

List of Projects

Mario Holzner

Fiscal policies in Europe II. (*wiiw Team Leader*)

Austrian Chamber of Labour

July 2018 - July 2020

In this project, we assess fiscal policies and their macroeconomic effects in the European Union, with a particular focus on Austria. While the empirical work will be based on quantitative methods, the focus of the project is on providing a comparative European perspective. In particular, we compile relevant data for a group of EU countries and use this data set for several subprojects: we estimate fiscal multipliers for different categories of public spending, analyse the relevance of labour market developments for public expenditures and look at recent developments of capital and income taxes in the context of globalisation.

Framework contract for the implementation of external aid 2018 (FWC SIEA 2018) - Lot 5 'Budget Support' (*wiiw Team Leader*)

EuropeAid

June 2018 - May 2020

This Framework contract is supposed to provide services for the benefit of third countries receiving EU external aid. Lot 5 covers 'Budget support', which includes public policies, macroeconomic stability, public finance management, domestic revenue mobilisation, and statistics and indicators. wiiw is part of a consortium led by Pohl Consulting.

Framework contract for the implementation of external aid 2018 (FWC SIEA 2018) - Lot 6 'Innovative financing for development' (*wiiw Team Leader*)

EuropeAid

June 2018 - May 2020

This Framework contract is supposed to provide services for the benefit of third countries receiving EU external aid. Lot 6 covers 'Innovative financing for Development', which includes finance products and structures, financiers/risk takers, markets and financing needs/gaps, policy issues, and legal, institutional and procedural issues. wiiw is part of a consortium led by BKP Development.

Framework contract: Evaluations and impact assessments of EU macro-financial assistance and balance of payment support operations

European Commission, DG Economic and Financial Affairs

January 2016 - December 2019

European Commission, DG Economic and Financial Affairs established a multiple framework service contracts that allows it to obtain evaluation services and impact assessments of its own activities. Under this Framework Contract, the consortium partners assess the relevance, effectiveness, efficiency, utility, sustainability, coherence, European Union Added Value, and governance of the macro-financial assistance and balance of payment support operations granted by the EU and the IMF to third countries. wiiw is part of a consortium under the leadership of Ecorys.

Western Balkan Regional Cooperation (*wiiw Team Leader*)

Bertelsmann Stiftung

June 2018 - November 2019

Regional cooperation has been the main instrument of EU intervention in the post-conflict Balkans. The overall goal

of this policy has been to increase economic and social connectivity in order to achieve political stability and enhance security, as a precondition for EU accession. This process has now lasted for about two decades. Our study aims to clarify the political constraints on economic cooperation as an instrument for political normalisation. More specifically, it will provide a comprehensive assessment of regional cooperation in the Western Balkans over the past two decades. It will also deliver a blueprint for the way forward, with clear steps for how regional cooperation in the Western Balkans could be supported by the EU.

De-Regulierung und Re-Regulierung im Bereich der Europäischen Schieneninfrastruktur (*wiiw Team Leader*)

ÖBB-Infrastruktur AG/Austrian Railway

April 2018 - December 2018

The European domestic market in the railway sector was established from 2001 to 2016 on the basis of a comprehensive legal framework (the so-called "railway package"). The aim of this project is (1) to give a detailed overview of the advantages and disadvantages of deregulation in the European context; (2) with regard to the interests of customers, rail companies, network operators, the public sector and general economic and environmental aspects; (3) to present the experiences of the Californian energy sector and to analyze to what extent lessons can be learned for rail transport. The study will be written in German.

Capacity building for Central, East and Southeast Europe: Joint Vienna Institute

Oesterreichische Nationalbank/Austrian Ministry of Finance

January 2008 - December 2018

For more than two decades, wiiw has been organising seminars within the framework of the Joint Vienna Institute (JVI). These seminars are targeted at decision-makers in the public sector and at politicians from transition countries in Southeast Europe and the CIS and are supposed to present and discuss relevant topics in economic policy. wiiw organises four seminars per year and is responsible for their entire conception, organisation and choice of presenters.

