

# Real-World Economics

Use AEA materials to illustrate concepts in economics



The used car market is a useful example of the lemons problem, but after a while, it can get old. There must be other ways of discussing asymmetric information – ways that illustrate the concept while sparking conversation and grounding the idea in a real world example. The AEA’s Research Highlight series can help. These short articles talk about recent papers, their findings, and how they relate to the world around us. Many focus on a central concept and can supplement more traditional classroom readings. The *Journal of Economic Perspectives (JEP)* also has accessible material that relates to everyday economics. You can find selections of these highlights and *JEP* articles organized alphabetically by concept below.

Have you used a research highlight or *JEP* article in your classroom? Tell us about it! You can find us on [Facebook](#) (AEAjournals) and [Twitter](#) (@AEAjournals).

## **Adverse selection**

- How health insurance markets work (and fail) | [article](#)

## **Altruism**

- Why do people give to charity? | [article](#)

## **Asymmetric information**

- Giving Pakistani parents more information about their children’s schools changed the educational landscape | [article](#)
- What health choices do doctors make, and why are they different than most people’s medical decisions? | [article](#)

## **Behavioral economics**

- There are many reasons why people ignore information, but they are hard for economists to empirically tell apart | [article](#)

## **Cartel**

- Many cartel members undercut the other members without retribution. How? | [article](#)
- The NCAA might be a cartel | [article](#)

## **Contracts**

- Contracts are relationships, and trust is important | [article](#)
- Contracts may be able to prevent sovereign debt defaults | [article](#)

## **Comparative advantage**

- Is water a source of comparative advantage? | [article](#)

## **Culture**

- Economists are studying culture more and more | [article](#)

## **Deadweight loss**

- Gift exchanges tend to create deadweight loss | [article](#)

- England's 17th century window tax meant 150 years of deadweight loss | [article](#)

### **Discount rate**

- What should we do about climate change? | [article](#)

### **Externality**

- Electric cars export pollution to other states | [article](#)
- Why spam email has externality issues | [article](#)
- Why local officials in China began to clean up rivers | [article](#)

### **Federal Reserve**

- The downside of central bank transparency | [article](#)
- A history of the Fed's role in preventing crises | [article](#)

### **Financial crisis**

- What does growing bank interconnectedness mean for future crises? | [article](#)
- How investors viewed systemic risk in 2008 | [article](#)
- US policymakers faced limits when responding to the 2008 financial crisis | [article](#)
- How a modern-day run on a UK bank happened | [article](#)

### **Game theory**

- A history of game theory and where it might be headed | [article](#)

### **Human capital**

- Impatience contributes to lower educational attainment and earnings | [article](#)
- How increasing human capital can help China's economy | [article](#)

### **Incentive**

- Do parents skew their children's birth dates for tax purposes? | [article](#)
- Citizenship could disincentivize immigrants from pursuing illegal work | [article](#)
- Confused taxpayers may be responding to incentives that don't exist | [article](#)
- How can you motivate yourself to go to the gym? | [article](#)
- Why local officials in China began to clean up rivers | [article](#)
- A program designed to improve learning incentivized cheating | [article](#)

### **Inflation**

- China's reported inflation might be too stable to believe | [article](#)

### **Market failures**

- Consumers do not always buy energy-efficient products, even when they would save money | [article](#)

### **Monopoly**

- When sports leagues have monopoly power, cities end up paying for stadiums | [article](#)

### **Moral hazard**

- Patients don't seem to care about how much their hospital visit costs | [article](#)

### **Opportunity cost**

- How citizenship changes the opportunity cost of crime | [article](#)

### **Phillips Curve**

- Understanding the 1960s debate on inflation and unemployment can shed light on today's economy | [article](#)

### **Public good**

- Sample public good classroom game | [article](#)

### **Randomized controlled trial**

- Scaling up RCTs to policy is a difficult but necessary goal for economists | [article](#)

### **Resource curse**

- The 2000s commodity boom spurred Africa's economy, but at what cost? | [article](#)

### **Risk aversion**

- Why don't investors invest more in stocks? | [article](#)
- After a flood, the probability of another is low. Still, people buy more insurance | [article](#)

### **Signaling**

- Why do restaurants with the best inspection reports keep their results a secret? | [article](#)

### **Social capital**

- How the printing press may have bolstered social capital | [article](#)

### **Specialization**

- Can household specialization explain the gender gap? | [article](#)
- Specialization has made online crime more productive | [article](#)

### **Subsidy**

- Should people receive subsidies to buy energy efficient light bulbs? | [article](#)

### **Supply and demand**

- When illegal goods become legitimate, everything changes | [article](#)

### **Tax**

- Scandinavian countries have high taxes but maintain economic growth. How? | [article](#)
- England's 17th century window tax meant 150 years of deadweight loss | [article](#)

### **Technology**

- Technology leads to more job turnover, which might make people happier | [article](#)

### **Trade**

- Trade policy contributed to South Korea's spectacular economic growth | [article](#)

### **Uncertainty**

- Comprehensive survey of the uncertainty literature | [article](#)

### **Unemployment**

- The US housing boom may have disguised a deeper decline in manufacturing | [article](#)
- Has the natural rate of unemployment increased since the recession? | [article](#)
- Unemployment insurance helped stabilize the housing market during the Great Recession | [article](#)