

Recommendations for Further Reading

Timothy Taylor

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, with occasional exceptions, the articles chosen will be expository or integrative and not focus on original research. If you write or read an appropriate article, please send a copy of the article (and possibly a few sentences describing it) to Timothy Taylor, preferably by email at taylort@macalester.edu, or c/o *Journal of Economic Perspectives*, Macalester College, 1600 Grand Ave., St. Paul, MN 55105.

Potpourri

David Miles, Ugo Panizza, Ricardo Reis, and Ángel Ubide have co-authored “And Yet It Moves: Inflation and the Great Recession.” The authors pose a hypothetical question: If you were thinking about the path of inflation back in 2007 or so, and someone accurately described to you what was about to happen in the economy, what inflation rate would you have predicted? They write: “[G]iven how volatile and often high inflation has been in the past, given that there was a deep recession and brief deflation episode in 2008–10, given that nominal interest rates were virtually constant (and the real interest rate was not), given that the monetary base increased five-fold, and given that central banks undertook unprecedented policies in a context of fiscal volatility, what would have been your guess

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about the stability and volatility of inflation from 2010 onwards? Simple versions of dominant economic theories, or superficial readings of economic history, would have all pointed to the conclusion that inflation should have at least been volatile, and possibly drifted up or down. Yet inflation was low and relatively stable. We did not observe deflation even in the presence of massive macroeconomic shocks and a sudden rise in unemployment, nor the much-feared inflation spiral that many expected after unprecedented easing in monetary policy. It is remarkable that the volatility of inflation remained so low, in spite of new policies and many shocks. ... We will suggest that the stability of inflation poses puzzles for our existing theories, suggesting that inflation control is far from a solved problem. ... The young, or those with short memories, could be forgiven for looking condescendingly at their older friends who speak of inflation as a major economic problem. But, like Galileo Galilei told his contemporaries who thought the Earth was immovable, “Eppur si muove” (“and yet it moves”). ... Will the great anchoring soon be followed by a great bout of inflation, or by a descent into deflation, just as the Great Moderation was followed by the Great Recession?” Geneva Reports on the World Economy 19, International Center for Monetary and Banking Studies and the Centre for Economic Policy Research, October 2017, <http://voxeu.org/content/and-yet-it-moves-inflation-and-great-recession> (with free registration).

The *World Development Report 2018* focuses on the theme “LEARNING to Realize Education’s Promise.” “The number of years of schooling completed by the average adult in the developing world more than tripled from 1950 to 2010, from 2.0 to 7.2 years. By 2010 the average worker in Bangladesh had completed more years of schooling than the typical worker in France in 1975. ... By 2008 the average low-income country was enrolling students in primary school at nearly the same rate as the average high-income country. But schooling is not the same as learning. Children learn very little in many education systems around the world: even after several years in school, millions of students lack basic literacy and numeracy skills. In recent assessments in Ghana and Malawi, more than four-fifths of students at the end of grade 2 were unable to read a single familiar word such as *the* or *cat* ... When grade 3 students in Nicaragua were tested in 2011, only half could correctly solve $5 + 6$.” “When improving learning becomes a priority, great progress is possible. In the early 1950s, the Republic of Korea was a war-torn society held back by very low literacy levels. By 1995 it had achieved universal enrollment in high-quality education through secondary school. Today, its young people perform at the highest levels on international learning assessments. Vietnam surprised the world when the 2012 results of the Programme for International Student Assessment (PISA) showed that its 15-year-olds were performing at the same level as those in Germany—even though Vietnam was a lower-middle-income country. Between 2009 and 2015, Peru achieved some of the fastest growth in overall learning outcomes—an improvement attributable to concerted policy action. In Liberia, Papua New Guinea, and Tonga, early grade reading improved substantially within a very short time thanks to focused efforts based on evidence.” World Bank, 2018, <http://www.worldbank.org/publication/wdr2018>.

