

TSE

Mag #2 { Winter 2012 - 2013 }

RESEARCH HIGHLIGHTS

GREAT AUCTIONING
EXPECTATIONS

HUMAN MOTIVATION:
EVOLUTIONARY FOUNDATIONS

SUPERMARKET
GIANTS EXPLOITING THEIR LOSSES

HOT TOPIC

FINANCIAL CRISIS
& REGULATION

THE BIG INTERVIEW

MICHEL PÉBEREAU,
BNP PARIBAS

PARTNERSHIPS

HERVÉ GUYOMARD:
INRA PROJECT "PROBIO3"

ALSO...

ÉCOLE TSE • NEWS FLASH • CULTURE

Meet

GUILLAUME PLANTIN...

editors' message



Happy New Year 2013!

Dear friends,

First of all, let us take the opportunity to wish you a very Happy New Year 2013.

2012 was a busy year for us at TSE, with many exciting challenges and successes for our community. Early in the year, we learned that our bids for French government funding within the competitive programmes “LABEX” (research) and “IDeFI” (education) had been successful, allowing us to deploy an ambitious and innovative programme on all fronts.

The autumn 2012 term brought 10 new outstanding research colleagues to TSE and the IAST⁽¹⁾, all recruited from the best universities worldwide. These hirings via the international job market are remarkable achievements made possible not only by our growing reputation for excellence, but also thanks to the efficiency of our organisation and the support of our public and private partners.

We also aim to attract the best students to study at TSE, and this requires strong leadership. In 2012 we welcomed a new director, Jean-Philippe Lesne, to our Ecole TSE teaching faculty. With his complementary experience as both a

lecturer-researcher and a business leader, Jean-Philippe Lesne strengthens the innovative approach of our academic programmes, taking advantage of close links with industry and a dynamic alumni network to offer our students real career opportunities.

2013 is set to be an explosive year! All hands are on deck to launch our new TIGER forum in June: a world economic summit designed and led by TSE researchers that is set to become a major annual economic rendez-vous, reputed for its scientific excellence and ability to provide the keys to understanding the major issues of our times.

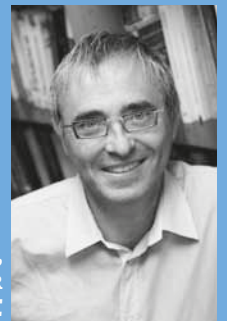
Shortly after the TIGER forum will follow the 20th Annual Conference of the EAERE⁽²⁾, hosted by TSE on 26-29 June. 800 researchers are expected to attend this event.

The 2013 job market is currently underway, and the number of applications is up from last year - over 500 candidates, of which 40 are invited to give seminars in Toulouse. The best of them will join TSE in September 2013.

So we take this opportunity to thank you all sincerely for your ongoing support in 2012, and we wish you the very best for a 2013 filled with successful adventures!



JEAN TIROLE,
PRESIDENT
TSE



CHRISTIAN GOLLIER,
DIRECTOR
TSE

¹- Institute for Advanced Study (IAS): scientific foundation under the aegis of the Foundation Jean-Jacques Laffont TSE, financially supported by the French government (LABEX). See www.iast.fr.

²- European Association of Environmental and Resource Economists.

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Renato Gomes

Great auctioning expectations

Ever noticed those ever so clever “sponsored links” that magically appear as you carry out a Google search and wondered just how Google knows which advertisers would be of most interest to you personally? As Renato Gomes shows in his recent work, the advertising displayed by search engines is the result of a very sophisticated auction system which trades off the searcher’s expectations and the advertiser’s buying power.

What is the context of online advertising auctions?

Renato Gomes. Over the last decade, a growing number of media companies have turned to auctions for selling advertising space. In the online world, search engines such as Google and Yahoo! run billions of simultaneous auctions via large online platforms to sell the “sponsored links” displayed alongside the search results associated with the searchers’ queries. Google, Yahoo! and Microsoft Bing, the three major players, raised more than \$30 billion in 2010 in online auctions for sponsored links.

How are advertising auctions linked to the expectations of internet users?

RG. A key feature of online markets for advertising is that clicking rates depend on the searchers’ expectations that the platform selects relevant advertisers. If searchers believe that sponsored links are not useful, they make few clicks, and the platform’s profits are reduced. As such, in order to secure high profits, the platform has to instil in searchers the belief that sponsored links are worth-clicking. They therefore have to design auction rules that generate revenue but at the same time select advertisers that internet users find useful.

So an optimal auction design is...?

RG. An optimal, revenue-maximizing mechanism is a scoring auction that combines the willingness to pay and the relevance to searchers of advertisers. By trading-off rent extraction and clicking volume, this mechanism works as a cross-subsidization device between searchers

and advertisers: if the auction rents generated by advertisers are in expectation greater (smaller) than their relevance to searchers, the platform subsidizes (charges) searchers’ clicks by selecting advertisers with greater (smaller) relevance to searchers.

How do you plan to develop this work?

RG. The analysis developed here is worth extending in two important directions. Firstly, search engines (and ad exchanges) often sell more than one advertising position at a time. Secondly, advertisers often face budget constraints which limit their bids per click as well as their total spending in different auctions. Extending our results to these richer settings is promising (yet challenging), and likely to introduce effects that complement those documented in the present article.

LEARN MORE...

“Optimal Auction Design in Two-Sided Markets” submitted to the Rand Journal of Economics, Renato Gomes.



KEYWORDS

- > Auctions
- > Two-sided markets
- > Online platforms
- > Adverse selection
- > Incentives



Renato Gomes

Ingela Alger

Human motivation: evolutionary foundations

Ingela Alger, CNRS research director within the TSE-LERNA research centre, has just been awarded a chair of excellence by the French National Research Agency (ANR) for her pioneering research project combining theory from microeconomics and biology to provide novel insights into the long-term evolution of human preferences.

