

Events

January

10: 4th AMSE Day and Annual General Assembly

Location: L'Orange Vélodrome, Marseille

Organized by Alain Venditti and Thomas Seegmuller

21: Sciences Echos Lecture «Towards a new Capitalism in the 21th?»

Location: Bibliothèque de l'Alcazar

Organized by Michel Aglietta and Gilles Dufrénot

March

10 : Sciences Echos Lecture «Can a carbon tax be fair?»

Location: Bibliothèque de l'Alcazar

Organized by Justin Leroux

26-27: Conference T2M «Theories and Methods in Macroeconomics»

Location: Le Cube, Aix-en-Provence

Organized by Karine Gente, Céline Poilly, Fabien Tripier

May

26-29: 3rd GREEN-Econ Spring School in Environmental Economics

Location: AMSE - Îlot Bernard Dubois, Marseille

Organized by Hubert Stahn

June

2-5: International Conference and Spring School QFFE «Quantitative Finance and Financial Econometrics»

Location: AMSE - Îlot Bernard Dubois, Marseille

Organized by Sébastien Laurent

9-11 : Conference ECHOPPE «The Economics of Housing and Housing Policies»

Organized by Alain Trannoy

19: 4th Conference AMSE Banque de France

Location: AMSE - Îlot Bernard Dubois, Marseille

Organized by Sébastien Laurent

Focus

ASSET Conference: the **Louis-André Gérard-Varet prize** for the best paper by a young researcher was awarded to **Shahir Safi**, **AMSE post-doctoral fellow**, in Athenes in October 2019.

Call for papers

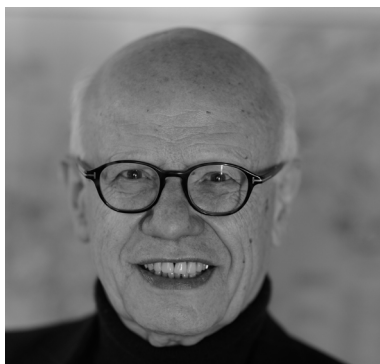
**19th JOURNÉES
LOUIS-ANDRÉ
GÉRARD-VARET**
JUNE 11-12, 2020
Aix-en-Provence, France
International Conference in Public Economics

Deadline for submission: February 3rd, 2020

<https://lagv2020.sciencesconf.org>

Outline

Events	p.1
AMSE Visitors	p.2
Michel De Vroey (U. catholique de Louvain)	
Gaute Torsvik (U. of Oslo)	
Kimiko Sugimoto (Konan University)	
Portrait	p.3
Marie-Christine Apedo-Amah, A Young Economist at the World Bank	
Research Highlights	p.4-7
Financial constraints and productivity growth	
Neighbours' Income, Public Goods and Well-being	
Truth-telling under Oath	
Corporate Cash and Employment	
Research Perspectives	p.8
Nobel Prize in Economics 2019	



Michel De Vroey

Michel De Vroey is Emeritus Professor at the Université catholique de Louvain and a resident at IMéRA, the Institute of Advanced Studies associated with Aix-Marseille Université. He has held visiting positions at Duke University, The University of British Columbia, Clemson University in North America, at Sorbonne University in Paris and Luiss University in Rome. His latest book, *A History of Macroeconomics from Keynes to Lucas and Beyond* (2016, Cambridge University Press) was translated into Chinese, Russian and Turkish. Michel De Vroey's aim is to bring to life the history of economics, especially present-day economics, as a way of counterbalancing the effects of the high degree of specialization prevailing in the economics profession.

