Dear Friends,

The United Nations climate conference (COP21) that will be held in December in Paris is an historic occasion. It is an opportunity for humanity to take charge of its destiny, and at this crucial juncture, we economists must share the results of our research on these issues and suggest possible solutions. In this magazine, you will therefore find a dedicated section featuring opinion pieces by several TSE researchers and a manifesto signed by more than 200 economists from all over the world. Climate change is an obstacle that human-kind must overcome and, in our humble way, we have to do our best to contribute to the debate.

This edition will of course also give you a in-depth look at the diversity of the TSE researchers. TSE economists work on many different subjects, exchange with international researchers and regularly pave the way to new scientific discoveries.

Christian Gollier was not here to help me write this editorial as he recently completed his term as TSE Director. He is now at the University of Columbia (New York) for a sabbatical year as a guest lecturer. We commend the work he has done in this position and we are fully confident of his successor’s abilities. First of all, Patrick Rey, long-time researcher at TSE, will ensure the interim until the 1 January 2016 when the new TSE Director, Ulrich Hege, will assume his duties. It is important that the Management of the Toulouse School of Economics is regularly renewed, as each new arrival gives a new boost of energy to our establishment. I have full faith in Patrick Rey and Ulrich Hege to carry out their mission: further reinforce academic and teaching excellence at TSE and work to ensure the durability of its original model. Other evolutions, projects and talents will arise in the coming months to strengthen the TSE community and I am confident in our ability to promote academic excellence and overcome any obstacles that our institution may encounter.

Enjoy your read.

Jean Tirole, Chairman - Toulouse School of Economics
Appointment of Ulrich Hege as General Director of TSE

The Jean-Jacques Laffont-TSE Foundation Administration Council appointed Professor Ulrich Hege as Director of Toulouse School of Economics. Ulrich Hege is currently the Associated Dean and Director of the PhD programs at HEC Paris.

His main objectives at TSE will be to reinforce the status of the institution in the ongoing international competition for academic leadership, to unite teams around a shared project for excellence in research and education, to consolidate and diversify the funding for that project and to set up a new organizational architecture following the merging of the three TSE laboratories into one unique entity. Ulrich HEGE will replace Christian Gollier which had been Director since 2009 and have played a key role in the creation of TSE and its Foundation, as well as in obtaining the LABEX label in 2012. Following Jean-Jacques Laffont, and with Jean Tirole, he has been one of the main contributors to the success of the TSE Community.

Christian Gollier is currently in New York where he will spend an academic sabbatical year as invited professor in the economics department of the University of Columbia.

Patrick Rey, UT1-Capitole-TSE professor and former director of the IDEI will ensure the interim until the arrival of Ulrich HEGE, on 1 January 2016.
Newcomers

Matteo Bobba
(Inter-American Development Bank, Washington)
Matteo Bobba obtained his PhD from Paris School of Economics before joining the Inter-American Development Bank in Washington. He works on issues related to development economics and labour economics. He recently analysed market imperfections in developing countries.

Shruti Sinha
(Northwestern University)
Shruti Sinha received her Ph.D. in Economics from Northwestern University in 2015. Prior to her doctoral studies she also received an M.Sc. in Economics from LSE in 2009, and a B.A. in Mathematics from the University of Delhi in 2007. Her research interests lie in studying the econometrics of multi-agent models and social interactions, and its applications. She is currently working on econometric models of matching markets.

Mathias Reynaert
(University of Leuven & University of Antwerp)
Mathias Reynaert received his PhD from the Leuven University and the Antwerp University. He mostly works on industrial and environmental economics. He recently worked on the evaluation of taxes and regulations in the European car market. He received the 10th Paul Geroski price and young economist essay award at the EARIE conference.

Alexandre de Cornière
(University of Oxford – Nuffield College)
Alexandre de Cornière is an industrial economist, working on questions related to digital markets, media markets and advertising. At TSE, Alexandre is a member of the Jean Jacques Laffont Chair for the Digital Economy. Prior to joining TSE, Alexandre was a Postdoctoral Research Fellow at Nuffield College, University of Oxford. He obtained his PhD from the Paris School of Economics in 2012.

New Research Chair: “Authorised stability and central banks” with the Central Bank of Luxembourg

This new Chair, financed by the Central Bank of Luxembourg (CBL), promotes high level research on the subjects relevant to central banks. The two institutions will cooperate through several ways, including co-authored publications, trainings, exchanges, conferences, workshops and visiting researchers from one institution to the other.

The Chair gathers several international researchers around professors Jean Tirole and Patrick Fève, and will last five years. “After many exchanges through the years, we are very excited to finally formalise our cooperation with Toulouse School of Economics and Jean Tirole, whose work has been recognised by the Nobel Prize in economics in 2014,” explained M. Reinisch, the Central Bank or Luxembourg Governor. “Our aim is to strengthen our monetary, financial and economics research at the CBL, especially in fields of direct relevance to Central Banks. This improvement should also contribute to grow the economics and financial dialogue in Luxembourg,” he added.

Save the date

14 OCTOBER 2015
Climate Conference – TSE : How to reach an ambitious and credible climate agreement
Paris Dauphine University.

15 OCTOBER 2015
21th IDEI Annual Conference and Jean-Jacques Laffont Prize 2015
Olshen Helmanman (Harvard University), Toulouse, France.

14-15 DECEMBER 2015
Trading and post-trading
Toulouse.

