

# CODE

Center for the study of Organizations and Decisions in Economics

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## ACTIVITY REPORT 1995

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- [Introduction](#)
- [Visitors](#)
  - Long visits
  - Short visits
- [Areas of Research](#)
- [Publications and Working Papers](#)
- [Editorial Activities](#)
- [Conferences and Meetings](#)
- [Seminars](#)
- [Organization of Conferences](#)
  - CODE Conferences
  - Other
- [Stages of Research](#)

## Introduction

The Center for the Study of Organizations and Decisions in Economics (CODE) is a research center at the Universitat Autònoma de Barcelona, created to promote research in the theory of economic decisions and organizations.

CODE was created in 1995. Its founders are members of the Economics Department at the UAB, which has pioneered in Economics Research for the last twenty years. The Department is still the natural meeting point for the activities, like undergraduate and doctoral education, for which diversity of interests and abilities are most important. We hope that CODE will add a new dimension to our profile, by stressing our commitment to theoretical research.

We take a gradual approach to the building of CODE. Our general research topic for the coming years is the study of the economic role of the state, in its many different dimensions. But, to be realistic, we have started by developing much more specific lines of research, in the areas of social choice, contract theory, and game theory, with some additional attention to macroeconomics issues. We hope to build an increasingly consistent group through symmetric interaction, and we know that this takes time.

Likewise, from an external point of view, we hope that CODE may become a reference point, in Barcelona, for those researchers who are working on similar topics. We build on a long tradition of frequent visits, seminars and congresses, but we aim at a consistent set of activities that would enforce our contact with all senior and junior researchers in public economics. Again, we have begun with these activities, but only as first steps.

The present report is, thus, just a modest presentation, and reflects our initial activities, parallel to the very creation of CODE. We hope to do more along the same lines, and to open new fronts in the near future.

## Visitors

### Long visits:

SERIZAWA, Shigehiro

University of Shiga, Japan

September 95 to October 96

**VAN DER STEEL, Hans**

Tilburg University, Holand

October 94 to August 95

**SANDONÍS, Joel**

Universidad del País Vasco, Bilbao, Spain

July 95 to February 96

**YANELLE, Mari Odile**

Delta (Paris), France

June 95 to December 95

**Short visits:**

**ALESKEROV, Fuad**

Institute of Control Science of Moscow, Russia

1/7/95 to 31/8/95

**NEME, Alejandro**

Universidad Nacional de San Luis, Argentina

3/6/95 to 2/7/95

**BARROS, Pedro P.**

Universidade Nova de Lisboa, Portugal

1/10/95 to 15/10/95

**BERGANTIÑOS, Gustavo**

Universidad de Vigo, Spain

13/9/95 to 29/9/95

**CHEBOTAREV, Pavel**

Institute of Control Sciences, Moscow, Russia

6/11/95 to 30/11/95

**Da ROCHA, José M<sup>a</sup>**

Universidad de Vigo, Spain

25/9/95 to 10/10/95

**DOMANSKI, Victor**

St. Petersburg Institute for Economics and Mathematics, Russia

6/11/95 to 30/11/95

**DUTTA, Bhaskar**

Indian Statistical Institute, India

15/5/95 to 30/6/95

IANOVSKAIA, Elena

St. Petersburg Institute for Economics and Mathematics, Russia

6/11/95 to 30/11/95

KREPS, Victoria

St. Petersburg Institute for Economics and Mathematics, Russia

6/11/95 to 30/11/95

LEZINA, Zoya

Institute of Control Sciences, Moscow, Russia

26/11/95 to 18/12/95

MALISHEVSKI, Andrey

Institute of Control Sciences, Moscow, Russia

6/11/95 to 30/11/95

SHAMIS, Elena

Institute of Control Sciences, Moscow, Russia

6/11/95 to 30/11/95

**VLADIMIROV, Andrey**

Institute of Control Sciences, Moscow, Russia

6/11/95 to 30/11/95

**WATSON, Joel**

University of California, San Diego, USA

10/12/95 to 14/12/95

## **Areas of Research**

A brief description is given of the research projects in which the members of CODE are involved. These projects are financed by the Ministry of Education and Science through the Inter-Ministerial Commission of Science and Technology and by the European Community.

