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Recommendations for Further Reading

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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 e-mail at taylort@macalester.edu, or c/o *Journal of Economic Perspectives*, Macalester College, 1600 Grand Ave., St. Paul, MN 55105.

Smorgasbord

Raj Chetty delivered a keynote address, "Improving Equality of Opportunity: New Insights from Big Data," to the annual meetings of the Western Economic Association International (*Contemporary Economic Policy*, January 2021, 39 (1): 7–41, https://onlinelibrary.wiley.com/doi/10.1111/coep.12478, subscription needed). "[T]he geographic scale on which we should think about neighborhoods as they matter for economic opportunity and upward mobility is incredibly narrow, like a half mile radius around your house. We find this not just for poverty rates, but many other characteristics. If you look at differences in characteristics outside that half mile radius, they have essentially no predictive power at all. I think that's extremely useful from a policy perspective. We started this talk with the American dream. We now see that its origins, its roots, seem to actually be extremely hyperlocal."

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Robert J. Shiller delivered the Godley-Tobin Lecture at the Eastern Economic Association meetings, on the topic, "Animal Spirits and Viral Popular Narratives" (*Review of Keynesian Economics*, January 2021, 9 (1): 1–10, https://www.elgaronline.com/view/journals/roke/9-1/roke.2021.01.01.xml). "Mathematical epidemiology has been studying disease phenomena for over a century, and its frameworks can provide an inspiration for improvement in our understanding of economic dynamics. People's states of mind change through time, because ideas can be contagious, so that they spread from person to person just as diseases do. . . . We humans live our lives in a sea of epidemics all at different stages, including epidemics of diseases and epidemics of narratives, some of them growing at the moment, some peaking at the moment, others declining. New mutations of both the diseases and the narratives are constantly appearing and altering behavior. It is no wonder that changes in business conditions are so often surprising, for there is no one who is carefully monitoring the epidemic curves of all these drivers of the economy. Since the advent of the internet age, the contagion rate of many narratives has increased, with the dominance of social media and with online news and chats. But the basic nature of epidemics has not changed. Even pure person-to-person word-of-mouth spread of epidemics was fast enough to spread important ideas, just as person-to person contagion was fast enough to spread diseases into wide swaths of population millennia ago."

Lars Vilhuber discussed "Reproducibility and Replicability in Economics" (*Harvard Data Science Review*, Fall 2020, https://hdsr.mitpress.mit.edu/pub/fgpmpj1l/release/3). "In 1960, 76% of empirical *AER* [*American Economic Review*] articles used public-use data. By 2010, 60% used administrative data, presumably none of which is public use . . ." "Still, after 30 years, the results of reproducibility studies consistently show problems with about a third of reproduction attempts, and the increasing share of restricted-access data in economic research requires new tools, procedures, and methods to enable greater visibility into the reproducibility of such studies."

Christopher J. Coyne and Peter J. Boettke offer an introduction to *The Essential Austrian Economics* (Fraser Institute 2020, https://www.essentialscholars.org/austrian-economics). "It is only by allowing decentralized people to participate in an ongoing process of discovery that the knowledge necessary to make rational economic decisions emerges. These numerous discoveries lead to the emergence of knowledge regarding not only what goods and services are desired by consumers, but also the most effective techniques to produce these outputs in a cost-minimizing manner. The problems inherent with market socialism, according to Hayek, were not a matter of placing smarter people in charge or in developing new computational techniques to gather more information. Instead, the issue was that the economic knowledge necessary for coordination is dispersed, tacit, and emergent. This means that the knowledge used by people to coordinate their economic affairs cannot exist outside the context within which they are embedded. The market socialism model left no space for the very activity that generated the knowledge that was necessary for planners to accomplish their stated ends of advanced material

production. . . . The emphasis on the division of knowledge and the market process as a means of discovering and using this knowledge is the crux of the Austrian criticism of both comprehensive and piecemeal government intervention into a freely operating market."

