FRIDAY, May 26, 12 – 13:30

DV_A1. Macroeconomics 1. Room: *Pere i Joan Coromines (IEC)*

CITY LOCATION AND ECONOMIC DEVELOPMENT

Dávid Krisztián Nagy
CREI and Barcelona GSE

Abstract

I present a dynamic model of the U.S. economy with trade, labor mobility, endogenous growth and realistic geography to examine the relationship between spatial frictions, city formation and aggregate development. In the model, a subset of locations endogenously specialize in innovative industries that are subject to economies of scale. This leads to the formation and development of cities. Spatial frictions affect innovation, thus aggregate growth, by shaping the locations and sizes of cities. I take the model to historical U.S. data at a 20 by 20 arc minute spatial resolution. I show that the model can quantitatively replicate the large population reallocation toward the West and the rapid urbanization in the 19th century, as well as various moments of the location and growth of newly forming cities. I use the model to quantify how the construction of the U.S. railroad network affected city formation, aggregate output and growth. Results indicate that railroads were responsible for 27% of U.S. growth before the Civil War, increasing U.S. real GDP by 9.3% in 1860. I also show that the formation and development of cities amplified the effects of railroads on real GDP by at least 18%.

INVESTMENT DEMAND AND STRUCTURAL CHANGE

Manuel García-Santana
UPF, Barcelona GSE and CEPR
Josep Pijoan-Mas
CEMFI and CEPR
Lucciano Villacorta
Banco Central de Chile

Abstract

The sectoral composition of growing economies is largely affected by the evolution of the investment rate outside the balanced growth path. We present three novel facts consistent with this idea: (a) the value added share of manufacturing within investment goods is larger than within consumption goods, (b) the standard hump-shaped profile of manufacturing with development is much more apparent for the whole economy than for the investment and consumption goods separately, and (c) the investment rate displays a hump with development similar to the one of the value added share of manufacturing. Using a standard multi-sector growth model estimated with a large panel of countries, we find that this mechanism is especially important for the industrialization of several countries since the 1950's and for the deindustrialization of many Western economies since the 1970's. In addition, it explains a substantial part of the standard hump-shaped relationship between manufacturing and development, which has been a challenge for theories of structural transformation under balanced growth. Finally, the different composition of investment and consumption goods can also explain up to half of the decline in the relative price of investment since 1980.

Keywords: Structural Change; Investment; Growth; Transitional Dynamics.
JEL Classification: E23; E21; O41.

LEISURE TIME AND THE SECTORIAL COMPOSITION OF EMPLOYMENT

Edgar Cruz
University of Guanajuato
Xavier Raurich
Departament d'Economia and CREB-BEAT, Universitat de Barcelona

Abstract

In the second half of the twenty century we observe two important patterns of structural change; first, a large shift of employment from the agriculture and manufacturing sectors to the service sector, and, second, a sustained increase in the amount of time devoted to leisure activities. We relate these two patterns of structural change by arguing that during leisure time we consume recreational services. The observed increase in leisure time then implies an increase in the consumption of these services, which introduces a new mechanism of structural change. In order to measure the relevance of this mechanism, we construct a multi-sector exogenous growth model with biased technological change. The new feature of the model is the introduction of recreational activities, which depend on both leisure time and on the consumption of recreational services. We introduce these activities by assuming a nested CES utility function. We show that the model explains the two patterns of structural change. We also show that the introduction of recreational activities improves the performance of the numerical simulations. Finally, we study the effects of fiscal policy. We show that the reduction in GDP due to an increase in the labor income tax is substantially larger when we consider that during leisure time we consume recreational services.

Keywords: Sectoral Composition, Leisure, Non-Homothetic Preferences, Elasticity of Substitution, Biased Technological Progress.
JEL Classification: O41, O47.

