

## RESEARCH HIGHLIGHTS

ONLINE NEWS AGGREGATORS:  
DIVIDE OR CONQUER?

POLITICS & THE ENVIRONMENT:  
MAKING THE RIGHT CHOICES

MODELLING LAND USE  
FOR SUSTAINABLE DECISION-MAKING

## HOT TOPIC

PRETENDING TO BE POOR:  
SOCIAL BARRIERS TO  
ENTREPRENEURSHIP

## THE BIG INTERVIEW

ERIC S. MASKIN

## PARTNERSHIPS

THE GREAT  
ENERGY CHALLENGE

ALSO...

ÉCOLE TSE • NEWS FLASH • CULTURE



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ALVA NE CONSEIL

Meet

**EMMANUELLE AURIOL...**

# editors' message

Dear friends,

Welcome to the latest edition of our TSE magazine. A special edition whose release is timed to accompany TSE's major new event in economics: the TIGER Forum (Toulouse - Industry - Globalization - Environment - Regulation). Held on 5-8 June 2013 at the University of Toulouse, TIGER brings together the world's leading economists and decision-makers for three days of exciting scientific events, open round tables, prestigious prize awards and gala evenings. Many of you will be reading these pages from a TIGER conference room: we extend our warmest welcome to you and look forward to many fruitful exchanges!

We also invite you, and all our readers, to save the date for the 2014 edition of the event, to be held on 2-7 June. We'll be back with more information in the Autumn edition of the mag.

Within TSE much attention has been focused over recent months on governance issues. Our academic ambitions are high, whether it be in terms of research, education or development. Meeting these ambitions requires consistency and perseverance in the establishment of a simple and efficient institutional and administrative structure in order to support the hard work of our researchers and lecturers. The creation of TSE in

2007 to federate the existing departments and laboratories was not enough, despite the establishment of various representative councils and consultative bodies to accompany the change. New proposals for structural reforms have hence been put forward by the TSE directors and these are currently under open discussion within our community and with our founding organisations. We are confident that a new governance structure will be born from this dialogue in order to strengthen our cohesion and dynamism.

*Jean Tirole  
Christian Gollier*



JEAN TIROLE, TSE CHAIRMAN



CHRISTIAN GOLLIER, TSE DIRECTOR

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Doh-Shin **Jeon** & Nikrooz **Nasr**

# Online news aggregators: divide or conquer?

PhD student **Nikrooz Nasr** writes about a recent paper he has co-authored with his supervisor **Doh-Shin Jeon**, TSE researcher.

The sweeping success of the Internet has profoundly affected the business of traditional media, notably for newspapers who have suffered a dramatic decrease in income from advertising (previously 80% of their total revenue) and increased competition from new online media such as news aggregators, web-only news, blogs etc. At the heart of the debate on the Internet and media is the effect of news aggregators (Yahoo News, Huffington Post, Google News,...) on newspapers. Last year, the French and German governments announced plans to pass a law to tax Google News' indexing of original news content. The same year, Brazilian newspaper associations decided to boycott Google News' indexing unless Google paid them.

There are two arguments in this debate. Content providers argue that news aggregators are taking money out of their pocket by free riding on their content, thus reducing their incentive to invest in quality. News aggregators respond by saying that they help newspapers make more money by directing considerable traffic to news websites containing high quality content. Google [2010], for instance, claims to send more than four billion clicks each month to news publishers via Google Search, Google News, and other products.

Doh-shin Jeon and I have investigated this issue. More precisely, we study how the presence of a news aggregator affects quality choices of newspapers competing on the Internet. To provide a microfoundation for the role of the aggregator, we build a model of multiple issues where each newspaper chooses quality on each issue. This model captures the "business-stealing effect" and the "readership-expansion effect" of the aggregator.

One of our major findings is that the presence of an aggregator shifts the quality choices of newspapers from strategic substitutes to strategic complements: in the absence of the aggregator, if a newspaper provides readers with higher quality content,

this decreases the market share of other newspapers and hence reduces their incentive to invest in quality. On the contrary, in the presence of the aggregator, if a newspaper improves its quality, this expands the market share of the aggregator. This in turn implies that the high quality content of other newspapers can be reached by a larger number of readers. Therefore, other newspapers have more incentive to invest in quality.

As a consequence of this change, the presence of an aggregator is likely to lead newspapers to more specialized news coverage and induce them to provide higher quality content, leading to an increase in the surplus of readers and social welfare. The effect on newspapers' profits is ambiguous.

### Where do people get news online?

Online news sources used most often...

Yahoo/Yahoo News	26%
Google/Google News	17%
CNN	14%
Local news sources	13%
MSN	11%
Fox	9%
MSNBC	6%
New York Times	5%
AOL	5%
Huffington Post	4%
Facebook	3%
ABC/ABC News	3%
Wall Street Journal	3%
BBC	2%
USA Today	2%
Internet Service Providers	2%
ESPN	2%
Washington Post	2%
The Drudge Report	2%

Source: PEW RESEARCH CENTER 2012.

Stefan **Ambec**

# Politics & the environment: making the right choices

Stefan Ambec tells us more about "Political Economy of the Environment", a new research project he is coordinating thanks to funding awarded by the French National Research Agency. The project is managed by the TSE-LERNA research centre and involves a team of researchers from top French and Canadian research centres.

### What is the context of the project?

**Stefan Ambec.** Protecting the environment is one of the biggest challenges currently facing humanity. Our societies have significantly exploited the Earth's natural resources in order to improve our standard of living, and economic development is largely based on the use of polluting technologies that are harmful to the environment and threaten animal and plant species, compromising our future well-being. Research in economics has highlighted the inability of the market economy to protect our natural environment; the pursuit of self-interest leads economic agents (consumers and businesses) to pollute and over-exploit natural resources. In this context, sustainable allocation of economic resources requires collective decisions in the form of public policy: regulatory measures, economic instruments such as taxes and subsidies, resource-sharing plans, the financing of public conservation projects...

### So your project studies environment-related public policy?

**SA.** Yes. The aim of the project is to better understand the determinants of environmental policy. Our project is at the frontier of public and environmental economics, requiring both skills in political economics methods (voting theory and collective decisions) and knowledge of theoretical and practical environmental policy; skills and knowledge that we manage to combine here at TSE. The purpose of our research is to analyse collective decision making in environment-related public policy in different contexts. We use mainly analytical methods of modelling but the project also includes an empirical dimension.

### What issues do you focus on more specifically?

**SA.** Our objective is to analyse how public policy decisions linked to the environment emerge, focusing on four contexts:



Stefan Ambec

- 1- the presence of private strategies to protect the environment: consumer purchases based on environmental impact and "virtuous" business strategies such as socially responsible investment and green labelling of products.
- 2- cases where citizens protect themselves against pollution: consumption of bottled or filtered water, payment for preventive and curative medical treatment for diseases...
- 3- the link to climate-change mitigation policies: carbon taxes, emissions trading schemes, renewable energy subsidies
- 4- the effect on water management: via an empirical study of a particular case of decentralised water management in Brazil.