**Title: Effects of Macroeconomic Policies on Economic Fluctuations and Growth**

**DGICYT PB92-0120-CO2-01 (3 years)**

**Team coordinator: Jordi Caballé**

**Description: Theoretical and empirical analysis of the role of monetary and fiscal policy on business cycles and growth in the analysis of the relationship between business cycles and growth.**

**Title: Supermodular Functions in Economic Analysis: Indivisibilities and Non-Convexities.**

**DGICYT PB92-0615 (3 years)**

**Team coordinator: Juan E. Martinez Legaz**

Description: Analysis of economic models with indivisibilities when the functions are super modular; special emphasis is paid to decentralization in production problems.

Title: Strategic Behavior and Mechanism Design

DGICYT PB92-0590 (4 years)

Team coordinator: Salvador Barberà

Description: This project analyzes various problems of design of economic institutions and decision making, taking into account in particular the strategic behavior of agents.

The precise issues and hypotheses addressed in this project are subdivided into the following eight sub-projects: 1) structure of organizations; 2) methods of voting; 3) methods of negotiation; 4) matching models; 5) problems of implementation in economic environments; 6) individual preferences and collective decisions; 7) licensing contracts; 8) dynamic analysis of fiscal amnesties.

Title: Inter-Firm Relationships: Market Structure and Competition Policy

Commission of the European Communities, ERBCHRXCT930297 (3years)

Team coordinator: Xavier Martinez-Giralt

Description: This project analyzes the coordination among firms in strategic decision making (especially R&D and production). In particular the analysis focuses on the relationship between market structure and the structure of such strategic decision making

Title: Institutions and Markets as Games

Commission of the European Communities, ERBCHRXCT92055 (3years)

Team coordinator: Salvador Barberà

Description: The objective of this research is the application of recent theories in game theory to the analysis of various important issues pertaining to institutions. Such issues are the following: a) decentralization and the distribution of power and responsibilities; b) communication and asymmetric information; c) bounded rationality and information processing; d) the role of conventions and culture in institutions; e) decision rules in management of organizations.

## Publications and Working Papers

BARBERÀ, Salvador

- (Joint with M. O. JACKSON), "Strategy-proof Exchange", *Econometrica*, 63, 51-87, 1995.

- (Joint with B. DUTTA), "Protective Behaviour in Matching Models", *Games and Economic Behavior*, 8, 281-296, 1995.

- "Notes on Strategy-Proof Social Choice Functions" en Arrow, K.; Sen, A. and Suzumura, K. (eds.), *Social Choice Re-examined*, London: Macmillan, forthcoming.

CABALLÉ, Jordi

- (Joint with A. POMANSKY), "Mixed Risk Aversion", *Journal of Economic Theory*, forthcoming.

- "Endogenous Growth, Human Capital, and Bequests in a Life-Cycle Model", *Oxford Economic Papers*, 47, 156-181, 1995.

- "Effects of Fiscal Policy under Altruism and Low Elasticity of Intertemporal Substitution", W. P.309.95 Dept. d'Economia-IAE.

- (Joint with M. KRISHNAN), "The sources of Volatility in a Dynamic Financial Market with Insider Trading", SEEDS, DP-142.

## MACHO STADLER, Inés

- (Joint with X. MARTÍNEZ-GIRALT. and J.D. PÉREZ-CASTRILLO), "The Role of Information in Licensing Contract Design", Research Policy, forthcoming.

- (Joint with J.D. PÉREZ-CASTRILLO), "An Introduction to the Economics Information: Incentives and Contracts" ,Oxford University Press, forthcoming (revised version of the book "Introducción a la Economía de la Información").

- (Joint with J.D. PÉREZ-CASTRILLO), "Random Audits in Tax Evasion Models", W.P. 287.95 Dept. d'Economia-IAE.

- (Joint with J.D. PÉREZ-CASTRILLO), "Optimal Tax Auditing when some Individuals Need not File", Economic Design, forthcoming.

- (Joint with F. BARROS), "Competition for Managers and Market Efficiency", W.P.320.95 Dept. d'Economia-IAE.

