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Dear readers,

On behalf of the whole team, welcome to the 27th issue of the TSEconomist!

This issue focuses on digital platforms. You will find in this spotlight three very interesting articles about how firms manipulate consumers with the help of digital platforms (by Daniel Tunda), how American antitrust laws can stop the GAFAM (by Damien Granat), and finally, how new proposals from the European Commission aim to correct failures in the digital market (by our beloved deputy Editor Louise Damade).

In the academics section you can also find the interview with Matthew O. Jackson, this year’s Jean-Jacques Laffont prize recipient, about his work on interpersonal networks.

In this March issue, as for the last ones, you will find current and former students’ testimonies from each M2. This part of the magazine aims to help students choose their path between the different masters. You will also be able to find descriptions of the two new master programs: the Master in Data science for social sciences and the Master in Mathematics and Economic Decision.

Besides, we would like to thank you for your participation in the online survey about students’ social inequalities at TSE. You can find the related article in our section “On-campus investigation”. The academic section focuses on two subjects: Does corruption favor economic activity? and The opportunities and challenges of the hydrogen economy. I highly recommend you to read these two articles.

Above all, I would like to thank the members of our board, Louise, Stephen, Camille, Eloise, and Noémie for their much-appreciated work and efforts throughout the year. Also, thank you to all of the people who participated in this years’ issues. I know it hasn’t been very easy for all of you to be motivated and to come up with new ideas for the magazine. Finally, for all the students leaving TSE to start a new life, I wish you all the best.

Enjoy the reading.
Interview:

Matthew O. Jackson

1. Why did you choose to pursue research on the topics of the economic impact of social networks?

Economics, for many years, was structured around classical situations in which interactions are anonymous, and researchers were essentially studying large markets. However, in order to understand people's behaviors, beliefs, and motivation, we have to understand how they are influenced by others around them. It has become increasingly clear that the social networks in which people are embedded are a fundamental driver of their behaviors. Economics over time has begun to look in more detail at how people act and why they act the way they do. This has led to the two different strands of extensions of the basic classical models: one to incorporate psychological factors and the other to incorporate social factors. The first you can think of as behavioral economics and the other is the study of networks and the patterns of interactions.

2. We saw you conduct some research about networks in the labor market, especially the influence of referrals to find a job. Have you found that the reliance on personal connection for hiring is stronger in any industry than for others, say where the ability of potential hires is somehow more easily observed?

There is a long history of empirical research on that question going back to the 1950's when economists first documented how people find their jobs. The prevalence of networks and referrals in finding jobs is quite extensive. It is hard to find an industry where you don't find this: it is present at the highest level of an industry, for instance for CEOs and top management, as well as for completely unskilled jobs with low wages, like sorting trash or recycling. Recruiters are trying to find somebody who is going to fit well in a particular company or particular industry. Using referrals takes advantage of the homophily in the network – the fact that people are associated with other people who are very similar to themselves. If you're trying to find people who are just like your workers – who are doing well for you now – their friends are most likely to be the people most similar to them. The company relies on this and it is very difficult to find any industry where this is not true.

3. Could you elaborate on this concept of homophily?

Homophily refers to the fact that people tend to interact with people who are very similar to themselves. It is true of age, profession, gender, education level, income levels... For many dimensions that you can characterize humans by, you find that they tend to interact with others who are similar along these dimensions. Homophily is the result of natural tendencies of human beings and happens for a number of different reasons. You tend to see homophily partly just by the way humans are settled geographically, as well as by the way we separate kids by year in school, and from the fact that people congregate with others of the same religion, and work with others who have similar training, etc. – so much of homophily is due to basic contact in our
day-to-day lives. There is also the fact that it is easier to connect with somebody with whom you share experiences: you know how they are going to think, you know how they are going to react to things, they have similar interests to you. So, there are a whole set of different dimensions on which you connect with that person, and you know that they can provide help and information on issues that you care about. In terms of the incentives of risk and income sharing, it is easier to coordinate sharing with somebody who has similar kinds of shocks to you and a similar wealth level. So, there are a variety of forces that push in the direction of homophily. On the one hand, it is easier to communicate and to relate to people who are very similar, but then on the other hand homophily also produces echo-chamber effects.

“[...] people tend to underestimate the level of homophily they are embedded in, and so it is hard for them to overcome when forming their beliefs and opinions.”

4. How might the concept of homophily play into the echo-chamber effect that we observe in online social networks?

Homophily means that the information we get is likely to be from people who have very similar viewpoints and similar sources of information. I think people tend to underestimate the level of homophily they are embedded in, and so it is hard for them to overcome it when forming their beliefs and opinions. We often think that our networks are more diverse and outgoing than they are. We don't realize how similar our friends' opinions are. Our default belief is that most of the whole world should think the way we do and that our culture should be the culture of the world, etc. It is very easy for these network effects to amplify our confidence in our beliefs. That contributes to polarization. Social media can exacerbate this. When you go on different platforms they try to match you to people whom are like you. Your new friend suggestions are likely to be the closest possible person they can find in terms of your interests and background. This can amplify the selection effect on top of the fact that our networks are already divided. This can bolster our confidence in our opinions and our beliefs that somehow we are getting a wide view of the world because we can connect to the whole world through our computers, but actually we are connected to a selected piece of it.

5. We've seen that you suggest mechanisms, such as school size, to combat the adverse effects of homophily in the analog world. Do you have any ideas for how such lessons could be applied to improve the design of online social networks (i.e. by reducing the echo-chamber effect)?

The phenomenon that you are referring to is that people tend to segregate more in larger settings than they would in small settings. For instance, in a classroom of twenty students, students tend to mix well and form friendships throughout that group, whereas in larger classes of hundreds of students they have more options to seek others who are similar to themselves, which they tend to do. With social media it becomes even more extreme. There are two forces that work against diversifying friendships and information sources. First, platforms have an incentive to give you the options you will choose the most. Various platforms have tried to give you very diverse newsfeeds and options in terms of the friends, but then people tend to select narrowly out of those. They tend to gravitate around platforms that give them groups and selections that they prefer and are most comfortable with. Second, because platforms are in competition with each other, they are pressured to make you as happy as possible, which is not necessarily the best thing in your long-term interest. Those forces are very hard to overcome.

One approach to overcoming this, for people of all ages, is to build more explicit mentoring relationships. For instance, in economics, we can deliberately connect more senior researchers to younger researchers and students from various disadvantaged groups. It takes a fairly active program, doing it just through social media would be very difficult. Such programs are becoming more common and successful. Another part of this is educating people more about the effects of homophily. With greater understanding of the effects of having a very narrow network it is easier to get people to actively opt in for diversifying their contacts, both in person and via social media. For instance, once a week we could put you in a chatroom where you can meet people who you normally wouldn't meet, but still converse about things of mutual interest. This would require convincing participants of why this is a good thing, and setting it up in a way in which real information can be shared. However, just doing it organically when you're trying to give users more diverse options doesn't seem to be something that people react well to.

6. We see that your books give policy recommendations to help address the concerns you raise in your research. Do you have any practical recommendations for our readers on actions that they could take on a personal level – in terms of social determinism etc?

