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Centre interuniversitaire de recherche en économie quantitative (CIREQ)

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SUMMARY

In Memoriam	1
New Research Fellows	2
News Research Fellows	4
News Students	4
Conferences	5
Visiting Fellows	8
Selected Publications	9

Founded in 2002, CIREQ is a research center in economics and quantitative analysis resulting from a partnership among three Montreal universities, Université de Montréal, McGill, and Concordia. It is committed to promote research in different areas of economics, such as econometrics, decision theory, finance, and macroeconomics, and to bridge theoretical and applied research in order to achieve a deeper understanding of the economy. CIREQ is financed by the Fonds québécois de recherche sur la société et la culture (FQRSC) and by the Université de Montréal, McGill, and Concordia. Emanuela Cardia, full professor at the Université de Montréal, directs the Center.

The Center currently has 44 research fellows affiliated with Quebec universities and 19 research associates with international connections.

The Center organizes and finances conferences, workshops, and seminars. It also hosts, via visiting scholar programs, more than 60 visiting international researchers every year, for periods from one to several weeks. The Center also plays an important role in the departments' graduate programs.

In Memoriam, Philippe Michel, 1937-2004

Former research associate of CIREQ

Philippe Michel (Université d'Aix-Marseille II and GREQAM) was a first-class and internationally reputed mathematician and economist who was equally devoted to the humanitarian ideals of universal brotherhood and beauty.

As a mathematician, he was first interested in dynamics : his proof of the maximum principle (1972) is still cited; his work on transversality (1982, 1990) has not been surpassed; his papers with J.P. Penot (1984, 1992, 1994), J. Mercenier (1994), E.K. Boukas, and A. Haurie (1990) placed him at the top of mathematical programming.

As an economist, he was interested in the foundations of macroeconomics, democracy, growth, justice, and altruism. He discussed these themes in more than a dozen books and over one hundred articles (from 1980 to 2004) – and with almost as many co-authors!

Philippe Michel visited CIREQ on a regular basis and stayed several weeks every year.

His family, his co-authors, his students and the many young professors with whom he worked, his friends, and colleagues (from Paris, Marseille, Louvain, Montreal) paid tribute to him at the École Normale Supérieure (a place that he was fond of) on October 6, 2004, the day he would have turned sixty-seven.

Camille Bronsard, Dép. de sciences économiques, U. de Montréal



CIREQ RESEARCH

Fundamental Methods

(Resp. J.-M. Dufour)

• *Econometrics*

(Resp. V. Zinde-Walsh)

Research Fellows

Russell Davidson

McGill University

Jean-Marie Dufour

Université de Montréal

John Galbraith

McGill University

Sílvia Gonçalves

Université de Montréal

Nikolay Gospodinov

Concordia University

Lynda Khalaf

Université Laval

Nour Meddahi

Université de Montréal

Benoit Perron

Université de Montréal

Éric Renault

Université de Montréal

Victoria Zinde-Walsh

McGill University

Associate Fellows

Donald W.K. Andrews

Yale University

Christian Gouriéroux

University of Toronto

Alain Guay

UQAM

Joel Horowitz

Northwestern University

Joann Jasiak

York University

James MacKinnon

Queen's University

WELCOME TO THE NEW RESEARCH FELLOWS

The Center welcomes several new research fellows (from Quebec) and associate fellows (mainly from outside Quebec) :

In the *Econometrics* group, Donald W.K. Andrews and Joel Horowitz join the Center as associate fellows.

Donald W.K. Andrews (Yale University) is one of the most productive theoretical econometricians in the world. He has published more than 60 articles in the foremost econometric and statistical journals. He has done influential work on a wide array of topics, including asymptotic theory, autocorrelation corrections, structural change analysis, goodness-of-fit tests, optimal testing, distributional problems associated with lack of identification, and bootstrap methods in econometrics. Donald Andrews holds the William K. Lanman Jr. Chair at Yale University. He is also a fellow of the Econometric Society, co-editor of *Econometric Theory* and an associate editor of *Econometrica*.

Joel Horowitz (Northwestern University) is a physicist and an econometrician with a worldwide reputation for his work in theoretical and applied econometrics. He has published more than 100 articles and 2 books on these topics. He is best known for his seminal work on bootstrap techniques, nonparametric and semiparametric methods in econometrics, limited dependent variable models, and transportation demand. Joel Horowitz holds the Charles and Emma Morrison Chair at Northwestern University. He is a fellow of the Econometric Society and the American Statistical Association, and was a co-editor of *Econometrica* and *Econometric Theory*, as well as an associate editor of several other journals.

The *Decision Theory* group has welcomed Effrosyni Diamantoudi (Concordia University) and Licun Xue (McGill University) as research fellows and Kotaro Suzumura (Hitotsubashi University) as associate fellow.

