

**Back by popular demand!** Well, maybe not popular demand, but my friends said they liked it. To explain for readers unfamiliar with this feature, I browse the technical economics literature for exceptionally interesting research and tell you where to get the details. Most of the articles and academic working papers, it is worth noting, can be downloaded free or for a nominal charge.

**GOOD ENOUGH FOR GOVERNMENT WORK**

Judged solely by President Bush’s what-me-worry views on tax and spending policies (see page 38) one might assume that conventional economic analysis is a dead art in George W. Bush’s White House. In fact, President Bush keeps some very good economists on the payroll. To see for yourself, take a gander at the Annual Report of the Council of Economic Advisers.

Of course, the 2005 Report contains the obligatory paragraphs on how the American economy is getting better every day in every way. But it also includes crackerjack, jargon-free essays on the global economic impact of AIDS, innovation and the information economy, options for tax reform, and the evolving political economy of international trade. Note, too, that the 150-page appendix of statistical tables on the American economy, culled from a variety of government sources, is a super-handly reference. [*“Annual Report of the Council of Economic Advisers,” Feb. 2005. Download free from [www.whitehouse.gov/cea/erpcover2005.pdf](http://www.whitehouse.gov/cea/erpcover2005.pdf).]*

**LITTLE PAIN, MUCH GAIN**

The post-Keynesian consensus on budget management in poor countries is that fiscal prudence leads to lower output and higher unemployment. But such prudence, the argument goes, is worth the short-term pain because it is a precondition for long-term gain. Andrzej Rzonca and Piotr Cizkowicz, economists at the National Bank of Poland, beg to disagree. Yes, they affirm, balanced budgets are needed for long-term price stability and economic growth. But, at least in the cases of eight of the newest members of the European Union (Latvia, Lithuania, Estonia, Poland, Czech Republic, Slovakia, Slovenia and Hungary), reducing fiscal deficits stimulated growth in the short run, too.

How is this possible? Decisive action on the budget may increase confidence in government’s commitment to economic stability, opening the way to greater investment. Second, government cost-cutting may reduce inflationary pressure on wages in the private sector, making business more competitive. [*“Non-Keynesian Effects of Fiscal Contraction in New Member States,” European Central*

*Bank Working Paper 519, Sept. 2005. Download free from [www.ecb.int/pub/pdf/scpwps/ecbwp519.pdf](http://www.ecb.int/pub/pdf/scpwps/ecbwp519.pdf).]*

## THE POLITICAL ECONOMY OF EXTORTION

**I**n what is known as “public choice” economics, explanations of government behavior usually put well-organized interest groups in the driver’s seat. Interests must overcome hurdles related to the difficulties of organization and the prevention of free-riding – realities that explain why some are more powerful than others. But once in place, lobbies become masters of the politicians.

Edward McCaffery (University of Southern California), Linda Cohen (also USC) and Fred McChesney (Northwestern) turn this standard model on its head. In their story, politicians take the lead: Congress nurtures interest groups with the goal of shaking them down for campaign funds. Thus, politicians keep issues alive for long periods – the better to keep the money coming. The authors use ongoing efforts to reform/repeal the estate tax as an example. [*“Shakedown at Gucci Gulch,” American Law and Economics Association Paper 72, 2004. Download free from [law.bepress.com/cgi/viewcontent.cgi?article=1089&context=alea](http://law.bepress.com/cgi/viewcontent.cgi?article=1089&context=alea).]*

## WAS POLLYANNA WRONG?

**O**ne of the most satisfying insights in economics is captured in what’s called the “environmental Kuznets curve” – the idea that pollution rises in the early stages of economic development, but once a country has achieved middle-income status, officials get serious about the environment and pollution falls. Hence, the best way to clean up wretched environments that plague most poor countries

is to help them grow.

