

# A Sabbatical Report (2016-17 Academic Year)

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Economics  
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The purpose of my past sabbatical leave was to:

- 1) conduct literature-review on select elite economics publications and evaluate special courses/topics;
- 2) study domestic “Global Studies” programs and investigate the common courses, C-ID requirements and relevant pedagogies.
- 3) and recharge physical and mental health

During the sabbatical year I have reviewed voluminous amount of academic journal articles and current monographs within the fields of economics (Appendix 2). Immersing in the world of academia helped me to invigorate and update my intellectual base. Indeed everyone in our profession should be given mandatory “revitalizing” periodically throughout his/her career, which should be what a sabbatical is really about. It helped take the daily on-campus obligations and pressure from us and gave us sufficient time and energy to engage in academic research and new theories. To me, academic stimulation is absolutely necessary for my professional development. I believe what I have accomplished will ultimately benefit the college and my students, particularly those who want more challenges and have who great academic potential in their future educational path.

Although I tried to read as widely as possible throughout each academic year and during summer and short breaks, I did not have sufficient time to do the massive amount of reading necessary to keep up in my fields of specialization and to acquire new findings in economics. Throughout the sabbatical leave, I not only embraced the challenges of new research but also created an annotated bibliography of the academic studies and monographs I came cross. This not only helps to facilitate a manuscript of principles of economics I have been working on, it will also be a robust boost for me to reference in writing new lectures, new curriculum in both global studies and special topics of economics, and even new low-cost principles of economics textbook tailored for our students.

The annotated bibliography ([Appendix 2](#)) I am submitting along with this sabbatical report includes the abstracts of some recent (2010-17) research papers from several leading economics journals that I have read throughout the sabbatical. Most are macro-policy and macro-theory related analyses.

In addition to reading academic literature, I had taken some time to attend some reported workshops, seminars, and economics courses offered in the Los Angeles area. It was a wonderful opportunity to reconnect to my knowledge base. It was refreshing!

Currently at Moorpark College, my discipline only offers Principles of Microeconomics (M201) and Principles of Macroeconomics (M202). Certainly, there is space to grow! Potentially we can add one of the following specialty courses: Introduction to Global Studies, Introduction to Political Economy, Institutional Comparisons of Economics, Economic History and/or Special issues/topics in Economics, etc.

Furthermore, I have conducted several field-investigations and researches (Appendix 1) on the curriculum and pedagogy of Global Studies state-wide and even cross state but primarily at the community college level. Many California community colleges have pioneered Global Studies (GS)/International Studies (IS) in the last decade or two. I am convinced that the two programs are decidedly interdependent as well as significantly overlapping. For the details, please refer to Appendix 1 on Global Studies and Internationalized Curriculum.

During the leave, I have established contacts with the GS/IS staffs at WLAC, CSUN and UCLA. Through contacting program coordinators and site visits, I have collected useful data, studied first-hand the materials used in the program and learned the experiences from those who have pioneered their GS/IS programs. The attached paperwork (Appendix 1) not only shows the TMC the state just approved as well as the paths of existing GS/IS programs in the community college-level.

Based on my study, a typical community college level Global Studies (GS)/International Studies (IS) program are taught by multiple discipline faculties, but primarily from the fields of social science. Typically, it should be composed of Introduction to Global Studies and Global Studies Seminar, Cultural Anthropology, Economics, History, Political Science, and Geography, and possibly a foreign language, etc. The interdisciplinary combination can vary in a great deal (see the different sections on Global Studies in [Appendix 1](#)). Thus we are looking not just at having courses line up but creating an experience for our students and equipping them with awareness, knowledge, and understanding that will be really global. Realistically speaking, it certainly can be organized and integrated into the existing model of “learning communities” in our system.

Think the unthinkable! All roads lead to Rome. Many investigations and probably a pilot program should lead the way first before a right and suitable Moorpark model takes place. I hope my sabbatical report can serve directly as the facilitator or even stimulator to a **Global/International Studies/Study Abroad initiative**.

Furthermore, in order to establish a new Global/International Studies program at our college, we would need to work closely with all feeder institutions nearby (CUs and UCs) to provide students with the most competent GS/IS path to transfer.

The following are the mission statements from West Los Angeles College and three close feeder institutions' Global Studies programs. Their mission statements can give us some ideas of their program's road map.

*UCLA Global Studies students are not only given the tools to understand the processes of globalization and their consequences, they are empowered to shape their world as the next generation of global leaders in business, education, government, and the non-profit sector. Housed in UCLA's International Institute, Global Studies offers a research-oriented undergraduate major leading to a Bachelor of Arts (B.A.), as well as an undergraduate minor. The Global Studies curriculum focuses on three thematic pillars of globalization: Culture & Society, Governance & Conflict, and Market Economy.*

*CSUN's Global Studies path provides students an opportunity to explore how global and transnational processes bring people together across the globe. It prompts students to examine how their lives affect and are affected by globalization. Through interdisciplinary coursework students will be introduced to definitions of globalization and key concepts related to globalizing trends. Students will explore political, economic, and socio-cultural aspects of contemporary globalization, the historical antecedents of globalization, and the diverse consequences of globalization including how it influences traditional culture, identity, media, markets, the boundaries and power of nation-states, and the environment.*

*UCSB/USF's joint Master's in International Studies is a three-semester program, which provides students with in-depth, interdisciplinary knowledge of the issues and challenges that face the global community. Our curriculum focuses on development and the environment, political and economic aspects of globalization, human rights, peace and conflict resolution, and international law and organizations.*

*West Los Angeles College's The International Area/Global Studies program is part of an interdisciplinary effort by West's faculty so you can develop the knowledge and skills you need to study and understand how our world is changing and how we can address the challenges of the future. You will learn to approach global challenges—current and emerging—from a comparative and transnational approach to research. We seek to prepare you to transfer for baccalaureate programs at UCLA, other UCs, and CSUs and to prepare you for whatever profession you choose. Come. Explore the world. Join fellow students who want both curricular and met curricular opportunities to develop a critical understanding of global issues to become engaged "citizens of the world.*

*Contribution to professional development and relationship to current assignment*

It comes as no surprise that the core work of academic economists is reading, researching and writing. My sabbatical leave project gave me time to study and enhance my professional base, two activities I did not ordinarily have time to do proficiently in the last ten years at MC. My plan was to read/study broadly in my field or the related fields which could contribute directly to my professional development by giving me time to understand

recent developments within the field and result in cutting edge classroom presentations. It also gave me the opportunity to analyze the relevance of Global Studies and international economic issues in many of my classroom discussions. My study focused within the fields of International Political Economy (IPE) and Global Studies with predominantly emphasis on emerging economies and global financial integrations. This aspect of my project has given me time to reflect and re-energize professionally, which ultimately can benefit my students at Moorpark. Since I came back last fall, I have spread seeds and being inspired my students in the multiple global economic dynamics. For instance, I have made multiple attempts in my lectures to promote and stimulate the interests on global studies, international business, economics and finance, political economy, and institutionalization of comparative economic system, etc.

Research is crucial to any economist's sense of the field as well as being a vital contribution to the discipline itself and the new interdisciplinary studies. I have initiated multiple fronts of research since the beginning of my sabbatical in 2016. The following represents a few bright spots of my research orientations. It is a list of things I have initiated researched during the sabbatical leave, which also includes questions/debates I ideas to bring in to my classes!

1. Bitcoin values soared to a record high last year and then have declined sharply recently, but attentiveness in the cryptocurrency and its technology is spiraling at some leading graduate schools of business and economics, The New York Times reported on January 9. I am very interested in finding out how the future of cyber-currency will play in our daily life. Will it replace credit cards and checks? In a relevant study about China's Digital Cyber-pays (Ali-Pay and WeChat- Pay), I found that in the West consumer and business are significant lagged in embracing digital currency. Will it gave a significant competitive advantage to China in the global competition? Will we eventually adopt a format of digital-currency? In what way? And how long will it take? Will the major central banks eventually embrace digital currencies?
2. Although median compensation and average compensation in the US have diverged starkly from average labor productivity, according to a Harvard economic analysis, over the period of 1973-2016, 1% advance in productivity growth was associated with 0.7 to 1% higher in median and average compensation growth. Factors unrelated to slowing productivity growth appear to have accounted for sluggish compensation growth in recent years. This finding shows the negative correlation is strong! How does this inference imply to VCCCD's wage stagnation?
3. The key stylized facts about changes in inflation dynamics in recent years (2008 - 2017): 1) inflation persistence has declined, 2) the Phillips curve has flattened, and 3) inflation has become less responsive to other shocks. These changes in inflation dynamics are interpreted as resulting from an anchoring of inflation expectations as a result of better monetary policy. What does the recent spike of long term bond yields imply? What are the inferences for the Fed's near-term monetary policy? What are the implications for inflation expectations? Given the world-wide QEs after

the Great Meltdowns of 2008-2009, is an unexpected inflation era is imminent? How soon? Has the economy peaked and is closing to the next recession from the normal business cycle?

4. The interaction between new technologies and organizational structures such as networks and corporations is another front of my research. For instance, how consumer search in a technology-mediated marketplace can affect the incentives for firms to engage in price obfuscation? The role of innovation in American K-12 education on the efficacy of classroom technologies. How do information, influence, and resources flow through innovation networks? How did corporate organizational structures influence innovation and dynamism? How does investor pressure for short-term financial results lead U.S. companies to systematically underinvest in long-term capital expenditures and R&D? Etc.
5. The most economical way to pay down outstanding debt on multiple credit cards is to pay the minimum due on all cards, then devote as much additional payment as possible to the card with the highest interest rate. But, as research recently reports, that's not what cardholders usually do.
6. The Federal Reserve's Bank policies during the Great Recession and aftermath (2008-2014), European Central Bank (ECB) policies during the European sovereign debt crises (2012-13), the impacts of informing college students of loan availability, the effect of housing booms on spending for public schools, the nature of "food deserts" in low-income neighborhoods, and the outsized role of the U.S. dollar in world trade.
7. Population aging is a worldwide phenomenon that is expected to continue and intensify and is particularly true in the economic powerhouses of Japan, China and the USA, with potentially far-reaching economic impacts to the world in the next quarter to half century. I am very interested in finding out how population aging might alter the effectiveness of the Federal Reserve's policy tools and how the availability of data and the initiation of AI are/will change the study of consumer behavior economics and Rational Expectation Model.
8. Dissolution of the federal Office of Thrift Supervision (OTS), which oversaw 10% of all U.S. depository institutions, resulted in stricter supervision of former OTS banks and was accompanied by an approximately 10% increase in small business lending by those banks. This leads to an important question in banking -- how strict supervision affects bank lending and in turn local business activity? Forcing banks to recognize losses could choke off lending and amplify local economic woes, especially after financial crises. But stricter supervision could also lead to changes in how banks assess loans and manage their loan portfolios. Estimating such effects is challenging. I want to explore the extinction of the thrift regulator (OTS) – a large change in prudential supervision, affecting 10% of all U.S. depository institutions. The similar situation has happened in China in the last decade after the massive

## Monetary and Fiscal Easiness of 2008 & 2009.

### *Benefits to our institution, district and students*

My students directly benefit in a variety of ways from the projects I have undertaken. First, our students deserve to have professors who are not only knowledgeable regarding the most current issues in the field but also participating in the craft of that knowledge. In addition to bringing in the latest findings to my classroom, I have made the most of them by melting them into the existing and new lectures and courses from Economics to the new Global Studies program. I sincerely hope to also uncover materials in my research that will provide the foundation for one to two publishable academic articles in the future as well as refine a manuscript of new textbook in principles of macroeconomics which I have been working on.

These new materials are enhancing my classroom pedagogy, and little by little giving my students exposure to the latest in the fields. It's an on-going mission! The research I have conducted in both IPE and Global Studies can directly benefit the district, the college and students by becoming the basis of a future journal publication or a series of Multicultural Day presentations. Obviously, anything published by MC faculty benefits the college and our students by enhancing the college's academic reputation and ranking in general. Although the publications of one to two articles and co-authoring a new textbook are not within the purview of this sabbatical proposal, it is within my future goals and certainly a realistic goal based on my prior track record of research and paper-proceedings.

My sabbatical experience is bringing the craft and practice of "new senses" and new ideas into the classroom daily. This is essential to our students' understanding of current economy and the critical role and position of United States in waves of globalization as well as helping and preparing them become global citizens with a necessary world view.

### *Share the outcomes*

I am happy to share my sabbatical experience, adventures (twice travel to China), and findings with my colleagues, the Board of Trustees, my students, and any other audience that the college might like me to address. I will also be happy to share my findings at selected Professional Development activities should others be interested in hearing about it.

