

BERKELEY GOES POP!



Berkeley Population Center receives \$1.14 million grant

Researchers at Berkeley have received a \$1.14 million grant to develop the Berkeley Population Center, a new research program chaired by Prof. Mike Hout (Sociology) and administered through the Institute of Business and Economic Research. The grant comes from the National Institute of Child Health and Human Development as part of its mission to facilitate interdisciplinary collaboration and innovation in population research.

The Berkeley Population Center was initially nurtured by a Research Futures Grant from the Vice Chancellor for Research in 2005. By the time the successful proposal to NICHD was submitted a year later, the network of population researchers had grown to encompass forty-two investigators in thirteen different departments and research units.

The Population Center's goal is to foster research on the determinants and consequences of population size, structure and change. Berkeley already has recognized strengths in key population areas such as demography and anthropology, social determinants of health,

socioeconomic impacts of demographic change, poverty and health disparities, population-environment interactions, biodemography, reproductive health and sexually transmitted infections, and fertility. The purpose of a Center is to transform such strengths into more than the sum of their parts, focusing on the Center's signature themes of population health, families, labor, and immigration, as well as cross-cutting emphases on demographic theory, innovative research methods, historical perspectives, and the collection and distribution of demographic data.

A principal tool for doing this is to use pilot grants to fund new, collaborative projects that can eventually lead to major research proposals. As this Bulletin goes to press, the Pop Center is sending Center members its first call for pilot grant proposals

The Berkeley Population Center joins twenty-one other major research institutions with NIH-funded population centers. Co-Chair Will Dow (Public Health) notes that it has been something of an anomaly that Berkeley has been without such a resource: "Berke-

ley has many of the raw ingredients to be one of the leading population research centers in the country, and I'm optimistic that as this effort matures we will see a flowering of new interdisciplinary research that exploits Berkeley's strengths to really push the frontiers of population sciences."

Visit the Population Center website at: <http://www.popcenter.berkeley.edu>



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IBER Bulletin, Fall 2007

From: Rachel Polimeni

Sent: Monday, September 17, 2007 5:06 PM

Subject: Insuring Cambodia

Rachel Polimeni received a Shapiro Fellowship in 2003, her first year in the Economics PhD program. Having advanced to Candidacy, she is doing fieldwork in Cambodia, as reported in this recent letter.

I arrived in Cambodia yesterday and will be here for the next three weeks. Research has been good but slow-going, being that my investigation involves collecting large amounts of data in the field.

For the past year I have been working on a project in Cambodia analyzing micro health insurance. To give you some background information, the French NGO, GRET, is running a voluntary health insurance program for poor, mostly rural, households in Cambodia. The French Development Agency (AFD), a donor to GRET, hired Professor David Levine (Haas School of Business), me, and several other partners to design and run an evaluation of this project. Subsequently we also have received funding from BASIS, the Coleman Fung Foundation, and the Center on the Economics and Demography of Aging. AFD's main interest in the evaluation is to gauge the effect of health insurance on health outcomes, health care utilization, asset sales and savings behavior. We will

analyze this impact via a randomized controlled trial.

I will be using part of this project for my dissertation research. I intend to study insurance uptake, measuring what characteristics of a household lead to increased purchase of insurance. Traditionally people have considered adverse selection a main factor in insurance purchase, whereby those who are less healthy purchase insurance. However, a more recent view is that other insurance buyers are those who are more risk averse. If some of those who are risk averse are also healthy, it is possible that this second purchasing pool balances the first.

The above studies involve rather large surveys of approximately 3000 households. The studies will be administered as the SKY insurance program rolls out to southern Cambodia. (Currently the program covers only a few rural villages.)

Given delays in this roll out, I am also looking at alternate research to use for my dissertation. One large impediment to insurance uptake in Cambodia (take-up has been under 5%) is thought to be a lack of understanding about insurance, which is a very new product in Cambodia. Therefore, I am currently designing some experiments to gauge how people learn about insurance and also how they calculate risks. The experiments are to be run in both a laboratory setting and in the field.

