

Economía Experimental y del Comportamiento: Shocks

Francesco Bogliacino

Negative Economic Shocks (NES)

- Negative Wealth Shocks (NWS)

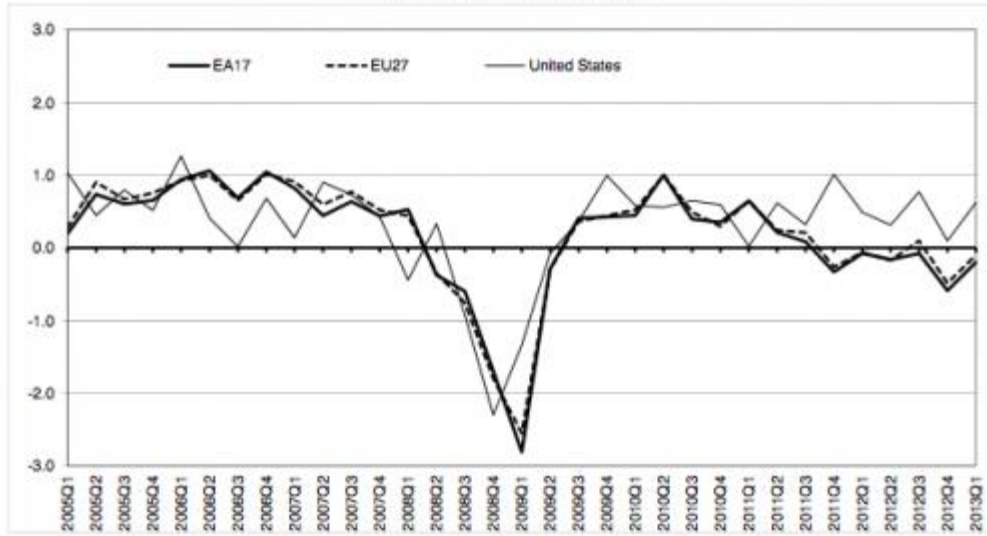


- Negative Income Shocks (NIS)





EU27, euro area and United States GDP growth rates
% change over the previous quarter



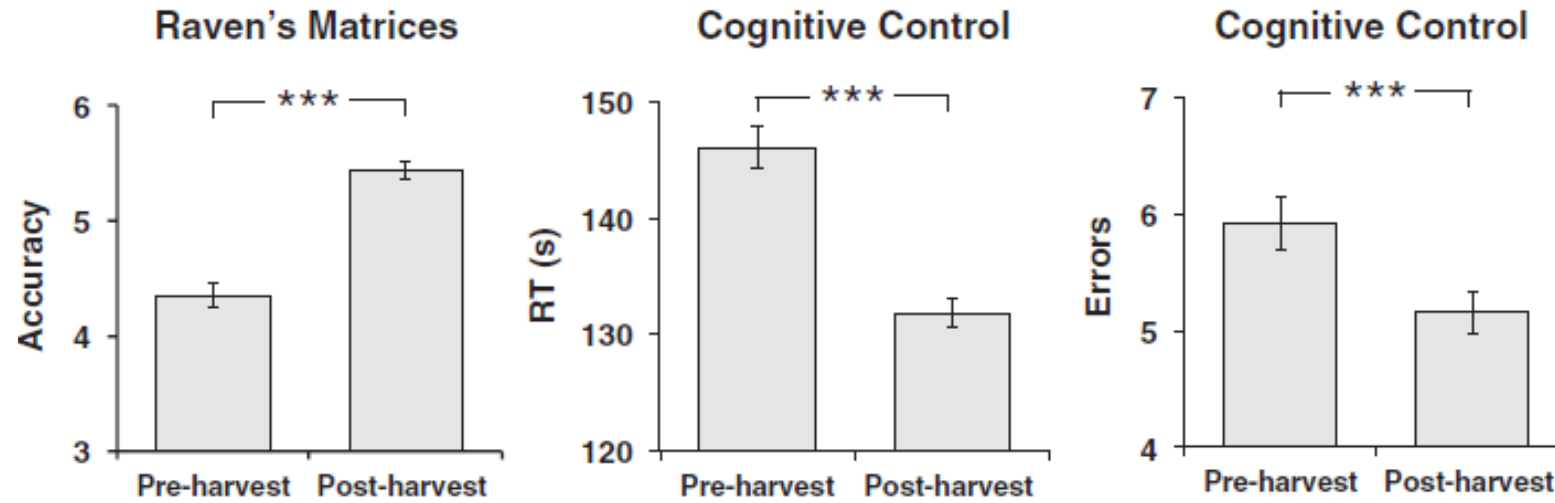
Poverty

- Poverty is associated with many external constraints that affect behavior;
- Poverty is associated with poor quality of decision making
- How do we study the impact of poverty? Using shocks

