Index

Academic economics, 189, 203–6
AGE. See applied general
equilibrium analysis; applied
general equilibrium
modeling
Agenda setting, 247
Agent-based modeling, 117
Airline Deregulation Act, The, 25,
240–41, 244–46
Airline industry, 242–43
Airport slot allocation problem
auction solutions, 25, 252, 255–57,
259
derbar solution, 259
and deregulation, 241, 245
GIP’s experiments, 251–56
GIP’s solution, 257–58
GIP study overview, 241, 247–48,
260
Levine’s work on, 246
PATCO strike, 259
scheduling committees, 240–41,
243, 250–51
American economics, critiques of,
158–59
American Enterprise Institute (AEI),
194, 200–2
Applied economics. See also
development economics;
institutionalist economics
21st century popularity, 1–2
abstraction in, 213
government need for, 28
interwar period, 7
macroeconomic planning as,
176–78
Norwegian planning as, 176–78
under Reagan, 25
relationship to theoretical, 7–14
subfields, 3
term ambiguity, 231–32
theory, need for, 27
turn towards (See empirical
turn, the)
understandings of the term, 59
value of the term, 5–6
Applied experimental research, 241, 259, 260–61

Applied general equilibrium (AGE) analysis
decline of, 88–93, 97
existence proofs, 81
GE analytical techniques, 81
growth of, 86–88, 97
Leontief’s model, 80–81
linear programming, 81, 84
Scarf’s approach, 79–80, 84–86, 88, 93–94
Walras’s contribution, 80
and The World Bank, 83, 88, 91

Applied general equilibrium (AGE) modeling
in academia, 90
Adelman & Robison’s, 83
Australian, 83, 86
behavioral elasticity in, 93–95
black box critique, 95–96
calibration approach, 92–93
econometric approach, 92–93
growth of, 86–87
Harberger’s, 81–82, 85
intertemporal simulations, 94–95
Johansen’s, 83–84
Jorgenson-style, 84
Leontief’s, 80–81
lineage of, 82
overview of, 78–80
and policy, 79, 83, 86–89, 91, 94, 97
problems with, 87
Scarf’s, 79–80, 84–86, 88, 93–94
sensitivity to specification, 91–95
software for, 87–88
Summers’s, 94
types of, 18
as unverifiable, 91

Basic needs approach, 275
Basic research, 61
Behavioral economics contingent valuation, 224
Big data, 113–14
Black box critique, 95–96, 118
Bricolage, 161
Brookings Institution, 193–94, 200
Bush, Vannevar, 61

