

The TSEconomist

Student Magazine

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INTERVIEW WITH

IMF CHIEF ECONOMIST

OLIVIER BLANCHARD

Interview with Patrick Legros

Gerard Gomez - Head Office UN OCHA

Consequences of Youth Unemployment



À la une	4	Interview with Olivier Blanchard <i>by Hussein Bidawi, Ben Kett, Georgios Petropoulos and Ildirim Valley</i>	Professional	22	Business Talks Interviews with Jérôme Philippe and Jean-Luc Schneider <i>by Jacint Enrich, Sabine Gerdon, Julia Hoefler Marti, Brenda Medaglia and Philine Schuseil</i>
Academic	6	Interview with Patrick Legros <i>by Georgios Petropoulos</i>		26	Interview with Gerard Gomez Head Office: United Nations (OCHA) <i>by Laura Bermeo</i>
	10	Nobel Corner Eugene Fama, Lars Hansen, and Robert Shiller <i>by Marianne Andries</i>		30	Alumni Testimony <i>by Miguel Cardenas, Thibaut Roques and Romain Salis</i>
	12	PhD Research PhD Student on his work: Implications of Dispersed Information for Aggregate Behavior <i>by George Lukyanov</i>		33	Internship Reports
	14	Enter Network Universitat Autònoma de Barcelona <i>by Ines Black and Guillem Roig</i>		36	Company Presentation Frontier Economics, GDF Suez and Soft Computing
	15	PhD Job Market: Part 2 Q&A with TSE Researchers <i>by Georgios Petropoulos and Suxiu Yu</i>		38	BDE <i>by Mohamed Khafaguy</i>
	18	Consequences of Youth Unemployment <i>by Daniel Westrik</i>	On Campus	39	Junior Etudes <i>by Léa Quenesson</i>
	20	PhD Activities <i>by Mattia Girotti and Mario Pietrunti</i>		40	International Connection <i>by Shuyi Wang</i>
				41	School Administration Interview with Laurence Delorme <i>by Justine Feliu and Camille Thomas</i>
				42	IAST Distinguished Lecture Lecture & Interview with Walter Schneidel <i>by Justine Feliu, Sabine Gerdon and Antoine Lacroix</i>
				44	Gala and the TSEconomist Awards <i>by Joana Duran Franch, Sabine Gerdon and Christopher Sandmann</i>
				51	Picture Quiz

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The TSEconomist is a magazine by the students and for the students. It is thus open to all, and every contribution is highly appreciated!

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Another Transition

The 7th issue marks another change for your magazine and with it another test. The stability of an association like ours depends on successful transition into the new academic year. This issue is the last for a number of members of the magazine, myself included. I've been lucky enough to be able to work for the magazine for nearly 2 years. The TSEconomist has been a big and a positive part of my experience at TSE. I feel privileged to have worked with wonderful and talented people. I would like to thank the students, researchers, professors, administration and everyone who has been involved with the magazine over the past 2 years for their hard work, dynamism, support and spirit, which made the magazine what it is now.

Some of the above mentioned people are still going to be part of the magazine come September and will lead it throughout the year. This includes the new editor-in-chief, Julia Hoefer Marti. I'm confident in this team's ability to keep the TSEconomist alive, bring more success and further solidify its place within the TSE community.

Lastly, on behalf of the whole association I would like to send our best wishes to our Dean, Jean-Philippe Lesne. Mr. Lesne has been at the heart of progress in our community. His enthusiasm serves as inspiration to a lot of students and we all look forward to seeing him back at the Manufacture des Tabacs.

Ildrim Valley
Editor-in-Chief

As new Editor-in-Chief of the TSEconomist, I'd like to start out by thanking everyone I've worked with over the past year. This year has been full of challenges, especially with the shorter academic term and the necessity of finding an internship or choosing a research topic, and it is thanks to the hard work and dedication of the editorial team that the magazine has been so successful. I would especially like to thank the outgoing board members, Ildrim Valley and Sabine Gerdon, as their motivation and enthusiasm was the chief impetus in getting so many new students involved in the magazine. Thanks to them, the team that will be taking over the reins next year will be stronger than ever.

Finally, I'd like to encourage all our readers to consider writing for us over the summer, or even join our ranks in the coming fall! Your continued support and contributions are part of what makes this magazine possible. You can contact us through the magazine website, or talk to any one of our charming members. On behalf of the TSEconomist, we hope the coming year will be even more full of success than the last!

Julia Hoefer Marti
New Editor-in-Chief

Interview With

Olivier Blanchard

By Hussein Bidawi, Ben Kett, Georgios Petropoulos and Ildrim Valley



"At the Fund, I am confronted every day with literally dozens of questions, the answers to which have clear policy implications."

1) When and why did you decide to become an economist? Has your view on the role that economists should play in the world changed throughout your career?

In 1968. like many students of my generation, I wanted to change the world... and I thought that, of the social sciences, economics was the discipline most likely to be directly useful. I did not have a clear view of

what economics was about, or what economists actually did. I got a better sense of both during the PhD program at MIT.

As to what economists should do, I believe there is a large range of options, depending on comparative advantage. Some have the ability to construct powerful abstractions and have a comparative advantage in doing theory. Others instead have the ability to do

detailed and painstaking empirical work. Yet others live somewhere between the two, developing simple frameworks to interpret facts. I would put myself in that last category.

My view has not evolved much. I have, however, followed what I see as a fairly natural life cycle. I started closer to (low brow) theory, and became increasingly interested in policy issues. I think the cycle makes sense. One of

Olivier Blanchard is the chief economist at the International Monetary Fund. He earned his Bachelor at Paris Nanterre University, and Ph.D. in Economics at Massachusetts Institute of Technology in 1977. He taught at Harvard University until 1982 before returning to MIT as a professor. He is currently on leave from MIT, as Economic Counsellor and Director of the Research Department of the IMF.

Blanchard is one of the most cited economists in the world and has worked on a wide set of issues, from the role of monetary policy, to the nature of speculative bubbles, to the nature of the labor market and the determinants of unemployment, to transition in former communist countries. He is a fellow and Council member of the Econometric Society, a past vice president of the American Economic Association, and a member of the American Academy of Sciences.

the characteristics of my current job is that I am confronted with too many issues and too little time to think about them. This forces me to run largely on intuition. Hopefully, this intuition is based on the more academic work that I did during the three decades earlier.

2) Having experienced both sides of the life of a distinguished economist, the life in academia as a faculty member at MIT and the life in policy making as the chief economist at the IMF, could you tell us which of the two you prefer? What are the advantages and disadvantages of each position?

I like both, but the two are extremely different. In academia, you obsess about one issue, sometimes for years. I worked for years on the last paper I did before coming to the Fund (with Guido Lorenzoni and Jean Paul L'Huillier, which just came out in the AER), trying to solve a simple question: In a world where people and firms are solving a signal extraction problem, and we observe their behavior, can we hope to use time series techniques to recover

the shocks affecting the economy? I would wake up every morning, try again, and keep running into walls. It was a frustrating couple of years, but the exhilaration of finally solving it nearly beat anything else. At the Fund, I am confronted every day with literally dozens of questions, the answers to which have clear policy implications. Often, the academic literature does not yet provide an answer. The intellectual challenge is then to build on that literature, and rely on simple extensions, instinct (and a great team) to come to the best possible answer. Not having the time to dig deep is frustrating. But the exhilaration of (sometimes) influencing policy through (hopefully) good economics is just as intense as the one I felt as a full time academic.

3) The IMF faces particular political constraints as one of the world's key multinational institutions. Do you believe that if the IMF were free to implement public policies without taking into account these constraints then our economic situation over the last decade would have been better, and the recovery much faster?

Policy makers chosen by the people of their country, not the IMF, run policy. They have their own beliefs, and face their own political constraints. In giving advice, one has to accept that fact. I have seen my job at the Fund as first helping define what I believed was the right economic advice, then (and only then) taking into account political constraints, and finally going on a communication campaign. Sometimes, the campaign is successful, sometimes it is less so.

4) In the IMF World Economic Outlook of October 2012 you publicly stated that the IMF had underestimated the impact of austerity on growth in the rescue packages implemented in some European countries. What do you think the impact of this underestimation was on the recovery of these countries? After experiencing the reaction of the mass media and of the governments and citizens of these countries, do you have second thoughts about whether such a statement should have been made publicly?

Truth, in macroeconomics, is neither

known nor eternal. We, be it the Fund, policy makers, or academics, do the best we can, but keep adjusting our beliefs as we learn. The environment changes, new shocks appear, parameters change. When the crisis started, existing estimates for fiscal multipliers varied widely, and we used those that had proven fairly reliable in the past. Soon after, it became clear that, with monetary policy at the zero lower bound, and liquidity constraints affecting many households, multipliers were in fact larger than we had initially assumed. So we revised them, and drew the right policy lessons. Should we have done this under the radar? I do not think so. I believe that intellectual honesty, which includes recognition of our failings, is an essential part of what gives credibility to the IMF's advice.

5) What do you feel are the main lessons that economists should keep in mind from the 2008 financial crisis and the consequent Eurozone debt troubles?

There are so many... I have tried to draw some of them, focusing in particular on policy implications in a couple of papers that I have written (with Giovanni dell'Arricia and Paolo Mauro) since the beginning of the crisis. Let me mention two lessons here. The first and the most obvious is the macroeconomic importance of the financial sector. Before the crisis, many macroeconomists, including me, thought we could, as a first approximation, ignore the details of plumbing in the financial sector. We should have remembered the writings of earlier economists, and we should have known better. The second is what I would call generically nonlinearities. Namely, how small shocks can have large effects, how many small distortions can combine to have large macroeconomic consequences. This has major implications for macroeconomic modeling. Before the crisis, a standard modeling strategy was to start with a general equilibrium model with no distortions, and introduce one or two, for example monopolistic competition and nominal rigidities in the New Keynesian model. If what happens at the macroeconomic level is the result of many small distortions, it is not clear that this remains the right strategy. ■

Interview with Patrick Legros

By Georgios Petropoulos, Ph.D. student, TSE



1. Why did you decide to become an economist?

It was by accident. I was hesitating between law and economics for my undergraduate studies and I decided to study economics because I had heard that mathematical skills were useful there. I really developed a taste and appreciation for economics during my master's and my first experiences with research in game theory. For my French doctorate, I got a grant to spend a year in the US and I visited the MEDS department at Northwestern University. I had the chance to be there when researchers like Myerson, Holmström, Milgrom, Matthews, were on the faculty and the economics of information was yet developing. That year reinforced my desire to become a researcher. I ended up doing a PhD at Caltech where I worked on mechanism design and contract theory.

2. What is the feeling for a well-established economist to be located at the heart of Europe where all the important economic decisions about its future are taken? Is it a source of inspiration or a constraint over the potential research

projects he can choose (e.g. EU policy agenda)?

It is an opportunity more than a constraint. We have colleagues at ECARES who do purely theoretical work and have relatively little interest in applying it to policy issues. We have other colleagues who are directly interested in policy topics, both because of the agenda and the availability of data sets. For instance, if you work in industrial organization or competition policy there are clearly a lot of things to do, either by helping the commission or by litigating. Policy questions often raise interesting theoretical questions. Being confronted to policy questions is also a good way to re-evaluate your academic work, but reciprocally academic work can feed the policy debate. So it is really an opportunity, not a constraint. Nobody forces you to do something you do not want.

3. You are the managing editor of a very top IO journal, the Journal of Industrial Economics. Is it a time consuming activity? What is added value for a researcher to hold such a position?

I used to be an editor and I am now the managing editor. As an editor you have a lot of papers to review and this is demanding but also very valuable because you can feel the pulse of the research in industrial organization. You see all different research agendas, you become aware of datasets. You also get an idea about which agendas are on the decline because they become crowded, as well as some potential interesting topics that can be further examined. Hence, you can see many different trends in research and this is very interesting. As a managing editor you have a different role. You manage, you try to give directions. You may push for special issues (like those we did recently on IPR and innovation), sponsoring conferences, and the like. So, while you are less directly involved in editing papers, it is also interesting because you still get the idea of what is going on in our

profession and follow up. It is again a nice opportunity.

4. You have published in many top economic journals and you have evaluated many contributions of others as an editor that eventually have been published. Since our magazine is mainly addressed to our PhD and master students, I would like to ask you what do you think that are the necessary ingredients of a paper to be publishable to a high quality journal such as the Journal of Industrial Economics?

Whether it is theory or econometrics, what is very important is to have a good and well-developed question. Then, it is important to show that it is relevant, meaning that you know the effects are sufficiently significant that it becomes worth it for colleagues to read your paper. This is a key step. Then, style and writing matter; you have to present your work in a way that is both attractive and accessible.

Most students that publish directly after their dissertation tend to spend a lot of time in the details of their model or technical aspects. This is important, but often people spend too much time on this rather than trying to really make as clear as possible the one point that they want the readers to understand, what the intuition behind the main result is. You have to remember that after one or two years working on a model, you know the model, you know the notation, you know the logic you used to prove the results and you expect that by reading it, the reader will understand what you are doing. This often does not happen because the reader has not spent two years working on your paper. Getting results is only the first step in producing a paper; writing may take more time sometimes than deriving results.

In order to make your paper effective, you may need to take the reader by the hand, especially if there are complex technicalities. You also have to convince him that your question is interesting

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and novel, so you need to know the literature well and you should be able to differentiate sufficiently your paper from the existing literature. You should also give a good sense of how you got from your assumptions to your results in a way that is relatively intuitive. So writing is what makes a paper effective. My advice is to streamline as much as possible the technical stuff, to make sure that what you put in the paper is really necessary for your point. We (the readers) do not need to see the many intermediate steps that are behind your main message, even if it took you months to develop them, and even if you are quite proud of your technical skills.

For econometric papers, whether you do structural or reduced form analysis, causality is really an issue you need to address.

In terms of what can fit in a journal is journal-specific. On a given question, there are many dimensions and the literature resembles a partition, where some boxes are full and others are empty. For the Journal of Industrial Economics, papers that fill “boxes” are not exactly the type of things we are looking for unless there are significant new insights. Writing a paper to fill a box is useful because it makes a contribution, but you should give a sense that there is something new, hence that you potentially shed new light on a phenomenon. Note that for this, you do not necessarily need new models. You can borrow from an existing model, but simply you say “Look: there is something that people get to understand and which becomes very relevant when I look at it in this way”.

5. Many people say that the field of theoretical industrial organization due to its numerous past contributions is not recommended for young researchers, since it will be very

difficult to produce good quality work on new ideas and phenomena. Do you agree with this view?

Not completely. What is true is that if you have a new model that derives a new theorem by changing assumptions in a given existing model, you have little chances to publish it in a good quality journal. This type of theory is certainly past due. But, there are many very important questions in industrial organization that have not been treated so far. We do not understand so much about multiproduct firm competition. We certainly have to learn many things about the interaction between the theory of organizations and industrial economics, topics that I am particularly interested in. We have there a lot of interesting topics, both from theoretical and empirical perspectives. Another important question is how to organize a market for property rights. We have very little understanding on that, and the stakes for policy and growth loom large. So, I think that there are plenty of difficult theoretical problems. If you can make a contribution on such problems, you can publish.

Now, if you want to have a more positive type of paper, it is not sufficient to say that with these assumptions you get these results and this is what will happen. People then will say, “ok, tell me why this is more likely to happen than something else”. And for that, often the most effective papers are those that will use some type of empirical evidence or econometric analysis. So, I would say that if you want to do pure theory you better have something on a topic that is not “well-travelled” yet, or if it is you better have results that will shake received wisdom.

Theory is important even if you do empirical work because it tells you how to look at your data, or which data to look for. Empirical work is about

uncovering causality relationships and how can this be done without a theoretical construct? What may be puzzling empirical findings within a given theoretical framework may be easily explained within another theory. Theorists provide new ways to look at the world and at the data, and this role must not disappear, especially when there are policy considerations at play, as in industrial organization.

6. As you already said, you are interested in the topic of organizations from industrial economics point of view. Your approach deviates from the standard neoclassical cost-minimizing approach. Could you tell us something about it? What are the main insights on how organizations affect the behavior of firms in the markets and what is your future agenda on this topic?

