

ICEF First Applied Economics Conference

Saturday September 15th, 2018

9.30 – Registration desk open

9.50 – Conference Opening

Session 1. 10:00-11:30 AM

Chair: Kevin Sheedy

- 1.A. Presenter: Shoshana Neuman - “Designing investments in human capital, based on work motives - a study of ultra-religious Israeli women”
Discussant: Arkaja Chakraverty

In this paper we focus on investments in human capital within the distinctive group of Israeli ultra-religious (Haredi) young women, using data from a field experiment. The human capital investments (curriculum and training) were tailor-made and designed specifically and exclusively for this unique group, to satisfy their work motives. The direct investments in human capital were supplemented by suitable work environments, and by work counseling. These steps are believed to lead to an increase in employment rates, to better integration of the trained female workers into the labor market, and to higher job satisfaction.

- 1.B. Presenter: Patrick Gaule - “Talent Matters: Evidence from Mathematics”
Discussant: Vitalijs Jascisens

This paper studies how talent translates into knowledge production, and whether this varies for talented people born in different countries. We construct an original dataset covering the career histories and scientific output of the participants to an international competition for high school students - the International Mathematics Olympiad (IMO). This enables us to measure talent in late teenage years in a comparable manner across countries. We first document that performance at the IMO is strongly correlated with production of cutting-edge mathematics in later years. We provide evidence that this correlation reflects the underlying talent distribution rather than a success begets success dynamic. We then show that IMO participants from low-and middle-income countries produce consistently less mathematical knowledge than equally talented participants from high-income countries. Our results suggest that the quantity of lost knowledge production arising from cross-country differences in the productivity of IMO participants is sizeable, and that this lost knowledge production is not easily replaced by other mathematicians.

11:30 AM Coffee break

Session 2. 12:00-1:30 PM

Chair: Maksim Nikitin

- 2.A. Presenter: Andrei Potlogea – “Trade Liberalization and Economic Development: Evidence from China's WTO Accession”
Discussant: Ekaterina Kazakova

We study the effect of improvements in foreign market access brought by China’s WTO accession on Chinese local economies. We exploit cross-city variation in these improvements stemming from initial

differences in sectoral specialization and exogenous cross-industry differences in US trade liberalization that originate from the elimination of the threat of a return to Smoot-Hawley tariffs for Chinese imports. We find that Chinese cities that experience greater improvement in their access to US markets following WTO accession exhibit faster population, output and employment growth as well as increased investment and FDI inflows. The benefits of WTO membership for Chinese local economies are augmented by significant local spillovers. These spillovers operate both from the tradable to the non-tradable sector and within the tradable sector. Within the tradable sector, spillovers are transmitted primarily via labor market linkages. We find important local demand linkages from the tradable to the non tradable sector. Most local service sectors benefit from trade liberalization. In particular, our evidence suggests that increased investment demand caused by trade liberalization drives financial sector growth. We find little effect of trade liberalization on local wages. Alongside our results on population and employment, this indicates that local labor supply elasticities are high in our setting. Our findings can be explained by a Lewis model of urbanization that combines geographic mobility with an abundant reserve of labor.

- 2.B. Presenter: Hartmut Lehmann – “The Impact of Non-Cognitive Skills and Risk Preferences on Rural-to-Urban Migration: Evidence from Ukraine”
Discussant: Shoshana Neuman

This paper provides evidence on the impact of non-cognitive skills and attitudes towards risk on the decision to migrate from rural to urban areas. Our analysis is based on a unique four-wave panel of the Ukrainian Longitudinal Monitoring Survey for the period between 2003 and 2012. Adopting the Five Factor Model of personality structure, and using it in the evaluation of non-cognitive skills, our results suggest that the personality trait openness to new experience increases the probability of migration. On the other hand, the non-cognitive skills conscientiousness, agreeableness and neuroticism are found to be negatively associated with the propensity to migrate. The impact of an increased willingness to take risks is more complex in that it increases the proclivity to move from rural areas to cities but lowers the migration intention from rural areas to towns. The effects are quantitatively significant and are robust to several sensitivity checks, including tests of reverse causality.

