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European Centre for Advanced Research in Economics  
Institut d'Études Européennes  
Université Libre de Bruxelles

# TABLE OF CONTENTS

|   |    |
|---|----|
| FOREWORD.....                               | 1  |
| PEOPLE.....                                 | 3  |
| WHO'S WHO OF ECARE FELLOWS .....            | 4  |
| ECARE PUBLICATIONS AND WORKING PAPERS ..... | 10 |
| ECARE ACTIVITIES.....                       | 23 |
| VISITORS .....                              | 33 |
| RESEARCH CONTRACTS AND GRANTS .....         | 35 |
| TELEPHONE AND EMAIL DIRECTORY .....         | 37 |

## FOREWORD

The academic year 1996-97 marks the fifth anniversary of ECARE. Inaugurated on November 30, 1991, ECARE is a joint initiative of the Institut d'Etudes Européennes (IEE) at the Université Libre de Bruxelles (ULB), and of the Centre for Economic Policy Research (CEPR), an network of around 300 researchers in Europe. ECARE is located at IEE on the ULB campus, on the Avenue F. D. Roosevelt, in the centre of Brussels.

The mission of ECARE is to encourage high-quality research in economics, with special emphasis on policy issues relevant to Western and Eastern Europe, and to provide a meeting place for academics, professional economists, and civil servants from the EC Commission.

Among our public activities, let us stress our "lunchtime meetings", jointly organized with CEPR, where academic economists present their research to an audience composed of civil servants from the European Commission and of members of the academic and business communities.

On the academic side, ECARE has served as a force of attraction to recruit at ULB a number of non-Belgian researchers of international reputation, who had previously taught at places like Stanford, Berkeley, Harvard, Columbia or the London School of Economics. Combined with the extensive international experience of the Belgian researchers at ECARE, this feature gives our research centre a diversity which is among the highest in Europe.

Over the years, ECARE researchers have developed expertise in a number of major fields of economics, in particular:

- The evaluation of European integration policies and of its dynamics of "deepening" and "widening".
- The analysis of economies in transition, in Eastern Europe and in China.
- The structure and behavior of banking and financial markets.
- The theory and empirics of macroeconomics, including its political economy component.
- The behavior and organization of firms and markets.
- The theory and applications of econometrics.

Members of ECARE have produced a lot of research in these areas. This research has resulted in many top publications and has allowed ECARE to be recognized as a centre of excellence in Europe. Note, for example, that ECARE researchers include eight fellows and two programme directors of CEPR, two fellows of the Econometric Society and two successive Managing Editors of the *Review of Economic Studies*. Moreover, ECARE has received a substantial number of EU-financed Human Capital and Mobility contracts and is coordinating a research network under the "Training and Mobility of Researchers" programme.

In parallel, ECARE is actively contributing to the development of the doctoral programme at ULB, which is now part of the ENTER network together with Toulouse, Tilburg, Barcelona, Mannheim and University College London.

This report details the achievements of ECARE in its first five years. They were made possible by our collaboration with CEPR and the constant support of ULB. Our goal for the next five years is to keep our commitment to excellence in research while intensifying our mission of graduate education.

Mathias Dewatripont

Philippe Weil

**Directors**

Mathias Dewatripont, Philippe Weil

**Resident fellows**

Erik Berglöf, Patrick Bolton, Juan Carrillo, Christophe Croux, Patrick Legros, Janet Mitchell, Lucrezia Reichlin, Ailsa Roëll, Gérard Roland, André Sapir, Khalid Sekkat and Ariane Szafarz.

**Non-resident fellows**

Philippe Aghion, Ronald Anderson, Jacques Lawarrée and Ernst-Ludwig von Thadden.

**Post-doctoral researchers**

Marco Becht, Godfrey Keller, Francesc Obiols, Michael Raith and Staffan Ringbom.

**Doctoral researchers**

Didier Baudewyns, Micael Castanheira de Moura, Ariane Chapelle, Corinna Czujack, Olivier Debande, Marcelo Fernandes, Catherine Fuss, Maria Fraga, Jacob Gyntelberg, Samir Jahjah, Marc Kruglanski, Andrea Lamorgese, Philippe Liégeois, Geoffrey Malek-Mansour, Nicolas Melissas, Abdel Noury, Penelope Papandropoulos, Paul Povel, Pierre-Yves Preumont, Anouk Rivière Jorge Rodrigues and Georges Siotis.

**Secretaries**

Nancy De Munck and Romy Genin.

## WHO'S WHO OF ECARE FELLOWS

### RESIDENT FELLOWS

#### Erik Berglöf

holds a Ph.D. from the Stockholm School of Economics, 1991. He has written extensively on financial contracting and corporate governance. In particular, he has applied theoretical insights to studies of differences between capitalist financial systems, and specific ownership and control arrangements in these countries. Recent work of his has also analyzed financing problems in transition economies. He is a research fellow of CEPR and currently directs the Stockholm Institute of Transition Economics at the Stockholm School of Economics. He has spent the 1995-1996 academic year at Stanford University.

Selected publications: "A Control Theory of Venture Capital", *Journal of Law, Economics and Organization*, 1994; "Corporate Governance Structure of the Japanese Financial Keiretsu", (with E. Perotti), *Journal of Financial Economics*, 1994; "Short-Term versus Long-Term Interests: Capital Structure with Multiple Investors", (with E.-L. von Thadden), *Quarterly Journal of Economics*, 1994.

#### Patrick Bolton

completed his Ph.D. in Economics at the London School of Economics, 1986. He is currently Professor at ULB, where he teaches contract theory? and at CentER, Tilburg University. His main contributions are in the area of corporate finance, the theory of the firm, antitrust theory, the theory of rational learning by experimentation, political economy, the economics of transition and development economics. He is currently Managing Editor of the *Review of Economic Studies*. He is a member of the Council of the European Economic Association as well as fellow of the Econometric Society and CEPR. Before joining ECARE, he held the following positions: Assistant Professor, University of California at Berkeley (1986-87); Assistant Professor, Harvard University (1987-89); Chargé de Recherche CNRS, Laboratoire d'Économétrie, at the École Polytechnique de Paris (1989-91); Cassel Professor of Economics, at the London School of Economics (1991-1994).

Selected publications: A Model of 'Trickle-Down' Growth and Development with Debt Overhang", (with P. Aghion), *Review of Economic Studies*, 1997; "Distributional Conflicts, Factor Mobility and Political Integration", (with G. Roland), *American Economic Review*, 1996; "Optimal Debt Structure with Multiple Creditors", (with D. Scharfstein), *Journal of Political Economy*, 1996; "The Firm as a Communication Network", (with M. Dewatripont), *Quarterly Journal of Economics*, 1994.

#### Juan Carrillo

after finishing his undergraduate studies at Complutense University in Madrid, he completed a Master degree in Statistics at Harvard University and a Ph.D. in Economics at the Université des Sciences Sociales de Toulouse, 1996. His research interests include political economy, the theory of organizations and behavioral economics. He wrote a dissertation on the economics of regulation in the presence of externalities and on the containment of corruption in organizations.

Selected papers: "Coordination and Externalities", mimeo, 1996; "Corruption in Hierarchies", mimeo, 1996; "Grafts, Bribes and the Practice of Corruption", mimeo, 1996.

