The American Economic Review

ARTICLES

THOMAS PHILIPPON AND VASILIKI SKRETA

Optimal Interventions in Markets with Adverse Selection

JEAN TIROLE Overcoming Adverse Selection: How Public Intervention Can Restore

Market Functioning

EMMANUEL FARHI AND JEAN TIROLE

Collective Moral Hazard, Maturity Mismatch, and Systemic Bailouts

COSTAS ARKOLAKIS, ARNAUD COSTINOT, AND ANDRÉS RODRÍGUEZ-CLARE

New Trade Models, Same Old Gains?

DARON ACEMOGLU, PHILIPPE AGHION, LEONARDO BURSZTYN, AND DAVID HEMOUS

The Environment and Directed Technical Change

NICHOLAS BLOOM, RAFFAELLA SADUN, AND JOHN VAN REENEN

Americans Do IT Better: US Multinationals and the Productivity Miracle

MATIAS IARYCZOWER AND MATTHEW SHUM

The Value of Information in the Court: Get it Right, Keep it Tight

URBAN JERMANN AND VINCENZO QUADRINI

Macroeconomic Effects of Financial Shocks

BRIAN A. JACOB AND JENS LUDWIG

The Effects of Housing Assistance on Labor Supply:

Evidence from a Voucher Lottery

TIMOTHY SIMCOE

Standard Setting Committees: Consensus Governance for Shared Technology Platforms

DANIEL FRIEDMAN AND RYAN OPREA

A Continuous Dilemma

LUKASZ A. DROZD AND JAROMIR B. NOSAL

Understanding International Prices: Customers as Capital

PETRA MOSER AND ALESSANDRA VOENA

Compulsory Licensing: Evidence from the Trading with the Enemy Act

MAURIZIO MAZZOCCO AND SHIV SAINI

Testing Efficient Risk Sharing with Heterogeneous Risk Preferences

DAVID GILL AND VICTORIA PROWSE

A Structural Analysis of Disappointment Aversion in a Real Effort Competition

SHORTER PAPERS: M. Ravallion; G. B. Eggertsson; C. Forman, A. Goldfarb, and S. Greenstein; S. Anagol and H. H. Kim; F. Echenique; A. Fraas and R. Lutter; N. Z. Muller and R. Mendelsohn

FEBRUARY 2012

THE AMERICAN ECONOMIC ASSOCIATION

Founded in 1885

EXECUTIVE COMMITTEE

Elected Officers and Members

President

CHRISTOPHER A. SIMS, Princeton University

President-elect

CLAUDIA GOLDIN, Harvard University

Vice Presidents

CHRISTINA H. PAXSON, Princeton University

NANCY L. ROSE, Massachusetts Institute of Technology

Mombors

JONATHAN M. GRUBER, Massachusetts Institute of Technology

VALERIE A. RAMEY, University of California at San Diego

MONIKA PIAZZESI, Stanford University

MICHAEL WOODFORD, Columbia University

ANIL K. KASHYAP, University of Chicago

ROSA L. MATZKIN, University of California at Los Angeles

Ex Officio Members

ORLEY C. ASHENFELTER, Princeton University

ROBERT E. HALL, Stanford University

Appointed Members

Editor, The American Economic Review

PINELOPI KOUJIANOU GOLDBERG, Yale University

Editor, The Journal of Economic Literature

JANET M. CURRIE, Princeton University

Editor, The Journal of Economic Perspectives

DAVID H. AUTOR, Massachusetts Institute of Technology

Editor, American Economic Journal: Applied Economics

ESTHER DUFLO, Massachusetts Institute of Technology

Editor, American Economic Journal: Economic Policy

ALAN J. AUERBACH, University of California at Berkeley

Editor, American Economic Journal: Macroeconomics

JOHN LEAHY, New York University

Editor, American Economic Journal: Microeconomics ANDREW POSTLEWAITE, University of Pennsylvania

Secretary-Treasurer

JOHN J. SIEGFRIED, Vanderbilt University

and University of Adelaide

OTHER OFFICERS

Editor, Resources for Economists

WILLLIAM GOFFE, State University of New York at Oswego

Director of AEA Publication Services

JANE EMILY VOROS, Pittsburgh

Managing Director of EconLit Product Design and Content

STEVEN L. HUSTED, University of Pittsburgh

Associate Secretary-Treasurer

PETER L. ROUSSEAU, Vanderbilt University

Counsel

TERRY CALVANI, Freshfields Bruckhaus Deringer LLP Washington, DC

ADMINISTRATORS

Administrative Director

REGINA H. MONTGOMERY

Convention Manager

MARLENE HIGHT

• Typeset by American Economic Association Publications, Pittsburgh, Pennsylvania, USA

• Printed at RR Donnelley Company, Eldridge, Iowa, USA

• Registered in the US Patent and Trademark Office®

•Copyright© 2012 by the American Economic Association. Permission to make digital or hard copies of part or all of American Economic Association publications for personal or classroom use is granted without fee provided that copies are not distributed for profit or direct commercial advantage and that copies show this notice on the first page or initial screen of a display along with the full citation, including the name of the author. Copyrights for components of this work owned by others than AEA must be honored. Abstracting with credit is permitted. The author has the right to republish, post on servers, redistribute to lists and use any component of this work in other works. For others to do so requires prior specific permission and/or a fee. Permissions may be requested from the American Economic Association, 2014 Broadway, Suite 305, Nashville, TN 37203.

• No responsibility for the views expressed by authors in this *Review* is assumed by the editors or the publishers. The American Economic Association.

