Letter Grading Government Efficiency  
*Alberto Chong, University of Ottawa, Rafael La Porta, Tuck Business School at Dartmouth College and NBER, Florencio Lopez-de-Silanes, EDHEC Business School and NBER, and Andrei Shleifer, Harvard University and NBER*

We mailed letters to non-existent business addresses in 159 countries (10 per country), and measured whether they come back to the return address in the US and how long it takes. About 60% of the letters were returned, taking over 6 months, on average. The results provide new objective indicators of government efficiency across countries, based on a simple and universal service, and allow us to shed light on its determinants. The evidence suggests that both technology and management quality influence government efficiency, just as they do that of the private sector.

Changes in China's Wage Structure  
*Suqin Ge, Virginia Tech and Dennis Tao Yang, University of Virginia and Shanghai Jiao Tong University*

Using a national sample of Urban Household Surveys, we document several profound changes in China's wage structure during a period of rapid economic growth. Between 1992 and 2007, the average real wage increased by 202 percent, accompanied by a sharp rise in wage inequality. Decomposition analysis reveals 80 percent of this wage growth to be attributable to higher pay for basic labor, rising returns to human capital, and increases in the state-sector wage premium. By employing an aggregate production function framework, we account for the sources of wage growth and wage inequality amid fast economic growth and transition. We find capital accumulation, skill-biased technological change, and rural-urban migration to be the major forces behind the evolving wage structure in urban China.

Vertical Relations Under Credit Constraints  
*Volker Nocke, University of Mannheim and John Thanassoulis, Warwick Business School University of Warwick*

We model the impact credit constraints and market risk have on the vertical relationships between firms in the supply chain. Firms which might face credit constraints in future investments become endogenously risk averse when accumulating pledgable assets. In the short run, the optimal supply contract involves risk sharing, so inducing double marginalization. Credit constraints thus result in higher retail prices, and this is true whether the firm is debt or equity funded. Further, we offer a new theory of supplier finance arms as we show an intrinsic complementarity between supply and lending which reduces financing inefficiencies created by informational asymmetries. The model offers: a theory of countervailing power based on credit constraints; a transmission mechanism linking the cost of borrowing with retail prices; and a motive for outsourcing supply (or distribution) in the face of market risk.

Clustering in N-Player Preemption Games  
*Rossella Argenziano, University of Essex and Philipp Schmidt-Dengler, University of Mannheim*

We study a complete information preemption game in continuous time. A finite number of firms decide when to make an irreversible, observable investment. Upon investment, a firm receives flow profits which decrease in the number of firms that have invested. The cost of investment declines over time exogenously. We characterize the subgame-perfect equilibrium outcome, which is unique up to a permutation of players. When the preemption race among late investors is sufficiently intense, the preemption incentive for earlier investors disappears, and two or more investments occur at the same time. We identify a sufficient condition in terms of model parameters: clustering of investments occurs
if the flow profits from consecutive investments are sufficiently close. This shows how clustering can occur in the absence of coordination failures, informational spillovers or positive payoff externalities.

Skill-biased Technological Change, Unemployment and Brain Drain
Harald Fadinger, University of Vienna and Karin Mayr, University of Vienna

We develop a model of directed technology adoption, frictional unemployment and migration to examine the effects of a change in skill endowments on wages, employment rates and emigration rates of skilled and unskilled workers. We find that, depending on the elasticity of substitution between skilled and unskilled workers and the elasticity of the matching function, an increase in the skill ratio can reduce the relative unemployment rate and the relative emigration rate of skilled workers (brain drain). We provide numerical simulations to support our findings and show that effects are empirically relevant and potentially sizeable.

Immigration, Jobs and Employment Protection: Evidence from Europe before and during the Great Recession
Francesco D’Amuri, Bank of Italy and ISER, University of Essex and Giovanni Peri, University of California, Davis

In this paper we analyze the impact of immigrants on the type and quantity of native jobs. We use data on fifteen Western European countries during the 1996-2010 period. We find that immigrants, by taking manual-routine type of occupations pushed natives towards more "complex" (abstract and communication) jobs. This job upgrade was associated to a 0.7% increase in native wages for a doubling of the immigrants' share. These results are robust to the use of an IV strategy based on past settlement of immigrants across European countries. The job upgrade slowed, but did not come to a halt, during the Great Recession. We also document the labor market flows behind it: the complexity of jobs offered to new native hires was higher relative to the complexity of lost jobs. Finally, we find evidence that such reallocation was larger in countries with more flexible labor laws.

Insulation Impossible: Monetary Policy and Regional Debt Spillovers in a Federation
Russell Cooper, European University Institute, Hubert Kempf, Ecole Normale Supérieure de Cachan and Paris School of Economics, and Dan Peled, University of Haifa

This paper studies the effects of monetary policy in the presence of debt spillovers within a monetary union. When capital markets are integrated, the fiscal policy of any member country will generally influence equilibrium wages and interest rates across the whole union. We ask whether there exists a monetary policy which can offset these spillovers. Within a general class of monetary policy rules, there does not exist one that completely insulates agents in one region from fiscal policy in the other. These debt spillovers will affect welfare through two channels: intertemporal efficiency and redistribution.

Competition and Gender Prejudice: Are Discriminatory Employers Doomed to Fail?
Andrea Weber, University Mannheim and Christine Zulehner, Johannes Kepler University Linz and Wifo Vienna

According to Becker's (1957) famous theory on discrimination, entrepreneurs with a strong prejudice against female workers forgo profits by submitting to their tastes. In a competitive market their firms lack efficiency and are therefore forced to leave. We present new empirical evidence for this prediction by studying the survival of start-up firms in longitudinal matched employer-employee data. We find that firms with strong preferences for discrimination approximated by a low share of female employees relative to the industry average have significantly shorter survival rates. This is especially relevant for firms starting out with female shares in the lower tail of the distribution. Competition at the industry level additionally reduces firm survival and accelerates the rate at which prejudiced firms are weeded out. We also find evidence for employer learning as highly discriminatory start-up firms that manage to survive submit to market powers and increase their female workforce over time.
We use a panel VAR to study the effect of shocks to capital inflows, identified with sign restrictions, on the housing market in OECD countries. To explore how the effect of these shocks changes with the structure of the mortgage market and the degree of mortgage securitization, we allow the VAR coefficients to vary with mortgage market characteristics. Our results indicate that capital inflows shocks have a significant and positive effect on real house prices, real credit to the private sector and real residential investment. The response of these variables is stronger in countries with more developed mortgage markets and in countries where securitization is allowed.