Health Economics

Michael Grossman *

The NBER Program in Health Economics focuses on the determinants and consequences of differences in health outcomes. Program members have continued their long-standing interests in such basic determinants of health as substance use, obesity, and formal schooling, but a substantial number have also diversified their portfolios to include the effects of the business cycle, pollution, and overseas military deployment on health outcomes. During the five-year period covered by this report (2010–14), researchers in the program issued 530 working papers, a 36 percent increase relative to the previous five years.

I begin this report by describing research on these new topics, and then turn to those in areas in which the program has a longer history. Given the many working papers that have appeared in the period covered by my report, I can summarize only a small number of them.

The Great Recession and Health

Studies conducted by Christopher Ruhm and others prior to the Great Recession tended to find that health improved during a recession. In a 1996 study, Ruhm pointed to such contributing factors as increases in the amount of time available to exercise, cook at home, and schedule physician visits due to unemployment; less income to purchase cigarettes, alcohol, and junk food; reductions in fatal motor vehicle accidents due to declines in driving; less job-related stress; reductions in pollution associated with lower levels of industrial activity, and expansions in health insurance coverage as low-wage workers who lose their jobs and lack employer-provided health insurance become eligible for Medicaid.1 He found that a 1 percentage point rise in unemployment led to a 0.5 percent decline in the death rate. Based on these results and similar ones in other studies, Mark L. Egan, Casey B. Mulligan, and Tomas J. Philipson argue

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Pollution and Health

Reductions in health have well-established negative effects on worker productivity. For example, Steven G. Graff Zivin, Tal Gross, and Matthew J. Neidell capitalize on this relationship to study one of the effects of outdoor air pollution: its impact on the productivity and health of indoor workers at a pear-packing factory. They focus on fine particulate matter (PM 2.5), a harmful pollutant that easily penetrates into the body. They find that an increase in PM 2.5 outdoors leads to a statistically and economically significant decrease in worker productivity, with a 10 parts per billion decrease in ozone concentrations causing a 6.1 percent decrease in worker productivity. Similar increases in sulfur dioxide (SO2) concentrations cause the reduction in refining efficiency to translate into a 0.8 percent decrease in worker productivity. They also show that increases in particulate matter concentrations lead to a 1.0 percent decrease in productivity. In 2010, the Department of Energy estimated that the health impacts of pollution and for proper welfare compensation. They also have substantial effects on morbidity and are associated with other negative outcomes as child abuse, spouse abuse, fires, crime, and risky sexual encounters. John Cawley and Ruvin present an overview of economic approaches to these behaviors that have been developed by program.

Health of Returning Veterans

Ryan Edwards examines the socio-economic well-being and health of vetera- ans who were deployed in Iraq or Afghanistan. Deployment includes service in a combat or war zone, exposure to cardio- nize their productivity and health of indoor workers at a pear-packing factory. They focus on fine particulate matter (PM 2.5), a harmful pollutant that easily penetrates into the body. They find that an increase in PM 2.5 outdoors leads to a statistically and economically significant decrease in worker productivity, with a 10 parts per billion decrease in ozone concentrations causing a 6.1 percent decrease in worker productivity. Similar increases in sulfur dioxide (SO2) concentrations cause the reduction in refining efficiency to translate into a 0.8 percent decrease in worker productivity. They also show that increases in particulate matter concentrations lead to a 1.0 percent decrease in productivity. In 2010, the Department of Energy estimated that the health impacts of pollution and for proper welfare compensation. They also have substantial effects on morbidity and are associated with other negative outcomes as child abuse, spouse abuse, fires, crime, and risky sexual encounters. John Cawley and Ruvin present an overview of economic approaches to these behaviors that have been developed by program.

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members and other researchers. They also summarize empirical evidence concerning the effects of prices, taxes, and government-enforced regulations on unhealthy behaviors from studies conducted prior to 2010. Since consumption of the goods at issue in the present has harmful effects on health in the future, the rate at which people discount the future consequences of their current actions is an important determinant of the consumption choices people make. For example, the time discount factor can vary among individuals and other researchers and is closely related to time preference. For example, individuals may have different rates of time preference for the present and for the future. The more likely it is that a person will consume goods that are harmful to his or her health, the more they are likely to discount the future.

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Kevin Callison and Robert Kaestner question the consensus that raising tobacco taxes reduces cigarette consumption across age groups. They find that the association between state tax hikes and either smoking participation or smoking intensity is negative but generally not statistically significant. These results do not conflict with those that have been observed for teenagers and young adults.

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body fat (PBF, defined as body fat as a percentage of total weight)—in a study of the effects of food prices on obesity in youth ages 12 through 18.8 We obtain these measures from biochemical impedance analysis or dual energy x-ray absorptiometry conducted during the 2004–2006 NHANES, and find that an increase in the price of fast-food restaurant food leads to a reduction in PBF, while a rise in the real price of fruits and vegetables leads to an increase in this outcome. Finally, we show that nonwhite youths are particularly sensitive to fast-food restaurant prices.

An explanation of the last result is that the “full” price of fast-food consumption consists of the money price and the monetary value of the future health consequences of that consumption. A 1 percent change in the money price results in a larger percentage change in the full price when future health consequences are small—when we are young—than when they are large. Future costs are likely to be less important than present costs, therefore, when health is associated with higher rates of time preference for the present. Charles J. Courtemanche, Garth Fuehner, and Patrick McAlvanah provide direct evidence in support of the argument just made.8 They find that the body mass index of people around the age of 45 who discount the future heavily based on present pleasure has a higher body mass index than those who do not control for endogeneity.9 They estimate the annual cost of treating obesity in the US at $168 billion, or 16 percent of the “full” price of fast-food consumption. Among children—food advertising on television is particularly sensitive to and influences sales of this commodity, and advertising in children and adults as compared to other birth cohorts. They also find that they are more likely to have serious health problems including kidney disease, circulatory and respiratory problems, and diabetes in old age. Gabriella Corelli and James J. Heckman show that pre-school interventions in low-income populations of U.S. children have positive effects on a variety of measures of well-being in adulthood, including formal schooling completed and health.10 They also provide evidence that at least in part, the causal effects of health on education in a British panel data set are driven by the difference in cognitive ability and school attainment that children have at birth. An explanation of the difference is that parents invest in children’s education because they expect that their children will have a higher income in adulthood. Using this reasoning, they estimate the “big five” personality traits (conscientiousness, openness, extraversion, agreeableness, and neuroticism) and their associated measures that influence both health and schooling. Controlling for these measures, cognitive ability, and health, all at age ten, they find that the positive effects of education on self-rated health at age 30, and the negative effects of this variable on smoking and obesity at that age are positively associated with cognitive ability and negatively associated with noncognitive ability. Damon Clark and Heather Royer exploit changes in British compulsory schooling laws that generated sharp differences in educational attainment among cohorts to show that educational interventions reduced cumulative mortality from 1980–2007 by almost 30 percent relative to the mean for men ages 38–49 in 1980. They also report negative effects of college completion on smoking, heavy drinking, and obesity, and a positive effect on exercise.

