

Dear Friends of IDEI and TSE,

First, we would like to wish you a Happy New Year 2010. We hope that 2010 will be as exciting and active at IDEI and TSE as 2009. Indeed, twenty conferences and workshops were organized by IDEI and TSE in 2009.

We will begin the year with the first international conference on infrastructure economics and development on January 14 and 15. This conference will aim at stimulating economic research on infrastructure in developing countries (*see page 2 of this Newsletter for the main issues of the conference*).

Then, IDEI will organize its seventh conference on energy markets on January 28 and 29: a broad range of topics will be addressed particularly wind power, energy storage and polluting emissions. We congratulate Thomas Mariotti on his prize for best young researcher in Finance from the Europlace Institute of Finance (*see page 3 of this Newsletter for an overview of Thomas Mariotti's research*).

In conclusion, as you can see below, IDEI and TSE researchers participate in current affairs, specifically those who have addressed the UN conference on climate change that was located in Copenhagen last December. In effect, twenty three papers in the press have been written by IDEI and TSE researchers over the last quarter, seven of them were about climate change and carbon tax.

Christian GOLLIER and Patrick REY



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## Papers in the Press

- ▶ "Une espèce invasive, combien ça coûte?", Estelle Gozlan and Alban Thomas, *Pour La Science*, October 2009.
- ▶ "Rétablir les quotas ? Plutôt créer une assurance-revenu pour les éleveurs", Hervé Guyomard and Vincent Réquillart, *La Tribune*, October 5, 2009.
- ▶ "Les banques devraient rémunérer la garantie apportée par les Etats", Thomas-Olivier Léautier, *Les Echos*, October 5, 2009.
- ▶ "La Décentralisation à la Chinoise", Jacques Crémer and Bernard Salanié, *Les Echos*, October 7, 2009.
- ▶ "L'ère du "Jurassic Park" industriel", Augustin Landier and David Thesmar, *Les Echos*, October 21, 2009.
- ▶ "Le retour du relais-poste", Emmanuelle Auriol, *Le Monde*, October 27, 2009.
- ▶ "Pour des mandats uniques attractifs", Emmanuel Thibault, *La Tribune*, October 27, 2009.
- ▶ "Comment prévoir l'imprévisible?", Christian Gollier, *Pour La Science*, November 2009
- ▶ "Des financiers trop hardis", Astrid Hopfensitz, *L'Expansion*, November 2009.
- ▶ "Négociations climatiques : Copenhague ou l'heure de vérité", Jean Tirole, *Le Monde*, November 3, 2009.
- ▶ "Climate change negotiations: Time to reconsider", Jean Tirole, *Vox*, November 16, 2009.
- ▶ "Pour bien utiliser le grand emprunt", Jacques Crémer and Bernard Salanié, *Les Echos*, November 18, 2009.
- ▶ "Vérité des prix pour l'électricité!", Claude Crampes and Thomas-Olivier Léautier, *La Tribune*, November 23, 2009.
- ▶ "Government outsourcing: Public contracting with private monopoly", Emmanuelle Auriol and Pierre M. Picard, *Vox*, November 24, 2009.



# Infrastructure and development

The first International Conference on Infrastructure Economics and Development (ICIED) was held in Toulouse on January 14 and 15.

It brought together around 150 participants from around the world, including academics, members of international institutions and NGOs, and policy makers. The aim was to take stock of recent advances and research challenges, and exchange ideas and insights on the future research agenda.

A number of dominant themes ran through the conference. These include in particular the relationship between climate change and infrastructure development, and the economics and policy of public-private partnerships (PPPs) and regulation.

The sessions also showed that frontier research is active in a number of challenging topics, among which impact evaluation, economic geography and infrastructure.

## 1) Climate change and infrastructure.

Jean Tirole (IDEI and TSE) gave the opening keynote lecture, in which he discussed the diverse incentive issues involved in the process of reaching an international agreement to curb greenhouse gas emissions. He insisted on the need to put in place an international transfer mechanism to secure multilateral support to an agreement, and signaled that historically, successful compensation schemes between countries took the form of permit allocation.

Marianne Fay (World Bank) then presented the 2010 World Bank's World Development Report on climate change. Her message was clearly that developing countries will bear the brunt of climate change consequences, because of their geographical and climatic conditions, of their higher share of exposed and vulnerable population and their lower access to insurance mechanisms, and because of their inability to face adaptation costs. In particular, in a context in which a large share of the developing world population is still lacking access to some basic public services such as water, electricity or transportation, she insisted on the need to make quick progress on the understanding of how to design new ways to extend and regulate such services while taking into account the changing types of risks that result from the process of climate change.

