

Research Statement
Michela Giorcelli
UCLA, NBER, CEPR, IZA, CESifo, and J-PAL¹
<http://www.giorcellimichela.com>
November 2023

I am an economic historian and an applied-micro economist, whose research focuses on the managerial and technological drivers of productivity and innovation in the long-run run. My research also addresses a key question in economic history: to what extent did the war effort during World War II spur new managerial techniques and production technologies, and how did these innovations persist and diffuse to the rest of the world in the war's aftermath? I identify the causes and the effects of management and technology adoption by exploiting a wealth of historical policy variation and unique historical data, collected from primary sources.

My research has been supported by several grants, including an NSF grant, a Russell Sage Foundation grant and an NBER's Innovation Policy grant. My work has been disseminated to broader audience through several blogs, such as the NBER Digest, VoxEu, and the popular video in stick figures Econimate, and by podcasts, like Visible Hand, Penn Exchange, and Faculti.net; by Weixin translations in Chinese; and by presentations at the Italian Parliament. My papers on management, innovation and copyrights have entered undergraduate syllabi and are taught in Ph.D. courses at top economics departments, including Harvard, Stanford, Yale, Columbia, and LSE.

1 Management and Productivity

The first strand of my research explores the effects of management interventions on firm performance. The idea that management affects firm productivity goes back at least to Walker (1887) and empirical research has documented that the large and persistent observed variations in productivity across establishments in both developed and developing countries are strongly correlated with the adoption of management practices (Syverson, 2004; Bloom and Van Reenen, 2007; Foster et al., 2008; Hsieh and Klenow, 2009). Establishing a causal relationship, however, is not trivial: more productive firms may simply adopt better management practices. Recently, a few studies, providing random assignment of managerial consulting to a small sample of companies, have shown that the effect of management on firm performance is causal (Bloom et al., 2013; Bruhn et al., 2018).

Despite the advancements of research, fundamental questions about the links between managerial practices and firm performance remain unanswered. In particular, little is known on whether management interventions have persistent effects on plant outcomes or if their effects are only short-lived. In “The Long-Term Effects of Management and Technology Transfers” (AER 2019), I examine the long-run causal effects of management on firm performance, using evidence from the United States Technical Assistance and Productivity Program. Between 1952 and 1958, the US sponsored sponsored training trips for European managers to learn modern management practices at US firms. I collected new data on the around 6,000 Italian small and medium-sized firms supposed to participate in the program and I exploit that, due to an unexpected budget cut, only some of them ended up receiving the US training. I find that companies that eventually participated in the program increased their performance for at least fifteen years, relative to similar firms that ended up being excluded because of the cut, with a cumulative productivity gain of 50 percent. Firms that received management training not only adopted the most advanced managerial practices, but also undertook structural changes in their organization and improved access to the credit market. These channels allowed the initial effects to amplify and persist over time. By contrast, the impact technologically advanced capital goods on firm performance did not persist over time if it is not accompanied by proper managerial training.

¹Contact information: Michela Giorcelli, Associate Professor, UCLA Department of Economics, NBER, CEPR, IZA, CESifo, and J-PAL; 9262 Bunche Hall, 315 Portola Plaza, Los Angeles CA, 90095, USA. Email: mgiorcelli@econ.ucla.edu

Another open question in the management literature regards whether management consulting can cause a virtuous cycle of growth within large firms, an hypothesis known as the “Toyota Way” (Liker, 2004). For example, after an initial positive shock to management, complementarities among managerial areas or positive spillovers along the supply chain could make it easier for big firms to get better over time (Womack et al., 1990). In “Dynamic and Spillover Effects of Management Interventions” (JPE 2020, with Nicola Bianchi), I study the dynamic and spillover effects of management interventions on firm performance by examining the Training Within the Industry (TWI) program that offered management consulting to large US war contractors between 1940 and 1945. Using newly-assembled data on all 11,575 U.S. contractors that applied to the program, I leverage on as-good-as random variations in funding and personnel available for the TWI. As a result, only some of these companies received the TWI training and, conditional on receiving it, firms were trained in different types of managerial techniques. The results indicate that the TWI program led to permanent growth in firm outcomes, productivity and profitability in the 10 years after the program implementation. Moreover, I document complementarities between different bundles of practices: the costs of adding new managerial practices fell as others were previously adopted, transforming a single management intervention into a stream of improvements. Finally, I show that the TWI program generated positive spillover effects on the supply chain of trained firms. Remarkably, both the trained applicants and the firms in their supply chain improved their management practices in similar ways, which suggests that there was a transfer of managerial knowledge from the trained firms.