## PROJECT FACTFILE

Research team:

- **Stefan AMBEC**  
TSE-LERNA (coordinator)
- **Hippolyte d'ALBIS**  
Paris School of Economics
- **Philippe DE DONDER**  
TSE-GREMAQ
- **Arnaud REYNAUD**  
TSE-LERNA
- **Louis HOTTE**  
University of Ottawa
- **Francisco GONZALEZ**  
University of Calgary
- **Francesco RICCI**  
University of Montpellier

Budget: € 50,000

Duration: 36 months



## KEYWORDS

- > Newspapers
- > News Aggregator
- > Internet
- > Quality
- > Strategic Substitutes
- > Strategic Complements
- > Advertising
- > Business-stealing
- > Readership expansion
- > Opting Out

## FIND OUT MORE...

"News Aggregators and Competition Among Newspapers in the Internet" IDEI Working Paper, n. 770, April 1, 2013.



Christine **Thomas-Agnan**

# Modelling land use for sustainable decision-making

*Christine Thomas-Agnan is coordinator of a new research project on land use entitled “ModULand: models, dynamics and decisions”. This project, managed by the TSE-GREMAQ research centre and supported by the French National Research Agency, aims to provide a solid scientific basis for a better understanding of the causes and consequences of land use changes, leading to improved and sustainable public policies in the area.*

Effective sustainable development strategies should address local as well as global impacts of socio-economic activities on the environment. The magnitude of these impacts is closely related to the way land is used for agricultural or residential purposes: soil degradation, water contamination by agricultural inputs, greenhouse gas emissions from crop and animal production, residential housing projects, etc. Furthermore, the social and economic components of sustainable development place significant emphasis on rural development as a way of maintaining acceptable income levels in rural areas (notably, the less-favoured ones). It is therefore not surprising that public policies aimed at achieving sustainable production activities in agriculture and forestry, while ensuring environmental conservation for major natural resources, have been concerned with changes in land use patterns over time and across regional units.

Within this context, the aim of our project is to apply advanced statistical and econometric methods to the spatial analysis of land use

patterns in France, with a particular interest in environmental and rural development issues. This is fundamental research with a strong empirical component aimed at providing concrete decision-aid tools. Our general objective is to design and test models which take into account the fundamental spatial nature of the data and which use the most recent spatial econometric advances, focusing on three main issues:

- 1- **modelling land use patterns and changes** in order to better understand their economic and environmental effects. These changes are influenced by socio-economic, agro-pedoclimatic, and demographic factors as well as by public policies.
- 2- **identifying the impact of agricultural and rural development policies on land use**, by modelling the production decisions by French farmers in order to identify the determinants which would not be captured by purely economic or agro-pedoclimatic variables, thus explaining the observed bottlenecks on specialization or adoption of new production modes in some regions.
- 3- **determining the consequences of land use changes on water quality and supply**, by modelling residential water demand as a function of the pricing policy of water utilities in French local communities in order to provide decision-makers with indicators of environmental pressures and ecosystemic supply that can be directly related to the spatial distribution of farmers and forest owners in rural areas.

## PROJECT FACTFILE

### Research team:

#### TSE:

Thibault Laurent, Arnaud Reynaud, Anne Ruiz-Gazen, Michel Simioni, Christine Thomas-Agnan (coordinator), Alban Thomas

#### Others:

Jens Abildtrup, Raja Chakir, Stéphane De Cara, Serge Garcia, Michel Goulard, Rachel Guillan, Julie Le Gallo, Bruno Vermont, Nathalie Villa

**Budget:** € 154,056

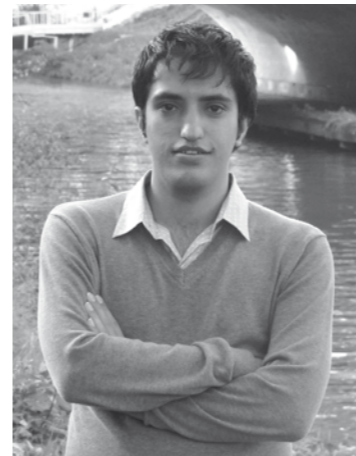
**Duration:** 48 months



### Doh-Shin Jeon



Professor of economics at the University Toulouse 1 Capitoie (UT1) and member of the TSE-GREMAQ research centre, Doh-Shin is also a part-time research fellow at the CEPR. After initial studies in his home country South Korea (Seoul National University), Doh-Shin obtained his PhD from UT1 in 2000 and then held an assistant professor position at the Universitat Pompeu Fabra before coming back to Toulouse in 2008. Expert in industrial organisation, contract theory and competition policy, Doh-Shin's work currently has a strong focus on the economics of the Internet and of networks.



### Nikrooz Nasr



Nikrooz is currently a PhD student at TSE under the supervision of Doh-Shin Jeon. After completing a BSc in his home country of Iran (Sharif University of Technology), Nikrooz joined the TSE Master in Economic Theory and Econometrics, obtaining his degree with distinction in 2011. *News Aggregators and Competition Among Newspapers in the Internet* is his first working paper within the scope of his PhD.



### Stefan Ambec



INRA research director within the TSE-LERNA research centre, Stefan is also member of the Institut d'Economie Industrielle (IDEI) and visiting professor at the University of Göteborg. PhD in economics from the University of Montreal (1999), his work focuses on the economics of natural resources and the environment and on industrial economics, in particular the impact of environmental policies and the sharing of water.



### Christine Thomas-Agnan



Christine is Professor of Statistics at the University Toulouse 1 Capitoie and member of the TSE-GREMAQ research centre. After studies in Mathematics at the Ecole Normale Supérieure and the Universities of Paris 6 & 11, Christine obtained her PhD at the University of California in 1987 before returning to France to take up an assistant professor position at UT1 in the late 80s, becoming a full professor in 1994. Christine's research is currently focused on spatial econometrics and statistics.



The research presented on pages 5 & 6 has been funded by:



# Pretending to be poor: social barriers to entrepreneurship

## INTERVIEW WITH EMMANUELLE AURIOL

Emmanuelle Auriol, professor at TSE, explains how the introduction of social protection in emerging and developing countries can lead to positive economic development.



“If social protection is so widespread in rich countries and currently being developed in emerging economies, it is because it leads to economic benefits.”

**Public expenditure on social protection has increased over recent years in developed countries. How do you explain this?**

**Emmanuelle Auriol.** A global increase in public expenditure on social protection was brought about by the financial crisis of 2008, due to slow growth and soaring unemployment. The increase has been particularly significant in OECD countries, rising in 2012 from 19% to 22.1% of GDP. One could hope that at the end of the crisis, the relative weight of these expenses may decrease. But history would suggest otherwise; in fifty years, social expenditures such as pensions and unemployment benefits have doubled in the OECD countries, threatening their stability due to increased public deficits.

**Despite the cost, you maintain that strong welfare states are synonymous with competitive economies?**

**EA.** Until recently I tended to think that social protection was a luxury, a mechanism introduced only in democratic, stable countries who could afford to spend public money in order to introduce social equity in their societies. But my work over recent years has led me to change my mind about this. If social protection is so widespread in rich countries and currently being developed in emerging economies, it is because it leads to economic benefits. Social security, public retirement plans and other public schemes aimed at protecting unemployed, sick or old people in advanced economies are not solely explained by our desire for solidarity and redistribution. They are also economic tools to prevent inefficient allocation of resources.



**You study a particular case of social protection in Africa. Tell us more.**

**EA.** African countries are characterized by a dual economy where a small formal industrialized sector dominated by foreign entrepreneurs co-exists with a large informal sector with little capital and low marginal productivity of labour. The International Labour Organization estimates that urban informal employment absorbs 61% of the urban labour force in Africa (ILO 1999). The limited size of the formal sector explains that direct taxation is only 7% of GDP in Sub-Saharan Africa (in comparison with 22% in industrial countries). With very low tax revenue as a proportion of GDP, African countries provide little public goods and even less social protection.