6 JANUARY 2016
The Future of Book Creation Workshop
Toulouse.

7-8 JANUARY 2016
Ninth Conference on The Economics of Intellectual Property, Software and the Internet
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Events by invitation only, find out more: tse-fr.eu - www.iast.fr
PHILIPPE DE DONDER has joined TSE in 1998, first as assistant professor and then as CNRS researcher. Within the Public Economics and Political Economy Group, he focuses on the economic consequences of political forces such as electoral competition, referenda and interest groups.

Back in Toulouse after spending a sabbatical year in Montreal, he habilitated about three articles he is currently writing. The first is about admissions standards in higher education, the second looks at wealth inequality in the context of the research done by Thomas Piketty (Paris School of Economics) and the third in an exploration of insurance systems in an era when personalised medicine is becoming more widespread.

You are working on an article about accessing higher education. How did that come about?

A few years ago, I presented a paper on education and social mobility at a conference I had the opportunity to meet Francisco Martinez-Mora (University of Leuven), who was the designated discussant. I was really lucky to interact with someone who knew the topic inside and out, and who had obviously spent quite some time working on my draft. After the event, we continued our discussion about access to education. During these conversations, it naturally became clear that we should write a paper on the subject together.

How does your model explain that? The equilibrium wage of workers who have not attended university increases with the proportion of individuals attending university when there are more highly qualified workers in the job market, unskilled employees become scarce and are thus being paid more. This is prompting parents who know that their child is a low achiever to favour a larger university, to boost their child’s wage. That said, increasing the size of the university (by lowering the standards of admission) comes at a cost to all taxpayers. The level of access chosen by majority voting trades off these two considerations.

Have you analysed other parameters? In our model, parents set by majority voting the minimum academic or cognitive level required to go to college. A direct application of the median voter theorem to societies where higher education is paid for by the government (as in most European countries) suggests that half the student population should attend universities. But in reality, this is far lower in all developed countries. We attempt to explain the gap between this prediction and the empirical data by building a simple model that determines the percentage of students in a generation who will become highly qualified by attending universities.

How did you build that model? In our model, parents set by majority voting the minimum academic or cognitive level allowing access to university. The model factors in many parameters, like the parents’ standard of living, their children’s academic abilities and how the equilibrium wage is affected by the proportion of high skilled workers. We also assume that parents know the cognitive abilities of their (unique) child. Our model generates the empirical observation that less than 50% of a generation attends universities.

Higher education in European countries in 2010

Philipp De Donder (TSE researcher)
Ownership structures and level of risk

Silvia Rossetto joined the TSE Financial Economics department in 2008 where she has been working on corporate finance and ownership structure. In February she and her co-author Amrita Dhillon (King’s College, London) published an article in the prestigious Review of Financial Studies journal. She spoke to TSE Mag about her research.

What is the article you published in Review of Financial Studies about?
The article deals with firm’s ownership structure. Firms show complex and varied ownership structures across industries and countries suggesting that one ownership structure does not fit all. Economic theory predicts that in a world without frictions, firms should have a dispersed ownership structure, that is, they should be owned by small shareholders with a perfectly diversified portfolio. However, when frictions are present dispersed ownership structure might not be optimal. Take the friction of costly monitoring of the management, small shareholders do not have the incentive to monitor the management and hence dispersed ownership might not be optimal. It has been demonstrated that in such a situation a large shareholder might have the incentive to arise and monitor the management.

Empirically, however, firms show often ownership structures more complex than either dispersed ownership or one large shareholder with a fringe of small shareholders. Firms usually have several mid-sized shareholders together with one large shareholder and many small shareholders. This structure has been little examined and the few theoretical studies which attempt to explain this heterogeneity in ownership structure, rely on the assumption that investors are wealth constrained or cannot take short positions in the stock market. We wanted to delve deeper in the issue and understand if alternative mechanisms are at play which do not rely on these strong assumptions. More precisely we looked at if such ownership structure can be the result of a power struggle for control among shareholders.

How does your model explain the formation of mid-sized shareholders?
Our model provides a framework to explain a variety of phenomena reported in empirical studies. We consider a world constituted by identical risk-averse investors with no wealth constraints. A firm has to take a decision on the riskiness of an investment. The decision is such that the higher the risk, the higher the expected return. The decision is taken through shareholders vote. We start from a situation where one large shareholder is needed to monitor the management. The larger his/her share of voting rights, the higher is his/her probability of being the largest shareholder. When not all small shareholders go and vote a wedge between voting power and cash flow rights arises. This situation provides incentives for a mid-sized shareholder to emerge. The important implication of our model is that it is not necessarily the largest shareholder that determines the firm’s decisions but rather the median one.

How prevalent are mid-sized shareholders in companies around the world?
It is estimated that more than 50% of the companies in the world include mid-sized shareholders. The power of those shareholders is reinforced by the tendency of small shareholders not to participate in company meetings. The significance of this absenteeism depends on the country studied and its legislation. In California, for example, shares that are not voted are counted as voting with the management. In Delaware, they are counted as abstentions. Our model predicts that economic systems that thwart voting by minority shareholders should have firms with dispersed ownership because the hands of fewer and bigger shareholders.

What are the implications of the presence of mid-sized shareholders in an ownership structure?
The idea that mid-sized shareholders have a direct impact on a firm’s decisions is supported empirically and by survey evidence, though it remains difficult to explain from a theoretical perspective. Our model predicts that in many cases a company presenting only one large shareholder should see the arrival of at least one other large shareholder. Moreover, the size of the second-largest shareholder tends to increase to the size of the largest shareholder to counterbalance his/her voting power. The important implication of our model is that it is not necessarily the largest shareholder that determines the firm’s decisions but rather the median one.

