



**Chaire Finance Durable
et Investissement Responsable**

Report for year 2008

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Agenda for the meeting of the Orientation Committee

**February 9, 2009
9:30 12:00**

1. Main achievements of the year
2. Perspectives (research in progress)
3. Discussion and decisions by the Committee (conference etc.)
4. Miscellaneous

Executive summary

Research team

Christian Gollier, IDEI & Toulouse School of Economics (Chair coordinator)
Jean-Pierre Ponsard, Ecole Polytechnique (Chair coordinator)
Stefan Ambec, IDEI & Toulouse School of Economics
Bruno Biais, IDEI & Toulouse School of Economics
Catherine Casamatta, IDEI & Toulouse School of Economics
Edouard Challe, Ecole Polytechnique
Patricia Crifo, Ecole Polytechnique & UHA (coordinator of work group 2)
Eric Giraud-Heraud, INRA Paris & Ecole Polytechnique
Jean-Francois Laslier, Ecole Polytechnique
Thomas Mariotti, IDEI & Toulouse School of Economics
Sylvaine Poret, INRA Paris & Ecole Polytechnique
Sébastien Pouget, IDEI & Toulouse School of Economics (coordinator of work group 1)
Shyama Ramani, INRA Paris & Ecole Polytechnique
Jean-Charles Rochet, IDEI & Toulouse School of Economics
François Salanié, IDEI & Toulouse School of Economics
Jean Tirole, IDEI & Toulouse School of Economics
Nicolas Treich, IDEI & Toulouse School of Economics

Doctoral and post-doctoral students

Johannes Emmerling, IDEI & Toulouse School of Economics
Johannes Giergingler, IDEI & Toulouse School of Economics
Samer Hobeika, Ecole Polytechnique
Ruben Hoffmann, INRA Paris & Ecole Polytechnique
Philippe Krüger, IDEI & Toulouse School of Economics
Thuriane Mahé, UPMF Grenoble & Ecole Polytechnique
François Perrot, Ecole Polytechnique
Delphine Prady, IDEI & Toulouse School of Economics
Ingmar Schumacher, Ecole Polytechnique
Hailin Sun, IDEI & Toulouse School of Economics
Julien Vauday, Ecole Polytechnique

Work Group 1

Financial markets, investment strategies and socially responsible finance *Marchés financiers, stratégies d'investissement et finance responsable*

1. General Research Objectives

The objective of this work group is to study the interaction between financial markets and corporate social responsibility. Firms' socially responsible strategies are characterized by two basic characteristics: i) these strategies are bound to control the externalities created by firms on their environment, and ii) these strategies are often viewed as having long-term effects. Do financial markets value these externalities? How to discount the far future? Do financial markets imperfections impede the valorisation of corporate social responsibility? Are long-term information incorporated in asset prices? What is the role of SRI funds in the investment policy of firms? How should SRI funds evaluate the overall (financial and extra-financial) performance of assets? This work group will analyse these issues using theoretical, experimental and empirical methodologies.

2. Research Team and Invited Scientists 2008

Team:

Stefan Ambec
Bruno Biais
Catherine Casamatta
Patricia Crifo
Christian Gollier
Sébastien Pouget (coordinator)
Jean Tirole
Nicolas Treich

Research collaborations:

Alexander Guembel, Oxford University (visiting professor at Toulouse School of Economics)
Nick Johnstone, Organisation de Coopération et de Développement Économiques (OCDE)
Phoebe Koundouri, Athens University of Economics and Business
Andreas Lange, University of Maryland
Paul Lanoie, HEC Montréal
Jérémy Laurent-Lucchetti, HEC Montréal
Theologos Pantelidis, University of Crete
Hind Sami, IESEG School of Management

Doctoral and post doctoral students:

Johannes Emmerling
Johannes Giergingler
Philippe Krüger
Delphine Prady
Hailin Sun

3. Workshops with the sponsors June 2008 and December 2008

- June 30, 2008:
 - 10h00-10h45 : Philipp Krüger
« Leverage, internal financing, and corporate social responsibility»
 - 10h45-11h30 : Christian Gollier
« Sustainable development and uncertainty»
 - 11h30-12h15 : François Salanié
« Socially responsible firms : what sense and what next? »
 - 12h15-13h00 :
Open discussion around the article « Socially responsible firms : what sense and what next? »

- December 16, 2008:
 - 10h00-10h50 : Patricia Crifo
« ISR & asset management : questionnaire » ;
 - 10h50-11h40 : Christian Gollier
« Equilibrium asset prices and corporate behaviour with heterogeneous socially responsible investors » ;
 - 11h40-12h30 : Stefan Ambec
« Does it pay to be green? A systematic overview »

4. Non Technical Summary of Research

The research projects that are being developed by the work group 1 focus on three aspects of the socially responsible (SR) investment process namely, i) the identification of SR projects and companies, ii) the valuation of SR projects and companies, and iii) the performance of SR investments.

i) Identification of SR projects and companies

Identifying SR companies is a complex task because it requires to gather, analyse and interpret information coming from many different sources to assess the environmental, social and governance policies of firms. The fact that this information is not readily available opens the scope for asymmetric information and the well-known associated market failure à la Akerlof. In order to mitigate this problem, extra-financial rating agencies have been issuing and selling ratings regarding the social, environmental and governance behaviour of firms. Krüger (2008 b and c) is interested in understanding how these ratings are taken into account by financial markets.

Using event study methodology, Krüger (2008b) analyses the informational content of corporate social responsibility ratings. In a first paper, he studies the US-based rating agency KLD Research and Analytics. The results suggest that these ratings cover economically relevant issues. The relative economic importance of each social rating category is analysed. Furthermore it is investigated whether the private dissemination of the ratings to the agency's clients has an impact on the short-term dynamics of stock prices. The empirical results suggest that the dissemination does not have a significant impact on shareholder wealth. In a second paper, Krüger (2008c) focuses on Vigeo, a Europe-based rating agency. He uses a sample of 180 European blue chip companies and studies stock market reactions to the private dissemination of corporate social responsibility ratings. Parts of the empirical results suggest that investors respond to the publication of these ratings. However, their response appears to be lagged.

In order to find good indicators of SR companies, Krüger (2008a) also studies what are the determinants of the choice of a SR policy. The idea is to uncover a relationship between corporate SR behaviour (as measured by the rating agency KLD) and firms' observable characteristics such as financial, accounting, and governance structure. The analysis is run for companies that are listed in US stock markets and covered by KLD. He finds that less negative SR events are associated with companies that include more women in their board, that use more internal funding, that have more controlling shareholders, and that have more experienced directors. On the contrary, more SR events are associated with companies which have a majority of institutional investors as shareholders, and that have experienced more negative events in the past. These elements might be useful for SR investors who would like to screen companies and identify those who are more incline towards SR policies.

ii) Valuation of SR projects and companies

Regarding the valuation of SR projects and companies, the group has issued several contributions based on cost-benefit analyses. The objective is to analyse how the perception of investors (or other stakeholders) is affected by the uncertainty and ambiguity inherent to SR projects, and by tradeoffs between different generations or between different types of

goods to be produced in the economy. One crucial issue in this stream of research is to derive the discount rate for SR projects. The discount rate is the crucial tool that enables agents to compare future monetary benefits to present ones and to compare the financial benefits arising from different sources.

- Uncertainty and socially responsible investments

Lange and Treich (2008) study how uncertainty interacts with learning concerning the damages caused by greenhouse gas emissions. They argue that climate policy decisions today have to be made under substantial uncertainty: the impact of accumulating greenhouse gases in the atmosphere is not perfectly known, the future economic and social consequences of climate change, in particular the valuation of possible damages, are uncertain. However, learning will change the basis of making future decisions on abatement policies. The issues of uncertainty and learning are often presented in a colloquial sense. Two opposing effects are typically put forward: first, uncertainty about future climate damage, which is often associated with the possibility of a catastrophic scenario is said to give a premium to slow down global warming and therefore to increase abatement efforts today. Second, learning opportunities will reduce scientific uncertainty about climate damage over time. This is often used as an argument to postpone abatement efforts until new information is received. In order to understand the effects of uncertainty and learning on the optimal design of current climate policy, Lange and Treich (2008) study a standard expected utility model with two sequential decisions, and consider two particular cases of this model to illustrate how uncertainty and learning may affect climate policy. While uncertainty has generally a negative effect on welfare, learning has always a positive, and thus opposite, effect. The effects of both uncertainty and learning on decisions are less clear. In particular, neither uncertainty nor learning can be used as a general argument to increase or reduce CO₂ emissions today without studying the specific inter-temporal costs and benefits explicitly. From this perspective, the scientific debate on the impact of uncertainty and learning on climate policy is mostly an empirical matter. This should, at least, be a word of caution to decision-makers, and to some extent to some environmentalists and politicians.

Gollier (2008d) shows that, when the growth of aggregate consumption exhibits no serial correlation, the socially efficient discount rate is independent of the time horizon, because the wealth effect and the precautionary effect are proportional to the time horizon. On the contrary, when alternative growth processes (such as an AR(1), a Brownian motion with unknown trend or volatility, a two-state regime-switching model, and a model with an uncertain return of capital) are considered, shocks on the growth rate of the economy are persistent, which implies that one should discount more distant costs and benefits at a smaller rate. The use of a declining discount rate (DDR), in cost-benefit analysis, compared to the use of a Constant Discount Rate, implies that the decision maker will put relatively more effort to improve social welfare in the far distant future than in the shorter time. At the economic policy level, the choice between the two discount rates is crucial and linked, for example, to the problem of whether we should fight malaria and AIDS (which have immediate effects) rather than climate change (which is expected to have important long-term effects).

In an empirical investigation, Gollier, Koundouri, and Pantelidis (2008) estimate a DDR that is consistent with the uncertainty surrounding future economic conditions. They then apply this optimal discount rate to the cost-benefit evaluation of carbon mitigation policies. Comparing their results with those of the Stern Review, they support the major criticism of the Stern Review of assuring high damage numbers by using an arbitrary low and constant

discount rate. Their main point is that when uncertainty is introduced, the case for DDRs and the availability of a reliable empirical method for their estimation become compelling for cost-benefit analysis of long-run policies and projects. Such tool could prove very useful for the SR investments community to value companies and corporate social responsibility policies.

- Ambiguity and socially responsible investments

Lange and Treich (2008) complement the previous analyses by introducing ambiguity, namely the existence of different priors concerning the potential outcome of a decision. This is important because in a lot of environmental issues such as climate change or genetically modified organisms, there is no single and objective probability assessment. Lange and Treich (2008) show that ambiguity aversion typically leads to more precautionary policies. They also point out difficulties in applying such a non-expected utility theory to a dynamic framework where beliefs should be updated frequently to account for new information.

Giergingler and Gollier (2008) use a model with uncertain and ambiguous economic development to determine the discount rate that should be used to value SR projects. They study an economy with an ambiguity-averse representative agent who faces an uncertain consumption growth. They examine the condition under which ambiguity aversion reduces the socially efficient discount rate. They show that ambiguity aversion affects the interest rate in two ways. The first effect is an ambiguity prudence effect similar to the prudence effect that prevails in the expected utility model, but which requires decreasing ambiguity aversion to be signed. Aversion to ambiguity also entails more pessimism. But this pessimistic shift in beliefs generally has an ambiguous effect on the interest rate. Giergingler and Gollier (2008) provide sufficient conditions under which ambiguity aversion does indeed decrease the socially efficient discount rate. The calibration of the model shows that the effect of ambiguity aversion on the way we should discount distant cash flows is potentially large. Again, this conclusion reinforces the prescription provided before that a declining discount rate is adapted to SR investments in which future benefits and costs appear uncertain and ambiguous.

In a related work, Gollier (2008i) studies whether ambiguity aversion reinforces risk aversion. It is often suggested that ambiguity aversion makes individuals more precautionary, thereby offering a potential explanation for the equity premium puzzle. He shows that this is not true in general by considering a model in which risk-and-ambiguity-averse agents can invest in an unambiguously safe asset and in an ambiguous risky asset. He exhibits some sufficient conditions to guarantee that, *ceteris paribus*, an increase in ambiguity aversion reduces the demand for the ambiguous risky asset, and raises the equity premium. For example, this is the case when the set of plausible distributions of returns can be ranked according to the monotone likelihood ratio order. Gollier also show how ambiguity aversion distorts the price kernel.

- Valuing projects that produce different types of goods

Which rates should we use to discount costs and benefits of different natures at different time horizons? Gollier (2008h) answers this question by considering a representative agent consuming two goods whose availability evolves over time in a stochastic way. He extends the Ramsey rule by taking into account the degree of substitutability between the two goods and of the uncertainty surrounding the economic and environmental growths. The rate at

which environmental impacts should be discounted is in general different from the one at which monetary benefits should be discounted. Gollier (2008h) provides arguments in favour of an ecological discount rate smaller than the economic discount rate. In particular, he shows that, under certainty and Cobb-Douglas preferences, the difference between the economic and the ecological discount rates equals the difference between the economic and the ecological growth rates. He also justifies a decreasing term structure of the ecological discount rate on the basis of the large parametric uncertainty affecting the evolution of the environmental quality.

iii) Performance of SR investments

Conventional wisdom concerning SR issues such as environmental protection is that it comes at an additional cost imposed on firms, which may erode their global competitiveness. However, Lanoie and Ambec (2008) show in a survey paper, that, during the last decade, this paradigm has been challenged by a number of analysts who basically argue that improving a company's environmental performance can lead to better economic or financial performance, and not necessarily to an increase in cost. Lanoie and Ambec (2008) offer a paper that reviews empirical evidence of improvement of both environmental and economic or financial performance. They systematically analyse the mechanism involved in each of the following channels of potential revenue increase or cost reduction owing to better environmental practices: i) better access to certain markets; ii) the possibility of differentiating products; iii) the possibility of selling pollution-control technology; iv) risk management and relations with external stakeholders; v) cost of material, energy and services; vi) cost of capital; and vii) cost of labour. In each case, Lanoie and Ambec (2008) try to identify the circumstances most likely to lead to a "win-win" situation, i.e., better environmental and financial performance. They also provide a diagnostic on the type of firms most likely to reap such benefits.