Visitor IMéRA/AMSE

Location: Îlot Bernard Dubois. Office 2-57

September 2019 - February 2020

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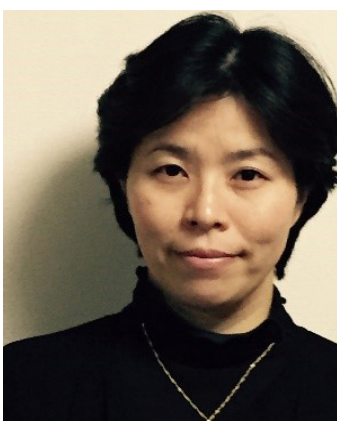
Gaute Torsvik

Gaute Torsvik is a professor of economics at the University of Oslo, Norway. He is an applied economist who works on labor economics, public economics and development economics. While visiting AMSE, Gaute Torsvik is working on a project that examines the relationship between pay and productivity, using longitudinal data from a large insurance company. The firm uses performance pay to motivate their workers, and one interesting question is to what extent different types of incentives, team-pay versus individual pay for example, create gender differences in productivity. Another interesting question that can be addressed with the data is how parenthood affects female and male productivity and pay.

September 2019 - June 2020

Location: Château Lafarge

gaute.torsvik@econ.uio.no



Kimiko Sugimoto

Kimiko Sugimoto is a Professor at Konan University, Hirao School of Management in Japan. Her research interests cover economic development. She is particularly interested in issues related to the financial integration-economic growth nexus and regional policies in Sub-Saharan African countries. Her recent papers also address monetary policy issues in Asia. During her short visit to AMSE, Kimiko will work with Professor Gilles Dufrénot on the demography-productivity nexus in developing countries.

March 2020 - September 2020

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Portrait

A Young Economist at the World Bank

Marie Christine Apedo-Amah, Economist in the *Firms, Entrepreneurship and Innovation* Unit.

What are your current professional commitments?

Since September 2019, I have been working as a an Economist at the World Bank, hired through the Young Professional Program. I work in the *Firms, Entrepreneurship and Innovation* unit of the *Finance, Competitiveness and Innovation Global Practice*. My team is what the World Bank calls a «global team»: we work to support regional teams which are those with a geographical focus. I am currently working on an impact evaluation initiative covering many countries in Latin America, Europe, and Africa. Everything I do is related to understanding the constraints/opportunities for Small and Medium Enterprises regarding market access, access to finance, job creation and skills, in order to help alleviate the constraints and leverage the opportunities. Some of the projects also have specific gender components.

My specific tasks consist in coordinating between project teams and impact evaluation teams, providing technical inputs on projects designs and outputs. My main challenge is learning how to work on five different projects at once. I was used to working on two projects at most and they were my own research. Working on private sector initiatives is also new. Other than a study I designed on credit access for women and agricultural producers in Togo during my PhD, I had little experience in this field. I am learning how doing development is not limited to working in public service provision, or focusing on rural areas. The private sector is a powerful driver for job creations and growth. It is exciting to learn how and contribute to supporting it. I always wanted to do applied research and that is what I love the most about what I currently do at the World Bank.

Can you describe your professional trajectory since you finished the PhD?

At the end of my PhD, I was not completely sure what path to take. Although I always wanted to work in development institutions, I was also wondering whether going into academia could be a better choice. I love teaching and during my PhD I experienced the freedom to work on whatever I want however I want. This is something you find in academia and nowhere else. I applied for postdocs to gain more experience in academia and find out how good of a fit it would be... But I never thought that I would get a position in an American university, especially one of the most prestigious ones ! The entry barriers are quite high when you have a European PhD, especially a French one.

In 2017, I was hired as a postdoctoral fellow at Stanford University. It was an intense selection process. Among other things, they were looking for a bilingual researcher who has experience in working on public service delivery in developing countries. I had the opportunity to work under the supervision of Pascaline Dupas. I leaded the research



on her Transparency Accountability and Citizen Engagement (TRACE) Initiative to improve public service provision in Francophone West-Africa. The initiative is housed at the Stanford Institute for Policy and Economic Research (SIEPR).

I spent two exceptional years there. After doing some intense scoping, I designed and

implemented an impact evaluation, which is still underway, on using community participation to improve the quality of healthcare services in rural Côte d'Ivoire. Pascaline Dupas provided guidance but freedom to conduct my research. Many times, she reminded me of the two other female Professors who mentored me at AMSE: Cecilia Garcia-Penalosa, my PhD advisor, on her rigueur and Habiba Djebbari, my field work mentor, on her genuine care about making a difference for people in developing countries with her work.