## MARTÍNEZ-GIRALT, Xavier

- (Joint with C. PONSATÍ), "Bargaining at Variable Rhythms", Revista Española de Economía, vol.12 n1, 1995.

- (Joint with I. MACHO-STADLER and J.D. PÉREZ-CASTRILLO), "The Role of Information in Licensing Contract Design", Research Policy, forthcoming.

- "Telecommunication Technologies and Urban Spatial Structure", mimeo.

MARTÍNEZ LEGAZ, Juan Enrique

- "Fenchel Duality and Related Properties in Generalized Conjugation Theory", South East Asian Bulletin of Mathematics, 19, 105-112, Pekín, 1995.

- (Joint with I. SINGER), "Dualities Associated to Binary Operations on  $\mathbb{R}$ ", Journal of Convex Analysis, 2, 1-25, Lemgo, 1995.

- (Joint with J.P. CROUZEIX and A. SEEGER), "An Alternative Theorem for Quadratic Forms and Extensions", Linear Algebra and Its Applications, 215, 121-134, 1995.

- (Joint with I. SINGER) "Subdifferentials with Respect to Dualities", ZOR - Mathematical Methods of Operations Research, 42, 109-125, 1995.

- "On Convex and Quasiconvex Spectral Functions", Proceedings of the 2nd. Catalan Days on Applied Mathematics, 199-208, 1995.

- (Joint with M. THÉRA), " $\varepsilon$ -Subdifferentials in terms of subdifferentials", LACO n°6 , Université de Limoges, 1995.

- (Joint with A. SEEGER and D.T. LUC), "Least Deviation Decomposition with Respect to a Pair of Convex Sets.", Technical Report n° 178, King Fahd University of Petroleum & Minerals.

MASSÓ, Jordi

- "A Note on Reputation: More on the Chain-Store Paradox", Games and Economic Behavior, forthcoming.

- (Joint with A. NEME), "Equilibrium Payoffs of Dynamic Games", International Journal of Game Theory, forthcoming.
- (Joint with M.A. De FRUTOS), "More on the Uniform Allocation Rule: Equality and Consistency". W.P.288.95 Dept. d'Economia-IAE.
- (Joint with M.A. De FRUTOS), "The Uniform Allocation Rule and the Nucleolus". W.P. 289.95 Dept. d'Economia-IAE.
- "La teoría de la elección social: métodos de votación no manipulables", Boletín de la Sociedad Española de Matemática Aplicada (SEMA), forthcoming .

#### OLIVELLA, Pau

- "Information Structures and the Delegation of Monitoring", Annales d'Economie et de Statistique, 39, 1-32, 1995.

#### PÉREZ-CASTRILLO, David

- (Joint with P.A. CHIAPPORI and T. VERDIER), "Spatial Competition in the Banking System: Localization, Cross Subsidies and the Regulation of Interest Rates", European Economic Review, 39, 889-918, 1995.
- (Joint with I. MACHO-STADLER and X. MARTÍNEZ-GIRALT), "The Role of Information in Licensing Contract Design", Research Policy, forthcoming.
- (Joint with J. SANDONÍS), "Disclosure of Know-How in Research Joint Ventures", International Journal of Industrial Organization, forthcoming.

- (Joint with I. MACHO-STADLER), "Random Audits in Tax Evasion Models", W.P. 287.95 Dept. d'Economia-IAE.

- (Joint with I. MACHO-STADLER), "Optimal Tax Auditing when some Individuals Need not File", Economic Design, forthcoming.

PONSATÍ, Clara

- "The Deadline Effect: A Theoretical Note", Economic Letters, 48, 281-285, 1995.

- (Joint with J. SÁKOVICS), "Multi-Person Bargaining over Two Alternatives", Games and Economic Behavior, forthcoming.

- (Joint with J. SÁKOVICS), "The War of Attrition with Incomplete Information", Mathematical Social Sciences 29, 239-254, 1995.

- (Joint with X. MARTÍNEZ GIRALT), "Bargaining at Variable Rhythms", Revista Española de Economía, vol12 n1, 1995.

- (Joint with J. SÁKOVICS), "Rubinstein Bargaining with Two-Sided Outside Options", mimeo.

