

News



LAGV 2021 - In hybrid form

The 20th edition of the Journées Louis-André Gérard-Varet will take place from June 22 to June 24 2021 at the Palais du Pharo in Marseille.

Keynote speakers will be Gilles Duranton, Matthew O. Jackson, Wojciech Kopczuk, Hervé Moulin and Iván Werning. More than 230 speakers are expected.

More info: www.amselagv.com

SUMMER SCHOOL - In hybrid form

The 2nd AMSE Summer School, on "The economics of networks" will take place from July 7th to 9th, 2021.

Lectures by Lori A. Beaman from Northwestern University, Sanjeev Goyal from the University of Cambridge, Yann Bramoullé and Habiba Djebbari from AMSE.



VISITING RESEARCHER

Garance Genicot from Georgetown University is visiting AMSE in June and July 2021. Her research interests lie in development economics.

SUCCESS

Samuel Kembou Nzale, PhD student at AMSE from 2015 to 2019, won the AMU 2020 thesis prize for his thesis "Essays on healthcare providers' incentives and motivations" (Directors: Bruno Ventelou & Izabela Jelovac).

SCIENTIFIC DISTINCTIONS

Yann Bramoullé is a new member of the board of editors of the American Economic Review (AER).

Gilles Dufrénot was elected Fellow of the Institut Louis Bachelier.

Céline Poilly was appointed junior member of the Institut Universitaire de France (IUF).

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Covid economics – first birthday

By **Bruno Ventelou**

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**One indisputably
 promising field
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 particularly, to vaccines.**
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The mobilization of economists during the Covid crisis has been impressive. For example, the Covid Economics pre-print series is now on its 77th issue in one year. With six to seven research papers per issue, and a publication rate that rose to three issues per week during the peak of the crisis, this is unprecedented! (see Figure 1.)

This research perspective attempts to outline the mobilization. The overview will first allow us to examine how the methodology behind our discipline has advanced. Now fully recognized, it can exchange with other fields (particularly medicine) whose scientific merit has long been established. However, this survey will simultaneously look at the discipline's position in society, which remains unstable, poorly perceived, and / or built on numerous misunderstandings.

Economic research on the Covid epidemic can be divided into four main fields. This classification is, however, neither exhaustive nor exclusive.

1/ Improved Forecasting of the Epidemic, Compatible / Conflicting Perspectives

One of the major entry points for economists in epidemiology has been to work on improving the tools for modeling the dynamics of the Covid-19 contagion as it affected the population across space and time. Since at least the 1970s—known as the “microeconomic foundations of macroeconomics” period—economics has called for individual decisions to be taken into account, so as to better predict large macroeconomic movements. In this case, the incidence of Covid in the community was the “macro-population” variable, and endogenizing the contact matrix (in SIR models, for example) was the means to improve prediction. This involves studying the behaviors of rational social actors, who “reoptimize” their risk exposure choices and partially curb the curve of contagion themselves through



Bruno Ventelou

Bruno Ventelou joined GREQAM-AMSE as a CNRS directeur de recherche in 2005. He obtained his PhD in 1995 at EHESS Paris. He taught at ENS Cachan between 1994 and 1998 and was a researcher at FNSP (OFCE Paris) between 1998 and 2003. His research interests include health economics and macroeconomics.

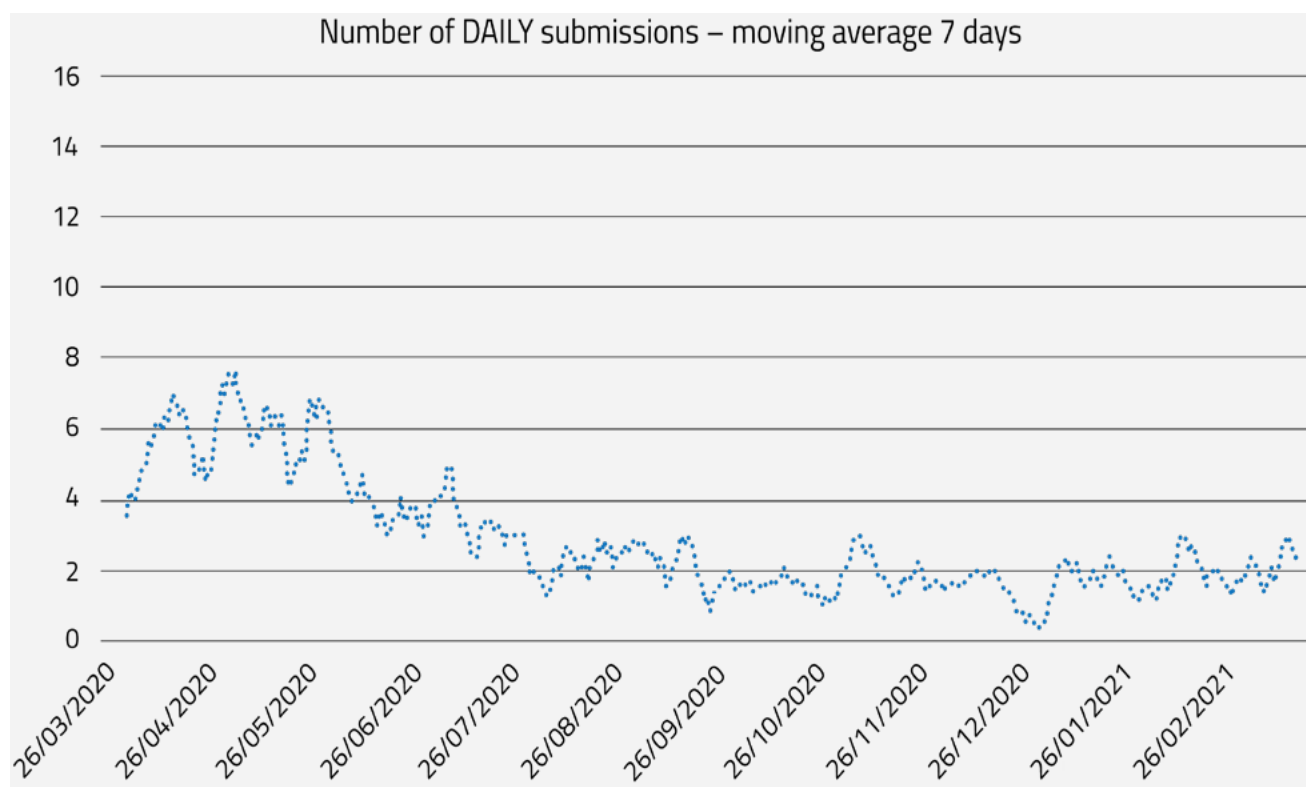


Figure 1. One year of Covid Economics

Thanks to Charles Wyplosz for providing access to this data.

decisions on movement (going out vs. staying in), social participation (distancing, social “bubbles”), and self-protection (wearing a mask, preventive measures). This attempt to endogenize self-protective attitudes toward risk may even shed light on why epidemiological models were inaccurate, overestimating contagion, especially in France during winter. In other words, microeconomic agents could readily make forecasting models lie, and they took advantage of this. The shades of the “Lucas critique” is not far off.

