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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, c/o *Journal of Economic Perspectives*, Macalester College, 1600 Grand Ave., Saint Paul, Minnesota, 55105.

Smorgasbord

The annual Jackson Hole symposium sponsored in August 2005 by the Federal Reserve Bank of Kansas City focused on "The Greenspan Era: Lessons for the Future." Alan S. Blinder and Ricardo Reis contribute: "Understanding the Greenspan Standard." They write: "[W]hen the score is toted up, we think he [Greenspan] has a legitimate claim to being the greatest central banker who ever lived. . . . But the central questions of this paper are different. They are whether that stellar performance will also leave a lasting legacy, and what that legacy might or should be. There, the answers are far from clear." Among a number of striking papers in the volume, Robert E. Hall offers an especially intriguing view, "Separating the Business Cycle from Other Economic Fluctuations." Hall writes: "The traditional notion no longer holds that the economy moves along a smooth growth trend with temporary cyclical departures. This notion is badly incomplete as a description of

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the data. Key variables—real GDP, unemployment and real returns—display important movements at frequencies below the business cycle but above the long-term trend." Available at ⟨http://www.kc.frb.org/PUBLICAT/SYMPOS/2005/sym05prg.htm⟩.

Robert W. Fogel is "Reconsidering Expectations of Economic Growth After World War II from the Perspective of 2004." From the abstract: "At the close of World War II, the future of economic development was the subject of wide-ranging debates. Historical experience has since shown that these forecasts were uniformly too pessimistic. . . . The high rates of economic growth in East and Southeast Asian were also unforeseen by economists." *IMF Staff Papers,* 2005, 52: Special Issue, 6–14. Available at ⟨http://www.imf.org/External/Pubs/FT/staffp⟩.

In "The Emerging Global Labor Market," the McKinsey Global Institute offers a detailed description of the evolving market for offshore provision of services, which is full of intriguing claims. "Eleven percent of worldwide service employment could in theory be performed remotely." "Engineering occupations are the most amenable to remote location." "India alone has nearly as many young engineers as does the United States, and China has more than twice as many; China has twenty times the number of doctors as the United Kingdom; Russia has almost 10 times as many finance and accounting professionals as Germany." "Potential supply of low-wage talent is greater than likely demand." June 2005. Available at ⟨http://www.mckinsey.com/mgi/publications/emerginggloballabormarket/index.asp⟩.

The Congressional Budget Office is continuing its tradition of producing readable and informative background papers. August 2005 brought "Policies that Distort World Agricultural Trade: Prevalence and Magnitude." "For the world as a whole, the trade-weighted average tariff for agricultural products in 2001 was more than three times the average for all merchandize trade. . . . For the United States, the agricultural average was 1.3 times the all-merchandise average." "A Guide to Understanding the Pension Benefit Guaranty Corporation" arrived in September 2005. "At the end of 2000, the total value of assets held by the PBGC exceeded the estimated present value of its liabilities by $10 billion. But by the end of 2004, the agency's estimated liabilities were $23.5 billion more than the value of its assets." Growing financial woes are projected for the PBGC in the next 10 years. Available at ⟨http://www.cbo.gov⟩.

Psychology, Public Policy and Law, a journal of the American Psychological Association, has committed an issue to what is known about racial differences in cognitive ability. J. Philippe Rushton and Arthur R. Jensen write the lead article (pp. 235–294), "Thirty Years of Research on Race Differences in Cognitive Ability." From the abstract: "The *culture-only* (0% genetic-100% environmental) and the *hereditarian* (50% genetic-50% environmental) models of the causes of Black-White differences in cognitive ability are compared and contrasted across 10 categories of evidence. . . .The new evidence reviewed here points to some genetic component in Black-White differences in mean IQ." Four fierce critiques and a rejoinder follow. June 2005, 11:2.