## Christophe Croux

obtained a Ph.D. in Statistics from Antwerp University, 1993. He has contributed to the development of robust statistical methodology in scale estimation, regression problems, estimation of multivariate location and covariance and robust principal components. His current research interest is the robustification of econometric methods. He is associate professor at ULB where he teaches statistics and econometrics.

Selected publications: "Generalized S-Estimators", (with O. Hössjer & P.J. Rousseeuw), *Journal of the American Statistical Association*, 1994; "Asymptotics of Generalized S Estimators", (with O. Hössjer & P.J. Rousseeuw), *Journal of Multivariate Analysis*, 1994; "Alternatives to the Median Absolute Deviation", (with P.J. Rousseeuw), *Journal of the American Statistical Association*, 1993.

## Mathias Dewatripont

holds a Ph.D. in Economics from Harvard University, 1986. His general research area is the theory of incentives and organizations, with applications to banking and corporate finance as well as to transition economics. He was Managing Editor of the *Review of Economic Studies* (1990-94), and visiting Assistant Professor at MIT in 1988-89. He is fellow of the Econometric Society and of CEPR, and member of the Council of the European Economic Association. He is on the Editorial Board of *Econometrica* and the *Review of Economic Studies*. He is also outside Director of CGER-bank. He is professor at ULB where he teaches contract theory, industrial organization and banking and finance. He is currently Department Chair.

Selected publications: "Credit and Efficiency in Centralized and Decentralized Economies", (with E. Maskin), *Review of Economic Studies*, 1995; *The Prudential Regulation of Banks*, (with J. Tirole), MIT Press, 1994; "The Firm as a Communication Network", (with P. Bolton), *Quarterly Journal of Economics*, 1994; "Economic Reform and Dynamic Political Constraints", (with G. Roland), *Review of Economic Studies*, 1992.

## Patrick Legros

holds a Ph.D. in Social Sciences, from the California Institute of Technology, 1989. His general research area is the theory of incentives and organizations. He was an assistant professor of economics at Cornell University and now occupies the Chair of Industrial Organization at the Université de Liège (since 1996). He teaches microeconomics, industrial organization and the theory of organizations.

Selected publications: "Wealth Effects, Distribution, and the Theory of Organization", (with A. Newman), *Journal of Economic Theory*, 1996; "Efficient and Nearly Efficient Partnerships", (with S. Matthews), *Review of Economic Studies*, 1993; "Efficiency in Partnerships", *Journal of Economic Theory*, (with H. Matsuyama), 1991; "Bankruptcy as a Control Device in Economies in Transition", (with J. Mitchell), *Journal of Comparative Economics*, 1995.

## Janet Mitchell

received her Ph.D. from Northwestern University, 1986. She has made research contributions in the areas of labor-managed firms and bankruptcy and financial reform in economies in transition. Her current fields of research include banking, financial economics, and economies in transition. She served on the executive committee of the Association of Comparative Economic Studies (1990-92) and was on the editorial board of *Comparative Economic Studies* (1991-93). She is currently on the editorial board of the *Journal of Comparative Economics* and is fellow of CEPR. She teaches microeconomics,

financial economics, and economics of transition and currently holds a position at Université Saint-Louis, Brussels.

Selected publications: "Credit Rationing, Budget Softness, and Salaries in Yugoslav Firms", *Journal of Comparative Economics*, 1989; "Perfect Equilibrium and Intergenerational Conflict in a Model of Cooperative Enterprise Growth", *Journal of Economic Theory*, 1990; "Bankruptcy as a Control Device in Economies in Transition", with P. Legros, *Journal of Comparative Economics*, 1995.

## Lucrezia Reichlin

holds a Ph.D. in Economics from New York University, 1986. She has worked on applied dynamic macroeconomics and time series. Her work has been concerned with the development of methods to identify the sources of the business cycle and to distinguish between transitory and permanent fluctuations in economic time series. Currently, she is working on methods to study dynamics of large cross-sections of sectors, firms or geographical units. She has been teaching econometrics and time series at ULB since the Fall of 1994. Previously she has been visiting associate professor at the Columbia University Graduate School of Business, Deputy Director of the Research Department of the Observatoire Français des Conjonctures Économiques in Paris, research fellow at the European University Institute in Florence. She is President of the Centre d'Économie Mathématique et d'Économétrie at ULB and CEPR fellow.

Selected publications: "Information, Forecasts and the Measurement of the Business Cycle", (with G. Evans), *Journal of Monetary Economics*, 1994; "Diffusion of Technical Change and the Identification of the Trend Component in Real GNP", (with M. Lippi), *Review of Economic Studies*, 1994; VAR Analysis, Non-Fundamental Representations, and Blaske Matrices", (with M. Lippi), *Journal of Econometrics*, 1994; "On the Persistence of Shocks to Economic Variables: A Common Misconception", (with M. Lippi), *Journal of Monetary Economics*, 1991.

## Ailsa Roëll

holds a Ph.D. in Political Economy from Johns Hopkins University, 1983, and a Ph.D. in Applied Economics from ULB, 1994. She has made contributions in the theory of choice under uncertainty and the theory of optimal income taxation. Her recent work focuses on stock market microstructure and corporate finance. She was until recently a Lecturer in Economics at the London School of Economics (1984-94), and a visiting assistant professor of finance at the University of California at Berkeley (1988-89). She is a fellow of the CEPR, an Economic Policy panel member and a member of the editorial boards of *Economica* (since 1996) and the *Review of Economic Studies* (1985-96). She currently divides her time between her research position at ECARE and a Professorship in finance at Tilburg University.

Selected publications: "Transparency and Liquidity: A Comparison of Auction and Dealer Markets with Insider Trading", (with M. Pagano), *Journal of Finance*, 1996; "Price Effects of Trading and Components of the Bid-Ask Spread on the Paris Bourse", (with F. de Jong & T. Nijman), *Journal of Empirical Finance*, 1996; "The Decision to Go Public: An Overview", *European Economic Review*, 1996; "Comparison of the Cost of Trading French Shares on the Paris Bourse and on SEAQ International", (with F. de Jong & T. Nijman), *European Economic Review*, 1995.

## Gérard Roland

holds a Ph.D. in Economics from the Université Libre de Bruxelles, 1988. His main research area is in the field of transition economics where his contributions have covered mainly political economy aspects of transition but also financial reform, privatization, restructuring and macroeconomic aspects of transition. He is Program Director of CEPR



for transition economics. He is on the Editorial Board of *European Economic Review*, *Economics of Transition*, *Economic Systems* and the *Journal of Comparative Economics*. Besides his research in transition economics, he is doing research in the field of political economy, for example on the break-up of nations and on the separation of powers in democracies. He is Professor of economics at ULB.

Selected publications: "The Break-Up of Nations: a Political Economy Analysis", (with P. Bolton), *Quarterly Journal of Economics*, 1997, forthcoming; "Transition as a Process of Large-Scale Institutional Change", (with M. Dewatripont), in D. Kreps and K. Wallis (eds), *Advances in Economic Theory*, Cambridge University Press, 1997, also reprinted in *Economics of Transition*; "The Design of Reform Packages under Uncertainty", (with M. Dewatripont), *American Economic Review*, 1995; "Privatization in Eastern Europe: Irreversibility and Critical Mass Effects", (with T. Verdier), *Journal of Public Economics*, 1993.