2/ Macroeconomics of the Crisis, Lockdown, and Restrictive Measures

This is a tradition that began with work from the 50s and 60s on the economic history of the Renaissance (with the Plague possibly offering a way out of the trap of underdevelopment presented by the economy of the Middle Ages), and went on to encompass malaria and AIDS in the 80s and 90s. The work addresses the impact of a major epidemic on the economy as well as the impact of the measures aimed at preventing the virus from spreading. Raouf Boucekkine discussed this in a previous AMSE Newsletter in 2020, which I recommend as useful reading.

What’s new about this crisis is that macroeconomic assessments have gone beyond focusing on the pandemic, also examining the national response. The macroeconomics of lockdown have virtually become

a sub-discipline of economics, known as “lockdown accounting” (Gottlieb et al. 2021). Sectoral impacts, such as the housing market and transportation, have also been studied.

3/ Behavior Regarding Restrictions and Vaccines / Nudges

Another area of research in Covid economics focuses on relatively recent developments in behavioral economics. Encompassing the fields of psychology and economics, and having reached a good level of recognition after being awarded two Nobel prizes in economics in 2002 and 2017, it is only natural that behavioral economics has found itself at the forefront of research during the crisis. It took advantage of this position to “test” its major and often still fresh results, using the Covid epidemic as its laboratory. Cognitive biases, information processing, and the salience of certain events—or rather, of certain forms of communication about these events—have been the subject of considerable attention during the crisis. Furthermore, there has been a lot of interest in the role of nudges, (sometimes) tested as an alternative to classic economic incentives to guide agents’ prophylactic behaviors. Governments that implemented “nudge units” have seen the beginnings of a return on their investment.

I believe that behavioral economics is just beginning its alliance with public health, for which it has

only been producing results for the past decade (Loewenstein et al., 2013). One indisputably promising field examines how agents adhere to preventive measures and, particularly, to vaccines. Two main avenues of such determinants are explored. One examines how social norm nudges improve compliance with preventive measures and vaccines (Bilancini et al., 2021), while the other examines the cognitive biases in risk perception and probability processing, which are the source of the nudge strategies, particularly to determine to what extent agents accept vaccines.

4/ Since “Classic” Approaches in Health Economics were Developed for Every Disease, why not for Covid, too?

Any discussion of the economic analyses of Covid would be unbalanced if it didn’t consider the most standard convergence between economics and health, namely, the economics of the medical sector and its allocative choices. Medico-economic approaches can shed light on the cost-benefit trade-offs of fighting against the Covid-19 epidemic. In stark contrast with the usual medico-economic calculation, the “treatment inflicted” this time was of a non-medicinal nature and involved losses of economic activity, to be calculated outside the healthcare system, with tools that left a considerable margin of uncertainty.

In any case, comparing these estimated losses against the number of lives saved gives the impression that the implicit price of human life can be calculated on the basis of the governmental choices made regarding Covid. This implicit price is similar to the economic value of human life generally accepted for other diseases (cancer, etc.), which acts as a criterion of limits when investing in healthcare systems (for systems that officially accept that health - life years gained - and money are commensurable). However, it is arguably too soon to develop this theory *ex post*. Yet decisions on public policy were based on notably unreliable forecasts with numerous errors of assessment, rather than any well-anticipated calculation of the number of lives to be saved, or even of intensive care capacity

to manage. It all came down to playing it by ear. The criterion of capacity nevertheless raises significant ethical questions: what are the underlying trade-offs between the dimensions of well-being? And the trade-offs between people?

Another classic health economics topic that arose around Covid-19 was the social gradient of the disease (Bajos et al. 2020). Social determinants that affect the disease’s outcome include exposure to the virus at the workplace (not everyone can work remotely), the use of public transportation rather than a private car, the greater risk of severe forms of Covid-19 (the social gradient further affects aggravating comorbidities), and consequences of the health crisis on living conditions (such as income loss for small businesses or the self-employed). Other factors, like access to healthcare for chronic or mental illnesses, can also be affected – the experience of lockdown differs according to the nature and size of housing.

Summary & Assessment

This analysis, arbitrarily divided here into four parts, is still pretty recent. With greater hindsight, some of the points currently identified as major may change. Nevertheless, a provisional conclusion can be drawn. For a problem that appeared only a little over a year ago, the amount of Covid-related output generated by economists is already impressive. However, it should be recognized that economics is not doing it alone — almost every discipline has waded in (obviously, this is in addition to the fields of medicine and public health, which immediately and visibly mobilized against Covid). A good example is the article by Bavel et al. (2020), which goes beyond economics to encompass the concerns of the social sciences.

Interdisciplinarity has undoubtedly been facilitated by the empirical turn taken by economics, which has adopted the use of randomized trials and experimental economics as well as econometric and data science techniques. The quarrels and great debates of the 1970s and 1980s (such as classical vs. Keynesian economics), although probably a prerequisite to developing a solid body of knowledge, were unlikely to be directly useful to public health decision-makers. The economic output of recent years, derived from extensive empirical evaluation, has brought economists closer to the experimental sciences and to the production of applied and applicable research results that can be useful in medicine and elsewhere.

A less positive observation might be that decision-makers and the general public have primarily observed and retained items 2 and 4 of this overview, in which economists are seen as “bearers of

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contradiction” to physicians and epidemiologists, because economists point out the economic and social costs of decisions.

Contrastingly, the position taken here is to stress the role that economic analysis can play when aligned with public health approaches (as in items 1 and 3), enhancing the effectiveness of these approaches without necessarily opposing them or introducing another opposing motive, such as maintaining GDP. Economics has something to say, even when its (sole?) objective is that of saving lives. There is a glaring absence of economists on the Covid scientific advisory committee, the excuse being a desire to avoid suggesting that economics reasoning might have influenced its recommendations. However, even when their sole objective is to save lives, economists are worth listening to. And that is something not fully recognized by the medical profession, nor perhaps by society either.

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Labor market shocks and youths' time allocation in Egypt: where does women's empowerment come in?

Marion Dovis & Patricia Augier & Clémentine Sadania, 2021, *Economic Development and Cultural Change*, InPress

Part of the research was done while Clémentine Sadania was doing a PhD at AMSE under the supervision of Patricia Augier and Marion Dovis. Clémentine is now a postdoctoral fellow at the University of Mannheim.

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Maternal influence in household decisions allows the mother to direct new resources toward investment in her offsprings' human capital when there is a positive shock on the father's labor market.
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Marion Dovis

Marion Dovis joined AMSE as a maître de conférences in 2011. She obtained her PhD in 2008 at the University of Aix-Marseille. Her research interests lie in international trade, development economics, and health.



