

WRITING A LITERATURE REVIEW IN ECONOMICS

What is a Literature Review?

It is a synthesis of sources that summarizes findings on a topic (Cisco 2014). It tells a story that covers three main points: the previous work done on the topic, something missing in that body of work, and how you try to fill that gap (Dudenhefer 2014).

I. First Step: Read the Literature

- As you read each source (particularly scholarly papers), take note of:
 - The main research question it's trying to answer. Most sources state this in the abstract/introduction.
 - How does it answer this question? Most sources discuss this in the methods/data sections.
 - What are its main conclusions? Sources will usually include these in the discussion, results, and conclusion section(s).
 - Are there any limitations of the study? Sources might discuss this in the discussion/conclusion.

II. Second Step: Identify Themes

- Compare each source's research questions, methods, and conclusions. You can use the relationships between sources to identify themes/arguments in the literature. Consider:
 - How do sources define abstract terms (like "growth" or "entrepreneurship")?
 - Do they make any common assumptions or find a certain relationship between two variables (for example, between education levels and GDP)?
 - Do they have similar methodologies? Are there differences in how they collect and organize data, and are those significant?
 - Where else is there consensus or disagreement?
 - Where do authors cite each other? By following footnotes and references, you can see how authors try to build on (or push back against) each others' work, which can help you organize your own review.
 - Click "cited by" under a paper on Google Scholar to see who cites a source.
- Since literature reviews set up your paper's contribution, they should **emphasize the themes that help a reader understand your own project**.
 - **Example:** All of the papers you're considering use a Difference-in-Differences regression. Your paper isn't changing the regression. Dedicate part of your review to the details of how those authors use the regression and how this method is significant for your own project.

III. Third Step: Structure Your Review

- Many literature reviews discuss **one theme per paragraph**, with multiple authors cited in each. Below is one example of paragraph structure:
 - Begin with a topic sentence that explains the theme the paragraph focuses on.
 - Then, discuss different perspectives and/or approaches sources use to study the theme.
 - End with your own assessment of where the debate over that theme stands. What's generally accepted? What's inconclusive?

- When organizing paragraphs, it's common to start with the broadest theme (most foundational to your field) and then to narrow themes (more specific debates/approaches) with each subsequent paragraph, ending with the theme most closely related to your paper's contribution and then explaining what your contribution will be.
 - Some professors may want you to begin with a paragraph summarizing the literature as a whole: How much is there? Are there seminal works? (Dudenhefer 2014)

Example Literature Review

Mo Alloush and Stephen Wu, "Income Improves Subjective Well-Being: Evidence from South Africa" (2023):

This analysis adds to an inconclusive literature on the impact of income on subjective well-being. In a seminal paper, Easterlin (1974) compares in-come and happiness across countries and finds that individuals in richer countries, on average, did not appear to be happier than those living in poorer countries. This finding seemed to defy expectation and is dubbed the Easterlin paradox. However, in the same study and in several studies since, Easterlin shows that within countries, the poor exhibit consistently lower levels of happiness than the rich (Easterlin 1974, 1995, 2001). Moreover, recent careful analyses that use data from many countries around the world show that subjective well-being and income are positively correlated both within and across countries (Di Tella and MacCulloch 2008; Sacks, Stevenson, and Wolfers 2010; Graham 2011; Wolfers, Sacks, and Stevenson 2012; Stevenson and Wolfers 2013).

Fewer studies estimate the causal impact of income on subjective well-being. Exceptions include Frijters, Haisken-DeNew, and Shields (2004), who use an increase in income due to German reunification to estimate the effect of income on life satisfaction, and Gardner and Oswald (2007), who find that individuals who win medium-sized lottery prizes have significantly better levels of psychological well-being than those who win small prizes or those who do not win at all. Powdthavee (2010) uses the existence of pay slips as an instrument for household income and finds large effects on individual happiness, arguing that correlational methods likely understate the effect of income on subjective well-being. Moreover, Haushofer and Shapiro (2016) show that un-conditional cash transfers increase life satisfaction and psychological well-being among a sample of very poor rural individuals in Kenya. However, recent work has suggested that the long-term effects of lottery windfalls on mental health and happiness are significantly smaller than the effects on life satisfaction (Lindqvist, Östling, and Cesarini 2020).

The study most closely resembling ours is the recent work by Cuong (2020), which shows that receipt of a social pension in Vietnam at age 80 increases life satisfaction for a sample of elderly recipients. While our analysis similarly uses the discontinuity of receipt of a transfer to older individuals in a developing country, it is distinct in several ways. The South African Older Person's Grant is a large unconditional cash transfer amounting to approximately 140% of the per capita poverty line that begins at the much lower age of 60. In addition, we track the effects of the grant on the subjective well-being of other household members, who—given that multigenerational households are common in South Africa—span all adult age groups but are, on average, poorer and slightly younger than the overall representative sample.

This review is effective because it:

- **Organizes the paragraphs by three themes:** broad correlation between income and happiness, papers with more precise measures of that relationship, and papers with methodologies like their own.
- **States each theme in each paragraph's first sentence.**
- **Brings authors into conversation** with one another within the same paragraph to illustrate the different perspectives on each theme; authors disagree even within the same paragraph.
- **However, it does not end each paragraph with an overall assessment** of each theme, illustrating that different professors may have different expectations for literature reviews.

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