Newsletter

NUMERO 19 - SUMMER 2024

News

- A **new PhD visiting scheme** is open with the **Berlin School of Economics** and the **graduate center of the DIW (Deutsche Institute fuer Wirtschaftforschung)**.

SUCCESS

- **Jade Ponsard**, PhD student, was awarded a **runner-up prize** for the best student papers from the **2024 European Meeting of the Urban Economics Association** for her work on collective action and gender roles.
- **Julieta Peveri,** PhD student from 2018 to 2022, was awarded **the AMU thesis prize** for her work about political selection and quality of governance.
- **Elisa Dienesch** and her co-authors were awarded **the Royal Economic Society Prize** for their work on spatial polarisation.

EVENTS TO COME

- July 2-3 : International Conference on **Development Economics** (ICDE).
- September 2 : AMSE School **pre-entry day**.
- September 20-21 : **French/Japanese Conference** on Asian and International Economies in an Era of Globalization.
- September 25-27 : **EUROMOD** Annual Meeting and Research Workshop 2024.
- September 26 : AMSE School afterwork **European Central Bank**.
- October 4 : **Newcomers'** welcome day.
- October 10 : AMSE School afterwork **Onepoint**.
- October 11 : AMSE School **graduation ceremony.**
- October 14-15 : Doctoral Workshop on **Quantitative Dynamic Economics**.
- November 22 : AMSE School **career day**.
- November 26 : Sciences Echos Conference with **Raouf Bouccekine** about 'technical progress'.
- December 17 : Sciences Echos Conference with **Céline Poilly** about 'economic crisis'.

VISITING RESEARCHERS

Roselyne Joyeux is a Honorary Professor at the Department of Economics, Macquarie University. Her research interests are non-stationary time series, bubbles, house prices and time series econometrics.
Date of visit : 15/05/2024 au 31/07/2024
Localisation : MEGA

Edith Sand is a Researcher in the Macroeconomics and Policy Division at the Bank of Israel. Her research interests are labor economics, economics of education, public economics and political economy.
Date of visit : 01/09/2024 au 01/09/2025
Localisation : MEGA

Adrien Bouguen is an Assistant Professor at the University of Santa Clara. His research interests are education and development economics.
Date of visit : 02/09/2024 to 28/02/2025
Localisation : MEGA

Outline

Exposure to worrisome topics can increase cognitive performance when incentivized by a performance goal

Timothée Demont, **Daniela Horta Sáenz**, **Eva Raiber**, 2024, *Scientific Reports* ,14(1)

Timothée Demont

Timothée Demont obtained his PhD in 2013 from the University of Namur and became a Maître de conférences at Aix-Marseille School of Economics in 2015. His research interests lie in microfinance, education, migration, and gender issues.

Daniela Horta Sáenz

Daniela Horta Sáenz is a PhD candidate at Aix-Marseille School of Economics since 2020 and a Teaching Fellow at Sciences Po Paris. Her research interests lie at the intersection of development economics, political economy, and conflict, with a primary focus on South Africa and Colombia.

Eva Raiber

Eva Raiber obtained her PhD in 2019 from Toulouse School of Economics and joined Aix-Marseille School of Economics as an Assistant Professor. Her work focuses on empirical microeconomics questions, fertility and educational choices, marital preferences, and individual motivation for religious participation.

RESEARCH QUESTION

In today's world, distressing problems and future uncertainties are increasingly pervasive and salient. Young people, in particular, are constantly confronted with worrisome issues through digital media and social networks. Current examples include the Covid-19 pandemic, economic slowdown, and climate change.

Do these worries affect cognitive performance? Concerns about such issues can be distracting, making it hard to concentrate on the task at hand and imposing a cognitive burden that depletes limited cognitive resources. However, psychological literature suggests a possible opposite effect known as 'tunneling.' Given the high cost of bad decisions when resources are limited, a scarcity mindset can focus attention on the problem at hand.

Despite the significant implications of these contrasting effects, there is limited causal evidence regarding their existence, relative strength, and underlying mechanisms, especially in real-life contexts involving genuine worries and stakes. This paper aims to fill this gap by generating meaningful exogenous variations in both the type of worry and the emphasis on a performance goal.

In an online experiment conducted during the Covid-19 pandemic (N=1503), we investigate the impact of different types of worries on the cognitive performance of university students. We leverage real-life sources of anxiety made salient by the pandemic: (i) mental health issues related to social restrictions and (ii) future labor market uncertainties linked to the economic contraction. Our treatments are motivated by evidence that young people during the pandemic mainly worried about uncertainty in employment opportunities and the psychological burden of social restrictions. Additionally, we cross-randomize the

method of rewarding performance, recognizing that cognitive performance can be influenced by what is at stake. Participants are either compensated for each correct answer (piece-rate payment) or receive payment upon reaching a specified threshold (threshold payment), defined as correctly solving half of the tasks. This reflects many real-life scenarios, such as passing an academic, qualifying, or entrance exam or reaching a performance threshold to qualify for a bonus, job, or promotion.

