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Macroeconomic Determinants of
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European Union

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Alfred Müller-Armack - der Schöpfer des Begriffs "Soziale Marktwirtschaft"

Hans Willgerodt

Abstract

After the Second World War centralized economic planning was seen as more or less unavoidable for economic recovery in most European countries including West Germany, with its destruction of all kinds and millions of destitute refugees. But as early as in 1945 Alfred Müller-Armack proposed quite another remedy for recovery: West Germany should abolish its repressed inflation by a currency reform and at the same time return to a market economy. He called his concept "Social Market Economy" as a new type of economic order. It was intended to harmonize economic progress and free competitive markets with social stability and security in a more comprehensive sense. He became professor economics at the universities of Münster and Cologne. In 1952 the German reformer of economic policy and minister of economic affairs Ludwig Erhard appointed him as head of the department for principal issues in his ministry and in 1958 as secretary of state for European affairs. Müller-Armack got the chance to apply his concept in political practice. This proved to be very successful, if one takes into account the difficulties and irrationalities of the political process. He became one of the leading German negotiators in the conferences establishing the European Economic Community, but resigned after de Gaulle's veto against the admission of Denmark and the United Kingdom. The author examines in detail the controversial term "social" in Müller-Armack's concept of a market economy. He concludes that seeming conflicts between so-called social aims and a free market can be made irrelevant to a large extent, if certain principles and limits are observed and aspects beyond supply and demand are included.

JEL-Klassifikation: A 1, B 2, B 31.

Inflation Forecast Targeting: A Monetary Policy Strategy without Shortcomings?

Jens R. Clausen

Abstract

Inflation Forecast Targeting: A Monetary Policy Strategy without Shortcomings? This paper provides a critical discussion of the benefits and shortcomings of the concept of inflation forecast targeting (IFT) which is becoming the dominating monetary policy strategy in theory and practice. The paper contains an analysis of the more practical and institutional aspects arising when following an inflation forecast targeting regime as well as a discussion of the theoretical reasoning behind it. The setting of an inflation target itself is a useful instrument to increase accountability. That is because

the public can make judgements on how successful monetary policy has been. The concept of IFT also ensures that monetary policy is forward-looking. Nevertheless, this paper will argue that the theoretical reasoning behind IFT has limitations. The assumed monetary transmission process is too one-sided and the role of money is not incorporated adequately. Inflation forecast targeting does not necessarily ease the business of communication by focusing on inflation forecasts as the main communication vehicle. On the contrary, there are substantial difficulties in explaining the implications of conditional or unconditional forecasts. Forecasts as complementing devices are surely useful and important in monetary policy making. The discussion of transparency and credibility within an IFT regime neglects the fact that in the long term credibility relies on the degree of price stability achieved and not the publication of minutes.

Zusammenfassung

Das Konzept des 'inflation forecast targeting' (IFT) ist sowohl in der Theorie als auch in der Praxis auf dem Vormarsch. In diesem Artikel werden die Vor- und Nachteile dieses geldpolitischen Regimes erörtert. Der Artikel beinhaltet sowohl eine Analyse der eher praktischen und institutionellen Aspekte, die mit einer Strategie des IFT verbunden sind, als auch eine Diskussion der theoretischen Fundierung. Die Existenz eines Inflationsziels als solches ist ein nützliches Instrument, um einer Zentralbank Glaubwürdigkeit zu verschaffen, da die Öffentlichkeit in der Lage ist, die Geldpolitik der Notenbank daran zu messen, inwiefern sie ihr Ziel erreicht. Das Konzept des IFT stellt auch sicher, dass die Geldpolitik zukunftsorientiert handelt. Allerdings wird argumentiert werden, dass die theoretische Fundierung unvollkommen ist, da sie einen monetären Transmissionsprozess unterstellt, in dem die Rolle des Geldes nicht adäquat abgebildet ist. Auch in der praktischen Umsetzung sind Probleme auszumachen. Die Fokussierung der Kommunikationsstrategie auf eine bedingte oder auch unbedingte Inflationsprognose birgt Probleme in sich. Als komplementäre Instrumente sind Prognosen mit Sicherheit von großer Bedeutung für die Geldpolitik. Schließlich wird argumentiert werden, dass nicht die Veröffentlichung von Protokollen langfristig über die Glaubwürdigkeit einer Notenbank entscheidet, sondern ihre Fähigkeit, Preisniveaustabilität zu sichern.