Poverty and Bandwidth

- Reasoning: an individual's capacity to process information.
- Cognitive control: A family of top-down mental processes needed when one has to concentrate and pay attention, when going on automatic or relying on instinct or intuition would be ill-advised, insufficient, or impossible (Diamond, 2013).
 - 3 components (enabling fluid intelligence):
 - Inhibition
 - working memory
 - cognitive flexibility

Poverty & Cognitive toll



Source: Mani et al. (2014)

Some basic design choices

RET (e.g. Niederle & Vesterlund, 2007)

A sumar!

Tiempo disponible para completar esta página: 0:01

19 + 27 + 52 + 13 + 43 =

- To achieve better control, we use administered choices
- Alternative RET is the transcription task (for online activity)
- Shocks:
 - Asset
 - Income
 - 50% or 80%

Do negative economic shocks affect cognitive function, adherence to social norms and loss aversion?

Francesco Bogliacino & Felipe Montealegre

Journal of the Economic Science Association (2020)

R 1

A sumar!

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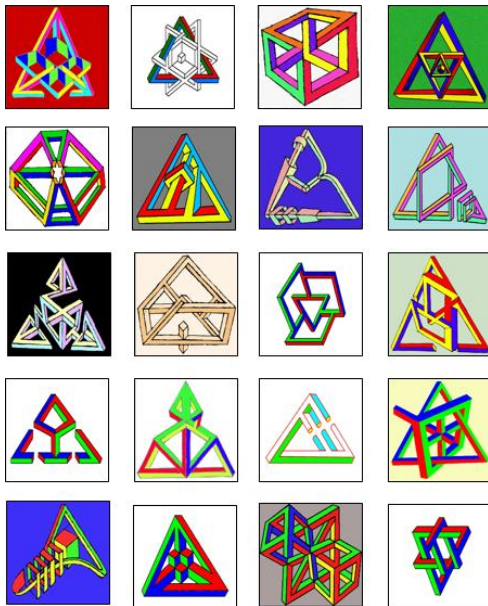
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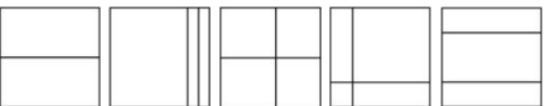
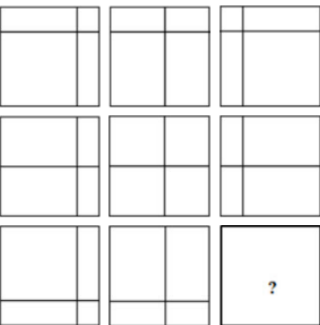
A sumar!