These issues are further analysed by Lanoie, Laurent-Lucchetti, Johnstone and Ambec (2008) in their study of the so-called Porter Hypothesis. Three variants of the hypothesis are distinguished. The "weak" version of the hypothesis posits that environmental regulation will stimulate environmental innovations. The "narrow" version of the hypothesis asserts that flexible environmental policy regimes give firms greater incentive to innovate than prescriptive regulations, such as technology-based standards. Finally, the "strong" version posits that properly designed regulation may induce cost-saving innovation that more than compensates for the cost of compliance. Lanoie, Laurent-Lucchetti, Johnstone and Ambec (2008) test the significance of these different variants of the Porter Hypothesis using data on the four main elements of the hypothesised causality chain (environmental policy, research and development, environmental performance and commercial performance). Their analysis draws upon a database which includes observations from approximately 4200 facilities in seven OECD countries. They find strong support for the "weak" version and qualified support for the "narrow" and the "strong" version.

In a survey of the economic underpinnings of SR behaviours, Salanié and Treich (2008) remind us that, if a SR behaviour pays, then it is very likely that even firms that do not pay attention to environmental and social issues per se would adopt this behaviour as a profit-maximization tool. Indeed, a firm whether or not it has SR investors and managers could adopt less polluting technologies if the adoption cost was more than compensated by operational savings. Likewise, a firm could produce more healthy goods if consumers were ready to pay a price that more than compensates the additional production costs. Furthermore, Salanié and Treich (2008) review the various reasons why firms can opportunistically (as

opposed to unconditionally) adopt SR behaviours. In particular, such SR behaviours can prevent future stringent (and costly for firms) regulations to come into place, constitute barriers to entry in that new entrants would find it too costly to mimic incumbent firms, and respond to clients' willingness to consume environmentally- and socially-friendly goods (even at a premium).

Gollier and Pouget (2008) introduce another framework based on investors' altruism that proves useful to understand the pricing of SR assets and the financial performance of SR investments. Altruistic investors are assumed to accept a smaller risk-adjusted return by investing in SR firms. By channelling savings towards more responsible firms, SR investors reduce their cost of capital. This provides an incentive for firms to behave more responsibly. But irresponsible investors can make a profit by undoing this. In the end, the risk-adjusted return of SR investors is dominated by the one of non-SR ones.

Krüger (2008d) empirically tests this conceptual analysis on SR equity portfolios. Using a comprehensive corporate social responsibility ranking database covering publicly listed US corporations, he finds that portfolios of high ranked companies exhibit higher systematic risk than portfolios of low ranked companies, that is the former are more in line with the general business cycle than the latter. However, the higher exposure to systematic risk is not compensated by higher monthly excess returns. Furthermore, he finds that portfolios of low ranked companies have statistically significant portfolio alpha and higher monthly Sharpe Ratios than portfolios of high ranked companies. After accounting for small-cap and book-to-market issues, the systematic risk factors of portfolios of high-ranked and low ranked companies converge. However, Krueger (2008d) still finds significant portfolio alpha in monthly excess returns of companies that under-perform in the social responsibility rankings. Consistently with the idea developed in the previous paragraph, the results suggest that the stock market rewards investors holding portfolios consisting of companies with poor corporate social performance and punishes investors holding portfolios of companies with a better social responsibility track record.

An important dimension of SR investments is that they involve benefits that materialise in the long run. The work group research underlines the impediments to and the advantages of long-term investments. Casamatta and Pouget (2008) highlight the difficulties in delegating long-term investments. They propose a model based on the premises that i) investors, individual savers and institutions, invest with the intermediation of professional risk-averse asset managers, ii) projects are generating profits in the long-run only, and iii) identifying profitable companies is a costly search process for asset managers. In this context, asset managers have to be incentivised in order to gather long-term information. One obvious way to do this is to wait for projects' profits to be realized in the long-run, and pay the manager if these profits are high. However, because of their risk aversion, it is less costly for investors to pay asset managers not only in the long-run but also in the short-run (in order to smooth income over time). This short-run payment cannot be based on companies realized performance: it has to be based on companies' stock market performance. In some cases in which the cost of research, the precision of the information obtained, and managers' risk aversion are low enough, stock prices reflect companies' fundamental value and long-term investments can be delegated. In other cases, stock prices do not reveal information, asset managers cannot be provided adequate incentives to invest, and investments cannot be delegated.

An advantage of long-term investing is underscored by Gollier (2008a) and his study on pension funds. By using their financial reserves efficiently, pension funds can smooth shocks on their asset returns and can thus facilitate intergenerational risk-sharing. In addition to the primary benefit of improved time diversification, this form of risk allocation affords the additional benefit of allowing these funds to take better advantage of the equity premium, which also favors the consumers. First, Gollier (2008a) characterizes the socially efficient policy rules of a collective pension plan in terms of portfolio management, capital payments to retirees, and dividend payments to shareholders. He examines both the first-best rules and the second-best rules, where, in the latter case, the fund is constrained by a solvency constraint and by a guaranteed minimum return to workers' contributions. Second, he measures the social surplus of the system compared to a situation in which each generation would save and invest in isolation for its own retirement. He estimates that the certainty equivalent return of the pension saving scheme goes from 3.23% per year to 3.76% when intergenerational risk-sharing is introduced. One of the main results of the research is that better intergenerational risk-sharing does not reduce the risk born by each generation. Rather, it increases the expected return to the workers' contributions.

The contribution by Tirole (2008) nicely concludes this summary of research by the Work Group 1. Tirole (2008) studies the desirability of extended liability in an attempt to understand who should bear the consequences of externalities produced by firms, firms only or also external guarantors. Indeed, an important contribution of economics to public policy rests on the precept that price signals should force producers of externalities to internalize the welfare of other economic agents. Pigou's celebrated insight on the taxation of externalities provided an intellectual foundation for a variety of policies from pollution taxes/permits to experience rating. Pigovian taxation's policy appeal is limited if the polluter has insufficient resources to pay the damage when it occurs. To defend Pigovian taxation in the presence of judgment-proof agents, its proponents point at the many institutions extending liability to third parties. Yet little is known about the validity of Pigou's analysis in this context.

Tirole (2008) analyzes the costs and benefits of extended liability and investigates whether full internalization is called for in the presence of agency costs between potential polluters and providers of guarantees. His contribution is two-fold. He first shows that the better the firms' corporate governance and the stronger their balance sheet, the more closely taxes should track the corresponding externality. He then develops the first analysis of extended liability when guarantors themselves may be judgment-proof and the extension of liability may give rise to further externalities. This is important because Parent companies, customers, suppliers, or other industrial companies may be best placed to monitor the potential tortfeasor but an extension of liability to them may jeopardize their own activities (snowball effects). Tirole (2008) shows that if the shock on potentially viable firms is likely to be small when other firms shut down, then recovering the cost of the externality through extended liability creates only limited snowball effects.

To be noted: Christian Gollier was member of the GIEC, the group of advisers who received the 2007 Peace Nobel Prize. He was also awarded the Kulp-Wright prize 2008 from the American Association of Risk and Insurance for his book "Competitive Failures in Insurance Markets: Theory and Policy Implications" (June 2006, MIT Press), edited with Pierre-André Chiappori. Jean Tirole received the Gold Medal of the CNRS in 2007. He is a member of the Conseil d'Analyse Économique of the Prime Minister from 1998.

5. List of Publications and Working Papers

Ambec S., (2008), "L'innovation au service de l'environnement et de la performance économique", *INRA Sciences Sociales*, N. 6/07 (Février).

Casamatta C. and S. Pouget, (2008), "Fund managers' contract and short-termism", Working Paper.

Chiappori P.-A. and C. Gollier, (2008), "Competitive Failures in Insurance Markets: Theory and Policy Implications", P.-A. Chiappori et C. Gollier eds, Juin 2006, MIT Press.

Crémer J. and C. Gollier, (2008a), "La myopie triomphante des pessimists", *Les Echos*, December 17.

Crémer J. and C. Gollier, (2008b), "Mauvaises et bonnes regulations", *Les Echos*, November 13.

Crémer J. and C. Gollier, (2008c), "La vérité des prix", *Les Echos*, June 19.

Crémer J. and C. Gollier, (2008d), "La faute à l'incertitude", *Les Echos*, March 20.

Lanoie P., J. Laurent-Luchitti, N. Johnston and S. Ambec (2008), "Environment policy, innovation and performance: New insights on the Porter hypothesis", Working Paper.

Lanoie P. and S. Ambec, (2008), "When and why does it pay to be green?", forthcoming in *Academy of Management Perspectives*.

Gollier C., (2008a), "Intergenerational risk-sharing and risk-taking of a pension fund", *Journal of Public Economics*, 92/5-6, pp 1463-1485.

Gollier, C., (2008b), "Assets relative risk for long-term investors", *Life & Pensions*, January, pp. 35-40.

Gollier C., (2008c), "Optimal portfolio management for individual pension plans", in *Pension Strategies in Europe and the United States*, ed. by G. de Menil and P. Pestieau, MIT Press, 273-292.

Gollier C., (2008d), "Discounting with fat-tailed economic growth", *Journal of Risk and Uncertainty*, 37, 171-186.

Gollier C., (2008e), Non à une régulation court-termiste!, *Revue Banque*, 259, mai 2008, 13-14.

Gollier C., (2008f), "Should we discount the far-distant future at its lowest possible rate?", Working Paper.

Gollier C., (2008g), "Expected net present value, expected net future value, and the Ramsey rule", Working Paper.

Gollier C., (2008h), “Ecological discounting”, Working Paper.

Gollier C., (2008i), “Does Ambiguity Aversion Reinforce Risk Aversion? Applications to Portfolio Choices and Asset Prices », Working Paper.

Gollier C., and J. Giergingler, (2008), “Socially efficient discounting under ambiguity aversion”, Working Paper.

Gollier C., P. Koundouri, and T. Pantelidis, (2008), “Declining discount rates: Economic justifications and implications for long-run policy”, *Economic Policy*, 56, 757-795.

Gollier C., and S. Pouget, (2008), “Equilibrium asset prices and corporate behavior with heterogeneous socially responsible investors”, Work in Progress.

Krüger P., (2008a), “The joint dynamics of Corporate Social and Financial Performance”, Working Paper.

Krüger P., (2008b), “Corporate Social Responsibility Ratings: Noise or Information?”, Working Paper.

Krüger P., (2008c), “Does the market care about vigeo’s Corporate Social Responsibility ratings?”, Working Paper.

Krüger P., (2008d), “Is there a corporate social responsibility premium in monthly stock returns?”, Working Paper.

Lange A. and N. Treich, (2008), “Uncertainty, learning and ambiguity in climate policy: Some classical results and new directions”, *Climatic Change*, July.

Salanié F. and N. Treich, (2008), “Entreprises socialement responsables : quel sens, quel avenir ?”, *Horizons Stratégiques*, 9 (Juillet).

Tirole J., (2008), “From Pigou to Extended Liability: On the Optimal Taxation of Externalities under Imperfect Financial Markets”, Working Paper.

6. Academic Seminars and Conferences Presentations

Ambec S., Knowledge for Growth: European Strategies in a Global Economy, Toulouse, July 2008.

Ambec S., Conference of the European Association of Environmental Economics, Gothenburg, June 2008.

Ambec S., Thematic Conference of the French Economic Association, Toulouse, June 2008.

Ambec S., The Economics of the Health Care and the Pharmaceutical Industry, Toulouse, January 2008.

Casamatta C., "Fund managers' contracts and short-termism", HEC, Paris, November 2008.

Casamatta C., "Fund managers' contracts and short-termism", Dauphine, Paris, January 2009.

Crifo P., "La responsabilité sociale et environnementale des entreprises : une solution aux défaillances de marché ?", Seminar IPAG, University of Strasbourg R. Schuman, November 2008.

Gollier C., "Economic Theory in Favour of Policy Making Toward Climate Change", Conference "The Irrational Economist", Wharton School, University of Pennsylvania, December 2008.

Gollier C., "The Need for Long Term Investors", Première rencontre du Club des investisseurs de long terme, under the presidency of Augustin de Romanet, Paris, France, November 2008.

Gollier C., "Conférence introductive", Conference on "Changement climatique: de la connaissance à l'action", Météo France, Toulouse, November 2008.

Gollier C., "Des risques émergents aux risques majeurs émergents- Prévention et assurabilité?", Congrès des réassureurs français REAVIE, Cannes, Octobre 2008.

Gollier C., "Forward Look Paper on Strategic Asset Allocation", Conference on Pension Reforms in Europe, CERP, Turin, Italie, September 2008.

Gollier C., Panel Session, "A New Era of Catastrophes?", International Conference on "Extreme Events", organized by Banque de France under the auspice of BNP-Paribas, Paris, September 2008.

Gollier C., Inaugural Conference of the TSE Chair Georges Meyer in Mathematical Economics: New Developments in Macroeconomics and Finance, Paris, September 2008.

Gollier C., Conference of the European Association of Environmental and Resource Economists, Goteborg, June 2008.

Gollier C., “Introductory discourse”, Thematic Meeting of the French Economic Association (AFSE) : “Frontiers in Environmental Economics and Natural Resources Management”, Toulouse, June 2008.

Gollier C., Keynote Lecture, Conference CEAFE, Ecole Polytechnique de Tunis, June 2008.

Gollier C., “How to Incorporate Risk and Uncertainty into Cost/Benefit Analysis”, OECD Workshop "The Economics of Climate Change", OCDE, Paris, March 2008.

Gollier C., “Quelle chronologie de la valeur carbone sur la période 2001-2050?”, Inaugural meeting of the commission "Valeur Carbone", Centre d'Analyse Stratégique, January 2008.

Gollier C., “The Role of Ambiguity Aversion in Asset Prices and the Term Structure of Interest Rates”, Free University of Berlin and Humboldt University, Berlin, December 2008.

Gollier C., “Does Ambiguity Aversion Reinforce Risk Aversion? Applications to Portfolio Choices and Asset Pricing”, Columbia University, New-York, October 2008.

Gollier C., “Does Ambiguity Aversion Reinforce Risk Aversion? Applications to Portfolio Choices and Asset Pricing”, Imperial College, October 2008.

Gollier C., “Declining Discount Rates: Economic Justifications and Implications for Long-Run Policy”, Economic Policy Panel, Lublijana, April 2008.

Gollier C., “Does Ambiguity Aversion Reinforce Risk Aversion? Applications to Portfolio Choices and Asset Pricing”, Arizona State University, Phoenix, April 2008.

Gollier C., “Does Ambiguity Aversion Reinforce Risk Aversion? Applications to Portfolio Choices and Asset Pricing”, Princeton University, April 2008.