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for 2017 was awarded to Richard Thaler “for his contributions to behavioural economics.” The Nobel foundation has published the short and readable “popular information” essay “Easy Money or a Golden Pension? Integrating Economics and Psychology.” It also published a longer “advanced information” essay, “Richard H. Thaler: Integrating Economics with Psychology.” From this latter essay: “Richard Thaler played a crucial role in the development of behavioral economics over the past four decades. He provided both conceptual and empirical foundations for the field. By incorporating new insights from human psychology into economic analysis, he has provided economists with a richer set of analytical and experimental tools for understanding and predicting human behavior. This work has had a significant cumulative impact on the economics profession; it inspired a large number of researchers to develop formal theories and empirical tests, which helped turn a somewhat controversial, fringe field into a mainstream area of contemporary economic research. ... In his well-known “Anomalies” series in the *Journal of Economic Perspectives*, as well as in many other articles, comments, and books, he continued to document and analyze how economic decisions are influenced by three aspects of human psychology: cognitive limitations (or bounded rationality), self-control problems, and social preferences. We organize this overview of Thaler’s contributions around these three topics.” The Nobel Committee essays are at https://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2017/. A link to all of Thaler’s “Anomalies” columns in this journal is at <https://www.aeaweb.org/journals/jep/search-results?within%5Btitle%5D=on&within%5Babstract%5D=on&within%5Bauthor%5D=on&journal=3&q=Anomalies%3A>.

Symposia

Cityscapes has published a 15-contribution symposium on “The Family Options Study.” From the introduction by Anne Fletcher and Michelle Wood, “Next Steps for the Family Options Study”: “HUD launched the Family Options Study in 2008 to learn about which housing and services interventions work best for families with children experiencing homelessness. Recruitment took place in emergency shelters across the 12 participating study sites. ... In total, the study team enrolled 2,282 families, including nearly 5,400 children, into the study between September 2010 and January 2012. The study team followed the families for 3 years ...” “The results of the Family Options Study offer striking evidence of the power of offering a long-term rent subsidy to a homeless family in shelter, substantially increasing housing stability and yielding benefits across a number of important domains, including reductions in residential moves, child separations, adult psychological distress, experiences of intimate partner violence, food insecurity, and school mobility among children, although those benefits were accompanied by reductions in work effort. These findings provide support for the notion that family homelessness is largely an economic issue, and that, by solving the economic issue, families experience

additional benefits that extend beyond housing stability. Equally notable is the fact that these significant benefits that accrued to the families offered a long-term rent subsidy were achieved at a comparable cost to other interventions tested, which offered few positive outcomes for families in any domain.” US Department of Housing and Urban Development, 2017, vol. 19, no. 3, <https://www.huduser.gov/portal/periodicals/cityscape/vol19num3/index.html>.

Diane Whitmore Schanzenbach and Ryan Nunn have edited an e-book of 11 readable essays: *The 51%: Driving Growth through Women’s Economic Participation*. From the first essay by Sandra E. Black, Diane Whitmore Schanzenbach, and Audrey Breitwieser, titled “The Recent Decline in Women’s Labor Force Participation”: “[B]etween 1962 and 2000, women’s labor force participation—defined as the percentage of women ages 16 and older either working or actively looking for work—increased dramatically, from 37 percent to 61 percent. ... Estimates suggest that the economy is \$2.0 trillion, or 13.5 percent, larger than it would have been had women’s participation and hours worked remained at their 1970 levels. ... However, beginning in 2000, the positive trends slowed and even reversed: women’s participation fell from 60.7 percent in 2000 to 57.2 percent in 2016. ... Why has the progress stopped, and even reversed ... Importantly, the United States appears to be an outlier in terms of women’s labor force participation; France, Canada, the United Kingdom, and Japan all continued to see positive growth in prime-age women’s labor force participation post-2000, with levels rising substantially above those in the United States. This divergence suggests a significant role for labor-market institutions.” Hamilton Project at the Brookings Institution, October 2017, https://www.brookings.edu/wp-content/uploads/2017/10/es_101917_the51percent_full_book.pdf.