Austria's Economic Competitiveness in a Neighbourhood Context (*wiiw Team Leader*)

Anniversary Fund of the Oesterreichische Nationalbank

August 2016 - July 2018

Since the Eastern enlargement of the EU in 2004, Austria has lost global export market shares. At the same time exports to Central, East and Southeast Europe have gained a significant portion of Austria's total exports. Moreover, in recent years Austrian GDP growth has slowed down and unemployment increased. In this context our main research question is whether the opening to the East had a structural lock-in effect for Austria's economy. In a novel approach on the territorial lock-in effect we will apply a multi-perspective view from a microeconomic (firm-level), mesoeconomic (industry-level) and macroeconomic (country-level) perspective. As regards data, we will have exclusive access to an update of the world input-output database including data for the Western Balkans. The new data will add substantially to the project, the current discussion on Austria's competitiveness and the development of policy recommendations

Investitionspotentiale österreichischer Unternehmen in Bosnien-Herzegowina, Montenegro und Serbien

(wiiw Team Leader)

Federal Chancellery of the Republic of Austria

May 2018 - July 2018

Austrian companies are among the most important investors in the Western Balkans. Much of the investment was made before the onset of the global financial crisis. The aim of this project is for the selected countries of Bosnia-Herzegovina, Montenegro and Serbia to: (1) give a detailed overview of Austrian direct investment; (2) map the economic environment for Austrian companies locally; (3) formulate policy recommendations to support Austrian companies in these countries. The study will be written in German.

Studies in the Areas of European Competitiveness

European Commission, DG Growth

August 2014 - July 2018

The purpose of this framework contract is to provide the European Commission, DG Enterprise and Industry, with background studies concerning the competitiveness of European industries. These background studies are mainly

used for the preparation of the Commission's European Competitiveness Report which is published annually in order to provide analytical input to the policy debate on issues related to competitiveness and to underpin proposals and recommendations regarding the Europe 2020 strategy and future enterprise policy.

Infrastructure Investment in the Western Balkans: a First Analysis (*wiiw Team Leader*)

European Investment Bank (EIB)

February 2018 - June 2018

The study will provide a first analysis of the recent development in infrastructure investment in the Western Balkans, identify key infrastructure initiatives in the region, outline the political dimension, propose a blue print for potential initiatives in other regions of the EU neighbourhood and provide the respective national accounts infrastructure investment data as collected from the Western Balkans statistical offices.

Economic policy implications of the Belt and Road Initiative for CESEE and Austria

Embassy of the Peoples Republic of China

October 2017 - March 2018

The Belt and Road Initiative (BRI), a vision to revive the ancient 'Silk Road', was first presented by the Chinese President Xi Jinping in 2013. This initiative will affect more than forty countries throughout Eurasia and Africa. For Austria, it is particularly interesting, due to the country's strong economic relations with Eastern Europe and the Western Balkans. China has identified this region as the gateway to Western European markets, and emphasised its strategic importance with the initiation of a diplomatic initiative titled '16+1'. Furthermore, this region has a particularly high need for infrastructure investment, which form the core of the BRI. An analysis of developments in trade and investment, accompanied by the evaluation of the need for infrastructure investment in sixteen countries in Central, East, and Southeast Europe (CESEE), should allow for the identification of potential fields of cooperation between China and Austria in the context of the 'new Silk Road'.

Wage developments in Central and East European EU Member States

Austrian Chamber of Labour

January 2018 - March 2018

The aim of the project is to describe the wage developments in eight EU countries of Central and Eastern Europe that are of major importance for Austria (EU-CEE-8: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia), to analyse their determinants and to derive policy recommendations. These are to assist in providing a positive stimulus to the EU-CEE-8 economies and to offer a long-term perspective for the population. Particular focus is put on the wage share in the EU-CEE-8 countries, which has recently started to rise again. Nevertheless, the question arises why wage growth has not been even stronger in view of the tightening labour market in the region, with most countries recording shortages of labour/skilled workers. This is the central research question of the project.