Gollier C., “Panel Session on Global Warming”, Conferences EEA/ESEM, Milan, August 2008.

Pouget S., “Fund managers’ contracts and short-termism”, European Summer Symposium on Financial Markets, Gerzensee, July 2008.

Pouget S., “Fund managers’ contracts and short-termism”, Joint LSE-TSE Conference on Financial Markets Dysfunctionalities, Toulouse, September 2008.

Treich N., “Uncertainty, learning and ambiguity in climate policy: Some classical results and new directions”, European Association of Environmental and Resource Economists Conference, Thessaloniki, June 2007.

Treich N., “The value of statistical life under ambiguity aversion”, CIRED, Paris, 2008.

Treich N., “The value of statistical life under ambiguity aversion”, Berkeley University, 2008.

Treich N., “The value of statistical life under ambiguity aversion”, San Andres (Argentina), 2008.

Other conferences participations

Crifo P. and Sébastien Pouget, attended the first ECCE-UNPRI conference, Maastricht, September 17-19, 2008.

7. 2008-2009 On-Going Projects

The on-going research projects deepen the analysis of the role of social rating agencies, the valuation of socially responsible policies, and the performance of socially responsible investments.

On the long term economic value of investments (book project)

The publication in 1972 of “The Limits to Growth” by the Club of Rome marked the emergence of a public awareness about collective perils associated to the sustainability of our development. Since then, citizens and politicians were confronted to a never ending list of environmental problems: nuclear wastes, genetically modified organisms, climate change, biodiversity, ... This debate has recently culminated with the publication of three reports. On one side, the Copenhagen Consensus (Lomborg (2004)) put top priority to public programs yielding immediate benefits (fighting malaria and AIDS, improving water supply,...), and rejected the idea to invest much in the prevention of global warming. On the other side, the Stern Review (Stern (2007)) and the fourth report of the IPPC (IPCC (2008)) put a tremendous pressure for acting quickly and heavily against global warming. The absence of consensus among the experts on this question is translated in the public debate and in the public actions, notably with the patent failure of the Kyoto protocol.

A striking aspect of the recent debate on the climate change is the transfer of the hottest scientific challenges from the so-called hard sciences (climatology, oceanography, chemistry,...) to economics. Still, the economic community is much divided on the way to approach long-term environmental risks. The absence of consensus about the efficient public policy for the environment may be explained by several factors. First, for many of the underlying long term environmental risks, there is still a lot of scientific uncertainty about their intensity and their impact on the welfare of future generations. Moreover, people have heterogeneous beliefs about the probabilities of really catastrophic consequences of various environmental policies. Second, based on these uncertainties, people disagree about whether we should wait or not to get better information before implementing strong actions. Third, there is much disagreement about how much effort should be done to improve the environment available for future generations. The bottom line is that there is no agreed-upon rule to evaluate long-term environmental risks and therefore no consensus about how to shape the environmental policy.

The aim of Christian Gollier in this book project is to provide a unified scientific framework to evaluate and to make policy recommendations for collective long-term risks.

Composition and activities of financial analysts: questionnaire with French teams.

The objective of this research project by Patricia Crifo and Nicolas Mottis is to analyse the composition and the activity of financial analysts, SRI and non SRI analysts, in France.

They would like to characterize several dimensions of work organization, job design and compensation:

- The evolution of the team of analysts: evolution in the past and expectations for the coming years
- Nature and organization of work: number of stocks followed, main sources of information regarding specialized agencies, allocation of working time across different tasks, links between SRI and non SRI studies etc ...
- Perception of SRI (mainstream versus niche)
- In-house training and research over SRI issues
- Individual characteristics (socio-demographic factors, compensation, risk attitude etc.)

We have already distributed the questionnaire to the SRI analysts participating in the regular meeting of the chair (in December 2008) and we are collecting responses during January 2009. The response rate by late January is still low so we are going to send a reminder in order to gather more responses.

On the understanding of long-term risks and the associated regulation of financial intermediaries

It is often claimed that financial markets are short-termist. The current financial crisis illustrates in acute terms the role of the investor's time horizon on the portfolio risk. Can we predict the occurrence of such crises with enough confidence to time the market in a profitable way? More generally, can we find macroeconomic variables that are correlated with future returns of stocks and bonds? Some important developments in the theory and econometrics of financial markets suggest a positive answer to this question. Various macroeconomic variables such as the dividend-price ratio, the term spread or the past excess return of equity have some predictive power for stocks, bonds and bills returns. A more difficult question is to determine how these observable signals should be used to determine the optimal assets allocation of the investor, and how strong should the portfolio rebalancements be along the cycle? Because the cycles under consideration usually have a low frequency, these strategies of market timing are viable only for investors with a long time horizon. Short term investors cannot take advantage of the time diversification effect that mean reversion of assets returns generates. This suggests that long term investors should follow a strategic portfolio allocation that has two basic characteristics: risk tolerance and market timing.

The aim of this project is twofold. First, it provides an overview of the literature on the strategic portfolio allocation of long term investors. Second, it characterizes the optimal dynamic portfolio strategy of long term investors based on French financial data. Up to my knowledge, this second part of the project would be the first attempt to apply the existing models using non U.S. data.

Another objective of the project is to contribute to the debate on the role of prudential regulation of financial institutions in charge of the management of consumers' long-term savings. By measuring risk on a yearly basis, this regulation is not compatible with the long-term aspirations of the underlying investors. It inefficiently biases the assets allocation towards assets that are relatively safe in the short-term, but which hardly protect against long-term risks.

On the economic value of environmental quality and mortality risk reduction policies

There does not exist today a consensus over the definition of a socially responsible behaviour. In order to overcome this difficulty and come up with a quantitative analysis of social responsibility, economic theory has developed a methodology based on cost-benefit analysis (CBA) that enables to convert social costs and benefits of various natures into a monetary-equivalent. Typically, CBA enables to fix reference values for environmental quality, the cost of pollution (for example, the ton of carbon), the value of an avoided death, etc. From this point of view, CBA can facilitate the measure of companies' extra-financial performance, and the evaluation of their total contribution to society. The research project of Nicolas Treich aims at further developing this methodology of analysis to set up a framework where the social performance of the firms can be evaluated.

On the value of information on firms' socially responsible behaviour

Delphine Prady proposes to study the value of social information for investors. The aim is to evaluate the usefulness of extra-financial rating agencies. The idea is based on the premise that the extent to which a firm is socially responsible or not is not publicly available but can be acquired at a cost by some agents (the rating agencies). The research will then try to derive the welfare implications of the dissemination of information on socially responsible aspects.

8. Forthcoming events

A conference will be organized in Toulouse in May 28th and 29th. The objective is to bring together academics and professionals from the SRI industry. Academic papers related to the economic value of CSR and the performance of SRI will be presented. A roundtable will be organised in order to have professional express their views about the future of SRI. The external invited speakers are Geoffrey Heal (Paul Garrett Professor of Public Policy and Corporate responsibility and Professor of Finance and Economics at the Graduate School of Business at Columbia University, Professor in the School of Public and International Affairs, Co-Director of Columbia's Center for Economy Environment and Society and of the Earth Institute's Center for Globalization and Sustainable Development), Thomas Sterner (Professor of Environmental Economics at Gothenburg University, President of the European Association of Environmental and Resource Economists), Jeroen Derwall (Assistant Professor of Finance at Maastricht University, Co-initiator and Research Director of the European Centre for Corporate Engagement).

OTHER RELATED RESEARCH ACTIVITIES

Christian Gollier was President of the Scientific Council of the Social Sciences and Humanities Facing Climate Change Challenges conference: « An Agenda for Europe », under the patronage of the “French Presidency of the European Union”, Paris, France, 22-23 September 2008.

Christian Gollier was responsible for the organisation of the International Conference on "Extreme Events", organized by Banque de France under the auspice of BNP-Paribas, Paris, France, 3 septembre 2008.

Moinas S. and Sébastien Pouget, (2008), “Speculation in the laboratory”.

Bubbles in financial markets are fuelled by speculation. Investors in a bubble buy an overvalued asset in the expectation to resell it at an even higher price. Increasing prices rely on the willingness of future investors to participate in the bubble which itself depends on the following investors to participate, etc. This paper presents an experimental investigation of behavior in financial markets where both rational and irrational bubble can arise.

Recent economic developments suggest that financial markets go through periods of bubbles and crashes. The dot com mania at the turn of the last century, and the subprime mortgage frenzy are frequently interpreted as evidence that asset prices on financial markets can reach levels well above fundamental values. Likewise, Dutch Tulip, South Sea, Mississippi are names often associated with the term bubble to refer to more ancient episodes of price run ups followed by crashes. However, to the extent that fundamental values cannot be directly observed in the field, it is very difficult to empirically demonstrate that these episodes actually correspond to mispricings.

To overcome this difficulty and study bubble phenomena, economists have relied on the experimental methodology: in the laboratory, fundamental values are induced by the researchers who can then compare them to asset prices. Starting with Smith, Suchanek and Williams, (1988), many researchers document the existence of irrational bubbles in experimental financial markets.

The present paper complements the literature by proposing an experimental setting in which both irrational but also rational bubbles can be observed. The objective is to enhance our understanding of speculation in financial markets in order to better predict the formation of bubbles. Our analysis shows that it is pretty difficult to coordinate on rational bubbles even in an environment where irrational bubbles flourish.

Crifo P and H. Sami, (2008), The reputation-accuracy trade-off in financial analysis: monetary or non-monetary incentives? Work in progress.

This paper proposes a model to formalize the interaction between analyst’s research and human capital investments and the incentives to provide high accuracy reports. We examine how different incentives schemes affect the analysts' reporting effort when employers may propose a full financial incentives contract, that is a contract based on performance-based incentives for the reporting effort and the report accuracy, or a mixed incentives contract, that is a contract based on performance-based incentives for the reporting effort and non-monetary incentives for the report accuracy. We show that analysts faces a dynamic trade-off between a lower short-term compensation and a higher long-run reputation in the incentives mix they are offered, and this corroborates some recent empirical evidence.

Pouget S. and S. Villeneuve, (2008), "Price formation with confirmation bias"

This paper proposes a dynamic model of financial markets where some investors are prone to the confirmation bias. Following insights from the psychological literature, these agents are assumed to amplify signals that are consistent with their prior views. In a model with public information, this assumption provides a unified explanation of a variety of empirically documented phenomena such as bubbles and crashes, momentum and reversals in asset returns, and excess volatility. Implications of our model for quantitative investments are derived: i) optimal trading strategies involve riding bubbles, and ii) both feedback and contrarian trading can be optimal depending on market circumstances. Those market circumstances are shown to depend on biased traders' beliefs as well as on the variance of public signals.

Goldstein I. and A. Guembel, (2008), "Manipulation and the Allocational Role of Prices", *Review of Economic Studies*, 75, pp. 133 – 164.

It is commonly believed that prices in secondary financial markets play an important allocational role because they contain information that facilitates the efficient allocation of resources. This paper identifies a limitation inherent in this role of prices. It shows that the presence of a feedback effect from the financial market to the real value of a firm creates an incentive for an uninformed trader to sell the firm's stock. When this happens the informativeness of the stock price decreases, and the beneficial allocational role of the financial market weakens. The trader profits from this trading strategy, partly because his trading distorts the firm's investment. We therefore refer to this strategy as manipulation. We show that trading without information is profitable only with sell orders, driving a wedge between the allocational implications of buyer and seller initiated speculation, and providing justification for restrictions on short sales.

Dow J., I. Goldstein, and Alexander Guembel, (2008), "Incentives for Information Production in Markets Where Prices Affect Real Investment"

A fundamental role of financial markets is to gather information on firms' investment opportunities, and so help guide investment decisions. In this paper we study the incentives for information production when prices perform this allocational role. If firms cancel planned investments following poor stock market response, the value of their shares will become insensitive to information on investment opportunities, so that speculators will be deterred from producing information ex ante. Based on this insight, we derive the following main results. (1) Strategic complementarities in information production may arise, leading to multiple equilibria with different levels of information. (2) The incentive to produce information decreases when economic fundamentals deteriorate, leading to an amplification of shocks to fundamentals. (3) Incentives to produce information on assets in place are stronger than for new investment opportunities. (4) Firms will attract more information production and improve their ex-ante value by committing to overinvest.

TEACHING ACTIVITIES

This section gives a description of the courses taught in the University of Toulouse during the 2008-2009 academic year related to the domain of the Chair. A number of professionals from the SRI industry have also shared their practical experience with our students.

1. Courses

- Master in Finance: Asset Management (12h), S. Pouget.
- Master MIF/actuariat : Economics of risk and insurance (27h), C. Gollier and N. Treich.
- Master ERNEA : Economics of sustainable development (15h), , C. Gollier.

2. Ph.D Thesis

- Johannes Giergingler, “Sustainable development, long-term discounting and uncertainty”.
- Johannes Emmerling, “Intergenerationally fair and sustainable management of natural resources when stocks are unknown”.
- Philipp Krüger, “Extra-financial rating agencies and socially responsible investments”
- Hailin Sun, “Portfolio management of altruistic agents”.

3. Master Thesis and Internship

- Hicham Alami, “Extra-financial ratings”.
- Marianne Lefebvre, “CSR in Developing Countries”.

Work Group 2

Firms' strategies, relationship with stakeholders and sustainable finance

Stratégie des entreprises, relations avec les parties prenantes et finance durable

1. General Research Objectives

The objective of this area concerns the following dimensions of CSR:

- The relationship between the strategy of the firm (long term investment projects, core business versus diversification, mergers and acquisitions, innovation policy,...) and its financial structure, i.e. the increased impact of financial investors and hedge funds;
- The relative impact of “responsible investment” in firms’ strategies, the diffusion of such ideas among shareholders, their impact on investor relations and their roles in portfolio analysis (through scorecards such as those associated with the Global Report Initiative);
- The implementation of firms’ strategies through organizational design, management control and compensation policies.