As I said, mentorship would be one thing – and people can reach out to others outside of their normal circles. More generally, staying aware of all these biases in our own network can help greatly. One thing that I do a lot more of, since I began to study networks, is to follow up on the information people tell me. I ask people about their sources and dig deeper into that information, and explore whether other sources are saying different things, and why. The more you realize how structured your network is and how introspective it is, the more you can begin to overcome that and deliberately make connections with people with whom you wouldn't normally interact. For instance, as researchers we face these same problems. Often we are just talking to people in our own area, we go to conferences with very narrow topics; it is easy to become increasingly confident in our perspective and that the way we model things is the best way to do it. For instance, to overcome this in studying networks, I go to computer science, sociology, and statistical physics conferences to learn other methods, and to meet people and learn about perspectives that I had no idea were out there. This can be uncomfortable, especially when you do not know anyone at a conference and feel very out of place in terms of background, but it can be very enriching. There are many such relatively simple things we can do personally to improve our information and broaden our understanding – but it is a lifelong challenge and it is easier to stay motivated if we never forget how limited our personal networks and perspectives often are.
The opportunities and challenges of the hydrogen economy

By Catalina Posada Borrero, Santiago García Benito and Noémie Martin

According to the Intergovernmental Panel on Climate Change (IPCC), in order to limit the global rise of temperatures to below 1.5°C above pre-industrial levels, we should reach carbon neutrality by 2050. In 2016, 70% of greenhouse gas emissions originated from the energy sector, mostly attributable to transportation, buildings and industry. The use of renewable energies complemented with hydrogen as an energy carrier is often presented as the most promising substitute to fossil fuels.

“The use of renewable energies complemented with hydrogen as an energy carrier is often presented as the most promising substitute to fossil fuels.”

The attractiveness of hydrogen relies on its capacity to store energy and its clean combustion, where only water is emitted. Thus the only way hydrogen can contribute to carbon emissions is through the way it is produced. Today, most hydrogen is formed by steam methane reforming (SMR) of natural gas, releasing CO2 and is known as grey hydrogen. A less polluting alternative is blue hydrogen, where most of the generated carbon emissions are captured and stored. However, carbon capturing and storing (CCS) technologies are not yet available at a large scale and are costly. The only long-term option for a carbon-neutral hydrogen economy is green hydrogen, produced through the electrolysis of water using renewable energy, where an electrical current is used to split water into hydrogen and oxygen.

Currently, 90% of the hydrogen demand originates from the industrial sector, 50% is used for ammonia, the backbone of the fertilizer industry, 25% for petroleum refining, and it is also used in the electronic industry and for metallurgical applications. Hydrogen can further be used to produce numerous petrochemicals, such as methanol, and to recycle plastic via hydrogenation. Therefore, replacing grey hydrogen by green hydrogen represents a good opportunity to decarbonize multiple industries.

On the other hand, the use of hydrogen could be extended to various other polluting sectors. In the steel industry, responsible for 8% of global greenhouse gas (GHG) emissions, hydrogen could replace liquefied natural gas and in the long-term could be a substitute for coal. It could also make the production process of biofuel from biomass more efficient. Adding hydrogen to the reaction reduces the quantity of biomass required in the process, thus alleviating the environmental impact of biofuel. Moreover, blending natural gas with hydrogen in the existing grid would reduce the carbon footprint of heating.

One sector in particular has received a lot of attention for its conversion to hydrogen: the transport sector. Fuel cells convert hydrogen back to electricity that can be used to power an electric motor. The automotive sector has already begun its transformation, but hydrogen has had a rough start, mostly due to its lower overall energy efficiency compared to batteries. Volkswagen has estimated that only 30% of the initial energy can be transformed into forward motion by a hydrogen car, compared to 76% for a battery-powered car. The use of hydrogen for cars also implies huge investments in refueling infrastructure covering road networks. Combined with higher costs of fuel, hydrogen-powered cars are not yet cost-effective. On the other hand, the higher energy density of hydrogen makes it a promising option for other transport sectors such as maritime shipping, aviation and heavy-duty trucks where battery application is not a viable option. It is expected that by 2060, the maritime shipping sector could be powered by up to 60% by ammonia and hydrogen-based fuels. Fuel cells might also be provided for the heavy-duty transport
sector, for above 500 km routes. However, aviation faces important technical challenges when it comes to the implementation of hydrogen. While the gas has a high power density per kg, it also has a low volumetric density. The use of hydrogen would bring substantial benefits considering the limited weight capacity of an aircraft, but it also means that a hydrogen-powered aircraft would need four times more space to store gas than standard kerosene aircrafts. Therefore, improvements in terms of design are needed to include sufficiently large hydrogen tanks. All these evidences suggest that batteries, biofuel and hydrogen should be thought of as complements rather than competitors in the transport sector.

Currently in Europe, only 0.1% of hydrogen is produced from renewable energy. Clean hydrogen is three times more expensive to produce than blue or grey hydrogen, therefore, it is not yet being employed in hydrogen intensive industries. As we can see in the graph, electrolysis will become more cost-effective, but in the near future the costs will not go down enough to replace polluting hydrogen by natural market penetration. However, it is predicted that in the 2030s blue hydrogen (SMR with CCS) could reach cost parity with grey hydrogen (SMR without CCS), especially if carbon cost is considered, penalising the production of the latter.

An increase in carbon price will also contribute to making blue hydrogen a more cost-effective alternative compared to carbon-emitting fuels, thus allowing the expansion of hydrogen demand in the transport sector as hydrogen fuel. This market penetration will enable the future introduction of green hydrogen and the expansion of the demand due to the development of electrolysis capacity, distribution infrastructure, fuel cell technology, and production capacity.

Following the publication of “A hydrogen strategy for a climate-neutral Europe” by the European Commission in 2020, several European countries have announced various public policies to foster and accelerate hydrogen use in the economy. As well-trained economists, the first policy that comes to our mind is carbon pricing, in order to bring forward the competitiveness of clean types of hydrogen. Another notorious tool is the implementation of quotas on emissions at the EU level. The European Commission advocates for a minimum threshold for clean hydrogen that would be added to the existing European Trading Scheme (ETS). Targeted demand policies are also being examined at the EU level, such as minimum clean hydrogen utilisation quotas that can be introduced in sectors that already use hydrogen. As mentioned earlier, the existing gas grid can be adapted to hydrogen, especially with the forecasted decline of natural gas demand in the coming years. The Commission has announced the creation of coordination bodies for the implementation and improvement of hydrogen networks, as well as several investment-facilitating entities. Many investments have been announced by various European countries, although it is not very clear how and where these investments will be targeted. Overall, if some agendas seem to arise from the various national strategies, most statements remain declarative: policies are neither quantified nor precisely planned.

The European Commission has announced that hydrogen will be key in the Green Deal. Consequently, it is expected that by 2050 more than 180 billion euros will be invested from public funds. However, organisations, such as the Corporate Europe Observatory, an NGO, argue that the fossil fuel industry has been spending millions of euros on lobbying to obtain this announcement. Therefore, a part of the green deal could end up stimulating the use of polluting hydrogen produced with natural gas, disguised as a sustainable energy option.

“[..] a part of the green deal could end up stimulating the use of polluting hydrogen produced with natural gas, disguised as a sustainable energy option.”

Lastly, considering that the hydrogen economy comes hand in hand with an expansion of renewable energies, it is important to bear in mind the immense challenges that this entails. Clean energy production is still limited and has not yet been able to decarbonize electricity production. Moreover, its environmental impact in the form of habitat destruction and land-use problems should not be ignored.

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A s opposed to what many may think, the impact of corruption on growth is still a very controversial question. Key factors such as a country’s political regime, legal structure or governing capacities make this topic a case-by-case issue. However, a large unanimity still considers corruption as a scourge for economic development as it is still a highly used practice in both advanced and developing countries. Corruption is defined as “the abuse of public office for private gains” (a definition formalized by the World Bank and the IMF). And in a general sense, corruption destroys trust and interferes with democracy and the proper functioning of an economy. Whether it is paying a bribe to gain access to public services or money laundering schemes, it has tremendous financial and social impact on us all. But is corruption always harmful for a society?

In order to assess the corruption level, the Corruption Perceptions Index (CPI) was established by Transparency International. It is a global coalition against corruption and it refers to the perceived levels of public sector corruption in 180 countries around the world. It is a practice that extends into many areas and has the power to alter a firm’s or a country’s structure.

