English edition

ZEW news

Zentrum für Europäische
Wirtschaftsforschung, Mannheim

Selected Contributions from the Centre for European Economic Research

No. 1 · 1999

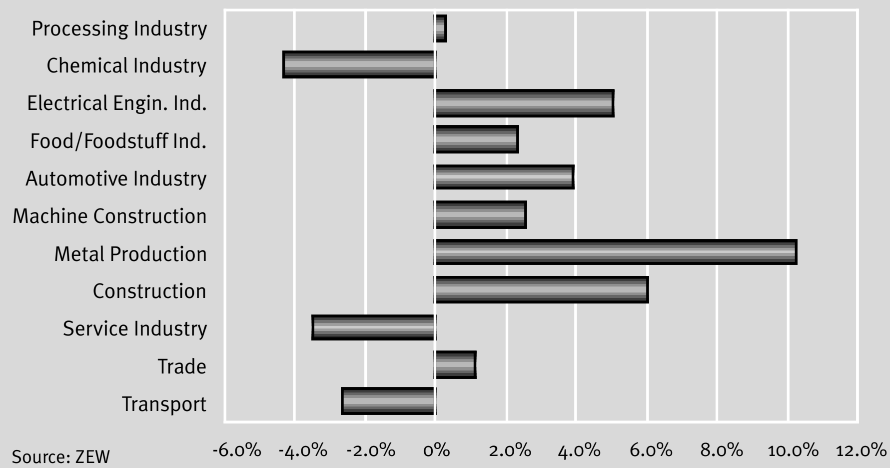
Tax Reform: Only Few Growth Impulses

The measures relating to the reform of corporate taxation in 1999 have to be assessed as largely negative, as the changes will probably not lead to positive growth impulses; in some respects they may even increase the tax burden for the majority of industries. Moreover, the planned ecological tax reform will not achieve the aim of a sustainable improvement in the protection of the climate. To reach such a goal, the introduction of a European-wide eco-tax seems more appropriate.

■ The draft bills covering the reform of corporate taxation in 1999, 2000, and 2002, which were submitted by the government coalition, were examined by the Centre for European Economic Research (ZEW) and the chair of Professor Jacobs, University of Mannheim (Germany), in terms of their economic effects on the corporate sector, as well as in terms of their role within the tax system (cf. ZEW Documentation No. 10/98). As part of this analysis, the effects of the main changes to the tax burden of corporations were calculated using the European Tax Analyzer programme. The results showed that the first stage of the reform measures are likely to have a deteriorating effect on the general corporate situation. However, the findings also indicated that the second stage in the year 2002 should result in an improvement of the situation, even if it is assumed to be partly financed by lowering depreciation.

By reducing the tax rate for undistributed profits, the reform measures planned for 1999 will produce a relieving effect and, by broadening the base of assessment, a burdening effect will result. Depending on firm-specific characteristics, which are taken into account by categorising firms according to different industries, these opposing measures will lead in most cases to an increase in the tax burden.

Change in the total tax burden ensuing from the tax reform as per January 1st, 1999



Source: ZEW

Thus, the first stage of the reform (1999) will not improve the international competitive situation of German enterprises. The tax burden of German companies, which by international standards is already very high, will be increased further. It can be assumed that the first stage of the reform will not trigger any growth impulses relating to corporate investment decisions and labour demand. This can be explained by tax revenue neutrality. Only a net tax relief for the corporate sector will be suitable for giving the desired positive impulses.

Due to the low tax rate and various exceptional regulations, the planned ecological tax reform in 1999 will have negligible effects on the total tax burden of

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enterprises. With the exception of the transport sector, this applies to all industries examined. However, the ecological controlling effects at the corporate level will be only very moderate, so that it can hardly be assumed that the intended goal of an improvement in climatic protection will be achieved. The non-taxation agreement for coal makes it particularly questionable whether the reduction in CO_2 emissions is a realistic aim.

Furthermore, the future legislative plans for taxing companies will be according to their actual performance, which is similar to the taxation of employees. However, this system would not provide for an equal treatment of different forms of income as long as profit and surplus revenues are calculated according to different principles.

