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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, 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., Saint Paul, Minnesota, 55105.

Smorgasbord

Edwin Truman explores "The Rise of Sovereign Wealth Funds: Impacts on US Foreign Policy and Economic Interests." "[S]overeign wealth funds do not pose a significant new threat to US security or economic interests. We have adequate mechanisms to manage any potential threats they pose, which at this point are likely to be minimal." "At the end of 2006, the estimated size of global capital markets was \$190 trillion. A conservative estimate of financial assets owned or controlled by governments is \$15 trillion, or about 8 percent of global financial assets. Governments in the United States own or control more than \$3 trillion (20 percent) of the total. Thus, the United States is in the business of sovereign wealth management. Consequently, we should be careful what we wish for. International assets owned or controlled by governments are at least \$10 trillion: \$6 trillion in foreign exchange reserves, \$2.7 trillion in assets of nonpension SWFs, and at least \$1.3 trillion in government pension funds. Excluding our modest holdings of foreign exchange

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reserves, international assets of US SWFs are about $800 billion mostly in the form of the pension funds of state and local governments. Thus, US sovereign wealth funds, as a group, are second to the United Arab Emirates in their holdings of international assets." Testimony before the Committee on Foreign Affairs, U.S. House of Representatives, Washington, May 21, 2008. Available at the website of the Peterson Institute at ⟨http://www.iie.com/publications/papers/truman0508.pdf⟩.

Lisa Barrow and Cecilia Elena Rouse have written "School Vouchers: Recent Findings and Unanswered Questions." "The best research to date finds relatively small achievement gains for students offered education vouchers, most of which are not statistically different from zero, meaning that those gains may have arisen by chance. Further, the very little evidence about the potential for public schools to respond to increased competitive pressure generated by vouchers also suggests that one should remain wary that large-scale improvements would result from a more comprehensive voucher system." "Despite the heretofore lackluster empirical findings, the theoretical rationale behind school vouchers remains compelling: If parents choose schools based on academic performance and if we allow them more choice, then the schools will need to improve academically in order to attract students. In addition, others have endorsed vouchers to promote greater equity: If rich families have the means to opt out of the public school system, should not poor families have a similar opportunity? It is perhaps for these reasons—combined with frustration that other approaches to improve the U.S. education system have proven weak or futile—that school vouchers remain high on the agenda for many policymakers." *Economic Perspectives*, Federal Reserve Bank of Chicago, Third Quarter 2008, pp. 2–15. At ⟨http://www.chicagofed.org/publications/economicperspectives/ep_3qtr2008_part1_barrow_rouse.pdf⟩.

Daniel Ikenson advocates a different avenue for trade policy "While Doha Sleeps: Securing Economic Growth through Trade Facilitation." "Though definitions vary, trade facilitation generally refers to reforms aimed at improving the chain of administrative and physical procedures involved in the transport of goods and services across international borders . . . . Like tariff cuts, improvements in trade facilitation procedures can help reduce the cost of trade and increase its flow. A 2004 United Nations study revealed burdensome processes in developing countries, where the average customs transaction involves 20 to 30 parties and requires 40 separate documents to complete. A 2004 World Bank study of 75 countries found that if 'below average' performers on a compilation of four broad trade facilitation indices were able to raise their scores 'halfway to the average' score for all 75 countries, world trade would increase by $377 billion, or about 9 percent per year. At this stage, it is worth pointing out that the estimated gains derived from a successful conclusion to the Doha round, which would involve freeing agricultural and services trade, would increase trade by $287 billion, according to the World Bank. In other words, the benefits from partial trade facilitation now outweigh the benefits from dropping tariffs and removing the other restrictions under consideration." July 2008, Creativity, Innovation, Trade and Development discussion paper no. 1, International Policy Network. At ⟨http://www.policynetwork.net/uploaded/pdf/While_Doha_Sleeps_web.pdf⟩.