The *Cato Journal* has published an 11-paper symposium on “The Economics of Immigration.” For example, Giovanni Peri writes about “The Impact of Immigration on Wages of Unskilled Workers”: “Immigrants did not contribute to the national decline in wages at the national level for native-born workers without a college education. This article reviews how the timing of their immigration and skill sets of immigrants between 1970 and 2014 could not have been responsible for wage declines. This article then reviews other evidence at the local level that implies immigration is not associated with wage declines for noncollege workers, even if they are high school dropouts. Higher immigration is associated with higher average wages. Causality is difficult to tease out but numerous factors could explain the positive association between the quantity of immigrants and native wages.” Cato Institute, Fall 2017, <https://www.cato.org/cato-journal/fall-2017>.

Lectures

Larry Summers delivered a speech on “Rethinking Global Development Policy for the 21st Century” at the annual Global Development Changemaker Dinner of the Center for Global Development. “[B]etween the time of Pericles and London

in 1800, standards of living rose about 75 percent in 2,300 years. They called it the Industrial Revolution because for the first time in human history, standards of living were visibly and meaningfully different at the end of a human lifespan than they had been at the beginning of a human lifespan, perhaps 50 percent higher during the Industrial Revolution. Fifty percent is the growth that has been achieved in a variety of six-year periods in China over the last generation and in many other countries, as well. And so if you look at material standards of living, we have seen more progress for more people and more catching up than ever before. That is not simply about things that are material and things that are reflected in GDP. ... [I]f current trends continue, with significant effort from the global community, it is reasonable to hope that in 2035 the global child mortality rate will be lower than the US child mortality rate was when my children were born in 1990. That is a staggering human achievement. It is already the case that in large parts of China, life expectancy is greater than it is in large parts of the United States.” November 8, 2017. Text of the 45-minute lecture is at <https://www.cgdev.org/sites/default/files/Rethinking-Global-Development-Policy-for-21st-Century.pdf>, while video is at <https://www.cgdev.org/event/rethinking-global-development-policy-21st-century>.

Peter H. Lindert delivered the OECD Angus Maddison Development Lecture on “The Rise and Future of Progressive Redistribution” on October 3, 2017. From the abstract of his background paper of the same title: “There appears to have been a global shift toward progressive redistribution over the last hundred years in all prosperous countries. The retreats toward regressive redistribution have been rare and have been reversed. As a corollary, the rise in income inequality since the 1970s owes nothing to any retreat from progressive government spending. Adding the effects of rising subsidy for public education on the later inequality of adult earning power strongly suggests that a fuller, longer-run measure of fiscal incidence would reveal a history of still greater shift toward progressivity, most notably in Japan, Korea, and Taiwan. The key determinant of progressivity in the decades ahead is population aging, not inequality itself or immigration backlash.” Tulane University, Commitment to Equity Institute, October 2017, Working Paper 73, http://www.commitmenttoequity.org/wp-content/uploads/2017/11/CEQ-WP73_Lindert_Rise-FutureProgressiveRedistribution_Oct17_2017.pdf.

Alan B. Krueger delivered the annual Daniel Patrick Moynihan Lecture on Social Science and Public Policy, on the topic of “Independent Workers: What Role for Public Policy,” for the American Academy of Political and Social Science: “One policy proposal that has gained some traction is to have a carve out for intermediaries that permits them to provide benefits without risk that their contractors will be deemed employees.” “For the self-employed, however, health insurance expenses are excluded from income taxes but not from payroll taxes. With payroll taxes of around 15 percent, this creates a significant additional tax on the self-employed. That could easily be rectified through tax policy. As mentioned, the self-employed receive relatively little job training. The IRS is tough on the deductibility of training expenses for the self-employed. Particularly when it comes to safety-related training, it would make sense for the IRS to be more permissive in allow training deductions