A significant part of human activity involves building or contributing to public goods, such as public institutions and infrastructures, teamwork performance, and the environment. For much of the 20th century, the core of economic theory was based on the assumption that human behaviour is driven by material self-interest, leading to the conclusion that contributions to such public goods will tend to be much smaller than the socially desirable contribution levels. Policy advice was hence focused almost exclusively on material incentives in the form of taxes, subsidies, and regulation, backed up by monitoring and penalties. However, towards the end of the century both empirical and experimental evidence on human behaviour began to reject this assumption of material self-interest, especially in interactions between a small number of individuals, or in the context of public goods contributions. In the light of these more recent findings, economists now seek models that provide a more accurate description of human motivation in order to make correct predictions and develop appropriate policy recommendations. Researchers have proposed several alternative preferences, involving altruism, warm glow, a concern for fairness and/or total welfare, moral values, a sense of identity, and aversion towards lying. My research project pushes the analysis one step further to look for ultimate, evolutionary determinants of human motivation. In a nutshell, I ask: supposing that preferences are somehow transmitted from one generation to the next, what preferences may we expect to emerge as the result of natural (or sexual) selection? And how do preferences depend on first principles such as habitat and climate? The main goal of this type of research is to generate testable predictions about preference distributions in a given population.

RECAP

> ANR “Chair of Excellence” project combining theory from microeconomics and biology.

> The project challenges the traditional assumption that human behaviour is driven by material self-interest.

> The aim is to investigate and confirm alternative, long-term evolutionary determinants of human motivation.



Ingela Alger

LEARN MORE...

“A generalization of Hamilton’s rule - Love others how much?”

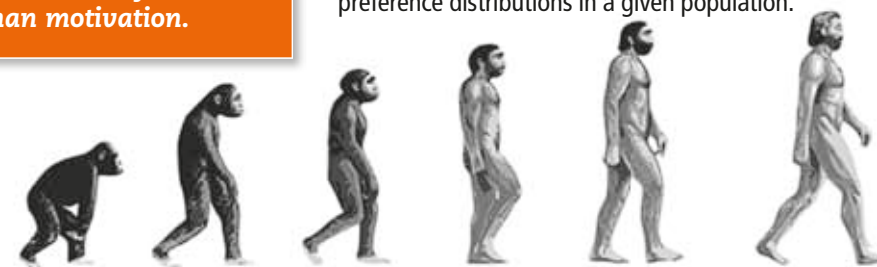
with Jörgen W. Weibull, Journal of Theoretical Biology, Vol 299 (2012, pp. 42–54).

“Homo moralis – preference evolution under incomplete information and assortative matching” with Jörgen W. Weibull (2012, TSE working paper 12-281).

“Kinship, incentives, and evolution” with Jörgen W. Weibull, American Economic Review, Vol 100 (2010, pp. 1725–1758).

“Public goods games, altruism, and evolution” Journal of Public Economic Theory, Vol. 12 (2010, pp. 789–813).

“The evolution of altruistic preferences: mothers versus fathers” with Donald Cox (2012, TSE working paper 12-369).





Patrick Rey Supermarket giants exploiting their losses

Over the past three decades large supermarkets such as Carrefour, Tesco and Walmart have grown in size, number and power, attracting consumers through one-stop shopping. Zoning regulations have also encouraged retail chains to merge and acquire independent stores. As a result, large supermarkets often dominate local retail markets, in which they mainly compete with much smaller stores. In a recently published paper, Patrick Rey and Zhijun Chen examine how large retailers exploit their market power by selling products below cost to stimulate other sales of more profitable goods or services, at the expense of consumers and smaller rivals.

Your paper studies the practise of loss leading, what is this?

Patrick Rey. We show that large retailers, competing with smaller stores that carry a narrower range of products, can exercise market power by pricing below cost some of the products also offered by the smaller rivals, in order to discriminate multi-stop shoppers from one-stop shoppers. This practise is known as loss leading, which our research shows to be an exploitative device.

Is this practise regulated?

PR. Yes and no. In the UK, for example, an enquiry by the Competition Commission initially expressed the concern that loss leading "may have a predatory impact on small and specialist retailers", but in its second inquiry it dismissed the concern and argued instead that loss leading "may represent effective competition between retailers and may benefit consumers by reducing the average price for a basket of products". In both the EU and the US, about half of the states have adopted below-cost resale regulations.

What is the current position of economists on loss leading?

PR. In the economic literature, loss leading has been viewed as an advertising strategy adopted to attract consumers who are imperfectly informed of prices. However, this may be less relevant for routine grocery shopping, where consumers seem to be reasonably aware of prices. Loss leading can also arise when a multi-



product monopolist faces different demand elasticities across products; in practice, however, the choice of leader products appears driven by the competition from smaller stores on specific goods. Yet little attention has been devoted to the potential adverse effect on smaller rivals and consumers. And while it may be tempting to treat loss leading as predatory pricing, the persistence of below-cost sales over time does not fit well with a scenario in which the predator would recoup the losses incurred during the predation phase by raising the prices afterwards, once rivals have been pushed out of the market.

How does your paper impact the debate?

PR. This paper provides a new rationale for the adoption of loss leading, highlighting its role as an exploitative device with a harmful impact on retail competition, consumers and society as a whole. Our findings give support to small rivals' complaints and competition concerns, providing justification for antitrust enforcement. We base our rationale on a model of asymmetric competition between large and small stores, identifying two key drivers: asymmetry in the product range and heterogeneity in consumers' shopping patterns.

About our researchers



Renato Gomes

Renato is an assistant professor of economics at the University Toulouse 1 Capitole, and a junior chair within the GREMAQ research centre. He began his higher education in his home country, Brazil, before undertaking a PhD in Economics at Northwestern University in Chicago, USA. He came directly to Toulouse after completing his PhD in 2010.



