

Summer Semester 2015

Europe and the US: Comparative Economic Analyses

Lectures:

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Summer Semester 2015

Lectures: Mo 12.15-13.45, Room Shanghai, HoF 1.28

Classes: Tue even weeks, 14.15-15.45, Room Shanghai, HoF 1.28

Course Description

This advanced course analyzes differences in the economic systems, preferences, and outcomes between Europe and the US. Topics include the welfare state, taxation, labor markets, demographics, preferences for redistribution, migration, monetary and fiscal policy, the educational system, and firm productivity. We study the origins of potential differences, as well as their consequences for the lives of people. We explore macro- as well as microeconomic studies of both theoretical and empirical nature.

Certainly, there exists a lot of heterogeneity in economic systems and preferences within Europe itself. We will however focus on the contrast between Europe and the US, and not on these differences. Moreover, we concentrate mostly on Western Europe.

The major goal of this course is to give students the opportunity to apply the knowledge and tools acquired in previous courses to a fascinating topic. Thus, the prerequisites are intermediate microeconomic and macroeconomic theory, statistics, and econometrics. When discussing the readings, we will focus not only on the content, but also on the methodology.

Requirements

The course grade is based on the final exam.

Readings

The required readings for each week are listed below in the schedule and are marked with an asterisk. The schedule also lists additional optional readings. Most of the readings come out of journals. You are not required to buy a book.

Extra Lecture

Since we missed the first week of classes, there will be an extra lecture on Thursday, May 28, from 2.15 to 3.45 pm in room Boston, HoF 2.45. Moreover, there is an extra tutorial on Tuesday, July 14, from 4.15 to 5.45 pm (room Shanghai, HoF 1.28).

Introduction: Europe and the US, an Overview

* Alesina, Alberto and Francesco Giavazzi (2006): [The Future of Europe: Reform or Decline?](#), MIT Press, Cambridge, Introduction.

* Krugman, Paul (2015): [Much Too Responsible](#), New York Times, January 22, 2015.

Blanchard, Olivier (2004): [The Economic Future of Europe](#), *Journal of Economic Perspectives*, 18(4), 3-26.

Eichengreen, Barry (2007): [The European Economy since 1945: Coordinated Capitalism and Beyond](#), Princeton University Press, Princeton.

Geoghegan, Thomas (2011): [Were you Born on the Wrong Continent?: How the European Model Can Help You Get a Life](#), The New Press.

Gokhale, Jagadeesh and Erin Partin (2013): [Europe and the United States: On the Fiscal Brink?](#), *Cato Journal*, 33(2), 193-210.

Krugman, Paul (2011): [Can Europe be Saved?](#), New York Times Magazine, January 12, 2011.

Rifkin, Jeremy (2004): [The European Dream – How Europe’s Vision of the Future is Quietly Eclipsing the American Dream](#), Penguin Group, New York.

Labor Supply

* Bell, Linda and Richard Freeman (2001): [The Incentive for Working Hard: Explaining Hours Worked Differences in the US and Germany](#), *Labour Economics*, 8(2), 181–202.

* Prescott, Edward C. (2004): [Why Do Americans Work So Much More Than Europeans?](#), *Federal Reserve Bank of Minneapolis Quarterly Review*, 28(1), 2–13.

Alesina, Alberto, Edward L. Glaeser and Bruce Sacerdote (2005): [Work and Leisure in the U.S. and Europe: Why So Different?](#), *NBER Macroeconomic Annual*, 20(1), 1-64.

Michelacci, Claudio and Josep Pijoan-Mas (2007): [The Effects of Labor Market Conditions on Working Time: the US-EU Experience](#), mimeo.

Nickell, Stephen (2003): [Employment and Taxes](#), Cesifo Working Paper No. 1109.

Regulations, Institutions, and their Role for Unemployment

* Bentolila, Samuel, Pierre Cahuc, Juan J. Dolado, and Thomas Le Barbanchon (2012): [Two-Tier Labour Markets in the Great Recession: France versus Spain](#), *Economic Journal*, 122(562), F155-F187.

* Blanchard, Olivier and Justin Wolfers (2000): [The Role of Shocks and Institutions in the Rise of European Unemployment](#), *Economic Journal*, 110(462), C1-C34.

Bentolila, Samuel, Juan J. Dolado, and Juan F. Jimeno (2012): [Reforming an Insider-Outsider Labor Market: The Spanish Experience](#). *IZA Journal of European Labor Studies*, 1(1), 1-29.

