

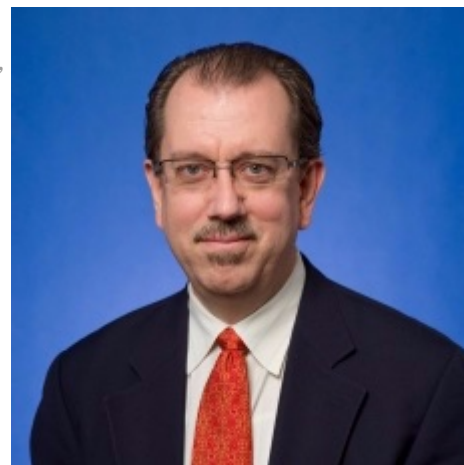
July 2, 2020

THE INSTITUTE FOR INTERNATIONAL ECONOMIC POLICY

April through May was a busy time for IIEP. We kicked off a new “Facing Inequality” webinar series with three events, cosponsored five other webinars on governance issues, launched a web site and video series featuring the work of our faculty during the COVID-19 pandemic, and our faculty produced a variety of interesting new research publications. We are incredibly grateful to all those who engaged with us by attending our virtual sessions. We hope that each of you will continue to follow our efforts to foster dialogue on global economic issues throughout the summer in virtual formats, on social media, and on our website. If you were not able to attend our April and May events, keep reading below to see what we have been up to!

A message on racial injustice from IIEP Director James Foster:

The focus of the Institute for International Economic Policy is global in scope: global poverty, global governance, climate change, and international economic relations. But two recent events have dramatically shifted our focus to domestic conditions. First, the onslaught of a pandemic that has swept through our nation leaving an ever increasing toll on human lives in its wake. Second, the latest examples of a slower and more insidious epidemic of Black men and woman dying at the hands of police. The gross injustice of the deaths of George Floyd and Breonna Taylor and others has stirred up the soul of America and filled it with pain and anguish. We join in solidarity with protesters around the country and around the world in affirming that Black lives matter. Enough is enough. There is no place for racism in our vision of America.



What tangible steps can an international policy institute like IIEP take? By creating a space for key issues facing America to be discussed and addressed through a global lens. Other societies are working through social cleavages from race, color, or ethnicity. Other economies are achieving high living standards with remarkably low income inequality levels. Many countries have substantially different governance structures for policing,

of climate change. The United States has an abundance of material and spiritual resources. However, when it comes to its most challenging issues – such as racial justice, inequality, poverty, climate change, public health, or economic crises – America simply does not have all the answers.

The international initiatives championed by IIEP – poverty, governance, climate change, and economic relations – have special relevance within the U.S. right now. As a concrete example from my own research, look at how the U.S. identifies poverty and sufficiency for policy purposes. In America, the official monetary poverty line has remained constant for the last 50 years despite an almost three-fold increase in average (real) incomes. This tells the world that the U.S. has no aspirations for economic growth to be inclusive. Focusing only on monetary indicators ignores the inherent value of a good education, robust health, an adequate living space, personal security, access to social services, and respect; and it ignores their key role in creating opportunities, as the tools people use to improve their own lives. It allows the systematic differences in these crucial dimensions to remain hidden, perpetuating a myth of an equal playing field where poverty and success are attributed purely to individual effort. Many other countries are using a multidimensional definition to identify, monitor and practically address the dimensional deficits that are preventing families from flourishing. Could a national dialogue on multidimensional poverty measures ignite and coordinate public action in America the way it has in other countries? Could it lead the private sector to become accountable partners in the solution, as it has elsewhere?

We invite students, faculty and other stakeholders to join us in applying transformative ideas from the international economic policy arena to America's challenges.

Faculty Response to COVID-19

Our faculty have been working hard to research and break down the economic impacts of COVID-19. Highlights from the more than 60 articles they wrote or were quoted in during April and May include:

- ["We Are Already in a Recession: Can We Make It a Short One?"](#) by Jay Shambaugh
- ["A new "Asian drama": Will COVID-19 destroy the progress against poverty eradication and human development in South and East Asia?"](#) by Ajay Chhibber
- ["How to make JobKeeper work through a long recovery"](#) by Steven Hamilton
- ["Terminal Deflation is coming"](#) by Trevor Jackson

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- ["Your personal data is being used to fight COVID-19, but the data market needs transparency"](#) by Susan Aaronson
- [COVID-19 Open Letter](#) co-written by Steven Hamilton
- ["Incomes Have Crashed. How Much Has Unemployment Insurance Helped?"](#) by Jay Shambaugh

To view a comprehensive archive of our faculty response to COVID-19, please [visit our website](#).