Wirtschaftliche Perspektiven für Kroatien - Eine Analyse der kroatischen Wirtschaft und abgeleitete Politikempfehlungen auf nationaler und EU Ebene (*wiiw Team Leader*)

Austrian Chamber of Labour

June 2017 - December 2017

The aim of the study is to develop policy recommendations to improve the economic conditions of the Croatian economy and the future perspectives of its population. A special focus of the analysis is on possible Austrian and EU assistance for absorbing potential effects on the Croatian and Austrian labour markets stemming from the expiration of the transitional arrangements concerning the employment of Croats in Austria. These are set to expire by the end of June 2020, at the latest.

Fiscal policies in Europe

Austrian Chamber of Labour

January 2016 - December 2017

This project analyses Austrian fiscal policy in a European context. Against the background of the most recent academic literature, it delivers new empirical results on macroeconomic outcomes of fiscal policy measures. In particular, the research focuses on fiscal policy coordination problems in the EU's fiscal regulation framework, which relies on model-based estimates of the structural deficit. Further topics are the analysis of government expenditure structures in European countries as well as the effects of changes in discretionary fiscal policy on the

income distribution.

Durchführung einer Analyse zu volkswirtschaftlichen Aspekten von Infrastrukturinvestitionen (*wiiw Team Leader*)

*Ministry for Transport, Innovation and Technology (BMVIT)
February 2017 - September 2017*

The aim of the project is on the one hand to calculate a possible lack of investment for Austria and other EU member states in the area of strategic important infrastructure like for example street, rail or broadband internet connection. And on the other hand to develop a concrete suggestion for a “golden rule” for infrastructure investment on EU level. The project is based on actual research, is broadening it and puts a focus on the macroeconomic approach of infrastructure investments, whereas structural, cyclical and regional aspects of the topic will be treated.

Falling Behind and Catching Up in Southeast Europe (GDN)

*Oesterreichische Nationalbank/Austrian Ministry of Finance
January 2014 - May 2017*

Southeast Europe holds a long record of being one of Europe’s least developed regions. Sporadic growth spurts are regularly followed by strong fall-backs. Neither firms, nor banks or states were able to make broad industrialization happen in a sustainable way. The proposed research analysed the determinants and effects of backwardness in Southeast Europe. The analysis included inter alia issues of long-run development, industrialization, infrastructure, the role of cities, migration, state building and financial crisis. The results yielded important policy recommendations.

Support of European Structural and Investment Funds (ESI Funds) to the implementation of the Country Specific Recommendations and to structural reforms in Member States

*European Commission, DG Employment, Social Affairs and Inclusion
December 2015 - February 2017*

The study aims to produce evidence which can be used to support the implementation of the current programmes as well as the preparation of post-2020 ESIF programming. The study will focus on the relationships between structural reforms, linked to Country Specific Recommendations (CSRs) proposed as part of the European Semester, and the strategic design and implementation of the ESI Funds. The role of the ESI Funds in promoting and supporting the reforms will be examined in depth, with particular attention on the impact of two of the novelties introduced in 2014-2020: the ex-ante conditionalities and thematic objective 11 on Enhancing Institutional Capacity of Public Authorities and Efficient Public Administration.

Tradability of Output and the Current Account in Europe

*Anniversary Fund of the Oesterreichische Nationalbank
July 2015 - December 2016*

One aspect in the debate about current account imbalances in Europe is the consequence of ‘de-industrialisation’ observable in several European countries. This project highlights the role of tradability of output as a key determinant of the current account balance. The relationship between a country’s specialisation in the production of tradables will be investigated empirically for 46 European countries over the period 1995-2014. To this end a tradability index is developed which can be understood as a country’s expected degree of openness given its economic structure. The tradability hypothesis to be tested in this project suggests that countries specialising in the production of relatively more tradable output have a tendency to run current account surpluses. It is shown that this relationship is also predicted by intertemporal models of the current account. The tradability hypothesis is tested using both panel regressions and cross-country regression techniques.