2. Research Team and Invited Scientists 2008

Team:

Bruno Biais
Catherine Casamatta
Edouard Challe
Patricia Crifo (Coordinator)
Éric Giraud Héraud
Jean-François Laslier
Thomas Mariotti
Jean-Pierre Ponsard
Sylvaine Poret
Shyama Ramani
Jean-Charles Rochet

Research collaborations:

Diane-Laure Arjaliès-de la Lande (ESSEC)
Sandra Cavaco (University Paris II Panthéon Assas)
Dominique Plihon (University of Paris Nord)
Pierre Fleckinger (University Paris I & Paris School of Economics)
Nicolas Mottis (ESSEC)
Hind Sami (IESEG School of Management)
Michel Trommetter (INRA Grenoble)
Philippe Zarlowski (ESCP-EAP)

Doctoral and post doctoral students:

Ruben Hoffmann
 Samer Hobeika
 Thuriane Mahé
 François Perrot
 Ingmar Schumacher
 Julien Vauday

3. Workshops with the sponsors December 2007-January 2009

- January 27, 2009, 9h30-12h30 : thematic workshop on ‘Financial instability and governance : the lessons of the crisis’
 - E. Challe: «Leverage effect and financial instability: a theoretical model»
 - D. Plihon: «Governance and international regulation in the context of the crisis»
 - A. Reberieux: «Financial crisis: what lessons in terms of corporate governance?»

- June 16, 2008, 14h-17h : thematic workshop on ‘Firm’s responsibility : applications to innovation and Bottom Of the Pyramid strategies’
 - JF.Laslier: «The responsibility cut»
 - S. Ramani: «Innovation and CSR»
 - F. Perrot: «CSR and BOP»
 - Open discussion of « CSR and/or financial performance : research perspectives», by P.Crifo & JP. Ponsard, April 2008.

- December 6, 2007 9h30-12h30 :
 - Crifo P., Sami H., "CSR and Middle Managers: a New Motivation Tool? ";
 - JP Ponsard "Firms’ implication in terms of CSR ";
 - C. Casamatta (with B. Biaï & T. Mariotti), "CSR, investment capacity and multi-tasks agency";
 - R. Hoffman (with E. Giraud-Heraud, S. Poret & C. Grazia), "Efficiency of corporate social responsibility";

4. Non Technical Summary**An agenda of research perspectives**

Crifo, P., and Ponsard, J.-P., (2008) examine how corporate social and environmental responsibilities (CSR) are evaluated and instrumented by various stakeholders: enterprises, specialized agencies, NGOs, and investors. This analysis questions whether a CSR industry has emerged over the past decade, analogous to the value creation industry that developed during the 1990’s. Do firms develop CSR strategies to increase (long term) profit and reduce risk, or do they participate to a more radical cultural change that affects consumers,

employees, investors and stakeholders alike to increase “societal value”? Several lines of research to clarify this alternative view are suggested throughout the article. This provides a synthetic framework to organize the research projects carried on in this area.

The determinants of CSR: voluntary agreements, standards, innovation and intellectual property rights in general and with respect to the agro-food sector

Does Corporate Social Responsibility (CSR) improve welfare when it occurs in equilibrium? Fleckinger, P., and Glachant, M., develop a policy game featuring a regulator and a firm that can unilaterally commit to better environmental or social behaviour. They show that the answer depends on the set of policy instruments available to the regulator. The answer is positive if the regulator can only legislate. It is negative when it also has the option of making a Voluntary Agreement (VA) with the firm. In this latter case, the firm uses early voluntary efforts to weaken the legislative threat that determines the VA strictness. This suggests that CSR and VAs are not necessarily good complements. They derive the policy implications, and extend the basic model in several dimensions.

It is widely acknowledged that firms have a corporate social responsibility (CSR) to ensure that they contribute to long term sustainable development as the principal agents of innovation creation and diffusion in an economy. However, firms will pursue R&D and innovation strategies that are socially responsible, only if such actions have an impact on the firm’s market and financial performance. The objective of Mukherjee, V., and Ramani, S., (2008) is to identify the ways in which firms engage in CSR with respect to innovation through four case studies of firms in France and India: Mahyco-Monsanto (Agbiotech, India), Cipla (Pharma, India) and STMicroelectronics (Minatech Nanotechnology Park, France), Yves (Rocher, France).

Giraud-Héraud, E., et al. (b, d and e) analyzes the economic role of standards with special attention to the agro-food sector. Standards indeed affect market risks, consumers’ demand, regulations and investors and therefore represent a form of insurance for firms and investors. A first dimension of this project examines the economic efficiency of standards developed by companies in response to consumer concerns pertaining to food quality and food safety and as a complement to and/or in response to existing and anticipated public policy.

In a joint work with Hoffman, R., Hammoudi, H., and Grazia, C., (c), a theoretical framework is proposed in which alternative vertical relationships between companies (between processing firms and their suppliers or between processing firms and retailers) play a crucial role. The economic efficiency of standards then is examined with respect to food safety (improving the internal production process and coordinate the interaction within the chain), the taste and nutritional quality of products (reducing inputs with negative health effects) and the ethic behavior of firms from a social perspective (fair trade, improved working conditions, etc).

A second dimension focuses on why and how downstream firms implement joint or collective private standards in order to improve the safety of final products In collaboration with Hoffman, R., Hammoudi, H., and Soler, L.-G., (a), a model of vertical relationships in which a group of downstream firms impose more stringent specifications on upstream suppliers is developed. The probability of failing to provide safe goods is endogenously determined by the investments made by upstream producers. A penalty cost in the event of a crisis, due to a rule of liability, is modelled as a decreasing function of the level of the standard. The influence of

the rule of liability on the adoption of the joint standard and the size of the stable coalition are examined. The conditions under which the probability of a failure to provide safe goods decrease are also examined and discussed.

Trommetter, M., et al. (a) make an analysis on the influence of “intellectual property rights in agricultural and agro-food industry. They show that there exists a new paradigm of the seed demand. There is an evolution of standard demand for seeds in the United States: the majority of the US farmers want seeds adapted to the round-up-ready herbicide and resistant to the corn borer. Thus to enter the US market, it is necessary to negotiate licenses with the holders of patents on these resistances. There is then a risk of concentration running counter to various objectives of plant breeding. To limit this risk there exist some options: As an example, European directive 98/44 is better prepared for this modification in the paradigm of demand than the transposed versions adopted by French or German law. The authors show that even if the property rights are necessary for the development of the innovations, they are not sufficient. Other characteristics are also necessary, one of which is the expected market size for the innovation that could depend or not on the existence of standard demand. According to the options of IPR selected and their implementation in the various countries, there could be favorable or unfavorable consequences for the researchers, public as well as private, for the farmers and (thus) for the final consumers.

CSR strategies targeted towards low income populations

Starting with the seminal works of Prahalad, C.-K., and Hart, S., there is now an extensive literature on how companies can penetrate the bottom of the income pyramid or BOP markets. The literature has identified the ideal characteristics of BOP products, optimal firm strategies for their diffusion and shown that win-win payoffs for both firms and low-income consumers are possible. Such findings would lead us to presume that BOP markets will be active in all technologies or products, where the price-performance ratio can be tailored so as to be attractive as well as accessible to both low-income groups and firms. However, this is not the case. Indeed, there are many potential BOP markets that remain invisible because the appropriate market conditions for firm investment or consumer demand are inexistent. Sanitation is one of them. Thus, taking India and the market for toilets for the poor as the case study, Ramani, S., (b) examines whether the present crisis is due to a lack of supply, a lack of demand, inappropriate market design, inefficient institutions, inefficient NPO strategies or problems transferred through interlinked markets. The paper thus hopes to give some insight on promotional strategies for firms wanting to sell in BOP markets.

Transfer of technology in the development context is regarded as a mean to increase the supply and quality of essential goods of which the Green Revolution is an excellent example. Today, as food security problems loom large and the Green Revolution yellows, rejuvenation of the agriculture sector is being promised by transgenic plant varieties. Monsanto is the leading agro-biotechnology firm commercializing transgenic varieties in developing countries. Using the methodology of narrative history, Ramani, S., (a) identifies the factors facilitating the introduction of the Green Revolution, and Bt cotton in India and the controversies surrounding their adoption. This paper examines also the management of tradeoffs between short terms gains and medium to long term risk in the case of Bt cotton, the only transgenic product to be sold in the Indian market today. It demonstrates that in India, more than the technological risk, the real danger in adopting transgenic varieties, lies in not being able to ensure institutional and actor cooperation to preserve environmental security.

CSR performance and managerial compensation

Biais, Casamatta and Mariotti provide a theoretical framework to understand i) when firms choose to encourage social and/or financial performance, and ii) how managerial incentive schemes are designed according to firms' objectives. Their model is based on the following ingredients. First, corporate investors value social performance in addition to financial performance. Valuing social performance can reflect ethical concerns, or expectation of future long term profits which are not modelled here. In the latter case, financial performance reflects short-term profits. Both financial and social performance are subject to moral hazard, and interact in the following way: inducing effort to increase social performance has a negative impact on financial performance.

In this context, they show that the structure of managerial compensation depends on the relative cost of social and financial effort. In general, to induce high social and financial effort, it is optimal to reward the manager when both financial and social performance are high. In the particular case where the cost of social effort is high compared to that of the financial effort, it is optimal to reward the manager when social performance is high, even if financial performance is low. Because of the negative externality of social effort on financial performance, rewarding the manager when both measures of performance are high discourages social effort: to restore incentives, one has to promise a bonus to the manager each time he achieves high social performance, even if financial performance is low. They also investigate which firms choose to encourage social performance. To do so, they distinguish between cash-poor and cash-rich firms. When it is valuable to induce social effort, they find that both cash-constrained and unconstrained firms choose to encourage social effort, except if the cost of the latter is too high. In that case, cash-poor firm renounce to encouraging social performance, and CSR is more likely to be observed for cash-rich firms. This case corresponds to the standard idea that moral hazard reduces firms investment capacity: when inducing social effort becomes too costly, cash-poor firms cannot raise funds unless they focus on financial performance only. A more interesting case arises when inducing social effort is not valuable. In that case, they find that cash-rich firms do not encourage social performance, but cash-poor firms can choose to promote social performance. This is because they are more likely to attract funds when encouraging both financial and social performance. This result arises in spite of the inefficiency of social effort for the following reason: inducing social effort helps shareholders to better incentivize their manager to exert financial effort. Inducing social performance can thus expand firms' investment capacity. Their analysis allows to derive new empirical predictions concerning which firms will exhibit social performance. Cash-rich firms undertake socially responsible activities that are highly valued by their investors, while cash-poor firms are likely to encourage also SR policies that have less value, to boost their investment capacity.

CSR and the governance of financial markets

Research on the governance of the financial markets at a more macro-level has been initiated in the Fall of 2008.

The first project in this dimension analyses the links between bubbles, inefficient allocation of capital and crisis. Crises are often associated with an endogenous credit reversal followed by a fall in asset prices and serious disruptions in the financial sector. To account for this sequence of events Challe, E., and Ragot, X., construct a model where excessive risk-taking by investors leads to a bubble in asset prices and inefficient allocation of capital. They show that the interplay between excessive risk-taking and the endogeneity of credit may give rise to multiple equilibria associated with different levels of lending, asset prices, and output.

Stochastic equilibria lead, with positive probability, to an inefficient liquidity dry-up, a market crash, and widespread failures by borrowers. The possibility of multiple equilibria and self-fulfilling crises is shown to be related to the severity of the risk-shifting problem in the economy.

The second project concerns the impact of sovereign funds, their increasing significance in capital markets, and the role they may play for long term investment. Hobeika S. has started a Ph.D dissertation on this topic under the supervision of Challe E., Plihon D. and J.P Ponsard.

Willingness to pay, fair trade, attitudes towards environmental issues and poverty

Mahé, T., and de Chaisemartin, C., explore the determinants of the willingness-to-pay (WTP) to fight climate change in a choice experiment. The attention focuses especially on motives of altruistic and egoistic dimension, supposing there are both at work. An experiment is designed in order to control for anchoring and framing effects. Since tree planting seems to prevent climate change by capturing carbon dioxide, a greenhouse effect gas, subjects are offered the possibility of choosing between a high amount of money and a lower amount of money plus the participation to tree planting action. The results show that the WTP to plant tree to prevent climate change is high in terms of incurred cost for private benefits: subjects are ready to give up half the amount offered to them to participate to a tree planting action. We find that both altruistic and self-interested motives can explain the WTP. The impact of framing on WTP is also analyzed.

Giraud-Héraud, E., et al. (f), used an experimental auction to assess how information on quality attributes affects consumers' willingness to pay for different types of pears. The BDM auction mechanism was combined with sensory analyses in order to develop an integrated approach to evaluate product's attributes. The main results show that information on the products' characteristics related to food safety, instantly influences consumers' willingness to pay. However, it appears that, in the end, sensory intrinsic attributes related to taste beat the guarantee of food safety in driving the buying behaviour.

Poret, S., proposes an analysis of fair trade, the emergence and recent diffusion of this concept, as well as the debate on the introduction of fair products into the large-scale distribution. In a joint work with Chambolle, C., she proposes a simple model to provide some theoretical arguments in the debate about the sale of Fair Trade labeled goods in the large-scale distribution. The main hypothesis is related to the observation that some consumers are willing to pay a premium for Fair Trade products. The author shows that Fair Trade products are more likely to be on retailer's shelves if the certifier's objective is to maximize quantities labeled rather than the price paid to producers. The author underlines that the key variable in the retailer's choice to sell the Fair Trade product is not the percentage of consumers who are willing to pay for a Fair Trade good, but how much Fair Trade likers are willing to pay for it.

The work of Jean-François Laslier and Karine Van der Straeten focuses on poverty perception and inequality. A first dimension consists of examining the links between responsibility and effort and more generally the so-called "responsibility cut." Being responsible means being able to respond and, following the tradition in Economics, we restrict attention to people responses to a variation in well-being. In our societies, the question of well-being is essentially the question of poverty, considered as an abnormal and frightening situation. In turn, when is one "responsible" of such losses? People should be compensated for what they

cannot be held responsible for but responsibility of what? Different streams of research have scrutinized the empirical answers people provide to the philosophical question of the responsibility cut. This empirical research makes use of four different methodologies: social surveys, questionnaires, laboratory experiments and field experiments. All lead to essentially the same conclusion: the cut is on effort.

To be noted: Shyama Ramani was awarded the Trophy "Women of the Earth" by the Yves-Rocher Foundation and the Institute of France in 2008. She was the invited speaker for the Annual Charles Cooper Memorial Lecture: Playing in invisible markets: Innovations in toilets to harness the economic power of the poor. February 13, 2008. UNU-Merit, Maastricht

5. List of Publications and Working Papers

Challe, E., Ragot, X., (2008) "Bubbles and Self-fulfilling Crises", Working Paper, November 2008.