April and May Highlights

Facing Inequality Virtual Event Series

Facing Inequality Virtual Event Series

with the Institute for International Economic Policy



In May, we kicked off a new webinar series, "Facing Inequality". This virtual series focused on current and emerging inequality issues in the U.S. and around the globe - especially those revealed by the current COVID-19 pandemic. It brought together historians, economists, sociologists, political scientists, and epidemiologists, within the academy and without, to present work and discuss ideas that can facilitate new interdisciplinary approaches to the problem of inequality.

The "Facing Inequality" series was organized under the stewardship of IIEP Director James Foster, Oliver T. Carr, Jr. Professor of International Affairs and Professor of Economics, and IIEP Faculty Affiliate Trevor Jackson, Assistant Professor of History. The series was co-sponsored by the GW Interdisciplinary Inequality Series, co-organized by Prof. Jackson from the Department of History and Prof. Bryan Stuart from the Department of Economics.

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Branko Milanovic, presidential professor and Stone Center senior scholar at The Graduate Center, CUNY; Centennial Professor at the International Inequalities Institute at LSE; and former lead economist at the World Bank's Research Department. His main area of work is income inequality, in individual countries & globally, including in preindustrial societies. Discussants Hilary Silver and Martha Finnemore provided commentary from the perspectives of sociology and international affairs.

View the livestream of the event [here](#).

The second event on Tuesday, May 26th, "**Will Covid-19 Raise Inequality? Evidence from Past Epidemics and Crises**", featured Prakash Loungani and Jonathan D. Ostry. Major epidemics in this century, such as SARS and H1N1, have raised income inequality and disproportionately hurt employment prospects of people with low skills and education levels. What impacts will the COVID-19 pandemic have on inequality in the near term? And how will inequality evolve over the longer-term as governments act to mend the disruptions to globalization and unwind the build-up in their public debts? The talk drew on the authors' recent work (with Davide Furceri) on the distributional impacts of epidemics and their book on other drivers of inequality such as austerity and financial globalization. Discussants Lucia Rafanelli and Remi Jedwab provided commentary from the perspectives of political science and economic history, respectively.

View the livestream of the event [here](#).

Upcoming Events in the Facing Inequality Series

- July 14th, 2020: "[How Should We Measure Multidimensional Inequality? A Philosopher's Approach \(with COVID applications\)](#)" with Dr. Kristi Olson, Assistant Professor of Philosophy, Bowdoin College.
- July 30th, 2020: "[Central Banking in the Age of Inequality](#)" with Benjamin Braun, Political Economist, Max Planck Institute for the Study of Societies; member of the Institute for Advanced Study, Princeton.
- August 11th, 2020: 6th "Facing Inequality" event with Nita Rudra, Professor of Government, Georgetown University.

Other Recent Events

**Elliott Experts Weigh In: The Global Economic System in the Age of
Coronavirus**

Thursday, May 7th

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Former IIEP Director Professor Maggie Chen discussed the global economic system in the age of coronavirus in this recent edition of the Elliott School's *Experts Weigh In Series*. Following the best year for stocks since 2019, coronavirus managed to fell the global market faster than during the Great Depression. More Americans have filed for unemployment than ever before and dozens of countries have already sought the assistance of the IMF. Professor Chen provided an overview of the current state of play and the factors influencing the global economic situation, as well as offered thoughts on what recovery might look like.

