

Summaries of Articles

Positional effects, product quality and regulation in duopoly, by Luca Lambertini and Raimondello Orsini

We investigate positional effects in a vertically differentiated duopoly, evaluated against the first best. Positional concerns distort the allocation of consumers across varieties, as well as the average quality. If the external effect is sufficiently relevant, the resulting welfare loss is increasing in the extent of the externality itself. The beneficial effect of regulation through a minimum quality standard is analysed.

Keywords : positional externality, status seeking, vertical differentiation, quality standard.

Journal of Economic Literature classification numbers : D62, L13, L51.

Do stock prices and interest rates possess a common trend ?, by Amaresh Das

This paper empirically captures the interrelationships between the stock markets and interest rates for a set of Asian markets by means of a new technique called co-dependence. It uses a set of data for three countries in Asia – India, Pakistan and Bangladesh, over a time period spanning from 1985 to 2003.

Keywords : cointegration, co-movement, co-dependence, serial correlation common feature.

Journal of Economic Literature classification numbers : C22, E41, E52.

Vertical structure of a distribution network of illicit drugs and optimal law enforcement policy, by Sylvaine Poret

This paper gives a theoretical base to the vertical structure of the distribution network of illicit drugs by using the analysis of vertical relationships and the illegal character of the drug traffic. The model is then

used to show how the regulator, through law enforcement costs imposed on drugs sellers, can implement the optimal structure. We show that the vertically separated network, first best optimal structure, a very often noticed structure on drugs market, can never be implementable.

Keywords : illicit drugs, vertical relationship, law enforcement.

Journal of Economic Literature classification numbers : K42, D23, L22.

Maintenance environnementale et politique fiscale optimale dans un modèle à générations imbriquées, by Mouez Fodha

This article analyses instruments which are available to the government to correct environmental externalities. We assume that only the government has access to environmental maintenance activity, which is financed by levying taxes. The competitive equilibrium is therefore not optimal because the economy faces (i) a problem of public good supply, i.e. the maintenance activity, (ii) a pollution externality from private consumption, (iii) the selfishness of the short lived agents. We determine the optimal fiscal structure that allows the competitive equilibrium and the optimum to coincide. To determine the optimal level of environmental maintenance, we use the Samuelson rule, modified to take into account the relevant social rate of discount that incorporates the natural rate of depletion. We show that the considered optimal maintenance activity should not only neutralize the flow of emissions of pollutants but also increases the environmental quality. Otherwise, in the long run, the environmental amenities would disappear.

Keywords : environmental tax, overlapping generations model, modified Golden rule.

Journal of Economic Literature classification numbers : D60, E62, H23.

Social insurance and redistribution : the case of sick leave, by Stéphanie Maillot-Bugnon

This article studies the role of an exclusive social insurance as a redistributive mechanism in presence of an optimal linear income tax. Agents differ in labor productivity and in loss probability. In case of illness, they suffer a health care expenditure and an income loss. The purpose is to determine the conditions under which a uniform health care coverage and an individual income based on personal income allow income redistribution. Is a complete social insurance optimal ?

Keywords : redistribution, optimal taxation, social insurance.

Journal of Economic Literature classification numbers : H23, H21, H50.