## The American Economic Review

#### **ARTICLES**

**QUAMRUL ASHRAF AND ODED GALOR** 

The "Out of Africa" Hypothesis, Human Genetic Diversity, and Comparative Economic Development

YEON-KOO CHE, WOUTER DESSEIN, AND NAVIN KARTIK
Pandering to Persuade

PARAG A. PATHAK AND TAYFUN SÖNMEZ

School Admissions Reform in Chicago and England: Comparing Mechanisms by their Vulnerability to Manipulation

SURESH NAIDU AND NOAM YUCHTMAN

Coercive Contract Enforcement: Law and the Labor Market in Nineteenth Century Industrial Britain

MATTHEW GRENNAN

Price Discrimination and Bargaining: Empirical Evidence from Medical Devices

LIRAN EINAV, AMY FINKELSTEIN, STEPHEN P. RYAN, PAUL SCHRIMPF, AND MARK R. CULLEN Selection on Moral Hazard in Health Insurance

MEGHAN R. BUSSE, CHRISTOPHER R. KNITTEL, AND FLORIAN ZETTELMEYER
Are Consumers Myopic? Evidence from New and Used Car Purchases

MICHAEL FRAKES

The Impact of Medical Liability Standards on Regional Variations in Physician Behavior: Evidence from the Adoption of National-Standard Rules

PHILIPPE AGHION, JOHN VAN REENEN, AND LUIGI ZINGALES Innovation and Institutional Ownership

ERIC BARTELSMAN, JOHN HALTIWANGER, AND STEFANO SCARPETTA
Cross-Country Differences in Productivity: The Role of Allocation and Selection

STEFAN BUEHLER AND DENNIS L. GÄRTNER

Making Sense of Nonbinding Retail-Price Recommendations

ANTONIO CABRALES, OLIVIER GOSSNER, AND ROBERTO SERRANO Entropy and the Value of Information for Investors

MIKLÓS KOREN AND SILVANA TENREYRO
Technological Diversification

J. MICHELLE BROCK, ANDREAS LANGE, AND ERKUT Y. OZBAY
Dictating the Risk: Experimental Evidence on Giving in Risky Environments

GEOFFREY R. DUNBAR, ARTHUR LEWBEL, AND KRISHNA PENDAKUR
Children's Resources in Collective Households: Identification, Estimation, and an
Application to Child Poverty in Malawi

SHORTER PAPERS: R. Fernández; C. Cotton; M. Sutter, M. G. Kocher, D. Glätzle-Rützler, and S. T. Trautmann; R. Gibson, C. Tanner, and A. F. Wagner; R. Di Tella and J. Dubra; A. Alesina, G.-M. Angeletos, and G. Cozzi

**FEBRUARY 2013** 

#### THE AMERICAN ECONOMIC ASSOCIATION

#### Founded in 1885

#### **EXECUTIVE COMMITTEE**

#### **Elected Officers and Members**

President

CLAUDIA GOLDIN, Harvard University

President-elect

WILLIAM D. NORDHAUS, Yale University

Vice Presidents

RAQUEL FERNÁNDEZ, New York University

PAUL R. MILGROM, Stanford University

Member

MONIKA PIAZZESI, Stanford University

MICHAEL WOODFORD, Columbia University

ANIL K KASHYAP, University of Chicago

ROSA L. MATZKIN, University of California at Los Angeles

AMY N. FINKELSTEIN, Massachusetts Institute of Technology

JONATHAN LEVIN, Stanford University

Ex Officio Members

CHRISTOPHER A. SIMS, Princeton University

ORLEY C. ASHENFELTER, Princeton 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

PETER L. ROUSSEAU, Vanderbilt University

#### OTHER OFFICERS

Editor, Resources for Economists

WILLIAM 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

Assistant Secretary-Treasurer

JOHN J. SIEGFRIED, Vanderbilt University

and University of Adelaide

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, Jefferson City, Missouri, USA

• Registered in the US Patent and Trademark Office®

•Copyright© 2013 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 2013, Vol. 103, 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 2013	
Coeditors MARIANNE BERTRAND MARTIN EICHENBAUM HILARY HOYNES	VOLUME 103, NUMBER 1	
LUIGI PISTAFERRI DEBRAJ RAY	Articles	
LARRY SAMUELSON		
ANDRZEJ SKRZYPACZ	The "Out of Africa" Hypothesis, Human Genetic Diversity, and Comparative Economic	
Managing Editor STEVEN M. STELLING	Development	
Assistant Managing Editor	Quamrul Ashraf and Oded Galor	1
KELLY MARKEL	Pandering to Persuade	
<b>Board of Editors</b> MARK AGUIAR	Yeon-Koo Che, Wouter Dessein, and Navin Kartik	47
POL ANTRÀS	School Admissions Reform in Chicago and	
SANDRA BLACK SIMON BOARD	England: Comparing Mechanisms by their	
CRAIG BURNSIDE ARIEL BURSTEIN	Vulnerability to Manipulation	80
STEVEN CALLANDER GARY CHARNESS	Parag A. Pathak and Tayfun Sönmez	80
SYLVAIN CHASSANG	Coercive Contract Enforcement: Law and the Labor	
DORA COSTA MIGUEL COSTA-GOMES	Market in Nineteenth Century Industrial Britain Suresh Naidu and Noam Yuchtman	107
DIRK ENGELMANN HANMING FANG		107
EMMANUEL FARHI	Price Discrimination and Bargaining: Empirical Evidence from Medical Devices	
TIMOTHY FEDDERSEN MICHAEL FISHMAN	Matthew Grennan	145
WILLIAM FUCHS GAUTAM GOWRISANKARAN	Selection on Moral Hazard in Health Insurance	
DAVID GREEN VERONICA GUERRIERI	Liran Einav, Amy Finkelstein, Stephen P. Ryan,	
IGAL HENDEL	Paul Schrimpf, and Mark R. Cullen	178
ALI HORTAÇSU SHACHAR KARIV	Are Consumers Myopic? Evidence from New and	
NAVIN KARTIK BRIAN KNIGHT	Used Car Purchases	
BOTOND KŐSZEGI ILAN KREMER	Meghan R. Busse, Christopher R. Knittel, and Florian Zettelmeyer	220
ARVIND KRISHNAMURTHY JONATHAN LEVIN	· ·	220
GILAT LEVY	The Impact of Medical Liability Standards on Regional Variations in Physician Behavior:	
HAMISH LOW SHELLY LUNDBERG	Evidence from the Adoption of National-	
MATTHEW MITCHELL DILIP MOOKHERJEE	Standard Rules	
GIUSEPPE MOSCARINI	Michael Frakes	257
PHILIP OREOPOULOS ROHINI PANDE	Innovation and Institutional Ownership	
JONATHAN PARKER PARAG PATHAK	Philippe Aghion, John Van Reenen,	255
NINA PAVCNIK FABRIZIO PERRI	and Luigi Zingales	277
RICARDO REIS JESSE ROTHSTEIN	Cross-Country Differences in Productivity:	
FIONA SCOTT MORTON	The Role of Allocation and Selection  Eric Bartelsman, John Haltiwanger,	
RAJIV SETHI AMIR SUFI	and Stefano Scarpetta	305
CHRISTOPHER TIMMINS SARAH TURNER	Making Sense of Nonbinding Retail-Price	
ERIC VERHOOGEN	Recommendations	
LISE VESTERLUND LEEAT YARIV	Stefan Buehler and Dennis L. Gärtner	335