Blanchard, Olivier (2006): [European Unemployment: The Evolution of Facts and Ideas](#), *Economic Policy*, 21(45), 5-59.

Nickell, Stephen (1997): [Unemployment and Labor Market Rigidities: Europe versus North America](#), *Journal of Economic Perspectives*, 11(3), 55-74.

Regional Labor Markets and Internal Migration

* Beyer, Robert and Frank Smets (2015): [Labour Market Adjustments in Europe and the US: How Different?](#), ECB Working Paper No. 1767.

* Blanchard, Olivier and Lawrence Katz (1992): [Regional Evolutions](#), *Brookings Papers on Economic Activity*, 1992(1), 1-75.

* Hunt, Jennifer (2006): [Staunching Emigration from East Germany: Age and the Determinants of Migration](#), *Journal of the European Economic Association*, 4(5), 1014-1037.

Decressin, Jörg W. and Antonio Fatas (1995): [Regional Labor Market Dynamics in Europe](#), *European Economic Review*, 39(9), 1627–1655.

De Grauwe, Paul and Wim Vanhaverbeke (1993): [Is Europe an Optimum Currency Area? Evidence from Regional Data](#), in: Masson, Paul and Mark Taylor (eds.): *Policy Issues in the Operation of Currency Unions*, Cambridge University Press, Cambridge.

Eichengreen, Barry (1993): [Labor Markets and European Monetary Unification](#), in: Masson, Paul and Mark Taylor (eds.): *Policy Issues in the Operation of Currency Unions*, Cambridge University Press, Cambridge.

Faini, Riccardo, Giampaolo Galli, Pietro Gennari and Fulvio Rossi (1997): [An Empirical Puzzle: Falling Migration and Growing Unemployment Differentials Among Italian Regions](#), *European Economic Review*, 41(3-5), 571-579.

Preferences for Redistribution

* Alesina, Alberto and George-Marios Angeletos (2005): [Fairness and Redistribution](#), *American Economic Review*, 95(4), 960-980.

* Alesina, Alberto and Nicola Fuchs-Schündeln (2007): [Good Bye Lenin \(or not?\) – The Effect of Communism on People’s Preferences](#), *American Economic Review*, 97(4), 1507-1528.

Alesina, Alberto and Eliana La Ferrara (2005): [Preferences for Redistribution in the Land of Opportunities](#), *Journal of Public Economics*, 89(5-6), 897-931.

Corneo, Giacomo and Hans Peter Grüner (2002): [Individual Preferences for Political Redistribution](#), *Journal of Public Economics*, 83(1), 83-107.

The Welfare State

* Alesina, Alberto, Edward Glaeser and Bruce Sacerdote (2001): [Why Doesn’t the United States Have a European Style Welfare State?](#), *Brookings Papers on Economic Activity*, 2001(2), 187-278.

* Estevez-Abe, Margarita, Torben Iversen, and David Soskice (2001): [Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State](#), in: Hall, Peter and David Soskice (eds.): *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press, Oxford, New York.

Alesina, Alberto and Edward L. Glaeser (2004): [Fighting Poverty in the US and Europe: A World of Difference](#), Oxford University Press, Oxford.

Blanchard, Olivier (2006): [Is There a Viable European Social and Economic Model?](#), MIT Department of Economics Working Paper No. 06-21.

Iversen, Torben and David Soskice (2001): [An Asset Theory of Social Policy Preferences](#), *American Political Science Review*, 95(4), 875-893.

Labor Markets in the Crisis

* Mian, Atif and Amir Sufi (2014): [What Explains the 2007–2009 Drop in Employment?](#), *Econometrica*, 82(6), 2197-2223.

* Hoffmann, Florian and Thomas Lemieux (2014): [Unemployment in the Great Recession: A Comparison of Germany, Canada and the United States](#), National Bureau of Economic Research Working Paper, No. w20694.

Burda, Michael C. and Jennifer Hunt (2011): [What Explains the German Labor Market Miracle in the Great Recession?](#), *Brookings Papers on Economic Activity*, 273-335.

Hijzen, A. and D. Venn (2011): [The Role of Short-Time Work Schemes during the 2008-09 Recession](#), OECD Social, Employment and Migration Working Papers, No. 115, OECD Publishing.

Lazear, Edward P., and James R. Spletzer. (2012): [The United States Labor Market: Status Quo or a New Normal?](#), National Bureau of Economic Research Working Paper, No. w18386.