# Appendix 1: Global Studies

## Moorpark College Mission Statement:

*With a “students first” philosophy, Moorpark College is dedicated to creating and serving a diverse community of **global learners with innovative integration of instruction and student services**. Through collaboration with local business and educational partners, Moorpark College is committed to student success and completion of **basic skills, transfer,** and career technical education goals.*

## Moorpark College Philosophy:

*Moorpark College is dedicated to the philosophy of providing educational programs that develop individual abilities, strengthen human relationships, enhance community life, and **heighten global consciousness**.*

## Global Studies @MC

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The global studies degree program at Moorpark College prepares students to **maneuver** in an increasingly interdependent world by promoting critical perspectives on the economic, cultural and historical, environmental, geographic, and political issues and processes associated with globalization. By exposing students to a variety of academic disciplines and the real world such as study abroad opportunities, the program seeks to reinforce desirable skills for higher education in variety of fields, in particular those related to international studies. The idea that we exist in a complex web of interdependency serves as the core of the program that ultimately aims to foster a sense of responsibility toward the humanity and the responsiveness to effect positive transformation toward a future of peace and conflict resolution.

### **General Student Learning Outcome (GSLO)**

1. Students should be able to define globalization and key concepts related to globalizing trends and recognize a variety of globalized socioeconomic, socio-political, cultural and historical, and aesthetic forms.
2. Students should be able to discuss the economic, political, cultural and/or historical underpinnings of globalization.
3. Students should be able to analyze the diverse consequences of globalization including its impacts on various social formations (e.g. identity, culture, art, communities, media, markets, and nation-states, among other examples) and/or the environment.

4. Students should be able to demonstrate an awareness of, appreciate and respect for the value of human diversity.
5. Students should be able to display an understanding of their responsibility as global citizens.
6. Students should be able to develop frameworks and strategies to more efficiently and effectively learn about global issues

Areas of Study:

**Cultural and Regional Studies**

This area of study critically evaluates the interconnectedness and complexity of global cultures. Students explore the similarities and differences that characterize a society. They will be challenged to actively question their preconceived notions of other societies. Students will explore global issues and cultural identities as they relate to the arts, religion, world languages, world literature, and world civilizations.

**Institutions and Issues**

This area of study examines how we utilize our personal, regional, and global resources to meet our human needs; and the impact of this resource use on the Earth and its global citizens. Critical issues that impact global citizens, individually and collectively, are explored through various disciplines. In addition, a number of economic, regulatory, and political institutions are discussed in regards to their relationship to specific topical areas.

**Peace, Justice, and Conflict Resolution**

This area of study aids in the development of global thinking and a respect for diversity and the rights of all forms of life. Critical issues include recognizing social injustice, its contributing factors, and the actions necessary to bring about change. It develops mediation and alternative dispute management skills to work in a number of organizations and settings.

Program Plan / Courses:

Minimum program credit hours: 60

Degree: AAT - Global Studies

<u>General Requirements</u>	30 credit hours	Degree Requirements Met
<b>Core Courses</b>	6	
GS 201: Introduction to Global Studies	3	
GS 202: Global Studies Seminar	3	
<b>Core Electives</b>	12	
<b>Humanities</b>	12	



ENG 101X: English Composition 3

ENG 102X: English Literature & Writing 3

World Language Requirement

*Choose from courses within the CHN, FRE, JPN, SPA disciplines.* 6

**Social Sciences 12**

ECON 202: Macro Economics Principles 3

ECON 203: Economics Issues (IPE or EH) 3

HIS 101X: World History Before 1500 or HIS 1520: World History Since 1500 3

POLS 102X: World Politics 3

**Math/Sciences 6**

GEO 101X: World Geography 3

STAT 101X: Elementary Statistics 3

**Core Requirements 18 credit hours Degree Requirements Met**

At least 1 course must be taken from each of the 3 areas of specialization

*One course must be at the sophomore level.*

**Cultural and Regional Studies**

ANT 101: Introduction to Cultural Anthropology 3

ANT 102X: Comparative Religion 3

ANT 103X: Peoples and Cultures of the World 3

ART 104X: Visual Art: Renaissance through Contemporary 3

CMM 10X: Mass Communication/ Media 3

ENG 101X: World Literature I 3

ENG 102X: World Literature II 3

CHN 101: Intro to Chinese 3

FRH 101: Intro to French 3

SPH 101: Intro to Spanish 3

SOC 101: Introduction to Sociology 3

HIST 10x: Eastern Civilization and Culture 3

**Institutions and Issues**

<u>ENV 101</u> : Environmental Issues/Ethics	3
<u>Econ 203A</u> : Intro to International Political Economy	3
<u>Econ 203B</u> : Global Economic Issues	3
<u>ECO 203C</u> : Economic History	3
ECO 202: Macroeconomic Principles	3
<u>ECO 202</u> : Microeconomic Principles	3
<u>GS 201X</u> : Global Studies Internship/Study Abroad	3
<u>POLS 102X</u> : Comparative Politics	3
<u>POLS 10X</u> : European Union	3
<u>ANT 10X</u> : Planet Earth	3

### **Peace, Justice, and Conflict Management**

<u>CMM 10X</u> : Interpersonal Communication	3
<u>BUS 10X</u> : Business Communication	3
<u>PHL 101</u> : Introduction to Philosophy	3
<u>PHL 10X</u> : Contemporary Moral Problems	3
<u>POLS 101X</u> : Law and Civil Rights	3
<u>PSY 10X</u> : Social Psychology	3

<b>Electives</b>	<b>12 credit hours</b>	<b>Degree Requirements Met</b>
<b>s</b>		

#### **Important Points**

- Students are strongly encouraged to take CMM 10XA: Public Speaking, and PHL 10XA: Critical Reasoning as electives.

#### **Proposed SLO:**

Upon completion of the program, students will be able to:

1. Demonstrate knowledge and understanding of global issues, processes, trends, and systems (i.e., economic, political, and environmental issues and policies; environmental-cultural interaction; global governance bodies.
2. Demonstrate a global perspective by utilizing diverse frames of reference and alternate perspectives to question and analyze global issues and problems.
3. Communicate in a second language in each of the four modalities: speaking, listening, reading, and writing at an introductory level.

#### **MC Study Abroad Proposal:**

The program is committed to helping students understand the complexities of the contemporary world by providing challenging academic programs and cross-cultural

learning in locations around the globe. A significant component of study abroad programs, both through traditional classroom education and in field learning, is dedicated to grasping, to the extent possible in a relatively short stopover, the historical, social and cultural context of the big questions of the human condition. Programs should include one or two European countries Austria, Belgium, China, Ecuador, England, France, Germany, Greece, India, Ireland, Mexico, Morocco, New Zealand and Spain. As a result, students who participate in a program gain a more comprehensive and precise understanding of the world. A total of 12-17 credits may be earned.

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# Think Globally @MC

## INTERNATIONALIZED GS CURRICULUM

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### INDEX

- Domestic Programs to help Internationalize Curriculum
- Global Studies Online
- Internationalized Modules
- International Curriculum Programs
- A.A. Degree / Certificate Programs
- Internationally Oriented Classes

### INTERNATIONAL CURRICULUM DOMESTIC PROGRAMS

Many different programs exist that are designed to specifically assist community college faculty in internationalizing their curriculum. The growing number of California Community College faculty in these programs reflects the escalating interest in internationalization of the curriculum in our community college classes. During 2004 – 05, 22 CCIE colleges participated in different domestic programs that specialized in teaching faculty how to internationalize their curriculum. 26 different faculty participated in these domestic programs. Also consider using Technology to Internationalize the Curriculum.

For MC, the Global Studies Program should primarily encompass the disciplines of economics, geography, history and political science. The courses offered in these disciplines are designed to encourage students to take the world view in studying human society, its institutions, physical environments, population patterns and economic structures. These courses require students to synthesize and analyze information, thereby honing their abilities to think logically, flexibly and critically.

The general education core curriculum should be an integral part of every degree program. The Global Studies Program should offer a broad range of courses from which students may choose to satisfy their general education knowledge areas. View Course Descriptions,

- Economics
- History
- Political Science
- Geography

**Possible Hybrid GLOBAL STUDIES (first year on-ground, second year online)**

Global Studies Online is an accredited, interdisciplinary AAT degree that provides an understanding of the global economic, historical, political and geographic, plus the skills of critical thinking and analysis that are crucial for careers in the diplomatic service, business, security, and international development and humanitarian action.

This program is designed for persons who have completed minimum one years of full time transferrable college credit -- the California Core General Education requirements or their equivalent.

The program provides:

- High quality new, interdisciplinary courses
- Web-based study accessible 24/7
- Cohort enrollment, the most effective online learning method

Courses offered as part of the program include:

- GS 101: Introduction to Global Studies
- ECON 202: Macroeconomics Principles
- HIST 103/POLS 103: Modern World History/World/Comparative Politics
- GEO 10X: Geography of the World
- PHIL 10X: Intro to Philosophy
- ENIR 10X: Global Climate Change

The AAT degree program offers help in transferring to CSU/UC. Those wishing further education in GS program path may undertake an interdisciplinary BA in Global Studies at most CSU/UC campuses or at a number of other colleges/universities across the country.

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## C-ID: Associate in Arts in Global Studies TMC

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CCC Area of Emphasis (AoE): Global Studies

PROPOSED TOP CODE: In Development: 2210.2 – Global Studies

CSU Associated Majors: Global Studies, Global Politics, International Relations, International Studies, International Relations and Comparative Government,

Degree Type (*indicate one*): AA-T

Total units: **21** (*all units are semester units*)

**Core: 2 course (minimum 6 units)**

Title (units)	C-ID Designation	Rationale (Possible CSU GE)
Introduction to Global Studies (3)	C-ID GLST 101	Introduction to major (CSU GE Area D)
Global Issues (3)	C-ID GLST 102	Introduction to major (CSU GE Area D)

**List A: Select 5 courses, at least one from 4 of the 5 following areas (minimum of 15 units):**

<b><i>Culture and Society Area</i></b>		
Introduction to Cultural Anthropology (3)	C-ID ANTH 120	May be major prep (CSU GE Area D)
World History since 1500 (3)	C-ID HIST 160	May be major prep (CSU GE Area C2/D)
Any anthropology or history course articulated as major preparation for one of the CSU majors associated with the AoE.		
<b><i>Geography Area</i></b>		
Introduction to Physical Geography (3)	C-ID GEOG 110	May be major prep (CSU GE Area B1/D)
Introduction to Human Geography (3)	C-ID GEOG 120	May be major prep (CSU GE Area D)
World Regional Geography (3)	C-ID GEOG 125	May be major prep (CSU GE Area D)
Any geography course articulated as major preparation for one of the CSU majors associated with the AoE.		
<b><i>Economic Area</i></b>		
Principles of Microeconomics (3)	C-ID ECON 201	May be major prep (CSU GE Area D)
Principles of Macroeconomics (3)	C-ID ECON 202	May be major prep (CSU GE Area D)
Any economics course articulated as major preparation for one of the CSU majors associated with the AoE.		
<b><i>Politics Area</i></b>		
Introduction to Comparative Government and Politics (3)	C-ID POLS 130	May be major prep (CSU GE Area D)
Introduction to International Relations (3)	C-ID POLS 140	May be major prep (CSU GE Area D)
Any political science course articulated as major preparation for one of the CSU majors associated with the AoE.		

<b>Humanities Area</b>		
Survey of World Literature I (3)	C-ID ENGL 140	CSU GE C2
Survey of World Literature II (3)	C-ID ENGL 145	CSU GE C2
Any 3 <sup>rd</sup> or 4 <sup>th</sup> term foreign language course.		May be major prep
Any course articulated as major preparation for one of the CSU majors associated with the AoE and articulated as CSU GE C1 (arts) or C2 (humanities)		

21 CCC's with AA degrees in the 221000 TOP Code.

1. ALLAN HANCOCK	Global Studies	A.A. Degree
2. AMERICAN RIVER	International Studies	A.A. Degree
3. BERKELEY CITY	Global Studies	A.A. Degree
4. CABRILLO	International Studies	A.A. Degree
5. CANADA	International Studies	A.A. Degree
6. CERRITOS	International Studies: Global Politics/Diplomacy International Studies: Global Resources International Studies: Interpreting/Translating International Studies: World Cultures	A.A. Degree
7. CHABOT	International Studies	A.A. Degree
8. CUESTA	International Studies	A.A. Degree
9. DE ANZA	Global Studies	A.A. Degree
10. GAVILAN	Social Science: Global Studies	A.A. Degree
11. L.A. SOUTHWEST	Pan American Studies	A.A. Degree
12. LAS POSITAS	International Studies	A.A. Degree
13. MARIN	International Studies	A.A. Degree
14. MERCED	International Studies	A.A. Degree
15. MISSION	Global Studies	A.A. Degree
16. SACRAMENTO CITY	Intercultural Studies International Studies	A.A. Degree
17. SANTA BARBARA CITY	Global Studies	A.A. Degree
18. SANTA MONICA	Global Studies	A.A. Degree
19. SANTA ROSA	Global Studies	A.A. Degree
20. SOLANO	International Relations	A.A. Degree
21. VENTURA	Global and International Studies	A.A. Degree

## Global Issues

<b>C-ID Number</b>	GLST 102
<b>Discipline</b>	Global Studies - AOE
<b>Date Approved</b>	September 24, 2015

## General Course Description

This course introduces students to the origins, current status, and future trends of major transnational issues confronting the global community. Topics can include population trends, economic development and inequality, basic human needs (for food, water health care), human rights, international conflict and security concerns, and environmental problems. The course also focuses on global governance, including the study of collective global responsibilities.