Effrosyni Diamantoudi, assistant professor of economics at Concordia University, specializes in microeconomic theory and in game theory, employing both cooperative and non-cooperative approaches. Some of her recent research projects include analyses of the formation of coalitions in general and of cartels in particular, questions of stability in coalition formation, and applications of game theory concepts to international agreements on environmental issues.

Licun Xue, assistant professor of economics at McGill University, works on game theory and its applications to areas such as industrial organization and the allocation of resources. His recent projects include dynamic approaches to coalition formation and matching, the analysis of negotiations among economic agents in the presence of externalities, and applications of game theory to environmental economics.

Kotaro Suzumura, professor of economics at Hitotsubashi University (Tokyo), specializes in the theory of individual and collective choice, welfare economics, and industrial organization. Some of his current projects focus on notions of rationality in individual and collective decision-making, the incorporation of individual rights in social choice, procedural aspects of choice mechanisms and intertemporal equity.

• **Decision Theory**
(Resp. Y. Sprumont)

Research Fellows

Walter Bossert
Université de Montréal

Effrosyni Diamantoudi
Concordia University

Lars Ehlers
Université de Montréal

William McCausland
Université de Montréal

Michel Poitevin
Université de Montréal

Yves Sprumont
Université de Montréal

Licun Xue
McGill University

Associate Fellows

Charles Blackorby
University of Warwick

David Donaldson
*University of
British Columbia*

François Maniquet
Université de Namur

Hervé Moulin
Rice University

Hans Peters
University of Maastricht

Kotaro Suzumura
Hitotsubashi University

Bas Werker
Tilburg University

In the *Macroeconomics and Financial Markets* group, Éric Jacquier joins the Center as research fellow and Marco Bonomo as associate fellow.

Éric Jacquier (Finance, HEC Montreal) is an associate professor at the Service de l'enseignement de la finance of the École des Hautes études commerciales. He specializes in Bayesian methods and applies them to the evaluation of assets, financial econometrics and to the analysis of time series properties.

Marco Bonomo (EPGE, Fundação Getulio Vargas, Rio de Janeiro) works in the areas of macroeconomics and finance. In macroeconomics, he specializes in monetary theory. His recent research focuses on the relation between inflation inertia and optimal state-dependent or time-dependent rules. He is also interested in the links between business cycles and the election process. In finance, he has contributed to asset pricing in the context of dynamic equilibrium models.

In the *Applied Microeconomics and Experimental Economics* group, Olivier Armantier (Université de Montréal), Ulf Böckenholt (McGill University), and Jim Engle-Warnick (McGill University) join the Center as research fellows; Ulf Böckenholt is now in charge of this group.

Olivier Armantier joined the Département de sciences économiques at the Université de Montréal in June 2004. His research activities cover different fields of economics, with the objective to apply empirically game theoretic models. Recently, he has been interested in the structural estimation of games of incomplete information, with applications to the field of auctions and to the airline industry. Moreover, Olivier conducted several studies in experimental economics to test the behavioral foundations of economic activities.

Ulf Böckenholt, since 2003, is holder of the Canada Research Chair in ECommerce. His research activities focus on quantitative aspects of marketing and psychological models of consumer behavior. Areas of recent research include the use of new information technology, such as retail point-of-sale scanners and the Internet to help understand consumer buying patterns, the development of models for electronic commerce (e.g., forecasting models for purchasing behavior and website usage), and the analysis of consumer decision processes for medical and financial decisions.

Jim Engle-Warnick's research interests involve studying the way people make decisions in the experimental laboratory. Some of his specific interests include how people learn to trust each other over time, whether concentrated buyers can employ strategies to bring down the price charged by a monopolist, and what decision rules are used in monetary policy. He is a collaborator in developing a computer-automated instrument to measure peoples' risk preferences, and is also collaborating on a field experimental project in Peru.

In the *Environmental and Natural Resources Economics* group, Stephen Salant (University of Michigan) joins the Center as an associate fellow.

Stephen Salant is an applied micro theorist specializing in industrial organization and natural resource economics. His research addresses issues such as : the effects of anticipated and actual government policies on the price of gold, the cause of speculative attacks on government bufferstocks, the theory of mergers, and the economic decisions of large institutions (agricultural marketing boards, cartels, international commodity organizations, prorationing boards, etc.).