Global Development Network Southeast Europe (GDN_SEE)

*Oesterreichische Nationalbank/Austrian Ministry of Finance
February 2009 - July 2016*

wiiw acts as regional hub for SEE within the Global Development Network (GDN) in providing capacity building for research and policy advice in the areas of labour markets, migration, trade, etc. wiiw initiated several research competitions in the region and also performs own research in this context. The topics of the most recent project phase were labour market developments, inequality, migration and fiscal systems in SEE.

Socio-economic assessment of the Danube Region: state of the region, challenges and strategy development

*Ministerium für Finanzen und Wirtschaft Baden-Württemberg
July 2013 - October 2015*

The main objective of this project was an analysis of potential opportunities, requirements, challenges, and recommendations, in order to enhance the competitiveness, the innovative strength, the attractiveness, and the prosperity of the entire region of the Danube riparian countries and regions, and to develop strategic orientations in view of transnational and interregional cooperation for the period 2014-2020. wiiw developed this assessment in cooperation with two German partners, the Centre for European Economic Research (ZEW) - which was also the leader of the project - and the Institut für Angewandte Wirtschaftsforschung (IAW). The focus on wiiw's contribution was on labour markets, regional development, cluster development and cooperation in the Danube Region.

Recent patterns of labour mobility in the European Union (wiiw Team Leader)

*Anniversary Fund of the Oesterreichische Nationalbank
July 2013 - March 2015*

In the EU the level of labour mobility is comparably low, but rising due to intensified labour market flexibility and increasing migration flows. The project analysed changing patterns of labour mobility in a detailed manner in the countries, regions and economic sectors of the EU by applying a descriptive and an econometric approach. A specific focus was put on whether international migrants respond more flexibly to labour market demands. Moreover, the effects of external shocks during the financial and economic crisis on the scale and structure of labour mobility was analysed. The project drew on two micro-datasets: the EU labour force survey for performing a worker flow analysis and the MICRO-DYN database, which provides data based on EU-wide firm-level data to perform a job flow analysis. In the econometric approach we applied regional, country, sectoral and workers characteristics to detect the reasons for differences in the European wide map of labour mobility.

Increasing competitiveness in the Western Balkans region - opportunities and limits (wiiw Team Leader)

*German Federal Ministry of Finance
July 2013 - January 2015*

This study was written in German, original title: 'Steigerung der Wettbewerbsfähigkeit in der Westbalkanregion - Möglichkeiten und Grenzen'. The European Union as well as international and bilateral players increasingly consider higher competitiveness as a key factor for economic development in the Western Balkans region that is to be more and more autonomous and resilient in the long term. Against this background, the project aims to identify the potential for (further) structural reforms and their implementation and efficient realisation, as well as the potential for growth and strategies to exploit it. The project is carried out in cooperation with the Halle Institute for Economic Research.

Auswertung der HFCS Daten im Europavergleich. Immobilienvermögen, Verschuldung, nettovermögenslose und eigenheimbesitzende Haushalte

*The Chamber of Labour (AK Wien)
December 2013 - November 2014*

The aim of the study is to describe the situation of household asset and debt holdings and the distribution thereof in the countries of the eurozone and to provide a comparison between those. The analysis is based on data from the Household Finance and Consumption Survey (HFCS). The analysis focuses particularly on two groups of households, those without or with negative net wealth holdings and those households being proprietor of their home. Recent research on the topic has first and foremost dealt with the situation in the US. Moreover, the study discusses the relevance of real estate assets for households in a broader sense.

International conference 'The 2004 EU Enlargement – Ten Years After: Achievements and Next Steps'

*Austrian Ministry of Finance
June 2014 - June 2014*

The conference celebrated the 10th anniversary of the accession of ten Central, Eastern and Southeastern European countries to the European Union. It reflected on achievements and lessons learned and discussed possible future political and economic developments in Europe.