Firstly, its presence in public policies often biases the outcome of the implemented policy and distorts the evaluation made ex-ante. Hence, an indirect and negative impact of corruption is observed on economic growth as public policies are implemented to improve the socio-economic situation of countries. It is referred to as the “sand-the-wheel” hypothesis. Corruption also generates costs on investment through its negative effects. Indeed, transparency and the presence of a reliable legal system are important to attract foreign investors. As a result, investment incentives are lower in countries with a high level of corruption. On top of that, it is also likely to increase income inequalities, as a positive link was identified between the degree of corruption and the inequality indicator that is the Gini index. Corruption is especially recurrent in developing countries and thus has more severe consequences. The most populated country in Africa, Nigeria, is one of the most concerned one. Even if we cannot attribute all the blame of a weak economic development to pervasive corruption in Nigeria, it would be incorrect to ignore its delaying effect on the country’s development. For example, unemployment caused by corruption is indirectly favoring delinquency in Nigeria. According to the 2020 global ranking of the CPI, Nigeria is ranked 149th out of 180, indicating a highly corrupted country. As stated by a PriceWaterhouseCooper (PwC) study, the 2nd most renowned multinational consulting firm, “corruption in Nigeria could cost up to 37% of Gross Domestic Products by 2030 if it is not dealt with immediately”. This forecast gives us an idea of the extent of this process in the Nigerian economy.

On the other hand, a growing number of economists also support the idea of a beneficial corruption. The “grease-the-wheel” hypothesis was suggested in the late 60’s and supports a positive impact of corruption on economic growth. In highly regulated countries, bureaucratic barriers are created progressively due to time and energy consuming administrative procedures. An excessively regulated country may then lead to an economic slow-down. Corruption comes then into play to fasten these processes and helps put the barriers down. It can, thus, promote economic efficiency in a very specific context which leads to promoting investment and is ultimately beneficial for growth. For example, before the 90’s, the Indian Government had implemented highly restricted laws concerning some industrial plants in order to limit their capacity growth. This led to an increase of the use of bribery to get around these constraints and allow a higher growth of these industries.

Corruption is commonly known as a “bad” thing by most of us and it is in most countries. However, in some specific situations, it can embody a beneficial tool for growth. Whether it is a “good” or a “bad” thing, corruption is a reality no matter the development level of the country and a phenomenon that needs to be combined on a case-by-case basis.

References


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“The first ever traffic light that brought order in the streets [...] was invented as a response to a major technological disruption: the invention of the cars. Now we have such an increase in the online traffic that we need to make rules that put order into chaos.” This is how Margrethe Vestager referred to the new Digital Service Act (DSA) and Digital Market Act (DMA) proposals from the European Commission during a press conference on the 15th December 2020.

“We need to make rules that put order into chaos.”

Digital markets grew tremendously in the past decade, and continuously evolved following technological breakthroughs. However, this fast expansion and the novelty of these markets have made regulation complicated to enforce. Several problems appeared, such as the fact that regulations were often based on a territoriality doctrine, which is mostly obsolete when it comes to the internet. It was then easier for firms operating online (usually platforms connecting end users with business users) to gain an excessive amount of market power, creating a failure in these markets. These new proposals of the European Commission aim to correct this failure.

Traditional regulations unsuited to digital markets

Before drafting these proposals, the European Commission tried to apply the available rules to digital firms, mostly through competition law. As early as the 2000’s, Microsoft was condemned on the grounds of abuse of dominant position. It was using its market power on the PCs operating system market to gain more market shares in other markets. For instance, Microsoft was tying Windows Media Player on its operating system for PCs, thus distorting competition on the media players market. Competition law is known for its cases against big tech giants, like Google, Amazon, Facebook, etc. But as time went by, these platforms continued to gain more and more market power, leading to greater concentration in the digital market.

This increase of market power led to another problem: companies process huge amounts of data that contain personal information about their consumers. This led regulators to raise privacy concerns.

Such concerns led to the adoption of a notable regulation for data processing online: the General Data Protection Regulation (GDPR) in 2018. This was a response to the drastic growth of digital firms with a business model based on data processing (gathering data, exploiting them, selling them, etc.).

This regulation has some interesting aspects. Firstly, it switches from a territoriality doctrine to an effects-based doctrine. It enables the regulation of firms which are not based in the European Union on the grounds that they are targeting individuals located within the EU. Secondly, it increases the importance of user's consent online, by requiring explicit consent for the privacy policy of the website. Finally, it introduces a notion of joint responsibility between the data controller (which decides the use and the method for processing personal data, usually a website) and the data processor (which processes data for the controller). Sometimes, they are the same entity, but often data processing is outsourced to third-parties. Under this regulation, the controller has to make sure that the third-party also complies with the GDPR.

However, this regulation is not a great success, principally for two reasons. The main one is that national authorities have divergent incentives to enforce this regulation properly. They may prefer being indulgent to preserve their attractiveness towards big tech giants. Secondly, digital
markets became more concentrated. Indeed, following the GDPR, firms reduced their outsourcing data processing in order to avoid legal uncertainty caused by joint responsibility. The firms which were already powerful had more resources to process data. It made them more attractive because they were more likely to comply with the GDPR. It led to a reinforcement of their market power, especially Google, the leading firm. This regulation highlights the facts that with digital markets several issues are interlinked, and that it is important to think broadly when it comes to regulating these markets. The DMA and DSA proposals are designed to take into account all these different aspects in one body of text, and in this sense, it is really promising.

**The promises of the DMA and DSA**

The objective of the Commission is to acknowledge the benefits that digital firms give to consumers, while also providing protection to these consumers. The DMA and DSA proposals are designed to take into account all these different aspects in one body of text, and in this sense, it is really promising.

It is important to think broadly when it comes to regulating these markets.”

These proposals are interesting because they introduce asymmetric rules through the notion of gatekeepers. Gatekeepers are defined by the DMA as core platform services which significantly impact the internal market by gathering a lot of users (business users and end users). This impact must be happening for a while and be likely to continue in the near future. For instance, we can think of Amazon as a gatekeeper: it is a platform which gathers a lot of sellers and is used by a lot of buyers, thus affecting the European market. This has been the case for a while, and nothing seems to suggest that this will change in the next few years. Because of their scale, gatekeepers bear more responsibilities than other firms. The Commission went even further by not limiting itself to the existing gatekeepers. The DMA is also introducing the possibility of an ex-ante regulation: even if a firm does not correspond to the criterion of a gatekeeper, it could be targeted by the same asymmetric rules if the Commission considers it is likely to become a gatekeeper in the future.

Another strength of this proposal is that it considers the Commission as the regulatory body to enforce these rules. This way, the control will not be split across the member states, thus ensuring a greater homogeneity. It will remove the problem of difference in incentives of member states, and guarantee a more powerful enforcement.

Overall, these proposals try to identify all the current problems in digital markets regulation and propose innovative ways to solve them. For instance, they propose that platforms should have an obligation to offer an alternative service when a user disagrees with its privacy policy. Indeed, nowadays, when disagreeing with such a policy, it is simply not possible to access the platform’s services (rendering user choice almost paradoxical). With these proposals it would be possible to refuse a privacy policy and still access a platform’s alternative service, providing the consumer with a real choice.

These proposals still need to be discussed by the Parliament and the Council, and it is likely that their effective enforcement happens within a few years. However, it shows a strong will of the European Commission to be a precursor on these issues. As we saw the GDPR inspired some other regulations across the globe, it is likely that this “Brussels effect” will also spread with these proposals.
An article published by the New York Times 4 years ago showed how Uber used psychological manipulations to influence drivers’ behaviour. To incentivize drivers to work longer hours, Uber takes advantage of people’s obsession with “goal pursuit” by letting them know how close they are to hitting their earning goal when they try to log out of the application. Further allegations levelled at the multimillion ride-share company include the practice of alerting drivers about the potential money they would lose by not working on a busy day rather than notifying them about potential gains of working in such a day. In this instance the company exploited what is known as loss aversion, a cognitive bias that explains why individuals focus more on losses than gains, and prefer avoiding losses to acquiring equivalent gains.