What are the next steps for your research regarding ownership structures?
We would really like to test the findings of our model with empirical data and better understand some interaction among the key variables. We would also like to see how ownership structures impact other aspects of companies, such as payout policies and leverage.
In a recent article Michel Simioni, TSE researcher, and his co-authors (Gilles Allaire, Eric Cahuzac, Yann Desjeux, Elise Maigné and Thomas Pomeon, INRA researchers) take a look at the geographic evolution of organic farming in France as well as the determining factors of the conversion of farmers to organic farming. Michel Simioni tells us more on the subject.

What are the reasons behind this article?
This article is the 5th of an ongoing series dedicated to agro-environmental policy in France. Those articles wouldn’t exist without the database gathered at the Observatory of Rural Development created by Gilles Allaire in the noughties. These data have been collected by administrations in charge of farming subsidies in France. We exploited this database in this article in order to answer several questions on the factors leading to the conversion to organic farming.

What is the current state of organic farming in France?
The data used in this article are from 2007-2010. In 2010, organic farming, i.e. with a label, only covered 3.1% of the total agricultural land. It now represents 4.4% and, despite that rise, is still a minority. To delve deeper in the matter, we divided France in homogeneous micro-territories in terms of biophysical, agronomical and institutional context. It then appears that the French territory is very heterogeneous and that there are many “deserts”, zones without any organic farming.

How do you explain those “organic deserts”?
First of all, it needs to be said that there are many farmers in France who have implemented organic farming but aren’t labeled as such. These farmers don’t appear in the data. Then, it appears that the territories where organic farming has been present for a long time are much more likely to see conversions of farmers. This spatial correlation partly explains those organic “deserts”. Finally, in numerous regions, the production systems (cereals in the Beauce region, for example) are complicated to convert to organic farming.

What have you precisely analysed in this article?
We analysed the links between the presence and number of organic farmers in a micro-territory and numerous other factors such as the anterior presence of organic farmers on the territory, the production system, the importance of quality signs, the presence of organic shops, the use of direct sale by farmers, etc. We tried to measure the impact of those elements on the development of organic farming.

What are the main findings of this analysis?
The first one is that conversion to organic farming is much more likely in territories where organic farming has been present for a long time. Another interesting correlation is that the age of the farmers directly impacts the chances of conversion; the younger a farmer is, the higher the chances of conversion are. It can also be said that the presence of organic shops doesn’t have a clear impact, and neither does the use of direct sale or the implementation of a regional label. On the contrary the diversification of activities leads to higher conversion rates, meaning that farmers who exploit their farm as a holiday cottage, a restaurant or an inn are more likely to convert to organic farming. Finally, more organic farmers on a territory means a stronger probability of conversion.

What are your future projects on the subject?
We currently have an article under revision about agro-environmental policies which encourage farmers to have a higher grass per cattle ratio. We have analysed two regions, Normandy and Auvergne and we hope to soon publish the results.
Making climate agreements work

CHRISTIAN GOLLIER (TSE), JEAN TIROLE (TSE)

This December France will play host to crowds of diplomats as the United Nations holds make-or-break talks on climate change. The challenge for delegates in Paris is to achieve a binding agreement that will limit the increase in the world’s temperature to no more than 2°C. It is an incredibly difficult task. But economics can shed light on which strategies have the best chance at success.

Climate change is a global commons problem. In the long run, most countries will benefit from a massive reduction in global warming. Unfortunately, there are powerful incentives to leave the burden of reducing greenhouse gas emissions to others. This approach often proposed to solve the free-rider problem is to make polluters pay a uniform price for their emissions. This encourages polluters to take all available steps to reduce emissions which cost less than that price, which guarantees that we get the best environmental benefit from our collective sacrifices.

This approach, though solid in theory and validated in practice for other pollutants, has not been embraced by the world’s governments. At the 2009 Copenhagen conference the idea of a global carbon price was dropped, and the UN’s climate-change convention became a chamber for the registration of non-committal pledges.

A race to slowness

This “pledge-and-review” mechanism is likely to be confirmed in Paris. Under this convention countries register their voluntary climate actions. There is no coordination in their method or measurement. Vietnam, for example, has been studying a carbon price for the last 15 years. It has a carbon tax, but this is unacceptable, and will just prolong the waiting game. A carbon tax, which is efficient and reasonable, is clearly superior.

But the cap-and-trade approach combines the efficiency of the carbon tax with easier enforcement. For that reason we believe it should sit at the heart of any successful global climate agreement.

The pledge-and-review strategy is completely inadequate. First, it lacks the efficiency of a coherent carbon price. Second, the absence of any binding commitment limits its credibility, and makes it very tempting for countries to renege on their pledges. In Paris, countries will have every incentive to make their pledges hard to compare to others, and impossible to verify or enforce. Third, the pledge-and-review process exacerbates the free-rider problem, because staying carbon-intensive puts coun-
tries in a strong position to achieve a better deal at the bargaining table in the future.