Crifo, P., Ponssard, J.-P., (2008) "RSE et/ou performance financière : points de repère et pistes de recherche", Sociétal, forthcoming.

Crifo, P., Boucekkine R. (2008) "Human capital accumulation and the transition from specialization to multi-tasking", *Macroeconomic Dynamics*, 12, 320-344.

Fleckinger, P., Glachant, M., (2008 a) "La Responsabilité Sociale de l'Entreprise et les accords volontaires sont-ils complémentaires?", Working Paper.

Fleckinger, P., Glachant, M., (2008 b) "Corporate Social Responsibility or Voluntary Agreements?", Working Paper.

Giraud-Héraud E., Hammoudi, H., Hoffmann, R., Soler L.-G., (2008a), "Vertical Relationships and Safety Standards in the Food Marketing Chain", Working Paper.

Giraud-Héraud, E., Grazia, C., Hammoudi, A., (2008b), "Minimum Quality Standards and Brand Development in Agrifood Chains", Working Paper.

Giraud-Héraud, E., Grazia, C., Hammoudi, H., (2008c), "Agrifood Safety Standards, Market Power and Consumer Misperceptions", forthcoming in *Journal of Food Products Marketing*.

Giraud-Héraud, E., Grazia, C., (2008d), "Certification of Quality, Demand Uncertainty and Supply Commitment : a Formal Analysis", in «Competitiveness in Agriculture and in the Food Industry : US and EU perspectives », Edited by Roberto Fanfani, Eldon Ball, Luciano Gutierrez, Elisa Ricci Maccarini, Bologna University Press, pp.119-136.

Giraud-Héraud, E., Grazia, C., Hammoudi, H., (2008e) "Regolamentazione della sicurezza sanitaria e comportamento strategico degli attori: una rassegna della letteratura" in « Qualità e sicurezza degli alimenti. Una rivoluzione nel cuore del sistema agroalimentare » (cap 4), co-editeurs: Cristina Grazia, Raúl Green et Abdelhakim Hammoudi, October, 2008 in Franco Angeli ed, 260 p.

Giraud-Héraud, E., Combris, P., Seabra Pinto, A., Fragata, A., (2008f), "Does Taste beat Food Safety? Evidence from the "Pera Rocha" case in Portugal", forthcoming in Journal of Food Products Marketing.

Laslier, J.-F., Van der Straeten K., (2008). "La perception de la pauvreté et de l'inégalité: II. Economie Expérimentale", Working Paper.

Mahé T., de Chaisemartin C., October 2008, "How Much are We Willing to Pay to Fight Climate Change? A Choice Experimental Approach", Working Paper,

Poret S., (2007), "Les défis du commerce équitable dans l'hémisphère Nord", Economie Rurale, n°302.

Poret S., Chambolle C., (2007), "Fair Trade Labeling: Inside or Outside Supermarkets? " Journal of Agricultural & Food Industrial Organization, vol. 5 n°1.

Chambolle C., Poret S., (2008), "Fair Trade Contracts for Some, an Insurance for Others? ", Working Paper.

Ramani S.V., (2008a) "After the Green Revolution, BT cotton in India: Blessing or regulatory headache? ", Working Paper.

Ramani S.V., (2008b) "Making a BOP Market Visible: The Case Study of Toilets for the Poor in India", Working Paper.

Trommetter M., Gold, E. R. and M. Herder (2008a), "The Role of Biotechnology Intellectual Property Rights in the Bioeconomy of 2030", © OECD International Futures Programme on "The Bioeconomy to 2030: Designing a Policy Agenda", OCDE, Paris, 12 pages. <http://www.oecd.org/dataoecd/11/58/40925999.pdf>

Trommetter M., (2008b), "Intellectual Property Rights in Agricultural and Agro-food Biotechnologies to 2030", ©OECD International Futures Programme on "The Bioeconomy to 2030: Designing a Policy Agenda", OCDE, Paris, 40 pages. <http://www.oecd.org/dataoecd/11/56/40926131.pdf>

6. International Conferences Presentations

Crifo. P., "La responsabilité sociale et environnementale des entreprises : une solution aux défaillances de marché ? ", Seminar IPAG, University of Strasbourg R. Schuman. November 10, 2008.

Crifo. P., "The composition of compensation policy : from cash to fringe benefits ", CEAFE, Tunis, 2008.

Crifo. P., "The composition of compensation policy : from cash to fringe benefits ", Royal Economic Society, Warwick, 2008.

Fleckinger P., Glachant M., "Corporate Social Responsibility or Voluntary Agreement? ". Environment Seminar, University of Paris I; Environment Seminar, University of Toulouse;

Association Française d'Economie (special meeting on environmental economics), European Association of Environmental and Resource Economics (EARE), Göteborg, June 2008.

Giraud-Héraud, E., Grazia, C., Hammoudi, A., "Minimum Quality Standards and Brand Development in Agrifood Chains", XIIth Congress of the European Association of Agricultural Economists, EAAE 2008 Congress, Ghent, Belgium, 26-29 August, 2008.

Ramani S., "Playing in Invisible Markets: Innovations in Toilets to Harness the Economic Power of the Poor", Invited Speaker for the Annual Charles Cooper Memorial Lecture, UNU-Merit, Maastricht, February 13, 2008.

Perrot. F., Introduction to the concept of « Base of the Pyramid » and analysis « un processus collaboratif d'innovation entre entreprise multinationale et personnes pauvres ». Séminaire Interdisciplinaire de Recherche sur la Négociation et son Enseignement, ESSEC Business School, Cergy, April 17, 2008.

Poret S., Chambolle C., "Le commerce équitable : une chance pour tous les producteurs ? ", 3e Colloque International sur le Commerce Équitable - Montpellier, France, May 14-16, 2008.

Poret S., Chambolle C., "Guaranteed Minimum Price Contracts for Some, an Insurance for Others? ", 7th Journées Louis-André Gérard-Varet - Marseille, France, June 12-13, 2008.

Perrot F., Panelist and moderator of the session « Corporate Innovation at the Base of the Pyramid », IOMBA – Net Impact Conference, Geneva, June 12-14, 2008.

Other conferences participations

Crifo P., attended the first ECCE-UNPRI conference, Maastricht, September 17-19, 2008. Summary and report on the presentations, 23 pages.

7. 2008-2009 On-Going Projects

The on-going research projects deepen the analysis of CSR strategies as such and the links between financial investors and responsible investments.

Implementing successful CSR activities in the manufacturing and in the finance sectors

The objective here is to examine the organizational challenge posed by CSR stakes, in particular with respect to the definition, the composition and the activities of the CSR function inside firms both in the manufacturing and in the finance sectors.

The organization of the CSR function: Patricia Crifo and Jean-Pierre Ponsard propose a case study of the organization of the CSR function within large industrial firm. Is there a new CSR function emerging based on specific budget allocation and tasks achievements? Are CSR executives newly hired or promoted internally? Does the firm's CSR strategy rely on specific

incentives tools or on traditional performance-based targets? How are middle managers engaged in CRS issues? Is there a conflict of interest between short run performance and long run CSR goals? How do incentives help solving such problems? This analysis will lead to 3 cases studies in manufacturing (Lafarge, Unilever, DuPont).

The Composition and Activities of Asset Managers' Teams: Field Study in the SRI Industry: Patricia Crifo and Nicolas Mottis propose a survey on the emergence and profile of SRI analysts' teams in asset management. A questionnaire is in preparation for that purpose and will be sent to most asset management firms based in Paris. The objectives are to characterize the composition of these teams, describe their main activities and interactions, and contribute to understand how SRI criteria impact asset managers' decision making process.

Incentives for Asset Managers: Edouard Challe will work on the problem of incentives that money managers, who by definition manage the money of others rather than their own, often face. Pursuing earlier work with Xavier Ragot, the implications of portfolio delegation are investigated within a simple general equilibrium model where financial institutions hold highly leveraged portfolios, as the evidence about the financial structure of these institutions suggests; it is demonstrated that the moral hazard problem that results from the use of debt contracts leads to excessive risk taking, which may in turn generate bubbles, multiple equilibria, and excess volatility in asset markets. The project is still ongoing, and it will explore the various sources of moral hazard that plague the financial sector, and the way they interact: implicit or explicit government guaranties, role of financial contracts, of rewarding schemes etc. Overall, this project aims at assessing whether and how frictions arising at the microeconomic level (that of financial institutions) may lead to a significant mis-allocation of resources in the aggregate.

The determinants of CSR: some theoretical issues

Crifo, P., and Cavaco, S., are conducting an Econometric Analysis of the Links between the Ratings on Social and Environmental Issues within the Vigeo Database. The debate on the determinants and economic impact of CSR strategies mostly focuses on the relationship between CSR and economic performance. This project poses the question of the relationships between the different components of firms' CSR multi-dimensional strategies. The objective is to examine whether there is rather a relative complementarity or a relative substitutability between the ratings on social performance and environmental performance, once individual heterogeneity and sectoral specificity is controlled for. The first step consists in merging the Vigeo database with economic and financial indicators for all firms rated by Vigeo. The second step consists of econometric regressions that will be run to determine the empirical relationship between corporate performance, and the social and environmental dimensions of firms' CSR policies at an aggregate perspective.

At a theoretical level, Crifo, P., also analyzes *The Determinants and Impact of a Strategic CSR Policy*. The aim is to examine whether strategic CSR could be a mean to pursue competition by other means on the product market, thereby being a strategic tool, and how this affect market structure within horizontally differentiated industries.

In a joint work with Bazillier, R., and J. Vauday. explores *The Issue of Communication Strategies over CSR Policies both in a Theoretical and an Empirical Frameworks*. In the theoretical model, a product itself eventually signals or not its CSR contain. The model identifies some "usual suspects" that will prefer GW (green washing) over CSR. An empirical

analysis using data on CSR will then be conducted, using economic data of the 500 largest European firms to test the predictions of the model.

Social responsibility, corporate financing and multi-task agency

Biais, Casamatta and Mariotti will extend their analysis of CSR, financing and multi-task agency to the following issues: Firstly, they would like to understand what should be the internal organization of firms. The first part of their analysis shows that incentives to exert social and financial effort interact. A natural question is whether is it more efficient to let one agent undertake both tasks, or whether the task of promoting social and financial performance should be allocated to different agents. Secondly, their current model is asymmetric in the sense that social effort reduces financial performance, but financial effort has no impact on social performance. They would like to study a more general model in which effort on one dimension has an externality on the other dimension of performance.

CSR in R&D-intensive firms

Ramani, S., and Mukherjee, V., (Jadhavpur University, India) are working on A Model of CSR Related to Radical Technological Innovations where some social costs are created in the process. They discuss the conditions under which an activist groups exist and their proper scope in reducing the costs of commercialization and discuss the rationale behind some public policies for promoting activism.

Ramani, S., and Ali-ElAroui, M., (University of Tunis, Tunisia) will do an Empirical Study of the CSR Capabilities of Firms (i.e. a statistical analysis of the CSR ratings of firms) and examine whether firms that are innovative also invest in obtaining high CSR rating in order to ensure a higher commercialization success of their innovation. They will do this by matching patent data with CSR ratings data.

CSR strategies in the agro-food sector: international standards and GMOs

Giraud-Héraud, E., and Hoffman, R., pursue the projects listed under work in progress. The topics of these are Joint Private Safety Standards in Differentiated Markets, The Timing of Joint Private Safety Standards, and Innovation Led Alliances in the Agro-tech Industry.

Poret, S., proposes to analyze The Liability for Damage Caused by Genetically Modified Organisms (GMOs). The project is to study some economic issues surrounding liability for genetically modified organisms, with focus on liability debate and the interaction between liability and regulation. In particular, the aim is to examine these questions in the context of the admixture of genetically modified crops with conventional or organic crops.

Trommetter, M., proposes to go further in research on The Link between Intellectual Property Rights and Standards. The standards aim to send a signal to the innovators to modify research goals. The signal can be linked to the limitation in the use of certain goods for which it is necessary to create substitute goods (example of the medical and environmental standards), it can also support the development of innovations by the implementation of standards to create a differentiation of the products (example of the AOC in France). In this context, the standards can induce a technical change in an objective of maximization of the welfare. The

implementation of standards is then a strategic element as well as the intellectual property right. It is in this context, we propose to carry out research into the links between intellectual property right policy and standard policy to create incentives to innovate in agro-food sector.

Serving emerging markets: the role of BOP strategies

Perrot, F., will work on **Microfinance**. He will start by Analyzing the Evolution of Microfinance since its Early Stages in the 70s, as well as The Debate on the Trade off between Financial and Social Performance facing Microfinance Institutions. The limits to the mainstreaming of microfinance and the role of multinational companies in overcoming these obstacles will then be discussed. This analysis will be illustrated by the microfinance situation in the province of Aceh in Indonesia.

Ramani, R., will complete the two papers on BOP Markets and on Case Study of Innovation Strategies of Firms and their Linkages to CSR, in order to send them for publication; and revise the paper on Monsanto's activities in India.

Attitudes towards environmental issues

Schumacher I., and Perez-Barahona will compare Actual Behaviors on Environment Issues with Economic Models of these Behaviors. The special Eurobarometer Report 217 suggests that European citizens take, to various degrees, own actions to reduce at least their impact on the environment. At the same time, they however feel that they do not have an impact on the environment itself. Their behavior is therefore difficult to rationalize through standard economic arguments. This project will therefore build theoretical approaches based on findings from experimental economics which should help in understanding in how far it is possible to reconcile actual behavior with economic approaches. It will be clear that the behavior of the agents will not be optimal in this setting and the authors' intention will then be to study tax schemes which lead to optimal allocations.

Empirical studies about the reasons for behaving environmentally-friendly suggest that most people that behave environmentally-friendly do so because they have an inherent concern for equity and are more egalitarian-orientated than those who do not behave environmentally-friendly and believe in free markets, and in the power of the economy. These differences in cultural attitudes can lead to vastly different environmental behaviors. For example, the USA, based upon a cultural attitude which promotes free-market and economic solutions, uses more than double as many resources per head than Europe, a region with a cultural attitude more in line with socialistic ideas. I. Schumacher will study How the Cultural Dynamics Evolve and How One Could Endogenously Shift these Cultural Dynamics in a Direction more in Line with Sustainability Targets.