When you do economic theory, you try to find the most convenient model to get to the results. One question is why firms are so simple, so “black-box”, in industrial organization? You get a lot of results from that, a lot of insights. So, why should we bother to deviate from this approach and deal with a richer theory of organization for firms? It is because we get results that would be very difficult to get with a neoclassical firm – or you need very complicated stories in terms of market power and information structure to get these results. Let me give a few illustrations, based on joint research with Andrew Newman, of what organization theory can bring to industrial organization

One very well documented empirical fact is that you have heterogeneity of firms in a market economy in terms of performance. Some firms are very productive while others are not very productive, even if they have access to similar technologies. In a competitive market when firms are not productive they should disappear. So the question is: why do they survive? Using organization theory can help. Think of the standard conflict of interest within an organization between getting monetary benefits that are correlated to variables that you observe and the variables you cannot contract on like private benefits and costs. Organizations where you have low productivity may also have high private benefits and those with high productivity low private benefits. While performance is different, the

welfare of the decision makers may be the same, explaining survival of the low performing firms. Heterogeneity creates a loss in output in the economy and the question is how to correct for that, which brings us to the policy dimension of the project, in particular the role of corporate governance, or the control of integration in competition policy.

Heterogeneity and the resulting inefficiencies are affected by demand. It is in fact when elasticity of demand is high that you have the most inefficiency in a competitive setting: this is because the loss in output due to low productivity is magnified. This is in sharp contrast with the usual finding in monopoly theory that the more elastic the demand, the lower the market power of the firm is.

This approach generates a very simple relationship between the level of some market variables like prices and the types of organizations you are likely to observe. When prices are high, monetary benefits are high and therefore the tradeoff between monetary benefits and private benefits changes in favor of increasing productivity. This may lead to more integration in some models. Hence, you have a way to pin down why firms are organized as a function of the level of demand.

This approach may also explain why productivity shocks that will lead to an aggregate productivity gain are not realized in the economy. They are not realized because the productivity shock changes the organizational benefits between integration and non-integration. Some firms may decide to integrate and because they integrate they supply more to the market. This has an adverse effect on the price, which has an adverse effect on firms that are not subject to the shock and may decide to go to less productive form of organizations. So, on average you may have actually a strong dampening effect of the shocks.

The organizational approach leads very naturally to a reverse causality in market settings when you think of the role of integration for foreclosure or predation. The usual idea is that integration may enhance market power and help foreclose the market, then generating higher prices once predation or foreclosure succeeds. So, the causality goes from the use of integration (organization choice) to price levels. But given what I just said before, high prices are conducive to incentives to integrate even in

the absence of market power. So, now the causality may go in the other direction, from price levels to integration. The question is how to disentangle the causal effect of market power, organization and prices from the other effect which is when prices are high, demand in high and you have already incentives to integrate without the desire to foreclosure. This opens a host of questions that are important from a policy point of view.

7. You started working recently on educational policies and how they affect capital accumulation. What are the main insights you have on this topic? From what I understood it is a recent project of yours.

I like this project quite a lot! Actually, it is not so recent. It is based on some older work I have done on matching with Andy, and the current agenda is developed with Thomas Gall and other collaborators. With Andy we have a series of papers on matching, in which surplus of matching is not perfectly transferable, a setting that arose from our research on organizations. In many models of organizations you get a production function where there is no perfect transferability. If I give you a higher wage, you may increase total output and hence my revenue by more or less than the wage. One dollar that I give you may cost me more than one dollar because of moral hazard or other informational asymmetries. So, when you think of organizations, you are forced to look at non-transferabilities. And then when you think about how the economy will be organized you have to think of matching with non-transferability.

The project on education takes the view that the returns from education are realized later in organizations where you have non-transferabilities, and therefore the marginal returns from education may be distorted. For example, when you have your high school diploma, you may go after to the university. What happens at the university will depend on the quality of your teachers, the quality of the infrastructure of your institution, the quality of your peers. All these enhance your own benefit, but, it is not transferable, there is often a missing pricing mechanism. We show that this downstream matching market (university) has a big effect on incentives to match in the upstream market (high school). This may lead in particular to

excessive segregation. If it is very difficult to change non-transferabilities, and policies that are targeted to the downstream market may actually help change the matching earlier at the high school level.

One beautiful example of that is the Texas 10% system that was put in place after white students went to court to complain about affirmative action policies by Texas University being discriminatory. So, Texas decided to put a policy where the top 10% of every high school had priority access to the university. They were hoping by doing so to replicate the affirmative action policy, and to have a bigger mix of social classes at the university. It did not happen. It did not bring more Afro-Americans or Hispanic to Texas University. But there was a big effect at the high school level: students who wanted to go to Texas U. realized that it is easier to be top at a not so good school than to be top in the best schools. With work with Thomas Gall and Fernanda Estevan, we show that there was indeed more integration at the high school level following this policy. That is a very nice example of why changing the way you can match in the downstream market (university) may affect matching in the upstream market (high school). You may not see what you would like to see happening downstream but you see many things happening upstream, leading eventually to delayed benefits downstream.

Education policy is indeed complicated. Policy makers tend to focus on one element of the vertical chain (primary-secondary-tertiary-labor). If there is a problem at the high school level, let's correct the problem there. You could for instance give access to good high schools to unprivileged students. But do these students want to use this option? Do they want to travel half an hour more to go to a better school if they expect that they will get a low return in the downstream market? So, giving opportunities is good only if people take them. And they will take them if they expect that in the future this will be valuable. Sometimes, targeting the policy on downstream segments may be more effective than acting directly on the upstream segment, or at least can be a significant complement. This is true for high schools and universities, but also more generally for education and the labor market. ■

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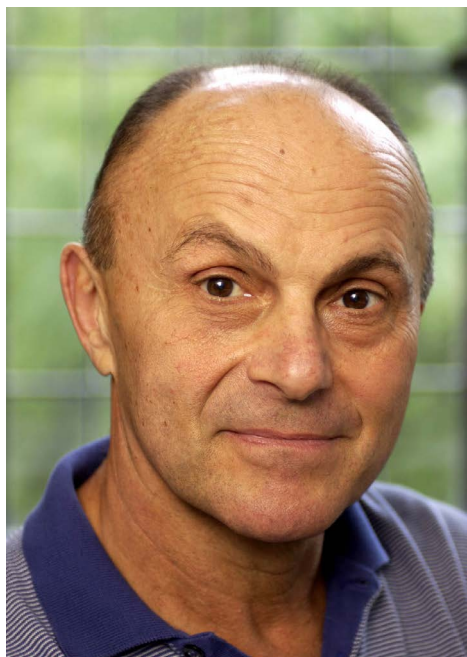
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Nobel Corner

Fama, Hansen, Shiller

By Marianne Andries



The 2013 Nobel Prize in economics has been awarded to Eugene Fama, Lars Hansen, and Robert Shiller “for their empirical analysis of asset prices.”

Under the assumption that arbitrage opportunities are instantaneously traded away the moment they occur, asset pricing theory postulates that current stock prices equal expected dividends, adjusted for risk (discount rates). Fama (1970) formalized the “efficient market hypothesis” as the assumption that, in this context, investors’ expectations were rational - that is, they optimally used all available information. In line with the hypothesis, he found stock returns to be close to unpredictable in the short run. His work with Fisher, Jensen and Roll (1969), as well as providing a new methodology for the analysis of event studies that is used to this day, offered further support for market efficiency.

As Fama (1970) made clear, any test of market efficiency jointly tests the model for the pricing of risk. In the Capital Asset Pricing Model (CAPM), developed by

Sharpe (1964) and Litner (1965), differences in expected returns across assets can only be justified by differences in their exposures to the aggregate market risk, measured by the β of their stock returns. In his 1973 paper with James McBeth, Eugene Fama offered one of the first tests of this theory, and found support for the CAPM model. Contrary to previous methods, theirs allows to account for time variations in the risk exposures (the β s), and for cross-sectional correlations, and became the standard for cross-sectional analysis of stock returns.

Fama’s evidence refuted the idea that knowledgeable fund managers could systematically “beat the market”, and resulted in a profound change in portfolio investments: the first index funds were created in the 1970s; they accounted for 41% of all mutual fund flows in 2012.

In his 1981 paper, Robert Shiller offered evidence that challenged the efficient market hypothesis. Starting from the theoretical result that prices should be

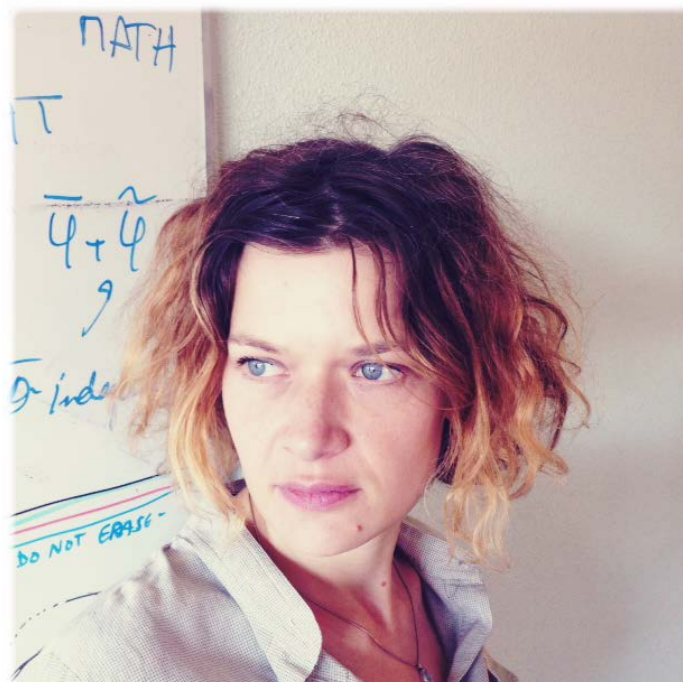
(appropriately weighted) expectations of future dividends, he argued, if prices fully reflected rational expectations of dividends, then their changes should reflect changes in these expectations (keeping the discount rate constant). However, he found that prices were way more volatile than dividends, which he described as the “excess volatility puzzle”. The efficient market hypothesis was further challenged by emerging evidence that the unpredictability of stock returns could be refuted, starting with Fama and Schwert (1977). Shiller (1984) found a stock’s Price/Dividend ratio could significantly predict its one-year-ahead returns. Fama and French (1988) showed this ratio’s predictive power increased with the horizon (with a 60% R² at a 5-year horizon). In 1988, Campbell and Shiller (1988) demonstrated the stock market predictability and the volatility puzzle were intricately linked: price movements (relative to current dividends) could only be explained by either changes in expected future dividends and/or changes in expected

future discount rates/returns. The volatility puzzle (the fact that changes in prices are not reflected in changes in expected dividends) thus automatically implied variations in the P/D ratio had to predict changes in returns. In parallel to the challenges, in the time series, to the efficient market hypothesis, the CAPM model was invalidated in the cross-section by the famous three-factor model of Fama and French (1992). They showed some portfolios presented differences in expected returns that could not be explained by differences in their exposures to the market returns: portfolios of small stocks yield higher expected returns than portfolios of large stocks, and portfolios of “value stocks” (stocks with relatively low market capitalization relative to their book value) yield higher returns than portfolios of “growth stocks” (with large market to book ratio), without being more “risky” (higher β s). The evidence on the “value premium” has proved to be robust to out of sample testing.

This set of results was quite damning for the joint hypothesis of CAPM and efficiency.

Since the joint hypothesis of market efficiency and the CAPM was based on perfect and complete markets and rational investors, one had to relax some of these assumptions. Robert Shiller (1984) advocated for the repeal of the rationality assumption, and became a leader of the “behavioral finance” school of thoughts, insisting we should take on board the insights from psychology. Among the vast behavioral finance literature, let us cite the empirical evidence of information inefficiency (Ball and Brown, 1968, Roll, 1984), violations of the law of one price, limits of arbitrage (short-selling constraints, leverage constraints), overconfidence (Oskamp 1965), the disposition effect (Odean 1998), and the correlation of stock prices with a “sentiment index” (Baker and Wurgler, 2007). In violation of the efficient market hypothesis, Shiller famously predicted the collapse of the dot.com bubble in his book, *Irrational Exuberance* (2000), and that of the housing market (in the 2005 re-edition of the book).

Another branch of finance argues, however, that the volatility premium and the cross-sectional evidence on stock returns do not refute, per se, the efficient market hypothesis. They simply point to the need of a better model than the CAPM for the pricing of risk. Stemming from the evidence that business cycle variables (starting with Fama and French (1989), using the term premium, followed by, among others, Cochrane (1991), using the investment/capital ratio, and Lettau and Ludvigson (2001), using the consumption/wealth ratio) could predict returns in the long-run for stocks, bonds and foreign exchange bets, researchers focused their attention to the Consumption-CAPM model. In this model, the discount factor depends on the ratio of marginal utilities for future consumption relative to today’s consumption. The idea is simple: investors value assets that yield payoffs in states of the world where they are already consuming a lot, less than assets that yield payoffs in states of the world where they are consuming very little - i.e. in states where an extra dollar can go a long way. This model justifies why business-cycle variables could explain future expected returns: in periods of low consumption (downturns in the business cycle), investors will be willing to take on additional risk only if they are highly compensated (high price of risk), while the opposite holds true in periods of high consumption. As long as “value stocks” perform particularly badly in periods of low consumption (relative to “growth



Marianne Andries

stocks”), this model can also explain the “value premium puzzle”. Testing the Consumption-CAPM model, however, turned out to be challenging, and Lars Hansen offered the first structural analysis of this dynamic theory, based on the pathbreaking econometric methodology he had developed, the Generalized Method of Moments (GMM), in 1982. GMM tackles the estimation of non-linear functions with constraints on their expectations (in the case of the Consumption-CAPM, the non-linear function to be estimated is the ratio of marginal utilities, the constraints being that their covariations with the payoffs determine the prices), and its impact on model testing in both the microeconomics and the macroeconomics literature cannot be emphasized too strongly.

Hansen and Singleton (1982) formally tested the Consumption-CAPM with power utility and rejected the model: they found, along with Grossman and Shiller (1981) and Mehra and Prescott (1985), the market expected returns relative to their volatility could only be explained if investors displayed unrealistically high risk aversions. This gave rise to the so called “equity premium puzzle”. Hansen and Jagannathan (1997) formally specified which conditions the discount factor (the ratio of marginal utilities in the Consumption-CAPM framework) had to satisfy in order to explain observed returns. Their paper paved the way to a fruitful literature of efficient markets in which rational investors’ utility functions differ from those of a representative investor with power utility. Among the most successful are models with agent heterogeneity (Constantinides and Duffie, 1996, Malloy, Moskowitz and Vissing-Jorgensen, 2009), habits (Cochrane and Campbell 1999), robustness (Hansen and Sargent, 2000), loss aversion (Barberis, Huang and Santos, 2001), and long-run risk (Epstein and Zin, 1989, followed by Bansal and Yaron, 2004, and Hansen, Heaton and Li, 2008).

Thanks to their careful investigation of data, informed by their deep understanding of theory, these three researchers have taught us a lot about asset pricing. The good news is we still have much to learn. Their methodologies, as well as the example Fama, Hansen and Shiller offer us, will guide us on this learning path. ■

PhD Research

Implications of Dispersed Information for Aggregate Behavior

By George Lukyanov, Ph.D. Student at TSE

When someone who writes PhD in Toulouse states that his research interests concern information asymmetries and the like, this sounds almost like a truism, for these are the fields for which TSE is known worldwide. As I once jokingly put it: when we start to work on a (theoretical) paper here, local climate inevitably transforms it into a project on mechanism design, sometimes even against our will. The popularity of these topics is thus unsurprising.

In my own case, causality ran the other way round: interest in the dispersed information, and its implications for trade, coordination and efficiency, was one of the reasons I came to Toulouse to write my Master's thesis – and then continued with the PhD.

The situation in which different people know different things is not a pathology, it is an inherent feature of our environment. This fact, simple as it is, has (among other things) substantial consequences for the macro-economy and, in particular, the amplification channel. Several questions arise, such as: How can a run on a few commercial banks translate into the system-wide panic? Why a negligible drop in asset prices sometimes is left unnoticed, whereas at other times it triggers a massive collapse? What is the purpose of policy announcements under such circumstances? Can the government, by stating something that is already known to everyone, still have a large impact on the economy?



Broadly, these are the issues around which my research evolves. In one project (jointly with my supervisor C. Hellwig), we analyze the interplay between trading on the stock market and the liquidity demand faced by banks. In historical episodes of severe economic downturns such as the Great Depression in the 1930's or the recent financial crisis, drops in the asset prices usually go hand in hand with the runs on financial institutions. As we argue, the connection is not accidental: there exist important feedback channels working in both directions and reinforcing each other. On the one hand, a decline in the stock market index usually reflects deterioration of economic conditions, making people worry about the safety of their deposits, which might eventually cause a wave

of runs. On the other hand, increased liquidity needs induce banks to sell assets off their balance sheets, creating an additional downward pressure on asset prices.