The removal of inequalities between the recipients of different forms of income is achieved by radical legal changes which abandon traditional accounting policies. Just in terms of the future treatment of accrued liabilities, these single case solutions do not seem to follow any logic, which (at least in the field of profit and loss accounting) does not support the intended goal of "simplifying" German tax law. ◄

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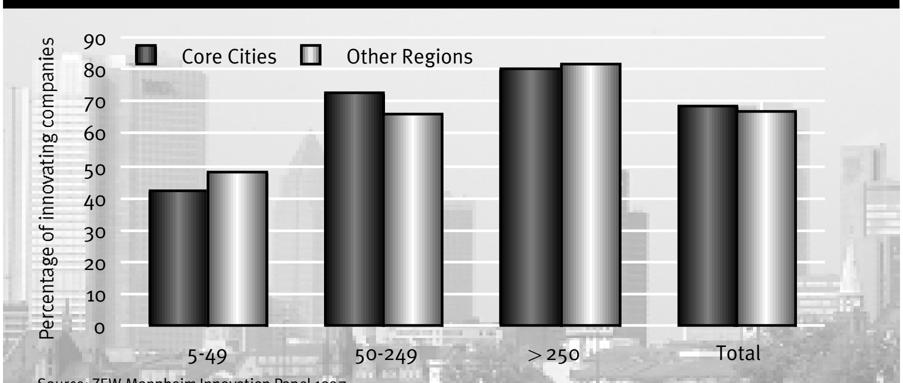
Are Cities the Centres of Innovation?

For highly research intensive innovative industries, cities are magnets, even if they cannot be regarded as the centres of innovation as such. Highly qualified people prefer cities as a place of work because companies located there can offer higher wages thanks to higher work productivity.

■ A new study conducted by the ZEW deals with the central question whether – independently of specific industries – empirical evidence can be found for the assumption that companies based in urban areas generally carry out more innovation activities or achieve better innovation results than companies located in other areas. When looking at all indicators, the results do not provide a clear answer to this central question. For a number of the indicators examined in this study, either no differences or insignificant ones between companies in big cities and those located in other areas could be identified. For other indicators, a difference could be found, which in some cases has statistical significance.

Geographic distribution of innovating firms according to categories of employment size



Source: ZEW Mannheim Innovation Panel 1997.

Either no differences or insignificant ones between the locations "core city" and "other regions" could be identified when examining the percentage of innovating firms in the categories "small" and "big", which strive to launch new or improved products using innovations (cf. graphics). Also, hardly any differences could be found when evaluating selected innovation obstacles and result indicators such as the "share of new or improved products in turnover" and the "export ratio".

With regard to the innovation objective of "reducing labour cost", there is, however, a significant difference between enterprises located in urban areas and other enterprises. The proportion of those companies which consider this objective to be either important or very important is significantly higher in non-urban areas, although the average labour cost in these regions is in any event considerably lower than that in the cities. Correspondingly, labour productivity is higher for companies located in core cities than for those in non-urban areas.

The distribution of industries in general, but also the distribution of innovating/researching companies in particular point to the fact that production sites tend to be located outside the big cities. Particularly for small and medium-sized companies, labour cost seems to be such a fundamental problem that their reduction represents a central aim of innovation. Differences also exist with regard to the percentage of highly qualified staff in a company's total human resources as a whole. Engineers, scientists and qualified technicians are obviously very "city-oriented" in their choice of employment.

Between enterprises inside and outside core cities, a certain "division of labour" can be noticed. Put in a very simple way, research and development is mainly carried out in conurbations, while, as already mentioned above, the centres of production and manufacturing lie outside urban areas. ◄

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Research Results

Biomass: A Promising Energy Source

The ZEW, in cooperation with several domestic and foreign institutions, has assessed the performance of biomass for producing electricity and heat, and for transport services, using technical, economic and environmental criteria. The study, which was commissioned by the European Commission, complements their research on external costs of energy. The findings reveal that the energy use of biomass generally relieves environmental pressures and in some cases it is even competitive within the current economic framework.

■ Biomass is often regarded as the most important renewable energy source for meeting future energy demands within the EU. In fact in Finland, Austria, and Sweden, more than 15 percent of the total energy consumed is generated from biomass even today.

