

Econ inspiration from the Richmond Fed RAs



Here is a compilation of research projects that the **current Richmond Fed RAs** enjoyed reading about and recommend as an introduction to academic research. This list showcases the wide range of applications for the skills that are taught in economics.

Note: These are technical papers that will be hard to follow for the smartest, most prepared of the undergrad students. Hopefully the abstracts and/or introductions give you a flavor of what are the main ideas. Also, you will need paid access to academic journals to get the complete articles (try your school library).

1. Cultures of Corruption: Evidence from Diplomatic Parking Tickets

Fisman, Raymond and Edward Miguel. "Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets." *Journal of Political Economy*. 115, 6 (2007): 1020-1048. <https://www.nber.org/papers/w12312>

WHY I ENJOYED THIS PAPER: An unexpected source of data helps to create an instrument for a harder-to-measure variable in development economics (corruption).

ABSTRACT: Corruption is believed to be a major factor impeding economic development, but the importance of legal enforcement versus cultural norms in controlling corruption is poorly understood. To disentangle these two factors, we exploit a natural experiment, the stationing of thousands of diplomats from around the world in New York City. Diplomatic immunity means there was essentially zero legal enforcement of diplomatic parking violations, allowing us to examine the role of cultural norms alone. This generates a revealed preference measure of government officials' corruption based on real-world behavior taking place in the same setting. We find strong persistence in corruption norms: diplomats from high corruption countries (based on existing survey-based indices) have significantly more parking violations, and these differences persist over time. In a second main result, officials from countries that survey evidence indicates have less favorable popular views of the United States commit significantly more parking violations, providing non-laboratory evidence on sentiment in economic decision-making. Taken together, factors other than legal enforcement appear to be important determinants of corruption.

2. The Rate of Return to the Highscope Perry Preschool Program

Heckman, J. J., S. H. Moon, R. Pinto, P. A. Savelyev, and A. Yavitz (2010b). The rate of return to the Highscope Perry Preschool Program. *Journal of Public Economics* 94(1-2), 114–128. <https://www.nber.org/papers/w15471>

WHY I ENJOYED THIS PAPER: This paper studies disadvantaged African-American children who participated in a preschool program that focused on developing their cognitive and socio-emotional development. It's a 2.5 hour/weekday, 2 year program but they observe substantial difference in life outcomes including earnings, number of arrests, and employment rates.

ABSTRACT: This paper estimates the rate of return to the High/Scope Perry Preschool Program, an early intervention program targeted toward disadvantaged African-American youth. Estimates of the rate of return to the Perry program are widely cited to support the claim of substantial economic benefits from preschool education programs. Previous studies of the rate of return to this program ignore the compromises that occurred in the randomization protocol. They do not report standard errors. The rates of return estimated in this paper account for these factors. We conduct an extensive analysis of sensitivity to alternative plausible assumptions. Estimated social rates of return generally fall between 7-10 percent, with most estimates substantially lower than those previously reported in the literature. However, returns are generally statistically significantly different from zero for both males and females and are above the historical return on equity. Estimated benefit-to-cost ratios support this conclusion.

3. Using Behavioral Science to Improve Criminal Justice Outcomes: Preventing Failures to Appear in Court

Brice Cooke, Binta Zahra Diop, Alissa Fishbane, et al., “Using Behavioral Science to Improve Criminal Justice Outcomes: Preventing Failures to Appear in Court.” *ideas42 and the University of Chicago Crime Lab*, January 2018. <https://www.courthousenews.com/wp-content/uploads/2018/01/crim-just-report.pdf>

WHY I ENJOYED THIS PAPER: This is a fairly recent paper on a very real issue – the failure-to-appear in court. The paper describes several different treatments and it’s easy to understand the results and how effective these sort of treatments are in reality. The benefits and policy recommendations that result are also clear. This paper lies at the intersection of behavioral science and the economics of crime.