PAPER'S FINDINGS

We measured cognitive performance through a Raven-matrices-like task, where participants had to find the missing item in an incomplete series of colorful and abstract forms. The figure illustrates the treatment effects on cognitive performance, quantified by the number of correct matrices (out of 10) for each payment scheme.

Under the piece-rate payment scheme, no significant effects were observed. However, under the threshold payment scheme, the labor market treatment positively and significantly influenced students' cognitive performance. Treated students improved their performance by 7% relative to the control group mean. In contrast, the mental health treatment did not result in any significant effect. This finding aligns with the concept of a 'tunneling effect' of scarcity, or with a positive stress effect.

We further analyzed treatment effect heterogeneity across pre-specified important socio-economic characteristics, and also used a causal machine learning method («causal forest») on a large number of covariates. Both analyses indicated that the positive effect was primarily concentrated among students with greater financial and social resources, suggesting an inequality-widening mechanism. This adds to the evidence that the negative consequences of lockdowns on student learning were particularly severe among students from less-educated and poorer families.

Conversely, we found limited support for a negative stress effect or a 'cognitive load effect' of scarcity, as the mental health treatment had a negative but insignificant average effect on cognitive performance. However, there was a negative response among psychologically vulnerable individuals when the payout was not conditioned on reaching a goal.

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> **Under the threshold payment scheme, the labor market treatment positively and significantly influenced students' cognitive performance.**
> **"**
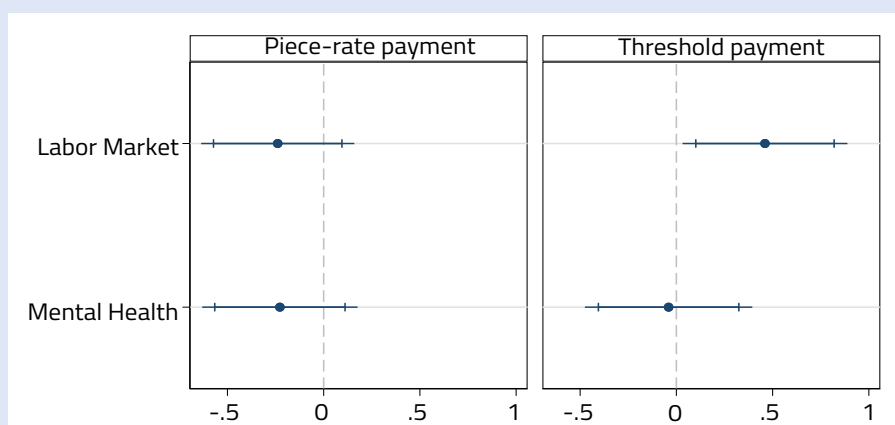
Note: Treatment effects on cognitive performance according to payment scheme, with 90% and 95% confidence intervals. The dependent variable is the number of correct matrices (minimum possible: 0, maximum possible: 10). Pre-registered baseline controls include gender, field of study, undergraduate, scholarship recipient, as well as age and number of correct matrices in the first round.

Figure: *Treatment effect on cognitive performance*

Sovereign wealth fund governance: A trade-off between internal and external legitimacy

Jeanne Amar, **Christelle Lecourt**, 2023, *International Business Review*, 32(6)

> " **Our results reveal a U-shaped relationship between SWF internationalization and governance quality** "

Christelle Lecourt

Christelle Lecourt is Professor of Finance at Aix-Marseille University. She obtained her PhD in 2000 from the University of Lille. She was Associate Professor at the University of Namur in 2002, Full Professor in 2011 and joined AMSE in 2013. Her research interests lie in finance.

RESEARCH QUESTION

Sovereign wealth funds (SWFs) are state-owned investment funds financed by excess foreign currency reserves, trade surpluses or public pension assets. Rising oil prices, financial globalization and sustained large global imbalances have, since 2007, increased the size of SWFs until they are now among the world's largest institutional portfolio investors, with resources estimated at more than USD 11.5 trillion in assets under management as of February 2023. These funds have become important actors in the global political economy in the last two decades. The literature on SWFs points to shifting financial power, as potential political actors and protectionist government responses reveal fundamental concerns over how SWFs are governed. Although SWFs have improved their transparency in recent years, as evidenced by the signing of the Santiago principles by many countries, most funds continue to release little financial, operational or governance information. This opacity generates mistrust and protectionism on the part of recipient countries regarding investments and raises questions about SWFs' real motivations and the goals behind their investments.