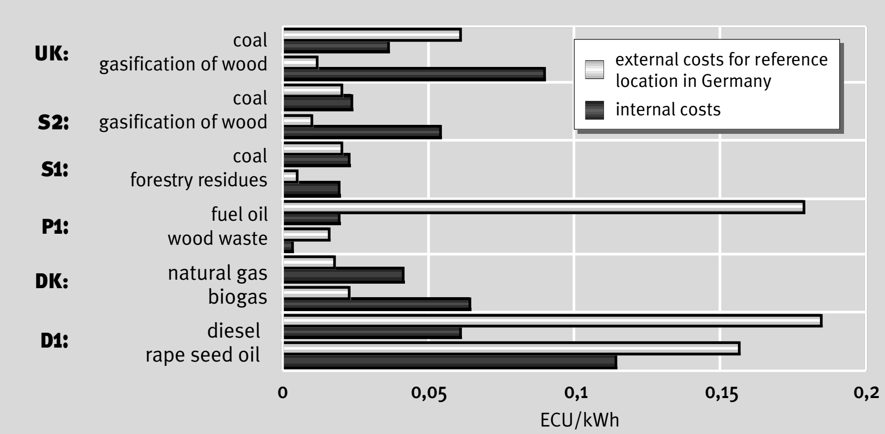
The use of biomass as a source of energy is characterised by a diversity of fuel types and conversion technologies. 'Biofuels' are not only derived from plant residues from agriculture, forestry and industrial sources, but also from the cultivation of energy crops (such as sugar beet and fast growing species). They also include gaseous energy sources, such as biogas from slurry, and liquid biofuels, such as rape seed oil, rape seed oil methyl ester and bioethanol, which are used as motor fuels.

By examining several existing facilities at various locations within the EU, the 'BioCosts' project covers a representative range of biomass applications. Each biomass case study was compared to a fossil fuel reference case:

- ▷ forestry residues vs. coal in a circulating fluidised bed combustion plant in Nässjö, Sweden (S1);
- ▷ industrial wood waste vs. fuel oil for industrial combined heat and power production in a boiler and steam turbine in Mangualde, Portugal (P1);
- ▷ gasification of woody biomass from fast growing tree species vs. coal for generating electricity in a gas and steam turbine process in Eggborough, Great Britain (UK);
- ▷ gasification of forestry residues vs. coal for combined heat and power production in a high-pressure combined gas and steam cycle plant in Värnamo, Sweden (S2);
- ▷ biogas from animal slurry vs. natural gas in a municipal cogeneration engine in Hashöj, Denmark (DK);
- ▷ cold-pressed rape seed oil vs. diesel fuel in a cogeneration plant in Weissenburg, Germany (D).

For the assessment of environmental effects, emission inventories were compiled for every stage of the fuel cycle. The impact pathways of selected priority pollutants, the picture is more differentiated: In terms of SO_2 emissions, all biomass case studies showed better results, while for NO_X and CO emissions, some biomass case studies scored worse than their reference cases. Often the reason for high emissions has to be

Biomass technologies compared to fossil fuel technologies



External costs were calculated as the impacts of air pollutants on human health. Internal costs were defined as fuel cost, investment cost, labour cost as well as operating and maintenance cost. Source: ZEW

impacts were analysed in detail. Where possible, the impact was quantified and valued in monetary terms. The derived external cost estimates range from about 0.001 to 0.18 ECU/kWh. With one exception, the biomass technologies achieve(d) better results than their fossil fuel reference technologies.

Biomass use already profitable

In summary, the analyses revealed that a well-organised exploitation of biomass energy sources can have significant environmental advantages over the use of fossil fuels. Above all, the use of both gaseous and solid biofuels can make a valuable contribution to the reduction of greenhouse gas emissions, such as CO_2. For conventional sought in the conversion technology and not in the fact that biomass is used as fuel.

Also in terms of energy production costs, the case studies showed large differences. Two case studies (S1 and P1) proved to be economical even under prevailing conditions. The other biomass fuel cycles are up to 100 percent more expensive than their reference fuel cycles, partly because the technologies are still at the stage of pilot projects. However, when taking into account external health costs and potential damage to the global climate in the market price, a number of biomass technologies (UK, S2, and DK) would be competitive as well. ◄

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ZEW Financial Market Test

Results of the Survey in January 1999

■ The Financial Market Test conducted by the ZEW is a monthly business survey of German financial market experts which started in December 1991. The survey asks for the predominant expectations about the development in six international financial markets.

