

# ANDREAS MADESTAM

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## Office address:

Department of Economics  
Stockholm School of Economics  
113 83 Stockholm, Sweden  
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## EDUCATION

Ph.D., Economics, Stockholm School of Economics		
Dissertation title: "Developing Credit Markets", thesis examiner: Maitreesh Ghatak, LSE		2005 (Nov)
Mathematics ( <i>with distinction</i> ), Stockholm University		1999
M.S. ( <i>with distinction</i> ), Economics, Lund University		1998
Graduate Studies, Economics and Political Science, McGill University		1997
B.A. ( <i>with distinction</i> ), Economics and Political Science, Lund University		1996
International Baccalaureate, United Nations International School, New York		1991

## FIELDS

Applied Microeconomics, Development, Corporate Finance, Political Economy

## REFERENCES

Professor Tore Ellingsen (Main advisor)	Department of Economics, Stockholm School of Economics Tel: +46 (0) 8 736 9260 E-mail: <a href="mailto:tore.ellingsen@hhs.se">tore.ellingsen@hhs.se</a>
Professor Mike Burkart	Department of Finance, Stockholm School of Economics Tel: +46 (0) 8 736 96 78 E-mail: <a href="mailto:mike.burkart@hhs.se">mike.burkart@hhs.se</a>
Professor Maitreesh Ghatak	Department of Economics, London School of Economics Tel: +44 (0) 207 852 3568 E-mail: <a href="mailto:m.ghatak@lse.ac.uk">m.ghatak@lse.ac.uk</a>
Professor Jakob Svensson	Institute for International Economic Studies, Stockholm University Tel: +46 (0) 8 16 30 60 E-mail: <a href="mailto:jakob.svensson@iies.su.se">jakob.svensson@iies.su.se</a>

## RESEARCH AND TEACHING EXPERIENCE

Research Assistant for Ritva Reinikka (DEC RG, The World Bank) and Professor Jakob Svensson (Institute for International Economic Studies, Stockholm University) on the World Bank project: "Primary School Survey 2003: The Role of Information and Voice", Tanzania	2003
Research Assistant for Ritva Reinikka and Professor Jakob Svensson on the World Bank project: "Improving Public Service Delivery: The Role of Information and Voice", Uganda	2002
Teaching Assistant for Professor Tore Ellingsen (Stockholm School of Economics) Undergraduate Microeconomics, Stockholm School of Economics	2000-2002
Lecturer, Department of Public Health Sciences, Karolinska Institutet	2000-2002
Researcher, Swedish International Development Cooperation Agency, Secretariat for Policy and Socio-Economic Analysis	1998

Research Assistant, United Nations Development Programme, United Nations Capital Development Fund, Policy Planning and Evaluation Unit 1997

## RESEARCH PAPERS

### **“Informal Finance: A Theory of Moneylenders” (JOB MARKET PAPER)**

This paper argues that weak legal institutions explain the coexistence of formal and informal financial sectors in developing credit markets. Informal finance emerges as a response to the formal sector's inability to perfectly enforce its claims in an environment with poor creditor protection. Given this setting, the theory incorporates the possibility of a credit-rationed informal sector to show that entrepreneurial and informal sector assets can be either complements or substitutes. The theory rationalizes the observation that entrepreneurs employ multiple lenders and suggests that an unequal wealth distribution promotes investment in poor societies.

### **“Monopoly Banks, Moneylenders, and Usury”**

The paper demonstrates that monopoly banking can explain both the prevalence of moneylenders and the high effective interest rates in many developing credit markets. When moneylenders are rich relative to entrepreneurs, a monopoly bank can extract more rent by channeling funds through moneylenders than by lending directly to entrepreneurs. The argument rests on the assumption that moneylenders are better than banks at preventing opportunistic behavior of entrepreneurs. When moneylenders are sufficiently rich relative to entrepreneurs, they are less prone to divert bank funds. Therefore, a monopoly bank need not share rents when it lends through the moneylender. Banking competition is the key to both eliminating usurious interest rates charged by moneylenders and promoting investment.