Applied Economics and Economic Policy

(Resp. E. Cardia)

• *Macroeconomics and Financial Markets* (Resp. P. Christoffersen)

Research Fellows

Marcel Boyer
Université de Montréal

Bryan Campbell
Concordia University

Emanuela Cardia
Université de Montréal

Rui Castro
Université de Montréal

Peter Christoffersen
McGill University

René Garcia
Université de Montréal

Kris Jacobs
McGill University

Éric Jacquier
HEC Montreal

Toshihiko Mukoyama
Concordia University

Francisco Ruge-Murcia
Université de Montréal

Christian Sigouin
Concordia University

Nurlan Turdaliev
McGill University

Simon van Norden
HEC Montreal

Associate Fellows

Christian Belzil
CNRS

Marco Bonomo
Fundação Getulio Vargas

Thierry Magnac
*Laboratoire d'économie
appliquée, Paris*

Jean-Marc Robin
CREST/INSEE

NEWS RESEARCH FELLOWS

This year René Garcia (U. de Montréal) has received the prestigious Bank of Canada Fellowship. The fellowship is given to accomplished researchers who have made and have the potential to continue to make significant contributions to fields of study that are of interest to the Bank, such as : macroeconomics, monetary economics, international finance, as well as the economics of financial markets and institutions, including their stability.

In May 2004, Walter Bossert (U. de Montréal) received the John Rae Prize, which is offered by the Canadian Economics Association (CEA) every two years. The prize is awarded to Canadian economists working in Canada who have had the best research records in the last five years.

At the same CEA meeting, Jennifer Hunt (McGill U.) was invited to present the Innis Lecture : *Are Migrants More Skilled than Non-Migrants?*

In May 2003, Éric Renault (U. de Montréal) received the Marcel-Dagenais Prize of the Société canadienne de science économique. This Prize honors researchers who are either Canadian or work in a Canadian university and who have distinguished themselves for the quality and excellence of their research production.

Professors Peter Christoffersen and Kris Jacobs (McGill U.) won the Montreal Exchange Award for the best paper on derivatives, *Option Valuation with Conditional Skewness*, co-authored with Steve Heston (University of Maryland), at the 2003 Northern Finance Association Meeting in Quebec City. The paper is forthcoming in the *Journal of Econometrics*. In addition, Peter Christoffersen received the KPMG and the *University of Illinois Research Award* in 2003 and the *Q-Group Research Prize* in 2004.

In 2003, Vicky Zinde-Walsh (McGill U.) received the *Econometric Theory Multa Scripsit Award* from the *Econometric Theory* journal.

In addition, several researchers received the prestigious Canada Research Chair in 2003 and 2004 : Ulf Böckenholt (McGill U.) in E-Marketing, Russell Davidson (McGill U.) in Economics, Éric Renault (U. de Montréal) in Financial Econometrics, and Lynda Khalaf (U. Laval) in Environmental and Financial Econometric Analysis. Ngo Van Long (McGill U.) has received the James McGill Chair in Economics, Marcel Boyer (U. de Montréal), the C.D. Howe Chair in Economic Policy and the Bell Canada Chair in Industrial Economics. Finally, since June 2004, Nour Meddahi (U. de Montréal) is co-holder, with René Garcia (U. de Montréal), of the Hydro-Québec Chair in Integrated Risk Management and Financial Mathematics.

NEWS STUDENTS

Congratulations to students who have received CIREQ doctoral scholarships in 2004-2005 : Isabelle Akaffou, Marie-Hélène Cloutier, Bruno Feunou Kamkui, Pavel Sevcik, and Agnès Zabsonré Wendgloumdé (U. de Montréal); Omer Acikgoz, Stefano Mazzotta, and Christos G. Ntantamis (McGill U.); Miroslav Kucera, Roxanne Stanoprud, Ye Tao, and Yue Wang (Concordia U.).

Fousseni Damien Chabi-Yo (Economics, U. de Montréal) was awarded *the best student paper (Stochastic Discount Factor Volatility Bound and Portfolio Selection under Higher Moments)* at the 2004 Meetings of the Northern Finance Association.

- **Applied Microeconomics and Experimental Economics**
(Resp. U. Böckenholt)

Research Fellows

Olivier Armantier
Université de Montréal

André Blais
Université de Montréal

Ulf Böckenholt
McGill University

Jim Engle-Warnick
McGill University

Jorgen Hansen
Concordia University

Michael Huberman
Université de Montréal

Jennifer Hunt
McGill University

Susumu Imai
Concordia University

Richard Nadeau
Université de Montréal

- **Environmental and Natural Resources Economics**
(Resp. P. Lasserre)

Research Fellows

Hassan Bencheikroun
McGill University

Robert Cairns
McGill University

Gérard Gaudet
Université de Montréal

Pierre Lasserre
UQAM

Ngo Van Long
McGill University

Associate Fellows

Michel Moreaux
IDEI

Stephen Salant
University of Michigan

Congratulations also to new Ph.D. graduate students who are now in various institutions :