Patricia Augier

Patricia Augier is a full professor at Aix-Marseille University and joined AMSE in 2011. She obtained her PhD in 1995 at the University of Aix-Marseille. She was the scientific coordinator of FEMISE (Euro-Mediterranean Forum of Economic Institutes) from 2015 to 2020. Her work focuses on trade (rules of origin, non-tariff measures, global value chains) and development (women's empowerment, enterprises).

RESEARCH PROGRAM

Strengthening youth skills by removing external barriers to schooling and reducing the need for early entry to the labor market is high on the agendas of inclusive development programs. To promote investment in the human capital of children and youths, it is vital to understand how external shocks affect their time allocation. The recent Egyptian uprising leading to the removal of President Hosni Mubarak on January 25, 2011 engendered a period of political instability that damaged the Egyptian economy. Workers were affected by this shock in different ways: for some, working conditions deteriorated, while others saw improvements to their job stability and earnings. This unusual setting provides the opportunity to simultaneously observe two opposite shocks on the father's labor market.

From a theoretical point of view, the impacts of a change in the father's income are uncertain. They may depend on a large number of factors and complex mechanisms. In particular, maternal bargaining power may affect the transmission of these shocks through the mother's influence in household reallocation decisions, thus constituting another important determinant of the time allocation of children and youths. In this study, we explore the correlation between a dual economic shock and youths' time allocation, taking into account maternal bargaining power during the transmission of these shocks.

PAPER'S CONTRIBUTION

We first explore how positive and negative shocks on fathers' labor market conditions following the political regime reversal in Egypt affected 16–20-year-olds' investment in human capital. Second, we study the association between maternal bargaining power and the transmission of these shocks. Mothers may wield some influence in resource reallocation decisions.

In our descriptive statistics, Figure 1, shows the youths' time allocation according to their mother's bargaining power estimated at the household level. Youths appear to be less likely to work and more likely to be enrolled in school when the mother has high bargaining power.

Focusing on the 16–20 age group allows us to capture major decisions: whether to enter secondary and tertiary education and whether to work. While schooling is almost universal up to age 15, school enrollment rates drop significantly after this age. Moreover, this age group is not as independent as might be expected. Unmarried youths remain at home and under the authority of their parents until marriage. Therefore, parental income and relative influence in household decisions have a major impact on youths' investment in human capital. This is especially true for daughters: in the 2014 Survey of Young People in Egypt, 79.8% of 13–35-year-old married women reported that they were not autonomous in their decision on when and whom to marry, as compared with 45.9% of young married men. Household decision-making can therefore be expected to be correlated with the transmission of shocks to daughters' time allocation.

The link between shocks and youths' time allocation can be investigated in different ways. Our choice of model is based on assuming that decisions on work and schooling are neither independent nor ordered. We estimated the probabilities of these decisions simultaneously in bivariate probit regressions, taking reported changes in the father's working conditions in the 2012 survey round of the ELMPs as the main measure of shocks.

Whatever the type of shock, positive or negative, we do not identify any significant correlation with schooling. However, we do find a negative association between the 16–20-year-olds' probability of working and a positive change in their fathers' working conditions, principally regarding daughters'



participation in domestic work. Interestingly, this effect holds only when maternal bargaining power is relatively high. Thus, daughters do less domestic work when fathers have a positive shock and mothers have high bargaining power. We find asymmetrical results in the effect of the father's labor shock, with no significant association between a negative change and youth labor. This result is robust to alternative estimation procedures and other indicators of bargaining power. Our results suggest that maternal influence in household decisions allows the mother to direct new resources toward investment in her offsprings' human capital when there is a positive shock on the father's labor market.

FUTURE RESEARCH

We believe that the role maternal empowerment plays in shock transmission deserves further investigation. Future research should test this result in other contexts, examining whether the couple's sharing out of household decisions is able to mitigate the role of negative shocks. A better understanding of the mechanisms at play would help to guide public policies so as to reduce impacts of external shocks on children's and youths' investment in human capital.

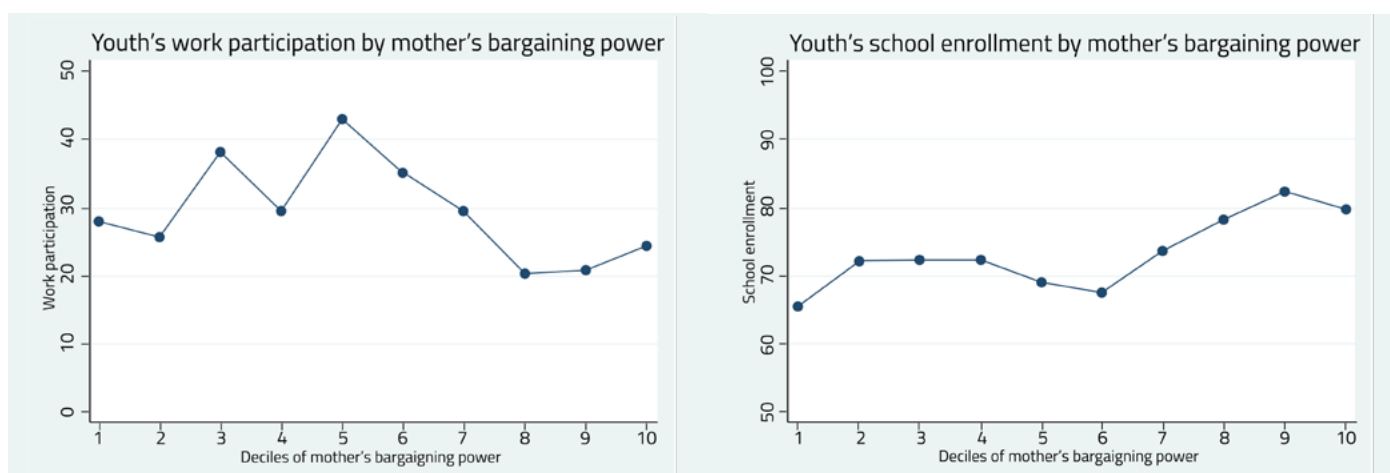


Figure 1. Youths' time allocation, by mother's bargaining power

Calculations from authors based on the ELMPs-12

Differences in work conditions between natives and immigrants : preferences vs. outside employment opportunities

Eva Moreno Galbis, 2020, *European Economic Review*, vol. 130

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(i) the average immigrant-native gap in working conditions is larger in the presence of rigid wages; (ii) high unearned income is associated with better working conditions;
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RESEARCH PROGRAM

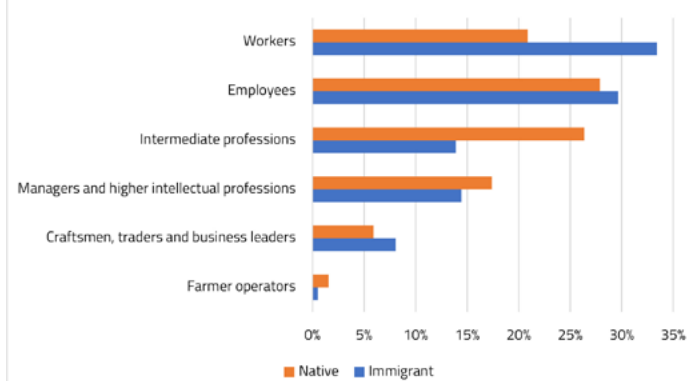
In France, more than 62% of professional injuries concern manual workers. With over 41 professional accidents per million hours worked, the construction sector stands out as the most dangerous economic activity. On average, more than 33% of immigrants are allocated to manual work (compared with less than 21% of natives), and this rises to over 50% for immigrant men. Immigrants represent around 10% of the total employed population in France, but they are over-represented in the construction sector, where they constitute more than 23% of all workers. They also tend to become houseworkers (33%) and security guards (25%). Why are immigrants over-represented in riskier sectors and more strenuous occupations? What pushes them to accept less desirable working conditions?

