

Summaries

The Regulation of Hedge Funds under the Prism of the Financial Crisis. Policy Implications

Michel Aglietta and Sandra Rigot

This paper deals with two issues. On the one hand, it shows that structural changes in financial markets and in the *hedge funds* industry make the “*light-touch*” arguments for regulating *hedge funds* no longer relevant. On the other hand, pleas for stronger regulation of *hedge funds* are getting more attention. In the first part of the paper the huge expansion of the industry is outlined and the state of current regulation is highlighted. In the second part an in-depth analysis of risks associated with *hedge funds* is carried out. It is shown that systemic risk can arise from leverage and from concentration of exposures amongst *hedge funds*. The part played by *hedge funds* in the spread of the crisis of structured credit is portrayed. In the third section, the recommendations of professional organisations, regulatory authorities and international institutions are summed up within the framework of risk mapping. This oversight shows the ways to reform: the need for direct regulation, the enhancement of indirect regulation and the overhaul of securitization. The prospective pattern of regulation encompasses macro- and micro-issues, and impinges upon factors of demand and supply. It emphasizes the enhanced role of public regulators and displays the conditions for an effective market discipline performed by long run institutional investors.

Keywords: financial leverage, prime brokers, securitization, extreme risks, systemic risk, opacity, long run institutional investors, due diligence, monitoring, disclosure, market discipline, public regulator.

JEL Classification – G23.

Exports and Wages: Discriminating between the Sources of Rents

Lionel Fontagné and Daniel Mirza

When do exports lead to rents? And when are they shared with employees? This paper proposes a double empirical test that deals with this question, based on a mix of rent sharing theories and Cournot Oligopoly. We find that most of the OECD exporting activities are associated with some rents

that are shared with employees. However, we also show that the destination of sales matter, as rents seem to originate mostly from exporting to other OECD economies or, to a lesser extent, selling to own markets. Exports to developing countries' however, seem to be associated with positive rents only in a small minority of industries.

Keywords: international trade, rents, wages.

JEL Classification – F1, L1, J3.

Labour Demand and Elasticity of Hours to Wages

Muriel Roger and Sébastien Roux

This article examine the theoretical meaning of the elasticity of hours to wages accounting for Labour demand in an on-the-job equilibrium search model framework. A firm posts part and full-time job offers as a result of the trade-off between its demand variability, its wage costs and its hiring costs. Utility as a function of wages and the number of weekly worked hours is the criterion workers consider when accepting or rejecting job offers. We prove the existence of a Nash equilibrium, in which all firms hire both part- and full-time workers. Simulating the model, we show that the relationship between hours and wages depends dramatically on the firm's demand shape parameter and not on the individual preference for leisure.

Keywords: labor demand, elasticity, equilibrium search.

JEL Classification – J22, J23, J64.

Real Options Theory for Law Makers

Bruno Deffains and Marie Obidzinski

The formulation of legal rules is a challenging issue for lawmakers. Trade-offs are inevitable between providing more guidance by specific rules and enlarging the scope by general rules. Using real options theory we show that the degree of precision should be considered as a degree of flexibility which increases the value of the text. Thus, we derive a normative principle for a draftsman to choose between rules versus standards and to decide when the law should be enacted. In highly innovating environments, delaying the enactment allows lawmakers to obtain more information. Therefore, the lower the degree of precision of the law, the shorter the delay.

Keywords: degree of precision, exibility, obsolescence, rulemaking.

JEL Classification – C61, G12, K00, K40.