- Denis Pelletier (directed by J.-M. Dufour), professor, Department of Economics, North Carolina State University;
- Minh Vo (directed by N.V. Long), professor, Department of Economics and Management, University of Minnesota;
- Samia Ben Hamadi (directed by R. Davidson), professor, Institut supérieur de comptabilité et d'administration des entreprises, Université de Tunis III;
- Hafedh Bouakez (directed by E. Cardia and F. Ruge-Murcia), professor, Institut d'économie appliquée, HEC Montreal;
- Brahim Boudarbat (directed by T. Lemieux and N. Meddahi), professor, École de relations industrielles, Université de Montréal;
- Andrei Semenov (directed by R. Garcia and É. Renault), professor, Department of Economics, York University;
- Fousseni Chabi-Yo (directed by R. Garcia and É. Renault), economist, Bank of Canada;
- Bruno Côté (directed by L. Khalaf), economist, Division analyse économique, Ministère des Finances, Quebec;
- Engin Huseyin Dalgic (directed by N.V. Long) and Turgut Kisinbay (directed by J. Galbraith and V. Zinde-Walsh), economists, International Monetary Fund;
- Yulia Katlyarova (directed by V. Zinde-Walsh), professor, Dalhousie University;
- Éric Moynour (directed by L. Khalaf), Montreal Economic Studies Consultants;
- Armand Sadler (directed by R. Davidson), economist, Arcelor, Luxembourg;
- Sergei Zernov (directed by J. Galbraith and V. Zinde-Walsh), Toronto Dominion Asset Management;
- Moez Souissi (directed by P. Lasserre), postdoctoral fellowship, Université des Sciences Sociales de Toulouse 1.

CONFERENCES

Links between Macroeconomics and Finance

June 6, 2003, Montreal

Organized by Nour Meddahi (U. de Montréal, CIREQ, CIRANO)

Speakers : Ravi Bansal (Duke U.); René Garcia (U. de Montréal, CIREQ, CIRANO); Kris Jacobs (McGill U., CIREQ, CIRANO); Urban Jermann (U. of Pennsylvania); Martin Lettau (New York U.); Angelo Melino (U. of Toronto); Jesus Santos (U. of Chicago); Pascal St-Amour (HEC Montreal, CIRPÉE, CIRANO).

The main objective of the conference was to understand the links between macroeconomic and financial models. In particular, the following subjects were examined : 1) the use of representative

agent models and the impact of individual risk to understand the dynamics of consumption and total wealth; 2) the understanding of the persistence of consumption using new financial modelling approaches; 3) the impact of macroeconomic risk on the price of financial assets.

Applied Microeconomics

September 29, 2003, McGill University

Organized by Jennifer Hunt (U. de Montréal, CIREQ); Daniel Parent (McGill U., CIRPÉE)

Speakers : Paul Beaudry, David Green (U. of British Columbia); Kenneth Y. Chay (U. of California, Berkeley); Olivier Deschênes (U. of California, Santa Barbara); Esther Dufo

(Massachusetts Institute of Technology); Kevin F. Hallock (U. of Illinois, NBER); John Ham (Ohio State U.); Barry Hirsch (Trinity U., Texas).

The conference brought together labour economists who treated various subjects spanning from empirical microeconomics, to migration, to corporate finance, to health.

Realized Volatility

November 7-8, 2003, Montreal

Organized by Nour Meddahi (U. de Montréal, CIREQ, CIRANO)

Speakers : Yacine Aït-Sahalia (Princeton U., NBER); Michel Beine (U. de Lille 2, U. Libre de Bruxelles); Tim Bollerslev (Duke U., NBER); Peter Christoffersen (McGill U., CIREQ, CIRANO); Valentina Corradi (Queen Mary, U. of London); Fulvio Corsi (U. of Southern Switzerland); Michiel de Pooter (Erasmus U. Rotterdam); Eric Ghysels (U. of North Carolina at Chapel Hill, CIRANO); George Jiang (U. of Arizona); Asger Lunde (Aarhus U.); John Maheu (U. of Toronto); Martin Martens (Erasmus U. Rotterdam); Stefano Mazzoli (McGill U.); Christopher Neely (Federal Reserve Bank of St. Louis); Roel Oomen (U. of Warwick); Éric Renault (U. de Montréal, CIREQ, CIRANO); Jeffrey Russell (U. of Chicago); Neil Shephard (Oxford U.); Zheng Sun (New York U.); George Tauchen (Duke U.); Ruey S. Tsay (U. of Chicago); Yi Lu (New York U.); Hao Zhou (Federal Reserve Board, Washington, D.C.).