8. Forthcoming events

A special issue of the European Review of Agricultural Economics is planned for the fall of 2009. The title is "Food Safety Standards and Agri-Food Supply Chains: Organization, Strategies and Welfare of Stakeholders". Guest editors are Yves Surry, Abdelhakim Hammoudi, and Ruben Hoffmann. The call for papers can be found: <http://www.aepdata.wur.nl/erae/Special%20Issue.htm>.

A research workshop entitled “CSR: From Responsibility to Opportunity?” is organized on February 6th 2009 (Annexe 1).

A research workshop INRA-Polytechnique entitled “Food and Health: Can Private Standards Replace Public Regulations?” will be organized during the first half of the year 2009.

A book will be published end of 2009, containing the main research output of the research group on CSR.

OTHER RELATED RESEARCH ACTIVITIES

Ponssard, J.-P., and Larmande, F., (2008) "Implementation of an EVA Compensation Scheme" in *Reward Management Facts and Trends in Europe*, edited by Matti Vartiainen et al., Pabst Science Publishers, 69-96.

EVA© (Economic Value Added) compensation schemes are considered a major managerial innovation of the 1990s. A key feature of EVA© is to align middle manager compensation with shareholder value creation. This paper investigates the implementation of an EVA© compensation scheme in a large European based company over a six year period. The case study reveals difficulties encountered in the target setting process, exacerbated by lack of internal negotiation. Consequently, EVA© progressively lost its leading role among key performance indicators used in the compensation scheme of the company. Various insights into the appropriateness and acceptability of compensation schemes from the viewpoint of both the company and employees can be drawn from this case study.

Fleckinger, P., (2008) "Correlation and Relative Performance Evaluation", Working Paper. This paper re-examines the issue of relative versus joint incentive schemes in a multi-agent moral hazard framework. It allows to disentangle the inference dimension and the insurance property of relative performance evaluation. More importantly, the widespread idea that the principal should use all the most competitive schemes if the equilibrium outcomes are more correlated which is shown not to be robust. When correlation varies with the efforts chosen, extra equilibrium correlation can make joint performance evaluation more likely to be optimal, because a pair of good performances can become a relatively better signal that both agents work hard than a pair of asymmetric performances. With risk-averse agents, informational effect has to be traded off against the agents' insurance concerns. As a result, the optimal incentive scheme is sometimes mixed, this can be interpreted in a firm context as the use of aggregate profit sharing in combination with selective firing or promotion.

Crifo, P. Diaye MA, C. (2008) "The composition of compensation policy: from cash to fringe benefits", under revision in *Annales d'économie et statistiques*.

We develop a Principal-Agent model to analyze the optimal composition of the compensation policy with both monetary and nonmonetary incentives. We characterize nonmonetary benefits as symbols to capture a large set of non-wage compensations such as fringe benefits, status, identity (or self-image) or even sanctions. We characterize the optimal composition of the compensation policy when the principal fully or imperfectly knows the agent's preferences.

Crifo, P. Boucekkine, R. and Mattalia, C. (2008) "Technological Progress, Organizational Change and the Size of the Human Resources Department", Working Paper.

Innovative workplace practices based on multi-tasking and ICT that have been diffusing in most OECD countries since the 1990s have strong consequences on working conditions. Available data show together with the emergence of new organizational forms like multi-tasking, the increase in the proportion of workers employed in managerial occupation and the increase in skill requirements. This paper proposes a theoretical model to analyze the optimal number of tasks per worker when switching to multi-tasking raises coordination costs between workers and between tasks. Firms can reduce coordination costs by assigning more workers to human resources management. Human capital is endogenously accumulated by workers. The model reproduces pretty well the regularities observed in the data. In particular,

exogenous technological accelerations tend to increase both the number of tasks performed and the skill requirements, and to raise the fraction of workers devoted to management.

TEACHING ACTIVITIES

The mission of the Chair is to improve and consolidate the standards of excellence of the Department of Economics in education and teaching in the domain of industrial organization and business strategies.

This mission is in line with the general objective of the École Polytechnique to provide its students with a better understanding of the technologic, economic and social problems faced by the community at large, and that will require their full involvement during their career whether they go to industry, administration or research.

This objective for the Chair is currently declined as follows:

- Enhancing the quality of the current courses offered by the Department, in particular by providing opportunities for class room discussion of case studies based on real business issues, eventually by associating to the discussion the managers involved in these issues;
- Developing new courses, in particular with new permanent or visiting members with excellent research and teaching abilities;
- Providing opportunities for internships for the students.

This report gives a description of the courses taught during the 2008-2009 academic year related to the domain of the Chair.

1. Courses (see outlines in appendix)

- Programme d'Approfondissement en Économie : Stratégie, Organisation et Finance de l'Entreprise, course of J.P Ponsard et S. Poret.
- Département HSS: Développement Durable, seminar, P. Crifo et O. Godard.
- Master 2 EPP & EDDEE: Corporate Social Responsibility, cours d'approfondissement, P. Crifo et J.P Ponsard.
- Master 2 E&M : Business Strategies, cours d'approfondissement, J.P Ponsard et S. Poret.
- Master 2 EDDEE: Economie de la Qualité et du Développement Durable, E. Giraud-Héraud et L.G Soler.
- Master Pro PFR Tradd (Fondation Renault) : Gouvernement d'Entreprise et Développement Durable, Cours de P. Crifo et H. Teulon.

2. Ph.D Thesis

Submitted:

January, 31, 2008 Cam Tu Doan "The Roles of Management Control Systems to Implement Strategic Change: the Case of Industrial Service Operations" Thesis Director: J.P Ponsard.

On Going :

Sept. 2008- : Samer Hobeika « Fonds souverains». Thesis Director: J.P Ponsard and D. Plihon – Contrat Cifre with « la Caisse des Dépôts ».

Sept. 2007- : François Perrot « Stratégies BOP». Thesis Director: P. Crifo. – Contrat Cifre with Lafarge.

3. Master Thesis and Internship

Feb-Sept. 2009 : Vanina Forget « Finance durable et agriculture », Master EDDEE. Dir : P. Crifo.

Jan-July. 2009 : Myriam Bouzouba « Finance durable », HEC. Dir : P. Crifo.

2008-2009 : Anastasia Shchepetova, , « CSR and managerial incentives », Master Economie Mathématique et Econométrie . Dir : C. Casamatta.

April-June 2008 : Rosalinda Coppoletta, stage d'option de 3ème année, « L'impact économique du mobile banking dans les institutions de Micro-finance » (Horus DF). Dir : P. Crifo. R. Coppoletta recipient of the Chair for EDF-Sustainable Development Internship Award for her Master's Thesis.

April-June 2008 : Clément de Chaisemartin, Mémoire du Master Quantitative Economics and Finance (X-HEC): "How Much are we Ready to Pay to Fight Climate Change ?" dir: JF Laslier, David Thesmar.

April-Sept. 2008 : Jérémie Masset, stage d'option de 3ème année, « Analyse économique de l'activité accès à l'énergie dans les pays en développement » (EDF), Dir : JP Ponsard

June-Nov. 2008 : Shadi Sadeghian, Master TRADD, « Les indicateurs Développement Durable pour le groupe Renault ». Dir : P. Crifo.

4. Second Year Collective Scientific Projects

2008-2009 : A. Blanchon, F. Carvalho, Q. Lambert, C. Chouchane, JR Baudoin. «Électrification des zones rurales ». Direction P. Crifo.

APPENDIX

WORKSHOP

“CSR: from responsibility to opportunity?”

Organized with the support of two chairs of École Polytechnique
The Chair for Business Economics
The Chair for Sustainable Finance and Responsible Investment

Paris February 6th 2009

9:00 am to 6:00 pm

Hôtel Royal Garden
218 Rue du Faubourg Saint Honoré
Paris, 75008
Métro : Charles De Gaulle Étoile

Presentation:

According to the special report of The Economist which appeared on January 19th 2008, the question is no longer if firms should adopt CSR but how they should implement it. In this respect CSR can be viewed either as a set of constraints and regulations to make the firm more responsible, or as a response to a changing world with new challenges and values that create opportunities for the firm.

This research workshop intends to clarify this question through a detailed analysis of two issues. The first one concerns the management process as such, the second one proposes to focus on a typical and increasingly important CSR strategy referred to as “Bottom of the Pyramid”.

On these two issues the perspective shall be both internal (what firms actually do) and external (how the action plans of the firms are actually perceived and evaluated by the shareholders and more generally by all the stakeholders).

Issue 1: Is there anything new in the way firms formulate their strategic objectives, evaluate their major investments, monitor the performance of their business units, compensate their managers. Is it a question:

- Of adapting existing tools and procedures (set a price for CO₂, enlarge the time perspective, quantify the new social and environmental regulations for the operations...)?
- Of introducing a substantially new approach (change of priorities, of performance indicators...) with new codes of conduct... and, in that case, how is the new approach validated internally and externally?

Issue 2: Why is it that so many companies are getting involved in BOP strategies and how are such strategies managed. Is it a question:

- Of making profit in a new market segment (in which case the management process should be more or less similar to the one of other BU's), and what can be said about the actual financial performance of such strategies?
- Of enhancing the long term reputation of the firms with respect to its stakeholders (in which case how is the project monitored internally and externally, how is the reputation constructed and sustained)?

Attendees: approximately 40 academics and professionals involved in CSR, academics will provide surveys of on going research projects, professionals will discuss case studies related to their industry.

Contacts:

Scientific director: Jean-Pierre.Ponssard@polytechnique.edu

Chair Assistant : Christine.Lavaur@polytechnique.edu

Program :

9:00 9:15 Welcome: Jean-Pierre Ponssard (Ecole Polytechnique)

9:15 9:45 Setting the stage

- CSR why and how? a management perspective: Bertrand Collomb (member of the Institut de France, former chairman of the World Business Council for Sustainable Development)

9:45 12:30 Session 1 – Chaired by Jean-Pierre Sicard (Directeur du Développement Durable, Caisse des Dépôts et Président de Novethic)

- “Doing Well by Building Green (?)”: Nils Kok (ECCE & Maastricht University)
- BOP: an investor perspective: Erik-Jan Stork (APG Investments)
- Does it pay to be green? A systematic overview: Stephane Ambec (Toulouse School of Economics)
- Discussants : Patricia Crifo (Ecole Polytechnique), Nicolas Mottis (ESSEC), Bernard Sinclair Desgagné (HEC Montréal)

Lunch

14:00 15:30 Session 2 – Chaired by Marcel Boyer (former CEO Cirano, Montreal)

- CSR challenges in the agro-food business (Bernard Giraud, Danone)
- Driving strategic change from oil based to bio based technology (Mireille Quirina, DuPont)
- Discussants: Jean-Philippe Desmartin (Oddo Securities) & Jerome Lepage (Riskmetrics)

Coffee break

15:45 17:15 Session 3 – Chaired by Olivier Kayser (Vice President, Ashoka)

- Mainstreaming CSR in the business. The case of the Lipton tea.: Florence Coulamy & Michiel Leijnse (Unilever)
- Bringing electricity to rural areas in Africa: Jean-Paul Bouttes & Christine Heurax (EDF)
- Discussants (TBC): Jean Michel Severino (Agence Française de Développement) & François Lett (Ecofi Investissements-Crédit Coopératif)

17:15 18:00 Round Table – Chaired by Nicole Notat (Chairman and CEO of Vigeo) with Marcel Boyer (Cirano Montreal), Olivier Kayser (Ashoka), Thierry Sibieude (ESSEC), Antoine de Salins (Fonds de Réserve des Retraites) and Jean-Pierre Ponssard (Ecole Polytechnique)

COURSES OUTLINES

Master in « Economics of Markets and Organizations »

Toulouse School of Economics and Ecole Polytechnique

Course : Business Strategies

Professors: Jean-Pierre Ponssard and Sylvaine Poret

Program (further references will be distributed in class)

This course extensively uses chapters of the book:

Ponssard JP, Sevy, D. et Tanguy, H., Economie de l'entreprise, 2ème édition, 2007, Ecole Polytechnique (referred further on as PST)

Lecture 1 General introduction: why some firms perform better than others?

Peters T.J. and R.H. Waterman In search of excellence: lessons from America's best run companies, Harper&Row Publishers, New York, 1982

Ghosn, C. Saving the business without losing the company, HBR, 80-91, 37, 2002.

Kay, J. Foundations of corporate success, Oxford University Press, 1995.

Basic accounting (revisited)

PST, rappels de comptabilité, 206:219

Portait R., Charlety P., Dubois D., Noubel Ph, Les décisions financières de l'entreprise : méthodes et applications, PUF, 2004, 29 :69

Exercices, case studies, specific topics

PST, étude cas Samaritaine, 287 :295

Lectures 2 and 3 : how to measure the (financial) performance of the firm?

PST, la théorie financière classique, 131 :147

Brealey, R.A. and Myers, S.C. Principles of corporate finance, Mc Graw Hill, 2003

Jacquillat, B. et Solnik, B., Marchés financiers : gestion de portefeuille et des risques, Dunod, 2002

Copeland, T. and Weston J. Financial theory and corporate policy, Addison-Wesley, 1994

Exercices, case studies, specific topics

PST, la théorie financière classique, applications, 165 :185 ; 278 :287

La Tribune Moulinex, victime d'un capitalisme sans capital, 30 octobre 2001

London, F., Et la vertu sauvera le monde..., Raisons d'agir, 2003.

Lectures 4, 5: Do the market structure and/or the competitive position determine performance?

PST, 19 :76

Sutton, J, Sunk costs and market structure, Part I (1:128)London, MIT Press, 1991.

Schmalensee, R. Inter-industry studies of structure and performance, Handbook of industrial organization, volume II, Schmalensee and Willig (eds.), Elsevier, 1989.

Tirole, J., Theory of industrial organization, Cambridge, MA, MIT Press

Exercices, case studies, specific topics

PST, 247:257

Sheff, D. Game over, how Nintendo conquered the world, Vintage books, Random House, New York, 1994

Gelman J.R., S.C. Salop Judo economics, capacity limitation and Coupon Competition, BJE,

14-2, 315:325, 1983.

Lectures 6 and 7: why and how organization matters for performance?

PST, 77:128

Coase, RH, The nature of the firm, *Economica*, 4, 386:405, 1937

Williamson, O., *Markets and hierarchies, analysis and anti-trust applications*, Free Press, New York, 1975

Chandler, A, *Strategy and structure, chapters in the history of the American enterprise*, MIT Press, Cambridge, 1962

Bolton P. and Dewatripont, M. (2005) *Contract Theory*, MIT Press,.

