

Summer Semester 2010

Europe and the US: Comparative Economic Analyses

Lectures:

Junior Professor Dr. Peter Haan
RuW Building, Room 4.253
haan@wiwi.uni-frankfurt.de
Office Hours: Thursdays 2-4pm

Dr. Alexander Bick
House of Finance, Room 3.64
bick@wiwi.uni-frankfurt.de
Office hours: Wednesdays 11am-1pm

Classes:

Angela Fiedler
House of Finance, Room 3.56
afiedler@wiwi.uni-frankfurt.de
Office hours: Tuesdays 12-2 pm

Please write an email if you plan to come to the office hours.

Summer Semester 2010

Tue 10.15-11.45

Thu even weeks, 10.15-11.45

Room HoF 1.27

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, and the educational system. 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 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

There are two requirements for this course.

First, you have to hand in three problem sets. These problem sets will not be graded and returned, but they are still part of the course requirements. Not handing in a problem set will lead to a reduction in the points awarded for the final exam by 3 percent (i.e. not handing in any of the problem sets will lead to a reduction of 9 percent in the points awarded on the final exam). Please make photocopies of your problem sets prior to submitting them. The problem set will comprise theoretical and computer exercises.

Second, the grade for the course will be based on a 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. One book that touches upon many of the topics discussed in this class is “The Future of Europe – Reform or Decline” by Alesina and Giavazzi.

Schedule

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 (2008): The Comeback Continent, New York Times Op-ed column, January 11, 2008.

* Sack, Kevin (2008): Voters Showing a Darker Mood than in 2000 Race, New York Times, January 24, 2008.

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.

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

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

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

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

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.

Regional Labor Markets and Internal Migration

* 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.

Monetary and Fiscal Policy

Alesina, Alberto, Roberto Perotti and José Tavares (1998): [The Political Economy of Fiscal Adjustments](#), *Brookings Papers on Economic Activity*, 1998(1), 197-266.

Blanchard, Olivier (2006): [A Macroeconomic Survey of Europe](#), mimeo.

Blanchard, Olivier (2006): [Portugal, Italy, Spain, and Germany. The Implications of a Suboptimal Currency Area](#), mimeo.

Calmfors, Lars (2005): [What Remains of the Stability Pact and What Next?](#), Swedish Institute for Economic Policy Studies Report, 2005:8.

Cecchetti, Stephen G. and Róisín O'Sullivan (2003): [The European Central Bank and the Federal Reserve](#), *Oxford Review of Economic Policy*, 19(1), 30-43.

Galí, Jordi and Roberto Perotti (2003): [Fiscal Policy and Monetary Integration in Europe](#), *Economic Policy*, 18(37), 533-572.

Lane, Philip R. (2006): [The Real Effects of European Monetary Union](#), *Journal of Economic Perspectives*, 20(4), 47-66.

Female Labor Market Participation

* 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.

Demographics

* Gokhale, Jagadeesh and Bernd Raffelhüschen (1999): [Population Aging and Fiscal Policy in Europe and the United States](#), *Federal Reserve Bank of Cleveland Economic Review*, 4th quarter.

* Kohler, Hans-Peter, Francesco C. Billari and José Antonio Ortega (2006): [Low Fertility in Europe: Causes, Implications and Policy Options](#), in Harris, Fred R. (ed.): *The Baby Bust: Who will do the Work? Who Will Pay the Taxes?*, Rowman & Littlefield Publishers, Lanham.

Ahn, Namkee and Pedro Mira (2002): [A Note on the Changing Relationship Between Fertility and Female Employment Rates in Developed Countries](#), *Journal of Population Economics*, 15, 667–682.

Börsch-Supan, Axel and Reinhold Schnabel (1998): [Social Security and Declining Labor Force Participation in Germany](#), *American Economic Review*, 88(2), 173–178.

Fernandez, Raquel and Alessandra Fogli (2006): [Fertility: The Role of Culture and Family Experience](#), *Journal of the European Economic Association*, 4(2-3), 552–561.

Giuliano, Paola (2007): [Living Arrangements in Western Europe: Does Cultural Origin Matter?](#), *Journal of the European Economic Association*, 5(5), 927-952.

Rosenbluth, Frances, Matthew Light, and Claudia Schrag (2002): [The Politics of Low Fertility: Global Markets, Women's Employment, and Birth Rates in Four Industrialized Democracies](#), mimeo.

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.

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.

The Scandinavian Model

* Andersen, Torben M. (2007): [The Scandinavian Model – Prospects and Challenges](#), cesifo Working Paper No. 1903.

* Cowell, Alan (2006): [An Economy With Safety Features, Sort of Like a Volvo](#), New York Times, May 10, 2006.

* Hoge, Warren (2002): [Swedes Are Out Sick Longer, and Budget Is Ailing](#), New York Times, September 24, 2002.

* Ljunge, Martin (2006): [Half the Job Is Showing Up: Returns to Work, Taxes, and Sick Leave Choice](#), University of Copenhagen, mimeo.

Calmfors, Lars, Gilles Saint-Paul, Giancarlo Corsetti, Michael Devereux, Seppo Honkapohja, Hans-Werner Sinn, Jan-Egbert Sturm and Xavier Vives (2007): [Scandinavia Today: An Economic Miracle?](#), in: EEAG Report on the European Economy 2007, Chapter 4.

Iversen, Torben (1998): [The Choices for Scandinavian Social Democracy in Comparative Perspective](#), *Oxford Review of Economic Policy*, 14(1), 59-75.

Lindbeck, Assar (1997): [The Swedish Experiment](#), *Journal of Economic Literature*, 35, 1273-1319.