**You argue that this lack of social protection in Africa is a barrier to economic development. How so?**

**EA.** In the absence of a public safety net, the Africans have developed a culture of “forced mutual help” (Firth 1951), where the richer members of society are expected to share their resources with their needy relatives and extended family. Being successful in Africa is costly as one becomes the designated provider for a large network of friends and family. Entrepreneurs in the formal sector have the social obligation to redistribute wealth to the members of their extended family, a duty that they generally fulfil by providing them with a job in their firm. This system of “family taxes” creates a labour management distortion and reduces profit margin.

It discourages formal entrepreneurship, taking a toll on the development of the formal economy and overall economic growth.

**Can you give us some examples of how these social obligations affect the economy?**

**EA.** One can cite many examples based on case studies and empirical analysis. Studying credit cooperatives in Cameroon, Baland et al. (2011) find that individuals systematically use credit as a way to pretend that they are too poor to have available savings. By doing so, they can successfully oppose request for financial help from friends and relatives. Similarly Duflo et al. (2011) argue that Kenyan farmers do not invest in fertilizer, although it would substantially raise their yield, because it is difficult for them to protect their savings from consumption demands. In rural Kenya, Jakiela and Owen (2010) find in experiments that entrepreneurs, when asked for gifts or loans by relatives, are willing to reduce their expected profits to avoid making positive income shocks observable to the community. None of these papers study how the forced mutual help constraint might affect the decision to become a formal entrepreneur, and thus impact the development of a healthy productive sector. My recent paper aims to fill this gap, combining both theory and empirical testing of the model.

### FURTHER READING

Jean-Marie Baland, Catherine Guirking, and Charlotte Mali,

“Pretending to Be Poor: Borrowing to Escape Forced Solidarity in Cameroon”

Economic Development and Cultural Change, 2011.

Jean-Philippe Plateau, “Solidarity Norms and Institutions in Village Societies: Static and Dynamic Considerations”

Handbook of the Economics of Giving, Altruism and Reciprocity, 2006.

### PROFILE



> **Emmanuelle Auriol** is Professor of Economics at the University of Toulouse I Capitoile, member of the TSE-ARQADE research lab in development economics, and member of the Institut d'Economie Industrielle (IDEI). She specialises in regulation issues, industrial organisation, labour economics and development economics. Winner of several awards at national and European level, including the CNRS Bronze medal, she is the author of numerous scientific publications, sits on numerous international economic advisory boards, and writes regular columns on economic issues in the French and international press.

### LEARN MORE...

“Social Barriers to Entrepreneurship in Africa: The Forced Mutual Help Hypothesis”

Philippe Alby, Emmanuelle Auriol and Pierre Nguimkeu – working paper, May 2013

**15 May 2013**  
TSE annual student workshop



François de Soyres

Yann Kervinio

On 15 May 2013, TSE held its third annual workshop dedicated to its community of over 100 PhD students. This workshop organised by two PhD students, François de Soyres and Yann Kervinio, and sponsored by the TSE-GREMAQ research centre, brought together students and senior researchers alike, an excellent occasion for the whole TSE community to glimpse the research work of the youngest members of our community.

**INTERVIEW WITH THE ORGANISERS**

**To Philippe Bontems, GREMAQ director, workshop sponsor.**

*Where did the idea for this workshop come from?*

I came across the idea in other universities, and thought we should definitely do something similar here at TSE, especially given the high number of PhD students we have. So when I became director of GREMAQ I launched the workshop, with the aim of fostering closer collaboration between our students and senior researchers. A total of 13 students presented their work this year, benefiting from the feedback from their more senior peers on their work – comments, questions and suggestions to guide them through these early stages of their promising research.

**To François de Soyres and Yann Kervinio, PhD students, workshop organisers**

*How does this workshop benefit the students?*

This is really a great occasion for us to meet and discuss with researchers that we would not otherwise have the chance to get in touch with. Each PhD presentation was accompanied by a discussant, and many other researchers came along and showed interest in our work, providing us with ideas and inviting us to meet to discuss further. So this workshop really brings us closer to the whole TSE community and allows us to create links for our future collaborations.

**PAST EVENTS**

**14-15 March 2013**

Workshop on Procurement and Infrastructure (TSE - ANR).

**5-6 April 2013**

CSIO/IDEI, 12th joint Workshop on Industrial Organization (CSIO – IDEI).

**18-19 April 2013**

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

**15 May 2013**

Student Workshop (TSE).

**16 May 2013**

Conference on Standards-Essential Patents (TSE – IDEI – BCLT).

**17-18 May 2013**

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

**23-24 May 2013**

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

**5-7 June 2013**

TIGER Forum: post-conference documents



Just attended the Forum or missed it this year? Catch up with the scientific talks, round tables, exciting speeches and other highlights of this major event via the TIGER website: [www.tiger-forum.com](http://www.tiger-forum.com) or twitter account: @TIGERForum2013.

**Programme highlights:**

- **5 June:** Workshop in Honour of Eric S. Maskin, 2013 Jean-Jacques Laffont Prize Winner: Topics in Elections and Mechanism Design
- **5-7 June:** Seventh bi-annual conference on The Economics of Intellectual Property, Software and the Internet
- **5-7 June:** Conference on Pricing long-term projects and assets in an uncertain world
- **5-7 June:** Conference on Information processing in macroeconomics and finance
- **6 June:** 19th IDEI Annual Lecture and Jean-Jacques Laffont Prize 2013, awarded to Eric S. Maskin
- **7 June:** TIGER plenary session: "Economic growth: challenges for regulatory change"

Available very shortly: video recordings, media briefings, conference summaries, and much more.



**Recent debate:**  
Water, source of conflict?



On 11 April TSE and the UT1 co-organised a conference-debate aimed at the general public at the Natural History Museum of Toulouse. The debate, presented by Joel Echevarria, COO of TSE, included expert views from two TSE economists, Stéphane Straub and Stefan Ambec, on the international conflicts linked to water sharing and management issues. If you missed the debate, visit the twitter feed #EauTlse for a full account of the evening's discussions (in French).



**UPCOMING EVENTS**

**5-7 June 2013**

TIGER FORUM (IDEI – TSE).

**11-12 June 2013**

Economics of Motivated Agents, Nonprofits and NGOs Workshop.

**13-15 June 2013**

CIFAR - IAST Conference.