Branko Milanovic asks: "Why Did the Poorest Countries Fail to Catch Up?" "During the past twenty years, the poorest countries of the world have fallen further behind the middle-income and rich countries. The median per capita growth of the poorest countries was zero. This was an unexpected outcome because, from the perspective of economic theory, both globalization and economic-policy convergence imply that poor countries should grow faster than the rich. The main reasons why this has not happened lie in poor countries' much greater likelihood of being involved in wars and civil conflicts. . . . Slower reforms in poor countries compared with faster reforms in middle-income countries played some, albeit a minimal, role. Increased flows from multinational lenders did not help either because the net effect of the flows on growth rates is estimated to have been zero. Finally, neither democratization nor better educational attainment of the population can be shown to have had any notable impact on poor countries' growth." November 2005, Carnegie Papers Number 62. Available at ⟨http://www.carnegieendowment.org⟩.

Glenn Yago and James Prince describe "The Economic Road-Map: Beyond the Israeli-Palestinian Conflict." They write: "The Palestinian recession of 2000–2004 was the worst in modern history. Average personal income declined by more than one-third, more than half of Palestinians were reduced to poverty, and unemployment levels rose above 28 percent. . . . Like Israel, Palestine lacks plentiful supplies of land or natural resources, but is potentially rich in human capital, has a wealthy diaspora, and strong entrepreneurial and trading traditions vital to a modern, skill-based economy. A Palestinian state could also capitalize on its goodwill and proximity to the Arab world." Some thoughts about key projects, financing and privatization follow. July 2005. Available as one of the Policy Briefs/Shorts published by the Milken Institute and available at ⟨http://www.milkeninstitute.org⟩.

For a contrarian view on budget deficits, James K. Galbreath offers "Breaking out of the Deficit Trap: The Case Against the Fiscal Hawks." "Overall, the case for treating budget deficits, either current or prospective, as a deeply threatening phenomenon is surprisingly weak. . . . The present 10-year interest rate is under 5 percent, or around 2–3 percent in real terms. Currently, private investment as a share of GDP is at 16.9 percent—about a point *higher* than its long-term historical average going back to 1950. Can anyone believe that present deficits are causing an investment shortage? Can anyone believe that a rise in the interest rate of one percentage point five years hence would be a disaster from which private business could not recover their financial footing. . . ." The Levy Economics Institute of Bard College, Public Policy Brief No. 81, 2005. Available at ⟨http://www.levy.org⟩.

Robert Stonebreaker has written a web-book titled *The Joy of Economics: Making Sense Out of Life.* He writes: "The text uses a conversational story-telling approach and covers such provocative topics as the economics of love and marriage, the economics of religion, the economics of happiness, and the economics of shopping. The material can be used as the basic text for a one-semester introductory course for non-majors with an applications or issues emphasis and individual chapters or sections can be used as supplementary reading in other courses as well." The book is can be freely downloaded and reproduced (with credit given) from ⟨http://faculty.winthrop.edu/stonebrakerr/book.htmavailable⟩.

Journals Available Freely On-line

Econ Journal Watch has several interesting articles in its August 2005 issue. David R. Henderson (pp. 362–376) reviews "The Role of Economists in Ending the Draft." Henderson writes: "Whenever the military has trouble recruiting, advocates of the draft . . . come out in favor of bringing back the draft. When they start to push for the draft, the front line of defense against them is still economists." Lawrence H. White (pp. 325–354) discusses "The Federal Reserve System's Influence on Research in Monetary Economics." White notes: "The Federal Reserve System is not only the subject of research by American monetary economists it is also a major sponsor of their research. . . . The size of the Fed's research program and its possible *status quo* bias have attracted little scholarly attention." Available at ⟨http://www.
econjournalwatch.org⟩.