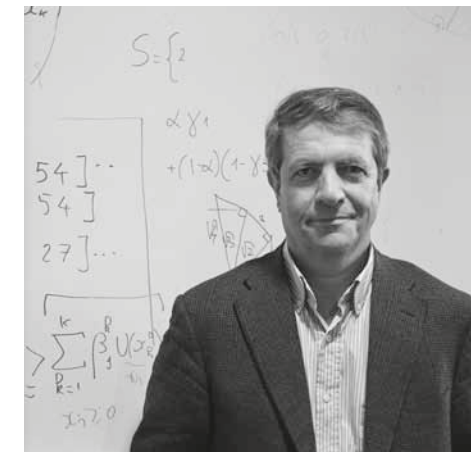
Ingela Alger

Ingela joined TSE in 2012 as a CNRS Research Director within the LERNA research group. She was already very familiar with the University of Toulouse 1 Capitole, having completed her PhD in Economics here in 1997, before undertaking a series of research positions in the UK and North America: Boston University (1997-98), LSE (1998-99), Boston College (1999-2007), and finally Carleton University. Ingela is also a member of the Institute for Advanced Study in Toulouse (IAST), where she is Director of the Biology programme, promoting the exploration of pluridisciplinary research interests by organizing a range of activities, including an Economics and Biology seminar series, regular conferences, and Ph.D. courses.



Zhijun Chen

Zhijun is a senior lecturer in the Department of Economics, University of Auckland. He was awarded a Ph.D. of Management Science from Wuhan University in 2002 and a Ph.D. of Economics from TSE in 2006. Before joining the University of Auckland, he taught at Wuhan University and Zhejiang University in China, followed by a position of post-doctoral research fellow at the Centre for Competition Policy in the University of East Anglia and a position of Marie-Curie Research Fellow in Ecole Polytechnique. Zhijun is currently engaged in research projects on retailer market power in collaboration with Patrick Rey at TSE.



Patrick Rey

Patrick is Professor of Economics at the University Toulouse 1 Capitole (PhD/HDR 1992). After completing studies in Engineering, Economics & Statistics at École Polytechnique and ENSAE, Patrick spent the first decade of his career at INSEE (Department of Economic Analysis), ENSAE and CREST, before joining UT1 as Professor of Economics and member of the Institut D'Économie Industrielle (IDEI), which he directed from 2007 to 2011. He is also a senior member of the Institut Universitaire de France and Professor at Ecole Polytechnique.



Patrick's work on competition policy and regulation is inspired by real-world debates and aims to feed back into the debate to provide guidance and develop policies. He is involved in a number of advisory commissions for competition policy and regulation, and with colleagues from TSE has written various reports for the European Commission, for example on the economics of tacit collusion or unilateral effects. He notably coordinated a group of experts on abuse of dominant positions, leading to a modernization of the enforcement of the well-known Article 102 of EU Competition law.

LEARN MORE...

"Loss Leading as an Exploitative Practice"

American Economic Review, vol. 102, n. 7, 2012, revised (December 2011, p. 3462-3482). Patrick Rey and Zhijun Chen.



Financial crisis & regulation

INTERVIEW WITH GUILLAUME PLANTIN

Guillaume Plantin, professor of finance at TSE, is an expert in banking regulation and supervision. He shares his views on recent and upcoming developments in the area, putting pay to a few myths about the shadowy world of debt and speculation...



We do not necessarily need more regulation, but we definitely need better supervision.

What is "good" finance?

Guillaume Plantin. There's one thing about the perception of finance in the French public debate that really gets on my nerves; the view that we can separate the "good" finance that finances the real economy from the "bad" finance - speculation - which is widely considered to be useless in essence. This is plain obscurantism. Mortgage lending can be extremely "bad" finance, as evidenced by the subprime crisis, whereas speculation in agricultural commodities is potentially socially very useful when it's stabilising. The evidence that recent booms in commodity prices were due to "bad speculation" is just not there. Accordingly, I strongly disagree with the outright prohibition of certain financial activities that are deemed "bad" or "socially useless". In well-regulated markets an activity is profitable if and only if it's useful; so "good" finance is simply that which takes place in competitive and well-regulated markets.

What's the cause of these misinterpretations?

GP. Probably a lack of economic and financial culture among the administrative and political elite in France. French policy making would greatly benefit from more figures like Bernanke or Summers in the U.S.

What are your thoughts on the recent developments in the debt crisis in Europe, and how do you see the future of the eurozone?

GP. There have been many encouraging political reactions following the debt crisis outburst. Many policies are taking steps in the right direction in order to improve financial supervision and fiscal coordination in Europe, but the next 18 months will be crucial to see if these intentions are really put into practice. If these new policies are implemented quickly and seriously then I'm cautiously optimistic about the future of the euro zone in the

medium term. The thing I remain nervous about, in the long-term, is the gap in competitiveness between Germany and the rest of continental Europe; as long as this remains, we're bound to face recurrent debt crises.

EU leaders recently reached an historic compromise on a European banking union, establishing an ECB-controlled Single Supervisory Mechanism (SSM) for all banks with above €30 billion in total assets. What is your view on this?

GP. I would not have limited the scope of the mechanism to large banks. What if many small banks make the same mistakes and fail at the same time, as was the case in Spain? The fundamental challenge the banking union faces is by and large an organizational one. How can we rely on the local expertise of national supervisors, while ensuring that they truly act in the interest of euro zone stability, rather than in that of their home countries? This will require a more dramatic overhaul of European banking supervision than the mere addition of a top layer of supervisory power in Frankfurt

Do you think we need more or less banking regulation?