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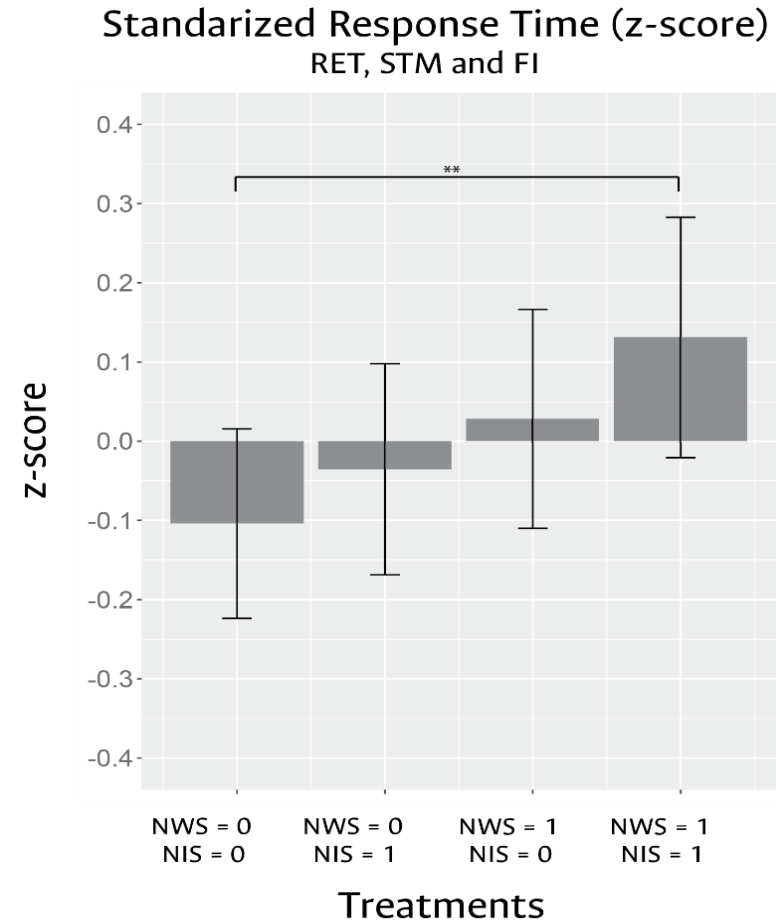
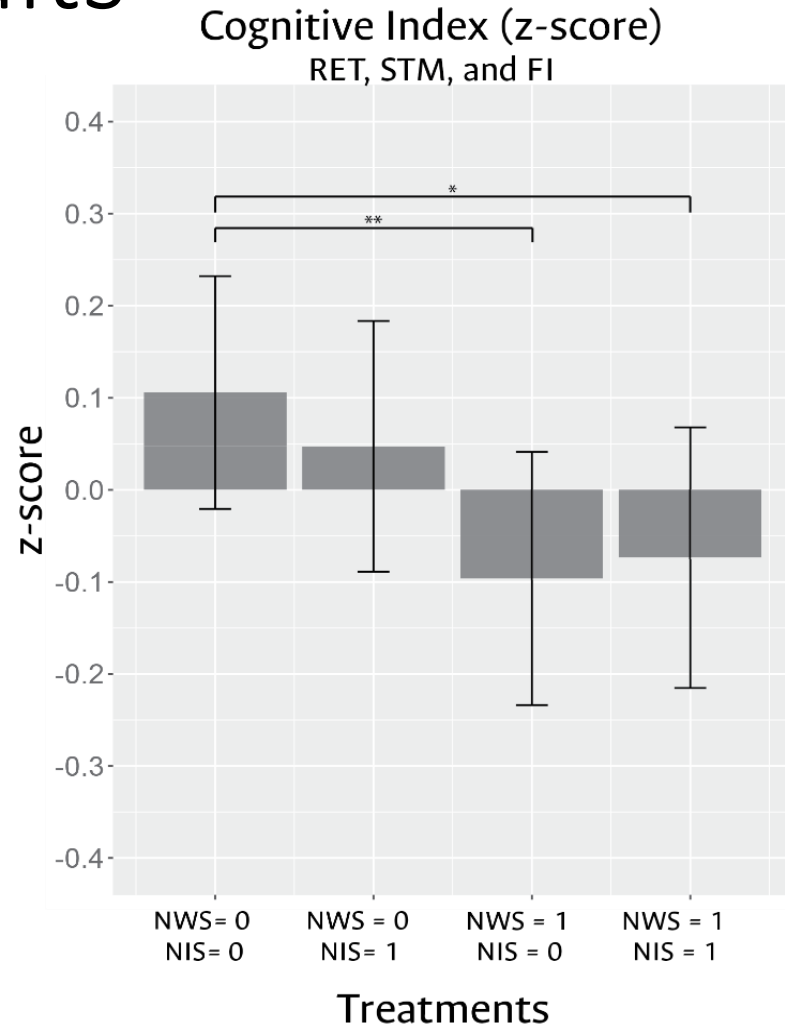
$19 + 27 + 52 + 13 + 43 =$



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Results





Centro de Investigaciones
para el Desarrollo



Negative shocks predict change in cognitive function and preferences: Assessing the negative affect and stress hypothesis in the context of the COVID-19 pandemic and the lockdown mitigation strategy

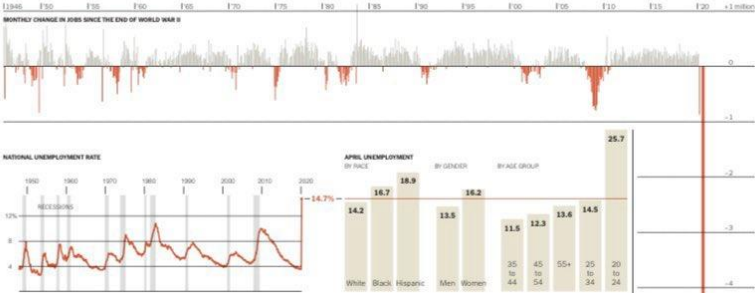
Francesco Bogliacino, Cristiano Codagnone, Felipe Montealegre, Frans Folkvord, Camilo Gómez, Rafael Charris, Giovanni Liva, Francisco Lupiáñez-Villanueva, Giuseppe A. Veltri

