

# PAPERS AND PROCEEDINGS

OF THE

**One Hundred Nineteenth Annual Meeting**

OF THE

AMERICAN ECONOMIC ASSOCIATION

**Chicago, IL, January 5–7, 2007**

**Program Arranged by Thomas J. Sargent**

**Papers and Proceedings Edited by Michelle DeBlasi and Ronald L. Oaxaca**

Managing Editor, Jane Emily Voros

**MAY 2007**

# THE AMERICAN ECONOMIC ASSOCIATION

Founded in 1885

- Typeset by American Economic Association Publications, Pittsburgh, Pennsylvania, USA

- Printed at R. R. Donnelly Company, Menasha, Wisconsin, USA

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*THE AMERICAN ECONOMIC REVIEW* (ISSN 0002-8282), May 2007, Vol. 97, No. 2. The *AER* is published five times a year (March, May, June, September, December) by the American Economic Association, 2014 Broadway, Suite 305, Nashville, TN 37203. Annual fees for regular membership, of which 30 percent is for a year's subscription to this journal, are: \$64.00, \$77.00, or \$90.00, depending on income. A membership also includes subscriptions to *The Journal of Economic Literature* and *The Journal of Economic Perspectives*. In countries other than the U.S.A., add \$30.00 for extra postage. Periodical postage paid at Nashville, TN and at additional mailing offices. POSTMASTER: Send address changes to *The American Economic Review*, 2014 Broadway, Suite 305, Nashville, TN 37203.

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VOL. 97 NO. 2

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*Managing Editor,* Jane Emily Voros

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## Editors' Introduction

This volume contains the *Papers and Proceedings* of the one hundred and nineteenth annual meeting of the American Economic Association. The *Proceedings* record the business activities of the Association in 2006, the annual membership meetings, and the April (2006) and January (2007) meetings of the Association's officers and committees. The *Papers* constitute the greater part of the volume. They comprise contributions that fill roughly the same number of pages as one and a half regular issues of the *American Economic Review*. We will take this opportunity to answer a number of commonly asked questions about the *Papers*.

**Who chooses the authors?** About a year in advance, the Association's President-elect, acting as program chairman, decides on the topics for which sessions will be organized. This is done after consultation and comment, both volunteered and solicited, from a wide range of individuals. (A *Call for Papers* appears in the summer and fall issues of the *Journal of Economic Perspectives*.)

The President-elect invites some sessions and, with the help of a Program Committee, selects most of the sessions from the proposals received. Each session organizer in turn invites several persons (usually three or four) to give papers on the theme of the session and asks others to give comments on the papers. The program chairman decides at the time of organization which sessions will be included in this volume. Space limitations restrict the number of printed sessions. This year we are printing 28 sessions, although a total of 180 sessions were sponsored, either solely by the American Economic Association or jointly with allied societies.

**Are discussants' comments published?** Comments and discussions usually are not published. For all sessions, names and affiliations of commentators are printed at the start of each session, permitting readers especially interested in particular comments to write to the commentator for a copy of the discussion.

**What standards must the papers meet?** The *American Economic Review's* policy regarding availability of data also applies to the *Papers and Proceedings*. Papers are published only if the data used in the analysis are clearly and

precisely documented and are readily available to any researcher for purposes of replication. Otherwise, the guidelines under which papers are published in the *Papers and Proceedings* differ considerably from those governing regular issues of the *Review*. First, the length of papers is strictly controlled. Second, papers are not subjected to a formal refereeing process. However, a paper can be rejected if, after reading it, we conclude that it is without merit. Third, the content and range of subject matter reflect the wishes of the President-elect to investigate and expose the current state of economic research and thinking. In most cases, therefore, the papers are exploratory and discursive, rather than formal presentations of original research.

**Acknowledgments.** The extremely tight production schedule for this issue requires a great deal of coordination and teamwork. And, so, we would like to thank a number of people for making production of this issue possible. For the first time, *Papers and Proceedings* was produced entirely in-house. In order for this to happen, a production staff had to be assembled, new computers and publishing software had to be purchased, and a great deal of training and testing had to be done. The process of developing the production/prepress department and team began in the fall of 2006 and involved many hours of development, training, testing, and review. We would very much like to thank Manager of Prepress Denise Maiden and prepress staff Rebecca Fatafsky and Russell Salminen whose efforts, experience, and hard work were essential to producing the journal. They developed a workflow and typeset (and on many occasions reset) 118 papers and proceedings, all while maintaining a sense of humor. We would like to thank Jane Voros, managing editor of the *American Economic Review* for taking on additional duties during the production period of *Papers and Proceedings*. Finally, we thank Kathy Holewinski and the Banta Company for their dependable work in printing and distributing this issue.

MICHELLE DEBLASI  
RONALD L. OAXACA

## Foreword

The papers contained in these proceedings were selected by the following committee: Andrew Atkeson (University of California, Los Angeles), David Autor (Massachusetts Institute of Technology), Patrick Bajari (University of Minnesota), Douglas Bernheim (Stanford University), Andrew Caplin (New York University), Darrell Duffie (Stanford University), William Easterly (New York University), Janice Eberly (Northwestern University), Martin Eichenbaum (Northwestern University), Oliver Hart (Harvard University), Matthew Jackson (Stanford University), Michael Keane (Arizona State University), Antonio Merlo (University of Pennsylvania), Stephen Morris (Princeton University), Stephanie Schmidt-Grohe (Duke University), Robert Topel (University of Chicago), and François

Velde (Federal Reserve Bank of Chicago). I was responsible for selecting the Ely lecture by Lars Peter Hansen and the special lecture on the economics of human development by James J. Heckman.

Several people at American Economic Association headquarters in Nashville arranged the meetings and helped the program committee. I thank Violet Sykes, Edda Leithner, Marlene Hight, John Siegfried and especially Susan B. Houston for their help. I thank Michelle DeBlasi and Ronald Oaxaca for editing this volume. I would also like to thank George Akerlof for taking the time to give me some very good advice about how to arrange the meetings.

THOMAS J. SARGENT