Over the past decade, the importance of public information and announcements in both triggering and preventing such episodes has been increasingly emphasized. For example, many people, both within and outside the profession, tend to blame credit rating agencies for fueling the housing bubble. At the same time, few of us ask: Why do we need the CRAs in the first place? The securities that they rate are priced. If we were to believe in the Efficient Markets Hypothesis, which claims that prices reflect all the relevant information, then these ratings should be redundant. Yet they are not, and the

common sense suggests that their impact can be overwhelming. One possible reason is that a downgrade is an event on which investors can coordinate their trading strategies. These thoughts motivated the other research paper (co-authored with Tong Su), in which we analyze how coordination concerns in general affect public information provision.

Information economics, as a separate field, was born about four decades ago. Undoubtedly, there has been a huge progress since then. Yet in my personal view, this discipline is still in its infancy. The reason is that for the past 150 years, ever since the emergence of formal economic analysis in the second half of 19th century, we have been used to looking at the world through the lens of the complete-information paradigm. As a consequence, in the

theories we develop today, information asymmetries are built in as a fancy superstructure, an extension which can (and usually does) drive interesting results, but which at the same time can be easily dispensed with. I do not know a single economic model, where posing the question: "What happens in the perfect-information case of our setup?" would be meaningless.

This is regarded as a strength of the theory: it provides us with a sensible benchmark for comparison. However, one important element cannot be properly captured within this paradigm. In the world of an economic model, information may be dispersed and transmitted, some people may be relatively knowledgeable and the others – ignorant, capable of updating and learning, etc. But in the end, all the information

falls from the sky (in game-theoretic terms, there is "a move by Nature"). Meanwhile, one distinctive feature of the human mental activity is the ability to generate new information, be it giving names to objects that surround us, making a discovery or creating a work of art. In my opinion, information economics in its current state does not do due justice to this fact: so far, it could only describe the circulation of knowledge that is already out there.¹

To some of us these issues might seem to be of limited relevance. Yet the way we treat intellectual capabilities of people whom we call "individuals", "economic agents" and the like, shapes our research, determines the trend of the evolution of economic thought and ultimately affects policy recommendations that we propose. ■



² Photo by Jeffrey James Pacres

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¹ The notion of information gathering (or information acquisition) cannot properly capture this fact, either. As the semantics of these words suggests, information still "falls from the sky", the only difference being that now one has to expend resources to obtain it. Still no new knowledge can be produced in the communication act itself (at best it can be preserved and as a rule, gets partly lost). Arguably, though, this is precisely what happens when the new paper gets written and published.

² Photo by Jeffrey James Pacres <http://www.flickr.com/photos/jjpacres/>

ENTER Network

Universitat Autònoma de Barcelona

By Ines Black and Guillem Roig

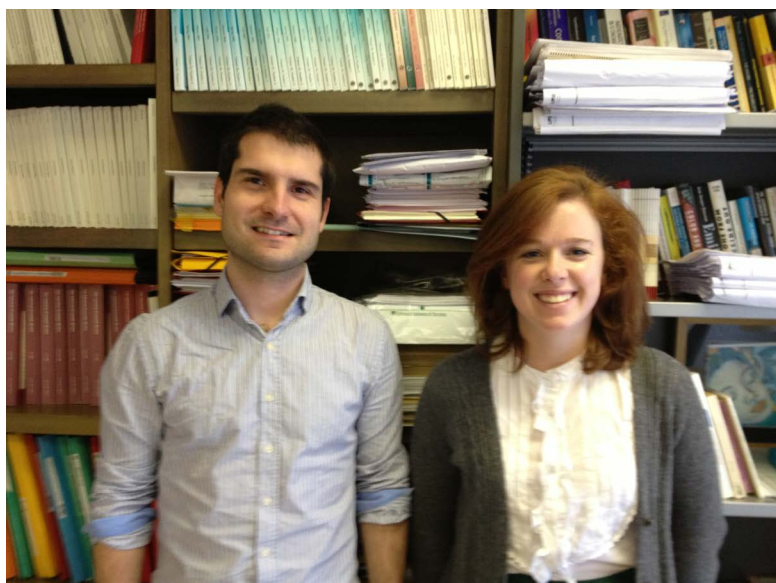
• How everything started

As a former student of Universitat Pompeu Fabra and a resident in Barcelona, I was aware of the community of researchers at the Universitat Autònoma de Barcelona. Some of the permanent professors in UAB are also teaching in both Pompeu Fabra and the Barcelona Graduate School of Economics, and during my studies I had the pleasure to be one of their students. However, it never came to my mind to spend a period of my PhD as an exchange student at the UAB.

As many things in life my opportunity to undertake this exchange came unexpectedly. Before a Christmas vacation, I came to the economics department in UAB to talk with a professor about some ongoing research. Before getting back home I met Inés Macho, a former professor of mine, and a faculty member in UAB. We started talking about life in general and research in particular and she persuaded me to undertake a short stay at the department, and benefit from the ENTER exchange program. I decided to apply for the spring semester and the attentive and helpful administrative staff told me that I had chosen the best season to come to Barcelona. I guess she said so because of the weather, but, as a "Barcelonian", I was definitely not only attracted to the warm weather, but to get to know a new research institution.

• People

From day one, I was very well integrated to the community of students, especially with the ones of the second year, who



adopted me as a new member of the student's family. In retrospect, it is fair to say that not only did I find a great bunch of colleges with whom to discuss topics in economics, but a group of friends that I will always be bringing in my heart. This extraordinary human value translated also to the faculty members of the department with whom Friday football matches and "calçotades" were organized during the term. From those experiences, I understood that having a friendly and familiar surrounding is of the utmost importance to undertake research.

• Research

As many leading institutions, the number and the quality of seminars taking place in the department is more than satisfying. For PhD students, the department also organizes the "only PhD student" seminars which allows, in a very relaxed and cordial environment, to present ongoing work and elaborated research ideas. Even if it is for "students only", the organizers kindly give you the possibility to invite senior researchers

and professors of the department. What I've found the most rewarding of this seminar was not the training of presenting your research to an interested audience, but the possibility of knowing in a relatively fair detail what my colleges were doing and what were their research interests. I had never seen such high level of cooperation among students in the department.

• Final Words

To wrap up, my ENTER exchange at the Universitat Autònoma de Barcelona complemented what I had been missing from Toulouse and made my PhD experience more enriching and valuable. The sole drawback of doing an exchange in UAB is that you will never be willing to come back to your former university.

(By Guillem Roig, TSE PhD candidate)

• Academic Environment at UAB

It is my third year as a student at the IDEA program at UAB, and it is safe to say that every year I reaffirm my belief that the people are what makes the difference here. I feel that as a group, our department strives for excellence not only in research and academic terms, but very importantly also in terms of personal relations. Both faculty and students care about the environment as a whole and the ability to gain from one another's perspective, as well as share ours.

(By Ines Black, UAB PhD Candidate) ■

Job Market

Q&A: Part II

By Georgios Petropoulos and Suxiu Yu

After the insightful answers by our faculty members, Jacques Cremer, Patrick Rey, Jean Tirole and Takuro Yamashita in our previous issue, we discuss the job market year with 4 recent graduates of TSE with successful job market placements who kindly accepted to share their experience with us. We hope that these interviews will provide the readers with additional helpful information for their prospective participation in job market. We wish to thank all the students who have contacted us suggesting questions and professors to be interviewed. We will try our best to accommodate their requests in our future publications. In the meantime, if you have any recommendation or idea, feel free to drop us a line at tseconomist@tse-fr.eu

Jieying Hong,

**Assistant Professor in Finance,
ESSEC Business School**



1. During your PhD here at the TSE, you were a teaching assistant for a few courses, and many students liked your teaching style. Could you give us a few tips for being a good TA?

I can only talk from my own experience. What I did is to make the concepts and methodologies clear and simple so that students could easily digest and adapt them to other related problems. In addition, during the class, it is better to communicate with the students closely so that you can know what and how they think.

2. Going to conferences and seminars, whether as a presenter, a discussant, or simply an audience, is a major part of the PhD life. Could you give us some suggestions on how to make full use of such opportunities?

By attending conferences and seminars, you can benefit in many ways: i) you can communicate with others about your own work, and sometimes you may get very valuable feedbacks; ii) you can get better idea of what topics economic researchers are interested in nowadays; iii) you can also meet new people and have fun.

3. How to prepare for interviews?

You can read the guideline documents on the website of the J.O.E., which include a thorough list of questions that job market candidates may come across during the interview. Think carefully about each question and how could you answer them. In addition, practice mock interviews as many times as possible with your classmates, friends, family, etc. The most important questions are often related to your job market paper. Try to understand it as much as possible and make it understandable and interesting for people outside of the field.

4. How to prepare for fly-outs?

Regarding the presentation, I think the most important part is to clearly communicate to the audience the main messages, such as motivation, methodology, results and contribution of the paper. Present the paper as many times as possible in workshops, seminars, and conferences. Write down the questions during the presentation and try to figure out how to answer them. Control the

time during the presentation and make sure that your main messages have been clearly delivered.

5. Since you are now an assistant professor in finance in ESSEC, a business school, have you experienced any differences between the financial and economic courses a business school and those in a university? Do they have different focuses?

I have not started teaching yet. But apparently, the courses in business schools put more emphasis on the practical side. For example, case studies are one common teaching vehicle in business schools.

6. You had received a few offers back then, from both business schools and universities, how did you weigh your options?

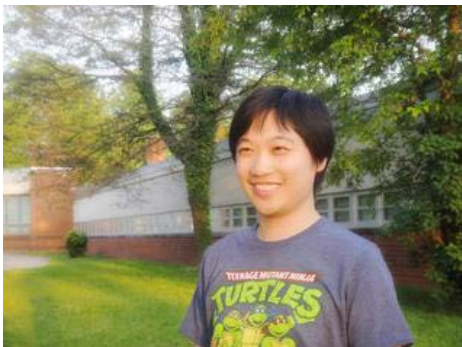
It is always very tough to make a choice that may have long lasting influence in your future life. My personal view is to make the choice that you think you can be happy with.

7. What's a typical day of your life now?

Research is still one important part of my daily life. The difference is that I am now in the Singapore campus and have lost the opportunity to enjoy different seasons. But, luckily I can compensate this with beautiful swimming pools and underwater adventure coves! :-)

Tong Wang,

Assistant Professor in Business Economics, Business School, University of Edinburgh



1. During your PhD here at the TSE, you were a teaching assistant for a few courses, and many students liked your teaching style. Could you give us a few tips for being a good TA ?

Thank you very much for letting me know about the appraisal from students. I think that the most important thing is to have sufficient enthusiasm for the materials that you taught. For instance, my interest is applied contract theory, and I do have some of my own understandings and experience about it. It is also my pleasure to explain these exciting stuffs and help the student understand them.

Another thing that I think important is responsibility. Before the course, we should take the time to prepare the materials. Teaching plays, or is going to play a necessary role, if we choose academia as our future career path. So we should take this as an opportunity to practice our teaching skills and also accumulate teaching experience.

Of course, I do not mean that we should prepare a teaching assistantship as if we are writing our dissertation, since our main output should and needs to be research papers, which can be published; so that has far more influence than local teaching. However, research and teaching are more complementary than contradictory: During the teaching process, we can understand the core materials better and sometimes get new ideas by interacting with students, which will promote our future research.

2. Going to conferences and seminars, whether as a presenter, a discussant, or simply an audience, is a major part of the PhD life. Could you give us some

suggestions on how to make full use of such opportunities?

Economists' society is like magicians' one, both of them hold hundreds of conferences and seminars each year, the format is also similar: people present their stuff in turn and the others watch and comment. There are at least two reasons for that: first, we can collect comments in these events, which will improve our paper; second, it is also a networking opportunity, since we will meet new people who are potentially our referees, our co-authors or our friends. So, just attend the events in our fields or that we are interested in, and talk to people who actively work in these areas.

3. You had a postdoc experience before, and in your opinion, what kind of postdoc program is worth doing? It is said that it would be a bad signal to go through the job market process twice. How do you weigh the options between joining a postdoc program and going into the job market?

The reason for the "bad signal" is that the market for academic hiring is relatively small, compared with the industry job markets. The selection committees are more likely to have some impression of the unsuccessful candidates from last year, and this is obviously a comparative disadvantage when you apply to the same university. The only situation where the "bad signal" concern appears is when you go to the job market and submit a number of CVs and end up with a post-doc position. In this case, you can stay in this position for two more years to wait for your CV to fade from the memory of selection committees.

Generally speaking, a post-doc program can be regarded as an extension of your PhD program with higher salaries. Post-doc positions are not permanent, so you still need to work hard to go to the job market and get a tenure-track or permanent position.

You may also want to consider extending your PhD studies; the problem of this option is mainly funding. It is generally more difficult and risky to apply for funding after the fifth year, unless you are hired as a TA or RA. The positive side is obvious, since you can still work closely with your supervisor and your colleagues. Post-docs basically are the other way around: you will have enough funding for living, but depending on

the specific positions, you may or may not have colleagues with "the same language". Therefore, if you find a post-doc position with a number of good potential colleagues around, it would be an appropriate position for you.

4. How to prepare for interviews and fly-outs?

We economists like rationalizing everything and finding trade-offs and possible strategic behaviors behind. That is why we have so many tips and tricks about the interviews and fly-outs, even in the very small economic job market. The details can refer to the talk with our job market officer and articles written by economic professors on the Internet. I only want to add two points here: first, a good job market paper is the defining factor, other skills and tips only have marginal effects. Second, since every year, a lot of people are on the margin, "practice to death" is the first tip for business interviews; it applies to us as well. We should have enough practice and mock interviews before we go in for the real one. We are economists, we calculate expected value everyday, so we should just expect any possible questions that might be thrown out by the interviewers, and prepare for them.

5. Is there any difference between the economic courses in a business school and those in a university? Do they have different teaching focuses?

Yes, there are indeed a lot of differences. At the business school, we stress the economic intuitions rather more than the math. Students are not required to do so many rigorous mathematical derivations as in the econ dept., but they need to have the ability to apply economic principles to various practical situations. In one word, we use more graphs and case studies, and fewer equations in the business school.

6. What's a typical day of your life now?

The only task for PhD candidates and post-docs is doing research, so at this stage, we have plenty of flexibility to arrange our daily life. However, being an assistant professor or lecturer, first, we need to teach and schedule office hours for students and regularly participate related meetings for teaching faculty members; second, we are going to be involved in some administrative issues about the department, the school or the university, which means we must attend

some other meetings and events; the rest of time, you can use it to do research, but some Poisson distributed events will randomly arrive. Compared with jobs in industry, our schedule still seems to be more flexible. But taking into account that research activities need relatively large blocks of time, we are not so flexible as we look like. A typical day is to arrive the office in the morning, to do some email and other non-academic activities in the fragmented time between teaching and seminars; then in the afternoon and evening, to focus on current research projects.

Sergei Kovbasyuk,

Assistant Professor, Einaudi Institute for Economics and Finance



1. How long were you working on your job market paper before going to the job market?

The initial idea of the paper appeared three years before I went to the job market, but it has changed a lot over that time. I would say I worked for two years on what would become my job market paper.

2. What was the most stressful period of the job market year?

For me the most stressful period was in September to December, when I was preparing documents necessary to go on the market: the job market paper, carte de sejour, and visas. On top of that I had to renew my Russian passport. Being dependent on careless bureaucrats was frustrating. After that the process was exiting; I really enjoyed the interviews and fly-outs.

3. How do you suggest our students prepare for the interviews and the flyouts?

I would recommend practicing. Talk

about your papers to your friends and colleagues. It is all about understanding your ideas very well and being able to explain them to any economist.

4. The TSE has a great reputation for information economics. Do you think that working on such a topic helped you in finding an academic job?

Definitely! But I don't know the counterfactual. I think what helped me most was working on what I was interested in. Toulouse has great faculty and top level research visitors in many fields. I believe that with effort one can get the necessary feedback and advice in many fields.

5. What were the basic criteria for selecting your future employer?

My main criterion was the exposure to top level research. The atmosphere in the department was also important. I cared less about the location, field, etc.

6. How is life after the PhD? How different is your everyday routine?

The main differences are due to teaching and some administrative duties. Also there's more informal interaction with senior faculty and opportunities to learn how the profession works. But in the end, the everyday routine is not that different.

Senay Sokullu,

Assistant Professor in Economics, University of Bristol



1. For how long were you working on your job market paper before going to the job market?

It was a long long process. Indeed, I had the idea by the end of DEEQA, but before going on empirical application, I had to deal with the theoretical econometrics part of it, which ended up as a separate joint paper with Jean-Pierre Florens; but it still is a part of my job market paper, so I can say I have been working on it for about 3 years all in all before going to the job market.

