

Newsletter

October 2007

The news below represents a small sample of the activities of the IDEI researchers from July to September 2007. If you would like more information, see the IDEI Website at <http://www.idei.fr/>, or contact Catherine Portier, cportier@cict.fr.

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DIRECTOR'S COLUMN



Dear friends of IDEI,

Economists from Toulouse have been particularly honoured these last three months. First, Gilles Saint-Paul, research director at IDEI and professor at TSE, has received the prestigious Yrjö Janhsson prize awarded every two years by the European Economic Association to the best European economist of less than 45 years old. Second, Jean Tirole, scientific director of IDEI and director of TSE, has received the 2007 gold medal of the CNRS. This prize, created in 1954, is the most prestigious one in France and is granted every year to the best scholars of all fields of research. It is the second time that an economist receives this prize; the first one was Maurice Allais in 1978, he got the Nobel Prize in economics a few years later. Finally, Eric Maskin, an old friend of IDEI, has received the Nobel Prize in economics for his contribution to the foundations of mechanism design theory. The research that Eric Maskin lead jointly with Jean-Jacques Laffont was mentioned by the Nobel Prize academy (see http://nobelprize.org/nobel_prizes/economics/laureates/2007/ecoadv07.pdf).

As it was announced in the last IDEI Newsletter, the fourteenth IDEI Annual Conference and the 2007 Jean-Jacques Laffont Prize presentation, in partnership with the City of Toulouse, has been awarded to Steve Ross, Franco Modigliani professor of financial economics at the Sloan School of Management of MIT. Steve Ross is best known as the inventor of the arbitrage pricing theory and its applications to financial asset pricing. On October 19, in the *Salle des Illustres* of the City hall of Toulouse, he presented a conference on the cost of social security. After the conference, Jean Tirole and Gilles Saint-Paul received respectively the gold and silver medals of the City of Toulouse. All those distinctions prove that the economists from Toulouse are both locally and internationally known and involved.

For the first time, IDEI has organized jointly with the think tank Bruegel a conference in Brussels on October 25-26. Its objective was to bring together business representatives and policymakers. The conference, organized in partnership with France Telecom, focused on the interaction between regulation, competition and investment in network industries.

As you can check it on the IDEI website, the rest of the year will be rich in events. First, Steve Berry will give the next Toulouse Lectures in Economics on November 14, 15 and 16, 2007 (see <http://www.idei.fr/activity.php?a=6819>) Second, IDEI will host on November 29 and 30 the 2007 ACE (ACE for Association Competition Economics) Conference that will bring together more than two hundred of specialists in competition policy (see http://www.competitioneconomics.org/view.php?template=basic&page_id=1).

Patrick Rey

IDEI AND THE MEDIA

- « Désespérante Solvabilité II », by Jacques Crémer and Christian Gollier, *Les Echos*, July 12, 2007.
- « Four Principles for an Effective State », by Jean Tirole, *Vox*, July 16, 2007.
- « Réguler les hedge funds », by Jean-Charles Rochet, *Les Echos*, August 28, 2007.
- « Gilles Saint-Paul : meilleur jeune économiste européen », by Sophie Fay, *Le Figaro*, August 30, 2007.
- « Comment numériser la justice ? » by Jacques Crémer and Christian Gollier, *Les Echos*, September 20, 2007.
- « Jean Tirole, le quotidien en équations », by Annie Kahn, *Le Monde*, September 21, 2007.
- « L'économiste Jean Tirole, médaille d'or du CNRS », *Le Figaro Economie*, September 21, 2007.
- « Jean Tirole, le meilleur espoir de Nobel français », by Sophie Fay, *Le Figaro Economie*, September 21, 2007.
- « Jean Tirole, économiste, médaille d'or du CNRS », *La Croix*, September 25, 2007.
- « Contre la progression de l'obésité, ayons le courage de taxer la junk food », by Pierre Dubois, *Le Monde Economie*, September 25, 2007.
- « Une réglementation stable dynamiserait l'emploi », by Gilles Saint-Paul, *Entreprises-Carières*, September 25 – October 10, 2007.
- « La quête de Jean Tirole », by Catherine Golliou, *Le Point*, September 28, 2007.