ABSTRACT: In 2014, nearly 41% of the approximately 320,000 cases from tickets issued to people for low-level offenses in New York City (NYC) had recipients who did not appear in court or resolve their summons by mail. This represents approximately 130,000 missed court dates for these offenses. Regardless of the offense severity (summons are issued for offenses ranging from things like littering on the street or sidewalk to drinking in public), failure to appear in court automatically results in the issuance of an arrest warrant. Because warrants are costly and burdensome for both the criminal justice system and recipients, the NYC Mayor’s Office of Criminal Justice—in partnership with the New York City Police Department and New York State Unified Court System Office of Court Administration—asked ideas42 and the University of Chicago Crime Lab to design and implement inexpensive, scalable solutions to reduce the failure to appear (FTA) rate.

4. Mobility Report Cards: The Role of Colleges in Intergenerational Mobility

<https://opportunityinsights.org/paper/mobilityreportcards/>

ABSTRACT: We characterize intergenerational income mobility at each college in the United States using data for over 30 million college students from 1999-2013. We document four results. First, access to colleges varies greatly by parent income. For example, children whose parents are in the top 1% of the income distribution are 77 times more likely to attend an Ivy League college than those whose parents are in the bottom income quintile. Second, children from low- and high-income families have similar

earnings outcomes conditional on the college they attend, indicating that low-income students are not mismatched at selective colleges. Third, rates of upward mobility – the fraction of students who come from families in the bottom income quintile and reach the top quintile – differ substantially across colleges because low-income access varies significantly across colleges with similar earnings outcomes. Rates of bottom-to-top quintile mobility are highest at certain mid-tier public universities, such as the City University of New York and California State colleges. Rates of upper-tail (bottom quintile to top 1%) mobility are highest at elite colleges, such as Ivy League universities. Fourth, the fraction of students from low-income families did not change substantially between 2000-2011 at elite private colleges, but fell sharply at colleges with the highest rates of bottom-to-top-quintile mobility. Although our descriptive analysis does not identify colleges' causal effects on students' outcomes, the publicly available statistics constructed here highlight colleges that deserve further study as potential engines of upward mobility.

5. The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility

<https://opportunityinsights.org/paper/the-opportunity-atlas/>

ABSTRACT: We construct a publicly available atlas of children's outcomes in adulthood by Census tract using anonymized longitudinal data covering nearly the entire U.S. population. For each tract, we estimate children's earnings distributions, incarceration rates, and other outcomes in adulthood by parental income, race, and gender. These estimates allow us to trace the roots of outcomes such as poverty and incarceration back to the neighborhoods in which children grew up. We find that children's outcomes vary sharply across nearby tracts: for children of parents at the 25th percentile of the income distribution, the standard deviation of mean household income at age 35 is \$5,000 across tracts within counties. We illustrate how these tract-level data can provide insight into how neighborhoods shape the development of human capital and support local economic policy using two applications.

6. The Oregon Health Insurance Experiment: Evidence from the First Year

Amy Finkelstein, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Heidi Allen, Katherine Baicker, Oregon Health Study Group, *The Oregon Health Insurance Experiment: Evidence from the First Year**, *The Quarterly Journal of Economics*, Volume 127, Issue 3, August 2012, Pages 1057–1106.

<https://academic.oup.com/qje/article/127/3/1057/1923446>

ABSTRACT: In 2008, a group of uninsured low-income adults in Oregon was selected by lottery to be given the chance to apply for Medicaid. This lottery provides an opportunity to gauge the effects of expanding access to public health insurance on the health care use, financial strain, and health of low-income adults using a randomized controlled design. In the year after random assignment, the treatment group selected by the lottery was about 25 percentage points more likely to have insurance than the control group that was not selected. We find that in this first year, the treatment group had substantively and statistically significantly higher health care utilization (including primary and preventive care as well as

hospitalizations), lower out-of-pocket medical expenditures and medical debt (including fewer bills sent to collection), and better self-reported physical and mental health than the control group.