California intrastate airline market, 244
Caltech, 249
“Capitalism and the Economists”, 158
Card and Krueger minimum wage study, 144
Carter era, 188, 198–200
Causality, econometric, 149–50
CERCLA (Comprehensive Environmental Response Cleanup and Liability Act), 228–29
CGE. See computable general equilibrium modeling
Chenery, Hollis, 279–80
Chicago microeconomic approach, 36, 38–39
Civil Aeronautics Board, 242–43, 245–46
Civil Aviation Board, 240–41
Clark Medal, The, 5, 9–11, 128–29
Comprehensive Environmental Response Cleanup and Liability Act (CERCLA), 228–29
Computable general equilibrium (CGE) modeling, 18, 109, 121, 180, 280. See also applied general equilibrium modeling; multisector growth model, the
Computers
1940s–1950s, 106–8, 112
1960s–1970s, 108–9, 119, 121
1980s–2010s, 109–11, 116, 119, 121
and AGE research, 84–85, 87, 90–91
and credibility revolution, 149
data, generating new, 112–13
data management, 108–9
data sets, 113
in development economics, 281
DSGE modeling, 116, 119–20
early optimism, 104
and the empirical turn, 17–19, 103, 119–22
and epistemology, 117
evidence, generating new, 112
and financial markets, 110
historical evidence of use, 105–6
and input-output analysis, 111, 114
institutionalization of practices, 110–11
as insufficient in themselves, 120
in macroeconomics, 119–120
in microeconomics, 119–120
modeling, impact on, 114, 116–17, 119–20
in Norwegian planning, 22, 170, 172–76
online markets, 115
personal, 109–10
and proofs, 114
and quasi-experimental methods, 18, 104
research techniques enabled by, 103–4, 111–12, 116, 118–19
slow acceptance of, 117–18
software, 110, 120
and statistics, 103, 108, 113
theory, potential for, 105, 115, 118
as tools for thinking, 64
user friendliness, 113, 119
Confluent relationships, 137
Consumer surplus, 216, 218, 229
Contingent valuation (CV)
1984 conference, 227–28
anomalies in, 215, 224–26, 232–33
and behavioral economics, 224
contingent markets, 220–21
Davis’s interview method, 217–19
in environmental economics, 219–20, 223, 227
and existence value, 214
and experimental economics, 222–24
Exxon Valdez, and the, 23–24, 228–31
as failure, 233–34
in federal agencies, 229–30
and homo economicus, 215, 221–22, 224, 227, 234–35
hypothetical institutions, use of, 218–21, 223, 228, 232, 234
measuring intangible services, 218
nonuse value, measuring, 219–20
overview, 15–16, 213–15, 222–23
Contingent valuation (CV) (continued)
part-whole bias (embedding), 225
recreation valuing, 216, 218, 228
as successful, 232
tests of, 223–25
WTP, measuring, 218, 225–27, 230–31
WTP-WTA comparisons, 220, 226, 233–34
Corporate income tax, 81–82
Cost-benefit analysis
and CV, 16
in development economics, 24, 26
in government regulation, 23, 196, 198, 202–6, 228
in policymaking, 188
social, 274–75
Cost-effectiveness analysis, 190, 196, 198–200, 205
Council of Economic Advisors, 195
Cowles Commission, The, 8–9, 136, 138, 140
Credibility revolution, the, 128, 131, 133, 149
Currie, Lauchlin, 264–65
CV. See contingent valuation

Data accessibility, improvements in, 149–50
Data revolution, the, 16–17
Davis, Robert, 217–19
Department of the Interior (DOI), 228–29
Deregulation
AEI, 194, 201–2
Brookings Institution programs, 192–193
Carter era, 198–200
Ford era, 195–97

Harvard affiliates in, 192–193
I/O economists, 188, 192, 196, 205–6
Johnson era, 192–93
Nixon era, 194
Reagan era, 202–3
transportation industry, 192–93
United States, 22–23, 25

