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# WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

## RESEARCH SEMINAR IN ECONOMIC THEORY

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**June 10, 2010**

**University of Vienna**

1010 Wien, Dr. Karl Lueger-Ring 1

“Elise Richter-Saal”

(from the main entrance go left and then straight all the staircases up)

**4:00pm**

**Hans Gersbach,**

*ETH Zurich and CEPR:*

***“Private Insurance Against Systemic Crises?”***

Abstract printed on the next page

**5:30pm**

**Jörgen Weibull,**

*Stockholm School of Economics:*

***“The Condorcet jury theorem and heterogeneity”***

Abstract printed on the next page

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DOWNLOAD SITE FOR PAPERS (IF AVAILABLE) AND SEMINAR SCHEDULE

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

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

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## ABSTRACTS

**Hans Gersbach,**  
ETH Zurich and CEPR:

### ***“Private Insurance Against Systemic Crises?”***

Insurance contracts contingent on macroeconomic shocks or on average bank capital could be a way of insuring against systemic crises. With insurance, banks are recapitalized when negative events would otherwise cause a write down of capital or even bank insolvency. In a simple model we illustrate the working of these contracts and how insurance could be achieved. We also identify the main pitfalls of this approach: the insurance capacity of an economy may be too limited, insurance must be mandatory, insurance does not curb excessive risk taking (unobservable or observable), the insurers may go bankrupt in crises, and managerial restrictions on a rising bank equity capital limit insurance. Finally we discuss some complementary regulatory measures to foster the effectiveness of crisis insurance. In particular, we suggest mandatory purchase of insurance contracts against systemic crises by managers of large banks.

**Jörgen Weibull,**  
Stockholm School of Economics:

### ***“The Condorcet jury theorem and heterogeneity”***

We consider a committee, board, group or jury that faces a binary collective decision under uncertainty. Each member holds some private information and all members agree about what decision should be taken in each state of nature, had this been known. However, the state is unknown and members may differ in their valuations of the two types of mistake that may occur, and/or in the prior they hold about the true state of the world. We generalize existing results with respect to such preference and belief heterogeneity and provide necessary and sufficient conditions both for optimality of voting rules and for informative voting to be a (strict) Nash equilibrium under various voting rules.

with Jean-François Laslier (Ecole Polytechnique, France).

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