



THE LEVY ECONOMICS INSTITUTE OF BARD COLLEGE

Biennial Report 2002–2003



THE LEVY ECONOMICS INSTITUTE of Bard College was founded in 1986 as a nonprofit, nonpartisan, public policy research organization. It is independent of any political or other affiliation and encourages diversity of opinion in the examination of economic issues.

The purpose of all Levy Institute research and activities is to enable scholars and leaders in business, labor, and government to work together on problems of common interest. Levy Institute findings are disseminated—via publications, conferences, workshops, seminars, congressional testimony, and other activities—to an international audience of public officials, private sector executives, academics, and the general public.

Through this process of scholarship, analysis, and informed debate, the Levy Institute generates effective public policy responses to economic problems that profoundly affect the quality of life in the United States and abroad.

The Levy Institute's main conference and research facility is Blithewood, on the campus of Bard College, located 90 miles north of New York City.

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REPORT FROM THE PRESIDENT



AS 2004 BEGINS, the Levy Institute can look back on the 2002 through 2003 period as one of accomplishment and transition. Several initiatives were begun, new personnel were added, and the Institute continued its efforts in its traditional areas of strength. Thus, we can report that the Institute remains vibrant and as determined as ever to contribute to the formation of economic policy at a time when the world faces many new and daunting challenges.

Our macromodeling group, led by Distinguished Scholar Wynne Godley and me, continued to project trends in the external, government, and private-sector financial balances. This group was joined by longtime Senior Scholar Anwar Shaikh and new Research Scholars Gennaro Zezza and Claudio Dos Santos. Our team documented the continuation of unsustainable trends in household borrowing and trade deficits. It also probed the likely implications of the recent reemergence of large federal government deficits. The macromodeling team's projections of the future course of the economy were discouraging but drew a great deal of attention to problems that often have been overlooked by the media and the economics profession. In the coming years, the group will look into possible ways out of what it accurately terms the nation's economic "predicament."

The Institute's work in macroeconomics was bolstered by the addition of Institute Professor Philip Arestis to our staff. Arestis has been a prolific contributor to debates on policy in the eurozone and the United States. Since joining the Institute in 2002, Arestis has written or coauthored more than 30 works explaining, *inter alia*, the failure of neoliberal policies on the Continent and elsewhere

and arguing for a Keynesian alternative. His works have ranged from applied policy studies, to in-depth critiques of the “new consensus” in macroeconomic theory, to sophisticated econometric studies of how financial problems spread between countries. Like the modeling team, Arestis has sometimes gone against the grain of accepted economic ideas, but the relevance of his findings has become increasingly evident as the European economy continues to stagnate.

The past two years have also seen the blossoming of the Institute’s activities in the area of income and wealth. As the baby boom generation nears retirement age, Thomas L. Hungerford, our new senior scholar, provides the Institute with a vital presence in the field of research on the economic condition of older Americans. A broader effort toward understanding in this field was launched with the construction of the Levy Institute Measure of Economic Well-Being (LIMEW), which is a barometer of the access of households to needed and desired goods and services. This project involved combining a number of different data sources on work within the household, asset ownership, use of government services, and other aspects of economic standing. In addition to its leader, Senior Scholar Edward N. Wolff, the LIMEW group comprised Research Scholars Ajit Zacharias and Asena Caner. At the end of 2003, the group began to release data on the evolution of economic well-being and its distribution among U.S. residents during the past decade or so. The group’s findings show that narrower income measures, such as money income, offer only a limited and potentially misleading view of households’ economic fortunes. In coming years, the Institute will expand the LIMEW project, regionally and internationally, thereby making it possible for policymakers to compare data pertaining to several regions and major developed economies.