Russell Pittman discusses "On the Economics of Restructuring World Railways, with a Focus on Russia" (January 2021, US Department of Justice, Economic Analysis Group Working Paper 21–1, https://www.justice.gov/atr/page/file/1358981). A version of this paper is also published in *Man and the Economy* (December 2020, 7 (2), https://www.degruyter.com/document/doi/10.1515/me-2020-0014/html, subscription required). "The European Commission has been very strong on pushing complete vertical separation: competition above the rail among independent train operating companies. . . . On the other hand, in the Americas, North and South America and Central America, we have almost exclusively horizontal separation. Competition among vertically integrated railway companies that own their track in the U.S. and Canada, or have long-termfranchise control of their track in Mexico and Brazil, and can for the most part insist that only their trains run on their tracks. For the most part, they have the complete right to deny other trains access. . . . However, as we have found out very well, each of these two basic solutions has an Achilles heel. In the EU, . . . the most serious weakness has been the unreliability of public funding of infrastructure. . . . The result has been bottlenecks, lack of expansion where it's needed, slow and unreliable service in many countries in the EU. It's a very big problem. . . . In the Americas, . . . [T]he weakness there has been that every railway has some degree of regional monopoly power. . . . On the other hand, attracting private investment is a strength of the horizontal separation model. . . . The U.S. freight railways . . . are profitable; they earn money; and they spend money on their infrastructure. It's been a real success story."

Eduardo Engel, Ronald Fischer, and Alexander Galetovic discuss "Public–Private Partnerships: Some Lessons After 30 Years" (*Regulation*, Fall 2020, pp. 30–35, https://www.cato.org/sites/cato.org/files/2020-09/regulation-v43n3-2.pdf). The subheading reads: "The savings policymakers usually claim for these projects are illusory, but well-designed contracts can deliver public benefits." "[I]nvestment in PPPs over the last 30 years has been substantial, adding €203 billion of infrastructure spending in Europe and $535 billion of spending in developing countries. Most investments are in roads, seaports, and airports, but in some countries investment via PPPs has been significant in other types of infrastructure, such as hospitals and schools. In comparison, PPP investments in the United States have been small." This article complements the discussion in this issue of *JEP* about the Odebrecht case by these three authors and Nicolas Campos.

Jane Ihrig and Scott Wolla recommend, "Let's close the gap: Revising Teaching Materials to Reflect How the Federal Reserve Implements Monetary Policy" (October 2020, Federal Reserve Finance and Economics Discussion Series 2020–092, https://www.federalreserve.gov/econres/feds/files/2020092pap.pdf). "Over the past decade or so, the Fed has purposefully changed the way it implements monetary policy. Unfortunately, many teaching resources have not been updated. Before the

financial crisis of 2007–2008, the Fed implemented policy with *limited* reserves in the banking system and relied on the daily use of open market operations as its key tool. Today and over the longer run, the Fed has stated that it plans to implement policy with *ample* reserves and rely on its administered interest rates. These changes, along with a few others, seem subtle, but the current framework is very different from the previous one. And, these changes are not well reflected in teaching resources."

Symposia and Collections

Melissa S. Kearney and Amy Ganz have edited a nine-chapter book *Securing Our Economic Future*, with sections on Economics of the American Middle Class, the Geographic Disparities in Economic Opportunity, and the Geopolitics of the Climate and Energy Challenge and the US Policy Response (Aspen Institute Economic Strategy Group, December 2020, https://www.economicstrategygroup.org/publication/securing_our_economic_future). As one example, David Autor discusses "The Faltering Escalator of Urban Opportunity." "In the initial decades following WWII, U.S. cities offered a distinctive skills and earnings escalator to less-educated workers. A likely reason why is that, in these decades, adults without college degrees performed higher-skilled, more specialized jobs in cities than their non-urban counterparts. Laboring in urban factories and offices, they staffed middle-skill, middle-pay production, clerical, and administrative roles, where they worked in close collaboration with highly educated professionals (e.g., engineers, executives, attorneys, actuaries, etc.). These collaborative working relationships often demanded specific skills and shared expertise, and likely contributed to the higher wages (and higher productivity) of urban non-college workers. . . . In the decades since 1980, however, this distinctive feature of urban labor markets has diminished. As rising automation and international trade have encroached on employment in urban production, administrative support, and clerical work, the noncollege urban occupational skill gradient has diminished and ultimately disappeared. While urban residents are on average substantially more educated—and their jobs vastly more skill-intensive—than four decades ago, non-college workers in U.S. cities perform substantially less specialized and more skill-intensive work than they did decades earlier. Polarization thus reflects an unwinding of the distinctive structure of work for non-college adults in dense cities and metro areas relative to suburban and rural areas. And as this distinctive occupational structure has receded, so has the formerly robust urban wage premium paid to non-college workers."

