

# Simo J. Kalla

## Curriculum Vitae

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### Education:

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Ph.D. in Economics, University of Pennsylvania	May 2010
M.A. in Economics, University of Pennsylvania	Dec 2003
B.A. (Major: Economics & Mathematics), Yale University	May 2001
I.B. Diploma (International Baccalaureate), Geneva, Switzerland	Aug 1997
Second Lieutenant in the Finnish Military (mandatory), Corps of Engineers	Jul 2002

### Dissertation: “Essays in Favor-Trading”

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#### Abstract:

My dissertation studies whether and how individuals who stand to gain from trading favors can best form cooperative relationships in an environment with private information about each player’s ability and willingness to do favors. Previous models in the favor-trading literature focused on optimizing favor-trading relationships under complete information. This paper introduces incomplete information about player types. The central question addressed is whether cooperation can be maintained in favor-trading relationships after the introduction of non-cooperative players into the pool of potential trading partners, and if so how can the cooperative players separate themselves most efficiently from the non-cooperative types. The main result is that the high type players are almost always able to separate from the low type players at the first available opportunity by using an “equality matching” mechanism if opportunities to do favors arrive independently. If favor opportunities are mutually exclusive separation can be guaranteed if one of the agents is designated to do the first favor, though sometimes symmetric strategies that call for the first cooperative player to receive a favor opportunity to separate are more efficient despite not guaranteeing separation with probability one. The various types of equilibria are characterized and compared.

My second favor-trading paper maintains the standard complete information environment, but in contrast to prominent models of favor-trading to date assumes agents have concave utility functions instead of linear utility functions. Hence favor-trading is considered to be a form of insurance. Favors derive their value from risk sharing rather than from intrinsic profitability. With concave utility functions some level of favor-trading is always efficient in contrast to the linear case in which a particular magnitude discount factor is required for any favor-trading to take place. We also show qualitative differences in some types of equilibria between the concave and linear case. Consequently, the assumption of linear preferences drives some of the results in prominent favor-trading models. We characterize equilibria in the concave case and describe qualitative differences to the linear case. We also construct parametric models to numerically solve and analyze multi-state equilibria.

**Committee:** Professors Andrew Postlewaite (chair), George Mailath and Philipp Kircher

### Research Interests:

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Microeconomic Theory and Mathematical Economies (Game Theory, Auction Theory, Industrial Organization, Public Economics, Social Choice, Contract/Bargaining Theory, Mechanism Design, Information Economics, Political Economics).

**Teaching Interests:**

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Microeconomics in particular, but I would be happy to teach any economics courses.

**Research Papers:**

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“Essays in Favor-Trading,” Ph.D. Dissertation, University of Pennsylvania, 2010 (accepted)  
(Chapter 1: Introduction)  
Chapter 2: “Favor-Trading with Incomplete Information”  
Chapter 3: “Favor-Trading and Concave Utility Functions”  
“Sequential Auctions with Bidder Entry and Exit ,” preliminary research proposal, 2010.

**Fellowships:**

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Graduate Fellowship, Thanks to Scandinavia Foundation, USA	Fall 2002 - Spring 2003
Graduate Fellowship, University of Pennsylvania	Fall 2003 - Spring 2004
Young Researcher Fellowship, Emil Aaltonen Foundation, Finland	Fall 2004 - Spring 2007

**Research and Teaching Experience:**

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Undergraduate Recitation Instructor, Managerial Economics, Professor Joel Waldfogel, Wharton, Spring 2008  
Graduate Teaching Assistant, Public Economics for Professor Andrew Postlewaite, University of Pennsylvania, Fall 2004 and Fall 2005  
Undergraduate Teaching Assistant for Professors Wilfred J. Ethier and Iourii Manovskii, International Finance/Trade, University of Pennsylvania, Spring 2005  
Undergraduate Teaching Assistant for Professors Antonio Merlo and Nicola Persico, International Trade, University of Pennsylvania, Fall 2004  
Undergraduate Recitation Instructor, Intro Micro with Professor Uri Spiegel and Rebecca Stein, University of Pennsylvania, Fall 2003 and Spring 2004  
Undergraduate Teaching Assistant, Intro Operations Research for Professor Eric Denardo, Yale University, Fall 2000

**Other Experience:**

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Emerging Markets Risk Management Sector Citicorp, London, UK, Intern	Summer 1999 Aug 1998
Elimination of Child Labour in Sialkot, International Labour Organization, Pakistan, Intern	Jun - Jul 1998

**Additional Skills:**

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Languages: Finnish (native) and English (fluent), French (proficient)  
Computer: Word processing (PC and Macintosh), Access, Excel, LaTeX (BaKoMa, WinEdt), Scientific Workplace, Gauss, Maple, Mathematica, Matlab, S-Plus, and other text-editing and graphics software. Java and Visual Basic programming languages.