Entropy and the Value of Information for Investors	
Antonio Cabrales, Olivier Gossner, and Roberto Serrano	360
Technological Diversification  Miklós Koren and Silvana Tenreyro	378
Dictating the Risk: Experimental Evidence on Giving in Risky Environments  J. Michelle Brock, Andreas Lange, and Erkut Y. Ozbay	415
Children's Resources in Collective Households: Identification, Estimation, and an Application to Child Poverty in Malawi  Geoffrey R. Dunbar, Arthur Lewbel, and Krishna Pendakur	438
Shorter Papers	
Cultural Change as Learning: The Evolution of Female Labor Force Participation over a Century  Raquel Fernández	472
Submission Fees and Response Times in Academic Publishing  **Christopher Cotton**  **Christopher Cotto	501
Impatience and Uncertainty: Experimental Decisions Predict Adolescents' Field Behavior Matthias Sutter, Martin G. Kocher, Daniela Glätzle-Rützler, and Stefan T. Trautmann	510
Preferences for Truthfulness: Heterogeneity among and within Individuals  *Rajna Gibson, Carmen Tanner, and Alexander F. Wagner*	532
Fairness and Redistribution: Comment  *Rafael Di Tella and Juan Dubra**	549
Fairness and Redistribution: Reply  Alberto Alesina, George-Marios Angeletos, and Guido Cozzi	554

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.

### The American Economic Association (AEA) welcomes all AEA members to view its webcasts of selected 2013 Annual Meeting Panel Discussions.

RFE

Members

The webcasts feature discussions on:

• Sovereign Debt Crises and Policies: History and Future Prospects *January 4, 2013* 

Moderator: Olivier Blanchard

Panelists: Simon Johnson, Kenneth Rogoff, and Thomas Sargent

 Health Insurance and Government Mandates: A Session to Honor Amy Finkelstein, John Bates Clark Medalist for 2012

January 5, 2013

Moderator: Amitabh Chandra

Panelists: Amy Finkelstein, Martin Feldstein, Jonathan Gruber,

and Jonathan Skinner

• Models or Muddles: How the Press Covers Economics and the Economy

January 5, 2013

Moderator: Alan Blinder

Panelists: Tyler Cowen, Adam Davidson, Kelly Evans, Chrystia Freeland,

and David Wessel

• Reflections on the 100th Anniversary of the Federal Reserve

January 5, 2013

Moderator: Alan Blinder

Panelists: Robert E. Lucas, Jr.; Carmen Reinhart and Kenneth Rogoff; Christina D. Romer and David H. Romer; Charles Plosser; Donald Kohn

• What Do Economists Think about Major Public Policy Issues?

January 5, 2013

Moderator: Anil Kashyap

Panelists: Roger Gordon and Gordon B. Dahl; Luigi Zingales; Paul Krugman; Monika Piazzesi; Robert Hall; David Wessel; Justin Wolfers

Visit http://www.aeaweb.org/webcasts/2013/index.php to view this year's webcasts. The 2009, 2010, 2011, and 2012 webcasts are also available.



More than 125 Years of Encouraging Economic Research

# Sophisticated analyses. Intuitive software. Operation Factor Analyse Consumption and iscome Consumption and iscom

- » Flexible GMM estimation
- » Vector autoregression and cointegration models (VARs and VECs)
- » Univariate and multivariate ARCH/GARCH
- » State-space, dynamic factor, and unobserved components models
- » Limited dependent variables: counts, multinomial and ordered choices, selection

- » Excel® import and export
- » Fixed- and random-effects models with robust standard errors
- » Marginal effects and average partial effects
- » Business calendars: handle trading dates, holidays, ...
- » Haver Analytics database support
- » Mata matrix programming language
- » And more...

Stata is a complete, integrated statistical package that provides everything you need for data analysis, data management, and graphics. With a point-and-click interface, an intuitive command syntax, and online help, Stata is easy to use, fast, and accurate.

Need more reasons to make the switch to Stata?

#### stata.com/aer

stata.com • info@stata.com • 1-800-782-8272