ASSA Meeting– Panel on Panel on Preferences, Norms, and Behavioral Change in the Coronavirus Pandemic

January 5th , 2021



U.S. UNEMPLOYMENT IS WORST SINCE DEPRESSION



Georgia Killing Puts Spotlight on a Police Force's Troubled History

This article is by Rick Bragg, Richard Pessner and Serge E. Kowalski. BRUNSWICK, Ga. — When the Glynn County Police Department arrived at the scene of a fatal shooting in February in south-eastern Georgia, officers encountered a former colleague with the victim's blood on his hands. They took down his version of events and let him and his adult son, who had fired the shots, go home. Later that day, Wanda Cooper, the mother of the 25-year-old son, Ahmad Arbery, received a call from a police investigator. She recounted later that the investiga-

April's Rate of 14.7% Touches All Parts of Economy

By NELSON D. SCHWARTZ and BEN CASSELLMAN
The American economy plunged deeper into crisis last month, losing 20.5 million jobs as the unemployment rate jumped to 14.7 percent, the worst decline since the Great Depression. The Labor Department's monthly report on Friday provided the clearest picture yet of the breadth and depth of the economic damage — and how widely it spread — as the coronavirus pandemic swept the country. Job losses have encompassed the entire economy, affecting every major industry. Areas like leisure and hospitality had the biggest losses in April, but even health care shed more than a million jobs. Low-wage workers, including many women and members of racial and ethnic minorities, have been hit especially hard.

In Flynn Case, Russia Inquiry Is Barr's Target

By MARK MAZZETTI
WASHINGTON — Shortly after advising a judge to a federal judge in December 2017 for lying to the F.B.I., Michael T. Flynn issued a statement saying what he did was wrong, and "through my lack of God, I am working to set things right." It was the only higher power that Mr. Flynn knew of at the time, according to William P. Barr. Mr. Barr's extraordinary decision to drop the criminal case against Mr. Flynn shocked legal experts, was President Trump's praise and prompted a career prosecutor to quit the case. It was the latest in Mr. Barr's steady effort to undo the results of the investigation by Robert S. Mueller III, the special counsel. Mr. Barr has portrayed his effort as restoring dignity, and the president more bluntly as an exercise in political payback. In his decisions and public comments over the past year, Mr. Barr has been an alternative voice to the one that Mr. Mueller laid out in his voluminous reports. Where the special counsel focused on the Russian espionage effort to interfere in the 2016 election, the Trump campaign's openness to it and the president's determination to impede the inquiry, Mr. Barr has focused instead on the investigators. He has expressed that they were unbalanced by law enforcement and intelligence officials bent on bringing political harm to Mr. Trump.

Continued on Page A20

TRACKING AN OUTBREAK AA-15
A Walk a Day to Get By
We asked readers to share their experiences with the walks they are taking while living under quarantine. PAGE A14

Moscow's Paused Celebration
As it prepared to honor those lost in World War II, Russia decided to protest lives against the current threat. PAGE A16

White House Memo In Flynn Case, Russia Inquiry Is Barr's Target

By PETER BAKER and MICHAEL CROWLEY
WASHINGTON — In his eagerness to reopen the country's President Trump faces the challenge of convincing Americans that it would be safe to go back to the workplace. But the past few days have demonstrated that even his own workplace may not be safe from the coronavirus. Vice President Mike Pence's press secretary tested positive for the virus on Friday, forcing a delay in the departure of Air Force Two while a half-dozen other members of his staff were taken off the plane for further testing. That came only a day after word that one of the president's own military aides had been infected. All of which raised an obvious question: If it is so hard to maintain a healthy environment at 1600 Pennsylvania Avenue, the most famous office address in the world, where staff members are tested regularly, some every day, then how can businesses across the country without anywhere near as much access to the same resources establish a safe space for their workers? "The virus is in the White House, any way you look at it," said Juliette Kayyem, a former assistant secretary of homeland security under President Barack Obama. "Whether it's contained or not, we will know soon enough. But the fact that a place as secured with access to the best means to mitigate harm — is not able to stop the virus has bringing political harm to Mr. Trump."