7. The China Syndrome: Local Labor Market Effects of Import Competition in the United States

Autor, David H., David Dorn, and Gordon H. Hanson. 2013. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." *American Economic Review*, 103 (6): 2121-68.

<https://www.aeaweb.org/articles?id=10.1257/aer.103.6.2121>

ABSTRACT: We analyze the effect of rising Chinese import competition between 1990 and 2007 on US local labor markets, exploiting cross- market variation in import exposure stemming from initial differences in industry specialization and instrumenting for US imports using changes in Chinese imports by other high-income countries. Rising imports cause higher unemployment, lower labor force participation, and reduced wages in local labor markets that house import-competing manufacturing industries. In our main specification, import competition explains one-quarter of the contemporaneous aggregate decline in US manufacturing employment. Transfer benefits payments for unemployment, disability, retirement, and healthcare also rise sharply in more trade-exposed labor markets.

8. Direct Estimation of Hidden Earnings: Evidence from Russian Administrative Data

Serguey Braguinsky, Sergey Mityakov, and Andrey Liscovich, "Direct Estimation of Hidden Earnings: Evidence from Russian Administrative Data," *The Journal of Law and Economics*, 57, no. 2 (May 2014): 281-319.

<https://www.jstor.org/stable/pdf/10.1086/675943.pdf>

WHY I ENJOYED THIS PAPER: The authors use data from Moscow on employer-reported earnings and the market value of cars owned by the corresponding individuals and their households to estimate hidden incomes, or the amount of compensation not reported to the government (tax evasion). They estimate that up to 80 percent of earnings of car owners in the private sector are hidden, which has implications for measures of Russian GDP since the collapse of communism.

ABSTRACT: We employ unique administrative data from Moscow to obtain a direct estimate of hidden incomes. Our approach is based on comparing employer-reported earnings to market values of cars owned by the corresponding individuals and their households. We detect few hidden earnings in most foreign-owned firms and larger firms, especially state-owned enterprises in heavily regulated industries. The same empirical strategy indicates that up to 80 percent of earnings of car owners in the private sector are hidden, especially in smaller companies and industries such as trade and services, where cash flows are easier to manipulate. We also find considerable hidden earnings in government services. Our approach sheds new light on the decline in the gross domestic product (GDP) in Russia after the collapse of communism and subsequent recovery; in particular, we argue that a good deal of these changes might represent changes in income reporting rather than actual changes in GDP.

9. Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania

Card, David & Krueger, Alan B, 1994. "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, American Economic Association, vol. 84(4), pages 772-793, September. <https://www.nber.org/papers/w4509>

WHY I ENJOYED THIS PAPER: Card and Krueger's 1994 study is heavily cited both by academics and policy-makers. The authors present a case that contradicts the popular notion that an increase in wages will reduce employment.

ABSTRACT: On April 1, 1992 New Jersey's minimum wage increased from \$4.25 to \$5.05 per hour. To evaluate the impact of the law we surveyed 410 fast food restaurants in New Jersey and Pennsylvania before and after the rise in the minimum. Comparisons of the changes in wages, employment, and prices at stores in New Jersey relative to stores in Pennsylvania (where the minimum wage remained fixed at \$4.25 per hour) yield simple estimates of the effect of the higher minimum wage. Our empirical findings challenge the prediction that a rise in the minimum reduces employment. Relative to stores in Pennsylvania, fast food restaurants in New Jersey increased employment by 13 percent. We also compare employment growth at stores in New Jersey that were initially paying high wages (and were unaffected by the new law) to employment changes at lower-wage stores. Stores that were unaffected by the minimum wage had the same employment growth as stores in Pennsylvania, while stores that had to increase their wages increased their employment.