2. What was the most stressful period of the job market year?

All of it, until I got the first offer! At the beginning it is stressful because you do not know what is going to happen. You do your applications, and then you get stressed while waiting for first interview invitation. You go to interviews, and then you are stressed again until you get the first fly-out. And after fly-outs, you are stressed until you receive the first offer. The stress is mostly because of waiting; otherwise, for example, I enjoyed the fly-out period a lot.

3. How do you suggest to our students prepare for the interviews and the flyouts?

I did whatever I had been told in TSE: do mock interviews with junior TSE professors, talk about your job market paper with your friends, especially the ones who are not in the same field as you. Have speeches of different lengths about your job market paper, etc. The interview stage is a kind of role playing game; if you do enough rehearsals, and if you know what you are doing in your thesis, there is nothing to be afraid of. For fly-outs, I would say do definitely more than one mock presentation.

4. What were the basic criteria for selecting your future employer?

The contract, the working environment and the city.

5. How is life after the PhD? How different is your everyday routine?

It is pretty much the same, apart from the fact that I have changed my working hours a bit. I was more a late-night worker during my PhD; now I try to come to department early morning and work during the day. In addition to this, unfortunately there is always some stress since the PhD stress is replaced by publication stress. ■

Consequences of Youth

Unemployment

By Daniel Westrik



“Eurostat estimates that 19.24 million people were unemployed in the euro area in November 2013”

During the summer of 2013, European leaders gathered in Berlin heard Angela Merkel’s stark warning that youth unemployment was “perhaps the most pressing problem facing Europe at the present time”ⁱ. They were deliberating how to spend an additional €6 billion allocated to fight youth unemployment in 2014 and 2015. This, along with the Youth Guarantee programⁱⁱ, which is estimated to cost the EU €21 billion a year, is a fraction of the total estimated cost of youth unemployment itself. Benefits, foregone earnings and lost taxes of young people not in employment, education or training (NEETS) are estimated to cost the EU €153 billion per year.

On 21st January 2014, the International Labour Organization released a damning reportⁱⁱⁱ suggesting that the situation

of the European labour market is unlikely to improve significantly in the medium term. As suggested by Lindbeck & Snower’s insider-outsider theory^{iv}, the outlook for youth unemployment is far worse, as the incumbents, senior workers, are afforded favourable employment conditions compared to the outsiders, young workers. Is enough being done to improve the situation?

Eurostat estimates that 19.24 million people were unemployed in the euro area in November 2013, of which 3.58 million were young people (under 25). This translates into an overall unemployment rate of 12.1%, and a staggering youth unemployment rate of 24.2%. Within the euro area there is huge variation: Austria registers just 5.2% unemployment, while Greece and Spain have

rates of 27.4% and 26.7% respectively. Spain had the highest youth unemployment rate with 57.7%, more than triple the figure before the start of the crisis (17.5% in 2007 Q1)^v.

Google’s executive chairman, Eric Schmidt, recently criticised EU leaders: “Europe seems to have accepted 12% unemployment forever, and that is terrible. A whole generation of people are losing their jobs. Where is the leadership?”^{vi} His latest book, *The New Digital Age*, advises governments to prepare for a situation in which technology takes over the work of the middle classes.

This view is supported by a wave of recent literature^{vii} suggesting that technology will begin to automate many middle-class professions, already the

ⁱ <http://www.bbc.co.uk/news/business-23160043>

ⁱⁱ <http://ec.europa.eu/social/main.jsp?catId=1079&langId=en>

ⁱⁱⁱ http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_233953.pdf

^{iv} *The Insider-Outsider Theory of Employment and Unemployment*, A. Lindbeck and D.J. Snower, Mass. and London: MIT Press, 1989

^v http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics

“Several recent studies argue that policymakers ought to be concerned.”

case for many low-skilled jobs. Thomas Piketty, an economist at the Paris School of Economics, claims that America is creating a “hyper-unequal economic model in which a top 1% of capital owners... accumulate an increasing share of national wealth”^{viii}. The economic collapse of the middle-class around the world is likely to create unstable and dangerous politics.

The relationship between unemployment and political extremism is also an incredibly important issue, as the implications have significant policy relevance. Historically high levels of youth unemployment across Europe are particularly concerning as it is disproportionately young males who support right wing extremist groups and commit violent crimes^{ix}.

In fact there has been increasing sympathy for many right wing groups throughout Europe. The main parties to see growing support are Golden Dawn (Greece), Jobbik (Hungary), Front National (France), Party for Freedom (Netherlands) and the English Defence League (UK)^x. The rise of these groups is a major worry and should be combated both through education and policy. European history has shown the consequences of a reluctance to act against the growth of the right wing.

Several studies have argued that high unemployment enabled the rise of the Nazis in the 1930s. Political theory offers several psychological mechanisms through which this can operate. ‘Relative deprivation theory’^{xi} suggests that unemployment, or the threat of becoming unemployed, causes a loss of status

and feelings of deprivation. This can then lead to negative attitudes towards minority groups such as immigrants and asylum seekers, who may be perceived as competing for the same employment opportunities.

The phenomenon of the protest vote is also significant. Disillusionment with traditional parties and dissatisfaction with socio-economic conditions could lead voters to support extremist groups, despite possible disagreement with their fundamental ideological convictions. In both these scenarios, dangerous organisations are perceived to offer a means for political change.

The rise of right wing groups raises both social and economic concerns. Violence and racism damage the fabric of society. Furthermore, reductions in immigration can damage trade and business investment, deterring economic growth. Understanding the relationship between unemployment and political extremism is a fundamental requirement for effective policymakers.

Several recent studies argue that policymakers ought to be concerned. Using official crime statistics in Germany, Falk, Kuhn and Zweimuller (2011)^{xii} investigated the impact of unemployment on the rate of right-wing extremist crime (REC). Despite the majority of RECs being committed by young men, the results suggest that the effect of unemployment is statistically significant, while the impact of youth unemployment is not. The paper concludes that it is the failure to enforce social norms against racism, a result of mass unemployment, which facilitates the increase in RECs.

T. Siedler (2011)^{xiii} supports this conclusion in a German Socio-Economic Panel (SOEP) analysis. His article provides evidence of a causal relationship between parental unemployment and youth support for far right-wing parties by considering the differences in unemployment experiences during childhood years of siblings. The strongest effect is unemployment during late childhood (11-16 years).

This unfortunately suggests that the worst effects may be yet to come. Youth unemployment means less professional training, depreciating skills, a possible withdrawal from the labour market and potentially lower lifetime earnings. This could result in a less productive labour force and high unemployment in the future. A limited return to economic growth has arrived without the reduction in unemployment that was hoped for. Unemployment is becoming more persistent. More needs to be done to address the issue.

Unemployment reduction can be achieved through several mechanisms. Firstly, it is necessary to reduce hiring uncertainty so that firms take on workers now. Improved policy coordination, as well as actions to facilitate a reduction in sovereign debt risk premia, will give firms the confidence to take on more workers. Secondly, it is vital to address labour inactivity and the skills mismatch through active labour market policies such as investing to develop the expertise of the workforce, for example, through vocational training; this has been particularly successful in reducing youth unemployment in Austria and Germany. Many such policies are in the pipeline, but not on the scale necessary to fully address the problem. Policy makers need to wake up and take action now before large numbers of citizens become disenchanted with mainstream politics. ■

^{vi} <http://www.theguardian.com/technology/2014/jan/24/eric-schmidt-google-politics-leadership>

^{vii} <http://www.economist.com/news/briefing/21594264-previous-technological-innovation-has-always-delivered-more-long-run-employment-not-less>

^{viii} Capital in the 21st century, Thomas Piketty, Harvard University Press, 2014

^{ix} Neubacher, F. (1998), Fremdenfeindliche Brandanschläge: eine kriminologisch-empirische Untersuchung von Tatern, Tathintergründen und gerichtlicher Verarbeitung in Jugendstrafverfahren, Forum-Verlag Godesberg, Monchengladbach

^x <http://connection.ebscohost.com/c/articles/77459542/new-threat-new-era>

^{xi} Hofstadter, R. (1963), The Pseudo-Conservative Revolt, in D. Bell (ed.), The Radical Right, Transaction Publishers, New Brunswick, NJ, 75–95.

^{xii} Unemployment and right-wing extremist crime, Armin Falk, Andreas Kuhn and Josef Zweimuller, 2011, The Scandinavian Journal of Economics

^{xiii} Parental unemployment and young people’s extreme right-wing party affinity: evidence from panel data, Thomas Siedler, 2011, Journal of the Royal Statistical Society

PhD Activities

Mario Pietrunti, TSE

Institution: Permanent position at Banca d'Italia

1) What is your main research topic?

My research interests are focused on two main strands. In my first PhD paper I have been working on a model of biased expectations applied to the behavior of households and banks in credit markets. On the other hand, I am also interested in macro models of fiscal and monetary policies in environments with news, uncertainty and financial frictions.

2) Does your employment at the Bank of Italy help you in your research?

Working at a central bank is of course a blessing for those who want to perform policy oriented research. It definitely helps in focusing one's research on "hot" topics that are at the top of policymakers' agendas. As a way of example, I have worked extensively on "macroprudential" policies, i.e. the set of tools aimed at taming the financial cycle, and I am currently developing a DSGE model to study the

effects of such policies and their interactions with fiscal and monetary policies.

3) Do you like the research environment there? Is it very different from that of TSE? What are the main differences?

The research department is rather similar to an academic one. There are seminars and possibilities for interacting with academic researchers and policymakers. The main difference lies instead in the fact that people are required to spend part of the time performing policy analyses. Also, a peculiar feature of the Bank of Italy is the availability of tons of very useful data on a wide range of topics. This of course leads people in our research department to perform more applied and policy oriented research compared to an academic department.

4) Would you recommend to our PhD students visit another institution like a central bank for some months during their PhD studies?

I would definitely recommend a short-term experience in a central bank or in an international organization, especially for those who want to produce papers with



policy implications. I think it greatly helps in providing new ideas and in seeing issues from a different perspective.

5) Could the Bank of Italy be a future employer for our PhD students? What is a typical profile of PhD graduates that are hired there?

As with other Central Banks, the Bank of Italy is active in the international job market, offering one- or two-year research grants which can then be followed by permanent hiring. It is an excellent match for people with an interest in policy and applied research. ■

Mattia Girotti, TSE

Host institution: Banque de France, Monetary policy research division

1) What is your main research topic?

My research is about banking and corporate finance. In particular, I am doing



a project on the relationship between monetary policy and bank deposits.

2) In what way has this visit helped you to advance your research project(s)?

I had the chance to work on a dataset directly collected by the Banque de France and start a new project on firms and entrepreneurship. At the same time, I managed to share ideas and talk about my banking project to people that are directly involved in policy.

3) Did you like the research environment there? Is it very different from that of TSE? What are the main differences?

The research division is certainly smaller than the TSE. But it is very active, especially in finance and macro related topics.

I particularly liked the idea of a direct connection between research and policy. Indeed, I think that policy work can be an important source of inspiration.

One crucial thing that made my visit fruitful was that in December, the Bank organized many conferences in banking

and top researchers came to present their current projects. This was an excellent occasion to listen to what people are currently doing in the field and to meet and discuss with them.

4) Overall, did you enjoy this experience? Would you recommend to other TSE students to visit another institution for some months during their PhD studies? Do you want to add anything else about your experience?

I think that visits are very useful for a number of reasons. You interact with people that come from different backgrounds and start from different points of view. Also, you have the possibility to network and start new projects.

Certainly, they are very profitable if the host institution has people that work in your field.

In my case, for example, I appreciated the fact that my colleagues participated in meetings that prepare for monetary policy decisions, and so I had a direct feeling of what monetary policy means. ■

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Business Talks

Mr. Jean-Luc Schneider, OECD

By Sabine Gerdon, Julia Hoefler Martí and Brenda Medaglia

1. We wanted to ask you about your typical day, what are your main tasks at the OECD and a little bit about your main job.

Well, my main job is being director of the Economics Department of the OECD. The OECD is organized a bit like a government, you know, with a Directorate for Environment, for Social Affairs, for Development and so on. There is one big department that is the Economics department, with two directorates – one which is called Country Studies, which is basically putting together country experts, and one which is more horizontal, and I am in charge of the horizontal part of the Economics department, that is basically cross-country comparisons and cross country studies and macro projections, and making sure that the projections made for each country add up to something which is consistent and arithmetically correct. So I am lucky enough not to have a typical day, I must say. A pretty large part of our time is just

discussing with countries, because if we are organized like a government it is because we are speaking a lot with various ministries in our member countries; we at the economics department speak to finance ministries, central banks, etc. So we have many meetings, perhaps ten to fifteen per year, where we bring together central bankers and high level officials from finance ministries to discuss economic issues, and the IMF is there as well as the World Bank, and we discuss some of the papers that we have produced. And the rest of the time is basically producing the papers and disseminating them and going to conferences and so on.

2. This leads to our second question. The Going for Growth publication contains a section on structural reforms indicators. Is this something your department works on?

Yes, that's produced by us. Actually, it is produced every two years, because this is about structural reforms and we don't think it makes much sense

to revisit countries every year to see how much they have changed their structural frameworks. But every two years we try to see what they have done, where they are and to express our recommendations.

3. We were wondering how these priorities for reforms are defined by the OECD, and what happens if these recommendations ask govts to cut their budget, because implementation requires additional public expenses; how do you communicate this to governments, and how do they react to recommendations that impact their budgetary plans?

Well, on how the priorities are defined, this is what I'm going to speak about in the conference, so if you don't mind... you can quote anything I'm going to say from there. On how the governments react – well, first, as with everything else we publish, we discuss with governments during these meetings what we are going to publish. This is published under the responsibilities of the secretariats, that is, the OECD staff, and the secretary general – but it has been discussed with govts, so they have had many opportunities to criticize us, or to disagree or to convince us, and most of the time we are able to agree on what should be done, and most govts are actually happy with Going for Growth in the sense that they are happy to get some external pressure in order to convince their voters that such reforms would be good for GDP per capita or for the country in general. So most of the time there is full agreement. Of course, some of the reforms we propose may have some budgetary implications, and some of the countries to which we propose such reforms may have difficulties regarding their budgets, but if the recent crisis is any guide, what we have seen is actually that those countries



Brenda Medaglia, Sabine Gerdon, Jean-Luc Schneider, Julia Hoefler Martí

that were under more fiscal pressure, like the Euro-area periphery countries, have reformed much more than the rest of the OECD countries, so there is no real tension there between fiscal consolidation and the need for reform.

4. We'd like to ask you a little bit about the OECD's work, specifically in modelling and forecasting. Before the financial crisis, the prevailing view on forecasting was that small details about the financial system could be ignored. But this crisis has shown us that relatively small disturbances can have large macro effects. In fact the OECD now has a project titled "New Approaches to Economic Challenges". How, if at all, has the OECD's approach to forecasting changed, and has this affected your work at all in structural policy?

You may know that we have just published this week, two or three days ago, what we call a post-mortem of our forecasting performance during the crisis and since the beginning of the crisis. That's where we have tried to put together what we know about why we have been so wrong. Because actually we have been wrong; we have ignored for too long the importance of the international financial links. We have also been very wrong about the Euro-area periphery, because we have underestimated the persistence of high spreads on sovereign bonds and how long it would take to normalize. So definitely we are now trying to incorporate a lot more information from the financial sector, and actually we have developed and published in our last Economic Outlook in November a kind of "scoreboard of vulnerabilities" based mostly on financial indicators, showing where there might be problems – not yet, but some accumulation of problems or imbalances that may result in a nasty event at some point later on. So that is certainly something we have changed in our projections, and more generally we are paying a lot more attention to risks, no longer just publishing a central scenario, but trying to describe risks around this scenario, mostly on the downside. And we have developed a number of other financial indicators and indexes in response to what happened. We only hope that by trying to span the horizon much more widely we will be able to see the next

crisis, but we all know that the next crisis will not look like the previous one. So we can only hope for the best.

5. And has this had a general impact on the way you make recommendations to countries?

Well, what we have changed – and this is also part of the project you mentioned – is that we try to take more dimensions of wellbeing into account. And certainly income, GDP per capita, is a very important part of that. But we have seen for example during the crisis that stability is another part of wellbeing. Income redistribution has been mentioned as a possible cause or part of the causes of the crisis; too unequal sharing of growth leading to excess indebtedness and so on. So we are paying much more attention now to these various dimensions, to the accumulations of imbalances, be it on the income redistribution side, on the financial side... on the current account, of course; we have seen a number of crisis in the euro area that were prompted by current account imbalances.

6. Before you worked for the OECD you worked for the French govt. How does it change to work on structural reforms for a national government like France versus working for the OECD, an international organisation? What is the main difference?