In this paper, we provide a better understanding of what drives SWFs to promote their governance quality. Since governance includes transparency and accountability, a better understanding of the opaqueness (or lack thereof) of SWF governance rules should lead to a better understanding of their real motivations and of the challenges involved in improving their governance and the incentives for funds to do so. In particular, we attempt to determine whether the governance quality of these state-owned institutions is driven by the search for internal or external legitimacy. Depending on their initial objectives, SWFs have to attempt to manage the multilevel agency issues they face while considering their legitimacy at home and abroad.
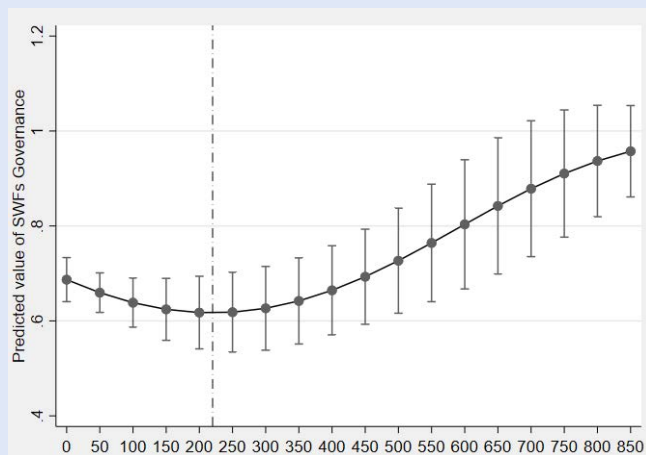
(a) Average foreign assets
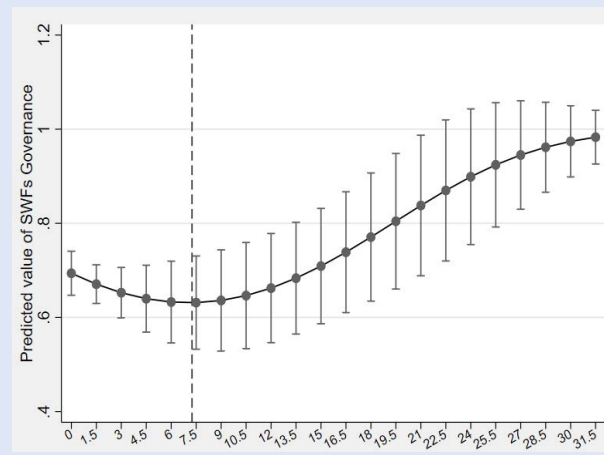
(b) Average foreign assets / AUM
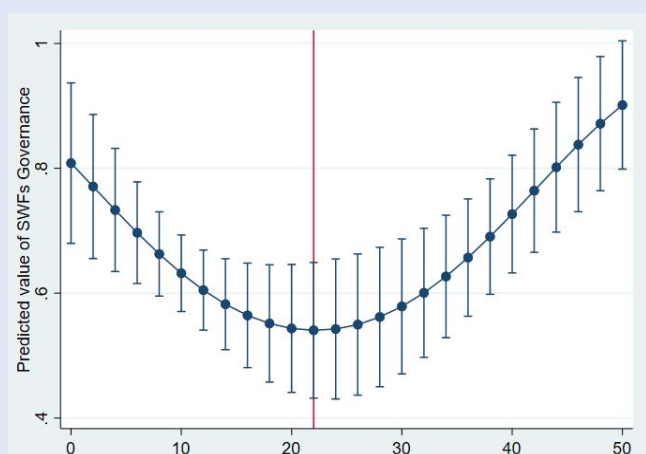
(c) Average share acquired in developed countries

Figure 1: *Average marginal effects for baseline models*

PAPER'S FINDINGS

Our study indicates that home country characteristics (policy regime and national governance) impact SWF governance quality. More precisely, we find that governance is better at SWFs originating from democratic countries with high-quality national governance. This result is in line with the theory of institutional legitimacy, according to which the legitimacy of state institutions is deeply conditioned by country- and culture-specific conditions and is embedded in the local political context and practice of state sovereignty. Therefore, SWFs with an enhanced bias towards home assets need to have domestic legitimacy to limit agency issues and can achieve this through better governance and/or greater transparency.

Our results also show that SWFs tend to improve their governance quality when they need to acquire external legitimacy vis-a-vis the target company and its government. In particular, our results reveal a U-shaped relationship between SWF internationalization and governance quality (see figure 1). This means that SWFs have an incentive to improve their governance when they are sufficiently internationalized and when the amount of foreign assets invested abroad is sufficiently large. In other

words, the incremental effect of internationalization on SWF governance remains negative until the level of internationalization reaches the critical point at which the marginal cost of internationalization equals the marginal benefits. This threshold is even higher for funds targeting developed countries.

POLICY IMPLICATIONS

These results suggest that SWFs have an incentive to improve their governance when they are sufficiently internationalized, when the amount of foreign assets invested abroad is sufficiently large or when the quantity of shares acquired in developed countries is significant. These findings demonstrate how SWFs may proactively build legitimacy in host countries when they need to adapt their foreign entry strategies.

Our results have important implications for understanding the determinants of SWF governance and may be of interest to host countries. A better understanding of the opaqueness or transparency surrounding SWF governance rules should make it possible to discern what is truly at stake in the operation of these funds.

The weakness of common job contacts

Sofía Ruiz-Palazuelos, María Paz Espinosa, Jaromír Kovářík, 2024, *European Economic Review*, 160, pp.104594.

> " **Individuals with friends in diverse social circles may have better employment prospects than those with tightly clustered circles of friends** "

Sofía Ruiz Palazuelos

Sofía Ruiz Palazuelos is a Postdoctoral Fellow at AMSE since 2021. She obtained her PhD from the University of the Basque Country in 2021. Her research interests lie in network economics, game theory, and microeconomics.

