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Franco is pursuing a Ph.D. in economics at the University of Chicago's – Booth School of Business. His current research focuses on how bureaucrats' quality and preferences can affect public goods and services' efficiency and spatial distribution. He was born in Peru and studied Economics at the Pontificia Universidad Catolica del Peru, where he graduated with the highest honors. During the summer of 2022, he participated as a teaching assistant at the BFI - Expanding Diversity in Economics program, where he actively helped a diverse and selective pool of undergraduate students from all parts of the US learn and improve their research skills in economics.

Abstract:

Bureaucrat tenure and the spatial distribution of public goods

Spatial allocation of public goods is essential for development. However, little is known about why some geographic areas get more attention than others by the government. This research argues that the preferences of governors and mayors for project distance shape the spatial distribution of public goods at the local level. To understand this trade-off, we plan to develop a theory of the spatial allocation of infrastructure investments where local governors are forward-looking and try to maximize a spatial intertemporal utility by deciding where to locate a project. We test our predictions using the universe of infrastructure projects in Peru which account for a value of 7 billion USD, and three natural experiments: an investment reform that gave more discretion to local governors; the announcement of the elimination of immediate reelection; and a ballot order randomization for municipal elections. Finally, we use revealed preference after the announcement of re-election reform to estimate a discrete choice model that will be used to run policy counterfactuals. Preliminary results of the analysis show that increasing the level of discretion for governors to allocate projects reduces the average distance of the investment project to the governor's home by 3.3 km for projects below the threshold of 0.95 million USD. Furthermore, when non-immediate reelection is passed into law, the share of investment projects located within a radius of 1-kilometer doubles to close to 40%.
Abstract:

Punishment and Recidivism: A Selection Model with Judge Randomization

Understanding the effect of a judge's decisions of punishment on the subsequent criminal behavior of defendants is central to empirical law economics. Using a judge randomization design with a selection model, I answer the question "How do judges make a series of judgments, and how does this affect the future criminal behavior of defendants?" in this paper. In my model, the judges make various decisions, including whether or not to impose probation, its duration, and the (potential) length of the sentence. The model is estimated using a two-step estimator. I evaluate the effect of the judge's decision on new offenders' recidivism using North Carolina data. The empirical findings indicate that the selection of probation judges is a crucial issue. One year of sentence length as a threat in probationary cases can considerably reduce recidivism by up to 48 percent. Combining sentences and probation reduces recidivism by no more than 24 percent.

Abstract:

How did the dependent coverage mandate impact self-employment and earnings among disabled youth?

The 2010 Dependent Coverage Mandate allowed youth to remain on parental health insurance until their 26th birthday. Prior research shows that the mandate drove a spike in social security applications among disabled youth once they turned 26. Using annual cross-sectional data from the American Community Survey, I run a regression discontinuity design based on the assumption that disabled youth differ at the age cutoff only in their access to affordable health insurance. Consistent with earlier research, I estimate the effect at the cutoff and find a sharp increase in Medicaid coverage. I then show that disabled youth above the age cutoff switched from wage work to self-employment. My estimates further show that social security work restrictions led to a sharp decline in earnings at the cutoff. These findings suggest social protection programs with built-in work restrictions for target beneficiaries may inadvertently constrain earnings and employment possibilities for disabled youth.
Prasanthi Ramakrishnan is a PhD Candidate at Washington University in St. Louis. She specializes in labor economics, with a focus on entrepreneurship and household economics. She has previously completed her MSc. in Economics from London School of Economics and Political Science.

Abstract:

**Education, Marriage, and Social Security**

Women have entered the labor force in the last three decades and their education and labor force patterns are very different from men. Yet, the retirement system in the US, set up in the year 1935, is based on the society that existed then of ‘single-earner’ couples, where there is household specialization with one spouse participating in market work and the other spouse in home production. Although the system is inherently genderless, there are two types of differential treatment built in: first, due to the marital status and labor force participation of spouses as spouses receive a maximum of either benefit based on their employment history or 50 percent of the spouse’s benefits, once h/she claims; second, due to the existence of a gender gap in wages, the benefits paid out will differ by gender. This paper seeks to answer as to how changes in tax and retirement policy affect education and marriage. This paper follows a two-step methodology: I first document data trends that are relevant to the social security system and household structure. Specifically, low-educated and single individuals are the most dependent on the social security system – the bottom quintile of the population at ages 65–69 years derives 71 percent of their income from social security. I then substantiate this by building a structural model to disentangle the mechanisms underlying these trends. I develop a life-cycle model with endogenous human capital accumulation, consumption, savings, labor force participation, and marriage. Specifically, households are modeled in a collective household setup (as compared to the unitary model) and thus, effects on intra-household bargaining can be analyzed as well.

Focusing on the effects on education and marriage, preliminary results show that increasing payroll taxes has no effect on education and leads to fall in single-hood. This implies that individuals adjusted to the higher taxes by getting married more often to enjoy gains from economies of scale in marriage. Moreover, higher household specialization is seen as well. Removal of spousal benefits in the social security system leads to higher college education and more people choosing to remain single, which is not surprising as, in the model, social security benefits are an added advantage of being married. However, despite the rise in singlehood, there is a rise in the proportion of people who get married who are both with a college education; yet, there is a fall in intra-household bargaining power for the female in such matches. An ongoing analysis is on the welfare effects of the current system comparing individuals born in 1970–1980 versus those born in 1940–50 (GenX).

The implications of this research are particularly relevant where there are talks of reform to the social security system due to the concern about the current financial state of the Social Security system – after the year 2033, the full level of scheduled benefits cannot be paid out. However, most retirement models and papers still focus on either only males, or if they do take into account
males and females, they focus on modeling the household as a setup with a unitary decision maker, whose testable implications have been debunked by many different papers. Thus, this paper brings into light the importance of including females and collective households in retirement analysis.