Best Paper Prize for Young Economists (Abstracts of Awarded Papers)

Krzysztof Pytka
Department of Economics, European University Institute

Shopping Effort in Self-Insurance Economies: Accounting for Excess Smoothness of Consumption

I propose a novel and tractable framework to study search for consumption as part of the optimal savings problem. Due to frictions in the retail market, households have to exert some effort to purchase the consumption good. This effort has two components arising from different motives: (1) effort to search for price bargains, (2) effort required to purchase consumption of a given size. These two motives are necessary to replicate two seemingly contradictory shopping patterns observed in the data, namely: higher time spent on shopping by the unemployed and the positive elasticity of shopping time with respect to labour income. The former is well known in the literature, while the latter is new and I document it using data from the American Time Use Survey. The model allows me to reconcile the traditional savings theory with households' shopping behaviour. Finally, I show that the model may contribute to explaining the excess smoothness of consumption.

Michał Burzyński
IRES-Université Catholique de Louvain
(co-authors: Constanza Biavaschi, Benjamin Elsner, Joël Machado)

The Gain from the Drain Skill-biased Migration and Global Welfare

High-skilled workers are four times more likely to migrate than low-skilled workers. It has been shown that this skill bias − often called brain drain − may reduce welfare in the sending countries. In our paper, we contrast these findings by showing that skill-biased migration is globally welfare-enhancing. In a calibrated simulation exercise, we compare the current world to a counterfactual with the same number of migrants but no skill bias in migration. We find particularly large gains

for receiving countries with selective immigration policies. Overall, the welfare gains in the receiving countries exceed the losses from brain drain in the sending countries, suggesting that more − not less − high-skilled migration would be optimal for world welfare.

Matija Kovacic
Department of Economics, Ca'Foscari University of Venice
(co-authors: Francesco Constantini, Juliana Bernhofer)

Risk Attitudes, Investment Behavior and Linguistic Variation

This paper explores the relationship between linguistic variation and individual attitudes toward risk and uncertainty. Linguistic variation refers to differences in linguistic forms across languages. According to the linguistic relativity hypothesis, differences in grammatical structures and the vocabulary may affect how speakers of distinct languages perceive and think about the world. We develop a specific linguistic marker that classifies languages according to the number of non-indicative moods in *irrealis contexts* in their respective grammars. These grammatical categories express situations involving uncertainty, and the frequency of their use may be closely related to the overall degree of uncertainty perceived by individuals. Using data from the Survey of Health, Aging and Retirement in Europe (SHARE) and World Value Survey (WVS), we show that speakers of languages where non-indicative moods are used more intensively are on average more risk averse. This evidence holds both across countries and within linguistically heterogeneous countries. The results are robust to the inclusion of additional set of regressors and several fixed-effect controls for individual characteristics. Finally, we use our linguistic marker to instrument individual attitudes toward risk in the structural model for financial assets accumulation.

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