Health Insurance and Health

Much of the research of the program focuses on the non-medical care determinants of health and the response of those determinants to economic factors. Some investigators, however, consider the effects of medical care and its key determinants—health insurance.

Courtemanche and Daniela Zapata present evidence that the health care reform legislation passed in 2010 designed to achieve nearly universal coverage led to better overall self-assessed health.11 They also document improvements in several determinants of overall health: physical health, mental health, functional limitations, joint disorders, and body mass index. Finally, they show that the effects of overall health were strongest among those with low incomes, nonwhites, near-elderly adults, and women.

Kasten, Cuiping Long, and G. Caleb Alexander examine whether obtaining prescription drug insurance through the Medicare Part D program affects hospital admissions, expenditures associated with those admissions, and mortality.12 They use a large, geographically diverse sample of Medicare beneficiaries and exploit the natural experiment of medical care and its key determinants to economic factors. Some investigators, however, consider the effects of medical care and its key determinants—health insurance.

In three studies, Theodore J. Joyce and colleagues focus on policy initiatives and regulations that impact abortion—an obvious determinant of infant health typically accompanies the development of medical care and its key determinants to economic factors. Some investigators, however, consider the effects of medical care and its key determinants—health insurance. In a third study, Joyce, Ruoding Tan, and Yousef Adalid use unique data on abortions performed in New York State from 1971 to 1975 to demonstrate that women traveled hundreds of miles for a legal abortion before the Supreme Court decision in Roe v. Wade that legalized abortion in all states.15 A 100-mile increase in distance for women who live approximately 800 miles from New York was associated with a decline in abortion rates of 3 percent. They also found a positive and robust association between distance to the nearest abortion provider and teen birth rates, but less-consistent estimates for other ages. Their results suggest that even if some states lost all abortion providers due to legislative policies, the impact on aggregate birth and abortion rates would be small, as most women would travel to states with abortion services.

Turning finally to studies that consider the determinants of infant and child health, Mocan, Christian Raschke, and Bulent Andalón, Jenny Williams, and I investigate the role that health insurance plays as an instrument to show that an increase in weekly earnings of low-skill mothers prompts an increase in prenatal care and has a small positive effect on the birth weight and gestational age of these mothers’ newborns. Clive Belfield and Kelly report that breastfeeding at birth raises the probability that infants will be in excellent health at nine months, and is protective against obesity in 24 and 54 months. Brian A. Jacob, Damon Clark, and Patrick McAlvanah find that college completion induced by draft avoidance reduces cumulative mortality from 1980–2007 by about 30 percent relative to the mean for men ages 38–49 in 1980. They also report negative effects of college completion on smoking, heavy drinking, and obesity, and a positive effect on exercise.

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Slower U.S. Growth in the Long- and Medium-Run

Robert J. Gordon

Initially appointed in 1968, Robert J. Gordon is one of the NBER’s longest-serving research associates. His research program affiliations include Economic Fluctuations and Growth, International Finance and Macroeconomics, and Productivity, Innovation, and Entrepreneurship. He has served as a member of the NBER Business Cycle Dating Committee since 1978, and is the Stanley G. Harris Professor in the Social Sciences at Northwestern University.

Gordon’s research spans numerous aspects of supply-side macroeconomics. He helped to integrate the analysis of supply shocks into macroeconomics, and his dynamic inflation model explains why inflation can be both positively and negatively correlated with unemployment, depending on the sources of shocks. He has also carried out extensive research on measurement error in price indices for durable goods, clothing, and housing.

Gordon received his B.A. from Harvard, an M.A. from Oxford, and his Ph.D. from MIT. He is a Distinguished Fellow of the American Economic Association and a fellow of both the Econometric Society and the American Academy of Arts and Sciences.

Gordon lives in Evanston, Illinois, with his wife, Julie, and their dog, Toto. He enjoys theater, music, and photography and invites readers to google “Photos of Economists” for his web gallery of 325 photos of economists dating back to 1967.

Research Summaries

Slower U.S. Growth in the Long- and Medium-Run

The annual growth rate of U.S. per-capita real GDP remained remarkably steady at 2.1 percent between 1890 and 2007. Until recently, it was widely assumed that the Great Recession of 2007–09 and the slow recovery since 2009 represented only a temporary departure from that steady long-run growth path. Growth theory, which tends to take the economy’s underlying rate of technological change as exogenous, was consistent with the widespread expectation that in the long run the economy’s growth rate would soon return to the longstanding 2 percent annual rate. In a series of research papers dating back 15 years, I have questioned the presumption of a constant pace of innovation and technological change. More recently, in several papers I have described a variety of “headwinds” that are in the process of slowing the economy’s growth rate independently of the contribution of innovation. Taken together, these headwinds and a slowing pace of innovation lead me to predict that the economy’s long-run growth rate of per-capita real GDP over the next 25 years or so will be 0.9 percent, less than half of the historic pre-2007 rate of 2.1 percent. And that 0.9 percent will not be available to most of the population, as growing inequality will cause a disproportionate share of available output growth to accrue to those whose incomes fall in the top one percent of the income distribution. Growth of per-capita real income for the bottom 99 percent of the income distribution will be 0.5 percent per year or less.

This research summary begins with a look at the factors involving innovation and the headwinds that are in the process of reducing long-run growth. A subsequent section describes a new technique to estimate the growth rate of the economy’s underlying potential output, an analysis which concludes that the economy’s potential growth rate falls well short of that currently assumed in the projections of the Congressional Budget Office (CBO).

