

Recommendations for Further Reading

Bernard Saffran

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. As a rule of thumb, articles listed in this section appear in journals that are not indexed by the *Journal of Economic Literature* (which focuses on the research journals) and are similar to many of the articles published in this journal. They may include survey articles, discussion of related subjects in which economists might have an interest or analyses of economics from other perspectives. The intention is to publish a selective list of 15 to 20 articles per issue, with the selections depending heavily on input from readers. If you write or read an appropriate article, please send a copy of the article (and possibly a few sentences describing it) to Bernard Saffran, c/o *Journal of Economic Perspectives*, Department of Economics, Swarthmore College, Swarthmore, PA 19081.

Opening Notes

“Most of the inexpensive pollution control measures were implemented during the last 20 years, so that future reductions in emissions are likely to be more expensive than earlier ones. . . . More and more, air pollution problems are those associated with wood stoves, small dry-cleaning and degreasing operations. . . and other decentralized sources.” In “Controlling Urban Air Pollution: A Benefit-Cost Assessment,” Alan J. Krupnick and Paul R. Portney

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focus primarily on reductions in ground-level ozone resulting from the control of volatile organic compounds; to a lesser extent, particulate control is also considered. . . . Subject to a number of uncertainties, the costs of proposed new controls are found to exceed the benefits, perhaps by a considerable margin." *Science*, April 26, 1991, 522-528. The interested reader might also consult the correspondence and critique in the August 9, 1991 issue, pp. 606-609. This article offers more detail on some of the issues mentioned in Portney's "Policy Watch" column of the Fall 1990 issue of this journal, which discussed the Clean Air Act.

Students of social policy have become dependent on the increasingly controversial "Overview of Entitlement Programs" or the "1991 Green Book," more formally known as "Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means." This year's edition was published on May 7, 1991. Among the press release's highlights of this edition that are good for enlivening a lunchtime conversation:

—Before any governmental transfers, 49.1 million individuals would have been poor in 1989. With social insurance benefits, 33.8 million individuals are poor.

—The richest one percent of the population has more income today than the poorest 100 million Americans.

—The present value of social security and medicare benefits for a male retiring in 1991 with average earnings and life expectancy is \$163,000. The total value of (payroll) taxes paid plus interest is \$84,000.

A Sampler from the Fed

Two useful articles appear in the January/February 1991 issue of *The Federal Reserve Bank of St. Louis: Review*. In "The Future of Social Security: An Update," Keith M. Carlson "focuses on the 1990 annual reports of the Social Security trust funds and compares the projected surpluses with those prepared following the enactment of the 1983 Social Security amendments. The projected surpluses are now smaller than forecast in 1983." 33-49.

In "Learning, Rational Expectations and Policy: A Summary of Recent Research," James B. Bullard "presents a synopsis of recent work on the microfoundations of rational expectations, with special emphasis on the implications for macroeconomic policy." He concludes, "In models with multiple rational expectations equilibria, the consensus opinion that people eliminate systematic forecast errors is generally not enough to determine the actual outcome. Moreover, because different rational expectations equilibria have different implications for policy, merely stating that the economy will converge to one of the possible stationary equilibria, without saying which one, is insufficient for useful policy advice." 50-60.

“Activist Monetary Policy for Good or Evil? The New Keynesians vs. the New Classicals” is an excellent short introduction to the debate. Tom Stark and Herb Taylor conclude, “The New Keynesians can hardly claim to have overcome the New Classical paradigm. But they have reinvigorated the battle over the efficacy of an activist monetary policy.” *Business Review: Federal Reserve Bank of Philadelphia*, March–April 1991, 17–25.

In “Stock Market Efficiency: An Autopsy?” Peter Fortune writes: “Our fundamental conclusion is that the efficient markets hypothesis is having a near-death experience and is very likely to succumb unless new technology, as yet unknown, can revive it . . . These anomalies can be explained by resorting to a model of ‘noise trading,’ in which markets are segmented with the ‘smart money’ enforcing a high degree of efficiency in the pricing of stocks of large firms while less informed traders dominate the market for small firms.” *New England Economic Review: Federal Reserve Bank of Boston*, March/April 1991, 17–40.

Peter A. Abken provides a useful discussion of swaps in “Beyond Plain Vanilla: A Taxonomy of Swaps.” He “describes the features and typical applications of many variants of the four basic swap types—interest rate, currency, commodity, and equity.” *Economic Review: Federal Reserve Bank of Atlanta*, March/April 1991, 12–29.

