

# TSE

Mag #6 { Summer 2014 }

## TIGER FORUM

### > SPECIAL EDITION

Research highlights from the event

Exclusive interviews with  
Joseph Stiglitz,  
2014 Jean-Jacques Laffont Prize laureate &  
Bruno Sire, UT Capitole President

A look back at the event  
in pictures & videos

TIGER Forum Economic  
Survey results

## PARTNERSHIPS

Pfizer: evaluating  
the social value of  
cancer treatments

ALSO...

TSE DOCTORAL SCHOOL • NEWS FLASH • CULTURE

Meet

**PIERRE DUBOIS...**

# editors' message



look out for the  
TIGER Forum logo  
for special features

Dear friends,

Economics has evolved in many ways over the last four decades. On the theoretical front, the game theory and information economics revolution provided economists with new tools to deepen their knowledge of a wide range of topics, from antitrust and regulation to labour and political economics, finance and macroeconomics. Departing from the paradigm of perfectly competitive markets has allowed theorists to gain relevance and formulate more robust and well-founded policy interventions. Meanwhile, the profession has made great strides in refining empirical strategies. While data are meaningless

without a clean theoretical lens to interpret them, theory also builds on existing facts and offers hypotheses to be tested. The to-and-fro between theory and empirical work is the hallmark of much of today's research excellence. The development of new econometric approaches, the diffusion of randomised experiments, and the lab and field experiment revolution have all contributed to making economics a more solid-founded field.

TSE researchers not only contribute to the advancement of knowledge through contributions published in the best scientific journals; they also strive

to help public and private decision-makers design better policies. The TIGER Forum, our "science meets policy" event, reflects this identity: this year's many scientific conferences allowed participants from all over the world to exchange on state-of-the-art research. The daily "TIGER insights" and "Roaring debates" provided not soundbites, but well-informed, high-level discussions on topical economic issues. We are delighted that this issue of the TSE Mag focuses on this event, and thank all those involved for making the Forum happen.

■ *Jean Tirole - Christian Gollier*



JEAN TIROLE, TSE CHAIRMAN



CHRISTIAN GOLLIER, TSE DIRECTOR

04

## RESEARCH HIGHLIGHTS

- Stéphane Straub**  
The Brasília experiment
- Estelle Malavolti**  
Retail revenues at airports: a regulatory debate
- Emmanuel Thibault**  
Caring for aging baby boomers
- Mohamed Saleh**  
On the road to heaven

08

## HOT TOPIC

- Pierre Dubois**  
Pharmaceutical innovation & regulation

10

## EVENTS

- TIGER Forum 2014**  
A look back at the event in pictures and numbers

12

## THE BIG INTERVIEW

- Joseph Stiglitz**  
The 2001 Nobel Prize winner answers our questions at the TIGER Forum 2014

14

## PARTNERSHIPS

- Bruno Sire**  
A talk with the UT Capitole President on the TIGER Forum and the European Law School
- Pfizer & the IDEI**  
Evaluating the social value of cancer treatments

18

## TSE EDUCATION

- TSE Doctoral School**  
a wealth of career opportunities
- Business Networking Day 2014**  
Save the date

20

## NEWS FLASH

- Awards**  
Augustin Landier wins the 2014 Best Young Economist Prize
- Appointments**  
Franck Portier joins the Institut Universitaire de France
- TSE Debate**  
TSE Debate, the TSE blog, is live

22

## CULTURE

- David J. Salant**  
A Primer on Auction Design, Management and Strategy
- TIGER Forum Economic Survey results**  
On global organisations in expanding economies



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Stéphane Straub

Stéphane **Straub**

## The Brasília experiment

TSE professors Stéphane Straub and Emmanuelle Auriol organised a two-day workshop at the TIGER Forum on “Development economics: from frontier research to policy issues”. The event brought together some of the world’s leading experts in the field for presentations focusing on redistribution, health, productivity, networks and agricultural markets, financial and human capital, and countrywide studies, all applied to developing economies.

**Stéphane Straub, Director of TSE’s development economics department, presented a paper co-authored with TSE PhD student Julia Bird on the long-term impacts of rapid road construction in Brazil:**

Large-scale investment programmes in infrastructure are often hailed as an important element of development strategies. However, they also have important spatial redistribution effects on population and production, thereby affecting the long term growth pattern. To date the empirical knowledge on this process is still limited.

Brasília, Brazil’s current federal capital city, was built from scratch between 1956 and 1960 in a previously unpopulated area selected because of its geographic centrality, at the initiative of then President Juscelino Kubitschek who wanted to shift the country’s centre of gravity away from the Southern coastal region. The following decades were characterized by one of the largest post-war infrastructure development programmes worldwide, as Brazil paved over 150,000 km of roads.

The resulting radial highway system, meant to connect the new capital to other main economic centres also incidentally connected other inland municipalities along the way. Proximity to the roads built after the creation of Brasília was a key factor in explaining the subsequent changes in local access to

major centres. However, whether municipalities were close or far from the new corridors was mostly due to luck rather than to their specific economic characteristics.

We exploit this «historical natural experiment» to study the impact of the rapid expansion of the Brazilian road network on the growth and spatial allocation of population and economic activity across the country’s municipalities between 1970 and 2000.

We uncover a dual geographical pattern. In the more developed South, improved transport connections resulted in an increased concentration of population and economic activity, especially services, in radiuses of up to several hundred kilometres around the main urban areas. Northern State capitals underwent the opposite process, with a concentration of population and economic activity away from the main urban centres, generating the emergence of numerous secondary urban centres.

The causal growth effect of the radial highway network development for the country was huge, accounting for almost half of the 136% growth in per capita GDP over the period. Looking at changes in the spatial Gini coefficient across municipalities and regions, we estimate that spatial inequality was significantly reduced particularly due to positive growth impacts in the North and Centre West.



### LEARN MORE...

The Brasília Experiment: Road Access and the Spatial Pattern of Long-term Local Development in Brazil

With Julia Bird; TSE working paper n°14-495.



Estelle Malavolti

Estelle **Malavolti**

## Retail revenues at airports: a regulatory debate

The TIGER Forum this year hosted the annual conference and summer school of the International Association of Transport Economists, known as the “Kuhmo Nectar” conference. Gathering over 150 participants, the aim of the conference was to promote scientific excellence in the field of transport economics and to provide a forum for stimulating scientific exchanges. Specific topics of interest included, amongst others: transport investment and funding, congestion pricing, time and risk, agglomeration effects, valuation of intangibles, aviation, competition, and privatisation.



from the original mission of the airport: providing airlines with aviation services such as ground handling, terminal management or airside operations.