The Pace of Innovation and the “One Big Wave”

Any treatment of U.S. long-run growth must distinguish between productivity and per-capita output. While these two measures of the growth process are sometimes treated as interchangeable, they are not. The growth rate of output per person equals the growth rate of output per hour plus the growth rate of hours per person. While per-person output growth was relatively steady over the entire period between 1890 and 2007, growth of output per hour and of hours per person were not. In particular, labor productivity experienced a half-century of rapid growth between 1920 and 1970, then slowed markedly after 1970. This productivity growth slowdown did not dampen the growth rate of per-person output because the growth of hours per person was bolstered by the entry to women into the labor force. The basic measure of the pace of innovation in an economy is the growth rate of total factor productivity (TFP), which is calculated by subtracting from labor productivity growth both the contribution of growth in the capital-labor ratio (capital deepening) and the effect of higher educational attainment. Because the capital-deepening and education effects were relatively constant between 1980 and 2007, TFP growth has been an even more-pronounced peak during the half-century 1920–70 than is true for labor productivity. I have called this peaked time path of TFP the “one big wave” and have provided estimates of TFP growth equal to a rate of 2.05 percent per year during 1920–70 as compared with only 0.7 percent for 1980–1990 and 0.74 percent for 1970–2014. The basic message of the paper for the big wave lies in the timing of inventions. TFP growth during the 1920–70 big wave benefited from the diffusion of four great clusters of inventions that in their combined importance overshadow the information and communication technology (ICT) revolution of the last few decades. A complementary hypothesis is that the partial closure of American labor markets to immigration and of American goods markets to imports during the big wave period gave an artificial and temporary boost to real wages which fed back into boosting productivity growth, followed by a reopening of the economy to immigration and imports that contributed to the post-1970 slowdown in growth of TFP and labor productivity.

The ICT revolution began with the first mainframe computers in the 1960s and 1970s, but productivity and TFP growth remained slow until 1970 when the mid-1990s. Then the economy enjoyed a temporary revival in productivity and TFP growth that lasted from 1996 to 2004. Any assessment of the likely long-run growth of productivity and TFP over the next 25 years needs to evaluate which is more relevant to the future: the brief 1996–2004 revival period or the years since 1970 (i.e., 1970–96 and 2004–14) during which productivity and TFP growth have been much lower.


The “Headwinds” That Are Slowing the Pace of U.S. Economic Growth

The headwinds that are in the process of slowing U.S. economic growth include demography, education, inequality, and the federal debt. Each of these alters the growth of long-run real output per capita in a different way. The federal debt headwind, by reducing hours per person, shrinks the growth rate of real per-person output below the rate of productivity growth. The education headwind directly reduces growth in both productivity and in real output per person. The inequality headwind reduces the growth rate of per-person income in the bottom 99 percent of the income distribution below the average for all income-earners. The federal debt headwind causes a decline in disposable income relative to total income as a result of cuts in benefits or increases in taxes needed to stabilize the federal debt-GDP ratio.

The first component of the demographic headwind is the slow rate of population growth due to declining fertility and immigration. While a decline in the rate of population growth has no direct impact on per-person real GDP, the downward pressure on aggregate demand due to the declining need for net investment in residential housing as well as shopping centers and other types of nonresidential building, has been important. The second and more important demographic component is the ongoing shrinkage in aggregate work hours relative to the size of the population, and this in turn is due to the ongoing decline in the labor-force participation rate (LFPR). Retirement of the baby-boom generation causes hours per person to decline at a rate of about 0.8 percent per year. Since 2009, the LFPR has been declining at about 0.8 percent per year, reflecting declining participation in productive activity and the baby-boom retirement phenomenon. Key groups exhibiting a declining LFPR are adult men in the 25–54 age group and youth of both sexes aged 16 to 24. Any future decline in the LFPR, including the inevitable further contribution of baby-boom retirement to slowing growth in labor hours, reduces the growth rate of output per person relative to output per hour.

The education headwind involves both educational attainment and educational performance. Rising educational attainment between 1910 and 1970, as the high-school completion rate increased from 10 to 80 percent, was an important contributor to productivity growth during the “one big wave” period of 1920–70. The rate of high school completion has changed little in the past four decades. Even though the college completion rate continues to rise, the U.S. remains the only nation in which the educat-
Realization of Growth in the Medium Run

When the U.S. unemployment rate fell below 6 percent in late 2014, attention began to shift from short-run demand factors that affected the labor market to longer-term considerations such as the economy’s potential output growth rate that would set a limit on the rate at which actual output could grow once the unemployment rate stabilized at a particular value. I proposed a simple method of calculating the growth rate of potential GDP based on estimates of each component growth rate currently assumed by the CBO, a difference that implies a lower future GDP growth rate than the central prediction of 1.6 percent per annum. If this were to occur, it would reduce disposable income below the amount that otherwise would be available to fuel growth in per-capita real income.

New Perspectives on the First Wave of Globalization

Christopher M. Meissner

The first “Great Wave of Globalization,” during the late 19th and early 20th centuries, witnessed a historically unprecedented period of globalization. Between 1850 and 1914, transportation costs plummeted, information flows accelerated, tariffs fell, trade treaties such as the free trade agreements with unconditional most-favored-nation clauses and treaty ports proliferated, and empires expanded. In addition, a set of global financial inter-mediations flourished, migrants flowed to previously unsettled regions in unprecedented numbers, and economic and political stability was largely the norm.

Unsurprisingly, many commodity prices converged and the export share of total production increased dramatically, dropping the infant and small, open economies after 1850 and 1914. In addition, new markets opened up to international trade and previously unavailable varieties of goods became accessible. Patterns of specialization and production processes were transformed. All of these forces significantly affected the living standards of the time.

My research, in collaboration with Michael Huberman, David Jacks, Dan Liu, Dennis Noyy, and Kim Oosterlinck, seeks to shed further light on the causes and consequences of the first wave of globalization. To help answer these questions we have digitized and compiled a large amount of historical data from national data sources covering bilateral trade flows, GDP, gross production, and many other geographic and policy variables. Comprehensive bilateral trade data were recorded in the 19th century by national authorities and colonial powers, since a large fraction of government revenue came from taxes on international trade. Moreover, as I will detail below, not only can we make use of aggregate bilateral trade data, but economic historians are now able to rely on bilateral, product-level trade flows which provide greater granularity and deeper insight into the dynamics of the first wave of globalization.

While research is only just beginning as regards the latter, these data will allow us to gain a greater understanding of the forces driving globalization and its connections to economic growth, both in industrial leaders and their followers. Such questions potentially have great relevance today both to developing countries and to leading countries that are being strongly affected by globalization. This brief survey discusses what emerges when we combine these data sets and analyze them with the help of trade theory and modern empirical methods.

Trade Costs and the Determinants of Globalization

Trade costs can be broadly defined as the resource costs of shipping and trading commodities across international borders. Such trade is costly, foreign exchange demand for domestic goods is assumed to be lower than it would be in the absence of such costs. What role did these trade costs play in explaining the growth of international trade and the types of goods traded during the first globalization? Especially important...
The Margins of Trade and the First Wave of Globalization

Recently my collaborators and I have begun to use disaggregated historical trade statistics to understand better the underlying causes of the gradual trade fall. During this period, the railroad and many other domestic infrastructure projects promoted internal as much as international integration. We also studied the effects of the technological approach to trade costs can be quite different. Often these are unobtained. 