<u>DV_A2. Monetary Economics 1.</u> Room: *Nicolau d'Olwer (IEC)*

OPTIMAL MONETARY POLICY WITH HETEROGENEOUS AGENTS

Galo Nuño
Banco de España
Carlos Thomas
Banco de España

Abstract
Incomplete markets models with heterogeneous agents are increasingly used for policy analysis. We propose a novel methodology for solving fully dynamic optimal policy problems in models of this kind, both under discretion and commitment. We illustrate our methodology by studying optimal monetary policy in an incomplete-markets model with non-contingent nominal assets and costly inflation. Under discretion, an inflationary bias arises from the central bank's attempt to redistribute wealth towards debtor households, which have a higher marginal utility of net wealth. Under commitment, this inflationary force is counteracted over time by the incentive to prevent expectations of future inflation from being priced into new bond issuances; under certain conditions, long run inflation is zero as both effects cancel out asymptotically. For a plausible calibration, we find that the optimal commitment features first-order initial inflation followed by a gradual decline towards its (near zero) long-run value. Welfare losses from discretionary policy are first-order in magnitude, affecting both debtors and creditors.

Keywords: Optimal Monetary Policy, Commitment and Discretion, Incomplete Markets, Nominal Debt, Inflation, Redistributive Effects, Continuous Time.
JEL Classification: E5, E62, F34.

MONEY-FINANCED VERSUS DEBT-FINANCED FISCAL STIMULUS WITH BORROWING CONSTRAINTS

Chiara Punzo
Università Cattolica del Sacro Cuore
Lorenza Rossi
University of Pavia

Abstract

We consider a NK-DSGE model with distortive taxation and heterogeneous agents, modeled using a modified version of the mechanism pro-posed by Bilbiie, Monacelli and Perotti (2012). Following GalÏ (2014), we study the effects of a shock to government purchases under two alternative financing regimes: (i) monetary financing; (ii) debt financing. Particularly, we focus on the redistributive effects of the two regimes and we find the following. Both regimes imply a redistributive effect from savers to borrowers, measured in terms of the ratio between the consumption of borrowers and that of savers. The redistribution is much greater in the money-financed fiscal stimulus, where the consumption ratio is more than three times higher than the implied one in the debt-financed fiscal stimulus. Borrowers are better off also in terms of their relative labor supply and money demand. Finally, with respect to the representative agent model, the presence of borrowers enhances the impact of the fiscal intervention on aggregate output, when spending is debt financed. Remarkably, with respect to Galí (2014) the same regime implies a reduction of the debt burden instead of an increase.

MONETARY POLICY FOR A BUBBLY WORLD

Vladimir Asriyan
CREI, UPF and Barcelona GSE
Luca Fornaro
CREI, UPF and Barcelona GSE
Alberto Martin
CREI, UPF and Barcelona GSE
Jaume Ventura
CREI, UPF and Barcelona GSE

Abstract

We propose a model of money, credit and bubbles, and use it to study the role of monetary policy in managing asset bubbles. In this model, bubbles pop up and burst, generating fluctuations in credit, investment and output. Two key insights emerge from the analysis. First, the growth rate of bubbles, which is driven by agents' expectations,

can be set in real or in nominal terms. This gives rise to a novel channel of monetary policy, as changes in the inflation rate affect the real growth rate of bubbles and their effect on economic activity. Crucially, this channel does not rely on contract incompleteness or price rigidities. Second, there is a natural limit on monetary policy's ability to control bubbles: the zero-lower bound. When a bubble crashes, the economy may enter into a liquidity trap, a regime in which agents shift their portfolios away from bubbles - and the credit that they sustain - to money, reducing intermediation, investment and growth. We explore the implications of the model for the conduct of "conventional" and "unconventional" monetary policy, and we use the model to provide a broad interpretation of salient macroeconomic facts of the last two decades.

JEL classification: E32, E44, O40

Keywords: bubbles, monetary policy, liquidity traps, financial frictions

DV_A3. Finance 1. Room: *Pi i Sunyer (IEC)*

PRECOMMITMENTS FOR FINANCIAL SELF-CONTROL:
MICRO EVIDENCE FROM THE 2003 KOREAN CREDIT CRISIS

Sung-Jin Cho
Department of Economics, Seoul National University
John Rust
Department of Economics, Georgetown University

