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# WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

## RESEARCH SEMINAR IN ECONOMIC THEORY

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**June 24, 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**

**Andreea Cosnita-Langlais,**

*Université Paris Ouest Nanterre La Défense:*

***“Fight Cartels or Control Mergers?”***

***On the Optimal Allocation of Enforcement Efforts within Competition Policy”***

Abstract printed on the next page

**5:30pm**

**Alberto Martin,**

*CREI and Universitat Pompeu Fabra:*

***“Theoretical notes on bubbles and the current crisis”***

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

**Andreea Cosnita-Langlais,**

Université Paris Ouest Nanterre La Défense:

***“Fight Cartels or Control Mergers?”***

***On the Optimal Allocation of Enforcement Efforts within Competition Policy”***

This paper deals with the optimal enforcement of the competition law in terms of merger and anti-cartel policies. We examine the interaction between these two branches of the competition policy given the cost of resources available to the competition agency and taking into account the ensuing incentives for firms' behavior in terms of choice between cartels and mergers. We are thus able to infer the optimal allocation of enforcement efforts between controlling mergers and fighting cartels, and thereby conclude on their optimal competition policy mix. We show for instance that to the extent that firms may switch from cartel to merger depending on the current focus of the competition law enforcement, applying a stricter merger control only pays if the cartel fighting policy is not too expensive.

with Jean-Philippe Tropeano (Université de Paris 1-Paris School of Economics).

**Alberto Martin,**

CREI and Universitat Pompeu Fabra:

***“Theoretical notes on bubbles and the current crisis”***

We explore a view of the crisis as a shock to investor sentiment that led to the collapse of a bubble or pyramid scheme in financial markets. We embed this view in a standard model of the financial accelerator and explore its empirical and policy implications. In particular, we show how the model can account for: (i) a gradual and protracted expansionary phase followed by a sudden and sharp recession; (ii) the connection (or lack of connection!) between financial and real economic activity and; (iii) a fast and strong transmission of shocks across sectors and countries. We also use the model to explore the role of fiscal policy.

with Jaume Ventura (CREI and Universitat Pompeu Fabra).

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