Market potential, essentially the economic history and economic growth. Thus, while we expected the growth in the value of exports was accounted for by the appearance and growth of exports of new goods. In this case, 45 percent of the growth is attributable to the intensive margin, as the exports are new products that were already being shipped in the market. The record on working hours, and other labor standards which they were instituting. Despite the pessimism, labor standards were implemented in many countries. Strikingly, the data clearly show that the market potential in the late 19th and early 20th centuries. 

The Impact of International Trade: Welfare, Institutions and Policies

Trade costs also directly affected welfare and institutional outcomes of interest in the first wave of globalization. Market potential, essentially the global demand for a country’s output, is limited by trade costs and hence by the level of integration. Many studies covering the past few decades have found that the negative effects of trade policies are related to higher income per person. In this context, Liu and I study the importance of trade policies in the 19th and early 20th centuries. We find that countries with low market potential are more likely to adopt labor standards. 

Demand — then greater democracy could result. We use an instrumental-variables strategy inspired by Jeffry Frankel and David Dollar. The first stage is the free flow of capital in the first wave of globalization in particular, exposure to trade flows, might have had a causal impact on democracy. There is little evidence that it did. However, in the late 20th century, we find that there was a statistically significant and positive relationship between market potential and democracy. 

Like modern economists and policymakers, authorities in the late 19th century wondered whether the technological and cost differences of global markets would lead to intense labor market competition and a race to the bottom in terms of social policies. By the 1870s, many countries dramatically extended the franchise, thereby increasing the levels of ostensible democracy. It is worth asking whether institutional and policy changes in the late 19th century were related to the first wave of globalization. First, observe that, from the middle of the 19th century, many European countries dramatically extended the franchise, thereby increasing the level of ostensible democracy. A similar trend coincided with the more recent rise in trade and as the global share and share of democracies in the world share dramatically from the 1960s. Open-economy models of institutional change highlight that if trade induces a more even distribution of income — say, as labor benefits from an increase in global demand — then greater democracy could result. 

Recent research using new trade data and theory-based methodology has provided evidence on the causes and consequences of the first wave of globalization. Future work will provide new evidence based on recently digitized bilateral, product-level trade data for the United States, and this should shed further light on the industry-level
Pricing and Marketing Household Financial Services in Developing Countries

Dean Karlan and Jonathan Zinman

Retail financial institutions worldwide are facing greater competition and regulatory scrutiny. This makes it increasingly important for them to understand the drivers of consumer demand for basic financial services if they are to maximize profits, improve social impacts, and address public policy concerns. Researchers also need to understand these drivers in order to calibrate, shape, and test models in fields ranging from contract theory to behavioral economics to basic microeconomics. Likewise, policymakers need to understand these drivers in order to sift through a plethora of potentially relevant theories and set appropriate regulations.

This paper addresses these challenges using field experiments implemented by financial institutions in the course of their day-to-day operations. The partnering financial institutions randomly assign prices, communications, or access to products, generating variation that is uncorrelated with other factors that vary endogenously over time or people. This addresses Issue One above. The financial institutions randomize policies at the individual or neighborhood level in order to generate sufficient statistical power to identify causal effects. This addresses Issue Two. In some instances, the financial institutions’ randomized policies are implemented across sufficiently different people or markets, and are in place for long enough or with varying lengths of time, that we can examine under what conditions demand varies. This addresses Issue Three. In another instance, savings products. These two issues are facing greater competition and regulatory scrutiny. This makes it increasingly important for them to understand the drivers of consumer demand for basic financial services if they are to maximize profits, improve social impacts, and address public policy concerns. Researchers also need to understand these drivers in order to calibrate, shape, and test models in fields ranging from contract theory to behavioral economics to basic microeconomics. Likewise, policymakers need to understand these drivers in order to sift through a plethora of potentially relevant theories and set appropriate regulations.

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Jonathan Zinman is a professor of economics at Dartmouth College, and co-founder and scientific director of the U.S. Household Finance Initiative (USHFI) Innovations for Poverty Action.

Zinman’s research focuses on household finance and behavioral economics. He has published papers in several top journals in economics, finance, and general-interest science, and his work has been featured extensively in popular and trade media.

Zinman applies his research by working with policymakers and practitioners across the globe. He currently serves on the inaugural Consumer Advisory Board of the Consumer Financial Protection Bureau, as a visiting scholar at the Federal Reserve Bank of Philadelphia, and as a Community Development Research Advisory Council member for the Federal Reserve Bank of Boston. He also works directly with financial service providers, ranging from start-ups to nonprofits to publicly-traded companies, to develop and test innovations that are beneficial to both providers and their clients.

we use variation in price and advertising content to explore how these two levers interact, addressing Issue Four. Lastly, through two-stage experimental designs, we have tackled typically unobserved behavior on loan repayment as well as returns to capital, which persists through time.

In our work, and in the work of others, we learn that financial markets for credit are not meeting the needs of the poor. In Africa, Latin America, and other regions of the globe, we have found that financial institutions are able to expand access to microcredit by experimenting with risk-based pricing models or building offices in new geographic areas, effectively reducing the price of financial institution credit from infinity to a market rate for certain borrowers. Others have found the same to be true in Morocco, Bosnia and Herzegovina, Mongolia, India, and Ethiopia. Indeed, every study of which we are aware that has examined the impacts of expanding credit supply has found that the expansion increased borrowing and did not merely crowd out other lenders. Similarly, financial institutions offering new-commitment savings products for 6-to-24 month savings goals have found take-up rates typically around 20–30 percent. Other financial institutions have found similar interest demand for commitment savings.

A second finding from the studies above is that the marginal consumers of basic financial services derive a variety of financial benefits from them. This is an important reality check, given concerns that various biases in household decision-making can lead to counterproductive borrowing. Beyond the basic reality check, the several studies that follow random assignment to loan or other product availability with extensive household and microenterprise surveys have yielded surprising findings. On the credit side, the results have yielded little support for microcredit’s great promise of poverty alleviation and social transformation. Rather, the benefits have been modest, and concentrated more in household risk management and flexibility than in profitable microenterprise growth. On the savings side, the first wave of impact evaluations has produced evidence of some important impacts, tested typically with some aspect of commitment to the product, with several studies pursuing further work to unpack mechanisms underlying the impacts. A third finding from our work is that information asymmetries complicate lenders’ pricing strategies. Our work in the South Africa “cash loan” market and an individual-liability microloan market in the Philippines finds evidence of substantial moral hazard. These papers also suggest that this problem additional information that lenders could use to screen or price ex-ante and thereby mitigate adverse selection.