RESEARCH QUESTION

Imagine securing your job through a conversation at a dinner with friends. The saying «It's not what you know, but who you know» is not just a cliché, it is actually supported by empirical evidence. Studies reveal that between 30% and 50% of jobs are obtained through personal connections, highlighting the importance of understanding how social networks influence employment outcomes.

A stylized fact of real social networks is the presence of overlapping friendship circles: people's friends are often friends with each other. Empirical evidence documents differences in groups' propensity to form transitive relationships, representing a potential source of inequality in job seeking.

How do overlapping friendship circles impact employment? We delve into this question using a theoretical model. Individuals are connected within a network and receive random information about job opportunities. Employed individuals share this information with their unemployed contacts, while unemployed individuals retain the information for themselves. We examine the impact of overlapping friendship networks on both employment and wages.

PAPER'S FINDINGS

We find that overlapping friendship networks generate stochastic affiliation in the information flows received by agents, reducing their employment probability. Stochastic affiliation is a strong form of correlation, where several events have a greater likelihood of occurring simultaneously. In our context, these events are receiving redundant information or no information at all. The identified effect of overlapping networks is not minor: individuals with friends in diverse social circles may have better employment prospects than those with tightly clustered circles of friends, even if the former contain fewer information providers or a greater number of job competitors.

Our research challenges two seminal studies on social networks in the labor market. First, we find that the results in Calvó-Armengol (2004) only apply in networks where individuals' friendships lack connections and shared contacts. Second, we offer a new perspective on Granovetter's (1973) theory of «The Strength of Weak Ties». This theory posits that people are more likely to find employment through weak ties—acquaintances with whom they have infrequent contact—than through strong ties—close family or friends. According to this theory, this is because weak ties connect individuals in different social settings, providing access to novel information. Our research demonstrates that weak ties—which according to Granovetter are likely to be those linking people with few or no mutual friends—are advantageous even when the content of the information provided by both types of ties is identical. Thus, the value of weak ties may not lie solely in the content of the information they provide, but also in their ability to effectively disseminate information.Regarding wages, individuals with overlapping friendship networks have lower incomes due to their higher unemployment probability. However, conditioned on being employed, they can be expected to earn higher wages, as they are more likely to receive multiple job offers to choose from.

FUTURE RESEARCH

«The strength of weak ties» is, to date, the most cited work in all the social sciences. Numerous empirical studies have attempted to assess its validity, yielding diverse results. One possible explanation for this diversity might be that many of these studies do not provide information on the number of three-cycles people form with their contacts, and/or the number of squares they are embedded in. Examining both cycles' impact on employment might explain why empirical findings differ.

Secondly, our findings are based on the assumption that individuals share job information mechanically. However, the decision to share job information can also be strategic. Our understanding of the impact of networks on employment would benefit from exploring such strategic considerations when job information is passed on.

Person 1 has a greater employment probability than person 2

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Granovetter M.S. (1973) «The strength of weak ties» *Am. J. Sociol.*, 78 (6), pp. 1360-1380
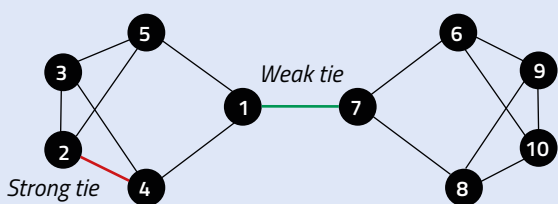
Spatial earnings inequality

Christian Schluter, Mark Trede, January 2024, *The Journal of Economic Inequality.*

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> **We find that behind this development is the rapidly worsening inequality in the largest cities, driven by increasing earnings polarisation**
> "

Christian Schluter

Christian Schluter obtained his PhD in 1997 from London School of Economics. He was a Research Associate at the Centre for the Analysis of Social Exclusion (LSE) until 2009, Lecturer in Economics at the University of Bristol and Reader in Economics at the University of Southampton. He joined AMSE as a Professor in 2010.

RESEARCH PROGRAM

The paper Spatial earnings inequality (SEI) is part of a wider ANR-DFG financed research programme that focuses on the evolution of inequalities in cross-sections and across the life-cycle. Why is inequality increasing, is inequality increasing everywhere at the same pace, who are the rich and how rich are they, are several rather fundamental questions, but the lack of reliable data too often stands in the way of getting answers: Survey data are well-known to be unrepresentative at the top (the so-called "missing rich" problem), while administrative data are often top-censored, rendering the endeavour to study the top without data somewhat tricky. We tackle these challenges with an empirical focus on Germany, reflecting partly the nature of the binational grant, partly the role of our partners (the DIW in Berlin) which hosts the German Socio-Economic Panel (SOEP). This international cooperation has enabled us to: (i) exploit data innovations, such as the new 2019 top wealth sample (SOEP-P), to study top wealth and income, and their best predictors; (ii) innovate methodologically by studying methods that can convincingly address the top-censoring problem, and (iii) innovate methodological by e.g. marrying inequality measurement and dynamic programming in order to accommodate the life-cycle, rather than providing a static perspective.