Ruth Towse, Christian Handke, and Paul Stepan have written "The Economics of Copyright Law: A Stocktake of the Literature." "Provisions similar to today's copyright had been on the statute book in England (but not in Scotland) since 1710, and Adam Smith wrote on the 'exclusive privilege' as he called it in his *Lectures on Jurisprudence* in 1762. Though normally a scourge of such monopolies, he regarded copyright (which at the time lasted for 14 years) as doing no harm and maybe even doing some good and so was not 'altogether to be condemned' . . . Later economists had stronger views. During the great Patent Debates of the 19th century in Britain, copyright was described by Macaulay as 'a tax on readers for the purposes of a bounty for writers'. . ." "Landes and Posner have changed their view on the duration of copyright. They now argue not only in favour of strong protection but also for an indefinite duration; more precisely, they favour an indefinitely renewable copyright. They argue that the vast majority of copyright would not be worth renewing and that tracing and transaction costs therefore would not be excessive . . . . Copyright therefore can play an analogous role to trademarks, which can last indefinitely when renewed." *Review of Economic Research on Copyright Issues*, 2008, vol. 5, no.1, pp. 1–22. Available through the website of the Society for Economic Research on Copyright Issues at ⟨http://www.serci.org⟩ (click on "RERCI.")

Remittances

Ralph Chami, Adolfo Barajas, Thomas Cosimano, Connel Fullenkamp, Michael Gapen, and Peter Montiel discuss "Macroeconomic Consequences of Remittances." "Remittances that insure the public against adverse economic shocks, including those caused by poor economic policies and poorly performing institutions, may reduce households' incentives to pressure their governments to implement the reforms and improvements necessary to facilitate economic growth. At the same time, the receipt of remittances loosens fiscal constraints on governments, putting off any day of reckoning instigated by a faulty policy stance. In other words, remittance flows act as a buffer between households and the governments that serve them, creating the potential for a negative political economy effect." "[T]here is some evidence of remittance-driven Dutch disease effects in remittance-receiving countries . . . . To the extent that Dutch disease effects are present in a particular remittance-receiving economy, policymakers must find ways to offset the effects of remittance flows on the equilibrium real exchange rate or to compensate the economy's traded goods sector for the loss of competitiveness that it suffers from the equilibrium real exchange rate appreciation." IMF Occasional Paper 259, 2008, at ⟨http://www.imf.org/external/pubs/ft/op/259/op259.pdf⟩.

The World Bank has published the useful "Migration and Remittances Factbook 2008." Most of the book presents tables by country, region, and for the world as a whole, but here are some themes from the Foreword: "Nearly 200 million people, or 3 percent of the world population, live outside their countries of birth. Current migration flows, relative to population, are weaker than those of the last decades of the nineteenth century." "The Mexico–United States corridor is the largest migration corridor in the world, accounting for 10.4 million migrants by 2005." "Worldwide remittance flows are estimated to have exceeded $318 billion in 2007, of which developing countries received $240 billion. The true size, including unrecorded flows through formal and informal channels, is believed to be significantly larger. Recorded remittances are more than twice as large as official aid and nearly two-thirds of FDI flows to developing countries." "Rich countries are the main source of remittances. The United States is by far the largest, with $42 billion in recorded outward flows in 2006. Saudi Arabia ranks as the second largest, followed by Switzerland and Germany." Available at ⟨http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/03/14/000333038_20080314060040/Rendered/PDF/429130PUB0Migr101OFFICIAL0USE0ONLY1.pdf⟩.

Oil and Energy

Stephen P. A. Brown, Raghav Virmani, and Richard Alm discuss the world economy's "Crude Awakening: Behind the Surge in Oil Prices." "A good starting point is strong demand, which has pushed world oil markets close to capacity. New supplies haven't kept up with this demand, fueling expectations that oil markets will remain tight for the foreseeable future. A weakening dollar has put upward pressure on the price of a commodity that trades in the U.S. currency. And because a large share of oil production takes place in politically unstable regions, fears of supply disruptions loom over markets . . . . Supplies could be bolstered by nonconventional oil sources—tar sands, oil shale, coal-to-liquids. Industry experts regard these resources as plentiful, with development and production costs well below current oil prices . . . . Actual and expected costs of nonconventional resources suggest it might be difficult to sustain oil prices above $70 a barrel." Economic Letter—Insights from the Federal Reserve Bank of Dallas, May 2008, vol. 3, no. 5. At ⟨http://www.dallasfed.org/research/eclett/2008/el0805.html⟩.