## Minimum Units

3.0

## Any rationale or comments

## Advisories/Recommendations

College level English

## Course Content

Introduction: identification and definition of global issues/problems and related concepts such as interdependence. Study of a number of problems/issues, including, but not limited to, the suggested list below, organized by either themes or regions: The study of global population, which includes the evolution of population growth and predictions of the future, and demographic trends, and/or migration, as well as the concept of carrying capacity. The study of global governance, including, but not limited to, the study of global and regional IGOs (roles, background), the role of nation states, the role of NGOs, communities and individuals. The focus is on various political actors' policy powers and limits thereof and their role in addressing existing global problems/issues. The study of economic development/ underdevelopment, including, but not limited to, economic growth, the global economy, global inequality and global poverty. Study of topic(s) related to human needs, including all or some of the following: a) food: including, but not limited to, the study of food shortages, and changes in food production over time; b) water: including, but not limited to, the study of water access and availability, questions related to sanitation, and safety and conflict; c) health: including, but not limited to, global health problems such as pandemics and their prevention; and/or health care, including, but not limited to, availability and problems with provision of health care; d) energy: including, but not limited to, energy needs, consumption and conservation, renewable and nonrenewable resources. The study of environmental problems, including, but not limited to, problems related to deforestation, threats to biodiversity, climate change, the pollution of water, air and soil. The study of human rights, focusing on existing international law and on violations of human rights. Topics addressed might include, but are not limited to, the study of the status of women, the use of child soldiers, the status of refugees, human trafficking, and modern-day slavery. The study of current conflict and security related problems and global crime, including, but not limited to, current ethnic and sectarian conflicts, the proliferation of weapons of mass destruction, and the threat of terrorism, human- and drug-trafficking, and piracy. The study of technology, including, but not limited to, the benefits and problems of new technologies, problems related to access/ inequality of access, and cybersecurity.

For all global issues/ problems, the focus on is analysis of causes of the problem and on approaches to solving it.

## Course Objectives

At the conclusion of this course, the student should be able to: Identify major recurring and emerging global issues Examine and analyze one or more specific global problems of international or regional nature, and discuss approaches to its/their solution (from an international perspective) Analyze the interconnections between and among global issues Compare and evaluate the efficacy of national, regional, and international efforts to solve the problems associated with global issues

## Methods of Evaluation

Exams. Written reflections Research paper(s).

## Sample Textbooks

Payne, Richard. Global Issues, Fourth edition. Pearson, 2013. Seitz, John L and Hite, Kristen. Global Issues: An Introduction, 4th edition. Wiley, 2012. Sernau, Scott. Global Problems, Third edition, Pearson, 2012. Snarr, Michael T. and Snarr, D. Neil(eds.). Introducing Global Issues, Fifth edition. Rienner, 2012. Jackson, Robert M., Ed. Global Issues (annual editions). McGraw- Hill/Dushkin, 2013. (This is a yearly publication, the title and edition change each year.) Harf, James E. and Mark Owen Lombardi (eds.). Clashing Views on Global Issues. 7th ed. McGraw-Hill/Dushkin, 2013.

# Globalized MODULES @ CA

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Since approximately a decade ago, the following **California community colleges** have faculty that produced modules that internationalized elements of their courses.

### **EL CAMINO:**

World Cultures Modules used in Global Experience through Technology Project. The project links classes at ECC with Dinopropetrovsk National University (Ukraine); University of Modena in Reggio Emilia (Italy) and Lebanese Universit, Beirut (Lebanon) in real-time web-based video.

**LAKE TAHOE:** Humanities 191 A1: World Languages, Phrases, Foods and Facts

### **RIVERSIDE:**

All college courses have been revised and now include international perspectives.

### **SAN DIEGO CCD:**



The District curriculum includes courses in the Behavioral Sciences, the Social Sciences, the Humanities, and Business that address international learning. More than 5,000 SDCCD course sections per year provide information on international perspectives and help students prepare for successful competition in the global marketplace. On a course-by-course basis, faculty members have been encouraged by their Deans to add global content to courses and to participate in Study Abroad and International Education Program activities. However, the challenge remains regarding how best to interest and motivate faculty to include international perspectives across all the different subject areas and integrate Global Student Learning Outcomes into their existing curriculum. Over the last four years, three curricular changes have expanded student opportunities to increase global competencies. San Diego City College recently developed an International Studies Associate Degree and Liberal Arts, Option III, Associate Degree with an emphasis on Global/International Studies. Honors students also can earn a certificate in global studies. San Diego Mesa College currently offers "Certificates of Completion" in Global Cultures and in an International Studies. Miramar College has introduced new language courses in Tagalog and a cultural experience travel course entitled The Filipino-American Experience.

**SAN FRANCISCO:** With Asian-Infusion Grant changes were made in 15 courses

#### **INTERNATIONALLY ORIENTED COURSES**

While it remains critical for individual classes across the curriculum to become internationalized, it is equally important for colleges to offer to their students basic courses that are international in orientation. Since 1990, the number of CCIE colleges that offer such courses is growing annually. Based on those colleges who responded to this section of the survey, the following itemizes the number of CCIE member colleges that offer such courses.

**Cultural Anthropology:** Offered at 69 colleges. In 2002, was only offered in 42 colleges.

**Cultural Geography:** Offered at 61 colleges. In 2002, was only offered in 34 colleges.

**Ethnic Studies:** Offered at 59 colleges. In 2002, was only offered in 28 colleges.

**Non-European History:** Offered at 58 colleges. In 2002, was only offered in 37 colleges.

**International Business:** Offered at 54 colleges. In 2002, was only offered in 29 colleges.

**Non-European Humanities:** Offered at 51 colleges. In 2002, was only offered in 32 colleges.

**International Relations:** Offered at 39 colleges. In 2002, was only offered in 19 colleges.

**Multicultural Education:** Offered at 38 colleges. In 2002, was only offered in 15 colleges.

**Intercultural Communications:** Offered at 37 colleges. In 2002, was only offered in 18 colleges.

**International Studies:** Offered at 24 colleges. In 2002, was only offered in 9 colleges.

### **A.A. DEGREE/CERTIFICATE PROGRAMS**

Internationally themed Certificate and/or A.A. Degree Programs include a structured core of required classes, including foreign language, plus a selection of multi-disciplinary electives that allows students to take a broad range of internationalized classes within many different disciplines, thereby exposing them to an array of knowledge upon which international literacy is eventually achieved. In California, these programs average twenty-one units can be in an individualized department (i.e. international studies, intercultural communications, international business) but more frequently are part of an existing college department, typically business or political science. Many programs are supplemented by internationally infused general education classes; most involve selected general education courses which are required for graduation and nearly all offer classes that are transferable to universities. Although the number of colleges offering these types of programs are increasing, student participation remains limited.

The following were offered by CCIE member colleges:

9 A.A. Degree International Studies Programs

297 A. S. International Business Programs

5 Certificates in International Studies

32 Certificates in International Business

3 Certificates in Ethnic/Multicultural Studies

8 Certificates in Intercultural Studies

1 Certificate in Latin American Studies

**AA International Studies** Canada; Cerritos; Los Rios CCD; San Diego CCD; West Valley/Mission CCD

**AS International Business** Canada; Cerritos; Coast CCD; Foothill; LA Harbor; LA Pierce; Long Beach; Monterey Peninsula; Mt. San Antonio; Fullerton; Pasadena; Vista; Rancho Santiago CCD; Riverside; Irvine Valley; San Jose; Santa-Barbara; San Diego CCD; Santa Monica; Ventura CCD; West Valley/Mission CCD

**Certificate - International Studies** Cerritos; Coast CCD; Lake Tahoe; Santa Barbara; Santa Rosa; West Valley/Mission CCD

**Certificate - International Business** Citrus; Coast CCD; Foothill; East LA; El Camino; Glendale; LA Pierce; Long Beach; Monterey Peninsula; Mt. San Antonio; Fullerton; Pasadena; Vista; Rancho Santiago CCD; Riverside; Irvine Valley; San Francisco; San Jose; Santa Barbara; San Diego CCD; Santa Monica; Santa Rosa; Ventura CCD (Oxnard or Ventura?); West Valley/Mission CCD

**Certificate in Intercultural Studies:** Coast CCD; DeAnza; Cypress; San Diego CCD;

**Certificate in Ethnic Studies:** Glendale; San Francisco; Solano;

**Certificate in Latin American Studies Certificate:** LA Pierce;

## A Local Example: West Los Angeles College's IGS Program

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*West Los Angeles College's The International Area/Global Studies program is part of an interdisciplinary effort by West's faculty so you can develop the knowledge and skills you need to study and understand how our world is changing and how we can address the challenges of the future. You will learn to approach global challenges—current and emerging—from a comparative and transnational approach to research. We seek to prepare you to transfer for baccalaureate programs at UCLA, other UCs, and CSUs and to prepare you for whatever profession you choose. Come. Explore the world. Join fellow students who want both curricular and met curricular opportunities to develop a critical understanding of global issues to become engaged "citizens of the world."*

Requirements	Dept. Name/#	Name	Units
Required core: (5 courses, 15 units)	POLI SCI 60	Introduction to Globalization	3
	ECON 11	Economics of Globalization	3
	POLI SCI 7	International Relations	3
	ENG 204	World Literature	3
	PHILOS 33	Comparative Study of World Religion	3

JAPANESE 1	Elementary Japanese 1	5
JAPANESE 2	Elementary Japanese 2	5
ARABIC 1	Elementary Arabic I	5
ARABIC 2	Elementary Arabic II	5

**Required Major Total:** 27 units  
**Associate Degree General Educational Plan A:** 33 units  
 Electives: 3 units  
**Total Degree Units:** 60 units

## An Outstate CC Example: Global Studies Focus Award - Portland Community College

The courses included in PCC's Global Studies Focus Award foster a rich understanding and appreciation of the diverse cultures of the world. Students who successfully complete a minimum of four courses for a total of twelve credits or more from the Global Studies Focus Award requirements have the distinction of receiving a Global Studies Focus Award, which recognizes a foundation in international studies. These studies encourage broader reflections about the nature of culture and how it shapes everything from worldview to everyday life. Above all the curriculum enables students to develop a multidimensional perspective on the world, its many cultures, as well as their own life experiences. Students earning a Focus Award will be in a position to apply these perspectives and demonstrate cultural understanding to prospective employers and transfer colleges. This award is especially useful for students seeking to minor or major in International Studies at Portland State University, as well as other institutions offering and internationally-focused major or minor.

Students applying for the Global Studies Focus Award should contact the administrative liaison for the focus award at 971-722-4266.

### **Global Studies Focus Award Requirements**

Students must complete four courses for a total of twelve credits or more:

- 1) INTL 201: Introduction to International Studies.
- 2) a course from the Global Arts & Letters list.

Restrictive Electives: Select 4 courses total from the following courses (12 units total)	POLI SCI 17	Government and Politics of Latin America	3
	SPANISH 10	Latin American Civilization	3
	History 87	Introduction to World Civilization II	3
	History 27	History of Africa	3
	POLI SCI 14	Politics of the Middle East	3
	ART 141	Introduction to African Art	3
	ASIAN 3	Peoples and Cultures of Asia	3
	GEOG 2	Cultural Elements of Geography	3
POLI SCI 2	Comparative Politics	3	

Two years of a foreign language are recommended with the AA in Global Studies.

SPANISH 1	Elementary Spanish 1	5
SPANISH 2	Elementary Spanish 2	5
FRENCH 1	Elementary French 1	5
FRENCH 2	Elementary French 2	5
CHINESE 1	Elementary Chinese 1	5
CHINESE 2	Elementary Chinese 2	5

3) a course from the Global Social Science list.

4) a course from *either* Global Arts & Letters or Global Social Science list.

In addition to the formal coursework outlined above, students are strongly encouraged to expand their learning beyond the classrooms by attending internationally-focused events on campus and in the community and by participating in a study abroad program. Those who do will be extremely well prepared to transfer to the International Studies program at the bachelor's and graduate levels.