As a whole around 350 enterprises participate in the survey, among which are 260 banks, 60 insurance companies and 30 industrial enterprises. Participants in the survey are: Financial experts of the finance departments, the research departments and the economic departments as well as the investment and securities departments of the firms. In detail, the financial experts are questioned on their medium term expectations about the development of important international financial markets with respect to the business cycle, the inflation rate, short term and long term interest rates, the exchange rate and share prices.

To construct forecasted figures, the qualitative response categories (increasing, unchanged, declining) are transformed into quantitative figures by the Carlson/Parkin procedure. Additional information to the procedure is available as an abridged version published by the ZEW.

The present survey was conducted between December 28, 1998 and January 19, 1999. All calculations are termed to January 21, 1999. ◄

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Euro as a lure for international capital

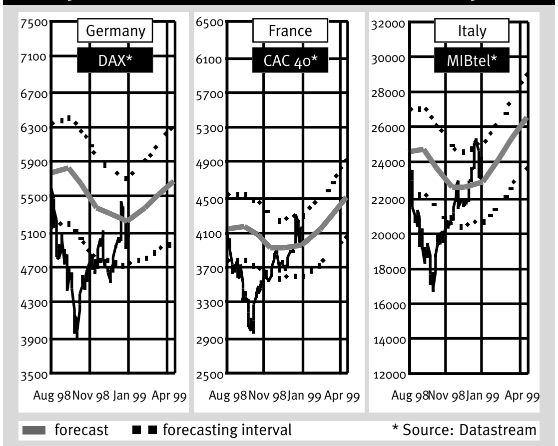
■ Experts are increasingly optimistic concerning German, French and Italian stock markets. Despite ongoing emerging market crises and global stock market breakdowns in 1998, the European markets managed to finish the year very positively. The questioned experts are confident that this trend will prevail in 1999.

For Germany, a good 70 percent of the respondents are convinced that the German stock index DAX will increase in the first half of 1999. Only twelve percent of the questioned analysts see declining index levels in the medium-term. France and Italy are judged in the same way. Moreover in these countries, a mere nine percent of the respondents see the possibility of a downward movement in the respective stock indices.

The common currency zone implies more security for international capital. Investors who do not count in Euro now only have to observe one exchange rate while having the possibility to invest in eleven stock markets. For investors from within the Euro zone this additional obstacle has been entirely removed. Hopefully, this will lead to increasing foreign investment in Europe and particularly Germany. Professional investors are optimistic that especially European Blue Chips will benefit from this development. Almost 75 percent expect an increase in the Euro-STOXX 50 Index, which represents European Blue Chip Stocks, within the first half of 1999.

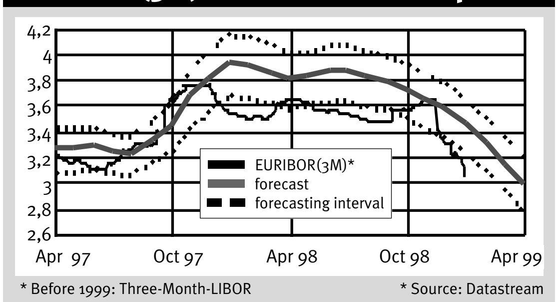
The inflation concerns, which emerged last November, are no longer visible in January. About 80 percent of the experts expect stable prices for Germany, France and Italy. In their opinion, this will enable the European Central Bank (ECB) to set lower interest rates. This would stimulate European economic growth. ◄

European stocks: forecast and development



ECB: Interest rate reductions expected for first half of 1999

EURIBOR(3M): forecast and development



■ A lowering of interest rates by the European Central Bank (ECB) during the first half of 1999 is becoming increasingly likely. On average, experts expect that the Three-Month-EURIBOR will have fallen to three percent by April. The EURIBOR can be viewed as a representative proxy for the various monetary policy options of the ECB (deposit facility, marginal lending facility and open-market operations).

But at 51 percent, the majority of those expecting interest rates will be lowered is only small, whereas 46 percent expect no change in short term interest rates. Therefore, the forecasts resulting from this survey predict a fluctuation margin of 2.8 to 3.2 percent for the Three-Month-EURIBOR. ◄

Research Results

The End of the Depreciation Threat

The European Monetary Union has now become a reality. The environment of national fiscal politics has undergone a radical change. From the point of view of the EU member states, negative effects of high deficits on the external stability of their own currencies are hardly noticeable any more. The end of this depreciation threat could induce a relaxation of fiscal policies.