Support to the Development of the South East Europe 2020 Strategy

Regional Cooperation Council (RCC)

June 2013 - September 2013

The Regional Cooperation Council (RCC) Secretariat was requested by the countries of the Southeast Europe Cooperation Process (SEEC) as well as the European Commission (EC) to advance the preparation of a regional development and growth strategy - SEE 2020. In course of this process, eleven specific targets have been identified that span convergence with EU, trade, investment, employment, education and governance. All in all, the SEE 2020 encompasses 14 policy dimensions. In the framework of this consultancy assignment, wiiw coordinated a group of experts who compiled and synthesized the various inputs from regional initiatives, platforms and other relevant stakeholders into the Strategy document. Last but not least, wiiw experts ensured the internal consistency of the proposed targets and measures and provided contextual analysis and advice. In November 2013, the SEE 2020 strategy was finally approved by the Ministerial Conference of the South East Europe Investment Committee.

A manufacturing imperative in the EU - Europe's position in global manufacturing and the role of industrial policy (Competitiveness Report 2013)

European Commission, DG Enterprise and Industry

November 2012 - June 2013

This study served as a background report for the annual European Competitiveness Report of the European Commission (DG ENTR). The objective was (i) to detect the structural changes that have occurred in the European economy in order to identify the major challenges that lie ahead European manufacturing and (ii) to analyse and evaluate past and current approaches to industrial policies (and instruments) at the European and the EU Member State level. Based on the structural challenges for the EU economy and experiences with industrial policies the study formulated suggestions for potential elements of a renewed European industrial policy. The policy conclusions took into account the interaction of industrial policy with related policies such as competition rules, innovation policies and trade policies. The study contains both qualitative and quantitative analyses, including cluster analysis and various econometric techniques and made use of numerous data sources such as the World Input-Output Database (WIOD), OECD ANBERD, Eurostat, European Commission State Aid Scoreboard database and the Community Innovation Survey (CIS).

Crisis effects: growth prospect, social impact and policy responses in SEE and CIS

Oesterreichische Nationalbank/Austrian Ministry of Finance

July 2011 - June 2013

The main objective of the project is to establish economic research capacities throughout Southeast Europe (SEE) and the Commonwealth of Independent States (CIS), to promote knowledge transfer into the regions, to facilitate networking between researchers and to assist in securing knowledge transfer from researchers to policy makers. Activities to achieve this include research calls, mentoring, workshops, conferences and policy dialogues. The project is structured into bi-annual research cycles focusing on a specific research theme of particular importance. During this phase, research aims at analysing whether the international crisis shock introduces structural breaks in the distribution of income and other welfare dimensions, conditional on the change in the potential speed of growth, the quality of development, and the induced or adopted policy changes in SEE and CIS. The project is part of the Global Development Network (GDN), a multilateral organisation founded by the World Bank in which wiiw acts as a hub for SEE.

Ex-post evaluation of Macro Financial Assistance operations to Kosovo

European Commission, DG Economic and Financial Affairs

March 2012 - October 2012

Under its Financial regulation, the EC is legally obliged to evaluate its main programmes, including Macro Financial Assurances (MFA). The main objective of this ex-post evaluation was to learn key lessons which can be applied to future interventions and/or to identify a possible need for a reorientation of the present EC approach. The evaluation focused on three core areas of economic effects: (1) macroeconomic effects; (2) structural effects and (3) effects on the sustainability of the external financial situation. Each area focused on the effects over specific time horizons: macroeconomic developments were assessed on short-term effects (up to 2 years after the initial disbursement), the structural effects on the economy and institutions on short- and medium- term effects (up to 4 years after the initial disbursement) and the external financial situation on medium- to long-term effects (3 years or more).

Multidimensional inequality and poverty in the EU considering polarisation and social mobility

Anniversary Fund of the Oesterreichische Nationalbank

September 2010 - July 2012

The project contributes to cross-country inequality and poverty research on income and well-being as well as on income polarisation. Part 1 provides a regression-based decomposition analysis of income inequality and poverty in the EU. The research, based on EU-SILC data, allows identifying micro- and macro-level determinants of social stratification. In Part 2 the analysis is broadened to multidimensional inequality and poverty, detecting sources of dispersion of well-being. Part 3 goes beyond the static examination of poverty and inequality by looking at intergenerational mobility and inequality and poverty persistence. Part 4 presents a multi-level analysis of macro- and microeconomic determinants of income polarisation in the EU, which is also based on EU-SILC data.