During the period covered by this report, the Institute drew on the wisdom and hard work of scholars working outside of its walls. Our roster of research associates grew with the addition of Professors Rania Antonopoulos of New York University; Korkut Ertürk of the University of Utah; Maria Sagrario Floro of American University, Washington, D.C.; and Alex Izurieta of the Cambridge Endowment for Research in Finance, Judge Institute of Management Studies. Through the Institute’s efforts, the exciting and innovative ideas of more than 25 research associates from around the world gained a wide audience. Many scholars were called upon to make presentations at conferences we sponsored in New York City and at our own research facility in Annandale-on-Hudson, New York.

In spring 2002 and 2003, leaders from academe, industry, and central banks gathered to apply the ideas of our late colleague Hyman Minsky to the economic problems of the world. Those ideas proved to be as relevant and fruitful as ever. The Institute also held two conferences on wealth, one focusing on economic mobility and the other encompassing presentations on a swath of nine foreign countries and several aspects of wealth distribution in the United States.

It is difficult to summarize such a diverse body of work, but many of the conference participants presented disturbing and thought-provoking findings that depicted an increasingly skewed distribution of asset ownership.

The Institute's work continues to be featured on our website, which, by the end of 2003, was receiving approximately 600,000 hits each month. As a new year begins, the site is benefitting from a complete redesign by our new webmaster, Horace G. Nelson Jr. The Institute also maintains a mailing list of more than 10,000 individuals, who read hard copies of our research publications on topics ranging from the U.S. welfare state to the vicissitudes of the euro.

In 2002, we welcomed two new members to our Board of Governors. Joseph E. Stiglitz, a Nobel Prize-winning economist and professor of finance and economics at Columbia University, and Janet L. Yellen, professor of economics and business administration at the University of California, Berkeley. We look forward to their continued counsel.

We must report with sadness the passing of our chairman and founder, Leon Levy. The Institute would not exist in its present form had it not been for his guidance, leadership, and support. Leon had a remarkable career, spanning some 50 years, on Wall Street. He also found time for a number of philanthropic pursuits, including not just The Levy Economics Institute but also Bard College, where he served as trustee. Our conference in April 2003 was dedicated to his memory, as is this biennial report.

This report is a summary of all the projects mentioned in this letter, as well as many additional Institute enterprises. We hope that readers will come away with a better appreciation of the scope and intensity of our efforts and will be interested in exploring them in more depth. As always, I welcome your comments.

I want to express my gratitude to all our supporters, those who review our research, and the members of the Board of Governors. A word of thanks and admiration goes to the Institute's scholars and staff, who strive tirelessly to present timely and thorough analyses of current events, from a nonpartisan perspective, to a wide audience of policymakers, business leaders, members of the academy, and the general public.

A handwritten signature in black ink, appearing to read "Dimitri B. Papadimitriou", with a long horizontal flourish extending to the right.

DIMITRI B. PAPADIMITRIOU, *President*

LEON LEVY: IN MEMORIAM

LEON LEVY, life trustee of Bard College and founder of The Levy Economics Institute of Bard College, died on April 6, 2003, at his home in Manhattan. Mr. Levy was the leading donor to Bard College and the chairman of the Levy Institute's board of governors. His philanthropy and leadership provided the means to promote programs associated with the study of the humanities and economics. He supported the Levy Institute as a tribute to his father and contributed immeasurably to its development since its founding in 1986. He was a man of ideas, whose wise counsel and guidance will be sorely missed.

Mr. Levy was a hedge fund pioneer who joined the firm of Oppenheimer & Company, Inc. in 1951 and founded Odyssey Partners LP with Jack Nash in 1982. He firmly believed that investing was as much a psychological as an economic act and that the stock market surge in the 1990s did not reflect a new economic reality, but only people's hopes. His autobiography, *The Mind of Wall Street* (with Eugene Linden), was published in 2002. In the last year of his life, Mr. Levy taught a course at Bard College, Contemporary Developments of Finance, to which he brought peerless knowledge, delivered with characteristic enthusiasm and passion.

Mr. Levy was a trustee of the John Simon Guggenheim Memorial Foundation, Rockefeller University, and Institute of Fine Arts at New York University and was president of the Institute for Advanced Study at Princeton University.

