Journal of Economic Perspectives—Volume 32, Number 4—Fall 2018—Pages 241–248

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

Susan Lund, Jonathan Woetzel, Eckart Windhagen, Richard Dobbs, and Diana Goldshtein ask "Rising Corporate Debt: Peril or Promise?" "In a departure from the past, most of the growth in corporate debt has come from developing countries, in particular China. Companies in advanced economies accounted for just 34 percent or $9.9 trillion of the growth in global corporate debt since 2007, while developing countries accounted for 66 percent or $19.2 trillion. Since 2007, China's corporate debt has increased by $15 trillion, or more than half of global corporate debt growth. As a share of GDP, China's corporate debt rose from 97 percent of GDP in 2007 to 163 percent in 2017 … The growth in corporate debt

■ *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.32.4.241 doi=10.1257/jep.32.4.241

in China is mainly associated with a construction sector that increased its leverage as the housing market boomed. Today, 30 to 35 percent of corporate debt in China is associated with construction and real estate. … A relatively new feature of the debt landscape in recent years has been a shift in corporate borrowing from loans to bonds. Given the growing pressure on banks to meet new capital and liquidity standards, global nonfinancial corporate loans outstanding have been growing by only 3 percent annually on average since 2007 to stand at around $55 trillion in 2017. However, the share of global corporate debt in the form of bonds has nearly doubled, and the value of corporate bonds outstanding has grown 2.7 times since 2007. This is a positive trend, leading to a diversification of corporate financing. However, we also find risks." McKinsey Global Institute, June 2018, at https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/rising-corporate-debt-peril-or-promise.

The Joint Center for Housing Studies of Harvard University has published its 30th annual report: *The State of the Nation's Housing 2018*. "In 2017, the supply of for-sale homes averaged only 3.9 months—well below the 6 months considered a balanced market. … Lower-cost homes are especially scarce. … Why inventories are so tight is not entirely clear. CoreLogic data show that the number of owners underwater on their mortgages shrank from more than 12.1 million in 2011 to 2.5 million in 2017, so negative equity should no longer be a significant drag on sales. Still, conversion of 3.9 million single-family homes to rentals in 2006–2016 could be constraining the number of entry-level homes on the market. … Another factor is the low level of single-family construction. Despite six consecutive years of increases, single-family starts stood at just 849,000 units in 2017, well below the long-run annual average of 1.1 million. … The slow growth in single-family construction reflects in part homebuilder caution following the dramatic housing bust. But risk aversion aside, a significant constraint on new residential construction may be the dwindling supply of buildable lots. According to Metrostudy data, the inventory of vacant lots in the 98 metro areas tracked fell 36 percent in 2008–2017. Indeed, 21 of the nation's 25 largest metros reported inventories that would support less than 24 months of residential construction. Along with limited land, respondents to builder surveys cite rising input costs as adding to the difficulty of constructing entry-level homes. As a result, the share of smaller homes (under 1,800 square feet) built each year fell from 50 percent in 1988 to 36 percent in 2000 to 22 percent in 2017." June 19, 2018, http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf.

The Bank for International Settlements devotes Chapter V of its *Annual Report 2017–18* to the topic "Cryptocurrencies: Looking Beyond the Hype." "[T]he essence of good money has always been trust in the stability of its value. And for money to live up to its signature property—to act as a coordination device facilitating transactions—it needs to efficiently scale with the economy and be provided elastically to address fluctuating demand. … The chapter then gives an introduction to cryptocurrencies and discusses the economic limitations inherent in the decentralised creation of trust which they entail. For the trust to be maintained, honest network participants need to control the vast majority of computing power, each and every user needs to verify the history of transactions and the supply of the cryptocurrency needs to be predetermined by its protocol. Trust can evaporate at any time because of the fragility of the decentralised consensus through which transactions are recorded. Not only does this call into question the finality of individual payments, it also means that a cryptocurrency can simply stop functioning, resulting in a complete loss of value. Moreover, even if trust can be maintained, cryptocurrency technology comes with poor efficiency and vast energy use. Cryptocurrencies cannot scale with transaction demand, are prone to congestion and greatly fluctuate in value. Overall, the decentralised technology of cryptocurrencies, however sophisticated, is a poor substitute for the solid institutional backing of money. That said, the underlying technology could have promise in other applications, such as the simplification of administrative processes in the settlement of financial transactions. Still, this remains to be tested." June 24, 2018. https://www.bis.org/publ/arpdf/ar2018e5.htm.