How do you feel about your experience at AMSE?

My PhD research was supervised by Cecilia Garcia Peñalosa and Tanguy Van Ypersele. I studied how to make sure development projects involving NGOs succeed. I studied NGOs behaviour, how to ensure that foreign aid is used in the best way by the best implementing partners to achieve the maximum positive impact on populations. In a first paper, I compared the behaviour of NGOs with that of private firms. In a second paper, I compared the NGO sector to the government. My third paper was a lab-in-the-field-experiment for which I was coached by Habiba Djebbari and Roberta Ziparo. The study targeted couples of agricultural producers in Togo.

The quality of teaching at AMSE is great. The training internationalizes the students. Even though I was living in France, I improved my English: it was the language used in courses, research papers we read, and conversations with my advisors. If I had not done AMSE I would not be in the USA today!

Interview by Léa Dispa

The Young Professional Program at the World Bank is an opportunity for young professionals skilled in areas relevant to the World Bank operations, such as economics, finance, education, public health and engineering.

This is a very competitive program with around 1% of the initial candidates reaching the end of the recruitment process. For instance in 2018, the program received more than 5,300 candidate applications, out of which 240 people were interviewed and 57 people ended up joining.

Research Highlights

The Inverted-U Relationship Between Credit Access and Productivity Growth

Aghion, P., Bergeaud, A., **Cette, G.**, Lecat, R. and Maghin, H. (2019), *Economica*, 86: 1-31.



The research program

What is the impact of credit access tightness on productivity? We emphasize the coexistence of two opposite effects. The overall relationship between credit access and productivity takes the shape of an inverted-U. More widely, understanding interactions between financial constraints and productivity growth can contribute to the debate on secular stagnation and point to a way out of low growth.

Paper's contributions

Rising credit constraints are usually shown to have a direct detrimental effect on productivity growth. By increasing the cost of financing, they make it more difficult to invest in R&D, ICT or intangible capital, which are assets with a potentially strong long-run impact on productivity.

However, rising financial constraints can also have a positive effect on aggregate economic productivity. This second channel is the consequence of production factor misallocation: an increase in financial constraints boosts the mechanism through which less productive firms exit the market (cleansing). A recent empirical literature has argued that the low real interest rates and easy credit access prevailing before the financial crisis might partly explain the productivity slowdown experienced in developed countries, especially in southern Europe.

In our paper, we develop a simple theoretical model of firm dynamics and innovation-led growth under credit constraints, to formally reconcile the two channels highlighted above, and test this theoretical prediction against the data. Our empirical strategy relies on a rich dataset built by the Bank of France on French manufacturing firms. It provides both standard accounting information (balance sheet and income

statement) and information on an additional variable called "Cotation" which rates firms according to their financial strength and capacity to meet their financial commitments. This rating is updated every year and has been shown to be a good proxy for firms' credit access and financial costs. We therefore first aggregate growth and credit at the sector level. We regress sectoral productivity growth on a sectoral

measure of credit constraint - namely the difference between the average rate of new loans to firms in the sector and a reference rate, controlling for sector fixed effects. We find some evidence of an inverted-U relationship between credit constraints and productivity growth.

Turning to the firm-level analysis, we perform two separate exercises. We first show that firms whose rating increases are positively impacted in their future productivity performance. We then use a survival model to show that a better rating is also associated with lower exit rates, particularly for the least productive firms, which can have a detrimental effect on

aggregate productivity. To deal with potential endogeneity issues, we exploit a policy change, namely the 2012 Eurosystem's Additional Credit Claims (ACC) program, which extended the set of loans eligible for banks' refinancing with the Eurosystem. Exploiting this discontinuity confirms all our results: incumbent firms directly affected by this ACC program experienced both an upward jump in productivity growth post-ACC and lower exit rates, particularly those least productive before the introduction of the ACC program.

Future research

Our analysis has implications for the debate on secular stagnation. In most advanced economies, both real long-term interest rates and productivity growth have decreased since the early 1990s. We are now exploring the mechanism whereby a circular relationship links these two indicators. Failing a technology shock, this circular relationship can only converge to an equilibrium where growth and interest rates are both low.