Whether or not to include these activities in airport activity charges is a hot debate. One can advocate for the separation of the two activities, i.e. for a dual till approach, in which only the aeronautical activity is regulated, hence focusing only on the regulated business to avoid distorting the commercial, non-aeronautical airport service provisions. We, instead, suggest that a single till regulation, in which the total profit of the airport is examined, is relevant because it allows to take into account the externalities existing between retailing and aeronautical services.

Using a two-sided market approach (Armstrong 2006, Rochet-Tirole 2003, 2006), we show that the airport is a platform which makes the shops and the passengers meet. The retailing activity depends on how many passengers are circulating and connecting at the airport, as well as the time they spend in the airport, while passengers value the least connecting time as possible. We show that the aeronautical tax can be either higher or lower under single till depending on whether the impact of the passengers demand or of the waiting time is the more important for the shops. In short, single till appears to be the fairest mechanism for charging airline users.

**Estelle Malavolti is TSE associate researcher and member of the French Civil Aviation University (ENAC). Estelle presented a paper at the ITEA conference studying whether revenues from retail activities in airports should be included airport profit regulation or not.**

Large airports profits are generated more and more often from commercial activities such as parking fees, food & beverage sales, advertising and shop profits is vital to airports, accounting for almost half of total airport revenues worldwide. However, these commercial services are relatively far



### LEARN MORE...

Single till or dual till at airports? A two-sided market analysis  
Estelle Malavolti



### 2014 ITEA MEETING ORGANISERS

- > Marc Ivaldi and Henrik Andersson (2014 Summer School and Conference Chairs)
- > Kenneth A. Small (President, ITEA)
- > Robin Lindsey (Chair, ITEA Scientific Committee)
- > Jan Brueckner (Chair, ITEA Summer School Committee)







Emmanuel Thibault

Emmanuel **Thibault**

## Caring for aging baby boomers

One special feature of the TIGER Forum was a conference devoted to long-term care (LTC), a timely issue given that LTC needs are expected to grow in most countries over the coming decades as the “baby boom” generation ages. The event presented empirical and theoretical papers sharing a common approach, addressing the question of dependency and the practice of LTC insurance via the interactions between the three actors involved: the market, the government and the family. This three-way interaction approach is a novel and unique way of tackling the LTC issue.

During the conference, Chiara Canta (Norwegian School of Economics) presented a recent paper co-authored with the conference co-organisers Emmanuel Thibault (Professor at TSE / University of Perpignan) and Pierre Pestieau (CORE / Université de Liège / TSE). Their paper underlines the need for serious long-term care reform taking into account the interactions between States, families and markets:

The aging baby boom generation has been described as a coming earthquake that will shake the foundations of the LTC system. In the face of such a challenge, one recognizes the need for serious LTC reform. This issue goes beyond the economic sphere to become a public health issue. Carers are paying the ultimate price for providing LTC: elderly spousal carers (aged 66-96) who experience caregiving-related stress have a 63% higher mortality rate than non-caregivers of the same age.

In this article the authors focus on the provision of LTC in a lifelike context with joint interaction of the State, the family and the market. In such a context it is essential to understand the motives behind familial solidarity and the influence thereon that (public or private) insurance programmes exert. Finally, it is important to analyse the impact that alternative ways of financing LTC may have on capital accumulation and, consequently, on economic growth.

The authors present a theoretical model that explores the consequences (both at the micro and macro level) that the different LTC financing sources entail. The innovative aspect of the article

lies in including in the same framework all possible LTC funding sources (unfunded public insurance scheme, private insurance, family help and precautionary savings) and their interplay, the psychological bias of the dependent towards family support, intergenerational imitation for the carer, dynamic intergenerational aspects and the role of prices such as wages and interest rates.

As expected, the presence of family help and/or public insurance changes both individual behaviour and the dynamics of capital accumulation. However, the main message of the article is counterintuitive: in presence of family support individuals choose private insurance if the pay-as-you-go social insurance is generous enough; and the more generous the latter, the higher the economic growth. Thus, the fact that an aging population leads the State to establish generous unfunded public insurance also encourages individuals to ensure themselves privately and is therefore beneficial for growth.

### LEARN MORE...

**Long-term care and capital accumulation: the impact of the State, the market and the family**

Chiara Canta,  
Pierre Pestieau and  
Emmanuel Thibault;  
Working paper



Mohamed Saleh

Mohamed **Saleh**

## On the road to heaven

The TIGER workshop on Economics & Religion, organised in collaboration with the Institute for Advanced Study in Toulouse (IAST), featured the latest research advances in the economic analysis of the impact of beliefs, norms and religious arrangements on the organisation of societies in a historical perspective. It also proposed debates between economists and decision-makers around the issues of secularism at the workplace and the causes of modern wars: economics or religion?

Mohamed Saleh (TSE-IAST junior chair) co-organised the workshop with Marc Ivaldi (TIGER Director). Mohamed also presented a recent paper on the links between self selection, religion and socioeconomic status:

A correlation between religion and socioeconomic outcomes (e.g. education, occupation, and wages) is observed throughout history in various parts of the world. For example, a very old and widely known empirical fact is that Protestants in Western Europe have, on average, better socioeconomic outcomes than Catholics. The phenomenon is not confined to the Protestant-Catholic divide though. In the United States, Jews seem to be doing better than other religious groups, while in India, Hindus are traditionally better off than Muslims. In the Middle East, a region where religious divisions remain the major source of social segmentation, native non-Muslim minorities are, following a long medieval tradition, better off than the Muslim majority.

Why do we observe this phenomenon? The social science literature points to a causal impact of religion: perhaps some religious beliefs are more conducive to economic success than others. In this paper, I provide a different answer: historical processes of self-selection (on income) across religions, which were induced by economic incentives, might have shaped religious group membership, generating the observed correlation between religion and socioeconomic outcomes.

