

1. Keshav Dogra: Optimal Debt Restructuring and Lending Policy in a Monetary Union

The paper is a timely contribution to the current debate on the euro debt crisis. It makes a simple but interesting and original point which is important in a situation of a monetary policy constrained by the zero lower bound (ZLB): Transfers from creditors to debtors are Pareto improving at the ZLB because debtors spend the transfer, in part, on goods sold by creditor countries, increasing their income. Without transfers or restructuring, borrowers have an incentive to reduce their consumption and reduce their debt, in order to raise the price at which they can issue their remaining debt. When the ZLB binds, the monetary union enters a recession, and output falls below its potential. When the model includes an ex ante stage in which countries decide how much to borrow and lend, taking into account that their debt may be restructured in the event of recession, there may be over-borrowing so that it is necessary to combine ex post lending or debt restructuring policies with macro-prudential capital controls or limits on borrowing. While not all arguments are new, the paper is an original synthesis of some of the present views. From a theoretical point of view, the paper involves a clever mix of the recent new Keynesian models and of the models of debt restructuring.

2. Ann-Katrin Roesler (University of Bonn): Is Ignorance Bliss? Rational Inattention and Optimal Pricing

This is an impressive and beautiful theory piece, and an important contribution to the nascent literature on "rational inattention." The setting is a classic monopoly-pricing problem with a single buyer (consumer). It departs from that classic problem in that the consumer can choose how much to learn about his valuation for the good, and the monopolist sets the price only once she observes the information structure chosen by the consumer. When deciding how much to learn about his valuation for the good the consumer faces a trade-off: for a given price, the consumer would like to be as well informed as possible, but when facing a better informed consumer, the monopolist may be tempted to charge a higher price. Hence, the

consumer may be better off not being fully informed. The paper provides a characterization of the *consumer-optimal* information structure, which involves *coarse perception* (i.e., the space of valuations is split into sub-intervals and the consumer optimally chooses to learn only into which interval his true valuation falls), *efficiency* (i.e., the monopolist is induced to charge a price that yields efficient trade), and *seller indifference* (i.e., the monopolist is just indifferent between charging the equilibrium price and some higher price).

3. Jörg L. Spenkuch (Northwestern University): Backward Induction in the Wild: Evidence from the U.S. Senate

The contribution of this excellent paper is two-fold: First, and foremost, it is a test of the hypothesis of "backward reasoning" in sequential games. Second, it provides some interesting empirical insights into strategic behavior of U.S. senators. At the heart of the paper's argument is the idea that those senators whose views on a particular issue differ from those of their party face a trade-off when casting their vote: On the one hand, they would like to vote according to their own views, on the other, they may not want to see their own party to lose. The empirical analysis exploits the fact that U.S. senators cast their vote sequentially, in alphabetical order. Backward induction implies that a senator who votes early may vote differently than a senator with the same preferences who casts his vote later. The empirical strategy makes clever use of quasi-random variation in the alphabetical composition of the U.S. Senate. The results show that senators do use backward reasoning but that there are quite some systematic differences (e.g., by gender and experience).