Continued on Page A10

NATIONAL A12-21
G.O.P. Convention Qualms
The president craves a nationally televised coronation, but North Carolina may not be fully open by August. PAGE A18

Politics and the Justice Dept.
Across the country, rank-and-file prosecutors crowded at the parlor of Michael T. Flynn, another extraordinary intervention by the attorney general. PAGE A20

INTERNATIONAL A16-17
Banker Shakes Up Suriname
Steven Coutinho, railing against government theft, is mounting an accountability. The Saturday Profile. PAGE A16



A Mexico City cemetery. Regional virus deaths are officially low.

As Official Toll Ignores Reality, Mexico's Hospitals Are Overrun

By AZAM AHMED
MEXICO CITY — The Mexican government is not reporting hundreds, possibly thousands, of deaths from the coronavirus in Mexico City, dismissing anxious officials who have called more than three times as many fatalities in the capital than the government publicly acknowledges, according to officials and confidential data reviewed by The New York Times. The estimates have come to a head in recent weeks, with Mexico City alerting the government to the deaths repeatedly, saying it will come close to the public about the true toll of the virus on the nation's largest city and, by extension, the country at large. But that has not happened. Doctors in overwhelmed hospitals in Mexico City say the reality of the epidemic is being hidden from the country. In some hospitals, pa-

Continued on Page A17

SPORTS SATURDAY 80-11
A Good Walk, Unspoiled
Gold courses are open outdoors, providing a respite from the claustrophobia of stay-at-home orders. PAGE B5

Anyone Up to Shoot Hoop?
Hall of the N.B.A.'s 30 teams were cleared to open for practice, but only two did as a league largely remained cautious. PAGE B10

ties lie on the floor, piled up on mattresses. Elderly people are propped up on metal chairs because there are not enough beds, while patients are turned away to search for space in less-prepared hospitals. Many die while searching, several doctors said. "It's like we doctors are living in two different worlds," said Dr. Guadalupe Ariza, who works at Hospital de Especialidades Beltrami Domínguez. "One is inside of the hospital with patients dying all the time. And the other is when we walk out onto the streets and see people walking around, cheerful of what is going on and how bad the situation really is." Mexico City officials have tabulated more than 2,300 deaths from the virus and serious respiratory illnesses that doctors suspect are related to Covid-19. The data is reported in the daily newspaper, "El Sol."

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ARTS C1-6
New York's Return to the Arts
Under the governor's reopening plan, theaters, museums and community art centers update will open well before city reopens. Will visitors come? PAGE C1

A Shot at Stardom, Revised
"American Idol" and "The Voice" usually overstate spectacles, have become test cases for TV under lockdowns. PAGE C1

EDITORIAL OP-ED A26-27
Timothy Egan
PAGE A28

Motivation

- Covid19 and mitigation strategies (health and labor market shocks)
- Negative Economic Shocks (losses of income or assets)
- Do people exposed to shocks show differences in terms of cognitive function and preferences?
- Do negative affect and stress drive the observed difference?

20,500,000 jobs lost in April

Source: Dept. of Labor
U.S. Bureau of Economic Analysis
2020 RELEASE

Outcome variables

- Cognitive function:
 - the capacity of an individual to solve tasks for which relying on intuition and instinct is not a reliable guide
- Patience:
 - is a measure of the willingness to give up something today in exchange for a larger sum tomorrow
- Risk aversion:
 - the willingness to accept certain amounts in exchange for lotteries for which the expected value is larger
- Social preferences:
 - showing other-regarding concerns when it is costly and does not depend upon strategic considerations

What do we know about the behavioral consequences of NES?

- **Shocks and cognitive function:**

- Income shocks, natural variation, negative effect (Mani et al. 2014)
- Wealth shocks, lab, negative effect (Bogliacino and Montealegre, 2020).
- Paycheck variation, No effect (Carvalho et al., 2016);
- Violence related shocks, negative effect (Bogliacino et al. 2017)

- **Shocks and time discounting:**

- Wealth shocks, lab, positive effect (Haushofer et al 2013);
- health shocks, quasi experimental, positive effect (Drecker and Schmitz, 2016);
- Violence related shocks, quasi experimental, positive effect (Voors et al. 2012)
- Natural disaster, sel on observables, positive effect (Cassar et al. 2017)

What do we know about the behavioral consequences of NES?