**20-21 June 2013**

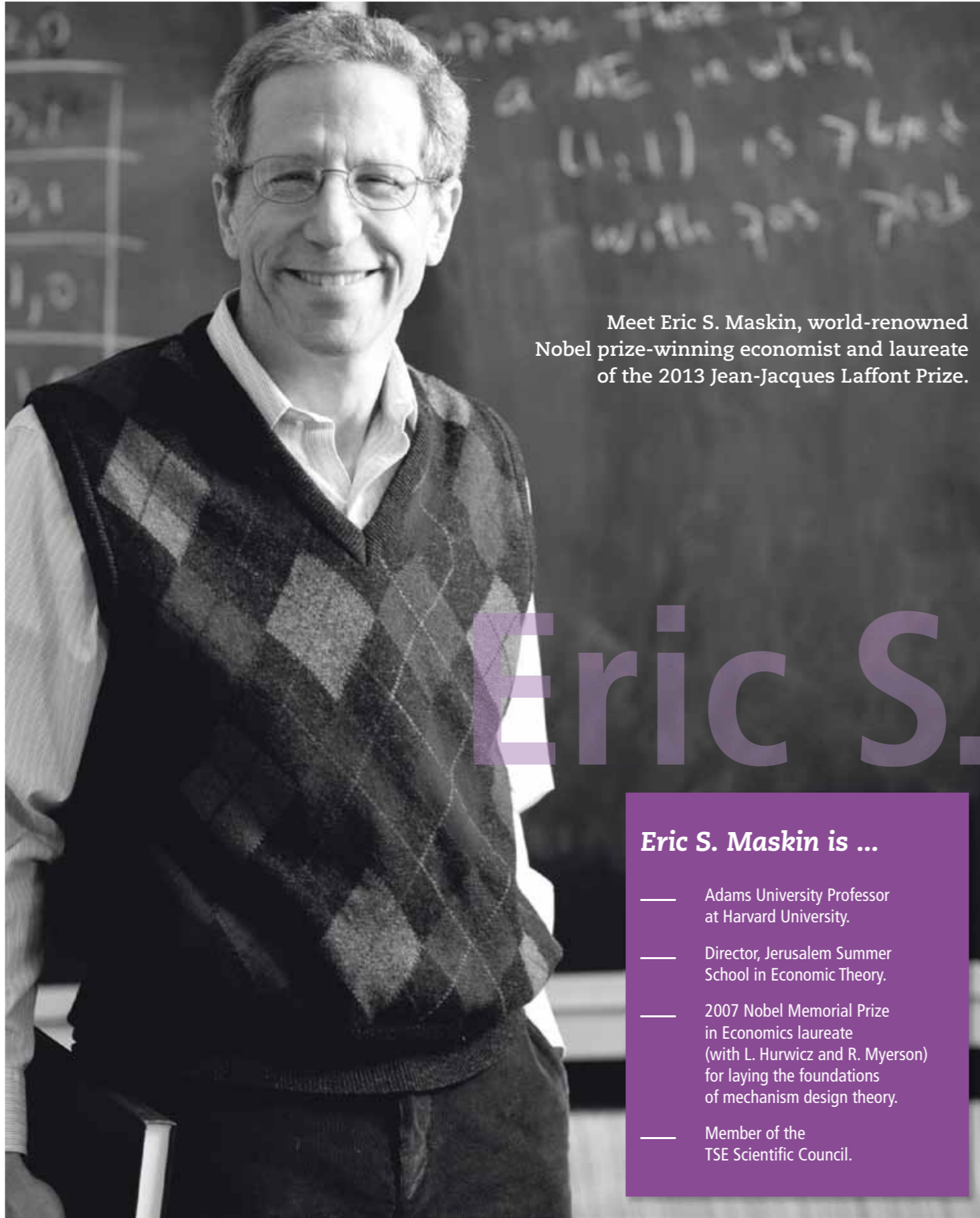
New Advances in Law and Economics: First Law and Economics Conference.

**26 June 2013**

EAERE Pre-Conference Event: "Trade and species dispersal - a dialogue between economists and ecologists".

**26-29 June 2013**

20th Annual Conference of the European Association of Environmental and Resource Economists (EAERE).



Meet Eric S. Maskin, world-renowned Nobel prize-winning economist and laureate of the 2013 Jean-Jacques Laffont Prize.

Eric S.

**Eric S. Maskin is ...**

- Adams University Professor at Harvard University.
- Director, Jerusalem Summer School in Economic Theory.
- 2007 Nobel Memorial Prize in Economics laureate (with L. Hurwicz and R. Myerson) for laying the foundations of mechanism design theory.
- Member of the TSE Scientific Council.

**What drove you to get into economics?**

**Eric S. Maskin.** I got into economics somewhat by accident. As an undergraduate at Harvard, I was studying mathematics, but wandered into a course on "Information Economics" taught by the legendary economist Kenneth Arrow (I didn't know he was legendary at the time!) The course was a revelation - I discovered that economics is a subject with the rigour and precision of mathematics or physical science, and with the potential to answer big social questions. That seemed like an unbeatable combination to me, and so I decided to change direction. I ended up writing my PhD dissertation under Ken Arrow's supervision.

**What do you consider to be the highlights of your career?**

**ESM.** Getting to collaborate on research with some of the most creative and interesting economists of our time has certainly been a highlight. In fact, two of my best collaborations have been with "Toulousains" - Jean-Jacques Laffont (whom I first got to know when we were graduate students together) and Jean Tirole. As it happened, Jean and Drew Fudenberg (now on TSE's Scientific Council) were my first two PhD advisees, and having them as students was a major highlight too (although I was disappointed when not all subsequent students turned out to be as strong!)

**How do you feel about receiving the Jean-Jacques Laffont Prize?**

**ESM.** The prize has tremendous personal meaning for me. As I already mentioned, Jean-Jacques and I were graduate students together at Harvard. Later I wrote many papers with him, and he and Colette became close personal friends. We used to vacation together every summer - sometimes in Lacanau, sometimes in southwestern France, and sometimes in Spain. As I look forward to the prize ceremony, a flood of happy memories are coming back to me.

**"How should the President of France be elected?" is the title of your JJJL Prize lecture. Can you tell us more?**

**ESM.** France uses a runoff system to elect its presidents. That means that in the first round, each citizen votes for one of the candidates, and in the second round, the two candidates with the

“ I discovered that economics is a subject with the rigour and precision of mathematics or physical science, and with the potential to answer big social questions.

most votes face each other in a runoff (except in the unlikely event that some candidate gets more than 50% of the votes in the first round). Unfortunately, this system has the flaw that, quite possibly, a candidate eliminated in the first round would have beaten one of the second-round candidates if the two had faced each other head-to-head. Indeed, this actually happened in the 2002 presidential election, in which Lionel Jospin was eliminated even though it was obvious that he would have beaten the runoff candidate Jean-Marie Le Pen had Jospin also made it to the runoff. Partha Dasgupta and I have shown that there is a different election system - first proposed by the Marquis de Condorcet in the 18th century - that does a better job than runoff voting (or any other system) of avoiding this flaw.

**What does being a member of the TSE Scientific Council inspire in you?**

**ESM.** Jean-Jacques Laffont was not only a great economist, he was a great builder - he was the one most responsible for turning the economics group in Toulouse into a world-class research and teaching institution. It's nice to have the chance to do something for my old friend's sake to make TSE an even more outstanding place.



**SCHEDULE, 6 JUNE:**

**16:30 to 17:30**

**19th annual IDEI lecture**  
by Eric S. MASKIN  
Amphi Michel-Despax, Arsenal Campus,  
University of Toulouse 1 Capitole

**18:00 to 19:30**

**Jean-Jacques Laffont prize award ceremony**  
Salle des Illustres, Toulouse City Hall,  
Place du Capitole

**NB. The event is open to all and registration is not required.**

**19th IDEI Annual Lecture and JJ. Laffont Prize 2013**

The Jean-Jacques Laffont Prize, created by the city of Toulouse in partnership with the Institut d'Economie Industrielle (IDEI), has been awarded every year since 2005 to a senior economist of international renown whose research combines theoretical and empirical aspects, in the spirit of the late Professor Laffont.

The prize-winners present their work via an annual IDEI lecture, created by Jean-Jacques Laffont, the IDEI founder, in 1993. These lectures allow these acclaimed economists to present their research on topical economic issues. Since 2005, this annual lecture has been combined with the Jean-Jacques Laffont prize, awarded by the Mairie de Toulouse in honour of the late professor.