Development economics
1970s growth, 272–73
and academe, 268–69
Cold War context, 266–67
countries in, 281
contemporary, 277–80
cost-benefit analysis in, 24, 26
crisis of, 271–72
Currie on, 265
development knowledge, 282–83
double inadequacy of, 270–71
econometric methods in, 279–80
field reorientation, 273–77
historical overview, 20, 265, 268–69
influence on other fields, 281
input-output analysis in, 279–80
institutional reform, 278–79
modernization theory, 272
neoclassical economics in, 265, 270–71, 277–79
and planning, 267–68, 272
practical dimension, 268, 282
project evaluation, 273–74
randomized control trials, 281
social cost-benefit analysis in, 274–75
theory, 268–69, 281–84
and trade policy, international, 276
The World Bank, 266, 270, 273–75, 280
Development knowledge, 282–83
Difference-in-differences, 143–44, 150
DOI (Department of the Interior), the, 228–29
Dynamic stochastic general equilibrium (DSGE), 116, 119–20
Eads, George, 195, 197–99, 201
Econometrics
causality, 149–50
and computers, 108–9
in development economics, 279–80
experiments in, 141
goal of, 137–38
growth of, 128–29
Leamer’s critique, 127–28, 151
probability approach, 136–38
quasi-experimental compatibility, 150
self-examination, 14
structural, 14–15
and theory, 8, 107
Econometric Society, The, 11
Economic imperialism, 27, 152–53
Economic reasoning, 23, 189, 199, 204, 206
Economics, applied. See applied economics
Economics, development. See development economics
Economics, theoretical. See theoretical economics
Economists and the state, 20–21, 23
Education returns, 138–40, 144–46, 147f6
Embedding, in CV, 225
Empirical method examples, 3, 9
Empirical turn, the. See also quasi-experimental methods
benefits of, 4
and The Clark Medal, 11, 13
computers, role in, 17–19, 103, 119–22
data availability, role of, 16–17, 19
definition, 2
government role in, 28
limits of, 2–3, 5
methods leading to, 14
as from models to methods, 153
policy demands shaping, 26
Empirical work (general), 1–2, 8–9, 12. See also development economics; experimental economics; quasi-experimental methods
Endowment effect, the, 226
Engineering, 63
ENIAC (computer), 106
Environmental economics, 219–20, 223, 227, 230
Environmental Protection Agency (EPA), 204–5, 228
Epistemology, 117
Equilibrium theory, prestige of, 4
Evolutionarily stable strategy (ESS), 72–73
Evolutionary biology, 66–74
Executive Order 12291 (Reagan), 202–3, 228
Existence value, 214, 229
Experimental economics. See also quasi-experimental methods
agenda-setting, 247
computers, use of, 120
and CV, 222–24
and deregulation, 25
efficiency measure, 253
field experiments, 142–43
in GIP’s study, 251–53
induced value theory, 252
institution building, 221–22
Isaac’s work in, 248
rise of, 14–15
Exxon Valdez, The, 23–24, 228–31
Field experiments, 142–43
Financial markets, 110
Ford, Gerald, 194–95
Ford era, 194–97, 199, 199n13
FREDERIC (computer), 170
Frisch, Ragnar, 163–64

Game theory
  in evolutionary biology, 66–74
  history of, 65–66, 73
  problems with, 67
  as tool collection, 67–68
General Algebraic Modeling System (GAMS), 87–88
General Equilibrium Modeling Package (GEMPACK), 87–88
General equilibrium theory, 4, 78.
  See also applied general equilibrium analysis; applied general equilibrium modeling; computable general equilibrium modeling
Global Trade Analysis Project (GTAP), 83, 96
Governance, 159, 162–63, 165, 175, 181
Grether, David, 241, 248–49
Haavelmo, Trygve, 137
Harvard affiliates, 192–93
Hayekian approach, 222
Heilbroner, Robert, 158–59
Hicksian compensating variation, 218
History of science (field), 62, 64
History of technology (field), 62–63
Homo economicus, 215, 221–22, 224, 227, 234–35
Human capital program, the, 138–40
Hypothetical institutions, 218–21, 223, 228, 232, 234
IBM PC, 109–10
Imperfect information theory, 27
Individual rational decision modeling, 27
Industrial organization, 191–92
Inflation, 194–95
Input-output analysis
  and computers, 111, 114
  in development economics, 20, 279–80
  and general equilibrium theory, 4
  Leontief’s, 35–36, 40, 80, 106
Input-output tables, 162–63, 166–69
Institutional economics, 3n5, 4n9, 8, 278–79
Instrumental variable regression, 141–42
Instrumental variables, 132–33, 150
Intangible services, 218
International Labour Organization (ILO), 275
International Labour Organization, 276
International trade policy, 276
Internet, the, 110
Interwar period, 7
I/O economists
deregulation, 188, 192, 196, 205–6
economic regulation, 196
Ford administration, 199, 199n13
and legal scholars, 191–92
in RARG, 199
social regulation, 188, 196
Isaac, Mark, 241, 247–48

Johansen, Leif. See also Multi-Sectoral Study; multisector growth model, the
education, 164
on planning, 160, 176–78
on theory, 159–60
JOHNNIAC (computer), 107
Journal of Economic Literature, 13
Kahn, Alfred, 245
Klein, Lawrence, 10
Koopmans, Tjalling, 8