Emission trading

Unfortunately, a green fund is too transparent to be politically acceptable, as governments are usually reluctant to be seen giving vast amounts of money to foreigners. Enforcement of a carbon tax is also problematic, because governments have strong incentives to turn a blind eye toward certain polluters, to under-estimate their pollution, or to compensate them by other means such as fuel subsidies or tax cuts on fuel. Foreigners cannot eas-
ily impose stringent tax collection when a country is reluctant to strengthen it, as has been observed in Greece under the Troika. By contrast, an international enforcement mechanism focused on the quality of national emissions is relatively straightforward. At the end of the year, countries will benefit from a massive reduction in global warming. Because staying carbon-intensive puts coun-
tries in a strong position to achieve a better deal at the bargaining table in the future.

The world could do better. A carbon tax, col-
lected by individual countries, looks a far more effective tool. Countries could be required to impose the common price as long as all others do too, and domestic revenues from the tax could be recycled internally. Transfers to developing or reluctant countries, such as through the Green Climate Fund, could be set up to address concerns about fairness.

The conversion rate would be the current market price. Non-participating countries should be punished with border taxes, of course.

Sanctions

There is no perfect political-economy solution to climate change, which wraps economic efficiency in a politically con-
venient package. But the current pledge-and-review strategy is unacceptable, and will just prolong the waiting game. A carbon tax, which is efficient and reasonable, is clearly superior. But the cap-and-trade approach combines the efficiency of the carbon tax with easier enforcement. For that reason we believe it should sit at the heart of any successful global climate agreement.

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Sanctions

Sovereign borrowing raises concerns about coun-
tries’ commitment to repay creditors because sanctions for defaulting are limited. Similarly, even if a good agreement is reached on cli-
mate change, it must still be enforced. Naming and shaming should be encouraged but as we have seen with the Kyoto Protocol “commit-
ments”, it has limited effects. Countries can always make excuses.

There is no bulletproof solution to the problem of enforcement, but at least two instruments should be used against countries which break climate agreements. First, the WTO should treat non-compliance as a form of dumping, leading to sanctions. Second, non-compliance should commit future administrations and should be treated like sovereign debt. In a cap-and-trade system, a shortfall of permits at the end of the year would add to the public debt of offending country. The conversion rate would be the current market price. Non-
participating countries should be punished with border taxes administered by the WTO.

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bon tax, which is efficient and reasonable, is clearly superior. But the cap-and-trade approach combines the efficiency of the carbon tax with easier enforcement. For that reason we believe it should sit at the heart of any successful global climate agreement.
COP21 seen by TSE researchers

As the COP21 Paris 2015 Conference, which will take place in December, gets nearer, TSE economists are willing to share their insights on the matter and offer possible solutions to the issue. Christian Gollier and Jean Tirole wrote an article on the subject and so have Nicolas Treich, Christoph Rheinberger and Mathias Reynaert, you will find the main takings from the articles below.

On the economics of the end of the world as we know it

Christoph Rheinberger (TSE), Nicolas Treich (TSE)

Perhaps for the first time in history, there seems to be a broad consensus among scientists. They claim that our planet might face a frightening future if we cannot agree to take decisive actions here and now. Conventional wisdom holds that we should limit global warming to 2°C. To justify this target, economists seek to compare the cost of reducing current emissions with its benefits. Indeed, there is a trade-off: investing more resources today in climate-change prevention leaves less to combat other immediate risks.

Economists estimate life value based on people’s personal choices: we purchase bicycle helmets, pay more for a safer car, and receive compensation for risky occupations. The observed trade-offs between safety and money tell us about society’s willingness to pay for a reduction in mortality risk.

The value of life as a concept is a natural candidate for a tentative estimation of the benefit of reducing extinction risk. Yet the approach seems somewhat awkward in this context. The extinction risk here is completely different from the individual risk we face in our everyday lives. Human extinction is a risk we all share - and it would be an unprecedented event that can happen only once.

A lack of reliable data exacerbates the profound methodological and philosophical difficulties faced by climate change economists. Extinction is a threat to future generations, while evaluating and designing prevention policies is an urgent challenge today.

The United Nations conference in Paris this December offers a chance to take appropriate steps to protect future generations from this risk.

Many economists do not believe in the current pledge-and-review mechanism, and favour the implementation of a generalised carbon-trading system instead.

Is air pollution good news for the climate?

Stefan Ambec (TSE), Jessica Coria (Göteborg University)

Local air pollution is a big concern in many countries including in the developing world, but maybe this benefits the climate.

A recent study by Parry et al. (2014) estimates the price of carbon that it is the domestic interest of countries due to co-benefits leaving aside climate change mitigation. They find an average value of $57 for the top twenty emitters. These numbers are by all means substantial if one considers the price of the EU ETS permits has persistently been under 10 €/tCO2.

Yet this is not the full story. The interaction between local air pollution and GHG emissions can go the other way round: less emissions of sulfur dioxide, nitrogen oxides or particulate matters sometimes means more GHG emissions. For example, switching from diesel to gasoline vehicle engine reduces VOC but with more CO2 emissions per mile. Empirical evidence by Bonilla et al. (2012) has shown that climate policy might also have adverse consequences in some other countries which instead of reducing the emissions of co-pollutants could increase them.

Another side effect of the interaction between local air pollution and GHG emissions is that the outcome of a climate negotiation might have an impact on air quality regulation and vice-versa. In a recent paper Ambec and Cota (2015) have investigated the question of the effects of ‘policy spillovers’ between local and global pollution. The paper shows that, without any international obligation for GHG emissions, it is in each country’s own interest to reduce its GHG emissions when local air pollution and GHG abatement efforts are complement. In contrast, when abatement efforts are substitutes, countries have no self-interest in reducing GHG emissions. Worse, the regulation of local air pollution might lead to higher GHG emissions.