**Required course**

INTL 201 Introduction to International Studies 4

**Global Social Science Courses**

ATH 103 Introduction to Cultural Anthropology 4

ATH 207 Cultural Anthropology: Culture Concepts 4

ATH 208 Cultural Anthropology: Cultures of the World 4

ATH 209 Cultural Anthropology: Cultural Growth & Change 4

ATH 212 Introduction to Shamanism 4

ATH 214 Human Environments: Ecological Aspects 4

EC 230 Contemporary World Economic Issues: International Economics 3

GEO 105 Human Geography 4

GEO 106 World Regional Geography 4

GEO 204 Geography of Middle East 4

GEO 212 Geography of Global Issues 4

GEO 230 Geography of Race & Ethnic Conflicts 4

HST 101 History of Western Civilization: Ancient to Medieval 4

HST 101H History of Western Civilization: Ancient to Medieval Honors 4

HST 102 History of Western Civilization: Medieval to Modern 4

HST 102H History of Western Civilization: Medieval to Modern - Honors 4

HST 103 History of Western Civilization: Modern Europe 4

HST 103H History of Western Civilization: Modern Europe - Honors 4

HST 104 History of the Middle East 4

HST 105 History of India and South Asia Region 4

HST 106 History of China 4

HST 107 History of Korea and Japan 4

<u>HST 270</u>	History of Mexico	4
<u>HST 271</u>	History of Central America and the Caribbean	4
<u>HST 284</u>	History of Africa	4
<u>HST 285</u>	The Holocaust	4
<u>HST 278</u>	Russian History I	4
<u>HST 279</u>	Russian History II	4
<u>PS 204</u>	Comparative Political Systems	4
<u>PS 205</u>	Global Politics: Conflict & Cooperation	4
<u>PS 211</u>	Peace and Conflict	4
<u>PS 220</u>	U.S. Foreign Policy	4
<u>PS 221</u>	Globalization and International Relations	4
<u>PS 225</u>	Political Ideologies: Idea Systems	4
<u>WS 101</u>	Women's Studies	4
<u>WS 201</u>	Intercultural Women's Studies	4
<b>Global Arts &amp; Letters Courses</b>		
<u>ART 207</u>	History of Asian Art	4
<u>ART 208</u>	History of Asian Art	4
<u>ART 209</u>	History of Asian Art	4
<u>CHLA 201</u>	Introduction to Chicano/Latino Studies I	4
<u>CHLA 202</u>	Introduction to Chicano/Latino Studies II	4
<u>CHLA 203</u>	Introduction to Chicano/Latino Studies III	4
<u>CHN 201</u>	Second Year Chinese	5
<u>CHN 202</u>	Second Year Chinese	5
<u>CHN 203</u>	Second Year Chinese	5
<u>CHN 260</u>	Chinese Culture	3
<u>COMM 140</u>	Introduction to Intercultural Communication	4
<u>ENG 107</u>	World Literature	4
<u>ENG 108</u>	World Literature	4
<u>ENG 207</u>	World Literature - Asian (India)	4

<u>ENG 208</u>	World Literature - Asian (China)	4
<u>ENG 209</u>	World Literature - Asian (Japan)	4
<u>ENG 213</u>	Latin American Literature	4
<u>ENG 215</u>	Literature of Genocide	4
<u>FR 201</u>	Second Year French	4
<u>FR 202</u>	Second Year French	4
<u>FR 203</u>	Second Year French	4
<u>GER 201</u>	Second Year German	4
<u>GER 202</u>	Second Year German	4
<u>GER 203</u>	Second Year German	4
<u>JPN 201</u>	Second Year Japanese	5
<u>JPN 202</u>	Second Year Japanese	5
<u>JPN 203</u>	Second Year Japanese	5
<u>JPN 260A</u>	Japanese Culture	3
<u>JPN 261A</u>	Japanese Culture	3
<u>JPN 262A</u>	Japanese Culture	3
<u>MUS 108</u>	Music Cultures of the World	3
<u>PHL 210</u>	Introduction to Asian Philosophy	4
<u>R 201</u>	Asian Religions	4
<u>R 210</u>	World Religions	4
<u>SPA 201</u>	Second Year Spanish - First Term	4
<u>SPA 202</u>	Second Year Spanish - Second Term	4
<u>SPA 203</u>	Second Year Spanish - Third Term	4



## Appendix 2: Annotated Bibliography & Literature Review

### *A Phillips Curve with Anchored Expectations and Short-Term Unemployment*

Laurence Ball

Sandeep Mazumder

NBER Working Paper No. 20715

Issued in November 2014

NBER Program(s): Economic Fluctuations and Growth, Monetary Economics

This paper examines the recent behavior of core inflation in the United States. Authors specify a simple Phillips curve based on the assumptions that inflation expectations are fully anchored at the Federal Reserve's target, and that labor-market slack is captured by the level of short-term unemployment. This equation explains inflation behavior since 2000, including the failure of high total unemployment since 2008 to reduce inflation greatly. The fit of their equation is especially good when they measure core inflation with the Cleveland Fed's series on weighted median inflation. They also propose a more general Phillips curve in which core inflation depends on short-term unemployment and on expected inflation as measured by the Survey of Professional Forecasters. This specification fits U.S. inflation since 1985, including both the anchored-expectations period of the 2000s and the preceding period when expectations were determined by past levels of inflation.

### *Understanding Inflation in India*

Laurence Ball

Anusha Chari

Prachi Mishra

NBER Working Paper No. 22948

Issued in December 2016

This paper examines the behavior of quarterly inflation in India since 1994, both headline inflation and core inflation as measured by the weighted median of price changes across industries. It explains core inflation with a Phillips curve in which the inflation rate depends on a slow-moving average of past inflation and on the deviation of output from trend. Headline inflation is more volatile than core: it fluctuates due to large changes in the relative prices of certain industries, which are largely but not exclusively industries that produce food and energy. There is some evidence that changes in headline inflation feed into expected inflation and future core inflation. Several aspects of India's inflation process are similar to inflation in advanced economies in the 1970s and 80s.

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### *Falling Behind the Curve: A Positive Analysis of Stop-Start Monetary Policies and the Great Inflation*

Andrew Levin

John B. Taylor

NBER Working Paper No. 15630

Issued in January 2010

NBER Program(s): Economic Fluctuations and Growth, Monetary Economics

This paper documents the evolution of long-run inflation expectations and models the stance of monetary policy from 1965 to 1980. A host of survey-based measures and financial market data indicate that long-run inflation expectations rose markedly from 1965 to 1969, leveled off in the mid-1970s, and then rose at an alarming pace from 1977 to 1980. While previous studies have shown that the trajectory of the federal funds rate over that period is not well-represented by a Taylor rule with a constant inflation goal, its analysis indicates that the path of policy can be characterized by a reaction function with two breaks in the intercept--in 1970 and 1976--that correspond to discrete shifts in an implicit inflation goal. This reaction function implies that a series of stop-start episodes occurred in 1968-70, 1974-76, and 1979-80. In each episode, policy fell behind the curve by allowing a pickup in inflation before tightening belatedly, and then the subsequent contraction in economic activity led to policy easing before inflation had been brought back down to its previous level. The evidence presented in this paper raises serious doubts about several prominent theories of the Great Inflation and suggests that a simple rule with an explicit inflation goal could serve as a useful benchmark for avoiding its recurrence. Their finding has real-life impacts to today's economy and the unusual high-pressured long-term bond market.

*A Long-Run Risks Explanation of Predictability Puzzles in Bond and Currency Markets*

Ravi Bansal

Ivan Shaliastovich

NBER Working Paper No. 18357

Issued in September 2012

NBER Program(s): Asset Pricing, International Finance and Macroeconomics, Monetary Economics

This paper shows that bond risk-premia rise with uncertainty about expected inflation and fall with uncertainty about expected growth; the magnitude of return predictability using these two uncertainty measures is similar to that by multiple yields. Motivated by this evidence, we develop and estimate a long-run risks model with time-varying volatilities of expected growth and inflation. The model simultaneously accounts for bond return predictability and violations of uncovered interest parity in currency markets. It finds that preference for early resolution of uncertainty, time-varying volatilities, and non-neutral effects of inflation on growth are important to account for these aspects of asset markets.

*The Formation of Expectations, Inflation and the Phillips Curve*

Olivier Coibion

Yuriy Gorodnichenko

Rupal Kamdar

NBER Working Paper No. 23304  
Issued in March 2017, Revised in November 2017

This paper argues for a careful (re)consideration of the expectations formation process and a more systematic inclusion of real-time expectations through survey data in macroeconomic analyses. While the rational expectations revolution has allowed for great leaps in macroeconomic modeling, the surveyed empirical micro-evidence appears increasingly at odds with the full-information rational expectation assumption. We explore models of expectation formation that can potentially explain why and how survey data deviate from full-information rational expectations. Using the New Keynesian Phillips curve as an extensive case study, we demonstrate how incorporating survey data on inflation expectations can address a number of otherwise puzzling shortcomings that arise under the assumption of full-information rational expectations.

*Disagreement about Inflation Expectations*

N. Gregory Mankiw  
Ricardo Reis  
Justin Wolfers  
NBER Working Paper No. 9796  
Issued in June 2003

This paper analyzes 50 years of inflation expectations data from several sources; it documents substantial disagreement among both consumers and professional economists about expected future inflation. Moreover, this disagreement shows substantial variation through time, moving with inflation, the absolute value of the change in inflation, and relative price variability. They argue that a satisfactory model of economic dynamics must speak to these important business cycle moments. Noting that most macroeconomic models do not endogenously generate disagreement, they show that a simple 'sticky-information' model broadly matches many of these facts. Moreover, the sticky-information model is consistent with other observed departures of inflation expectations from full rationality; including autocorrelated forecast errors and insufficient sensitivity to recent macroeconomic news.

*Inflation and Price Adjustments: Micro Evidence from Norwegian Consumer Prices 1975-2004*

Fredrik Wulfsberg  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 8, NO. 3, JULY 2016  
(pp. 175-94)

This is the first paper documenting the frequency and size of price adjustments using micro data from both the high-inflation period in the 1970s and 1980s, and the period of low inflation since the early 1990s. When inflation is high and volatile, prices change more frequently and in smaller magnitudes. When inflation is low and stable, prices change less frequently but in larger magnitudes. The frequency of price changes is more important for the variation in inflation when inflation is high and volatile. When inflation is low and stable, the magnitude of the price changes is more important than the frequency.

*The Possible Unemployment Cost of Average Inflation below a Credible Target*

Lars E.O. Svensson  
NBER Working Paper No. 19442  
Issued in September 2013, Revised in April 2014

If inflation expectations become firmly anchored at the inflation target even when average inflation deviates from the target, the long-run Phillips curve becomes non-vertical. During 1997-2011, average inflation expectations in Sweden have been close to the inflation target of 2 percent, whereas average inflation has fallen short of the target by 0.6 percentage points. The estimates reported suggest that the slope of the long-run Phillips curve is about 0.75. Then the average unemployment rate has been about 0.8 percentage points higher than if average inflation had been on target. This is a large unemployment cost of undershooting the inflation target.

*Virtual Classrooms: How Online College Courses Affect Student Success*

Eric P. Bettinger

Lindsay Fox

Susanna Loeb

Eric S. Taylor

AMERICAN ECONOMIC REVIEW

VOL. 107, NO. 9, SEPTEMBER 2017

(pp. 2855-75)

Online college courses are a rapidly expanding feature of higher education, yet little research identifies their effects relative to traditional in-person classes. Using an instrumental variables approach, we find that taking a course online, instead of in-person, reduces student success and progress in college. Grades are lower both for the course taken online and in future courses. Students are less likely to remain enrolled at the university. These estimates are local average treatment effects for students with access to both online and in-person options; for other students, online classes may be the only option for accessing college-level courses.

*The New York Times* cited a September 2017 *American Economic Review* paper in an article about the harmful effects of online learning. The study, which the AEA featured in a research highlight last fall, describes the impact of virtual courses on college student outcomes. Authors find that, relative to students in identical in-person courses, students in online courses have lower grades, learn less, and are more likely to drop out of college. Underprepared students experience especially poor outcomes.

*The Behavioralist Goes to School: Leveraging Behavioral Economics to Improve Educational Performance*

Steven D. Levitt

John A. List

Susanne Neckermann

Sally Sadoff

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 4, NOVEMBER 2016

(pp. 183-219)

Explore the power of behavioral economics to influence the level of effort exerted by students in a low stakes testing environment. We find a substantial impact on test scores from incentives when the rewards are delivered immediately. There is suggestive evidence that rewards framed as losses outperform those framed as gains. Nonfinancial incentives can be considerably more cost-effective than financial incentives for younger students, but are less effective with older students. All motivating power of incentives vanishes when rewards are handed out with a delay. Their results suggest that the current set of incentives may lead to underinvestment.

*Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges*

*Stephanie Riegg Cellini*

Claudia Goldin

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 6, NO. 4, NOVEMBER 2014

(pp. 174-206)

Provide the first comprehensive estimates of the size of the for-profit higher education sector and evaluate whether for-profits increase tuition in response to federal subsidies. By using state administrative data the paper includes institutions that do not participate in federal student aid programs and are missed in official counts. Including these institutions doubles the number of for-profits and increases students by one-third compared with official counts. Aid-eligible institutions charge tuition for sub-baccalaureate (mainly certificate) programs that is about 78% higher than that charged by comparable programs in nonparticipating institutions, lending some credence to the "Bennett hypothesis" of federal aid capture.

