

## Summaries of Articles

*Antitrust policy and price collusion : public agencies vs delegation*, by Gianmaria Martini and Cinzia Rovesti

This paper investigates the effectiveness of antitrust policy in fighting horizontal collusion under different regimes of policy implementation. We consider two regimes : a public agency regime, where an antitrust authority is in charge of competition policy, and a “delegation” regime, where the policy is chosen by consumers. In both regimes the policy is implemented under discretion. The analysis shows that delegation dominates, both in case of complete and imperfect information about production costs, the public agency regime because consumers credibly start off an higher level of investigation activity than the public agency. This result implies that the public agency will fight the cases involving “relevant” anti-competitive activities, while consumers will act also against “minor” violations. The combination of the two regimes yields an higher welfare than having only a public agency in charge of competition policy, because consumers can partially relax the agency’s limited resources constraint.

**Keywords :** Antitrust policy, horizontal collusion, delegation, policy regimes.

*Journal of Economic Literature* classification numbers : L41, L51.

*Competition policy, regulation and the institutional design of industry supervision*, by Cécile Aubert and Jérôme Pouyet

We study the welfare impact of enforcing a competitive behavior from an unregulated fringe competing with a regulated dominant operator, with imperfectly differentiated goods. The fringe is potentially collusive but may be supervised by a competition authority. We show that the complementarity/substitutability between regulation and competition policy strongly depends on the nature of the market interaction.

Forcing the fringe to adopt a competitive behavior always benefits consumers. However, it also affects the amount of subsidy that must be

provided to the regulated firm for cost-reimbursement purposes, which has a social cost when public funds are costly. With complements, antitrust intervention is always welfare-improving. It is also preferable with weak substitutes, but is detrimental to welfare for strong substitutes.

**Keywords :** Regulation, Competition policy.

*Journal of Economic Literature* classification numbers : L40, L51.

*Intersectoral adjustment and unemployment in a two-country Ricardian model*, by Didier Laussel, Philippe Michel and Thierry Paul

In a two-country Ricardian model, we study the dynamics of intersectoral reallocation of labour following upon a once and for all move to free trade. The job creation/destruction process in both sectors is slow and this results in unemployment during the transition toward the long run free trade equilibrium. We identify different free trade regimes depending on whether or not the world relative price is between the two autarkic prices. In some regimes, one of the two countries overshoots its autarkic equilibrium *i.e.* temporarily specializes according to its comparative *disadvantage*. In that case, welfare increases in both countries. In other regimes, the adjustment process is monotonic in both countries but welfare increases in only one country. When the two countries have “very” different rates of job creation/destruction, the world price adjusts in such a way that the difference in adjustment speed between the two countries decreases.

**Keywords :** Comparative advantage, Adjustment process, Interdependent countries.

*Journal of Economic Literature* classification numbers : F11, F16, O19.

*The emergence of lender of last resort under free banking system*, by Laurent Le Maux

The emergence of the high-powered money issued by a central bank have been explain only in the case of a privileged bank having the monopoly of note issue. Yet, hierarchical banking system can be explained in the case of free banking in a banking system where banks are still free to issue notes and demand deposit without legal restrictions. The emergence of the lender of last resort is then a spontaneous phenomenon and can be interpreted as a market innovation to contain bank runs, and not a creation of legislation or consequences of legal restrictions. By contrast, to establish a perfectly decentralised free banking system, *i.e.* without higher bank and only with free banks issuing credit money, the clearinghouse ought to respect strictly rules wich prohibit them to create high-powered money. Without these rules, and especially the 100clearinghouse, the banking structure is definitively hierarchical.

**Keywords :** Free banking, Clearinghouse, Lender of last resort.

*Journal of Economic Literature* classification numbers : E51, E58, N11.

*Basic income, unemployment and job scarcity*, by Loek Groot

The main claim of this paper is that in a world of equal entitlements to work rights the justification for a basic income is stronger, and that its level should be higher, the higher the level of unemployment or job scarcity. Point of departure is an economy with job scarcity. A fair way to deal with job scarcity is to grant everybody an equal right to work, where these rights can be freely traded. It turns out that such a Labour Rights scheme and a basic income scheme are equivalent. The equivalence is that the price of Labour Rights and the unemployment benefit corresponds to the income tax rate and basic income respectively. The tax rate can thus be considered as what workers have to pay to appropriate scarce job assets. Both schemes allow that some people voluntarily abstain from doing paid work, in return for a financial compensation. Therefore, the advantages in terms of equity and efficiency of a Labour Rights scheme equally apply to the basic income proposal. This analysis provides an argument against cutting unemployment and social assistance benefits during economic downturns and it offers new insights to evaluate the parasitism and exploitation objection raised against basic income.

**Keywords :** unemployment, right to work, basic income, social policy, exploitation.

*Journal of Economic Literature* classification numbers : D63, H53, I38, J21-23, J31, J64.