So finally, is air pollution really good news for the climate? Well, it depends on the technology used for reducing pollution as well as the agreement that would emerge from future climate negotiations. Let’s be optimistic as many technologies adopted during our current energy transition to renewable sources are exhibiting economies of scale in pollution abatement.

The principle of paying for pollution, explained

Christian Gollier (TSE)

Whenever I decide to take my car instead of the bus, metro or bicycle, I don’t take the damages done to the environment into account. Everyone on the road can freely pollute every day and this addition of pollutants generates the climate change we are currently facing. It is necessary for everyone to make and effort but one is encouraged to. Our solution would be to make polluters pay for the environmental damages they cause. As a CO2 molecule has the same effect anywhere on earth, the price for carbon emission should be unique and universal, with compensations organized.

The outrageous inequalities in the world, the weaknesses of development aids, the announced failing of the green climate fund or the Greek drama are all reminders of the strong political constraints preventing any international solidarity. Many have therefore accepted to capitulate before the Paris Conference, wishing at best regional initiatives where engagement will come at a heavy cost. As our common house is burning, there is still hope. We propose to build a large coalition of countries sharing a same principle of paying for pollution, initiating other countries to join on the basis of punitive import taxes or recalculating national debts depending on pollution. It would be naïve to think that this is going to be easy, but it’s the fate of our civilization that is threatened.

Can fuel-economy standards save the climate?

Arthur Van Bethem (University of Pennsylvania), Mathias Reynaert (TSE)

Transport is responsible for about 20% of global greenhouse gas emissions. To save the climate, transportation is an obvious and visible target for regulators. Empirical evidence shows that fuel-economy standards have succeeded in reducing carbon-dioxide emissions from passenger cars. One recent study indicates that they force carmakers to offer more fuel-efficient cars and sell fewer gas guzzlers.

So what’s not to like about fuel-economy standards? They suffer from three fundamental problems.

First, they do not affect driving behavior. If anything, they will cause more traffic. Fuel-efficient cars are cheaper to drive, so people will drive more.

Worse still, more problems have shown up when policy makers implement fuel-economy standards. Fuel-economy ratings are often much above the fuel-economy realised on the road.

Next, these regulations often contain several loopholes that cause severe distortions. The high market share of SUVs in America is at least partly attributable to their special treatment.

So what’s a better policy? Most economists believe there is an easy answer: we should increase the tax on fuel. A petrol tax has all the same benefits of a fuel-economy-standard without suffering from any of its flaws. A tax encourages consumers to choose a greener car, in particular those consumers who drive and pollute a lot. The time has come to let our aversion against fuel taxes go. “Tax” is an ugly word, but both the climate and the economy would be relieved.

The Articles

You can find the articles in full on the TSE Blog: debate.tse-fr.eu

www.tse-fr.eu

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The spectacular rise of shale gas is changing the worldwide landscape of energy production. The United States, which have been the second biggest oil producing country behind Saudi Arabia and Russia, have taken the lead. That's according to the latest report from the International Energy Agency (IEA). This is the first time since 1991 that the United States are the biggest oil producing country. The U.S. production rose by 1085 per barrel in early 2014, a steep fall and is now exchanged at 465 a barrel. Source AFP.

2 600 billion €
That's the annual cost of air pollution in the 33 countries constituting the OECD, China and India, due to premature deaths and diseases linked to that pollution. It represents 6.8% of these countries GDP. Source IEA.

670 billion $
In 2014, companies spent 670 billion dollars worldwide to try to develop new ways of extracting fossil fuels. Source UCL (University College London).

19,3 millions
In 2014, 19,3 million persons were forced to leave their home due to natural disasters. That's the number revealed by the Internal Displacement Monitoring Centre (IDMC) in Norway. Earthquakes and volcanic activities led 1.7 million people to migrate, but the catastrophes linked to climate such as cyclones and floods were the main causes of migration. Source Observatoire des situations de déplacements internes du Conseil norvégien pour les réfugiés (IDMC).

10 millions $/minute
According to the IMF, fossil fuels represent an astronomical cost of 10 million dollars per minute (8.5 million euros). In a report presented on 18 May by the International Monetary Fund (IMF) and written by David Coady, Ian Parry, Louis Sears and Baoping Shang, the environmental cost of fossil fuels (coal, oil, and gas) will reach 5 300 billion dollars (4740 billion euros) this year. This represents 1.5 billion dollars per day, or 10 million dollars par minute (you can read the detailed report on the link below).

Denmark on top
Denmark has the best record in the fight against global warming according to Germanwatch. The rankings begin… with 3 empty places as "no country is doing enough to fight against climate change". Morocco received a glowing report as it is developing one of the largest solar energy programmes in the world and is reducing fossil fuel subsidies.

Coal is king
It should overtake petrol by 2020, according to a study by the firm Wood Mackenzie, China, which is the world's largest consumer of coal, is largely responsible for the bright future of this fossil fuel. The Chinese market alone will account for 2/3 of the growth in the demand for coal in the next 10 years.

Ruminants aren't so bad after all!
The World Organisation for Animal Health is downgrading the impact of livestock on greenhouse gases. A significant resource for poor rural families, animals are used for farming and transport by 2 billion people, which avoids the use of fossil fuels.

