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The Impact of September 11th, 2001 on the Employment Prospects of Arabs and Muslims in the German Labor Market

By Nils Braakmann, Lueneburg

JEL J64, J71

Discrimination, September 11th, exit from unemployment.

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Summary

This paper examines whether the attacks on the World Trade Center and the Pentagon on September 11th, 2001 have influenced the job prospects of persons from predominantly Muslim countries in the German labor market. The paper uses a large, representative database of the German working population drawn from administrative sources and forms treatment and control groups based on current nationality. Evidence from regression-adjusted difference-in-differences estimates, estimated by piecewise constant exponential duration models, indicates that 9/11 did not cause a severe decline in job prospects for individuals with a nationality from a predominantly Muslim country. This result is robust when looking at Turks, individuals with a nationality from an Arab country and individuals from Non-Arab, but predominantly Muslim countries relative to a number of control groups. It is also in line with prior evidence from Sweden and England.

Labour Market Institutions and the Employment Intensity of Output Growth

By Gebhard Flaig, Munich, and Horst Rottmann, Weiden

JEL J23, E24, J50

Employment protection, labour market institutions, labour demand, international comparison, employment threshold.

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Summary

This paper deals with the effects of labour market institutions on labour market performance. We analyse as an indicator for the labour intensity of output growth the employment threshold (the minimum growth rate of output necessary to keep employment constant). We show for a sample of 17 OECD countries for the period 1971 to 2002 that the strictness of employment protection raises the employment threshold in all econometric specifications. A higher wage bargaining co-ordination and a higher tax wedge reduce also the labour intensity of production, although the effects are not in all econometric specifications significant.

Intergenerational Transmission of Educational Attainment in Germany – The Last Five Decades

By Guido Heineck and Regina T. Riphahn, Nuremberg*

JEL I21, I28, J11

Education transmission, intergenerational mobility, schooling, human capital transmission.

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Summary

Over the last decades the German education system underwent numerous reforms in order to improve “equality of opportunity”, i.e. to guarantee all pupils independent of parental background equal access to higher education. At the same time internationally comparative evidence yields that Germany features particularly low intergenerational mobility with respect to educational attainment. This study investigates the development in intergenerational education mobility in Germany for the birth cohorts 1929 through 1978 with respect to secondary school attainment. We test whether the impact of parental educational background on child educational outcomes changed over time. In spite of massive public policy interventions and education reforms our results yield no significant reduction in the role of parental educational background for child outcomes over the last decades.

The German Sub-national Government Bond Market: Structure, Determinants of Yield Spreads and Berlin's Forgone Bail-out

By Alexander Schulz and Guntram B. Wolff, Frankfurt a.M.

JEL E43, E44, G10, G12, G18, H63, H74

Sovereign bond market, yields, liquidity, fiscal federalism, Germany.

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Summary

The paper presents a new and comprehensive data set of all bonds issued by the sixteen German federal states (Länder) since 1992. It thus provides a complete picture of a capital market comparable in size to the combined corporate bond and commercial paper market in Germany. The quantitative analysis reveals that Länder follow different issuing strategies: while some concentrate to a greater extent on large issues or issue joint bonds with other Länder (Jumbos), others rely more on comparatively small but frequent issues. Moreover, some Länder issue a significant volume-share of their bonds in foreign currencies. Suitable bonds are used to compute time series of yields for the respective Länder at a daily frequency as well as a liquidity measure. Based on the unique data set, we document that spreads of Länder yields to the Bund are driven to a great extent by general risk aversion. Public debt only has an economically marginal impact. Moreover, the recent refusal of the Federal Constitutional Court to grant additional federal funds to the city-state of Berlin did not change the risk assessment of German Länder by financial markets. Recent market turbulences have manifestly contributed to widening spreads as well as increased responsiveness of Länder spreads to international measures of risk aversion.

Implementing a Dual Income Tax in Germany – Effects on Labor Supply and Income Distribution

By Gerhard Wagenhals and Jürgen Buck, Stuttgart

JEL C25, J22, H22, H24

Dual income tax, labor supply, microsimulation.

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Summary

Existing quantitative studies on the impact of a dual income tax on the German economy usually are based on computable general equilibrium models. They assume one representative household. Their results are sensitive to one behavioral parameter, the labor supply elasticity, which is assumed to be given exogenously. This paper presents a microeconomic evaluation of the labor supply and distribution effects of a dual income tax in Germany based on a representative sample of the German population. We observe small positive effects on labor supply and a small increase in economic inequality.