



The Public Defense
of the Doctoral Thesis in Economics
by

Luca Flóra Drucker

titled

Essays on the behavioral economics of inequality

will be held on
Monday, September 26, 2022, at 3.30 p.m.
online via Zoom (registration: szimlerk@ceu.edu)

Central European University
Doctoral School of Economics

Thesis committee:

Andrea Weber (Chair)

Gergely Hajdu (External member)

Mats Köster (Internal member)

Supervisors:

Botond Kőszegi

Dániel Horn

Examiners:

Alexander W. Cappelen, professor at the Department of Economics, Norwegian School of Economics and the Centre for Experimental Research on Fairness, Inequality and Rationality
(External examiner)

Mats Köster, assistant professor at the Department of Economics and Business, Central European University (Internal examiner)

The doctoral thesis is available for inspection
at the CEU Department of Economics and Business.

Abstract

This thesis consists of three chapters on different behavioral aspects of inequality. In the first, single-authored chapter, I run an online experiment to look at whether people compensate for inequalities in difficulty when rewarding performance. In the second chapter, co-authored with Marc Kaufmann, we use two online experiments to study whether people postpone more work to the future when they have excuses. In the third, single-authored chapter I look at how children from different socioeconomic backgrounds adjust their educational aspirations after having to repeat a grade at the end of primary school.

Chapter 1

There is evidence that the average person accepts income inequality that is based on differences in individual achievement. However, a particular achievement is not equally difficult for everyone. I study how information about differences in difficulties affects redistributive decisions. I consider two sources of difficulties: external circumstances and individual ability. Participants have to redistribute the income earned by achievement within pairs with information about the relative difficulty of the task within the pair. I find that participants strongly compensate the member of the pair who had a harder job in producing if the difficulties come from an external source, but fully ignore the relative difficulties when they arise from individual ability. This is true for both when participants redistribute between themselves and another subject and when they redistribute between two other subjects. Nevertheless, when involved, participants choose allocations that benefit them the most: those with externally harder tasks make more selfish, more egalitarian, and more compensating allocation choices, while those with easier tasks are more likely to simply reward performance, even though they learned that performance differences were caused partly by external differences in the difficulty of the task.

Chapter 2

We test whether people behave in a more present-biased way when they can excuse such behavior. We run two experiments, one on the Amazon Mechanical Turk and one with students in Luxembourg, to elicit subjects' willingness to work (WTW) today and at a future date. We elicit this WTW against an alternative that provides no excuses and one that provides an excuse. In the first experiment, while the no-excuse alternative always requires participants to work harder in the future, the excuse alternative adds a 10% chance of future work remaining easy. We find that the WTW today drops by \$0.11 more than the WTW in

two days when we move from the no-excuse to the excuse alternative, as if the excuse alternative is worth more when it allowed postponing hard work to the future. This result cannot be explained by risk and time preferences that do not depend on other alternatives present. In the second experiment, we test the excuse of a chance of not having to do extra work in the future, and another potential excuse: a different type of task in the future. The results do not support that a different task would act as an excuse for postponing work. For the chance of no extra work, we get non-significant results that nevertheless point in the same direction as the MTurk results. We discuss both experiments and describe a planned follow-up study with the goal of replicating our findings with excuses based on risk.

Chapter 3

There is a large body of evidence supporting that family background determines the development of children from early on. Children from higher and lower socioeconomic backgrounds enter the education system with different cognitive and non-cognitive skills. Besides differences in early childhood, a child's socioeconomic status (SES) can also affect how she copes with hardships at later stages in her educational career. Using two large, administrative and survey-based, datasets from Hungary, I look at how children from different socioeconomic backgrounds change their educational aspirations after one specific hardship – grade retention in the 7th grade of primary school. Using the difference-in-differences method I find that children from all socioeconomic backgrounds decrease their aspirations after retention, but the magnitudes are larger for low-SES children. The post-retention SES gap in aspirations is the highest for those children who had high aspirations before retention. However, when looking at subsamples of children by 6th-grade mathematics performance, the effects are heterogeneous. For those children who failed in mathematics at the mid-term of 6th grade – so those who most likely repeated 7th grade due to their low performance at school –, there is no compensatory advantage of high socioeconomic background either in 8th-grade aspirations or in transitioning to a secondary school that gives access to tertiary education. For children who had better grades in mathematics in their 6th year, there is, on the other hand, a compensatory advantage in both outcomes.