Study in the context of Croatia's EU accession

Federal Chancellery of the Republic of Austria

December 2011 - July 2012

The study provides background information for the Austrian Chancellery in the context of Croatia's accession to the EU. It describes the economic development of Croatia in a comparative perspective, analyses Austria's relations with Croatia and discusses potential future developments as a result of EU membership.

The European neighbourhood - challenges and opportunities for EU competitiveness (Competitiveness Report 2012)

European Commission, DG Enterprise and Industry

November 2011 - May 2012

This study serves as a background report for the yearly Competitiveness Report of the EC. In order to assess the differences between neighbouring countries with respect to their importance for EU competitiveness, the study first maps the economic situation and competitiveness of each of the Eastern and Southern ENP partner countries, non-candidate EFTA countries, potential candidate countries as well as Russia. The study describes and analysed the economic importance of institutional arrangements and instruments for cooperation between the EU and the above countries. It also explores the economic and trade impact of bilateral agreements and related trade and investment flows including energy, raw materials and other resources between EU Member States. The final part of the study contains a discussion of the challenges and opportunities for EU competitiveness resulting from its different economic relations, institutional arrangements and instruments with its immediate neighbours, as well as the bilateral relations between EU member states and neighbouring countries. The prospects for EU SMEs to expand their activities into neighbouring countries are discussed and conclusions drawn on the basis thereof. The study concludes with policy recommendations stemming from the discussion of challenges and opportunities. wiiw coordinated the study.

http://ec.europa.eu/enterprise/policies/industrial-competitiveness/competitiveness-analysis/european-competitiveness-report/index_en.htm

Country risk analysis (wiiw Team Leader)

Erste Group Bank AG

November 2011 - April 2012

Country studies are performed for Austria, Croatia, the Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Ukraine, analysing the political and institutional, economic and social situation on a qualitative and quantitative basis.

Developing efficient activation approaches and identifying elements for regional cooperation in the Western Balkans

European Commission, DG Employment, Social Affairs and Inclusion

March 2010 - April 2012

The main objective of this project was the assessment of employment policies in the Western Balkan countries, their distance from the European Employment Strategies (EES), and the capacity and effectiveness of the Public Employment Services (PES) to implement modern labour market services. The general approach of the research was to assess the existing policies against the background of labour market developments in the Western Balkan countries. wiiw coordinated this project, in cooperation with ÖSB and with support of some local experts.

Workshop: MENA transition and international responses

Austrian Ministry of Finance

August 2011 - December 2011

In December 2011, wiiw organised a workshop with high-level experts to discuss the current economic, political and social situation in MENA countries, the challenges they face and the challenges posed for the EU neighbourhood policy. The workshop took as a vantage point the experiences from Central and Eastern European countries and the lessons the transformation of these countries may hold for future developments of the MENA region. wiiw produced a background paper for this workshop.

Strategic partnership in support of the integrated regional development plan of the Autonomous Province of Vojvodina

Austrian Development Agency (ADA)

January 2008 - June 2011

The main objective of this project was to strengthen and support the socio-economic development process of the Autonomous Province of Vojvodina by implementing specific measures, which are combined in a multi-sectoral action plan. The specific role of wiiw in this project was to support a regional economic research institute in capacity building, e.g. by setting up an economic model, a business barometer methodology and implementation, training in mathematics and statistics, mentored research, scientific dissemination and networking as well as general management skills.

The revival of NMS mutual trade after their EU accession: in search of the reasons behind (wiiw Team Leader)

Anniversary Fund of the Oesterreichische Nationalbank

August 2009 - March 2011

Since their EU accession, mutual trade of the Central European new members has been expanding more dynamically than before 2004 and much faster than these countries' trade with the 'old' EU members. The project's target was to identify the reasons behind this phenomenon. First, changes in the structural features of these countries' mutual trade before and after the 2004 EU enlargement were analysed; revealed comparative advantage, marginal intra-industry trade and intensive and extensive margins of trade indicators were calculated and interpreted. Second, the significance of foreign-owned enterprises' presence in various industries and bilateral trade relations was investigated. Third, trade and FDI in services were scrutinised. Fourth, the potential of mutual trade was addressed with the help of a gravity model. Policy lessons for EU candidate countries and possible effects on Austria were discussed.

