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Die europäische Agrarpolitik vor dem
Hintergrund der Osterweiterung

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Agrarpolitik der Europäischen Union vor der Osterweiterung

Johann Eekhof und Tholen Eekhoff

Abstract

There are three main reasons that call for substantial reforms in European Agricultural Policy: the financial burden on the European economy, development and trade-related issues, and the upcoming eastern enlargement of the European Union. All three factors exert pressure into the direction of abolishing interventions and following the path towards liberalized agricultural markets. However, the opposition against such policies is strong, primarily exercised by agricultural interest groups and member states of the European Union that mainly benefit from the current regulations. The abolishment of agricultural support in the European Union would be one of the most important measures to alleviate the problems for developing countries that have no fair chance to compete in European agricultural markets. Furthermore, by reducing the distortions that are caused by agricultural regulations, economic efficiency would be enhanced substantially. In this respect the European Union is on the right track with the reform based on the "Agenda 2000" and further changes in the "Midterm Review" that was adopted in July 2002. All support measures are supposed to be turned into direct payments. Yet, a great number of distortionary measures is reintroduced through the back-door under the title of rural development. Since these measures do not fall under the budget constraint that has been imposed on all other forms of support, they provide a vast playing field for politicians. The need to liberalize agricultural markets has become crucial due to the eastern enlargement of the European Union that will increase agriculturally utilized land by approximately one third. Granting the full support to the new member states would mean expanding a system that suffers from various illnesses. For these reasons there is an urgent need for substantial reforms that liberalize agricultural markets in the European Union.

JEL-Classification: F 02, Q 18.

Chancen und Risiken einer Dollarisierung in Argentinien

Ralph Setzer

Abstract

The collapse of the Argentinean Currency Board revived the debate about the optimal exchange rate regime for Argentina. Given its large exposure to nervous international investors, Argentina is a strong candidate for dollarization, which could provide lower inflation and higher financial integration with the United States. However, Argentina's poor qualifications for a fixed exchange rate under the traditional optimum currency area criteria and the absence of adequate labor market

and fiscal policy structures indicate that dollarization would suffer from the same problems as the Currency Board system. Thus, Dollarization, in advance of other fundamental reforms seems a risky strategy.

JEL-Classification: E 42, E 58, F 33.

Fiskalischer Föderalismus und Staatstätigkeit

Christoph A. Schaltegger

Abstract

What is the impact of federalism on the size of government? On the one hand, various externalities and unexploited economies of scale caused by federalist institutions favour a larger size of government. On the other hand, some authors argue that federalism represents an institutional barrier for policy makers eventually restricting their policy discretion to deviate from voter preferences. Consequently, the net effect of federalism is open from a theoretical point of view. This paper evaluates the different aspects of federalism empirically for Swiss cantons with a panel of annual data from 1980 to 1998. The results indicate that federalism in Switzerland rather favours a smaller size of government.

JEL-Classification: H 77, H 70, H 1.

Elektronischer Handel und Steuerstaat: Neue Herausforderungen in der Neuen Ökonomie

Jürgen Stehn

Abstract

The article analyses the reform pressure on turnover and income tax systems stemming from the upsurge of crossborder B2C and B2B electronic commerce. It shows that the main challenge of the New Economy is to effectively cope with B2C international trade in digital online goods and services. However, most approaches to turnover taxation discussed in the literature give rise to several surveillance, efficiency, incentive, and identification problems. As a consequence, there seem to be only two appropriate approaches to deal with the special characteristics of international trade in cyberspace, the country-of-origin principle combined with a taxation of digital goods and services at the physical location of producers, and the community principle in combination with a withholding tax (WITHVAT). Moreover, it is shown that the special characteristics of the New Economy lead to a fiercer international tax competition with regard to income taxation.

JEL-Classification: F 15, H 21.

Die Fehlbewertung junger Aktiengesellschaften beim Gang an die Börse – Ursachen und wirtschaftspolitische Konsequenzen

Christine Ploog und Michael Stolpe

Abstract

This paper discusses policy options to reduce underpricing in initial public offerings (IPOs). It surveys recent theoretical insights into the causes and welfare implications of underpricing and reviews evidence on the signalling hypothesis, the winner's curse model, the role of underwriters in assessing issuing firms' future profitability and the genesis of speculative bubbles in IPO markets. The paper concludes that governments should curtail the abuse of market power in underwriting by prohibiting the allocation of shares to insiders and by reducing the incentives for investment banks to exploit underpriced share issues in order to cross-subsidise unrelated lines of business. Moreover, governments should seek to stabilize the IPO market by committing themselves to regular equal-sized issues of shares in government assets as part of a long-term privatisation programme.

JEL-Classification: G 14, G1 8, G 24, G 32.

Wirtschaftspolitisches Forum

Die europäische Agrarpolitik vor dem Hintergrund der Osterweiterung

Reimar von Alvensleben asks in his article whether the „Agrarwende“ in Germany could be a model for Europe. He argues that the new agricultural policy (the so-called „Agrarwende“), which has been proclaimed and implemented after the German BSE crisis 2000/2001, adds new problems to the already existing problems of the Common Agricultural Policy (CAP). The strategy of improving international competitiveness of German agriculture by promoting the niche markets for organic food, animal- friendly produced food and regional food is unrealistic and thus neglecting the problem of improving the competitiveness of 85-90 % of German agriculture. The criterion of ecological efficiency (How to achieve ecological goals at lowest costs?) is totally neglected in agricultural environmental policy. The strategy of implementing environmental and animal welfare standards by the market mechanism will not lead to reasonable results because of perception distortions of the consumers. As a consequence of distorted perception of food risks by politicians, cost of risk prevention are too high and/or safety and health standards in other less spectacular areas are too low. For these reasons he concludes that the „Agrarwende“ in Germany cannot be regarded as a model for Europe, especially not for Eastern Europe.

Bernhard Brümmer and *Ulrich Koester* write in their paper that the Eastern Enlargement of the EU will have significant implications for governance of the CAP. The evolution of the CAP has led to a permanent increase in the intensity of regulation, although the rate of external protection has declined. Past experience – mainly revealed by the European Court of Auditors – has evidenced many irregularities and even fraud as a by-product of the CAP. Governance problems are due to badly designed policies, which demand control of even individual farms and give the member countries, administrative regions (which are supposed to implement the policies on the local scale) and the individual farms themselves incentives to breach the rules. In their view governance problems will certainly increase in the enlarged EU. The new member countries have a weaker administrative capacity and are subject to more corruption than the present EU countries. Adequate policy reaction should lead to fundamental changes of the CAP.

Klaus Froberg argues that in its Mid Term Review the EU-commission proposes a change in the most important instruments of the CAP. Direct payments and intervention prices belong to this group. In his paper the impact of these changes is discussed. Direct payments shall become decoupled from production and be summarised into a single payment to farmers. In addition, the right of these transfers shall be made tradable independent of a simultaneous exchange of land. With regard to the intervention prices they shall be reduced as to approach world market levels. Assuming that the Member States will confirm the proposals the CAP is expected to improve considerably. Allocation and transfer efficiency will increase, consumer welfare will go slightly up, taxpayers will be little if at all affected and the EU can defend its position in the negotiations of the ongoing WTO round. These advantages accrue to the current as well as to the new Member States. In spite of the improvements the CAP still needs to be enhanced in some areas such as the market organisation of sugar and milk.

JEL-Classification: F 02, Q 18.