### André Sapir

holds a Ph.D. in Economics from the Johns Hopkins University, 1977. His research interests center on international trade and European integration. Before returning to ULB, his original alma mater, in 1983, he spent five years as assistant professor at the University of Wisconsin-Madison. He is currently President of the Institut d'Études Européennes, ECARE's home. He is research fellow of CEPR and co-editor of the *Open Economies Review*. He is also an advisor in the Directorate General for Economic and Financial Affairs at the European Commission, where he works on economic and monetary integration, and on trade policy.

Selected publications: *European Policies on Competition, Trade and Industry - Conflict and Complementarities*, (with P. Buigues and A. Jacquemin), Edward Elgar, Aldershot, 1994; "Exchange Rate Regimes and Trade Prices: Does the EMS Matter?", (with K. Sekkat), *Journal of International Economics*, 1995; "Regional Integration in Europe", *Economic Journal*, 1992; "Europe Post-1992: Internal and external Liberalization", (with A. Jacquemin), *American Economic Review*, 1991.

### Khalid Sekkat

holds a Ph.D. in Economics from ULB, 1989. He has contributed, among other issues, to the theory of vertical relations and to the economics of the EMS. His general research areas are industrial economics and the European economy. He was a visiting professor at the Universities of Louvain and Strasbourg. He is professor at ULB where he teaches industrial economics and European macroeconomics. He is currently Deputy Chair of the Department of Economics at ULB.

Selected publications: "Testing for Spurious Correlation in exchange rates", (with E. Renault & A. Szafarz), *Journal of Empirical Finance*, 1996; "Exchange Rate Regimes and Trade Prices: Does the EMS Matter?", (with A. Sapir), *Journal of International Economics*, 1995; "Producer Opportunism in Retailing Contracts", (with M. Dewatripont), *Journal of Industrial Economics*, 1991.

### Ariane Szafarz

holds a Ph.D. in Sciences (Mathematics) from ULB, 1984. Her research area is financial econometrics. Her scientific contributions focus on rational expectations models, speculative bubbles, unit roots and cointegration, exchange rate dynamics and emerging markets. She participates in the activities of the CEME (Centre d'Économie Mathématique et d'Économétrie), ECARE and the Department of Finance (Solvay Business School). She is professor at ULB, and teaches mathematics, finance and financial econometrics.

Selected publications: "Testing for Spurious Correlation in Exchange Rates", (with E. Renault & K. Sekkat), *Journal of Empirical Finance*, 1996; "Solutions to Multivariate Rational Expectations Models", (with L. Broze & C. Gouriéroux), *Econometric Theory*, 1995; "Speculative Bubbles and Financial Markets", *Oxford Economic Papers*, (with M.-C. Adam), 1992; *The Econometric Analysis of Non-Uniqueness in Rational Expectations Models*, (with L. Broze), North Holland, 1991.

## Philippe Weil

has been at ULB since 1992. His current research interests center on the relation between finance and macroeconomics, on consumption theory under uncertainty, and on public debt and social security reform. He is completing a graduate macroeconomics textbook, co-authored with Miles Kimball from the University of Michigan, to be published by MIT Press. Prior to his coming to ULB, he studied law and political science in Paris, got his Ph.D. in Economics from Harvard University in 1985, and was assistant (1985-89) and associate professor (1989-92) at Harvard. He is director of the CEPR programme on International Macroeconomics, and a Research Associate of the NBER. He is on the editorial board of the *Review of Economic Studies*, the *Journal of Economic Growth* and *Macroeconomic Dynamics*.

Selected publications: "Precautionary Savings and the Permanent Income Hypothesis", *Review of Economic Studies*, 1993; "Equilibrium Asset Prices with Undiversifiable Labor Income Risk", *Journal of Economic Dynamics and Control*, 1992; "Non-Expected Utility in Macroeconomics", *Quarterly Journal of Economics*, 1990; "The Equity Premium Puzzle and the Riskfree Rate Puzzle", *Journal of Monetary Economics*, 1989.

## NON-RESIDENT FELLOWS

### Philippe Aghion

holds a Ph.D. in Economics from Harvard University, 1987. He has contributed to contract theory, the theory of organizations, the theory of endogenous growth and the economics of transition. His main current research purpose is to help improve the microeconomic foundations to various dynamic aspects of macroeconomics. He has been assistant professor at MIT (1987-89), chargé de recherche at CNRS in Paris (since 1989), Deputy Chief Economist at the EBRD (1990-92), official fellow at Nuffield College (1992-96), and is currently professor at University College London, where he teaches growth theory and contract theory. He is a fellow of the Econometric Society and of CEPR and a member of the Council of the European Economic Association.

Selected publications: "Real and Formal Authority in Organizations", (with J. Tirole), *Journal of Political Economy*, 1997, forthcoming; "Renegotiation Design with Unverifiable Information", (with M. Dewatripont & P. Rey), *Econometrica*, 1994; "A Model of Growth through Creative Destruction", (with P. Howitt), *Econometrica*, 1992. "An Incomplete Contract Approach to Financial Contracting", (with P. Bolton), *Review of Economic Studies*, 1992.

### Ron Anderson

holds a Ph.D. from the University of Michigan and is professor of economics at the Catholic University of Louvain and a fellow of CEPR. He is an associate editor of the *Journal of Empirical Finance*. Prior to moving to Europe he was a professor at Columbia Business School and the City University of New York. He has worked on a variety of problems in finance with an aim of adding institutional realism through game theoretic modeling (financial distress, dynamic contingent claims valuation,...). Otherwise, he has been working on the economics of banking including a large comparative study of banking sector development in Central Europe.

Selected publications: *Banking Sector Development in Central and Eastern Europe*, (with E. Berglöf & K. Mitzel), Economic Policy Initiative, CEPR and Institute for East West Studies, 1996; "The Design and Valuation of Debt Contracts", (with S. Sundaresan), *Review of Financial Studies*, 1996; "Trade and Storage", in Martimort (ed.), *Agricultural Markets: Mechanisms, Failures and Regulations*, North Holland, 1996; "Strategic Analysis of Contingent Claims", (with S. Sundaresan & P. Tychon), *European Economic Review*, 1996.

### Jacques Lawarrée

received his Ph.D. in Economics from the University of California at Berkeley, 1990. His research area is the theory of incentives and organizations. His recent research has focused on the problem of collusion in contracts and on the choice of monitoring instruments. He is currently an Associate Professor of Economics at the University of Washington in Seattle where he teaches microeconomic theory, game theory, industrial organization and the economics of regulation. Between 1992 and 1995, he taught industrial organization at the Université Libre de Bruxelles and marketing at the Université de Liège.

Selected publications: "A Prisoner's Dilemma Model of Collusion Deterrence", (with A. Kofman), *Journal of Public Economics*, 1996; "Optimal Contract, Imperfect Output Observation and Limited Liability", (with M. Van Audenrode), *Journal of Economic Theory*, 1996, forthcoming; "Input Monitoring vs Output Monitoring: Who is the Residual Claimant?", (with F. Khalil), *Journal of Economic Theory*, 1995; "Collusion in Hierarchical Agency", (with A. Kofman), *Econometrica*, 1993.