*The Effects of Medicare on Medical Expenditure Risk and Financial Strain*

Silvia Helena Barcellos

Mireille Jacobson

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 7, NO. 4, NOVEMBER 2015

(pp. 41-70)

Medicare offers substantial protection from medical expenditure risk, protection that has increased in recent years. At age 65, out-of-pocket expenditures drop by 33 percent at the mean and 53 percent at the ninety-fifth percentile. Medical-related financial strain, such as difficulty paying bills and collections agency contact, is dramatically reduced. Nonetheless, using a stylized expected utility framework, the gain from reducing out-of-pocket expenditures accounts for only 18 percent of the social costs of financing Medicare. This calculation ignores any direct health benefits from Medicare or any indirect health effects due to reductions in financial stress.

*Political Economy of Redistribution in the United States in the Aftermath of World War II--Evidence and Theory*

Roel Beetsma

Alex Cukierman

Massimo Giuliodori

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 4, NOVEMBER 2016  
(pp. 1-40)

Present legislative, historical and statistical evidence of a substantial upward ratchet in transfers and taxes in the US due to World War II. This finding is explained within a political-economy framework with defense spending responding to a war threat and a median voter in the population who interacts with a (richer) agenda setter in Congress in setting redistribution. While the setter managed to cap redistribution before the War, the War itself raised the status quo tax burden and improved tax collection technology, strengthening the bargaining power of the median voter as defense spending receded. This permanently raised the level of redistribution.

*Workers' Spending Response to the 2011 Payroll Tax Cuts*

Grant Graziani

Wilbert van der Klaauw

Basit Zafar

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 4, NOVEMBER 2016

(pp. 124-59)

This paper investigates workers' spending response to the 2011 payroll tax cuts. Respondents were surveyed at the beginning and end of 2011, which allows the comparison of ex ante and ex post reported use of the extra income. While workers on average intended to spend 14 percent of their tax cut income, they ex post reported spending 36 percent of the funds. This pattern of higher spending ex post is shared across all demographic groups. Differences across workers in this shift to greater ex post spending are largely unexplained by differences in either present bias or unanticipated shocks, so in the end the upward revision in spending remains a puzzle.

*Trade Costs, CO<sub>2</sub>, and the Environment*

Joseph S. Shapiro

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 4, NOVEMBER 2016

(pp. 220-54)

This paper quantifies how international trade affects CO<sub>2</sub> emissions and analyzes the welfare consequences of regulating the CO<sub>2</sub> emissions from shipping. To this end, the paper describes a model of trade and the environment, compiles new data on the CO<sub>2</sub> emissions from shipping, and estimates key parameters using panel data regressions. Results show that the benefits of international trade exceed trade's environmental costs due to CO<sub>2</sub> emissions by two orders of magnitude. While proposed regional carbon taxes on the CO<sub>2</sub> emissions from shipping would increase global welfare and increase the implementing region's GDP, they would also harm poor countries.

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*The Impact of Regulation on Mortgage Risk: Evidence from India*

John Y. Campbell

Tarun Ramadorai

Benjamin Ranish  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 7, NO. 4, NOVEMBER 2015  
(pp. 71-102)

Employ loan-level data on over a million loans disbursed in India between 1995 and 2010 to understand how fast-changing regulation impacted mortgage lending and risk. The paper uses changes in regulatory treatment discontinuities associated with loan size and leverage to detect regulation-induced loan delinquencies. The authors also find that an acceleration in the classification of assets as nonperforming resulted in substantially lower delinquency probabilities and losses given delinquency.

*Tax Compliance and Loss Aversion*

Per Engström  
Katarina Nordblom  
Henry Ohlsson  
Annika Persson  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 7, NO. 4, NOVEMBER 2015  
(pp. 132-64)

Study if taxpayers are loss averse when filing returns. Preliminary deficits might be viewed as losses assuming zero preliminary balances as reference points. Swedish taxpayers can try to escape such losses by claiming deductions after receiving information about the preliminary balance. Using a regression kink and discontinuity approach, we study data for 3.6 million Swedish taxpayers for 2006. There are strong causal effects of preliminary tax deficits on the probability of claiming deductions. Compliance will increase and auditing costs will be reduced if preliminary taxes are calibrated so that most taxpayers receive refunds.

*How Much Are Public School Teachers Willing to Pay for Their Retirement Benefits?*

Maria Donovan Fitzpatrick  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 7, NO. 4, NOVEMBER 2015  
(pp. 165-88)

Public sector employees receive large fractions of their lifetime income in the form of deferred compensation. The introduction of the opportunity provided to Illinois public school employees to purchase additional pension benefits allows me to estimate employees' willingness-to-pay for benefits relative to the cost of providing them. The results show employees are willing to pay 20 cents on average for a dollar increase in the present value of expected retirement benefits. The findings suggest substantial inefficiency in compensation and cast doubt on the ability of deferred compensation schemes to attract employees.

*Water Pollution Progress at Borders: The Role of Changes in China's Political Promotion Incentives*

Matthew E. Kahn  
Pei Li  
Daxuan Zhao  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 7, NO. 4, NOVEMBER 2015  
(pp. 223-42)

At political boundaries, local leaders have weak incentives to reduce polluting activity because the social costs are borne by downstream neighbors. This paper exploits a natural experiment set in China in which the central government changed the local political promotion criteria and thus incentivized local officials to reduce border pollution along specific criteria. The paper documents evidence of pollution progress with respect to targeted criteria at province boundaries. Heavy metal pollutants, not targeted by the central government, have not decreased in concentration after the regime shift. Using data on the economic geography of key industrial water polluters, we explore possible mechanisms.

*Assessing the Welfare Effects of Unemployment Benefits Using the Regression Kink Design*

Camille Landais  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 7, NO. 4, NOVEMBER 2015  
(pp. 243-78)

Show how, in the tradition of the dynamic labor supply literature, one can identify the moral hazard effects and liquidity effects of unemployment insurance (UI) using variations along the time profile of unemployment benefits. The paper uses this strategy to investigate the anatomy of labor supply responses to UI. It identifies the effect of benefit level and potential duration in the regression kink design using kinks in the schedule of benefits in the US. The results suggest that the response of search effort to UI benefits is driven as much by liquidity effects as by moral hazard effects.

*The Best of Times, the Worst of Times: Understanding Pro-cyclical Mortality*

Ann H. Stevens  
Douglas L. Miller  
Marianne E. Page  
Mateusz Filipinski  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 7, NO. 4, NOVEMBER 2015  
(pp. 279-311)

It is well-known that mortality rates are pro-cyclical. In this paper, the authors attempt to understand why. They find little evidence that cyclical changes in individuals' own employment-related behavior drives the relationship; own-group employment rates are not systematically related to own-group mortality. Further, most additional deaths that occur when the economy is strong are among the elderly, particularly elderly women and those residing in nursing homes. The paper also demonstrates that staffing in nursing homes moves countercyclically. These findings suggest that cyclical fluctuations in the quality of health care may be a critical contributor to cyclical movements in mortality.



*The Vulnerability of Minority Homeowners in the Housing Boom and Bust*

Patrick Bayer

Fernando Ferreira

Stephen L. Ross

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 1, FEBRUARY 2016

(pp. 1-27)

This paper examines mortgage outcomes for a large sample of individual home purchases and refinances linked to credit scores in seven major US markets. Among those with similar credit scores and loan attributes, black and Hispanic homeowners had much higher rates of delinquency and default in the downturn. These estimated differences are especially pronounced for loans originated near the peak of the housing boom. These findings suggest that black and Hispanic homeowners drawn into the market near the peak were especially vulnerable to adverse economic shocks and raise concerns about homeownership as a mechanism for reducing racial disparities in wealth.

*Paying on the Margin for Medical Care: Evidence from Breast Cancer Treatments*

Liran Einav

Amy Finkelstein

Heidi Williams

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 1, FEBRUARY 2016

(pp. 52-79)

This paper presents a simple graphical framework to illustrate the potential welfare gains from a "top-up" health insurance policy requiring patients to pay the incremental price for more expensive treatment options. It applies this framework to breast cancer treatments, where lumpectomy with radiation therapy is more expensive than mastectomy but generates similar average health benefits. It estimates the relative demand for lumpectomy using variation in distance to the nearest radiation facility, and estimate that the "top-up" policy increases social welfare by \$700-2,500 per patient relative to two common alternatives. It briefly discusses additional tradeoffs that arise from an ex ante perspective.

*Up in Smoke: The Influence of Household Behavior on the Long-Run Impact of Improved Cooking Stoves*

Rema Hanna

Esther Duflo

Michael Greenstone

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 1, FEBRUARY 2016

(pp. 80-114)

Laboratory studies suggest that improved cooking stoves can reduce indoor air pollution, improve health, and decrease greenhouse gas emissions in developing countries. The authors provide evidence, from a large-scale randomized trial in India, on the benefits of a common, laboratory-validated stove with a four-year follow-up. While smoke inhalation initially falls, this effect disappears by year two. They find no changes across health outcomes or greenhouse gas emissions. Households used the stoves irregularly and inappropriately, failed to maintain them, and usage declined over time. This study underscores the need to test environmental technologies in real-world settings where behavior may undermine potential impacts.

*A Contribution to the Empirics of Reservation Wages*

Alan B. Krueger

Andreas I. Mueller

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 1, FEBRUARY 2016

(pp. 142-79)

This paper provides evidence on the behavior of reservation wages over the spell of unemployment, using high-frequency longitudinal data on unemployed workers in New Jersey. In comparison to a calibrated job search model, the reservation wage starts out too high and declines too slowly, on average, suggesting that many workers persistently misjudge their prospects or anchor their reservation wage on their previous wage. The longitudinal nature of the data also allows for testing the relationship between job acceptance and the reservation wage, where the reservation wage is measured from a previous interview to avoid bias due to cognitive dissonance.

*Leaving Poverty Behind? The Effects of Generous Income Support Paired with Activation*

Simen Markussen

Knut Røed

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 1, FEBRUARY 2016

(pp. 180-211)

The authors evaluate a comprehensive activation program in Norway targeted at hard-to-employ social assistance claimants with reduced work capacity. The program offers a combination of tailored rehabilitation, training, and job practice, and a generous, stable, and non-means-tested benefit. Its primary aims are to mitigate poverty and subsequently promote self-supporting employment. Their evaluation strategy exploits a geographically staggered program introduction, and the causal effects are identified on the basis of changes in employment prospects that coincide with local program implementation in a way that correlates with the predicted probability of becoming a participant. They find that the program raised employment prospects considerably.

*Of Mice and Academics: Examining the Effect of Openness on Innovation*

Fiona Murray

Philippe Aghion

Mathias Dewatripont

Julian Kolev

Scott Stern  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 8, NO. 1, FEBRUARY 2016  
(pp. 212-52)

This paper argues that openness, by lowering costs to access existing research, can enhance both early and late stage innovation through greater exploration of novel research directions. It examines a natural experiment in openness: late-1990s NIH agreements that reduced academics' access costs regarding certain genetically engineered mice. Implementing difference-in-differences estimators and find that increased openness encourages entry by new researchers and exploration of more diverse research paths, and does not reduce the creation of new genetically engineered mice. Their findings highlight a neglected cost of strong intellectual property restrictions: lower levels of exploration leading to reduced diversity of research output.

*Extended Unemployment Benefits and Early Retirement: Program  
Complementarity and Program Substitution*

Lukas Inderbitzin  
Stefan Staubli  
Josef Zweimüller  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 8, NO. 1, FEBRUARY 2016  
(pp. 253-88)

The paper explores how extended unemployment insurance (UI) benefits for older workers affect early retirement and welfare. It argues that extending UI benefits generates program complementarity (more labor market exits and disability benefit take-up in the future) and program substitution (less disability benefit take-up in the present). Exploiting a policy change in Austria, which extended UI benefits to 4 years, it finds program complementarity effects for workers aged 50+ and program substitution effects for workers aged 55+. They apply the Baily-Chetty formula for optimal UI to account for complementarity and substitution, showing that UI benefits for older workers were too generous.

*Adaptation to Climate Change: Evidence from US Agriculture*

Marshall Burke  
Kyle Emerick  
AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 8, NO. 3, AUGUST 2016  
(pp. 106-40)

Understanding the potential impacts of climate change on economic outcomes requires knowing how agents might adapt to a changing climate. It exploits large variation in recent temperature and precipitation trends to identify adaptation to climate change in US agriculture, and use this information to generate new estimates of the potential impact of future climate change on agricultural outcomes. Longer run adaptations appear to have mitigated less than half--and more likely none--of the large negative short-run impacts of extreme heat on productivity. Limited recent adaptation implies substantial losses under future climate change in the absence of countervailing investments.