Mintzberg, H. [1980]. "Structure in 5's : a synthesis of the research on organization design", *Management Science* 26, 3, 322:34.

Exercises, case studies, specific topics

PST, 257:278

Lambert, R. (2001) *Contracting theory and accounting*, *Journal of Accounting and Economics* 32, 3-87.

Ponssard J.P. and O. Saulpic, *Economic planning triggers more efficient planning: an experimental justification*, *Theory and decision*, 58, 239-282, 2005

Bertrand M. and S. Mullainathan, *Are CEOs rewarded for luck? The ones without principals are*, *QJE*, Aug. 2001

Lecture 8: Is corporate social responsibility profitable? Open questions and research perspectives

PST, 221:245

Crifo, P. et Ponssard, JP., *RSE et performance financière : points de repère et pistes de recherche*, Ecole Polytechnique, mai 2008

Hart Prahalad

Capron M. et F. Quairel-Lanoizelée. (2007). *La responsabilité sociale d'entreprise. Repères la découverte* 477, Paris.

Margolis J., H. Elfenbein et J. Walsh. (2007). *Does it pay to be good? A meta-analysis and redirection of research on the relationship between corporate social and financial performance.*

Vogel D. (2005). *The market for virtue. The potential and limits of corporate responsibility.* Washington Brookings Institution Press.

Yunus M. (2007). *Creating a World Without Poverty: Social Business and the Future of Capitalism.* New York: Public Affairs.

Control:

- a quiz will be used to test the key notions

- students will also have to write a term paper of approximately 15-20 pages on a specific topic or a case study discussed in class.

Detailed planning

Lecture Date Part 1 Part 2

October 10, Jean-Pierre Ponssard

Why some firms perform better than others? The case of Nissan 2000-2002 Measuring the performance from accounting data Basic accounting Some key financial indicators : ROCE, ROE, EPS, Free cash flow

October 17, Jean-Pierre Ponsard

What risk for what performance? The arbitrage of the financial market, the cost of capital and how to measure value creation Standard financial analysis : time frame and comparison with peers the case of Moulinex and Seb

October 24, Jean-Pierre Ponsard

Proposal for term papers are submitted

Market structure and firm performance: the traditional view Strategic market analysis: the case of Nintendo

The return of investment projects through discounted cash flows. How to assess that a business plan is credible?

November 7, Jean-Pierre Ponsard

Strategic analysis in practice:Porter, BSG, generic strategies. Case study on the cement industry

- role of concentration ?

- impact of an asymmetric chock : the EU-ETS and CO2

November 14, Sylvaine Poret

Some typical strategic moves

The analysis of mergers: more efficiency or more market power Vertical integration and foreclosure Game models of strategic behavior : capacity choice, location choice Judo economics

November 21, Sylvaine Poret

How to align the objectives of the managers for value creation? The congruence control trade-off : standard bonus, stock options, EVA Game models of coordination and delegation ; what planning means, the value of renegotiation, opportunism of the managers.

November 28, Jean-Pierre Ponsard

Proposal for term papers are approved

Some key dimensions of organizational performance: structure, economies of scale and learning, reactivity to uncertainty. The case of DuPont The experimental game revisited Case study on the seed business better planning or new organization to cope with major operational uncertainties?

Alternative theories: intrinsic incentives, corporate culture

December 5, Jean-Pierre Ponsard

What is corporate governance: the stock holder versus the shake holder model. Is CSR profitable? Open questions and research

Séminaire « Enjeux et problématique du développement durable »
Ecole Polytechnique, Département HSS
*** 12 séances ***
septembre 2008 - décembre 2008

Patricia Crifo
Olivier Godard

Présentation :

Le développement durable désigne un mode de développement conciliant les dimensions économique, sociale et environnementale de façon à assurer la viabilité durable de l'ensemble. En particulier, un développement durable doit « répondre aux besoins du présent sans compromettre la capacité des générations futures de satisfaire les leurs » (Rapport Brundtland 1987). Une traduction économique en serait l'exigence de non-décroissance dans le temps du capital total, technique, humain et naturel, par habitant, si l'on voit dans le concept de capital ce que peut mobiliser une société humaine pour satisfaire ses besoins et réaliser ses projets.

Cet objectif oblige à insérer les choix de développement dans un référentiel plus large qu'on ne le faisait jusqu'à présent : les décisions de court terme dans leurs implications de long terme ; les décisions locales dans leur signification à des échelles territoriales plus vastes, jusqu'au niveau planétaire pour des problèmes comme le changement climatique, la biodiversité ou les épidémies ; les décisions économiques dans leurs implications sociales (prise en compte des objectifs et coûts sociaux et d'une demande d'équité).

Unités de base du développement économique, les entreprises sont concernées au premier chef par les enjeux du développement durable. Cela soulève deux questions principales : comment leur organisation et leurs repères se modifient-ils dans ce contexte ?

Jusqu'où s'étendent leurs nouvelles responsabilités ? C'est que les enjeux du développement durable sont des enjeux collectifs dont les plus importants, comme le changement climatique ou les menaces sur la biodiversité, prennent toute leur dimension à l'échelle planétaire. Le développement durable est donc aussi l'affaire des gouvernements et des citoyens, en particulier de ceux qui réunissent leurs initiatives au sein d'associations et d'organisations non gouvernementales (ONG).

Si le développement durable doit se décliner du local au global, il n'est pas fractal. Raisonnements et contenus doivent être repensés pour chaque échelle, pour chaque entité (entreprise, collectivité territoriale). À chaque niveau doivent être visées à la fois la viabilité propre de l'entité considérée et sa contribution à la durabilité du développement aux échelles supérieures. Il ne suffit pas qu'une entreprise veille à sa propre durabilité, notamment à travers sa performance financière ou une gestion avisée de ses compétences, pour qu'elle ait une contribution positive à la durabilité de la région ou du pays dans lesquels elle mène son activité. Cela ne peut résulter que d'une articulation à trouver entre démarches ascendante et descendante.

En faisant du long terme intergénérationnel une dimension pertinente des décisions placées sous la responsabilité des générations actuelles, le développement durable oblige ces dernières à se confronter de façon explicite aux incertitudes scientifiques, technologiques, économiques et sociales qui marquent cet horizon. C'est ainsi que le développement durable débouche sur

la thématique des risques et contribue à l'essor du principe de précaution. Ce dernier principe fait obligation de prendre en compte de façon précoce mais proportionnée des risques potentiels dont l'existence et la nature ne font pas l'objet de certitudes, mais dont les conséquences pourraient être graves.

Nouvel objectif visé par les sociétés contemporaines, le développement durable est menacé par la dérive incantatoire. Il a besoin de se concrétiser dans des dispositifs combinant la formulation d'objectifs à atteindre et d'indicateurs qui permettent à une entité de situer sa trajectoire par rapport à ces objectifs. Cela pose la question de l'élaboration d'indicateurs appropriés pour le développement durable.

Séance 1 – O. Godard

Date : 17 septembre. Thème : Introduction : Croissance économique, développement, développement durable, décroissance: jalons d'une évolution des idées et des controverses
Pas d'exposé

Séance 2 – O. Godard

Date : 24 septembre. Thème : D'où viennent les problèmes d'environnement ?

Exposé 1 : La consommation est-elle excessive ?

Références :

- K. Arrow & al. (2003), Are We Consuming Too Much? Stanford, June.
- P.-M. Boulanger (2004), What's wrong with consumption: overconsumption, underconsumption, misconsumption ?, June.

Exposé 2 : La technique, problème ou solution ?

Références :

- Ivan ILLICH (1973), Énergie et Équité. Paris, Seuil.
 - P. Denoux (2008), Les signaux faibles comme émergences interculturelles dans un organisme de recherche, avril
 - M. Weitzman (1997), "Sustainability and technical progress", Scandinavian Journal of Economics, 99(1), pp. 1-13
 - Encyclopédie de l'Agora: Dossier 'Technique'
 - A. Lebeau (2005), L'engrenage de la technique. Gallimard, (Essais) - Extraits
- Séminaire HSS 511K - Godard & Crifo -4-

Séance 3 – O. Godard

Date : 1er octobre. Thème : Le troisième pilier du développement durable : la problématique de l'équité sociale

Exposé 3 : Égalité de quoi ? revenus, capacités, chances, résultats ?

Références :

- A. Leseur (2006), Les théories de la justice distributive, Cahier du Laboratoire d'économétrie (2005-009), avril.
- M. Fleurbaey (2006), Capabilities, functionings and refined functionings, April
- P. Vallentyne (2000) Egalitarianism and responsibility: equality of initial opportunities defended

Exposé 4 : qu'y a-t-il de particulier à la question de la justice intergénérationnelle ?

Références :

- L. Meyer (2003), Intergenerational justice, Stanford Encyclopedia of Philosophy.
- A. Gosseries (2005), Faut-il renoncer au maximum intergénérationnel ?
- Varrii auctores (2004), Intergenerational Justice (2).

Séance 4 – P. Crifo

Date : 8 octobre. Thème : Les entreprises et le développement durable : une nouvelle responsabilité sociale ?

Exposé 5 : La responsabilité sociale des entreprises est-elle compatible avec la recherche du profit ?

Références :

- F. Aggeri (2004), Les entreprises françaises et le développement durable, Regards sur l'actualité, n° spécial 'le développement durable', Paris La documentation française, juillet, pp. 57-65.

- The Economist. (2005). The good company. A survey of corporate social responsibility. Dossier 22 Janvier 2005.

- M. Friedman, (1970). The Social Responsibility of Business Is to Increase Its Profits, 13 septembre, The New York Times Magazine, pp. 32-33, 122-124.

Exposé 6 : Les entreprises peuvent-elles contribuer à la réduction de la pauvreté tout en faisant du profit ?

Références :

- C.K. Prahalad et S. Hart. (2002). The Fortune at the Bottom of the Pyramid, Strategy+business, 26. <http://www.cs.berkeley.edu/~brewer/ict4b/Fortune-BoP.pdf>

- A. Karnani. (2007). Fortune at the Bottom of the Pyramid: A Mirage. California Management Review. <http://ssrn.com/abstract=914518>

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Séance 5 – P. Crifo

Date : 15 octobre. Thème : Gouvernement d'entreprise et développement durable

Exposé 7 : Gouvernement d'entreprise et développement durable : 2 modèles concurrents ?

Références :

- G. Charreaux et P. Desbrières. (2001). Corporate Governance: Stakeholder Value Versus Shareholder Value (2001). Journal of Management and Governance. 5, 107–128.

M. Branco, et L. Rodrigues. Positioning Stakeholder Theory within the Debate on Corporate Social Responsibility. Electronic Journal of Business Ethics and Organization Studies, 12(1), 5-15.

- C. Gendron, A. Lapointe et MF. Turcotte. (2004). Responsabilité sociale et régulation de l'entreprise mondialisée. RI/IR, 59(1).

Exposé 8 : La RSE modifie-t-elle le conflit d'intérêts actionnaires-managers ?

Références :

- E. Carrillo. (2007). Corporate governance: shareholders' interests and other stakeholders' interests, Corporate ownership and control, 4(4), 96-102.

- Cespa et Cestone. (2006). Corporate Social Responsibility and Managerial Entrenchment. ECGI Working paper. http://ssrn.com/abstract_id=993685

Séance 6 – O. Godard

Date : 22 octobre. Thème : Incertitude scientifique, risques et principe de précaution

Exposé 9 : Le principe de précaution est-il un frein général à l'activité et à l'innovation ?

Références :

- Commission européenne (2000), Communication sur le principe de précaution, février

- ESEF (2002), Perilous precaution: the folly of disregarding science

- Bill Durodié (2003) The True Cost of Precautionary Chemicals Regulation, Risk analysis, 23(2), pp. 389-398.

Exposé 10 : Le principe de précaution mène-t-il à une impasse logique ?

Références :

- M. Peterson (2006), The precautionary principle is incoherent.
 - C. Sunstein (2001), Laws of fear, The Law School, the University of Chicago
- Séminaire HSS 511K - Godard & Crifo -6-

Séance 7 – O. Godard

Date : 5 novembre. Thème : Un problème planétaire : le casse-tête de l'effet de serre

Exposé 11 : Faut-il rechercher des alternatives au Protocole de Kyoto ?

Références :

- R. Guesnerie (2006), The design of post-Kyoto climate schemes: an introductory analytical assessment.
- R. Cooper (2001), The Kyoto Protocol : a flawed concept, Environmental Law Reporter, 31, 12 December
- N. Stern (2008), Key elements of a global deal on climate change, London School of Economics.

Exposé 12 : L'Europe doit-elle mettre en place un ajustement-carbone à ses frontières ?

Références :

- Katrin Jordan-Korte & Stormy Mildner (2008), "Climate Protection and Border Tax Adjustment: Economic Rationale and Political Pitfalls of Current U.S. Cap-and-Trade Proposals", Facet Analysis, (1), June.
- DGTPE (2008), Lutte contre les fuites de carbone, Paris, Mai.
- T. Brewer (2008), Climate Change Policies and Trade Policies: The New Joint Agenda, Geneva, Unep Workshop, February 2008.

Séance 8 – O. Godard

Date : 12 novembre. Thème : Les dimensions territoriales du développement durable (ville, micro-région, région, Agendas 21 locaux)

Exposé 13 : Comment qualifier un développement urbain durable ?

Références :

- C. Emelianoff (2001), Les villes européennes face au développement durable : une floraison d'initiatives sur fond de désengagement politique
- W. Diebolt et al. (2005) Les inégalités écologiques en milieu urbain – Rapport de l'Inspection générale de l'environnement, avril
- J. Theys et C. Emelianoff (2000), Les contradictions de la ville durable, in J. Theys (dir), Développement durable, villes et territoires - Innover et décroiser pour anticiper les ruptures, DRAST, Ministère de l'Équipement, janvier.

Exposé 14 : Articuler des espaces de développement

Références :

- J. Theys (dir.) (2000), Développement durable, villes et territoires - Innover et décroiser pour anticiper les ruptures, DRAST, Ministère de l'Équipement, janvier.
 - MEDD (2006), Projets territoriaux de développement durable - Éléments déterminants de la démarche & orientations et pistes pour l'action. Tome 2, juillet.
- Séminaire HSS 511K - Godard & Crifo -7-

Séance 9 – P. Crifo

Date : 19 novembre. Thème : L'entreprise comme acteur du développement durable : communication et indicateurs de développement durable, rapport développement durable

Exposé 15 : La qualité des rapports développement durable des entreprises françaises

Références :

Rapports sur l'application de la loi NRE en France :

<http://www.utopies.com/docs/EtatReporting2005.pdf>

<http://www.alphaetudes.com/admin/upload/Alpha%20Etudes%20Rapport%20reporting%20social%205-11-7.pdf>

com/admin/upload/Alpha%20Etudes%20Rapport%20reporting%20social%205-11-7.pdf

- J. Igalens. (2004). Comment évaluer les rapports de développement durable ? Revue française de gestion. 152 –2004/5, 151-166.