Employment in the gas and electricity sectors in the Western Balkan contracting parties of the Energy Community

European Commission, DG Employment, Social Affairs and Inclusion

November 2009 - February 2011

The aim of this study was to analyse the employment development in the gas and electricity sectors in seven countries of the Western Balkans. In doing so, the impact of liberalisation and of the resulting restructuring processes on the number and quality of jobs is investigated and likely trends were presented. The study was based on quantitative analysis as well as on qualitative analysis in the form of stakeholder interviews.

Serbia: medium to long term economic development

Telekom Austria Group

November 2010 - January 2011

The study analysed current economic developments in Serbia, the country's perspective of EU accession and provided a medium-term forecast of main economic indicators. The authors diagnosed short-term risks to economic recovery due to social and political instability as well as lacking institutional, structural, and policy reforms. In case the planned process of EU integration was realised, more reforms and rather sustainable development was expected after the elections in 2012. This was also considered to be supportive to the macroeconomic stability, which was mainly anchored in the exchange rate policy. Under these assumptions, a GDP growth rate of around 4% per year and a relatively stable currency and inflation was expected, albeit at a somewhat higher level. The alternative scenario was that the whole process stalls and the traditional muddling through strategy prevailed with rather disappointing and unpredictable results due to the changed international environment.

Inequality and fiscal policy in transition countries

Oesterreichische Nationalbank/Austrian Ministry of Finance

January 2009 - December 2010

The main objective of the project is to establish economic research capacities throughout Southeast Europe (SEE) and the Commonwealth of Independent States (CIS), to promote knowledge transfer into the regions, to facilitate networking between researchers and to assist in securing knowledge transfer from researchers to policy makers. Activities to achieve this include research calls, mentoring, workshops, conferences and policy dialogues. The project is structured into bi-annual research cycles focusing on a specific research theme of particular importance. During this phase, research dealt with inequality and fiscal policy in transition countries of Southeast Europe (SEE) and the Commonwealth of Independent States (CIS). Research aimed to analyse issues of income and other distributions (e.g., wealth, wage, skills, opportunities) in transition countries with special interest in the role of market liberalisation and fiscal redistribution. The project is part of the Global Development Network (GDN), a multilateral organisation founded by the World Bank in which wiiw acts as a hub for SEE.

Austrian linkages to the European economy and the transmission mechanisms of economic crisis

Austrian Ministry of Economy, Family and Youth

June 2010 - November 2010

The goal of this project was to develop a new concept called 'strategic fragmentation' which is used to explore how stronger interconnectedness between EU Member States could lead to lower vulnerability and hence to more freedom of action in economic and foreign policy. The economic value of energy solidarity mechanisms and more interconnection capacity between Member States was assessed and simulated numerically. For this purpose a model of strategic fragmentation has been developed which yields costs and benefits of various policy concentration options for EU Member States.

Three contributions to exchange rate economics

Anniversary Fund of the Oesterreichische Nationalbank

July 2008 - June 2010

The project constructively contributes to the literature on some well-known puzzles in international economics. Part 1 offers a demand-side alternative to the Balassa-Samuelson Effect which is commonly invoked to explain the presence of exchange rate/purchasing power parities gaps. The alternative is tested against the recent ECP data. The same set of data underlies Part 2, concerned with specification of neoclassical general equilibrium models of pan-European trade. Analyses of the models' solutions shows that the ER-PPP gaps can persist even if the "Law of One Price" operates perfectly. Part 3 studies the ECP data with the means of advanced dynamic econometrics to test hypotheses on movements of relative price and GDP levels across Europe. It is hypothesised that these movements are not disconnected. Part 3 has important implications for the policy (e.g. on euro adoption) debates.