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## **Die Auswirkungen der Geldmenge und des Kreditvolumens auf die Immobilienpreise – Ein ARDL-Ansatz für Deutschland**

### **Money, Credit and House Prices – An ARDL-Approach for Germany**

**Von Ansgar Belke, Essen**

JEL E44, E52, R21, R31

Autoregressive distributed lag model, credit growth, financial crisis, money growth, house prices, cointegration.

Received: 14.07.2008

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#### **Summary**

The current financial crisis is often said to be caused by excessive liquidity and distorted incentives in the US subprime real estate sector. Taking this as a starting point, this paper analyzes the relation between house prices and credit respectively money growth between 1992 and 2006 (West German price data) and from 1997 to 2006 (East German price data). We focus on the German economy which – due to the creation of excess capacities in the wake of reunification – did not experience a house price bubble in contrast to other euro area economies such as Ireland and Spain. Applying an Autoregressive Distributed Lag (ARDL) approach we test for cointegration among the relevant variables. After estimating the long-run coefficients, we derive the optimal specification of the corresponding error-correction models and estimate them. Our results suggest that both monetary and credit policy are responsible for house price development especially in Western Germany. We also check exhaustively for well-behaved estimated residuals and conduct some tests for structural breaks and robustness checks. For instance, we show that tax policies – specific depreciation possibilities in the new federal states – also have a significant impact on house prices but without dominating the impact of credit and money growth. Our results are also robust to the application of a more traditional cointegration testing procedure in the spirit of Johansen and Juselius.

## **Bank Lending and Monetary Policy Transmission in Austria**

**By Johann Burgstaller, Linz**

JEL E51, E52, G21

Monetary policy transmission, bank lending channel, loan supply.

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### **Summary**

This paper examines the role of banks in the propagation process of monetary policy actions. Testable hypotheses are deduced from the theory of the lending channel, which argues that after a policy-induced drain of funds from the banking sector, some (types of) institutions are unable or unwilling to retain their prior levels of lending. To identify the decisive bank attributes, disaggregated data for the full population of Austrian banks is used for the 1998–2005 period. The average Austrian bank is found to significantly reduce its growth rate of loans after an increase in policy-driven interest rates. Heterogeneous lending reactions appear to be more pronounced for the institutions that are organized in multi-tier sectors. At large, the results are not compatible with the widespread notion that the Austrian banking sector absorbs monetary shocks. The lending channel also seems of aggregate importance as impulses in loan supply are found to significantly affect the growth rate of real GDP.

# The Development of Employers' Training Investments Over Time – A Decomposition Analysis Using German Establishment Data

By Katja Görlitz, Essen

JEL J24

Continuous training, employers, time trends, decomposition analysis.

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## Summary

Using establishment data covering the time period 1997 to 2007, this paper investigates trends of employer-sponsored further training in Germany, with a focus on the share of establishments investing in training. In West and East Germany alike, I find a positive time trend in the share of training active establishments. Applying Oaxaca-Blinder decomposition techniques shows that changes in some establishment characteristics affect the trend, however, not only in a positive way. While the increase of the fraction of skilled workers, changes in industry composition and the risen share of innovative establishments contribute positively to the trend, the decreased fraction of establishments engaged in collective bargaining operates in the opposite direction. In spite of these findings, the overall characteristics effect is rather small.

## Reassessing the Pay Gap for Temps in Germany

By **Elke J. Jahn, Aarhus**

JEL J30, J31, J42

Temporary agency employment, wage differential, decomposition, earnings, Germany, reform.

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### Summary

As a consequence of the rapid growth of temporary agency employment in Germany, the debate on the remuneration of temporary agency workers has intensified recently. The study finds that the earnings gap of temporary help workers in Germany is indeed large and increased during the past decade. Decomposition reveals that the widening gap mainly is driven by changes in relative skill prices and less by differences in the workforce composition. Temps already have to accept a marked earnings decline before entering the temporary help sector. Nevertheless, after leaving the sector temporary help workers no longer have to accept a pay penalty. A recent reform set a high incentive for temporary help agencies to pay their workers according to a collective agreement. Surprisingly, the unionization of the sector could not bring the widening earnings gap to a halt.

## **Institutional Determinants of School Efficiency and Equity: German States as a Microcosm for OECD Countries**

**By Ludger Woessmann, Munich**

JEL I28, L38, L33, H52, D02, D63, J24

Student performance, PISA, Germany, education production function, institutional effects in schooling.

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### **Summary**

Cross-country evidence on student achievement might be hampered by omitted country characteristics such as language or legal differences. This paper uses cross-state variation in Germany, whose sixteen states share the same language and legal system, but pursue different education policies. Education production function models are estimated using state-level PISA-E data, where possible pooling three subjects and three waves to obtain up to 138 test-score observations. The same results found previously across countries hold within Germany: Higher mean student performance is associated with central exams, private school operation, and socio-economic background, but not with spending, while higher equality of opportunity is associated with reduced tracking. In models that pool German states with OECD countries and combine up to 54 state and country observations, these institutional determinants do not differ significantly between the sample of German states and the sample of OECD countries, indicating that the existing cross-country evidence is not substantially biased by unobserved country-specific factors.