

**AIRLEAP Session at the 2023 Society of Government Economists Annual Conference  
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**Session Title: Improving Economic Measurement and Modeling to Promote Equity and Justice**

**Organizer and moderator:** Steven Payson, University of Maryland

**Papers**

***1. Can Corruption be Held Responsible for Deforestation?***

**Aayushi Gupta, University of Maryland**

Long gone are those days when the concern of forest resource was limited to a region or a nation – it is global now. This study aims to reflect this concern by revolving around the topic of the causes of deforestation. To some extent, deforestation might be necessary for the growth of an economy. However, not all deforestation is good. This paper focuses on the immoral reasons of deforestation. The research question of the study is to find out the impact of corruption on deforestation. The report by Harwel (2009) summarizes the loss of around \$2 billion by Indonesia, country with world's highest deforestation rates, in 2006 was due to illegal logging, corruption, and mismanagement. Exports from its flourishing timber sector were worth \$US6.6 billion in 2007, second only to Brazil. Koyuncu (2009) found a positive correlation between corruption and deforestation which is statistically significant. According to Scarrow, R. (2017), corruption might not have a large impact on deforestation, but it is certainly more significant than when taking a debt from IMF to engage in heavy logging activities.

Since deforestation is a global problem, this study targets all the countries around the world. To conduct this study, I have taken data for 22 years, which is a significant time to observe change in deforestation patterns. Using this panel data, I will be performing regression analysis. The models used in this study are entity fixed effects and time fixed effects. To define corruption, the study uses two corruption datasets, namely Corruption Perception Index (CPI), and Control of Corruption. Further, I have included covariates like countries with larger forest areas, GDP, government effectiveness, and some others to account for omitted variable bias. The importance of this study is to provide a quantitative basis for strategy builders and policy makers who come across the question of corruption being another cause for deforestation. The results found in the study show a highly statistically significant decrease in deforestation activities with 1 unit decrease in corrupt practices in a country.

***2. How Many People Truly Live Below the International, Extreme Poverty Line of \$2.15 Per Day?***

**Steven Payson, University of Maryland, <https://www.amazon.com/author/econ.books.by.steven.payson>**

According to the World Bank, about 650 million people in the world live below the extreme poverty line defined as earning less than \$2.15 per day. In the United States and other industrialized countries, living on less than \$2.15 a day (absolutely, without additional social assistance) would surely make a person homeless and starving. However, is that also the situation for those poorest 650 million in developing countries who are said to be living below this poverty line?

In *Poor Economics*, Banerjee and Duflo (2012) mentioned that, by purchasing power parity, one U.S. dollar (in 2010) was worth about 20 Indian rupees. They said that, for only one rupee, worth \$0.05 by PPP, one could purchase a dosa (Indian pancake filled with lentils or other ingredients) for breakfast on the street in India. So, for \$0.75 one could buy 15 of them in a day, and get 2,000 calories of relatively nutritious food. But, in the United States, if one orders just one dosa to take-out from an Indian restaurant, it can cost \$10.00. In The Gambia, the average income, per person, per day is about \$2.00. Yet, according to a recent study by the United Nations, 75 percent of Gambians own smartphones, and most live in permanent homes that have Internet service and televisions. So, how poor *are* the poorest people in the world, really? Are we measuring extreme poverty and income correctly?

In Angus Deaton's 2010 Presidential Address to the American Economic Association, he describes the source of this enormous inconsistency between what the poor in developing countries can truly afford in their own country, and the purchasing power parity that the World Bank uses to measure their income in dollars. As Deaton and many others have demonstrated, the "devil is in the details" of how purchasing power parity estimates may not accurately reflect the true purchasing power of the poorest people on our planet. This raises not only the question of how these estimates of true purchasing power can be corrected, but whether there have been reasons for our reluctance to correct them even when the solutions to the problem are not difficult to find. Is the discrepancy merely an analytical oversight, or has it been influenced by the fact that lower income estimates strengthen the appeal for greater assistance? Furthermore, to the extent that true purchasing power may be inaccurate, could this lead to assistance not being directed to where it is most needed?

This paper answers these questions, drawing from the knowledge and literature of leading economists on the topic. It argues that the prices actually paid by the poorest people can, in fact, be acquired and used by economists to derive more accurate measures of their actual level of well-being. In this way, the world can have a better understanding of extreme poverty in its truest sense, and can direct assistance to where it is genuinely needed the most.

