Summary of articles

On the possibility of a perverse effect of intra-industry trade,
by Tito Cordella

One of the most usual claims in the debate on economic Integration is that trade liberalization and a fortiori free trade agreements are at the greater advantage of consumers of all countries. In this paper we show that this statement should be temperated if the countries differ considerably with respect to per capita income. If this is the case it can happen that only the consumers of the richest countries gain from the creation of a common market; while, in the poorest countries, the firms gain but the consumers are worse off. The analysis confirms some worries about the short run effects and the distributive problems induced by the economic integration of heterogeneous areas.

Journal of Economic Literature classification number: F12.

Décalage cyclique entre les États-Unis et l'Europe, et évolution des taux d'intérêt, par Patrick Artus

We analyse, using a two-country theoretical model, the effects of the early recovery of the US economy on interest rates in Europe. A sharp rise in european rates would clearly be very harmful for the european economic recovery. We examine the effects of monetary policies, of the degree of international mobility of capital, of the size of wealth effects and finally of the accumulation of foreign debt in the US.

Journal of Economic Literature classification numbers: 131, 311, 431.

Les implications macroéconomiques extérieures d'une monnaie unique en Europe, by Gérard Kébabdjian

This article analyses European monetary co-operation as a coalition —in its game theory meaning— in the context of the world economy. Starting with the Canzoneri and Henderson model, we add equations, particulary an international liquidity creation function, so as to adress the following questions. Can European monetary policy co-operation improve world equilibrium, particulary as far as employment is concerned? What will be the consequences of the absence of employment targets in European policy, as formulated in Maastricht treaty? What will be the implications of the promotion of an international currency in competition with the dollar?

Journal of Economic Literature classification numbers: F42, F33.

Gains and losses from unilateral free trade under oligopoly, by David R. Collie

This paper analyses unilateral trade liberalisation in a Cournot duopoly model where the domestic and the foreign firm have different marginal costs. There are three results in the paper. Firstly, with linear demand, it is shown that the domestic country will lose as a result of unilateral free trade unless the foreign firm has a significant cost advantage. Secondly, it is shown that a sufficient condition for there to be gains from unilateral free trade is that the domestic firm is so uncompetitive that it ceases production under free trade. This result is generalised to the case of a Cournot oligopoly with non-linear demand. Thirdly, it is shown that there will always be gains from unilateral free trade with constant elasticity demand functions whatever the elasticity of demand or the relative costs of the domestic and foreign firms.

Journal of Economic Literature classification numbers: F12, F13, L13.

Equivalence scales based on Subjective Income Evaluations: Are children really cheap?, by Karel Van den Bosch

Answers of sample survey respondents to questions like the following one: "In the circumstances of your household, what income would you regard as the minimum (or good/bad/sufficient, etc.) for your household?" can be used to estimate equivalence scales. It is sometimes claimed that this is a simple and cheap method to obtain "true" equivalence scales. Typically, these scales are much flatter than those derived from consumption behaviour data, or those incorporated in official poverty lines. A number of possible reasons have been advanced for this result. Yet, using subjective data does not necessarily result in a flat equivalence scale. Equivalence scales can also be estimated from answers to direct survey questions on how satisfied the respondent is with his or her household income, and these scales are often quite steep. In this paper, an application of both methods is reported. A number of possible reasons for the discrepancy are explored. In particular, the effects of a wide range of exogenous variables are examined. Data are from the 1985 and 1988 waves of the Belgian Socio-Economic Panel, a household income survey. The conclusion is that the discrepancy between the equivalence scales persists, even when controlling for a large number of possibly intervening factors.

Numéros de classification du *Journal of Economic Literature*: D63, I32.