

The call for balance between market and government, the main conclusion of EEA-ESEM'09 organized by Barcelona GSE

Barcelona, Friday 28th August 2009

The call for balance between market and government has been present all over this week in the 24th Annual Congress of the European Economic Association and the 64th European Meeting of the Econometric Society, ([EEA-ESEM 09](#)), the most important scientific meeting held outside the United States, hosted this year by the Barcelona Graduate School of Economics.

The meeting, which started on Sunday 23rd and ended on 27th August, gathered together **1.800 experts on economics from around the world** including academics from universities and research centers and central banks. The number of participants exceeded the 1.600 who attended last year's edition at the Università Bocconi in Milan.

The intensive scientific programme included **1.443 presentations** –selected by means of anonymous evaluation among the 3.300 received–, **48 invited sessions**, six plenary sessions and one institutional session. This event constitutes the first big international activity organized by the Barcelona Graduate School of Economics ([GSE](#)).

The EEA-ESEM 09 meeting started last Sunday with the presentation of the *Fisher-Schultz Lecture* by **Prof. Faruk Gul (Princeton University)**, who spoke about the econometric concepts of ambiguity and uncertain expected utility and its implementation in the market. Prof. Gul explained how individuals typically prefer to avoid known risks and situations about which there is little information. However, different sources of uncertainty may have different degrees of uncertainty. Thus, Professor Gul developed a framework based on modeling different sources of uncertainty for studying how individuals perceive uncertainty and how averse they are to it. These are key considerations for economic decisions and hence are important for business and policy.

In his Econometric Society *Presidential Address* last Monday, **Prof. Roger Myerson (University of Chicago) –Nobel Prize 2007–** spoke about moral hazard in high office and the complex relationship between leaders and the officials in charge of managing their interests. Prof. Myerson discussed the relevance of the 'scarcity of trust' and the different reactions officials can have depending on the incentives offered by the leader. He argued that this concept can be applied to large firms, governments and other organizations of a similar scope.

Need for Balance between Market and Government

On Tuesday evening the institutional session of the EEA-ESEM featured speeches by **President of the European Commission José Manuel Barroso** and **Catalan Minister of Economy and Finance Antoni Castells**.

Minister Castells emphasized that governments must play a key role, together with the market, to overcome the crisis. President Barroso offered a similar argument as he reflected on the vital role that economists should play in creating the policies that will bring the global economy out of crisis, despite the possible failure of current economic analyses to predict the crisis in the first place.

Following this session, **Prof. Charles Bean, Deputy Governor of the Bank of England**, delivered the *Schumpeter Lecture*, entitled “The Great Moderation, the Great Panic and the Great Contraction”. In his lecture, Prof. Bean evaluated the causes for the present financial crisis and illustrated the density of the web of interconnected risk exposures in the British and global financial markets. He stressed the importance of increasing capital in financial institutions to overcome the lack of trust existing between them. He also noted how important it is to achieve a greater balance between government regulatory actions and the free market.

On Wednesday, Prof. **Nicholas Stern (London School of Economics)**, author of the well-known Stern Review on the Economics of Climate Change and president of the EEA, reviewed in his *Presidential Address* the mistakes and achievements in Economics since the end of World War II. He remarked that economists have not played a sufficient role on challenging the economic policies for the last 50 years while noting that new developments in economic theory have allowed us for a better understanding on the roots of human action. Dr. Stern explained about the necessary steps that must be undertaken to avoid climate change and stressed the importance of changing human patterns of behaviour.

On Thursday **Prof. Guido Imbens (Harvard University)** delivered the *Laffont Lecture* “Measuring the Average Outcome and Inequality Effects of Segregation in the Presence of Social Spillover.” Prof. Imbens evaluated the impact on academic results when changes occurred in the allocation of students based on gender. His simulations aimed at improving the measurement of effects of public policies of segregation or inclusion in different circumstances. His concern was to detect and measure properly the results obtained by an individual depending on the changes occurring in his or her social spillover.

The *Marshall Lecture* constituted the last session of the EEA-ESEM 09, delivered by **Prof. Pinelopi Goldberg (Princeton University)**, who discussed the state of intellectual property rights protection in developing countries, focussing her speech on the case of pharmaceuticals, specifically that of antibiotics in India. Prof. Goldberg was very critical about the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and emphasized the high cost, in terms of consumer welfare, of this agreement for people of developing countries by severely delaying the launch of new drugs. According to Prof. Goldberg, this issue has been neglected in all reviews, and it is in fact the most important concern regarding TRIPS in the area of pharmaceuticals.

In addition to the above-mentioned sessions, the role of the Barcelona GSE's academics throughout the Congress should also be highlighted. The Programme Committee Chair on behalf of the EEA was Prof. **Antonio Ciccone** (ICREA-UPF and Barcelona GSE). Among the Congress sessions more than 20 academics from the Barcelona GSE presented their research. Further, the role of the Barcelona GSE's academics in the programme committees of both meetings was particularly significant and independent from the organization of the activity in Barcelona, which demonstrates the solid scientific rigor of the GSE's affiliated faculty.

Media center: http://www.barcelonagse.eu/EEA-ESEM_2009_Media_Center.html

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About the conference host:

The Barcelona GSE is a research university institute founded in 2006 that brings together four public academic institutions (UAB, UPF, IAE-CSIC, CREI) in a public-private partnership to promote graduate education and research in economics and social sciences.

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