Abstract

We analyze data on installment borrowing decisions of two samples of customers of a credit card company before and after the 2003 Korean credit crisis. In an attempt to increase its market share, the company more or less randomly offers its customers free installments, i.e. opportunities to pay off card purchases in up to twelve monthly installments at a zero interest rate. We exploit these offers as a quasi-random field experiment to better understand consumer demand for credit. Despite censoring in the data (we observe free installment offers only when customers choose them), our econometric model is able to separately identify the probability a customer is offered a free installment opportunity from the probability they take it. The model predicts that the company sharply reduced free installment offers after the crisis, while customer take-up rates (which can vary greatly across customers reflecting significant heterogeneity in the elasticity of demand for credit) increased from an average of 13% before the crisis to 20% after it. It is a challenge to explain the low take-up of interest-free loan offers given that there are no pre-payment penalties and these offers can be easily accepted at the push of a button at the check out counter. Rational expected utility maximizers will take every interest-free loan offer for the maximum allowed term if the transaction cost of taking the offer is zero. However even for the minority of customers who take the interest-free loan offers, most precommit to repay the loan over a term that is shorter than the maximum allowed under the offer. A possible explanation for this behavior is that customers, in an exercise of financial self-control, resist the temptation of interest-free loan offers to avoid becoming excessively indebted.

Keywords: Credit Crisis, Installment Credit, Credit Cards, Demand for Credit, Behavioral Finance, Field Experiment, Quasi-Random Experiment, Discrete Choice Models, Nested Logit Model, Censoring, Choice-Based Sampling, Mixture Models, Precommitment Behavior, Self-Control, Price Discrimination, Nonlinear Pricing.

CREDIT RATINGS AND MARKET INFORMATION

Alessio Piccolo
Department of Economics, University of Oxford
Joel Shapiro
Saïd Business School, University of Oxford

Abstract

How does market information affect credit ratings? How do credit ratings affect market information? We analyze these questions in a model in which a credit rating agency’s (CRA’s) rating is followed by a market for credit risk that provides a public signal - the price. A more accurate rating decreases the in formativeness of market trading, as it diminishes mispricing and, hence, incentives for investor information acquisition. On the other hand, more-informative trading increases CRA incentives to be accurate by making rating inflation more transparent and, thus, increasing reputational costs. If the first effect is sufficiently strong, policies that increase reputational sanctions on CRAs (e.g., increasing liability standards) decrease rating inflation, but also decrease the total amount of information produced.

COMMON OWNERSHIP, COMPETITION, AND TOP MANAGEMENT INCENTIVES

Miguel Antón
IESE Business School
Florian Ederer
Yale School of Management
Mireia Giné

IESE Business School
Martin Schmalz
Stephen M. Ross School of Business, University of Michigan

Abstract
We show theoretically and empirically that executives are paid less for their own firm's performance and more for their rivals' performance if an industry's firms are more commonly owned by the same set of investors. Higher common ownership also leads to higher unconditional total pay. We exploit quasi-exogenous variation in common ownership from a mutual fund trading scandal to support a causal interpretation. These findings challenge conventional assumptions in the corporate finance literature about the objective function of the firm.

JEL Classification: G30, G32, D21, J31, J41.

DV_A4. Economic Inequality. Room: *Puig i Cadafalch (IEC)*

SOCIAL SHOCK SHARING AND STOCHASTIC DOMINANCE

Christophe Muller
Department of Economics, Aix-Marseille University

Abstract
By proposing new notions of welfare shock sharing, we provide intuitive justifications restricting signs of partial derivatives of utilities in multidimensional welfare analysis. We exploit these newly interpretable restrictions to derive new necessary and sufficient stochastic dominance criteria for powerful multidimensional welfare comparisons at the fourth order. This is important because little substantial progress for empirically efficient criteria has been done in this area since the seminal paper of Atkinson and Bourguignon (1982). We fill this gap. We also derive equivalence results in terms of multidimensional poverty. An application to Egypt between 1990 and 2012 illustrates the power of our new stochastic dominance results that elicit unambiguously in this context the continuous progress of income-education social welfare. Therefore, rising inequality of this kind cannot be a sufficient determinant of the 2011 revolution that may have been supposed by other grievances and rising aspirations of the population.

Keywords: Multidimensional Welfare, Stochastic Dominance, Temperance, Risk Sharing.
JEL Classification: D3, D63, I31

ALMOST LORENZ DOMINANCE

Buhong Zheng
Department of Economics, University of Colorado Denver

Abstract
This paper extends Leshno and Levyi's (2002) approach of "almost stochastic dominance" to inequality measurement and inequality orderings. We define and characterize the notion of "almost Lorenz dominance" (ALD) and apply it to the US income data. An income distribution "almost" Lorenz dominates another distribution when the Lorenz curve of the distribution lies "almost everywhere" but not entirely above the other Lorenz curve. We show that this condition is equivalent to requiring that "almost" all Gini type inequality measures rank the former distribution to have less inequality than the latter distribution. We further define an almost composite transfer (ACT) and show that ALD is equivalent to a sequential application of such transfers. The empirical application to the US income data (1967-1986) demonstrates the utility of this generalized notion of inequality ordering.