The paper focuses on Egypt, where Copts (Egyptian Christians) were traditionally better off than the Muslim majority. I trace the origins of the phenomenon to a historical process of self-selection across religions, which was induced by a purely economic incentive: the imposition of poll tax on non-Muslims upon the Islamic Conquest of the then-Coptic Christian Egypt in 640. The regressive tax, which remained until 1856, led to the conversion of poor Copts to Islam to avoid paying the tax, and to the shrinking of Copts to a better-off minority. I test this hypothesis using new data sources that

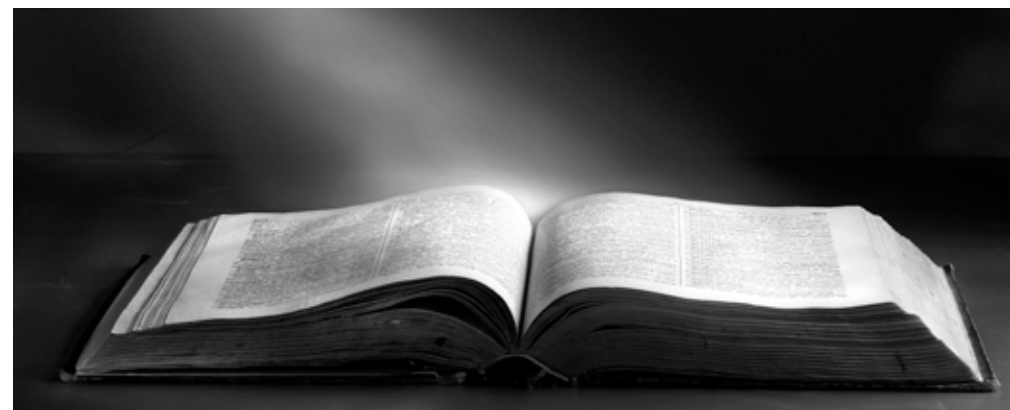
I digitized from Egyptian Archives. Using a population sample from 19th century census manuscripts, I find that districts with historically stricter poll tax enforcement and/or lower attachment to Coptic Christianity before 640 have fewer, yet better off, Copts in the 1800s.

This answer is not limited to Egypt. There is also similar evidence in the Jewish, Protestant and Islamic contexts. In fact, the Islamic poll tax (jizya) was implemented in every region that Muslims conquered. It remains to be studied if the poll tax could explain why Christianity survived in Egypt and the Levant but was completely wiped off from North Africa, or why Hindus are better off than Muslims in India.

### LEARN MORE...

**On The Road To Heaven: Self Selection, Religion and Socioeconomic Status**

Mohamed Saleh;  
TSE working paper  
n°14-495.





# Pharmaceutical innovation & regulation



Pierre Dubois, professor of economics at TSE, is an expert in industrial organization applied to health and pharmaceutical economics. He gives us an insight here on recent and upcoming developments in this fast-moving field particularly subject to market shifts, government intervention, asymmetric information, uncertainty and barriers to entry.

## INTERVIEW WITH PIERRE DUBOIS

### What are the major challenges for innovation in the pharmaceutical industry today?

**Pierre Dubois.** Growth and innovation in the pharmaceutical industry have traditionally been driven by "blockbuster" drugs, that's to say the commercialisation of a wide-reaching drugs which achieve global acceptance by prescribing doctors, dominating the market and leading to billion dollar profits for the owner of the blockbuster patent. Examples include the well-known Tagamet (trade name of the Cimetidine molecule) for stomach ulcers and Lipitor (trade name of Atorvastatine) for cholesterol.

In today's market, pharmaceutical companies struggle to find new molecules to patent such blockbusters. Quite simply, the low-hanging fruits have already been picked! This is leading to growing costs linked to innovation, forcing the companies to find new ways to innovate.

### Your work suggests that innovation today depends on market sizes?

**PD.** As recent research I carried out with colleagues has shown, there is a clear link between market structure and innovation in the pharmaceutical industry. As a general rule, larger markets attract investment, leading to high levels of innovation. Cancer treatment is obviously a major focus today, but for this illness a global "blockbuster"-style approach cannot work; each cancer has its own profile, and each patient their own pathology. Drug-based solutions hence need to be tailor-made for a number of fragmented, much smaller markets. This means creating a whole new innovation model for the industry at a much higher cost. It is impossible to continue the classic "demand-pull" model. Today, a possible shift is towards a more "supply-push" model, applied for example to developing country priorities such as aids, tuberculosis and malaria. That said, this model brings its own problems of regulation too.

### What are the effects of regulatory constraints on international competition in the pharmaceutical industry?

**PD.** In most countries outside the United States, the government plays an important role in determining

## FURTHER READING

Pierre Dubois, Olivier de Mouzon & Fiona Scott

### "Market Size and Pharmaceutical Innovation"

Morton and Paul Seabright; CEPR working paper 8367, TSE WP 11-232.

Ernst Berndt & Pierre Dubois

### "Impacts of Patent Expiry and Regulatory Policies on Daily Cost of Pharmaceutical Treatments: OECD Countries, 2004-2010"

CEPR working paper 9140 TSE WP 12-283.

Pierre Dubois, Wing Man Wynne Lam, Olivier de Mouzon, Fiona Scott-Morton & Paul Seabright

### "How Does Innovation in the Pharmaceutical Industry Respond to Policies that Influence Expected Market Size?"

SCIFI-GLOW: SCience, Innovation, Firms and markets in a GLObalized World, CEPR Policy Paper.

Pierre Dubois & Laura Lasio

### "Identifying Industry Margins with Unobserved Price Constraints: Structural Estimation on Pharmaceuticals"

CEPR working paper 9881 TSE WP 14-471.



the price of new pharmaceutical treatments and in promoting access to such treatments. Cross-country variability in regulatory frameworks can lead to international frictions. France, for example, has heavy regulation and sets prices low, leading to slow market entry for new drugs. The US would criticise these low prices and the delayed market entry process as a form of « free-riding » on financing and rewarding advanced innovation. Whether this is true or not it is certainly a source of debate!

### You have studied the effect of generic drugs in France. Tell us more.

**PD.** France has historically suffered from high pharmaceutical expenses, in part due to the consumption of branded drugs instead of generic equivalents, considered as inferior and even unsafe substitutes. Such behaviour was encouraged by France's nation-wide welfare system which reimburses almost the full cost of prescription drugs to patients. Today, in order to save costs, French regulators encourage the launch of generics as soon as the originator patents have expired, and a widespread campaign has been led to encourage both pharmacists and patients to accept and use generics. However, reforms like the reference pricing reform introduced in 2004 which set reimbursement prices for branded drugs at the generic price level after introduction has not fully achieved its goal when one takes into account the companies' reactions to reduced branded prices. In 10 years, France has increased its generic market share from 33% to 55%, which is still a long way behind Germany (from 60% to 78%) and the USA (from 85% to 90%)<sup>1</sup>.

### What would you say are the major challenges of the pharmaceutical industry for the future?

**PD.** The challenge is for society and regulation. Companies react as best as they can to policies and market forces. The best regulation policies are difficult to design in a world where we want to improve health care and foster innovation efficiently in a globalized world. This is a fascinating research area for economists. Take the example of antibiotics; we encourage innovation in order to be able to treat potential forthcoming epidemics but at the same time want to minimize their overuse once they are on-shelf in order to reduce expenses and antimicrobial resistance that render them inefficient to future pandemics. Finding the right balance is indeed a challenge.