GP. We do not necessarily need more regulation, but we definitely need better supervision. In other words, the focus should be on better enforcing existing rules rather than producing new ones that are not always backed up by robust economic analysis. The message that I keep repeating about the last crisis in the U.S. is that it wasn't a regulation crisis, but a supervision crisis. We don't know for sure that the existing regulation was not sufficient or inappropriate, but we know that when regulation is not enforced, there's a problem. In the years preceding the crisis, supervisors let banks engage in massive regulatory arbitrage through the growth of the so-called shadow banking system. The effective leverage on loans to the U.S. economy became much larger than the one that regulation permits in principle. It is essentially the collapse of this shadow banking system that caused that of the traditional banking system in 2007-08. In light of this, while decision-makers have prioritised tougher regulation of traditional banks, I believe that the priority should rather be to ensure that

FURTHER READING

Gary Gorton and Andrew Metrick, **"Regulating the Shadow Banking System"** Brookings Papers on Economic Activity, forthcoming, 2010.

Jeremy Stein, **"Securitization, Shadow Banking, and Financial Fragility"** Daedalus 139 (4), Fall 2010.

such massive regulatory arbitrage does not take place again during the next boom. Tightening rules for traditional banks without strengthening supervision or reducing the scope for regulatory arbitrage may be counterproductive, merely shifting more banking activity to this unstable shadow banking sector.



PROFILE



> Guillaume Plantin is Professor of finance at the University Toulouse 1 Capitole (IAE - CRM) and member of the TSE finance group. He was recently nominated member of the French Conseil d'Analyse Economique, a group of 15 economists that meets regularly with the French Prime Minister to advise the government in its economic policy decisions. He also holds a prestigious European Research Council Starting Grant for his frontier research project "RIFIPT": Risk Incentives in Financial Institutions and Financial Instability, and is a research affiliate of the CEPR.

LEARN MORE...

"Shadow Banking and Bank Capital Regulation"
G. Plantin – Working paper, May 2012.

PAST EVENTS

11-12 October 2012

Behavioural Environmental Economics (IAST IDEI – INRA – ANR).

18-19 October 2012

11th EUDN PhD Workshop on Development Economics (EUDN – TSE).

22 November 2012

Second Workshop on Long Term Care (IDEI – SCOR – TSE).

30 November 2012

3rd Joint French Macro Workshop (BDF – TSE).

13-14 December 2012

6th research summit in social sciences (INRA-CIRAD-SFER).

17-18 December 2012

Workshop ANR-ESRC - Econometrics and I.O. of Food and Nutrition (ANR – ESRC – TSE).

17-18 January 2013

The Economics of Energy Markets (IDEI – TSE).

31 January - 1 February 2013

Transparency of Food Prices (TRANSFOP) Project Annual Conference (FP7 - TSE).

18-19 March 2013

25 years of the Toulouse Eco-Stat Magistère



Created in 1985 by professors Jean-Jacques Laffont (UT1, founder of TSE research centre GREMAQ & the IDEI) and Henri Caussinus (University Paul Sabatier Toulouse 3), the Toulouse Magistère today boasts more than 400 graduates, and is celebrating this year its 25th anniversary.

The 2-day event, open to all from the academic community, will include conferences and round tables, with a keynote lecture from Nobel Prize winning economist Eric Maskin. There will also be sporting and social events not to miss!

More information:

www.magistes.cict.fr



18-19 April 2013

High-frequency trading conference

The finance team of TSE are organising a conference on High-frequency trading (HFT) on 18-19 April 2013, to be held at the NYSE-Euronext exchange in Paris. HFT is a powerful and sophisticated trading strategy which has been subject to much controversy since its apparition, and through the conference the organisers aim to bring together researchers, practitioners and regulators in order to mutually further the understanding of the impact of HFT on market quality.

CONTACT TSE:

[Bruno Biais & Fany Declerck](#)



26-29 June 2013

TSE hosts the 20th annual EAERE conference

Each summer, the European Association of Environmental and Resource Economists (EAERE) organises its annual conference, an invaluable opportunity for meeting, exchanging and debating current topics in environmental and resource economics. With approximately 700 individual participants attending from all over the world, international researchers scholars, economists and students convene to the event in the spirit of economic discovery, research, analysis and collaboration. TSE is proud to be hosting the 20th annual

edition, on 26-29 June 2013: three days of keynote speeches and policy panels, lectures, paper presentations, discussions and round tables, a book exhibition involving the most well-known publishers of environmental economic issues and a job market where universities, public and private institutes and corporations may interview the best young environmental economists for employment.

CONTACT TSE: David Alary



UPCOMING EVENTS

18-19 March 2013

25 years of the Toulouse Eco-Stat Magistère (UT1-UPS).

18-19 April 2013

"High Frequency Trading" (ANR – IDEI – NYSE Euronext – TSE).

15 May 2013

Student workshop (TSE).

17-18 May 2013

Financial Econometrics Conference (ANR – ERC – IDEI - TSE).

23-24 May 2013

The Toulouse Economics and Biology Workshop (IAST – TSE).

5-8 June 2013

TIGER forum 2013 (IDEI – TSE).



Encounter with Michel Pébureau,
Honorary Chairman of BNP Paribas
and President of the TSE Partners Club.

“ I am an optimist.
I hence imagine a Europe
10 years from now that has
achieved its political union:
a simplified, democratic governance
with many areas of shared
sovereignty, financial solidarity
between countries, and a strong euro.

Michel
Pébureau

**On the BNP PARIBAS / TSE
partnership**

What inspired your bank to get involved in the creation of the TSE Foundation as a founding member?

Michel Pébureau. This is typical of our “corporate citizen” actions aimed at benefiting society as a whole. Our idea was to help this rare, renowned French research centre in economics to gather the necessary financial resources to become a world leader.

What are the mutual benefits of this partnership for BNP Paribas and TSE?

