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ליד אוניברסיטת תל-אביב

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ניירות דיון שיצאו במסגרת מרכז ספיר בשנה"ל תשס"ח

"Testing Self-Selection in Migration: Evidence from the Israeli Kibbutz" Ran Abramitzky, October 2007	10-07
"Improvement in Information and Private Investment in Education" Bernhard Eckwert and Itzhak Zilcha, November 2007	11-07
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"Identification and Mobility of Israeli Patenting Inventors" Manuel Trajtenberg and Gil Shiff, April 2008	5-08
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"Testing Self-Selection in Migration: Evidence from the Israeli Kibbutz" Ran Abramitzky, October 2007	10-07
This paper tests the incentive theory's prediction that pay that is less sensitive to performance attracts lower quality workers. I use a longitudinal dataset of individuals entering and exiting Israeli Kibbutzim to test whether and to what extent equal-sharing discourages participation of productive individuals. The findings provide evidence for negative selection in entry to the equal-sharing communities and positive selection in exit. Entrants were negatively selected in their pre-entry earnings compared to non-entrants. Individuals who left the equal-sharing communities were positively selected in their education and skills compared to stayers, and they earned higher wages upon exit. At the broader level, these findings provide the first micro-level empirical support for Borjas' hypothesis that migrants' self-selection depends on the difference in earnings inequality between the origin and the destination. JEL No. D82, J61, N30, R23	
"Improvement in Information and Private Investment in Education" Bernhard Eckwert and Itzhak Zilcha, November 2007	11-07
This paper uses the framework of an OLG economy for an analysis of the dynamic interaction between the precision of information about individual skills, investment in education, human capital accumulation and social welfare. The human capital of an individual depends on both his (subjectively) random ability and his investment in education. Individual investment in education is financed through a loan contract with income-contingent terms of repayment. Investment decisions are based on public signals (test outcomes) which screen all agents for their abilities. We find that better information, which allows more efficient screening, enhances aggregate human capital formation but may, at the same time, stifle aggregate investment in education. Moreover, social welfare may increase or decline depending on the transformation technology and on the relative measure of risk aversion. **Keyword and Phrases**: Information system, higher education, human capital, welfare. **JEL Classification Numbers**: D80, J24, I22	

"Taboos: Considering the Unthinkable" Chaim Fershtman, Uri Gneezy, Moshe Hoffman, March 2008	1-08
A taboo is an "unthinkable" action, that is, even the thought of violating it triggers social punishment. Taboos are the social "thought police," discouraging individuals from considering certain type of actions. We consider a simple model in which taboos are part of the definition of one's identity. Deliberating over breaking the taboo provides information on possible private benefits but is costly because it contradicts one's identity. The strength of the taboo is endogenously determined by the number of individuals that obey it without any consideration of its violation. We model stable taboos and examine how they can change and disappear over time as a result of changes in the distribution of private benefits gained from its violation. We assume that individuals are heterogeneous with respect to their attitudes towards social punishment. We then analyze the relationship between social heterogeneity and the strength as well as effectiveness of taboos, i.e., are taboos stronger in homogenous or heterogeneous societies? We extend our analysis and examine societies in which individuals may choose among several identities, characterized by different taboos or varying strengths of taboos. Having such a choice defines an evolutionary process with respect to identity: Some identities disappear while others flourish. We examine the characterization and the conditions giving rise to a multi-identity society.	
"Microstructure of Collaboration: The Network of Open Source Software" Chaim Fershtman and Neil Gandal, March 2008	2-08
Using data from source network at Sourceforge.net, the largest repository of Open Source Software (OSS) projects and contributors on the Internet, we construct two related networks: A Project network and a Contributor network. We define a link between two projects if the projects have at least one contributor in common. Similarly two contributors are linked if they work together on at least one project. Interestingly, both the project network and the contributor network consist of one "giant" connected component and many smaller unconnected components. Knowledge spillovers may be closely related to the structure of such networks, since contributors who work several projects likely exchange information and knowledge. We thus examine the effect of the structure of these network on the success of OSS projects where success is defined as the number of downloads. Our main results are: (i) additional contributors are associated with an increase in output, but that additional	

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contributors in projects in the giant component are associated with greater output gains than additional contributors in projects outside of the giant component; (ii) *Betweenness* centrality is highly associated with the number of downloads and this association is stronger than the relationship between other measures of centrality (*closeness* and *degree*) and the number of downloads. This result suggests that there are positive spillovers of knowledge for projects occupying critical junctures in the information flow. When we define projects as connected if and only if they had at least two contributors in common, we again find that additional contributors are associated with an increase in output, and again find that this increase is much higher for projects with strong ties than other projects in the giant component.	
"Asymmetric Learning in Repeated Contracting: An Empirical Study" Alma Cohen, March 2008	3-08
This paper studies a unique panel dataset of transactions with repeat customers of an insurer operating in a market in which insurers are not required by law or contract to share information about their customers' records. I use this dataset to test the asymmetric learning hypothesis that sellers obtain over time private information that some of their repeat customers have low risk, and that this learning enables sellers to make higher profits in transactions with these repeat customers. Consistent with this hypothesis, I find that the insurer in my dataset makes higher profits in transactions with repeat customers and that these profits are driven by transactions with repeat customers with good past claims history with the insurer; that these higher profits result from repeat customers with good claim history receiving a reduction in premiums that is lower than the reduction in expected costs associated with such customers; and that policyholders with bad claim history are more likely to flee their record by switching to other insurers. JEL Classifications: JEL classification: D40, D80, D82, D83, L10, G22. Keywords: Repeat customers, asymmetric information, asymmetric learning, adverse selection, insurance, market power.	