### Ernst-Ludwig von Thadden

holds a Ph.D. in economics from the University of Bonn, 1991, and a Habilitation from the University of Basel, 1995. He has worked in the area of corporate finance, banking, industrial organization, and transition economics. He was visiting assistant professor at Stanford University (1992-93) and is currently professor of economics at the University of Lausanne, where he also directs the Master's of Science program. He is fellow of CEPR and member of the editorial board of *the Review of Economic Studies*.

Selected publications: "Long-Term Contracts, Short-Term Investment and Monitoring", *Review of Economic Studies*, 1995; "Short-Term versus Long-Term Interests: Capital Structure with Multiple Investors", (with E. Berglöf), *Quarterly Journal of Economics*, 1994.

EUROPEAN INTEGRATION

Sapir A. and Sekkat K., "Exchange Rate Volatility and International Trade - The Effects of the European Monetary System", in De Grauwe and Papademos (eds.), *The European Monetary System in the 1990's*, Mc Millan, 1990.

de Melo J. and Sapir A. (eds.), *Trade theory and Economic Reform - North, South and East*, Basil Blackwell, Oxford, 1991.

Jacquemin A. and Sapir A., "Competition and Imports in the European Market", in Winters and Venables (eds.), *European Integration: Trade and Industry*, Cambridge University Press, 1991, 82-91.

Jacquemin A. and Sapir A., "The Internal and External Opening-Up of the Single Community Market: Efficiency Gains, Adjustment Costs and New Community Instruments", *The International Spectator*, 1991, 29-48.

Jacquemin A. and Sapir A., "Europe Post-1992: Internal and External Liberalization", *American Economic Review*, 1991, 166-170.

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Sapir A., "Trade Policies of Belgium", in Salvatore (ed.), *International Handbook of National Trade Policies*, Greenwood Press, New York, 1992, 275-283.

Sapir A., "Europe 1992: The External Trade Implications", *International Economic Journal*, 1992, 1-15.

Buigues P. and Sapir A., "Les politiques industrielles de la Communauté", *Revue d'Economie Industrielle*, 1993, 242-260.

Buigues P. and Sapir A., "Market Services and European Integration: Issues and Challenges", *European Economy*, special issue on *Market Services and European Integration*, ix-xx, 1993.

Buigues P., Jacquemin A. and Sapir A., "European Competition Policy in Manufacturing and Services: A Two-Speed Approach?", *Oxford Review of Economic Policy*, 1993, 113-132.

Mercenier J. and Sekkat K., "Optimal Exchange Rate Stabilization in the DM-Zone: a Revealed Preference Approach", *The European Journal of Political Economy*, 1993, 191-208.

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Sapir A., "Regionalism and the New Theory of International Trade: Do the Bells Toll for the GATT? A European Outlook", *The World Economy*, 1993, 423-438.

Sapir A., "The Structure of Services in Europe: A Conceptual Framework", *European Economy*, special issue on *Market Services and European Integration*, 1993, 83-97.

Anderson R., "Market Stabilization and the Reform of the Common Agricultural Policy", *European Economy*, 1994.

Bolton P. and Roland G., "The Break-Up of Nations: A Political Economy Analysis.", Working Paper, ECARE, 1994.

Dewatripont M. and Ginsburgh V. (eds), *European Economic Integration: A Challenge in a Changing World*, North Holland, Amsterdam, 1994.

Jacquemin A. and Sapir A., "The Logic of EC Commercial and Industrial Policy Revisited in 1992", in Dewatripont and Ginsburgh (eds), *European Economic Integration: A Challenge in a Changing World*, North Holland, Amsterdam, 1994.

Buigues P., Jacquemin A. and Sapir A. (eds), *European Policies on Competition, Trade and Industry - Conflict and Complementarities*, Edward Elgar, Aldershot, 1995.

Dewatripont M., Giavazzi F., von Hagen J., Harden I., Persson T., Roland G., Rosenthal H., Sapir A. and Tabellini G., *Flexible Integration - Towards a More Effective and Democratic Europe*, CEPR Series, Monitoring European Integration 6, 1995.

Neven D. and Siotis G., "Technology Sourcing and FDI in the EC: an Empirical Evaluation", *International Journal of Industrial Organization*, 1995.

Sapir A. and Sekkat K., "Exchange Rate Regimes and Trade Prices: Does the EMS Matter?", *Journal of International Economics*, 1995, 75-94.

Anderson R., "Trade and Storage", in Martimort (ed.), *Agricultural Markets: Mechanisms, Failures and Regulations*, North Holland, 1996.

Bolton P. and Roland G., "Distributional Conflicts, Factor Mobility and Political Integration", *American Economic Review*, 1996, 99-104.

Bolton P., Roland G. and Spolaore E., "Economic Theories of the Break-Up and Integration of Nations", *European Economic Review*, 1996, 697-705.

Persson T., Roland G. and Tabellini G., "Separation of Powers and Accountability: Towards a Formal Approach to Comparative Politics", mimeo, 1996.

Sapir A., "The Harmonization of Social Policies: Lessons from European Integration", in Bhagwati and Hudec (eds), *Fair Trade and Harmonization*, MIT Press, 1996, forthcoming.

Sekkat K., "Regional Integration among the Maghreb Countries and Free Trade with the European Union: A Challenge for Both Sides of the Mediterranean", *Journal of Economic Integration*, 1996, forthcoming.

## ECONOMICS OF TRANSITION

Anderson R., "The Transformation of Grain Marketing", in *An Agricultural Strategy for Poland*, The World Bank, 1990.

Mitchell J., "Perfect Equilibrium and Intergenerational Conflict in a Model of Cooperative Enterprise Growth", *Journal of Economic Theory*, 1990, 48-76.

Mitchell J., "Managerial Discipline, Productivity and Bankruptcy in Capitalist and Socialist Economies", *Comparative Economic Studies*, 1990, 93-137.

Roland G. and Szafarz A., "The Ratchet Effect and the Planner's Expectations", *European Economic Review*, 34, 5, 1990, 1079-1098.

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Roland G., "The Political Economy of Sequencing Tactics in the Transition Period", in *Systemic Change and Stabilization in Eastern Europe*, Dartmouth, Aldershot, 1991, 47-64.

Anderson R. and Powell A., "Markets, Stabilization, and Structural Adjustment in Eastern European Agriculture", in Goldin and Winters (eds), *Open Economies: Structural Adjustment and Agriculture*, Cambridge University Press, 1992.

Bolton P. and Roland G., "The Economics of Mass Privatization", *Economic Policy*, 1992, 276-309.

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Dewatripont M. and Roland G., "The Virtues of Gradualism and Legitimacy in the Transition to a Market Economy", *Economic Journal*, 102, 1992, 291-300.

Roland G. and Sekkat K., "Market Socialism and the Managerial Labor Market", in Bardhan and Roemer (ed.) *Market Socialism: the Current Debate*, Oxford University Press, 1992, 204-215.

Anderson R. and Powell A., "The Hungarian Agricultural Commodity Exchange and Liberalization in Hungarian Agriculture", in Claessens and Duncan (eds), *Managing Commodity Price Risk in Developing Countries*, Johns Hopkins, 1993.

