

Assessing the effects of a value added tax policy on the wine sectors

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Abstract

International competition in wine markets has granted the agricultural sector and regional development of several Italian areas through new wine producers' strategies that has become more quality oriented. In this respect, Italian wines are of many different types for which the demand increases more than proportionally as income rises and the elasticity of substitution among the different types of wine is not zero and depends on several factors. In this respect, the paper aims to analyse the interindustry interactions between wine products within the production system in order to evaluate if the change in the agriculture Value Added Tax (VAT) can generate a set of effects on composition and quality of wine production. Focusing the analysis on a central area of Italian territory (the region called Marche) the paper organises the statistic data in a bi-regional Social Accounting Matrix (Marche - Rest of the Italy) in order to build a CGE model. This is the suitable tool to manage the variable of the elasticity of substitution between wine product and the prices of other types of wine.

JEL classification: D58, H23, Q11.

Keywords: Wine sectors, Fiscal reform, SAM, CGE.

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