A fourth finding is that household demand for commitment savings balances is not sensitive to price, at least within the range of market rates found in the Philippines. This is somewhat puzzling in light of our next set of findings—substantial price sensitivity to consumer credit interest rates—although we emphasize that whether this finding applies to other types of innovations for poverty alleviation and social transformation. Rather, the benefits have been modest, and concentrated more in household risk management and flexibility than in profitable microenterprise growth. On the savings side, the first wave of impact evaluations has produced evidence of some important impacts, tested typically with some aspect of commitment to the product, with several studies pursuing further work to unpack mechanisms underlying the impacts.

Return to text.


See endnotes 4 and 5 for the relevant citations. Return to text.


Assessing the Effects of Monetary and Fiscal Policy

Emi Nakamura and Jon Steinsson

Monetary and fiscal policies are central tools of macroeconomic management. This has been particularly evident since the onset of the Great Recession in 2008. In response to the global financial crisis, U.S. short-term interest rates were lowered to zero, a large fiscal stimulus package was implemented, and the Federal Reserve engaged in a broad array of unconventional policies. Despite their centrality, the question of how effective these policies are and therefore how the government should employ them is in dispute. Many economists have been highly critical of the government’s aggressive use of monetary and fiscal policy during this period, in some cases arguing that the policies employed were ineffective and in other cases warning of serious negative consequences. On the other hand, others have argued that the aggressive employement of these policies has “walk[ed] the American economy back from the edge of a second Great Depression.”

In our view, the reason for this controversy is the absence of conclusive empirical evidence about the effectiveness of monetary and fiscal policies. Scientific questions about how the world works are settled by conclusive empirical evidence. In the case of monetary and fiscal policy, unfortunately, it is very difficult to establish such evidence. The difficulty is a familiar one in economics, namely endogeneity. Consider monetary policy. The whole reason for the existence of the Federal Reserve as an institution is to conduct systemic monetary policy that responds to developments in the economy. Every Fed decision is pored over by hundreds of PhD economists. This leaves little room for the type of exogenous variation in policy that is so useful in identifying the effects of policy moves on the economy. For example, the Fed lowered interest rates in the second half of 2008 in response to the developing financial crisis. Running a regression of changes in output on changes in policy in this case clearly will not identify the effect of the monetary policy actions on output since the financial crisis — the event that induced the Fed to change policy — is a confounding factor. The same problems apply when it comes to fiscal policy.

This difficulty has led macroeconomists to use a wide array of empirical methods — some based on structural models, others based more heavily on natural experiments to shed light on the effects of monetary and fiscal policy. Over the past 10 years, there have been exciting empirical developments on both fronts. In terms of structural methods, a core idea in macroeconomics is that the degree of price rigidity in the economy is a key determinant of the extent to which monetary and fiscal policy (and other demand shocks) affect the economy. If prices are very flexible, a change in demand from some source — say, the government — will induce prices to rise, and this will crowd out demand from other sources. However, if prices are slow to react, this crowding out does not occur and aggregate demand increases.

An important innovation in recent years has been the use of large micro datasets that underlie the U.S. consumer, producer, import, and export price indexes to measure the degree of price rigidity in the economy. We were among the first researchers to use these data to characterize price rigidity. One of our main conclusions was that distinguishing between different types of price changes is crucial in mapping workhorse macro models into the data. In particular, a very substantial fraction of price changes are due to temporary sales after which the price returns to its original level. In most workhorse macro models, the frequency of price adjustment directly determines the responsiveness of the aggregate price level to shocks. The prevalence of temporary sales raises the question of whether the raw frequency of price changes is a good measure of the responsiveness of inflation to demand shocks. Subsequent work has argued quite convincingly that, because of their transitory nature, temporary sales result in very little adjustment of the aggregate price level. In our own work on this topic, we present evidence that temporary sales are unresponsive to cost shocks and discuss institutional features of price setting by packaged-goods manufacturers that suggest that temporary sales follow sticky plans that are determined with long lead times.

A second important conclusion that emerges from the recent empirical literature on price rigidity is that, while prices change often if one looks across the whole economy, price adjustment is highly concentrated in certain sectors. Some products (like gasoline) have prices that adjust repeatedly within the span of a quarter, while other products (like services) often do not adjust for a year or longer. In this paper we use a similar approach, but instead of estimating structural vector autoregressions (VARs), we use the responses from our high-frequency-based identification strategy. This approach suggests that monetary non-neutrality is large. Intuitively, our evidence indicates that a monetary shock that yields a substantial response for real interest rates also yields a very small response for inflation. This suggests that prices respond quite sluggishly to changes in aggregate economic conditions and that monetary policy can have large effects on the economy. Another area in which there has been rapid progress in using innovative identification schemes to esti-
We show in our paper, however, that the relative multiplier does have a very interesting counterpart at the level of the aggregate economy. Even in the aggregate setting, the general equilibrium response of monetary policy to fiscal policy will be constrained when the risk-free nominal interest rate is constrained by its lower bound of zero. Our relative multiplier corresponds more closely to the aggregate multiplier in this case.12 Our estimates are, therefore, very useful in distinguishing between new Keynesian models, which generate large multipliers in these scenarios, and plain vanilla real business cycle models, which always generate small multipliers.

The evidence from our research on both fiscal and monetary policy suggests that demand shocks can have large effects on output. Models with price-adjustment frictions can explain such output effects, as well as the microeconomic evidence on price rigidity. Perhaps this evidence is still not conclusive, but it helps to narrow the field of plausible models. This new evidence will, we hope, help to narrow the field of plausible models that policymakers need to consider the next time they face a great challenge.


2014 Awards and Honors

A number of NBER researchers received honors, awards, and other forms of professional recognition during 2014. A list of the honors reported by these researchers, excluding those that were bestowed by the researcher’s home university, is presented below.

Orley Ashenfelter was awarded an Honorary Doctorate in Economics by the Charles University in Prague.


David Autor was elected a Fellow of the Econometric Society.


Jeffrey Brown was awarded the Achievement in Applied Retirement Research Award from the Retirement Income Industry Association.

Erik Brynjolfsson and his co-authors David M. Evans, George Westerman, and Yousef Alhammadi won the 2014 International Conference on Information Systems Award for Best Conference Paper for “Racing With and Against the Machine: Changes in Occupational Skill Composition in an Era of Rapid Technological Advance.”

John Campbell received the Eugene Fama Prize for Outstanding Contributions to Doctoral Education from the University of Chicago Booth School of Business for his 1997 book, “The E conometrics of Financial Markets”, which was co-authored with Andrew Lo and Craig MacKinlay.

