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## **"Politik- oder Unternehmersversagen?" Einige ordnungspolitische Anmerkungen zu Energie und Stahl**

*Heinz Kriwet*

### **Abstract**

The paper discusses whether recent developments in the coal and steel sector are due to state failure or to failure by entrepreneurs. Regarding the steel sector, it is argued that massive subsidies granted by various European states have caused the problem of over capacity the sector faces today. State failure is therefore the main reason for the current problems in this sector. As to the coal sector, its production in Germany would have ceased to exist for many years without public subsidies. However, both arguments are rather weak since the aims of such policies could be realized much cheaper by other instruments. The paper concludes with stating that the characteristics of a market economy are not applied to the coal sector and only to a small extent to the steel sector.

JEL Klassifikation: D 60.

## **Entsendegesetz - eine Aushöhlung der Wirtschaftsordnung**

*Johann Eekhoff*

### **Abstract**

This paper examines the economic implications of the posted workers law. The law provides that employment regulations such as minimum wages in the German construction sector are to be applied to both German and foreign companies operating in Germany. By choosing such an interventionist instrument, its impact is rather harmful to the economy, leading actually to an exclusion of Portuguese, Irish and other employees from the German labour market. Thereby the law not only prevents the convergence of living conditions within the European Union but also increases the costs of construction and living in Germany. Another consequence of the law is that the demand for protectionist instruments in other sectors and countries will become stronger. In order to improve the social and employment conditions in Europe, the paper therefore suggests to introduce more instead of less competition in the German labour market.

JEL Klassifikation: J 30, J 31, J 40.

Wirtschaftspolitisches Forum

## **Wirtschaftspolitisches Forum: Ist die Tarifautonomie noch zeitgemäß?**

Abstract

The economic policy forum discusses the question of whether the German system of autonomous wage bargaining is still up-to-date.

*Wolfgang Franz* considers two aspects. First, he examines to what extent the existing unemployment rate can be reduced by wage policy. Due to certain forms of unemployment, this can be done only partly by lower real wages. In addition, he shows that it can be rational for employees as well as for employers to agree on wages which are higher than the equilibrium wage. In the second part, he considers the question of whether centralised or decentralised negotiations over wages are more likely to solve the problem of unemployment. Arguments in favour of both options can be found. The paper concludes with some suggestions to make collective agreements more flexible.

*Wernhard Möschel* compares the German system of autonomous wage bargaining with a cartel agreement which results in prices higher than the equilibrium price. Moreover, the globalisation of markets and new orientations in the international division of labour require more flexible solutions. However, the autonomous wage bargaining is a constitutional right which is rather unlikely to be changed. An agreement by social partners on common measures such as setting minimum wages lower than the equilibrium wage is also not very likely. The paper thus suggests that employers may undertake unilateral actions such as restructuring their associations. This should be accompanied by specific government measures.

*Karl-Heinz Paqué* argues that countries with a system of autonomous wage bargaining are characterised by persisting unemployment. This characteristic is the result of both structural changes of the economy and its consequences for the market value of labour. Two mechanisms exist in order to adopt to the different market conditions: a flexibilisation of the agreed wage rate structure or a general restraint in wage bargaining. However, both mechanisms have failed so far due to the lack of willingness by the social partners. Competition by outsiders on the labour market and a political "alliance for employment" could increase employment while keeping the system of autonomous wage bargaining. The paper concludes with stating that in the near future unemployment will be unavoidable.

JEL Klassifikation: J 50, J 52, J 53.

## **Marktwirtschaft und Subsidiarität: Die föderative Arbeitsteilung auf dem Prüfstand**

*Claus-Friedrich Laaser und Jürgen Stehn*

### Abstract

The article analyses whether the efficiency of economic policy decisions in national and supranational communities can be improved by deepening the division of labor between different levels of government. Using a model based on the theory of fiscal federalism, normative criteria for the optimal vertical distribution of authority are developed. A comparison between the derived optimality conditions and the factual distribution of authority in the Federal Republic of Germany and the European Union indicates that in Germany as well as within the EU a decentralisation of economic policy authority would be welfare-improving.

JEL Klassifikation: D 70, D 72.

## **Eine "fünfte Freiheit" für Europa: Stärkung des politischen Wettbewerbs durch "FOCJ"**

*Reiner Eichenberger*

### Abstract

Competition and open markets are the battle-songs of the EU. While they gave birth to the four economic freedoms, political competition has been neglected. Thus, a future European constitution should strengthen political competition by guaranteeing a fifth freedom: Citizens and communities are allowed to found Functional, Overlapping and Competing Jurisdictions. These FOCJ build on Modern Political Economics. However, similar institutions have existed in European history, and are successful today in the form of U.S. special districts and Swiss functional, democratic and overlapping communities. FOCJ prove to be welfare-increasing, and the counter-arguments not to be valid.

JEL Klassifikation: D 72, H 11, H 70, R 50.