Abstracts

JEEA-FBBVA Lecture 2015: Mass Media and Social Change: Can We Use Television to Fight Poverty?
Eliana La Ferrara, Bocconi University and IGIER

This paper explores the potential use of entertainment media programs for achieving development goals. I propose a simple framework for interpreting media effects that hinges on three channels: (i) information provision, (ii) role modeling and preference change, and (iii) time use. I then review the existing evidence on how exposure to commercial television and radio affects outcomes such as fertility preferences, gender norms, education, migration and social capital. I complement these individual country studies with cross-country evidence from Africa and with a more in-depth analysis for Nigeria, using the Demographic Health Surveys. I then consider the potential educational role of entertainment media, starting with a discussion of the psychological underpinnings and then reviewing recent rigorous evaluations of edutainment programs. I conclude by highlighting open questions and avenues for future research. (JEL: O12)

The Role of Information in Innovation and Competition
Ufuk Akcigit, University of Pennsylvania and NBER and Qingmin Liu, Columbia University

Innovation is typically a trial-and-error process. While some research paths lead to the innovation sought, others result in dead ends. Because firms benefit from their competitors working in the wrong direction, they do not reveal their dead-end findings. Time and resources are wasted on projects that other firms have already found to be fruitless. We offer a simple model with two firms and two research lines to study this prevalent problem. We characterize the equilibrium in a decentralized environment that necessarily entails significant efficiency losses due to wasteful dead-end replication and an information externality that leads to an early abandonment of the risky project. We show that different types of firms follow different innovation strategies and create different kinds of welfare losses. In an extension of the core model, we also study a centralized mechanism whereby firms are incentized to disclose their actions and share their private information in a timely manner. (JEL: 031,D92)

Price Level Changes and the Redistribution of Nominal Wealth Across the Euro Area
Klaus Adam, University of Mannheim and CEPR and Junyi Zhu, Deutsche Bundesbank

We show that unexpected price level movements generate sizable wealth redistribution in the Euro Area (EA), using sectoral accounts and newly available data from the Household Finance and Consumption Survey. The EA as a whole is a net loser of unexpected price level decreases, with Italy, Greece, Portugal and Spain losing most and Belgium and Malta being net winners. Governments are net losers of deflation, while the household (HH) sector is a net winner in the EA as a whole. HHs in Belgium, Ireland, Malta and Germany experience the biggest per capita gains, while HHs in Finland and Spain turn out to be net losers. Considerable heterogeneity exists also within the HH sector: relatively young middle class HHs are net losers of deflation, while older and richer HHs are winners. As a result, wealth inequality in the EA increases with unexpected deflation, although in some countries (Austria, Germany and Malta) inequality decreases due to the presence of relatively few young borrowing HHs. HHs inflation exposure varies systematically across countries, with HHs in high inflation EA countries holding systematically lower nominal exposures. (JEL: E31, D31, D14)
Endogenous Presidentialism
James A. Robinson, Harvard University and Ragnar Torvik, Norwegian University of Science and Technology

We develop a model to understand the incidence of presidential and parliamentary institutions. Our analysis is predicated on two ideas: first, that minorities are relatively powerful in a parliamentary system compared to a presidential system, and second, that presidents have more power with respect to their own coalition than prime ministers do. These assumptions imply that while presidentialism has separation of powers, it does not necessarily have more checks and balances than parliamentarism. We show that political leaders who prefer presidentialism may be supported by their own coalition if they fear losing agenda setting power to another group. We argue that the model is consistent with a great deal of qualitative information about presidentialism in Africa and Latin America. (JEL: D72, P5, O1)

Let's Talk: How Communication Affects Contract Design
Jordi Brandts, Institut d’Anàlisi Econòmica (CSIC) and Barcelona GSE, Gary Charness, University of California, Santa Barbara and Matthew Ellman, Institut d’Anàlisi Econòmica (CSIC) and Barcelona GSE

We study experimentally how communication changes the effectiveness of contract types when sellers choose unenforceable quality after a possible cost shock. Communication potentially removes conflicting perceptions that may otherwise plague flexible contracts. Indeed, we find that introducing free-form communication sharply reverses an advantage of rigid contracts in favor of flexible contracts, which then deliver much higher earnings. Control treatments that avoid selection effects, reveal a strong parallel shift from rigid to flexible. Chat content analysis identifies clarification of post-shock transfers, promises, and personal rapport as key correlates of high earnings, with clarification working only in conjunction with flexible contracts. A communication channel restricted to clarifying transfer plans also favors use of flexible contracts, but mildly compared to chat. (JEL: C91, D03, D86)

Children of a (Policy) Revolution: The Introduction of Universal Child Care and its Effect on Fertility
Stefan Bauernschuster, University of Passau and CESifo, Timo Hener, Ifo Institute and Helmut Rainer, University of Munich and Ifo Institute

What role does affordable and widely available public child care play for fertility? We exploit a major German reform generating large temporal and spatial variation in child care coverage for children under the age of three. Our precise and robust estimates on birth register data reveal that increases in public child care have significant positive effects on fertility. The fertility effects are more pronounced at the intensive than at the extensive margin, and are not driven by changes in the timing of births or selective migration. Our findings inform policy makers concerned about low fertility by suggesting that universal early child care holds the promise of being an effective means of increasing birth rates. (JEL: J13)