Productivity Growth and Level in France, Japan, the United Kingdom and the United States over the Past Century and in Recent Years
Gilbert Cette, Yusuf Kocoglu and Jacques Mairesse

The past 120 years have been characterised by: (i) rapid economic growth and large productivity gains in the four countries; (ii) a decline in productivity in the United Kingdom relative to the United States, and to a lesser extent also relative to France and Japan until the second world war (WW2), and its subsequent come-back; (iii) the remarkable catching-up of the United States by France and Japan after WW2, which was however interrupted in the case of Japan during the 1990s. The contribution of capital deepening accounts for a large share of these different performances, with an increasing share of ICT capital in the last 25 years.

In 2006, before the current world crisis, hourly labour productivity levels are slightly higher in France than in the United States, and significantly lower in the United Kingdom and even more in Japan, while TFP levels are very close in France, the United Kingdom and the United States, but much lower in Japan.

Keywords: Productivity. Growth accounting. Macro-economic history.
JEL Classification: O47, O57, E22, J24, N10.

Budget Indicators in the Field of Social Policy
What Help for Public Action?
Mireille Elbaum

The French new budgetary architecture includes, for Social security as for government spending, a set of objectives and indicators, whose purpose is to assess performance of public policies. This paper looks through the indicators issued in 2009 in the fields of social and health policies. Considering the State budget, it shows that the

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indicators implemented are often inadequate to measure outcomes of public intervention and may raise problems of interpretation. Considering Social security expenditure, the set of indicators appears more interesting and consistent, but it remains in some respects a “political exercise”. In any case, using indicators to assess the performance of social policies needs caution, because of the complexity of their objectives and the multiplicity of actors involved at different levels. It cannot replace, and even appeals multidimensional evaluation, independently established.

Keywords: Budget policy. Social security. Social policies. Budget indicators. Evaluation of economic and social policies. 
JEL Classification: E6, F3, F5.

The Phillips Curve at Fifty
Hervé Le Bihan

The Phillips curve is fifty years old. Since Phillips (1958)’s original contribution this econometric relationship has undergone many criticisms and evolutions. The Phillips curve yet remains a fundamental tool for inflation forecasting and monetary policy analysis. This paper reviews the various versions of the Phillips curve, using examples of recent research for illustration purposes, and discusses the main issues associated with this relation.

Keywords: Phillips curve. Inflation. Wages. New Keynesian Phillips curve. 
JEL classification: E31, J30.

Fiscal Incidence of Unfunded Pension Scheme
An Analytical Investigation
Vincent Touzé

This paper deals with the particular fiscal incidence induced by an unfunded pension scheme. That consists to understand how the financing and the calculus of pensions modify the transitory and long run macroeconomic dynamics. We develop a simple OLG model with endogenous labour supply in an economy with productive capital. The analysis of the fiscal incidence is not numerical but analytical.

Keywords: Retirement. Labour income tax. OLG models. 
In Search of Lost Growth

*Forecasts for the World Economy, 2009 and 2010*

**Département analyse et prévision**

After the 2008 recessionary shock, the world activity seems to have come to a standstill. In 2009, world output will fall by 1.3% “only” -2.5% in the US, 3.8% in the euro area and 5.9% in Japan. Thanks to expansionary public policies, the bank crisis and the deflation have been curbed. Yet, governments will have to tackle the pending issue of soaring deficits. As regards firms, industrial overcapacities will delay investment recovery. The rising number of firms’ bankruptcies and households’ defaults will prevent banks from loosening credit conditions. Unemployment is expected to keep increasing. Following the rise of raw material prices, inflation will continue on its upward trend, but at a moderate pace under persistent weak demand in most countries. Sustained by emerging economies, world GDP will grow by 3.1% in 2010, and will fail to recover its 2008 growth path.

*Keywords*: World macroeconomic forecasts.

*JEL classification*: F01.

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From Hell to Purgatory

*Forecasts for the European Economy, 2009 and 2010*

**Département analyse et prévision**

After four quarters of strong fall, GDP declined by “only” 0.1% in the second quarter of 2009, showing the first sign of stabilization since the beginning of the crisis. The recession is due to both a decline of internal demand (mainly private consumption and productive investment) and of exports. The unemployment rate increased by more than two points, reaching 9.3% in the second quarter of 2009. Quarterly growth should turn positive in the third quarter of 2009, thanks to a rebound of investment and a positive contribution of inventories. But as private agents would keep lowering their indebtedness, this would hamper the growth of private demand. With GDP growing only by 0.8% in 2010, the standard of living per capita would remain largely below the pre-crisis level.

*Keywords*: European macroeconomic forecasts.

*JEL classification*: F01.
**Precarious Growth**

*Forecasts for the French Economy, 2009 and 2010*

**Département analyse et prévision**

The French economy has recently shown some signs of recovery after four consecutive quarters of decrease in growth. GDP ceased to decline in the second quarter of 2009 (0.3%) and positive growth would be confirmed in the second half of the year as world trade recently resumed, financial conditions have eased and economic sentiment indicators have strengthened. But growth would remain precarious in 2010. Internal demand would still be constrained by the continuous rise in unemployment and by the outstandingly low level of capacity utilization. The rebound of the car sales in Europe, which have boosted French exports, would come to an end since “scrapping bonus” adopted in several EU countries will progressively run out. With annual growth reaching 0.8% in 2010, output gap will widen and public finances will still deteriorate.

*Keywords*: French macroeconomic forecasts.

*JEL classification*: F01.

**Monetary Policy: Massive Policy Support**

**Département analyse et prévision**

The 2007-2008 crisis has first led central banks to cut drastically their interest rates, bringing them close to 0% in the US and Japan, 0.5% in the UK and 1% in the euro area since Spring 2009. In a second step central banks have implemented unconventional policy measures in order to provide sufficient liquidity in the banking system.

We expect a moderate economic recovery in 2010, while inflation would remain subdued. This would lead central banks to keep their interest rates unchanged in the US, Japan and the euro area until the end of 2010, albeit progressively unwinding quantitative easing. In the UK, the base interest rate could rise by 0.25% in the fourth quarter of 2010, signalling the return to a normal functioning of the banking system and improved economic conditions.

*Keywords*: Monetary policy. Interest rates. Quantitative easing.

*JEL Classification*: E2.
Non-fixed-term Unemployment
Département analyse et prévision

Adjustment of employment to downturn in activity has been quite differentiated among major industrial countries. After estimating employment equations by country, differences in trend productivity and in the speed of adjustment of employment to activity are consistent with recent observed trends. In most countries accrued flexibility of the labour market has resulted in overadjustment of employment. In spite of the rapid increase in the unemployment rate governments have allocated only a minor share of stimulus packages to support employment and labour market developments have to rely on the global impact of stimulus plans. Therefore our short-term outlook entails a pick up in the productivity cycle with increasing unemployment rates.

Keywords: Employment. Productivity. Labour market policies.

JEL Classification: J01, J08.