Exposé 16 : Les rapports développement durable : comparaison internationale

Références :

- Hartman L., Rubin, R., et K. Dhanda (2007). The Communication of Corporate Social Responsibility: United States and European Union Multinational Corporations, Journal of Business Ethics, 74(4).

- S. Chen et P. Bouvain, (2008). Is Corporate Responsibility Converging? A Comparison of Corporate Responsibility Reporting in the USA, UK, Australia, and Germany , Journal of Business Ethics.

Séance 10 – P. Crifo

Date : 26 novembre. Thème : L'interaction avec les autres parties prenantes : groupes de pression, ONG, salariés, syndicats et Etat

Exposé 17 : Activisme actionnarial et actionnaire socialement responsable

Références :

- R. Sparkes. (2001). Ethical Investments: whose ethics which investment ? Business Ethics : a European Review. 10(3), 194-205.

- V. Serret. (2004). L'engagement actionnarial : principes, enjeux et limites. Xvème Congrès de l'AGRH, Montréal.

- R. Perez. (2002). L'actionnaire socialement responsable. Revue française de gestion, 2002/5 - n° 141, 131-151.

Exposé 18 : Contestation sociale et influence des groupes de pression et ONG sur les entreprises

Références :

- T. Hommel et O. Godard (2001) Contestation sociale et stratégies de développement industriel. Application du modèle de la Gestion Contestable à la production industrielle Séminaire HSS 511K - Godard & Crifo -8- d'OGM. Cahier n° 2001-015 du Laboratoire d'économétrie de l'Ecole Polytechnique, novembre.

- Mach A. (2001). Le pouvoir des ONG sur les entreprises : pression, partenariat, évaluation. Institut Universitaire d'Etudes du Développement, Genève, 2001, pp. 109-129.

- ORSE (2005). Partenariats stratégiques ONG-Entreprises. Rapport de mission remis au ministre de la jeunesse, des sports et de la vie associative.

<http://lesrapports.ladocumentationfrancaise.fr/BRP/054004447/0000.pdf>

Séance 11 – P. Crifo

Date : 3 décembre. Thème : L'investissement socialement responsable : aperçu historique et international

Exposé 19 : Marchés financiers et développement durable

Références :

- Orlitzky, M., Schmidt, F., et S. Rynes. (2003). Corporate social and financial performance : a meta-analysis. Organization studies, 24(3): 403-411.

- I. Ducassy, et K. Jeannicot. (2008). Impact boursier de l'annonce d'un classement de reporting social. Présentation au congrès de l'aderse.

Exposé 20 : L'investissement socialement responsable : objectifs et performances des

indices

Références :

- F. Hanin. (2005). Le paradigme de l'investisseur universel : un nouvel outil pour penser les entreprises collectives et promouvoir l'intérêt général. Centre de recherche sur les innovations sociales. Rapport de recherche.
- J. Derwall, N. Guenster, R. Bauer, et K. Koedijk. (2005). The Eco-Efficiency Premium Puzzle. Financial Analysts Journal. 61(2).
- J. Lemaux et E. Le Saout. (2002). La performance des indices socialement responsables : mirage ou réalité ? Communication à la Second International Finance Conference.

Séance 12 – P. Crifo

Date : 12 décembre. Thème : L'investissement socialement responsable en France

- Dissertation Pas d'exposé

MODALITÉS DE CONTRÔLE DES CONNAISSANCES

Le contrôle des connaissances intégrera deux composantes agencées de la façon suivante :

A. Une épreuve écrite, de type dissertation, d'une durée d'une heure, obligatoire pour tous les élèves, réalisée lors de la séance n° 12 (40% de la note) le 10 décembre 2008

B. Pour 20 élèves, la réalisation d'un exposé en séminaire (60% de la note) : D'une durée de 20 minutes, l'exposé vise à présenter un problème à partir de documents de référence choisis par l'enseignant pour éclairer la thématique de la séance. De façon complémentaire à la présentation powerpoint, ces exposés donneront lieu à un texte rédigé de 12000 signes minimum. Ces textes seront remis au plus tard le mercredi 17 décembre 2008. La notation portera à la fois sur la qualité de la présentation orale et celle du document écrit C. Pour ceux qui n'auront pas pu faire un exposé, la rédaction d'un compte-rendu de lecture d'un ouvrage ou d'un mémoire de recherche (pour les PA Ecosciences ou Energie du XXIème siècle)

a) Pour les compte-rendus d'ouvrages, une liste d'ouvrages éligibles sera proposée par les enseignants. Tout choix doit être validé par les enseignants.

La procédure de choix sera fermée le 12 novembre 2008.

Le compte-rendu sera à remettre par courrier électronique au plus tard le 17 décembre 2008.

Il comprendra nécessairement deux parties : (1) une présentation des principaux thèmes de l'ouvrage (12000 à 15000 signes) ; (2) une réflexion personnelle sur ces idées au regard de la problématique du développement durable (6000 à 9000 signes).

b) Le thème du mémoire doit faire l'objet d'une discussion avec les enseignants et recueillir leur accord. Il sera à remettre fin mars 2009, mais un document intermédiaire devra être produit pour le 20 janvier pour permettre une notation en P1.

Pour tout contact avec les enseignants en dehors des séances, deux adresses :

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Corporate Social Responsibility Cours d'approfondissement Master 2 EPP & EDDEE

Patricia Crifo & Jean-Pierre Ponsard

Objectives :

According to Heal (2008), \$1 out of every \$9 under professional management would involve an element of social responsible investment in the US. The objective of this course is to analyze how concerns for sustainable development are implemented at all layers of the society. How do governments, firms and individuals integrate environmental, social and governance (ESG) factors in their decisions? Is there an eco-efficiency premium, resulting in higher price for fair trade goods and investments or does it pay to be green? At what level is the preoccupation for social responsibility best accounted for: at the consumer, firm, national or international levels? Does the response to climate change, financial scandals lie in tighter governmental regulations and/or in good corporate citizenship?

We will analyze these issues by examining the emergence of corporate social responsibility in corporate governance, its diffusion within firms and between countries, the development of the responsible investment market, the interactions between NGO, trade-unions and multinationals.

Preliminary Program :

1. Corporate governance : models and historical perspectives

Berle, A. A. et Means, G. C. [1995]. *The Modern Corporation and Private Property*, MacMillan, (1ère édition 1932)..

Jensen, M. C. et Meckling, W. H. [1976]. "Theory of the firm: Managerial Behavior, Agency Costs and Ownership Structure", *Journal of Financial Economics*, vol.3, October.

Plihon, D. et Ponsard, J.-P., (sous la direction de) (2002). *La montée en puissance des fonds d'investissement : quels enjeux pour les entreprises*, Documentation Française, Paris.

Roe, M. [1994]. *Strong Managers, Weak Holders, The Political Roots of American Corporate Finance*, Princeton University Press, Princeton.

2. The emergence of CSR in corporate governance

D. Baron (2007). Managerial contracting and corporate social responsibility. *Journal of Public Economics*. 92, 268-288.

A. Barnea et A. Rubin. (2006). *Corporate Social Responsibility as a Conflict between Shareholders*, Working Paper.

Bowen (1953). *The social responsibility of the businessman*. Harper & Row, New York.

De Brito, C., Desmartin, JP., Lucas-Leclin, V., et F. Perrin. (2005). *L'investissement socialement responsable*. Paris : Economica.

M. Capron et F. Quairel-Lanoizelée. (2007). *La responsabilité sociale d'entreprise*. Repères la découverte 477, Paris.

Cespa et Cestone. (2006). *Corporate Social Responsibility and Managerial Entrenchment*. ECGI Working paper. http://ssrn.com/abstract_id=993685.

R. Reich. (2007). *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life*, New York: A. Knopf.

3. CSR and profitability

Besley T. et M. Ghatak, (2007). *Retailing public goods: The economics of corporate social*

responsibility. *Journal of Public Economics*. 91, 1645-1663.

M. Friedman. (1970). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*, September 13, 1970.

Kramer, M. et M. Porter. (2006). *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*. Harvard Business Review.

Margolis, Elfenbein et Walsh. (2007). Does it pay to be good? A meta-analysis and redirection of research on the relationship between corporate social and financial performance.

Margolis, et Walsh. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48: 268–305.

UNEP-Fi & Mercer (2007). Demystifying responsible investment performance. A review of key academic and broker research on ESG factors.

UNEP-Fi & Mercer (2007). Demystifying responsible investment performance. A review of key academic and broker research on ESG factors.

4. SR investment

Lewis, A. et Mackenzie, C. (2000a). “Morals, money, ethical investing and economic psychology”. *Human relations*, 53,2.

Webley, P., Lewis, A. et Mackenzie, C. (2001). “Commitment among ethical investors: an experimental approach”. *Journal of Economic Psychology*, 22, 27-42

E. Schokkaert. (2006). The empirical analysis of transfer motives, in Kolm S, Ythier JM, ed.: *Handbook of the economics of giving, altruism and reciprocity*, Volume I, (Elsevier ch. 2), 127 - 181.

G. Williams (2005). Some determinants of the socially responsible investment decision: a cross country study. Working paper Nottingham University Business School.

5. Norms and incentives within the firm: intrinsic versus extrinsic motivation

Benabou, R. et J. Tirole. (2006). Incentives and Pro-social Behavior, *American Economic Review*.

T. Besley and M. Ghatak (2005). Competition and Incentives with Motivated Agents *American Economic Review*, 95(3).626-636.

K. Brekke and K. Nyborg. (2004). Moral hazard and moral motivation: Corporate social responsibility as labor market screening. University of Oslo Working paper.

OCDE (2001). Codes of Corporate Conduct: Expanded Review of their Contents. Working paper on international investment n° 2001/6.

C. Gendron. (2006). Codes de conduite et nouveaux mouvements socio-économiques : la constitution d'un nouvel ordre de régulation à l'ère de la mondialisation. *Gestion*, HEC Montréal, 31(2), 55-64.

6. Bottom of the pyramid strategies and social entrepreneurs

Prahalad, C. K., & Hart, S. L. 2002. The fortune at the bottom of the pyramid. *Strategy and Business*, 26(First Quarter): 2-14.

M Mendell. (2007). Social enterprise in OECD Member countries: What are the financial streams? Conference on Social enterprise in an evolving economy, from non profit organizations to social enterprises

M. Yunus. (2008). *Creating a World Without Poverty: Social Business and the Future of Capitalism*. New York: Public Affairs.

JL Warnholz (2007). Poverty Reduction for Profit? A critical examination of business opportunities at the Bottom of the Pyramid. QEH Working Paper Series – QEHWPS160. <http://www3.qeh.ox.ac.uk/pdf/qehwp/qehwps160.pdf>

7. Government regulation: internalizing the externalities – the case of CO2

Bouttes, J-P, Trochet, J-M and Dassa, F, 2007, Assessment of EU CO2 regulations, IFRI Energy Breakfast Roundtable, Brussels, 30th January

Ellerman, D., Jowskow, P., Harrisson, D., 2003, Emissions trading in the US: experience, lessons and considerations for greenhouses gases, prepared for the Pew Center on Global Climate Change, May.

Godard, O, 2002, Implementing domestic trade-able permits - recent developments and future challenges, OECD, Paris.

Grubb, M and Neuhoff, K, 2006, Allocation and competitiveness in the EU Emissions Trading Scheme: policy overview, Climate Policy 6

Pizer, 1999, Choosing price or quantity control for greenhouse gases, Climate Issues 17, July

Smale, R, Hartley, M, Hepburn, C, Ward, J and Grubb, M, 2006, The impact of CO2 emissions trading on firm profits and market prices, Climate Policy 6, 29-46.

Vieillefosse, A., 2007, Des accords sectoriels dans les engagements post-2012, DG4E, Ministère de l'Ecologie et du Développement Durable.

Weizman, M., 1974, Prices vs quantities, Review of Economic Studies, 1974.

8. Government regulation: voluntary agreements - the case of the agro-food sector

Lyon, T., Maxwell, J., 2003. Self-regulation, taxation and public voluntary environmental agreements, Journal of Public Economics 87, 1453–1486

Manzini, P., Mariotti, M., 2003. A bargaining model of voluntary environmental agreements, Journal of Public Economics 87, 2725–2736.

9. NGOs and Trade-Unions

Lewis, A. et Mackenzie, C. (2000b). “Support for investor activism among UK ethical investors”. Journal of Business Ethics, 24, 3.

A. Mach. (2001). Le pouvoir des ONG sur les entreprises : pression, partenariat, évaluation.

RSE (2005). Partenariats stratégiques entreprises-ONG. Rapport de mission au Minsitre de la jeunesse, des sports et de la vie associative.

Corporate Governance and Sustainable Development
Cours Master TRADD
Patrica Crifo et H el ene Teulon

Objectif du cours:

Appr ehender l' volution des modes de gouvernance de l'entreprise, en relation avec l' mergence du d veloppement durable

Programme :

1. Les mod les traditionnels de gouvernement d'entreprise : shareholder versus stakeholder
2. Le retour des actionnaires et la cr ation de valeur : mesures de la cr ation de valeur, impacts sur les syst mes de pilotage et de r mun ration, changements dans la communication financi re des entreprises
3. Analyse critique de la cr ation de valeur et responsabilit  sociale des entreprises : effets pervers des syst mes de r mun ration et relations sociales
4. Le retour des autres parties prenantes et le th me du d veloppement durable : environnement, social, cr ation de valeur pour l'ensemble de la soci t , les groupes de pression et le r le de l'Etat
5. L'investissement socialement responsable
6. L'entreprise comme acteur du d veloppement durable : la communication sur le d veloppement durable, les indicateurs, les impacts sur les outils et proc dures de gestion : le rapport d veloppement durable, les coop rations avec les ONG

Ce cours s'appuiera sur quelques enseignements magistraux et sur des  tudes de cas ou des lectures d'articles pr par es par petits groupes