MP. BNP Paribas gains from the success and reputation of TSE, proving that the bank made a good choice under its policy of society-beneficial actions. TSE gains strength and independence through significant financial support, not only private but also public, as the private founders encouraged the French state to invest an identical sum in TSE to complement the private-sector funding.

What are your views on the current debate around ethics and conflicts of interest among economists?

MP. They are useful and important. Problems of this type arose in the U.S., and they were neither anticipated nor adequately addressed. In this area, TSE has taken all the necessary precautions.

How can one guarantee the research independence of an economist who has close contacts with the business world?

MP. By simply organizing partnerships the way TSE does; the partner companies have no involvement whatsoever in the research strategy.

On your own career

Early in your career, you worked for two very contrasting personalities: Valéry Giscard d’Estaing and René Monory. What did you learn from your contact with these two statesmen?

MP. I learnt that the specificity of statesmen is to be initiators of major projects. They seek the responsibility of constructing great designs... As Minister between 1969 and 1974, Valéry Giscard d’Estaing wanted notably to modernise the French economy and its financial system, guaranteeing the balance of public finances, but also to develop European construction and reform the international monetary system. René Monory wanted to be Minister to remove price controls and develop a market economy. They both went a long way towards achieving their

aims. I also learnt that politics is a remarkable, demanding profession which requires, as do all fields, considerable learning and very specific qualities.

1993-2013: you will soon celebrate 20 years at the helm of BNP, later BNP PARIBAS. What’s your recipe for transforming an impressive French bank into a large international financial group?

MP. It’s all about team effort, the fruit of collective labour. Shared vision, a business plan and ambitious financial targets are essential. One must constantly adapt, improve, and innovate,

“ Our idea was to help this rare, renowned French research centre in economics to gather the necessary financial resources to become a world leader.

remaining in phase with environmental and technological changes. Shared values and corporate culture are crucial. One must listen to all stakeholders, especially customers, taking their interests into account. Trust and consideration must prevail in every relationship.

What have been the highlights of this adventure?

MP. The success of the privatization of the Banque Nationale de Paris, from the market battle (with two unsolicited public bids) to the resulting BNP Paribas merger. A symbolic moment: the meeting at our Louveciennes base which united management teams of both BNP and Paribas, following months of market battle which had them at loggerheads. Another good memory: my choice, with Antoine Sire, Head of Communications, of our logo (the flight curve) and our signature (the bank for a changing world).

On some major issues of current concern

You are an expert in science fiction; so how do you picture the Euro zone economic situation in the future?

MP. There are two main currents in science fiction: one optimistic (heir of Jules Verne), the other pessimistic (successor of MG Wells). I am an optimist. I hence imagine a Europe 10 years from now that has achieved its political union: a simplified, democratic governance with many areas of shared sovereignty, financial solidarity

between countries, and a strong euro. A Europe with steady growth and full employment thanks to its efficient public finance management and its development of competitive, prosperous, innovative businesses that seize the opportunities of globalization and progress.

How do you think France can shake off one of its unfortunate characteristics: a high youth unemployment rate?

MP. MB. But it is up to you, the economists, to answer this question.

Michel Pébureau in brief...

- > 1961 - 1963: Ecole Polytechnique
- > 1965 - 1967: Ecole Nationale d’Administration
- > 1967 - 1982: French Inspectorate of Finance and Department of Treasury
- > 1968 - 2000: Assistant Professor then Professor, Institut d’études politiques (IEP) Paris
- > 1986 - 1993: Managing Director then CEO, Crédit Commercial de France
- > 1988 - 2013: Chairman of the Board, IEP Paris
- > 1993 - 2000: CEO, Banque Nationale de Paris (BNP)
- > 2000 - 2003: CEO, BNP Paribas
- > 2003 - 2011: Chairman, BNP Paribas
- > 2007: Member of the French Academy of Moral and Political Sciences
- > 2008: Grand Officer of the French Legion of Honour
- > 2011: Honorary Chairman, BNP Paribas

Scientific cooperation with high regional stakes

The French National Institute for Agricultural Research (INRA) is a founding member of the Foundation Jean-Jacques Laffont – TSE, and is responsible for the Probio3 project, coordinated by the Biosystems and Process Engineering Laboratory (LISBP - INSA Toulouse) and funded by the French National Research Agency (ANR) "Biotechnology and Bioresources" programme.

Hervé Guyomard, INRA board member and scientific director, represents the institute on the TSE Board of Directors. In this interview he describes the Probio3 project and explains the importance of TSE's scientific dynamism for INRA.



INTERVIEW WITH HERVÉ GUYOMARD

What is the Probio3 project?

Hervé Guyomard. Research on non-fossil energy sources such as biofuels has been subject to renewed interest over the past ten years, particularly due to the necessary shift towards a less carbon-dependent economy. This project, coordinated by LISBP and supported by INRA, involves sixteen academic and industrial partners, including Airbus, EADS, Tereos, Sofiproteol and TSE, with the aim of developing new types of aviation fuel. In sum, a very ambitious multidisciplinary research project with significant expected benefits in terms of industrial development, Europe-wide.

What is the role of the TSE economists in this project?

HG. The INRA economists at TSE are developing research programmes to address three important aspects of the project. Firstly, the industrial organization of the production process of these new fuels needs to be planned not only in technological but also in economic terms: profitability and resilience to market price shocks. Secondly, the development of a new renewable fuels sector will have major impacts on agricultural markets and land use, due to competition with the growing food industry implantations in developing countries. Finally, the potential impacts of this new sector on the environment and natural resources must be identified and assessed. The role of the economists is hence to evaluate



the impact of the industrial decisions on markets and the environment, but also to analyze the underlying mechanisms behind these research innovations.

What does TSE bring to such a research project?