■ In the age of globalisation, national politicians can no longer act without taking into account the global economic environment. Nevertheless there is still insufficient proven knowledge about the way in which political behaviour is influenced by open financial markets. In the context of the DFG (German Research Foundation) focal programme „Governing in the EU", a ZEW study on the importance of the exchange rate regime for economic politics was carried out (Discussion Paper 98-30). In the face of the attention which the exchange rate receives e.g. in the current financial market turmoil, it has become clear that a country's exchange rate regime represents an important restriction for its economic policy.

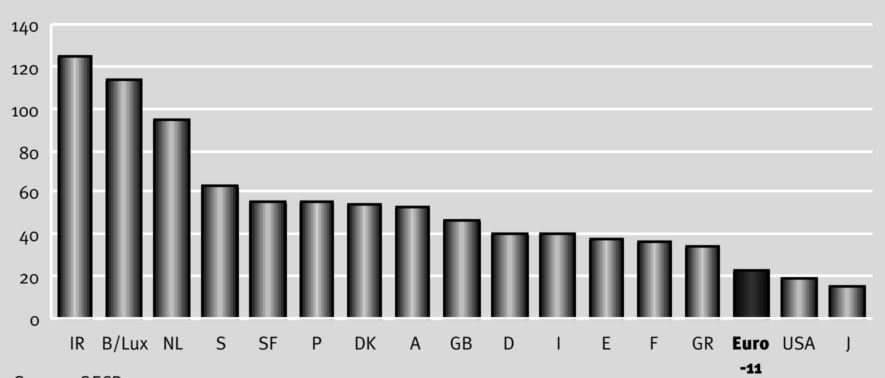
Fixed exchange rates for more fiscal discipline

In this context, the study analyses three channels through which a country's exchange rate regime influences the political decision on the size of the public deficit. Firstly, the exchange rate regime is important in terms of the public attention which foreign currency market developments receive. In a system of free-floating exchange rates, these developments will tend to be neglected more than in a target zone system where exchange rates are expressly made a political issue.

Secondly, the exchange rate regime plays a role in macroeconomic interrelations: with a high degree of exchange rate instability in a system of free-floating exchange rates, the national interest rate is less influenced by foreign interest rates than in a system of reliably fixed exchange rates.

And finally, the decision for a certain exchange rate regime will also affect government revenues and spending.

Openness (sum of exports and imports of the GDP in 1995)



Source: OECD

Thus one can assume that a high degree of exchange rate stability has an intensifying effect on phenomena such as the competition among European tax systems. Moreover, in an environment of fixed exchange rates or even a monetary union, the influence of fiscal politics on the amount of seignorage is severely restricted.

In a monetary model of the exchange rate, these interrelations and their effects on the politically optimal size of the state deficit can be examined. It can be shown that fixed exchange rates are accompanied by a higher degree of fiscal discipline than flexible exchange rates. The reason for this is that the depreciation threat has a greater political effect in a situation of fixed exchange rates than with free floating rates. The effect of a transition to a monetary union is ambiguous in this model. A positive impact in terms of a higher debt discipline is that through the supranationalization of monetary policy, national fiscal policy completely loses its influence on seignorage revenues. A negative effect is, however, that a lax fiscal policy no longer has to face the threat of a depreciation of the (national) currency. On the one hand, within EMU a national deficit does have an effect on the value of e.g. the Euro in relation to the Dollar. However, this effect is much weaker than the impact of a national deficit on a national currency. Apart from that, it is almost impossible to identify the responsibility of a Euro zone member state for changes in the external value of the Euro.

