Two centuries of economic growth: Europe chasing the American frontier

Robert J. Gordon

While Europe’s level of productivity has almost converged to the United States’ one, its per-capita income has leveled off at about three-quarters of America’s. How could Europe be so productive yet so poor? The simple answer is that hours per person in Europe have fallen drastically in the past forty years, reflecting long vacations, high unemployment, and low labor force participation. A historical analysis traces Europe’s falling behind after 1870 to American political unity, fostering large-scale material-intensive manufacturing and a set of marketing innovations, and, after 1913, to the early American exploitation of the great inventions of electricity and the internal combustion engine, while Europe was distracted by wars. After 1950, Europe’s catch up was achieved both by exploiting the great inventions forty years later, and also by the gradual erosion of early American advantages.

JEL codes: A1, N0, 00.
Aging and the wealth of nations

Jacques Le Cacheux and Vincent Touzé

We examine the consequences of aging on wealth accumulation and growth in a simple overlapping-generations model. We show that, for some given sets of pension rules, aging is always beneficial for growth and development: lengthening the retirement period provides an incentive for saving more, which is always favorable to future generations. Only in the case of a marked increase in the weight of the pay-as-you-go pension system is wealth accumulation reduced and growth lower. We also discuss the utility gains associated to aging, its incidence on labor supply and the fairness of pension rules.

JEL codes: D91, H55, D91.

Everyone against the protectionism of developed countries?

Guillaume Daudin

Even if the debate on globalization pits sceptics and enthusiasts against one another, they seem to agree at least on exposing the protectionism of developed countries. This is illustrated by a recent report by OXFAM on trade, the way some enthusiasts have reacted to it, and miscellaneous interventions both by enthusiasts and sceptics. Could that point a possibility of reconciliation? On the one hand, the usual tools used by enthusiasts to analyse the effects of liberalization actually show that the gains from further liberalization by developed countries would be limited and would accrue mainly to themselves. On the other hand, the models that would show that liberalization by developed countries could be crucial for poor countries' development also show that it might not be in the best interest of poor countries to liberalize. So no reconciliation seems in sight.

JEL codes: F02, F17, F12, F13.
Johannesburg 2002
Can the environmental puzzle be solved by an alliance between experts and market?

Bruno Ventelou

The article begins with a brief description of the notion of “sustainable growth”, applied by the experts as a tool for environmental decisions. Then, an explanation of the fiasco of the Johannesburg Summit is given: rather than blaming the tool for expertise, the failure is imputed to the difficulty encountered in creating an international market based on it. The construction of a market of rights-to-pollute requires a Political agreement on the legitimacy of market constraints, which is not realised, and maybe, not possible in the –quasi missing– present system of world democracy.

JEL codes: Q01, K32, F02.

Reforming the Stability and Growth Pact: where do we stand?

Catherine Mathieu and Henri Sterdyniak

Reforming the SGP has become a highly debated issue in Europe. This paper starts with recalling the fiscal policy framework in the euro area: the 3% of GDP limit for public deficits, stability programmes, the broad economic policy guidelines. The weaknesses of the existing procedures are addressed: the arbitrary nature of the criteria, the lack of economic policy co-ordination. We discuss the propositions recently made by the Commission to strengthen its influence on national fiscal policies. We then deal with several other propositions: budgetary federalism, golden rule of public finances, budgetary policy committees, public debt rather than deficits surveillance. Finally, we present our proposal: national budgetary policies would be responsible for managing the inflation-production trade off, under a medium term inflation objective, while monetary policy would target interest rates.

JEL code: E6.
The national pension systems, the European Commission and the European Court of Justice

Alexis Dantec

European authorities are very numerous and active. The European Commission improved the coordination between the national retirement systems in the name of the capital and worker mobility. But it has also begun a larger action on the global social systems. Increase the capitalization funding or the age of the retirement are two showed off objectives without the excuse of the single market. The European Court of Justice has concurrently two reasons to break in the pension debate. Two articles of the UE treaties have allowed the European Court of Justice to interfere with the national decisions: first, the principle of equal compensation for males and females; second, the principle of free competition.

JEL code : J26.

Criminality in Europe

Henri Mendras

Recent victimization surveys give new data on criminality in different European countries. The statistics show that the evolution of criminality in France is following the same trend as the other European countries and the level of criminality is close to the average of Europe.

France is characterized by an increasing of violence among young people living in suburbs, which is a new form of rebellion and should be distinguished from ordinary « acquisitive » criminality.
Equilibrium Unemployment and Production Capacity

Joël Maurice and Dominique Taddéi

The theory of equilibrium unemployment refers to the wage-price loop, but so far, more attention has been paid to the wage than to the price equation. The model presented hereafter deals with the symmetric influences of the unemployment rate on wage setting and of the utilization rate on price setting. Unemployment splits into an « unemployment of full capacity » and another component, depending on social bargaining. It results that economic policies, as far as they have an impact on the maximal production capacity, are not neutral for the equilibrium unemployment rate (nor for the equilibrium utilization rate). This analysis suggests that fighting against unemployment does not require only structural measures related to wage setting; it could be more efficient and less costly from a social point of view to make structural measures aimed at increasing productive investments.

JEL codes : E22, E23, E24, E12.