1:30 – 3:00 PM Lunch break

Session 3. 3:00-4:30 PM

Chair: Markus Gebauer

- 3.A. Presenter: Fabian Slonimczyk – “Democratizing Access to Higher Education in Russia: The Consequences of the Unified State Exam Reform”
Discussant: Patrick Gaule

This is the first paper that evaluates the effects of a reform requiring Russian universities to make admission decisions based on the results of a national high-school exam. We show the reform led to a threefold increase in mobility rates among high-school graduates from poor peripheral areas to start college. This is robust to different techniques, samples, and specifications. The reform also implied increases in peripheral students’ expectations to attend university, parental transfers, and educational expenditures. There is no evidence the reform affected parental labor supply, divorce, and employment outcomes of graduates who did not move.

- 3.B. Presenter: Joanna Tyrowicz – “Migrants Returns to Human Capital. Novel Method and Evidence from High Skill Migration from CEECs to the UK”
Discussant: Anna Yurko

This paper proposes a novel approach to estimating returns to human capital of migrants, accounting for the bias stemming from return migration. We apply our method to the case of immigrants from Central and Eastern Europe in the British labor market over 2004-2016 span. We find that the tertiary education of those immigrants was rewarded roughly at par with secondary education of the natives in the UK. We also

find that the bias stemming from return migration is relevant for estimating the returns, but yields relatively small bias in the average predicted wages.

Session 4. 4:30-6:00 PM

Chair: Vladimir Gimpelson

- 4.A. Presenter: Ralitza Dimova – “Parental Behavioural Preferences and Human Capital Mobility of Girls and Boys: Lab-in-the-Field Evidence from Rural Côte d’Ivoire”
Discussant: Hartmut Lehmann

Most of the literature on education in less developed countries focuses on household (parental education and income) and locational-cum-institutional (schooling infrastructure) factors as determinants of educational outcomes. In this paper, we focus instead on parents’ behavioural influences on children’s progression through the schooling system through a combination of lab-in-the field experiments and survey data from 135 couples and their children in Côte d’Ivoire. Our main conceptual contribution is that we tease out the role of both differences in intrinsic behavioural characteristics like risk aversion and differences in preferences towards household expenditure priorities among the parents and study how their resolution within the household bargaining mechanism affects child outcomes. An interesting finding is that parents’ behavioural characteristics have diametrically different effects on girls’ and boys’ educational progressions, but bargaining over resources dampens the effect of these differences.

- 4.B. Presenter: Eric Gould – “Torn Apart? The Impact of Manufacturing Employment Decline on Black and White Americans”
Discussant: Markus Gebauer

This paper examines the impact of manufacturing employment decline on the socio-economic outcomes within and between black and white Americans from 1960 to 2010. Exploiting variation across cities and over time, the analysis shows that manufacturing decline negatively impacted blacks (men, women, and children) in terms of their wages, employment, marriage rates, house values, poverty rates, death rates, single parenthood, teen motherhood, child poverty, and child mortality. In addition, the decline in manufacturing increased inequality within the black community in terms of overall wages and the gaps between education groups in wages, employment, and marriage rates. Many of the same patterns are found for whites, but to a lesser degree – leading to larger gaps between whites and blacks in wages, marriage patterns, poverty, single-parenthood, and death rates. The results are robust to the inclusion or exclusion of several control variables, and the use of a “shift-share” instrument for the local manufacturing employment share. Overall, the decline in manufacturing is reducing socio-economic conditions in general while increasing inequality within and between racial groups – which is consistent with a stronger general equilibrium effect of the loss of highly-paid, lower-skilled jobs on the less-educated segments of the population.