Correspondence relating to advertising, business matters, permissions to quote, back issues, subscriptions, and changes of address, should be sent to the American Economic Association, 2014 Broadway, Suite 305, Nashville, TN 37203. Change of address notice must be received at least six (6) weeks prior to the publication month. A membership or subscription paid twice is automatically extended for an additional year unless otherwise requested.

THE AMERICAN ECONOMIC REVIEW (ISSN 0002-8282), February 2012, Vol. 102, No. 1. The AER is published seven times a year (February, April, May, June, August, October, and December) by the American Economic Association, 2014 Broadway, Suite 305, Nashville, TN 37203. Annual fees for regular membership are: \$20.00, \$30.00, or \$40.00, depending on income. Further information on subscriptions and the American Economic Association can be found at www.vanderbilt.edu/ AEA/. Periodical postage paid at Nashville, TN and at additional mailing offices. POSTMASTER: Send address changes to The American Economic Review, 2014 Broadway, Suite 305, Nashville, TN 37203, Printed in the USA.



THE AMERICAN ECONOMIC REVIEW

Editor PINELOPI KOUJIANOU GOLDBERG	February 2012	
Coeditors MARIANNE BERTRAND MARTIN EICHENBAUM HILARY HOYNES LUIGI PISTAFERRI	volume 102 , number 1	
DEBRAJ RAY LARRY SAMUELSON	Articles	
ANDRZEJ SKRZYPACZ	Optimal Interventions in Markets with Adverse Selection	
Managing Editor STEVEN M. STELLING	Thomas Philippon and Vasiliki Skreta	1
Board of Editors MARK AGUIAR POL ANTRÀS SANDRA BLACK SIMON BOARD MARKUS BRUNNERMEIER CRAIG BURNSIDE GARY CHARNESS DORA COSTA MIGUEL COSTA-GOMES RACHEL CROSON DIRK ENGELMANN HANMING FANG EMMANUEL FARHI MICHAEL FISHMAN WILLIAM FUCHS GITA GOPINATH GAUTAM GOWRISANKARAN DAVID GREEN IGAL HENDEL ALI HORTAÇSU SHACHAR KARIV NAVIN KARTIK BOTOND KÖSZEGI ILAN KREMER JONATHAN LEVIN GILAT LEVY GUIDO LORENZONI SHELLY LUNDBERG GIUSEPPE MOSCARINI ROHINI PANDE	Overcoming Adverse Selection: How Public Intervention Can Restore Market Functioning Jean Tirole	29
	Collective Moral Hazard, Maturity Mismatch, and Systemic Bailouts Emmanuel Farhi and Jean Tirole	60
	New Trade Models, Same Old Gains? Costas Arkolakis, Arnaud Costinot, and Andrés Rodríguez-Clare	94
	The Environment and Directed Technical Change Daron Acemoglu, Philippe Aghion, Leonardo Bursztyn, and David Hemous	131
	Americans Do IT Better: US Multinationals and the Productivity Miracle Nicholas Bloom, Raffaella Sadun, and John Van Reenen	167
	The Value of Information in the Court: Get it Right, Keep it Tight Matias Iaryczower and Matthew Shum	202
JONATHAN PARKER PARAG PATHAK NINA PAVCNIK	Macroeconomic Effects of Financial Shocks Urban Jermann and Vincenzo Quadrini	238
NICOLA PERSICO RICARDO REIS JESSE ROTHSTEIN FIONA SCOTT MORTON RAJIV SETHI BALÁZS SZENTES CHRISTOPHER TIMMINS SARAH TURNER ERIC VERHOOGEN LISE VESTERLUND ROMAIN WACZIARG	The Effects of Housing Assistance on Labor Supply: Evidence from a Voucher Lottery Brian A. Jacob and Jens Ludwig	272
	Standard Setting Committees: Consensus Governance for Shared Technology Platforms Timothy Simcoe	305
LEEAT YARIV STEPHEN YEAPLE	A Continuous Dilemma Daniel Friedman and Ryan Oprea	337
	Understanding International Prices: Customers as	
	Capital Lukasz A. Drozd and Jaromir B. Nosal	364

Compulsory Licensing: Evidence from the Trad	Petra Moser and Alessandra Voena	396
Testing Efficient Risk Sharing with Heterogene	ous Risk Preferences Maurizio Mazzocco and Shiv Saini	428
A Structural Analysis of Disappointment Avers	ion in a Real Effort Competition David Gill and Victoria Prowse	469
Shorter Papers		
Why Don't We See Poverty Convergence?	Martin Ravallion	504
Was the New Deal Contractionary?	Gauti B. Eggertsson	524
The Internet and Local Wages: A Puzzle Chris I	Forman, Avi Goldfarb, and Shane Greenstein	556
The Impact of Shrouded Fees: Evidence from a Funds Market	Natural Experiment in the Indian Mutual Santosh Anagol and Hugh Hoikwang Kim	576
Contracts versus Salaries in Matching	Federico Echenique	594
Efficient Pollution Regulation: Getting the Price	es Right: Comment Art Fraas and Randall Lutter	602
Efficient Pollution Regulation: Getting the Price	es Right: Reply Nicholas Z. Muller and Robert Mendelsohn	608
Efficient Pollution Regulation: Getting the Price (Mortality Rate Update)	es Right: Corrigendum Nicholas Z. Muller and Robert Mendelsohn	613

Information on how to submit a manuscript is available online: http://www.aeaweb.org/aer/submissions.php

It is the policy of *The American Economic Review* to publish papers only if the data used in the analysis are clearly and precisely documented and are readily available to any researcher for purposes of replication. Details of the computations sufficient to permit replication must be provided. The Editor should be notified at the time of submission if the data used in a paper are proprietary or if, for some other reason, the requirements above cannot be met.