1 - Source: IMS MIDAS 2012

## PROFILE



> **Pierre Dubois** is professor at TSE, fellow of the CEPR and of the Institute for Fiscal Studies in London. His work includes research on industrial organization, pharmaceutical markets and applied econometrics. He has been published in economics journals such as the *American Economic Review*, *Econometrica*, the *Journal of Political Economy*, the *RAND Journal of Economics*, the *Review of Economics and Statistics*, the *Journal of the European Economic Association*, the *International Journal of Industrial Organization* and the *Journal of Labor Economics*. Pr. Dubois received his PhD in economics from EHESS Paris, has held visiting positions at Berkeley and Northwestern University and is currently managing Editor of the *International Journal of Industrial Organization*.



## LEARN MORE...

Feature on the IDEI/Pfizer research partnership estimating the benefits of cancer treatments

=> pages 16-17

“Companies today struggle to find new molecules to patent blockbuster drugs: the low-hanging fruits have already been picked!”



# TIGER Forum 2014

The TIGER Forum 2014, displaying the scientific excellence and policy outreach of Toulouse School of Economics, took place from 2 to 6 June at the University Toulouse 1 Capitole. Relive the highlights from the event in video:



## ▶ THE TIGER INSIGHTS

**Tuesday 3 June**  
New Stances on Globalization



**Wednesday 4 June**  
Cyber-Criminality



**Thursday 5 June**  
Reforms and Challenges of the Chinese Economy



**Friday 6 June**  
The Causes of Modern Wars: Economics or Religion?



## ▶ THE ROARING DEBATES

**Tuesday 3 June**  
Pharmaceutical Industry Challenges



**Tuesday 3 June**  
Welfare State Crisis in the Western world



**Thursday 5 June**  
Industrial Policy for Sustainable Mobility and Energy: Economic and Prospective Analysis



**Friday 6 June**  
Secularism in the Company: Which Frontiers?



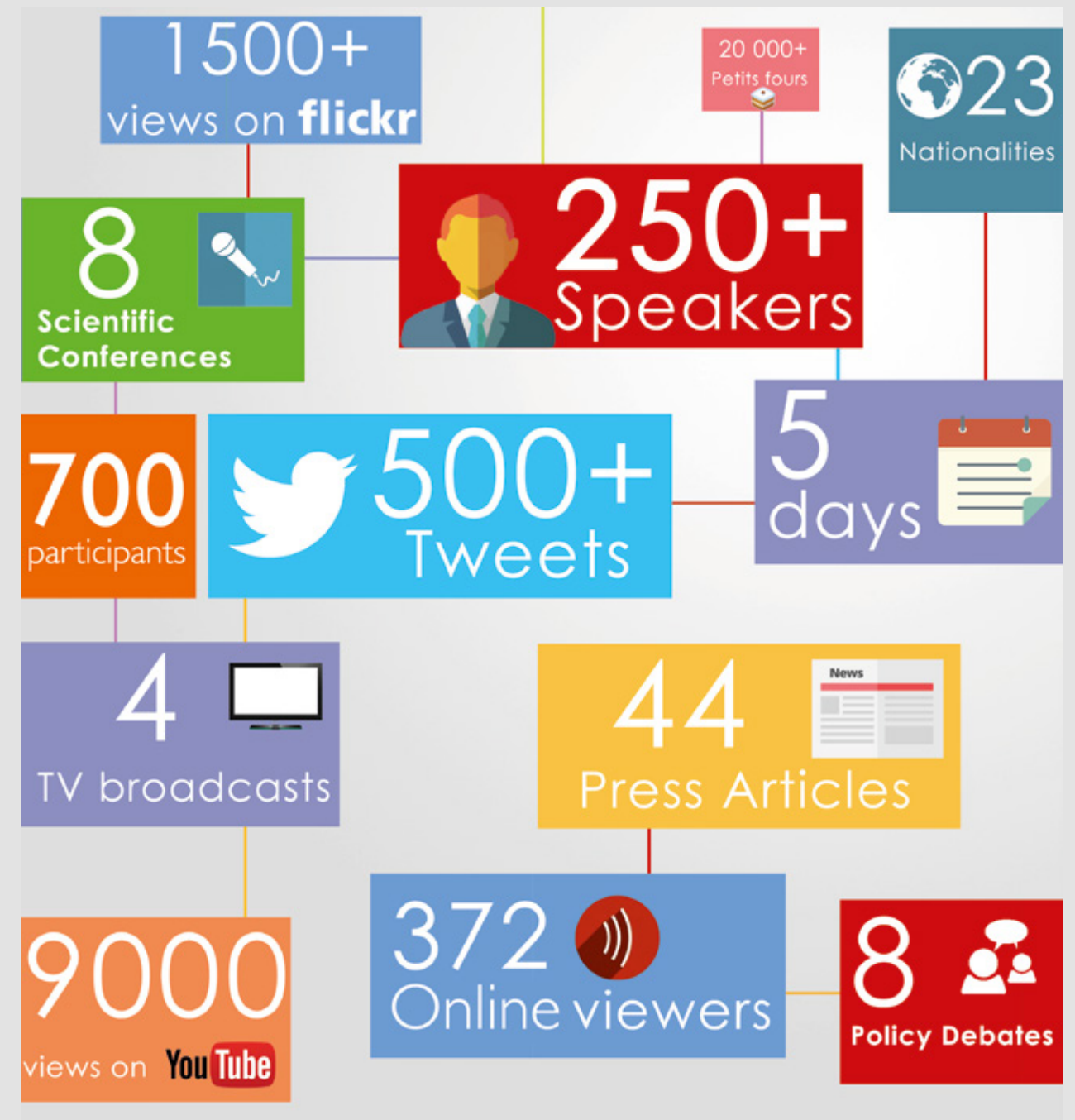
## ▶ Full highlights



You can also have a look at the photos from the event on our official Flickr account.