The UK Wealth and Policy Commission has produces a final report, *A Wealth Tax for the UK* by Arun Advani, Emma Chamberlain, and Andy Summers, recommending a one-time wealth tax. The commission has also published nearly 40 background papers on aspects of wealth taxes and their application in difference countries (December 2020, https://www.wealthandpolicy.com/). In Working Paper 106, for example, Sarah Perret asks "Why did other wealth taxes fail and is this time different?" "In 1990, there were twelve OECD countries, all in Europe, that

levied individual net wealth taxes. However, most of them repealed their wealth taxes in the 1990s and 2000s, including Austria (in 1994), Denmark and Germany (in 1997), the Netherlands (in 2001), Finland, Iceland, and Luxembourg (in 2006) and Sweden (in 2007). Iceland, which had abolished its wealth tax in 2006, reintroduced it as a temporary 'emergency' measure between 2010 and 2014. Spain, which had introduced a 100% wealth tax reduction in 2008, reinstated the wealth tax in 2011. The reinstatement of the wealth tax was initially planned to be temporary but has been maintained since. France was the last country to repeal its wealth tax in 2018, replacing it with a tax on high-value immovable property. In 2020, Norway, Spain and Switzerland were the only OECD countries that still levied individual net wealth taxes."

The *University of Pennsylvania Law Review* (June 2020, https://www.pennlawreview.com/print/volume-168/issue-7/) has published a nine-paper symposium on antitrust law, with many of the contributions by economists. As one example, Nancy L. Rose and Jonathan Sallet discuss "The Dichotomous Treatment of Efficiencies in Horizontal Mergers: Too Much? Too Little? Getting it Right." "Here is a stylized example of the role that efficiencies might play in an antitrust review. Imagine two paper manufacturers, each with a single factory that produces several kinds of paper, and suppose their marginal costs decline with longer production runs of a single type of paper. They wish to merge, which by definition eliminates a competitor. They justify the merger on the ground that after they combine their operations, they will increase the specialization in each plant, enabling longer runs and lower marginal costs, and thus incentivizing them to lower prices to their customers and expand output. If the cost reduction were sufficiently large, such efficiencies could offset the merger's otherwise expected tendency to increase prices. . . . As empirically-trained economists focused further on what data revealed about the relationship between mergers and efficiencies, the results cast considerable doubt on post-merger benefits. As discussed at length by Professor Hovenkamp, 'the empirical evidence is not unanimous, however, it strongly suggests that current merger policy tends to underestimate harm, overestimate efficiencies, or some combination of the two.' The business literature is even more skeptical. As management consultant McKinsey & Company reported in 2010: 'Most mergers are doomed from the beginning. Anyone who has researched merger success rates knows that roughly 70 percent of mergers fail.'"

Interviews

The editors of the *Erasmus Journal for Philosophy and Economics*, Akshath Jitendranath and Marina Uzunova have co-authored, "What Egalitarianism Requires: An Interview with John Roemer" (Winter 2020, 13 (2), pp. 127–176, https://ejpe.org/journal/article/view/530/358). As they note: "Roemer's work spans the domains of economics, philosophy, and political science, and, most often, applies the tools of general equilibrium and game theory to problems of political economy and