### **“The Social Costs of a Credit Monopoly”**

Banks provide credit and take deposits. Whereas a high price in the credit market increases banks' retained earnings and attracts more deposits, it reduces lending if borrowers are sufficiently poor to be tempted by diversion. Thus optimal bank market structure trades off the benefits of monopoly banking in attracting deposits against losses due to tighter credit. The model shows that market structure is irrelevant if both banks and borrowers lack resources. Monopoly banking induces tighter credit rationing if borrowers are poor and banks are wealthy, and increases lending if borrowers are wealthy and banks lack resources. The results indicate that improved legal protection of creditors is a more efficient policy choice than improved legal protection of depositors, and that subsidies to firms lead to better outcomes than subsidies to banks. There are also likely to be sizable gains from promoting banking competition in developing countries.

## RESEARCH IN PROGRESS

“Free Education: Evidence from a Natural Policy Experiment”, with Jakob Svensson, IIES, Stockholm University. Part of the World Bank project: “Cambodian Public Expenditure Tracking Survey”, Cambodia

“Monopolistic Input Suppliers and Underinvestment” with Mike Burkart, Stockholm School of Economics and Tore Ellingsen, Stockholm School of Economics

“A Collusive Banking Oligopoly”

## OTHER PUBLICATIONS

### Articles

“Summary and analysis of IFAD’s ‘Rural Poverty Report 2001’” Stockholm, Parliamentary Commission of Inquiry into Swedish Policy for Global Development, Globkom

“Poor Man’s Capital? A Study on the Determinants of Educational Outcome and the Gender Factor in Education in Six Villages in Rural Bangladesh”, Lund University

“Is There a Future? Long-term Sustainability of Water Supply and Sanitation in Metropolitan Cebu, the Philippines”, Department of Economics (Lund University) Minor Field Study Series, ISSN 0283-1589

## Reports

*“Recent Economic and Social Developments. A Review of Reports emanating from International Organizations in 1998”* with Anders Isaksson, Stockholm, Sida, Secretariat for Policy and Socio-Economic analysis, ISBN 91-586-7666-X

*“A Preliminary Shopping List. -Eliciting Impact Indicators On Water and Sanitation Projects.”*, 1997, New York, United Nations Capital Development Fund

## Books and Book Chapters

*“Developing Credit Markets”* (Thesis) EFI, Stockholm School of Economics, ISBN 91-7258-685-0

*“Sweden”*, with E. Clapham in J.-V. Louis and A. P. Komninos (eds.), 2003, “The Euro. Law, Politics, Economics”, London, British Institute of International and Comparative Law

## AWARDS AND FELLOWSHIPS

Jan Wallander and Tom Hedelius Foundation, research grant	2002-2006
Stockholm School of Economics, Travel Grant, Louis Fraenckels Stipendiefond	2001
The Royal Swedish Academy Of Sciences, Stiftelsen C C Söderströms donationsfond	2000
Stockholm School of Economics, Graduate Scholarship	1998-2000
The Fulbright Commission, Graduate Scholarship	1997
McGill University, Exchange Scholarship	1996-1997
Swedish International Development Agency, Minor Field Study-Scholarship	1996
Lund University Scholarships, Committee for Scholarships awarded for Academic Excellence:	
Nya Sparbanken i Lund 100-års jubileumsstiftelse	1998
Akademiska Föreningens Aktiefond and Lund University Scholarship	1997
Lund University Scholarship	1996
Lund University Scholarship and Carl Runebergs Stipendiefond	1995
D. Carnegies Donationsfond	1994
B. & S. Bengtssons Fond 1 and Per Anderssons Stipendiefond	1993

## SEMINAR AND CONFERENCE PRESENTATIONS

CEPR workshop – Globalization and Contracts: Trade, Finance and Development (Paris), EARIE 2004 (Berlin), EEA Congress 2004 (Madrid), ENTER Jamboree 2004 (Barcelona), IIES (Stockholm), IUI (Stockholm), NEUDC Conference 2004 (Montréal), Nordic Conference in Development Economics (Gothenburg), SITE (Stockholm), and Stockholm School of Economics

## REFEREE

Economic Journal