

## Recommendations for Further Reading

Bernard Saffran

This section will list readings that may be especially useful to teachers of undergraduate economics, as well as other articles that are of broader cultural interest. In general, the articles chosen will be expository or integrative and not focus on original research. As a rule of thumb, articles listed in this section appear in journals that are not indexed by the *Journal of Economic Literature* (which focuses on the research journals) and are similar to many of the articles published in this journal. They may include survey articles, discussion of related subjects in which economists might have an interest (for example, the use of game theory in evolutionary biology) or analyses of economics from other perspectives.

The intention is to publish a selective list of ten to fifteen articles per issue, with the selections depending heavily on input from readers. If you write or read an appropriate article, please send a copy of the article (and possibly a few sentences describing it) to Bernard Saffran, c/o *Journal of Economic Perspectives*, Department of Economics, Swarthmore College, Swarthmore, Pennsylvania 19081.

Articles continue to appear that provide additional analysis of the new tax bill. (A symposium on the topic appeared in the first issue of this journal.) The following two articles introduce students to many of the issues; they also illustrate that the provisions of the bill interact in ways that can lead to unexpected and possibly unintended results.

Crone, Theodore, "Housing Costs After Tax Reform," *Business Review*, Federal Reserve Bank of Philadelphia, March/April 1987, 3–12. He concludes, "No matter

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how long people intend to stay in a house, the new tax law makes homeownership preferable for more families than the old law."

Auten, Gerald E., and Gabriel Rudney, "Tax Reform and the Price of Donating Appreciated Property," *Tax Notes*, October 20, 1986, 285–289. They conclude, "In most cases the new law will result in a higher price of giving and therefore a reduced incentive to give. In some cases, however, the incentive to contribute appreciated property may be reduced very little or actually increased." This is also of interest to fund raisers. For a tax practitioner's dissent from this analysis see Abbin, Byrle M., "Tax Reform Will Affect Charitable Giving of Appreciated Property—A Response," *Tax Notes*, November 17, 1986, 675–676.

### Articles à la carte

These articles range from labor markets that *aren't* distorted to increasing income inequality, from real business cycles to the public policy problems posed by debt, lessons based on the experience of countries from Singapore to Sweden, and economic stories from BankAmerica's struggles to America's sudden awareness of competitiveness.

Burtless, Gary T., and Robert H. Haveman, "Taxes and Transfers: How Much Economic Loss?" *Challenge*, March/April 1987, 45–51. This is a challenge to the new conventional wisdom that finds large distortions in our labor markets from tax-transfer policies. The authors argue that "The distortions appear, on balance, to be far less onerous than the critics claim, and the research is hardly a firm guide to public policy, much less a blueprint to overhaul the existing tax and transfer system."

Kelman, Steven, "'Public Choice' and Public Spirit," *The Public Interest*, Spring 1987, 80–94. Kelman, a professor of public policy at Harvard, argues that public spirited motivation is important for the analysis of political behavior. He buttresses his case by including a discussion of some studies done by political scientists that economists may not yet be sufficiently familiar with. In discussing the normative issue he concludes, "If the norm of the public spirit dies, our society would look bleaker and our lives as individuals would be more impoverished. That is the tragedy of 'public choice.'"

Mayer, Martin, "Colossus in Crisis—The Humbling of BankAmerica," *The New York Times Magazine*, Part 2, *The Business World*, May 3, 1987, 26+ . Mayer, the author of *The Bankers* and *The Money Bazaars*, tells the story of the crisis that befell the Bank of America. He concludes that "in organizations of a certain size unforeseen problems seem to become unrecognized difficulties and then unmanageable losses." This supplement also has another article of interest, "The Idea Merchant," (36+) that is a profile of Pat Choate, an economist and "policy entrepreneur" who invented the "competitiveness" issue. The author is Randall Rothenberg, a *Times* editor.

Rush, Mark, "Real Business Cycles," *Economic Review*, Federal Reserve Bank of Kansas City, February 1987, 20–32. A good introduction to a subject that has not yet reached most of the intermediate macroeconomic textbooks.

Thurow, Lester C., "A Surge in Inequality," *Scientific American*, May 1987, 30–37. An examination of the growing inequality of income caused by international competi-

tion, unemployment, and the feminization of poverty. Solutions range from investment in both education and research to government guaranteed child support payments.

Westphal, Larry E., "Industrial Development in East Asia's 'Gang of Four,'" *Issues in Science and Technology*, Spring 1987, 78-88. A useful survey of the reasons for the strong economic growth of Hong Kong, South Korea, Singapore, and Taiwan—The Gang of Four. Their economic success is the product of rapid technical change stimulated by government policies that have intentionally fostered export-led development.

"Sweden's Economy—The Nonconformist State," *The Economist*, March 7, 1987, 21-26. I was discussing "eurosclerosis" in my introductory economics class when a student asked if socialist Sweden was also suffering from these problems. As this article makes clear, the Swedish case does require special attention.

*Debt, Financial Stability, and Public Policy* contains the proceedings of a symposium held by the Federal Reserve Bank of Kansas City in August 1986. Participants included leading academic and financial economists. Copies are available from: Public Affairs Department, Federal Reserve Bank of Kansas City, 925 Grand Ave., Kansas City, Missouri 64198.

### The Economics in Science

*Science* continues to publish short survey articles of interest to economists. These are worth checking as a quick introduction to a subject and its current bibliography.

Borjas, George J., and Marta Tienda, "The Economic Consequences of Immigration," *Science*, February 6, 1987, 645-651. This timely article includes a discussion of the impact of immigration to the United States on the earnings of native workers, the skill level and earnings of the immigrants and the likelihood that they will receive transfer payments.

Friedman, Benjamin M., "New Directions in the Relation Between Public and Private Debt," *Science*, April 24, 1987, 397-403. He discusses the historical movement of the ratio of nonfinancial debt to GNP in order to explain the ratio's recent growth and argues that "what has been absent in the 1980s to date is the long-standing negative covariation among the debt-issuing behavior of public- and private-sector borrowers."

Machina, Mark J., "Decision-Making in the Presence of Risk," *Science*, May 1, 1987, 537-543. A survey of some of the systematic empirical violations of the expected utility hypothesis and of the recent attempts to develop alternative models. Machina presented an in-depth treatment of this topic in the previous issue of this journal.

Shiller, Robert J., "The Volatility of Stock Market Prices," *Science*, January 2, 1987, 33-37. A brief introduction to the arguments that rely on the volatility of stock market prices to challenge the efficient markets hypothesis. Richard Thaler presents related arguments in his "Anomalies" feature in the previous and current issues of this journal.

