

Summaries

Centralized R&D Subsidy Policy in an NEGG Model: A Welfare Analysis

Benjamin Montmartin

Since the Lisbon agenda (2000), European policies are increasingly oriented towards R&D and innovation. In this context, we analyze the effects of a centralized R&D subsidy policy upon steady state and welfare using an agglomeration and growth model composed of two asymmetric countries. If the policy leads to a steady state characterized by a higher growth rate and lower inequalities, the welfare analysis provides a more contrasted vision on the effects of the policy. Indeed, even though such a policy can eliminate some distortions and improve global welfare, it implies a zero-sum game at national level (the policy increases the welfare in the periphery country and decreases the welfare in the core country) when knowledge spillovers are sufficiently localized. Consequently, a centralized R&D subsidy policy conducted in an economy composed of two asymmetric countries would be a positive-sum game only if international knowledge spillovers are sufficiently large.

Keywords: NEGG model, R&D subsidy policy, welfare criteria.

JEL Classification: F43, H50, R12.

Wage Bargaining, Vertical Differentiation and Intra-Industry Trade Liberalization

Emanuele Bacchiega

This article appraises the effects of trade liberalization between two industries that have different endowments of skilled labor. Skilled labor is necessary for the production of higher-quality variants of a vertically differentiated good. Skilled labor endowments, therefore, determine the pattern of specialization of industries as well as their market structure, both in the final goods market and in the labor market. We analyze how market integration benefits or harms the agents in the industries by delving into the linkages between labor and product markets, and show that bilateral losses from trade can emerge at equilibrium.

Keywords: Vertical differentiation, wage bargaining, trade liberalization.

JEL Classification: L13, J51, F16.

Firm Dynamics and Employment Adjustment: Multinational vs Domestic Firms

Pierre Blanchard, Emmanuel Dhyne, Catherine Fuss et Claude Mathieu

The economic and financial crisis has meant sizeable employment losses that resulted from different adjustment mechanisms in domestic firms and multinational companies. This may be due to either production plant closures or downsizing by firms that remain active. This paper evaluates the importance of both phenomena for multinational and domestic firms in Belgium over the period preceding the crisis (1997-2008), using a firm-level dataset. Our results reveal that multinational enterprises tend to leave the local market more frequently than domestic firms with comparable firm and sector characteristics. Further, multinational incumbents face employment adjustment costs for white-collar workers that are around half of those borne by domestic firms. In sum, our findings suggest that multinational firms are more flexible in terms of plant location as well as in terms of employment adjustment. However, before the crisis, foreign multinationals created more jobs on average than other types of firms.

Keywords: multinational firms, labour adjustment costs, firm exit.

JEL Classification: F23, J23.

Structure of Water Supply Costs: an Analysis using a Panel of Ivorian Production Units

Daouda Diakité et Alban Thomas

This paper analyses the structure of water supply costs in Côte d'Ivoire municipalities using a panel of water utilities. Considering water utilities as multi-output monopolies providing jointly two goods (billed water and lost water), we estimate a multi-output translog cost function using duality between production and cost function. We compute several measures of return to reveal that, at the mean level, Ivorian water utilities operate with constant return to scale. But, ranking our production units by size using various criteria, it clearly appears that it is more profitable for the water operator to increase its production and connection in most small and medium utilities. Moreover, the presence of significant economies of scope reveals that the jointly production of the two goods considered in a certain degree is more beneficial than improving the network return. Finally, the estimated marginal cost at the mean is higher than the marginal prices of the first blocks of the tariff system.

Keywords: Water utility, Multi-output Translog cost fonction, Panel data.

JEL Classification: C33, D24, Q25.