10. Thinking, Fast and Slow? Some Field Experiments to Reduce Crime and Dropout in Chicago

Heller, Sara B., Anuj K. Shah, Jonathan Guryan, Jens Ludwig, Sendhil Mullainathan, and Harold A. Pollack. 2017. "Thinking, Fast and Slow? Some Field Experiments to Reduce Crime and Dropout in Chicago." *Quarterly Journal of Economics*, 132(1): 1-54. <https://academic.oup.com/qje/article/132/1/1/2724542>

ABSTRACT: We present the results of three large-scale randomized controlled trials (RCTs) carried out in Chicago, testing interventions to reduce crime and dropout by changing the decision making of economically disadvantaged youth. We study a program called Becoming a Man (BAM), developed by the nonprofit Youth Guidance, in two RCTs implemented in 2009–2010 and 2013–2015. In the two studies participation in the program reduced total arrests during the intervention period by 28–35%, reduced violent-crime arrests by 45–50%, improved school engagement, and in the first study where we have follow-up data, increased graduation rates by 12–19%. The third RCT tested a program with partially overlapping components carried out in the Cook County Juvenile Temporary Detention Center (JTDC), which reduced readmission rates to the facility by 21%. These large behavioral responses combined with modest program costs imply benefit-cost ratios for these interventions from 5-to-1 up to 30-to-1 or more. Our data on mechanisms are not ideal, but we find no positive evidence that these effects are due to changes in emotional intelligence or social skills, self-control or “grit,” or a generic mentoring effect. We find suggestive support for the hypothesis that the programs work by helping youth slow down and reflect on whether their automatic thoughts and behaviors are well suited to the situation they are in, or whether the situation could be construed differently.

11. Nudging in Education

Mette Trier Damgaard and Helena Skyt Nielsen, "Nudging in Education." IZA DP No. 11454, April 2018.

<https://academic.oup.com/qje/article/132/1/1/2724542>

WHY I ENJOYED THIS PAPER: This paper looks at a relatable, relevant topic – education – and explains the results of different treatments for different targets (student's grades, enrollment, parent involvement, etc.) It also explains some of the concepts of using behavioral economics to explain the reasoning behind the treatments used, so this can serve as a decent introduction paper to this specific field of economics.

ABSTRACT: Can we nudge children, adolescents and their parents to make better decisions on education? And can we nudge teachers to support and encourage better decision making? Education decisions are taken at young ages and involve immediate costs and potential, future benefits. In such settings behavioural barriers (e.g. lack of self-control, limited attention and social norms) likely influence choices and this may motivate the use of low cost 'nudges' to gently push behaviour in the desired direction. Our review of nudging interventions shows that while nudging often has positive effects, the greatest effects often arise for individuals affected most by the behavioural barrier targeted by the intervention. Hence understating underlying behavioural mechanisms is crucial. Negative effects may arise in situations where nudges potentially crowd-out intrinsic motivation, if nudges pressurise individuals, or in situations where the choice architect has an insufficient understanding of behavioural mechanisms.

Other fun readings

Leslie, Phillip. "Price Discrimination in Broadway Theater." *The RAND Journal of Economics* 35, no. 3 (2004): 520-41. <http://www.jstor.org/stable/1593706>.

ABSTRACT: A common thread in the theory literature on price discrimination has been the ambiguous welfare effects for consumers and the rise in profit for firms, relative to uniform pricing. In this study I resolve the ambiguity for consumers and quantify the benefit for a firm. I describe a model of price discrimination that includes both second-degree and third-degree price discrimination. Using data from a Broadway play, I estimate the structural model and conduct various experiments to investigate the implications of alternative pricing policies. The observed price discrimination may improve the firm's profit by approximately 5%, relative to uniform pricing, while the difference for aggregate consumer welfare is negligible. Also, I show that the gain from changing prices in the face of fluctuating demand is small under the observed price discrimination.