The purpose of this trip has been to meet with our data collection team to set up and run small scale, but in-depth, qualitative surveys that will inform our subsequent larger quantitative survey. In addition, I will be meeting with GRET

staff, Ministry of Health officials, and our donors to discuss the progress of the project. Finally, I will be meeting with members of the Royal University of Phnom Penh faculty to discuss the implementation of small-scale insurance programs.

I am enjoying the research and field work, although delays in data collection are always frustrating. However, I am learning a lot about managing an evaluation project in a developing country, which is a valuable skill in itself.

Warm Regards,
Rachel Polimeni

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Patents and Progress

Does our patent system promote and protect innovation? Or do “patent trolls” in treacherous “patent thickets,” and a flawed regulatory system, impede innovation? The Competition Policy Center invited 35 scholars to a conference on the Economics of Competition and Innovation to explore just those questions.

Held at Alumni House on October 26-7, the conference produced lively discussion and an excellent set of papers—all of which are available on-line at <http://iber.berkeley.edu/cpc/Conference/papers.html?action=login&dbname=CPC2007>

Keynote speaker Brad Smith, Senior

Vice-President and General Counsel for Microsoft, stressed the historical similarities between innovation in the US today and during the 1870s and 80s, another period when new technologies transformed the American economy. He argued that then as now, industry, Congress and the public each had to gradually modify its approach to the patent regime so as to enable the new economy to surge ahead.

Even a quick perusal of the papers reveals the extraordinary reach of the patent system. In addition to exploring the role of intellectual property rights and their enforcement in various industries, there were papers that ranged from how patent reform can af-

fect technology transfer for developing countries to what factors have historically lead inventors to patent their inventions. In a closing discussion, panelists were offered the role of “patent czar” and asked what aspects of the patent system were amenable to fixing, and what fixes they would propose. The Berkeley contingent was headed by its corps of former Deputy Assistant Attorneys General for Antitrust: CPC Chair Richard Gilbert, Joseph Farrell (Economics), and Carl Shapiro and Michael Katz (Business). One returning face was Stuart Graham, a UC Berkeley PhD and winner of the first CPC Dissertation Award in 2004, now an assistant professor at Georgia Tech.

New Dissertation Research Awards

Modest sums can make a big difference to graduate students. IBER's dissertation research grants help students purchase specialized data, travel to a research site, or do data entry. Our awards cover the spectrum of economics-related doctoral research at Cal, a combination of theoretical and applied research addressing important aspects of contemporary globalized life. Nurturing the next generation of researchers is one of IBER's most important functions, and is made possible only through the generosity of readers of the Bulletin. Thank you!

Jennifer Brown (Agricultural and Resource Economics) “Cash vs. Shares-Exploring Alaska's Oil and Gas Lease Auctions”

Jeffrey Greenbaum (Economics) “Is It Just Distance that Separates Boston from Atlanta? An Investigation of the Endogenous Relationship Between Education and Growth”

Zach Grossman (Economics) “The Role of Information in Motivating Giving”

Salar Jahedi (Economics) “A Taste for Bargains”

Jessica Leino (Economics) “Labor Supply and Productivity of Agricultural Workers in Kenya”

Connson Locke (Business) “Encouraging Employee Voice Through Leadership Style”

Pascal Michailat (Economics) “Incorporating Fairness into Customer Markets to Explain Price Stickiness”

Nate Miller (Economics) “Mandatory Substitution Laws and Drug Prices”

Yongwook Paik (Economics) “Serial Entrepreneurs and Venture Performance: Evidence from Venture-Backed Semiconductor Firms”

Gret Rafert (Agricultural and Resource Economics) “Gender and Public Policy: The Impact of Provincial Gender Quota Laws in Argentina and Policymaking”

Chris Rider (Business) “Economic

Value of Social Capital: Evidence from U.S. Private Equity”

Rocio Titiunik (Agricultural and Resource Economics) “Drawing Your Senator from a Jar: The Effect of Term Length on Legislative Behavior”

Christine Yee (Economics) “Freestanding Ambulatory Surgical Centers Impact on Nearby Hospitals”

Ethan Yeh (Economics) “Sex Work as a Response to Risk in Western Kenya”

Muzhe Yang (Agricultural and Resource Economics) “Identification and Estimation of Social Interaction-Based Models: A Changes-in Changes Approach with an Application to Adolescent Substance Use”



Interview with Xing Huang, Shapiro Fellow

Xing Huang, a graduate of Peking University, is the 2007-2008 Shapiro Fellow and a first year PhD student in Economics.