John L. Mikesell and Sharon N. Kioko provide an overview of "The Retail Sales Tax in a New Economy." "The American retail sales tax emerged from a desperation experiment in Mississippi in the midst of the Great Depression. Revenue from the property tax, the largest single source of state tax revenue at the time, collapsed … Mississippi (followed by West Virginia) showed that retail sales taxes could produce immediate cash collections, even in low-income jurisdictions. … By 1938, twenty-two states (plus Hawaii, not yet a state) were collecting the tax; six others had also imposed the tax for a short time but had let them expire. … The national total retail sales tax collections exceeded the collections from every other state tax from 1947 through 2001. It was also the largest tax producer in 2003 and 2004 also (years in which individual income tax revenue was still impacted by the 2001 recession), but it was surpassed by state individual income tax revenues in other years since 2001. … [T]he history of mean retail sales tax breadth (implicit tax base/state personal income) across the states from 1970 to 2016 … is one of almost constant decline, from 49.0 percent in 1970 to 37.3 percent in 2016. … The typical state retail sales tax base has narrowed as a share of the economy of the state over the years and this has meant that, in order for states to maintain the place of their sales tax in their revenue systems, they have been required to gradually increase the statutory tax rate they apply to that base. … [L]ittle good can be said about a narrow base/high statutory rate revenue policy. … Unfortunately, many states got off to a bad start when they initially adopted their sales taxes and excluded all or almost all household service purchases from the tax base and it has proven to be difficult to correct that initial error." Brookings Institution, 7th Annual Municipal Finance Conference, July 16–17, 2018, https://www.brookings.edu/wp-content/uploads/2018/04/Mikesell-Kioko1.pdf; video of paper presentation, with comments and discussion, at https://www.youtube.com/watch?time_continue=452&v=mccFFLQ_Ydg.

The International Energy Agency has published "The Future of Cooling: Opportunities for Energy-Efficient Air Conditioning," "The world faces a looming 'cold crunch.' Using air conditioners and electric fans to stay cool accounts for nearly 20% of the total electricity used in buildings around the world today. And this trend is set to grow as the world's economic and demographic growth becomes more focused in hotter countries. … Wider access to cooling is necessary, bringing benefits to human development, health, well-being and economic productivity. … If left unchecked, energy demand from air conditioners will more than triple by 2050, equal to China's electricity demand today. … The answer lies first and foremost in improving the efficiency of air conditioners … Measures such as strong minimum energy performance standards are well known and well proven to drive up equipment efficiencies quickly and cost-effectively. In the longer term, the underlying need for cooling can also be greatly reduced by better building design and tougher building codes, as well as by increased rates of energy efficiency improvements in existing buildings. … Household ownership of ACs varies enormously across countries, from around 4% in India and less than 10% in Europe, to over 90% in the United States and Japan, and close to 100% in a few Middle Eastern countries. In China, nearly 60% of households now have at least one AC … " May 2018 (free registration may be needed to access report), http://www.iea.org/publications/freepublications/publication/The_Future_of_Cooling.pdf.

Symposia

The *Russell Sage Foundation Journal of the Social Sciences* has published a 10-paper symposium from a range of social scientists concerning "The Fiftieth Anniversary of the Kerner Commission Report." From the introductory essay by Susan T. Gooden and Samuel L. Myers Jr., "The Kerner Commission Report Fifty Years Later: Revisiting the American Dream" (pp. 1–17): "The Kerner report was the final report of a commission appointed by the U.S. President Lyndon B. Johnson on July 28, 1967, as a response to preceding and ongoing racial riots across many urban cities, including Los Angeles, Chicago, Detroit, and Newark. These riots largely took place in African American neighborhoods, then commonly called ghettos. On February 29, 1968, seven months after the commission was formed, it issued its final report. The report was an instant success, selling more than two million copies. … The Kerner report documents 164 civil disorders that occurred in 128 cities across the forty-eight continental states and the District of Columbia in 1967. Other reports indicate a total of 957 riots in 133 cities from 1963 until 1968, a particular explosion of violence following the assassination of King in April 1968 … President Johnson was enormously displeased with the report, which in his view grossly ignored his Great Society efforts. The report also received considerable backlash from many whites and conservatives for its identification of attitudes and racism of whites as a cause of the riots. 'So Johnson ignored the report. He refused to formally receive the publication in front of reporters. He didn't talk about the Kerner Commission report when asked by the media,' and he refused to sign thank-you letters for the commissioners." September 2018, https://www.rsfjournal.org/toc/rsf/4/6.

Two think-tanks, ThirdWay and the American Enterprise Institute, have published a set of five papers on the subject of "Elevating College Completion." Bridget Terry Long offers an overview in "The College Completion Landscape: Trends, Challenges, and Why it Matters": "The conventional way to measure graduation rates is to examine how many students complete a degree within 150 percent of the expected completion time—that is, six years for a bachelor's degree and three years for an associate degree. Using this metric, research suggests that about only half of students enrolled at four-year colleges and universities graduate within 150 percent of the expected completion time, and the completion rate is even lower for students enrolled at two-year colleges." Sarah Turner writes in "The Policy Imperative: Policy Tools Should Create Incentives for College Completion": "In 43 four-year public schools, the three-year cohort default rate is greater than the completion rate. This is also the case for 147 four-year private nonprofit schools and 98 for-profit schools. In other words, students in these schools who borrow face a greater likelihood of defaulting than completing a degree. It would seem, then, that college attendance at these schools leaves many students worse off—lacking a degree, defaulting on a student loan, or both." May 25, 2018, https://www.thirdway.org/series/elevating-college-completion.