PAPER'S CONTRIBUTIONS

There are several credible explanations for immigrants' greater willingness to accept riskier jobs than their native counterparts. First, because their home country working conditions may be very hard and they may also have experienced very difficult conditions during migration, immigrants are likely to perceive risk differently from natives. Second, lower levels of education and social capital or poor language proficiency may make immigrants less informed about the actual risks associated with a job. Third, newly arrived immigrants tend to be in better health than natives, so they might be willing to take more physically strenuous jobs. Finally, even if immigrants and natives have similar knowledge about job risks and the same legal status, immigrants might still hold riskier jobs than natives because of differences in outside opportunities (value of leisure, alternative employment opportunities or differences in unearned income).

Our paper focuses on two particular factors: unearned income (i.e. wealth, value of leisure, home production,

Distribution of employed immigrants vs. employed natives across occupations in 2017



Calculation from author based on French Labor Force Survey, 2017



Eva Moreno Galbis

Eva Moreno Galbis obtained a PhD in economics in 2004 from the Catholic University of Louvain. In 2005 she was recruited as assistant professor by the University of Maine (France) and in 2010 she became full professor at the University of Angers. She joined the University of Aix-Marseille and AMSE in September 2016. Her research fields cover labor economics and migration economics.

etc.) and individual preferences (driven by socio-demographic characteristics such as gender, age, education, marital status, children, etc.). The paper develops a circular model in which each individual has a preferred position in the circle of available working conditions. However, the individual may be willing to accept a range of working conditions. The framework predicts that the range of acceptable working conditions decreases with unearned income and with the utility loss induced by the distance between an individual's most preferred and actual working conditions. If natives have higher unearned income than immigrants and experience a higher utility loss from the gap between the most preferred and actual working conditions, the range of acceptable working conditions will be larger for immigrants than for natives. This implies that immigrants will put up with relatively worse working conditions than natives with respect to their most preferred choice.

Our framework also predicts that flexible wages reduce the difference between natives' and immigrants' working conditions, since both wages and working conditions can be used as adjustment variables in bargaining between firms and workers. In contrast, rigid wages induce larger immigrant-native gaps in working conditions by becoming the only adjustment variable.

The model's predictions are tested on French data over the period 2003–2012. We propose three alternative indicators that proxy outside employment opportunities: (i) home ownership; (ii) the implicit subsidy received by tenants in social housing with controlled rent; (iii) the expected social insurance benefit the employed individual will receive in the event of job loss.

To control for differences in preferences over working conditions across nativity groups driven

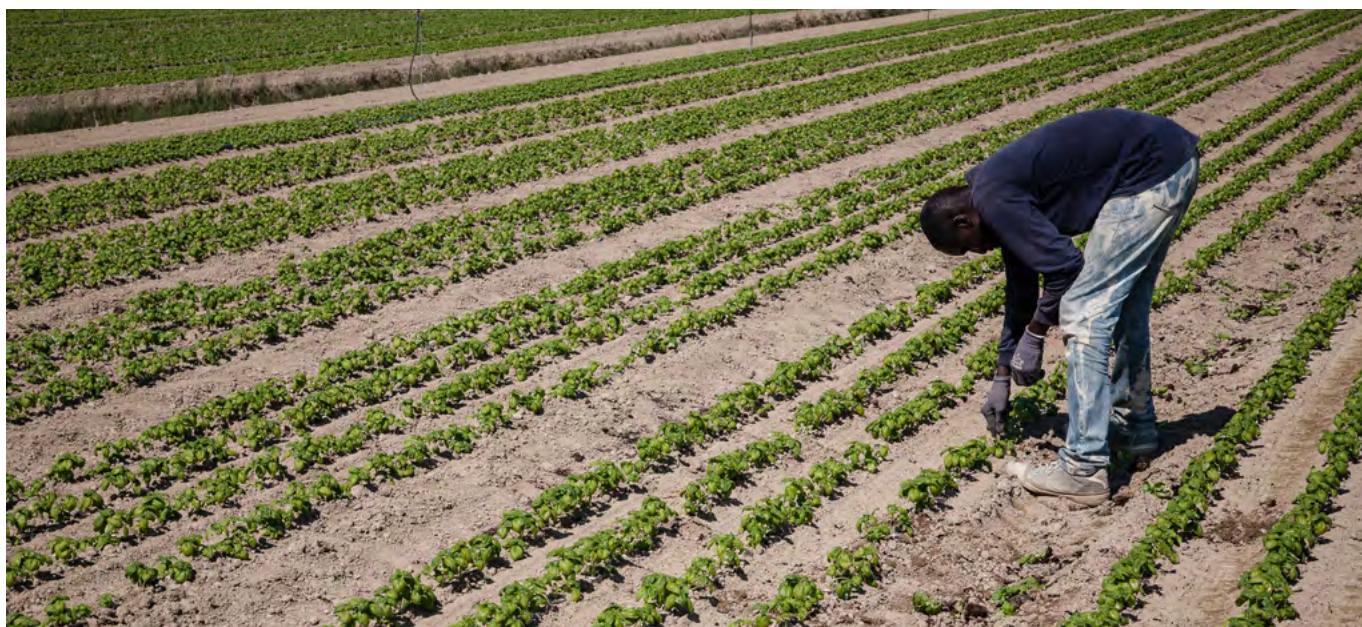
by differing demographic composition, we propose a counterfactual weight approach consisting of imposing yearly an identical composition in terms of gender, age, education, civil status (i.e. married or not) and children for immigrants and natives.

Three major conclusions (consistent with theoretical predictions from the model) are drawn: (i) the average immigrant-native gap in working conditions is larger in the presence of rigid wages; (ii) high unearned income is associated with better working conditions; (iii) demographic characteristics explain a proportion of the immigrant-native gap in working conditions through their effect on preferences. This particularly applies to minimum wage earners with high unearned income.

FUTURE RESEARCH

While most of the economic literature has studied job content in terms of tasks, wages or physical risks (injuries and illness), our future research will focus on non-pecuniary working conditions such as hours, flexibility, mobility, future perspectives, autonomy, support or psychological risk (including harassment). We plan to analyze how the spread of digital technologies has modified these work dimensions, particularly following the COVID-19 pandemic.

