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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“Pour des mandats uniques attractifs”, Emmanuel Thibault, La Tribune, October 27, 2009.


“Climate change negotiations: Time to reconsider”, Jean Tirole, Vox, November 16, 2009.


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 curve greenhouse gases 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 Välilä (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 Välilä 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.
- “Y a-t-il un docteur carbone dans la salle ?”, Philippe Mahenc, La Tribune, December 17, 2009.
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

- 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.
- Jean Tirole, European Research Council Grant, 2009.

Upcoming Events

- ENTER Jamboree, Toulouse School of Economics, organized by Pierre Dubois, Toulouse, February 5-6, 2010.