*Transfer Pricing by Multinational Firms: New Evidence from Foreign Firm Ownerships*

Anca D. Cristea

Daniel X. Nguyen

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 3, AUGUST 2016

(pp. 170-202)

Using a firm-level dataset of Danish exports between 1999 and 2006, the paper finds robust evidence for profit shifting by multinational corporations. Their triple difference estimations exploit the response of export unit values to acquisitions of foreign affiliates and to changes in statutory corporate tax rates. This identification strategy corrects for a downward bias resulting from firms adjusting arm's length prices to obscure transfer price manipulations. They find that Danish multinationals reduce the unit values of their exports to low tax countries between 5.7 to 9.1 percent. This difference corresponds to a tax revenue loss of 3.24 percent of Danish multinationals' tax returns.

*Sales Taxes and Internet Commerce*

Liran Einav

Dan Knoepfle

Jonathan Levin

Neel Sundaresan

AMERICAN ECONOMIC REVIEW

VOL. 104, NO. 1, JANUARY 2014

(pp. 1-26)

The paper estimates the sensitivity of Internet retail purchasing to sales taxes using eBay data. The first approach exploits the fact that a seller's location—and therefore the applicable tax rate—is revealed only after a buyer has expressed interest in an item. It documents how adverse tax "surprises" reduce the likelihood of purchase and shift subsequent purchases toward out-of-state sellers. It then uses more aggregated data to estimate that every one percentage point increase in a state's sales tax increases online purchases by state residents by almost 2 percent, while decreasing their online purchases from state retailers by 3–4 percent.

*Extrinsic and Intrinsic Motivations for Tax Compliance: Evidence from a Field Experiment in Germany*

Nadja Dwenger

Henrik Kleven

Imran Rasul

Johannes Rincke

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 8, NO. 3, AUGUST 2016

(pp. 203-32)

The paper studies extrinsic and intrinsic motivations for tax compliance in the context of a local church tax in Germany. This tax system has historically relied on zero deterrence so that any compliance at baseline is intrinsically motivated. Starting from this zero deterrence baseline, we

implement a field experiment that incentivized compliance through deterrence or rewards. Using administrative records of taxes paid and true tax liabilities, it uses these treatments to document that intrinsically motivated compliance is substantial, that a significant fraction of it may be driven by duty-to-comply preferences, and that there is no crowd-out between extrinsic and intrinsic motivations.

*The Effects of the Massachusetts Health Reform on Household Financial Distress*

In this paper, it examines the effect of a major health care reform in Massachusetts on a broad set of financial outcomes using credit report data. It exploits variation in the impact of the reform across counties and age groups using pre-reform insurance coverage as a measure of the potential effect of the reform. It finds that the reform reduced the amount of debt that was past due, improved credit scores, reduced personal bankruptcies and reduced third-party collections. Their results show that health care reform has implications that extend well beyond the health of those who gain insurance coverage.

*Transfer Payments and the Macroeconomy: The Effects of Social Security Benefit Increases, 1952-1991*

Christina D. Romer

David H. Romer

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 4, OCTOBER 2016

(pp. 1-42)

This paper uses Social Security benefit increases from 1952 to 1991 to investigate the macroeconomic effects of changes in transfers. It finds a large, immediate, and significant positive response of consumption to permanent benefit increases. The response declines after about five months, and does not appear to spread to industrial production or employment. The effects of transfers are faster, but much less persistent and much smaller overall, than those of tax changes. Finally, monetary policy responds strongly to benefit increases but not to tax changes. This may account for the failure of the effects of transfers to persist or spread.

*Pushing on a String: US Monetary Policy Is Less Powerful in Recessions*

Silvana Tenreyro

Gregory Thwaites

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 4, OCTOBER 2016

(pp. 43-74)

The paper investigates how the response of the US economy to monetary policy shocks depends on the state of the business cycle. The effects of monetary policy are less powerful in recessions, especially for durables expenditure and business investment. The asymmetry relates to how fast the economy is growing, rather than to the level of resource utilization. There is some evidence that fiscal policy has counteracted monetary policy in recessions but reinforced it in booms. It also finds evidence that contractionary policy shocks are more powerful than expansionary shocks, but

contractionary shocks have not been more common in booms. So this asymmetry cannot explain our main finding.

*The Macroeconomic Effects of Monetary Policy: A New Measure for the United Kingdom*

James Cloyne

Patrick Hürtgen

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 4, OCTOBER 2016

(pp. 75-102)

This paper estimates the effects of monetary policy based on a new, extensive real-time dataset for the United Kingdom. Employing the Romer-Romer identification approach the paper constructs a new measure of monetary policy innovations and finds that a 1 % increase in the policy rate reduces output by 0.6 % and inflation by up to 1 percentage point after 2 to 3 years. Its use of forecast data is shown to be crucial and that their omission generates the well-known price puzzle. Their estimates are more comparable to the wider VAR literature but we also reconcile our findings with the Romer-Romer estimates for the United States.

*Debt Portfolios and Homestead Exemptions*

Thomas Hintermaier

Winfried Koeniger

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 4, OCTOBER 2016

(pp. 103-41)

This paper investigates the economic relevance of the large differences in homestead exemptions across US states. It builds a structural model for an equilibrium analysis of debt-portfolio choices over the life cycle. Their analysis captures key patterns from the observed cross-sectional distributions of secured debt, unsecured debt, and of home equity. The model predicts that harmonizing the amount of home equity exempt in bankruptcy procedures has quantitatively negligible effects on the interest rate of unsecured debt and on welfare, unless the exemption is eliminated. The small welfare effect may rationalize why the differences in homestead exemptions are so persistent.

*Public Debt and Changing Inflation Targets*

Michael U. Krause

Stéphane Moyen

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 4, OCTOBER 2016

(pp. 142-76)

What are the effects of a higher central bank inflation target on the burden of real public debt? Several recent proposals have suggested that even a moderate increase in the inflation target can have a pronounced effect on real public debt. The paper considers this question in a New Keynesian model with a maturity structure of public debt and an imperfectly observed inflation target. It finds that moderate changes in the inflation target only have significant effects on real public debt if they

are essentially permanent. Moreover, the additional benefits of not communicating a change in the inflation target are minor.

*The Great Recession: A Self-Fulfilling Global Panic*

Philippe Bacchetta

Eric van Wincoop

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 4, OCTOBER 2016 (pp. 177-98)

While the 2008-2009 financial crises originated in the United States, output, consumption, and investment declined by similar magnitudes around the globe, given the partial integration of both goods and financial markets, what can account for the remarkable global business cycle synchronicity during this period? To address this question, we develop a two-country model allowing for self-fulfilling business cycle panics. It shows that a business cycle panic will necessarily be synchronized across countries as long as there is a minimum level of economic integration. Several factors, including tight credit, made the global economy particularly vulnerable to a global panic in 2008.

*Financial Intermediation, Leverage, and Macroeconomic Instability*

Gregory Phelan

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 4, OCTOBER 2016

(pp. 199-224)

This paper investigates how financial sector leverage affects macroeconomic instability and welfare. In the model, banks borrow (use leverage) to allocate resources to productive projects and provide liquidity. When banks do not actively issue new equity, aggregate outcomes depend on the level of equity in the financial sector. Equilibrium is inefficient because agents do not internalize how their decisions affect volatility, aggregate leverage, and the returns on assets. Leverage creates systemic risk, which increases the frequency and duration of crises. Limiting leverage decreases asset price volatility and increases expected returns, which decrease the likelihood that the financial sector is undercapitalized.

*Entry, Exit, Firm Dynamics, and Aggregate Fluctuations*

Gian Luca Clementi

Berardino Palazzo

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 3, JULY 2016

(pp. 1-41)

Firm entry and exit amplify and propagate the effects of aggregate shocks, leading to greater persistence and unconditional variation of aggregate quantities. Following a positive aggregate shock, entry rises. As in the data, entrants are small and their initial impact on aggregate dynamics is negligible. However, as the common productivity component reverts to its unconditional mean, the youngsters that survive grow larger, generating a wider and longer expansion than in a scenario without entry or exit. The model also identifies a causal link between the drop in establishments at the outset of the Great Recession and the subsequent slow recovery.

*How Credible Is the Federal Reserve? A Structural Estimation of Policy Re-optimizations*

Davide Debortoli

Aeimit Lakdawala

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 3, JULY 2016

(pp. 42-76)

The paper proposes a new measure of the degree of credibility of the Federal Reserve. It estimates a medium-scale macroeconomic model, where the central bank has access to a commitment technology, but where a regime-switching process governs occasional re-optimizations of announced plans. The framework nests the commonly used discretion and commitment cases, while allowing for a continuum of intermediate cases. Their estimates reject both full-commitment and discretion. It instead identifies occasional re-optimization episodes both before and during the Great Moderation period. Finally, through counterfactual analyses it assesses the role of credibility over the past four decades.

*Explaining the Evolution of Educational Attainment in the United States*

Rui Castro

Daniele Coen-Pirani

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 3, JULY 2016

(pp. 77-112)

The paper studies the evolution of educational attainment of the 1932-1972 cohorts using a human capital investment model with heterogeneous learning ability. Inter-cohort variation in schooling is driven by changes in skill prices, tuition, and education quality over time, and average learning ability across cohorts. Under static expectations the model accounts for the main empirical patterns. Rising skill prices for college explain the rapid increase in college graduation until the 1948 cohort. The decline in average learning ability, calibrated to match the evolution of test scores, explains half of the stagnation in college graduation between the 1948 and 1972 cohorts.

*Are Chinese Growth and Inflation Too Smooth? Evidence from Engel Curves*

Emi Nakamura

Jón Steinsson

Miao Liu

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 3, JULY 2016

(pp. 113-44)

China has experienced remarkably stable growth and inflation in recent years according to official statistics. The paper uses systematic discrepancies between cross-sectional and time-series Engel curves to construct alternative estimates of Chinese growth and inflation. Its estimates suggest that official statistics present a smoothed version of reality. Official inflation rose in the 2000s, but the estimates indicate that true inflation was still higher and consumption growth was overstated. In contrast, inflation was overstated and growth understated during the low-inflation 1990s. These



patterns hold for the food Engel curve, and for numerous other categories, such as grain as a fraction of food.

*Early Childhood Human Capital and Development*

Todd Schoellman

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 3, JULY 2016

(pp. 145-74)

A growing literature stresses the importance of early childhood human capital. The author asked whether variation in early childhood investments can help explain cross-country income differences. He provides new empirical evidence: the adult outcomes of refugees are independent of age at arrival to the United States up to age six, despite dramatic improvements in income and environment upon arrival. A standard model is consistent with this finding if parents but not country are important for early childhood development. This finding limits the mechanisms for generating cross-country early childhood human capital differences. It also provides suggestive evidence on parental inputs.

*Population Size Effects in the Structural Development of England*

Oksana M. Leukhina

Stephen J. Turnovsky

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 3, JULY 2016

(pp. 195-229)

The English structural transformation from farming to manufacturing was accompanied by rapid technological change, expansion of trade, and massive population growth. While the roles of technology and trade in this process have been investigated, the literature has largely ignored the role of population growth. The authors examine population size effects on various aspects of structural development, characterizing their explicit dependence on preference-side and production-side characteristics of the economy, and trade. Their quantitative analysis of the English transformation assigns a major role to population growth, with especially notable contributions to post-1750 rise in the manufacturing employment share and the relative price dynamics.

*Sovereign Default Risk and Uncertainty Premia*

Demian Pouzo

Ignacio Presno

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 3, JULY 2016

(pp. 230-66)

This paper studies how international investors' concerns about model misspecification affect sovereign bond spreads. We develop a general equilibrium model of sovereign debt with endogenous default wherein investors fear that the probability model of the underlying state of the borrowing economy is misspecified. Consequently, investors demand higher returns on their bond holdings to compensate for the default risk in the context of uncertainty. In contrast with the existing literature on sovereign default, the paper matches the bond spreads dynamics observed in

the data together with other business cycle features for Argentina, while preserving the default frequency at historical low levels.

*Financial Liberalization, Debt Mismatch, Allocative Efficiency, and Growth*

Romain Rancière

Aaron Tornell

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 2, APRIL 2016

(pp. 1-44)

Financial liberalization increases growth, but leads to more crises and costly bailouts. The authors present a two-sector model in which liberalization, by allowing debt-denomination mismatch, relaxes borrowing limits in the financially constrained sector, but endogenously generate crisis risk. When regulation restricts external financing to standard debt, liberalization preserves financial discipline and may increase allocative efficiency, growth, and consumption possibilities. By contrast, under unfettered liberalization that also allows uncollateralized option-like liabilities, discipline breaks down, and efficiency falls. The model yields a testable gains-from-liberalization condition, which holds in emerging markets. It also helps rationalize the contrasting experience of emerging markets and the recent US housing crisis.

*Does the Technological Content of Government Demand Matter for Private R&D?  
Evidence from US States*

Viktor Slavtchev

Simon Wiederhold

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 2, APRIL 2016

(pp. 45-84)

Governments purchase everything from airplanes to zucchini. This paper investigates the role of the technological content of government procurement in innovation. In a theoretical model, we first show that a shift in the composition of public purchases toward high-tech products translates into higher economy-wide returns to innovation, leading to an increase in the aggregate level of private R&D. Using unique data on federal procurement in US states and performing panel fixed-effects estimations, it finds support for the model's prediction of a positive R&D effect of the technological content of government procurement. Instrumental-variable estimations suggest a causal interpretation of our findings.

