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Abstracts

Financial Constraints, Firms' Supply Chains, and Internationalization

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Using a unique sample of small and medium-sized Italian firms, we investigate the effect of financial constraints on firms participation in domestic and international supply chains. We find that firms more exposed to bank credit rationing and with weaker relationships with banks are more likely to participate in supply chains to overcome liquidity shortages. This benefit of supply chains is especially strong when firms establish long-term trading relationships and when they forge ties with large and international trading partners. To control for possible endogeneity of firms access to credit, we construct instruments capturing exogenous shocks to the structure of the Italian local banking markets. (JEL: F10, G20, L23)

Education And Military Rivalry

Philippe Aghion, College de France, London School of Economics, and CIFAR, Xavier Jaravel, London School of Economics, Torsten Persson IIES (Stockholm University) and CIFAR, and Dorothée Rouzet, OECD

What makes countries engage in reforms of mass education? Motivated by historical evidence on the relation between military threats and expansions of primary education, we assemble a panel dataset from the last 150 years in European countries and from the postwar period in a large set of countries. We uncover three stylized facts: (i) investments in education are associated with military threats, (ii) democratic institutions are negatively correlated with education investments, and (iii) education investments respond more strongly to military threats in democracies. These patterns continue to hold when we exploit rivalries in a countrys neighborhood as an alternative source of variation. We develop a theoretical model that rationalizes the three empirical findings. The model has an additional prediction about investments in physical infrastructures, which finds support in the data. (JEL: N30, N40, I20, H56)

Nether Lands: Evidence On The Price And Perception Of Rare Natural Disasters

Maarten Bosker, Erasmus University Rotterdam and Tinbergen Institute, Harry Garretsen, University of Groningen and Cambridge University, Gerard Marlet, University of Groningen and Atlas voor Gemeenten, and Clemens van Woerkens, University of Groningen and Atlas voor Gemeenten

This paper provides evidence on the price and perception of rare natural disasters. We exploit a unique, spatially extremely detailed, dataset on predicted flood water levels in the Netherlands. This dataset, in combination with information on the universe of home

sales over the period 1999-2011, allows us to identify peoples willingness to pay to avoid flood risk using a border discontinuity design. We find that house prices are on average 1% lower in places that are at risk of flooding. This flood risk discount is more pronounced in neighborhoods with higher predicted flood water levels. Our estimates imply that average perceived flood risk in the Netherlands is much higher than the official protection levels at which the government claims to uphold the countrys flood defenses. People expect a flood to happen at least once every 100 years. Depending on the predicted flood water level in their neighborhood, people in flood prone areas are willing to pay 9%36% more for their flood protection than what the Dutch government currently spends on it. (JEL: D8, Q54, R21)

Creativity and Incentives

Gary Charness, UCSB, and Daniela Grieco, Bocconi University

Creativity is a complex and multi-dimensional phenomenon with tremendous economic importance. A crucial question for economists and for firms is the interplay of incentives and creativity. We present experiments where subjects face creativity tasks where, in one case, ex-ante goals and constraints are imposed on their answers (closed tasks), and in the other case no restrictions apply (open tasks). The effect of tournament incentives on creativity is then tested. Our experimental findings provide striking evidence that financial incentives in the form of tournament competition affect creativity in closed (constrained) tasks, but do not facilitate creativity in open (unconstrained) tasks, whereas being ranked relative to ones peers is an effective non-monetary incentive with both types of tasks. We develop a structural model that allows for subjects heterogeneity in being affected by the openness of the task, and then use the structural model to not only estimate creative output in tournaments but also to predict creative output in two counterfactual incentives schemes: piece rate and target bonus. (JEL: C91, D03, O39)

The Long-Term Effect Of Demographic Shocks On The Evolution Of Gender Roles: Evidence From The Transatlantic Slave Trade

Edoardo Teso, Harvard University and IQSS

Can demographic shocks affect the long-run evolution of female labor force participation and gender norms? This paper traces current variation in womens participation in the labor force within Sub-Saharan Africa to the emergence of a female-biased sex ratio during the centuries of the transatlantic slave trade. This historical shock affected the division of labor along gender lines in the remaining African population, as women substituted for the missing men by taking up areas of work that were traditionally male tasks. By exploiting variation in the degree to which different ethnic groups were affected by the transatlantic slave trade, I show that women whose ancestors were more exposed to this shock are today

more likely to be in the labor force, have lower levels of fertility, and are more likely to participate in household decisions. The marriage market and the cultural transmission of internal norms across generations represent important mechanisms explaining this long-run persistence. (JEL: J16, N37, Z13)

The Limits of Propaganda: Evidence From Chavez's Venezuela

Brian Knight, Brown University, and Ana Tribin, Central Bank of Colombia

We investigate viewer responses to ideological changes in television programming induced by cadenas, unannounced government propaganda in Venezuela. The drop-off in ratings during cadenas is concentrated among viewers of news programming on opposition channels, relative to pro-government channels. Also, the drop-off in ratings for moderate channels takes an intermediate value. The drop-off is stronger for viewers with access to cable channels, which do not air cadenas and experience an increase in viewership during cadenas. Structural estimation of our model allows us to quantify the degree to which opposition viewers limit their exposure to and ultimately the influence of propaganda via tuning out.(JEL: D7, D8)

Gender Bias In Teaching Evaluations

Friederike Mengel, University of Essex and Lund University, Jan Sauermann, Swedish Institute for Social Research (SOFI), Stockholm University, and Ulf Zölitz University of Zurich

This paper provides new evidence on gender bias in teaching evaluations. We exploit a quasi-experimental dataset of 19,952 student evaluations of university faculty in a context where students are randomly allocated to female or male instructors. Despite the fact that neither students' grades nor self-study hours are affected by the instructor's gender, we find that women receive systematically lower teaching evaluations than their male colleagues. This bias is driven by male students' evaluations, is larger for mathematical courses and particularly pronounced for junior women. The gender bias in teaching evaluations we document may have direct as well as indirect effects on the career progression of women by affecting junior women's confidence and through the reallocation of instructor resources away from research and towards teaching. (JEL: J16, J71, I23, J45)

Consumer Spending And Property Taxes

Paolo Surico Riccardo, London Business School, and Riccardo Trezzi, Board of Governors, Federal Reserve System

A sudden and temporary change to the Italian property tax system in 2011 generated significant variation in the amount of taxes paid across home-owners. Using new questions appositely added to the Survey on Household Income and Wealth (SHIW), we exploit this cross-sectional variation to provide an unprecedented analysis of the consumption effects of a tax on housing wealth. A tax hike on the main dwelling leads to large expenditure

cuts among mortgagors, who hold low liquid wealth despite owning sizable illiquid assets. In contrast, higher tax rates on other residential properties affect affluent households, thereby having a modest impact on their consumer spending. Our results provide novel and direct evidence in favor of recent theories that highlight the role of household debt in the transmission of economic policies. (JEL: E21 E62)