Summaries of Articles

Les impôts locaux sont-ils gaspillés ?, by Marc Baudry

Although public economists generally agree on the fact that the gap between the positive approach of local public choices on the one hand and their normative approach on the other hand entails the existence of potential pareto improvements in public expenditures, it seems that they still lack an adequate method to determine how important are these potential improvements. This paper is aimed at, partly, remedying these shortcomings and more specifically focuses on cost inefficiencies in the production of local public goods and services. Indeed, such inefficiencies are undoubtedly pareto inefficiencies and, therefore, are responsible for a waste of fiscal resources. A parametric method based on the implementation of the econometric concept of stochastic frontier to the microeconomic concept of money metric utility is developed and used to detect and measure cost inefficiencies in the context of the well known median voter model. An application to local public expenditures for French cities is then proposed.

Keywords : local public expenditure, cost efficiency, minimum wage function, stochastic frontier, median voter.

Journal of Economic Literature classification numbers : D78, H72, C52.

La Persistance de l'Inflation dans les Modèles Néo-Keynésiens, by Mohamed Safouane Ben Aïssa and Olivier Musy

We derive the inflation dynamics implied by the different hypothesis on price adjustment existing in the New Keynesian litterature. We study the response of output and inflation in each model consecutively to a shock on the growth rate of money. We show that only two specifications can

reproduce correctly the stylized facts associated with this kind of shock : the model with predetermined prices of Mankiw and Reis (2002), and the model with fixed prices of Gali and Gertler (1999). None of the other alternatives, including the fixed prices model of Fuhrer and Moore (1995), is able to reproduce correctly the delayed response of inflation. Then, when analyzing the inflation persistence implied by fixed prices models, the hypothesis on the structure of price rigidity is as important as the presence of inflation lags in the dynamics.

Mandatory Sub-Debt Policy as an alternative to the Third Pillar of Basel II : Is it feasible ?, by Adrian Pop

The recent proposals of reform put forward by the Bank for International Settlements and the Federal Reserve System include specific elements of market discipline that are naturally added to the traditional tools of banking regulation and supervision. More precisely, a mandatory Sub-Debt Policy by which certain large and sophisticated banking organizations are forced to issue some minimum amount of subordinated debt on a regular basis, can prove itself effective in mitigating moral hazard and regulatory forbearance in banking industry. In this article, we provide some interesting and useful insights into the incentives structure of sub-debt holders by using a standard framework for option pricing applied to the banking firm. In particular, under 'normal' conditions of bank solvability the subordinated creditors act indeed as natural 'allies' of regulators, mitigating the risk taking incentives of bank shareholders. On the contrary, as the bank approaches its default point, they may exacerbate the moral hazard problems and complicate the tasks of supervisory authorities. In this second case, the sub-debt holders behave in fact as 'enemies' of the government supervisor. Finally, we derive some major policy implications in terms of market discipline and optimal bank regulation design.

Hermann, Rau, Mangoldt : les origines de la fonction d'offre de marché en Allemagne (1830 3 1870), by Paola Tubaro

The paper traces the pre-marginalist origins of supply functions, paying special attention to the contributions of Hermann, Rau, et Mangoldt. With the help of algebra and geometry, they interpreted the meaning of classical economists' notions and analyses in a new way, thus discovering the modern concept of a supply function. Despite their shortcomings, these early contributions to mathematical economics did participate in the evolution of economic ideas, in that they questioned the classical approach

and facilitated the advent of marginalism. While classical views lead to the conclusion that costs of production depend on highly heterogeneous phenomena, Hermann's formulae and Rau and Mangoldt's diagrams imply a unifying and symmetric interpretation of the behaviour of production costs. In this sense, they anticipated Marshall's belief that one single law accounts for any shape of the supply curve.