*The Simple Economics of Commodity Price Speculation*

Christopher R. Knittel

Robert S. Pindyck

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 2, APRIL 2016

(pp. 85-110)

The price of crude oil never exceeded \$40 per barrel until mid-2004. By July 2008 it peaked at \$145 and by late 2008 it fell to \$30 before increasing to \$110 in 2011. Are speculators partly to blame for these price changes? Using a simple model of supply and demand in the cash and storage markets, we determine whether speculation is consistent with data on production, inventory changes, and

convenience yields. The paper focuses on crude oil, but our approach can be applied to other commodities. We show speculation had little, if any, effect on oil prices.

*The Response of Tail Risk Perceptions to Unconventional Monetary Policy*

Masazumi Hattori

Andreas Schrimpf

Vladyslav Sushko

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 2, APRIL 2016

(pp. 111-36)

The authors examine the impact of unconventional monetary policy (UMP) on stock market tail risk and risks of extreme interest rate movements. They find that UMP announcements substantially reduced option-implied equity market tail risks and interest rate risks. Most of the impact derives from forward guidance rather than asset purchase announcements. Communication about the future path of policy rates reduced volatility expectations of long-term rates and the associated risk premia. The reaction of equity market tail risk, in turn, points to the risk-taking channel of monetary policy, as the commitment to low funding rates may have relaxed financial intermediaries' riskbearing constraints.

*The Exchange Rate Response to Monetary Policy Innovations*

Viktoria Hnatkovska

Amartya Lahiri

Carlos A. Vegh

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 2, APRIL 2016

(pp. 137-81)

The authors present a new data fact: in response to a monetary tightening, the domestic currency tends to appreciate in developed countries but depreciate in developing countries. A model is developed to rationalize this contrasting pattern. It has three key channels of monetary transmission: a liquidity demand channel, a fiscal channel, and an output channel. The paper shows that a calibrated version of the model can explain the contrast between developed and developing countries. Using counterfactual experiments and empirical evidence, we identify differences in the liquidity demand effect as critical in explaining the contrasting responses generated by the model.

*Excessive Financing Costs in a Representative Agent Framework*

Maya Eden

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 2, APRIL 2016

(pp. 215-37)

This paper highlights a pecuniary externality that results in excessive financing costs. Firms borrow to finance purchases of an inelastically supplied input, bidding up its price. Since higher input prices necessitate more debt obligations, this leads to an increase in intermediation costs. A quantitative interpretation of the model suggests that it is optimal to tax financial intermediation by increasing the borrowing rate by 3 percentage points.

*Time and State Dependence in an Ss Decision Experiment*

Jacopo Magnani

Aspen Gorry

Ryan Oprea

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 8, NO. 1, JANUARY 2016

(pp. 285-310)

Flow earnings in a laboratory experiment decline the further a Brownian state variable,  $z$ , evolves from its optimal level,  $z^*$ . Optimal state dependent models predict subjects will pay a fixed cost to return  $z$  to  $z^*$  only when  $z$  strays outside a critical inaction region around the optimum. On average, subjects adjust at states remarkably close to optimal threshold levels but, as in the field, do not establish true "state dependent" inaction regions, suggesting significant "time dependent" components in adjustment rules. Structural estimates of subjective observation cost qualitatively account for variation in time dependence observed across treatments.

*Growth-Rate and Uncertainty Shocks in Consumption: Cross-Country Evidence*

Emi Nakamura

Dmitriy Sergeyev

Jón Steinsson

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 1, JANUARY 2017

(pp. 1-39)

The paper provides new estimates of the importance of growth-rate shocks and uncertainty shocks for developed countries. The shocks we estimate are large and correspond to well-known macroeconomic episodes such as the Great Moderation and the productivity slowdown. It compares its results to earlier estimates of "long-run risks" and assesses the implications for asset pricing. Their estimates yield greater return predictability and a more volatile price-dividend ratio. In addition, they explain a substantial fraction of cross-country variation in the equity premium. An advantage of our approach, based on macroeconomic data alone, is that the parameter estimates cannot be viewed as backward engineered to fit asset pricing data. They provide intuition for our results using the recently developed framework of shock-exposure and shock-price elasticities.

*Optimal Monetary and Prudential Policies*

Fabrice Collard

Harris Dellas

Behzad Diba

Olivier Loisel

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 1, JANUARY 2017

(pp. 40-87)

The recent financial crisis has highlighted the interconnectedness between macroeconomic and financial stability, raising questions about how to combine monetary and prudential policies. This paper characterizes the jointly optimal monetary and prudential policies, setting the interest rate and bank-capital requirements. The source of financial fragility is the socially excessive risk taking

by banks due to limited liability and deposit insurance. We provide conditions under which locally (Ramsey) optimal policy dedicates the prudential instrument to preventing inefficient risk taking by banks, and the monetary instrument to dealing with the business cycle, with the two instruments covarying either negatively, or positively and countercyclically.

*Optimal Sovereign Default*

Klaus Adam  
Michael Grill  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 9, NO. 1, JANUARY 2017  
(pp. 128-64)

When is it optimal for a fully committed government to default on its legal repayment obligations? Considering a small open economy with domestic production risk and noncontingent government debt, we show that it is ex ante optimal to occasionally deviate from the legal repayment obligation and to repay debt only partially. This holds true even if default generates significant deadweight costs ex post. A quantitative analysis reveals that default is optimal only in response to persistent disaster-like shocks to domestic output. Applying the framework to the situation in Greece, the paper finds that optimal default policies suggest a considerably larger and more timely default than the one actually implemented in the year 2012.

*Liquidity Traps and Jobless Recoveries*

Stephanie Schmitt-Grohé  
Martín Uribe  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 9, NO. 1, JANUARY 2017  
(pp. 165-204)

This paper proposes a model that explains the joint occurrence of liquidity traps and jobless growth recoveries. Its key elements are downward nominal wage rigidity, a Taylor-type interest rate feedback rule, the zero lower bound on nominal interest rates, and a confidence shock. Absent a change in policy, the model predicts that low inflation and high unemployment become chronic. With capital accumulation, the model predicts, in addition, an investment slump. The paper identifies a New Fisherian effect, whereby raising the nominal interest rate to its intended target for an extended period of time can boost inflationary expectations and thereby foster employment.

*Targeting Long Rates in a Model with Segmented Markets*

Charles T. Carlstrom  
Timothy S. Fuerst  
Matthias Paustian  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 9, NO. 1, JANUARY 2017  
(pp. 205-42)

This paper develops a model of segmented financial markets in which the net worth of financial institutions limits the degree of arbitrage across the term structure. The model is embedded into the canonical Dynamic New Keynesian (DNK) framework. We estimate the model using data on the

term premium. Our principal results include the following. First, the estimated segmentation coefficient implies a nontrivial effect of central bank asset purchases on yields and real activity. Second, there are welfare gains to having the central bank respond to the term premium, e.g., including the term premium in the Taylor Rule. Third, a policy that directly targets the term premium sterilizes the real economy from shocks originating in the financial sector. A term-premium peg can have significant welfare effects.

*Trying to Understand the PPPs in ICP 2011: Why Are the Results So Different?*

Angus Deaton

Bettina Aten

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 1, JANUARY 2017

(pp. 243-64)

Purchasing power parity exchange rates, or PPPs, are price indexes that summarize prices in each country relative to a numeraire country, typically the United States. These numbers are used to compare living standards across countries, by academics in studies of economic growth, particularly through the Penn World Table, by the World Bank to construct measures of global poverty, by the European Union to redistribute resources, and by the international development community to draw attention to discrepancies between rich and poor countries. The International Comparison Program (ICP) collects the detailed prices on which these indexes are based on an irregular basis. In 2014, the ICP published PPPs from the 2011 round that are sharply different from those that were expected from extrapolation of the previous round, ICP 2005. These discrepancies will eventually have important implications for the Penn World Table, and for international comparisons of living standards given that the PPPs are used to convert countries' national accounts--GDP and consumption, for example--from local currency to common currency units (international dollars.) The world according to ICP 2011 looks markedly more equal than the world according to ICP 2005. This paper investigates why this happened. We identify a likely source of the problem in the way that the regions of the ICP were linked in 2005. We use two different methods for measuring the size of the effect. Both suggest that the 2005 PPPs for consumption for countries in Asia (excluding Japan), Western Asia, and Africa were overstated relative to the United States by between 18 to 26 percent. Per capita consumption in international dollars of these countries was therefore too low in 2005 and more likely to be accurately estimated in 2011.

*Cross-Country Income Levels over Time: Did the Developing World Suddenly Become Much Richer?*

Robert Inklaar

D. S. Prasada Rao

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 1, JANUARY 2017

(pp. 265-90)

The latest global survey on relative prices and income levels, for the year 2011, showed changes to relative income levels that were larger in lower income countries, thereby narrowing the world income distribution compared to estimates based on the previous, 2005, survey. This paper examines whether changes in measurement methodology between the 2005 and 2011 survey can explain these large differences. We construct a counterfactual set of relative prices for 2005 that

harmonizes measurement, and we no longer find systematic differences across income levels, implying that international income inequality based on the 2005 survey was overstated.

### *Bank Leverage Cycles*

Galo Nuño

Carlos Thomas

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 2, APRIL 2017

(pp. 32-72)

The authors propose a general equilibrium framework with financial intermediaries subject to endogenous leverage constraints, and assess its ability to explain the observed fluctuations in intermediary leverage and real economic activity. In the model, intermediaries ("banks") borrow in the form of short-term risky debt. The presence of risk-shifting moral hazard gives rise to a leverage constraint, and creates a link between the volatility in bank asset returns and leverage. Unlike TFP or capital quality shocks, volatility shocks produce empirically plausible fluctuations in bank leverage. The model replicates well the fall in leverage, assets, and GDP during the 2007-2009 financial crisis.

### *The Great Housing Boom of China*

Kaiji Chen

Yi Wen

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 2, APRIL 2017

(pp. 73-114)

China's housing prices have been growing nearly twice as fast as national income over the past decade, despite a high vacancy rate and a high rate of return to capital. This paper interprets China's housing boom as a rational bubble emerging naturally from its economic transition. The bubble arises because high capital returns driven by resource reallocation are not sustainable in the long run. Rational expectations of a strong future demand for alternative stores of value can thus induce currently productive agents to speculate in the housing market. Our model can quantitatively account for China's paradoxical housing boom.

### *The Effects of the Real Oil Price on Regional Wage Dispersion*

Matthias Kehrig

Nicolas L. Ziebarth

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 2, APRIL 2017

(pp. 115-48)

The authors find that oil supply shocks decrease average real wages, particularly skilled wages, and increase wage dispersion across regions, particularly unskilled wage dispersion. In a model with spatial energy intensity differences and nontradables, labor demand shifts, while explaining the response of average wages to oil supply shocks, have counterfactual implications for the response of wage dispersion. Only an additional response in labor supply can explain this latter fact,

highlighting the importance of general equilibrium effects in a spatial context. They provide additional empirical evidence of regionally directed worker reallocation and housing prices consistent with their spatial model. Finally, they show that a calibrated version of their model can quantitatively match the estimated effects of oil supply shocks.

*Safe Assets, Liquidity, and Monetary Policy*

Pierpaolo Benigno

Salvatore Nisticò

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 2, APRIL 2017

(pp. 182-227)

This paper studies monetary policy in models where multiple assets have different liquidity properties: safe and "pseudo-safe" assets coexist. A shock worsening the liquidity properties of the pseudo-safe assets raises interest rate spreads and can cause a deep recession-cum-deflation. Expanding the central bank's balance sheet fills the shortage of safe assets and counteracts the recession. Lowering the interest rate on reserves insulates market interest rates from the liquidity shock and improves risk sharing between borrowers and savers.

*Credit Relationships and Business Bankruptcy during the Great Depression*

Mary Eschelbach Hansen

Nicolas L. Ziebarth

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 2, APRIL 2017

(pp. 228-55)

Credit relationships are sticky. Stickiness makes relationships beneficial to borrowers in times of their own distress but makes them potentially problematic when lenders themselves face hardship. To examine the role of credit relationships during a financial crisis, the paper exploits a natural experiment in Mississippi during the Great Depression that generated plausibly exogenous differences in financial distress for banks. Using new data drawn from the publications of the credit rating agency Dun & Bradstreet and from original bankruptcy filings, it shows that financial distress increased business exit but did not increase the bankruptcy rate. Financial distress caused both banks and trade creditors to recalibrate their collections strategies, which is revealed by changes in the geographical distribution of the creditors of bankrupt businesses.