Depreciation will lose its disciplining role

The relevance of such considerations can be demonstrated by the openness variable. Openness is defined as the ratio beween foreign trade and the GDP. This ratio represents at least a rough measure for the sensitivity to exchange rate fluctuations. For the smaller EU member states, the sum of exports and imports in relation to the GDP amounts to more than 100 percent. When calculating the total openness of the Euro zone, internal trade has to be excluded as it is no longer affected by exchange rate fluctuations. On this calculatory basis, the openness of the Euro zone is only slightly more than 20 percent and thus only just above the level of the USA. This indicates that for the countries participating in the EMU, the depreciation threat will in future lose its disciplining role. ◄

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Research Results

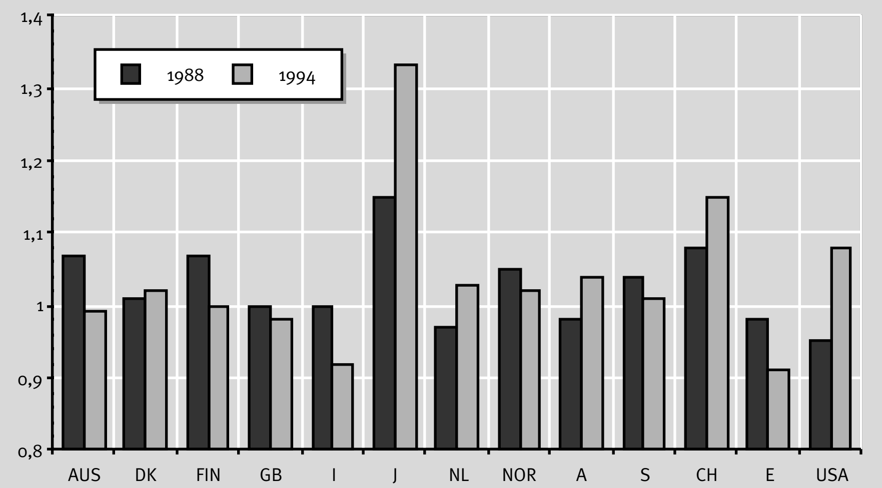
Pricing Strategies on Export Markets

In recent times, exchange rate fluctuations of the D-Mark vis-à-vis the Yen and the British Pound have lead to a new wave of interest in the correlation between export prices, export demand, and exchange rates. Economic theory states that changes in an exchange rate which are long lasting lead to price and quantity effects. But while the relationship between the demand for German products and the exchange rate is comparably well documented, only few studies exist which deal with the relationship between export prices and changes in the exchange rate.

■ Aggregate studies by the German Bundesbank carried out in 1997 prove that not all exchange rate fluctuations are fully transferred to export prices. Also, it is not clear whether the pricing behaviour differs by geographic location (Europe vs. overseas markets) or by products (chemical products vs. machine construction). Basically, an exporter has the option of adjusting the D-Mark-price of an export product according to an actual exchange rate change. This is called pricing to market.

If the price discrimination means absolute price differences in different export markets, this is referred to as a deviation from the „Law of One Price“.

Average relative export price in different export markets



Basis: export price in France — Source: ZEW

The „Law of One Price“

The table below shows that the export prices for different goods, evaluated in the same currency, vary for different export markets. Over a longer period of time, deviations from average export prices become visible, above all for Japan and Switzerland and, to a lesser extent, for Italy and Spain.

In 1994 for example, German exporters were able to demand a price in Japan which was 30 percent higher than compared to the French price. This development is by no means new, since earlier studies show that in the 1970s and 1980s price markups of 20 to 30 percent on average could be realised. In contrast to this, in most European markets, such as the Netherlands, Austria and Belgium, no deviations from the average export price could be identified. Considering the relative stability of exchange rates between the European countries, this comes as no surprise. The fact that in 1994 prices in Italy and Spain were about 10 percent lower than the French price can be attributed directly to the crisis of the the European exchange rate system.

Pricing to market behaviour is predominant

Empirical results for the relationship between exchange rates and export prices have shown that pricing to market behaviour can be observed for the target countries of Japan, Italy, Spain, Finland and the United States. With exports to Japan (for the average of the 65 products considered), a D-Mark depreciation of 10 percent is usually accompanied by a 3 to 5 percent increase in the profit margin assuming no change in marginal costs. This pricing to market strategy can also be verified by looking at the actual price and exchange rate development (cf. above table). Between 1992 and 1994, the D-Mark in relation to the Yen was depreciated by almost 25 percent. Considering the different performances of producer prices in the German and Japanese market, the changes of the real exchange rate amounted to about 20 percent. In contrast, D-Mark export prices on the Japanese market rose only by 9.4 percent. Based on the value of the Yen, prices of German goods have not fallen to the same extent as the exchange rate of the two currencies changed.

