



OXFORD JOURNALS
OXFORD UNIVERSITY PRESS

Front Matter

Source: *The Quarterly Journal of Economics*, Feb., 1999, Vol. 114, No. 1 (Feb., 1999), pp. i-iii

Published by: Oxford University Press

Stable URL: <https://www.jstor.org/stable/2586945>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

Oxford University Press is collaborating with JSTOR to digitize, preserve and extend access to *The Quarterly Journal of Economics*

THE QUARTERLY JOURNAL OF ECONOMICS

FOUNDED 1886

Volume CXIV February 1999

Issue 1

ANNOUNCEMENT

iii

ARTICLES

ASSAR LINDBECK, STEN NYBERG, AND JÖRGEN W. WEIBULL
Social Norms and Economic Incentives in the Welfare State

1

MATTHEW RABIN AND JOEL L. SCHRAG

First Impressions Matter: A Model of Confirmatory Bias

37

ROBERT E. HALL AND CHARLES I. JONES

Why Do Some Countries Produce so Much More Output per Worker than Others?

83

JENNIFER HUNT

Has Work-Sharing Worked in Germany?

117

JONATHAN ISHAM AND DANIEL KAUFMANN

The Forgotten Rationale for Policy Reform:
The Productivity of Investment Projects

149

LUIGI GUISO AND GIUSEPPE PARIGI

Investment and Demand Uncertainty

185

ILAN GOLDFAJN AND RODRIGO O. VALDÉS

The Aftermath of Appreciations

229

JONATHAN GRUBER, PHILLIP LEVINE, AND DOUGLAS STAIGER

Abortion Legalization and Child Living Circumstances:
Who Is the "Marginal Child"?

263

DAVID LASTER, PAUL BENNETT, AND IN SUN GEOUM

Rational Bias in Macroeconomic Forecasts

293

MARTHA L. OLNEY

Avoiding Default: The Role of Credit in the Consumption
Collapse of 1930

319

PUBLISHED FOR HARVARD UNIVERSITY
BY THE MIT PRESS, CAMBRIDGE, MASSACHUSETTS

QJE 114(1) 1-335 (1999)
ISSN 0033-5533

No. 456

The Quarterly Journal of Economics

Board of Editors

Alberto Alesina

Edward L. Glaeser

Lawrence F. Katz

Associate Editors

Daron Acemoglu
George Akerlof
David Baron
Roland Bénabou
John Bound
Colin Camerer
Judith Chevalier

Janet Currie
Claudia Goldin
Gene Grossman
Oliver Hart
James Hines
Charles Jones
Michael Kremer

Steven Levitt
Roberto Perotti
Raghuram Rajan
Jeremy Stein
Richard Thaler
Michael Woodford
Alwyn Young

In association with the Harvard Department of Economics and Invited Readers.

Assistant Editor

Harriet E. Hoffman

The Quarterly Journal of Economics (ISSN 0033-5533) is published four times per year (February, May, August, November) by The MIT Press, Five Cambridge Center, Cambridge, Massachusetts 02142. Volume 114, Number 1 (February 1999). Copyright 1999 by the President and Fellows of Harvard College and the Massachusetts Institute of Technology. All rights reserved. Reproduction or translation of any part of the work beyond that permitted by Sections 107 or 108 of the United States Copyright Law without the permission of the copyright owner is unlawful.

Permission to photocopy articles for internal or personal use or the internal or personal use of specific clients is granted by the copyright owner for libraries and other users registered with the Copyright Clearance Center (CCC), provided that the per-copy fee of \$8.00 is paid directly to CCC, 222 Rosewood Drive, Danvers, MA 01923. The fee code for users of the CCC's Transactional Reporting Service is 0033-5533/99 \$8.00. For those organizations that have been granted a photocopy license with CCC, a separate system of payment has been arranged. Address all other inquiries to Subsidiary Rights Manager, MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142. Fax: (617) 258-5028; e-mail: journals-rights@mit.edu.

The contents of this Journal are included by the following:

Abstracts of Location Analysis, America: History and Life, Business Periodicals Index, Current Contents/Social and Behavioral Sciences, Current Mathematical Publications, Economic Literature Index, Expanded Academic Index, Historical Abstracts, Human Resources Abstracts, Index of Economic Articles, International Bibliography of Periodical Literature, Journal of Economic Literature, Mathematical Reviews, MathSci, Sage Public Administration Abstracts, Sage Urban Studies Abstracts, Social Sciences Citation Index, Social Sciences Index, Social Work Research & Abstracts, Wilson Business Abstracts, and Work Related Abstracts.