## **Editorial Activities**

**BARBERÀ, Salvador**

Editor:

- REVISTA ESPAÑOLA DE ECONOMÍA.

Associate Editor:

- SOCIAL CHOICE AND WELFARE.

- MATHEMATICAL SOCIAL SCIENCES.

- ECONOMIC THEORY.

- ECONOMIC DESIGN.

Advisory Board:

- THEORIA

- DERECHOS Y LIBERTADES .

**CABALLÉ, Jordi**

Editorial board:

- REVISTA ESPAÑOLA DE ECONOMÍA

- INVESTIGACIONES ECONÓMICAS

**MACHO STADLER, Inés**

Editorial board:

- REVISTA ESPAÑOLA DE ECONOMÍA
- INVESTIGACIONES ECONÓMICAS
- REVUE ECONOMIQUE

**MARTÍNEZ LEGAZ, Juan Enrique**

Editorial board:

- OPTIMIZATION
- JOURNAL OF CONVEX ANALYSIS

**MASSÓ, Jordi**

Editorial board:

- INVESTIGACIONES ECONÓMICAS

**PÉREZ CASTRILLO, David**

Editorial board:

- REVISTA ESPAÑOLA DE ECONOMÍA

**Conferences and Meetings**

CODE members have attended the main conferences organized along the year. Among these we may highlight,

- 7th. World Congress of the Econometric Society

Tokio, Japan - August 1995

- ASSET Meeting

Bogaziçi University

Istanbul, Turkey - October 1995

- XX Simposio de Análisis Económico

Universitat Autònoma de Barcelona

Bellaterra, Spain - December 1995

- CEPR Meeting on Economic Theory

Gerzensee, Switzerland - July, 1995

- XI Jornadas de Economía Industrial

Madrid, Spain - September, 1995

- EEA Conference

Praga, Chequia - 1995

- Workshop on New Directions in the Theory of Markets and Games

The Fields Institute

Toronto, Canada - 1995

## **Seminars**

### **BARBERÀ, Salvador**

- European University Institute

Florence, Italy - 1995

- C.O.R.E., Université de Louvain

Belgium - 1995

### **MACHO-STADLER, Inés**

- Universitat Pompeu Fabra

Barcelona, Spain - 1995

- Universidad Carlos III

Madrid, Spain - 1995

- Katholieke Universiteit Leuven

Leuven, Belgium - 1995

- Universidad de Alicante

Alicante, Spain - 1995

- Universidad del País Vasco

Bilbao, Spain - 1995

### **MASSÓ, Jordi**

- Universidad del País Vasco

Bilbao, Spain - 1995

- Universidad de San Luis

Instituto de Matemática Aplicada

San Lu s, Argentina - 1995

- University of Suny at Stony Brook

Stony Brook, USA - 1995

### **OLIVELLA, Pau**

- Universitat Aut noma de Barcelona

Bellaterra, Spain - 1995

## **PÉREZ-CASTRILLO, David**

- Universidad del País Vasco

Bilbao, Spain - 1995

- Universitat Pompeu Fabra

Barcelona, Spain - 1995

- Universidad Carlos III

Madrid, Spain - 1995

- Katholieke Universiteit Leuven

Leuven, Belgium - 1995

- Universitat Autònoma de Barcelona

Bellaterra, Spain - 1995

## **Organization of Conferences**

### **CODE Conferences**

"MEETING ON TAX EVASION"

1-3 February 1995

- Organizers: Macho Stadler, Inés

Olivella Cunill, Pau

Pérez Castrillo, David

- Participants: Cowell, Frank A. (ST/ICERD, LSE, Great Britain)

De Juan, Ana (Instituto de Estudios Fiscales, Spain)

Franzoni, Luigi (University of Bologna, Italy)

Hindricks, Jean (Uiversité de Notre-Dame de la Paix, Belgium)

Lasheras, Miguel Angel (Instituto de Estudios, Fiscales, Spain)

Mayo, Rafaela (Instituto de Estudios Fiscales, Spain)

Marhuenda, Francisco (Universitat d'Alacant, Spain)

