The 2020 Young Economist Award
The EEA bestows the Young Economist Award to the authors who are no more than 3 years past a PhD defense.

The 2020 Young Award Committee - Vasco M. Carvalho, Katrine V. Løken and Giacomo Ponzetto have deliberated.

The winners of the 2020 Young Economist Award are…
Production is organized around an economy-wide supply chain with inputs being routed from specialized suppliers to its downstream users who in turn supply yet another set of producers in the economy. How is the effect of monetary policy mediated by this production network?

In the paper “Monetary Policy and Production Networks: An Empirical Investigation,” Mishel Ghassibe provides a first benchmark: at least 25 to 50 per cent of the effect of monetary policy shocks on US aggregate consumption comes from amplification through input-output linkages across sectors.

To obtain this result, the paper first makes analytical progress on a forward-looking New Keynesian model with asymmetric input-output linkages. In turn, this setting provides an identification strategy with which to study the effects of monetary policy. In particular, it shows how to decompose, empirically, a direct effect to each sector and a multiplier effect, whereby input-output linkages across sectors amplify the original monetary policy shock.

In sum, the paper makes an important first step at empirically estimating the non-negligible contribution of production networks to the effects monetary policy.
Obtaining, at every point in time, the best possible return on one’s savings is a non-negligible cognitive task. Indeed, every day savers are faced with a myriad of investment products, some of them differing only in complicated minutiae, and tracking the best return is a costly task in terms of time and attention.

In the paper “Cyclical Attention to Saving”, Alistair Macaulay explores — empirically, theoretically and quantitatively -- the implications of this everyday-decision in a world where savers are limited in the attention they can spend when finding the best deal.

The key observation is that obtaining the best return is especially valuable in recessions, when incomes are low and any extra income brought about by higher returns on savings is valued highly. Building on this, this paper argues that both in theory and in, the data — using detailed data on UK fixed interest rate savings products available on the retail financial services market serving UK households - that households are more successful at choosing the highest interest rate savings products in contractions, because they pay more attention to their choice when the marginal utility of income is high.
Moreover, the paper shows that this variable attention to savings over the business cycle, in turn, acts to amplify the aggregate consumption response to business cycle shocks. In a quantitative DSGE model with variable attention, the paper concludes that variable attention amplifies the effect of aggregate shocks on consumption: the variance of aggregate consumption is 17% higher than it would be if attention remained constant.

In sum, this paper shows that deviations from a full-information benchmark, acting through informationally costly savings choices, may have important implications for aggregate business cycle volatility.
Nicola Mastrococco and Arianna Ornaghi

*Who Watches the Watchmen? Local News and Police Behavior in the United States*

The paper “Who Watches the Watchmen? Local News and Police Behavior in the United States” by Nicola Mastrococco and Arianna Ornaghi provides novel estimates of a decline in criminal clearance rates following a decrease in news coverage of local crime.

For identification, they use the staggered timing of the entry of a large media group, Sinclear, across media markets. Sinclear tends to reduce local news coverage in favour of a national focus. To account for endogenous entry they proxy for baseline exposure to local news.

The paper follows state-of-the-art empirical designs and provides compelling robustness tests to support findings.

Their key findings are firstly that the entry of Sinclear decrease news coverage of local crime. Secondly, they find that the entry of Sinclear lead to a 8% decline in local crime clearance rates.
Thirdly, the proposed mechanism is that crime becomes less salient for local citizens and therefore they put less pressure on police to solve crimes. Evidence on fewer google searches on crime and police in the local area, and municipalities with an older population (which is key audience for local news) see larger effects, support this mechanism.

To conclude, this paper addresses a hot topic and is highly policy relevant in understanding how media influences institutional behavior.
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