With the contribution and the collaboration of U. de Montréal, McGill, Concordia, and funded by the FQRSC, CIREQ organized, since June 2003, 7 conferences, 2 association meetings, 3 special lectures, 180 seminars, and more than 40 workshops. It received over 80 visiting fellows for periods from one to several weeks. It gave CIREQ grants to 12 Ph.D. students.

This conference brought together a large number of specialists on volatility and examined issues relating : 1) the formulation of the measure of jumps; 2) the incorporation of realized volatility in the valuation of financial assets; 3) the modelling and the foreseeable nature of jumps; 4) the study of the foreseeable nature of volatility; 5) the impact that the microstructure of the markets has on the measure of volatility; 6) the statistical inference of continuous time processes using realized volatility.

Macroeconomics and Finance : The Term Structure of Interest Rates

April 2, 2004, Montreal

Organized by Bryan Campbell (Concordia U., CIREQ, CIRANO); René Garcia, Nour Meddahi (U. de Montréal, CIREQ, CIRANO)

Speakers : Andrew Ang (Columbia U., NBER); S. Boragan Aruoba (U. of Pennsylvania); Marco Bonomo (Fundacao Getulio Vargas, Brazil, Princeton U.); Qiang Dai (New York U., NBER); Wayne Ferson (Boston College, NBER); René Garcia (U. de Montréal, CIREQ, CIRANO); Christian Gouriéroux (CREST, U. of Toronto, CIREQ, CIRANO); Kris Jacobs (McGill U., CIREQ, CIRANO); Angelo Melino (U. of Toronto); Monika Piazzesi (U. of

Chicago); Gregor Smith (Queen's U.); George Tauchen (Duke U.); Tao Wu (Federal Reserve Bank of San Francisco).

This conference was a continuation of the CIREQ-CIRANO Conference in June 2003 on the same topic. A large number of specialists working in this area were among the participants. The main objective was to understand the links between macroeconomics and finance in explaining the dynamics of the yield curve. Financial theory imposes restrictions (absence of arbitrage) in macroeconomic models, while macroeconomic variables help explain the dynamics of bond prices. Recently, we assisted to the birth of a new literature which addresses this type of question.

Several subjects were examined : 1) the value of the information contained in interest rates predicting output growth; 2) the joint modelling and forecasting of interest rates and macroeconomic variables; 3) the macroeconomic interpretation of regime changes in interest rates; 4) new approaches for modelling and pricing bonds.

44th Annual Meeting of the Société canadienne de science économique (SCSE)

May 5-6, 2004, Quebec

Organized by John Galbraith (McGill U., CIREQ)

Financial Econometrics

May 7-8, 2004, Montreal

Organized by Nour Meddahi (U. de Montréal, CIREQ, CIRANO)

Speakers : Alan Bester (Duke U.); Peter Brockwell (Colorado State U.); Rohit Deo (New York U.); Bjørn Eraker (Duke U.); Jianqing Fan (Princeton U.); René Garcia (U. de Montréal, CIREQ, CIRANO); Sílvia Gonçalves (U. de Montréal, CIREQ, CIRANO); Nikolay Gospodinov (Concordia U., CIREQ); John Heaton, Nan Li (U. of Chicago, NBER); Emma Iglesias (U. of Alicante); Francisco Javier Mencía (CEMFI); Lynda Khalaf (U. Laval, CIREQ); Ivana Komunjer (California Institute of Technology); Sydney Ludvigson (New York U., NBER); Haitao Li, Martin Wells, Long-Xi Yu (Cornell U.); Robert McCulloch (U. of Chicago); Werner Ploberger (U. of Rochester); Roch Roy (U. de Montréal); Andrei Semenov (York U.); Katsumi Shimotsu (Queen's U.); Razvan Sufana (U. of Toronto); Samuel Thompson (Harvard U.); Pascale Valéry (HEC Montreal); Motohiro Yogo (Harvard U.).

This conference brought together a large number of specialists in financial econometrics. Several topics were broached, in particular : 1) the statistical analysis of continuous time processes; 2) the valuation of financial assets; 3) the forecast of financial returns; 4) the statistical analysis of risk in financial returns; 5) specification tests of financial models; 6) the use of Bayesian techniques in financial econometrics.