- **Shocks and risk aversion:**

- Natural disaster, selection on observables, negative effect (Eckel et al 2009) positive effect (Cassar et al 2017);
- Volatility, selection on observables, positive effect (Levin & Vidart 2020);
- Violence related shocks, recall, negative effect (Callen et al. 2014)
- Health shock, sel on observables, positive effect (Drecker and Schmitz, 2016)

- **Shocks and pro-social preferences:**

- Violence related shocks, quasi experimental or recall, positive effect (Cavatorta and Zizzo, 2020; Bogliacino, Gómez and Grimalda, 2020; Bauer et al. 2016);
- Natural disaster, quasi experimental, positive effect (Cassar et al. 2017)
- Quasi experimental, increase in *anti*-social behavior (Bignon et al 2017; Cortés et al 2016; Dix-Carneiro et al. 2018)

What do we know about the behavioral consequences of NES?

- Shocks as cognitive toll because of Stress/Negative affect
- Stress/negative affect increase risk aversion and time discounting:
 - Evidence from electric shocks, fear induction, and hydrocortisone, (Kassas et al, 2020 were not able to replicate using VR)
- Consistent with impact on social preferences?
 - SHH (Rand et al 2012)
 - Negative affect (Bosman and Widen 2012; Joffily et al. 2014, correlational)

Causal Mechanisms

Design: the longitudinal study

**‘Politicised nature’ of lockdown debate delays
Imperial report | Free to read**

A high-contrast, black and white photograph. On the left, a person wearing a horizontally striped shirt stands behind a dark, ornate metal gate. The person's face is hidden behind their hands, which are pressed against the gate. The scene is dramatically lit from the right, creating strong highlights on the person's shirt and the gate's frame, while the rest of the scene is in deep shadow. The background to the left of the gate appears to be a rough, textured wall.

[illegible]

Design: the longitudinal study

- Launched on April 24th, three data points, ending on June 2nd, IT, ES, UK, online panel;
- Specific modules every week;
- Longitudinal measures of mental health, shocks, compliance;
- All Hs were pre-registered

Longitudinal study on behavioral, psychological, socio-economic effects induced by the exposure to CoViD-19, by government measures, and by communication strategies in three countries: Italy, Spain, and United Kingdom

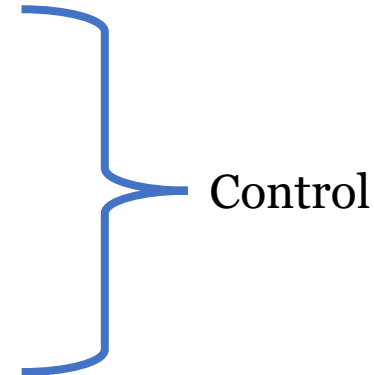
Design

- Random sample from an online panel in the three countries
 - (N=4,890; IT=1,652, ES=1660, UK 1,578).
- Priming:
 - Recall of stressful or fear/anxiety inducing memories.
 - Recall of neutral or joyful memories.
- Outcome variables:
 - Cognitive Reflection Test (Frederick 2005).
 - Preference Survey Module (Risk, Time, and Social Preferences, Falk et al. 2018).
- Shocks:
 - Labor Market Shock.
 - Health Shock.
 - Stressful Events Shock.
 - Mental Health Shock