I would say that the main differences is that when you work for the government you take your orders from the current minister, so when you have a right wing minister you have some orders and when you have a left wing minister you have some other orders and you have to consider the structural reforms they have in mind and try to assess what the effects of such reforms would be and try to make a clear assessment of that; and they will decide whether to implement what they had in mind, to change it slightly or not to do it at all. And that is basically the work on structural reforms in a ministry of finance. In the OECD we work much more openly in two senses: one is that we are completely open a priori as to what should be done, so we are completely free, and I will explain during the conference how we try to select our recommendations and on which basis, but it's certainly free of any priors. And secondly, we are also open in the sense

that we test our recommendations on various countries and they may object, and they may have perfectly good reasons, so we may be able to adapt our recommendations, or we may stick to our opinion once we have formed one – but still there is this dialogue which is much more two way than in a more hierarchical national ministry.

7. This is not about the talk or structural policy issues, but we've seen that you are also the chairman for the OECD journal of economic studies. Could you tell us a bit about your tasks as a chairman, or how you select empirical studies for the journal?

The journal, which is called Economic Studies, was initially created as a kind of repository for pieces of work. We do a lot of cross country analysis and empirical work, and they are often published as working papers in some reports but then sort of disappear. So it was initially thought of as a place where the best of those pieces of analysis, those that we thought would have a longer shelf life than just a one-shot report, could be published. We are gradually trying to change that a little bit, that is, we are succeeding in opening the review more generally to contributions from the outside world, provided they are aligned with the general policy – that is, the work that we publish is mostly required to have some empirical content, some cross country analysis, and preferably some intersection with OECD concerns, that is it should cover some OECD countries, or policies that are discussed in OECD countries, etc. So that's basically the criteria used for reviewing a paper. And then these papers are reviewed both by an inside OECD referee and an outside academic referee, and we publish about a third of papers we receive.

So, please, we're happy if you have submissions!

8. In fact it's interesting for PhD or soon-to-be PhD job market applicants at the TSE to know about the journal.

Definitely, we receive a lot of papers from people working at PhD level, or just before or just after, who have done some empirical work and want to publish it, either before their PhD thesis or just after. There are not so many such empirical reviews. ■

Jérôme Philippe:

“Tribulations of an economist in the legal world”



By Philine Schuseil

Mr Jérôme Philippe, head of the antitrust, competition and trade team at Freshfields Bruckhaus Deringer, advises a wide range of corporate clients in all areas of French and European competition law. Mr Philippe is qualified as both a lawyer and as an economist and his talk on February 6th not only gave insights into another discipline, but also showed how well economics and law work together – or don't. One example given during his talk illustrated the legal approach sometimes fails to take into account economic effects and what the consequences may be.

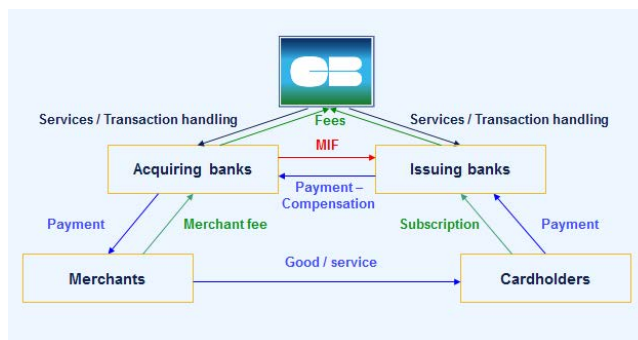
Economists are familiar with two-sided markets: a platform with two distinct user groups, each of them providing the other group with network externalities.

However, the two-sided market has no strict legal definition and, as a consequence, the “two-sided effect” is sometimes forgotten in competitive assessments. From a legal point of view each side of the platform constitutes a relevant market, which is the basis for competitive assessments. Nothing prevents lawyers from conducting a separate analysis - each market has all necessary relevant characteristics, such as costs, prices or contracts. Therefore, although competition authorities officially integrate the two-sided market effect, it is often forgotten when it comes to analysis.

From an economic point of view, this approach disregards positive cross-group externalities from one group on the other. The incentives of the agents may therefore not be correctly reflected in the assessment when considering each side as a separate market. Although such a separate analysis is simple to conduct, the economic analysis would probably be inaccurate as it does not take into account externalities or efficiencies (e.g. transaction costs).

The 2002 “Visa Europe” case is a typical

example of how the two-sided effect may be forgotten. Visa Europe is a payment card system with multilateral interchange fees (MIF), which are paid by the merchant's banks to the cardholder's banks. According to the Competition Authority, the setting of those MIF constitutes a practice raising concern.



Source: Presentation by Jérôme Philippe on 6th February 2014 at TSE

According to the Competition Authority, the payment system has three relevant markets: the payment systems upstream “network market”, and two downstream markets, the downstream “acquisition” market (banks – merchants), and “issuing” market (bank – cardholders).

Considering the acquisition market as a separate market leads to the conclusion that the MIF could have an “object and effect of remarkably restricting competition” and is “likely to create a

floor price on the acquisition market”. The decision looks at the case from a legal perspective, which renders the approach of analysing the acquisition market separately logical. However, the decision completely disregards the fact that the MIF increase competition on the cardholder side. Taking into account an economic two-sided market analysis would lead to considering the MIF not as a price, nor a cost, but rather as a transfer that provides a balance between incentives on both sides.

The European Court of Justice (ECJ) confirms the conclusion of the Competition Authority by stating that “requirements to balance issuing activity and the acquisition one within the payment system do not have to be examined [...] when the only relevant market held was the downstream market for card issuance”. According to Mr Philippe, this statement shows confusion between the concepts of “market” and “platform”. In order to avoid this confusion, one should speak of two-sided platforms instead of two-sided markets. The latter term suggests only one market although there are always two markets on each side of the platform, generating network externalities.

The Visa Europe case illustrates that a competitive assessment conducted from a legal perspective may disregard economic effects such as the two-sided effect. Making lawyers and economist work together and understand each other is therefore crucial in improving the quality of competitive assessments.

Interview (by Jacint Enrich)

1. You have highlighted the importance of economic knowledge for lawyers. What about the other way round? What are the main weaknesses

• There is a footnote in the EU Guidelines on the assessment on non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings concerning the market foreclosure effects of non-horizontal concentrations, §101 footnote 2).

that an economist faces when working in this field?

I think that the law aspect of this job is about the rules of the game. In this game if you come only with an economic background without a proper knowledge of law, either you can share it with someone who has it, or otherwise you run the risk of putting too much emphasis on some elements which may be correct economically speaking, but would be of little use on the legal side. Just to give an example, if you look at the laws you have the article 101 and then you have what is called the efficiency defence, which is a way to outweigh the harm to competition through, for example, reduction of costs. In theory it works well and as an economist, without knowledge of the legal framework, I would tend to invest a lot of time in this. Now, the reality is that hardly ever you will overturn a negative decision based on the competitive side. Having a defence that is mainly based on efficiency defence would be pretty dangerous for your client because, although in theory it could work, the reality is that you have very small probability that it will actually work.

You need to have a good knowledge of the law and also the practices of the authorities. For example, we had one case long ago – and now they have corrected this – where some lawyers spoke of efficiency offence and argued that the cost would be reduced with a merger. However, the European commission argued that in addition to the gain in market share, the cost would be lower. This firm would be the only one in the market and for this reason they prohibited it, which is very counterintuitive for an economist.

To sum up, you need a balance of skills because at some point you need to weigh different aspects and it is very pleasant to have both backgrounds because you can be really clear and free to build the strategy.

2. In your experience are there a lot of practising lawyers with a background in economics?

The lawyers who have real diplomas in economics are not so many in Europe, which isn't necessarily the case in U.S. However, a number of lawyers have some economic background. Even if they say that they don't do economics

and are not economists, just lawyers, when you speak with them on a case, you realize that in practice they are handling economic concepts.

3. Before you talked about how the internet changed the world. What do you think are the main challenges that economics, and in particular economic models, face? Do you think that they need to adapt to this new and globalized world?

I think they are useful, and are the best thing you can have to help make decisions. There are two parts to this question. First, as regards the use of law economic models are useful; however, it may be frustrating because you very often find someone who doesn't agree with the assumptions needed to build the model. And that can be frustrating if you go before the courts with the judge at the Tribunal of Commercial Court or Civil Court; the lawyers will point out the assumptions and at the end they will disregard the whole thing. However, now with the Competition Authorities it is much better because they have thought about that, and there are now some guidelines for building the models that you will use with the authorities; you have to share the data and, at the end, there is a much better degree of understanding and there is possibly a better chance of finding an agreement, at least on the models and the outcome of the models.

Secondly, if you look at it in a broader way, in this changing world, we see at the moment some sectors that were previously not really open to competition are now starting to open simply because technology permits it. For example, if you look at the taxis at the moment, without an iPhone you could not have the liberalization of the taxis, and it is very interesting to see how it all works to make it possible. Although we've been discussing it for a dozen years, now because you have capable smart phones it can be achieved.

4. So, in the end, there are different behaviours of the industries but these behaviours still fit within the economic models.

Yes, there is some convergence between economics and law. If you are a lawyer, you know the rules of the game, and it's very interesting if you complement this with an economist's reasoning, thinking in terms of

incentives. Because, for me, it is more or less like law; this is the rule of the game where you need to understand people's incentives and if these incentives are understood properly you may be able to understand what they will do, and that could be a kind of a rule, like the legal rules.

5. Have you ever come across a firm (client) that "accidentally" started an anticompetitive practice?

Yes, I can just tell you one case, giving no names, where a company that we had been working with for months and months, for the acquisition of the company for our client. After doing everything, like auditing the company, the day before closing we receive a call from the CEO, saying: "I would like to see you and your competition lawyer". We went to meet him and he explained to us that they were in a cartel for many years and that's it, the day before closing! As you can imagine, we had a very long night, deciding what to do, are we going to close? Are we going not to close? What are we going to do next if we close? That was a very difficult decision we had to make. I remember that night, eating in a restaurant and thinking, what the hell is this? How can we find ourselves in this situation right now? But in the end, we found a way to work it out.

6. It seems that, in legal terms, two sided markets are not really well defined. How do you deal with such topics?

We have cases with two sided markets and at least on our side we are clear on which cases fall into this category and which cases don't. This isn't always the case with the court. The way we try to explain to the court is to tell them: look at the incentives underlying the actors' actions, maybe without even mentioning the two sided markets or the theory. Trying to explain the incentives will perhaps make it easier for the judges to understand than going through all the methodology. You know where you want to go and you have the models, but you explain it with simpler words without referring to theory. Because, at the end, judges facing the company in front of them can understand the incentives of this company, because is part of what they studied long ago when they were training for their profession. ■

Interview With Gerard Gómez

Head of United Nations Office for the Coordination of Humanitarian Affairs (OCHA) for the Latin American and Caribbean region

By Laura Bermeo

Gerard Gómez has been the head of Colombia's United Nations Office for the Coordination of Humanitarian Affairs (OCHA) since 2012. Mr. Gómez was educated in social and economic sciences before obtaining a Master's degree in Logistics Organization. He worked with Médecins Sans Frontières for 13 years prior to joining the United Nations as a regional disaster advisor. In 2005 he was named Head of OCHA for the Latin American and Caribbean region, coordinating the response to big emergencies such as the Haiti earthquake in 2010. He has promoted the development of emergency preparedness plans in the region and is an active member of the U.N. Disaster Assessment and Coordination Team.



1. Would you provide us with some insight about the work you do at OCHA in Colombia?

The main function of the OCHA in Colombia as in other parts of the world is to ensure coordination of the international humanitarian partners. The OCHA office has a presence at the capital level and in 9 departmental offices in the most affected areas of the country. As head of the Office my role is to ensure that my team (45 staff) has a clear understanding of our mission but also the capacity to fulfill our mandate of coordination. From the many activities we do, let me highlight some of the most important. Data collection is one of the first phases of our work. We need to know: what is the problem, who are the people affected by the conflict, are they indigenous or Afro-Colombian? How many kids, pregnant women or sick people? Are they displaced or confined? The second phase is to analyze this information and use it in a way that will impact the decision makers. The third step is to ensure that we, the international humanitarian community, will in coordination with the local authorities deliver the humanitarian assistance that will make the difference for those people, affected either by natural phenomena (Colombia is a disaster-prone country, with earthquakes,

landslides, floods and tsunamis) or by the conflict. All those activities are developed by several actors such as UN agencies, international NGOs, donors, national institutions, the Colombian Red Cross and many others.

Colombia is twice the size of France, with 45 millions inhabitants. Every year an average of 200,000 people are displaced by the conflict, and one of the characteristics of this humanitarian crisis is the dispersion of people over huge areas. We don't face displacement camps of thousands of people as in other humanitarian scenarios. Most of the time we have to travel to very remote areas, in the jungle for instance, with a strong presence of armed combatants, to meet just a hundred people who fled from threats or are confined. Those hundred people are not in the first page of the newspaper, they are invisible. They are part of those 200,000 people that are annually displaced. Our responsibility is also to speak on their behalf, and make them visible.

2. What is your opinion about the five decade long conflict in Colombia, taking into account the current peace talks and a potential peace agreement with the biggest guerrilla of the country?

Of course I don't have a crystal ball, but my personal opinion is that the peace talks will likely lead to the signing of a peace agreement between the FARC and the government. That doesn't mean peace for the population. The construction of the peace will take time. There are a lot of questions related to the post conflict. For instance, one of the roots of the conflict is land access. Will the people of Colombia have access of those lands? In most of the regions with guerrilla presence there is an evident lack of development. Is the government ready to invest massively in those places? If not, what will be the options for people who have lived with guns in their hands? There are others actors such as criminal bands, not related with the FARC, who are not currently part of the peace talks. Even if the peace agreement is signed that doesn't mean those groups will stop their very lucrative narco activity. If we have peace, it will be fragile and will need everyone's efforts to become a reality. But there is optimism – well, I am part of those people who think it is better to try to have peace than to continue a war.

3. A humanitarian crisis can be caused by both natural disasters and complex emergencies¹. What are your thoughts on the reaction of the international community to the crisis in the Philippines and Syria?

You remember the Rwanda Genocide, the Kosovo war, the pacific tsunami or the Haiti earthquake. Those are just some of the big humanitarian crisis we have seen in the past 20 years. Now there is the Syrian crisis and the Philippine typhoon, they are the latest ones on this list. We should distinguish the political agenda from the humanitarian agenda. The humanitarian community made huge progress in assisting people. The way we are collectively responding to these major crises has definitively improved. Despite the way the media are covering these crises, many times showing only the chaotic aspects, we must recognize there are humanitarian people who take enormous risks to assist affected populations and with results. Just let me develop the case of Haiti, where I was directly involved. You may remember that the way this crisis has been



OCHA

United Nations Office for the Coordination of Humanitarian Affairs

described: lack of coordination of the humanitarian assistance, people living in unacceptable conditions despite the massive presence of hundreds of international organizations. That was partially true, but this should be mitigated by another point of view. Haiti was and still is the poorest country of the region, the capital was destroyed and with it all the institutions and logistical facilities. What would have been the situation without those international actors is a question that was never asked to me by any journalist. Some of the solutions are humanitarian, but the resolution of the problem at least for Syria is not in the hand of the humanitarian agencies but of the political ones. Sometime the public forgets this.

4. You are an economist; tell us, how did you get involved with humanitarian issues early in your career?

By choice, not by accident. It was a decision I made. I wanted to be part of something, not just watching TV. I

did many things when I was younger and one day I went to Medecins Sans Frontieres. It was in 1988. I thought that only doctors or nurses could work with them. In Paris, they told me that they were also employing logisticians. I passed the test and they asked me whether I was interested in going to "Salvador". At this time I was working in a very little village, internet was unknown, and I tried to find in a dictionary where Salvador was. I found Salvador de Bahia in Brazil, I found a singer and a painter, but not a country. The day after they call me to know whether I was interested or not. I said yes without knowing the details of this country. In fact I should have searched at E and not at S, because the name is El Salvador. This little anecdote is just to illustrate that I was really jumping into a new world for me. I had to learn new code of conduct. It was the first time I saw people killed, I was in the middle of a civilian war and maybe wasn't prepared for that. But something magical happened. That was my place

¹ There is a footnote in the EU Guidelines on the assessment on non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings concerning the market foreclosure effects of non-horizontal concentrations, §101 footnote 2).

to be without any doubt. Since then I have been definitely contaminated by this humanitarian virus.

5. In 2002 you joined the United Nations leading the humanitarian work in the region of Latin America and the Caribbean. Given your broad experience in the organization, what advice would you give to the TSE students wanting to work in one of the UN agencies?