as a business expense. Congress could also enact tax credits to encourage job training, particularly for safety training, for self-employed workers.” “*Extend coverage under Title VII of the Civil Rights Act of 1964 to independent contractors.* The self-employed currently have few options if they face discrimination.” “Here’s a really ambitious, big idea: ... ‘Shared Security Accounts,’ in which all workers would be covered by a universal system that provides health insurance, retirement benefits, paid leave, and so on. Employers and online platforms like Uber would contribute 25% of their workers’ compensation into a fund to pay for those benefits. Workers could choose which benefits they want. ... Washington State and New Jersey have considered legislation along these lines for self-employed workers.” Video of the hour-long lecture delivered on May 18, 2017, is <http://www.aapss.org/news/alan-krueger-delivers-2017-moynihan-lecture/>. A revised and written-out version of the lecture is available as Princeton University Industrial Relations Section Working Paper 615, September 2017, <http://dataspace.princeton.edu/jspui/bitstream/88435/dsp01tt44pq514/3/615.pdf>.

Mervyn King delivered the 2017 Martin Feldstein Lecture at the National Bureau of Economic Research on the subject of “Uncertainty and Large Swings in Activity.” “Imagine that you had a problem in your kitchen, and summoned a plumber. You would hope that he might arrive with a large box of tools, examine carefully the nature of the problem, and select the appropriate tool to deal with it. Now imagine that when the plumber arrived, he said that he was a professional economist but did plumbing in his spare time. He arrived with just a single tool. And he looked around the kitchen for a problem to which he could apply that one tool. You might think he should stick to economics. But when dealing with economic problems, you should also hope that he had a box of tools from which it was possible to choose the relevant one. And there are times when there is no good model to explain what we see. The proposition that ‘it takes a model to beat a model’ is rather peculiar. Why does it not take a fact to beat a model? And although models can be helpful, why do we always have to have one? After the financial crisis, a degree of doubt and skepticism about many models would be appropriate.” A written version of the presentation is available in the *NBER Reporter*, no. 3, September 2017, pp. 1–10), at <http://www.nber.org/reporter/2017number3/2017number3.pdf>, and video of the lecture delivered on July 19, 2017, is at http://www.nber.org/feldstein_lecture_2017/feldstein_lecture_2017.html.

Interviews

Douglas Clement has an “Interview with Lawrence Katz,” with the subheading: “Harvard economist on the gender pay gap, fissuring workplaces and the importance of moving to a good neighborhood early in a child’s life.” “If you look at the past 30 years, ... we estimate that, as recently as 2013, about two-thirds of that [increase in inequality] is due to the growth of the educational wage premium. ... So, if you’d kept the college premium at the 1980 level, you would’ve seen only a

third as much of the growth of U.S. earnings inequality. ... What the government has done—in the '50s and '60s, even into the '70s—is invested heavily in high-quality colleges. Think of University of California campuses or Florida State. But since then, there's been very little investment in expanding quality higher education. There's increased crowding at community colleges and state universities, and states have greatly cut back on appropriations for higher education, particularly in the Great Recession. The federal government has continued to have an important role, but it's done it with flexible support through Pell grants targeted to low-income students. The problem is that we've had a surge of really low-quality colleges, and the worst of that is the for-profit sector ... It's been a bit of a disaster. Even though these for-profit institutions have tried to be up to date, very flexible, with high-quality online instruction, we have repeatedly found very little economic return to degree programs at for-profit institutions; instead, it's become a massive debt trap.” *The Region*, Federal Reserve Bank of Minneapolis, September 25, 2017, at <https://www.minneapolisfed.org/publications/the-region/interview-with-lawrence-katz>.

