

#1 IHEID Virtual PhD Workshop

Paper Abstracts

1. To Beef or Not To Beef: Trade, Meat, and the Environment

Dora Zsuzsanna Simon

This paper analyzes the environmental consequences of trade policy and gauges the true impact of the "buy local" rule on emissions. Using confidential data from a cooperation with a European retailer, I estimate a discrete choice model of consumer demand for meat products. Combining my estimates with emissions related to meat production and transport, I show the effects of tariff changes on the environment. The counterfactual exercises include autarky and free trade scenarios, an assessment of the EU's free trade agreement with the Mercosur, and the calculation of an environmentally optimal tariff.

2. Dynamic Moral Hazard in Nonlinear Health Insurance Contracts

Véra Zabrodina

Lower marginal prices for medical care may induce moral hazard on two margins. On the extensive margin, individuals increase healthcare spending in periods with lower prices, regardless of spending in other periods. On the timing margin, individuals strategically retime planned care towards periods with lower prices, thereby lowering spending in others. Additionally, individuals can switch deductibles in the next year depending on the strength of the incentives for moral hazard. This paper develops tests to study the dynamic link between moral hazard and adverse selection in nonlinear health insurance contracts. I use variation in dynamic prices generated by a large health shock that pushes individuals above their deductible at different times in the calendar year. This varies the distance to the year-end deductible reset, as well as the persistence of the shock into the next year. Preliminary results show evidence for both extensive and timing moral hazard, with the former being larger, as well as low deductible switching rates. The responses are concentrated around the time of the reset. This suggests that individuals are not fully myopic and retime care strategically, but spot prices are more important than future prices in shaping healthcare consumption. This yields crucial insights for the design of health insurance that results in efficient healthcare consumption and risk sharing.

3. Gender Minority and Women's Persistence in Male-Dominated Fields

Xiaoyue Shan

This paper examines the impact of gender minority on women's persistence at university. I conduct a field experiment in an introductory Economics course where I randomly assign students to study groups. Results show that women assigned to male-dominated groups are more likely to drop out than other women by 10 percentage points. I find suggestive evidence for educational expectations and peer-to-peer interactions as underlying mechanisms. Minority women interact less with peers and have lower expectations about academic success. The results imply that small peer groups where women do not experience the minority status can increase female representation in male-dominated fields.

4. Pre-layoff search

Michael Simmons

Are workers able to foresee job loss, and if so, how do they respond? In this paper I document the extent to which workers change their search behaviour before job loss in the UK. In particular, search incidence increases by 20 and 30pp during the quarter that precedes job loss for low and high-skill workers, respectively, and this increased incidence is solely due to workers "thinking their job may end". A natural implication of this is that some job-to-job transitions result in wage cuts, a reality of modern labour markets. Equipped with these measures, I build a search model of the labour market where workers may receive an exogenous signal that the job will end. The model is able to jointly replicate, the reality of pre-layoff search

and involuntary job switching, and the earnings losses post job loss. I use the model to study the welfare implications of the reality of pre-layoff search and how pre-layoff search interacts with optimal policy

5. Long-Term Macroeconomic Effects of Climate Change: a European Industrial Sectors Analysis Giacomo Novelli

The last IPCC report (2014) demonstrates unequivocally the anthropogenic nature of climate change and its negative effects on economic activity. Literature has found evidence of global but asymmetrically distributed negative effects, among countries and sectors, but some puzzles are still unsolved. For example, there are inconsistencies with respect to the magnitude of the economic impact of climate change and to its asymmetrical impact over wet and cold countries. Solving this puzzle could be crucial to improve our estimates of climate change impact in the long run and to improve our comprehension of the economic channels through which the climate change affects our societies. The aim of this work is to (a) quantify the long run effects of climate change in 6 industrial sectors of the EU, (b) investigate the issue using a within-country level data, coupled with high-resolution (i.e. gridded) climate data, in order to better identify the climate effects on economic activity, (c) analyze the different long run effects on various measures of economic activities, such as Labor Productivity and GVA, and (d) verify whether these effects vary for hot and cold EU regions.

