

## Summaries of Articles

*Les déterminants du risque d'insolvabilité dans l'industrie bancaire. Une approche en termes de frontière de production*, by Joël Petey

The insolvency risk of a financial institution is the result of its investment, financing and capital structure choices. This paper presents an application to French banks of a methodology first introduced by Hughes and Moon (1996). Grounding on the Almost Ideal Demand System, it allows for a joint estimation of profit and its variance. Considering risk as a unique input of the production process of profit, a mean-variance efficiency frontier is computed by DEA. Despite the fact that the risk of assets is increasing in equity, the risk of insolvency is decreasing in equity over the period. The effect of size on risk stems essentially from an increased credit risk for banks specialized on this activity.

**Keywords :** bank capital, insolvency risk, risk-return efficiency.

**Journal of Economic Literature** classification numbers : G21, G32, D24.

*The demand for high-denomination banknotes and the underground financial activities*, by Gilbert Koenig

This paper presents a model which explains the demand for large banknotes which represent in the developed countries more than 40% of the issued notes and which are used mainly in the underground economy as means of hoarding in addition to being means of payment for large financial transactions.

In spite of its very stylised character, the model used makes it possible to base on the theoretical level the relation empirical established between the demand for large banknotes and variables like the tax pressure and the yields of the financial assets. It analyses also some arguments and intuitions expressed in literary way on the role of tax morality, measures of control and the cost of laundering in the development of the underground activities.

Within this analytical framework, one specifies the nature and the effectiveness of the instruments which can be used by the governments to influence the supply and the demand for high-denomination banknotes and to control the extension of the underground economy.

**Keywords :** underground economy, demand for banknotes, tax evasion.

*Journal of Economic Literature* classification numbers : E41, H26, K42.

*Computing price trends in sequential auctions*, by Olivier Chanel and Stéphanie Vincent

This paper compares various methods used for measuring price trends in sequential auctions and draws on index number theory. Data from wine auctions are used to show that different methods applied to the same data may lead to significantly different conclusions. Moreover the same method can even lead to opposite results depending on the way pairs are selected within the set of similar objects sold sequentially. Finally, the number of identical objects being sold also influences the price trend.

**Keywords :** sequential auctions, price aggregation, price indices.

*Journal of Economic Literature* classification numbers : C15, C43, D44.

*Labor supply dynamics, unemployment and experience in the labor market*, by Étienne Wasmer

In the last decades, OECD labor markets faced important labor supply changes with the arrival of women and the cohorts of the baby-boom. Using a survey where workers declare their true employment experience, this paper argues that these supply trends imply more inexperienced workers. It then investigates the consequences of this fact on the skill composition of the labor force, between-groups wage inequality and the level of unemployment. The main result is that a labor market with wage rigidities may not recover from such a temporary labor supply shock: with a younger and less experienced labor force, there is higher unemployment among low-experience workers, they do not accumulate enough on-the-job human capital, this reduces in the long-run the supply of skilled (experienced) workers and the demand for unskilled workers. This intertemporal multiplication of supply shocks generates multiple equilibria, and the rigid economy is stuck to the bad equilibrium even after the shock. In a competitive labor market, in contrast, wage inequality and notably, the wage return to experience becomes higher but there is no persistence of the supply shock.

**Keywords :** wage inequality, education, experience, labor supply.

*Journal of Economic Literature* classification numbers : E24, J21, J31.