Robert Deacon and Catherine Norman of the University of California at Santa Barbara are skeptical. Earlier studies of the theory compared different countries at different stages of development. Here, the authors look at development within individual countries over time, and find only modest evidence of falling sulfur dioxide pollution as countries grow rich, and no evidence of this happy outcome in the cases of smoke or particulate pollution. [*“Does the Environmental Kuznets Curve Describe How Individual Countries Behave?” UCSB Working Paper 5-04, April 2004. Download free from [www.econ.ucsb.edu/papers/wp05-04.edf](http://www.econ.ucsb.edu/papers/wp05-04.edf).]*

## HOUSING BLUES

**Y**ou know the old folk wisdom that land is a good investment because “they’re not making any more of it.” That may or may not be true. But Edward Glaeser (Harvard’s Kennedy School), Joseph Gyourko (Wharton) and Raven Saks (Harvard) offer an interesting spin on the idea. They argue that the explosion in housing prices in recent decades has largely been driven by constraints on supply. Construction costs have actually declined a bit since 1970, they note, while improvements in housing quality (central air conditioning, more bathrooms, fancier kitchens, and the like) only account for one-quarter of the increase. The biggest factor, they argue, is regulation that makes it more difficult to obtain permission to build in high-demand areas. Blame environmental issues – or, better yet, blame pressure from incumbent homeowners who don’t want to live near subdevelopments. [*“Why Have Housing Prices Gone Up?” NBER Working Paper 11129, Feb. 2005. Download for \$5 from [papers.nber.org/papersw11129](http://papers.nber.org/papersw11129).]*

## RESEARCH F.Y.I.

### JOBS BLUES

The 1980s were lean years for workers in most of the world's advanced economies. But labor demand rebounded in the 1990s. And while the only big winners were the highly skilled, some cash did trickle down. What, then, explains the widespread sense that satisfaction with work life continued to fall?

Andrew Clark of the Centre National de la Recherche Scientifique in Paris notes that the average length of the workweek fell in some countries (including Germany and France) and remained stable in others (Canada, Britain). Only in the United States did work hours rise. Nor are there any obvious negative trends in work security – job retention rates haven't changed much, even in the United States. But Clark does identify less tangible causes – notably disenchantment with the content of work and skepticism that good performance will be rewarded. [*Your Money or Your Life: Changing Job Quality in OECD Countries*, Feb. 2004, DELTA Working Paper 2004-31. Download free from [www.delta.ens.fr/abstracts/wp200431.pdf](http://www.delta.ens.fr/abstracts/wp200431.pdf).]

### SEXISM LIVES

While the prime beneficiaries of India's growth spurt of the past 15 years have been skilled workers and entrepreneurs, it has had some positive impact on the poor – and, notably, the children of the poor. But as Alessandro Tarozzi (Duke) and Aprajit Mahajan (Stanford) sadly conclude, a disproportionate share of the gain in poor kids' living standards have gone to males.

Nutritional standards rose for both sexes between 1993 and 1999, but improved substantially more for boys. Regional differences are especially striking: in southern India, boys

and girls fared roughly equally. But in the north, all of the gains were recorded among males. Sexism in India is, in part, driven by economic considerations – sons are more likely to add to family income. And perhaps the most disquieting aspect of this study is that economic growth does not seem to be leveling the economic “value” of the sexes as it has apparently done in much of the rest of the world. [*Child Nutrition in India in the Nineties: A Story of Increased Gender Inequality?* Duke Economics Working Paper 05-06, May 2005. Download free from [www.econ.duke.edu/Papers/Abstracts05/abstract.05.06.html](http://www.econ.duke.edu/Papers/Abstracts05/abstract.05.06.html).]

### THE LURE OF THE FARM

People who look like us (assuming they got haircuts and shopped at Macy's) have been around for 200,000 years. And they have demonstrated intelligence roughly equal to ours for at least 50,000 years. So why did they only begin to farm around 13,000 years ago?

George Dow, Nancy Olewiler and Clyde Reed of Simon Fraser University in British Columbia attribute this late transition to climate – in particular, centuries of warm weather that allowed rapid population growth for cultures dependent on foraging followed by a mini ice age that forced them to seek shelter in relatively warm places. The new environment couldn't support them all with foraging, thus making farming a necessity. And the initial steps toward farming led to a burst of technological change, which kept farming going even when the weather became more temperate. [*The Transition to Agriculture: Climate Reversal, Population Density and Technical Change*, Economics Working Paper Archive at Washington University St. Louis, August 2005. Download free at [econwpa.wustl.edu/eps/eh/papers/0509/0509003.pdf](http://econwpa.wustl.edu/eps/eh/papers/0509/0509003.pdf).]

—Peter Passell