Climate justice
On 24 June, the Hague District Court ordered The Netherlands to reduce their greenhouse gas emissions by at least 25% by 2030 in comparison to 1990 figures, ruling in favour of the NGO Urgenda, an environmental defence group which brought the legal proceedings. This ruling was a landmark case.
Call for an ambitious and credible climate agreement in Paris

ECONOMISTS’ MANIFESTO

Economists from both Toulouse School of Economics and the Paris Dauphine University launched a call for an agreement at the COP21 Conference in Paris this December. More than 140 economists supported and signed the document which clearly states what should be expected from an agreement on Climate.

The call:
Climate negotiations at the United Nations have not substantively addressed the root cause of climate change from an economic perspective. The climate is a planetary public good shared by all. Every ton of CO₂eq (CO₂ and other greenhouse gases) released destroys that resource in equal measure. A transition to low carbon economy requires policies that put a price on carbon, so that economic actors account for the damage to the climate from their emissions. If the Paris summit is to take any convincing action against the consequences of climate change, it has to build a cooperative structure with strong economic incentives, based on three principles:

PRINCIPLE 1
All nations should ultimately face the same CO₂eq price

PRINCIPLE 2
Carbon pricing must incentivize universal participation

PRINCIPLE 3
“Free-rider” behavior has to be hindered

The immense challenge of the COP21 is to build a cooperative framework that is attractive to as many countries as possible. This framework’s credibility depends on designing economic incentives that have a global impact.

The economists who have signed this call wish to map out feasible solutions by presenting public policy-makers with this shared assessment of the causes behind current obstacles faced by the negotiation

180
Signatories
87
Universities
19
Countries

You can find more information on the Call, its signatories, and its detailed version on the dedicated website:

www.tse-fr.eu

Actors

“A new world is bursting forth from the heart of the traditional economy”

he digital world is speeding up the transformation of all economies – both mature and emerging. Are we in the midst of a total change of model? Today’s economy is a fascinating landscape that moves very quickly. On the one hand, we see traditional economies reaching the limits of their late 20th century model because they have failed to make the necessary reforms. On the other, a new type of economy is bursting forth everywhere, offering phenomenal potential. Like every such emergence, however, it is accompanied by upheavals and conflict that call aspects of the former economy into question. Finally, we see emerging countries that have access to everything – capital, technology, talent – and are now fully connected to the world, but find themselves unable to escape traditional economic constraints: quality of governance, demographic fundamentals, etc.

This is the case in China.

In particular...
China is the perfect example. Traditional constraint: this year, the Chinese working population has remained stable. How can we imagine that this country can maintain growth of 7% to 10% with a stagnating working population? Growth of 10% was possible when the country was simultaneously experiencing accelerated investment, growth of the working population and migration from rural to urban areas. Today, there is less investment (saturation is being reported in certain sectors), the working population is stagnating and all that is left is urbanisation. In parallel to these traditional constraints, however, and complicating any analysis of the world as it currently stands, China is witnessing the extraordinary fast emergence of a new economy that is at least as sophisticated as that of the United States. For example, the WeChat application, a mixture of Facebook and Amazon, has 500 million active users. Yet we are measuring the impact of this emergence on the economy very poorly.

Are the classic indicators obsolete?
It seems to me that they are a very poor way of measuring all the changes that are currently occurring - if they do so at all. I do not believe for a second in the theory put forward by economists who say productivity is hardly progressing at all. It is just that it is not being measured correctly! We are witnessing a phenomenon improvement in the quality of certain services, the costs of which are also decreasing. For example, a Google search, which costs nothing nowadays, would have been an expensive undertaking twenty-five or thirty years ago. If that is not productivity, then what is? Not only is it very difficult to measure the value of these products, it is also very hard to assess the obsolescence or validity of the capital accumulated. For example, many people think that the world’s leading hotel company is Marriott: the chain boasts 125,000 employees and 700,000 hotel rooms in total. However, the
Henri de Castries
AXA Chief Executive Officer

Why is the Chinese downturn so worrying?
First of all, it is worrying for a good reason. China has a population of 1.4 billion, as compared with the 10 million to whom Greece is home... But the downturn is also worrying for a less worthy reason: a great many countries depend on Chinese demand to drive their own economies. They rely on their Chinese aunt as they once did on Uncle Sam. Yet it is not China that will allow Europe to postpone structural reforms or exonerate itself from them by means of artificially sustained growth.

Will we see the end to growth in Europe?
Has the developed world entered an era of stunted growth?
We cannot escape certain fundamentals, such as demography. When this stagnates, growth rates will logically drop. Productivity cannot always compensate for demographic decline. Therefore, it is a country's income per capita that is important. This is increasing in Germany, but stagnating or dropping in France. However, although we are in a cycle of weak GDP growth at the moment, the quality of the services on offer is undergoing an unprecedented degree of improvement, and the traditional statistical apparatus does a poor job of capturing this reality. In addition, there are sectors, countries and companies within Europe that are coping extraordinarily well and others that are dead on their feet. France is a reflection of this situation: on the one hand, we see exceptionally successful models, with the emergence of new businesses in the services and technology sectors (Blablacar, BlaBlaBus, etc) and on the other, swathes of the old world that are in the process of collapsing. What is happening at the moment in the agricultural sector, which is now paying for decades of rejecting modernisation, progress, concentration (except in certain branches, such as the cereals sector), is a classic example.

