Summary of articles

Retrospective Application of the "Stability and Growth Pact" to the Post-War Periodh, by Marco Buti, Daniele Franco and Hedwig Ongena

Solid budgetary discipline is an essential condition for the success of Economic and Monetary Union (EMU). The "Excessive Deficit Procedure" and the "Stability and Growth Pact" allow some flexibility for the conduct of budgetary policies during severe economic slowdowns. The paper examines whether European Union Member States will have to change their budgetary policies carried out during and after severe recessions, once these procedures become fully operational in the third stage of EMU. The results of this analysis suggest that, when starting from a budgetary position of close-to balance or in surplus, the risk of breaching the 3% reference value is relatively low during one-year recessions but increases in case of deep or protracted recessions. The early years of EMU, when some countries might still have a deficit of about 2% of GDP, are likely to prove highly problematic in the event of a severe recession.

Journal of Economic Literature classification numbers : E62, H60.

Retirement in an overlapping generations model , by Leon Bettendorf and Guido Pepermans

With an overlapping generations model, Williamson and Jones [1983] demonstrated that the long-run savings ratio in the U.S. was not affected by the introduction and the reform of the unfunded social security system. This paper extends their model by including a production sector, endogenous labor supply and a wage profile. Simulations show that incorporating general equilibrium and (exogenous) leisure is sufficient to generate a declining savings ratio in the steady state. Reforms of the social security system are evaluated in welfare terms. The new features of the model may significantly change the sign and the magnitude of the welfare gains for steady state generations.

Journal of Economic Literature classification number : D58, D91, H55.

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Quel est le niveau optimal des allocations de chômage dans les modèles de négociations salariales ?, by Etienne Lehmann

This article deals with the determination of unemployment benefits in a dynamic wage bargaining model. We assume unemployment benefits are set at the central level, taken into account their influence on wages and on the unemployment rate.

We then compare the levels of unemployment benefits which maximize the welfare of a currently employed workers, of a currently unemployed workers, of the utilitarian sum of welfare of every workers, and of entrepreneurs. We show that unemployed workers want higher unemployment benefits than employed workers, who want a higher replacement ratio than the utilitarian one. At last, we show that entrepreneurs are better of without an unemployment benefits system.

Journal of Economic Literature classification numbers : J50, J51, J65.

Origine Sociale et réussite scolaire : un modèle en Chaîne de Markov estimé sur données individuelles belges, by Olivier Donni and Bernard Lejeune

This paper examines the relationship between socio-economic background and primary and secondary school achievements of Belgian students. It relies on the assumption that the schooling path of students may be described through a Markovian process. Based on a cross-section sample of about 1000 children, the individual probabilities of following a « normal » schooling path, i.e., without repeating or demeaning reorientation, are estimated for each year of compulsory schooling and as a function of socio-economic background variables. Our results show that, behind the very high aggregated rate of repeating which characterizes the Belgian school system are actually hidden considerable social inequalities.

Journal of Economic Literature classification number : I21.