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Abstracts

Compliance Technology and Self-enforcing Agreements

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This paper analyzes a game in which countries repeatedly make emission and technology investment decisions. We derive the best equilibrium, i.e., the Pareto-optimal subgame-perfect equilibrium, when countries are insufficiently patient for folk theorems to be relevant. Relative to the first best, the best equilibrium requires countries to overinvest in technologies that are green, i.e., strategic substitutes for polluting, but to underinvest in adaptation and brown technologies, i.e., strategic complements to polluting. Technological transfers and spillovers might discourage investments but can be necessary to motivate compliance with emissions when countries are heterogeneous.

The Impact Of Scheduling Birth Early On Infant Health

Cristina Borra, Universidad de Sevilla, Libertad González, Universitat Pompeu Fabra, and Barcelona GSE, and Almudena Sevilla Queen Mary University of London

We take advantage of a unique natural experiment to provide new, credible evidence on the health consequences of scheduling birth early for non-medical reasons. In May 2010, the Spanish government announced that a 2,500 universal baby bonus would stop being paid to babies born after December 31st, 2010. Using administrative data from birth certificates and hospital records, we find that about 2,000 families shifted their date of birth from January 2011 to December 2010 (out of 9,000 weekly births). The affected babies, born about one week early on average, weighed about 200 grams less at birth, and suffered a sizeable increase in hospitalization rates in the first two months of life, mostly for respiratory disease.

Trade, Finance, And Endogenous Firm Heterogeneity

Alessandra Bonfiglioli, Queen Mary University of London, Rosario Crinò Department of Economics and Finance, Università Cattolica del Sacro Cuore, and Gino Gancia Queen Mary University

We study how financial frictions affect firm-level heterogeneity and trade. We build a model in which productivity differences across monopolistically competitive firms are endogenous and depend on investment decisions at the entry stage. By increasing entry costs, financial frictions lower the exit cutoff and hence the value of investing in bigger projects with more dispersed outcomes. As a result, financial frictions make firms smaller and more homogeneous, and hinder the volume of exports. Export opportunities, instead, shift expected profits to the tail and increase the value of technological heterogeneity. We test these predictions using comparable measures of sales dispersion within 365 manufacturing industries in 119 countries, built from highly disaggregated US import data. Consistent with the model, financial development increases sales dispersion, especially in more financially vulnerable industries; sales dispersion is also increasing in measures of comparative advantage.

These results help explaining the effect of financial development and factor endowments on export sales.

Financial Literacy And Savings Account Returns

Florian Deufhard, Goethe University Frankfurt, Dimitris Georgarakos European Central Bank, Deutsche Bundesbank, and University of Leicester, and Roman Inderst Goethe University Frankfurt

Savings accounts are owned by most households, but little is known about the performance of households investments. We create a unique dataset by matching information on individual savings accounts from the DNB Household Survey with market data on account-specific interest rates and characteristics. We document heterogeneity in returns across households, which can be partly explained by financial sophistication. A one-standard deviation increase in financial literacy is associated with a 12% increase compared to the median interest rate. We isolate the usage of modern technology (online accounts) as one channel through which financial literacy has a positive association with returns.

Racial Discrimination In Local Public Services: A Field Experiment In The United States

Corrado Giulietti, University of Southampton, Mirco Tonin, Free University of Bozen-Bolzano, and Michael Vlassopoulos, University of Southampton

We examine whether racial discrimination exists in access to public services in the U.S.. We carry out an email correspondence study in which we pose simple queries to more than 19,000 local public service providers. We find that emails from putatively black senders are almost 4 percentage points less likely to receive an answer compared to emails signed with a white-sounding name. Moreover, responses to queries coming from black names are less likely to have a cordial tone. Further tests suggest that the differential in the likelihood of answering is due to animus towards blacks rather than inferring socioeconomic status from race. Finally, we show that attitudes towards the government among blacks are more negative in states with higher discrimination.

Heterogeneity In Marginal Non-Monetary Returns To Higher Education

Daniel A. Kamhöfer, Paderborn University and University of Duisburg-Essen, Hendrik Schmitz, Paderborn University and RWI Essen, and Matthias Westphal, Paderborn University and RWI Essen

In this paper we estimate the effects of college education on cognitive abilities, health, and wages, exploiting exogenous variation in college availability. By means of semiparametric local instrumental variables techniques we estimate marginal treatment effects in an environment of essential heterogeneity. The results suggest positive average effects on cognitive abilities, wages, and physical health. Yet, there is heterogeneity in the effects which points towards selection into gains. While the majority of individuals benefits from more education, the average causal effect for individuals with the lowest unobserved desire to study is zero for all outcomes. Mental health effects, however, are absent for the entire population.

(Mis-)Predicted Subjective Well-Being Following Life Events

Reto Odermatt, University of Basel and Alois Stutzer, University of Basel

The correct prediction of how alternative states of the world affect our lives is a cornerstone of economics. We study how accurate people are in predicting their future well-being after facing major life events. Based on individual panel data, we compare people's life satisfaction forecasts reported in the first interview after a major life event with their actual evaluations five years later on. This is done after the individuals experience widowhood, unemployment, disability, marriage, separation or divorce. We find systematic prediction errors that seem at least partly driven by unforeseen adaptation after the first four of these events.

Understanding Growth Patterns In Us Health Care Expenditures

Alex R. Horenstein, University of Miami, Manuel S. Santos, University of Miami

We study the steady upward trend of Health Care Expenditures (HCE) over GDP for a sample of OECD countries between 1970 and 2007. While the US is clearly an outlier, almost all of the additional increase in US HCE happened during the 1978-1990 period. We perform two growth accounting exercises to explore sources of variability of HCE over GDP across countries. In the first growth accounting exercise based on value added we find that factor accumulation is unable to replicate the observed growth patterns. We also show that the additional increase in markups in the US corporate medical sector mimics well the ratio of HCE over GDP in the US. This suggests that differences in the relative price of health care rather than technology, product quality, and factor accumulation could explain the divergent growth patterns of HCE over GDP across these countries. In the second growth accounting exercise, we filter out prices from HCE over GDP, and confirm that there is very little variability for the product quality residual to explain the variation in HCE across countries.