

Abstracts

Presidential Address, EEA Annual Congress 2015: Gluttony and Sloth? Calories, Labour Market Activity and the Rise in Obesity

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The rise in obesity has largely been attributed to an increase in calorie consumption. We show that official government household survey data indicate that calories have declined in England between 1980 and 2013; while there has been an increase in calories from food out at restaurants, fast food, soft drinks and confectionery, overall there has been a *decrease* in total calories purchased. Households have shifted towards more expensive calories, both by substituting away from home production towards market production, and substituting towards higher quality foods. We show that the decline in calories can be partially, but not entirely, rationalized with weight gain by a decline in the strenuousness of work and daily life. (JEL: D12, I12, I18)

Alfred Marshall Lecture, EEA Annual Congress 2015: Property Rights and the Efficiency of Bargaining

Ilya R. Segal, Stanford University and Michael D. Whinston, Massachusetts Institute of Technology

We show that efficient bargaining is impossible for a wide class of economic settings and property rights. These settings are characterized by (i) the existence of “opt-out types,” whose participation does not change the efficient allocation, and (ii) non-existence of the “marginal core,” and its multi-valuedness with a positive probability. We also examine the optimal allocation of property rights within a given class that satisfies (i), such as simple property rights, liability rules, and dual-chooser rules. We characterize property rights that minimize the expected subsidy required to implement efficiency. With two agents, simple property rights that are optimal in this way maximize the expected surplus at the status quo allocation, but this no longer holds with more agents. We also study “second-best” budget-balanced bargaining under a liability rule. The optimal “second-best” liability may differ from, but is close to, the “expectation of the victim’s harm,” which would be optimal if there were no bargaining. Changes in property rights that raise expected surplus at the status quo and reduce the probability of renegotiation may sometimes reduce the efficiency of second-best bargaining allocation. (JEL: D23, D47, C78, K11)

Joseph Schumpeter Lecture, EEA Annual Congress 2015: The Mystery of the Printing Press: Monetary Policy and Self-Fulfilling Debt Crises

Giancarlo Corsetti, University of Cambridge and Luca Dedola, European Central Bank

We study the conditions under which unconventional (balance-sheet) monetary policy can rule out self-fulfilling sovereign default in a model with optimizing but discretionary fiscal and monetary policymakers. When purchasing sovereign debt, the central bank effectively swaps risky government paper for monetary liabilities only exposed to inflation risk, thus yielding a lower interest rate. As central bank purchases reduce the (ex ante) costs of debt, we characterize a critical threshold beyond which, absent fundamental fiscal stress, the government strictly prefers primary surplus adjustment to default. Because default may still occur for fundamental reasons, however, the central bank faces the risk of losses on sovereign debt holdings, which may generate inefficient inflation. We show that these losses do not necessarily undermine the credibility of a backstop, nor the monetary authorities’ ability to pursue its inflation objectives. Backstops are credible if either the central bank enjoys fiscal backing or fiscal authorities are sufficiently averse to inflation. (JEL: E58, E63, H63)

Gender Differences in Response to Big Stakes

Ghazala Azmat, Queen Mary, University of London, Centre for Economic Performance (LSE), Caterina Calsamiglia, Universitat Autònoma de Barcelona and Barcelona GSE and Nagore Iriberrri, University of the Basque Country UPV/EHU and IKERBASQUE, Basque Foundation for Research

It is commonly perceived that increasing incentives improves performance. However, the reaction to increased incentives might differ between men and women, leading to gender differences in performance. In a natural experiment, we study the gender difference in performance resulting from changes in stakes. We use detailed information on the performance of high-school students and exploit the variation in the stakes of tests, which range from 5% to 27% of the final grade. We find that female students outperform male students in all tests—but to a relatively larger degree when the stakes are low. The gender gap disappears in tests taken at the end of high school, which count for 50% of the university entry grade. (JEL: D03, J16, I21, C30)

Long-Term Persistence

Luigi Guiso, Einaudi Institute for Economics and Finance, Paola Sapienza, Northwestern University and Luigi Zingales, University of Chicago

We study whether a positive historical shock can generate long-term persistence in development. We show that Italian cities that achieved self-government in the Middle Ages have higher level of civic capital today than similar cities in the same area that did not. The size of this effect increases with the length of the period of independence and its intensity. This effect persists even after accounting for the fact that cities did not become independent randomly. We conjecture that the Middle-Age experience of self-government fostered self-efficacy beliefs—beliefs in one's own ability to complete tasks and reach goals—and this positive attitude, transmitted across generations, enhances civic capital today. Consistently, we find that fifth-graders in former free city-states exhibit stronger self-efficacy beliefs and that these beliefs are correlated with a higher level of civic capital. (JEL: O43, P16, O10)

Large Demographic Shocks and Small Changes in the Marriage Market

Loren Brandt, University of Toronto, Aloysius Siow, University of Toronto and Carl Vogel, Polynumeral

Between 1958 and 1961, China experienced a drastic famine. The famine substantially reduced birth rates and also adversely affected the health of these famine-born cohorts. This paper provides nonparametric estimates of the total effects of the famine on the marital behavior of famine-affected cohorts. We provide external validity of the Choo–Siow decomposition. The small-observed changes in marriage rates of the famine-born cohorts are due to a substantial decline in their marital attractiveness. (JEL: J1, O53)