6. You say hello and I say goodbye? Natives' reaction to openings of asylum centers Sabrina Stadelmann & Nadia Myohl

Conflicts in the Middle East and Africa have led to increasing numbers of refugees in Europe over the past decade. We study the local residents' sentiments towards asylum seekers by analyzing their propensity to move away when an asylum center opens in close proximity. We address the key endogeneity issue of immigrant sorting by exploiting the random distribution key that assigns asylum seekers to municipalities in Switzerland. Using individual-level data from the universe of the Swiss population, we compare the propensity to move of local residents living within 500 meters to an open asylum center with those living further away. We find that they are 7.96% more likely to move away compared to the overall probability of moving at least once per year in Switzerland of 0.38%. The effect is mainly driven by renters and highly educated individuals. We further find that the effect is larger in right-wing voting municipalities for moves within the same canton.

7. Targeted Advertising on the web: too low or too much? How taxation might be welfare-enhancing Nicola Chiaromonte

This paper addresses the question about consumers' impact of targeted ads into web. By assuming the existence of a monopolist digital platform who can link two sides of the market, we find out the condition under which chosen quantities are far from the optimal ones. The possibility of having too much advertising calls for a government fiscal action that can be welfare-enhancing under some circumstances. Moreover, in a context of open economy the decisions made by a country could spread their effects also abroad.

8. Does it matter to be eligible as collateral? Evidence from unsecured rating thresholds Philipp Lentner

This study contributes to the current debate on central bank collateral frameworks. It relates to the idea that central bank collateral policies affect the types of securities being issued (Nyborg, 2016) and in particular the use of credit ratings to determine collateral eligibility. In this context, I study the implications of unsecured rating downgrades to below A-, a threshold uniquely important in the central bank's collateral eligibility rules. Endogeneity is controlled for by exploiting the staggered nature of threshold downgrades over time. In the European banking sector, 60 out of 123 banks lost their A- unsecured rating during the sample period 2007-2017. My estimates show that banks that lose the A- rating on their unsecured bonds, substitute to covered bonds (a secured bank bond) between 2.03 and 2.53 % of total assets in the three years thereafter. At the same time, they decrease unsecured issues and increase subordinated bond issues. Evidence from market yields is

supportive. This study contributes by showing that in a system of accommodative central bank liquidity policies (high demand for collateral) and low unsecured ratings (low collateral availability), issuers are incentivized to encumber their balance sheet by issuing secured bonds. This can be detrimental to financial stability as recent literature shows.

9. Compliance in Voluntary Sustainability Standards

Elias Steiner

Voluntary Sustainability Standards (VSS) are on the rise globally. However, their effects on economic and environmental outcomes remain largely unclear. It is plausible that the effects are heterogeneous due to varying degrees of compliance. We apply machine learning tools to analyze compliance with one particular VSS: the Sustainable Agriculture Standard by Rainforest Alliance (RA). A unique dataset with audit data for all RA certificates reports compliance with 119 individual criteria over the period 2017 - 2019. In a first step, we deploy a k-modes algorithm and identify four clusters of producers with non-compliances in the same criteria. In a second step, we use additional data on producers and their surroundings (on farm, grid-cell and country level) to characterize these clusters. In a last step, we attempt to predict to which cluster a new producer belongs to based on these data. The results give insights into why previous study results might differ and lay the foundation for risk assessment and targeting by VSS.

10. Maternity Provisions and Academic Careers

Riccardo Di Leo

Academia faces the internal contradiction of being generally praised for its flexibility and family friendliness and, at the same time, exhibiting a systemic under-representation of women in top positions. In this paper, we investigate the Occupational Maternity Provisions (OMPs) offered by UK Higher Education Institutions (HEIs) and their impact on the careers of academic mothers. In order to do so, we employ a novel, large-scale survey distributed in 2017 among the population of female academics in the UK. We first investigate the mechanisms regulating access to OMPs, which condition access to more generous pay on the length of employment within the HEI. Our evidence seems to back up the hypothesis of an uneven access to OMPs among female academics, with mothers on a permanent contract being significantly more likely to meet the eligibility criteria set forth by their University. We then move to investigate whether differential access to more generous maternity pay might exert a significant, causal impact on mothers' careers, comparing individuals just eligible/ineligible for OMPs by means of two different identification strategies, based on the childbirth date. There are two mechanisms through which we believe enhanced maternity pay might improve the short-run productivity of academic mothers: by decreasing their likelihood of pausing their research activity in the weeks following childbirth, and by preventing a decrease in the "quality" of their academic network. In order to test the validity of these claims, we analyze the publication history of each survey respondent, as well as the evolution over time of their network of co-authors. Our preliminary evidence seems to support the hypothesis of a positive effect of longer, paid leave on publication rates in the 5 years following childbirth, with no apparent side-effect on (self-reported) effort.