Labor economics, 12
Leamer’s critique of econometrics, 127–28, 151
Leontief, Wassily
AGE work, 80–81
computer work, 104, 106
input-output analysis, 35–36, 40, 80, 106
microeconomic approach, 36, 40–41, 48
Levine, Michael E., 244, 246–47
Lewontin, Richard, 66, 68–71, 73–74
Linear programming, 81, 84, 107
Lucas critique, the, 178n43

Macroeconomic planning. See also
multisector growth model, the; Norwegian planning
as applied economics, 171, 176–78
computers in, 22
and development economics, 267–68, 272
and political change, 22
Macroeconomics, 12–13, 136
Marcroeconomic modeling, 114, 160. See also multisector growth model, the
Marginalist theory, 9
Markets
California intrastate airline, 244
contingent, 220–21
financial, 110
online, 115
Mason, Edward, 192
Mathematical modeling, 38–39, 45–48, 51
Mathematical programming, 70
Maynard Smith, John, 66–67, 71–74
Measurement, 217

Mechanical philosophy, 63
Methodological controversy, 20th c., 8–9
Microeconomics, empirical
Chicago approach, 36, 38–39
Cowles approach, 36–39
credibility revolution, the, 34–35, 49–50
Friedman’s methodology, 38
Leontief’s approach, 36, 40–41, 48
mathematical modeling, use of, 38–39, 45–48, 51
new approach hypothesis, 41
post-1970 consensus, the, 36, 40–41, 45, 48–50, 54
postwar approaches, 35
reduced-form approach, 39n5
theory, need for, 35–36
Microeconomics, theoretical
21st c. decline, 50–51, 54
and academic salaries, 51–53, 55
measurement results, 46–48
methods for measuring, 41–45, 50
role of, 37–38, 40, 54–55
Minimum wage, 9, 144
Modeling. See also applied general equilibrium modeling;
computable general equilibrium modeling;
multisector growth model, the
agent-based, 117
and computers, 18, 114, 116, 172–76
devices, use in, 64–65
and implicit assumptions, 178
individual rational decisions, 27
as infrastructure, 181
Lucas critique of, 178n43
mathematical, 38–39, 45–48, 51
social sciences, 7
structural, 148–49
theoretical, 114
Model of Disaggregated Type (MODIS), 173, 175–76, 179
Modernization theory, 272
MONIAC (computer), 106–7
Monte Carlo simulations, 106, 118
Moore, Thomas, 195
*Multi-Sectoral Study* (Johansen) implementation of, 168–71 overview, 162–63, 168 and planning, 171
Nash equilibrium, 72
National Bureau of Economic Research (NBER), 7, 21, 276
National Oceanic and Atmospheric Administration (NOAA), 230
National Science Foundation (NSF), the, 25, 61
Natural experiments, 129, 144–45
Natural Resource Damage Assessment (NRDA), 229
Needs, basic, 275
Neoclassical economics, 265, 270–71, 277–79
Nonuse values, 219–20
Norwegian planning. *See also* multisectoral growth model (MSG), the; *Multi-Sectoral Study*
Office of Information and Regulatory Affairs (OIRA), 200, 203, 205–6
Panel data projects, 109, 149
Paperwork Reduction Act, 200
Part-whole bias, 225
PATCO strike, 259
Philosophy, mechanical, 63
Planning. *See macroeconomic planning*
Planning-Programming-Budgeting System (PPBS) implementation difficulties, 190 lasting impact of, 191, 197 overview, 188–90, 205 Washington popularity, 190
Plott, Charles, 241, 246–47, 259
Index 303

in *Journal of Economic Literature*, 13
macroeconomic, 136
quasi-experimental methods, 150–51
and social experimentation, 24
Practical science. See applied science
Programming, 70, 81, 84, 107
Proof, 114–15
Protectionism, 276
Pure science, 60–61