HG. TSE is a centre of excellence in economics covering a wide range of fields, including industrial and environmental economics, both internationally recognized research specialities of the centre. Researchers of the TSE laboratories "GREMAQ" and "LERNA", of which INRA shares joint supervision, benefit from a dynamic environment allowing them to carry out their research in an academic setting well-adapted to the multidisciplinary and industrial foundations of the Probio3 project.

And the future?

HG. TSE competes with the best economic departments worldwide in terms of international recruitment, attracting the most excellent researchers to join its ranks. Similarly, INRA ranks first in Europe for research on agriculture. Research in industrial economics applied to agribusiness, food and the environment must remain a major component in the development of TSE, and the Probio3 project is a particularly well-chosen example to illustrate the relevance of this research.



"PROBIO3" PROJECT FILE

ANR grant: € 8,000,000

Duration: 8 years, from 2012 to 2020

Partners: 16, including:

- 7 academic: IGM, IJPB, IMFT, LISBP, Micalis, SQPOV, TSE
- 5 industrial: Airbus, EADS, IFPEN, Sofiproteol Tereos Syral
- 3 national technical centres: CREOL, CVG, ITERG
- 1 pre-industrial demonstrator: White Biotechnology Toulouse (INRA)

LISBP Coordinator: Carole MOLINA-JOUE

TSE Coordinator: Vincent REQUILLART

“Research in industrial economics applied to agribusiness, food and the environment must remain a major component in the development of TSE.”



The Bazacle Circle: a business club supporting

Jean-Jacques Laffont's creation of the Institut d'Economie Industrielle (IDEI) in 1990 was pioneering; the invention of a new approach to economics bringing together researchers and businesses around applied research partnerships. The Bazacle Circle follows this philosophy, creating a new bridge between academia and economic actors.



Joel Echevarria, COO of TSE,
Bazacle Circle organiser

The Bazacle Circle was created in February 2012, in the wake of the creation of the "École TSE" teaching faculty. The aim of the club is to bring together businesses and institutions keen to support an innovative educational programme, based on both equal opportunities and scientific excellence.

In September 2011, the University of Toulouse 1 Capitole transformed its Faculty of Economics into the "École TSE", granting the school greater autonomy and providing a stronger link to TSE and its world-renowned researchers. The ambition: to develop a world-class centre of higher education in economics, of international reputation. The secret: to draw on the strengths of both the public university system and the private Grandes Ecoles system, taking

the best of both worlds and benefiting from TSE's already high reputation.

But as trees need deep roots to unfold their most beautiful foliage, ambitious schools need to strengthen their ties with their ecosystems. The Bazacle Circle aims to meet this objective.

We meet 3-4 times a year around dinner-debates illustrating the diversity of research topics at TSE, says Joel Echevarria, the Bazacle Circle organiser and Chief operating officer of TSE. The participating executives hence benefit from analysis and comment from some of the best economists worldwide, experts in their fields, providing food for thought for their vision of contemporary economic issues.

In this spirit, the first Bazacle Circle evenings welcomed as guest speakers Christian Gollier, TSE Director, on "green growth or green washing", Jean Tirole, TSE President, on "the future of the eurozone" and Paul Seabright, TSE researcher and IAST Director, on "Sexonomics: women, men and companies."



scientific excellence



The history of the Bazacle, source of inspiration...

And despite its young age, the Bazacle Circle already plans to broaden its scope by initiating future activities in Paris and opening its doors to the partners of the IDEI in addition to those of the TSE Foundation.

A wide range of leaders for wide-ranging research

The club associates fifty executives representing:

- **Regional branches of the TSE Foundation's national partners:** BNP-Paribas, EDF, AXA, Caisse des Dépôts, FT-ORANGE, FRANCE BANK, POST, Crédit Agricole and GDF SUEZ.
- **Companies illustrating the diversity of the regional economy:** Caisse d'Epargne, Banque Courtois, Crédit Mutuel, Airbus, ATR, Latecoere MyFeelBack, Europa Organisation, KPMG, HIMA Group ...
- **Public actors, economic development stakeholders:** Toulouse Métropole, MEDEF Midi-Pyrénées MEP DIRECCTE, Water Agency Adour-Garonne ...

The reference to the Bazacle refers to a story known to few, says Joel Echevarria. Besides the fact that the TSE buildings - past, present and future - are all located around the site of the famous Toulouse Bazacle, you should know that in 1371 the Bazacle mill gave way to the creation of a profit-sharing society of which the shares came to be traded, claimed to be the earliest example of a joint-stock company. The Bazacle Charter, approved

by the King, is one of the oldest documents attesting to this kind of practice. Adam Smith also found in the Bazacle a source of inspiration for "The Wealth of Nations", after a 18-month stay in Toulouse in 1764-1765. More symbolically, the Bazacle has long been a source of energy for the local industry, as in turn TSE and its School of Economics aspire to be.





Mission "Alumni"

A dynamic alumni network is a key element in fostering links between students and the outside world, helping our grads stay in contact and create strong networks. This academic year has seen many exciting developments around our grads, including the official creation of our alumni association, the launch of the alumni network website, and the first business networking day. Here is an overview of these exciting developments.

JEAN-PHILIPPE LESNE, DIRECTOR – ECOLE TSE

Launch of the alumni network website



We are very happy to announce the launch of our new TSE Alumni Network website: a forum for alumni, students, staff and partners to share their experiences, develop their networks, and take part in events and discussions. The site also holds job offers, directories of graduates and current students, careers advice, TSE news, and much more!

Creation of the Alumni association

The TSE Alumni association was officially created in November 2012 and its board are already working hard to provide events and online networking to engage alumni globally, beginning with the first social event on

17 November: alumni from banks, insurance companies, public institutions, consulting groups and other sectors met in Paris for an evening of exchanges aimed at extending professional networks.