Dewatripont M. and Maskin E., "Centralized Credit and Long-Term Investment", in Bardhan and Roemer (eds), *Market Socialism: the Current Debate*, Oxford University Press, 1993, 169-174.

Mitchell J., "Creditor Passivity and Bankruptcy: Implications for Economic Reform", in Mayer and Vives (eds), *Capital Markets and Financial Intermediation*, Cambridge University Press, 1993.

Roland G. and Verdier T., "Privatization in Eastern Europe: Irreversibility and Critical Mass Effects", *Journal of Public Economics*, 54, 1993, 161-183.

Roland G., "The Political Economy of Transition in the Soviet Union", *European Economy*, 49, 1993, 197-216.

Roland G., "The Political Economy of Restructuring and Privatization in Eastern Europe", *European Economic Review*, 37, 1993, 533-540.

Aghion P. and Blanchard O., "On the Speed of Transition in Central Europe", *NBER Macro Annuals*, 1994.

Aghion P., Blanchard O. and Burgess R., "The Behaviour of State Firms in Eastern Europe, Pre-Privatization", *European Economic Review*, (ISOM), 1994.

- Berglöf E., "Corporate Governance, Financial Systems and the Transition to Capitalism - Towards a Conceptual Framework", in Roemer (ed.), *Property Rights, Incentives and Welfare*, MacMillan, 1994.
- de Bustamante Monteiro M., Flôres R. and Szafarz A., "Exchange Rate Volatility in High-Inflation Economies: an Econometric Study of Poland and Brazil", *Economics of Planning*, 27, 277-292, 1994.
- Jahjah S., "The Opening-Up of Russia: Beyond Convertibility", *Economic Systems*, 18, 1994, 15-33.
- Qian Y. and Roland G., "Regional Decentralization and the Soft Budget Constraint: The Case of China", Working Paper ECARE, 1994.
- Roland G., "The Role of Political Constraints in Transition Strategies", *Economics of Transition*, 2, 1994, 27-41.
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## ECARE ACTIVITIES

### POLICY ORIENTED SEMINARS AND WORKSHOPS

ECARE organizes public meetings on current problems of European integration and of transition to the market system. These activities bring together academics from all over Europe and North America as well as decision-makers from the EC Commission. The activities take the form of joint ECARE - CEPR Lunchtime Seminars or of day-long Research Workshops. Their list is as follows.

#### Eastern Europe

"The Transition Process in the Soviet Union", Address by Michael Emerson (Head of the European Community's Delegation to the Soviet Union), followed by a Round Table Discussion with Philippe Aghion (ECARE), Richard Portes (Birkbeck College and Director of CEPR) and Gérard Roland (ECARE). Inauguration of ECARE (November 30, 1991).

"Managing Enterprises in Eastern Europe: Incentives and Markets", Lunchtime Seminar by Patrick Bolton (ECARE), Gérard Roland (ECARE) and Paul Seabright (University of Cambridge) ( May, 7, 1992).

"German Unification: The Morning After", Lunchtime Seminar by Michael Burda (INSEAD) (June 16, 1992).

"Enlargement of the European Community: When Will It Happen and How Far Will It Reach?" , Lunchtime Seminar by David Begg (Birkbeck College) (October 13, 1992).

"East European Trade with the European Community: Why So Sensitive?" , Lunchtime Seminar by Alasdair Smith (University of Sussex) (April 27, 1993).

"Institutional Dimensions of Transition", ECARE-IEE. Workshop organized by Gérard Roland (ECARE) (May 7, 1994).

"Financing Transition and Growth in Eastern Europe", ECARE-CEPII Lunchtime Seminar by Jérôme Sgard (CEPII) and Gérard Roland (ECARE) (June 27, 1995).

"Transition Economics", CEPR/ECARE Workshop, Brussels (June 7-8, 1996).

#### Industrial Organization and Finance

"Vertical Relations Today", Workshop by Patrick Bolton (ECARE) and Khalid Sekkat (ECARE) (December 13, 1991).

"Competition Policy in Europe", joint ECARE - CEPR Workshop organized by Paul Seabright (University of Cambridge) (May 8-9, 1992).

"Merger in Daylight: The Economics and Politics of Merger Regulation in Europe", Lunchtime Seminar by Damien Neven (Université de Lausanne) and Paul Seabright (Churchill College, Cambridge) (June 14, 1993).

"Privatization Italian Style", Lunchtime Seminar by Francesco Giavazzi (IGIER, Università Bocconi) (October 21, 1993).

"The Political Economy of Competition Policy", joint ECARE-CEPR workshop organized by Paul Seabright (Churchill College, Cambridge) (November 26-27, 1993).

“Short-Termism versus Long-Termism: Corporate Governance in Germany, Japan and the U.S.”, Lunchtime seminar by Steven Kaplan (University of Chicago) (June 10, 1994).

“Corporate Governance in Germany”, Lunchtime seminar by Jeremy Edwards (St John’s College, Cambridge) (October 28, 1995).

“Competing Models of Capitalism”, ECARE/CEPR conference organized by Erik Bergl6f (ECARE) (October 28-29, 1994).

“The Organizational Revolution: Implications for Education and Training”, Lunchtime seminar by Dennis Snower (Birkbeck College) (May 22, 1996).

“Promoting the Superhighway: Telecommunication Regulation in Europe”, Lunchtime seminar by Paul Grout (University of Bristol) (June 26, 1996).

#### European Integration: Trade Issues

“The Consequences of 1992 for International Trade”, joint ECARE-CEPR Workshop organized by Andr6 Sapir (ECARE) (March 13, 1992).

“Issues on the EC-US Trade Relations” joint ECARE-University of Wisconsin at Madison Workshop (with the Financial Support of the Ford Foundation), organized by Robert Baldwin (University of Wisconsin) and Andr6 Sapir (ECARE) (March 13-14, 1992).

“International Seminar in International Trade”, joint NBER-ECARE-CEPR Workshop organized by Robert Baldwin (University of Wisconsin), Richard Baldwin (Graduate Institute of International Studies, Gen6ve) and Damien Neven (Universit6 de Lausanne) (December 17-18, 1992).

European Research Workshop in International Trade (ERWIT), a joint CEPR/ECARE workshop organized by Richard Baldwin (Graduate Institute of International Studies, Gen6ve) and Damien Neven (Universit6 de Lausanne) (December 19-20, 1992).

“Market Integration and the Periphery”, Lunchtime Seminar by Richard Baldwin (Graduate Institute of International Studies, Gen6ve) and Riccardo Faini (Universit6 di Brescia) (December 18, 1992).

“US-EC Farm Trade Confrontation: An Outsider’s View”, Lunchtime Seminar by Kym Anderson (University of Adelaide) (June 24, 1993).

“Regionalism and Trade Policy”, Lunchtime Seminar by Jaime de Melo (University of Geneva) (November 12, 1993).

“Does Free Trade Require Fair Trade and Harmonization?”, Symposium organized by Andr6 Sapir (ECARE) (December 8, 1994).

“Trade Policy-Making in Central and Eastern Europe: The Impact of the Europe Agreements”, Lunchtime seminar by Laszlo Csaba (Kopint-Dartog) and Andr6 Sapir (ECARE) (February 2, 1995).

