

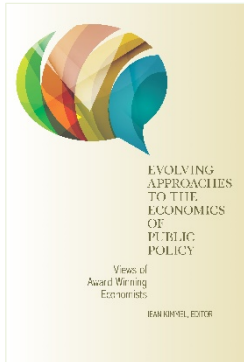


W.E. UPJOHN INSTITUTE

FOR EMPLOYMENT RESEARCH

300 South Westnedge Ave. ♦ Kalamazoo, MI 49007
(269) 343-5541 ♦ Fax (269) 343-7310 ♦ Email: wyrwa@upjohn.org

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CONTACT: RICH WYRWA



Evolving Approaches to the Economics of Public Policy

Views of Award-Winning Economists

Jean Kimmel, *Western Michigan University*, Editor

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KALAMAZOO, Mich.— For policymakers, economics is a useful tool in the development and evaluation of public policy. And like many sciences, economics is evolving to become more interdisciplinary in its approach. Today, economic theory is often used in conjunction with insights gleaned from psychology and sociology to create a more inclusive, real-world approach to implementing public policy.

In this new book from the Upjohn Institute, five award-winning economists tackle a diverse range of topics and show how applied economics, incorporating inputs from other sciences, has evolved to give policymakers a more nuanced approach to policy development. The award-winning economists included in this volume are Erica Field, Nancy Folbre, Avner Grief, David M. Kreps, and Michael J. Piore, and the topics they discuss include microfinance, human capital, societal institutions, worker motivation, and workplace regulation. Included are

- **Microfinance: Points of Promise**, Erica Field (Elaine Bennett Research Prize), Abraham Holland, and Rohini Pande. Field and her coauthors discuss how microfinance institutions created to provide banking services to poor people in poor countries are sometimes seen as a powerful antipoverty tool and at other times as a source of disillusionment. The authors examine what has worked and what hasn't in microfinance, and identify several potential points of promise revealed in recent microfinance research.
- **The Once (But No Longer) Golden Age of Human Capital**, Nancy Folbre (MacArthur Foundation Fellowship). Folbre focuses on returns to investment in human capital, specifically on rates of return to a college education. Using existing research, she shows

that rates of return to private investments in college degrees have declined even though expected earnings, compared to those without college degrees, remains high. She goes on to explain shifts in both the demand for the skills higher education provides and the global supply of college graduates, and predicts a more limited range of opportunities for all but a small subset of college-educated workers in the near future.

- **Society and State in Determining Economic Outcomes**, Avner Grief (MacArthur Foundation Fellowship and Montias Prize). Grief analyzes how economic outcomes are influenced by cultural and social structures (culturally-driven behavior) as well as government and markets (rule-driven behavior). He also discusses how the two types of behavior interact and reinforce one another then concludes with a “theory of action” that accommodates both behavior types.
- **Motivating Consummate Effort**, David M. Kreps (John Bates Clark Medal). Kreps begins by asking “What is the best way to motivate consummate effort?”, which he defines as “effort undertaken by a worker within an organization that goes well beyond any nominal job description, in a manner that is desired by the organization, at a job that has some if not all of [a set of] characteristics.” Typical of the types of jobs defined by those characteristics are what he terms “Type-K” jobs, where “K” is for knowledge. Kreps says that the traditional economics-based theory of worker motivation (agency theory) is not useful with these new economy workers, and then presents theories from outside mainstream economics that help explain what motivates today’s workers.
- **Efficient and Effective Economic Regulation in a Confusing Technological Environment**, Michael J. Piore (MacArthur Foundation Fellowship). Piore focuses on the role of government and regulation in a market-based economy and he discusses several real-life examples of issues related to labor market standards and product design and product development that were impacted by various types of regulation. In doing so, he shows that adding contributions from sociology and psychology to traditional economics gives policymakers better tools for understanding the complex world and enhancing human welfare.

This book is a product of the 2013–2014 Werner Sichel Lecture Series held at Western Michigan University. This Series was cosponsored by the W.E. Upjohn Institute for Employment Research and the WMU College of Arts and Sciences.

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