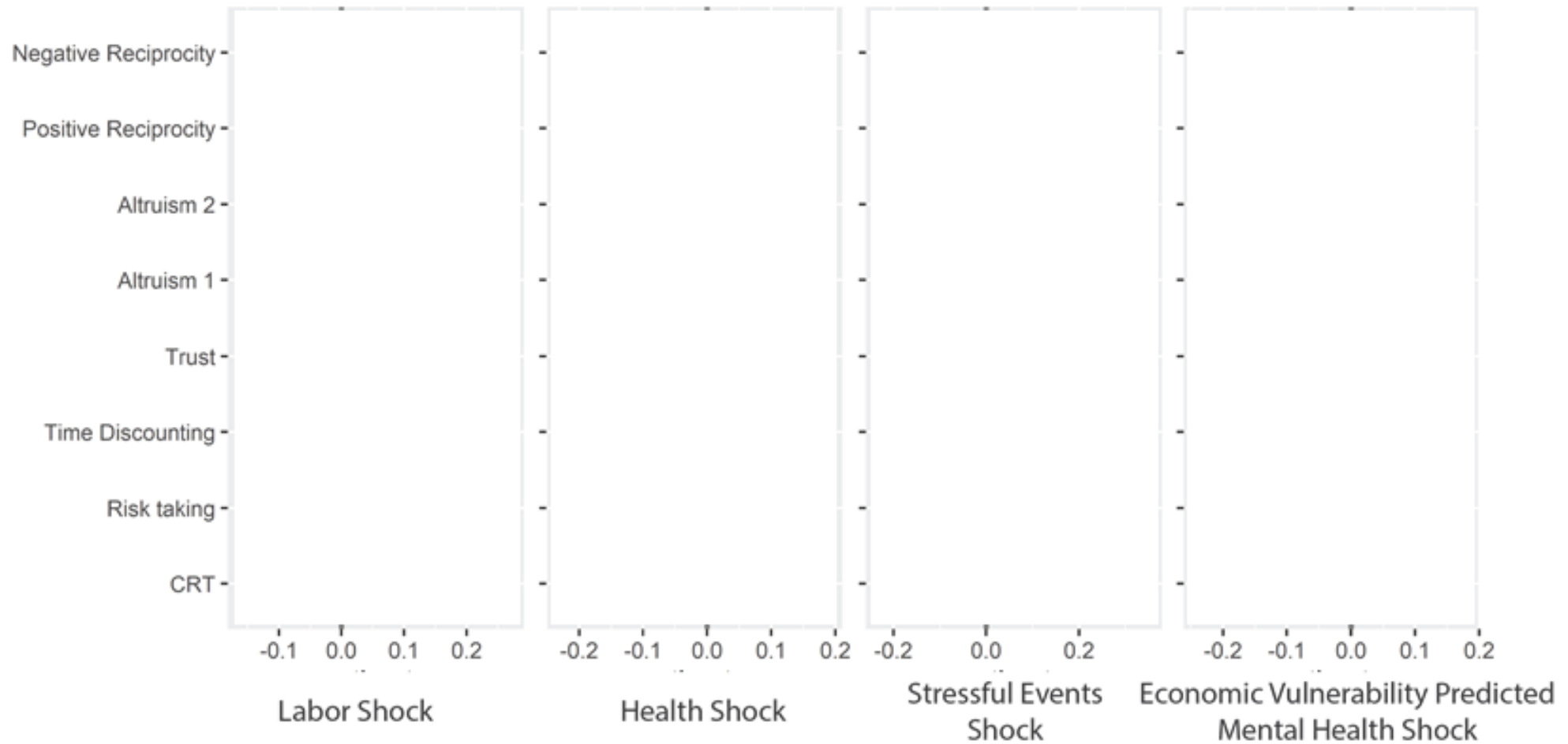
Recall

- Random assignment to one of four conditions:

- Negative emotions recall.
 - Fearful and worrisome events (e.g. Family or friend hospitalized or passed away).
- Stress recall.
 - Stress and worrisome events (e.g. Job loss, economic loss).
- Neutral recall.
 - Recall anything.
- Joy Recall.
 - Happy or Joyous (e.g. Birth of a child, marriage of a relative, professional success).