Uber also employed a method used by game designers and social media app developers to keep users hooked. For example, Netflix automatically loads the next episode in a series, Tinder encourages users to keep swiping in a quest for a better option, and let us not forget Twitter’s and Instagram’s endless feeds. Uber has a feature known as “Back-to-back trips” that sends drivers new ride requests while they are still busy with their current trip. This approach is conducive to an addictive experience. It seems trivial on a surface level, since working longer hours can be considered a win-win for both the drivers and the ride-hailing company. However, the difference turns out to be enormous. Uber benefits more by having more drivers on the road whereas drivers are better off when there are more riders in a given area than available drivers - surge pricing situation.

“This approach is conducive to an addictive experience.”

The not-so rational
Over the years, social scientists have intensively studied topics on motivation, addiction, and different kinds of cognitive biases. With the emergence of behavioural economics, the days of the homo eco-
The advantage firms have over consumers is that they constantly interact with the market and therefore have more opportunities to understand its vulnerabilities. Consumers on the other hand often have less opportunities to understand the environment, which explains why they have limited experience in relevant markets. This edge gives firms ways to meet consumers at their weakest state: overwhelmed by time constraints, partial information, and inattention. Moreover, when companies compete in the market, they use framing strategies to tap into the inertia bias mentioned earlier. The incumbent firm may use a product campaign or price promotion campaign to ensure that the alternative product appears as similar as possible and make it less relevant. A consumer with inertia bias will find it difficult to compare different products presented to her and will therefore stick to the default. On the other hand, to ease off competitive pressures, firms can create an artificial product differentiation to give consumers an impression of a differentiated product. This is referred to as “Spurious” Product Differentiation since it does not increase consumer welfare and stems from the fact that consumers can misperceive the value of the products presented to them.

“Firms can exploit information they have about consumers to influence their behaviour and maximize profits.”

There are many examples and studies that highlight how firms respond to consumers’ bounded rationality to their advantage. Gym companies for instance exploit overconfidence of consumers about future self-control and the power of inertia (a tendency to stick with the current situation). This explains the extent of consumers’ overestimation of attendance and the delay of automatic-renewal contracts cancellation despite low attendance. Similarly, loss aversion may cause consumers to prefer flat-rate contracts even though they would pay less if they chose a pay-per-use contract. This situation arises when consumers overestimate or are highly uncertain about their future consumption. Firms with low marginal cost have an incentive to offer flat pricing because it can mitigate the effect of consumers overconsumption.

“This edge gives firms ways to meet consumers at their weakest state.”

Conclusions
Is there a limit up to which companies can exploit consumers’ bounded rationality? How relevant are regulations in a context where firms operate in a gray area of legality? We notice in some cases, consumers naively approve or are not bothered by these behavioural practices (e.g., addicted social media users or Uber drivers trying to maximize earnings). One could agree that the mandate of relevant authorities’ interventions should be to protect the consumer and improve overall social welfare. For instance, by increasing transparency on prices and customers’ expected cost for each product’s option; by alerting subscribers about their usage to avoid unexpected charges. Yet the big part of the responsibility lies with firms themselves. They need to draw a line between the do’s and don’ts of the behavioural science apparatus and use it to nudge consumers into making better decisions. Generally speaking, no tool is inherently good or bad, it is good when harnessed for good and it is bad when it falls in the hands of the bad guys.

References
«Companies that once were scrappy, underdog startups that challenged the status quo have become the kinds of monopolies we last saw in the era of oil barons and railroad tycoons.»1 Cet extrait du rapport du sous-comité antitrust de la chambre des représentants est révélateur d’une préoccupation grandissante aux États-Unis : celle de la monopolisation de l’économie américaine.

Plusieurs voix s’accordent à dire que depuis le milieu des années 80, l’économie américaine s’est fortement concentrée, notamment en ce qui concerne ceux qu’on appelle désormais les géants du numérique, GAFAM ou Tech Titans. Les preuves ne manquent pas : des profits augmentant fortement et de manière persistante, des ratios prix/coûts toujours plus importants, une part du travail dans le PIB américain qui a significativement décru depuis les années 80... Autant de choses, par ailleurs, que l’on n’observe pas dans l’Union Européenne.

S’il s’agit une chose propre à l’économie américaine, la puissance acquise par ces firmes impacte en vérité la plupart des économies mondialisées. Tant et si bien que Carl Shapiro parle d’une véritable course à la régulation entre la France, l’Allemagne, l’Australie, les États-Unis ou encore la Commission européenne. Mais pour pouvoir réfléchir clairement à la forme de régulation qu’il serait bienvenue d’adopter, il nous faut d’abord comprendre le processus qui a mené à cette « monopolisation ».

Les causes de cette concentration restent débattues, certains mettant plus en avant les mutations technologiques et d’autres les changements dans l’application du contrôle des fusions et de l’antitrust (au sens plus spécifique des ententes et pratiques anticoncurrentielles) comme responsables de ce processus. C’est cette dernière piste que soutient Carl Shapiro.

Evolution de l’application du contrôle des fusions
Il explique d’abord une différence fonda-
mentale entre le droit des EUA et le droit européen qui explique que cette monopo-
isation concerne directement l'économie américaine. Pour bloquer une fusion, les
organes de contrôle américains en matière de concurrence que sont le Department Of
Justice (DOJ) ou la Federal Trade Com-
mmission (FTC) doivent convaincre un
juge fédéral, via une enquête ex-ante, que
l'opération est anticoncurrentielle. Dans
l'UE la Commission Européenne (qui est
sur les questions de concurrence l'équiv-
alent européen du DOJ et de la FTC) n'a
pas à convaincre le juge au préalable pour
autoriser ou bloquer une fusion. Le juge
intervient seulement après sa décision, si
celle-ci est contestée.

“[..] une différence fondamentale
entre le droit des EUA et le droit européen qui ex-
plique que cette monopola-
sion concerne directe-
ment l'économie américaine.”

Cette différence a rendu plus compliqué
pour le DOJ et la FTC de prouver les effets
anticoncurrentiels de certaines fusions.
Pour comprendre pourquoi, il faut se pen-
cher sur les évolutions de ce contrôle.
Il y a 50 ans le contrôle des fusions aux
Etats-Unis était très strict, beaucoup
d'importance était accordée aux parts
de marchés des firmes. Il existait une
présomption structurelle d'incompati-
bilité de la fusion, basée sur le niveau de
concentration du marché. Le niveau de
concentration atteint dans le marché en
cas d'autorisation de la fusion était estimé.
En dessous d'un certain seuil de concen-
tration la preuve de la nature anticoncur-
rentielle de la fusion était à la charge
de ceux qui l'alléguait, c'est-à-dire le DOJ
ou la FTC. Dépassé ce seuil, il y avait une
inversion de la charge de la preuve, la fu-
sion était présumée anticoncurrentielle et
clétait aux firmes d'apporter la preuve du
contraire.

Mais depuis 1968 le niveau de concen-
tration nécessaire pour déclencher cette
présomption structurelle a augmenté. De
plus, l'analyse des fusions a accordé de
moins en moins d'importance aux parts
de marchés et mis plus de poids sur l'ap-
port de preuves concrètes pour prédire les
potentiels effets anti-concurrentiels de la
fusion. Même s'il n'y a pas eu de nouvel-
le loi, les cours inférieures, les avocats, les
économistes, le DOJ et la FTC ont changé
d'approche. Notamment, le DOJ a révisé
plusieurs fois entre 1982 et 2010 ses lignes
de conduite pour aller dans ce sens. Il y a
donc bien eu, semble-t-il, un changement
de politique publique.