Jean Tirole, 2007 Gold Medal of the CNRS

You have received a lot of prizes that honour your academic career, the last one is the CNRS gold medal. Today, what does motivate you?

Peer recognition is obviously very gratifying for a researcher. I have been extremely lucky encountering, collaborating with, and learning from great researchers all along my career. This is certainly one of the great pleasures this profession has given me, and I would not give that up for anything in the world. The other aspect, a truism of course, but a very accurate one, is the joy associated with developing an understanding of phenomena hitherto confusing. Thus I look forward to more research! There is no shortage of topics I hardly master and that I look forward to investigate. For example, topics that I want to pursue include bubbles and aggregate liquidity, global warming, intellectual property, and behavioural economics. I also would like the economic debate in France and in Europe to benefit from old and new developments in economics. Like many of my colleagues I feel that it is my duty to help further the decision makers' and the public's understanding of key economic issues, and so want to continue contributing actively to this debate even though research and teaching will still come first.



Jean TIROLE, director of TSE

Since February 2007, you are the director of Toulouse School of Economics. Why do you involve in this project and what for?

The creation of the "Réseaux Thématiques de Recherche Avancée" in France offers a unique opportunity to build public-private partnerships to advance research in various fields of science. The economics group in Toulouse was fortunate to be selected among the 13 centers of excellence across all fields in France, enabling us to set up a foundation, the Jean-Jacques Laffont-Toulouse School of Economics (TSE) Foundation. This foundation, like the 12 others, received a contribution from the French State and can receive further contributions from private donors under an advantageous fiscal status. Our goal is to raise sufficient money to build up an endowment. The non-consumptibility of this endowment will represent for the public and private partners of TSE a commitment by the econo-

mists in Toulouse not to run down too quickly the new means, and for the new hires a guarantee that TSE's efforts to build a world level center in economics have lasting power. We will be using the new means in various ways, such as creating three-year junior and senior chairs, that will enable us to invite world-class researchers and give them an opportunity to integrate the French research and university positions if they wish so, and granting publication prizes so as to encourage researchers, especially young ones, to publish in the best scientific outlets. We will also create new doctoral fellowships, and more generally undertake a variety of programs designed to enhance our research and doctoral program capabilities.

This third phase of the development of the Toulouse School of Economics (after the pioneering phase of the 1980s and the second phase associated with the creation of the Institute for Industrial Economics) hopes to bring Jean-Jacques Laffont's initial project to completion. The exciting prospects that these new means enable are more than enough to motivate my colleagues and myself to engage in further institution building.

« Like many of my colleagues I feel that it is my duty to help further the decision makers' and the public's understanding of key economic issues... »

VISITS

- Jacques Crémer is visiting the University of Maryland from September to December 2007.
- Philippe de Donder is visiting the University of Yale over this academic year.
- Zonglai Kou (Fudan University, Shanghai), is post-doctorate at IDEI until September 2008.
- François Ortalo-Magné (professor at University of Wisconsin) is visiting IDEI until June 2008.
- Markus Reisinger (Ludwig-Maximilians-Universität München, Germany) is visiting IDEI until March 2008.
- Etienne de Villemeur is visiting the University of Montréal over this academic year.
- Stéphane Villeneuve is visiting the University of Santa-Barbara.

Copies of all working papers can be found on the web site of the IDEI

APPLIED PAPERS

- Bec F. and **C. Gollier**, « Assets Returns Volatility and Investment Horizon: the French Case », Working Paper n°467.
- Bergantino A., **E. de Villemeur** and A. Vinella, « Partial Regulation in Vertically Differentiated Industries », Working Paper n°470.
- **Biais B.** and **F. Declerck**, « Liquidity, Competition & Price Discovery in the European Corporate Bond Market », Working Paper n°475.
- **Bouamra-Mechemache Z.**, R. Jongeneel and **V. Réquillart**, « The Dairy Industry in an Expanding European Union: Policies and Strategies », Working Paper n° 478.
- **Calmette M.-F.** and J. Le Pottier, « Une TVA sociale pour plus de compétitivité, oui ou non? », mimeo, September.
- Daubanes J. and **A. Grimaud**, « On the North-South Effects of Environmental Policy: Rent Transfers, Relocation, Incentives to Research and Growth », Working Paper n° 477.
- **De Villemeur E.**, **M. Ivaldi** and M. Urdanoz, « Social Costs of Air Traffic Delays », Working Paper n°460.
- **Gollier C.**, « The Determinants of the Insurance Demand by Firms », Working Paper n° 468.
- **Grimaud A.**, G. Lafforgue and B. Magne, « Innovation Markets in the Policy Appraisal of Climate Change Mitigation », Working Paper n°476.
- **Ivaldi M.** and C. Vibes, « Price Competition in the Intercity Passenger Transport Market: a Simulation Model », Working Paper n°457.