Taken together, the results of these two papers indicate that management interventions can have persistent and complementary impact on the performance of both small and medium-sized firms and large companies and generate spillovers in their supply chain. To the best of my knowledge, these works are among the very first to document such effects using large-scale non-experimental data. Moreover, they provide the first quantitative and comprehensive analysis of US publicly funded management training programs during and after WWII, that not only diffused “soft” technologies, but also developed an effective way for firms to adopt them.

Intended for a general audience, my book “Professionals and Productivity: the Diffusion of Soft Technologies during and after WWII” (under contract with Princeton University Press) will investigate the role of WWII in spurring new managerial production technologies in the US and their diffusion to Western Europe and Japan in the war aftermath. Traditionally, WWII has been considered the source of “an extraordinary surge of growth” in the US, thanks to the advancements in science and technology it pushed. Professionals and Productivity will argue that wartime was also a major inflection point in the history of American business. The large-scale diffusion of innovative management practices to US firms involved in war production acted as a technology that put them on a higher growth path for decades, but also helped creating the “American Way” of business. In the following decade, the transfer of soft technologies to war-torn European and Japanese economies revolutionized their production methods, with positive, long-lasting effects on adopting companies. The core of management innovation developed during World War II, despite a few changes, has persisted over years and has shaped today’s firm best practices.

My new research on management is focused on understanding the role of management education on manager professional outcomes and on business school development. In the working paper “The Effects of Business School Education on Managers Career Outcomes,” I study the effects of business school education on manager career outcomes and firm performance, using evidence from the Engineering, Science, and Management War Training (ESMWT), that offered MBA-style education to middle managers and production supervisors working at U.S. war industrial facilities during WWII. Using a regression discontinuity design (RD), I show that managers who scored right above the ESMWT entry-exam threshold had a substantially higher probability of being promoted to both middle and top management positions during their career, and engaged systematically more in self-employment and innovative entrepreneurial activities than similar managers who scored right below. Participation in the ESMWT had larger effects on the career outcomes of under-represented groups in firm management, such as nonwhite and female managers, and boosted performance and managerial practices implementation of admitted managers war facilities. Exposure to a network of class-mates from better-

performing firms resulted in higher chances of moving into peer companies and founding a business with them.

I next plan to investigate whether the ESMWT caused structural changes in the managerial education offered by hosting universities and colleges after the end of WWII. In fact, the program exposed participating institutions to cutting-edge teaching methods and contents, that may have impacted their business education style in the war aftermath. Only institutions within 50km from war facilities could host the ESMWT to allow managers to part-time work while going to classes. I will therefore use institution distance from war facilities as an instrument for the probability of hosting ESMWT courses, to estimate a causal effect. Employing text analysis methods, I will compare changes in the MBA curricula between participating and nonparticipating institutions after the ESMWT. I will also test if faculty who served as instructors for the program and therefore received an ad hoc training changed their publication patterns towards topics more related to the content of the ESMWT.

2 Industrial Policy, Technology Adoption and Innovation

The second strand of my research focuses on industrial policy and its effect on technology adoption. Traditionally, countries have started growing rich as their production shifted from agriculture to the industrial sector. In order to accelerate this process, several governments in developing countries have extensively used active industrial policy. However, little we know about the causal effects of such policies on industrialization and early economic development, mostly due to lack of data and natural variation in their delivery of such policies, as well as their relative recent implementation.

I study the impact of industrial policy on technology adoption and industrialization by analyzing the two major international aid programs sponsored by both the US and the Soviet Union in the aftermath of WWII: the Marshall Plan and the Sino-Soviet Alliance. The Marshall Plan was an economic and financial aid program sponsored by the US between 1948 and the late 1950s to help European economies recover from WWII. In “Reconstruction Aid, Public Infrastructure, and Economic Development” (JEH 2023, with Nicola Bianchi), I examine the effects of Marshall Plan reconstruction grants on Italian post-WWII development. I exploit variation from the amount of bombing Italian provinces suffered in the last phases of WWII that, while uncorrelated with economic performance, strongly predicted the amount of reconstruction grants received. Provinces that received more grants were able not only to rebuild, but also to modernize their infrastructure networks. The expanded transportation structure increased agricultural production between 10 and 20 percent and the number of industrial firms by 30 percent. Moreover, provinces that received more grants increased technology adoption and the use of labor-saving machines. In a related paper, “The Effects of Fiscal Decentralization on Publicly Provided Services and Labor Markets” (EJ 2023, with Nicola Bianchi and Enrica Maria Martino), we exploit variations from WWII bombing in Italian cities that affected the age of buildings and, consequently, the amount of local taxes municipalities could raise when fiscal decentralization was implemented in the late 1990s. Fiscal decentralization reduced local spending but expanded municipal services, such as nursery schools, which in turn increased female labor supply, thereby reducing the gender gap in employment.