Cela s'est fait pour le mieux, il s'agissait de
mieux différencier les fusions anticoncur-
rentielles des pro-concurrentielles grâce
da analyse économique plus poussée
(prise en compte de l'effet unilatéral, de
l'innovation sur la concurrence, etc.). Ce-
tte approche plus minutieuse et technique
a des avantages, mais elle a aussi le défaut
d'être plus difficile à défendre devant un
juge, ce qui est problématique pour les fu-
sions qui ne dépassent pas le seuil de con-
centration nécessaire pour être présumées
anticoncurrentielles.

Le DOJ et le FTC continuaient donc de se
servir des parts de marché (mais la force
probante de ces dernières était diminuée)
et de la présomption structurelle (mais
celc-ci était plus restreinte). Il était plus
difficile pour ces autorités de prévaloir
devant les Cours, elles étaient donc plus
prudentes dans le choix des fusions aux-
quelles elles s'opposaient. Les entreprises,
comprenant cela, ont ajusté le nombre de
fusions proposées à la hausse.

Aujourd'hui, une fusion entre des firmes
établies et puissantes serait certainement très
anticoncurrenti-
elle.”

Ici la question de comment ces entreprises
ont acquis leur pouvoir de marché n'est
pas importante. Même si une firme a ac-
quis sa position en respectant les règles de
la concurrence, son pouvoir de marché
peut être problématique s'il est trop im-
portant. De la même manière que l'on
cherche à éviter une trop grande concen-
tration du pouvoir politique par principe
donc indépendamment de l'utilisation
qui en est faite), on cherche également à
eviter la concentration du pouvoir
économique par principe. Il s'agit d'un des
fondements politiques, voire idéologiques,
du droit de la concurrence.

C'est pourquoi Shapiro pense qu'un con-
trôle accru des fusions est de mise étant
donné le niveau de concentration actuel.

Il propose pour cela plusieurs pistes
comme renforcer la présomption struc-
turelle dans certains marchés bien définis,
diminuer le niveau de preuves nécessaire
au DOJ pour prévaloir dans un procès,
obliger à ce que les remèdes proposés dans
des cas de fusions préservent une struc-
ture concurrentielle et accorder moins de
poids aux remèdes comportementaux.

De tels changements de pratiques seraient sûrement longs à advenir et il n’est pas dit que le système judiciaire actuel veuille de tels changements (puisque les évolutions successives sont le résultat de changements de la pratique). Une intervention du Congrès serait donc peut-être nécessaire.

**Evolution de l’application des règles d’antitrust**

Les règles d’antitrust concernent plus spécifiquement les ententes et pratiques anticoncurrentielles. Pour comprendre la monopolisation de l’économie américaine, après avoir expliqué les changements dans le contrôle des fusions, il faut également s’intéresser à l’évolution de ces règles d’antitrust. Elles sont principalement contenues dans le Sherman Act. Leur essence est d’inciter les entreprises à se faire concurrence et à innover. Elles n’interdisent pas, en soi, le fait d’obtenir une position de monopole, mais plutôt l’acquisition ou le maintien d’une telle position par des moyens “déraisonnables”, c’est-à-dire qui dépassent la concurrence et à innover. Elles n’interdisent pas en soi, le fait d’obtenir une position de monopole, mais plutôt l’acquisition ou le maintien d’une telle position par des moyens “déraisonnables”, c’est-à-dire qui dépassent le simple fait d’avoir un meilleur produit, un management plus efficace, etc. La question est donc de savoir si les Tech Titans ont eu recours à des pratiques qui dépassent la concurrence par le mérite pour augmenter leur pouvoir de marché ou pour étendre leur pouvoir à des marchés connexes.

Il est tout de même possible de passer en revu des pistes de comportements condamnables du point de vue de l’antitrust et que l’on pourrait potentiellement reprocher aux Tech Titans.

Il faut donc avoir conscience que si les règles d’antitrust font l’objet de ces mêmes règles, à savoir le maintien d’une concurrence saine et ne peuvent pas aller plus loin que ce qui constitue une plateforme et ce qui constitue les services proposés sur cette dernière risque de prendre de l’importance dans le futur. En témoignent les dossiers Amazon et Apple c/ Spotify en cours devant la Commission Européenne.

Même si le maintien d’une telle position par des moyens “déraisonnables” est d’inciter les entreprises à se faire concurrence et à innover. Il faut également s’intéresser à l’évolution de ces règles d’antitrust.

Il faut donc avoir conscience que si les règles d’antitrust (fusion et antitrust) peuvent et doivent permettre de limiter le pouvoir de ces entreprises, elles ne peuvent pas aller plus loin que ce qui constitue les poursuites équivalentes à celles en vigueur dans les pays membres de l’Union Européenne.

Il faut donc avoir conscience que si les règles d’antitrust (fusion et antitrust) peuvent et doivent permettre de limiter le pouvoir de ces entreprises, elles ne peuvent pas aller plus loin que ce qui constitue les services proposés sur cette dernière risque de prendre de l’importance dans le futur. En témoignent les dossiers Amazon et Apple c/ Spotify en cours devant la Commission Européenne.

Un autre problème qui se pose à l’entreprise est de savoir si elle peut alléger un tel dossier en utilisant un autre type de prélèvement. Cela impliquerait un certain niveau de preuve et de démonstration de la concurrence saine et la protection du bien-être social. Mais le droit de la concurrence américaine ne peut pas à lui seul régler tous les problèmes économiques et sociaux, voire politiques, que posent ces entreprises. Pour cela, des régulations spécifiques à certains secteurs (les données personnelles, la liberté d’expression, etc.) sont certainement nécessaires.

Shapiro explique comment la portée du Sherman Act a été petit à petit réduite avec le temps. La partie concernant les monopolies étant assez vague, elle est ouverte à interprétation jurisprudentielle. Pendant longtemps la Cour Suprême en a eu une interprétation large, mais, depuis les années 60, certaines pratiques qui étaient illégalles “per se” ont été soumises à la règle de raison et dans de nombreux cas la charge de la preuve dans les affai-
1. What is your position today?
I’m a data analyst in Deezer. The main distinction between an analyst and a data scientist is that the latter use Machine Learning, so while a typical TSE student may be more attracted to the more technical (and better paying!) data scientist role, I enjoy the more business/product orientated focus on data analytics.

2. Which skills, acquired from studying at the TSE, have you found useful?
Starting TSE without a technical background meant a tough—sometimes painful two years, and leaving TSE I wasn’t convinced I had deeply absorbed the econometrics and statistics that are so heavily drilled into us. Looking back, it’s pretty clear I hadn’t retained much of the detail, but (thankfully) nobody in business is interested in your ability to do statistical proofs. On the other hand, I have found that having a rigorous and solid foundation which I can build on is something that is valued: Away from the constant pressure of exams, the (right) professional world can afford a little more time to sit back and think. I have used this time to entirely re-build Deezer’s AB Testing framework (AB Testing is what the tech world calls an RCT). While AB Testing involves some of the more basic stats you’ll learn, explaining to colleagues who may not have used mathematics since their early school days what a P-Value is demands a deep understanding of these statistical concepts. To make these explanations as robust and convincing as possible, I found it necessary to revisit concepts like The Law of Large Numbers and The Central Limit Theorem – ideas that were always hazy to me as a student. However, in the face of real business questions, these concepts started to coalesce and click together- it felt like TSE had made the dots and I just needed to join them. I have been able to build on the foundation laid at TSE to turn notions that were once vague into high-impact, business-critical knowledge.