Finally, Franck Lecocq (INRA and Agro Paris) presented an analysis of the impact of long lived capital goods, among which infrastructure

equipments, on the path of future carbon emissions, stressing the fact that contemporary decisions have a strong lock-in effect that may last over several decades.

## 2) Public-private partnerships.

In the second keynote address, Eduardo Engel (Yale University) discussed how and when PPPs may be a better way to deliver infrastructure investments than conventional public provision or regulated privatization. Focusing specifically on the case of roads, he started by highlighting the characteristics of PPPs, namely the bundling of construction and operation, the private temporary ownership of assets and intertemporal risk sharing with the public sector. Eduardo Engel stressed the institutional requirements for a successful PPP program, emphasizing among others the need for an independent supervisor and for independent mechanisms to mediate in conflicts or when renegotiations are needed. In the context of developing countries, weak rule of law and institutional quality was shown to alter the choice between conventional provision and PPPs in favor of the former, since this option is less subject to the risk of regulatory or government opportunism.

In the final panel, Timo Vällilä (European Investment Bank), Sanghoon Ahn (Korea Development Institute) and Eduardo Engel reflected on how the financial crisis affected infrastructure delivery around the world. In particular, Timo Vällilä presented figures of the stimulus packages across Europe, highlighting that infrastructure delivery has not suffered too much of the reduction in available finance since most packages included some share of infrastructure works. However, it is unclear how things would evolve beyond 2011.



## Papers in the Press

- ▶ *"Entre keynésiens et libéraux, la lutte continue"*, Emmanuel Farhi and Jean Tirole, *Enjeux les Echos*, December 2009.
- ▶ *"Un train à grandes promesses"*, Marc Ivaldi, *L'Expansion*, December 2009.
- ▶ *"Un prix élevé du carbone est de l'intérêt des entreprises"*, Stefan Ambec and Francesco Ricci, *La Tribune*, December 1, 2009.
- ▶ *"Comment libérer les collectivités locales ?"*, Augustin Landier and David Thesmar, *Les Echos*, December 2, 2009.
- ▶ *"Taxe carbone: de la théorie à la pratique"*, Christian Gollier and Christian de Perthuis, *Les Echos*, December 4, 2009.
- ▶ *"Copenhague ou pas, il faut une météo du carbone"*, Hippolyte d'Albis, *La Tribune*, December 7, 2009.
- ▶ *"Petits gestes écologiques entre amis"*, Paul Seabright, *Le Monde*, December 15, 2009.
- ▶ *"Y a-t-il un docteur carbone dans la salle ?"*, Philippe Mahenc, *La Tribune*, December 17, 2009.
- ▶ *"Paul Samuelson, inventeur d'une méthode d'analyse très féconde"*, Jacques Crémer and Bernard Salanié, *Les Echos*, December 23, 2009.

# Reconciling Corporate Finance and Market Finance



**Thomas Mariotti, researcher at Toulouse School of Economics (TSE), has been awarded the prize for best young researcher in Finance by the Europlace Institute of Finance.**

His research aims at reconciling Corporate Finance and Market Finance, two fields that have evolved independently, one from the other, since 1960. In particular, in order to concentrate on the evolution of derivative products, Market Finance has deliberately left aside all strategic and contractual relationships between managers and shareholders of the firms. To study these derivatives it uses very sophisticated mathematical techniques.

Thomas Mariotti and his colleagues, Bruno Biais, Guillaume Plantin, Jean-Charles Rochet and Stéphane Villeneuve, have developed dynamic models describing the behavior of firm managers. According to them, it is optimal for a manager's pay to be based on the long-term performance of the firm. For instance, bonuses should only be given in the case of positive results over a sufficiently long period. These bonuses should be suspended if the performance of the firm deteriorates. If necessary, the government should make sure that these rules are clear and simple.

## Awards

- **Hippolyte D'Albis**, Junior Chair of the *Institut Universitaire de France*, 2009.
- **Emmanuelle Auriol**, Fellow of the Council of the European Economic Association, 2009.
- **Christian Gollier**, Senior Chair of the *Institut Universitaire de France*, 2009.
- **Thomas Mariotti**, Laureate of the prize for best young researcher in Finance from the Europlace Institute of Finance, 2009.
- **Guillaume Plantin**, HEC - BNP Paribas Hedge Fund Center Prize for the research project "How to reward trading skills without inducing gambling?" with Igor Makarov (London Business School), 2009.
- **Jean-Charles Rochet**, European Research Council Grant, 2009.
- **Paul Seabright**, Fellow of the Council of the European Economic Association, 2009.
- **Jean Tirole**, European Research Council Grant, 2009.