11. Scenes from a Monopoly: Renewable Resources and Quickest Detection of Regime Shifts

Neha Deopa

We study the stochastic dynamics of a renewable resource harvested by a monopolist facing a downward sloping demand curve. We introduce a framework where harvesting sequentially affects the resource's potential to regenerate, resulting in an endogenous ecological regime shift. In a multi-period setting, the firm's objective is to find the profit-maximizing harvesting policy while simultaneously detecting in the quickest time possible the change in regime. Solving analytically, we show that a negative regime shift induces an aggressive extraction behaviour due to shorter detection periods, creating a sense of urgency, and higher markup in prices. Precautionary behaviour can result due to decreasing resource rent. We study the probability of extinction and show the emergence of catastrophe risk which can be both reversible and irreversible

12. The Firm Left Behind: How Migration Outflows Impact Firms in the Country of Origin

Emanuele Dicarlo

Most economic research on migration focuses on its labor market effects on natives in the receiving country. While few recent papers study labor market effects in the sending countries, this paper provides the first evidence on how migration outflows affect firms in the country of origin. I analyze migration flows from Italy to Switzerland and estimate the causal effect of emigration on Italian firms in a Diff-in-Diff framework. First, I exploit the timing of Switzerland joining the European Agreement on Free Movement of People. Then, I divide firms into treatment and control groups exploiting the distance from the residence of the median worker within a firm to the Swiss border. Using rich data from the universe of Italian workers, I show treated firms lose a 0.5-1.5 pp higher fraction of their labor force every year compared to firms in the control group, matching the timing of the labor market reforms. In the next steps, I want to analyze how exogenous shocks in the supply of workers with specific skills affect labor demand, adoption of new technologies, and organizational structure of firms.

13. Product Classifications in Trade Data: Addressing the Vintage Conversion Problem

Piotr Lukaszuk

Product-level trade flow statistics suffer from intertemporal inconsistencies due to regular updates of the HS classification system. Existing methods to standardize different HS vintages either ignore numerous links between product codes (UNSD, 2017), or bulk the adjusted codes into one synthetic group, thereby further skewing product-level trade data (Pierce & Schott, 2012). We develop an algorithm to optimally convert trade flows between different HS vintages, and manage to address various existing issues. Our conversion estimates are robust to year and country observation choices. Provided a clear correspondence and persistent data, the developed algorithm can be applied to other, non-trade classification changes.

14. Worth your weight: the benefits of obesity in low income countries

Elisa Macchi

Obesity is one of the three global health challenges of the 21st century. By today, its burden of death is largest in low and middle income countries (LMICs). Obesity is a visible trait, while often wealth isn't. I hypothesize that lack of wealth-verification technologies and positive obesity-wealth correlation in LMICs lead to an equilibrium where being obese has benefits, because it is perceived as signal of wealth. I test for this hypothesis using two experiments set in the urban area of Kampala, Uganda. To estimate the causal effect of obesity, I randomly assign body mass using photo-morphed pictures. Using an incentivized field experiment with 253 real loan officers, I show that loan officers screen prospective borrowers by their body mass: all else equal, going from norm weight to obese increases access to credit as much as increasing income by 20%. To pin-point the mechanism, I show that providing wealth information largely reduces discrimination. In the second experiment, I investigate the general population's wealth perception by obesity status: Obese individuals are rated as wealthier, but not more beautiful or healthier. Taken together, these results favor a statistical discrimination model over a taste-based one. Last, I investigate beliefs' accuracy. I provide suggestive evidence that loan officers overreact to obesity status and that the difference in wealth beliefs by obesity overestimates the truth, suggesting stereotypical beliefs rather than rational expectations.