After Peter A. Diamond in 2005, Daniel L. McFadden in 2006, Stephen A. Ross in 2007, Richard Blundell in 2008, Roger Myerson in 2009, Robert B. Wilson in 2010 and Robert M. Townsend in 2011, this year it's Eric S. Maskin who will receive the Prize from Pierre Cohen, Mayor of Toulouse, on 6 June 2013.

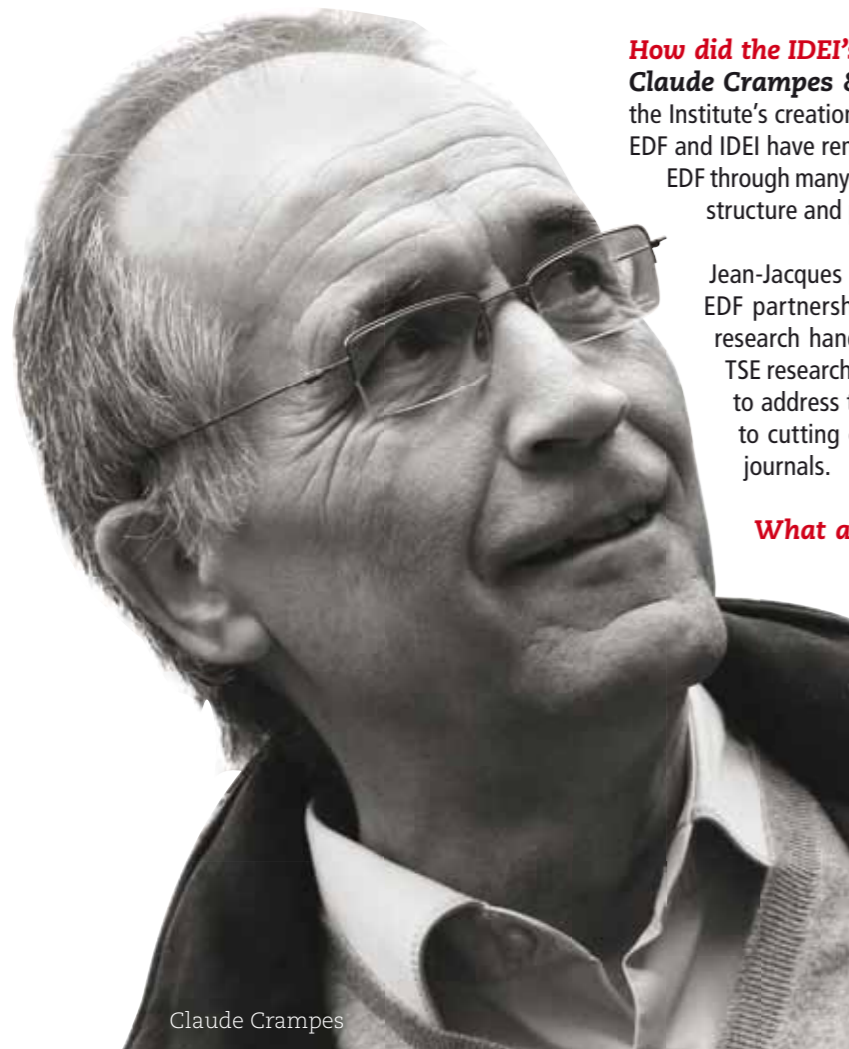


# The great energy challenge

EDF, or Electricity of France, is the world's largest electricity company and a major partner for the Institute of Industrial Economics (IDEI), the partnership-based research centre linked to TSE.

Claude Crampes & Thomas-Olivier Léautier, TSE researchers in charge of the IDEI-EDF partnership, retrace the history of this long-standing collaboration and tell us more about today's challenges.

## INTERVIEW WITH CLAUDE CRAMPES AND THOMAS-OLIVIER LÉAUTIER



Claude Crampes

### How did the IDEI's work with EDF come about?

**Claude Crampes & Thomas-Olivier Léautier:** EDF was our first partner at the Institute's creation in 1991, along with France Télécom. For more than 20 years, EDF and IDEI have remained closely associated. Our research teams have supported EDF through many complex transformations of its economic model, organisational structure and processes.

Jean-Jacques Laffont and Jean Tirole, our founding directors, initiated the EDF partnership following IDEI's philosophy of carrying out fundamental research hand-in-hand with businesses: the partners share with the IDEI-TSE researchers their real-life problems and we develop analytical solutions to address these issues. These exchanges lead to special reports but also to cutting edge, high-level academic papers published in top economic journals.

### What are the main themes you have worked on over the years?

**CC/TOL:** When the partnership began in the 1990s, Jean-Jacques & Jean mainly worked on regulation theory applied to state-owned companies. In the late 90s and early 2000s, the focus shifted to competition issues as the introduction of EU liberalisation directives opened up energy markets to competition, forcing vertically integrated players such as EDF to profoundly change their structure. In particular, EDF had to unbundle its different businesses (production, transport, distribution and supply).

Another major shift came about in the early 2000s when climate change concerns led to drastic EU reforms such as the energy package dubbed "20-20-20 for 2020". This required energy producers to completely reinvent their production models in order to reduce their CO<sub>2</sub> emissions



“ Our work is based on three important principles: breadth, depth and policy relevance.

and meet renewable energy targets, using power sources such as wind, solar and hydro.

The Fukushima accident in 2011 cast a shadow on the nuclear renaissance and led EDF to reconsider its strategy. New economic analyses and models must be invented and tested.

### Can you give us an example of a research topic brought about by the focus on renewable energies?

**CC/TOL:** The major difficulty with most renewable energy sources is their intermittent nature, making the real-time balancing of supply and demand very difficult, potentially leading in some cases to severe energy blackouts. The **graphs on page 16** show for example the irregularity of solar energy and wind power. Thus, an important avenue for our research is to redesign the structure of energy markets to accommodate intermittency.

We have for example carried out extensive research into smart grids, an approach to reduce the impact of intermittency. By using information and communications technology to gather and act on information about the behaviours of suppliers and consumers in an automated fashion, smart grids are expected to improve the efficiency, reliability and sustainability of electricity production and distribution. Obviously, this work is of great interest to EDF, who provides us with crucial facts and data for our research.

Furthermore, renewable energy sources are not yet economically competitive and are hence still heavily subsidised in most countries. These subsidies distort competition for the other participants in the energy markets, leading for example to many power plants being retired early. Energy market design must therefore be altered to minimise the impact of these distortions.



Thomas-Olivier Léautier



# The great energy challenge

Finally, meeting carbon constraints such as the “20-20-20 for 2020” directive means significantly increased energy costs in the future. It is therefore essential we develop economically effective mechanisms to ensure that the poorer members of our society can still afford energy.

**Can you tell us more about the different activities involved in the partnership?**

**CC/TOL:** Our work is based on three important principles:

- breadth: our partnership includes a wide range of actions, including academic research, policy shaping, and executive education;
- depth: we interact non only with the R&D group, but also with operational managers throughout the company;
- policy relevance: the electricity industry is currently going through (yet another) significant transformation, and our partnership aims to provide the analytical tools to shape this evolution.