PAPER'S CONTRIBUTIONS

In SEI (JOEI, 2024, with M. Trede) we innovate by taking a spatial perspective to explain the dramatically increased earnings inequality in Germany. Measuring inequality locally at the level of cities / travel-to-work areas annually since 1985, we find that behind this development is the rapidly worsening inequality in the largest cities, driven by increasing earnings polarisation. In the cross-section, local earnings inequality rises substantially in city size, and this city-size inequality penalty has increased steadily since 1985, reaching an elasticity of 0.2 in 2010. To illustrate this, Figure 1 depicts a series of yearly scatter plots of inequality and city size (for full-time prime aged male earners in the West), as well as fits of a univariate regression line
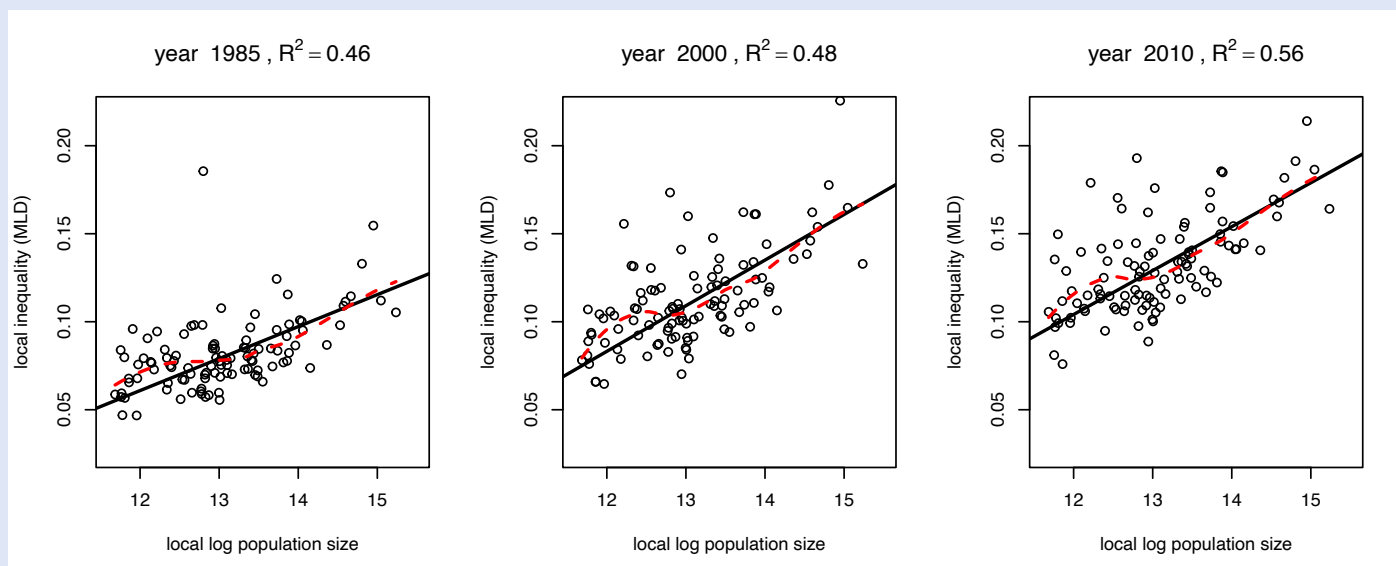
Figure 1: *The growing city-size inequality penalty in Germany.*

(solid black) sporting a remarkable R2 statistic, and a non-parametric estimate (dashed red) that confirms approximate linearity. Examining the local earnings distributions directly reveals that this is due to increasing earnings polarisation that is strongest in the largest places.

To get to these results, our research design had to address two interlinked challenges. An analysis of spatial inequalities requires spatially representative data, and earnings outcomes at the top. While surveys (such as the SOEP) usually report uncensored earnings, they are too small to be spatially representative. Hence our analysis of the evolution of spatial inequalities is based on a 2% administrative sample of all dependent employees, containing about 8 million year-person observations. The downside of this choice is that all administrative earnings data in Germany are top-coded at the social security threshold, resulting in a mean top-censoring incidence of about 12% in the yearly cross-section. We address the top-coding problem in these data directly within our estimation framework based on a parametric distribution approach that turns out to provide remarkable fits in the aggregate as well as at the level of cities (whilst outperforming standard but rather questionable imputation approaches).

FUTURE RESEARCH

SEI is but one output from «Life-Cycle Inequality Dynamics (LINDY)" ANR-DFG project. In Routes to the Top (RTTT, König et al., 2023) we exploit the SOEP-P sample to study top wealth and income in Germany, validate it, examine the dependence between wealth and income, and use machine learning techniques to identify the top predictors in an analysis of who gets classed among the top 1%. (Machine learning in applied economics, and the merit of predictive studies in a literature that focusses on natural experiments, would be a subject of an entire lengthy newsletter column which will have to be deferred to another occasion.) In Beckmannshagen et al. (2024), we use the recent SOEP-RV project, which matches SOEP survey respondents and administrative social security records, in order to identify the best method of dealing with top-censoring in administrative data. Another cross-cutting theme is the study of the top distributional tail using so-called tail or extreme value indices, and we are making available a suite of stata functions labelled "beyondpareto" to the wider research community. Finally, in current work with M. Trede, we use a dynamic programming framework to model individual income and wealth outcomes over the life-cycle, which then informs a new unifying framework for dynamic and multidimensional inequality measurement.