The Levy Institute and the entire Bard community extend its deepest condolences to his wife, Shelby White; his daughter, Tracy; his brother, Jay; and the entire Levy family.

SECTION 1: RESEARCH AND PUBLICATIONS

FROM 2002 THROUGH 2003, the Levy Institute's research activities comprised five major program areas.

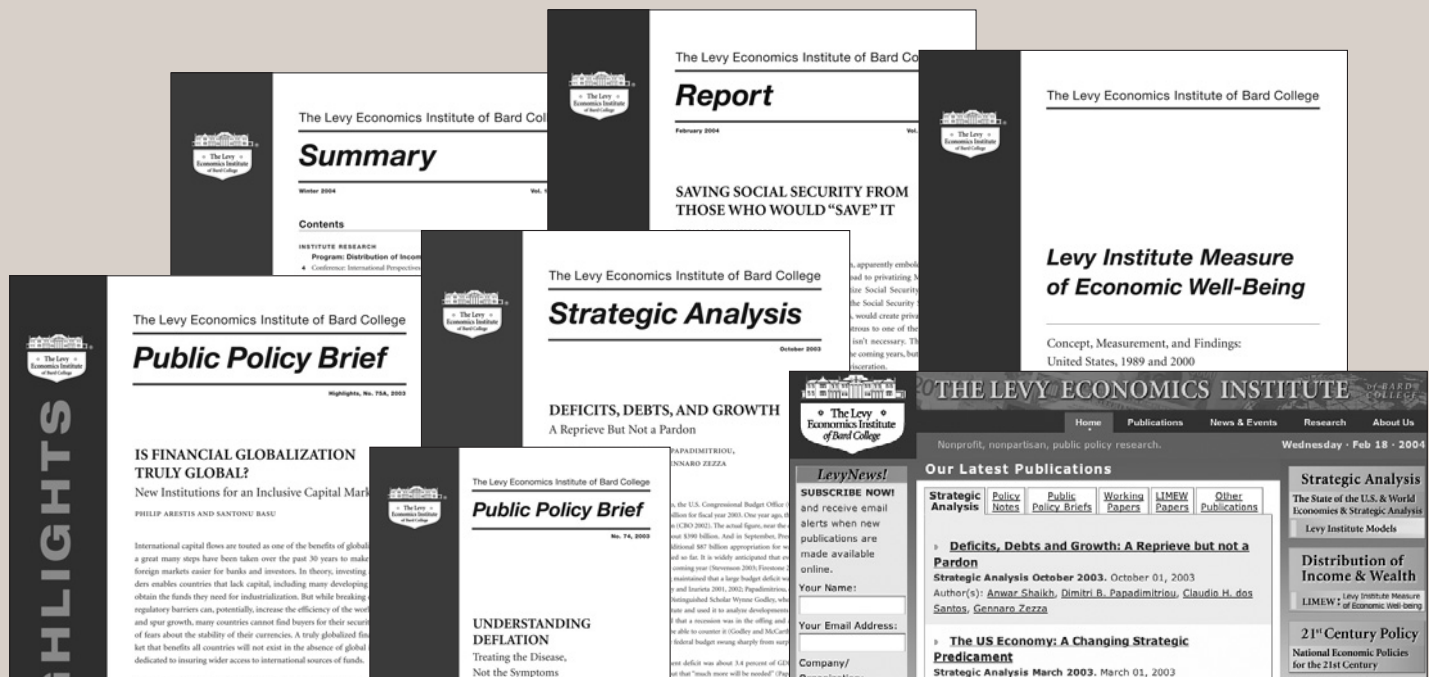
The State of U.S. and World Economies, and Strategic Analysis: This program uses the Levy Institute Macro Model to develop strategic analyses of U.S. and world economies. The analyses project the outcomes of alternative scenarios, thereby providing policymakers with an understanding of the implications of various policy options.