Keywords: Income Inequality Measurement, Gini Coefficient, Almost Lorenz Dominance, Almost Stochastic Dominance, Almost Composite Transfer.
JEL Classification: D63.

EQUALITY OF OPPORTUNITY FOR WELL-BEING

Daniel Mahler
Department of Economics, University of Copenhagen
Xavier Ramos
Department of Applied Economics, Universitat Autònoma de Barcelona

Abstract
The past decades have seen a growing political concern about 1) assuring that people have equal opportunities for obtaining decent levels of income and 2) going beyond income when measuring welfare and assessing policy outcomes. This paper attempts to bridge these two developments by measuring the extent to which individuals have equal opportunities to achieve a high level of well-being. The German Socio-Economic Panel is used to measure well-being in four different ways including log incomes. This makes it possible to determine if the way welfare is measured matters for identifying who the most opportunity deprived are and for tracking inequality of opportunity over time. We

find, broadly, that the measurement of well-being does not matter for characterizing who the most opportunity deprived are. It does matter, however, for tracking inequality of opportunity over time.

Keywords: Equality of Opportunity, Measurement, Responsibility, Effort, Income, Multidimensional Well-Being, Life Satisfaction, Equivalent Income.
JELClassification: D3, D63, I31.

DV_A5. Political Economy 1. Room: *Prat de la Riba (IEC)*

PARTY DISCIPLINE AND GOVERNMENT SPENDING: THEORY AND EVIDENCE

Marta Curto-Grau
Research Center for Distributional Conflict and Globalization, University of Heidelberg and IEB, UB.
Galina Zudenkova
Department of Economics, University of Mannheim

Abstract

This paper studies the relationship between party discipline and discretionary spending with theory and data. We propose a theoretical model in which a politician faces a conflict between her constituents' interests and the party line. Party loyalty is electorally costly for the politician and is therefore rewarded by the party leader with greater amounts of discretionary spending allocated to the politician's constituency. The more intense the conflict between the voters' and the party's interests, the more grants the district receives. Using panel data on party discipline in the U.S. House of Representatives and federal grants to congressional districts between 1984 and 2010, we provide evidence that districts represented by loyal legislators receive greater amounts of discretionary spending. This effect holds only for legislators in the majority party, who may enjoy a legislative advantage. Districts represented by loyal legislators who face a greater conflict of interest between following the party and serving their constituents (e.g., Republican legislators representing liberal-leaning districts) are rewarded to a larger extent.

Keywords: Party Discipline; Discretionary Spending; Party Line.
JEL Classification: D72, H41.

LINKING SOCIAL HETEROGENEITY AND COMMODITY PRICE SHOCKS TO CIVIL CONFLICTS

José-Manuel Giménez-Gómez
Departament d´Economia and CREIP, Universitat Rovira i Virgili
Yitagesu Zewdu
Departament d´Economia and CREIP, Universitat Rovira i Virgili

Abstract

Do exogenous economic shocks promote civil conflict directly? Do they affect all the societies alike? Using a large sample panel dataset, the current approach finds that commodity export prices shocks contribute to civil conflict in socially diversified countries. These findings contribute to the existing body literature linking income to conflict by analyzing not only the effect of commodity price shocks on conflict incidence, rather than onsets, but also by examining the joint effect of ethnicity and religious polarization and fractionalization.

Keywords: Economic Shocks; Conflict; Polarization; Ractionalization; Commodity Price.
JEL Classification: D74, O11, O17.

DOES ELECTORAL COMPETITION CURB PARTY FAVORITISM?