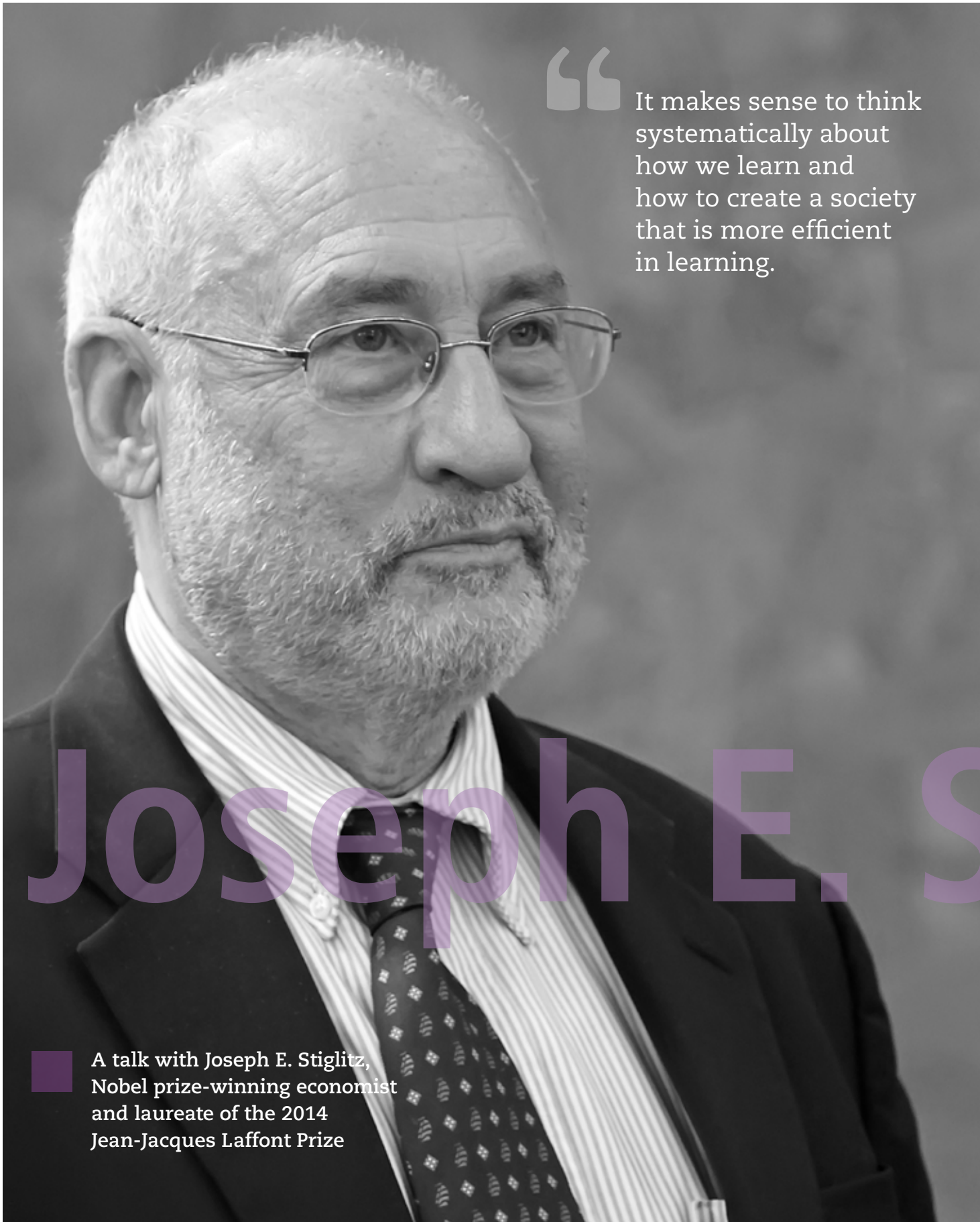


# TIGER Forum 2014 in numbers



www.tiger-forum.com  
#TIGERForum





“ It makes sense to think systematically about how we learn and how to create a society that is more efficient in learning.

# Joseph E. Stiglitz

A talk with Joseph E. Stiglitz, Nobel prize-winning economist and laureate of the 2014 Jean-Jacques Laffont Prize

## Joseph E. Stiglitz is...

- Professor at Columbia University.
- 2001 Nobel Prize in Economics laureate for his analyses of markets with asymmetric information.
- Former economic advisor to President Clinton.
- Former chief economist and senior vice president of the World Bank.



Your JJ. Laffont lecture was focused on “creating a learning society”. Please tell us more.

**JES:** Over the last two hundred years standards of living have increased enormously, and we’ve come to understand that most of those increases are due not to the accumulation of capital but to learning; learning how to do things better, how to get more output from a given amount of input, etc. If that’s the case then it makes sense to think systematically about how we learn and how to create a society that is more efficient in learning. One hears a lot about how to improve resource allocation and how to save more but we don’t talk enough about how to learn more.

You suggest we need to “learn to learn”. How can we do so?

**JES:** Obviously the education system is the most important but one of the theses of my new book\* is that some sectors of the economy are better at learning and have more externalities, more spillover to other sectors. If that’s the case then it makes sense, in my view, to encourage those sectors to grow.

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

**JES:** It’s a special pleasure for me to receive this prize because I was a good friend of Jean-Jacques. We had many interests in common, obviously interests in information centres, but he was also interested in bringing these ideas to the developing world and he was very instrumental in pushing certain reforms in the developing countries; competition policy, good regulatory policy, things that I myself have been very concerned about. So it was a real pleasure for me to receive this prize in his memory.

\*Creating a Learning Society: A New Approach to Growth, Development, and Social Progress - Joseph E. Stiglitz and Bruce C. Greenwald, Columbia University Press, June 2014

Watch Professor Stiglitz’ full lecture via the TIGER Forum YouTube channel

## 20th IDEI Annual Lecture and JJ. Laffont Prize 2014

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

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

After Peter A. Diamond in 2005, Daniel L. McFadden in 2006, Stephen A. Ross in 2007, Richard Blundell in 2008, Roger Myerson in 2009, Robert B. Wilson in 2010, Robert M. Townsend in 2011, and Eric S. Maskin in 2013, this year it was Joseph Stiglitz who received the Prize from Jean-Luc Moudenc, Mayor of Toulouse, on 2 June 2014.



# Interview with Bruno Sire



Bruno Sire, President of the University Toulouse 1 Capitole, looks back at the TIGER Forum that took place on the campus. He also introduces his new international initiative, the European Law School.



### About the TIGER Forum

#### What does the TIGER Forum bring to your university?

**Bruno Sire:** I think of the TIGER Forum as the tip of an iceberg, one of the most noticeable activities of Toulouse School of Economics, at least for the general public and policy makers. I am delighted about this visibility, which reflects very positively on our university.

#### And vice-versa?

**BS:** If I think again of the iceberg, it's important to have a high-reaching visible tip, but it's also important to have solid foundations. Our university is that base. At the UT Capitole we have a collective energy that enables the TIGER Forum to "roar", via the different research fields (mathematics, computer science, law, management, and political science) that feed and strengthen the economists' reflections.

On a more practical aspect, TIGER is an exceptional event that requires a huge investment by all the university teams. Likewise, we have been gradually renovating our lecture halls for years, and I believe our infrastructure today meets the international high standards required by such an event.