Quasi-experimental methods. See also credibility revolution, the; difference-in-differences; natural experiments; regression discontinuity designs
and applied microeconomics, 28
Clark Medal winners using, 128–29
and computers, 18, 104
econometrics, compatibility with, 150
and economic imperialism, 152–53
education returns, analyzing, 144–46
in empirical microeconomics, 34
and empirical turn, the, 14–15
and other disciplines, 148
overview, 129
and policy, 150–51
prehistory of, 141–44
shift to, 128, 130–36, 146, 149–52
variation in, 148–49

Randall, Alan, 219–20, 227
Randomized control trials, 281
RARG (White House Regulatory Analysis Review Group), 198–200, 203
Reagan era, 25–26, 202–3, 228
Recreation, valuation of, 216, 218, 228
Regression discontinuity, 142, 150
*Regulation* journal, 201
Research, basic, 61
Research, structural. See structural research
Research Applied to National Needs office, the, 25
Rigor, statistics as, 7, 9
Scarf, Herbert, 79–80, 84–86, 88, 93–94
Schultze, Charles, 188, 190, 198–99
Science, 5–6, 59–63
Science-technology relationship, 62–64
“Scientification” of society, 181
Scientific revolution, the, 58
Shadow prices, 274
Simulation
uses of, 8
generating new evidence, 112
growth of, 112–13
intertemporal, 94–95
of macroeconomic models, 108–9, 118
Monte Carlo, 106, 118
in Norwegian planning, 174
in other fields, 118
reluctance towards, 117–18
as theory, 18, 104–5
Slot auctions, 25, 252, 255–57, 259
Social cost-benefit analysis, 274–75
Social experiments, 24, 142–43
Social policy, 142–143
Social regulation
Carter era, 198–200
as costly, 197
definition, 196
economists, appeal to, 196, 206
I/O economists, 188, 196
Social sciences, the, 7
Software, 110, 120. See also computers
Stagflation, 243
State, the and economists, 20–21, 23
Statistical decision theory, 69
Statistics
and computers, 103, 108, 113
in empirical microeconomics, 35, 38, 40, 43–45, 48
in planning, 160, 164
probability approach, 136–37
public, 16n22
and quasi-experimental methods, 141–42
as rigor, 7, 9
software for, 108
Structural econometrics, 14–15
Structural modeling, 148–49
Structural research
disillusion with, 151
inadequacies of, 131
modeling, 148–49
overview, 130
Superfund, 228–29
Surveys, 213–14
Systems analysis, 188–89, 199–200
Technology, 62–64
“Technoscience,” 63–64
Theorem proving, automated, 114
Theoretical economics. See also microeconomics, theoretical
20th century dominance, 4, 8, 10, 26–27
critiques of, 2, 11–12
relationship to applied, 7–14
value of, 5
Theory. See also microeconomics, theoretical
application of, difficulty defining, 68–70
and applied economics, 27
changing role of, 27–28
and computers, 105, 115, 118
economic development, 268–69, 281–84
empirical work discovering, 9
institutional economics, 278
logical positivist conception of, 67
and measurement, 217
simulation and, 18, 104–5
student attitudes toward, 8
and tools, 64
Theory-application dichotomy, 58, 68–70
Tools, 64–65, 67–68
Transportation deregulation, 192–93
Travel cost method, 216, 218
Two-stage least squares, 142
Walrasian general equilibrium theory, 78, 80
War on Poverty, the, 275
“Whip Inflation Now” speech, 195, 197
White House Regulatory Analysis Review Group (RARG), 198–200, 203
Willingness to accept (WTA), 225–26
Willingness to pay (WTP), 218, 225–26
World Bank, The
and AGE analysis, 83, 88, 91
Chenery’s work at, 280
Columbia mission, 264
Deaton’s evaluation, 283
and development economics, 266, 270, 273–74, 280
empirical methods, 26
and neo-institutional economics, 278
war on poverty, 275
World Development Report, 272
Wright, Philip G., 141
WTP-WTA comparisons, 220, 226, 233–34