Summaries

Migration and Social Insurance

Helmuth Cremer, Catarina Goulão

Mobility across countries is often suspected to affect the coexistence of different social insurance systems. A wide variety of social protection systems exist within the EU. Some are of Beveridgean inspiration (with universal and more or less flat benefits), while others are mainly Bismarckian (with benefits related to past contributions). Concerns about the sustainability of the most generous and redistributive (Beveridgean) insurance systems are often based on the assumption of (near) perfect and costless mobility. In reality, labor mobility remains limited. Such low levels of migration rates could, mistakenly, lead to the conclusion that migration would currently not be affecting the redistributive social insurance systems. We address this issue in a two-country setting, where mobility is costly and where individuals differ in mobility cost (attachment to their native country). A Bismarckian insurance system is not affected by migration while a Beveridgean one is. Our results suggest that the race-to-the-bottom affecting tax rates may be more important under Beveridge-Beveridge competition than under Beveridge-Bismarck competition. Finally, we study the strategic choice of the type of social protection. We show that Bismarckian governments may find it beneficial to adopt a Beveridgean insurance system.

Short-term Macroeconomics and Climate Policy:
A Few Lessons from an Aggregate Demand and Supply Model

Jean-François Fagnart et Marc Germain

We introduce the concept of carbon footprint into an aggregate demand and supply model with imperfectly competitive price and wage formation. We analyse the properties of the short-term macroeconomic equilibrium in the presence of a climate policy, which may take the form either of a carbon tax or of quotas of pollution permits. We show that in the short run climate policy (or its strengthening) is simultaneously a negative aggregate supply shock and a positive aggregate demand shock. It is thus inflationary but it has an ambiguous impact on aggregate economic activity and employment: it will only stimulate output in an economy where nominal wages are rigid enough. In all cases, climate policy will depress real wages.

We also analyse the interactions between climate policy and the usual macroeconomic policies of demand (fiscal and monetary stimuli) and supply (labour tax cut). The multiplier effects of these demand and supply policies depend on the instrument chosen for implementing the climate policy (carbon tax or pollution permits).

We finally establish the conditions under which a reform combining a climate policy strengthening and a labour tax cut can reach the double objective of a lower carbon footprint and a lower unemployment rate, without reducing workers' real wages. Such a policy reform has however an ambiguous impact on the government surplus (or deficit).

Lobbying for Carbon Permits in Europe

Julien Hanoteau

Using cross-sector and cross-country data, this paper evidences that rent seeking influenced the allocation of CO_2 emission permits in the two first phases of the European emissions trading scheme. Industry lobbies effectively used the 'job loss' and 'competitiveness' arguments, as unemployment proxy variables significantly impacted the allocation in both phases, and carbon intensity influenced it in the second phase. The countries that adopted a partial auction scheme also gave relatively more permits and in particular to the politically more powerful sectors. This suggests a compensation mechanism and supports the assumption of a political tradeoff between the quantity of permits issued and the decision between free grant and auction. It also confirms that the initial allocation is not neutral in the presence of special interest lobbying.

An Experimental Study of Strong Candidate Stability

Abdoul Aziz Ndiaye

In this paper, we study the strong candidate stability of a voting procedure as defined by Dutta et al. [2001] through the experimental method. In this sense, a voting rule is said to be strongly candidate stable if the winner of the election remains unchanged after an attempted manipulation by strategic candidacy of a potential candidate. In an election with three candidates and a small electorate, we evaluate experimentally frequencies of the strong candidate stability of parliamentary voting rules and plurality.