Digital Trade and Data Governance Hub Webinar Series

We are pleased to partner with the Digital Trade and Data Governance Hub in a series of free webinars on current and emerging data governance issues. As we “social distance,” we can simultaneously build a broader understanding of domestic and international data governance issues. The Digital Trade and Data Governance Hub is partnering with business associations such as the Computer and Communications Industry Association, civil society groups such as the Internet Society Washington DC (ISOC-DC) and the World Wide Web Foundation, and other research organizations such as the Centre for International Governance Innovation (CIGI) to host these events. The webinars are conducted on Zoom and attendees are encouraged to ask questions of the speakers. April and May's events included:

Data Governance in Smart Cities on April 9th

Why Has Data Become a National Security Issue? on April 16th

Data and Human Rights During the Pandemic on April 30th

What Can We Learn from Brazil and China's Approach to Personal Data Protection? on May 15th

How are Governments Encouraging Competitiveness in AI? on May 21st

Women and the Web on May 28th

To view livestreams of each of the events, please visit the Digital Trade and Data Governance Hub's [YouTube channel](#).

Faculty Research

Negative Shocks and Mass Persecutions: Evidence from the Black Death

By Remi Jedwab, Noel Johnson, and Mark Koyama

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In this paper, researchers study the Black Death persecutions (1347-1352) against Jews in order to shed light on the factors determining when a minority group will face persecution. They develop a theoretical framework which predicts that negative shocks increase the likelihood that minorities are scapegoated and persecuted. By contrast, as the shocks become more severe, persecution probability may actually decrease if there are economic complementarities between the majority and minority groups. They compile city-level data on Black Death mortality and Jewish persecution. At an aggregate level they find that scapegoating led to an increase in the baseline probability of a persecution. However, at the city-level, locations which experienced higher plague mortality rates were less likely to engage in persecutions. Furthermore, persecutions were more likely in cities with a history of antisemitism (consistent with scapegoating) and less likely in cities where Jews played an important economic role (consistent with inter-group complementarities).

Read the full paper [here](#).

Pandemics, Places, and Populations: Evidence from the Black Death

By Remi Jedwab, Noel Johnson, and Mark Koyama

The Black Death killed 40% of Europe's population between 1347-1352, making it one of the largest shocks in the history of mankind. Despite its historical importance, little is known about its spatial effects and the effects of pandemics more generally. Using a novel dataset that provides information on spatial variation in Plague mortality at the city level, as well as various identification strategies, researchers explore the short-run and long-run impacts of the Black Death on city growth. On average, cities recovered their pre-Plague populations within two centuries. In addition, aggregate convergence masked heterogeneity in urban recovery. They show that both of these facts are consistent with a Malthusian model in which population returns to high-mortality locations endowed with more rural and urban fixed factors of production. Land suitability and natural and historical trade networks played a vital role in urban recovery. This study highlights the role played by pandemics in determining both the sizes and placements of populations.

Read the full paper [here](#).

Data Is Dangerous: Comparing the Risks That the United States, Canada and Germany See in Data Troves

by Susan Ariel Aaronson

Citizens of the United States, Canada and Germany know that the online world is simultaneously a wondrous and dangerous place. They have seen details about their

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private firms became a national security problem in the United States and compares the U.S. response to that of Canada and Germany. Citizens in all three countries rely on many of the same data-driven services and give personal information to many of the same companies. German and Canadian policy makers and scholars have also warned of potential national security spillovers of large data troves.

Read the full paper [here](#).

Real Effects of Sovereign Debt Inflow Shocks

by Tomas Williams and Lorenzo Pandolfi

This paper analyzes the real effects on firms of sovereign debt inflow shocks in emerging countries. Researchers follow Broner et al. (2019) and exploit six episodes of country inclusions into two major local currency sovereign debt indexes. They complement their evidence by analyzing real variables and find that government-related and financial firms experience larger growth in income, employment, and dividends, relative to tradable firms, in the three years following sovereign debt inflow shocks. Their findings suggest that capital inflows to sovereign debt markets can hamper exports and benefit financial and service-based firms, thus reshaping the domestic economy.

Read the full paper [here](#).

The Value of Reputation in Trade: Evidence from Alibaba

Maggie X. Chen and Min Wu

In this paper, researchers examine the role of an online reputation mechanism in international trade by exploring T-shirt exports on Alibaba. Exploiting rich transaction data and features of search and rating algorithms, we show that exporters displaying a superior reputation perform significantly better than peers with nearly identical true ratings and observables and the value of reputation rises with the level of information friction and the specificity of information. They develop a dynamic reputation model with heterogeneous cross-country information friction to quantify the effect of the reputation mechanism and find a 20-percent increase in aggregate exports fueled by a market reallocation towards superstars.