Marta Curto-Grau
University of Heidelberg and Institut d'Economia de Barcelona (IEB)
Albert Solé-Ollé
Universitat de Barcelona and Institut d'Economia deBarcelona (IEB)
Pilar Sorribas-Navarro
Universitat de Barcelona and Institut d'Economia deBarcelona (IEB)

Abstract

We study whether incumbents facing uncontested elections channel public spending towards co-partisan officials more than is the case of incumbents that are worried about their chances of re-election. To do so, we draw on data detailing capital transfers allocated by Spanish regions to local governments during the period 1995-2007. Using a regression discontinuity design, we document strong and robust effects. We find that, on average, a mayor belonging to the same party as that of the regional president obtains nearly twice the amount in grants as is received by a mayor belonging to an opposition party. This effect is much greater for regional incumbents that won the

previous election by a large margin, but it disappears in the case of highly competitive elections. The effects estimated by difference-in-differences are not so great but they point in the same direction. Overall, the results are consistent with predictions that regional incumbents focus on obtaining the most votes possible when elections are strongly contested, while they seek to increase the number of aligned mayors when their position at the ballot box is not vulnerable.

Keywords: Political Parties, Intergovernmental Transfers, Distributive Politics, Regression Discontinuity
JEL Classification: C2, D72.

DV_A6. Public Economics 1. Room: *Auditori (Residència d'Investigadors)*

CATALONIA: INDEPENDENCE AND PENSIONS

Javier Díaz-Giménez
IESE Business School

Julián Díaz-Saavedra
Universidad de Granada

Abstract
We use an overlapping generations model with endogenous retirement to study the effect of the independence of Catalonia on retirement pensions.

JEL classification: C68, H55, J26

OPTIMAL PUBLIC POLICY *À LA RAMSEY* IN AN ENDOGENOUS GROWTH MODEL

Elena Del Rey
Economics Department, Universitat de Girona
Miguel-Angel Lopez-Garcia
Department of Applied Economics, Universitat Autònoma de Barcelona

Abstract
We use an overlapping generations model with physical and human capital to ascertain the consequences for optimality of a social planner adopting a welfare criterion that gives the same weight to all generations and is respectful of individual preferences. In particular, we consider a social planner who maximizes a non-discounted sum of individual utilities à la Ramsey, with consumption levels expressed in terms of output

per unit of efficient labour. It is shown that the optimal growth path does not depend on the precise cardinalization of preferences (i.e., the degree of homogeneity of the utility function) and that it converges to the “Golden Rule” defined in this endogenous growth framework. Decentralizing the optimum trajectory requires that subsidies to investment in education be negative (i.e., taxes), and that pensions to the elderly be positive along the entire optimal growth path. These results hold regardless of the initial conditions.

Keywords: Endogenous Growth, Human Capital, Education Policy, Intergenerational Transfers, Pensions.
JEL Classification: D90, H21, H52, H55.

WEAKENING POLITICAL CONNECTIONS BY MEANS OF REGULATORY REFORM: EVIDENCE FROM CONTRACTING OUT WATER SERVICES IN SPAIN

Daniel Albalate
Universitat de Barcelona and GiM-IREA
Germà Bel
Universitat de Barcelona and GiM-IREA
Francisco González-Gómez
Universidad de Granada
Andrés J. Picazo-Tadeo
Universitat de València & INTECO Research Group

Abstract

One area of public policy where rent-seeking and favoritism is relatively common is the contracting out of public services. Private firms can improve their chances of obtaining contracts by bribing politicians or public servants and funding political parties. In the same vein, firms can gain access to policymakers by hiring influential former politicians -a practice commonly referred to as revolving-doors. In Spain, a number of corruption cases, involving all the major political parties, are presently under judicial investigation; some of them involve water contracts. Also, there is evidence showing that private firms have been funding political parties as well as hiring former politicians for top positions. In this paper, we use information from 922 privatizations of water services in Spanish municipalities between 1984 and 2016 and logistic multinomial regression techniques to study the association between specific firms securing contracts and the political parties ruling the municipalities. We find statistical evidence of an association between the Popular Party (Partido Popular or PP) and the firm Aqualia, part of the large Spanish holding company Fomento de Construcciones y Contratas (FCC), which is known to have funded the PP. Furthermore, former PP politicians have been appointed to top positions in the FCC Board of Directors. This relationship, however, weakened after the

institutional reform of 2007 on public procurement, which is empirically evaluated in this paper.

Keywords: Rent-Seeking, Political Connections, Privatization, Contracting Out, Urban Water Services, Spain.
JEL Classification: D73, L33, L95.