Monetary and Fiscal Policy in the Crisis

* Chodorow-Reich, Gabriel, Laura Feiveson, Zachary Liscow, and William Gui Woolston (2012): [Does State Fiscal Relief during Recessions Increase Employment? Evidence from the American Recovery and Reinvestment Act](#). *American Economic Journal: Economic Policy*, 4(3), 118-145.

* Fawley, Brett W. and Christopher J. Neely (2013): [Four Stories of Quantitative Easing](#). *Federal Reserve Bank of St. Louis Review*, 95(1), 51-88.

* Wilson, Daniel J. (2012): [Fiscal Spending Jobs Multipliers: Evidence from the 2009 American Recovery and Reinvestment Act](#). *American Economic Journal: Economic Policy*, 4(3), 251-282.

Dolls, Mathias, Clemens Fuest, and Andreas Peichl (2012): [Automatic Stabilizers and Economic Crisis: US vs. Europe](#). *Journal of Public Economics*, 96(3), 279-294.

Galí, Jordi (2012): [The Monetary Pillar and the Great Financial Crisis](#), The Great Financial Crisis: Lessons for Financial Stability and Monetary Policy, European Central Bank, 74-95.

Uhlig, Harald (2010): [Monetary Policy in Europe vs the US: What Explains the Difference?](#) in Jordi Gali and Mark J. Gertler: *International Dimensions of Monetary Policy*, NBER Books, NBER, pp. 489-533.

Female Labor Market Participation

* Bick, Alexander and Nicola Fuchs-Schündeln (2014): [Taxation and Labor Supply of Married Women across Countries: A Macroeconomic Analysis](#), CEPR Discussion Paper No. DP9115.

* Fernández, Raquel (2007): [Women, Work, and Culture](#), *Journal of the European Economic Association*, 5(2-3), 305-332.

Fernández, Raquel, Alessandra Fogli and Claudia Olivetti (2004): [Mothers and Sons: Preference Formation and Female Labor Force Dynamics](#), *Quarterly Journal of Economics*, 119(4), 1249-1299.

Pissarides, Christopher, Pietro Garibaldi, Claudia Olivetti, Barbara Petrongolo and Etienne Wasmer (2005): [Women in the Labor Force: How Well is Europe Doing?](#), in: Boeri, Tito, Daniela Del Boca, and Christopher Pissarides (eds.): *Women at Work. An Economic Perspective*, Oxford University Press, Oxford, New York.

The Educational System and Intergenerational Mobility

* Björklund, Anders and Markus Jäntti (1997): [Intergenerational Income Mobility in Sweden Compared to the United States](#). *American Economic Review*, 87(5), 1009-1018.

* Hanushek, Eric A. and Ludger Wößmann (2006): [Does Educational Tracking Affect Performance and Inequality? Differences-in-Differences Evidence Across Countries](#), *Economic Journal*, 116(510), C63–C76.

* Tabellini, Guido (1995): [The Organization of Economic Research: Why Europe is Still Behind](#), *Kyklos*, 48(2), 297-302.

Björklund, A. B. Bratsberg, T. Eriksson, M. Jäntti, R. Naylor, O. Raaum, K. Roed and E. Österbacka (2006): [American Exceptionalism in a New Light: A Comparison of Intergenerational Earnings Mobility in the Nordic Countries, the United Kingdom and the United States](#), IZA Discussion Paper No. 1938.

Blanden, Jo, Paul Gregg and Stephen Machin (2005): [Intergenerational Mobility in Europe and North America. A Report Supported by the Sutton Trust](#), Center for Economic Performance.

Güell, Maia, José V. Rodríguez Mora, and Christopher I. Telmer (2015): [The Informational Content of Surnames, the Evolution of Intergenerational Mobility and Assortative Mating](#). *The Review of Economic Studies*, 82, 693-735.

Perotti, Roberto (2002): [The Italian University System: Rules vs. Incentives](#), mimeo.

Schütz, Gabriela, Heinrich W. Ursprung, and Ludger Wößmann (2008): [Education Policy and Equality of Opportunity](#), *Kyklos*, forthcoming.

Woessmann, Ludger (2008): [How Equal Are Educational Opportunities? Family Background and Student Achievement in Europe and the United States](#), *Zeitschrift für Betriebswirtschaft*, 78(1), in press.

Firm Productivity

* Bloom, Nicholas, Raffaella Sadun, and John Van Reenen (2012): [Americans Do IT Better: US Multinationals and the Productivity Miracle](#), *American Economic Review*, 102(1), 167–201.

Inklaar, Robert, Marcel P. Timmer, and Bart van Ark (2008): [Market Services Productivity across Europe and the US](#), *Economic Policy*, 23(53), 139-194.