“Is There a Shortfall in Public Capital Investment?” In June 1990, the Federal Reserve Bank of Boston held a conference to discuss the question, and the Proceedings have now been published. Alicia H. Munnell concludes her overview, “The United States has cut back sharply on infrastructure investment in recent years. At the same time, few of the incentives that affect the decision to invest in new public capital or to use infrastructure services appear consistent with those advocated by economists. The question is what government officials should do now. Here opinion is sharply divided.” Single copies available free from Research Library-D, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, Massachusetts 02106-2076.

The Profession and Practice of Economics

In “The Lighter Side of the Dismal Science: The Humor of Economics,” Margaret A. Ray discusses the role of humor in economics and includes some of the best examples. For example, Alan Blinder’s “The Economics of Brushing Teeth,” where he “summarizes a recent survey from a leading Eastern University:

It was found that assistant professors brushed 2.14 times daily on average, while associate professors brushed only 1.89 times and full professors only 1.47 times daily. The author, a sociologist, mistakenly attributed this

finding to the fact that the higher-ranking professors were older and that hygiene standards had advanced steadily over time. To a human capital theorist, of course, this pattern is exactly what would be expected from the higher wages received in the higher professional ranks, and from the fact that young professors, looking for promotions, cannot afford to have bad breath.”

I should warn readers that Blinder’s article once caused acute embarrassment to one of my seminar students. I had put it on the reading list and the student had treated it very seriously, even trying to construct counter-arguments.

Another widely-known article discussed by Ray is “American Economic Growth and the Voyage of Columbus,” by Preston McAfee, which mocks Robert Fogel’s use of counterfactual analysis in his study of the railroads. Ray describes how McAfee asks: “‘What would the world be like today, if Columbus had indeed fallen off the edge of the earth? . . . [C]onsider ‘what if Fogel had never written his paper?’ and ‘if Fogel were conceived on a train, he would have utilized more traditional methods in Economic History?’” *The Social Science Journal*, 1991, 28:2, 227–242.

In “On Different Interpretations of the *General Theory*,” Don Patinkin comments, “it has been most comforting for me to learn from my limited venture into this field that the half-life of a theory in literary criticism is even shorter than one in postwar macroeconomics, and that the debates between the protagonists of the various theories of interpretation are equally intense, protracted—and inconclusive.” He concludes: “[T]he obscurities and loose ends of the *General Theory* provided ample opportunities for different interpreters with different—and quite familiar—motivations: in particular, some interpreters wanted to invoke the authority of a canonical text in support of their prior theoretical views; and others wanted to invoke the authority of a canonical figure in support of their prior political views.” *Journal of Monetary Economics*, 1990, 26, 205–243.

Social Science Computer Review regularly reports on new software in economics, along with software and book reviews. Every year, the Winter issue surveys developments in microcomputing. For example, the Winter 1990 issue has short articles on “general equilibrium models, experimental economics, Bayesian Monte Carlo integration, and nonlinear stochastic growth models.”

Words from the Wise

Herbert Stein writes a regular column, “The Washington Economist,” which appears in *The American Enterprise*. In the March/April 1991 issue, pp. 6–12, he discusses “What Economic Advisors Do,” based on his “over 52 years’ experience as an inside-the-beltway adviser on an economic policy.” Stein

writes: "It may seem a shocking thing to say, but most of the economics that is usable for advising on public policy is at about the level of the introductory undergraduate course. ... I summed up two main lessons of 50 years as a Washington economist: Economists do not know very much. Other people, including the politicians who make economic policy, know even less about economics than economists do." In the May/June 1991 issue, pp. 6-9, Stein reviews the *Budget of the United States Government: Fiscal Year 1992* by George Bush, as told by Richard Darman. Reviewing the budget as a book—the subtitle is "Big Book, Small Pictures"—rather than as a program is both amusing and informative.

Tibor Scitovsky, recipient of the 1990 Frank E. Seidman Distinguished Award in Political Economy, discusses "How Our Economy Stands Up to Scrutiny." Much of the discussion deals with unemployment. "The general rule in this and most other countries has long been to sacrifice employment security for the sake of fixed, pre-set wages. Yet, that goes against both parties' interests, because employer and employees alike have an investment in the latter's job-specific skills and experience, which get lost with every change of worker and workplace. ... Macroeconomic employment policy must, of course, have primary responsibility for mitigating fluctuations in aggregate demand; but given its severe limitations, more flexible prices and wages would greatly contribute to maintaining stable employment and a stable work force, along with such concomitant benefits as increased output and faster growth of productivity." *The American Economist*, Spring 1991, 3-9.