Gilbert Cette

Short Biography

Gilbert Cette is Deputy Director, International Studies and Relations at the Banque de France and Associate Professor at Aix-Marseille School of Economics. He obtained his Ph.D in 1989 at the University of Paris 1. He is investigating empirically growth, productivity, innovations, labor and structural reforms.

Research Highlights

Neighbours' Income, Public Goods and Well-being

Abel Brodeur and **Sarah Flèche**, *Review of Income and Wealth*, 2019, 65(2): 217-238.

Literature

Classical economists agree that utility is relative, that individuals compare themselves with others around them. For instance, the impact of comparisons on consumption and saving behaviours were thoroughly analysed in the seminal work of Veblen and Duesenberry. More recently, a growing literature shows that when people assess their own life satisfaction, they tend to compare their situation to that of their neighbours. However, these recent studies yield contradictory findings. Some provide empirical support for a negative relationship between neighbours' income and individual self-reported well-being, while others find that the richer their neighbours are, the happier individuals are. Such a divide in the literature is puzzling.



Paper's contributions

In this paper, we argue that the conflicting evidence arises because estimates of neighbours' effects are sensitive to the neighbourhood definition that is used. As the scale of the neighbourhood changes (from block/zip code, metropolitan area (MSA), county to state-level aggregates), the relationship between respondent and referent neighbours' income is likely to differ. Actually, individuals are generally unaware of the income of neighbours who live farther away. Moreover, individuals tend to compare with others who are like them, and close neighbours may have more in common than more distant neighbours. While feelings of envy or jealousy towards these close neighbours may arise, their income can also provide clues as to an individual's own future prospects. Finally, neighbours' income over a large area may capture confounded effects other than income comparisons, such as local amenities or local labour-market conditions.

In this paper, we use rich U.S. local data and take a multi-scale approach, looking at neighbours' incomes at the zip code, MSA, county and state levels simultaneously.

This allows us to empirically test whether the association between neighbours' income and well-being varies with the different levels of aggregation.

Our results provide evidence that conditional on own income, the association between neighbours' income and life satisfaction is positive at the zip code level. Zip codes correspond roughly to 24,000 inhabitants and proxy for neighbours within the same local community. By contrast, we find a negative and significant relationship between neighbours' income and life satisfaction at more aggregated levels (i.e., the MSA, county and state levels), consistent with previous studies. We also distinguish between individuals below and above neighbours' median income. We provide evidence that the positive association between neighbours' income and well-being at the zip code level is greater for poorer individuals.

To better understand what drives these associations, we then test explicitly whether the inclusion of local variables such as neighbours' socio-economic characteristics, number of schools and health establishments, economic environment or criminal records in the neighbourhood affects our coefficients of interest. Including these variables in the model makes the relationship between zip code neighbours' income and life satisfaction statistically insignificant. This suggests that at the most disaggregated level (zip code), social and economic features of the environment fully explain the positive association between neighbours' income and life satisfaction. At more aggregated levels, other mechanisms are likely to play a role.

Future research

This analysis raises interesting perspectives. However, further research is needed in at least two directions. From our results, we cannot conclude on whether feelings of envy or jealousy are likely to play a role in the relative income effects. Also, we cannot tell

whether the degrees of connectivity and similarity between respondent and referent neighbours are key factors in the observed relationships. To answer these questions, we plan to use data from the Somerville Happiness Survey, which will allow us to observe neighbours' income effects within one city at the street level. In addition, further research is needed to identify random income shocks at the neighbourhood level. This would enable us to evaluate the causal effects of neighbours' income on individual well-being.



Sarah Flèche

Short Biography

Sarah Flèche is an Assistant Professor at AMSE. She holds a PhD from Paris School of Economics and was a Research Economist at the London School of Economics. Her research interests lie in labour, education and behavioural economics. She was a consultant for the OECD between 2011-2016 and co-wrote a book on *The Origins of Happiness* published by Princeton University Press in 2018.

