EWU) auf eine neue Geschäftsgrundlage stellt. Er zeigt die möglichen monetären und finanziellen Folgen und Belastungen für Deutschland auf, die durch die unkonventionelle Geldpolitik der Europäischen Zentralbank (EZB) sowie aus den Krediten und Gewährleistungen des ‚Rettungsschirms‘ entstehen können.