



PARIS SCHOOL OF ECONOMICS
ÉCOLE D'ÉCONOMIE DE PARIS

Paris School of Economics - Université Paris 1
Summer 2013: June 1st - July 31st
Maison des Sciences Économiques

**Erasmus Distinguished Lectures:
Frontiers of Economic Theory**

Public Economic Theory

June 3-7 2013

Professor John Conley

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Monday, June 3 : 10:00 am to 11:30 am - Room 117

Theory? What is it good for?

Abstract: This lecture addresses the why, what, and how of economic theory. To begin with, why would we choose to address questions of economic interest with theoretical tools instead of empirical ones? We discuss the benefits and limitations of each, and how they support one another. Second, what exactly is theory? There are many mathematical tools available to economists ranging from calculus to differential topology and beyond, each of which can be employed in a variety of ways. We attempt to provide a structure to organize and connect these different methodologies and outline the major questions and key conclusions of each. Finally, we suggest some elementary rules for how researchers should best approach economic problems with theory.

Wednesday, June 5 from 10:00 am to 11:30 am - Room 117

Using Coalition and Network Theory

Abstract: Humans are fundamentally social creatures. We trade, interact, and affect one another's welfare through a variety of institutions and conventions. Markets are an example of very a simple institution which imagines that all agents in an economy are equally connected and coordinate their actions purely through the signals given by a decentralized price system. For most people, however,

interactions within families, social clubs, churches, places of employment, towns, nations and other sub-groups of the economy are extremely important, and perhaps more important than their interactions with the market as a whole. Agents may even be members of several different sub-groups each serving a different purpose at once. Unlike markets, activities within these sub-groups are mediated by more than prices, and in many cases, without prices at all. Also unlike markets, agents may not be equally connected to all other agents within a sub-group. For example, agents may have superiors or inferiors who they can contact only through the chain of command, or it may be that agents are part of an extended family in which their links to their intermediate family are direct and important but those to cousins and great uncles are more distant and less meaningful. Network theory and coalition theory each provide theoretical structures for describing and analyzing these sorts of phenomena. This lecture outlines these two tools, describes what sorts of economic problems they can best be used for, and discusses the advantages and disadvantages of each.

Thursday, June 6 from 9:30 am to 11:00 am - Room 117

**Title: The Economics of Cloud Computing
joint with Ergin Bayrak and Simon Wilkie**

Abstract: Cloud computing brings together several existing technologies including service oriented architecture, distributed grid computing, virtualization, and broadband networking to provide software, infrastructure, and platforms as services. Under the old IT model, companies built their own server farms designed to meet peak demand using bundled hardware and software solutions. This was time consuming, capital intensive and relatively inflexible. Under the cloud computing model, firms can rent as many virtual machines as they need at any given time, and then either design or use off-the-shelf solutions to integrate company-wide data in order to easily distribute access to users both within and outside of the company firewall. This converts fixed capital costs into variable costs, prevents under and over provisioning, and allows minute by minute flexibility. Consumers are also increasingly turning to the cloud for computing services through such applications as Gmail, Pandora, and Facebook. The purpose of this lecture is to discuss this new and transformative technology, survey the existing economics literature on the subject, and suggest potential directions for new research.

Friday, June 7 from 12:00 pm to 1:00 pm - Room S17 (1st floor - new building)

**Seminar title: Dixit-Stiglitz approaches to international trade:† Enough is enough
joint with Robert Driskill**

Abstract: We show that the Melitz (2003) continuum interpretation of the Dixit- Stiglitz monopolistic competition model does not represent a reasonable limit of a large finite economy unless it is built on a micro-foundation of heterogeneous agents. We argue for both theoretical and empirical reasons that each of these heterogeneous agents must choose to consume at most a strictly bounded number of commodities instead of a strictly positive quantity of each of the infinite number of goods produced (as in Melitz). We show in a highly general framework that this implies that (1) the benefits to product diversity converge to zero as the economy gets large and (2) the proportion of imports goes to zero as countries get large in the presence of non-zero iceberg costs. We offer a new theoretical approach to product innovation that highlights embedded assumptions in Dixit-Stiglitz that we argue drive counter-factual results.

<https://docs.google.com/file/d/0Bz-JTOiKKM6lc1dJdXl3ZVNpMzA/edit?usp=sharing>

Stakeholder theory of corporations

June 10-14 2013

Professors Michael Magill and Martine Quinzii

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Monday, June 10: from 10:00 am to 11:30 am - Room 117

Title: Inefficiency of Market Value Maximization

Abstract: We consider a simple equilibrium model with firms under uncertainty using the probability approach. There is at least one large firm whose uncertainty is described as the probability of success which is influenced by its investment. We show that in this setting there is 'probabilistic' external effect which is not taken into account when firms maximize market value. This creates an inefficiency different from that usually associated with market power on the goods market: to highlight the new external effect we make the idealized assumption that firms does not exploit their market power on the spot markets.

Wednesday, June 12: from 10:00 am to 11:30 am - Room 117

Title: Towards a Stakeholder Theory of the Firm

Abstract: We examine the criterion that a large firm should maximize to obtain efficiency: this leads to a stakeholder theory of the firm. Implementing this criterion raises three issues: incentives, information and financing. When there are several firms the ideal criterion is too complex: we show how a simplified criterion can be derived which improves on market value maximization.

Friday, June 14: from 10:00 am to 11:30 am - Room 117

Title: Existence and Optimality of Stakeholder Equilibrium

We examine the assumptions needed to establish existence and optimality of a stakeholder equilibrium in the simpler setting where firms make no labor input choice and only make an investment decision.

Ambiguity Theory

June 17-21 2013

Professor Mark Machina

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Monday, June 17: from 10:00 am to 11:30 am - Room 117

Title:

Abstract:

Wednesday, June 19: from 9:30 am to 11:00 am - Room 117

Title:

Abstract:

Friday, June 21: from 10:00 am to 11:30 am - Room 117

Title:

Abstract:

Mechanisms for Matching: The 2012 Nobel Prize in Economics

June 24-28 2013

Professor Pradeep Dubey

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Monday, June 24: from 10:00 am to 11:30 am - Room 117

Title: Two-sided Matching (The National resident Matching Program)

Abstract:

Wednesday, June 26: from 10:00 am to 11:30 am - Room 117

Title: One-sided Matching (The Market of Kidney Exchange)

Abstract:

Friday, June 28: from 10:00 am to 11:30 am - Room 117

Title: Incentive-Compatibility of the Matching Mechanisms

Abstract:

Professor

July 1-5

Professor

July 8-13

Ambiguity in General Equilibrium Theory

July 15-18

Professor Nicholas Yannelis