“Commerce International, Dumping Social et Emploi” Workshop ECARE - CEPII held in Paris (September 25-26, 1995), organized by Jean Pisani-Ferry (CEPII), Mathias Dewatripont (ECARE), Andr6 Sapir (ECARE) et Khalid Sekkat (ECARE).

“Crisis? What Crisis? Orderly Workouts for Sovereign Debtors” Lunchtime Seminar by Richard Portes (London Business School and Director of CEPR) (November 17, 1995).

“Industrial Trade and Competition Policy in Europe” Lunchtime Seminar by Jordi Gual (European Commission) (December 12, 1995).

“Competition Policy in Central Europe: Facilitating Transition and Preparing for EU Integration” Lunchtime Seminar by Damien Neven (Université de Lausanne) and Paul Seabright (University of Cambridge) (October 3, 1996).

#### European Integration: Macroeconomic Issues

“A Common Migration Policy for Europe?”, Lunchtime Seminar by Klaus Zimmermann (Universität München) (March 24, 1992).

“European Monetary Union: A Panel Discussion”, Lunchtime Seminar by Daniel Cohen (Université de Paris I) and Jürgen von Hagen (Universität Mannheim) (July 15, 1992).

“EMS and EMU After the Fall”, Lunchtime Seminar by Richard Portes (Birkbeck College and Director of CEPR) (October 22, 1992).

“The Political Economy of Subsidiarity”, Lunchtime seminar by Jean-Pierre Danthine and Damien Neven (Université de Lausanne) (November 22, 1993).

“Putting EMU Back on Track: Living With Narrow Bands Again” Lunchtime seminar by Michael Artis (University of Warwick) (April 20, 1994).

“European Labour Markets: Some Surprising Facts”, Lunchtime seminar by Michael Burda (INSEAD) (June 1, 1994).

“Building a Monetary Union: What Next?”, Lunchtime seminar by José Viñals (Banco de España) (December 1st, 1994).

“Unemployment: Choices for Europe”, Lunchtime seminar by Juan Dolado (CEMFI, Madrid) (May 3, 1995)

“The Golden Age of European Economic Growth: Where Did It Come from and Where Did It Go?”, Lunchtime seminar by Nick Crafts (University of Warwick) and Gianni Toniolo (Università degli studi di Venezia) (May 30, 1995).

“The EU post 1996: Incumbents vs. New Entrants”, CEPR/ECARE/YRJÖ Jahnsson Foundation Conference organized by Erik Berglöf (ECARE) (May 19-20, 1995)

“Empirical Macroeconomics: What Methods for What Problems?”, CEPR/ECARE Workshop organized by Lucrezia Reichlin (ECARE) (June 2-3, 1995).

“Foreign Direct Investment and Economic Growth in Europe and North-America: European and American Perspectives” EAC/RAND/ECARE Workshop organized by Philippe Weil (ECARE) (June 21-22, 1995).

“Flexible Integration: Towards a More Effective and Democratic Europe” Lunchtime Seminar by Torsten Persson (IIES, Stockholm) and Gérard Roland (ECARE) (November 17, 1995).

#### BRUSSELS SEMINARS IN MANAGERIAL ECONOMICS

This event, jointly organized with the Solvay Business School, has brought to Brussels distinguished scholars in Managerial Economics. The first three speakers have been Alfred Chandler (Harvard Business School, 1991), Oliver Hart (Massachusetts Institute of Technology, 1992) and Eric Maskin (Harvard University, 1994).

## THE REVIEW OF ECONOMIC STUDIES TOUR

This tour allows each year seven of the most promising young economics Ph.D.'s in the world to present their work in four places in Europe and Israel. It has been held at ECARE in May 1991, 1992, 1993, 1994 and 1995, and ECARE will host it again in 1997.

## SELECTED RESEARCH SEMINARS

### 1991-92

Sveder van Wijnbergen (World Bank): Transition Problems in Economic Reform: Agriculture in the Mexico-US Free Trade Agreement.

Roland Benabou (MIT): Workings of a City: Location, Education and Production.

Julian Franks (London Business School): The Efficient Design of Bankruptcy Rules.

Lucrezia Reichlin (OFCE): How Much Can We Learn about Theories from Aggregate Time Series?

Bruno Biais (HEC, Paris): Insider Trading in Stock and Options Markets.

Thomas Gehrig (Universität Basel): Excessive Risks and Banking Regulation.

Drew Fudenberg (MIT & Université de Toulouse): Rules of Thumb for Social Learning.

Andy Newman (Northwestern University): Distribution and the Theory of the Firm.

Torsten Persson (IIES, Stockholm): Risk Sharing and Moral Hazard under Alternative Federal Constitutions.

Beatriz Armendariz (London School of Economics): Burden Debt Sharing among Breaking Apart States.

Yacine Aït-Sahalia (MIT): Entry-Exit Decisions of Foreign Firms and Import Prices.

Yingyi Qian (Stanford University): Leading Sectors and Economic Transition.

### 1992-93

Martin Hellwig (Universität Basel): Liquidity Provision and the Allocation of Interest Rate Risk.

Christian Gollier (IDEI, Toulouse): Weak Proper Risk Aversion.

Danny Quah (London School of Economics): Empirical Cross Section Dynamics for Economic Growth.

Fabio Canova (Brown University and European University Institute): Statistical Inference in Calibrated Models.

Jean-Marie Dufour (Université de Montreal): Exact Nonparametric Orthogonality and Random Walk Tests.

Enrico Spolaore (Harvard University): Policy-Making Systems and Economic Efficiency: Coalition Government vs. Majority Government.

Christian Gouriéroux (CREST-CEPREMAP, ENSAE, Paris): Effets saisonniers dans les modèles de durée. Application aux remboursements anticipés.

Thomas Piketty (DELTA and London School of Economics): Federalism, Voting Equilibrium and Maximal Sovereign Choice.

Francesca Cornelli (London School of Economics): Large Shareholders, Private Benefits of Control and Optimal Schemes of Privatization.

Tore Ellingsen (Stockholm School of Economics): The Political Economy of Protectionism.

Howard Rosenthal (Princeton University): Spatial Competition, Divided Government and Political Polarization in the Context of Moderating Institutions.

1993-94

Joseph Zeira (University of Jerusalem): Workers, Machines and Economic Growth.

Eric Renault (Université de Toulouse): Option Hedging and Implicit Volatilities.

Samuel Bentolila (CEMFI, Madrid): Who are the Insiders? Wage Setting in Spanish Manufacturing Firms.

Jean Tirole (IDEI, Toulouse): On the Management of Innovation.

Franco Peracchi (New York University): The Distribution of Excess Returns: an Empirical Analysis.

Jean Tirole (IDEI, Toulouse): A theory of Income and Dividend Smoothing Based on Incumbency Rents.

Lars Svensson (IIES, University of Stockholm): Why Exchange Rate Bands? Monetary Independence in Spite of Fixed Exchange Rates.

Lars Stole (University of Chicago): Organizational Design and Technology Choice with Nonbinding Contracts.

Herschel Grossman (Brown University): Rival Kleptocrats: the Mafia versus the State.

Andrew Rose (UC Berkeley): Fixing Exchange Rates.

Chenggang Xu (LSE): The Organizational Basis for Alternative Transition Paths

Jeffrey Sachs (Harvard University): Some Lessons on Economic Reform in Eastern Europe and the Former Soviet Union.

