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## **Die japanischen Lehren für die europäische Krise**

*Gunther Schnabl*

### Abstract

Japan went 15 years earlier than Europe through a boom-and-bust cycle in the real estate and stock markets. The country has made important experience with crisis therapies in form of monetary expansion, Keynesian fiscal stimulus and recapitalization of financial institutions. Japan has reached the zero interest bound in 1999 and has accumulated a very high public debt level. The paper compares the boom-and-bust cycles in Japan and Europe with respect to the reasons for the boom, the characteristics of the crises, and the (potential) effects of the crisis therapies. It is argued that the consequence of expansionary monetary and fiscal policies is the hysteresis of the zero-interest rate and high debt trap, the erosion of the allocation and signaling function of the interest rate, the gradual nationalization of the financial sector and aggregate demand, as well as gradual real income losses. The economic policy implication for Europe and Japan is the timely exit from crisis therapies in form of expansionary monetary and fiscal policies despite high adjustment costs.

JEL-Classification: E32, E42, E58

Keywords: Japan, Europa, Bubble Economy, Europäische Schuldenkrise, Niedrigzinspolitik, Stagnation.

## **Bankenrettung und Bankenaufsicht**

*Michael Frenkel, Jan-Christoph Rülke und Georg Stadtmann*

### Abstract

In this paper, we present two models in which the introduction of a “lender of the last resort” significantly affects the banking sector. In the first model, the introduction is stabilizing. However, in the second model it is destabilizing. Both models are very well suited to theoretically highlight the current discussion surrounding a European bank rescue and European banking supervision. Numerical examples illustrate the approach in deriving the model results.

JEL-Classification: G01, G21, G28

Keywords: lender of the last resort, moral hazard, multiple Gleichgewichte

Wirtschaftspolitisches Forum

## EU Regionalförderung: Reformen für die nächste Finanzperiode

Abstract

In their paper *Peter Egger* and *Maximilian von Ehrlich* summarize recent research on the effects of European regional policy. Results point to a positive effect of this policy on average. One Euro spent even tends to generate more than one Euro in return in terms of GDP. However, the response varies drastically across recipient regions. First of all, there is evidence of existence of an optimum funding ratio (funds allocated relative to recipient GDP) where one Euro invested generates one Euro of return. About 36 percent of the regions receive higher funding than that, where one Euro generates less than one Euro of return (and, eventually, no return at all). Second, there is evidence of a bigger return on investment in regions with higher absorptive capacity level - measured by human capital endowments and the quality of recipient institutions. Insufficient levels of absorptive capacity lead to a wash of the Union's transfers. About 70 percent of the regions exhibit such an insufficient level of absorptive capacity.

*Friedrich Heinemann* analyzes both, the reform needs and reform obstacles of EU cohesion spending. Although the empirical evidence is unable to substantiate an European added value, structural funds continue to absorb an increasing amount of resources. The analysis reveals several shortcomings of this policy: First, EU regional programs have neglected institutional constraints on the side of recipient countries and regions. Second, an inflation of policy objectives makes a clear performance measurement increasingly impossible. And third, through the inclusion of rich regions into its programs, cohesion spending has lost its focus. To tackle these shortcomings, a comprehensive reform package is recommended which includes new incentives on the financing side of the EU budget. Only increasing regional co-financing or other financing innovations can reduce disincentives from common pool-financing and overcome reform resistance. Without any such financing side reforms, merely some incremental reforms are consistent with political-economic constraints, he states.

*Werner Hoyer* and *Markus Brandt* point out, that all in all, EU Cohesion policy has been a success. It has facilitated growth and jobs in less developed areas, contributing to their prosperity. However, convergence has slowed down significantly during the crisis. This puts even more pressure on safeguarding that cohesion policy generates optimal results to ensure lasting economic and social cohesion. Room for improvement has been identified. The delivery mechanisms can be improved; its territorial dimension strengthened; and its focus more firmly directed at supporting a resource-efficient economy, research, development and innovation.

Even more important, the economic crisis in the EU has underscored the need for creating pan-European institutions, like the banking union, to complete the integration

of financial markets. The recent substantial reforms of the EU's economic architecture are aimed at creating an unprecedented level of integration that will allow private capital to flow more easily and more responsibly to the most productive and growth-enhancing investments in convergence regions. The unleashing of these market forces, combined with a reformed cohesion policy to efficiently address market failures where they exist, carries the potential to initiate a new success story in the convergence of living conditions in the EU.

They emphasize that the EIB is committed to play an important role in this effort. It has already integrated the new smart and sustainable orientations of the Structural Funds and will strive to facilitate better alignment between its sector and regional objectives. Expanding and deepening the nature and scope of financial and non-financial instruments developed jointly with the European Commission will further improve the leverage effect of EU funding and help attract private investors.

JEL-Classification: H87, H77, F55

Keywords: EU; EU Cohesion policy; EU budget; European regional policy

## **Regulierung des Glücksspiels in Deutschland: Das Glücksspielgesetz Schleswig-Holsteins und der Glücksspieländerungsstaatsvertrag aus ökonomischer Perspektive**

*Ulrich Schmidt und Katharina Lima de Miranda*

### **Abstract**

This paper compares the two laws effective for the regulation of gambling in Germany from an economic perspective. On the one hand there is the new and relatively liberal federal Gaming Amendment Act of Schleswig-Holstein (GAA) and on the other hand the German State Treaty on Gambling (GST), which was signed by the remaining 15 German federal states. First, two goals are derived that should be pursued by the regulation of gambling realization of tax revenues and the reduction of problem gambling. Channeling gambling into the regulated market is a necessary condition to achieve both objectives. As the GAA can be expected to realize a higher degree of channeling due to more competitive tax rates as well as the inclusion of online poker and casinos, it appears to be overall superior to the GST. It is in particular incomprehensible that online poker and casinos are not included in the GST, since on one side they have a high potential for addiction and should thus be regulated and on the other side allow to generate higher tax revenues compared to sports betting for example.

JEL-Classification: G18, H21, L83

Keywords: Gambling regulation, Online gambling, problem gambling

## **Verlustpartizipation von Vorständen - Eine ökonomische Analyse der Herabsetzungsmöglichkeit von Vorstandsbezügen nach dem VorstAG**

*Mihael Duran*

### Abstract

This paper examines the loss participation of executives following the German law of adequacy of executive directors' compensation (VorstAG). First I provide an overview and discussion of the relevant law' contents. To examine the potential economic impact of the loss participation, a modified tournament model is introduced. The model implies that the aspired participation succeeds only partially. Hence, the law might probably fail in it's purpose of lowering executive directors' compensation.

JEL-Classification: G38, M12

Keywords: Executive Compensation; Tournaments.