Research Statement
Remy Levin

I am an applied behavioral economist with interests in development economics and microeconomic theory. As a behavioral economist the focus of my work is on improving economic theory and analysis by integrating into them more empirically-driven notions of human decision making. To accomplish this I endeavor to be a bridge-builder, at once deeply rooted in the neoclassical tradition and open to new insights from across and outside the discipline.

My research employs a diverse set of empirical tools in close concert with economic theory, and draws on ideas from anthropology and psychology. I have also striven to maintain this ideal in my personal and professional conduct. As a graduate student I have been an active participant in the theory, development, applied microeconomics, and macroeconomics seminars, and have presented my work in front of every group in my department.

My primary research agenda focuses on exploring how the economic preferences of individuals and groups adapt over time to changes in their environments. My work as a whole involves several consistent themes. One is a focus on using empirical measures of economic preferences, both as subjects and objects of research. This is made possible by the fortuitous confluence of two recent trends: the increasing availability of economic preference data in administrative and survey sources, coupled with breakthroughs in preference measurement technology that have occurred over the last decade. Together, these create an opportunity for answering questions about economic preferences over larger temporal, spatial, and subject-matter scales than had previously been possible. Consequently, another theme of my work is a focus on long-run changes in economic preferences. I am particularly interested in how cumulative experiences over the time scale of individual lifetimes (or longer) shape measured preferences and economic behavior. Finally, much of my work uses measures of variance, either because they capture the relevant dimension of experiences, as in my job market paper, or because they are a useful summary statistic for measuring individual heterogeneity, as in my work on the sources of the temporal strategies of firms.

In my job market paper, Adaptive Risk Preferences (with Daniela Vidart), we study how individual risk attitudes adapt to lifetime experiences of macroeconomic volatility. This question is especially important in developing country contexts where high volatility and low risk-taking are the norm. We provide evidence for a new channel linking these two phenomena: lifetime experiences of macroeconomic volatility directly and persistently change individual risk attitudes, above and beyond their effects on economic constraints. We link two panel data sets from Indonesia and Mexico (n=15,000), containing experimental measures of risk aversion for the same subjects years apart, with sub-national growth statistics capturing their lifetime macroeconomic experiences. Our empirical approach allows us to estimate both the marginal effects of experienced volatility and the relative contribution of early and recent experiences to these effects. We find that individuals who live through periods of increasing volatility themselves become more risk averse. We also find a positive correlation between the recency of the effects of volatility and the age-heterogeneity of its effects in
both samples. These results are hard to square with standard neoclassical and behavioral models. Thus, to better understand the mechanisms underlying our empirical results we build a model of risk aversion adaptation over the life course. In our model a Bayesian agent who is exposed to exogenous background risk containing structural uncertainty learns from realizations of the risk over their lifetime about that uncertainty, which in turn affects their endogenous risky choice. In addition to matching our empirical results, our model predicts that large negative shocks will increase individual risk aversion more than commensurate positive shocks, which we confirm in our data. These findings contribute to the understanding of how risk aversion changes in response to environmental stimuli over the life course, and have concrete implications for the conduct of macroprudential policy.

My job market paper leaves open several important questions regarding the process of risk aversion adaptation. Primary amongst these are the questions of how the observed effects of volatility vary by its temporal frequency, and how multiple sources of risk in the environment interact with each other in shaping risk aversion. I pursue these questions in follow-up work titled **Climate Risk Preference Adaptation** (with Wesley Howden). In this paper we study how lifetime experiences of climate change affect individual propensities to take risks. We link changes in measured risk aversion in our Indonesia sample with subjects’ lifetime experiences of heat. We find that individuals who live through periods of increasing temperature volatility at all frequencies become less risk averse. We also find that increases in the long-run experienced mean of heat reduce measured risk aversion, while increases in the short-run mean do not. In addition, we find suggestive evidence that subjects’ risk aversion responds to positive and negative temperature shocks asymmetrically, with heat shocks decreasing measured risk aversion more than commensurate cold shocks. In future work in this line of research I intend to explore the interactions between risk aversion adaptation and migration; its effects on spousal matching and inter-generational transmission; and the relationship between experience-based and social learning.

I am also very interested in how the preferences of individuals in groups aggregate up to the group’s decision-making. In **The Time Preferences of Utilitarian Firms** (with Alejandro Nakab) we study how the time preferences of firm employees affect whether the firm adopts a long-term, growth based strategy or a short-term profit-driven strategy. Using longitudinal, linked data on the universe of firms and their employees in Brazil, we show that firms with a higher variance of measured time preferences among managers (1) grow less overall, especially in the long term, and (2) extract more profits for managers, in the form of wages, in the short- and medium-terms. These findings are robust to the inclusion of firm and time fixed effects and numerous controls for time-varying firm characteristics. Our results are consistent with a model of the firm as a utilitarian aggregator of its employees’ time preferences, where present-biased behavior of the collective is driven by heterogeneity and bargaining at the individual level.