Research Highlights

Truth-telling under Oath

Nicolas Jacquemet, **Stéphane Luchini**, Julie Rosaz and Jason F. Shogren, *Management Science*, 2019, 65(1): 426-438.

The research program

Sometimes people lie. Societies have responded to these falsehoods with *ex post* punishments and *ex ante* institutions designed to commit people to truth-telling. In antiquity, a merchant who claimed to have been robbed during his journey was asked to take an oath to avoid retaliation from those who were supposed to receive the goods involved. From a rational perspective, however, an oath might be considered useless. A rational person who sees veracity as a moral obligation does not need to swear an oath. Yet someone who wouldn't think twice about telling a lie in public will confirm it by an oath. Still, oaths are used in many modern societies. Very surprisingly however, little or no attention has been given to the oath in experimental social sciences. Our research program fills this gap.

Paper's contribution

In this paper, we explore whether people who voluntarily sign a solemn truth-telling oath are more committed to sincere behavior when offered the chance to lie. Based on the existing literature on the non-monetary incentives to tell the truth, an oath can be expected to change behavior through two possible channels: a tighter link between words and actions, and a reminder of the moral issue involved in lying. Our aim is to separate and identify these two channels.

To that aim, we examine how the oath affects truth-telling in two different contexts: a neutral context replicating the typical experiment in the literature, and a context in which subjects are reminded that a lie is a lie. This treatment introduces moral reminders of ethical standards by explicitly labeling untruthful communication as a «lie» and truthful communication as «truth». Our main findings are twofold. First, we find that «loading» the decision problem with an explicit mention of its truth-telling content drastically affects a subject's willingness to lie: half of the original lies disappear. Second, a truth-telling oath strongly reinforces the non-monetary incentives to tell the truth: another third of the lies are eliminated under oath. What is more surprising, and puzzling, is that the oath works only in the loaded environment. We see no difference in behavior when the oath is carried out in a neutral environment.

We formulate two assumptions to explain why people do not respond to the oath in the neutral environment. First, subjects don't realize that the task they are performing in the

lab is about lying. The oath is therefore not effective because it is irrelevant. The second assumption states that subjects in our neutral treatment do understand that it is about lying but, because lying is an available choice, lying is not problematic. It is allowed by the experimenter. In other words, the neutral environment could give subjects more «wiggle» room to rationalize lying behavior.

Although these two assumptions lead to the same behavior, i.e. lying under oath, they have testable consequences on response times, the time taken by subjects to make their decision on which message to send. If the first explanation holds, response times in the neutral environment should be of comparable magnitude whether subjects are under oath or not. The oath should make no difference because subjects would not consider untruthful communication as lies in the neutral environment. In contrast, longer response times under oath would suggest the second explanation: subjects under oath face a greater moral dilemma. We show that subjects who lie under oath in the neutral environment do realize what their action means in terms of honesty, because when

they are under oath they take more time to decide. Yet they still choose to lie. The choice in the neutral communication game is therefore seen as a lying decision, but subjects view that kind of lying as something allowed by the experimenter, which makes the oath ineffective.

Future research

Our results suggest that the social context of non-monetary commitment can

make decisions to lie more difficult. Non-monetary incentives implemented through an oath do have a strong impact on lying behavior, but social context matters for commitment. One of our next steps will be to explore whether and to what degree an oath of honesty can create, restore, and maintain trust within alternative exchange institutions. Another key challenge is to understand better who stops lying under oath. Not all liars are the same - some people lie all the time, some never, and some waver between lying and the truth, depending. The open question we need to address is who actually responds to an oath with honesty, and why.



Stéphane Luchini

Short Biography

Stéphane Luchini has been a CNRS chargé de recherches at GREQAM and AMSE since 2001. He obtained his PhD in 2000 from Université de la Méditerranée. He is interested in evaluating public goods using stated preference methods and experiments. His main domains of application are health economics, environmental economics and social justice.