## Conferences

- **INRA-IDEI Seminar on "Epidemiological and Health Economics"**, organized by Pierre Dubois and Frédérique Fève, Toulouse, *October 20-21, 2009.*
- **Workshop on "The Theory and Empirics of Risk Sharing"**, organized by Pierre Dubois, Bruno Jullien and Thierry Magnac, *Toulouse, October 22-23, 2009.*
- **Workshop INRA-IDEI on "Incomplete Pass-Through in Marketing Channels: National and International Trends"**, organized by Céline Bonnet and Michel Simioni, *Toulouse, November 16-17, 2009.*
- **Workshop on "Mechanism Design, Game Theory and Political Economy: In Honor of Roger Myerson"**, organized by Michel Le Breton and David Martimort, *Toulouse, December 7-8, 2009.*
- **16th IDEI Annual Conference on "State-Building, Leadership, and Local Democracy"** and Jean-Jacques Laffont Prize 2009 presentation to Roger Myerson (University of Chicago and 2007 Nobel Prize in Economics), *Toulouse, December 9, 2009.*
- **The Seventh Toulouse Lectures in Economics** presented by Roland Benabou (Princeton University) on "*Revisiting Incentives: Values, Laws and Norms*", *Toulouse, December 14-16, 2009.*
- **First French Econometrics Conference in Toulouse Celebrating Alain Monfort Contribution to Econometrics**, organized by Nour Meddahi, *Toulouse, December 14-15, 2009.*

## Upcoming Events

- **International Conference on Infrastructure Economics and Development**, organized by Jean-Jacques Dethier (World Bank) and Stéphane Straub (TSE), *Toulouse, January 14-15, 2010.*
- **The Economics of Energy Markets**, organized by Claude Crampes, Thomas-Olivier Léautier and Jean Tirole, *Toulouse, January 28-29, 2010.*
- **ENTER Jamboree, Toulouse School of Economics**, organized by Pierre Dubois, *Toulouse, February 5-6, 2010.*
- **Conference on Extremal Events in Quantitative Risk Management**, organized by Stéphane Villeneuve, *Paris, March 19, 2010.*
- **Sixth Conference on "Regulation, Competition and Universal Service in the Postal Sector"**, organized by Helmuth Cremer, Philippe De Donder and Jean-Pierre Florens, *Toulouse, March 25-26, 2010.*

## Publications

- ▶ **“Party Formation and Minority Ideological Positions”**, Vincent Anesi and Philippe De Donder, *The Economic Journal*, vol. 119, n°540, October 2009, p. 1303-1323.
- ▶ **“On Moral Hazard and Non-Exclusive Contracts”** Andrea Attar and Arnold Chassagnon, *Journal of Mathematical Economics*, vol. 45, n°9-10, September 2009, p. 511-525.
- ▶ **“Government Outsourcing: Public Contracting with Private Monopoly”**, Emmanuelle Auriol and Pierre M. Picard, *The Economic Journal*, vol. 119, n°540, October 2009, p. 1464-1493.
- ▶ **“Organizational Structure, Redistribution and the Endogeneity of Cost: Cooperatives, For-Profit Firms and the Cost of Procurement”** Philippe Bontems and Murray Fulton, *Journal of Economic Behavior and Organization*, vol. 72, n°1, October 2009, p. 322-343.
- ▶ **“Régulation des prix et politiques de remboursement des médicaments”**, Claude Crampes, Pierre Dubois, Bruno Jullien and Jean-Marie Lozachmeur, *Revue Générale de Droit Médical*, vol. 33, December 2009, p. 273-290.
- ▶ **“On the Value Added Taxation Status of National Postal Operators”**, Helmuth Cremer, Philippe De Donder, Paul Dudley and Frank Rodriguez, *The Review of Network Economics*, vol. 8, n°3, September 2009, p. 233-254.
- ▶ **“Parental Altruism, Lifetime Expectancy, and Dynamically Inefficient Equilibria”**, Hippolyte d’Albis and Bruno Deceuse, *Journal of Economic Dynamics and Control*, vol. 33, n°11, November 2009, p. 1897-1911.
- ▶ **“A Multiplicative Model of Optimal CEO Incentives in Market Equilibrium”**, Alex Edmans, Xavier Gabaix and Augustin Landier, *The Review of Financial Studies*, vol. 22, n°12, December 2009, p. 4881-4917.
- ▶ **“A Simple Proof of the Existence of an Equilibrium when the Weak Axiom Holds”**, Jean Fraysse, *Journal of Mathematical Economics*, vol. 45, n°11, 1 December 2009, p. 767-769.
- ▶ **“Funding Research and Educating People in a Growth Model with Increasing Population”**, André Grimaud and Frédéric Tournemaine, *IUP Journal of Knowledge Management*, vol. 7, n°5-6, September 2009, p. 35-54.
- ▶ **“Sovereign Debt without Default Penalties”**, Alexander Gümbel and Oren Sussman, *Review of Economic Studies*, vol. 76, n°4, October 2009, p. 1297-1320.
- ▶ **“Reputational Cheap Talk with Misunderstanding”** Alexander Gümbel and Silvia Rossetto, *Games and Economic Behavior*, vol. 67, n°2, November 2009, p. 736-744.
- ▶ **“L’ouverture aux échanges est-elle bénéfique ? Analyse en présence d’une politique environnementale incitative”** Yolande Hiriart, *Revue Économique*, October 2009.
- ▶ **“Third Degree Stochastic Dominance and Inequality Measurement”**, Michel Le Breton and Eugenio Peluso, *Journal of Economic Inequality*, vol. 7, n°3, September 2009, p. 249-268.
- ▶ **“Regulating Systemic Institutions”**, Jean-Charles Rochet, *Finnish Economic Papers*, vol. 22, n°2, Autumn 2009, p. 35-46.
- ▶ **“Regulatory Intervention, Corruption and Competition”** Stéphane Straub, *Review of Industrial Organization*, vol. 35, n°1-2, September 2009, p. 123-148.