Gender issues will be prominent in this research agenda. Digitalization has changed the range of jobs that women find desirable relative to men, via changes in non-pecuniary working conditions. For example, physical strength has become less important in some jobs, but there has also been an increase in the demand for so-called "male working conditions" – such as long hours, unusual working hours or geographic mobility. The overall impact of digital technologies on occupational sorting by gender, on women's job satisfaction and on women's labor market attachment is thus uncertain.



Reducing inequalities among unequals

Mathieu Faure & Nicolas Gravel, 2021, *International Economic Review*, vol. 62(1), 357-404

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This paper establishes an equivalence between four definitions of «undisputable equalization» of income among agents vertically differentiated with respect to a non-income characteristic
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Mathieu Faure

Mathieu Faure has been a maître de conférence at AMSE since 2011. He obtained his PhD in probability theory in 2002 at the university of Marne-laVallée. He was a postdoctoral fellow at the mathematical institute of Neuchâtel, Switzerland in 2008 and 2010, and at the department of Evolution and Ecology at the University of California, Davis in 2009.



Nicolas Gravel

Nicolas Gravel obtained a Ph. D. in economics at the University of British Columbia in 1993. Before joining GREQAM as a full professor in 2000, he was a research fellow at Université Catholique de Louvain, an assistant professor at Université de Sherbrooke and an assistant professor at Université de Cergy Pontoise. His recent research deals with inequality measurement and contributions to public goods.

THE BROADER RESEARCH PROGRAM

A fundamental achievement of the modern theory of inequality measurement is the early demonstration by the mathematicians Hardy, Littlewood and Polya that four seemingly different definitions of «undisputable equalization» are actually equivalent. The first definition is the well-known principle of Pigou-Dalton transfers. The second definition is more ethical in nature and requires consensus among all inequality-averse welfarist ethical observers who assume that agents transform income into well-being by the same increasing and concave function. The third and fourth definitions provide empirically implementable tests. One of the two tests is Lorenz dominance, while the other is poverty reduction for all poverty lines, with poverty measured by the minimum income required to eliminate poverty with respect to the line.

While this equivalence is foundational to inequality measurement, it only concerns distributions of one cardinally measurable attribute – such as income – between otherwise homogeneous agents. Yet income is not the only relevant source of differentiation between economic agents. If these agents are communities such as households or jurisdictions, they differ not only in their total income but also in number of members. If the agents are individuals, they may also differ in characteristics such as age, health, education or effort. What does «undisputably reducing inequalities» in income mean when applied to agents who differ with respect to another characteristic? This is the basic question addressed in this paper.

PAPER'S CONTRIBUTIONS

This paper establishes an equivalence between four definitions of «undisputable equalization» of income among agents vertically differentiated with respect to a non-income characteristic, each of these definitions being analogous in nature to the definitions for homogenous agents. The first definition is the possibility of going from one distribution to the other by a finite sequence of income transfers from richer



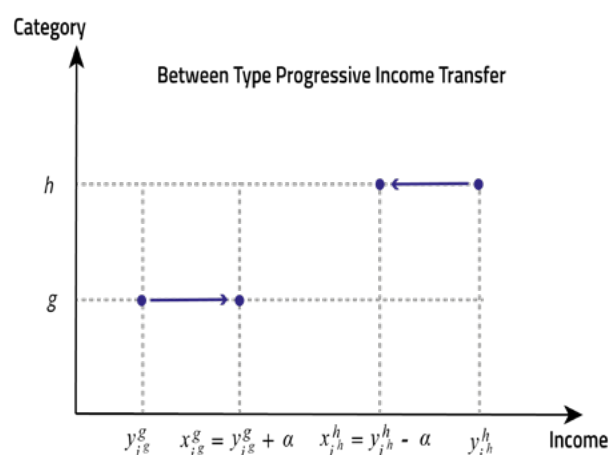
and more highly ranked agents to poorer and less highly ranked ones. This can be seen as a weakening of the principle of Pigou-Dalton transfer, limiting its scope to agents who can be ordered both by their income and by the other characteristic. The second definition is that underlying a consensus among inequality-averse welfarist ethical observers who assume that all agents transform income into well-being by the same utility function, which is increasing and concave with respect to income only and whose marginal utility of income is decreasing with respect to the other characteristic. The third definition is similar to poverty reduction for all poverty lines, but with the poverty lines allowed to be a non-increasing function of the other characteristic. The intuition is that being poor in income is more difficult for a healthy person than for an otherwise identical person who is ill. The fourth definition is similar in spirit to Lorenz dominance and views as «undisputably equalizing» any transformation in the income distributions that increases the total income of the k poorest agents, no matter what k is. However, it is not straightforward to define who these k -poorest agents are when the agents differ in another characteristic. Our paper provides such a definition and shows that it gives rise to a Lorenz-like criterion whose dominance is equivalent to the three other notions of equalization.

Prior to this paper, attempts were made to examine the connections between some of the above definitions. However, no proof of the equivalence between the transfer-based notion of equalization and either the welfarist or the poverty criterion was ever obtained. An important contribution of this paper is to provide such a proof, one that has turned out to be rather challenging. The proof actually involved constructing an algorithm for going from a distribution y to a distribution x by a finite sequence of inequality-reducing transfers that is based solely on the information that x dominates y as per the

ordered poverty gap criterion. Another important accomplishment of the paper is the discovery of a generalization of Lorenz dominance that can be used to compare distributions of incomes among vertically differentiated agents.

FUTURE DIRECTIONS

There are at least three directions in which the analysis of this paper could be extended. One of them concerns applications of the implementable dominance criteria characterized in our paper. Poverty dominance for all increasing poverty lines is a somewhat simple criterion that has not been used much in empirical analysis, even though some authors have shown that it is easily amenable to statistical inference techniques. It is our hope that the arguments we provide in its favour will encourage its use in empirical work. Another direction for future research would be to better appraise the performance of the two implementable criteria - poverty dominance and our new Lorenz-like dominance criterion - in terms of computational complexity. A third potential direction for future research would be to identify inequality indices compatible with the incomplete ranking of distributions that we have characterized.



Identifying price reviews by firms: an econometric approach

Mark N. Harris & Hervé Le Bihan & **Patrick Sevestre**, 2020, *Journal of Money, Credit and Banking*, vol. 52 (2–3)

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We find that on average in a given quarter, there is only about a 30% chance of a firm conducting a price review, and that conditional on price review, the probability of a price change is 75%.

