*Journal of Economic Perspectives—Volume 32, Number 3—Summer 2018—Pages 281–288*

# 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.

## Smorgasbord

The *Annual Review of Public Health* has published a pro-and-con on whether e-cigarettes are a plausible method of reducing harms from tobacco use. On one side, David B. Abrams, Allison M. Glasser, Jennifer L. Pearson, Andrea C. Villanti, Lauren K. Collins, and Raymond S. Niaura have written "A Harm Minimization and Tobacco Control: Reframing Societal Views of Nicotine Use to Rapidly Save Lives." "A diverse class of alternative nicotine delivery systems (ANDS) has recently been developed that do not combust tobacco and are substantially less harmful than cigarettes. ANDS have the potential to disrupt the 120-year dominance of the cigarette and challenge the field on how the tobacco pandemic could be reversed if nicotine is decoupled from lethal inhaled smoke. ANDS may provide a means to

■ *Timothy Taylor is Managing Editor, Journal of Economic Perspectives, based at Macalester College, Saint Paul, Minnesota. He blogs at http://conversableeconomist.blogspot.com.*

† For supplementary materials such as appendices, datasets, and author disclosure statements, see the article page at
https://doi.org/10.1257/jep.32.3.281 doi=10.1257/jep.32.3.281

compete with, and even replace, combusted cigarette use, saving more lives more rapidly than previously possible." Stanton A. Glantz and David W. Bareham offer a skeptical view in "E-Cigarettes: Use, Effects on Smoking, Risks, and Policy Implications" (pp. 215–35). "While e-cigarettes deliver lower levels of carcinogens than do conventional cigarettes, they still expose users to high levels of ultrafine particles and other toxins that may substantially increase cardiovascular and noncancer lung disease risks, which account for more than half of all smoking-caused deaths, at rates similar to conventional cigarettes. Moreover, rather than stimulating smokers to switch from conventional cigarettes to less dangerous e-cigarettes or quitting altogether, e-cigarettes are reducing smoking cessation rates and expanding the nicotine market by attracting youth." In the April 2018 issue, Abrams et al. are at pp. 193–213, https://www.annualreviews.org/doi/10.1146/annurev-publhealth-040617-013849, while Glantz and Bareham are at pp. 215–235, https://www.annualreviews.org/doi/10.1146/annurev-publhealth-040617-013757.

Marion Fourcade delivered a keynote address at the 2017 meetings of the Swiss Society of Economics and Statistics on the topic: "Economics: The View from Below." "As Robert Chernomas and Ian Hudson put it, 'economics has the awkward distinction of being both the most influential and the most reviled social science.' We might add: economics may be the most reviled social science precisely because it is the most influential. ... Unlike the other social scientific disciplines, economics comes with a promise: the promise to make money, the promise to save money, the promise to allocate money (a rare resource) in the most efficient manner. In other words, part of the authority of economists also comes from their association with whoever holds the purse strings. They navigate the most powerful parts of the world, where financial decisions are being made and where political and corporate leaders are being trained. And, I shall add, this association has become increasingly tight over the course of the twentieth century. Business schools, for instance, have gone from being intellectual backwaters staffed with practitioners to becoming scientific powerhouses filled with disciplinary social scientists (with economics PhDs being the largest group). The consequences of this prosperous social position are not trivial. Let us remember that money is not neutral. It changes people from within." *Swiss Journal of Economics and Statistics,* 2018, vol. 154, article 5, at https://sjes.springeropen.com/articles/10.1186/s41937-017-0019-2, or watch video of the presentation at https://sjes.springeropen.com/articles/10.1186/s41937-017-0019. The essay can be read in combination with Fourcade's arguments in "The Superiority of Economists," coauthored with Etienne Ollion and Yann Algan, in the Winter 2015 issue of this journal.