Canadian Economic Theory Conference

May 7-9, 2004, McGill University

Organized by Nurlan Turdaliev, Licun Xue (McGill U., CIREQ)

Speakers : Hamza Ali Malik (Lakehead U.); Albert Banal-Estanol (U. of Western Ontario); Bernard Beaudreau (U. Laval); Walter Bossert (U. de Montréal, CIREQ); Lutz-Alexander Busch (U. of Waterloo); Gorkem Celik (U. of British Columbia); Youngsub Chun (U. of Rochester); Mario Coccia (National Research Council of Italy); Siu Fai Leung (Hong Kong U. of Science and Technology); Amanda Friedenberg (New York U.); Arieh Gavious (Ben-Gurion U. of Negev); Sidartha Gordon (Northwestern U.); Yoram Halevy (U. of British Columbia); Ron Harstad (Rutgers U.); Ed Hopkins (Edinburgh U.); Johannes Horner (Northwestern U.); Christine Lang (U. of Geneva); Dan Levin (Ohio State U.); David Levine (UCLA); Duozhe Li (Boston U.); Ines Macho-Stadler (U. Autònoma de Barcelona); Andrew McLennan (U. of Minnesota); Jawwad Noor (U. of Rochester); David Perez (U. Autònoma de Barcelona); Michael Peters (U. of British Columbia); Philip Reny (U. of Chicago); David Robinson (Laurentian U.); Jesse Schwartz (Vanderbilt U.); Abhijit Sengupta (York U.); Sergei Severinov (Duke U.); Dongsoo Shin (Santa Clara U.); Artyom Shneyerov (U. of British Columbia); Peter Streufert (U. of Western Ontario); Henry Tam (Texas A&M U.); Daniel R. Vincent (U. of Maryland); Yun Tong Wang (U. of Windsor); Okan Yilankaya (U. of British Columbia); Bingyong Zheng (U. of Western Ontario).

The Canadian Economic Theory Conference (CETC) is an annual conference which provides a forum for economic theorists as well as applied economists to communicate recent advancements in various fields of economic theory and applications of new theories. CETC attracts economic theorists from Canada, the US and some other countries, thereby promoting international collaborations among economic theorists. Moreover, CETC provides an opportunity for graduate students to present their research and to receive feedback and guidance.

Real Options, Theory Meets Practice

June 17-19, 2004, Montreal

Organized by Marcel Boyer (U. de Montréal, CIREQ, CIRANO); Bryan Campbell (Concordia U., CIREQ, CIRANO); Pierre Lasserre (UQAM, CIREQ, CIRANO)For Practitioners (and Academics)

The first part of the conference was held on June 16 and 17 and focused on case studies. Carliss Baldwin (Harvard University) gave a luncheon presentation, and invited sessions were given by Gordon Sick (University of Calgary) and Blake Johnson (Stanford University).

For Academics (and Practitioners)

The second part of the conference was held from June 17 to 19. Practitioners and academics at the forefront of research in real options and investment under uncertainty discussed recent developments and applications in the field. Stewart Myers (Sloan School of Management, MIT) was the keynote speaker and

Michael Brennan (Andersen School of Business, UCLA) gave the luncheon presentation.

Operator Methods in Microeconometrics, Time Series and Finance

November 5-6, 2004, Montreal

Organized by Nour Meddahi (U. de Montréal, CIREQ, CIRANO)

Speakers : Bryan Campbell (Concordia U., CIREQ, CIRANO); Marine Carrasco (U. of Rochester); Xiaohong Chen (New York U.); Peter Christoffersen (McGill U., CIREQ, CIRANO); Qiang Dai (U. of North Carolina at Chapel Hill); Russell Davidson (McGill U., CIREQ); Jean-Marie Dufour (U. de Montréal, CIREQ, CIRANO); Jean-Pierre Florens (U. de Toulouse, IDEI, GREMAQ); John Galbraith (McGill U., CIREQ, CIRANO); Sílvia Gonçalves (U. de Montréal, CIREQ, CIRANO); Nikolay Gospodinov (Concordia U., CIREQ, CIRANO); Christian Gouriéroux (U. of Toronto, CREST, CIREQ, CIRANO); Joel Horowitz (Northwestern U., CIREQ); Robert Kimmel (Princeton U.); Vadim Linetsky (Northwestern U.); Per Mykland (U. of Chicago); Alexei Onatski (Columbia U.); Benoît Perron (U. de Montréal, CIREQ, CIRANO); Éric Renault (U. de Montréal, U. of North Carolina, CIREQ, CIRANO); Frits Ruymgaart (Texas Tech U.); Susanne Schennach (U. of Chicago).

A new approach in modelling and statistical inference based on operator methods has recently emerged in microeconometrics and in finance. The nonparametric extension of the classical problem of estimating models with endogenous variables in the presence of instruments is known as an "inverse problem". This problem may be solved by the theory of operators.

Besides, this theory delivers, in a Markovian time series framework, explicit formulas for conditional expectations. This property was recently used to compute derivative prices as conditional expectations of some functions.

Another approach frequently used in finance for interest rates involves the Laplace transform, which is also based on operators.

This conference brought together some of the best specialists worldwide.