TECHNICAL PAPERS

- **Auriol E.** and R. Gary-Bobo, « On the Optimal Numbers of Representatives », Working Paper n°86.
- **Bergès F.** and C. Chambole, « Threat of Exit as a Source of Bargaining Power », Working Paper n°471.
- **Biais B.**, P. Bossaerts and C. Spatt, « Equilibrium Asset Pricing and Portfolio Choice Under Asymmetric Information », Working Paper n°474.
- **Biais B.** and **F. Declerck**, « Dealing in Junk », Working Paper n°479.
- **Biais B.** and R. Green, « The Microstructure of the Bond Market in the 20th Century », Working Paper n°482.
- **Biais B.**, **T. Mariotti**, **J.-C. Rochet** and **S. Villeneuve**, « Accident Risk, Limited Liability and Dynamic Moral Hazard », Working Paper n°472.
- **Biais B.** and M. Weber, « Hindsight Bias and Investment Performance », Working Paper n° 476.
- Bousquet A., **E. de Villemeur** and **N. Ladoux**, « Short-Term Inefficiencies from Long-Term Optimality in an Uncertain Environment », Working Paper n°327.
- **Casamatta C.** and C. Haritchabalet, « Competition Between Informed Venture Capitalists for the Financing of Entrepreneurs », Working Paper n°444.
- **De Villemeur E.** and B. Gui, « Regulation of a Monopoly Generating Externalities », Working Paper n°469.
- **Gollier C.**, « Assets Relative Risk for Long-Term Visitors », Working Paper n°466.
- **Gollier C.**, « Optimal Expectations with Complete Markets », Working Paper n°463.
- **Grimaud A.** and L. Rougé, « Environment, Directed Technical Change and Economic Policy », Working Paper n°384.
- Hagiu A. and **B. Jullien**, « Designing a Two-Sided Platform: When To Increase Search Costs? », Working Paper n° 473.

NB : We would like some feedback about our newsletter. If you have any comments or suggestions, please send a line to Catherine Portier, (see the mail on page 1). To be removed from this mailing list, please send an email to Catherine Portier. If you know about somebody who could enjoy the Newsletter, please tell us.

- **Gilles Saint-Paul** received the 2007 Yrjö Janhsson Prize by the European Economic Association to the best European economist of less than 45 years old.
- **Jean Tirole** received the 2007 CNRS gold medal.

IDEI CONFERENCES

Three conferences held at IDEI during these last three months :

- Conference on the Theory and Empirics of Risk Sharing, Toulouse, France, September, 3-4 2007
- The CSIO/IDEI Conference on Industrial Organization, Northwestern University, Evanston, USA, September 7-8, 2007
- 14th Annual Conference and Jean-Jacques Laffont Prize 2007: "The Cost of Social Security", by Stephen ROSS, Toulouse, France October 19, 2007

Most of the IDEI events are open. If you would like to attend one of them, or just wish to have more information, visit

FUTURE EVENTS

- **November 14-16, 2007** : Fifth Toulouse Lectures in Economics presented by Steven Berry (Yale University), in partnership with the City of Toulouse and Princeton University Press.
- **November 29-30, 2007** : Association for Competition Economics Conference, Toulouse.
- **January 25-26, 2008**: Conference on the Economics of Health Care and Pharmaceutical Industry, Toulouse, France.
- **March 13-14, 2008**: Fifth Conference on Regulation, Competition and Universal Service in the Postal Sector, Toulouse, France