N. Gregory Mankiw discusses "Smart Taxes: An Open Invitation to Join the Pigou Club." "In a 2006 survey of PhD members of the American Economic Association, 65.0 percent agreed that 'the U.S. should increase energy taxes . . . . An article published in the *Journal of Economic Literature* in June 2007 summarized the many studies and concluded that the optimal Pigovian tax on gasoline was $2.10 per gallon. That is well above the current level of taxation in the United States, which is about 40 cents a gallon . . . . Other nations, such as Japan and Ireland, have gas taxes at about the $2 level suggested in the study. And other nations, such as Germany and England, have gas taxes about $3 a gallon." "As judged on purely political terms, higher Pigovian taxes are a wacky idea . . . . In 2004, John Kerry denied being in favor of high gas taxes. His campaign said that it was Bush adviser Greg Mankiw who in fact favored high gas taxes. That retort was correct—I had written in favor of higher gasoline taxes several times. But it was not particularly effective: Few voters had any idea who Greg Mankiw was." Based on a talk presented at the Eastern Economic Association, March 8, 2008. At ⟨http://www.economics.harvard.edu/faculty/mankiw/files/Smart%20Taxes.pdf⟩.

The Energy Information Administration has published its *Annual Energy Outlook 2008: With Projections to 2030*. The real world crude oil price (which for the purposes of *AEO2008* is defined as the price of light, low-sulfur crude oil delivered in Cushing, Oklahoma, in 2006 dollars) declines gradually from current levels to $57 per barrel in 2016 ($68 per barrel in nominal dollars), as expanded investment in exploration and development brings new supplies to world markets. After 2016, real prices begin to rise, as demand continues to grow and higher cost supplies are brought to market. In 2030, the average real price of crude oil is $70 per barrel in 2006 dollars, or about $113 per barrel in nominal dollars." "Energy intensity, measured as primary energy use (in thousand Btu) per dollar of GDP (in 2000 dollars), declines by about one-third from 2006 to 2030 . . . Since 1992, the energy intensity of the U.S. economy has declined on average by 2.0 percent per year . . ." June 2008. At ⟨http://www.eia.doe.gov/oiaf/aeo/pdf/0383(2008).pdf⟩.

The Energy Information Administration also publishes an annual *International Energy Outlook*. "In the *IEO2008* reference case—which reflects a scenario where current laws and policies remain unchanged throughout the projection period—world marketed energy consumption is projected to grow by 50 percent over the 2005 to 2030 period . . . . Global energy demand grows despite the sustained high world oil prices that are projected to persist over the long term. The most rapid growth in energy demand from 2005 to 2030 is projected for nations outside the Organization for Economic Cooperation and Development . . ." September 2008. At ⟨http://www.eia.doe.gov/oiaf/ieo/pdf/0484(2008).pdf⟩.

Infrastructure

The Congressional Budget Office discusses "Issues and Options in Infrastructure Investment." "Growing delays in air travel and surface transportation, bottlenecks in transmitting electricity, and inadequate school facilities all suggest that some targeted additional infrastructure spending could be economically justifiable. CBO's review of the evidence suggests that tens of billions of dollars of additional infrastructure spending each year could be justified on an economic basis. The need for such spending, however, could be substantially reduced by user fees that encourage more efficient use of infrastructure." May 2008. At ⟨http://www.cbo.gov/ftpdocs/91xx/doc9135/05-16-Infrastructure.pdf⟩.