<u>DV_A7. Microeconomics 1.</u> Room: *Sala de Reunions (Residència d'Investigadors)*

AXIOMS FOR THE MINIMUM WALRASIAN EQUILIBRIUM
IN ASSIGNMENT PROBLEMS WITH UNITARY DEMANDS

Francisco Robles
Departament de Matemàtica Econòmica, Financera i Actuarial, Universitat de Barcelona

Abstract

We consider a set of indivisible objects to be allocated to a group of agents. Each agent receives at most one object. Monetary transfers are allowed and each agent has a preference over bundles of an object and money. We do not impose any condition on the number of objects. Under general preference domains that contain quasi-linear preferences, we provide the following characterizations for the minimum Walrasian equilibrium rule. When the objects are heterogeneous, the minimum Walrasian equilibrium is the unique rule satisfying non-wastefulness, envy-freeness, desirability of positively priced objects and monotonicity with respect to willingness to pay. In the presence of homogeneity of objects, the minimum Walrasian equilibrium is the unique rule satisfying non-wastefulness, efficiency, desirability of positively priced objects, no subsidy and strategy-proofness. For the quasi-linear domain, the minimum Walrasian equilibrium rule is characterized by antimonotonicity, non-wastefulness, efficiency and Desirability of positively priced objects.

Keywords: Walrasian Equilibrium, Strategy-Proofness, General Preferences, Quasi-Linear Preferences.
JEL Classification: D47, D71, D78.

CONFORMITY: AN AXIOMATIC APPROACH

Daniel Sanchez Moscona
Department of Economics and Business, UPF and Barcelona GSE

Abstract

This paper lays an axiomatic foundation for representing preferences of decision-makers who have some tendency to conform. Under the proposed axioms, I obtain a well-behaved utility representation that can easily be used in theoretical applications. Moreover, the paper characterizes the full set of functions that are consistent with the axioms. Finally, I derive two measures of individual conformity. The first one is based on the parameters of the utility representation obtained earlier. On the other hand, I also propose a family of non-parametric measures of conformity that allow for a broader range of comparisons between different individuals' tendencies.

SOCIAL LEARNING WITH PUBLIC INFORMATION DISCLOSURE

Min Zhang

School of Economics and Finance, University of St Andrews

Abstract

This paper studies the effect of releasing exogenous public information in social-learning models that predict informational cascades and incomplete learning. Despite the fact that informational cascades can be triggered by incorrect early actions, we show that, to improve social learning, it is weakly better to postpone the disclosure of public information in a canonical setting with binary states and actions. Such weak monotonicity may not hold if time preference and/or richer action/state spaces are introduced. On the other hand, it is suboptimal to ever release public information less precise than people's private information even under sophisticated strategies of disclosure, since noisy public signals crowd out more informative private signals and thus harm information aggregation.

DV_A8. Behavior and Institutions. Room: *Aula 0 (MACBA)*

FATAL ATTRACTION: HOW TERRORISM, CRIME AND CORRUPTION HURT TOURISM

María Santana-Gallego
Universitat de les Illes Balears
Jaume Rosselló-Nadal
Universitat de les Illes Balears
Johan Fourie
University of Stellenbosch

Abstract

This article examines the effect of terrorism, crime and corruption on tourist arrivals for 171 countries for the period 1995–2013. We apply two types of analysis: a tourism demand model for total tourist arrivals and a gravity model for tourist arrivals disaggregated by source country. The findings of the tourism demand model are that terrorism and crime have a negative effect on tourist arrivals but that corruption has no effect; that the effects of terrorism and crime are greater for leisure tourism than for business tourism but that corruption affects only business tourism; and that the effects of terrorism, crime and corruption depend on the attractiveness of the destination country and its level of development. The estimate of the gravity model for bilateral tourism flows allow to study the effects of instability not only in the host country but also in the source one and to account for differences in the instability measures between country pairs. Here the findings are that terrorism, crime and corruption in the host country have a negative effect on inbound tourism but that the risk of victimization in the source country has no clear effect on tourist departures; and that tourists from stable countries prefer travelling to countries with the similar stability but tourists from unstable or insecure countries are more tolerant of crime, terrorism and corruption in the host country.

Keywords: Terrorism, Crime, Corruption, International Tourism, Gravity Model.