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RESEARCH PROGRAM

Since the second half of the 1990s, there has been a spectacular growth in research on the characteristics of price rigidity observed at the firm/outlet level, as well as on its causes and consequences. While price rigidity was initially seen as essentially a consequence of menu costs (changing prices is costly for firms), a competing, though complementary, explanation of price rigidity emerged: firms do not continuously review their prices. Before (potentially) implementing price changes, firms and outlets commonly perform a price review to decide on the wisdom and the extent of the price change. Because the process requires collecting and processing information, price reviews are costly; consequently, firms do not continuously review their prices. Price rigidity may thus stem from an absence of price review rather than from firms' explicitly deciding not to change their prices due to menu costs. Actually, the price decision process can be simply formulated as:

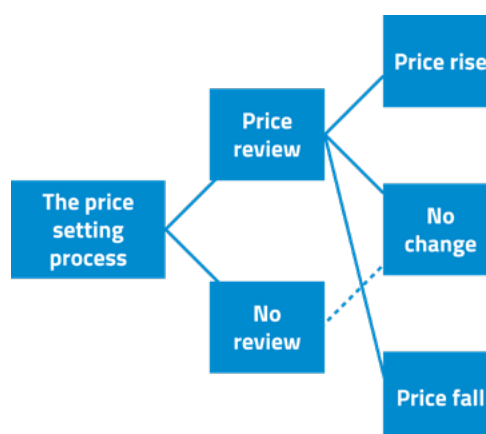


Figure 1.
Firm's Price Review and Price Change Process



Patrick Sevestre

Patrick Sevestre is Professor of Economics at AMSE. He joined AMSE in September 2014, having previously held positions at Université Paris Est-Créteil, ENSAE, Université d'Evry-Val d'Essonne, Université Paris 1-Panthéon Sorbonne, as well as at INSEE and Banque de France. He obtained his Ph.D. in 1984 from Université Paris 1-Panthéon Sorbonne. He is an applied econometrician whose research focuses on firms' behaviours and decisions, mainly regarding prices, financing and innovation.

Unfortunately, separately identifying these processes from the observed data is not straightforward. The aim of the paper is therefore to propose an econometric approach enabling these two sources of price rigidity to be disentangled.



PAPER'S CONTRIBUTIONS

As noted, it is assumed that a firm's decision process regarding price changes can be split into two stages. Firms first decide whether or not they should perform a price review. This decision can be time-dependent (reviewing prices on a regular basis, such as once a year, every January for example) or state-dependent (reviewing when faced with significant changes in their environment, such as sharp input price fluctuations). Once firms have implemented a price review, the second stage involves deciding whether to change (raise or lower) their prices or to maintain them. Obviously, if firms do not review their prices, the assumption is that they leave them unchanged (unless there is an automated price change rule, which is unlikely given the low inflation experienced since the 1990s).

The methodological contribution of the paper is twofold. First, we show that it is possible to (probabilistically) identify the respective roles of absence of price review and of absence of price change following a price review by estimating an Inflated Ordered Probit (IOP) model. Indeed, the above two-stage price decision process fits this econometric framework very well. While the researcher does not witness this sequencing of decisions, but merely observes the price change or its absence, having a different set of explanatory variables for price review and for price change processes allows us to successfully disentangle these two processes.

We demonstrate the success of the strategy first via Monte-Carlo experiments. Then, we estimate an IOP model using firm-level data on prices and their determinants, mostly obtained from Banque de France business surveys. This allows us to provide what is, to the best of our knowledge, the first econometric evaluation of the respective contributions of (absence of) price reviews and of (absence of) price changes to the observed price rigidity.

Second, we show that the IOP framework makes it

possible to circumvent the restrictions that would be embedded in a standard Ordered Probit (OP) model approach, and that could be particularly misleading in a price-review setup. In a standard OP price change model, finding that a variable affects the probability of a price change entails restrictions on the sign of its effect on the change. For instance, if a positive coefficient is found in January, prices will be predicted to be more likely to increase and less likely to decrease during that month. By contrast, in the IOP model, an increased probability of price review, say in January, can predict a greater likelihood of either a price increase or a price decrease in January.

The paper also provides empirical contributions regarding firms' pricing decisions. We find that on average in a given quarter, there is only about a 30% chance of a firm conducting a price review, and that conditional on price review, the probability of a price change is 75%. Thus, a large fraction (about 90%) of no-price-change observations actually stems from an absence of price reviews. The theoretical literature has determined that information frictions can lead to a substantial effect of monetary policy shocks, in particular as compared to standard sticky price frictions. In this context, our results suggest the relevance of information costs and support the estimate of a relatively large effect of monetary policy on output and inflation.

FUTURE RESEARCH

While this paper provides an answer to the question of how far the infrequency of price reviews may explain price rigidity, it also raises further questions. In particular, in the current modelling, there is a unique equation explaining price reviews. However, while theoretical papers assume that firms' price-reviewing decisions can be characterised as being either time-dependent or state-dependent, surveys show that firms may switch from time-dependent behaviour to state-dependent behaviour, and vice-versa. Identifying the determinants of firms' price-reviewing behaviours (time-dependent, state-dependent or a "mix") would provide interesting input to the understanding of pricing behaviours.

Incoming mobility, AMSE is happy to host international students

By **Elisabeth Barthélemy**, Head of administrative support and communications at AMSE

Each year, AMSE is pleased to host many international students from all over the world. Looking beyond the quality of the programs of studies, international students are attracted to study at AMSE by a true English-speaking environment (Master 1 taught in both French and English, Master 2 entirely taught in English), a window on the world, and multiculturalism. Studying in France offers them a unique opportunity to meet new people and make new friends, to discover new learning methods, to learn a new language, to travel. The world of work today opens its doors to those who build their career not only in their native country but also abroad, taking on different functions and positions. One or two years in France allows international students to extend their CV, prepare to enter the job market, and build the key skills professional recruiters look for, like speaking several languages, or demonstrating maturity and flexibility.

NATALIA ET JEAN-EUDES TOOK THE PLUNGE AND JOINED US



Natalia

Natalia Labrador is currently enrolled in the first year of the Master's in Economics. She is from Colombia and studied at the Universidad Externado de Colombia in Bogota. Jean-Eudes Ayilo is a Beninese student completing the Master 2 Econometrics, Big Data and Statistics. He previously studied

at the Benin School of Applied Economics and Management in Cotonou.

Natalia decided to study at AMSE because she "found a full-ranging and interesting curriculum, a special