*Pathways,* published by the Stanford Center on Poverty & Inequality, offers nine short and readable essays by social scientists and a few politicians on "The Next Round of Welfare Reform." For example, Robert A. Moffitt and Stephanie Garlow (pp. 17–21) discuss "Did Welfare Reform Increase Employment and Reduce Poverty?" "*Did welfare reform reduce welfare recipiency?* The welfare rolls indeed plummeted under the influence of [the 1996] welfare reform. If anything, some of the early studies underestimated the causal effect of welfare reform itself (as against the effects of economic expansion). *Did it increase employment?* Although there remains some ambiguity on the relative importance of the EITC and welfare reform in accounting for changes in employment, it is clear that welfare reform played an important role. In the initial years after reform, many more women joined the labor force than even the reform's most ardent supporters had hoped. *Did it reduce poverty?* There are two sides to the answer to this question. It would appear that, while welfare reform assisted families with incomes close to the poverty threshold, it did less to help families in deep or extreme poverty. Under the current welfare regime, many single mothers are struggling to support their families without income or cash benefits. Even women who are willing to work often cannot find good-paying, steady employment." Winter 2018, https://inequality.stanford.edu/publications/pathway/next-round-welfare-reform.

Marie-Anne Valfort has written "LGBTI in OECD Countries: A Review." "This paper presents an overview of the socio-economic situation of lesbians, gay men, bisexuals, transgender and intersex people (LGBTI), primarily in OECD countries. After investigating the size of this population, the paper zooms in on attitudes toward LGBTI, LGBTI rights and perceived discrimination among LGBTI. It goes on to discuss the empirical strategies used to identify whether LGBTI fare worse than non-LGBTI and provides a systematic review of survey-based and experimental evidence on such an 'LGBTI penalty' and its causes. This exploration points to substantial hurdles for LGBTI. In particular, (i) low legal recognition of same-sex couples hampers partnership stability and children's well-being; (ii) LGBTI are bullied at school and suffer academically; (iii) LGBTI face hiring and wage discrimination; (iv) LGBTI show higher rates of physical and mental health problems, in particular due to social rejection." OECD Social, Employment and Migration Working Papers No. 198, June 22, 2017, https://www.oecd-ilibrary.org/social-issues-migration-health/lgbti-in-oecd-countries_d5d49711-en.

Stephen T. Anderson discusses idiosyncrasies of the helium market in "Economics, Helium, and the U.S. Federal Helium Reserve: Summary and Outlook." From the abstract: "In 2017, disruptions in the global supply of helium reminded consumers, distributors, and policy makers that the global helium supply chain lacks flexibility, and that attempts to increase production from the U.S. Federal Helium Reserve (the FHR) may not be able to compensate for the loss of one of the few major producers in the world. Issues with U.S. and global markets for helium include inelastic demand, economic availability of helium only as a byproduct, only 4–5 major producers, helium's propensity to escape earth's crust, an ongoing absence of storage facilities comparable to the FHR, and a lack of consequences for the venting of helium. The complex combination of these economic, physical, and regulatory issues is unique to helium, and determining helium's practical availability goes far beyond estimating the technically accessible volume of underground resources." *Natural Resources Research,* October 2018, vol. 27, no. 4, pp. 455–477, https://link.springer.com/content/pdf/10.1007%2Fs11053-017-9359-y.pdf.

## More on Macroeconomics

This issue of JEP features a seven-paper symposium on macroeconomics. Want more? The *Oxford Review of Economic Policy* has devoted a special double issue to a symposium on the topic of "Rebuilding Macroeconomic Theory." Contributors include Olivier Blanchard, Paul Krugman, Joseph Stiglitz, Simon Wren-Lewis, and others. As one example, Ricardo Reis asks "Is Something Really Wrong with Macroeconomics?" "Imagine going to your doctor and asking her to forecast whether you will be alive 2 years from now. That would sound like a preposterous request to the physician, but perhaps having some actuarial mortality tables in her head, she would tell you the probability of death for someone of your age. For all but the older readers of this article, this will be well below 50 per cent. Yet, 1 year later, you have a heart attack and die. Should there be outrage at the state of medicine for missing the forecast, with such deadly consequences? One defence by the medical profession would be to say that their job is not to predict time of death. They are driven to understand what causes diseases, how to prevent them, how to treat them, and altogether how to lower the chances of mortality while trading this off against life quality and satisfaction. Shocks are by definition unexpected, they cannot be predicted … This argument applies, word for word, to economics once the word 'disease' is replaced by the words 'financial crisis'. ... Too many people all over the world are today being unexpectedly diagnosed with cancer, undergo enormously painful treatment, and recover to live for many more years. This is rightly hailed as a triumph of modern oncology, even if so much more remains to be done. After suffering the worst shock in many decades, the global economy's problems were diagnosed by economists, who designed policies to respond to them, and in the end we had a painful recession but no melt-down. Some, somehow, conclude that economics is at fault." Spring–Summer 2018, https://academic.oup.com/oxrep/issue/34/1-2 (subscription required).