Read the full paper [here](#).

Recessions and Local Labor Market Hysteresis

Bryan Stuart and Brad Hershbein

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markets. Researchers find that recession-induced declines in employment are permanent, suggesting that local areas experience permanent declines in labor demand relative to less-affected areas. Population also falls, primarily due to reduced in-migration, but by less than employment. As a result, recessions generate long-lasting hysteresis: persistent decreases in the employment-to-population ratio and earnings per capita. Changes in the composition of workers explain less than half of local hysteresis. They further show that finite sample bias in vector autoregressions leads to artificial convergence, which can explain why some previous work finds no evidence of hysteresis in employment rates.

Read the full paper [here](#).

Geographic Connectivity and Cross-border Investment: The Belts, Roads, and Skies

By Maggie Xiaoyang Chen and Chuanhao Lin

How much have falling transport costs through the diffusion of transport networks contributed to the growth of cross-border investment? Exploring rich cross-country transport network and travel time data and exogenous sources of variations from cost and supply requirements of transportation technology, we show that expanding transport networks have reshaped the spatial organization and distance elasticities of cross-border investments. The proliferation of direct flights, liner shipping, and high-speed rail have flattened the spatial distribution of global investments and contributed to a 27-percent increase in the world's cross-border investment in 2000–2012. The analysis also predicts that the Belt and Road Initiative, the most ambitious transport initiative in recent history, could further raise cross-border investment by 3 percent for participating countries and 1 percent for non-participating countries via network spillovers. The effects vary, however, with market size, regulatory efficiency, and trade integration and are especially vital for developing nations with less attractive market and institutional characteristics.

Read the full paper [here](#).

Trade Liberalization and Chinese Students in US Higher Education

by Ariel Weinberger, Gaurav Khanna, Kevin Shih, Mingzhi Xu, and Miaojie Yu

Researchers investigate whether trade liberalization encourages Chinese student enrollment in US universities. They focus on China's accession to the World Trade Organization and show that Chinese cities more exposed to this trade liberalization episode sent more students to US universities. Results indicate that growth in housing income/wealth was an important channel that allowed many Chinese

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mechanisms, such as changing returns to education or information flows, appear to play less of a role. They also inform distributional consequences for the US. Trade liberalization induced increases in the share of Chinese students studying non-STEM fields, at the Bachelors level, and also at less- selective US universities. Student inflows were similar in both low and high human capital areas in the US, indicating that educational exports do not exacerbate regional inequality. An important conclusion of their work is that the trade deficit in goods partially cycles back as a surplus in education exports to China..

Read the full paper [here](#).

In the News

In April and May, our faculty and visiting scholars were published and quoted in the news regularly.

Some of the highlights include:

- ["View: India has been forced a reset by Covid-19, especially its political economy of reform"](#) by Ajay Chhibber
- ["Scheme is flawed but JobKeeper promises need to be honoured"](#) by Steven Hamilton
- ["We Need to Let Economic Data Guide Further Economic Policy Responses to COVID-19"](#) by Jay Shambaugh
- Tara Sinclair, mentioned in ["Worst Economy in a Decade. What's Next? 'Worst in Our Lifetime.'"](#)
- Sarah Baird, mentioned in ["UN report: Pandemic turning into a 'child-rights crisis'"](#)
- Stephen Kaplan, featured on the Marketplace Podcast ["This crisis is hard on us. It's even harder on countries that aren't rich."](#)
- Tara Sinclair, mentioned in ["Even Without A Pandemic, It's Hard To Forecast A Recession"](#)
- Michael Mann, mentioned in ["Researchers Follow Social Distancing's Path"](#)
- Bryan Stuart, mentioned in ["The next COVID-19 relief bill must include massive aid to states, especially the hardest-hit areas"](#)
- James Foster, mentioned in ["Salt on the wound of inequality: coronavirus widens the economic gap"](#)
- Jay Shambaugh, mentioned in ["Millions Relying on Pandemic Aid Can See Its End, and They're Scared"](#)

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