For Italy and Spain, the D-Mark appreciation at the beginning of the 1990s was offset by a reduction in the profit margin by almost 3 percent. The fact that for the US, a large proportion of the D-Mark/Dollar fluctuations was offset by a reduction or increase in profit margins may be explained by the size of this market. However, for most foreign markets, particularly small and/or overseas markets, the pricing to market strategy does not play an important role. In the light of the small proportion of these countries in Germany's total exports (less than one percent for each of Greece, Portugal, and Sweden as well as Canada, Korea, Singapore, and Australia), this is not surprising. ◄

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Workshop

„Unemployment in Europe“

■ On 23rd and 24th October 1998, the ZEW held an international workshop on the topic of ”Unemployment in Europe”. The workshop was organised by the Labour Markets, Human Resources and Social Security research department, together with John Addison, professor at the University of South Carolina, currently visiting professor at the ZEW.

In the introductory lecture, Stefano Scarpetta from the Economics Department of the OECD showed that only six of the 22 OECD states examined had managed to reduce structural unemployment. According to Scarpetta, differences in labour market performance are related to differences in wage negotiation systems, employment protection regulations, the unemployment benefit system, and wage costs.

Mobility and unemployment

Andrew Oswald (University of Warwick, England) pointed to low regional mobility as a possible explanatory factor for the high unemployment in OECD countries. Using various data sources, he found a statistically significant positive correlation between the regional unemployment rates and the percentage of house owners for different countries. He interpreted this result as supporting the hypothesis that unemployment is related to low regional mobility.

Oliver Blanchard, MIT, and Pedro Portugal from Banco de Portugal compared the structure of unemployment in Portugal with that of the USA. Although the unemployment rate in both countries is about the same, the average duration of individual unemployment in Portugal is more than three times longer than in the USA. However, the incidence of unemployment in Portugal is only a third of the US value. The authors attributed these differences in the dynamics of unemployment to the more restrictive employment protection regulations in Portugal.

David N. Margolis (Sorbonne, Paris) examined the effect of redundancies in the wake of company closures on individuals' future employment prospects in the French labour market. He found that a large percentage of dismissed employees find a new job without entering an intervening spell of unemployment. His empirical analysis of the income effects of dismissal also showed considerable negative effects of dismissal in the short run which are not completely offset in the long run; however, this is due to the fact that men as well as women generally work less hours in their new jobs after dismissal.

Claudio Lucifora (Università Cattolica di Milano) and Federica Origo (Instituto per la Ricerca Sociale) analysed the relationship between regional wage differentials and unemployment rates for Italy. There, the unemployment differential between the Northern and the Southern regions has increased substantially, while the regional wage differentials have largely remained unchanged. Lucifora explained this as a consequence of the Italian system of collective bargaining, which aims at low regional wage differentiation at the cost of large differences in regional unemployment levels.

Joop Hartog (Amsterdam University) analysed the Dutch approach to a successful employment policy. According to Hartog, wage reductions, cuts into the social system and cutbacks in government social spending have re-created the conditions for a high level of employment. Supported by a massive extension of part-time work, this has contributed essentially to a lowering of unemployment figures in the Netherlands.

The adjustment processes in the Austrian labour market were examined by Helmut Hofer, Karl Pichelmann and Andreas-Ulrich Schuh (Institute for Advanced Studies and Federal Finance Ministry, Vienna). By international comparison, the cyclical swings in the level of Austrian unemployment are low, which the authors attribute to the high responsiveness of the Austrian labour supply and to the low employment intensity of the economic growth in Austria. In this context, the high responsiveness of real wages to changes in unemployment represents an important influence on unemployment figures.

Long-term unemployment

In their analysis of the causes and effects of long-term unemployment in Europe, Stephen Machin, University College London, and Alan Manning, London School of Economics, showed that the percentage of long-term unemployed people differs considerably between OECD countries. Machin pointed out that a stable relationship between the proportion of long-term unemployed people and the level of unemployment in a country exists, and that the chances of re-employment of the long-term unemployed have not worsened over time; that is, individual re-employment probability does not seem to decrease during the unemployment spell.

The influence of unemployment benefits on the duration of unemployment in Portugal was analysed by John Addison and Pedro Portugal. They found that the effects of unemployment benefits differ considerably between the various forms of transition from unemployment, i.e. permanent or temporary employment, part-time work, and non-employment. The results indicate that unemployment benefits probably act as a counter-incentive, particularly on the taking-up of part-time work.