Edward Nelson suggests "Seven Fallacies Concerning Milton Friedman's 'The Role of Monetary Policy.'" "Fallacy 1: 'The Role of Monetary Policy' was Friedman's first public statement of the natural rate hypothesis." "Fallacy 2: The Friedman-Phelps Phillips curve was already presented in Samuelson and Solow's (1960) analysis." "Fallacy 3: Friedman's specification of the Phillips curve was based on perfect competition and no nominal rigidities." "Fallacy 4: Friedman's (1968) account of monetary policy in the Great Depression contradicted the *Monetary History*'s version." "Fallacy 5: Friedman (1968) stated that a monetary expansion will keep the unemployment rate and the real interest rate below their natural rates for two decades." "Fallacy 6: The zero lower bound on nominal interest rates invalidates the natural rate hypothesis." "Fallacy 7: Friedman's (1968) treatment of an interest-rate peg was refuted by the rational expectations revolution." Federal Reserve System, Finance and Economics Discussion Series 2018-013, https://www.federalreserve.gov/econres/feds/files/2018013pap.pdf.

## The European Union

In Barry Eichengreen's "Euro Malaise: From Remission to Cure," he diagnoses five main issues of the euro: "First, Europe has a financial-stability problem. As a result of bad management, bad supervision and badly designed regulation, euro-area banks became deeply entangled in the global financial crisis. … European regulators were then slow to clean up the post-meltdown mess, which goes a long way toward explaining why Europe's recovery has been so sluggish. Second, the euro area has a debt problem. ... Third (and relatedly), fiscal policy is a problem. The euro area has an elaborate set of fiscal rules that are honored mainly in the breach. … Although the rules in question specify sanctions and fines for violators, those fines have never once been levied in the eurozone's almost two decades of existence. Fourth, the euro area lacks an adequate financial fire brigade, a regional equivalent of the International Monetary Fund. ... Fifth, the euro area lacks the flexibility to adjust to what the economist Robert Mundell, the intellectual father of the euro, referred to as 'asymmetric disturbances.' There is no mechanism for eliminating the imbalances that arise when some member-states are booming while others are depressed, or when some members increase productivity more rapidly than others." *Milken Institute Review,* First Quarter 2018, pp. http://www.milkenreview.org/articles/euro-malaise-from-remission-to-cure.

Jacob Funk Kirkegaard and Adam S. Posen have edited a collection of five essays for the European Commission, published in *Lessons for EU Integration from US History*. They write in in their overview essay, "Realistic European Integration in Light of US Economic History": "It is not important whether the European Union is integrating more or less quickly than the United States did. Such abstract benchmarking misses all the important points about the nature and sequencing of integration as political processes. The many fundamental differences between the United States and the European Union prevent drawing too precise, let alone literal, a mapping from US economic development to Europe's path forward today. ... Rather than pointing towards the current state of US continental integration as the guide for the European Union, we analyze the US responses throughout history to economic and political challenges and to numerous domestic political constraints—some not unlike what Europe faces today. We believe that EU leaders should draw lessons from these US responses for how, how far, and how fast their aspirations for EMU should progress. Yet, it must be acknowledged that the United States solved most of its political and economic challenges through centralization and federal government institution building." January 2018, Peterson Institute for International Economics, https://piie.com/system/files/documents/kirkegaard-posen_ec-report2018-01.pdf.