Distribution of Income and Wealth: The core of this program is the Levy Institute Measure of Economic Well-Being (LIMEW), which presents a comprehensive accounting of people's access to goods and services that determine economic well-being for households.

Economic Policy for the 21st Century: Under this program, scholars analyze macroeconomic, microeconomic, and other policy issues. The analyses aid in developing policies that promote prosperity and well-being.

Theoretical and Empirical Analyses: This program advances the "state of the art" in a variety of economic subfields, rather than focusing on a particular policy area. Several studies involve abstract models, while others tackle methodological issues and the place of monetarism in the history of economic thought.

Immigration, Ethnicity, and Social Structure: This program examines the socio-economic assimilation and achievements of American immigrants, past and present. Social phenomena, such as intermarriage and graduation rates, are compared across immigrant groups of different periods and ethnicities.



THE LEVY INSTITUTE'S publications program forms the main pillar of its public education activities. In an effort to raise the level of public debate on a broad spectrum of economic matters, the Institute publishes research findings, conference proceedings, policy discussions and analyses, and other material. Publications are aimed at academic, general, and policy-making audiences.

Working Papers—research in progress by Levy Institute scholars and conference participants

Strategic Analyses—reports based on Levy Institute models

Public Policy Briefs—examinations of the policy aspects of contemporary economic issues

Public Policy Brief Highlights—condensed statements of the basic arguments and recommendations contained within *Public Policy Briefs*

The Report—a quarterly newsletter designed to reach a diverse, general audience interested in policy matters. It includes summaries of new publications, synopses of conferences and other events, information on Levy Institute activities, interviews with prominent scholars and public officials who can provide insights into current topics, and editorials by members of the Levy Institute research staff.

The Summary—a quarterly publication designed to reach an academic audience. It reports on current research by providing synopses of new publications, special features on continuing research projects, accounts of professional presentations by Levy Institute research staff, and overviews of Levy Institute events.

The Levy Institute Measure of Economic Well-Being (LIMEW) Report—a series of statistical reports on the Levy Institute's own gauge of the ways in which three key institutions (market, state, and household) mediate access to the goods and services produced in a modern market economy

Conference, symposium, and forum proceedings—transcripts of presentations and summaries of discussion sessions

The Levy Economics Institute book series

The Levy Institute website (www.levy.org/2)—offers information on research projects, publications, scholars, and upcoming events. It provides a critical means of outreach to the global community. Full-text versions of all Levy Institute publications can be downloaded or ordered from the website. Audio archives of past conferences and registration information for future events are also available on the website.

Program 1: The State of U.S. and World Economies, and Strategic Analysis

. . . the dramatic rise in household assets, particularly equities and housing, played a critical role in [the household sector's] ability to acquire new debt. But the collapse of the equity bubble in 2000 sharply reduced the net worth of the household sector.

Strategic Analysis, October 2003

This program, which began in 1999, uses accounting-based models created by Distinguished Scholar Wynne Godley. The U.S. model is a macroeconomic one, employing a complete and consistent system (i.e., all sectors “sum up” with no unaccounted leakages) of stocks and flows (including income, production, and wealth). The world model is a “closed” one in which 11 trading blocs are represented. The United States, Japan, China, and Western Europe are included in the model, which is based on a matrix wherein each bloc’s imports are described in terms of exports from the other blocs. Using this information (in conjunction with data on energy demands and supplies, growth rates, and trade shares) trends can be identified and patterns of trade and production can be analyzed.

Projections derived from the models are not intended as short-term forecasts but as a means of deriving reasonable expectations based on careful analysis of recent developments—assuming current trends, policies, and relationships continue. Such projections can serve as a guide to policymaking and alert leaders about unsustainable processes.