*Nominal Exchange Rate Determinacy under the Threat of Currency Counterfeiting*

Pedro Gomis-Porqueras

Timothy Kam

Christopher Waller

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 2, APRIL 2017

(pp. 256-73)

The paper studies the endogenous choice to accept fiat objects as media of exchange and their implications for nominal exchange rate determination. It considers a two-country environment



with two currencies that can be used to settle any transactions. However, currencies can be counterfeited at a fixed cost and the decision to counterfeit is private information. This induces equilibrium liquidity constraints on the currencies in circulation. It shows that the threat of counterfeiting can pin down the nominal exchange rate even when the currencies are perfect substitutes, thus breaking the famous Kareken-Wallace indeterminacy result.

*Inflation Expectations, Learning, and Supermarket Prices: Evidence from Survey Experiments*

Alberto Cavallo

Guillermo Cruces

Ricardo Perez-Truglia

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 3, JULY 2017

(pp. 1-35)

Information frictions play a central role in the formation of household inflation expectations, but there is no consensus about their origins. We address this question with novel evidence from survey experiments. We document two main findings. First, individuals in low inflation contexts have significantly weaker priors about the inflation rate. This finding suggests that rational inattention may be an important source of information frictions. Second, cognitive limitations also appear to be a source of information frictions: even when information about inflation statistics is available, individuals still place a significant weight on inaccurate sources of information, such as their memories of the price changes of the supermarket products they purchase. We discuss the implications of these findings for macroeconomic models and policymaking.

*Zipf's Law, Pareto's Law, and the Evolution of Top Incomes in the United States*

Shuhei Aoki

Makoto Nirei

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 3, JULY 2017

(pp. 36-71)

The authors construct a tractable neoclassical growth model that generates Pareto's law of income distribution and Zipf's law of the firm size distribution from idiosyncratic, firm-level productivity shocks. Executives and entrepreneurs invest in risk-free assets, as well as their own firms' risky stocks, through which their wealth and income depend on firm-level shocks. By using the model, they evaluate how changes in tax rates can account for the evolution of top incomes in the United States. The model matches the decline in the Pareto exponent of the income distribution and the trend of the top 1 percent income share in recent decades.

*Does Home Production Drive Structural Transformation?*

Alessio Moro

Solmaz Moslehi

Satoshi Tanaka

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 3, JULY 2017

(pp. 116-46)

Using new home production data for the United States, we estimate a model of structural transformation with a home production sector, allowing for both non-homotheticity of preferences and differential productivity growth in each sector. We report two main findings. First, the estimation results show that home services have lower income elasticity than market services. Second, the slowdown in home labor productivity, which started in the late 70s, is a key determinant of the rise of market services. Our counterfactual experiment shows that, without the slowdown, the share of market services would have been lower by 7.5 percent in 2010.

### *Productivity Growth and Capital Flows: The Dynamics of Reforms*

Francisco J. Buera

Yongseok Shin

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 3, JULY 2017

(pp. 147-85)

Why doesn't capital flow into fast-growing countries? Using a model with heterogeneous producers and underdeveloped domestic financial markets, we explain the joint dynamics of total factor productivity (TFP) and capital flows. When a large-scale economic reform removes preexisting idiosyncratic distortions in a small open economy, its TFP rises, driven by efficient reallocation of economic resources. At the same time, because of the domestic financial frictions, saving rates surge but investment rates respond only with a lag, resulting in capital outflows. The dynamics of TFP, capital flows, and idiosyncratic distortions in the model are consistent with what is observed during growth acceleration episodes, which often follow large-scale economic reforms.

### *Demand for Value Added and Value-Added Exchange Rates*

Rudolfs Bems

Robert C. Johnson

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 9, NO. 4, OCTOBER 2017

(pp. 45-90)

The authors examine how cross-border input linkages shape the response of demand for value added to international relative price changes. We define a novel value-added real effective exchange rate (REER), which aggregates bilateral value-added price changes. Spillovers via input linkages lower the sensitivity of the value-added REER to price changes by supply chain partners because they counterbalance demand-side expenditure switching. Input linkages also raise the price elasticity of demand relative to the conventional REER framework, making demand more sensitive to REER changes. Using global input-output data, they demonstrate that these conceptual insights are quantitatively important in a case study of European competitiveness.

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### *Noisy News in Business Cycles*

Mario Forni

Luca Gambetti

Marco Lippi

Luca Sala  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 9, NO. 4, OCTOBER 2017  
(pp. 122-52)

The paper investigates the role of "noise" shocks as a source of business cycle fluctuations. To do so the authors set up a simple model of imperfect information and derive restrictions for identifying the noise shock in a VAR model. The novelty of their approach is that identification is reached by means of dynamic rotations of the reduced-form residuals. They find that noise shocks generate hump-shaped responses of GDP, consumption and investment, and account for a sizable fraction of their prediction error variance at business cycle horizons.

*Knowledge Capital and Aggregate Income Differences: Development Accounting for US States*

Eric A. Hanushek  
Jens Ruhose  
Ludger Woessmann  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 9, NO. 4, OCTOBER 2017  
(pp. 184-224)

Improvement in human capital is often presumed to be important for state economic development, but little research links better education to state incomes. We develop detailed measures of worker skills in each state that incorporate cognitive skills from state- and country-of-origin achievement tests. These new measures of knowledge capital permit development accounting analyses calibrated with standard production parameters. Differences in knowledge capital account for 20-30 percent of the state variation in per capita GDP, with roughly even contributions by school attainment and cognitive skills. Similar results emerge from growth accounting analyses. These estimates support school improvement as a strategy for state economic development.

*Aggregate Implications of a Credit Crunch: The Importance of Heterogeneity*

Francisco J. Buera  
Benjamin Moll  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 7, NO. 3, JULY 2015  
(pp. 1-42)

The authors take an off-the-shelf model with financial frictions and heterogeneity, and study the mapping from a credit crunch, modeled as a shock to collateral constraints, to simple aggregate wedges. They study three variants of this model that only differ in the form of underlying heterogeneity. They find that in all three model variants a credit crunch shows up as a different wedge: efficiency, investment, and labor wedges. Furthermore, all three model variants have an undistorted Euler equation for the aggregate of firm owners. These results highlight the limitations of using representative agent models to identify sources of business cycle fluctuations.

*Elasticity Optimism*

Jean Imbs  
Isabelle Mejean  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 7, NO. 3, JULY 2015  
(pp. 43-83)

On average, estimates of trade elasticities are smaller in aggregate data than at sector level. This is an artifact of aggregation. Estimations performed on aggregate data constrain sector elasticities to homogeneity, which creates a heterogeneity bias. The paper shows such a bias exists in two prominent approaches used to estimate elasticities, which has meaningful consequences for the calibration of the trade elasticity in one-sector, aggregative models. With elasticities calibrated to aggregate data, macroeconomic models can have predictions at odds with the implications of their multi-sector counterparts. They do not when elasticities are calibrated using a weighted average of sector elasticities.

*A Behavioral Model of the Popularity and Regulation of Demandable Liabilities*

Julio J. Rotemberg  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 7, NO. 3, JULY 2015  
(pp. 123-52)

Over-optimism regarding one's ability to arrive early in a queue is shown to rationalize deposit contracts in which people can withdraw their funds on demand even if consumption takes place later. Capitalized institutions serving overoptimistic depositors emerge in equilibrium even if depositors and bank owners have identical preferences and investment opportunities. Consistent with the evidence, runs can lead people to move their deposits from one intermediary to another. Regulatory policies, including deposit insurance, minimum capital requirements and restrictions on the assets held by depository institutions can increase the ex-ante welfare of depositors.

*Interest Rates, Leverage, and Business Cycles in Emerging Economies: The Role of Financial Frictions*

Andrés Fernández  
Adam Gulán  
AMERICAN ECONOMIC JOURNAL: MACROECONOMICS  
VOL. 7, NO. 3, JULY 2015  
(pp. 153-88)

Countercyclical country interest rates have been shown to be an important characteristic of business cycles in emerging markets. In this paper we provide a microfounded rationale for this pattern by linking interest rate spreads to the dynamics of corporate leverage. For this purpose the authors embed a financial accelerator into a business cycle model of a small open economy and estimate it on a novel panel dataset for emerging economies that merges macroeconomic and financial data. The model accounts well for the empirically observed countercyclicity of interest rates and leverage, as well as for other stylized facts.

*A New History of Banking Panics in the United States, 1825-1929: Construction and Implications*

Andrew J. Jalil

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 7, NO. 3, JULY 2015

(pp. 295-330)

There are two major problems in identifying the output effects of banking panics of the pre-Great Depression era. First, it is not clear when panics occurred because prior panic series differ in their identification of panic episodes. Second, establishing the direction of causality is tricky. This paper addresses these two problems (i) by deriving a new panic series for the 1825-1929 period and (ii) by studying the output effects of major banking panics via vector autoregression (VAR) and narrative-based methods. The new series has important implications for the history of financial panics in the United States.

*Gasoline Taxes and Consumer Behavior*

Shanjun Li

Joshua Linn

Erich Muehlegger

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 6, NO. 4, NOVEMBER 2014

(pp. 302-42)

Gasoline taxes can be employed to correct externalities from automobile use and to raise government revenue. The authors' understanding of the optimal gasoline tax and the efficacy of existing taxes is largely based on empirical analysis of consumer responses to gasoline price changes. In this paper, they examine directly how gasoline taxes affect gasoline consumption as distinct from tax-inclusive retail gasoline prices. It finds robust evidence that consumers respond more strongly to gasoline tax changes under a variety of model specifications. It discusses two potential reasons for the main findings as well as their implications.

*The Dynamics of Firm Lobbying*

William R. Kerr

William F. Lincoln

Prachi Mishra

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 6, NO. 4, NOVEMBER 2014

(pp. 343-79)

How is economic policy made? In this paper it studies a key determinant of the answer to the question: lobbying by firms. Estimating a binary choice model of firm behavior, it finds significant evidence for the idea that barriers to entry induce persistence in lobbying. The existence of these costs is further confirmed in studying how firms responded to a particular policy change: the expiration of legislation relating to the H-1B visa. Due to its influence on firm behavior, it argues that this persistence fundamentally changes the environment in which legislation is made.

*Is the WTO Passé?*

Kyle Bagwell  
Chad P. Bown  
Robert W. Staiger  
JOURNAL OF ECONOMIC LITERATURE  
VOL. 54, NO. 4, DECEMBER 2016  
(pp. 1125-1231)

The WTO has delivered policy outcomes that are very different from those likely to emerge out of the recent wave of preferential trade agreements (PTAs). Should economists see this as an efficient institutional hand-off, where the WTO has carried trade liberalization as far as it can manage, and is now passing the baton to PTAs to finish the job? The paper surveys a growing economics literature on international trade agreements and argues on this basis that the WTO is not passé. Rather, and subject to some caveats, their survey of research to date suggests that the WTO warrants strong support while a more cautious view of PTAs seems appropriate.

*Immigration Economics by George J. Borjas: A Review Essay*

David Card  
Giovanni Peri  
JOURNAL OF ECONOMIC LITERATURE  
VOL. 54, NO. 4, DECEMBER 2016  
(pp. 1333-49)

The authors review *Immigration Economics* by George J. Borjas, published in 2014 by Harvard University Press. The book is written as a graduate-level textbook, and summarizes and updates many of Borjas's important contributions to the field over the past thirty years. A key message of the book is that immigration poses significant costs to many members of the host-country labor market. Though the theoretical and econometric approaches presented in the book will be very useful for students and specialists in the field, the authors argue that the book presents a prejudiced view of immigration, with little or no attention to the growing body of work that offers a more nuanced picture of how immigrants fit into the host-country market and affect native workers.

*The Crisis in Economic Theory: A Review Essay*

Kevin D. Hoover  
JOURNAL OF ECONOMIC LITERATURE  
VOL. 54, NO. 4, DECEMBER 2016  
(pp. 1350-61)

The Great Recession and the financial crisis of 2007-09 prompted calls for fundamental reforms of economic theory. The role of theory in economics and in recent economic events is considered in light of two recent books: the sociologist Richard Swedberg's *The Art of Social Theory* and the economist André Orléan's *The Empire of Value: A New Foundation for Economics*.

*Equality of Opportunity: Theory and Measurement*

John E. Roemer  
Alain Trannoy  
JOURNAL OF ECONOMIC LITERATURE  
VOL. 54, NO. 4, DECEMBER 2016  
(pp. 1288-1332)

During the last third of the twentieth century, political philosophers actively debated about the content of distributive justice; the ruling ethical view of utilitarianism was challenged by various versions of equality of opportunities. Economists formulated several ways of modeling these ideas, focusing upon how individuals are placed with respect to opportunities for achieving various outcomes, and what compensation is due to individuals with truncated opportunities. After presenting a review of the main philosophical ideas (section 2), it turns to economic models (sections 3 and 4). It proposes a reformulation of the definition of economic development, replacing the utilitarian measure of GDP per capita with a measure of the degree to which opportunities for income acquisition in a nation have been equalized. Finally, it discusses issues that the econometrician faces in measuring inequality of opportunity, briefly review the empirical literature (section 6), and conclude (section 7).