The *World Happiness Report 2018*, edited by John F. Helliwell, Richard Layard, and Jeffrey D. Sachs, included seven chapters generally focused on happiness and migration. Here's a comment concerning the enormous internal migration in China from the overview chapter by Helliwell, Layard, and Sachs: "Over the years 1990–2015 the Chinese urban population has grown by 463 million, of whom roughly half are migrants from villages to towns and cities. By contrast, over the same period the increase in the number of international migrants in the entire world has been 90 million, less than half as many as rural to urban migrants in China alone. Thus internal migration is an order of magnitude larger than international migration. … Migrants [within China] have roughly doubled their work income by moving from the countryside, but they are less happy than the people still living in rural areas. … Could it be that many of the migrants suffer because of the remittances they send home? The evidence says, No. Could it be that the people who migrate were intrinsically less happy? The evidence says, No. Could it be that urban life is more insecure than life in the countryside—and involves fewer friends and more discrimination? Perhaps. The biggest factor affecting the happiness of [within China] migrants is a change of reference group: the happiness equation for migrants is similar to that of urban dwellers, and different from that of rural dwellers. This could explain why migrants say they are happier as a result of moving—they would no longer appreciate the simple pleasures of rural life." March 2018, https://s3.amazonaws.com/happiness-report/2018/WHR_web.pdf.

Interview with Economists

Renee Haltom interviews Jesús Fernández-Villaverde. On the euro: "[I]f you ask me, 'Should I marry my friend X?' I may tell you, 'No, I don't think you are compatible, you are going to end up divorced.' But that's a very different question from, 'Should I get a divorce now that we are married and have a mortgage, three kids in school, two cars, and a dog?' Like it or not, we got married to the Germans, and the Germans got married to the Spaniards. We need to make this work, because breaking up now would be way too costly. … There has to be a great bargain between those who point out the need for making financial and economic crises easier to go through and those who emphasize that, in the long run, rules are very important. That's the big question mark: Is the political process within Europe going to be able to deliver that solution?" On the state of macro: "If you take the best 20 macroeconomists of my generation, of course they don't agree on everything, but the things they talk about are very different from the type of things you will see on Twitter or the blogosphere. … Sometimes I see criticisms about the state of macro saying, 'Macroeconomists should do X,' and I'm thinking, 'Well, we have been doing X for 15 years.' … Many of the people who are currently very critical of macro are in another generation, and some of them may not be fully aware of where the frontier of research is right now. They also have plenty of free time, so it's much easier for them to write 20 pages of some type of exposé, if they want to use that word, on the state of macro." *Econ Focus*, published by the Federal Reserve Bank of Richmond, First Quarter 2018, pp. 22–27, at https://www.richmondfed.org/publications/research/econ_focus/2018/q1/interview.

Douglas Clement has an "Interview with Marianne Bertrand," subtitled "University of Chicago Economist on the Glass Ceiling, Implications of Growing Inequality and the Trouble with Boys." "We were talking about income inequality, and one of our colleagues said, basically, 'Well, at the end of the day, who cares? Yes, maybe we're growing apart economically, but on Sunday all we all do is watch TV. We are growing apart economically, but our lives may not be that different; they may, in fact, have converged.' … How much can we say about how the lives of the rich and the poor changed? … So we tried to assemble all the data sets we could; for example, time-use data, which go back to the 1960s. Another data set that a lot of social scientists use is the General Social Survey, which tells us something about views and opinions—views on abortion, gays, racial issues, government spending and the like. … [W]e had access to a marketing data set, which is truly remarkable. In that data set, we can see media consumption—what TV shows people watch, what movies they watch, what magazines they read. The data set also shows thousands of products that people may or may not buy, and thousands of brands that people may or may not buy or own. Then we built a metric of cultural distance between groups by income. . … The main headline result of the paper is that most of the trend lines are flat. Our ability to predict someone's income based on the consumption of particular goods and brands is essentially the same today as it was 25 years ago. There's no trend in our ability to predict people's income based on how they spend their time today, compared to close to 50 years ago. The only area where we see some slight evidence of divergence on income is with respect to social attitudes, where our ability to predict people's income based on what they think, their views, is slightly better today than it was in the early 1970s. … [N]ow we've done this exercise, as I said, for race, gender and urbanicity. … We've also done it based on political attitudes, and the main result, which I just gave you for income—there's no big trend—essentially applies to, at a first-level of approximation, everything that we have looked at. The one really large exception quantitatively is our ability to predict whether someone is liberal or conservative/Democrat or Republican based on their social attitudes. That has been increasing over time. So liberals and conservatives haven't been diverging over time on TV consumption, brands or goods, but on social views they have been diverging a lot over time." *The Region*, Federal Reserve Bank of Minneapolis, June 19, 2018, https://www.minneapolisfed.org/publications/the-region/interview-with-marianne-bertrand.