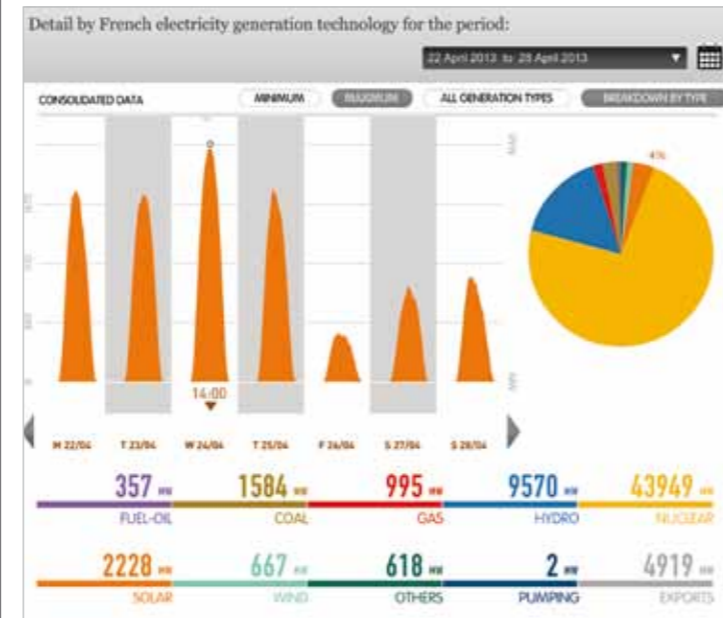
Our executive education focuses on issues of high relevance for EDF managers. For example, we recently completed a programme reaching around 2000 managers at ERDF, EDF’s distribution business. The aim of the course was to present and clarify the complex – and sometimes counter-intuitive – regulatory environment in which ERDF and its managers operate. This programme was so innovative and had such impact that it received an award from Corp U., an American academy of corporate universities.

Through these programmes we get to know many different managers at EDF, creating vital links for TSE such as internships and job opportunities for our postgraduate students.

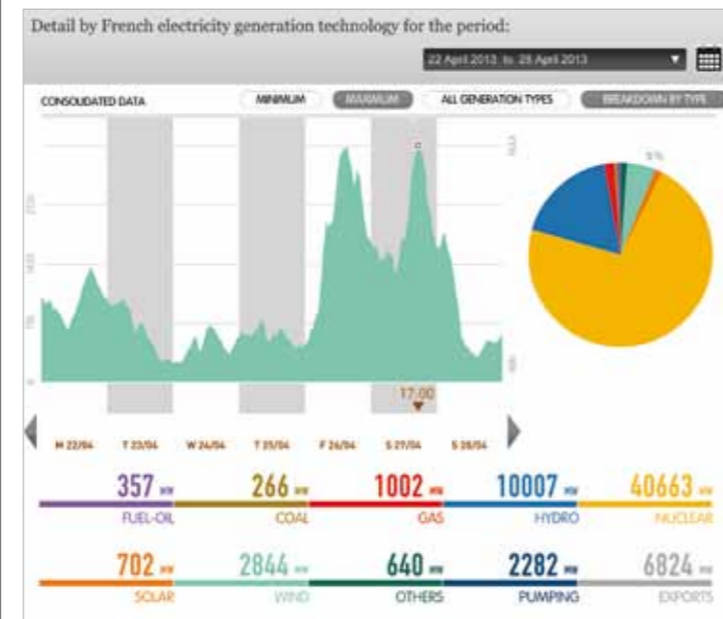
**What about events?**

**CC/TOL:** Every other year we organise a very successful conference on the economics of energy markets. These events are strongly supported by EDF and attended by a number of the group’s decision-makers.

**The intermittence of renewable energy sources**

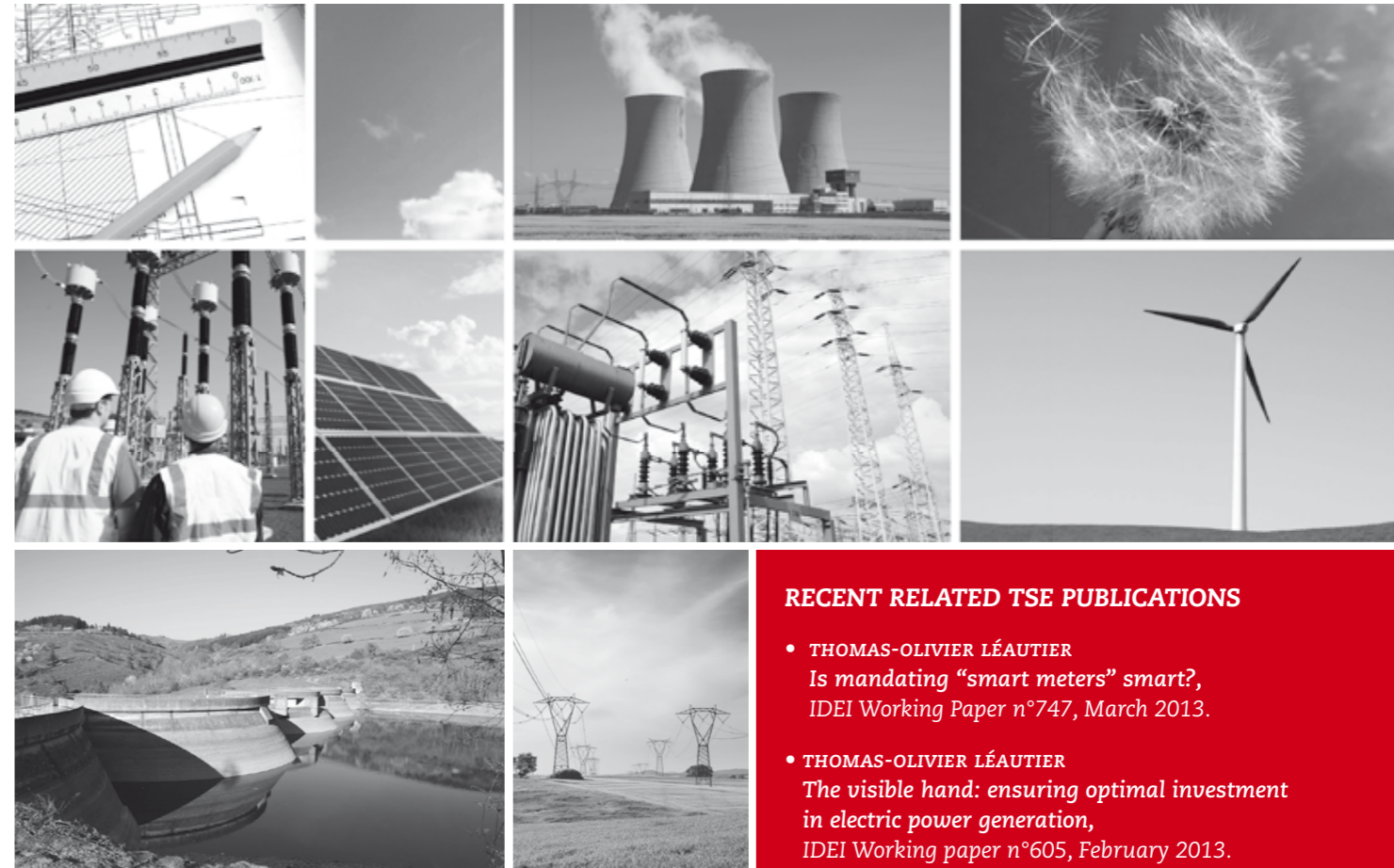


Solar energy production



Wind energy production

Source: eCO2mix (RTE)