Tim Van Zandt (CORE & Princeton University): Information Processing and Returns to Scale in Statistical Decision Problems.

Gian Maria Milesi-Ferretti (IMF): Optimal Taxation of Human and Physical Capital in Models of Endogenous Growth.

Daniel Cohen (Paris I): Uneven Technical Progress and Job Destruction.

John Litwack (Stanford University): State Subsidies and Commitment in Economic Transition.

Dalia Marin (Humboldt Universität): Tying Trade Flows: A Theory of Countertrade.

Axel Weber (Universität GH Siegen, University of Bonn): Testing Long-Run Neutrality: Empirical Evidence for G7 Countries with Special Emphasis on Germany.

Oren Sussman (Hebrew University, Jerusalem): Talking About Growth: the Evolution of Contractual Language.

Bruno Biais (IDEI, Toulouse): Why Do Firms Use Trade Credit? A Signaling Model.

Peter Dolton (University of Newcastle): The Market for Teachers: Modeling Turnover.

Jean Tirole (IDEI, Toulouse): Real and Formal Authority in Organizations.

Kaz Miyagiwa (University of Washington): Closing the Technology Gap Under Protection.

Igal Hendel (Harvard University): Estimating Multiple Discrete Choice Models: An Application to Computerization Returns.

Antonio Estache (World Bank and ECARE): Infrastructure for Development: Reorganizing Incentives in the Public Sector.

Miles Kimball (University of Michigan): The Quantitative Analytics of the Basic Real Business Cycle Model.

Gérard Genotte (IAE, Barcelona): Mutual Financial Guarantees.

Eunice Bet-Mansour (UC Berkeley): Should the Representative Agent Care About Aggregate Demand?

Pierre Perron (CRDE, Université de Montréal): On Testing Unit Roots.

Steven Kaplan (University of Chicago): Corporate Governance in Japan.

Yannis Ioannides (Virginia Polytechnic Institute and LSE): Monetary Union or Else.

Maurice Schiff (World Bank): Trade Policy and International Migration in the Short and Long Run.

1994-95

Philippe Jorion (UC Irvine): Predicting Volatility in the Foreign Exchange Market.

François Vaillancourt (Université de Montréal): La division des pouvoirs au Canada: Une perspective économique.

Chris Harris (Nuffield College): Job Matching, Learning and the Distribution of Surplus.

Frank Verboven (Tilburg University): International Price Discrimination in the European Car Market.

Graziella Bertocchi (University of Modena): Colonialism in the Theory of Growth.

Shlomo Weber (Southern Methodist University, Dallas): Equilibrium in a Model With Partial Rivalry.

Mika Widgren (Jahnson Foundation): National Interest & Policy Making in the EU.

Sudipto Bhattacharya (UCL): Bargaining and Knowledge Sharing.

Agustin Maravall (European University Institute): Short Term Analysis of Economic Time Series.

Wolfgang Hardle (Humboldt University): Computer Aided Econometric Modelling.

Marco Lippi (University of Rome): Aggregation, Fundamentalness and VAR Analysis.

Aldo Rustichini (CORE, UCL): Post-Bayesian Economics.

Thomas Piketty (MIT): Information Aggregation Through Voting and Vote Trading.

Aristomène Varoudakis (Université de Strasbourg): Inégalité, Inflation et Croissance.

Orazio Attanazio (University of Bologna): Consumer Durables and Inertial Behavior: Estimation and Aggregation of Ss Rules.

Enrico Perotti (University of Amsterdam): Collusive Arrears in Transition Economies.

Antonio Fatas (INSEAD): Stochastic Trends and Endogenous Growth.

Gerard Pfann (University of Limburg): Turnover and the Dynamics of Labor Demand.

Jean-Pierre Urbain (University of Limburg): Common Trends and Transitory Components of Stock Price Volatility.

Andrew Harvey (London School of Economics): Trends and Cycles in Multivariate Time Series.

Janet Mitchell (Cornell University): Canceling, Transferring or Repaying Bad Debts: Cleaning Banks' Balance Sheets in Economies in Transition.

Patrick Legros (Cornell University): Complementarities, Restricted Markets and Segregation in Production.

Roger Farmer (University of California, LA): The Econometrics of Indeterminacy: An Applied Study.

John Hunter (Brunel University): A Parsimonious Representation and VARMA Estimator for Cointegration.

Franco Peracchi (Université de Pescara): Trends in Labor Force Behavior of Older Americans.

Mike Woodford (University of Chicago): Economic Consequences of the Government Budget: A Non-Ricardian View.

Robert Barro (Harvard University): Democracy and Growth.

Raquel Fernandez (London School of Economics): Public Education and Income Distribution.

Juan Dolado (CEMFI): Why Is Spanish Unemployment so High?

Bruno Jullien (CREST-LEI & CNRS): Participation Constraints in Adverse Selection Models: Theory and Application to Non-Linear Pricing.

Harald Uhlig (Tilburg University): By Force of Habit: Asset Puzzles vs. Consumption Volatility.

Bernard Salanié (ENSAE, Paris): Early Starters vs. Late Beginners: An Empirical Test of the Harris-Holmstrom Model of Wage Formation.

Wolfgang Härdle (Humboldt Universität, Berlin): A New Concept for Volatility Estimation of Exchange Rate Time Series.

Karim Abadir (University of Exeter): An Introduction to Hypergeometric Functions for Economists and Econometricians.

Bruno Gérard (University of Southern California): Time Varying Risk and International Portfolio Diversification with Contagious Bear Markets.

Christophe Croux (Vrije Universiteit Brussel): Méthodes Robustes pour l'Analyse des Données Multidimensionnelles.

Marco Scarsini (University of Pescara): A Sequential Decision Problem with Many Agents.

1995-96

John Moore (London School of Economics): Credit Chains.

Aldo Rustichini (CORE): Dynamic Incentive Constraints.

Claude d'Aspremont (CORE): Imperfect Competition in an Overlapping Generations Model: a Case for Fiscal Policy.

Wouter Den Haan (CREI, Barcelona and University of California, San Diego): Aggregate Shocks and Cross-Sectoral Dispersion.

M. Olson (University of Amsterdam): Experimental Sequential Auctions.

Antonio Ciccone (University Pompeu Fabra): Human Capital, Comparative Advantage and Technology.

Joseph Zechner (University of Vienna): IPO Mechanisms, Monitoring, and Ownership Structures.

Robert Waldman (European University Institute, Florence): Rational Cheating?

Richard Blundell (University College, London): Estimating Labour Supply Responses using Tax Reforms.

Konrad Stahl (University of Mannheim): Spatial Externalities and Oligopolistic Allocation Decisions.

Albert Marcet (Universitat Pompeu Fabra): Supply Side Intervention and Redistribution.

Russell Davidson (GREQAM and Queens University): Application of Wavelets to Econometrics.

John Fingleton (Trinity College, Dublin): Margins and Risk Premia in Bookmaking.

Jack Mintz (University of Toronto): A Measure of the Impact of Taxation on Cost Competitiveness.

Michael Spagat (Brown University): Human Capital and Long-Run Growth in Russia: A Cautionary Perspective.



Benny Moldovanu (University of Mannheim): Vickrey Auctions With Externalities.