In an “Interview” with Jesse Shapiro, Renee Haltom elicits insights on topics related to media and political bias. On ideological segregation: “Take the fraction of the audience on a given news site that is conservative and call that the conservativeness of the site. Then take the website visited by the average conservative on the average day—that website is about as conservative as *usatoday.com*. Now do that same thing for the average liberal, that's about as liberal as *cnn.com*. If you were to read those two outlets, you wouldn't find that they're radically different. In fact, we find that isolation is very rare in the data. ... The people who are consuming niche media are probably pretty politically engaged people, and therefore they want to read a lot of things. So in the end, the picture is a lot more muted than what people have feared.” On social media and polarization: “Our favorite and most important comparison is with respect to age. People who are 75 years and over rarely use social media and don't report getting a lot of political information online. People who are 18 to 25 frequently use social media and report getting a lot of political information online. So if you thought that social media was contributing to the rise in polarization, what you would expect to see in the data is that polarization is rising especially fast for younger Americans — and if anything, the story is the opposite. ... I think the effect of the Internet on polarization remains an open question.” *Econ Focus*, Federal Reserve Bank of Richmond, 2nd Quarter 2017, pp. 24-29, https://www.richmondfed.org/publications/research/econ_focus/2017/q2/interview.

Discussion Starters

“*The Lancet* Commission on Pollution and Health,” convened by the British medical journal, included about four-dozen members. “Diseases caused by pollution were responsible for an estimated 9 million premature deaths in 2015—16% of all deaths worldwide—three times more deaths than from AIDS, tuberculosis, and malaria combined and 15 times more than from all wars and other forms of

violence. In the most severely affected countries, pollution-related disease is responsible for more than one death in four. Pollution disproportionately kills the poor and the vulnerable. Nearly 92% of pollution-related deaths occur in low-income and middle-income countries and, in countries at every income level, disease caused by pollution is most prevalent among minorities and the marginalised.” October 19, 2017, available with free registration at [http://www.thelancet.com/pdfs/journals/lancet/PIIS0140-6736\(17\)32345-0.pdf](http://www.thelancet.com/pdfs/journals/lancet/PIIS0140-6736(17)32345-0.pdf).

The International Labour Organization has published “Global Estimates of Child Labour: Results and Trends 2012–2016.” “The challenge of ending child labour remains formidable. A total of 152 million children—64 million girls and 88 million boys—are in child labour globally, accounting for almost one in ten of all children worldwide. Nearly half of all those in child labour—73 million children in absolute terms—are in hazardous work that directly endangers their health, safety, and moral development. Children in employment, a broader measure comprising both child labour and permitted forms of employment involving children of legal working age, number 218 million.” September 2017, http://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/documents/publication/wcms_575499.pdf.

Jesse Bricker, Lisa J. Dettling, Alice Henriques, Joanne W. Hsu, Lindsay Jacobs, Kevin B. Moore, Sarah Pack, John Sabelhaus, Jeffrey Thompson, and Richard A. Windle discuss “Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances.” On the distribution of wealth: “The wealth share of the top 1 percent climbed from 36.3 percent in 2013 to 38.6 percent in 2016, slightly surpassing the wealth share of the next highest 9 percent of families combined ... After rising over the second half of the 1990s and most of the 2000s, the wealth share of the next highest 9 percent of families has been falling since 2010, reaching 38.5 percent in 2016. Similar to the situation with income, the wealth share of the bottom 90 percent of families has been falling over most of the past 25 years, dropping from 33.2 percent in 1989 to 22.8 percent in 2016.” *Federal Reserve Bulletin* Summer 2017, pp. 1–42, at <https://www.federalreserve.gov/publications/files/scf17.pdf>.

J. Bradford DeLong has written “When Globalization Is Public Enemy Number One” in the most recent issue of the *Milken Institute Review*. “To repeat, because it bears repeating: globalization in general and the rise of the Chinese export economy have cost some blue-collar jobs for Americans. But globalization has had only a minor impact on the long decline in the portion of the economy that makes use of high-paying blue-collar labor traditionally associated with men. ... Pascal Lamy, the former head of the World Trade Organization, likes to quote China’s sixth Buddhist patriarch: ‘When the wise man points at the moon, the fool looks at the finger.’ Market capitalism, he says, is the moon. Globalization is the finger.” *Milken Institute Review* Fourth Quarter 2017, pp. 22–31, <http://www.milkenreview.org/articles/when-globalization-is-public-enemy-number-one>.