Ron Haskins, Sara McLanahan and Elisabeth Donahue explore "The Decline in Marriage: What to Do." "There seems to be nearly universal agreement, based on years of research, that lone-parent child-rearing imposes serious costs on individuals and society. That government should play an assertive role in trying to reduce family dissolution and promote marriage is still controversial, but it has been a case of ready or not, here we come. A host of research and demonstration projects are now under way. . . ." This Fall 2005 Policy Brief gives an overview of the volume 15, number 2, issue of *The Future of Children,* which includes nine articles on the theme "Marriage and Child Well Being." Available under the publications at ⟨http://www.futureofchildren.org⟩.

The Federal Reserve and 24 other institutions have started the *International Journal of Central Banking*. The first issue was published in September 2005. All articles are freely available at ⟨http://www.ijcb.org/⟩.

College Textbooks

"College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases," according to the U.S. Government Accountability Office. "Increasing at an average of 6 percent per year, textbook prices nearly tripled from December 1986 to December 2004, while tuition and fees increased by 240 percent and overall inflation was 72 percent. . . . While many factors affect textbook pricing, the increasing costs associated with developing products designed to accompany textbooks, such as CD-ROMs and other instructional supplements, best explain price increases in recent years. . . . U.S. college textbook prices may exceed prices in other countries because prices reflect market conditions found in each country, such as the willingness and ability of students to purchase the textbook. . . . In response to concerns that the international availability of less expensive textbooks might negatively affect textbook sales, publishers have taken steps to limit largescale textbook reimportation." GAO-05-806, July 29, 2005. Available at ⟨http://www.gao.gov/new.items/d05806.pdf⟩.

James Suriowecki offers an accessible discussion of the evolving economics of textbook publishing in "Class Action." "College students now spend more than five billion dollars a year on textbooks, while states spend another four billion on books for elementary and high-school students. And the revenue is not being spread around: five publishers account for eighty per cent of new college-textbook sales in North America. But dominance has its discontents, and textbook publishers are routinely denounced as price gougers. The average price of a book is around fifty dollars, and many, particularly in the sciences, will run you well over a hundred." *The New Yorker*, November 7, 2005. Available at ⟨http://www.newyorker.com/talk/content/articles/051107ta_talk_surowiecki⟩.

About Economists

The Region offers an insightful interview with Robert J. Barro. Here's Barro on Ricardian equivalence: "The Ricardian proposition is about the consequences of paying for a given amount of public expenditure in different ways. Specifically, does it matter—or does it matter a lot—whether the government pays for its spending with current taxes or with current borrowing, which entails higher future taxes? So, a central part of the proposition is that the amount of public expenditure—today and tomorrow—is being held constant. It's never part of Ricardian equivalence that the level of government expenditure doesn't matter." On European Union: "The Europeans should shift to a much more modest form of union—a monetary union and a trade union—and forget about the rest of it." On his prediction in the early 1970s that macroeconomics was stagnating: "[S]hortly after I said that macroeconomics was not promising, there was an amazing sequence of exciting developments. It started with the rational expectations work—applied initially to monetary models with some version of a Phillips curve. And then there was the real business cycle analysis that Prescott particularly pioneered. Then you had the very exciting work on economic growth, with growth viewed more and more as a core part of macroeconomics. Then there was the pretty much distinct empirical work on economic growth. So this was a whole sequence of, you could say, four different exciting developments in macroeconomics after I said it was stagnating. Now it does seem that perhaps the last 10 years or so have been less exciting in comparison. It's been a while since we have seen something equivalent to those four breakthroughs." *The Region*: Federal Reserve Bank of Minneapolis, September 2005, 16–27.

Arvind Subramanian interviews Jagdish Bhagwati, "The Globalization Guru," and combines the interview with an essay about Bhagwati's work and his role in public discourse. Bhagwati says: "When you choose to fight for free trade, you sign on for life. Like Jaws in James Bond films, protectionism rises again and again, taking ever-new forms." *Finance and Development*, September 2005, 4–7. Available at ⟨http://www.imf.org/external/pubs/ft/fandd/fda.htm⟩.