### ***3. Family-Friendly and Human-Capital-Based Immigration Policy***

**Mark Regets, National Foundation for American Policy; and Harriet Orcutt Duleep, College of William and Mary**

Immigration law uses a variety of admission categories to satisfy different policy objectives. Some policy makers assume that only immigrants admitted via employment visas bring economic benefits. However, there is much evidence that family-based admissions lead to greater human capital investment by immigrants and that their efforts to find niches for themselves in U.S. labor markets adds to the dynamism of the American economy. This paper presents evidence on both human capital investment and earnings growth, while comparing the U.S. system to those in Canada and other countries.

The paper finds that family-based immigrants usually do not enjoy the immediate high demand for their skills that employment-based immigrants do, but they experience much higher rates of earnings growth. Their entire earnings path is a better indicator of the value of their migration, both to the immigrant and to the host country. Their high rates of investment in new skills help to make their host country's labor market more flexible to changing needs, and lead to entrepreneurial creation of new goods and services. Thus family-based immigration is a valuable component of any national immigration strategy, offering different types of benefits to the host economy.

The paper points out that, in the literature, the debate about immigrant admission policies has been presented as a dichotomy: either (1) admit highly educated immigrants or immigrants with specific skills, or (2) admit immigrants with kinship ties. Yet, this ignores the basic fact that highly educated immigrants have families too. These educated immigrants will also be more likely to choose a country where their siblings, parents, and adult children are also welcome, or where only certain family members can follow. When immigrant scientists and engineers are asked why they moved to the United States, for instance, family reasons often dominate their answers. A family-friendly policy may thus help attract highly educated immigrants as well.

The paper concludes that the strong inverse relationship between immigrant entry earnings and earnings growth in the US suggests that policymakers should not be overly concerned about low initial earnings among immigrants with otherwise similar schooling levels. It recognizes that those who immigrate to fill specific jobs, and are paid accordingly, have less of an incentive to invest in new human capital than immigrants lacking immediately transferable skills. As such, an immigrant admission policy designed to fill specific labor market needs may be less likely to promote a flexible labor force than a family-based or human-capital-based policy. It further suggests that, in countries with flexible labor markets and a societal openness to learning throughout life, immigrant economic adjustment confers broad economic benefits.

#### ***4. The Gender Differences in Pay in Monopsonistic Labor Markets: A Comparative Analysis*** **Brian Sloboda, University of Maryland, Global Campus**

Do gender differences in job mobility explain gender differences in pay? Various theories have been proposed to explain the differences in pay by gender who appear to have identical productivity characteristics. These include theories based on prejudice (e.g., Becker, 1957; 1971) and statistical discrimination (e.g., Arrow, 1973; Phelps, 1972). Labor monopsony was formulated by Robinson (1933) who posited that a monopsony employer lacks competition from other firms. The measure of monopsony power is related to the wage elasticity of labor supply or the likelihood that workers respond to a lower wage by leaving the market. A firm faces a labor supply with infinite wage elasticity in competitive labor markets. If the firm decreases wages below the market, workers will quit and look for a job at a higher-paying firm. The approach by Robinson (1933) was at odds with the standard assumption of competitive labor markets. Consequently, the monopsonistic model largely remained dormant until recent years. Some recent inquiries reinvigorated the application of monopsony to provide reasons why larger firms pay more than smaller firms, why similar-ability workers are paid different wages, and why race and gender are correlated with compensation.

Manning (2003) established an analytical framework for estimating the wage elasticity of labor supply. He combined methods for analyzing worker transitions to and from jobs over time with the monopsony rate of exploitation introduced by Robinson (1933). Delving into job mobility is relevant to the gender earnings differences because female workers are paid less than male workers in many countries worldwide (Nopo et al., 2011). More importantly, female workers may face greater market frictions that could prevent workers from obtaining new jobs. Also, female workers may have greater familial and house responsibilities, so they may devote less time to conducting job searches or have concerns about obtaining a new job (e.g., being more risk-averse). Moreover, many female workers face gendered cultural constraints and often select occupations that offer greater flexibility. In contrast, male workers often have fewer cultural constraints and would earn more for sacrificing such flexibility (Goldin, 2014). Webber (2016) found a similar finding using US data because female workers are more likely to work in firms with lower labor supply elasticities.

Hirsch et al. (2010) used Manning's empirical framework and linked employer-employee data in Germany to estimate labor supply elasticity and found a lower elasticity for women than men. Barth and Dale-Olsen (2009) showed that gender elasticity differences accounted for 70 to 90 percent of the gender wage gap for lower-educated workers. Webber (2015) estimated the individual labor supply elasticities facing every US firm and found that a one-unit increase in elasticity was associated with wage gains of 5 to 16 percent, with significant variability across firms. Sokolova and Sorensen (2020) estimated via a meta-analysis that the average estimated elasticity is lower for women than for men. Through this survey of the literature this paper identifies and outlines the breadth of explanations for the gender gap that occurs with monopsonies.