Almost concurrent with the Marshall Plan, the Soviet Union sponsored a wide economic and military aid program in the newly-formed People’s Republic of China. In “Technology Transfer and Early Industrial Development: Evidence from the Sino-Soviet Alliance” (R&R at ReStud, NBER WP 29455 2021), my coauthor Bo Li and I focus on the so-called “156-Projects”, large industrial facilities that received state-of-the-art Soviet capital and the transfer of industry-specific know-how between 1950 and 1957. As-good-as-random delays in project completion that arose from Soviet side and the unexpected end of the Alliance determined that some facilities received the planned transfer, while others were completed by China alone using domestic technologies. The results indicate that the know-how component of the program was fundamental for the establishment of pioneering plants, that showed a productivity gain over 50 percent in the following 40 years. These plants were able to move from imitating to developing new technologies when China was a closed economy, and created

large industry spillovers. A back-of-the-envelope calculation shows that, without Soviet transfer, the Chinese real GDP per capita growth between 1953 and 1978 would have been halved, confirming its vital importance in Chinese industrialization.

Governments may also push technological advancements by sponsoring large education programs that aims at expanding scientific knowledge. In the paper “Scientific Education and Innovation” (JEEA 2020, with Nicola Bianchi), we study what is the effect of inducing more students to enroll in university-level STEM majors on the individual probability of producing innovation. We find that university-level scientific education had two direct effects on the development of patents by students who had acquired a STEM degree. First, the policy changed the direction of their innovation. Second, it allowed these individuals to reach top positions within firms and be more involved in the innovation process. STEM degrees, however, also changed occupational sorting. Some higher-achieving individuals used STEM degrees to enter jobs that required university-level education, but did not focus on patenting.

In future work on this research line, I plan to examine to what extent ESMWT graduate and post-graduate level classes offered to engineers and scientists employed at war facilities shaped U.S. scientific human capital and long-run innovation. In fact, on top of MBA-style program, the ESMWT also offered engineering and science training, that, in spite of being very specific to local war-related needs, greatly emphasized practical applications that could be reconverted to civilian production in the war aftermath. I will compare patents of engineers and scientists who scored right above the ESMWT entry test cut-off with those of engineers and scientists who scored right below. I will also test if the managerial education interacted with the engineering and science training, further boosting firm innovation.

Despite the importance of scientific advances on economic development, evidence on the impact of scientific progress on culture remains scant. In “How Does Scientific Progress Affect Cultural Changes? A Digital Text Analysis” (JOEG 2022, with Nicola Lacetera and Astrid Marinoni), we focus on a unique episode in the history of science, the elaboration of the theory of evolution by Charles Darwin, and study its effect on the broader cultural discourse. We measure cultural discourse through the digitized text analysis of a corpus of hundreds of thousands of books as well as of Congressional and Parliamentary records for the US and the UK. We find that key Darwinian concepts increased their presence in the public discourse immediately after the publication of his theory, while they diffused in the political debate with some lags. Moreover, several words that embedded the key concepts of the theory of evolution experienced semantic and sentiment changes – further channels through which Darwin’s theory influenced the broader discourse. Our findings represent the first large-sample, systematic quantitative evidence of the relation between two key determinants of long-term economic growth, and suggest that natural language processing offers promising tools to explore this relation.

3 Intellectual Property Rights and Creativity

The third strand of my research studies the effects of intellectual property rights on creativity. In modern world, copyrights have become crucial for innovation, as they cover nearly all the content that is now subject to digitization, ranging from text, music, to video. Despite their importance, the evidence about the effects of intellectual property rights on creativity is limited, due to little variation in copyright laws today. I identify the effects of copyrights on creative output in “Copyright and Creativity: Evidence from the Italian Operas in the Napoleonic Age” (JPE 2020, with Petra Moser) by exploiting exogenous variation arising from the timing of Napoleon’s military victories. In 1801, Lombardy and Venetia adopted French laws, including copyrights, after they came under French rule. In 1804, France’s parliament adopted the code civil. Under the code, French-controlled areas could keep any extant copyright laws and France would no longer impose its copyright laws. As a result, only Lombardy and Italy adopted copyrights, while the rest of Italy did not. Analyses of historical records on opera premieres and notable performances shows that the introduction of copyright laws increased both the quantity and the quality of creative output. In contrast, copyright extensions – as part of a political process towards Italian unification – appear to have minimal effects on creativity,

at best. Specifically, extensions of copyrights beyond the life of the original composer are associated with a decline of new operas.

