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Zur politischen Ökonomie der föderalen
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Rigider Arbeitsmarkt oder ungleiche Einkommensverteilung – Ein unlösbares Dilemma?

Norbert Berthold, Rainer Fehn und Eric Thode

Abstract

The paper shows that a more flexible labor market is unequivocally necessary for a lasting and substantial reduction of unemployment. It furthermore points out that a more flexible labor market is even beneficial from a long-run distributional point of view. Hence, the key to liberalizing the labor market lies in overcoming widespread short-run distributional concerns. Increasing the short-run elasticity of labor demand with respect to the real wage by fostering venture capital markets appears to be a crucial stepping stone.

JEL -Klassifikation: E23, E24, E25, E44, J6

Lohnfortzahlung und Krankenstand

Alfred Boss

Abstract

Sickness benefit income reduces an employee's opportunity costs of absence from work. In the Federal Republic of Germany the institutional arrangement was changed several times during the 1951–1999 period. This paper investigates the effects on sick leave behavior. According to the empirical analysis, moral hazard is a serious problem in Germany. The paper discusses some institutional changes (including compulsory private insurance for the employed) which probably would reduce moral hazard significantly.

JEL-Klassifikation: J 2, J 28

Wirtschaftspolitisches Forum

Die WTO auf dem Prüfstand: Zur Notwendigkeit einer Millennium-Runde

Abstract

This economic policy forum addresses the subject „*New Challenges for the WTO: Do we need a Millennium-Round?*“. *Brian Hindley* has serious doubts whether the Millennium-Round should be revived. While the EU suggests that an agreement on competition policy should be essential for new multilateral trade negotiations, the Department of Justice which administers competition policy in the US is less enthusiastic about the idea. The same applies to rules on investment. The author

discusses both aspects of the EU's extended agenda proposals and comes to the conclusion, that what is left is a rag bag. A bag that contains some useful issues, some dubious ones, some downright bad ones, but without enough content to fuel a credible multilateral trade negotiation. His conclusion is, that perhaps the case for multilateral agreements on competition policy and investment can be strengthened and if the Commission can do that, it should. The case for a Millennium-Round based on the extended agenda is weak.

In the opinion of *Heinz Hauser*, a new Millennium Round has a high potential to fail. The author discusses his hypothesis in three steps. First, he draws attention to the question, which conclusions can be seen from Seattle. Second, he analyses the political environment for a hypothetically new round. He wants to substantiate that the expected results of a new round would be more harmful than beneficial for a liberal world trade arrangement. In a third step *Hauser* makes clear that the compliance with the commitments from the Uruguay-Round is still unsatisfactory.

The paper by *Ulrich Hiemenz* argues that a better integration of developing countries into the multilateral trading system is a key challenge at the beginning of the new millennium. He emphasises that a new round of multilateral trade negotiations launched under the auspices of the WTO would provide a window of opportunity for all participating countries to improve their living standards through better market access, greater domestic efficiency and higher productivity. Developing countries could even benefit more from further trade liberalisation than industrialised countries, provided they implement the domestic policy reforms necessary to capture these benefits.

JEL-Klassifikation: F 1, F 42, O 1

Indexed Bonds and European Monetary Union

Christoph Harff

Abstract

Indexed government bonds have recently been promoted as instruments for fiscal and monetary credibility in Europe. Nevertheless, indexed bond markets remain very small or do not exist at all. This paper illustrates the advantages of indexed bonds for fiscal and monetary policy. An analysis of indexed bond markets explains the paradox of well known benefits of indexed bond markets and their lack of popularity. It is shown that the market for indexed bonds has asymmetries in the distribution of its risks and benefits which prevent a required minimum size of the market. This holds in particular for EMU. Finally, a proposal is presented to establish a market for indexed bonds in EMU.

JEL-Klassifikation: E 31, E 52, E 61, F 36, H 63

Zur politischen Ökonomie der föderalen Finanzbeziehungen in Deutschland

Hans Pitlik und Günther Schmid

Abstract

Over the past 50 years revenue sharing and intergovernmental grants between the central government and the states have become increasingly important in the Federal Republic of Germany. Although this system is shown to be highly inefficient no serious attempts to reform can be observed yet. This paper examines the institutional mechanisms underlying the centralization process in Germany. It is argued that the erosion of competitive elements of Germany's fiscal constitution can be explained by a common interest of federal and state politicians to establish a fiscal cartel. Furthermore, the system of intergovernmental grants softens the states' budget constraints, and democratic control of governments at both levels is weakened by non-transparent rules of the Laenderfinanzausgleich. Despite a latent instability of the fiscal cartel, due to distributional struggles for tax revenues between the Laender and the federal government, we conclude that a far-reaching reform of intergovernmental fiscal relations in Germany cannot be expected.

JEL-Klassifikation: D 70, H 77