The UN is a big organization. I work for the Humanitarian branch, but there are so many sectors such as development, education, children, agriculture, health, etc. To say I want to work for the UN is like to say I want to work for the State. The first thing to know is what you are good at. Are you a doctor, a logistician, a teacher? After, you should look at which UN agencies are closer to your field of expertise. In my case, I started by working with MSF at the field level as logistician. I didn't learn humanitarian action in the university. For almost 14 years I was on the field, responding to humanitarian crisis. That was my school. When I decided to work for the UN, my first consideration was not exactly the UN, but I wanted to use my humanitarian experience in the UN.

6. During your career you must have come face to face with a number of humanitarian emergencies. Is there an experience that was particularly difficult or upsetting? If so, why?

When you have spent 25 years of your life working in Humanitarian actions there are many stories and memories. It is extremely difficult to say this situation was more or less emotional, difficult, or full of optimism than this other one. All those experience are always related to people. I am a privileged man. If the situation become dangerous I can take

a plane (not always, but...), but the people who are living there cannot. They don't have choice. This is what I found the most difficult, the lack of choice. A young boy of Rwanda born before the genocide didn't make a choice; the same for those who were killed in other conflict, displaced by the violence. This is unfair. Whatever could have happened to me, it is indecent to talk about it simply out of respect for those people.

7. There is a strong research community in Toulouse that might be interested in this field. What would you say are some of the current needs and challenges of humanitarian research?

Information. The information management is a challenge. As I mentioned previously, to give an appropriate humanitarian assistance we need to have good information and adequate analysis. We need to reduce the space of interpretation and to have relevant research regarding the cause, the trends and the needs related to humanitarian crisis. At the Colombia level we have strengthened our partnership with universities. Our objective is to have a better understanding of the situation but above all to make the link between the academic world and our operational reality. A two hundred page report is useless for me if it doesn't help to make decisions to respond to the humanitarian needs of the people.

8. You were born in France but you have lived a significant part of your life abroad. What do you miss the most of your homeland?

My mother and my friends. Any other material things are not important, even if sometimes I miss good cheese and good wine. ■

Share your internship experience with
the fellow students. Write for **The TSEconomist**

HELLO
my name is

INTERN

Contact us at:

tseconomist@tse-fr.eu

or

the.tseconomist@gmail.com

or

www.tseconomist.com



TSE

TSE Alumni

ALUMNI NETWORK

The TSE Alumni website is a platform which has been developed to encourage exchanges between students, graduates, professors and professional bodies alike. It's a tool which reinforces the ideology of communication through networking.

So are YOU connected ?

The screenshot displays the TSE Alumni website interface. At the top, there is a navigation bar with 'Add', 'Administration', and language options 'EN | FR'. The main header features the TSE logo and the text 'Le réseau des diplômés de Toulouse School of Economics'. A navigation menu includes 'NEWS', 'AGENDA', 'DIRECTORIES', 'GROUPS', 'CAREER', and 'DISC'. The user profile for Audrey BERTHOMIEU is shown, with a 'My profile' dropdown menu containing options like 'Edit my account', 'My job offers', 'My groups', and 'Log out'. The profile details include 'TSE - Master 2 - ECONOMICS OF MARKETS AND ORGANIZATIONS (EMO) - 2012', 'Enterprise Risk Manager', 'Airbus SAS', and 'Administrateur, Alumni'. Below the profile, there are sections for 'Email ID and Password', 'Notifications by e-mail', and 'Lifetime email', each with an edit icon. A list of other users like Chen LI, Gregory RACHED, and Shahir SAFI is also visible.

What can you do?

1. Use your personal e-mail address to connect to the platform and activate your lifetime alumni e-mail. Otherwise you won't be connected upon your graduation.
2. Update your profile regularly, you can directly link your LinkedIn profile with just one click.

Website: alumni.tse-fr.eu



Alumni Testimony

Romain Salis, EY Advisory

1. What is your current position today?

I'm actually a Business Consultant in Toulouse with EY Advisory (EY is the new name of the audit firm Ernst and Young from July 2013 onward).

My work is divided in two parts. First, as the historical core business of the firm is auditing, I work with the financial auditors in the Information Systems department in order to ensure that the systems, which contain all the financial information, are safe and cannot be manipulated by inappropriate people (for those of you who do not know what auditing is, it is simply to certify the firm's accounts – i.e. to ensure that there is no manipulation).

The second part is pure business consulting, which means addressing firms' problems concerning their business (for example: data migration, process improvement, etc.) in order to improve their profitability.

2. What was your path from the master graduation to this current post and what are the key elements which helped you to make your choices?

I started studying economics in 2008 in the Toulouse 1 Capitole University. After the first two years, I chose to go to the TSE in order to improve my knowledge in economics. For my last year, I did the Master 2 Financial Markets and Intermediaries because I was very interested in financial economics. After this last year, I completed a six month internship at Airbus in the Enterprise Risk and Opportunity Management department.

This internship was a great experience and made me aware that the risk approach is one of the key success factors for firms nowadays. I completely agree with this approach and it reminds me of the beautiful microeconomics class in the TSE! I felt that this kind of mindset is crucial for firms and



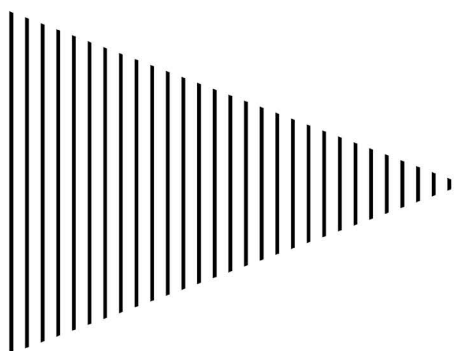
especially for audit and business consulting firms such as EY, where I have chosen to start my professional life.

3. According to your professional experiences, what are the most useful skills that you obtained during your degree?

The TSE provides us with a lot of advanced skills about plenty of subjects (economics, econometrics, finance, etc.) but I think that it mainly gives us a method and a high capacity for work and this is exactly what firms want. I chose voluntarily to gain some professional experience that was more business oriented than economics (private banking, for example) in order to apply my specific skills to the business. The TSE taught me not only to quickly understand the problems of the firms and the customers but also to answer it rapidly. This is for me one of the many strengths of our school.

4. What advice would you like to give to the TSE students or to the School?

Only two words: Work and Will. Give the best you have every day and you will succeed for sure! ■



Miguel Cardenas, OECD

1. What is your current position today?

I'm a consultant at the Environment and Economy Integration Division of the OECD. I work doing empirical analysis of the effect of different environmental policies on economic outcomes. So far, I've been involved in articles that analyse the determinants of private investment in renewable energy and the effects of environmental policy stringency in productivity and efficiency of power plants. My day-to-day work consists of data collection and preparation, doing and discussing estimation methodologies and drafting reports.

2. What was your path from the master graduation to this current post and what are the key elements which helped you to make your choices?

While doing my master's degree I decided that I didn't want to continue and do a PhD straight away. First, I was still not sure of my topic, and second, I wanted to have some practical work experience that would keep my feet on the ground. So, after finishing my master's degree and dozens of internship applications, I was taken on by the OECD to do an internship. After some late work days, I was hired as a consultant.

3. According to your professional experiences, what are the most useful skills that you obtained during your degree?

While being at the TSE I combined my study time with tutoring, and I say that explaining economic concepts to non-economists is a very important skill. Doing a 'memoire' was also a very useful experience, as I got to work with a very big database and I developed data-management skills. I also remember well the small seminar we had on Environmental Evaluation with Professor Henrik Andersson; discussing and presenting a paper (i.e. knowing how to give and receive criticism) is a necessary skill. From the courses as a whole I learned not to be scared of difficult papers, and to drill into the assumptions and debate them.



4. What advice would you like to give to the TSE students or to the School?

My advice is that first, presentation skills are very important; they can darken good research, and they are almost necessary in professional settings. Second, I strongly encourage doing empirical work; knowing how to work with difficult data will save you tons of time. Third, when applying to internships, address your applications to people (not the HR service); you'll have higher chances that your application is actually read. Fourth, do some tutoring: it will help your presentation skills, and it is always important to go back to the basics. And finally, read newspapers and magazine articles of the subjects you're interested in, keep it real. ■

Thibaut Roques, Nera

1. What is your current position today?

I'm a junior associate at NERA, an American economic consulting firm. NERA is composed of several different practice areas including Competition Policy, EEN (Energy, Environment and Network), Securities and Finance and Transfer Pricing. I work in the Paris office for the Transfer Pricing practice, although my latest assignment is in environmental economics.

Work during the last year has proven to be incredibly diverse. I've had to use economic concepts (mostly econometrics and game theory), corporate finance, and market finance; make industry analyses, study specific international regulations...

2. What was your path from the master graduation to this current post and what are the key elements which helped you to make your choices?

Shortly after I graduated from the TSE, I did a 7-month internship at the Boston Consulting Group (BCG), a strategy



NERA

Economic Consulting

consulting firm. The environment was particularly nice, but day-to-day work relied much more on soft skills than on scientific theory. I really missed the intellectual challenge you find in economic studies: economics is such a fascinating and endless topic!

It then seemed quite natural to apply to economic consulting firms.

3. According to your professional experiences, what are the most useful skills that you obtained during your degree?

In my opinion, three main set of skills actually matter: (i) a good general knowledge in economics and mathematics (especially important in order to make sure you speak a common language with other economists); (ii) rigor; and (iii) intellectual curiosity (arguably the most important).

4. What advice would you like to give to the TSE students or to the School?

One advice to students: take the time to choose your career path while you are still studying. It is a real challenge to start thinking about your career while you have to study hard, but from my own experience, TSE professors and TSE alumni always have great insights about the job market (this should, however, not be the source of too much stress: the TSE is well-known amongst the firms and organizations that should be the most interesting to you!)

My only message for the school would be to go on with the same spirit. I feel really grateful to the institution and in particular to the professors I had during the year I spent in Toulouse! ■

Message from the Alumni Association:
TSE Alumni key achievements of 2013
and key objectives for 2014



Key Achievements:

- Launch of the TSE Alumni web-site:
<http://alumni.tse-fr.eu/>
- Social events in Paris
- Development of Social Networks: Facebook page & group and LinkedIn
- Alumni e-mail address: @tse-alumni.org
- Welcome M2students to the alumni network
- Annual general meeting and Dinner
- Business Networking Day participation

Key Objectives:

- Effectiveness of the web site. Use of social networks to engage students
- Increase number of local events (Paris and other locations)
- Improve links with other student associations to help TSE Alumni to be more visible among current students.
- Prepare the new graduates for the job market and welcome them to the alumni network.
- Increase the TSE Alumni presence in companies
- Continue to contribute to the Business Networking Day



<http://alumni.tse-fr.eu/>

Internship Reports

Philine Schuseil, Bruegel

1. What was your role during your internship?

Bruegel is a Brussels-based economic think-tank. They aim at improving the quality of economic policy with open and fact-based research, analysis and debate. Bruegel's membership includes EU Member State governments, international corporations and institutions.

I supported three researchers writing a report on the role of the European Parliament in the European Semester. The European Semester is the first phase of an annual cycle of economic policy guidance and surveillance by the Commission. This allowed me to deepen my knowledge about EU politics and institutions and in particular about budget mechanisms.

I also helped another researcher for a policy contribution on growth in Europe. This allowed me to work with data. I did econometrics using structural indicators of Member States, but also carried out literature reviews and wrote some parts of the paper.

What I highly enjoyed was contributing to the Bruegel Blog. I published blogs in the form of reviews of German public debates or EU relevant policy issues. In 2012, the Euro debt crisis was very intense and I published reviews on related topics, such as the German view on a possible Grexit or on debt mutualisation ("Eurobonds").

Furthermore, I had tasks depending on the day-to-day needs of the researchers. This included research on IMF programmes in the 1990s during the Asian and Argentinean crisis, data collection, translations, literature reviews, and write-ups of meetings.

I could participate in many events on economic and political topics. Bruegel is regularly hosting events with speakers and participants with backgrounds in academia, business, government and civil society. Listening to and meeting with high-profile economists was a real highlight.



2. How did this experience tie into your studies at TSE?

I did my internship after completing my undergraduate degree at Humboldt-University prior to coming to TSE in order to acquire working experience in an international environment and to work for the first time in economic research.

After this internship I was highly motivated to pursue graduate studies at TSE. I realised at Bruegel how important economic research and analysis could be outside of academia. The insight that rigorous and data-based analysis was an important policy-making tool reinforced my aim to acquire a MSc in Economics at TSE.

However, a deeper understanding of statistics and econometrics including the use of statistical software would have been useful during my internship. This is why I chose M1 electives related to statistics or statistical software. Particularly useful would have been "Multivariate statistics". I can just recommend taking these electives, you really need them.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

Students currently enrolled in graduate programmes in economics can apply for a period between 3-6 months. You can apply online (<http://www.bruegel.org/careers/>) by submitting a cover letter, a CV, an academic transcript and optionally a research sample. The procedure is simple and you need to have an interview with two fellows (in Brussels or via Skype) once they are interested in your application.

I recommend applying. It is very rare for interns to have the opportunity to make a real impact. However, this is possible at Bruegel as it is a flexible and small organisation.

Moreover, working in Brussels is a great experience not only because of the closeness to the EU institutions – the city is very enjoyable to live and work in. ■

Arnaud Amaury, Natixis

1. What was your role during your internship?

I was interning in the Coverage & Advisory department of Natixis within the wholesale bank from June till end of September. My main goal was to create the briefing memo for the top management to provide to the general assembly of the IMF. So it consisted in performing financial analysis, analysis of Net Banking Income, and analyze the exchanges that Natixis has with every single counterpart they were going to meet at the assembly. These are mainly banks, central banks, government or sovereign wealth funds. In total I had to work on more than 250 counterparts, in collaboration first with my team, and with senior bankers located all around the world. I was also attending weekly meeting with my team so that I had the opportunity to discover some of the managerial issues of investment banking.

2. How did your experience at the TSE help you on the job?

My experience was valuable in the sense that it gave me critical thinking and analytical skills that you replicate in every circumstance. But my exchange year in Amsterdam was more helpful since it helped me to gain financial knowledge, especially in corporate finance, TSE courses being more



focused on economics.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

I applied directly on Natixis's recruitment website, then got a phone interview, and then an interview in Paris with my future manager and a senior relationship manager of the department.

Try to gather as much information as you can on the company you are applying for, and follow closely the news of the industry you are interested in, especially for investment banking. Otherwise, if you are very motivated, ready to work hard and to spend your summer working I strongly advise you to do apply - Natixis hires plenty of interns all along the year, either in CIB, Asset Management, or Risk! ■

Laura Bermeo, United Nations Office for the Coordination of Humanitarian Affairs (OCHA) - Colombia

1. What was your role during your internship?

OCHA is the U.N. office responsible for bringing together humanitarian actors to ensure a coherent response to emergencies. This mandate is delivered through 5 areas of work: coordination, policy, advocacy, information management, and monitoring of humanitarian funding. Honestly, I hadn't heard about OCHA before, but I felt lucky of doing my internship here because I worked for 5 months in the information management unity, which allowed me to learn

how to use/consult the different platforms and tools designed to collect, analyze and share the information about the humanitarian situation of the country. I was particularly in charge of collecting and updating the events on natural disasters in the country. Also I collaborated with the efforts of the Humanitarian Studies Institute (HIS), an initiative aiming to close the gap between the different humanitarian actors in Colombia (NGO's, Academic Community and UN system) through research, advocacy and capacitation.



2. How did your experience at the TSE help you on the job?

I've learnt most of what was needed for my internship's tasks "on the road" or through training. However it was very useful for me to have knowledge of data set management



mainly in Excel, something I had done before while working as research assistant in TSE last summer.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

I found out about it while searching for internship opportunities on the web, I sent my CV and soon after I was called for an interview. I knew I would love to experience and become familiar with the work of an agency of the U.N., and I think in my case, my motivation and knowledge of languages was valuable. Therefore my advice would be to think carefully in which kind of company/organization you are interested in and be insistent. You may receive some negatives and an eventual positive response. ■

Juan David Gomez, Inter-American Development Bank

1. What was your role during your internship?

The IDB is a multilateral institution whose purpose is to support Latin American and the Caribbean countries in their efforts to reduce poverty and inequality, working for development in a sustainable and environmentally friendly way. The Bank is one of the main sources of development financing for the region and counts more than US 100 billion in capital, where less than 5% is paid in, and the remaining constitutes the callable capital that backs its bond emissions to finance operations. I worked for the Risk Management Office in Washington, DC where the headquarters are located. The Bank has also offices in different countries throughout the region.