## Working Papers

- ▶ **“Think Globally, Act Locally? Stock vs Flow Regulation of a Fossil Fuel”** Jean-Pierre Amigues, Ujjayant Chakravorty and Michel Moreaux, *IDEI Working Paper*, n°584, November 2009.
- ▶ **“Competition in Two-Sided Markets with Common Network Externalities”**, David Bardey, Helmuth Cremer and Jean-Marie Lozachmeur, *IDEI Working Paper*, n°578, October 2009.
- ▶ **“The Impact of Mergers on the Degree of Competition in the Banking Industry”**, Cerasi Vittoria, Barbara Chizzolini and Marc Ivaldi, *IDEI Working Paper*, n°582, November 2009.
- ▶ **“Politiques pro-biocarburants et climatique américaines : impact sur les choix énergétiques du Brésil et des Etats-Unis et bilan carbone”**, Ujjayant Chakravorty, Marie-Hélène Hubert and Michel Moreaux, *IDEI Working Paper*, n°568, October 2009.
- ▶ **“Accidental Bequests: a Curse for the Rich and a Boon for the Poor”**, Helmuth Cremer, Firouz Gahvari and Pierre Pestieau, *IDEI Working Paper*, n°580, November 2009.
- ▶ **“Arm’s Length Relationships without Moral Hazard”**, Jacques Crémer, *IDEI Working Paper*, n°585, November 16, 2009.
- ▶ **“Effet de serre, échanges internationaux et taxation locale des produits pétroliers”**, Julien Daubanes and André Grimaud, *IDEI Working Paper*, n°581, October 2009.
- ▶ **“Environmentally Damaging Electricity Trade”** Étienne De Villemeur and Pierre-Olivier Pineau, *IDEI Working Paper*, n°581, November 2009.
- ▶ **“A Communication Game on Electoral Platforms”** Gabrielle Demange and Karine Van Der Straeten, *IDEI Working Paper*, n°589, November 23, 2009.
- ▶ **“Nutrition and Risk Sharing within the Household”**, Pierre Dubois and Ethan Ligon, *IDEI Working Paper*, n°580, November 2009.
- ▶ **“Bubbly Liquidity”**, Emmanuel Farhi and Jean Tirole, *IDEI Working Paper*, n°577, October 2009.
- ▶ **“How Should the Distant Future be Discounted When Discount Rates are Uncertain?”** Christian Gollier and Martin L. Weitzman, *IDEI Working Paper*, n°588, November 2009.
- ▶ **“Interconnection among Academic Journal Websites: Multilateral versus Bilateral Interconnection”**, Doh-Shin Jeon and Dominico Menicucci, *IDEI Working Paper*, n°579, October 2009.
- ▶ **“The Pricing of Academic Journals: A Two-Sided Market Perspective”**, Jeon Doh-Shin and Jean-Charles Rochet, *IDEI Working Paper*, n°458, October 2009.



# Newsletter

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