Ortuño, Ignacio (Universitat d'Alacant, Spain)

Sánchez, Isabel (Universidad Carlos III, Spain)

Schroyen, Fred (SESO-UFSIA, Belgium)

"INTERNATIONAL TRADE AND IMPERFECT COMPETITION"

5-7 October, 1995

- Organizers : Macho Stadler, Inés

Martinez Giralt, Xavier

- Participants: Amiti, Mary (Universitat Pompeu Fabra, Spain)

Barros, Fatima (Universidade Catolica Portuguesa, Portugal)

Barros, Pedro (Universidade Nova de Lisboa, Portugal)

Carraro, Carlo (University of Venice, Italy)

Da Rocha, José M. (Universidade da Vigo, Spain)

Erkel-Rousse, H el ene (CREST, France)

Gonz alez Maestre, Miguel (UAB, Spain)

Herguera, I nigo (Universidad Carlos III, Spain)

Kujal, Praveen (Universidad Carlos III, Spain)

Modesto, Leonor (Universidade Catolica Portuguesa, Portugal)

Peguin, Denis (University of Aix-en-Provence, France)

Petrakis, Emmanuel (Universidad Carlos III, Spain)

Ponsat , Clara (UAB, Spain)

"SPANISH RUSSIAN MEETINGS ON GAMES AND DECISIONS"

8-10 November, 1995

- Organizer: Salvador Barber 

- Participants: Aleskerov, Fuad (Institute of Control Sciences, Moscow, Russia)

Chebotarev, Pavel (Institute of Control Sciences, Moscow, Russia)

Domanski, Victor (St. Petersburg Institute for Economics and Mathematics, Russia)

Herrero, Carmen (Universitat d'Alacant, Spain)

Kreps, Victoria (St. Petersburg Institute for Economics and Mathematics, Russia)

Malishevski, Andrey (Institute of Control Sciences, Moscow, Russia)

Martínez Giralt, Xavier (UAB, Spain)

Martínez Legaz, Juan-Enrique (UAB, Spain)

Massó, Jordi (UAB, Spain)

Moreno, Diego (Universidad Carlos III, Spain)

Nieto, Jorge (Universidad Pública de Navarra, Spain)

Olcina, Gonzalo (Universitat de València, Spain)

Peris, Josep (Universitat d'Alacant, Spain)

Ponsatí, Clara (UAB, Spain)

Rafels, Carles (Universitat de Barcelona, Spain)

Sákovics, József (Institut d'Anàlisi Econòmica, Spain)

Sánchez, M. Carmen (Universitat d'Alacant, Spain)

Shamis, Elena (Institute of Control Sciences, Moscow, Russia)

Subiza, Begoña (Universitat d'Alacant, Spain)

Urbano, Amparo (Universitat de València, Spain)

Vladimirov, Andrey (Institute of Control Sciences, Moscow, Russia)

Ianovskaia, Elena (St. Petersburg Institute for Economics and Mathematics, Russia)

## **Others**

ESEM 96. ECONOMETRIC SOCIETY EUROPEAN MEETING

25-29 August, 1996

Istanbul, Turkey .

Chairman of the Economic Theory Section: Salvador Barberà

## LATIN AMERICAN MEETING OF THE ECONOMETRIC SOCIETY

5-9 August, 1996

Rio de Janeiro, Brasil

Member of the Program Committee: Salvador Barberà

## Stages of Research

### **MACHO STADLER, Inés**

- CEPR, Gerzensee, Switzerland, July, Two weeks
- Leuven, June, Two weeks

### **MARTÍNEZ GIRALT, Xavier**

- Universidade Nova de Lisboa, Lisboa, Portugal, Three weeks
- CERAS, École National des Ponts et Chaussées, Paris, France, Three months

### **MARTÍNEZ LEGAZ, Juan Enrique**

- Universidad de Concepción, Concepción, Chile, Two weeks

### **MASSÓ, Jordi**

- Universidad Nacional de San Luis, Instituto de Matemáticas Aplicadas, San Luis, Argentina, One month

### **PÉREZ CASTRILLO, David**

- CEPR, Gerzensee, Switzerland, July, Two weeks

- Leuven, June, Two weeks