ACCESS TO POWER, POLITICAL INSTITUTIONS AND ETHNIC FAVORITISM

Hannes Mueller
Institut d'Anàlisi Econòmica (CSIC), MOVE and Barcelona GSE.
Augustin Tapsoba
UAB and Barcelona GSE

Abstract

We use a dataset which codes executive power for 564 ethnic groups in 130 countries on a seven-point scale to show that ethnic groups that gain political power benefit economically. This effect holds for groups that enter government, the extensive margin, and for groups that concentrate more power onto themselves, the intensive margin. Both these effects disappear in the presence of strong political constraints on executive power. Institutional constraints are even effective in preventing favoritism when groups concentrate all power in the executive onto themselves.

INSTITUTIONS AND PROSOCIAL BEHAVIOUR

Antonio Cabrales
University College London
Irma Clots-Figueras
Universidad Carlos III de Madrid
Roberto Hernán González
University of Nottingham
Praveen Kujal
Middlesex University

Abstract

In this paper we conduct laboratory experiments to analyse whether there is demand for institutions, and whether the experience of past opportunistic behaviour drives this demand. We also study the importance of the way these institutions are selected, whether they are chosen by subjects or they are voted for. Results show that trustworthiness, or past opportunistic behaviour, does not determine demand for institutions, and that agents tend to misbehave in the presence of institutions when institutions are individually chosen. In contrast, voting for institutions makes individuals return more.

Keywords: Trust, Institutions, Voting, Experiment

DV_A9. Regional and Urban Economics 1. Room: *Auditori Convent (MACBA)*

DOES JUAN CARLOS OR MOHAMMED OBTAIN A LARGER PRICE DISCOUNT SPANISH HOUSING MARKET?

Catia Nicodemo
Centre for Health Service Economics & Organisation, University of Oxford
Josep Raya
Universitat Pompeu Fabra
Daniel McMIllen
University of Illinois

Abstract

Dealing with the complexities of being an immigrant is a very difficult task in every country. Immigrants constantly face being discriminated against because of the color of their skin, their beliefs or simply because of their name. To test part of discrimination we use a unique data set, which includes data on characteristics of the buyer and also the difference between the list and sale price, allows us to determine whether immigrants and natives have different outcomes in Spain's housing market. Furthermore, we estimate these difference distinguish between immigrants with Spanish names and those with non-native names. The results suggest that people with Spanish names receive similar discounts, whether they are natives or immigrants, while there are significant price discounts for immigrants with native names relative to immigrants with non-Spanish names. A large part of this difference across immigrant groups is due to unobservable characteristics, which may imply a form of discrimination against immigrants with non-native names.

Keywords: Housing Price, Price Cut, Discrimination, Housing, Matching Method.
JEL Classification: R1 R3 J7

THE PRICE TO PARK: ASSESSING THE DETERMINANTS OF GARAGE PRICES AND THEIR INTERACTION WITH CURBSIDE REGULATION

Daniel Albalate
Departament d'Econometria, Estadística i Economia Aplicada, Universitat de Barcelona
Albert Gragera
Departament d'Econometria, Estadística i Economia Aplicada, Universitat de Barcelona

Abstract

Curbside parking regulation has been widely implemented in cities around the world and increasingly they are adopting market-oriented perspectives. However, policy-makers face a complex task when they seek to foster efficiency in this market due to its intrinsic distortions (most notably, cruising in search of a parking space and garage market power). Theoretical studies stress that the right price differential between curbside and garage parking fees is critical in addressing this task; yet, the interactions between the two have received little attention to date in the literature. By drawing on a new self-constructed database for all the garages in the city of Barcelona, we empirically explore the determinants of garage prices. Our results indicate that prices are mainly influenced by fixed and variable cost drivers, the dominance position of the garage in its surrounding market and the garage's interaction with curbside parking. In this regard, we find that prices react to the scarcity of parking spaces in the street and to the curbside price fixed by the public authority. In short, this paper stresses the importance of the inter actions between the curb and off-street garages when considering policy alternatives that might establish the optimal price differential.

Keywords: Garage parking, Curbside parking, Price, Parking regulation.
JEL Classification: D40, L90, L98, R41, R42, R48.

