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Abhandlungen / Original Papers

Extending the Case for a Beneficial Brain Drain

By **Simone Bertoli and Herbert Brücker, Nürnberg**

JEL F22; J24; O15

Brain drain; migration costs; immigration policy; skill premia; self-selection.

Received: 03.11.2009

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Summary

Several destination countries still adopt general immigration policies, and are characterized by lower returns to education than the countries of origin of the migrants. These two stylized facts challenge the literature on the beneficial brain drain which demonstrates that migration can increase the average human capital in the sending countries if immigration policies are selective, or the skill premium at destination is higher than at origin. We propose a model with empirically sensible assumptions on immigration policies and skill premia, where individuals face heterogeneous and correlated education and migration costs. The model is consistent with a robust stylized fact, namely that the rate of migration increases with schooling, and it shows that the average level of education of the stayers can be increasing in the probability to migrate even in such a setting. Our simulation results prove that these findings hold for reasonable parameter values. This extends the case for a beneficial brain drain in a further direction.

Searching for the Concentration-Price Effect in the German Movie Theater Industry

By Enrico Böhme and Christopher Müller, Frankfurt a. M.

JEL L11; L82; R32

Price-concentration study; cinema pricing.

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Summary

The empirical relationship between market concentration and prices has been well established for a long time and for numerous industries. Recently it was confirmed for the US movie theater industry. This paper investigates, whether such a price-concentration relationship can be found on local cinema markets in Germany as well, focusing on up-to-date mainstream movies. First, we develop a model of monopolistic pricing and estimate its parameters using data of monopoly markets from a new set of German micro data. Then we apply the estimated model to simulate monopoly prices on local markets with two or more operators and compare them to the prices actually observed in these markets. We find no significant difference in admission prices, which puts our study in contrast to the results found on local US markets. Searching for an explanation, we test whether movie theater operators even though being located in the same geographic area, are local monopolists, but find no hint of that, either.

Value Function Iteration as a Solution Method for the Ramsey Model

By Burkhard Heer, Bozen, and Alfred Maußner, Augsburg

JEL C63; C68; E32

Value function iteration; policy function iteration; Howard's Algorithm; acceleration; cubic interpolation; stochastic Ramsey model; heterogeneous agents.

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Summary

Value function iteration is one of the standard tools for the solution of dynamic general equilibrium models if the dimension of the state space is one or two. We consider three kinds of models: the deterministic and the stochastic growth model and a simple heterogeneous agent model. Each model is solved with six different algorithms: (1) simple value function iteration as compared to (2) smart value function iteration neglects the special structure of the problem. (3) Full and (4) modified policy iteration are methods to speed up convergence. (5) linear and (6) cubic interpolation between the grid points are methods that enhance precision and reduce the size of the grid. We evaluate the algorithms with respect to speed and accuracy. Accuracy is defined as the maximum absolute value of the residual of the Euler equation that determines the household's savings. We demonstrate that the run time of all algorithms can be reduced substantially if the value function is initialized stepwise, starting on a coarse grid and increasing the number of grid points successively until the desired size is reached. We find that value function iteration with cubic spline interpolation between grid points dominates the other methods if a high level of accuracy is needed.

Purchasing-power-dependent Preferences as a New Explanation of Giffen Behaviour: A Note

By Clemens Heuson, Augsburg

JEL D01; D11

Giffen behaviour; purchasing power; preferences.

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Summary

This paper develops an example beyond traditional microeconomic theory that provides a new explanation of Giffen behaviour. Maslow's hierarchy of needs suggests that an individual's preferences are not fixed but, rather, depend on purchasing power. A decrease in purchasing power with respect to low-hierarchy goods (e.g., bread) is likely to augment an individual's preferences for such goods and to weaken preferences for high-hierarchy goods (e.g., books). By introducing a simple purchasing-power-dependent utility function that satisfies the standard assumptions, it is shown that the preference-shifting effect can provoke Giffen behaviour.

Changes in Import Pricing Behaviour: Evidence for Germany

By Kerstin Stahn, Frankfurt a. M.

JEL C22; F41

Import pricing; cost pass-through; exchange rate pass-through; pricing-to-market; Germany.

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Summary

Since changes in import prices feed into consumer prices and thus might affect monetary policy decisions, policymakers need to establish whether or not German importers' long-run pricing behaviour has changed. Of particular interest are any shifts in the importance of cost pass-through and pricing-to-market for import pricing in Germany that may have occurred since the 1990s. We analyse pricing in single equations for 11 product categories because the factors influencing the pricing behaviour, eg competitive pressure, may well have developed differently on the individual product markets. The Saikkonen (1991) approach is applied to test the import price levels for changes in the impact of their determinants. After aggregating the findings for the individual product categories, we find that, on the whole, pricing-to-market has increased, whereas cost pass-through via foreign costs and exchange rates is lower, but not via commodity prices.

Robust Estimation of Linear Fixed Effects Panel Data Models with an Application to the Exporter Productivity Premium

By Vincenzo Verardi, Namur, and Joachim Wagner, Lüneburg

JEL C23; C81; C87; F14

Robust estimation; panel data; outliers; Stata; exporter productivity premium.

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Summary

In empirical studies often the values of some variables for some observations are much larger or smaller than the values for the other observations in the sample. These extreme observations, or outliers, often have a large impact on the results of statistical analyses. Conclusions based on a sample with and without these units may differ drastically. While applied researchers are usually aware of this the detection of outliers and their appropriate treatment is often dealt with in a rather sloppy manner. One reason for this habit seems to be the lack of availability of appropriate canned programs for robust methods that can be used in the presence of outliers. Our paper intends to improve on this situation by presenting a highly robust method for estimation of the popular linear fixed effects panel data model and to supply Stata code for it. In an application from the field of the micro-econometrics of international firm activities we demonstrate that outliers can indeed drive results.

Diskussionsbeitrag / Discussion Paper

Finanzverwaltung von innen: Neue Ansätze ihrer empirisch-ökonomischen Erforschung

Von Enrico Schöbel, Frankfurt a. M.

JEL C80; H83; K34; K42; P16

Tax administration; tax assessment; tax adviser; expert interview; survey.

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Summary

Unlike economic theories of tax law enforcement, real income tax law application requires thorough interpretation of the law and the actual facts with regard to tax purposes. The automatic assessment produced by a computer program in German tax offices suggests the existence of a mechanically operated taxation akin to a weaving mill. However, empirical studies of tax administrations in the USA, the Netherlands, and Switzerland, as well as examinations carried out by the German Courts of Audit shed light on a subjective information revealing and decision making process. Unfortunately, the German tax administration does not provide individual tax assessment and tax compliance data which could be empirically analysed in comparison with the findings from abroad. Empirical economic studies are required to answer the question of how the German income tax law is applied. Thus, an expert questionnaire was developed and successfully pre-tested in tax offices with the aim of encouraging a nationwide study. A research proposal suggested interviewing tax advisers on their professional experience with tax offices. The German Federal Ministry of Finance initiated an online survey addressed to the tax advisers. The study and its results are critically reviewed with regard to methodology, previous insights, and the earlier proposal.