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Beckmannshagen M., Retter I., Schluter C., Schröder C. , 2024, «Dealing with income censoring in register data». *Work-in-progress.*

König J., Schluter C. , Schröder C. , 2023, «Routes to the Top». *DIW Discussion Paper 2066.*

Ramadan fasting increases leniency in judges from Pakistan and India

Sultan Mehmood, **Avner Seror**, Daniel L. Chen, 2023, *Nature Human Behaviour*, 7(6), pp. 874-880

Cases adjudicated by Muslim judges during Ramadan are more leniently decided, less often reversed, and result in no lower recidivism or out-group bias.

Avner Seror

Avner Seror is a CNRS Researcher at AMSE. He received his Ph.D in economics from the Paris School of Economics in 2018. He joined AMSE as an Assistant Professor in 2019. His work focuses on identity, religion, institutions, and political economy.

RESEARCH PROGRAM

Rituals have significant implications for behavior and decision-making, even in domains expected to be objective, such as judicial decisions. Existing literature highlights how extraneous factors—like weather and political climates—can impact judicial outcomes, challenging the notion of impartiality. This study explores the influence of Ramadan, a prominent Islamic ritual, on judicial leniency and decision quality. Using a dataset spanning 50 years of criminal sentencing in India and Pakistan, this research examines whether the fasting and reflection inherent in Ramadan affect judicial adjudication.

PAPER'S CONTRIBUTIONS

This paper makes several contributions to our understanding of judicial decision-making and the broader impact of rituals:

1. Empirical Evidence of Increased Leniency: The study finds that Muslim judges during Ramadan are 10% more likely to acquit with each additional hour of fasting. This increased leniency does not diminish judgment quality, as shown by a 4% decrease in the probability of reversed decisions in higher courts.

2. Conceptual Framework: The research identifies two channels through which Ramadan may influence judicial decisions: negative effects of physiological deprivation and positive effects of enhanced moral reflection. The findings suggest the latter channel predominates, given the lower recidivism rates and absence of bias against non-Muslim litigants.

3. Overcoming Empirical Challenges: The study addresses three key empirical challenges:

- **Variation in Length of Fasting:** By exploiting geographic latitude differences, the study uses variations in length of fasting within the same day

as a measure of ritual intensity. For example, during winter, daily fasting hours are longer in Tirunelveli than in Kupwara because Tirunelveli is closer to the equator. Conversely, in summer, the fasting hours in Tirunelveli are shorter than in Kupwara. This latitude-induced variation provides a natural experiment to isolate the impact of fasting intensity.

- **Temporal Variation:** The lunar calendar's shift across seasons allows the study to separate the effects of Ramadan from seasonal effects. This temporal variation helps ensure that observed effects are due to Ramadan itself rather than coinciding seasonal factors.

- **Random Case Assignment:** Random assignment of cases to Muslim and non-Muslim judges provides a natural experiment setting to isolate the impact of Ramadan. The decisions of non-Muslim judges serve as a control group, helping to confirm that the observed leniency is not a statistical artifact but a genuine effect of the fasting ritual.

By leveraging these variations, the study disentangles the effects of ritual intensity from broader societal and seasonal influences.

FUTURE RESEARCH

This study paves the way for several future research directions:

1. Mechanisms of Influence: Future research should delve into the psychological and physiological mechanisms driving increased leniency during Ramadan. Understanding whether cognitive changes, enhanced moral reflection, or other factors are at play could provide deeper insights.

2. Comparative Studies: Investigating the impact of other religious or cultural rituals on judicial decision-making in diverse contexts would help identify universal patterns and context-specific effects.

3. Long-Term Impacts: Examining the long-term effects of ritual-influenced decision-making on criminal justice systems, such as crime rates and prison populations, could provide valuable insights into the broader implications of these findings.