In "Larry Sjaastaad, The Last Chicagoan," Kenneth Clements writes upon the occasion of Sjaastad's retirement in 2004 after 42 years at the University of Chicago, drawing upon "a book of letters from 72 of Larry's former students and colleagues." His "thesis led to the seminal article 'Costs and Returns of Human Migration,' published in the *Journal of Political Economy* in 1962. This is probably the most widely cited article in the area, and even just since 1987 it has attracted more than 250 citations, the hallmark of a truly influential work. . . . At Chicago, Larry supervised no less than 139 PhD dissertations over 42 years, which must account for something like 20 percent of all PhDs in economics that finished at Chicago during that time. On average, that represents supervising to completion 3.3 students per year, an astonishing achievement. . . ." *Journal of International Money and Finance*, 2005, 24, 859–872.

Murray Weidenbaum has written a graceful memoir of his time as chairman of the Council of Economic Advisers, "Advising Reagan: Making Economic Policy, 1981–1982." "I have a picture with the President and Mrs. Reagan on which he added a teasing note thanking me 'for explaining the "dismal science" to Nancy. . . .' [F]ew if any decisions in government policy—be they labeled economic or social or foreign affairs—are made solely or even primarily on the basis of economic analysis or information from economists. Yet I also came away with the experience that most questions of governmental policy-making—especially those labeled as 'non-economic'—do contain important economic aspects and can involve economists in their solution." June 2005. Available from the website of the Weidenbaum Center at Washington University in St. Louis at ⟨http://wc.wustl.edu/Memoir1.pdf⟩.

Discussion Starters

Vernon Smith discusses "Power to the People: The Right Way to Deregulate Electricity." "Suppose half the wires capacity cost is due to only six hours of peak demand—the peak capacity being idle for 18 hours. Then those consuming power during one-quarter of the day should be charged for half of the capital cost of the wires. Such pricing is not only 'fair,' it conveys the right incentives for capital utilization. This principle is why hotel rates are so much higher at seasonal peaks. . . . It could pay a high-rise office-building owner to install a gas micro turbine for peaking energy, or install motion-sensitive light switches in all the offices, if in addition to the energy savings he could get a wires-charge rebate due to his reduced dependence on the grid which would accommodate growth without new investment. . . . We badly need changes in the local regulation of the wires that reward customers if they reduce their dependence on the grid. . . . Is there a state out there willing to mandate separation of the wires monopoly from energy provision, and allow free entry by retail energy merchants?" *Wall Street Journal*, August 12, 2005. Available at ⟨http://www.opinionjournal.com/editorial/feature.html?id=110007096⟩.

Pranab Bardhan writes: "China, India Superpower? Not so Fast! Despite impressive growth, the rising Asian giants have feet of clay." "While there is no doubt about the great potential of these two economies in the rest of this century, severe structural and institutional problems will hobble them for years to come. At this point, the hype about the Indian economy seems patently premature, and the risks on the horizon for the Chinese polity—and hence for economic stability—highly underestimated." Yale Global Online. October 25, 2005. Available at 〈http://yaleglobal.yale.edu/display.article?id=6407〉.

Rudolph G. Penner and C. Eugene Steuerle offer "A Radical Proposal for Escaping the Budget Vise," by redesigning budget rules to limit "automatic" spending increases. "Any budgetary rule is inevitably arbitrary. But current rules governing automatic growth are themselves more than arbitrary. They ossify programs and priorities over time while attacking government functions that don't enjoy the automatic spending growth. In contrast, responsible budget rules free up resources to respond to growing or emerging needs." The Urban Institute. Policy Briefs: National Budget Issues, June 2005. Available at 〈http://www.urban.org/UploadedPDF/311192_NBI_3.pdf〉.

