The Welfare Cost of Lawlessness: Evidence from Somali Piracy
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In spite of general agreement that establishing the rule of law is central to properly functioning economies, little is known about the cost of law and order breakdowns. This paper examines this in a specific context by estimating the effect of Somali piracy attacks on shipping costs using data on shipping contracts in the dry bulk market. We study shipping routes whose shortest path exposes them to the risk of piracy and find that the increase in attacks in 2008 lead to an 8%-12% increase in shipping costs. From this, we estimate the welfare loss due to piracy. Based on a fairly conservative estimate, generating around 120 USD million of revenue for Somali pirates led to a welfare loss in excess of 630 USD million, making piracy an expensive way of making transfers.

The Balanced U.S. Press
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We measure the relative ideological positions of newspapers, voters, interest groups, and political parties, using data on ballot propositions. We exploit the fact that newspapers, parties, and interest groups take positions on these propositions, and the fact that citizens ultimately vote on them. We find that, on average, newspapers in the U.S. are located almost exactly at the median voter in their states, i.e. they are balanced around the median voter. Still, there is a significant amount of ideological heterogeneity across newspapers, which is smaller than the one found for interest groups. However, when we group propositions by issue area, we find a sizable amount of ideological imbalance: broadly speaking, newspapers are to the left of the state-level median voter on many social issues, and to the right on many economic issues. To complete the picture, we use two existing methods of measuring bias and show that the news and editorial sections of newspapers have almost identical partisan positions.

Risk Sharing with Limited Commitment and Preference Heterogeneity: Structural Estimation and Testing
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In order to analyze the role of limited commitment and preference heterogeneity in explaining the consumption allocation, I propose a theoretical and empirical framework to estimate and evaluate a risk sharing model where insurance transfers have to be self-enforcing and the coefficient of relative risk aversion may depend on observable household characteristics. I compare this model to benchmark models with full commitment and/or without preference heterogeneity using data from three Indian villages. I find that the limited commitment model with heterogenous preferences outperforms the benchmark models in a statistical sense and in terms of (i) explaining the dynamic response of consumption to idiosyncratic income shocks, (ii) accounting for the variation of consumption unexplained by household and time effects, and (iii) capturing the variation of inequality across time and villages and predicting changes in inequality. I also use the estimated models to predict the effects of a counterfactual tax and transfer policy on the consumption allocation. The limited commitment model with preference heterogeneity predicts larger benefits to the poor than its homogenous counterpart.
Does the Better-Than-Average Effect Show That People are Overconfident?: Two Experiments.
Jean-Pierre Benoît, LBS, Juan Dubra, Universidad de Montevideo, and Don Moore, Haas School of Business, UC Berkeley

We conduct two experimental tests of the claim that people are overconfident, using new tests of overplacement that are based on a formal Bayesian model. Our two experiments, on easy quizzes, find that people overplace themselves. More precisely, we find apparently overconfident data that cannot be accounted for by a rational population of expected utility maximizers who care only about money. The finding represents new evidence of overconfidence that is robust to the Bayesian critique offered by Benoît and Dubra (2011). We discuss possible limitations of our results.

Unbundling the Incumbent: Evidence from UK Broadband
Mattia Nardotto, University of Cologne, Tommaso Valletti, Imperial College London and University of Rome "Tor Vergata" and Frank Verboven, University of Leuven and Telecom ParisTech

We consider the impact of a regulatory process forcing an incumbent telecom operator to make its local broadband network available to other companies (local loop unbundling, or LLU). Entrants are then able to upgrade their individual lines and offer Internet services directly to customers. Employing a very detailed dataset covering the whole of the UK, we find that, over the course of time, many entrants have begun to take advantage of unbundling. LLU entry only had a positive effect on broadband penetration in the early years, and no longer in the recent years as the market reached maturity. In contrast, LLU entry continues to have a positive impact on the quality of the service provided, as entrants differentiate their products upwards compared to the incumbent. We also assess the impact of competition from an alternative form of technology (cable) which is not subject to regulation, and what we discover is that inter-platform competition has a positive impact on both penetration and quality.

Image and Misreporting
Mara Ewers, Cologne Institute for Economic Research and Florian Zimmermann, University of Zurich

In this paper we analyze how image utility can lead to misreporting of private information in contexts where truthful reports maximize monetary outcomes. In a controlled experiment, subjects go through a series of quiz questions and subsequently report a performance measure. We vary if reports are made to an audience or not. In an additional feedback treatment, reports are also stated to an audience and afterwards the experimenter publicly verifies if reports were correct. We find that in the audience treatment, stated reports are significantly higher relative to the private treatment as well as the feedback treatment. Our findings suggest that overconfident appearance might be a consequence of social approval seeking.