

Research Statement

Enrique Seira

I am applied economist interested in development issues, with an Industrial Organization background. I have a preference for research that has clear policy implications. I have grouped my research in three sets:

1. Credit Markets

Most of my research¹ focuses on credit markets and in particular on household finance. One of my papers (*"Borrowing on the Wrong Card?"*) studies how consumers use their existing cards, and if they minimize financing cost by using their cheaper cards. Our finding that they did not led us to conduct a randomized experiment where we gave different credit card holders different sets of information (*"Are Information Disclosures Effective?"*) about their contract terms and about their own behavior compared to similar people. We found little sensitivity to messages and prices on the demand side.

I have a series of working papers looking at the barriers and costs of financial inclusion. On the cost side we estimate how increases in the supply of loans leads to higher default not only on the new loans, but also in those outstanding at other banks (i.e. an external cost), in the spirit of the sequential banking literature (*"Moral Hazard in the Credit Market"*). On the barriers side from a development angle I have three other papers which are interesting. One of them (*"Banking on Trust"*) studies a low-income population –Progresa/Oportunidades beneficiaries– and shows that giving savings accounts to them does not lead to financial inclusion in the sense that the accounts are not used. Part of the problem lies in the low trust that savers have in banks. We show that a monitoring device like an ATM card induces higher trust and higher savings. In another paper (*"The Long Term Effects of Temporary Incentives to Save"*) we conduct a randomized experiment to show that giving lottery prizes as a function of savings can generate more savings in the account. Finally, in *"Bancarizing with Credit Cards"* (preliminary), we combine a countrywide dataset of borrowers with a huge randomized experiment to show that financial inclusion involves very substantial risks (default risk is high, profit low variable and unpredictable with the variables observed at application, and some banks "steal" the new-to-banking clients that turned out to be good risks, implying that starting a credit history has a "public good" type of problem), it then uses the experiment to show that these risks are hard to mitigate with contract terms like the interest rate or the minimum payments. The paper shows that moral hazard in the formal loan market is limited by the bad contract terms found in the informal loan market.

¹ All my papers are coauthored. When I say "I" or "my" it is implied that the work is joint with coauthors.

Projects underway: I am currently working on one RCT with pawnshops that randomly varies the frequency with which payments could be made. We find that higher frequencies lead to higher repayment, and in a second part of the experiment that people choose higher frequencies as commitment devices.² Finally, I am starting to work on a project where credit history information from one very large development bank is made public through the credit bureau. The uploading of information is staggered randomly in a way that allows us to measure the casual effect of information on the allocation of credit towards good borrowers and its impact on economy wide default risk.³

2. Policy Evaluation

Using reduced form estimation, in the paper *“Comparing Open and Sealed Bid Auctions”*, we show that compared to English open auctions, sealed bid auctions attract more small bidders, shift the allocation toward these bidders, and can also generate higher revenue. We then structurally estimate a private value auction model with endogenous participation and show that it can account for the effects of auction format quantitatively.

I have worked on several impact evaluations of policies in Mexico. In the most recent one (*“Taxing to reduce Obesity”*) we estimate the effectiveness of recently enacted taxes on high caloric foods as a way to reduce calorie consumption and obesity. We find that there is no effect on either of them even though taxes were three times as high as those in US States. This work has been referenced in The Economist, The New York times and several newspapers in Mexico. I have also studied to what extent burdensome firm opening and registration procedures limit formal firm creation and employment growth in *“Entry Regulation and Firm Start-Ups”* and found that these are not very important barriers to firm creation.

Projects underway: Mexico has a low rate of out-of-court settlements even though trials are long, costly and unpredictable. I am currently working on a randomized experiment in labor courts that provides information about the likely outcomes of each trial through a “calculator”. The calculator uses machine learning methods and historical data to predict the outcomes of each new trial, and gives this information to the respective defendants and plaintiffs. We are finding that subjective expectations about winning, length of trial and amount awarded are biased to the direction of overconfidence, and that giving this objective information doubles settlement rates. This is important as these courts have huge backlogs of cases and out of court settlements may help in this regard.⁴

Another project I have been working with is on small holder agriculture Mexico has very low productivity per hectare in corn, however most of its land is cultivated with corn. We run an RCT in with 5 treatment arms where we combine in different sets the following inputs: recommendations

² This project is joint work with Joyce Sadka.

³ Joint with Neale Mahoney and Alan Elizondo.

⁴ Joint with Joyce Sadka and Chris Woodruff.

based on individualized soil analysis, grant, and extension services, mechanized sowing. We are finding significant effects on plant density and changes in practices.⁵

3. Trade projects

I have been working on two empirical trade projects. One is descriptive and documents the impact of the 2007-2008 crises on trade of small vs. large exporters (*Exporters During the Trade Collapse*).⁶ In another paper (*Assortative Matching of Exporters and Importers*) we study the matching mechanism of exporters and importers in Mexican textile/apparel exports to the US, and the re-matching that happened as a result of the Chinese exports to the US after the end of the Multifibre Arrangement in 2005.⁷ We show the re-matching pattern is consistent with a model combining Becker-type positive assortative matching of exporters and importers.

⁵ Joint with Carolina Corral, Aprajit Mahajan, Xavi Gine.

⁶ Joint with Rahul Giri and Kensuke Teshima.

⁷ Joint with Y. Sugita and Kensuke Teshima.