

Youth Unemployment and Crime in France

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In this paper we examine the influence of unemployment on property crimes and on violent crimes in France for the period 1990 to 2000. This analysis is the first extensive study for this country. We construct a regional-level data set (for the 95 départements of metropolitan France) with measures of crimes as reported to the Ministry of Interior. To assess social conditions prevailing in the département in that year, we construct measures of the share of unemployed as well as other social, economic and demographic variables using multiple waves of the French Labor Survey. We estimate a classic Becker type model in which unemployment is a measure of how potential criminals fare in the legitimate job market. First, our estimates show that in the cross-section dimension, crime and unemployment are positively associated. Second, we find that increases in youth unemployment induce increases in crime. Using the predicted industrial structure to instrument unemployment, we show that this effect is causal for burglaries, thefts, and drug offences. To combat crime, it appears thus that all strategies designed to combat youth unemployment should be examined.

Credit, Wages and Bankruptcy Laws

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We analyze how bankruptcy laws affect the general equilibrium interactions between credit and wages. Soft laws reduce the frequency of liquidations and thus ex-post inefficiencies, but they worsen credit rationing ex-ante. This hinders firm creation and thus depresses labor demand. Rich agents who need little outside funds can invest even if creditor rights are weak. Hence, they favor soft laws that exclude poorer agents from the credit market and reduce the competition for labor. Such laws can generate greater utilitarian welfare than under perfect contract enforcement: by barring access to credit to some agents, soft laws lower wages, which increases the pledgeable income of richer agents and decreases the liquidation rates they must commit to. Yet, when they induce strong credit rationing, soft laws are Pareto dominated by tougher laws combined with subsidies to entrepreneurs.

Does High Cost of Mortgage Debt Explain Why Young Adults Live With Their Parents?

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Young adults leave their parents' home at a higher rate in Northern Europe or in the United States than in Southern Europe, with broad implications on labor market mobility and on fertility. We assess if differences in household formation are associated to differences in access to credit by estimating the impact of the cost of a mortgage on the probability that a young adult leaves his or her parent's home. Exogenous changes in the cost of credit are identified using the reform in 1998 and the cancellation in 2002 of Crédito Bonificado, a Portuguese program that provided four different reductions of the interest rate of mortgages signed by low- and medium-income youth. Using a unique dataset that links administrative records of debt with the 1998-2004 waves of the Employment Survey, we document three findings. First, borrowing among young adults fell when borrowing costs increased. Second, the elasticity of new household formation with respect to net interest rates lies between -0.8 and -3.3 . Third, young adults responded to the increase in mortgage costs by delaying home purchases or by reducing the quality of housing services purchased, but there was only a modest increase of the probability of renting a new accommodation.

Jobs, Jobs, Jobs: A "New" Perspective on Protectionism

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This paper analyzes the determinants of protectionism in a small open economy with search frictions. In this environment, jobs generate rents whose access depends on the level of trade protection. By raising the domestic price of a good, a government may attract more firms in a particular industry. This raises the probability that workers will find jobs in this sector, and in turn, will benefit from the associated rents. Though simple, this channel may help explain a variety of stylized facts on the structure of trade protection and individual trade-policy preferences.

Can Uncertainty Alleviate the Commons Problem?

Yann Bramoullé, Laval University, Nicolas Treich, Toulouse School of Economics

Global commons problems, such as climate change, are often affected by severe uncertainty. The paper examines the effect of uncertainty on pollution emissions and welfare in a strategic context. We find that emissions are always lower under uncertainty than under certainty, reflecting risk-reducing considerations. We show that uncertainty can have a net positive impact on the welfare of risk-averse polluters. We extend the analysis to increases in risk, increases in risk-aversion, and to risk heterogeneity.

Who is against a Common Market?

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This paper develops a theory of the endogenous formation of a common market in a three-country, two-factor political economy model. In the status quo, Home and Foreign implement nondiscriminatory policies toward international factor flows in order to maximize the domestic median voter's welfare. Then the two countries simultaneously hold referenda on a common market initiative, leading to the removal of the pre-existing policies for factor flows between the member countries, while no coordination is imposed on policies vis-a-vis the Rest of the World. Several interesting results emerge. In a common market, the returns on factors moving between the members are more likely to increase the larger is the import demand of one country relative to the factor supply of the exporting partner. Factors that do not relocate are more likely to see their returns decrease when flows are large and import demands are inelastic. Importantly, for the common market to emerge as an equilibrium, some factors must continue to experience enhanced protection when the integration process is completed. This result highlights the potential tension between social desirability and the political feasibility of the integration process.

The Role of Context and Team Play in Cross-Game Learning

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One of the dividing lines between economics and psychology experiments is that economists favor abstract context while psychologists favor meaningful context. We investigate the effects of meaningful versus abstract context on cross-game learning in a signaling game experiment. With individual decision makers (1x1 games) meaningful context promotes positive cross-game learning in moving from a pooling equilibrium to a separating equilibrium, while abstract context yields negative cross-game learning. In 1x1 games a change in the (meaningful) context which accompanies "superficial" changes in the game stalls the learning process compared to an abstract context that does not change. In contrast, with two person teams the same change in meaningful context has no disruptive effect on strategic play, with teams also having substantially higher levels of strategic play than the 1x1 games. We relate the effects of meaningful versus abstract context on cross-game learning to the psychology literature on deductive reasoning processes.

Income and Wealth Concentration in Spain in a Historical and Fiscal Perspective

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This paper presents series on top shares of income and wealth in Spain using personal income and wealth tax return statistics. Top income shares are highest in the 1930s, fall sharply during the first decade of the Franco dictatorship, then remain stable and low till the 1980s, and have increased since

the mid-1990s. The top 0.01% income share in Spain estimated from income tax data is comparable to estimates for the United States and France over the period 1933-1971. Those findings, along with a careful analysis of all published tax statistics, suggest that income tax evasion and avoidance among top income earners in Spain was much less prevalent than previously thought. Wealth concentration has been about stable from 1982 to 2005 as surging real estate prices have benefited the middle class and compensated for a slight increase in financial wealth concentration in the 1990s. We use our wealth series and a simple model to analyse the effects of the wealth tax exemption of stocks for owners-managers introduced in 1994. We show that the reform induced substantial shifting from the taxable to tax exempt status hence creating efficiency costs.