Dennis Carlton was named the 2014 Distinguished Fellow of the Industrial Organization Society in recognition of excellence in research, education and leadership in the field of industrial organization.

John Cawley was awarded an Investigator Award in Health Policy Research from the Robert Wood Johnson Foundation.

Janet Currie was elected a Fellow of the American Academy of Arts and Sciences and began serving as President of the Society of Labor Economists. She was also the 2014 Eleanor Roosevelt Fellow of the American Academy of Political and Social Science.

Angus Deaton was elected to membership in the American Philosophical Society.

Amy Finkelstein received the 2014 American Society of Health Economists Medal, a biennial award recognizing the economist age 40 or under who has made the most significant contributions to the field of health economics. She and co-authors Erzo F. P. Luttmer and Matthew J. Notowidigdo also received the 2014 Hicks-Tinbergen Award from the European Economic Association, an award that recognizes an outstanding article published during a two-year period in the Association’s journal. This award was for their “What Good Is Wealth Without Health? The Effect of Health on the Marginal Utility of Consumption,” Journal of the European Economic Association, January 2013, pp. 221–58 (NBER Working Paper No. 14089).

Kristin Forbes was named an external Member of the Monetary Policy Committee for the Bank of England, serving a three year term from 2014 to 2017.

Don Fullerton was named the Norman O. Keohane Distinguished Visiting Professor at the University of North Carolina at Chapel Hill and Duke University, a position that is designed “to promote inter-institutional collaboration and the enhancement of intellectual life at both universities.”

Martin Gaynor was elected to the National Academy of Social Insurance.

Matthew Gentzkow received the John Bates Clark Medal from the American Economic Association, an award that honors “an outstanding economist under the age of forty who is judged to have made the most significant contribution to economic thought and knowledge.”

Robert J. Gordon was named a Distinguished Fellow of the American Economic Association. His award marks the first time this honor has been awarded to both a father and a son. Gordon’s father, Robert Aaron Gordon, was named an AEA Distinguished Fellow in 1972.

Michael Greenstone was elected a Fellow of the American Academy of Arts and Sciences.

James Hamilton received the Outstanding Contributions to the Profession Award for 2014 from the International Association for Energy Economics.

James Heckman and his co-authors Flavio Cunha and Susanne M. Schennach were awarded the Frisch Medal for their paper, “Estimating the Technology of Cognitive and Noncognitive Skill Formation.” (NBER Working Paper No. 15664.) The Econometric Society awards the Frisch Medal every two years for an applied article published in Econometrica during the past five years. Heckman also received the Spirit of the Econometric Society Award from the Erikson Institute for his work on the economics of early childhood development.


Hilary Hoynes received the Carolyn Shaw Bell Award from the American Economic Association’s Committee on the Status of Women in the Economics Profession, an award that recognizes and honors outstanding research in any field of economics by a woman not more than seven years beyond her Ph.D.

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Joseph Paul Newhouse received the Victor R. Fuchs Lifetime Achievement Award from the American Society of Health Economists.

Matthew Notowidigdo and his co-authors Amy Finkelstein and Erzo F. P. Luttmer received the 2014 Hicks-Tinbergen medal from the European Economic Association.

Robert Margo was elected President of the Economic History Association.

Enrico Moretti was elected a Fellow of the Society of Labor Economists and received the Sherwin Rosen Prize, awarded for Outstanding Contributions in the Field of Labor Economics.

Emi Nakamura received the Elaine Bennett Research Prize from the American Economic Association’s Committees on the Status of Women in the Economics Profession, an award that recognizes and honors outstanding research in any field of economics by a woman not more than seven years beyond her Ph.D.


Kristin Forbes was named an external Member of the Monetary Policy Committee for the Bank of England, serving a three year term from 2014 to 2017.

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Conferences

Economics of Digitization

An NBER Conference on the “Economics of Digitization” took place in Palo Alto on March 6. NBER Research Associates Shane Greenstein of Northwestern University, Josh Lerner of Harvard University, and Scott Stern of MIT organized the program. These papers were discussed:

- Samuel Fraiberger and Arun Sundararajan, New York University, “Peer-to-Peer Rental Markets in the Sharing Economy”
- Thomas Quan, University of Minnesota, and Kevin Williams, Yale University, “Product Variety, Across-Market Demand Heterogeneity, and the Value of Online Retail”
- Weijia Dai, University of Maryland; Ginger Zhe Jin, University of Maryland and NBER; Jungmin Lee, Sogang University; and Michael Luca, Harvard University, “Optimal Aggregation of Consumer Ratings: An Application to Yelp.com” (NBER Working Paper No. 18567)
- Erik Brynjolfsson, MIT and NBER, and Kristina McElheran, University of Toronto, “Data in Action: Data-Driven Decision Making in U.S. Manufacturing”
- Michela Giorelli, Stanford University, and Petra Moser, Stanford University and NBER, “Copyrights and Creativity: Evidence from Italian Operas”
- Hong Luo, Harvard University, and Julie Mortimer, Boston College and NBER, “Copyright Enforcement in Stock Photography”

Summaries of these papers may be found at: http://www.nber.org/conf/confer/2015/EoDs15/summary.html

Law and Economics

The NBER’s Law and Economics Program, directed by Christine Jolls of Yale University, met in Cambridge on February 20. These papers were discussed:

- Megan Lawrence, Harvard University; Felix Oberholzer-Gee, Harvard University and NBER; and Victor Calanog, Reis, Inc., “Bidding for Business: Tax Discrimination as Local Industrial Policy”
- Bradley Larsen, Stanford University and NBER, “Occupational Licensing and Quality: Distributional and Heterogeneous Effects in the Teaching Profession”
- Lauren Cohen, Harvard University and NBER; Umir Gurun, University of Texas at Dallas; and Scott Duke Kominers, Harvard University, “Patent Troll: Evidence from Targeted Firms” (NBER Working Paper No. 20322)
- Kathryn Spier, Harvard University and NBER, and J.J. Presscott, University of Michigan, “Tailored Suits: Contracting on Litigation”
- Andrew Daugherty and Jennifer Reinganum, Vanderbilt University, “Informal Sanctions on Prosecutors and Defendants and the Disposition of Criminal Cases”
- Adair Morse, University of California, Berkeley, and NBER, and Wei Wang and Serena Wu, Queen’s University, “Executive Gatekeepers: The Paradox of Lawyers in the Firm”
• Benjamin Keys, University of Chicago, and Jialin Wang, Consumer Financial Protection Bureau, “Minimum Payments and Debt Paydown in Consumer Credit Cards”

• Charles Calomiris, Columbia University and NBER, Mauricio Larrain, Columbia University, and José Liberti and Jason Sturgess, DePaul University, “How Collateral Laws Shape Lending and Sectoral Activity”