Contact:
alumni-tse@tse-fr.eu

Visit the TSE Alumni website:
<http://alumni.tse-fr.eu>



30 November 2012

1st Business Networking day

The Ecole TSE held its first annual "Business Networking day" on 30 November: a golden opportunity for our Masters' students to discover businesses and career opportunities through the eyes of TSE grads and corporate actors from the business world. The day was a great success, with 20 companies, 20 alumni, and over 600 students taking part. Roll on the 2013 edition!



Alumni testimonies: check out the videos online

During the Business Networking Day, we met up with a number of our alumni who gave us an on-camera insight into their professional careers: their current role, their background, the link between their studies and their career, a piece of advice for future grads...

Visit the Ecole TSE website for all the videos: www.ecole.tse-fr.eu

TIGER Forum 2013

website launch

4-8 June 2013: Economic growth, challenges for regulatory change

Heard of the new TSE TIGER Forum and keen to find out more? Visit the forum's soon-to-be launched website for full details of the 3-day event bringing together world-class economists and policy leaders for scientific conferences, policy round tables, prestigious prize awards and gala events.

www.tiger-forum.com
(from mid-February)



Stefan Ambec

FISR 2012 best paper award

Stefan Ambec, TSE researcher, received the French Responsible Investment Forum award for the "Best research article 2012" for Environmental Policy, Innovation and Performance: New Insights on the Porter Hypothesis, recently published in the Journal of Economics and Management Strategy. Co-authors: Paul Lanoie (HEC Montreal), Jérémy Laurent-Lucchetti (University of Bern) and Nick Johnstone (OECD).



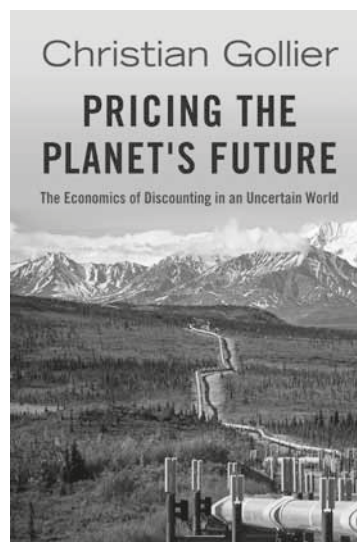
Pierre Dubois

appointed editor of International Journal of Industrial Organization

Pierre Dubois, TSE researcher and professor of economics at UT1, has been appointed Managing Editor of the International Journal of Industrial Organization. This new responsibility complements Pierre's existing editorial missions as Associate Editor for the European Economic Review and the Annals of Economics and Statistics.



NEW BOOK



Pricing the planet's future: the economics of discounting in an uncertain world.

Princeton University press

Through his new book, Christian Gollier provides a solid framework for decision-making in the field of environmental economics, applying the economic theory known as "discounting" to meet sustainable development objectives for the future of the planet.

Guillaume Plantin

appointed to Prime Minister's advisory board



Guillaume Plantin, TSE researcher specialised in finance and professor of economics at UT1, has been newly appointed to the French Council of Economic Analysis (CAE). He joins Jean Tirole, member of the CAE for many years. This important Council aims to shed light upon economic policy issues, especially at an early stage, before government policy is defined. It also contributes to the economic debate through its public reports.



Christian Gollier

appointed at Academia Europaea & Econometric Society

Christian Gollier, TSE director and professor of economics at UT1, has been appointed Member of the "Academia Europaea". The academy's members are scientists and scholars who collectively aim to promote learning, education and research.

Christian was also recently elected Fellow of the Econometric Society, the most prestigious learned society in the field of economics. Becoming a fellow is an honorary designation highly valued by members of the economics profession, and this election rewards Gollier's significant and original contributions to economic theory.

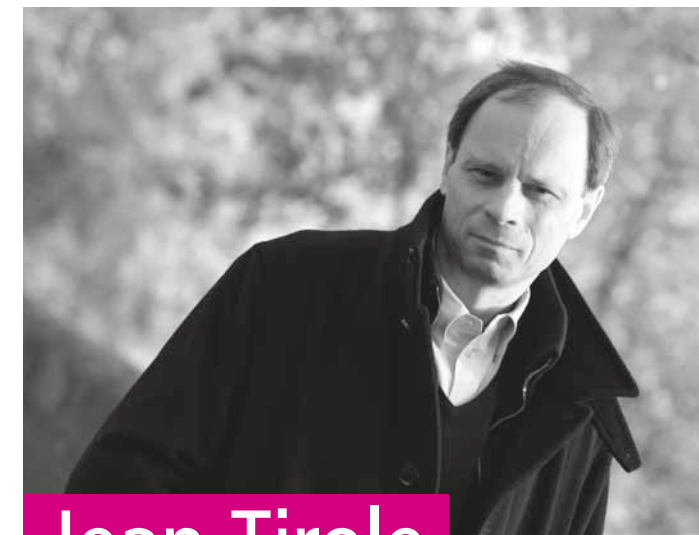


New research lab

in honour of Jean-Jacques Laffont



The University Of Southern California (USC) has just created "The Los Angeles Behavioral Economics Laboratory" (LABEL) in honour of Jean-Jacques Laffont (1947-2004), founder of the "GREMAQ" and "IDEI" research centres, and initiator of the scientific excellence in economics that led to the creation of TSE in 2007.



Jean Tirole

receives award

Jean Tirole has been awarded the "Grand Prix de l'Académie 2012" from the Academy of Occitanie: Academy of Arts, Letters, Sciences and Popular Traditions in the south of France.

NEW:

TSE conference videos now online!

Missed the latest TSE conference? Catch up via the new video streaming service, provided in collaboration with the UT1's audiovisual team.