My time in TSE also feeds into my more day to day tasks. These days most good quality data roles will not use Excel, instead code is king and having basic fluency in one or several languages (LaTeX doesn’t count) lends credibility to a CV. TSE was a good catalyst for me in learning to code and while skills like data cleaning are all too often missing in an academic environment, having solid knowledge of R and (especially) Python are powerful signals that you have the right training and mindset to succeed in a data role.

Internship report

Julie Klein, Compass Lexecon

1. What was your role during your internship?
I had the same responsibility and assignment than a junior analyst: at first, I had an online training to raise awareness on harassment, sexism in the workplace, and cyber-security. Then, I helped senior economists of the Paris office, writing notes on merger decisions from the Commission. Finally, I was assigned to a merger/acquisition case.

I had the chance to join a case which had just started. The first step is to get familiar with the case market product and possible segmentations. Indeed, a case may involve several markets and I had to inform myself about non-economics technicalities specific to the market products to be able to understand product
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2. How did your experience at TSE help you on the job?
First, my experience in a student association through Say It Aloud (public speaking association) happened to be very useful because we are used to look for a lot of specific information on a subject in a little amount of time. As for the classes themselves, the main skill I used was the knowledge gained in STATA coding. A paramount soft skill was the ability to work in a team. I was consistently working with other colleagues and I learned a lot from them. They took the time to explain to me the expectations and the dynamics of the group. I would say that what I learn at TSE is ready to use knowledge that I end up applying on STATA.

3. How did you get the internship? Do you have any advice for students looking for a job in a similar field?
I found my internship during the BND. I sent my CV even though the offer was intended for M2 students. They were not very receptive at first, but I highlighted the fact that I was doing a gap year, which helped to convince them since they prefer to offer long-term internships (around 6 months). Another advantage of doing a gap-year is that you can apply for a fall internship. Therefore, you're not in competition with M2 students looking for their final year internship. In my opinion, one important thing when you search for your internship is to consider carefully with whom you’ll be working: a good team is the key.
And if you want to do it, just go for it, apply everywhere: motivation is contagious!
M2 Choice

ECL-Economics and Competition Law

Current student: Damien Granat

1. Which aspects of your chosen program were the most challenging?

The ECL program is the continuation of the M1 and License in Economics and Law. Although it is possible to come from a different background, most of the M2 students in Economics and Law started from L1. I am saying this because I consider that the most challenging part of the program is rather the M1 and the whole double cursus leading to it. You will need to get a good understanding of both Legal and Economic reasoning, which means doing some econometrics and understanding the economic models, while also not being afraid of writing a dissertation on European case law. Quite frankly, the M2 wasn’t the most challenging part of the Eco-Droit curriculum, but by far the most intellectually stimulating. It is really the year where you will understand how the double formation in Law and Economics can efficiently be put to use. Most of the courses rely on this double capacity of having an economic theoretical reasoning while understanding the legal methodology behind a court decision.

2. Which was your favourite course(s) and why?

My favorite class in M2 is Topics and Cases in competition policy. Many of the other classes are quite interesting as well, but this one really takes advantage of the double formation in Economics and Law, requiring you to understand the economic reasoning behind some rationale and to be able to understand official guidelines and read decisions of the Commission. You study the main elements of competition policy not only through theoretical models but through the study of real-life cases before the Commission.

3. What do you plan to do next?

In the short-run I am going to do an internship at the Directorate General for competition, and then probably apply for a job in economic consulting. In the longer-run I am still considering many possibilities. Working for a regulatory authority could be interesting for example.

EEE-Econometrics and Empirical Economics

Current student: Vincent Mermet-Bijon

1. Which aspects of your chosen program were the most challenging?

The beginning of each semester was relatively calm. However as far as the semester progressed, the different projects piled up and the end of the semester was a bit intense. It was even more pronounced this year, we had to manage the different group projects without being able to see each other in person. Personally, the part of the program that I found to be the most challenging was to go further into the statistical analysis, whether empirical or theoretical.

2. Which was your favourite course(s) and why?

This year, I was pleased by the majority of what courses I took, but Empirical Industrial Organization was the most interesting for me. The course was split into two parts: the first part was a deep analysis into demand estimation and the second half was about other main components of this field, going from auction to entry. Empirical IO is a rather young field and there are not a lot of textbooks on this particular topic. That is why this course is perfect for giving you the basic principles and understanding the main ideas of this enthralling subject.

3. What do you plan to do next?

I do not have a precise idea of what I intend to do next after my internship at the end of the year. I am still hesitant because a lot of opportunities are in front of me and I am not quite sure yet of which one I will take.
On Campus

EMO-Economics of Markets and Organisations

Alumni: Matthieu Lapeyre

1. What are you up to now?

I graduated in 2015 from TSE with a Masters degree in Industrial Organisation and Regulation. I am currently working as a manager at the Economic Advisory practice of Deloitte France. Deloitte Economic Advisory belongs to Deloitte's Global Economics Network, a network of hundreds of economists with activities across all continents. Our team, based in Paris but also in Toulouse, is made up of about forty economists with wide-ranging profiles (microeconomists, data scientists, engineers...). Three of my colleagues are currently pursuing their PhDs, financed entirely by Deloitte. It is important to mention that we have nine former TSE students in the team, and hope to welcome more!

As an economist at Deloitte, I advise clients on complex economic and data issues. I specialize in competition economics, litigation, and damages quantification, with a strong focus on data analysis and quantitative methods.

In the antitrust area, I had the chance to provide economic expertise applied to antitrust and competition law proceedings before the European Commission and the French competition authority (mergers and acquisitions, abuse of dominance, and cartels). I also provide damage assessment in commercial and contractual litigations before French courts.

At the Economic Advisory practice of Deloitte France, I am also in charge of recruitment for junior and trainee positions. Please feel free to contact me with any questions regarding my job or opportunities at Deloitte.

2. Which skills, acquired from studying at the TSE, have you found useful?

Beyond the strong knowledge of economic theory and concepts especially on regulation and competition, that is very useful every day at Deloitte, I think my education at TSE provided me with a specific way of thinking. This allows me to gain some perspective and take a step back on the requests of my clients. Indeed, this makes it possible to translate complex real situations into relatively simple economic models.

Furthermore, as an economist working in the private sector, you will generally have to interpret your work to address a non-economist audience as I do.

TSE has a lot to offer, so take the most of it! Read as many scientific papers as you can, learn to code, and keep in touch with each other. This will make it easier for you to secure a great job, especially today because of the economic consequences of Covid-19.

Current student: Daniel Tunda

1. Which aspects of your chosen program were the most challenging?

At the M2 level we no longer rely solely on textbooks for our learning. The focus is more on research articles that we study, discuss and critique. It can be quite daunting, but at the same time it is fascinating to read up on the ideas that have shaped the current body of knowledge.

2. Which was your favourite course(s) and why?

Business Economics: The course covers some of the most important Industrial Organisation models as used in real business situations. What I liked about it is that it is just not about theory, but it combines the empirical and practical aspects of these specific topics. By the end of the course, you get an understanding from the IO theory standpoint, you also get the opportunity to work on a project that requires you to empirically test the models and finally provide recommendations like a consultant would do.

3. What do you plan to do next?

The EMO Masters provides a solid understanding of quantitative analysis of firms and markets behaviour. Coupled with my background in Computer Science, I plan to apply this knowledge in the fields of Data Science, Strategy, and Economic Consulting.
Energy track - Alumni: Rose Mba-Mébiame

1. What are you up to now?

After validating my ERNA Master with an internship at the Jean Jacques Laffont Institute, I integrated the OECD in September 2020. I am working as a consultant in the Environment directorate, more precisely in the Economic and Environmental Integration division. I am currently working on a household survey to evaluate the propensity of people to adopt a “green” behaviour and how people react to “green” policies. Another project I am attached to is on urban sprawl, and how to deal with the environmental externalities caused by an increase in land per capita.