Research Group

WYNNE GODLEY, *Distinguished Scholar*
CLAUDIO H. DOS SANTOS, *Research Scholar*
ALEX IZURIETA, *Research Associate*
DIMITRI B. PAPADIMITRIOU, *President*
ANWAR M. SHAIKH, *Senior Scholar*
GENNARO ZEZZA, *Research Scholar*

Publications

Strategic Analyses

Deficits, Debts, and Growth: A Reprieve But Not a Pardon

ANWAR M. SHAIKH, DIMITRI B. PAPADIMITRIOU,
CLAUDIO H. DOS SANTOS, GENNARO ZEZZA
Strategic Analysis, October 2003

Federal surpluses projected by the Congressional Budget Office have turned into deficits. This analysis examines possible future consequences of this fiscal turnaround and strategies for dealing with imbalances in the private sector and between countries.

The U.S. Economy: A Changing Strategic Predicament

WYNNE GODLEY

Strategic Analysis, March 2003

Throughout the boom years preceding 2001, the U.S. economy faced a strategic predicament—the main engine of growth (credit-financed private spending) was unsustainable. This analysis argues that, as a result of the exceptionally large and growing balance-of-payments deficit, a new predicament is on the horizon.

Is Personal Debt Sustainable?

DIMITRI B. PAPADIMITRIOU, ANWAR M. SHAIKH,

CLAUDIO H. DOS SANTOS, GENNARO ZEZZA

Strategic Analysis, November 2002

The long economic expansion of the 1990s was fueled by an unprecedented rise in private expenditure relative to income. The great meltdown in the financial markets means that asset values cannot offset the perils of growing household indebtedness.

Strategic Prospects and Policies for the U.S. Economy

WYNNE GODLEY, ALEX IZURIETA

Strategic Analysis, June 2002

Notwithstanding the great achievements of the U.S. economy, the growth of aggregate demand during the past several years has been structured in a way that would eventually prove unsustainable. As a result, the entire stance of fiscal policy must move in an expansionary direction.

Working Papers

Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

Measures of the Real GDP of U.S. Trading Partners:

Methodology and Results

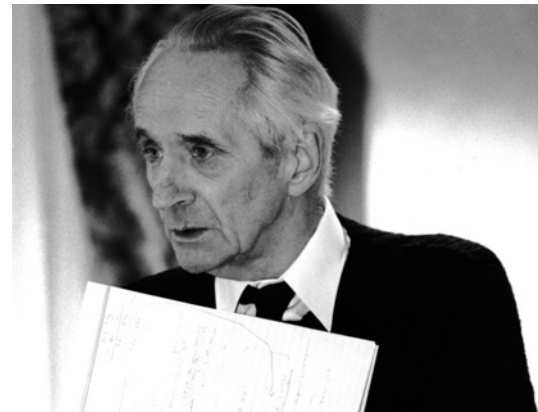
CLAUDIO H. DOS SANTOS, ANWAR M. SHAIKH, GENNARO ZEZZA

Working Paper No. 387, September 2003

Dollarization: A Dead End

ALEX IZURIETA

Working Paper No. 344, March 2002



Wynne Godley

Policy Notes

Is International Growth the Way Out of U.S. Current Account Deficits?

A Note of Caution

ANWAR M. SHAIKH, GENNARO ZEZZA, CLAUDIO H. DOS SANTOS

Policy Note 2003/6

The current account deficit of the United States has been growing steadily as a share of GDP for more than a decade. Levy Institute scholars have long argued that this burgeoning deficit is unsustainable. New empirical evidence suggests that the imbalance cannot be explained entirely by slow growth in the economies of U.S. trading partners.

Financial liberalization alone does not constitute financial globalization. The process of financial globalization can only be completed if a global financial institution is developed and created that can play a central coordinating and regulatory role.

Working Paper No. 397

Kick-Start Strategy Fails to Fire Sputtering U.S. Economic Motor

WYNNE GODLEY

Policy Note 2002/1

In order to avoid a “growth recession,” it will be necessary to establish a new “motor” capable of driving the economy. This is particularly true if private expenditure continues to decline relative to income, thereby generating a larger deficiency in aggregate demand.