Research Highlights

Corporate Cash and Employment

Philippe Bacchetta, Kenza Benhima and **Céline Poilly**, *American Economic Journal: Macroeconomics*, 2019, 11(3): 1–37

The research program

Many firms are sitting on piles of cash. For instance, Apple Inc. registered \$245 billion cash on its balance sheet, according to its first-quarter 2019 earnings report. In theory, a firm has no incentive to hold cash, as it does not provide any return. Why should a corporate firm keep cash, instead of using it to start new projects, to hire new employees? Yet in the aftermath of the US financial crisis, both a sharp decline in employment and an accumulation of cash held by firms have been observed. To what extent are corporate cash-holding decisions linked to employment decisions?

Paper's contribution

The purpose of this paper is to investigate the link between corporate cash-holding and employment decisions. Using aggregate Flow-of-Funds US data, we observe a negative correlation between corporate cash ratio – defined as the share of corporate liquidity in total assets – and number of employees. This correlation is -0.43 over the sample 1980-2015. Said differently, employment drops as corporate cash reserves grow, even more strikingly so during the 2007 financial turmoil. Using firm-level data from the Compustat database over the same period, we find that the cross-firm correlation is still negative and significant. Therefore, we conclude that employment and cash ratio move in opposite directions over time and across firms.

To understand this puzzling stylized fact, we need a theoretical model. We use a tractable model with heterogeneous firms, including both cash and employment decisions. The basic assumption is that firms need both *external* and *internal* liquid funds to finance their production. Liquidity that is external to the firm may take several forms, such as credit lines, trade credits, trade receivables to customers, or late wage payments. Internal liquidity is simply cash. Liquidity is closely related to labor because firms need liquidity to finance the wage bill, which is part of working capital. Importantly, this assumption is validated by the firm-level data. We assume that firms do not have full access to external liquidity and thus cannot borrow enough to meet all their short-term needs.

Based on this stylized model, we argue that the negative correlation between corporate cash ratio and employment can be explained by *external* liquidity shocks. A reduction in external liquidity generates two effects. On the one hand, lower liquidity reduces firms' financial opportunities and depresses labor demand. On the other hand, reduced external liquidity makes the production process more cash-intensive, to ensure that wages are fully financed. Firms' assets get tilted toward cash. Combining these two effects means that the cash ratio increases while employment declines. So, a reduction in external liquidity makes

production less attractive or more difficult to finance, while it also generates a need for liquidity to pay wage bills, which can be satisfied by holding more cash.

One natural question emerges here. Do external liquidity



shocks contribute greatly to GDP fluctuations in the US? Mixing the empirical aggregate data and the theoretical model together, we simply build a series of external liquidity shocks. Importantly, we show that they are highly correlated with the use of short-term loans or of commercial paper, which validates their interpretation. We argue that these shocks account for 2.5 percent out of the 7 percent fall in GDP observed in the second quarter of 2009. This result sheds light on the role of a new type of financial shock – namely external liquidity shocks – on employment, especially during the global financial crisis which started in 2007.

As the theoretical model includes heterogeneous firms, we exploit this dimension to analyze whether the firm-specific component of external liquidity shocks affects employment and cash-holding decisions. We show that our model is able to generate the negative cross-firm correlation documented in the empirical analysis.

Future research

While this work offers a new explanation for the link between corporate cash-holding and employment, it does not explain the sources of external liquidity fluctuations. Therefore, it would be of interest to model mechanisms through which liquidity supply varies endogenously. Another important question, from a policy point of view, is to understand how central banks' decisions can modify the recessionary effects of external liquidity shocks.



Céline Poilly

Short Biography

Céline Poilly is a professor of Economics at AMSE. She obtained her PhD from the University of Cergy-Pontoise in 2008 and was assistant professor at University of Louvain-la-Neuve in Belgium (2008-2011) and University of Lausanne in Switzerland (2011-2016). She joined AMSE in 2016. Her research interests are monetary macroeconomics and macro-econometrics.