Continued research in these areas will enhance our understanding of the complex relationship between rituals and decision-making, leading to more informed policies and practices in judicial systems globally.
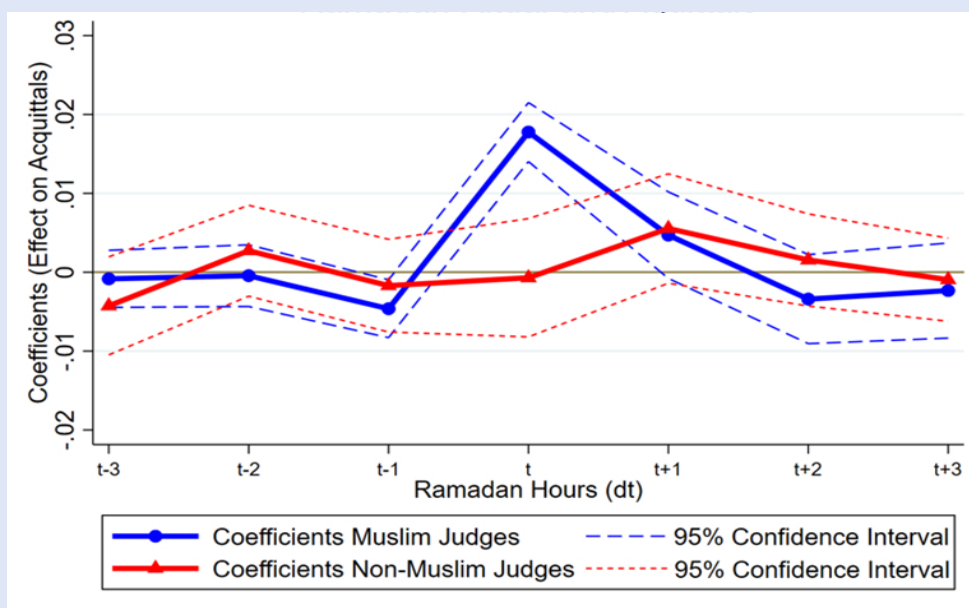

Figure: *Ramadan Ritual and Acquittals*

Professional Integration: the numbers tell the story

Survey of employment six months after graduation conducted by AMSE among the graduates of October 2023. The indicators do not account for students who started a PhD after their master's degree, nor those continuing their studies other than a doctorate.

By **Elisabeth Barthélemy**, Head of communication

The results of the latest survey conducted among graduates confirm their excellent professional integration. These indicators show that AMSE graduates are well prepared to enter the job market where their skills are recognised and appreciated by employers, as well as confirming the range of opportunities available to them.

Participation Rate 77%

The participation rate for this survey, conducted among the 87 students who graduated from the AMSE master's program in 2023, is 77%, ensuring the representativeness of the results and demonstrating the graduates' commitment to tracking their professional paths.

Average Time to Employment 25 days

The average time taken to secure a first job is less than a month, with an average of 25 days. This figure reflects the speed with which graduates find a position after obtaining their degree, indicating a strong job market demand for their skills.

Employment Rate at 6 Months 81%

The professional integration rate of AMSE graduates six months after graduation is 81%. This percentage is very satisfactory and shows that the skills acquired meet the needs of employers. Notably, 66% of the graduates who participated in the survey were hired immediately after their internship or work-study program.

Percentage of Permanent Contracts (CDI) 73%

Of the employed graduates, 73% have permanent contracts (CDI), compared to 27% with fixed-term contracts (CDD). The predominance of permanent contracts is an indicator of stability and employer confidence in the graduates' skills.

Average First Annual Gross Salary €39,350

The average annual gross salary of graduates who responded to our survey is €39,350. This competitive figure reflects the jobs market's recognition of the quality of AMSE training, as well as the potential for rapid salary progression for young graduates.

Percentage of Graduates Working Internationally 17%

AMSE graduates are employed in Paris and the Paris region (37%), elsewhere in France (46%), and abroad (17%), illustrating the international reach of their training.

Sectors

AMSE's programs lead to high-potential jobs. The employment sectors that graduates can enter are varied, with a strong presence in Finance/Banking/Insurance (23%), Consulting/Design Offices/Survey Institutes (15%), Digital/Data/Technology (11%), Energy/Transport/Environment (13%), and Public Administration/Organizations/Research (6%).

Range of Professions

The survey highlights the positions held by graduates: Data Scientist, Strategic Marketing Manager, Project Manager, Data Analyst, Junior Consultant, Macroeconomics Analyst, Finance Operations Manager, Data Engineer, Data Consultant, Quantitative Analyst, Analytics

Consultant, Actuarial Study Officer, Research Assistant, Insurance Controller, Commercial Performance Analyst, Insurance Linked Securities (ILS) Analyst, Design Office Consultant…

Rapid Integration

The professional integration of AMSE graduates is marked by positive outcomes in terms of speed of employment, contract stability, and competitive remuneration. These results are the fruit of a pedagogy tailored to the demands of the job market, ensuring graduates a smooth and successful transition to the professional world. The survey thus illustrates the relevance and quality of AMSE's programs, enhancing its reputation and attractiveness to future students and employers.

> 66
> **I was hired immediately after my work-study placement, and they created a position to keep me on a permanent contract**
> 99

Alumni Talk | Capucine Roquart who graduated in October 2023 - Master Economics track Economic Policy Analyses and Magistère Ingénieur Economiste

« I am a Data Analyst with Groupama Méditerranée, an insurance company, where I am mainly responsible for sales management and variable pay for the sales staff of the regional insurance company Groupama Méditerranée.

This is my first job. I was hired immediately after my work-study placement, and they created a position to keep me on a permanent contract.

I have several assignments. The first is to work on code programmes. I use the R programming language to set the parameters for variable pay. We compare data tables to obtain different types of information, to export files. But other responsibilities involve providing data analysis, i.e. a "Data" perspective on projects not necessarily focused on data alone, which requires cross-disciplinary perspective.