About Economists

The same Spring 1991 issue of *The American Economist* that includes Scitovsky's thoughts includes two more articles of special interest.

In "My Life Philosophy," from pp. 10-18, Everett E. Hagen explains, "More than is true of any other economist writing in this series, I have found it necessary to incorporate noneconomic analysis not merely in explaining myself but in the analysis of many economic problems that interest me. ... I have written one book that I think is of some importance: *On the Theory of Social Change: How Economic Growth Begins* (1962). ... The book deals with historical cases. It notes, first, that economic growth begins in a derogated group within a country, whose members are striving to advance economically to improve their status in the world and are willing to engage in grubby work to do so, since they are barred from advancing by traditional means. It notes, also, that a derogated family takes special pleasure in the petty achievements of its infants and children, and that that pleasure tends to breed technical creativity in these children. The book uses recent advances in the study of infants and children to make this point."

Then, from pp 79–81, Rodney D. Peterson and Ronnie J. Phillips contribute “In Memoriam, Lloyd W. Mints, 1888–1989: Pioneer Monetary Economist.” For those not familiar with the name: “According to Milton Friedman, Henry Simons and Lloyd Mints were the key figures at the University of Chicago in the 1930s and 1940s where the quantity theory continued to be a central and vigorous part of the oral tradition.” The article includes interesting tidbits: “In conversations with Professor Mints, he always enjoyed commenting on economists, past and present. Simons and Milton Friedman were ‘two of the century’s outstanding economists.’ Moreover, John Kenneth Galbraith ‘represented an unfortunate influence in this country because he is so persuasive and too many people are easily swayed by him’; Arthur Burns’ leadership at the Fed was ‘a disappointment because he created too much money’; ... Fredrich Hayek ‘had one good idea and always stressed it’... Mints recalled that Keynes spent a summer at Chicago during the early 1930s, and he ‘wasn’t much impressed with Keynes then, either.’”

I had heard of Abram Harris both as a scholar of Marxism and as a conservative. His contributions are discussed in “Abram Harris, Jr.: the economics of race and social reform” by William Darity, Jr. and Julian Ellison. “Abram Lincoln Harris, Jr., born 17 January 1899 to a relatively well-to-do Richmond, Virginia black family, was destined to become the first black American economist to attain academic prominence. Although the passage of a quarter of a century since his death in 1963 and shifting tides of professional fashion in economics have obscured many of his contributions, Harris left his mark on developments in the areas of economic anthropology, black studies, institutional economics, the history of economic thought, and, somehow, on the evolution of both black radical and black neoconservative thought.” *History of Political Economy*, 1990, 22:4, 611–627.

“Richard Stone, Demand Theory and the Emergence of Modern Econometrics” is written by Christopher L. Gilbert. He concludes, “Finally, the emphasis on the union of theory and econometric practice is preached from every pulpit in the economics church. In this regard, Stone cannot claim any novelty for his sermons, but the edifice of modern demand theory is one of the earliest and most notable achievements of this union.” *The Economic Journal*, March 1991, 288–302.

From the Other Professions

In the May 31, 1991 issue of *Science*, David A. Freedman, a professor of statistics at Berkeley, and an opponent of adjusting the census count, discusses “Adjusting the 1990 Census.” He concludes, “The census does a remarkably good job at counting people—given the difficulties in large-scale statistical work. Still, an undercount may be expected. ... There is little hard evidence to show that current adjustment methodologies would improve the accuracy of

the census, and much can be learned. In short, the present state of the art probably cannot support adjustment of the 1990 census." pp. 1233-1236.

Domenic V. Cicchetti of the VA Medical Center in West Haven, Connecticut and other commentators offer a discussion of "The reliability of peer review for manuscript and grant submissions: A cross-disciplinary investigation." They note: "The reliability of peer review of scientific documents and the evaluative criteria scientists use to judge the work of their peers are critically reexamined with special attention to the consistently low levels of reliability that have been reported." *Behavioral and Brain Sciences*, 1991, 14, 119-186. \

Worth Checking

Scientific American regularly publishes short articles by Elizabeth Corcoran and Paul Wallich that are written for those with little background in economics. They present topical issues, discuss novel research and point out current debates. The column in the February 1991 issue deals with the reaction of left-wing economists to the recent events in Eastern Europe. (Sam Bowles claims that these events "have removed a millstone from the neck of leftist economists in the West.") The March 1991 issue emphasizes the new interest in surveys. (Robert Solow, "Even if econometric testing were more successful, we shouldn't throw away information from interviews. Imagine how you'd feel if your doctor didn't ask you where it hurts and just said, 'Give me the blood'.")

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