#### How do you picture, in the future, a greater synergy with other components of the UT Capitole?

**BS:** Economic science has been designed to explain the relationship between the different actors of economic processes, be they individuals or corporations and private or institutional organisations. In my view, much research in economics cannot be separated from legal and/or management issues: the issue of competition from competition laws; the question of incentives from taxation; the issue of institutional change from political science or management science; the issue of risk from the functioning of the banking system or the operation of insurance systems; etc... I consider interdisciplinary approaches to be very productive. This is why I also believe strongly in the dynamics behind the Institute for Advanced Study in Toulouse (IAST). The interdisciplinary research carried out in this "laboratory of excellence" designed and led by Jean Tirole, as well as the very valuable team which is gradually taking shape around him, is truly exemplary and particularly promising.

“ At the UT Capitole we have a collective energy that enables the TIGER Forum to “roar” via the different research fields that feed and strengthen the economists’ reflections.

### A highlight of the Forum?

**BS:** My thoughts go, of course, to the attendance of Joseph Stiglitz, a «star» who is very familiar with the general public, and whose presence possibly helped to renew the image that some may have of our university. Whilst it would be unfair to reduce the forum solely to his attendance, it illustrates the fact that UT Capitole is an open institution which does not function as a clique. All relevant individuals are welcome to join the discussion here. This is a place where in fact many sensibilities coexist with only one shared concern: scientific excellence.

### About the European law School

#### Why was this school created?

**BS:** It is the logical consequence of the Bologna Process Treaty, signed 15 years ago between European countries to encourage the convergence of our educational systems. In the fields of economics, mathematics, management, IT, etc. students across Europe now learn the same things, and their mobility is therefore not as essential as it is in the study of law, where each country still has its own laws. The problem is that many actors, not only companies but also governments and individuals, operate in several European countries with very different legal environments. They need lawyers able to assist and guide them in this international context. Thus, we have spent five years developing joint degrees with the best law schools in Europe. The European School of Law is a step further along this path, quite similar to the model of Toulouse School of Economics. Students will be able to enroll either immediately after the post-secondary education level or at the undergraduate level, and will graduate after 5 years, or after 8 years with a PhD. The idea is to train lawyers with a common knowledge that will enable them to work across several law systems in Europe.



#### What obstacles did you encounter when creating the school, and what potential obstacles may you face in order to make it work?

**BS:** It's always difficult to innovate in a world that is still relatively conservative, but the progress has been quite positive so far.

Especially thanks to the high-level jurists involved, including the project leader, Sylvaine Peruzzetto, as well as many other colleagues who I unfortunately cannot list exhaustively here. We now need to motivate the troupes and gather the required resources. Generally speaking, our university and law school have realised that if we are to get involved in this project, we need to allocate significant resources to get this very innovative project running at full speed on the right track.

Now we also have to work hard with our European partners to ensure that all exchanges run as smoothly as possible, and so that we can develop the project ambitiously, in particular through the creation of a European doctoral program.

“ The idea is to train lawyers with a common knowledge that will enable them to work across several law systems in Europe.

#### You mentioned earlier similarities to TSE, can you elaborate?

**BS:** The general philosophy is the same: the creation of a top-notch school (Grande École) within the university. We strive to provide our academic best by putting high-level researchers in front of the students for all courses, but also going one step further by offering additional services such as close student mentoring, an alumni network, and a number of tailored events geared towards creating a “Grande École” spirit and hence developing of a feeling of pride to belong to our high-level school.

Nowadays, large law firms obviously recruit very good lawyers, but they also value an in-depth culture of economics and international vision of potential issues. Thus, students who follow joint economics & law studies at TSE and who want to work in international law firms should consider enrolling in courses at our new European law school.



# Pfizer: evaluating the social value of cancer treatments

IDEI has a long-run relationship with Pfizer Inc. who has provided central support for research in the field of health and pharmaceuticals.

Today, the contract with Pfizer is a project-oriented short-term contract on cancer treatments. Signed in January 2014, the aim of this research project is to estimate the benefits of cancer treatments. Whilst a team of researchers from Harvard University is working on this for the US markets, Pfizer contacted IDEI for the European market.

“ This study is very important to evaluate the social gains of expenses incurred in cancer treatments and to identify whether and where healthcare policy needs additional resources.



In most countries outside the United States, the government plays an important role in determining the price of new pharmaceutical treatments and in promoting access to such treatments. While a number of studies have documented substantial variation in overall health outcomes across countries, very few are able to pinpoint specific policies that generate these differences.

Pierre Dubois, professor of economics at TSE, is an expert in industrial organization applied to health and pharmaceutical economics and is heading this research contract for IDEI alongside Margaret Kyle, also Professor in health economics at TSE. “ The study will enable to estimate the value of new pharmaceutical treatments, and compare this to the costs incurred by the health care system within each country” states Pierre.

Over the last 20 years, we have seen a certain level of innovation in cancer medications and treatments, as well as a remarkable change in the survival rate within cancer-detected patients for some types of tumours. This research will examine the shift in the survival curve associated with the introduction of new medications to treat a particular

cancer and then compare the economic value of these gains relative to the costs of these treatments.

The research team is in the phase of data collection, aiming to provide results for France, and possibly other European countries like the UK and Germany. Data needs to be collected from many sources from France and abroad, including the *Assurance Maladie* (French National Health Insurance) for data collection of patients detected with cancer and a follow up of their course of treatment, and the *Institut National du Cancer* for data on the long-term evolution of the cancer survivals.

This is a very challenging project, since the evaluation is related to many factors, like the nature and stage of the disease as well as the use of different medicines. However, the study is very important to evaluate the social gains of expenses incurred in cancer treatments and to identify whether and where healthcare policy needs additional resources. It can help governments as well as pharmaceutical industries assess the efficiency of their R&D investment and accordingly re-work on their R&D strategy.

**A word from**  
Tamer Abdelgawad,  
Senior Director, International Policy, Pfizer Inc.



There is no substitute for robust, data-driven analysis as a guide for health policy decisions. We look forward to the results of this very important collaboration with IDEI.



# TSE Doctoral School: a wealth of career opportunities

TSE's doctoral programme provides advanced PhD courses and research studies to some 100 students. To prepare these students for their future careers, whether they are inclined to stay in academia or choose a professional path, TSE offers a full palette of preparatory training to ensure our students rival the very best outgoing PhDs for the "academic job market". As well as the close collaboration with their direct supervisors, our PhDs are also encouraged to present and discuss their ideas and results with other researchers, internal or visitors, junior or senior, to gather as much feedback as possible and keep them on the best track. All through their studies, PhD students present their work at many TSE seminars as well as at international conferences.