2. Which skills, acquired from studying at the TSE, have you found useful?

I am mostly doing literature review and data analysis, which are tasks I was trained to do at TSE. In the household survey project, we use the discrete choice experiment method, which was in part the topic of a course given by Henrik Andersson in the M2 ERNA (“Valuing the Environment” course). The skills I acquired during my Master at TSE, in particular in econometrics and programming (mostly R), is particularly useful in my everyday work, and I actually have not felt disoriented when I started to work there. Moreover, the M2 ERNA gave me an insight of many environmental topics that I barely knew. My student years provided me with technical knowledge but also taught me how to learn and search for information by myself. For those who may be worried not to have specific enough knowledge to get a job, I think the main quality you should be focused on is your analysis skill and your capacity to learn autonomously, as it is what most employers are searching for. I wish to all TSE students to keep their head up during those hard times and to try to enjoy the upcoming months as much as possible despite the circumstances!

Energy track - Current student: Youri Catherine

1. Which aspects of your chosen program were the most challenging?

The M2 ERNA-EPEE is generally challenging but I think that the various and numerous projects (with the corresponding oral presentations) are the most challenging aspects. We have to work generally in groups on various topics with sometimes short deadlines. However, we always manage to respect them and such projects definitely help us to develop soft and technical skills. We also have to read a lot of academic articles in order to be well-prepared for some courses and to better understand the application of key concepts in real situations.

2. Which was your favourite course(s) and why?

During the first semester, I really enjoyed professor Andersson’s course, Valuing the Environment. The course helps to tackle the big concept of non-market valuation, and I liked the significant number of methods that are covered and the corresponding projects. In particular, one interesting project allowed us to build and analyze a hypothetical environmental scenario using web surveys. I also liked the Topics in Applied Econometrics course taught by professor Seabright who managed to keep us really engaged throughout the whole course. In the second semester, I liked the Topics in Environmental Economics course for its plurality of original and less common subjects such as Behavioral Economics or the Economics of Animal Welfare.

3. What do you plan to do next?

To complete my final year of study I will do a 6 months internship at the CIRAD (Centre de coopération internationale en recherche agronomique pour le développement) about the valuation of agricultural adaptation instruments for climate change in Senegal. I will be in a motivating workplace surrounded by researchers in various fields. Hopefully, I will be able to travel to Senegal, which could be a great experience. Finally, I hope to work later on environmental economics concerns in my home region, Martinique.

Ecology track - Current student: Alexis Costes

1. Which aspects of your chosen program were the most challenging?

The first semester is completely dedicated to ecology. It is very demanding for a student with an economics background. I was brought to work with pure ecologists on complex ecological subjects. The amount of knowledge to catch up on was incredible, very challenging and obviously very enlightening!
On Campus

ETE-Economic Theory and Econometrics

Alumni: Alipio Ferreira

1. What are you up to now?

I am currently writing my thesis in economics at TSE. My research is about law enforcement in the areas of taxation and environmental regulation. More specifically, I research how the lawbreakers react to the threat of being monitored and punished, in contexts as different as tax evasion and deforestation. Next to that, as a PhD student I am also asked to teach tutorials, and I am currently teaching M1 students. In about a year I will be looking for an academic job somewhere in the world, and shortly after that defend my PhD.

2. Which skills, acquired from studying at the TSE, have you found useful?

To join the PhD program at TSE, students are required to go through M2 ETE. The program gives you a strong quantitative training in econometrics, macroeconomics and microeconomics, plus some field courses according to your taste. The goal is really to expose students to a high level of formalization and rigor in economic arguments, by which I mean that there is a lot of math. In my case, I did not do the M1 at TSE (I was working at a consultancy just before), so the M2 was my first contact with Toulouse. This means that I was unaware of the reputation of ETE among M1 students. In general, it seems that M1 students think of ETE as an overly competitive and unfriendly program. That is unfair in my experience, because I always worked closely with my colleagues, who became friends in this long journey towards the doctoral degree. We even had a social life during ETE! However, if you think ETE is hard, that is probably about right. It is quite frustrating not to be able to do most problem sets or have terrible grades at the exams. You eventually get used to it. The most important thing is to have a genuine taste for research, because after ETE, love for research will be the main driver of your work and motivation. If research is your thing, ETE is your M2.

Current student: Moongyeom Kim

1. Which aspects of your chosen program were the most challenging?

Compared to the M1 here at TSE, the courses in the M2 ETE require a more rigorous, technical understanding of the concepts, which I found quite challenging to familiarize myself with. Also, the first semester is very theoretical, so an empirically-oriented person like myself might find it hard to find fun out of the studies. But in the end, you need to be able to understand the theory to be able to apply it (at least that’s the motivation I found for myself and it is to each one’s own to find own motivation and reasons), and it becomes fun when you have that ‘ah!’ moment of understanding your nightmare.

2. Which was your favourite course(s) and why?

I liked Microeconomics and Game Theory in the first semester. I guess the reason is that both very quickly became my nightmares, even though Game Theory was my favourite subject since my undergraduate, but I found my way of understanding the concepts in the end. The process can be painful but when you understand it, you get to like it. In the second semester, I am still going through the stage of pains so I cannot tell.

3. What do you plan to do next?

I will continue to pursue my PhD studies here at TSE especially in the field of Environmental Economics, if I successfully move on to DEEQA, the second year of the PhD programme. I look forward to future studies.

2. Which was your favourite course(s) and why?

I have to admit that for once, I enjoyed following many different courses. I was more open to receive the information having understood in which manner these skills will be important. I was very impressed by the quality of the course “Structures and Dynamics of Ecological Systems.” In less than 15 hours, this course gave us a solid understanding of the impacts of global changes (climate change, habitat loss) on ecosystems and how deeply they compromise sustainability, all of this with a glimmer of hope for addressing restoration programs. Not to mention that the teachers were very passionate and extremely humble.

3. What do you plan to do next?

Now that I can no longer lie to myself pretending not to have an idea of the disaster to come; apart from continuing to try to reduce my carbon footprint and my negative impact on biodiversity; I’m not sure. I have found an internship at CDC Biodiversité, working on a tool helping firms to assess their impact on biodiversity (Global Biodiversity Score). I feel very concerned by the rapid and increasing (at an unprecedented pace) loss of wildlife on earth. I guess I will give all of my person for this cause. I like to believe that I will participate in the change in our perspectives and our ideals; perhaps in an unexpected way.
Current student: Ilies Hachemi

1. Which aspects of your chosen program were the most challenging?

I was in M1 Economics in Master 1. The decision to reorient myself in the last year in the statistics and econometrics path was already something quite challenging. The level in mathematics is much higher than in the other programs, but I got used to it well. I chose to do my last year at TSE as a work-study program. The most challenging thing was, undoubtedly, arriving in a company and finding myself facing the reality of work. However, it has been a real benefit to understand the statistical issues of the insurance market.

2. Which was your favourite course(s) and why?

In M2 eco-stats all the courses are very interesting, we develop our skills in statistics and machine learning thanks to many programming courses and mathematical fundamentals. My favorite course is probably the nonparametric estimation course, because I really liked the theory / practice ratio and this course answered a lot of questions I was asking myself in statistics, but it is very subjective, if you like math and programming all the lessons are likely to please you!

3. What do you plan to do next?

I really want to continue studying, I think I will continue in applied mathematics next year. However, students from the eco-stats master's degree have no difficulty in entering the job market (especially when you choose the apprenticeship).

Current student: Hugo Pélissou

1. Which aspects of your chosen program were the most challenging?

Moving from M1 Economics to M2 Finance is very challenging because you have to acquire all the necessary financial vocabulary very quickly. On top of that, there is a lot of work and projects. So, the M2 is not easy, but you learn a lot of things in both Market and Corporate Finance, but also in Economics, which allows you to apply for a wide range of jobs.