Will the new economy cost more jobs than it will create?
There will be very substantial destruction of capital and job at an accelerated rate, accompanied by the emergence of new activities. However, I believe that the recreation achieved will ultimately outweigh the destruction, since needs are always unlimited. The big question is: for Europe, which benefited from the industrial revolution in the 19th century, is whether this recreation will happen on our continent or elsewhere. We need to create fertile ground for it. That is absolutely possible because our economic and political model is the best in this regard. The world of tomorrow will be achieved through recognising individual initiative, the capacity to pool knowledge and talents, the ability to work as part of a team in a spirit of mutual respect, etc. These values are the values of political democracy; they are the fundamental values on which Europe was built. With a population of 500 million, we have both the critical size and the assets we need to succeed.

And France?
France has even more of the assets needed to succeed in the new game than other countries do. It is not a matter of hav- ing the assets, but rather of how we use them. We must accept the world as it is. The message of modernisers such as Valls and Macron is both useful and positive, but needs to be made part of a coherent policy. We need courage to pass from speech to action and persistence to avoid implementing actions that contradict each other: for example, the CICE tax credit in France, which was introduced with a view to enhancing competitiveness, but which is at odds with tough working conditions.

Can François Hollande still bring about reform in the next eighteen months?
He would need to implement two or three fundamental reforms to be able to say that he had removed the roadblocks impeding French society. We cannot cling to popular symbolic measures; the privatisation of coach services will not bring us into the modern world. The British Chancellor of the Exchequer recently said that in order to be able to judge the true health of a country, we need to consider two indicators: the dynamism of tax revenue and the unemployment figures. In the United Kingdom, tax revenue is increasing despite lower tax rates and unemployment figures have dropped considerably. In France, the situation is the opposite; taxes have increased substantially, but tax revenue has dropped considerably. In France, the situation is the opposite; taxes have increased substantially, but tax revenue has dropped considerably. In France, the situation is the opposite; taxes have increased substantially, but tax revenue has dropped considerably. In France, the situation is the opposite; taxes have increased substantially, but tax revenue has dropped considerably. In France, the situation is the opposite; taxes have increased substantially, but tax revenue has dropped considerably. In France, the situation is the opposite; taxes have increased substantially, but tax revenue has dropped considerably.
The La Poste Group: a historic institution, a successful transformation

The La Poste Group and the IDEI have recently extended their partnership agreement for three more years. Jean-Paul Forceville, Director of Institutional and European Regulation and Affairs, gives us an update on a...
La Poste is currently one of the largest companies in France with €22 billion in turnover. After the government, it is the second largest employer in the country with more than 257,000 employees.

...the optimal rate for parcel delivery, which is a top priority for understanding the role postal operators play in the e-commerce value chain and how the rates delivery companies use are impacting online merchants and the growth of e-commerce.

What challenges does the Group have to overcome in the future? What are your expectations for the researchers supporting your work?

Going forward, the Group will have to continue to accelerate the growth of its existing activities, conquer new areas, provide and upgrade public utility missions and develop new public services, increase its competitiveness and restore sound economic health. The researchers who have been guiding us all throughout and are incredibly knowledgeable about the sector will help us successfully meet the Group’s challenges by deepening new domains, for example the so-called Silver Economy, the digital economy, the collaborative economy, issues regarding sustainable development, the modernisation of government action, and so on. Thanks to these new avenues of research, we can actively participate in the public debate on these topics and have a hand in making them easier to understand.

Change from 2007 to 2012 in volumes of letters sent by country

-11.2 -12.9 -13.1 -15.2 -20.0 -22.7 -32.6 -36.6 -46.0
An international graduate network

The purpose of the TSE Alumni Network Association, created in 2013, is to foster exchanges within the student community. The network is launching an increasing number of initiatives and events, and the number of active members is growing steadily. This year, a new member category has been created: the Ambassadors. This year, TSE also recruited a facilitator to coordinate all of the Association’s activities. Tiphaine Texier speaks about her work with enthusiasm.

“Managing the alumni network involves having and maintaining an attractive address to let students and alumni to update their profiles on the Alumni platform, to exchange and share good practice and to network.” It also means organising social events with the support of the ambassadors to help maintain the connections people made during their studies - which is what inspired the Association’s slogan: “Keep in touch!” My role also involves encouraging alumni to return to the School to give classes, business talks, teaching Econometrics and Statistics. On an internship with Societe Generale in Serbia. “The role consists of managing various activities that require a relatively short-term commitment. I have also taken on a TSE student as an intern, as well as finding a work placement for another student with the Eutelsat Director of Strategy. I also took part in the School’s annual Forum in 2014 and launched a research agreement between TSE and the Ministry for Housing. The Association makes it possible to meet a great many alumni pursuing various careers and to participate in interesting social events. From a professional point of view, the network offers the possibility of getting in contact with a career guidance coach with Mediterrean products to name a few. After returning to France Mediterranean products to name a few. After returning to France...”

Tiphaine Texier
TSE Alumni Relations Officer
A graduate of the IAE Lyon School of Management, Tiphaine Texier has worked in Norway and Nepal. Her career abroad has allowed her to expand her language skills and intercultural experience and gain experience in a wide range of professional responsibilities, support for people with autism and selling Mediterranean products to name a few. After returning to France in 2014, she was hired at Nantes Atlantique School of Design as an international recruitment officer. In 2015 she started her new job in Toulouse, where she is tasked with managing the TSE Alumni Network Association.