To what extent are the authors of copyrighted works able to take advantages of the benefits of intellectual property rights protection? In the book chapter “Poets and Novelists” in «Subjects of Literacy and Artistic Copyright» (Edward Elgar 2022), I examine contract agreements signed by poets and novelists in the 19th century to document that they strategically used copyright laws to increase their revenues and gain more autonomy from the editors.

The public good nature of arts performance exposes theaters, museums, and other institutions to growing dependence on public funding. However, little we know about the impact of public funding on creative output. In the working paper “(De)Funding the Arts: Effects on Creativity” (SSRN WPS 4353813 2023, with Petra Moser), I exploit exogenous variation in exposure to public funding cuts due to Italy’s unification in 1861. Using theater-level performance data as a measure of creativity, I find that theaters more exposed to cuts put on fewer shows, produced fewer new works, and shifted towards more popular forms of entertainment. The impact of cuts was more severe in areas with low income and smaller cities. In the long run, theaters more exposed to funding cuts were more likely to close or be replaced by movie theaters.

References

- Bianchi, Nicola and Michela Giorcelli**, “Scientific Education and Innovation: From Technical Diplomas to University STEM Degree,” *Journal of European Economic Association*, 2020, 18 (5), 2608–2646.
- **and –**, “Reconstruction Aid, Public Infrastructure, and Economic Development: The Case of the Marshall Plan in Italy,” *Journal of Economic History*, 2023, (forthcoming).
- **, – , and Enrica Maria Martino**, “The Effects of Fiscal Decentralization on Publicly Provided Services and Labor Markets,” *Economic Journal*, 2023, (forthcoming).
- Bloom, Nicholas and John Van Reenen**, “Measuring and Explaining Management Practises across Firms and Countries,” *Quarterly Journal of Economics*, 2007, 122 (4), 1341–1408.
- **, Benn Eifert, Aprajit Mahajan, David Mckenzie, and John Roberts**, “Does Management Matter? Evidence from India,” *Quarterly Journal of Economics*, 2013, 128 (1), 1–51.
- Bruhn, Miriam, Dean Karlan, and Antoinette Schoar**, “The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico,” *Journal of Political Economy*, 2018, 126 (2), 635–687.
- Foster, Lucia, John C. Haltiwanger, and Chad Syverson**, “Reallocation, Firm Turnover, and Efficiency: Selection on Productivity or Profitability?,” *American Economic Review*, 2008, 98 (1), 394–425.
- Giorcelli, Michela**, “The Long-Term Effects of Management and Technology Transfers,” *American Economic Review*, 2019, 109 (1), 121–55.
- **, “The Effects of Copyrights on Poets’ and Novelists’ Economic Return,”** in Editors Sappa Cristiana and Bonadio Enrico, ed., *Subjects of Literacy and Artistic Copyright*, Edward Elgar, 2022, chapter The Effect.
- **and Bo Li**, “Technology Transfer and Early Industrial Development: Evidence from the Sino-Soviet Alliance,” *NBER Working Paper n. 29455*, 2021.
- **and Petra Moser**, “Copyrights and Creativity: Evidence from Italian Opera in the Napoleonic Age,” *Journal of Political Economy*, 2020, 128 (11), 4163–210.

- **and** –, “(De)Funding the Arts: Effects on Creativity,” *SSRN Working Paper 4353813*, 2023.
- , **Nicola Lacetera**, and **Astrid Marinoni**, “How Does Scientific Progress Affect Cultural Changes? A Digital Text Analysis,” *Journal of Economic Growth*, 2022, *27* (3), 415–52.
- Hsieh, Chang-Tai and Peter J. Klenow**, “Misallocation and Manufacturing TFP in China and India,” *Quarterly Journal of Economics*, 2009, *124* (4), 1103–1148.
- Liker, Jeffrey K.**, *The Toyota Way: 14 Management Principles from the World’s Greatest Manufacturer*, McGraw-Hill Education, 2004.
- Syverson, Chad**, “Market Structure and Productivity: A Concrete Example,” *Journal of Political Economy*, 2004, *112* (6), 1181–1222.
- Walker, Francis**, “The Source of Business Profits,” *Quarterly Journal of Economics*, 1887, *1* (3), 265–88.
- Womack, James, Daniel Jones, and Daniel Roos**, *The Machine That Changed the World*, New York: Simon and Schuster, 1990.