Effects of unemployment benefits

In the concluding lecture, Viktor Steiner (ZEW) discussed the effects of unemployment benefits on the duration of unemployment in Germany. While he could only find small effects on female unemployment, the duration of male unemployment was increased considerably by the extension of the benefit entitlement period, and in particular by the availability of an infinite period of government 'unemployment assistance'. This result is in line with research in other countries with a similar unemployment benefit system. ◄

Conference Announcement and Call for Papers

ZEW, Mannheim, June 2 – 3, 1999:

Fiscal Competition and Federalism in Europe

As a consequence of economic integration, the impact of national economic policies is becoming increasingly contingent on fiscal decisions in other countries. Those decisions are often regarded as narrowing the scope for independent national policy actions, and it is feared that governments might be forced into an intergovernmental competition distorting their taxation and spending decisions. A contrasting view welcomes the pressure exerted by other countries' policies on domestic policy-makers as a disciplining mechanism stimulating reforms of domestic policies. The conference aims at elaborating on the economic foundations of these conflicting views.

Invited papers will be presented by:

- **Alan J. Auerbach**, University of California, Berkeley
- **Wallace E. Oates**, University of Maryland, College Park
- **Robert P. Inman**, University of Pennsylvania, Philadelphia
- **David E. Wildasin**, Vanderbilt University, Nashville

Interested researchers are asked to contribute theoretically or empirically oriented papers broadly related to one or more of the following topics:

- Consequences of economic integration for the economic activity of national governments including the social security system.
- Consequences of competition between national and local governments and the need for coordination.
- Assignment of responsibilities and the design of public finance in the European Union facing the challenge of enlargement.

Papers submitted will be selected by a scientific committee. The deadline for submissions is: **April 1, 1999**

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Publications

Discussion Papers:

Bürgel, Oliver; Fier, Andreas; Licht, Georg; Murray, Gordon; Nerlinger, Eric A.: *The Internationalisation of British and German Start-Up Companies in High-Technology Industries*, No. 98-34.

Inkmann, Joachim; Pohlmeier, Winfried; Ricci, Luca Antonio: *Where to Patent? Theory and Evidence on International Patenting*, No. 98-35.

Beise, Marian; Stahl, Harald: *Public Research and Industrial Innovations in Germany*, No. 98-37.

Pfeiffer, Friedhelm; Reize, Frank: *Business Start-ups by the Unemployed – an Econometric Analysis Based on Firm Data*, No. 98-38.

Büttner, Thiess; Fitzenberger, Bernd: *Central Wage Bargaining and Local Wage Flexibility: Evidence from the Entire Wage Distribution*, No. 98-39.

Buscher, Herbert S.; Buslei, Hermann; Göggelmann, Klaus; Koschel, Henrike; Ramb, Fred; Schmidt, Tobias F. N.; Steiner, Viktor; Winker, Peter: *Empirical Macromodels Under Test – A Comparative Simulation Study of the Employment Effects of a Revenue Neutral Cut in Social Security Contributions*, No. 98-40.

Addison, John T.; Blackburn, McKinley L.: *Minimum Wages and Poverty*, No. 98-42.

Büttner, Thiess: *Local Business Taxation and Competition for Capital: The Choice of the Tax Rate*, No. 98-43.

Wolf, Elke: *Do Hours Restrictions Matter? A discrete family labor supply model with endogenous wages and hours restrictions*, No. 98-44.

Spielkamp, Alfred; Vopel, Katrin: *Mapping Innovative Clusters in National Innovation Systems*, No. 98-45.

Addison, John T.; Barret, C. R.; Siebert, W. S.: *Mandated Benefits, Welfare, and Heterogeneous Firms*, No. 98-46.

Inkmann, Joachim; Klotz, Stefan; Pohlmeier, Winfried: *Growing into Work – Pseudo Panel Data Evidence on Labor Market Entrance in Germany*, No. 98-47.

Addison, John T.; Portugal, Pedro: *Job Search Methods and Outcomes*, No. 98-41.

Addison, John T.; Portugal, Pedro: *Unemployment Benefits and Joblessness: A Discrete Duration Model with Multiple Destinations*, No. 99-03.

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