LOCAL CORRUPTION AND MACROECONOMIC OUTCOMES: EVIDENCE FROM THE SPANISH HOUSING BOOM

José L. Groizard
Departament d'Economia Aplicada, Universitat de les Illes Balears

Abstract

This paper explores the macroeconomic consequences of local corruption linked to the housing boom in Spain. We compute the extent of corruption within provinces by counting the number of municipalities involves in corruption scandals during a long period of time (1996-2010). Our empirical exercise consists in running growth regressions for the cross-section of provinces exploiting differences across provinces in growth and corruption rates and by exploiting the variation of corruption over time

within provinces. We present panel OLS and IV estimates with similar results, that is, increases in corruption lower the growth rate of labor productivity. We also provide evidence on the causal channels through which corruption reduces growth by performing a growth accounting decomposition. Our findings suggest that corruption reduces growth mainly by reducing TFP growth, though it increases both physical capital and human capital accumulation.

Keywords: Real State Bubble, Political Corruption, Growth, Institutions, Development.
JEL Classification: H70, 043, P16, R52.

<u>DV_A10. Matching.</u> *Room: Fontserè (IEC)*

OBJECT ALLOCATION VIA IMMEDIATE-ACCEPTANCE:
CHARACTERIZATIONS AND AN AFFIRMATIVE ACTION APPLICATION

Battal Doğan
Faculty of Business and Economics, University of Lausanne
Bettina Klaus
Faculty of Business and Economics, University of Lausanne

Abstract
Which mechanism to use to allocate school seats to students still remains a question of hot debate. Meanwhile, immediate acceptance mechanisms remain popular in many school districts. We formalize desirable properties of mechanisms when respecting the relative rank of a school among the students' preferences is crucial. We show that those properties, together with well-known desirable resource allocation properties, characterize immediate acceptance mechanisms. Moreover, we show that replacing one of the properties, consistency, with a weaker property, non-bossiness, leads to a characterization of a much larger class of mechanisms, which we call choice-based immediate acceptance mechanisms. It turns out that certain objectives that are not achievable with immediate acceptance mechanisms, such as affirmative action, can be achieved with a choice-based immediate acceptance mechanism.

Keywords: Affirmative Action, Consistency, Favoring-Higher-Ranks, Immediate Acceptance Mechanism, Non-Bossiness, Non-Wastefulness, Rank-Respecting Unavailable-Type-Invariance, Resource-Monotonicity.
JEL Classification: C71, C78, D61, D71.

SORTING IN PUBLIC SCHOOL DISTRICTS UNDER THE BOSTON MECHANISM

Caterina Calsamiglia
CEMFI and Barcelona GSE
Francisco Martínez-Mora
University of Leicester and CREIP
Antonio Miralles
Universitat Autònoma de Barcelona and Barcelona GSE

Abstract

We study the extent to which the widely used Boston Mechanism (BM) fosters ability and socioeconomic segregation across public schools. Our model encompasses an endogenous component of school quality -determined by the peer group- and an exogenous one, so that there is at least one bad school *ex-ante*. Even with no residential priorities, BM generates ability *sorting between* a priori equally good public schools: an elitist public school emerges. A richer model with some preference for closer schools and flexible residential choice does not eliminate this effect. It rather worsens the peer quality of the nonelitist good school. The existence of private schools makes the best public school more elitist, while the bad school loses peer quality. Their presence may also engender socioeconomic segregation. The main alternative assignment mechanism, Deferred Acceptance, is resilient to such sorting effects.

Keywords: School Choice, Mechanism Design, Peer Effects, Local Public Goods.
JEL Classification: I21, H4, D78.

STRUCTURAL ESTIMATION OF A MODEL OF SCHOOL CHOICES: THE BOSTON MECHANISM VS. ITS ALTERNATIVES

Caterina Calsamiglia
CEMF and Barcelona GSE
Chao Fu
Department of Economics, University of Wisconsin
Maia Güell
University of Edinburgh, CEP (LSE), CEPR, FEDEA, and IZA

Abstract

We develop a model of school choices by households under the popular Boston mechanism (BM) and a new method to fully solve household problem that is infeasible to solve via traditional method. We estimate the joint distribution of household

preferences and sophistication types using administrative data from Barcelona. Our counterfactual policy analyses show that a change from BM to the student deferred acceptance mechanism would create more losers than winners and decrease the average welfare by 1,020 euros, while a change from BM to the top trading cycles mechanism has the opposite effect and increases the average welfare by 460 euros.