My main responsibility was to develop an analysis framework and tools that allow us to take an alternative look at sovereign credit ratings' determinants and dynamics in the context of the IDB's borrowers. Credit ratings and their respective transition matrices are normally used for pricing purposes as they allow you to compute the distribution of default probabilities. Nevertheless, in the particular context of the Risk Management Department of the institution, default probabilities and transition matrices are rather used for the monitoring of the capital sufficiency through different ratios specified on the Capital Adequacy Policy of the bank. With a rigorous and forward-looking monitoring of these measures, the IDB can preserve high Credit Rating, crucial to maintain low rate lending policies without jeopardizing its long term sustainability.

2. How did your experience at the TSE help you on the job?

I did this internship right after the M1 in Economics. For part of the project, I had to use some econometric models, namely linear and logistic methods that we had covered during the year. Of course, data was not as perfect as the one used during the tutorials, therefore, adjustments, creativity and advice were required.

There are some other relevant skills that you should develop outside the classroom and TSE has some space for that. Attending a Business Talk on a subject that is not necessarily



of your interest can teach you how to better structure a presentation (or how not to!), how to develop an idea or how to turn complicated stuff into a simple example. There's always something to learn from an experienced speaker. You may even discover new professional interests.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?

I got the internship by applying online and then passing an interview with a Chief and a Senior Analyst in the department. As you probably know, and as it has happened to me a few times, online applications to international organizations tend to get lost among thousands of others, but give it a try, it may work one day. The Bank offers internships in several departments and you're allowed to apply to a maximum of three.

The internship programs take place twice a year, during summer and winter and lasts for two months unless extended for a third one by request of your supervisor. In order for them to be able to sponsor your working visa you must prove that you'll be going back to finish your academic program, therefore, these internships are ideal for M1 students, M2 students that are about to start the PhD, or PhD students who I would recommend to apply to the internships offered by the Research Department (RES). ■



IDB

Inter-American Development Bank

Company Presentation

Andrada Bilan, Frontier Economics

1. Could you please introduce your company?

Frontier is a leading economic consulting firm. We help our clients make better decisions and build their best case by combining economics with innovative thinking, quantitative analysis and common sense. We work on the most topical issues across a broad array of sectors including energy, telecoms, financial services, health-care, transport and water, post and media. Our main office is in London, but we are also based in Cologne, Madrid, Brussels and Dublin.

A project at Frontier would typically involve assessing a new regulatory framework and its implications for a regulated operator's business, providing economic advice to companies considering a merger or who are involved in cartel investigations, improving the design of energy markets, or working with large companies who seek to reshape their future strategy.

2. Back in November, you attended the Business Networking Day at TSE. What brought you to our school? Why do you think our students and recent graduates should apply for a job at your company?

There are several TSE alumni already working at Frontier. We believe that the TSE equips students with all the tools needed to become successful economists, capable of working with



our clients and helping them to address their problems. Given the type of work that we do, we seek students that have an in-depth understanding of microeconomics and applied econometrics, coupled with an ability to apply their knowledge to different industries and project frames. While we offer support in developing consulting skills, being a good economist is a necessary condition to join us.

3. What kind of jobs does your company offer to economists and what are the required qualifications?

Typically, we would be looking for students with at least an M2 degree in order to fill our entry-level permanent positions. However, we also offer several internships which are open to undergraduate and M1 students. ■

Philippe Lazzarotto, GDF Suez



1. Could you please introduce your company?

GDF SUEZ is a major global actor in the energy sector with three great leadership positions in electricity independent power production, in LNG (liquefied natural gas) and in energy efficiency and environmental services. What sets our Group apart from its competitors is certainly its business model, balanced as much in energy mix (renewable energies, natural gas, nuclear,...) as in markets (individuals, businesses, industries, cities,...) and geographical areas (GDF SUEZ is active in more than 40 countries). Another very important characteristic is that our strategy is based on sustainable

development and we intend to be a major actor in the energy transition that will take place. GDF SUEZ's identity is defined in its motto. "By people for people", and this vision relies on an entrepreneurial culture to innovate and adapt rapidly to changes.

2. Back in November, you attended the Business Networking Day at TSE. What brought you to our school? Why do you think our students and recent graduates should apply for a job at your company?

There are huge challenges to address and I know that these

issues are at the center of studies and research here at TSE; of course the expertise and competencies of economists are of great value in anticipating value migrations and choosing whether to invest in different assets. GDF SUEZ has a very strong relationship with TSE since its creation regarding its contribution to the renewal of economic thought. The energy sector is driven by strong and opposite forces to satisfy the energy needs and fight against climate change and all environmental impacts; it takes huge investment outlays to address challenges today and tomorrow, and first we have first to figure out scenarios for the future, assess opportunities and risks and then mobilize our resources to satisfy energy needs, guarantee energy supply and contribute to fighting against climate change.

3. What kind of jobs does your company offer to economists and what are the required qualifications?

Being an industrial Group, GDF SUEZ mainly recruits young engineers and technicians to conceive, realize, operate and maintain power plants and deliver the best energy and environmental services to its clients. But we also need to recruit the highest caliber young graduates for the steering and support functions at the corporate level, business line level and business unit level. We usually offer very interesting positions to young graduates with economics degrees in Energy Portfolio Management, Energy Risks Management, Trading, Energy Assets Optimization, Energy Consumption Modelization... A firm knowledge and understanding of energy markets is often required for a job in that field but we also have many internship offers that will interest TSE students during their M2 year and that will give them that experience.

Fonteneau, Soft Computing

(Data Mining Consultant in the Marketing Service Department of Soft Computing – in charge of university relations)

1. Could you please introduce your company?

Soft Computing is a consulting and specialized service company in Customer Relation Management (CRM), Business Intelligence (BI) and e-Business. The company counts about 400 consultants and offers consulting, technology, and marketing services for the Business Unit department (“Direction Métier”) and the IT departments of its clients, principally with major clients. For each of its specialities (CRM, BI, e-Business), Soft Computing offers its clients leading-edge skills which cover the set of functions and processes and which rely on the leading technology in the market. This unique integration from “upstream to downstream” (or from the source to the end-user) makes us a global partner for our clients for all the life cycle of their projects. In the Marketing Service department, the Customer Insight business unit consists of 60 people. The department undertakes statistical studies to provide operational responses to the marketing issues of their clients (building customer loyalty, recruitment, attrition, value, life cycle, appetite, forecast...).

2. Back in November, you attended the Business Networking Day at TSE. What brought you to our school? Why do you think our students and recent graduates should apply for a job at your company?

Our Marketing department has worked for several years with students that have undergone training in Toulouse, and who have been integrated in our project teams. The quality of their work is the main reason we participate every year in the Business Networking Day. Your training at the TSE meets Soft Computing’s needs. We are often looking for recent graduates or for graduates with one or two years of working experience as a dataminer, who want to get involved in the entire value creation chain of a datamining study. They step into the concrete realization of studies ordered by our clients.

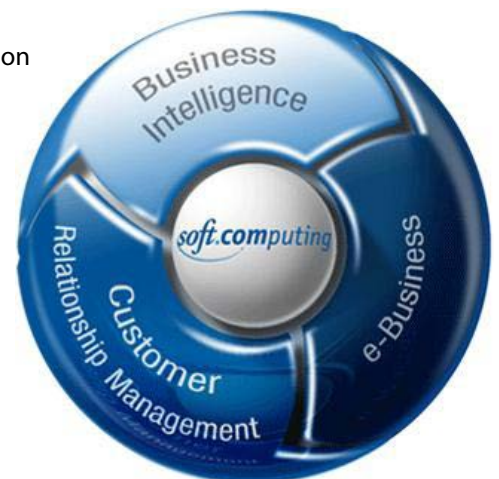
3. What kind of jobs does your company offer to economists and what are the required qualifications?

The steps of a project at Softcomputing are generally the following:

- Data collection (Data Bases and/or questionnaires)
- Auditing of the data (occupancy rate, relations between tables...)
- Creation of relevant indicators and marketing depending on the domain in question
- Descriptive statistics to lend a global view of the environment in which we work
- Establishing of a model
 - o Attrition/ propensity scoring: logistic regression or decision tree
 - o Classification: Correspondence analysis , classification, decision tree
 - o Adjustment methods, significance tests
- Editorial phase: creation of the report with a project manager

We are looking for people, who

- Are dynamic
- Appreciate team work
- Want to develop in a stimulating context
- Are sensitive to the issues of client relations
- Are attracted to implementing their statistical knowledge in marketing. ■



BDE Note



BDE · TSE
École d'économie de Toulouse

By Mohamed Khafagy

Hi everybody! First of all, thank you for this amazing Gala! The BDE staff hopes that you enjoyed a really nice evening. Let us now remind you of some events from this year, which is quickly ending.



The **Halloween party** took place at the Coup d'Etat. Congratulations for your motivation and for your participation in the costume contest, you were very imaginative!

Just to recall, the winners of the contest were these three goddesses. The TSE's all-star jury members (Thibault, Jean-Baptiste, Valentin, Nils and Alexandre) set up four criteria which were Halloween theme, originality, realism and effort put into it and they had to choose five disguises. Those finalists were elected by the applause meter. According to TSE jury members and



all of you, the three goddesses best respected the criterias. PS: Next year, we will try to have some women in the jury... ;-)

TSE's Afterworks

This year, we especially wanted to organise many afterworks aiming to promote school life. These events were a good opportunity for students from each class (L3, M1, M2) to meet and hang out a few hours in a nice bar close to the Capitole square, Les Polissons. It was a success since at every afterwork a lot of people, both students and administration showed up!!



The ski weekend

Even if the weather was not as good as expected, we still spent an awesome weekend! Everybody was highly motivated and partied a lot!! Some people learnt how to ski for the first time. We would like to thank people who took time to give some lessons (Perceval, Marion, Juan and Jean-Baptiste). Thank you all for your good

conduct over the weekend as well as for the good atmosphere that has prevailed in the bus and in the hotel, Les Mouflons.



Gala

And to end on a high note, you made this TSE Gala magnificent. The girls were elegant and the boys very attractive, all this against a backdrop of wonderful decor. We congratulate once again the big winners of the TSEconomist's contest. We hope that the Gala 2014 was at the height of your expectations, and you spent an excellent year in the Toulouse School of Economics.

We wish you good luck for your exams!! We await you next year for the integration weekend and to welcome the new team of BDE staff. Coming soon, the teaser of the WEI... And if you want to show off during your internship, don't forget to buy the new mugs before leaving TSE. And FYI there are still some sweatshirts left... Enjoy your holidays and see you next September for a new year! ■

—BDE Staff

(Pauline LOUIS, Iris FLORIN, Mohamed KHAFAGY, Floriane PRADINES)

Junior Etudes Note



The long way to the label

By Léa Quenesson

The several posters in the school, e-mails on moodle and publications on social networks have made it highly unlikely for you that you've missed the recent recruitment drive of the TSE Junior Etudes. Applications were far fewer this semester compared to the previous one; because of internships and other clashing timetables, most students find it hard to get involved in the association. In this context, we can only appreciate that about twenty people have shown themselves eager to join the association, as active members or as contributors. Enthusiastic students were interviewed and trained for their future posts, in order to create the most reliable team.

The arrival of eighteen newcomers puts an end to a reshuffle that had become a necessity, and opens up new horizons for the association. And after a first qualified semester, Junior Entrepreneurs officially made a fresh start on February 20th. The new office was elected and is now chaired by Elodie Guihard and vice-chaired by Marin Novitchi. The handover was formalized in a festive evening one week later: the association offered its last meal to resigning members while it offered its first one to the incoming ones. Now twenty-two active members have to put a lot into their new roles and their involvement will constantly be tested... There is no such thing as a free lunch!

Each division manager has recently redefined its objectives



and the means to achieve them in the long-term, which is monitored through a weekly gatherings. These guidelines come with a major challenge: The transition of the association into the label of Junior Enterprise! Now that the audit is finished, the junior entrepreneurs are determined to take auditor's advice. They will have the opportunity to evaluate the processes they have been through on March 15th in Bordeaux, which will host the Congrès Régional

de Printemps and the Assemblée Générale des Présidents. The motivation and commitment of fifteen of them will be tested with the expectations of the CNJE, and perhaps lead to the long-awaited transition to Junior Enterprise.

But whatever the outcome is, they know that their efforts will not be in vain and that the strategies they are setting up for the future can only benefit the proper functioning of the association. And with or without the label, being a member of TSE Junior Etudes remains above all a chance to discover the entrepreneurial and association life. ■



TSEIC Note



TSE-IC
International Connection

By Shuyi Wang

This time, TSEIC team takes you to discover some local labour markets, which may give you ideas for your internship! We did a little interview with our local managers; let's see what they say about the labour market in their home country.

Anna Giugliano, Italy Manager :

The journey from education to employment

In Italy the rate of unemployment among people between 15-24 year olds is 41.6%. According to a survey by the EC Italy is among the first four European countries encouraging and supporting students in their decision to continue their academic studies abroad. A natural question arises: Why do they not come back, and if they do so, why are they not able to find a job? They assumed answers seems to be related to the economic crisis. The truth is slightly more complex, the problem is that there is a lack of communication between the education system and employers. This is what emerges from a study titled "Education to Employment", conducted by McKinsey for the EC. The gap is tangible: on the one hand 47% of firms looking for employees state they are unable to find young people endowed with the skills they are looking for, on the other hand 72% of Universities declare that their students are indeed endowed with the right abilities.

Ilektra Kocheila, Greece Manager :

Why would an economist choose to work in Greece?

Greece, currently on the verge of exiting a five year recession, during which the country lost a quarter of its income, and struggling to cope with the harsh austerity measures imposed by its European lenders, is still at the center of the debate as to whether the policies imposed by the IMF-EU program were the right composition. With the highest unemployment rate in the EU, Greece does not seem a very appealing place to work. However, staying in Greece offers a unique opportunity to witness one of the most important economic and political experiments in the modern world, namely that of a country reforming all aspects of public life in a tight time schedule. The numerous conferences held regarding the Eurozone crisis, are food for thought on policy issues in a changing environment. Internship opportunities are numerous and Greek people, who are hard working (according to Eurostat data and contrary to populist perceptions) and highly educated are characterized by their friendliness and hospitality and have a very good command of the English language. Greece offers an immense range of unique experiences for your everyday life. A place of culture, art and sciences and the birth of the western civilization, it combines the ancient with modern. Greece has more archeological museums than any country in the world and Athens possesses the highest number of theaters relative to its population in Europe and a very vibrant restaurant and bar scene. With more than 250 days of sunshine and a very good quality of life. For someone seeking to see the good side of life one thing is certain! You will enjoy life in Greece with or without the economic crisis! For Greece, which in the past has successfully overcome great difficulties, *Ars longa, vita brevis!*

Guillaume SALHA, Canada Manager :

Best opportunities for employment in Canada

Without a doubt, Canada may be one of the best choices for you! Canada has growing labour market and specialists in many fields, so professionals are currently needed by employers currently need professionals. The unemployment rate in Canada is around 7%, which is lower than in France. It proves that there exist a lot of opportunities, especially in two biggest central business district of the country Toronto, predominantly English speaking, and Montréal, predominantly French speaking. Most jobs require some knowledge both in French and in English, but it also depends on the province. In the same time, the quality of life is very high, and it is a multicultural and diverse society living in a safe harmony of all nations. If you want to discover the North American culture, very friendly people and an amazing country, do not hesitate!

Yu ZANG, China Manager (new member in TSEIC) :

Foreign Interns Head to China

If you are a student that is keenly aware of the importance of work experience in a competitive job market, then never disregard China! China has opened a gateway to a whole new world of revolutionized products and services, making it one of the most frequently visited countries for career-orientated graduates. The job market in China has skyrocketed recently due to the expansion of various industries that welcome students from abroad to share their knowledge and skills. Working as an intern here is certainly an eye-opener and a great stepping stone towards working responsibly and independently in your preferred career path. China is a fascinating place in which to work and live, culturally, linguistically, and socially. Some companies, such as CRCC Asia and Absolute Internship, offer internships every year in a wide range of industries, from Law to Design, to Business and Finance, in Beijing, Shanghai, and Shenzhen, etc. So take on the challenge and go experience an internship in China!

New recruitment

The new recruitment for the TSEIC is beginning! We would like to expand our team, so we need you! We are looking for motivated students who are interested in being our local managers for developing the network of TSE. The advantage of this post is not only getting a leadership experience, but also once graduated, possibly the local manager in TSE Alumni, which can bring you a good way to keep and develop your personal network. In addition to this, we are always looking for more active members who have good organization's and communication' skills. Don't hesitate to contact us if interested!