N. Gregory Mankiw and Phillip L. Swagel discuss "Antidumping: The Third Rail of Trade Policy." "Antidumping is the 'third rail' of U.S. trade politics, with few politicians of either party willing to point out its broadly negative effects. . . . Rather than promote fairness and competition, the American producers who petition for antidumping tariffs—a powerful and often unrecognized lobby—use them to thwart foreign competition. In essence, 'antidumping' means little more than 'antibargain.'" *Foreign Affairs*, July/August 2005. Available at 〈http://www.foreignaffairs.org/20051201faessay84708/n-gregory-mankiw-phillip-l-swagel/antidumping-the-third-rail-of-trade-policy.html〉.

Daniel Griswold, Stephen Slivinski and Christopher Preble have written "Ripe for Reform: Six Good Reasons to Reduce U.S. Farm Subsidies and Trade Barriers." Their six reasons are the following: to reduce U.S. food prices; to lower costs for U.S. industries that use agricultural commodities as an input; to save money for taxpayers; to reduce topsoil loss, pesticide use, and environmental damage; to stimulate innovation and productivity in rural areas; and to raise incomes of farmers in poor countries. Cato Institute, Trade Policy Analysis No. 30, September 14, 2005. Available at 〈http://www.freetrade.org/pubs/pas/tpa-030es.html〉.

On-Line Discussions

Harper's Magazine brought together Glenn Hubbard, Paul Krugman and Peter G. Peterson for a lively debate in "The Iceberg Cometh: Can a nation of spenders be saved?" The discussion focuses on the trade deficit, budget deficit and reform of Social Security and Medicare. Here's one interchange:

> KRUGMAN: I'm not an antimarket guy at all, but I've reluctantly come to the conclusion that what we've got is the worst of both worlds. We have a

> system on which we spend enormous amounts of money trying not to cover people, because that's what private insurance companies do. Private health organizations do not have a sustained interest in the health of the people they treat.
> HUBBARD: You want to trade the quality, and innovation, of U.S. health care for the British health service?
> KRUGMAN: No. The British spend way too little. But I think if we could trade for the French health-care system—a more or less publicly run system, but much better funded than the British system—I would do it in a heartbeat.
> HUBBARD: I disagree. The United States is the innovator in treatment techniques, pharmaceutical development."

Available at ⟨http://harpers.org/TheIcebergCometh.html⟩. Posted August 1, 2005.

Victor Fuchs, Jay Bhattacharya, Paul Wise, Alain Enthoven and Alan Garber each describe briefly their proposals for fixing the U.S. health care system and then respond to some questions. For example, Fuch advocates "universal vouchers that guarantee basic care to all Americans. A tax paid by business firms on all goods and services would finance the plan. All Americans would have a free choice of health plans and could buy more than the basic plan with their own after-tax income. Regional boards would pay the health plans a fixed annual amount per enrollee, adjusted for their age, sex, medical condition and other pertinent characteristics." *Stanford Medical Magazine*, Winter 2005. Available at ⟨http://mednews.stanford.edu/stanmed/2005winter/experts.html⟩.

Russell Roberts and William Polley "discuss what the public doesn't know about economics, and whether and how that knowledge gap might hurt." Roberts: "Whenever I teach a seminar on basic economics, I always survey the audience: What proportion of the American labor force earns the minimum wage or less. . . . Even among highly-educated groups such as journalists or congressional staffers, the median answer is depressingly similar—they think 20% of the American work force earns the minimum wage or less. In fact, the actual number is something less than 3%." Polley: "Many people in the media and in positions of authority, if they took economics at all, learned a very stylized version of the subject. They may have taken courses that consisted of solving two equations in two variables for supply and demand, calculating income/expenditure equilibrium with fixed prices, and the like. This stylized approach was not always directly relevant to the real world at the introductory level. The perceived disconnect between economics and the 'real world' haunts us to this day." *Wall Street Journal On-Line*, "Knowledge Deficit," September 21, 2005. Available at ⟨http://online.wsj.com/public/resources/documents/econoblog0921.htm⟩.

■ *Thanks to Larry Willmore for useful suggestions.*