"Bidding with Coalitional Externalities: A strategic approach to partition function form games" David Wettstein and Yuan Ju, March 2008	4-08
This paper provides a strategic approach to the model of partition function form games that is used to analyze coalitional externalities. Two solution concepts are implemented: the Shapley value defined by Pham Do and Norde (2007) and the consensus value by Ju (2007). The building block of the approach is the bidding mechanism introduced in Pérez-Castrillo and Wettstein (2001) and generalized in Ju and Wettstein (2006). Hence, it presents a consistent non-cooperative benchmark to study and compare cooperative solution concepts in various situations. JEL classification codes: C71; C72; D62. Keywords: externality; implementation; bidding mechanism; Shapley value; consensus value; partition function form game.	
"Identification and Mobility of Israeli Patenting Inventors" Manuel Trajtenberg and Gil Shiff, April 2008	5-08
Relying on the methodology developed in Trajtenberg, Shiff and Melamed (2006), we identify a rather comprehensive list of over 6,000 Israeli inventors that have patented in the US. These inventors represent the backbone of innovation in Israel, and the driving force of its flagship High Tech sector. We examine up close detailed information on these inventors, including their "fertility" and "importance" in terms of the number of US patents registered in their name as well as qualitative indicators of those patents, in comparison to the universe of patenting inventors (about 1.8 million). We then focus on their mobility, both across assignees (employers) and geographical locations, within and outside Israel. One of the interesting questions in this respect is the determinants and consequences of mobility: who tends to move, and what happens to the quality of innovations following a move? We find that Israeli inventors are much more mobile than others, and that there is an association between quality and mobility, but we cannot determine at this stage causal links. Using ancillary data on first names, we find that aside from the 6,000 inventors based in Israel, there are another 2,000 that engage in innovation outside Israel, primarily in the US. This is one further manifestation of the brain drain that has been identified also in academia. **JEL**: O30, C81, C88 **Key words:** Patents, inventors, mobility.	

"Tax Competition and Foreign Direct Investment: Is there a race to the bottom?" Assaf Razin and Efraim Sadka, June 2008	6-08
The existence of fixed setup cost of new investments introduces two margins of FDI decisions. There is an intensive margin of determining the magnitude of the flows of FDI, according to standard marginal productivity conditions, and also an extensive margin of determining whether at all to make a new investment. In such a setup, there are conflicting effects of productivity shock in the host country in a way that allows an econometric application. Elsewhere we investigated the role played by the host and source corporate tax rates on the abovementioned intensive and extensive margins. We find that the host country tax rate has a negative effect primarily on the intensive margin, whereas the source tax rate has a positive effect mostly on the extensive margin. In this paper we discuss key policy implications. Specifically, we formulate an international tax competition model to explain the co-existence of a "rich" source country with high capital-income (business and individuals) taxes and public expenditures and a "poor" host country with low capital-income taxes and public expenditures. This phenomenon may be common in the enlarged EU with the new accession countries which, are predominant recipients of FDI from the old member countries. We also analyze the welfare gains from a tax coordination.	
"Multidimensional Arbitration: A Mechanism for Optional Bilateral Trade of Multiple Objects" Ran Eilat and Ady Paunzer, June 2008	7-08
We consider a private-values buyer-seller problem with multiple objects. Valuations are binary, i.i.d., and such that the problem does not have a trivial solution. We characterize mechanisms that span the Pareto frontier. These have a very simple form: Call the seller "good" if he has a low valuation and "bad" if he has a high valuation. Call the buyer "good" if he has a high valuation and "bad" if he has a low valuation. For each object, if both say "bad" -- there is no trade. If both say "good" -- they trade. If agent j says "bad" and the other says "good", they trade only if the number of good objects in j's announcement is above a certain threshold (at the threshold itself they trade with probability between 0 and 1). The thresholds depend on the weights given to each agent in the designer's objective function: as she leans more towards one of the agents, his trading threshold weakly decreases, and the rival's weakly increases.	

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"Labor Market Dynamics and the Business Cycle" Eran Yashiv, June 2008	8-08
The characterizations of labor market dynamics and their implications for the study of business cycles are topics of debate. This paper re-examines a general equilibrium version of the search and matching model to see whether it fits the data. I use both Israeli and U.S. data. I seek to determine to what extent the model which explains stocks and worker flows can account for the business cycle facts. The paper shows that a DSGE model with search and matching in the labor market has limited success in matching the data for both the U.S. and Israel.	
"Alternative Social Security Systems and Growth" Michael Kaganovich and Itzhak Zilcha, June 2008	9-08
Demographic trends in most developed economies are characterized by rising longevity and decreasing birthrates. These trends endanger the sustainability of the current public pension systems. Therefore social security reform proposals are on the agenda in many countries. This paper demonstrates that the analysis of fiscal sustainability of social security must include an additional dimension of public policy, namely education funding. Indeed, the productivity growth of future workers, which depends on human capital accumulation, may outweigh the impact of the demographic problem. This fact is true under both pay-as-you-go (PAYG) and fully funded (FF) social security system. We consider an OLG economy where government, in addition to running social security, also funds education of future workers by means of taxes collected from the current ones. The education tax rates are chosen, in each period, by a majoritarian rule among the relevant constituents. We demonstrate that while the FF system results in relatively higher rates of physical capital accumulation, then under some conditions, other things equal, the PAYG social security regime leads to the choice of relatively higher respective levels of education tax rates in all generations, and thereby to higher rates of human capital accumulation.	

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