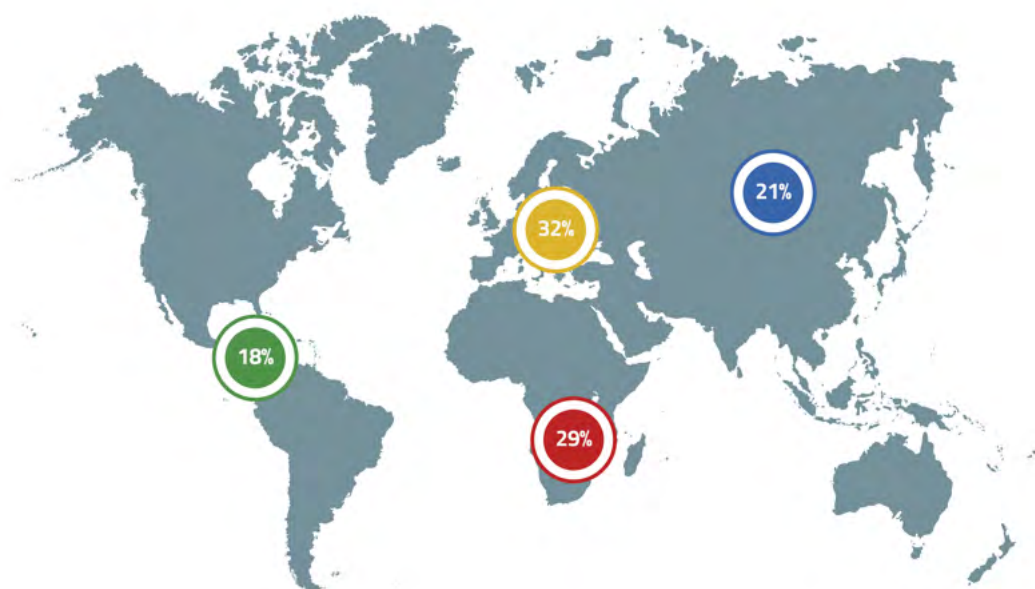
scholarship program for foreign students and the opportunity to develop my research interests here". Jean-Eudes joined us to "deepen my knowledge in statistics and in a field that was not yet very developed at home: Data Science!".

“
**I found a full-ranging curriculum,
a special scholarship program
for foreign students and the
opportunity to develop my research
interests here**
”

Natalia

Natalia says that the teaching at AMSE differs from her home institution in particular because "Master's lessons are very intensive, and I have new teachers every 8 weeks, compared to my country where I had the same subjects for a semester. In AMSE, research is important and learning from people who have done research on different economics topics has been a rewarding experience". Jean-Eudes underlines the organization of the courses and the students' management of their time, "the need to manage both the theoretical courses and their application via projects to be delivered on time, and the regular mid-terms, is a radical change of pace and organization. At AMSE, the accessibility of the professors as well as of the administration greatly favours dialogue between the students and those who train them".

Natalia declares that studying in France is one of the best decisions she has made. "My advice to other students interested in studying at AMSE is to learn French in their home country before coming to



2020/21 AMSE students' origins

France. Although it is not necessary for the Master's, because it is taught in English, French is essential for other activities within and outside the University. In my experience, one thing you need is open-mindedness about learning. You should be ready to have an amazing multicultural exchange by meeting new people from around the world".

For Jean-Eudes, "there is no magic recipe for success in studies regardless of the place, it is obvious that working steadily and consistently at courses and in individual/collective projects will help any student who comes to study in France or elsewhere. The rest will be about adapting as quickly as possible to the new environment, to the climate, to the new people you meet. It is also important to improve speed and productivity to be able to finish the tests and deliver the different projects on time. You should think about making new friends who can inspire you positively and develop your network."



Jean-Eudes

GEOGRAPHICAL DISTRIBUTION OF MASTER AND MAGISTÈRE INCOMING STUDENTS

Incoming mobility is a fact of life at AMSE. Over the last three years, we have welcomed an average of 44% international students (in both master and magistère programmes). More than 33 different nationalities have been represented in our year classes, on average, since 2018. Despite the uncertainties of the

academic year 2020 due to the COVID-19 pandemic, incoming mobility has not been negatively impacted, and AMSE continues to make the most of its specific strengths.

INCOMING MOBILITY MASTER SCHOLARSHIPS PROGRAM

Each year AMSE offers around ten scholarships to incoming students. Over the last three years, AMSE awarded 140 K€ of scholarships. These scholarships go to students obtaining top grades the years before they enter our programmes. The decision by Aix-Marseille University to allow non-EU students to pay the same fees as French or EU students, combined with the AMSE scholarships program, enables foreigners to study in France and helps AMSE attract the best students.

Over the past three years, AMSE also welcomed 6 students on the prestigious Eiffel scholarship program; this demonstrates the high level of our candidates and our commitment to developing an international policy of excellence.

“
The need to manage both the theoretical courses and their application via projects, and the regular mid-terms, is a radical change of organization
”

Jean-Eudes

Informal talks and PhD advice

By **Anushka Chawla & Carolina Ulloa Suarez & Kenza Ellass**, PhD students at AMSE

The Informal Talks and PhD Advice discussion series was started in October 2020 as an extension to the seminar for doctoral students. Recognizing the need for mentorship and open dialogue for PhD students, a need intensified by the ongoing health situation, we invited faculty and alumni to talk about their experiences of various challenges that students might face during their PhD and post-PhD life.

WHY DID WE START THIS EXPERIENCE-SHARING?

At AMSE, our faculty has acquired a wealth of knowledge during their careers. While much of the research-related expertise is transferred from thesis advisors to PhD students, there are valuable tips on the dos and don'ts of the profession that rarely get discussed. Having spent many coffee breaks discussing the common challenges in doing research, we realized that there was a need to address the questions that worried many PhD students, and that the faculty's wide experience could be put to good use in answering those questions. Our objectives were threefold. First, we aimed for topics with direct impact on our research, such as the publishing process, literature reviews, networking, and co-authorships. Second, to make it clear that there is no single 'correct' way to do a PhD, we focused on different career paths taken by researchers in both academia and institutions. Our final aim was to create a safe space for honest discussions on topics that indirectly affect our research but do not often get a public airing, such as the impostor syndrome. While there are many resources providing general advice to young researchers on these subjects, our approach emphasized researchers' personal experiences in successfully managing difficult situations. Listening to anecdotes of how senior faculty overcame a tough paper rejection or made a career-changing decision illustrates the value of open channels of communication between students and senior researchers.

Marc Sangnier, who willingly agreed to speak on the complicated subject of student-advisor relations, summed up neatly our motivation for this discussion series. "When the organizers kindly asked me to lead the talk around the 'you and your supervisor' topic, my first thought was «thanks for the poisoned gift». However, I also knew that advisee-advisor relations are an issue for both sides, with anxieties fuelled by numerous anecdotes and urban legends, and without many accepted norms. Preparing and leading this session was a revealing experience, causing me to question my own supervision experiences, both as supervisor and supervisee. It made me carefully consider the different (and sometimes clashing) incentives at play on both sides. Interventions and questions by participants also vividly brought back memories of my own time as a PhD candidate. I ended up having great fun exchanging with PhD candidates on this hot topic, and think that this definitely illustrates the need for transparent sharing and open discussion about the formal and informal arrangements that rule academic interactions and, more generally, academic activity."

HOW DOES IT WORK?

When we set up the informal talks, we made a list of topics of interest to PhD students. Along with research-related and introspective subjects, we also included some lighter ones, such as things senior researchers wished they had known before their PhD, and Twitter for young researchers. We are extremely fortunate to have student-friendly faculty at AMSE who enthusiastically accepted our invitation to present in the discussion series. The format of each session was simple – it began with the speakers sharing their experiences on a particular topic, followed by time for Q&A. Since we were conducting this online, the challenge was to make the sessions interactive and engaging. We applied innovative methods such

as enabling anonymous questions from students and using short surveys before the session to help our speakers better understand the topic from the students' perspective. We took advantage of Zoom and used the live-polling feature to allow for questions that were both fun and encouraged discussion. In the end, all the sessions were interactive and enriching for students and researchers alike! Céline Poilly, who provided great insight into different avenues of research post-PhD, had this to say about the organization: "The Informal Talks series is an excellent initiative. The session "Research in the future: institution and academia" gave me the opportunity to share my experience with PhD students, who turned out to be committed and curious. The exchanges with the students were very fruitful to me, we had great interactions and I should add that the organizers did an admirable job of organizing this session and making it fun."