## Significance of *p*-Values

Ronald L. Wasserstein and Nicole A. Lazar begin their discussion of "The ASA's Statement on *p*-Values: Context, Process, and Purpose" with this anecdote: "In

February 2014, George Cobb, Professor Emeritus of Mathematics and Statistics at Mount Holyoke College, posed these questions to an ASA discussion forum: Q: Why do so many colleges and grad schools teach $p = 0.05$? A: Because that's still what the scientific community and journal editors use. Q: Why do so many people still use $p = 0.05$? A: Because that's what they were taught in college or grad school." *American Statistician*, 2016, vol. 70, no. 2, pp. 129–132, https://amstat.tandfonline.com/doi/abs/10.1080/00031305.2016.1154108#.Wze4ntJKjDc.

A group of 72 empirical researchers followed up with this call: "Redefine Statistical Significance: We propose to change the default *P*-value threshold for statistical significance from 0.05 to 0.005 for claims of new discoveries." Daniel J. Benjamin et al., *Nature Human Behavior* January 2018, pp. 6–10, https://www.nature.com/articles/s41562-017-0189-z.pdf. One of the signatories, John P. A. Ioannidis, provides an overview in the *JAMA* article "Viewpoint: The Proposal to Lower *P* Value Thresholds to .005." He writes: "*P* values and accompanying methods of statistical significance testing are creating challenges in biomedical science and other disciplines. The vast majority (96%) of articles that report *P* values in the abstract, full text, or both include some values of .05 or less. However, many of the claims that these reports highlight are likely false. … The status quo is widely believed to be problematic, but how exactly to fix the problem is far more contentious. ... Another large coalition of 72 methodologists recently proposed a specific, simple move: lowering the routine *P* value threshold for claiming statistical significance from .05 to .005 for new discoveries. … *P* values are misinterpreted, overtrusted, and misused. ... Moving the *P* value threshold from .05 to .005 will shift about one-third of the statistically significant results of past biomedical literature to the category of just 'suggestive.'" *Journal of the American Medical Association*, March 22, 2018, pp. E1–E2, https://jamanetwork.com/journals/jama/article-abstract/2676503 (registration needed).

## Interviews

David S. Price serves as interlocutor in "Interview: Jean Tirole." "[N]ew platforms have natural monopoly features, in that they exhibit large network externalities. … I use the Google search engine or Waze because there are many people using it, so the algorithms are built on more data and predict better. Network externalities tend to create monopolies or tight oligopolies. So we have to take that into account. Maybe not by breaking them up, because it's hard to break up such firms: Unlike for AT&T or power companies in the past, the technology changes very fast; besides, many of the services are built on data that are common to all services. But to keep the market contestable, we must prevent the tech giants from swallowing up their future competitors; easier said than done of course ... Bundling practices by the tech giants are also of concern. A startup that may become an efficient competitor to such firms generally enters within a market niche; it's very hard to enter all segments at the same time. Therefore, bundling may prevent efficient entrants from entering market segments and collectively challenging the incumbent on the overall technology. Another issue is that most platforms offer you a best price guarantee, also called a 'most favored nation' clause or a price parity clause. You as a consumer are guaranteed to get the lowest price on the platform, as required from the merchants. Sounds good, except that if all or most merchants are listed on the platform and the platform is guaranteed the lowest price, there is no incentive for you to look anywhere else; you have become a 'unique' customer, and so the platform can set large fees to the merchant to get access to you. Interestingly, due to price uniformity, these fees are paid by both platform and nonplatform users—so each platform succeeds in taxing its rivals! That can sometimes be quite problematic for competition." *Econ Focus*, Federal Reserve Bank of Richmond, Fourth Quarter 2017, pp. 22–27, https://www.richmondfed.org/publications/research/econ_focus/2017/q4/interview.