2. Which was your favourite course(s) and why?

It is a tough question. One of my two favorite courses was probably Economics for Finance because we have seen the micro and macro-economic aspects, as well as many aspects related to central banks, which was very interesting in this time of economic crisis. I also really liked the Corporate Finance course because it was based on many case studies and projects.

3. What do you plan to do next?

I was lucky to obtain an internship early on. Finance is a rather dynamic sector with a lot of opportunity. I will join the BPCE group next March as a Private Equity Analyst. And afterwards I plan to enter into the job market in this domain.
1. Which aspects of your chosen program were the most challenging?

The PPD program is intellectually challenging in many ways, but if I had to pick one element it would be the methodology that is implemented. Unlike the undergraduate and M1 courses of TSE, the PPD program focuses on specific themes and topics such as health, education, institutions and trade… These topics are studied through an understanding of existing literature. Classes are less traditional and organised around discussions of academic papers and their empirical strategies. This learning method pushes us to develop critical thinking and makes for very interesting conversations in class.

2. Which was your favourite course(s) and why?

So far, it is difficult for me to pick a favourite course as they often overlap or treat a variety of topics. As someone who is deeply interested in the economic role of political institutions, I particularly enjoyed the “Economic Effects of Institutions” course. In the context of that course, I had the opportunity to investigate questions of political representation and democracy which I find interesting. What stood out for me was also the fact that this course was taught by three professors with different backgrounds (political science, sociology and economics). This allowed me to dive into methodologies and literature which is foreign to most economics’ students at TSE.

3. What do you plan to do next?

I intend to pursue a PhD in Economics and write my thesis on the subject of civil societies and their impact on foreign aid projects in the MENA region. As of now, I have applied to SciencesPo’s PhD program and I am also applying to the DEEQA program of TSE.

Introduction of New Masters

The new academic year from 2021-22 will inaugurate two new masters programs at TSE: the Master in Data Science for Social Sciences (D3S) and the Master in Mathematics and Economic Decision. Both of these programs are designed as two year masters beginning with a dedicated M1 and M2 curriculum. We invite prospective students to visit the TSE website for detailed information on these exciting programs.
After having conducted a survey about the students’ mental health, and after having seen the difficulty of different students during the covid 19 crisis, we chose to focus on TSE students’ socio-economic differences. We know that our social background can have a massive influence on our political opinions, and on our views about economic policies. A great economics school is one that gives its students tools to be able to make their own opinions about the different socio-economic issues they will face. We wondered if our school was really representative of the society in which we live. In order to pursue “economics for the common good” don’t we need economists from diverse social backgrounds?

**What is the context in France?**

Since the 1990s there has been some progress in the French education system. In 2018, 60 percent of the 20 to 24-year-olds have or had access to higher education, against only 41 percent of the 45 to 49-year-olds. However, we still see a large gap between different socio-economic classes. The children of white-collar and independent professionals are overrepresented in higher education, and also obtain a higher level of education. Thirty-four percent of them have a masters, a PhD or a diploma from a “grande école” against only 11 percent of blue-collar workers’ or employees’ children. Moreover, children from lower-income households drop out of higher education without having obtained their diploma more often than other students1.

These inequalities are already present at the high school level. In France, high school students can choose different tracks according to the courses they want to attend. In 2017, 33.7 percent of the students who chose an economics track were from a “very favoured” social class2.

We wondered if it was the case in TSE, and gathered a few testimonies from students to capture their overall feeling about the socio-economic differences in our school.

**What is the students’ perception of these socio-economic differences?**

One important point is that students felt that, without the monetary help of their parents, or without a scholarship, they would not be in TSE or they would have needed a bank loan. One reason for these answers is the impossibility for students to have a 12 hour part-time job due to the consequent workload at TSE. TSE is obviously not an exception, but this highlights the importance of scholarships (granted when students have a low income) in order to reduce socio-economic inequalities.

To dig further, we asked students if they ever felt discriminated against at TSE because of their socio-economic status. Some said that they did, without elaborating, others said that they never did. It seems to be very subjective and really depends on the individuals.

“You can feel that certain groups that are from « higher » socio-economic backgrounds would usually stay and interact together. I am not saying there is a distinct will to exclude others, but I feel like if you don’t belong to this same socio-economic group, you kind of don’t fit in a bit.”

Several students believe that most of TSE students’ come from a similar economic background (middle/upper-class), but that it reflects the state of higher education. Respondents think that the L1 and L2 are the most representative of the general society we live in (in socio-economic terms), whereas the international
masters are the least representative.

“The more time passes and the more you see a “selection”: people with “lower” background are more likely to quit, and students that come from an “upper” background are less likely to do so.”

**The causes**

We also tried to focus on the causes and solutions to these inequalities. Respondents in general believe that these socio-economic inequalities are present within the whole educational system, and TSE is no exception to this rule. However, most students do believe that TSE has a role to play in addressing these inequalities. Several students think that implementing tuition fees leads to a selection process based on economic situations. It prevents some students from going to an international track because they don't have the means of paying for the tuition fees, even though the standard track is of lower interest to them. Moreover, TSE is also responsible for the scholarship they offer. Even though they already provide scholarships, they are not only based on socio-economic criteria, but also on academic results.

“I think the school is responsible for offering scholarships based more on academic results than on economic situation, hence maybe not helping those who cannot afford tuition fees to join international tracks.”

Another cause is also self-selection: “Individuals with “higher background[s]” are more likely to find an interest in studying economics because they know a bit what it is about and what the potential jobs are.” Education from the parents plays a key role here, and it is the reason why we find that many students with parents working in executive or intellectual professions: they are the most likely to encourage their children to study economics, and also to advise them on the different jobs in the economic sector.

**Towards a solution?**

We asked the respondents if they had any idea about what TSE could do to reduce these inequalities. Some students believe that the state is responsible for economic inequalities, parents are responsible for the dignity and welfare of their child and, therefore, it would not be the role of the school to reduce these inequalities. Nevertheless, the respondents provided a lot of potential solutions to remedy this situation.

A first solution would be to promote the study of economics in high school. This would give students guidance and a clearer view about what the economic studies are in reality, and what job prospects they can expect.

Reducing tuition fees would be another solution. One respondent suggested that, instead of reducing the tuition fees, TSE could make only the foreign students pay for the masters.

A third proposition was to favour more people from lower socio-economic backgrounds when giving scholarships. It would make more sense to give scholarships to the poorest students to provide them with better conditions to study instead of giving “bourses d' excellence” (merit scholarships) to people who are already advantaged by their socioeconomic background. TSE could also be more transparent about the scholarship attribution process.

Some respondents also suggested to stop differentiating between the M1 international and standard tracks. There is indeed a lot of confusion around these tracks that are sometimes covering the same courses. TSE should clearly inform students about the differences between these two tracks and justify the payment of the fees for the French people that are in the international track.

One student suggested “Extend[ing] apprenticeship to all masters so that all students from other masters than EcoStat may have an opportunity to reduce costs, and therefore choose the M2 they really want.”

Finally, a solution that was suggested by many students is to give more choice of French paths in M2. Some students would like to specialize in some field of economics but simply do not have the means to pay the fee for an international M2.

A representative study made by TSE to show us the heterogeneity of social classes in our school would be interesting for us to understand if there is a need for real changes in TSE’s selection processes. We firmly believe that our social class shapes our opinions, and that economists from all socio-economic backgrounds would be an advantage to our society. Economists with different points of view, and different ideas can challenge and encourage each other to do better. Economic policies can greatly benefit from a new innovative spectrum of ideas, from economists from all classes. TSE is proud to educate students from all-over the world, it is also time to educate students from all socio-economic strata!

**References**


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