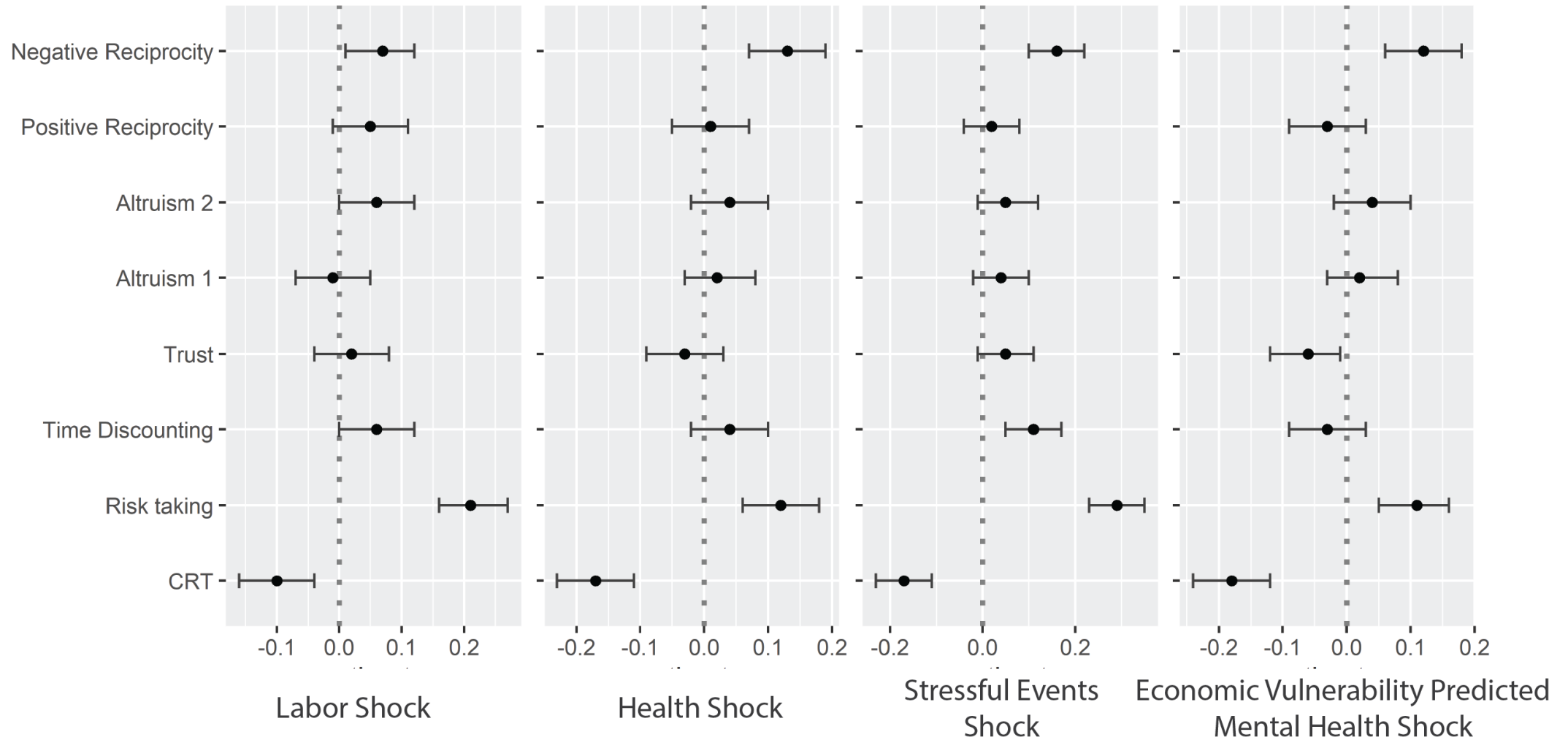


Results



$$Y_i = \beta_0 + \beta_1 D_i^{NES} + \mathbf{X}_i \gamma + \mathbf{D}_i^{Rec} \delta + \varepsilon_i$$

Results



$$Y_i = \beta_0 + \beta_1 D_i^{NES} + \beta_2 D_i^{REC} + \beta_3 D_i^{REC} D_i^{NES} + \mathbf{X}_i \gamma + \varepsilon_i$$

Variable	CRT	Risk Taking	Time Discoun ting	Trust	Altruism 1	Altruism 2	Positive Reciproc ity	Negative Reciproc ity
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Shock (Labor) # Recall								
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Shock (Health) # Recall								
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Shock (Stressful) # Recall								
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Shock (Mental health) # Recall								
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Variable	CRT	Risk Taking	Time Discounting	Trust	Altruism 1	Altruism 2	Positive Reciprocity	Negative Reciprocity
Shock (Labor) # Recall	0.06	-0.15	-0.02	0.03	0.00	-0.03	0.04	-0.16
	(0.06)	(0.15)	(0.11)	(0.14)	(0.01)	(0.14)	(0.1)	(0.13)
Shock (Health) # Recall	-0.06	0.05	-0.21*	0.00	0.00	-0.09	-0.03	0.00
	(0.06)	(0.15)	(0.11)	(0.14)	(0.01)	(0.14)	(0.1)	(0.13)
Shock (Stressful) # Recall	0.04	-0.13	-0.12	-0.09	-0.01	-0.30**	-0.08	-0.23*
	(0.06)	(0.15)	(0.11)	(0.14)	(0.01)	(0.14)	(0.1)	(0.13)
Shock (Mental health) # Recall	-0.09	0.20	-0.11	0.24*	0.00	0.08	-0.08	0.05
	(0.06)	(0.15)	(0.11)	(0.14)	(0.01)	(0.14)	(0.1)	(0.13)