

Essay on applied economics: Synthesis

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This dissertation contributes, in two chapters, to two different debates in the applied economics literature. The first chapter investigates the effect of weather shocks on sectoral wage in US. The second chapter, written together with Alexandra D’Onofrio, studies the effectiveness of foreign aid in promoting social capital in developing countries. More in detail, in the first chapter I construct a panel dataset merging weather stations’ data together with quarterly wage records supplied by the Bureau of Economic Analysis. Then I address the causal effect of extreme events on labor productivity, identifying as weather shocks the extreme events occurred during the period in analysis. The results demonstrate that the occurrence of short but intense shocks during a quarter has a significant and heterogeneous effect on wage. Both cold events and rainfall shocks affect negatively private wage. Conversely, extreme events on maximum temperature have a positive effect on the wage growth. In the second part of the paper I focus on sectoral wage, highlighting that large part of the economy is influenced by extreme events. Both wages in climate-sensitive sectors, such as Construction, or non-climate-sensitive industries, as for instance Manufacturing, are altered by the happening of extreme events. In the last part of the paper I study three different dimensions that could propagate these shocks: the agricultural dependence of the county, the level of tradability of the goods and the level of financial development of a given county. Agriculture has a role only in the propagation of cold events, probably because the level of

resilience to the other types of shocks is high for a developed country such as US. Tradability is one of the main channels of propagation of weather shocks. The cluster of sectors containing tradable-goods is the only one negatively impacted by extreme events. Warm events instead fuel sensibly the growth of private income in the sectors with non-tradable goods. Financial development, finally, does not mitigate weather shocks in case of rainfall or cold events, but foster economic growth when the shock occurs on maximum temperature.

The second chapter focuses on the socioeconomic effects of foreign aid in Uganda. The paper highlights its experience due to its status of developing country and because it has a story of disruption of social capital caused by violent conflicts occurred during the last decade. We employ data from the 2012 Afrobarometer survey, matched together with AidData. We do this in order to examine whether individuals living in counties that received more aid in the last decade are more trusting of others today. Our findings are that individuals living in counties that received more aid exhibit higher levels of generalized trust today. This result holds both for the extensive margin (whether the county was recipient or not aid) and the intensive margin (i.e. the quantity funds the county received). Particularly, the more funds the county received, the higher is the level of trust of individuals living in that county. As second check we use an alternative approach employing an instrumental strategy. We employ the distance of each county from the committee belonging to the same district of the county itself, exploiting the exogeneity of the implementation of the Non Governmental Organizations (Amendment) Act. Our findings remain robust also to this ulterior check. Finally, we show that a possible explanation to these findings is that county receiving foreign aid have also a decrease in the level of inequality and this in turn affects trust in other people.