Nobel Prize in Economics 2019

The Royal Swedish Academy of Sciences has awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2019 to Abhijit Banerjee, Esther Duflo (MIT) and Michael Kremer (Harvard) “for their experimental approach to alleviating global poverty”. This choice is welcomed as it acknowledges that economics, as a research discipline, should also channel its efforts towards assessing development policy and finding new ways to fight poverty. This recognition was preceded by that of James J. Heckman (Nobel 2000) on the evaluation of public policy and of Angus Deaton (Nobel 2015) and Amartya Sen (Nobel 1998) on the economics of poverty.

The Academy recognizes the researchers’ impact on “our ability to fight global poverty in practice”. Their achievement involves a continuous stream of carefully crafted research questions based on a detailed knowledge of existing constraints on the field, often combined with tailored data collection and sound empirics. An outstanding example is the work of Michael Kremer and Ted Miguel on the free delivery of deworming drugs in schools in Kenya. They found considerable improvements in pupils’ health; as healthier children went to school, the program also led to increased school attendance – it actually turned out to be the most cost-effective way of doing so! The study’s influence outside academic circles is also significant and can be attributed to the researchers’ constantly seeking to disseminate their findings through various media, a testimony to their desire to have an impact outside the academic world. Yet criticisms abound, usually directed at the experimental approach itself, its dominant place in the field, its inherent limits, including the scope of the questions it addresses.

“Experimental research methods now entirely dominate development economics” ¹

What the Nobel committee seems to see as positive, others experience with frustration. Frustration seems to stem from two main concerns. One is that this (or any) approach is dominating research. Obviously, there is no gold standard way of approaching questions, and some of the laureates’ most influential research falls outside this experimental paradigm. That most of this research is produced in top US universities is another concern as it may be incompatible with the aim of “finding the best ways to fight global poverty”. Good local institutional knowledge, often obtained through long-term relationships with policymakers in poor countries, is needed to define the most policy-relevant questions, be heard by decision-makers and hope to influence policymaking. Therefore researchers based in poor countries should have a greater role in that respect. But funds and trained human resources are scarce. Developing countries’ researchers are often not organized as a profession (e.g., the Econometrics Society in Africa is the first region-wide organization to hold regular meetings in any field of economics in Africa). To their credit, Banerjee, Duflo and Kremer do collaborate with scholars from developing countries, an example which

should be followed by a greater number of researchers conducting RCTs.

“Their new experiment-based approach has transformed development economics” ²

The merits of experimental research have given rise to a heated debate in the fields of development economics and econometrics. Three questions are typically discussed, namely internal validity (how reliable are findings drawn from experimental research?), external validity (how generalizable are the findings obtained from a particular study?) and research scope (what can be studied?)



First, many of the inherent limits of the approach (e.g., those related to heterogeneity in impacts, market and social interactions) lead to exciting new research when combined with structural modelling and machine-learning methods. Second, the point of (lab-in-the-field and) field experiments is to shed light on the mechanisms at play and help design sound policy. But we also need large-scale social experiments to assess the effectiveness of programs in the

contexts in which these are taking place. Finally, Banerjee and Duflo (2012) question existing paradigms (including the rationality of the poor), enriching our understanding of the lives of the poor. They show that small changes can have big effects. The long-term effects of deworming is a good illustration: the beneficiaries, once adults, moved out of subsistence farming to non-farm employment (including manufacturing jobs), and the gender gap in education decreased by a factor of two. A small pill can go a long way towards improving the lives of the poor.

Abhijit Banerjee, Esther Duflo and Michael Kremer decided to donate their prize to future generations of graduate students in development economics, a promise that the fight against poverty will go on.

References:

Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty, by Abhijit Banerjee and Esther Duflo, Public Affairs 2011.

Miguel, E. and Kremer, M. (2004), *Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities*. *Econometrica*, 72: 159-217.



Habiba Djebbari

Short Biography

Habiba Djebbari is a Professor of Economics at Aix Marseille University. She was Professor of Economics at Université Laval in Canada until 2011. She has a PhD from the University of Maryland College Park (USA). She is an applied econometrician with interest in economic development and expertise in the area of gender economics, agricultural economics, health and sanitation, community participative development and social networks.

¹ Nobel Prize press excerpt

² Nobel Prize press excerpt