The fact that AMSE offers both theoretical and empirical economics as well as this whole "Data Science" aspect is very enriching. And today, I am very happy because I can really combine two complementary approaches in my work. However, not all schools offer Big Data and Economics at the same time. So, it was a good compromise, and showed a determination to keep enriching the curricula with knowledge and skills that take account of future developments, and which therefore will help us on the job market.»

Watch the full interview with Capucine on YouTube @AMSEChannel

Portrait of Pavel Diev

Head of the International Monetary Relations Division at the Banque de France

By **Léa Dispa**

Pavel Diev completed his thesis in 2007 at AMSE. At that time, he had already set out on his professional pathway within the Banque de France, where today he is Head of the International Monetary Relations Division.

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

I completed my PhD in 2007, under the supervision of Christophe Deissenberg. My thesis focused on efficient mechanisms for the provision of public goods. This topic combined both game theory and experimental economics.

I joined the Banque de France two years earlier, in end-2005. I had anticipated the end of my thesis and started prospecting in the professional world, with a career as an economist in view.

My very first position at the Banque de France was as an international economist in the Macroeconomic Analysis and Forecasting Division. I was in charge of monitoring several countries, particularly in Eastern Europe - Czech Republic, Poland, Ukraine, Russia. In the mid-2000s, there were a lot of investments in these countries, and some were in the process of integrating into the European Union. There was a strong demand for monitoring of macroeconomic indicators to coordinate policies.

I quickly moved into management positions. I became Head of Unit and then Deputy Head of the European Relations Division. The European Relations Division prepares meetings attended by the Governor of the Banque de France. I started by working on the Governing Council, where political and monetary decisions are made, in Frankfurt.

The Governing Council is composed of all the Governors of the member countries of the euro area plus the members of the ECB's executive board in Frankfurt.

I was immersed in the decision-making mechanics of European monetary policy by preparing the Governor's positions. We briefed the Governor, prepared his talking points with the various experts from the Bank on the agenda topics, which change from meeting to meeting. A lot of meetings take place. What the public hears about are the «monetary councils», where interest rate and monetary policy decisions are made, often followed by a publicized press conference. But between these monetary councils, there are «non-monetary councils» about twice a month that make all the other budgetary or administrative decisions that are not visible to the general public.

I was also Head of the Conjunctural Analysis and Forecasting Division, from 2018 to 2022. This division deals with monitoring and forecasting macroeconomic variables for France. It was a real challenge to make economic forecasts during the health crisis! There were supply chain disruptions everywhere, a third of the economy was shut down, so we first had to predict the GDP drop. Regular statistical reports were disrupted, and we relied heavily on qualitative contacts within the Banque de France's regional business network or alternative indicators such as credit card payments data.

WHAT ARE YOU WORKING ON CURRENTLY?

I have been Head of the International Monetary Relations Division since 2022. I lead a small team of

about ten people, mostly executives, economists. Some have PhDs, others have engineering degrees or attended *grandes écoles*. In my team, there is a young economist who is simultaneously preparing a thesis at AMSE, one of the few academic programs offering this «on-the-job» track.

The International Monetary Relations Division prepares the Governor of the Banque de France for G20 and G7 meetings. The meetings are less frequent than at the European level, and decision-making is less concrete. Finance ministers and Central Bank Governors participate in the «finance track» discussions. The final stage is meetings at the level of heads of state. These are forums for both political and economic coordination at the global level. Engagement is voluntary, and consensus is the rule.

Many discussions are about development financing and poverty reduction. For example, the Special Drawing Rights issued by the IMF after the Covid crisis and the options to channel them to the most vulnerable countries. Another example is a current discussion on global corporate taxation to avoid tax evasion. We are seeking an international agreement on a minimum tax of 15% on profits in all global jurisdictions.

Regarding the international situation of the Division, we work closely with the French Treasury and we have close contacts with the IMF. We brief the Governor to ensure the best outcome for France but also for the global common good in the spirit of multilateralism.

Another activity of the Division is monitoring 'emerging markets', which cover a very large, heterogeneous area. We particularly focus on the BRICS countries. Forecasting for France requires knowing the international environment in which the country operates; this is called foreign demand. Observing the trajectory of oil prices or exchange rates is crucial for forecasting inflation, for example.

HOW DO YOU FEEL ABOUT YOUR TIME AT AMSE?

I did the Magistère, of which I have very fond memories. We worked on projects together with other students. This collaborative work prepares you for the professional environment, where you never work alone but always as part of a team.

The doctorate is a more solitary undertaking, but it developed my critical thinking. This is very useful in the professional world, both to promote one's own work and to challenge the work of others.

I remember receiving high-level education in a stimulating environment. I had remarkable professors. In econometrics, I remember Russell Davidson's course. I also remember Alan Kirman's course, where he used ants to explain how financial markets work - offbeat explanations that remain with me today.

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A good traveller has no fixed plans and is not intent upon arriving.

A good artist lets his intuition lead him wherever it wants.

A good scientist has freed himself from concepts and keeps his mind open to what is.

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Lao Tseu, *Tao Te Ching* (translation Stephen Mitchell)