With the success of the inaugural year of the Informal Talks series and encouraging feedback from students, we hope in coming years to continue offering this safe environment for communication among young and senior researchers at AMSE.

Various topics of interest to PhDs were addressed this year by researchers willing to share their experiences. Some examples :

- "You and your supervisor"
- "Presenting at conferences and networking"
- "Research in the future: institution and academia"
- "Publications"
- "The Impostor Syndrome"
- "Managing multiple projects at a time"
- "Things I wish I had known before starting my PhD"
- "Co-authorship and collaboration"
- "Using your economist skills in the real world"
- "Field Experiments"
- "Using Twitter for young researchers"



Aurélia Tison

Director of Innovation, Occupation, and Organization of the Regional Association for the Integration of People with Disabilities (ARI)

Interview by **Aurore Basiuk & Léa Dispa**



Aurélia Tison completed her thesis in 2016 in health economics, under the supervision of Alain Paraponaris and Bruno Ventelou. Today she is Director of Innovation, Occupation, and Organization of the Association régionale pour l'intégration des personnes porteuses de handicaps (Regional Association for the Integration of People with Disabilities, or ARI).

CAN YOU DESCRIBE YOUR PROFESSIONAL TRAJECTORY SINCE YOUR TIME AT AMSE?

I completed my thesis in 2016 in health economics, under the supervision of Alain Paraponaris and Bruno Ventelou. In it, I explored "decisions on the labor market in a context of both economic and health uncertainty for people diagnosed with diseases and more particularly for self-employed workers diagnosed with cancer", focusing on risk aversion and financial decisions. During my time at AMSE, I also had the opportunity to participate in an exchange study program at the Harvard School of Public Health. I was able to work there with James K. Hammitt, a renowned researcher on decision theory.

I really enjoyed the research aspect of my thesis, but afterwards, being a pretty active person, I needed change. So I went to work in the corporate realm, where I ended up doing data analysis in the pharmaceutical industry. This experience put me up against different challenges and introduced me to a completely new way of working. I worked in the Market Access department for the American biotechnology company Amgen, which primarily

engineers innovations in oncology and then for a consulting firm named Stratégique Santé, later purchased by IQVIA, a major private player in health-care data collection. My two main functions included collecting data for clinical trials and observational studies (such as efficacy and side effects) and negotiating drug prices with health authorities, based on budget impact production models as well as cost efficiency, cost effectiveness, and cost utility analyses.

I have now been working for three years as Director of Innovation, Occupation, and Organization for ARI, a sociomedical organization in Provence-Alpes-Côte d'Azur.

I also continue to teach, which I started to do during my PhD. This allows me to give something back to the universities that shaped me and it is always a pleasure to interact with students, who will be the future decision-makers. I still teach graduate-level courses in Public Policy Analysis at AMSE, and now I also teach Medical and Social Management at the University of Paris-Dauphine.

“

There are to this day very few exhaustive databases on, for instance, the number of children with disabilities at school or on certain disabilities Furthermore, there are only a small number of studies on informal assistance for people with disabilities and its economic cost (...) There is a lot to explore at the economic level and in terms of social justice, the stakes are also immense. So, I am launching an appeal : we need researchers in this field!

”

WHAT ARE YOU WORKING ON CURRENTLY?

ARI manages fifty structures that support children and adults with disabilities. Part of my work includes seeking out medical innovations, negotiating their prices, and helping teams use these innovations.

I'm also working on developing research and science within ARI. When I arrived, I realized that there was little research on disability. This makes the provision of care particularly problematic, since the absence of research leaves quite a bit of room for subjectivity. As a response, we implemented the "Years of Science" program. Every couple of years, people with disabilities, families, and professionals come together to work on a specific scientific subject. Our first edition, for example, focused on neuroplasticity. Local and national researchers were invited to participate in related conferences. Afterwards, professionals, people with disabilities, and families met in working groups to collectively assess the organization's current practices. This then led to an action plan being voted on; I now oversee the plan's implementation and ensure that it is sustainable.

But when it comes to research, there are to this day very few exhaustive databases on, for instance, the number of children with disabilities at school or on certain disabilities. Furthermore, there are only a small number of studies on informal care for people with disabilities and its economic cost. Yet, I am sure that the hidden economic cost is huge.

The same applies to the impact of covid19 on people with disabilities: more research on this will be needed to understand what happened and to guide future policies. There is a lot to explore at the economic level and in terms of social justice, the stakes are also immense. So, I am launching an appeal : we need researchers in this field!

HOW DO YOU FEEL ABOUT YOUR TIME AT AMSE?

I'm a bit nostalgic about my time at AMSE. I miss having time to read, delve into a topic, explore an issue, and go to conferences and seminars to hear about others' research and to defend yours and your intellectual approach...what a luxury!

PhD students in France are still discriminated against when they leave their research environment. So the pharmaceutical industry was a completely different world for me. I may not have been fully prepared when it came to understanding how companies function, manage, recognize, reward, and communicate; I had to learn on the job.

That said, my strongest asset is what I learned during my thesis. Whatever the subject, I immediately know where to find the necessary expertise, and I have no problem reading and exploring a subject in depth to establish arguments based on rigorous analysis. Economics furthermore taught me to consider things from both a macro and a micro perspective; this helps enormously with strategic thinking. During my thesis, I learned how to manage a project—yes, doing a thesis basically comes down to managing a project from A to Z! I also learned how to go out into the field, how to observe and interview people so as to understand what they do and why, and to "get my hands dirty." Being able to teach is also an asset. You learn how to speak in public, how to deliver messages. When I have to facilitate workshops with young people with behavioral problems or workers with disabilities, it really helps.

Finally, one of AMSE's greatest strengths is the teaching staff's in-depth knowledge, particularly in mathematics and statistics. The teaching is not just based on simply learning a formula by heart. At AMSE, they go through the mathematical demonstrations to explain where the models come from – and that's worth a lot.

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Historians propose to us systems too perfect for explaining the past, with sequence of cause and effect much too exact and clear to have been ever entirely true.

...

Any law too often subject to infraction is bad; it is the duty of the legislator to repeal or to change it, lest the contempt into which that rash ruling has fallen should extend to other, more just legislation.

...

I knew that good like bad becomes a routine, that the temporary tends to endure, that what is external permeates to the inside, and that the mask, given time, comes to be the face itself.

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Marguerite Yourcenar, 1955, *Memoirs of Hadrian*, London Secker & Warburg.

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