Cassandra Sobieralski, Web and Publications Coordinator at IBER, interviewed her for the Bulletin.



CS: You have done research on law and economics in China. Please elaborate on that interest.

Xing: China enjoys fast economic growth, but it has a poor legal system. I looked at this problem and concluded that law enforcement benefits private investment, which is the growth engine in China. The data tells us law enforcement is very important for China's economic growth. I did this study as preliminary research and foundation work for further studies.

CS: Are you suggesting that investors are more likely to entrust someone with their seed funds if they know they have solid legal protections?

Xing: The private sector in China is more efficient, but in the public sector is it easier to get funds. If the private sector were to become more protected, it would be easier to obtain financial resources from investors. Investors would feel more protected.

CS: Can private venture exist under Communism?

Xing: China's economy is a mixture of public and private. Not everything is run by the state. China is learning many business models and management principles from the West. Foreign investors are beginning to take an interest in China's economy. So there are different styles of business going on at the same time. The Communism in China is more about political style than economics.

CS: You have co-authored a paper entitled, "Games among Large Shareholders and Corporate Performance." Can you talk about the intersection of game theory with economic theory?

Xing: Economics researches human behavior. It considers what strategies people use and how people make decisions. This intersects with what game theory does. My paper specifically looked at problems in equity structure. Some believe that concentrating the power in one primary shareholder may harm a company's performance because of the agency problem between this primary shareholder and other small shareholders. And a lot of Chinese companies have a big Number 1 shareholder. From the data, we argue that a powerful Number 2 shareholder can improve performance. A Number 2 shareholder can reduce the payoff of the Number 1 shareholder by requiring sharing of interests. Number 2 might also successfully hold back the Number 1 shareholder's expropriation actions. It helps to balance power. I used a game theory framework to analyze the

problem and to explain the results.

CS: Coming from China, what have been your reactions to Berkeley?

Xing: Everyone at Berkeley is very nice and cares for others. Everyone is so passionate. The first time I saw the marching band, it made me want to learn to play drums.

CS: You are an accomplished accordion player. You also play the zhongruan (a Chinese stringed instrument) and the piano. Do you see any relationship between your music and your finance work?

Xing: I first learned skills and techniques from Western music and applied them to learning an Asian instrument. Now I am learning Western skills in economics, and maybe I can apply them to make sense of Chinese systems.

To play music, you need to learn techniques. You need to learn how to play strong or soft, how to play harmony. –but you also need to understand the music, how to express the feeling of it. Economics is the same. You need skills, and you need intuition, too. You need the intuition to find the problems to solve in the real world. Then you need the math skills to prove your ideas to others.

I am very grateful for the Shapiro Fellowship, which has made it possible for me to focus on study and research. I want to thank everyone who helped make it possible for me to come to Berkeley.

Investing in the World's Agriculture

A renewed focus on agricultural development is critical to successfully reducing global poverty and hunger, according to a World Bank report released on October 16th. The report was co-authored by IBER investigators and funded by a Ford Foundation grant administered through IBER.

The annual World Development Report is the World Bank's flagship report on some important aspect of development. The lead story in the Fall 2006 Bulletin, "Helping Agriculture Help the World's Poor," previewed the new report. The lead authors are Australian economist Derek Byerlee and IBER investigator Alain De Janvry. A Professor of Agricultural and Resource Economics, De Janvry is also Chair of Scientific Evaluation for Global Action, a new IBER research program specializing in measuring the impact of development projects. De Janvry and Byerlee co-directed the 18-member core team that also included Elisabeth Sadoulet, another Berkeley professor affiliated with IBER. A link to the entire report is available on the IBER homepage at iber.berkeley.edu

"World Development Report 2008: Agriculture for Development" points out that 2.1 billion people earning less than \$2 per day live in rural areas, and most depend upon agriculture for their livelihood. However, only 4 percent of official development assistance to developing nations is earmarked for agriculture, down from 12 percent in 1990.