Business Talk

The TSEIC hosted its first own Business Talk conducted by students on 12th march 2014! This Business Talk focused on the economic situation and the relation between Chinese politics and its economy. Students provided credible economic information and faced a very curious audience! ■

School Administration

Interview with Laurence Delorme

By Camille Thomas & Justine Feliu

1. Why did you choose to work at the TSE ?

I just applied for a job at the University Toulouse Capitole 1. The Toulouse School Of Economics was not born yet and I was in charge of the M2 in Economics that reported to the doctoral school. We worked independently and there was only us in the Manufacture. It was during the 2007 school year and at that time we were in the F building. We worked together with the doctoral school and the M1 in Economics people. When the Toulouse School of Economics was created in 2011, all of those sections merged. Then we became officially part of the school.

2. Could you describe a typical day at the office?

First of all I would say that it depends on the period. The start of the school year is a special time. We welcome students and we try to spend time with them as much as possible. As you know almost 70 percent of M2 students come from foreign countries. They discover a different world. Our role is to inform and help them either about their school year or about daily life in Toulouse. For instance we can provide them with useful contacts for housing. Then we have to organize schedules, midterm and final exams for each semester, rooms' reservations, etc. It's the main part of our work. A lot of things are added to our work. For example there is a person who is in charge of the TSE's website. We work together because we have to provide her a lot of information about syllabi or changes concerning M2 programs. Moreover, we are the link between teachers and students. We take pleasure in supporting students and we always try to be up to see them. There is no denying that answering their questions is part of a typical day at the office. We go out of our way to get the grades too. And at this time, we are always disposed to help students who failed their exams.

3. How difficult is it to coordinate so many master programs and classes?

It is very difficult, for sure. There are a lot of courses offered in the Master 2. And unfortunately a week is only composed of five working days. We have to organize reliable schedules while taking into account that there are electives and joint courses. Students from the same program must have the possibility to attend all of the classes they want to. Moreover, we have to determine when teachers are available. Most of them are researchers too so they often travel or give lectures somewhere else. It is important to satisfy everyone!



Laurence Delorme, in charge of the M2 students

4. Next year there will be only one doctoral master - the Master 2 Eco-math. How will your tasks change?

Obviously it will be far easier for us. The fact that there will be only one doctoral program will help us to organize schedules. Doctoral track courses will be available only for students who follow the M2 Eco-math and they will still have the chance to choose electives from other masters. Every year we still have some students who give up with the doctoral track and there is always a possibility for them to switch to the standard

one. You may not have noticed, but it's kind of our daily brain challenge!

5. How have your tasks changed during the last year as new structures have been created?

We had to learn to work with a bigger team in order to coordinate programs ranging from L1 to PhD requiring lots of self-management. Such a change also allowed us to combine advantages from a school and those from a university. Since we already had some experience we knew what to expect. Proximity with students is one of the many benefits for example. Research has become very important but we also observe the development of the professional side that we did not know much about, being more focused on the academic side and research, but the work remains the same.

6. You have met many students from all over the world. What is the feeling when interacting with so many students? Do you have any specific memory of an event that you would like to share with us?

The TSE is very cosmopolitan, both students and staff are really lucky to have this. Indeed, I have an anecdote about an American student who wanted us to taste some cookies he had prepared. However, other students noticed him when they were coming out of classes, and the following days we knew a parade of dishes from different countries in our offices and tasting them. Besides that, we try to listen to students, inform and help them in case of problems. Beyond the formal administrative aspect of our work, it also offers us relationships and proximity with students that we really appreciate. Such proximity is great with French as well as with foreign students and it is all the more enjoyable to be aware of the future of students. ■

We would like to thank Laurence Delorme for her participation and kindness. Feel free to bump into her office and bring some dishes from your country. (NOTA BENE: this will not ensure you to get into your favorite M2, we already tried...)

IAST Distinguished Lecture in Social Sciences:

Interview with **Walter Scheidel**

By Justine Feliu, Sabine Gerdon and Antoine Lacroix

The third lecture for the Institute for Advanced Study in Toulouse was given by Walter Scheidel, a classical historian from Stanford University. “The Origins of Inequality” was the topic of his interesting talk, in which he spoke about the evolution of resource inequalities from the Stone Age to the present. Scheidel studied at the University of Vienna in Austrian Ancient History and then became professor at University of Graz (Austria). In following years, he taught at the University of Innsbruck, the Ecole des Hautes Etudes en Sciences Sociales in Paris and at the University of Chicago, among others.

In the following interview he will give us more insights as to how economists and historians can work together how inequalities shaped human history.

1. A lot of the students and researchers who attended your lecture have a background in economics. Do you often give speeches in front of such an audience?

Not as often as I would like to, although perhaps that will change in the future – at least I would hope so. There are a lot of artificial divisions between disciplines. We all tend to get wrapped up in our own small academic worlds, going to talks by people from our own field, reading their work, hanging out with them at conferences. Economists in particular should be aware of the law of diminishing returns: isn't it easier to



learn something new from going to your first lecture in a different field than from going to the umpteenth lecture in your own? The IAST Distinguished Lecture series is a step in the right direction.

2. The IAST Distinguished Lectures in the Social Sciences bring together researchers from various fields. What do you think can historians learn from working with economists and what can economists learn from historians?

Historians can learn a lot from economists, and from social scientists more generally, when it comes to clarity and sense of purpose. It is rare for historians to worry very much about coming up with testable hypotheses right at the beginning of their projects (or at any time, for that matter), or about the significance of their findings, or about questions of causation. There has been a trend toward celebrating complexity and contingency for its own sake, but ultimately this cannot take us all that far. It is true that historical realities have always been tremendously complex, but that's exactly why we need to develop broader models and arguments that are actually falsifiable and that others can build on. As for economists, economics as a field used to be much closer to the study of history than it is today. The rise of quantitative approaches and formal modeling may have detached the discipline a little too much from the rich (and inconveniently confusing) evidence that has survived from the depths of historical time.

3. Inequalities are a great concern for many policy makers. Do policy makers sometimes approach you to learn more about lessons of the past that can be important for future policies?

Not really, or not yet, but my research

on this topic has only just begun. I attended a meeting of the World Economic Forum a little while ago and found that there are plenty of questions that benefit from dialogue between policy makers and scholars.

4. In your talk, you said that there has always been inequality among humans, even in the stone age, and that the accumulation of wealth only made this inequality greater. Do you think that inequality is a natural phenomenon which is impossible to overcome?

At the end of the day, humans are the product of natural selection, and as such they are bound to compete for scarce resources in order to enhance their own 'fitness' – not necessarily by having lots of children but certainly by craving goods that would in principle be of value in raising their chances of survival and their reproductive success. People will certainly cooperate (a lot!) in order to achieve their goals, but competitiveness is always part of the game. Once prehistoric people settled down to farm the land it became much easier not only to accumulate material possessions but also to pass them on to the next generation. There are now computer simulations that show that under these conditions, even if you start out with a perfectly egalitarian society, imbalances in wealth and income will inevitably emerge over time. In theory it is not impossible to overcome this trend by continuously redistributing resources from the wealthy to the less fortunate, but in practice there are limits to this process: overtly socialist systems have not worked very well, and the fact that states have developed over thousands of years to serve the interests of powerful elite groups at the expense of everybody else means that the institutions that we have inherited are not particularly

conducive to this kind of ongoing leveling of inequality. From this perspective, it is actually remarkable just how redistributive many modern countries have become: for the first time in history it is now possible to vigorously uphold private property rights and sustain an expansive welfare system at the same time. This goes a long way in mitigating the social consequences of inequality, but it cannot – and arguably should not – prevent it altogether.

5. In the wake of the financial crisis many people, especially in France, predicted that this presentation of inequality in society would lead to violent fights for equality. We did not really observe that. Do you think that inequality by itself could trigger uprisings and are there historical events in which we saw that happening?

That is a question that has occupied academics for some time. It used to be thought that inequality increased the risk of ending up with civil war, but the most recent studies I have seen are not so sure any more. But insofar as inequality leads to the immiseration of significant parts of the population – as for instance in France prior to the French Revolution – violent responses do become more likely. A large part of the reason why we have not seen any violent fights for equality in western countries may be that violent behavior in general has continuously declined in the recent past. As people adapt to more orderly, peaceful and de-militarized environments (Europe since 1945 is a prime example), violent resistance becomes a less plausible outcome. It remains to be seen whether this process will help sustain – and in a way protect – rising levels of inequality in the future. ■

More information and the whole lecture can be found on: <http://www.iast.fr/3rd-iast-distinguished-lecture>

The TSEconomist presents...

Teaching Awards 2014

By Christopher Sandmann and Sabine Gerdon

The TSEconomist once again prepared itself to crown the students' most beloved and inspiring teachers, and, now in its second year, launched the awards under raving participation.

Over 300 L3 and Master's students went online to vote for their favourite professor and favourite teaching assistant, and had nice comments to share about their experiences with their teachers.

The TSEconomist Teaching Awards are an initiative by the magazine to give students the possibility to say thank you to the person whose class they most enjoyed being in, acknowledge their outstanding expertise and amazing passion for teaching or share their great humor and fetching personality.

This year we changed things a little bit to give a fighting chance to those teachers who get fifty percent of their participating students' votes but yet have class sizes too small to win a landslide victory in terms of sheer numbers. Also, we found L3 votes quite close with two very motivated and motivating teachers chosen, so much that we decided to give an award to both.

Additionally, many students left these nice comments, well reflecting the range of good teaching at the TSE. Of course, we are quite happy to share the love in this issue by printing some of them!

It is great to see how people around the TSE are so positive about their environment, knowing that courses can be tough and the next exam not always the easiest. Whatever made students vote for their favourite teacher, it was done to honour the work of the TSE professors and teaching assistants who are doing an enormously important job. And we think we all agree on that-- they greatly contribute to make the TSE the wonderful place it is! ■



Mar Reguant



David Alary



Ananya Sen

Teacher of the year L3 (Eco): David Alary
TA of the year L3 (Eco): Jean-Luc Volery

Teacher of the year L3 (Eco-Math): Stéphane Villeneuve
TA of the year L3 (Eco-Math): Julie Lassébie

Teacher of the year M1: Bénédicte Alziary
TA of the year M1: Ananya Sen

Teacher of the year M2: Mar Reguant
TA of the year M2: Alban Moura

A selection of students' comments...

David ALARY: He is very clear in his explanations and answers to all the questions.

David ALARY: David Alary is the most professional, most correct and talented professor in economics. His every lecture, with no exceptions, were brilliant, interesting and motivating. I can't think for another professor who would deserve this title more than him.

Elodie ALET: She is so attentive to the needs of students and soliciting them during the class. Always dynamic, smiling, available and encouraging! We can feel that she enjoys teaching the class.

Bénédicte Alziary-Chassat: The best! Her kindness and she is clear and understandable and does everything for the success of her students!

Bénédicte Alziary-Chassat: Even though the class was probably the toughest elective course of the whole M1, she helped students a lot even for the easiest exercises.

Jean-Paul AZAM: I enjoy his class! He is so passionate about his course and takes time to explain details.

Jérôme BOLTE: Because he is great, I can listen to him 24 hours!

Irene BOTOSARU: In class he was always very clear; it really seemed like he mastered the topic perfectly. He was also happy to stay after class to answer questions, and provided us with excellent typed correction which I found extremely useful.

Luc BRIDET: Bridet gave us a good course in microeconomics which help me a lot.

Catherine CAZALS: Great courses. Clear explanations.

Sylvain CHABÉ-FERRET: His passion for the subject is motivating and contagious! Great prof!

Sylvain CHABÉ-FERRET: He has a passion for teaching and clearly cares about getting the students to understand the content of his course. I think, the topic of his course is vital for economists but so often neglected. Good job!

Auriol EMMANUELLE: Emmanuelle

Auriol is smart, fun, and one of the nicest person at TSE! She really cares about her student, regardless of their achievement.

Anne Ruiz GAZEN: Amazing teacher who is interested in her students well being. Her lessons are very clear and she always Takes the time to explain.

Patrick FEVE: Dynamic, good orator, dedicated, friendly, interesting, everything a teacher needs to be.

Daniel HERRERA: Really clear and nice! What a great TA!

Marc IVALDI: Mr. Ivaldi is a great teacher and he really cares for his students!

Julie LASSEBIE: Her TD is always very interesting.

Yassine LEFOUILI: Lefouili is very implicated in students' welfare and success in Tse. He is always available to help or have a good talk with students inside or outside the walls of Tse.

Yassine LEFOUILI: He is very good at sharing his knowledge with the students and at making it easier to understand some concepts that can be complicated. I also really enjoy his sense of humor.

Yassine LEFOUILI: Good methods of teaching. His course is so interesting.

Christine MAUREL: She is nice, teaches so we can easily understand the subject and is just a good teacher.

Lavergne PASCAL: Very good organization and availability of this teacher.

Philippe PLAZANET: Plazanet is a very good teacher with a well built lesson, where every notions are linked one after an other.

François POINAS: He has a really clear and engaging teaching style, kept seminars entertaining with a sense of humor and always had time for students who wanted to ask questions.

Vincent REBEYROL: He was always passionate about his subject. He put a lot of time and effort into thinking about how best to communicate it to us, despite the material being difficult.

Vincent REBEYROL: He really made and effort and was always so motivated!

Mar REGUANT: very lovely and motivating personality, and extremely interesting topics - thank you very very much!

Mar REGUANT: Dedication, awesome-ness, pedagogically top. She did a website for the class material, which I found pretty cool and convenient.

Mar REGUANT: A lot of commitment and passion on every topic of the course. Always teaching with a smile.

Andrew RHODES: Very clear structure in his teaching and for the choice and order of topics- clear language and communication - very good slides - very good organisation (access to materials, answers to mails, ...)

Stéphane STRAUB: One of the best professor at TSE, interesting, interested, committed and providing a really good learning environment.

Paul SEABRIGHT: He is a great teacher! I love listening to his interesting stories during class.

Paul SEABRIGHT: Enthusiastic, making the subject in teresting and it is great to listen to his English.

Ananya SEN: Ananya is very close to us. He is like a big brother making things clearer in a relaxed atmosphere. Good job Ananya ! He is a really good teacher and his classes were fun. He is an 11 out of 10.

François de SOYRES: He is a good communicator and makes things easy to understand.

Robert ULBRICHT: These moments of sudden insight when you realise how complex and interesting macro-economics actually can be once you introduce tools to describe dynamics.

Stéphane VILLENEUVE: Very caring and is never tired to explain his students the subject. Funny quote: Entre Zidane et Einestein j'aurais préféré être Zidane.

Jean Luc VOLERY: friendly, likable and a pedagogically good teacher. ■

The Gala

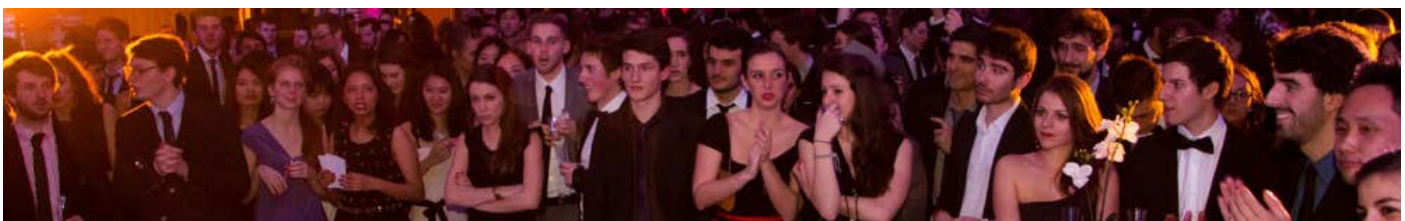


The 2014 TSE Gala, organized by the BDE, took place last Friday 21st of February at a lovely locale outside the city called Domaine de Preissac. It gathered together professors, staff and students of the school.



The Gala was the time for the presentation of the new president of Junior Etudes, Elodie Guihard, as well as the delivery of the TSEconomist teaching awards to the most voted professors and TAs of the year. After the ceremony, the party started.

From the beginning champagne, wine and great music (to those who did not realise there was a saxophonist!) were there to ensure that everyone had a good time. And we did. Great job, BDE!







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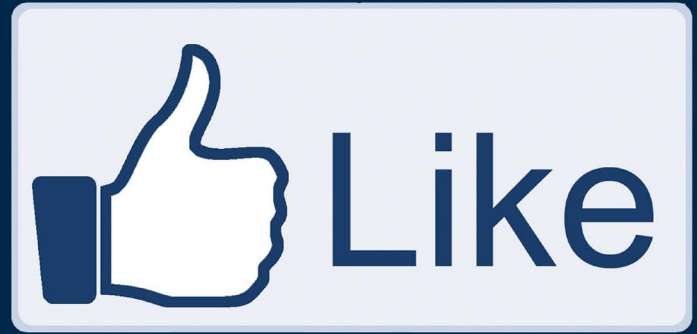
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