

GCLE NEWS BULLETIN

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FEAR CLIMATE CHANGE - AND OUR RESPONSE TO IT

When it comes to climate change, all this plays out in interesting ways. In the U.S., imagine that many Florida residents have to leave their residences permanently, due to fiercer storms or rising sea level. The rational approach might involve well-functioning insurance markets, some public-sector transfers and compensation, and better infrastructure planning. The idea would be to limit the number of such moves or at least to lower their cost. That could prove very costly but essentially manageable.

But that is probably not what we will get. Instead, the debate may well radicalize Florida politics, which has consequences for national politics as Florida is a swing state. On the federal level, an infrastructure bill would invariably direct too much money to wasteful new projects in less populated states. Everywhere, the harsh, non-sympathetic tone of the debate will further corrode American politics. [Read more...](#)

THE COOL TOOLS THAT ARE RESHAPING ECONOMICS

If Hollywood is to be believed, every mad scientist who ever lived has a laboratory full of bubbling flasks, flashing consoles and glowing orbs. Science writer Philip Ball — who has visited countless research labs — tells me that reality is not so very different: the gear may be more subdued, but the gear is always there.

Science depends on tools, often instruments to detect or measure that which was previously undetectable — think of Galileo's telescope or Newton's prisms. Nobel Prizes have often been

awarded to the physicists who developed such tools: the cloud chamber (1927); the electron microscope (1986); and LIGO, the laser interferometer gravitational-wave observatory (2017).

What, then, of economics? Economics has its own quasi-Nobel Prize, but it is a stretch to find a single example of a prize being awarded for the development of new tools or instruments. Simon Kuznets (laureate in 1971) probably has the best such claim, for developing the ideas behind the gross domestic product measure. Alas, GDP is a broad aggregate with limitations that Kuznets himself understood all too well.

The first is the availability of high-resolution satellite images. In the mid-1990s, an economist named Alex Pfaff realised that these images could be used to answer questions about the connection between development projects and deforestation in the Amazon. [Read more...](#)

DOLLARIZE ARGENTINA

Argentina should dollarize, says Mary Anastasia O'Grady in the Wall Street Journal -- not a peg, not a currency board, not an IMF plan, just give up and use dollars.

Another currency crisis is roiling Argentina... The peso has lost half its value against the U.S. dollar since January. Inflation expectations are soaring.

The central bank has boosted its overnight lending rate to an annual 60% to try to stop capital flight. But Argentines are bracing for spiralling prices and recession. [Read More...](#)

THE HETEROGENEOUS IMPACT OF BREXIT: EARLY INDICATIONS FROM THE FTSE

In the days following the UK vote on 23 June 2016 to leave the EU, almost \$3 trillion was wiped off global markets. This suggests that investor expectations were largely in line with the dire predictions of Dhingra et al. (2016), for example, whose computable general equilibrium analysis predicted negative effects from rising trade barriers, with a hard Brexit (where tariffs rise to WTO most-favoured nation levels) lowering UK income as much as 9.5%. That said, despite a 7% decline in markets around the world in the first two trading days post-referendum (including the UK's FTSE 350 index, the German HDAX, and the US's S&P 500), most of the losses were reversed within a week.

Bottom line:

Brexit is likely to generate significant barriers to the flow of commerce between the UK and the rest of the EU. Even within industries, Brexit's effects are likely to be uneven. While this presents the possibility of implementing targeted policy to protect the most vulnerable firms. [Read More...](#)

GIVE TODAY'S CHILDREN A CHANCE

World leaders are gathering at the United Nations to discuss how to deliver on development for all that is economically, socially, and environmentally sustainable—“The 2030 Agenda for Sustainable Development,” and its 17 Sustainable Development Goals (SDGs).