SPECIAL LECTURES**Larry Epstein (University of Rochester)****Optimism and Choice**

May 10, 2004, McGill University

Although phenomena such as optimism, overconfidence and cognitive dissonance are increasingly modeled by employing behavioral approaches, Larry Epstein argued that the axiomatic methodology commonly applied in decision theory may be more suitable. He defined the notion of optimism in terms of choice behavior and, drawing on the literature on temptation and self-control, he introduced a new approach that explains observed behavior exhibiting optimism or cognitive dissonance as a time-inconsistency problem.

James J. Heckman (University of Chicago)

2000 Nobel Laureate in Economics

Separating Heterogeneity from Uncertainty in Measuring Income Inequality

May 27, 2004, U. de Montréal

Professor James Heckman reviewed his recent work on policy evaluation for social interventions. The purpose of his work consists in going further than simply estimating the expected effect (i.e., the mean) of proposed counterfactual interventions but rather the whole distribution of such interventions. The methods proposed allow for multiple treatments followed over time and make use of low-dimensional factors to produce distributions of potential outcomes. This allows one to develop a much nuanced understanding of the distributional impacts of public policies. The proposed techniques are illustrated by applying them to evaluate the benefits of attending college and a proposed reform of the U.S. educational system. In particular, the distributional impact of such a reform is carefully evaluated.

Martin Weitzman (Harvard University)***A Unified Bayesian Theory of Equity Puzzles***

December 3, 2004, McGill University

In "A Unified Bayesian Theory of Equity 'Puzzles'", Professor Martin Weitzman tries to resolve three well-known puzzles about asset returns: the equity premium, the risk-free rate, and equity volatility puzzles. In contrast with usual practice, agents are uncertain about the variance of income growth and use historical data to learn about it in a Bayesian manner. A prior truncation parameter serving as an upper bound for this variance can be set to match the observed equity premium, risk-free rate, and equity volatility.

FORTHCOMING***Forecasting in Macroeconomics and Finance***

April 8-9, 2005, Montreal

Organized by Bryan Campbell (Concordia U., CIREQ, CIRANO); Nour Meddahi (U. de Montréal, CIREQ, CIRANO)

Simulation Based and Finite Sample Inference in Finance II

April 29-30, 2005, Quebec

Organized by Jean-Marie Dufour (U. de Montréal, CIREQ, CIRANO); Marie-Claude Beaulieu (GREEN, U. Laval); Lynda Khalaf (U. Laval, CIREQ); Craig MacKinley (U. of Pennsylvania)

Monetary Multi-Sector Models

May 7, 2005, Montreal

Organized by Francisco Ruge-Murcia (U. de Montréal, CIREQ)

Financial Econometrics

May 20-21, 2005, Montreal

Organized by Nour Meddahi (U. de Montréal, CIREQ, CIRANO)

Annual International Meeting of the Economic Science Association

June 23-26, 2005, McGill University

Organized by Olivier Armantier (U. de Montréal, CIREQ, CIRANO); Jim Engle-Warnick (McGill U., CIREQ, CIRANO); Cathleen Johnson (CIRANO); Claude Montmarquette (U. de Montréal, CIRANO)

The Society for Economic Research on Copyright Issues (SERCI) Annual Conference

July 7-8, 2005, Montreal

Organized by Marcel Boyer (U. de Montréal, CIREQ, CIRANO); Gilles McDougall (Copyright Board of Canada)

2nd Toulouse-Montreal Conference on Law, Economics and Management of Large-Scale Technological Risks

September 30-October 1, 2005, Montreal

Organized by Marcel Boyer (U. de Montréal, CIREQ, CIRANO); Nathalie De Marcellis (École Polytechnique de Montréal, CIRANO); Bernard Sinclair-Desgagné (HEC Montreal, CIRANO)

FELLOWS INVITED TO CIREQ SINCE SEPTEMBER 2003

ABDELKHALEK, Touhami (INSEA, Rabat)

AMBEC, Stéfan (Université de Grenoble)

AMIR, Rabah (University of Arizona)

ANATOLYEV, Stanislav (New Economic School, Moscow)

BEAUDRY, Paul (University of British Columbia)

BLUM, Ulrich (Technische Universität Dresden)

BONOMO, Marco Antonio C. (Fundação Getulio Vargas)

BONTEMPS, Christian (CENA, Toulouse)

BOUAKEZ, Hafedh (Bank of Canada)

CLEMENTI, Gian Luca (New York University)

COEN-PIRANI, Daniele (Carnegie-Mellon University)

COLLARD, Fabrice (GREMAQ-CNRS)

CORRADI, Valentina (Queen Mary, University of London)

DAFFLON, Bernard (Université de Fribourg)

D'AMBROSIO, Conchita (Università Bocconi, Milan)

DAVIS, Graham (Colorado School of Mines)

DOZ, Catherine (Université de Cergy-Pontoise)