**EDF GROUP: KEY FIGURES**

Worldwide, for 2011

- Employees:** 156,168
- Customers:** 37.7 million
- Recruitment:** 12,755 people hired by group
- Sales:** € 65.3 billion (57% France, 43% rest of world)
- Investments:** value of 11.1 billion (+8.4%)
- Innovation:** 470 patents
- Power production:** 628.2 TWh electricity generated
- CO2 emissions:** 99.6 g/kWh
- Research and development:** € 518 million budget, more than 2,000 people

Source: EDF website

**RECENT RELATED TSE PUBLICATIONS**

- THOMAS-OLIVIER LÉAUTIER  
*Is mandating “smart meters” smart?,* IDEI Working Paper n°747, March 2013.
- THOMAS-OLIVIER LÉAUTIER  
*The visible hand: ensuring optimal investment in electric power generation,* IDEI Working paper n°605, February 2013.
- CLAUDE CRAMPES & JEAN-MARIE LOZACHMEUR  
*Tarif progressif, efficience et équité : Redistribution et distorsions tarifaire (N°2),* Mimeo, November 2012.
- STEFAN AMBEC & CLAUDE CRAMPES  
*“Electricity provision with intermittent sources of energy”,* Resource and Energy Economics, September 2012
- CLAUDE CRAMPES & THOMAS-OLIVIER LÉAUTIER  
*Distributed Load-Shedding in the Balancing of Electricity Markets,* Mimeo, May 2012.
- CLAUDE CRAMPES & JEAN-MARIE LOZACHMEUR  
*Tarif progressif, efficience et équité. Consommation vitale et distorsions tarifaires,* Mimeo, May 2012.

# Business relations: a priority for the École TSE



Over the 2012-2013 academic year the École TSE staff & students worked hard on developing links between the school and businesses, through many initiatives. As mentioned in the previous issue of the TSE Mag, an annual "Business Networking Day" was launched in November 2012 and an Alumni association

and website ([alumni.tse-fr.eu](http://alumni.tse-fr.eu)) were created to extend our networks. In addition, a Business relations manager will also be recruited at the start of the coming academic year in order to further establish Ecole - business interactions and facilitate the placement of our graduates in France and abroad. Here's an overview of even more actions developed this year to strengthen our links with the business world.

JEAN-PHILIPPE LESNE, DIRECTOR – ECOLE TSE

## Business Talks:

over 10 presentations since October!



This year we launched a new series of professional lectures for students, the "Business talks". These lectures are given by business professionals, sometimes themselves graduates of the Ecole TSE. At these popular talks, the speakers present real-world case studies or current topics in their field of activity. Among the wide variety of topics that have been presented so far:

- "Do financial markets make the law?"
- "Green investment"
- "Competition policy"
- "The stakes of net neutrality"
- "Budget cuts in the United States (fiscal cliffs)"
- "Financial indicators of economic policies"

These corporate presentations offer our students a broad overview of the ways in which concepts and theories learned in class can be applied. The talks, given by managers of major companies (Axa, Compass Lexecon, SNCF, Orange, ...) and senior officials (OECD, Consulate of the United States, ADEME), follow a twofold objective: to develop the economic knowledge of the students and help them to build career plans.

The Business talks can be viewed online via a special platform giving interactive access to the video of the speaker and their presentation slides: <http://ut-capitole.ubicast.tv/channels/#business-talks>

## Heading for internships

All of the Ecole's undergraduate and Masters students have the opportunity to carry out internships. The importance given to these work placement periods in our courses has been substantially increased this year, and students are supported in finding an internship via coaching sessions and help to develop their CV.

1st year Masters students undertake placements from April to August, 2nd year Masters students from April to September. Half of our Master students are international, and internships take place all over the world.

## TSE "Junior Etudes": an incubator for future consultants

TSE's student consulting firm was founded in 2010, allowing students to carry out economic consulting missions for companies and hence apply what they have learned during their studies. By taking part in missions or simply getting involved in the administrative organisation of the association, the students benefit from valuable work experience. The scope of the association's activities is broad: data analysis and econometric modelling, cost-benefit analysis, analysis of market opportunities and risks...

The TSE Junior Etudes operates within a rigorous framework imposed by the French National Confederation of Junior Enterprises; a guarantee of reliability for business customers. The structure is gradually working towards obtaining the prestigious "Junior venture" label, and has already been awarded "Junior start-up" in 2011 and "Junior Enterprise incubator" in 2012.



Contact: [contact@tse-junioretudes.com](mailto:contact@tse-junioretudes.com)  
Website: <http://tse-junioretudes.com/>

## How to get involved

As you can see, a wide range of collaborations between the École and the business world is possible, so do not hesitate to include our students in your work and help contribute to their training!

Economic analysis, forecasting, regulation, modelling... the skills of our students and graduates will help you innovate within markets, analyzing economic contexts and measuring opportunities and risks.

You can test our students in your teams before hiring them, for long or short-term missions. Several options are available:

- An applied placement (between early April and late August), 1st year Masters
- An end-of study placement (6 months from April to September), 2nd year Masters
- A gap year - long placement between 1st and 2nd year Masters
- A study contract with the Junior Etudes

Whatever your choice, our students are always supervised by TSE faculty members specialised in your field; a guarantee of quality for all your interactions with the "École".



# Discover the TSE world

through the camera lens!



TSE is pleased to announce the launch of its brand new promotional video presenting in 3 exciting minutes our world of research and education in economics in the heart of Toulouse.

Take a closer look at the world of TSE: big differences are sometimes to be found in small details...

Watch the video & subscribe to our youtube channel:  
[www.youtube.com/user/TSECHANNEL](http://www.youtube.com/user/TSECHANNEL)

# The TSEconomist:

new website

The TSE student magazine, The TSEconomist, has just launched a new website to showcase the magazine which aims to act as a platform for interaction between all members of the TSE community; students, professors, researchers and staff.

The website includes access to all print editions of the magazine, as well as bonus online-only interviews on various research topics.

Website:  
[www.tseconomist.com](http://www.tseconomist.com)



# Jean Tirole

receives Ross Prize



Jean Tirole and his co-author Bengt Holmstrom (MIT) have just been awarded the 3rd Ross prize, created in honour of the renowned finance researcher Steve Ross. This award pays tribute to the article "Public and Private Supply of Liquidity" published in the Journal of Political Economy. This paper investigates the impact of credit market imperfections on macroeconomic policy.

# Europeplace Institute of Finance award

for TSE researchers

Four TSE researchers have received the Europeplace Institute of Finance best article award for "Free Cash Flow, Issuance Costs, and Stock Prices". This prestigious award rewards the best

finance paper published in one of the most prestigious financial and/or economic journals by a researcher (or several researchers) working in France.

## THE LAUREATES

— Jean-Paul DECAMPS  
 Professor, UT1  
 — Thomas MARIOTTI  
 Research director, CNRS

— Jean-Charles ROCHET  
 University of Zurich (on leave)  
 — Stéphane VILLENEUVE  
 Professor, UT1

# Anacom prize

for Doh-Shin Jeon

Doh-shin Jeon has been awarded the ANACOM best paper prize by the Portuguese National Communications Authority for his paper "Dominance and Competitive Bundling", co-authored with S. Hurkens and D. Menicucci. The award was presented during the 2013 ANACOM annual workshop on the economics of ICTs at Evora University.



## NEW BOOK



## A.B.C. of modern economics

The French Museum of Science and Industry in Paris is holding a new exhibition from March 2013 to January 2014: "The Economy: crash, boom, transform?".