The National Surface Transportation Infrastructure Financing Commission has produced an Interim Report: "The Path Forward: Funding and Financing our Surface Transportation System." "[I]f American travelers from three decades ago were suddenly transported to the present day, they would be aghast at the condition of our system, particularly by the chronic congestion and delays. If we are to ensure that American travelers three decades hence do not look back with longing on how "good" our system was in 2008, and if we are to remain competitive in a global economy, we must thoroughly re-assess the current approach to funding surface transportation infrastructure." "For highways, from 1980 to 2005: Automobile vehicle miles traveled (VMTs) increased 94 percent; Truck VMTs increased 105 percent; and Highway lane-miles grew by only 3.5 percent." "Measures of delay and congestion, particularly in metropolitan areas, are up dramatically . . . According to the Texas Transportation Institute, from 1982 to 2005: Total hours of delay increased 425 percent . . ." "[T]he Transportation Research Board of the National Academies estimated that the annual gap between revenues and the investment needed to "improve" the highway and transit systems was about $105 billion in 2007, and is expected to increase to $134 billion in 2017 under current trends." February 2008. Available at the Commission's website at ⟨http://financecommission.dot.gov⟩. A final report is scheduled for publication in late fall 2008.

The Joint Economic Committee Majority Staff announces "Your Flight Has Been Delayed Again: Flight Delays Cost Passengers, Airlines, and the U.S. Economy Billions." "The total cost of domestic air traffic delays to the U.S. economy was as much as $41 billion for 2007." "According to the DOT Bureau of Transportation Statistics, the top reason that flights were delayed—accounting for almost 40 percent of all delayed flights—was that other flights arrive late, creating a cycle of delay . . . Circumstances within the airlines' control, such as baggage handling and fueling account for 29 percent of delayed flights, and problems within the aviation system such as air traffic congestion and disruption from nonextreme weather conditions comprise another 28 percent. Accounting for less than 6 percent of total delays, extreme weather was a tiny and declining reason for flight delays in 2007." May 22, 2008. Available at ⟨http://www.jec.senate.gov/index.cfm?FuseAction=Reports.Reports&ContentRecord_id=11116dd7-973c-61e2-4874-a6a18790a81b&Region_id=&Issue_id=⟩.

About Economists

Douglas Clement conducts an "Interview with James Poterba." Poterba on broadening the tax base: "Marginal distortions associated with the tax code tend to rise with the square of the tax rate, so that as the tax rate gets into higher and higher territory, the marginal dead-weight losses tend to grow rapidly. Going from a 30 percent to a 40 percent marginal tax rate, for example, doesn't increase the marginal efficiency cost of taxation by a factor of 1.33, but by the ratio of 16 over 9—close to 75 percent." On the effects of not taxing imputed rental income: "As a homeowner, you are buying a long-lived durable asset and then renting it to yourself each period. Think of it as two transactions: In one, you're a consumer who pays the landlord, while in the other, you're the landlord who's collecting the rent. It just happens that the landlord and the tenant are the same person. The income tax doesn't tax the implicit rental income that a homeowner receives in the landlord capacity. If the same taxpayer owned a rental building and collected rent from a tenant, that income would be taxed. The nontaxation of implicit rent means that owner-occupied housing is taxed less heavily than many other assets in the economy. The result is that we have much more owner-occupied housing in the

U.S. economy than we would otherwise. The distortion is likely to be larger for high-income taxpayers who are in higher tax brackets." On his strategy as the incoming president of the National Bureau of Economic Research: "I hope to follow an opportunistic strategy in directing research. Sometimes this involves looking into the crystal ball and identifying issues and questions that are likely to become more important going forward. But other times it involves looking in the rearview mirror and saying, "What's just happened that's really interesting? Should we look more deeply into this? I would expect, for example, in the very near term I will encourage research on the role of risk in financial markets, the interplay between regulatory structure and risk-bearing by financial institutions, and the interplay between the financial services sector and the broader real economy." The Region, Federal Reserve Bank of Minneapolis, June 2008, pp. 16–25. At ⟨http://www.minneapolisfed.org/pubs/region/08-06/poterba.cfm⟩.