The Institute for New Economic Thinking has posted video of a six-part series: "What Money Can't Buy." Most of the videos are a seminar-style discussion with philosopher Michael Sandel and 12 students, but there are also snippets from Greg Mankiw, Richard Posner, Joseph Stiglitz, Lawrence H. Summers, and others prominent economists. The lectures are: Episode 1: Sex Sells, But Should It? (Should We Be Able to Discriminate Based on Looks?); Episode 2: The Body Market (Should You Be Able to Sell Your Kidney?); Episode 3: The Walrus Quota (Should We Be Able to Sell Refugees?); Episode 4: Supply Shock (Should You Be Able to Sell Water In A Disaster?); Episode 5: The Golden Door (Should We Pay People to Vote?); Episode 6: The Death Pool (Should We Be Able to Profit Off of Death?). At https://www.ineteconomics.org/perspectives/videos/what-money-cant-buy.

Discussion Starters

Amy L. Brooks, Shunli Wang, and Jenna R. Jambeck consider "The Chinese Import Ban and Its Impact on Global Plastic Waste Trade." "[U]pward of half of the plastic waste intended for recycling has been exported to hundreds of countries around the world. China, which has imported a cumulative 45% of plastic waste since 1992, recently implemented a new policy banning the importation of most plastic waste, begging the question of where the plastic waste will go now. We use commodity trade data for mass and value, region, and income level to illustrate that higher-income countries in the Organization for Economic Cooperation have been exporting plastic waste (70% in 2016) to lower-income countries in the East Asia and Pacific for decades. An estimated 111 million metric tons of plastic waste will be displaced with the new Chinese policy by 2030. As 89% of historical exports consist of polymer groups often used in single-use plastic food packaging (polyethylene, polypropylene, and polyethylene terephthalate), bold global ideas and actions for reducing quantities of nonrecyclable materials, redesigning products, and funding domestic plastic waste management are needed." *Science Advances*, June 20, 2018. http://advances.sciencemag.org/content/4/6/eaat0131/tab-pdf.

Peter J. Neumann and Joshua T. Cohen provide an overview of "QALYs in 2018—Advantages and Concerns." "A year in the hypothetical state of 'perfect health' is worth 1 QALY. Being deceased is worth 0 QALYs. Other health states fall between these bounds, with less desirable states closer to 0. QALYs are useful because they combine mortality and morbidity into a single metric, reflect individual preferences, and can be used as a standard measure of health gains across diverse treatments and settings. … Typical value benchmarks in the United States have historically ranged from approximately \$50 000 to, more recently, as high as approximately \$150 000 per QALY. Those benchmarks purport to represent the 'value' of a QALY; ie, the 'willingness to pay' to gain 1 QALY of health. … The United Kingdom's National Institute for Health and Care Excellence, which is charged with assessing health technology value for that country's National Health Service, has used more stringent benchmarks. With a number of exceptions, favorable value has generally corresponded to cost-effectiveness ratios below £20 000 (about \$28 000) per QALY, and unfavorable value has generally corresponded to ratios exceeding £30 000 (about \$42 000) per QALY." *Journal of the American Medical Association,* June 26, 2018, vol. 319, no. 24, pp. 2473–74, at https://jamanetwork.com/journals/jama/fullarticle/2682917.

Colin Grabow, Inu Manak, and Daniel Ikenson discuss "The Jones Act: A Burden America Can No Longer Bear" "For nearly 100 years, a federal law known as the Jones Act has restricted water transportation of cargo between U.S. ports to ships that are U.S.-owned, U.S.-crewed, U.S.-registered, and U.S.-built. … While the law's most direct consequence is to raise transportation costs, which are passed down through supply chains and ultimately reflected in higher retail prices, it generates enormous collateral damage through excessive wear and tear on the country's infrastructure, time wasted in traffic congestion, and the accumulated health and environmental toll caused by unnecessary carbon emissions and hazardous material spills from trucks and trains. Meanwhile, closer scrutiny finds the law's national security justification to be unmoored from modern military and technological realities." Cato Institute Policy Analysis no. 845, June 28, 2018, https://object.cato.org/sites/cato.org/files/pubs/pdf/pa845.pdf.