Constantinos Repapis interviews "Professor Julie Nelson on Feminist Economics." "[W]hen people hear 'Women are more risk-averse,' people tend to think of that as categorical—women over here, men over there. In my meta-analysis, I looked back at the statistical data on which this claim was based and the two distributions are almost entirely overlapping. There is at least 80%, sometimes 90 or 96% overlap between the men's and women's distributions. There may also be tiny, perhaps statistically significant differences in the means of the distributions, but men and women are really a lot more similar than different. Yet, if you read the titles of certain books or articles, you would be getting a big misperception. … [T]o me, feminism is not treating women as second-class citizens, as there to help and entertain men. And then my more methodological work has been about the biases that have been built into economics by choosing only the masculine-associated parts of life and techniques and banishing the feminine-associated ones. In my own life, I'm quite comfortable in both economics and feminist camps. I find when I give talks I get interesting labels. When I talk to a group of relatively mainstream economists I'm a wild-eyed radical leftist feminist nutcase. But because I'm an economist, when I talk to a lot of gender and women's studies groups, and I don't talk about the evils of global corporate capitalism and I don't have a certain line that I take on the economy, I'm considered a right-wing apologist for capitalism. And I'm quite comfortable balancing those two." Goldsmiths Economics, January 17, 2017, http://www.economicsppf.com/julie-nelson.html. The interview with Nelson is one in an ongoing project at at Goldsmiths, University of London, run by Ivano Cardinale and Constantinos Repapis. At http://www.economicsppf.com/index.html, they also have posted video and transcripts of substantial interviews done in the last few years with five other prominent economists who, in different ways, would classify themselves as being out of the mainstream of the profession: Sheila Dow, Geoff Harcourt, Charles Goodhart, Tony Lawson, and Ha-Joon Chang.

## Discussion Starters

Philip J. Cook and Kimberly D. Krawiec offer this topic for kicking-off a conversation: "If we pay football players, why not kidney donors?" "In the United States and most every other country (with the notable exception of Iran), kidney donation is permitted but financial compensation for donors is prohibited. … The ban on compensation may protect potential donors from the temptation of easing their financial situation by giving up a kidney, a choice they may regret in later years. But this regulation has dire consequences. … The official waiting list of Americans with renal failure is now approximately 100,000, with a typical wait time of five years or more. … If ethical concerns persuade thoughtful people that the 'right' answer is to ban compensation for kidney donation, then the same logic would suggest that compensation should also be banned for participation in violent sports. If the 'right' answer is to permit compensation for participation in violent sports, then compensation for kidney donation should also be permitted. We see no logical basis for the current combination of banning compensation for kidney donors while allowing compensation for football players and boxers." *Regulation*, Spring 2018, pp. 12–17, https://object.cato.org/sites/cato.org/files/serials/files/regulation/2018/3/regulation-v41n1-4.pdf.

"At $164 trillion—equivalent to 225 percent of global GDP—global debt continues to hit new record highs almost a decade after the collapse of Lehman Brothers. Compared with the previous peak in 2009, the world is now 12 percent of GDP deeper in debt, reflecting a pickup in both public and nonfinancial private sector debt after a short hiatus. … Only three countries (China, Japan, United States) account for more than half of global debt—significantly greater than their share of global output." The comment is from chapter 1, "Saving for a Rainy Day," in the April 2018 issue of the *IMF Fiscal Monitor*, http://www.imf.org/en/Publications/FM/Issues/2018/04/06/fiscal-monitor-april-2018.

David Schleicher discusses "Stuck! The Law and Economics of Residential Stagnation." "Leaving one's home in search of a better life is, perhaps, the most classic of all American stories. ... But today, the number of Americans who leave home for new opportunities is in decline. A series of studies shows that the interstate migration rate has fallen substantially since the 1980s. Americans now move less often than Canadians, and no more than Finns or Danes. ... First, fewer Americans are moving away from geographic areas of low economic opportunity. … Americans, especially those who are non-college educated, are choosing to stay in areas hit by negative economic shocks. There is a long history of localized shocks generating interstate mobility in the United States; today, however, economists at the International Monetary Fund note that 'following the same negative shock to labor demand, affected workers have more and more tended to either drop out of the labor force or remain unemployed instead of relocating.' Second, lower-skilled workers are not moving to high-wage cities and regions. Bankers and technologists continue to move from Mississippi or Arkansas to New York or Silicon Valley, but few janitors make similar moves, despite the higher nominal wages on offer in rich regions for all types of jobs. As a result, local economic booms no longer create boomtowns. … Inequality between states has become entrenched." Schleicher explores state, local, and federal policies that "have created substantial barriers to interstate mobility, particularly for lower-income Americans." *Yale Law Journal*, October 2017, vol. 127, no. 1, pp. 78–154, https://www.yalelawjournal.org/article/stuck-the-law-and-economics-of-residential-stagnation.