Frans Spinnewyn (KUL): Redistribution and Voluntary Reciprocity in Informal Networks.

Christian Gouriéroux (CREST): Calibration by Simulation for Small Sample Bias Correction.

Giuseppe Bertola (University of Turin): Wage Differentials and Labor Mobility.

Harald Uhlig (University of Tilburg): Can Welfare be Increased by Raising Taxes and Throwing the Revenues Away?

Joop Konings (KUL): Job Creation and Job Destruction in a Transition Economy: Ownership, Firm Size and Gross Flows in Polish Manufacturing 1988-1991.

John Roemer (University of California Davis): Why The Poor Do Not Expropriate The Rich in Democracies: A New Argument.

Kiminori Matsuyama (Northwestern University): Growing Through Cycles.

John Leahy (Harvard University): Monetary Policy as a Process of Search.

Philippe Jorion (University of California Irvine): Catastrophes and Derivatives.

Andrei Shleifer (Harvard University): The Proper Scope of Government: Theory and Application to Prisons.

Avner Shaked (Bonn University): Altruists, Egoists and Hooligans in a Local Interaction Model.

Jessica De Wolff (Technische Universität Berlin): Strategic Use of Fiscal Policy in a Model Where Voters Differ in Income and Taste.

Alwyn Young (Boston University): Growth Without Scale Effects.

Clive Granger (University of California San Diego & Cambridge University): Introducing Non-Linearity into Cointegration and Error-Correction Models.

Tim Besley (London School of Economics): Lobbying and Elections with Citizen Candidates.

Ricardo Caballero (MIT): The Macroeconomics of Specificity.

1996-97

Jean Tirole (Université de Toulouse): Unforeseen Contingencies, Incomplete Contracts and Property Rights.

Abihijit Banerjee (MIT): A Simple Model of Voice

Carlo Favero (Università Bocconi, Milan): Monetary Policy, Forward Rates and Long Rates: Does Germany differ from the US?

Alex Cukierman (TilburgUniversity): When does it take a Nixon to go to China?

Martin Eichenbaum (Northwestern University): Sticky Price and Limited Participation Models of Money: A Comparison.

Jacques Thisse (CORE - UCL): Boundedly Rational Nash-Equilibrium: A Probabilistic Choice Approach.

Sumru Altug (University of Istanbul): Are Technology Shocks Nonlinear?

Lawrence Christiano (Northwestern University): Asset Prices and Macroeconomics.

## VISITORS

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Antonio Estache, World Bank  
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\* Human Capital and Mobility post-doctoral fellows.

## RESEARCH CONTRACTS AND GRANTS

### BELGIAN SOURCES

#### Actions de recherche concertées

Mathias Dewatripont, Gérard Roland and Ariane Szafarz were promoters of a research contract financed by the Communauté Française de Belgique on *Economic Systems on Transition*, from September 1991 to June 1996. This contract actively contributed to create ECARE.

Lucrezia Reichlin and Khalid Sekkat are promoters, in collaboration with Marc Hallin and Guy Mélard (ULB), of a research contract financed by the Communauté Française de Belgique on *Empirical Macroeconomics and the Dynamics of Large Cross Sectional Data*. It has started in June 1996.

#### Développement des innovations méthodologiques

Ariane Szafarz, in collaboration with Marie-Christine Adam (ULB), was promotor of a research contract financed by the Service d'Études et de la Statistique du Ministère de la Région Wallonne, in 1994.

#### FNRS/Loterie Nationale

Mathias Dewatripont is promotor, together with Ron Anderson for UCL, of a research contract, entitled *La structure des contrats financiers: étude théorique et empirique des méthodes d'allocation des droits de contrôle des entreprises*. It has started in March 1995.

#### Mini-Action de Recherche Concertée

André Sapir, Khalid Sekkat and Philippe Weil are promoters of an ULB financed contract on *Economics and Development* which has started in October 1994.

#### Pôles d'Attraction Interuniversitaire

Mathias Dewatripont is co-promotor, in collaboration with Victor Ginsburgh (ULB) and Jean Waelbroeck (ULB), of a research contract entitled *Politique économique et théorie de l'équilibre: méthodes et applications*. The partners are CORE (Université Catholique de Louvain, coordinator) and the Katholieke Universiteit te Leuven. This contract has started in 1990. It has just been renewed and Mathias Dewatripont and Ariane Szafarz participate in this second phase for which Victor Ginsburgh is promotor.

Mathias Dewatripont is also promotor and coordinator of a new PAI contract entitled *The Strategic Analysis of Organizations: Microeconomic and Management Perspectives, with an Application to Universities*. Participants at ULB include Françoise Thys-Clément, Luc Wilkin, Patrick Bolton and Gérard Roland. The associated partners are the Katholieke Universiteit te Leuven and Université de Mons-Hainaut.

#### Research in Brussels

Ariane Szafarz was promotor of a research contract financed by the Région de Bruxelles-Capitale. This grant was allocated to Professor Renato Flôres(Rio de Janeiro) who spent eight months in Brussels, in 1993.

Mathias Dewatripont and Gérard Roland were promoters of a research contract financed by the Région de Bruxelles-Capitale. This grant was allocated to Professor Howard Rosenthal (Princeton) who spent nine months in Brussels, in 1995.

## EUROPEAN SOURCES

### Human Capital and Mobility

Mathias Dewatripont is promotor of two *Human Capital and Mobility Institutional Fellowship* contracts entitled *European Integration: East and West*. These have started respectively in 1993 and 1994.

Mathias Dewatripont is also partner in two *Human Capital and Mobility Network* contracts on *Frontiers in Institutional Economics*. The other institutions participating in the network are IGIER (Milan), IDEI (Toulouse), IAE (Barcelona) and IVEA (Alicante). These contracts started respectively in 1993 and 1994.

### PHARE ACE programme

Gérard Roland is promotor and partner to six research contracts:

- Contracts MEET I and II (Methodology of Econometrics in Economies in Transition) 1991-92 and 1992-94. The partners were Wojciech Charemza (University of Leicester) and Wojciech Maciejewski (University of Warsaw).
- Contract MEET III (Methodology of Econometrics in Economics of Transition) on *Econometric Inference into the Macroeconomic Dynamics of East European Economies*. The partner is Wojciech Charemza (University of Leicester).
- A contract on *Liberalization, Structural Change and Labour Market Dynamics*, in collaboration with CERGE (Charles University - Prague);
- A contract on *The Political Economy of Reform, Constitutional Change and European Integration* in collaboration with CERGE (Charles University - Prague) and the Technical University of Wrocław.
- A contract on *The Costs of High Inflation*, in collaboration with the Royal Institute of International Affairs (London).

### Training and Mobility of Researchers

Gérard Roland and Philippe Weil are promoters and coordinators of this sizable network contract (started on October 1<sup>st</sup> 1996) on *The Economic Analysis of Political Institutions: Coalition Building and Constitutional Design (EAPI)*. The partners are Guido Tabellini (IGIER - Università Commerciale L. Bocconi), Torsten Persson (Institute for International Economic Studies - Stockholm University), Konstantine Gatsios (Athens Institute for Economic Policy Studies), Jean Tirole (IDEI- University of Toulouse), Gilles Saint-Paul (CNRS - Paris) and the CEPR (Centre for Economic Policy Research - London).

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