distributive justice—problems often stemming from the discussions among political philosophers in the second half of the twentieth century." Roemer says: "I believe that all young adults should begin their productive years with the same amount of wealth. This implies that the inheritance of wealth, and *in vivos* transfers to the young, must be sharply constrained. If the educational system has succeeded in eliminating inequality of opportunity, and people make different career choices, then differential wealth will emerge during adult lifetimes, and I believe those differences are consistent with justice, as long as there is sufficient income and wealth taxation to prevent income differences from becoming too extreme—so extreme as to threaten solidarity. . . . Many leftists believe the key to understanding capitalism is to understand the extraction of labor from labor power at the point of production. And indeed, I think Marx sometimes erred in thinking this, as well. My view is that the essence of capitalism is the set of institutions which sanctify and enforce private and unequal ownership of capital—that is, vastly unequal wealth. . . . This is the key locus of power; oppression of workers at the point of production, though perhaps very important in building class consciousness of workers, is relatively small potatoes. Coercion at the point of production was essential in feudalism and slavery, but capitalism has subtler techniques for accumulating wealth. . . . My goal is to focus on building solidaristic societies, and I think that the most important barrier to solidarity is the individualistic ethos of capitalist society where the accumulation of private wealth is the guiding force."

Douglas Clement and Anjali Nair have collaborated on a "Seema Jayachandran interview: On Deforestation, Corruption, and the Roots of Gender Inequality" (Federal Reserve Bank of Minneapolis, February 12, 2021, https://www.minneapolisfed.org/article/2021/seema-jayachandran-interview-on-deforestation-corruption-and-the-roots-of-gender-inequality). "There's a famous U-shaped relationship in the data between economic development and female labor force participation. . . . Historically, in richer countries, you've seen this U-shape where, initially, there are a lot of women working when most jobs are on the family farm. Then as jobs move to factories, women draw out of the labor force. . . . But then there's an uptick where women start to enter the labor market more and not just enter the labor market, but earn more money. There are several reasons why we think that will happen. One is structural transformation, meaning the economy moves away from jobs that require physical strength like in agriculture or mining towards jobs that require using brains. . . . The second reason is improvement in household production. Women do the lion's share of household chores and, as nations develop, they adopt technology that reduces the necessary amount of labor. . . . Some of those technological advances are in infrastructure. Piped water, for instance, where we're relying on the government or others to build that public good infrastructure. And some is within households; once piped water is available, households invest in a washing machine. The third reason is fertility. When countries grow richer, women tend to have fewer kids and have the ability to space their fertility. For example, both the smaller family size and the ability to choose when you have children allows women to finish college before having children."

Discussion Starters

Edward Tenner offers a meditation on "The Importance of Being Unimportant" (*Milken Institute Review*, First Quarter 2021, https://www.milkenreview.org/articles/the-importance-of-being-unimportant). Tenner offers some vivid examples of fortunes made in unimportant inventions, like the tire valve and sewing thread. He discusses Jack and Belle Linsky, the founders of Swingline Corp., who invented the idea that staples could be glued and aligned in a row, rather than being loose individual objects, and the modern stapler to use it. Tenner writes: "Virtually no manufactured object costs less than a staple. Yet this humble device so enriched the Linskys that they were able to compete successfully with the Queen of England in auctions for decorative arts."

Tim Sablik tells how "The COVID-19 pandemic disrupted the supply of many items, including cold hard cash" (*Econ Focus*: Federal Reserve Bank of Richmond, Fourth Quarter 2020, pp. 26–29, https://www.richmondfed.org/publications/research/econ_focus/2020/q4/federal_reserve). "I started getting a few phone calls from members asking, 'Is it just me, or are more quarters walking out the door than before?' says Brian Wallace, president of the Coin Laundry Association. Of the roughly 30,000 self-service laundromats in the United States, Wallace says that a little more than half take only quarters as payment to operate washers and dryers. Before the pandemic, some of these coin-operated businesses would take in more quarters each week than they gave out, meaning that most customers brought their own change to the laundromat rather than exchanging bills for quarters. But as the pandemic intensified, many of those business owners who had been used to ending the week with a surplus of quarters suddenly found they had a deficit. They turned to their local bank to purchase more, but the banks had no change to spare either." Sablik tells how the Fed started rationing coins in June 2020, and how October 2020 was 'get coin moving month': "One aquarium in North Carolina shuttered by the pandemic put its employees to work hauling 100 gallons of coins from one of its water fixtures that had served as a wishing well for visitors since 2006."