The *Business History Review* has published nine papers in "A Special Issue on Alfred D. Chandler Jr." From the introductory essay by Thomas K. McGraw, "Alfred Chandler: His Vision and Achievement" (pp. 207–226). "Chandler was convinced that an appropriate sense of hierarchy often held the key to decision-making within big companies. Almost by itself, it could explain why some firms defeated others in competitive struggles: General Motors' conquest of Ford during the 1920s; RCA's defeat by Sony, Matsushita, and other Japanese companies after the 1960s . . . . [H]e became extremely put off by certain trends in American business that began in the 1960s. These included the conglomerate movement and a preoccupation with what he called 'transaction-driven' mergers and acquisitions, yielding huge payouts to investment bankers and top managers but few real efficiencies . . . In conversations he spoke of these trends as 'managerial capitalism gone to seed.'" Summer 2008, vol. 82, no. 2.

Conversation Starters

Londa Schiebinger, Andrea Davies Henderson, and Shannon K. Gilmartin have written "Dual-Career Academic Couples: What Universities Need to Know." "Academic couples comprise 36 percent of the American professoriate . . . The proportion of academic couples (i.e., couples in which both partners are academics) at four-year institutions nationally has not changed since 1989. What has changed is the rate at which universities are hiring couples. Academic couple hiring has increased from 3 percent in the 1970s to 13 percent since 2000. In a recent survey of Canadian science deans, couple hiring emerged as one of the thorniest issues confronting their faculties. Administrators in this study concur." The Michelle R. Clayman Institute for Gender Research at Stanford University. August 2008. At ⟨http://www.stanford.edu/group/gender/ResearchPrograms/DualCareer/DualCareerFinal.pdf⟩.

Carlos Danel and Carlos Labarthe, top executives at the Mexican commercial micro-lender Compartamos Banco, have written "A Letter to Our Peers." "We offer our services to low income segments of the Mexican population. We do not claim to work with the poorest of the poor and in fact we are convinced that they (the poorest) need much more urgent economic transfers in order for them to be in a productive state and be able to use a loan successfully." "[W]e have proven that the provision of microfinance services can bring with it the potential to build other things different from financial assets. In a recent study by De la Riva Group, Compartamos' clients showed a greater statistical level of self-esteem, financial literacy and solidarity than the control group . . . . We maintain microfinance builds social capital, and that is the greatest of the opportunities that we offer and that our clients value." This essay is complementary with the article on microfinance by Jonathan Morduch in this issue. Released June 20, 2008, and available at ⟨http://www.microfinanceinsights.com/oldsite/Download/Alettertoourpeers.pdf⟩.

Paul Kane provides background on what happens when the "Senate Votes to Privatize Its Failing Restaurants." "Year after year, decade upon decade, the U.S. Senate's network of restaurants has lost staggering amounts of money—more than $18 million since 1993, according to one report, and an estimated $2 million this year alone, according to another . . . . The House is expected to agree—its food service operation has been in private hands since the 1980s . . . Come lunchtime, many Senate staffers trudge across the Capitol and down into the basement cafeteria on the House side. On Wednesdays, the lines can be 30 or 40 people long. House staffers almost never cross the Capitol to eat in the Senate cafeterias." *Washington Post*, June 9, 2008, p. A1. At ⟨http://www.washingtonpost.com/wp-dyn/content/article/2008/06/08/AR2008060801765.html⟩.

Joel Millman describes the "Sawdust Shock: A Shortage Looms as Economy Slows." The price of sawdust has soared since 2006, up from about $25 a ton to more than $100 in some markets. Blame the housing slump: Fewer new homes mean fewer trees cut for use in construction, which leads to less sawdust and other wood waste, driving up the price. 'I've never seen sawdust so hard to find. We're having to go 400 miles to get it,' says Mr. Johnson, the president of Johnson Brothers Contracting." "Sawdust may seem like a lowly commodity, but it is widely used in today's economy. Farms use sawdust and wood shavings as cozy and clean bedding for horses and chickens. Particle-board makers devour it by the boxcar to fashion a cheap building material. Auto-parts manufacturers blend a finely pulverized sawdust called "wood flour" with plastic polymers to make a lightweight material to cover steering wheels and dashboards." *Wall Street Journal*, March 3, 2008, p. A1.

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