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## ניירות דיון שיצאו במסגרת מרכז ספיר בשנה"ל תשס"ט

"Inside the Black of Box of Ability Peer Effects:	10-08
Evidence from Variation in Low Achievers in the Classroom" Analia Schlosser, M. Daniele Paserman, Victor Lavy, November 2008	
"Talent Utilization, a Source of Bias in Measuring TFP" Hosny Zoabi, November 2008	11-08
When is "Too Much" Inequality Not Enough? The Selection of Israeli Emigrants" Eric D. Gould and Omer Moav, November 2008	12-08

## להלן התקצירים של ניירות הדיון:

"Inside the Black of Box of Ability Peer Effects:  Evidence from Variation in Low Achievers in the Classroom"  Analia Schlosser, M. Daniele Paserman, Victor Lavy, November 2008	10-08
In this paper, we estimate the extent of ability peer effects in the classroom and explore the underlying mechanisms through which these peer effects operate. We identify as low ability students those who are enrolled at least one year behind their birth cohort ("repeaters"). We show that there are marked differences between the academic performance and behavior of repeaters and regular students. The status of repeaters is mostly determined by first grade; therefore, it is unlikely to have been affected by their classroom peers, and our estimates will	

not suffer from the reflection problem. Using within school variation in the proportion of these low ability students across cohorts of middle and high school students in Israel, we find that the proportion of low achieving peers has a negative effect on the performance of regular students, especially those located at the lower end of the ability distribution. An exploration of the underlying mechanisms of these peer effects shows that, relative to regular students, repeaters report that teachers are better in the individual treatment of students and in the instilment of capacity for individual study. However, a higher proportion of these low achieving students results in a deterioration of teachers' pedagogical practices, has detrimental effects on the quality of inter-student relationships and the relationships between teachers and students, and increases the level of violence and classroom disruptions.

**Keywords**: Peer effects, Education production function.

**JEL Codes**: 12, 121, J24

"Talent Utilization, a Source of Bias in Measuring TFP"

Hosny Zoabi, November 2008

This paper analyzes a model of economic growth that explains differences in economic structure across countries. It highlights the interplay between productivity, talents utilization and entrepreneurship incentives. The paper has two main results. First, it argues that when measuring human capital we ignore one dimension, which is "talents utilization". It is suggested then that, in development accounting, human capital is inaccurately measured. Second, it shows that the magnitude of talents utilization increases with the level of development. Thus, the paper suggests that talents utilization amplifies differences in productivity and contributes to the explanation of large observed international differences in per capita income.

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11-08

Eric D. Gould and Omer Moav, November 2008

This paper examines the effect of inequality on the incentives to emigrate according to a person's observable and unobservable skills. Borjas (1987) shows that higher skilled individuals are more likely to emigrate than lower skilled individuals when the returns to skill are higher in a potential foreign destination. Building on this framework, we develop a model which shows that this prediction holds for observable skills like education which are "general" in the sense of being easily transferable to another country. However, we show that the relationship between unobservable skills and the probability of emigrating is an inverse U-shape -- since unobservable skills are a mixture of "general skills" and "country-specific skills" which are not easily transferable. We examine the predictions of our model with a unique data set containing information on who emigrates from Israel between 1995 and 2004, combined with a full set of demographic and labor market variables for both movers and stayers in 1995. By exploiting differences between Israel and the United States in the returns to observable (education) and unobservable skills across different sectors (industries and occupations), we find strong evidence that a lower return to unobservable skills in Israel versus the US entices higher ability Israelis to leave the country. Also, we find that virtually the entire positive relationship between education and the rate of emigration would be eliminated if the returns to education were increased in Israel to US levels within each industry. Overall, the results strongly support our model and the importance of differentiating between general and "country-specific" skills in the analysis of immigrant selection.

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