Visit the TSE website for links:
www.tse-fr.eu



by Robert Barsky

Toulouse's hand in the economic fate of the 20th century

While seated in Le Bibent's large dining room infused with baroque and art nouveau iconography, Paul Seabright, TSE researcher and director of the IAST, invoked one Gavriilo Princip. Princip was presumably a man of refined taste, for he was known to frequent this magnificent brasserie in Toulouse's Place du Capitole that first opened in 1882 and has been recently revived. Princip is known not for his culinary preferences, but rather as he who, with a pistol aimed at the jugular vein of Archduke Franz Ferdinand, fired 'the bullet that started World War I'. This ignoble shard of metal is now on display in the Konopišt Castle near the town of Benešov, Czech Republic, and Matthew White has recently chosen Gavriilo Princip as the most important person of the Twentieth century, because this shot set off a chain reaction that led to the deaths of millions of people, and paved the way toward the horrendous atrocities of both World Wars I and II¹.

Not without a pang of guilt, perhaps, the four of us seated at Le Bibent that night were served hors d'oeuvres, including a *crème de potiron aux brisures de châtaignes parfumé à la truffe*, and the incontournable and already shame-inducing *foie gras de canard poêlé au pain d'épices coing confit avec jus réduit au porto*. Allowing gourmandise precedence over pangs of regret, we tasted these delicacies that transported our senses, and awakened our sensibilities to ponder the weight of White's theory. This weight was tangible, indeed, particularly as our calendar turns to bring us into 2013, the dawn of a centenary that has already drawn inevitable juxtapositions between worlds of 1913 and 2013, years that are deemed both distant and ominously similar, particularly as regards the states of international economies². The most powerful nation, then the UK now the US, is in decline; new powers are jockeying for

strategic advantages in a fast-changing economic climate; new "democracies" are rising and falling around the globe; state economies are revealing internal weaknesses and external interdependencies on an unprecedented scale; Asia is rising; and the Middle East seems entwined and bound together with threads that may turn out to be fuses.

In such a context, we observed as our plates were cleared that a series of gunshots fired in Sarajevo on 28 June 1914 at the heir presumptive to the Austro-Hungarian throne and his wife, Sophie, Duchess of Hohenberg, may in retrospect have been the causes of what was to come, as White suggests and Steven Pinker reiterates in his most recent book about violence³; or, more likely it seems, they were catalysts for the playing out of scenes and acts that were elucidated in the very zeitgeist of the time, horrors whose inevitability were prescribed in the *Manifesto of the Futurists*, the *Protocols of the Elders of Zion*, and the violent struggles of emerging states and failing empires. The very details of that 1914 assassination are eerie, involving a failed attempt, a wrong turn by Ferdinand's chauffeur, a stalled engine, and locked-up gears, that combined to give Princip his opportunity to fire his shots.

The punctual waiter interrupts to bring us the "œuvres" for the evening, including *Noix de Saint Jacques de Normandie rôties effeuillée d'endives à l'orange amère*, and a *Gigot d'agneau de lait du Pays Basque façon grand veneur*, accompanied by Paul's preferred wine, a sumptuous and rich faugère. In the spirit of interdisciplinary contemplation, the very purpose to my presence at this dinner and as a visitor to the IAST, I recall D. H. Lawrence's ruminations about WWI and, as their source through his relationship to the bohemian



Gavriilo Princip

community at Ascona⁴, Carl Jung's reflections about some kind of "spiritus mundi" into which he tapped in 1913. This connection provoked a series of horrific nightmares that Jung retrospectively referred to as the "big" dream, including "repeated visions of flood and death of thousands" (October 1913), "vision of the sea of blood covering the northern lands" (autumn 1913), and the "image of the foot of a giant stepping on a city, and images of murder and bloody cruelty" (December 1913)⁵.

We paused from our culinary extravaganza, and fell silent against the backdrop of a din of chatter and elegant bustle around us. It suddenly seemed insufficient to contemplate forestalling or preventing single actions, as Pinker invokes in his book, and appropriate instead to consider the broad arrays of causes, conditions and circumstances of our world. The interdisciplinary task of the IAST, informed by economic-based reasoning that's willing to succumb to subjectivity and passion at crucial moments, beckoned. We agreed to order dessert.



Place du Capitole

“juxtapositions between worlds of 1913 and 2013, years that are deemed both distant and ominously similar, particularly as regards the states of international economies.

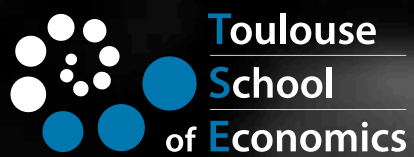
**BARSKY,
THE IAST,
& TSE**



Robert Barsky is Professor of Literary Theory at the University of Vanderbilt, and visiting scholar in 2012-13 at the IAST, the "Laboratory of Excellence" hosted by the University of Toulouse 1 Capitole under the aegis of the Jean-Jacques Laffont-TSE foundation. Drawing on TSE's expertise in economics, the IAST aims to break down artificial disciplinary boundaries to bring together researchers from all over the world, trained in the different social sciences, to facilitate cross fertilization and unlock new ideas to address the challenges of the 21st century.

LEARN MORE...

- 1- Matthew White, *The Great Big Book of Horrible Things: The Definitive Chronicle of History's 100 Worst Atrocities*, NY, Norton, 2011.
- 2- Charles Emmerson, *Eve of Disaster*, Foreign Policy, 2013.
- 3- Steven Pinker, *The Better Angels of Our Nature: Why Violence Has Declined*, NY, Viking, 2011.
- 4- Harald Szeemann, *Monte Verità: "The place where our minds can reach up to the heavens..."*, Monte Verità, 1985.
- 5- Carl Jung, *The Red Book: Liber Novus, A Reader's Edition*, edited by Sonu Shamdasani. NY; London, 2012, p. 29.



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