DRISSI, Mohamed (Université de Tanger)

DUBOIS, Pierre (INRA, Toulouse)

ENCAOUA, David (Université Paris I - Panthéon Sorbonne)

FAN, Yanqin (Vanderbilt University)

FLOCHER, Laurent (GATE, Université Lumière Lyon II)

GOLLIER, Christian (Université de Toulouse I)

GONZALEZ, Francisco (University of British Columbia)

GORDON, Sidartha (Northwestern University)

- GOURIÉROUX, Christian (University of Toronto, CREST, CIRANO)
 GRAVEL, Nicolas (GREQAM, Université de la Méditerranée)
 GUIDOLIN, Massimo (University of Virginia)
 HOTTE, Louis (Université de Namur)
 JELLAL, Mohamed (Université Mohammed V, Maroc)
 KIM, Jeong-Ryeol (Deutsche Bundesbank)
 KIMMEL, Robert (Princeton University)
 KITAMURA, Yuichi (University of Pennsylvania)
 KIVIET, Jan F. (University of Amsterdam)
 KOMUNJER, Ivana (California Institute of Technology)
 LESUEUR, Jean-Yves (CNRS, Université Lumière Lyon 2)
 LIECHTY, John (Pennsylvania State University)
 LOFSTRÖM, Magnus (University of Texas at Dallas)
 MACHO-STADLER, Inés (Universitat Autònoma de Barcelona)
 MACKINNON, James (Queen's University)
 MAHENC, Philippe (Université de Perpignan)
 MARJIT, Sugata (Centre for Studies in Social Sciences)
 MASSO Carreras, Jordi (Universitat Autònoma de Barcelona)
 MICHEL, Philippe (GREQAM, EUREQua, France)
 MIYAGAWA, Eiichi (Columbia University)
 MOREAUX, Michel (GREMAQ, Université des Sciences Sociales de Toulouse)
- PELLETIER, Denis (North Carolina State University)
 PERAGINE, Vitorocco (Université de Bari)
 PEREA, Andrés (University of Maastricht)
 PÉREZ-CASTRILLO, David (Universitat Autònoma de Barcelona)
 PRITSKER, Matthew (Federal Reserve Board in Washington DC)
 ROSSI, Barbara (Duke University)
 RUIZ ALMENDRAL, Violeta (Universidad Carlos III de Madrid)
 SAHIN, Aysegul (Federal Reserve Bank of New York)
 SALANT, Stephen (University of Michigan)
 SENGUPTA, Abhijit (York University)
 SEVERINOV, Sergei (Duke University, Fuqua School of Business)
 SOUBEYRAN, Antoine (L.E.Q.U.A.M. 902)
 SUSSMAN, Nathan (Hebrew University of Jerusalem)
 SUZUMURA, Kotaro (Hitotsubashi University)
 TAAMOUTI, Mohamed (INSEA, Rabat)
 TAHVONEN, Olli (METLA, University of Helsinki)
 ULLAH, Aman (University of California at Riverside)
 WANSBEEK, Tom (University of Groningen)
 WERKER, Bas (Tilburg University)
 WITHAGEN, Cees (Tilburg University)
 ZIMMERMAN, Christian (University of Connecticut)

SELECTED PUBLICATIONS 2003-2004

(research fellows only)

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- BENCHEKROUN, H., « The Closed-Loop Effect and the Profitability of Horizontal Mergers », *Canadian Journal of Economics* 36(3), 2003, 523-764.
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- BENCHEKROUN, H., « Increasing a Stock of a Productive Asset », *Journal of Economic Theory*.
- Bhattacharya, J., S. Banerji & N.V. LONG, « Can Financial Intermediation Induce Economic Fluctuations? », *Journal of Economic Dynamics and Control*.
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- CHRISTOFFERSEN, P., *Elements of Financial Risk Management*, Academic Press.
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- DUFOUR, J.-M., « Monte Carlo Tests with Nuisance Parameters : A General Approach to Finite-Sample Inference and Nonstandard Asymptotics in Econometrics », *Journal of Econometrics*.
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- GARCIA, R., E. Ghysels & É. RENAULT, « Econometrics of Option Pricing Models », in Y. Ait-Sahalia and L.P. Hansen, editors, *Handbook of Financial Econometrics*, North Holland.
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- GAUDET, G. & R. Kanouni, « Trade Liberalization and the Profitability of Domestic Mergers », *Review of International Economics*.
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- KHALAF, L. & M. Kichian, « Exact Tests of the Stability of the Phillips Curve : The Canadian Case », *Computational Statistics and Data Analysis*.
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- MANIQUET, F. & Y. SPRUMONT, « Welfare Egalitarianism in Non-Rival Environments », *Journal of Economic Theory*.
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