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Bersem, M.R.C.

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Other People's Money

Essays on Capital Market Frictions

Mario Bersem

This dissertation investigates capital market frictions across three themes. The first theme is sovereign debt. Recent experience in the EU shows that it can be complex to enforce the repayment promises of states. Furthermore, governments are better informed about their repayment capacity than creditors are. This dissertation argues that enforcement and information problems explain why states issue simple debt contracts that frequently lead to debt crises. Such contracts are optimal because they save on costly audits by creditors.

The second theme concerns collective pension funds. It is often argued that pension funds can enhance the welfare of their participants. This dissertation highlights one rationale for pension funds based on credit constraints. Pension funds' actual ability to increase welfare may be limited due to an agency problem.

The third theme concerns political intervention in capital markets. Financial liberalization and expanded access to capital are historically seen as signs of greater freedom. Yet many democratic states choose to restrain the resource allocation called for by free capital markets. This dissertation argues that democracies may choose to introduce restraints on free capital markets—thereby favouring income stability over economic growth—depending on demographical context, the distribution of wealth, and the rate of technological progress.

Mario Bersem (1982) researched his PhD at the University of Amsterdam and the University of Mannheim. He holds an MPhil in Economics (2007) from the Tinbergen Institute and passed the Kandidaats examination in Mathematics (2004) at the University of Amsterdam.

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Mario Bersem



Universiteit van Amsterdam