• Will Dobbie, Princeton University and NBER, and Paul Goldsmith-Pinkham and Crystal Yang, Harvard University, “Consumer Bankruptcy and Financial Health”

Summaries of these papers may be found at http://www.nber.org/conferees/2015/Ins15/summary.html

Industrial Organization

The NBER’s Program on Industrial Organization, directed by Jonathan Levin of Stanford University, met in Palo Alto on February 19 and 20. Part of the meeting was held jointly with the Industrial Organization Program. In addition to the papers marked with an (*) in the Industrial Organization summary, these papers were discussed:

• Tatyana Deryugina and Barrett Kirwan, University of Illinois at Urbana-Champaign, “Does the Samaritan’s Dilemma Matter? Evidence from U.S. Agriculture”

• Zarek Brot-Goldberg, University of California, Berkeley; Amitabh Chandra, Harvard University and NBER; Benjamin Handel, University of Pennsylvania and NBER; and Jonathan Kolstad, University of Pennsylvania and NBER, “Consumer Heterogeneity and Medical Care Price Responsiveness: Evidence and Implications for Optimal Insurance Design”

• Daniel Bauer and George Zanjani, Georgia State University, “The Marginal Cost of Risk and Capital Allocation in a Multi-Peiod Model”

• Amanda Kowalski, Yale University and NBER, “What Do Longitudinal Data on Millions of Hospital Visits Tell Us about the Value of Public Health Insurance as a Safety Net for the Young and Privately Insured?”

• Eduardo Azevedo and Daniel Gottlieb, University of Pennsylvania, “Perfect Competition in Markets with Adverse Selection”

• Marika Cabral and Michael Geruso, University of Texas at Austin and NBER, and Neale Mahoney, University of Chicago and NBER, “Does Privatized Health Insurance Benefit Patients or Producers? Evidence from Medicare Advantage” (NBER Working Paper No. 20870)

• Saurabh Bhagava and George Loewenstein, Carnegie Mellon University, and Justin Snyder, University of Wisconsin, “Choose to Lose? Employee Health-Plan Decisions from a Menu with Dominated Options”

• Johannes Jasperse, Andreas Richter, and Sebastian Soika, Ludwig-Maximilians-Universität München, “On the Demand Effects of Rate Regulation — Evidence from a Natural Experiment”

Summaries of these papers may be found at http://www.nber.org/conferees/2015/Ins15/summary.html

Insurance

The NBER’s Insurance Working Group, directed by Liran Einav of Stanford University and Kenneth Froot of Harvard University, met in Palo Alto on February 19 and 20. Part of the meeting was held jointly with the NBER’s Insurance Program, and papers marked with an (*) in the Industrial Organization summary, these papers were discussed:

• Neale Mahoney, University of Chicago and NBER, and E. Glen Weily, Microsoft Corporation, “Imperfect Competition in Selection Markets” (NBER Working Paper No. 20411)

• Elisabeth Honka, University of Texas at Dallas, and Pradeep Chintagunta, University of Chicago, “Simultaneous or Sequential? Search Strategies in the U.S. Auto Insurance Industry”

• Gregory Crawford and Nicola Pavanini, University of Zurich, and Fabiano Schivardi, LUISS Guido Carli, “Asymmetric Information and Imperfect Competition in Lending Markets”

• Michael Sinkinson, University of Pennsylvania, and Amanda Stare, University of Pennsylvania and NBER, “Ask Your Doctor? Direct-to-Consumer Advertising of Pharmaceuticals”

• Anna Tuchman, Harikesh Nair, and Pedro Gaudette, Stanford University, “Complementarities in Consumption and the Consumer Demand for Advertising”


• Christina Dalton, Wake Forest University; Gautam Gowrisankaran, University of Arizona and NBER; and Robert Town, University of Pennsylvania and NBER, “Myopia and Complex Dynamic Incentives: Evidence from Medicare Part D”

• Gregory Crawford, University of Zurich; Robin Lee, Harvard University and NBER; Michael Whinston, MIT and NBER; and Ali Yurukoglu, Stanford University and NBER, “The Welfare Effects of Vertical Integration in Multichannel Television Markets”

• Jean-Pierre Dubé, University of Chicago and NBER; Xiaoming Luo, Temple University; and Zheng Fang, Sichuan University, “Self-Signaling and Prosocial Behavior: A Cause Marketing Mobile Field Experiment”

• Daniel Björkegren, Brown University, “The Adoption of Network Goods: Evidence from the Spread of Mobile Phones in Rwanda”

Summaries of these papers may be found at http://www.nber.org/conferees/2015/Ins15/summary.html

Economic Fluctuations and Growth

The NBER’s Program on Economic Fluctuations and Growth, directed by Mark Gertler of New York University and Peter Kilner of Stanford University, met in San Francisco on February 27. NBER Research Associates Manuel Amador of the Federal Reserve Bank of Minneapolis and Andrea Efstathiou of the University of California, Los Angeles, organized the meeting. These papers were discussed:

• Pablo Kurlat, Stanford University and NBER, “Asset Markets with Heterogeneous Information”

• Johannes Stroebel, New York University, and Joseph Vavra, University of Chicago and NBER, “House Prices, Local Demand, and Retail Prices” (NBER Working Paper No. 20710)

• Daniel Greenwald, New York University; Martin Lettau, University of California, Berkeley, and NBER; and Sydney Ludvigson, New York University and NBER, “Origins of Stock Market Fluctuations” (NBER Working Paper No. 19818)

• Fatih Guvenen, University of Minnesota and NBER; Fatih Karahan, Federal Reserve Bank of New York; Serdar Ozkan, University of Toronto; and Jae Song, Social Security Administration, “What Do Data on Millions of U.S. Workers Reveal about Lifecycle Earnings Risk?”