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EDUCATION

- Central European University, Budapest** *2016 - 2022 (expected)*
PhD in Economics. Supervisors: Botond Kőszegi, Dániel Horn
- FAIR - Centre for Experimental Research on Fairness, Inequality and Rationality, Bergen** *Mar-May 2021*
Visiting PhD student (online), host: Bertil Tungodden
- Eötvös Loránd University, Budapest** *2013 - 2016*
MA in Economic Analysis
- University of Vienna** *Mar-Jun 2015*
Erasmus scholarship (Economics MA)
- Eötvös Loránd University, Budapest** *2010 - 2013*
BA in Applied Economics

RESEARCH INTERESTS

Behavioral economics, inequality, economic experiments, education and labor economics

RESEARCH IN PROGRESS

Difficult Merits

Excuse-Driven Present Bias, with Marc Kaufmann

Compensatory Advantage and Inequality in Educational Aspirations

PUBLICATIONS

The Labour Market Effects of the Polish Educational Reform of 1999, with Dániel Horn and Maciej Jakubowski. *Journal for Labour Market Research* 56, 13 (September 2022)

RESEARCH EXPERIENCE

- CEU Microdata** *September 2021 - April 2022*
Research Assistant
- Institute of Economics, Hungarian Academy of Sciences** *October 2017 - October 2018*
Junior Research Fellow, Education and Labour Economics Group
- Institute of Economics, Hungarian Academy of Sciences** *October 2015 - June 2016*
Research Assistant, Education and Labour Economics Group

HÉTFA Research Institute
Intern

September 2015 - December 2015

Institute of Economics, Hungarian Academy of Sciences
Research Assistant, Education and Labour Economics Group

December 2014 - September 2015

TRAININGS AND SUMMER SCHOOLS

briq Summer School in Behavioral Economics *8-12 July 2019*
briq, Bonn

CERGE-EI Graduate Teaching Fellowship training *10-16 August 2018*
CERGE-EI, Prague

Behavioural Economics PhD Course with George Loewenstein *20-23 August 2018*
Norwegian School of Economics, Bergen

GRANTS AND AWARDS

Review of Economic Studies Fellowship *July 2020*

RC28 Spring Meeting Conference Travel Award *March 2017*

CONFERENCES AND TALKS

2022: 2022 European ESA Meeting in Bologna; EEA-ESEM 2022 in Milan; Young Economists' Meeting 2022 in Brno; PhD Workshop of the Hungarian Society of Economics in Pécs; Vienna Economics PhD Workshop at CEU

2021: Labour Market Conference in Szirák; SpeCoLab Meeting of the Department of Developmental Psychology and Socialization at the University of Padua; Seminar of the Institute of Economics at CERS Budapest

2020: EEA Virtual Congress 2020

2019: Conference of the Hungarian Society of Economists (MKE) in Budapest

2018: Randomized Controlled Trials in Education Workshop in Milan

2017: Workshop on Education, Skills, and Labor Market Outcomes in Oslo; Research Committee 28 Spring Meeting in Cologne

TEACHING EXPERIENCE

Economics I. seminar (BA level) *2018/19 Spring*
ELTE Institute of Business Economics, Budapest; with CERGE-EI Graduate Teaching Fellowship

TA in Microeconomic Theory I. (MA level) *2018/19 Fall*
Central European University, Budapest

TA in Microeconomics for Economic Policy (MA level) *2018/19 Fall*

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TA in Microeconomic Theory II. (MA level)

2017/18 Spring

Central European University, Budapest

TA in Macroeconomics for Economic Policy (MA level)

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TECHNICAL SKILLS

Data Analysis Stata, Python

Experiments zTree, oTree

LANGUAGE PROFICIENCY

Hungarian (native), English (fluent), French (intermediate), German (limited)