The long road towards development

The world has achieved a tremendous amount in the past five decades on the development front. Since 1990 alone, over a billion people have lifted themselves out of extreme poverty. Never before in human history have we witnessed progress on this scale. It reflects a combination of important economic reforms that led to robust economic growth in most of the developing world and the concerted efforts of the international community to support countries in achieving the Millennium Development Goals, agreed in 2000. [Read More...](#)

EDUCATION'S ROLE IN EARNINGS, EMPLOYMENT AND ECONOMIC MOBILITY

Amid dialogue about the soaring student loan burden, questions arise about how educational characteristics (school type, selectivity, and major) affect disparities in post-college labour market outcomes. In this post, we specifically explore the impact of such school and major choices on employment, earnings, and upward economic mobility. Insight into determinants of economic disparity is key for understanding long-term consumption and inequality patterns. In addition, this gives us a window into factors that could be used to ameliorate income inequality and promote economic mobility.

We hope to answer the following questions:

Do school and major choice significantly affect differences in employment and earnings?

Do these differences persist in the long term?

Do certain educational background characteristics promote upward economic mobility more than others? [Read More...](#)

GDP GROWTH IS NOT THE SAME THING AS REAL ECONOMIC GROWTH

In the *New York Times* September 14, 2018, in an article "We're Measuring The Economy All Wrong," the writer of the article David Leonhardt complains that despite strong gross domestic product (GDP) data most people don't feel it.

The trouble is that a handful of statistics dominate the public conversation about the economy despite the fact that they provide a misleading portrait of people's lives. Even worse, the statistics have become more misleading over time.

According to the accepted rule of thumb, recessions are about at least two quarters of negative growth in real gross domestic product (GDP). Recessions, according to this way of thinking, are seen as something associated with the so-called strength of the economy. The stronger an economy is the less likely it is to fall into a recession. The major cause of recessions is seen as various shocks, such as a sharp increase in the price of oil or some disruptive political events, or natural disasters or a sudden fall in consumer outlays on goods and services. Obviously then, if an economy is strong enough to cope with these shocks then recessions can be prevented, or at least made less painful. For instance, a well-managed company with a well-managed inventory is likely to withstand the effects of various shocks versus a poorly managed company. [Read More...](#)

A "ME TOO" EXTERNALITY?

If, in our externality story, we extend the concept of property to include somebody's liberty or (more controversially) reputation, then a woman who falsely accuses a man of sexual interference produces a negative externality for all those who have really been raped. When false or opportunistic accusations are suspected or become known, the real victims are less likely to be believed.

When a woman falsely accuses a man of sexual interference, incentives may generate another sort of negative externality—this one against all men. If any man is fair game for a sexual interference accusation, then a deep-pocketed or government employer, especially when filling a publicly-visible job, has an incentive to hire a woman instead of a man.

It is true, on the other hand, that if a bona fide accusation is ignored, a negative externality is transferred to future real victims. The balancing of externalities was partly made by the legal principle that it is better to let a guilty person escape justice than to condemn an innocent. This principle incorporates a salutary fear of government power. [Read More...](#)

KAVANAUGH POLITICAL CIRCUS WILL DAMAGE THE #METOO MOVEMENT

It's been nearly a year since Ronan Farrow torpedoed the career of Harvey Weinstein, printing in The New Yorker a series of credible accusations that the Hollywood producer had sexually abused several women.

All of this will add up to the average person, who naturally wants justice for survivors, being less inclined to take sexual-abuse allegations seriously, the exact opposite of what the Me Too movement has promised and until now largely delivered. Because these accusations against Kavanaugh have so clearly been weaponized as a partisan tool, it only makes sense that onlookers will dismiss stories presented by biased politicians or shoddy reporting.

When people become numb to outrageous claims launched without verification and wielded by those with no interest in the truth, they will close their eyes to real instances of abuse. This debacle is teaching onlookers to take the stories of victims with a grain of salt. How can the average person be expected to care about seeking justice when so many in the public square seem to care more about advancing an agenda than about discerning who has actually been mistreated or abused?

The Me-Too movement has gained immense influence over the last year precisely because it has encouraged us to acknowledge the reality of sexual abuse and follow the truth wherever it leads. This promises to destroy the cultural power of the Me-Too movement. [Read More...](#)