**Here is a flavour of the career opportunities that TSE PhD students can expect, from both the academic and the business / policy perspective:**

## A life in academia?

**The TSE students aiming for a career in academia are prepared for a very competitive world-level selection process, the annual "Economics Job Market", organised by the American Economics Association (AEA). Charles Angelucci, one of the ten outstanding TSE PhD candidates on the 2014 Job Market, was offered a place at Columbia Business School. Charles gives us his personal insight into the long and gruelling "job market" process:**

"I started working on my job market paper idea last year and, after hitting a few bumps, eventually converged to a stable research question in the summer. Most of the fall was then dedicated to writing up the draft, with significant back and forths with my advisors. I also presented the paper in various seminars, and used the feedback to complete my analysis and prepare my job talk. Packages had to be sent out by mid-November. Fortunately, as I had by then already defended my thesis, the other papers that I included or mentioned in my package were already polished. Once the packages were out, I started preparing for the AEA meeting interviews, working on a "spiel" about my job market paper and more generally my research agenda. That part involved significant rehearsal and fine-tuning

and I was lucky to receive feedback from TSE faculty on several occasions. This period also coincided with the phone calls and emails from universities to schedule the 30-minute interviews at the AEA meeting. I flew to snowy Philadelphia in early January. The interviews were challenging but rewarding at the same time. Most often the atmosphere would be relaxed and the comments and questions constructive. The month of January was then dedicated to flying out to various universities. Each fly-out would involve around ten interviews with faculty, as well as the job talk. Although rather tiresome, I was lucky enough to meet numerous colleagues. Particularly rewarding was the fact that I got to meet many researchers whose work I cited in my job market paper. The job talks ended by mid-February, at which point I anxiously waited for my phone to ring. Overall, the experience was difficult but very formative. I am delighted to join Columbia Business School as an assistant professor next year."



SAVE THE DATE

BUSINESS  
NetworkingDay  
CORPORATE | TSE ALUMNI FORUM

**28 November 2014**

To register for the 2014 edition of TSE's Corporate/Student/Alumni event, please contact:

**LORNA BRIOT**  
Business & International Relations Manager  
+33 (0)5 67 73 27 79  
entreprises@tse-fr.eu



Highlights of  
the 2013 edition >>



## More inclined towards business and policy?

**The TSE doctoral school not only prepares candidates for the academic job market but also paves the way to many challenging opportunities in business and policy. Daniel Coublucq, TSE PhD in 2013 and now Economist at the European Commission, tells us his story:**

"I am working as an Economist at the Chief Economist Team at DG Competition of the European Commission. I contribute to the economic analysis on competition cases. For example, I participate in antitrust investigation by gathering and analysing economic data. These tasks require an excellent level of rigour and knowledge on various economic models and methods – knowledge that I definitely gained from TSE. I believe that the renowned academic excellence of TSE has provided me with the tools to grow in my career. In particular, the important theoretical and empirical backgrounds I received allow me to face the challenges in my job successfully. Being an economist at DG Competition provides me with the unique opportunity to translate into practice and build upon the knowledge that I obtained from the TSE doctoral program."



## 2014: who's going where?

TSE presented 11 students this year. All obtained jobs in leading universities or corporations across the world, of which 3 Assistant Professor positions in the USA (Columbia, SUNY Stony Brooke, UCLA), 2 in Europe (HEC Paris, Exeter), and 2 in China (UIBE, SWUFE). One candidate has become research economist at the major American corporation Yahoo!

Others are taking up research positions in Germany (Humbolt Berlin, LMU Munich, Würzburg).

Congratulations to all of our 2014 candidates for their excellent placement results, and best of luck for the future!

Full list here >>





## Awards



**Augustin Landier**  
2014 Best Young Economist Prize

Augustin Landier, TSE researcher, has been awarded the 2014 Best Young Economist Prize by French

think tank *Le Cercle des économistes* and French journal *Le Monde* in partnership with the French Senate. This award acknowledges the forefront research of Augustin Landier on the financial contracts of companies and their incentive properties, as well as the numerous insights he brings to public debate on economic and financial issues.

## Appointment

**Franck Portier**  
has been appointed senior member of the *Institut Universitaire de France*

Franck Portier, TSE Professor and expert in macroeconomics, has been appointed Senior Member of the *Institut Universitaire de France* for 5 years by the French Ministry of Research and Higher Education. This distinction rewards faculty members whose research quality is internationally recognized.



## TSE News

### TSE hosts major congress



TSE is proud to organise this year a joint event bringing together the 29th annual congress of the European Economic Association (EEA) and the 68th Econometric Society European Meeting (ESEM). More than 1500 researchers and students are expected this summer for the largest European event in economics. The congress will take place at the University Toulouse 1 Capitole on 25-29 August.

More information via the official event website >>



### TSE takes part in FUTURAPOLIS

Toulouse hosts every year a 3-day public forum dedicated to innovation: Futurapolis. Organized by the French media *Le Point*, this year's edition took place on 15-17 May. Several TSE researchers were invited to showcase their vision of the future at the forum: Nicolas Treich exposed his views on the precautionary principle, David Alary discussed the future of learning, Claude Crampes defended a European management of energy, and Karine Van der Straeten detailed her work on voting systems and their future.



### TSE Debate, our official blog, is live

TSE Debate is the new platform dedicated to TSE researchers, where they will regularly publish informed comment and perspectives on policy debates, as well as results and insights from their work. Since its launch, 18 articles have already made their way onto this new blog, dealing with many different subjects such as energy, finance, development or public policies.

Visit the blog >>



### Closing Global IQ meeting



www.global-iq.eu



The concluding conference of Global IQ, a major European project on global warming coordinated by TSE and financed by the European Commission (FP7), took place on 17 June in Brussels. Three years after the launch of the project, members from the nine countries involved presented the results of their research. Christian Gollier, TSE director, presented the plenary session. TSE researchers Norbert Ladoux and Nicolas Treich attended the meeting, which was organised by Céline Claustre, TSE European Project manager.

David J. Salant

# A primer on Auction Design, Management, and Strategy

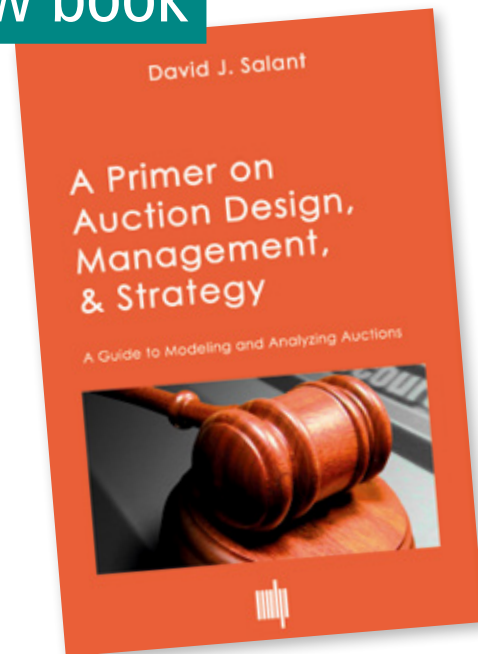


INSTITUT D'ÉCONOMIE INDUSTRIELLE

TSE researcher David J. Salant presents his upcoming book, a guide to modelling and analysing auctions, with the applications of game theory and auction theory to real-world auction decision-making.