"What we're hoping to do with this report is put agriculture back on the map," says

De Janvry. "The agricultural sector in developing nations has been underfunded for the past two decades. The Millennium Development Goal of cutting poverty and hunger in developing nations by half by 2015 is not going to be achieved unless more attention is paid to where the world's poor are and what they do."

With the world's demand for agricultural crops — for food, feed, and biofuels — expected to double within the next 50 years, the natural resources that sustain agriculture will become increasingly scarce and degraded with overuse and the effects of climate change.

The report concludes that greater investment in agriculture is needed to trigger economic growth, and that economic growth originating in agriculture will benefit the income of the poor two to three times more than growth from the non-agricultural sector. The power of agricultural growth in getting large numbers of people out of poverty has been amply demonstrated by recent successes in China and Vietnam, according to the report's authors.

"We are proposing that the shares of public investment and foreign aid to agriculture be increased from 4 to 10 percent in sub-Saharan Africa," says de Janvry. "This is akin to the investment of resources in successful countries such as India and China."

The report's authors recognize agriculture's close connection to today's environmental challenges, calling for the removal of subsidies that encourage the degradation of natural resources. Reducing agri-

culture's large environmental footprint requires the promotion of more sustainable production systems, the report says.

"We also need to encourage farming systems that are less vulnerable to the effects of global climate change, including crops that are more flood- and drought-resistant," says de Janvry. "Industrialized countries are the major contributors to global warming, so it is our moral responsibility to help reduce the impacts of climate change, which disproportionately affects poor farmers."

Note: Most of the material in this article was originally reported by UC Berkeley's Office of Public Affairs in The Berkeleyan on November 9, 2007.





CCRM On Fire!

An interview with Fulbright Scholar Renaud Vidal

Renaud Vidal (right in photo) is a PhD student from Université Paul Cézanne in Aix-en-Provence, France. He will spend two years researching with the Center for Catastrophic Risk Management (CCRM). IBER editor Casondra Sobieralski interviewed him for the Bulletin before the recent megafires in Southern California.

CS: Why did you choose to come specifically to UC Berkeley?

Renaud: Professor Karlene Roberts co-founded CCRM here after hurricane Katrina. My professor, Philippe Baumard, has created the same sort of interdisciplinary risk management center in France. Ours is a joint effort on both sides of the Atlantic to build research on catastrophic risk management and high reliability organizations.

CS: What is it like to work on the front lines of a fire?

Renaud: I am working on the incident management teams, the eight-to-ten people who manage the fire. However, I took the full training that firefighters take. I spent significant time on the fire line to get a sense of the problems to be solved there. The dominant feeling is like a moth being drawn to a light. You want to go there. You want to feel the light and the heat... it is very exciting. But you are also aware of the risks.

CS: How is CCRM's research intended to improve firefighting techniques?

Renaud: This summer we--researchers from UC Berkeley and France--spent three weeks on assignment with the U.S. Forest Service. Each researcher shadowed one member of their NIMO [National Interagency Complex Incident Management Organization] team. We observed interactions to determine what it takes to have a highly reliable incident management team.

In firefighting, there is a global trend in addressing three major problems.

First is global warming, which creates conditions that are hotter and drier with higher winds. Second is an increase in the Wildland Urban Interface. In the U.S., each day, 1000 houses are built on this interface. This means more fires from increased human activity, and higher stakes; property and lives are at risk. The third problem is fuel. In both the U.S. and in parts of Europe, the fuel is building up because the forests are not harvested in the way that they used to be.

In the U.S., one result of these conditions is an increasing number of megafires. At CCRM, we are looking at fire management, studying how to prepare incident management teams to deal with this.

In France, all across the Mediterranean basin we have Wildlife Urban Interface. So we are looking at what France can bring to the U.S. given this experience. France can draw from the American expertise gained from working with megafires. CCRM is looking at these problems from the perspective of high reliability organizations, which are being developed here at UC Berkeley. Professor Karlene Roberts is one of the founders of this approach.

CS: How do American and French approaches compare?