EFJK Growth

The NBER’s EFJK Growth Group, organized by Ufuk Akcigit of the University of Pennsylvania and Benjamin Moll of Princeton University, met in San Francisco on February 26. These papers were discussed:

- Vasco Carvalho, University of Cambridge, and Nico Voigtländer, University of California, Los Angeles, and NBER, “Input Diffusion and the Evolution of Production Networks”
- Andrew Atkeson and Ariel Burnstei, University of California, Los Angeles, and NBER, “Aggregate Implications of Innovation Policy” (NBER Working Paper No. 17493)
- Sinâ Ateş, University of Pennsylvania, and Felipe Sagle, University of Maryland, “Structural Change with Long-Run Income and Price Effects”
- Diego Comin, Dartmouth College and NBER; Danial Lashkari, Harvard University; and Marté Mestieri, Toulouse School of Economics, “Structural Change with Long-Run Income and Price Effects”

Summaries of these papers may be found at http://www.nber.org/confex/2015/EFGw15/summary.html

Monetary Economics

The NBER’s Monetary Economics Program, directed by Christina Romer and David Romer of the University of California, Berkeley, met in Chicago on March 6. NBER Research Associates Janice Eberly of Northwestern University and Arvind Krishnamurthy of Stanford University organized the program. The papers were discussed:

- Erik Hurst, Amit Seru, and Joseph Vonr, University of Chicago and NBER, and Benjamin Keys, University of Chicago, “Regional Redistribution through the U.S. Mortgage Market”
- Efraim Benmelech, Northwestern University and NBER, and Ralf Meisenzahl and Rodney Ramcharan, Board of Governors of the Federal Reserve System, “The Real Effects of Liquidity During the Financial Crisis: Evidence from Automobiles”
- Òscar Jordà, Federal Reserve Bank of San Francisco; Moritz Schularick, University of Bonn; and Alan Taylor, University of California, Davis, and NBER, “Betting the House” (NBER Working Paper No. 20771)
- Stefano Giglio, University of Chicago and NBER; Matteo Magnani, Harvard University and NBER; and Johannes Stroebel, New York University, “No-Bubble Condition: Model-Free Tests in Housing Markets” (NBER Working Paper No. 20154)

Summaries of these papers may be found at http://www.nber.org/confex/2015/MEs15/summary.html

Health Care

The NBER’s Health Care Program, directed by Jonathan Gruber of MIT, met in Cambridge on March 6. These papers were discussed:

- Emily Oster, Brown University and NBER, “Diabetes and Diet: Behavior Change and the Value of Health”
- Maria Polyakova, Stanford University, “Regulation of Insurance with Adverse Selection and Switching Costs: Evidence from Medicaid Part D”
- Matthew Greenspan, University of Pennsylvania, and Ashley Swanson, University of Pennsylvania and NBER, “Transparency and Negotiated Prices: The Value of Benchmarking in Hospital Supplier Bargaining”
- Zack Cooper and Smarrt Craig, Yale University; Martin Gaynor, Carnegie Mellon University and NBER; and John Van Reenen, London School of Economics and NBER, “Why is Health Care Spending on the Privately Insured in Grand Junction, Colorado, So High? Prices, Competition, and Health Care Spending”
- David Powell, RAND Corporation, and Seth Seabury, University of Southern California, “Medical Care Spending and Labor Market Outcomes: Evidence from Workers’ Compensation Reforms”
- Benjamin Handel, University of California, Berkeley, and NBER; Jonathan Kolstad, University of Pennsylvania and NBER; Amitabh Chandra, Harvard University and NBER; and Zarek Brot-Goldberg, University of California, Berkeley, “What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics”

Summary of these papers may be found at http://www.nber.org/confex/2015/HCs15/summary.html

Development of the American Economy

The NBER’s Program on the Development of the American Economy, directed by Claudia Goldin of Harvard University, met in Cambridge on March 7. These papers were discussed:

- Karen Clay, Carnegie Mellon University and NBER; Joshua Lewis, Université de Montréal; and Edson Severini, Carnegie Mellon University, “Benefits and Costs of Electricity Pre-Clean Air Act”
- Daniel Ferter, Wellesley College and NBER, and Lee Lockwood, Northwestern University and NBER, “Means-Tested Old Age Support and Private Behavior: Evidence from the Old Age Assistance Program”
- Andrew Goodman-Bacon, University of California, Berkeley, “Public Insurance and Mortality: Evidence from Medicaid Implementation”
- Felipe Gonzalez, University of California, Berkeley; Guillermo Marshall, University of Illinois at Urbana-Champaign; and Suresh Naidu, Columbia University and NBER, “Start-up Nation? Slave Wealth and Entrepreneurship in Civil War Maryland”
- Emily Nix, Yale University, and Nancy Qian, Yale University and NBER, “The Fluidity of Race: ‘Passing’ in the United States, 1880–1940” (NBER Working Paper No. 20826)
- Michael Huberman, Université de Montréal; Christopher Meissner, University of California, Davis, and NBER; and Kim Oosterlinck, Université Libre de Bruxelles, “Technology and Geography in the Second Industrial Revolution: New Evidence from the Margins of Trade” (NBER Working Paper No. 20831)

Summary of these papers may be found at http://www.nber.org/confex/2015/DAEs15/summary.html
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For information on ordering and electronic distribution, see http://www.press.uchicago.edu/books/orders.html, or to place an order you may also contact the University of Chicago Press Distribution Center, at Telephone: 1-800-621-2736 Email: orders@press.uchicago.edu

Strained Relations: U.S. Foreign-Exchange Operations and Monetary Policy in the Twentieth Century

Michael D. Bordo, Owen F. Humpage, and Anna J. Schwartz
Cloth: $97.50
A National Bureau of Economic Research Monograph

During the twentieth century, foreign-exchange intervention was sometimes used in an attempt to solve the fundamental trilemma of international finance, which holds that countries cannot simultaneously pursue independent monetary policies, stabilize their exchange rates, and benefit from free cross-border financial flows. Drawing on a trove of previously confidential data, Strained Relations reveals the evolution of U.S. policy regarding currency market intervention, and its interaction with monetary policy. The authors consider how foreign-exchange intervention was affected by changing economic and institutional circumstances — most notably the abandonment of the international gold standard — and how political and bureaucratic factors affected this aspect of public policy.

http://www.nber.org/books/bord12-1

Economic Analysis of the Digital Economy

Edited by Avi Goldfarb, Shane M. Greenstein, and Catherine E. Tucker
Cloth: $130
A National Bureau of Economic Research Conference Report

As the cost of storing, sharing, and analyzing data has decreased, economic activity has become increasingly digital. But while the effects of digital technology and improved digital communication have been explored in a variety of contexts, the impact on economic activity — from consumer and entrepreneurial behavior to the ways in which governments determine policy — is less well understood.

Economic Analysis of the Digital Economy explores the economic impact of digitization, with each chapter identifying a promising new area of research. The Internet is one of the key drivers of growth in digital communication, and the first set of chapters discusses basic supply-and-demand factors related to access. Later chapters discuss new opportunities and challenges created by digital technology and describe some of the most pressing policy issues. As digital technologies continue to gain in momentum and importance, it has become clear that digitization has features that do not fit well into traditional economic models. This suggests a need for a better understanding of the impact of digital technology on economic activity, and Economic Analysis of the Digital Economy brings together leading scholars to explore this emerging area of research.

http://www.nber.org/books/gree13-1