

FW: Voting Results: 2008 Arrow Prize Winners

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-----Original Message-----

From: Aaron S. Edlin [<mailto:mm-10632-2774763@bepress.com>]

Sent: Fri 6/12/2009 23:07

To: Agur, Itai

Subject: Voting Results: 2008 Arrow Prize Winners

You voted, and the results are in! Berkeley Electronic Press is pleased to announce the winners of the 2008 Arrow Prizes.

2008 ARROW PRIZE FOR JUNIOR ECONOMISTS

"The US Trade Deficit, the Decline of the WTO and the Rise of Regionalism"

<http://www.bepress.com/gej/vol8/iss3/4/>

Itai Agur, Dutch Central Bank and European University Institute

Global Economy Journal, www.bepress.com/gej

This paper argues that the growing US trade deficit has caused the decline of the WTO and the rise of regional trade agreements. Growing imbalances make countries more selective about who to cooperate with. This is formally shown in a three-country negotiation game that is based on a goods-market model. Subsequently, the model is parameterized and applied quantitatively. Using historical data, the model correctly predicts the date that US-Canada FTA talks began. Based on current data, moreover, the model paints a bleak picture for multilateralism: US exports to China would have to triple for a new WTO round to stand a chance. But even this may be insufficient: a dynamic extension of the game shows that regionalism can have a lock-in effect. Nonetheless, this does not plead for tougher WTO rules on regionalism. As is argued both qualitatively and quantitatively, these may push countries to less, not more, cooperation.

2008 ARROW PRIZE FOR SENIOR ECONOMISTS

"The Market: Catalyst for Rationality and Filter of Irrationality"

<http://www.bepress.com/bejeap/vol8/iss1/art47/>

John A. List, University of Chicago and NBER
Daniel L. Millimet, Southern Methodist University

The B.E. Journal of Economic Analysis & Policy, www.bepress.com/bejeap

Assumptions of individual rationality and preference stability provide the foundation for a convenient and tractable modeling approach. While both of these assumptions have come under scrutiny in distinct literatures, the two lines of research remain disjointed. This study begins by explicitly linking the two literatures while providing insights into whether market experience mitigates one specific form of individual rationality-consistent preferences. Using field experimental data gathered from more than 800 experimental subjects, we find evidence that the market is a catalyst for this type of rationality. The study then focuses on aggregate market outcomes by examining empirically whether individual rationality of this sort is a prerequisite for market efficiency. Using a complementary field experiment, we gathered data from more than 380 subjects of age 6-18 in multi-lateral bargaining markets at a shopping mall. We find that our chosen market institution is a filter of irrationality: even when markets are populated solely by irrational buyers, aggregate market outcomes converge to the intersection of the supply and demand functions.

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The Arrow Prizes in Economics are named in honor of Kenneth J. Arrow, who shared the Nobel Prize in 1972 for his pioneering contributions to general equilibrium theory and welfare theory. The Arrow Prize for Junior Economists is awarded annually to one paper published by a faculty member or economist six or fewer years from his or her Ph.D. The Arrow Prize for Senior Economists is awarded annually to one paper published by a faculty member or an economist more than six years from his or her Ph.D.

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