Subscription Rates: Students/Retired: \$25.00, Individuals \$40.00, Institutions \$140.00. Outside the U.S. and Canada \$18.00 for postage and handling. Canadians add 7% GST. Current issues are \$36.00. Back issues are: Individuals \$18.00, Institutions \$36.00. Outside the U.S. and Canada add \$5.00 per issue for postage and handling. Canadians add 7% GST. Mail subscription and address changes to MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142; (617) 253-2889; fax: (617) 577-1545; e-mail: journals-orders@mit.edu. Claims for missing issues will be honored free of charge if made within three months after the publication date of the issue. Prices subject to change without notice.

Postmaster: Send address changes to *The Quarterly Journal of Economics*, MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142. Periodicals Postage paid at Boston, MA, and at additional postal offices.

Advertising and mailing list inquiries may be addressed to: Marketing Dept., MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142; (617) 253-2866; fax (617) 258-5028; e-mail: journals-info@mit.edu.

Books, periodicals, and manuscripts should be addressed to THE QUARTERLY JOURNAL OF ECONOMICS, Littauer Center, Harvard University, Cambridge, Massachusetts 02138. Three copies of manuscripts should be submitted in clear double-spaced typewritten copy. The use of recycled paper is encouraged. Manuscripts of more than forty-five double-spaced typed pages in length are not ordinarily considered for publication. Copies of manuscripts that have not been accepted for publication are not ordinarily returned to the author. Offprints may be ordered by authors prior to publication, prepaid.

Business Correspondence should be addressed to The MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142. <http://mitpress.mit.edu/QJE>

© 1999 BY THE PRESIDENT AND FELLOWS OF HARVARD COLLEGE AND
THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY

PRINTED IN UNITED STATES OF AMERICA

© This publication is printed on acid-free paper.

THE QUARTERLY JOURNAL OF ECONOMICS

ANNOUNCEMENT

iii

ARTICLES

ASSAR LINDBECK, STEN NYBERG, AND JÖRGEN W. WEIBULL

Social Norms and Economic Incentives in the Welfare State

1

MATTHEW RABIN AND JOEL L. SCHRAG

First Impressions Matter: A Model of Confirmatory Bias

37

ROBERT E. HALL AND CHARLES I. JONES

Why Do Some Countries Produce so Much More Outper per Worker than Others?

83

JENNIFER HUNT

Has Work-Sharing Worked in Germany?

117

JONATHAN ISHAM AND DANIEL KAUFMANN

The Forgotten Rationale for Policy Reform:

The Productivity of Investment Projects

149

LUIGI GUIISO AND GIUSEPPE PARIGI

Investment and Demand Uncertainty

185

ILAN GOLDFAJN AND RODRIGO O. VALDÉS

The Aftermath of Appreciations

229

JONATHAN GRUBER, PHILLIP LEVINE, AND DOUGLAS STAIGER

Abortion Legalization and Child Living Circumstances:

Who Is the “Marginal Child”?

263

DAVID LASTER, PAUL BENNETT, AND IN SUN GEOUM

Rational Bias in Macroeconomic Forecasts

293

MARTHA L. OLNEY

Avoiding Default: The Role of Credit in the Consumption

Collapse of 1930

319

ANNOUNCEMENT

This issue of the *Quarterly Journal of Economics* marks the retirement of Olivier Blanchard and Andrei Shleifer from their service as editors. The new editorial board (Alberto Alesina, Edward Glaeser, and Lawrence Katz, who is continuing as editor) would like to pay tribute to the work of these two exceptional editors. Over the space of fourteen and ten years, respectively, Blanchard and Shleifer have set a standard for judicious and energetic editing that will be extremely difficult to replace. These two have been a critical part of the superb team of editors who have made the *QJE* into the second most cited journal per article in economics (after the *Journal of Economic Literature*). Most importantly, Blanchard and Shleifer have displayed an intellectual courage that the new editorial board wishes to emulate. These editors pushed the *Journal* away from “safe” papers on established topics toward bolder, riskier work that extends the boundaries of economics. We salute Andrei and Olivier for their wisdom, their effort, their intellectual honesty, and their bravery. We will do our best to ensure that the *Journal* continues to embody their spirit of intellectual discovery and scholarly excellence.