Renaud: On a project level, it is extremely interesting to compare how the U.S. teams and the French teams solve the same type of problems. High reliability organizations have to do with cognitive processes, and those are influenced somewhat by the macro-culture. The U.S. focuses more on rigorous processes, checklists, standard procedures... it

is very systematic. The French way enables more organizational improvisation. Each way has downsides and advantages.

In France there is the idea that a problem should be solved theoretically. Two-thirds of French companies are run by engineers. Math is "the" discipline. In the U.S., the approach is to find an agreeable solution that makes things work. It is more functionally based than theoretical, as a generalization. Of course, you need both, theory and practice. So it is very interesting to see how to manage the tension between those two.

CS: What is the next step in this collaboration?

Renaud: The past few years in Europe have been quite devastating in terms of fire. The next step will be contributing to the creation of Europe's incident management teams for fire, floods, even earthquakes. There is very little cooperation among European countries in terms of incident management today. But there is growing political will to integrate resources and to initiate collaborations between countries.

In the U.S., the next step is training incident management teams for the challenges of things like megafires. They need more organizational agility, for example.

I would like to apply this study to the orchestra! Mindfulness is at the heart of high reliability, and performers can teach us about mindfulness. I am interested in how musicians listen to each other, and how what emerges is something greater than their own part.

Xlab Research: Asking the Boss for a Raise

by Ronna Kelly

Waiting until your boss is in a good mood to ask for a raise may be a popular strategy, but what if the boss knows you know she is a good mood?

Two professors at the University of California, Berkeley's Haas School of Business recently examined this question in an experiment at Berkeley's Experimental Social Science Laboratory, or XLab. Assistant Professor Eduardo Andrade and Professor Teck-Hua Ho, both in the Haas Marketing Group, found evidence that other people's incidental feelings can influence one's strategic decisions.

For instance, their findings suggest that employees are more likely to ask for a raise if their boss is in a good mood. However, the researchers also found that the relationship disappears – employees are not more likely to hit up the boss for a raise – if the boss knows that the employee is aware that the boss is in a good mood.

Andrade and Ho outlined their results in an article titled "How is the Boss's Mood Today? I Want a Raise," in the August issue of the journal *Psychological Science*.

"People are more likely to attempt to benefit from the other party's incidental feelings when they believe the other party is unaware that they know about those feelings," Andrade and Ho conclude in the article.

In their experiments, Andrade and Ho divided 122 students into two groups – "proposers" and "receivers" – and asked them to decide how to share a small amount of money with each other.

Proposers, whose role was equivalent to an employee asking for a raise, got to

suggest how to divide the pot, choosing between either splitting it in half 50%-50% or keeping 75% and giving just 25% to their matched receiver. Receivers, whose role was equivalent to the boss, got to decide the size of the pot, any amount between \$0 – fully rejecting the offer – and \$1 – fully accepting the offer.

Before making their choice, proposers were told whether their matched receiver watched a film clip that made them either happy or angry.



When proposers knew their receiver watched a funny sitcom, nearly 70% had the confidence to propose an "unfair" offer (keeping 75% of the money). The percentage dropped to 52% when proposers knew their partner had watched an angry clip prior to the game.

"We were actually surprised by how much participants did take into account other people's feelings before 'making a move' " Andrade said.

However, that changed significantly when proposers were told that their receiver knew the proposer was aware of the receiver's mood. The percentage of unfair offers to receivers who had watched a happy clip fell to 55%. That was roughly the same as the percentage of unfair offers to receivers who watched an angry clip (52%).

Translating these finds to the workplace, Ho and Andrade conclude that employees are more likely to ask for a raise if their boss is in a good mood. However, an employee expects a happy boss to be less generous with a raise when the boss knows the employee is trying to benefit from the boss's happy mood. In this case, the employee will not ask for the raise.

"Employees have an intuition that a boss would react negatively to an attempt to profit from her good mood,"

explains Ho, the William Halford Jr. Family Professor of Marketing.

In experiments currently under way, Ho and Andrade are investigating whether this intuition is correct.

To read Andrade and Ho's article "How is the boss's mood today? I want a raise," visit http://papers.ssrn.com/sol3/papers.cfm?abstract_id=957641.

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