JEL-Classification: E 52, E 58.

Wirtschaftspolitisches Forum

Gesundheitsreform: Ende der Krise oder Krise ohne Ende?

Abstract

The German Statutory Health Insurance System (Gesetzliche Krankenversicherung) has been in a continuous reform process for the past twenty years. Therefore this

economic policy forum is assigned to the question: Health reform: *End of the crisis or never-ending crisis?*

Eckhard Knappe and *Stefan Hörter* argue that this reform process was mostly dominated by the model of a cost-containment policy. Most health economists are not in favour of a global cost-containment policy, because it cannot solve the structural deficiencies within the system. As a result they recommend a further strategy of deregulation so that competitive processes will be enforced. Moreover Knappe and Hörter show that this in turn will be more responsive to the preferences of the insured and patients and sets incentives for insurers and health-providers to follow efficiency goals in a static and dynamic way in order to mitigate the future burden of the demographic changes.

Karl W. Lauterbach, *Stephanie Stock* and *Thomas Evers* determinate the thesis that medical innovation and future demographic changes will lead to increased prevalence of chronic diseases and thus to a strong increase of health expenditures are well established, putting the health care system into a permanent financial crisis. This article demonstrates that such a crisis will not necessarily occur in Germany. There is evidence that prevention measures and disease management programs can induce significant cost savings for highly prevalent chronic diseases like diabetes mellitus, colon-carcinoma, ischemic heart diseases, and cerebrovascular diseases. The cost savings could result from delayed onset of chronic disease (due to prevention) and fewer complications (due to disease management) for such diseases. 20% of all health care costs are caused by 20% of the insured, mostly due to chronic disease. Despite these implications, a final conclusion about the future health expenditures cannot be drawn.

Switzerland often conceives of itself as a special case, and with regard to health care, it may well be one determines *Peter Zweifel*. In his article he argues that individuals have free individual choice of social health insurers and can express their preferences in the public domain rather directly, while competition in health care is fostered both by the new Law on Health Insurance of 1994 (LHI 94) and the new Law on Cartels of 1996. He discusses the objectives of the players involved in the promulgation of the LHI 94 and points out its inherent contradictions. Furthermore, Zweifel concludes by sketching additional future reforms that hold the promise of serving the objectives of insureds and patients by improving the ratio of expected benefits to cost in Swiss health care.

JEL-Classification: H 51, I 1, I 11.

Macroeconomic Determinants of Contingent Protection: The Case of the European Union

Bettina Becker and Martin Theuringer

Abstract

Contingent Protection, and in particular Antidumping (AD), has grown to become an important trade restricting device in the European Union (EU). This paper analyses whether internal and external macroeconomic pressure may contribute to explain the variations in the intensity of AD policy in the EU. The empirical analysis shows that the filing activity is inversely related to the domestic macroeconomic situation. This result suggests that AD is more a tool of protectionism rather than an instrument to countervail alleged unfair import competition.

Zusammenfassung

Kontingente Protektion, hierbei insbesondere Antidumping (AD), hat sich in der Europäischen Union (EU) zu dem bedeutendsten handelspolitischen Schutzinstrument entwickelt. Im Rahmen dieses Beitrags wird überprüft, wie sich externer und interner makroökonomischer Druck auf die Nachfrage nach Protektionismus via AD-Klagen in der EU auswirkt. Die empirische Ergebnisse zeigen, dass AD-Verfahren vor allem dann eingeleitet werden, wenn sich der interne makroökonomische Druck verschärft hat. Dies deutet darauf hin, dass AD vor allem ein Instrument des Protektionismus ist und weniger zur Abwehr vermeintlich unfairer Importkonkurrenz eingesetzt wird.

JEL Classification: F 13, F 4.