To accompany the exhibition, a handbook of economics has been published: The A.B.C. of modern economics. Augustin Landier, TSE researcher and expert in finance, is curator of the scientific exhibition and co-author of the handbook.

## FIND OUT MORE...

**on the book**  
<http://www.editions-lepommier.fr/ouvrage.asp?IDLivre=621>

**on the exhibition**  
[http://www.cite-sciences.fr/francais/ala\\_cite/expositions/economie-krach-boom-mue](http://www.cite-sciences.fr/francais/ala_cite/expositions/economie-krach-boom-mue) (in French)

# Illustrated memories

As TSE launches its new TIGER Forum, we've taken a look into our archives and dug out this photograph of the very first conference organised in Toulouse by TSE's historic founding institute, the Institut d'Économie Industrielle, over twenty years ago.

Among the conference participants on the photograph are several current-day TSE researchers. We asked them what memories this image brings back to them...



8. Jean Tirole,  
TSE Chairman, IDEI  
Scientific director

Our group owes a lot to the many non-Toulousain friends who have helped us over the years. In this instance too, the enthusiasm of the scientific community was extraordinary and resulted in a landmark conference with the top researchers in industrial economics and the economics of organisations, exciting and cheerful exchanges and the presentation of now well-established contributions.



Think you recognise yourself or an acquaintance on the photograph? Here's the full list to jumpstart your memories...

**On the photograph:**

1. Luis Cabral, Stern – NYU
2. David Martimort, PSE
3. Jean-Charles Rochet, Zurich
4. Jacques Crémer, TSE
5. Bernard Caillaud, PSE
6. Lars Stole, Chicago
7. Patrick Bolton, Colombia
8. Jean Tirole, TSE
9. Jean-Paul Bouttes, EDF
10. Philippe Aghion, Harvard
11. Rob Porter, Northwestern
12. Michael Whinston, MIT
13. Patrick Rey, TSE
14. Xavier Vives, IESE
15. Bruno Jullien, TSE
16. Konrad Stahl, Mannheim
17. John Moore, LSE & Edinburgh
18. Matthias Dewatripont, ULB
19. Helmut Bester, Berlin
20. David Scharfstein, Harvard
21. Jean-Jacques Laffont, GREMAQ & IDEI founder (deceased)
22. Thomas Gehrig, Vienna
23. Khalid Sekhat, ULB
24. Tore Ellingsen, SSE
25. Carmen Matutes, Barcelona
26. Kai-Uwe Kuhn, Michigan
27. Paul Klemperer, Oxford
28. Chris Harris, Oxford
29. Olivier Hart, Harvard
30. David Euraoua, Paris 1
31. Jorge Padilla, Compass Lexecon
32. Martin Hellwig, Max Planck Institute
33. David Baron, Stanford
34. Paul Joskow, MIT & Sloan Foundation
35. Alexis Jacquemin, Louvain (deceased)
36. Oliver Williamson, Berkeley
37. John Sutton, LSE
38. Bengt Holmstrom, MIT

**At the conference but not on the photograph:**

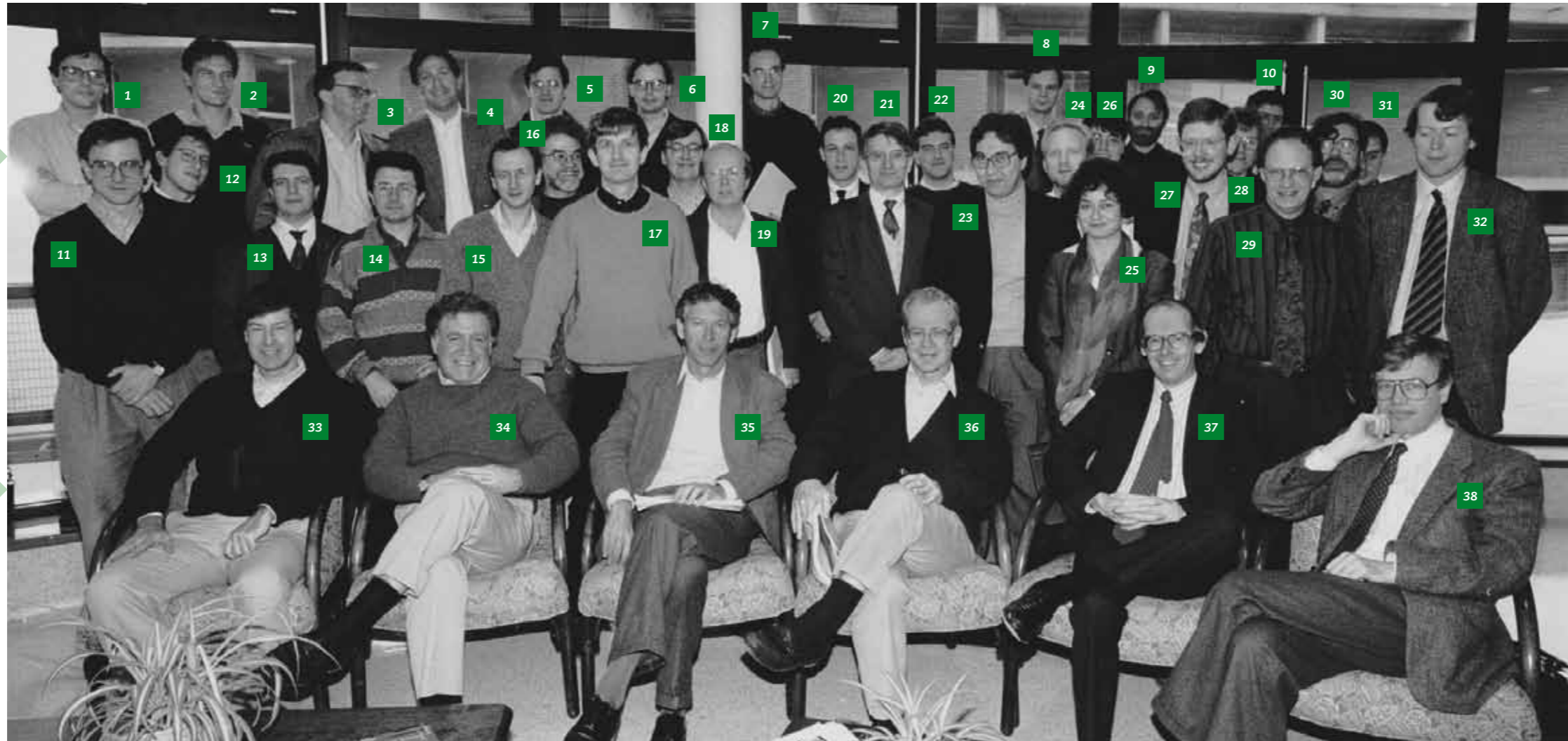
- Paul Milgrom, Stanford
- Drew Fudenburg, Harvard
- Roger Guesnerie, College de France

4. Jacques Crémer,  
TSE Scientific  
director,  
former IDEI Director

The beginning of a  
great adventure...  
for one and for all!

15. Bruno Jullien,  
TSE research director,  
IDEI researcher

My first real contact  
with the Toulouse  
institution: the  
discovery of a  
new world full of  
possibilities and a  
defining moment  
for the future. And  
what a collection of  
prestigious mentors  
around my cradle!



Conference of the European Science Foundation: January 1992  
Organised by Jean Tirole.

Have we made any mistakes?  
Let us know via [mag@tse-fr.eu](mailto:mag@tse-fr.eu) and receive a TSE gift!