Gordon Dahl, Stefano DellaVigna, Does Movie Violence Increase Violent Crime?, *The Quarterly Journal of Economics*, Volume 124, Issue 2, May 2009, Pages 677–734, <https://doi.org/10.1162/qjec.2009.124.2.677>

ABSTRACT: Laboratory experiments in psychology find that media violence increases aggression in the short run. We analyze whether media violence affects violent crime in the field. We exploit variation in the violence of blockbuster movies from 1995 to 2004, and study the effect on same-day assaults. We find that violent crime *decreases* on days with larger theater audiences for violent movies. The effect is

partly due to voluntary incapacitation: between 6 p.m. and 12 a.m., a one million increase in the audience for violent movies reduces violent crime by 1.1% to 1.3%. After exposure to the movie, between 12 a.m. and 6 a.m., violent crime is reduced by an even larger percent. This finding is explained by the self-selection of violent individuals into violent movie attendance, leading to a substitution away from more volatile activities. In particular, movie attendance appears to reduce alcohol consumption. The results emphasize that media exposure affects behavior not only via content, but also because it changes time spent in alternative activities. The substitution away from more dangerous activities in the field can explain the differences with the laboratory findings. Our estimates suggest that in the short run, violent movies deter almost 1,000 assaults on an average weekend. Although our design does not allow us to estimate long-run effects, we find no evidence of medium-run effects up to three weeks after initial exposure.

Jeremy Greenwood, Ananth Seshadri, Mehmet Yorukoglu, *Engines of Liberation, The Review of Economic Studies*, Volume 72, Issue 1, January 2005, Pages 109–133, <https://doi.org/10.1111/0034-6527.00326>

ABSTRACT: Electricity was born at the dawn of the last century. Households were inundated with a flood of new consumer durables. What was the impact of this consumer durable goods revolution? It is argued here that the consumer goods revolution was conducive to liberating women from the home. To analyse this hypothesis, a Beckerian model of household production is developed. Households must decide whether or not to adopt the new technologies, and whether a married woman should work. Can such a model help to explain the rise in married female labour-force participation that occurred in the last century? Yes.

Stefania Albanesi and Claudia Olivetti, *Gender Roles and Medical Progress*, Journal of Political Economy 2016 124:3, 650-695.

ABSTRACT: Maternal mortality was the second-largest cause of death for women in childbearing years until the mid-1930s in the United States. For each death, 20 times as many mothers suffered pregnancy-related conditions, which made it hard for them to engage in market work. Between 1930 and 1960 there was a remarkable improvement in maternal health. We argue that this development, by enabling women to reconcile work and motherhood, was essential for the joint rise in women's labor force participation and fertility over this period. We also show that the diffusion of infant formula played an important auxiliary role.

Nava Ashraf, Natalie Bau, Nathan Nunn, and Alessandra Voena, "Bride Price and Female Education," Journal of Political Economy, forthcoming. <https://doi.org/10.1086/704572>

Abstract: Although it is well known that traditional cultural practices can play an important role in development, we still have little understanding of what this means for development policy. To improve our understanding of this issue, we examine how the effects of school construction on girls' education vary with a widely-practiced marriage custom called bride price, which is a payment made by the husband and/or his family to the wife's parents at marriage. We begin by developing a model of educational choice

with and without bride price. The model generates a number of predictions that we test in two countries that have had large-scale school construction projects, Indonesia and Zambia. Consistent with the model, we find that for groups that practice the custom of bride price, the value of bride price payments that the parents receive tend to increase with their daughter's education. As a consequence, the probability of a girl being educated is higher among bride price groups. The model also predicts that families from bride price groups will be the most responsive to policies, like school construction, that are aimed at increasing female education. Studying the INPRES school construction program in Indonesia, as well as a similar program in Zambia, we find evidence consistent with this prediction. Although the program had no discernible effect on the education of girls from groups without bride price, it had large positive effects for girls from groups with a bride price. The findings emphasize the importance of the marriage market as a driver of educational investment and provide an example of how the cultural context of a society can be crucial for the effectiveness of development policy.

