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WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

RESEARCH SEMINAR IN ECONOMIC THEORY

November 5, 2009

Institute for Advanced Studies
Stumpergasse 56, 1060 Wien
lecture room II, groundfloor (HSII)

4:00pm

Ken Binmore,
University College London:

“Experimental Economics: Where Next?”
Abstract printed on the next page

5:30pm

Mariya Teteryatnikova,
University of Vienna:

***“R&D in the Network of International Trade:
Multilateral versus Regional Trade Agreements”***
Abstract printed on the next page

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<http://www.univie.ac.at/vwl/EconomicTheory.html>

NOTE: Participation of advanced students in this seminar is highly recommended.



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ABSTRACTS

Ken Binmore,

University College London:

“Experimental Economics: Where Next?”

Where should experimental economics go next? This paper uses the literature on inequity aversion as a case study in suggesting that we could profit from tightening up our act.

with Avner Shaked, Bonn University.

Mariya Teteryatnikova,

University of Vienna:

“R&D in the Network of International Trade: Multilateral versus Regional Trade Agreements”

Recent empirical evidence has shown that trade liberalization promotes innovation and productivity growth in individual firms. This paper argues that different types of trade liberalization – multilateral versus regional – may lead to different R&D and productivity levels of firms. Trade agreements between countries are modelled with a network: nodes represent countries and a link between the nodes indicates the existence of a trade agreement. In this framework, the multilateral trade agreement is represented by the complete network, while the overlap of regional trade agreements is represented by the hub-and-spoke trade system. Trade liberalization, which increases the network of trade agreements, reinforces the incentives for firms to invest in R&D through the creation of new markets (scale effect) but it may also dampen these incentives through the emergence of new competitors (competition effect). The joint action of these two effects within the multilateral and the regional trade systems gives rise to the result that, for the same number of direct trade partners, the R&D effort of a country in the multilateral agreement is lower than the R&D effort of a hub but higher than the R&D effort of a spoke. This suggests that productivity gains of regionalism versus those of multilateralism depend heavily on the relative number of regional trade agreements signed by countries. If a country signs relatively large number of trade agreements within the regional system (core country), then its R&D and productivity are higher than R&D and productivity of a country in the multilateral system. At the same time, a country that signs a relatively small number of trade agreements within the regional system (periphery country) has lower productivity gains than a country in the multilateral system. Additionally, the paper finds that the aggregate level of R&D activities within the multilateral trade agreement exceeds that in the star, the simplest representative of the hub-and-spoke trade system.

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