Benjamin Blaye
Ambassadeur à Belgrade
Currently completing a Master 2 in Econometrics and Statistics and Teaching of Econometrics and Statistics. On an internship with Societe Generale in Serbia. “The role consists of managing various activities that require a relatively short-term commitment. I have also taken on a TSE student as an intern, as well as finding a work placement for another student with the Eutelsat Director of Strategy. I also took part in the School’s annual Forum in 2014 and launched a research agreement between TSE and the Ministry for Housing. The Association makes it possible to meet a great many alumni pursuing various careers and to participate in interesting social events. From a professional point of view, the network offers the possibility of getting in contact with a career guidance coach with Mediterranean products to name a few. After returning to France Mediterranean products to name a few. After returning to France...”

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Philine Schuesel
Future Ambassador, London
Economics graduate of the Humboldt University Berlin and TSE. Senior Associate in the Economic Consulting Department, Deloitte UK. Why did you want to join the TSE Ambassadors’ network? “I am very interested in playing a more active role within the Alumni Network Association and representing the TSE alumni in London as an Ambassador. I have had the opportunity of giving a Business Talk on Deloitte’s Economic Consulting Department, which explained the type of work we do. In addition, I have been in touch with the School’s Business Relations service about internship and jobs offers. I also want to stay in contact with TSE students, administration and alumni and contribute in my own way towards making the French job market more accessible to TSE students.”

The first ambassadors in the world
Getting ready since high school!

In order to promote access to higher studies in economics with real chances of success, Toulouse School of Economics (TSE) is strengthening its ties with high schools and proposing innovative academic options for French high school students in the Economics and Social Sciences stream. The partnerships it has founded with two establishments in the Toulouse area allow participants to prepare effectively to attend TSE from the outset. These partnerships will be expanded and developed further.

“Every year, increasing numbers of high-school students take part in key events such as the ‘Nysuap’ fair and the Portes-ouvertes’ open day. And every year, more and more of them enroll” confirms Claire Navarro, communications officer at TSE. “The number of applications from students in the final year of high school increased significantly last year: +43% in Economics and Law, +35% in Economics and Management and +31% in Economics and Mathematics.”

In order to cope with this success, the School, which takes in around 2,300 new students every year (half of them enrolling directly as first-year students), has revised its entry criteria. Since 2014, the school has gone beyond the standard French Post-Bac admissions system to establish two double-degree courses that are limited to 100 students: Economics & Law and Economics & Mathematics.

In parallel, the school is also seeking to strengthen its links with secondary schools. To this end, its teaching staff have set up an annual event aimed at mathematics and economics teachers and high-school principals. For one morning, the high school and TSE teaching staff meet and exchange views as part of a conference or a fun, interactive exercise, with the aim of providing better information to high-school students.

TSE has also set up an experimental programme with the Lycée Pierre-Paul Riquet in Saint-Gervais de Gamouille, aimed at preparing baccalauréat students enrolled in the Economics and Social Sciences stream for higher studies in economics. It consists of two additional hours a week of mathematics, one hour of maths-based practical economics work and one additional hour of English. This course is aimed at students with good marks in maths who are enrolled in the baccalauréat Scientifique stream and who are planning to pursue further studies in the fields of economics, management, business and finance. Launched in September 2014 following preparatory work by teachers at the school, the course is highly likely to be expanded to other secondary schools in the near future.

The ARIE initiative, a transition year between high school and university established by the Lycée Rive Gauche, Toulouse, in 2013, has also been continued. This programme consists of establishing a bridge between secondary and higher education to combat failure and promote access to longer studies. Over the course of a year, participants extend their knowledge in the areas of mathematics, economics and English – all essential subjects for those wishing to succeed in pursuing studies at TSE.

What characteristics do participants need? “Curiosity, open-mindedness and motivation,” summarises Claire Navarro, “not to mention a flair for the mathematics that will be used as a tool for economic analysis.”

Gladys Nyoung
Class of 2014

“I was interested in economics, but after doing the Economics and Social Sciences stream at Lycée Rive-Gauche I chose this programme because I wanted to improve my level of maths and English. The progress I have made in microeconomics, maths and English will certainly help me go forward. In addition, this preparatory year allows for a smooth transition between high-school and university life. The support of the ‘Passport Avenir’ team has also encouraged me in my career path. I recommend this programme to any motivated person with a love of economics and maths who wishes to start university with a solid foundation.”

Analys Escanes
Class of 2014

“I graduated from the Scientific stream for the baccalauréat at Lycée Pierre de Fermat in Toulouse. I didn’t feel ready to move straight onto university-level economics studies at TSE, so I chose the ARIE course. What are the strong points of the course? The fact that it makes it possible to focus on succeeding in economics studies. The classes allow students who have graduated in the scientific stream to learn more about economics and the world of university. This also helps those who are hesitating to focus more clearly on the studies they wish to pursue.”

The classes allow students who have graduated in the scientific stream to learn more about economics and the world of university. This also helps those who are hesitating to focus more clearly on the studies they wish to pursue.”

By the numbers:

Here are the results from a poll conducted 6 to 9 months after graduation on our graduates’ employment.

- 88% of our graduates have a job.
- 93% of our graduates have an executive position.
- 38% of our graduates have been recruited following their Masters internship.
- 85% of our working graduates feel that their position matches their Masters specialty.

Save the date

- > 10 October 2015 High school meeting – Presentation of the School and conference by Paul Seabright on “Sexonomics”
- > 27 November 2015 Register to the 4th edition of the Business Networking Day and join the numerous companies and institutions already in the TSE partnership network!
- > 28 November 2015 TSE 2015 Graduation Ceremony – Cujas amphitheater
Economics, a living art in Toulouse

TSE is supporting the chamber choir les-éléments.