A quick overview:

## New book



Auctions are highly structured market transactions primarily used in thin markets (markets with few participants and infrequent transactions). In auctions, unlike most other markets, offers and counteroffers are typically made within a structure defined by a set of rigid and comprehensive rules. Because auctions are essentially complex negotiations that occur within a fully defined and rigid set of rules, they can be analysed by game theoretic models more accurately and completely than can most other types of market transactions.

This book offers a guide for modelling, analysing, and predicting the outcomes of auctions, focusing on the application of game theory and auction theory to real-world auction design and decision making. After a brief introduction to fundamental concepts from game theory, the book explains some of the more significant results from the auction theory literature, including the revenue (or payoff) equivalence theorem, the winner's curse, and optimal auction design. Chapters on auction practice follow, addressing collusion, competition, information disclosure, and other basic principles of auction management, with some discussion of auction experiments and simulations.

Finally, the book covers auction experience, with most of the discussion focused on energy and telecommunications auctions, which have become the proving ground for many new auction designs. A clear and concise introduction to auctions, auction design, and auction strategy, this Primer will be an essential resource for students, researchers, and practitioners.

## PROFILE

> David J. Salant is TSE member and IDEI Associated Researcher. PhD in economics from the University of Rochester in 1981, David holds a 30-year professional career combining research positions and senior consulting roles, particularly within the telecommunications industry (Bell Laboratories, GTE Laboratories). David has been consulting in auction strategy for over twenty years, advising auctioneers and bidders in dozens of telecom and spectrum auctions around the world.

## FIND OUT MORE...

via MIT Press >>



# TIGER Forum Economic Survey results

During the TIGER Forum 2014, participants and online viewers were asked to answer several questions about the debates that took place during the event. Here are some of the results:



More information >>

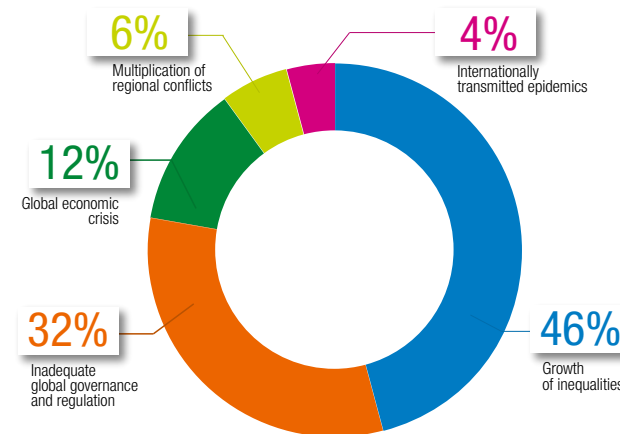


Results >>



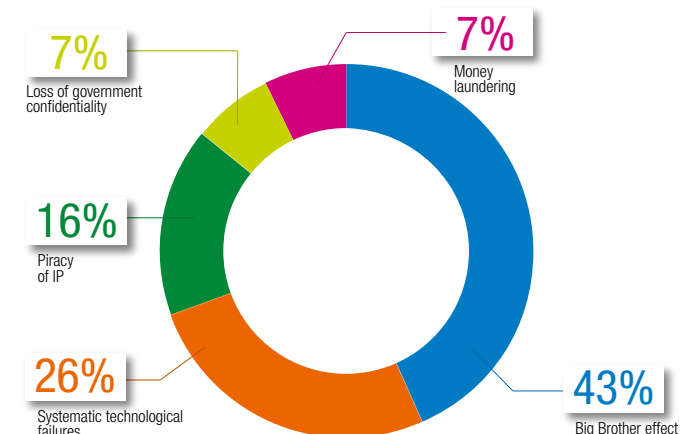
## New Stances on Globalization

What are the most important risks raised by globalization today?



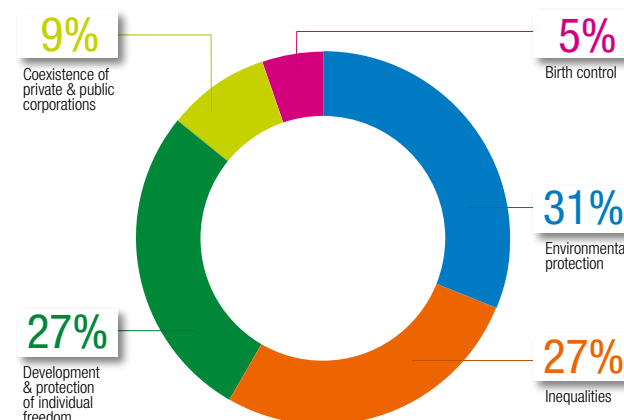
## Cyber Criminality

What are the most important risks for society posed by cyber criminality?



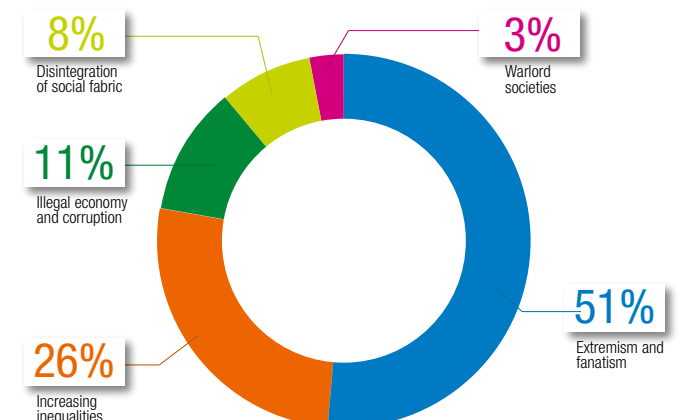
## Reforms and Challenges of the Chinese Economy

What are the most important challenges faced by China today?



## The Causes of Modern Wars: Economics or Religion?

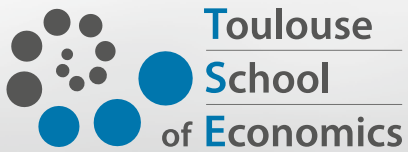
What are the major causes of armed conflicts today?



**The première of David's new book will be held the EEA-ESEM congress hosted by TSE at the University Toulouse 1 Capitole on 25-29 August. Look out for the book stand! More info on the official website:**

eea-esem congress website >>





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