Program 2: Distribution of Income and Wealth

Economic inequality is a prominent and perennial concern. An increase in inequality during the 1970s and early 1980s stimulated interest in studying the causes and consequences of the phenomenon. Information from the 1990s suggests that economic growth and prosperity no longer reduce economic equality dramatically.

Persistent inequalities, within and across nations, can only be resolved using innovative policies based on sound scholarship. Recognizing this fact, the Levy Institute has, since its inception, maintained an active research program on the distribution of earnings, income, and wealth. Recent Levy Institute research has included studies of economic well-being among the elderly, public and private pensions, well-being over the life cycle, the role of assets in economic well-being, and determinants of wealth accumulation.

The Levy Institute Measure of Economic Well-Being (LIMEW)

LIMEW is informed by the understanding that three key institutions—market, state, and household—together mediate household members’ access to the goods and services of a modern market economy. The economic well-being of a household is shaped by all three institutions. Households’ degree of access to resources and assets is approximated by an income measure.

Two crucial elements characterize LIMEW: it focuses on components that can be converted into money equivalents, and its household-level measures can be applied to different economic and demographic groups.

LIMEW is constructed as the sum of base money income (gross money income less government cash transfers and property income); the value of certain employer-provided, in-kind benefits; income from wealth; net government expenditures; and value of household production. In the absence of an ideal unified database, LIMEW draws information on income, employment, wealth, time use, and the like from sources such as the Annual Demographic Supplement of the Current Population Survey conducted by the U.S. Census Bureau, National Income and Product Accounts, and government agencies.

One of the goals of LIMEW is to provide estimates, at regular intervals, of well-being for the United States and a number of other nations and to relate those estimates to economic policies.

Research Group

ASENA CANER, *Research Scholar*

JAMES K. GALBRAITH, *Senior Scholar*

THOMAS L. HUNGERFORD, *Senior Scholar*

EDWARD N. WOLFF, *Senior Scholar*

AJIT ZACHARIAS, *Research Scholar*

Publications

Working Papers

Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

The Evolution of Wealth Inequality in Canada, 1984–1999

RENÉ MORISSETTE, XUELIN ZHANG, MARIE DROLET

Working Paper No. 396, November 2003

On Household Wealth Trends in Sweden over the 1990s

N. ANDERS KLEVMARKEN

Working Paper No. 395, November 2003

Wealth Transfer Taxation: A Survey

HELMUTH CREMER, PIERRE PESTIEAU

Working Paper No. 394, November 2003

A Rolling Tide: Changes in the Distribution of Wealth in the U.S., 1989–2001

ARTHUR B. KENNICKELL

Working Paper No. 393, November 2003

Savings of Entrepreneurs

ASENA CANER

Working Paper No. 390, September 2003

Do Workers with Low Lifetime Earnings Really Have Low Earnings Every Year?

Implications for Social Security Reform

THOMAS L. HUNGERFORD

Working Paper No. 389, September 2003

Household Wealth, Public Consumption, and Economic Well-Being in the United States

EDWARD N. WOLFE, AJIT ZACHARIAS, ASENA CANER

Working Paper No. 386, September 2003

U.S. Workers' Investment Decisions for Participant-Directed Defined Contribution Pension Assets

THOMAS L. HUNGERFORD

Working Paper No. 375, March 2003

Does Trade Promote Gender Wage Equity?

Evidence from East Asia

GÜNSELİ BERİK, YANA VAN DER MEULEN RODGERS,

JOSEPH E. ZVEGLICH JR.

Working Paper No. 373, February 2003

The Levy Institute Measure of Economic Well-Being

EDWARD N. WOLFE, AJIT ZACHARIAS

Working Paper No. 372, February 2003

The Persistence of Hardship over the Life Course

THOMAS L. HUNGERFORD

Working Paper No. 367, December 2002

Is There an American Way of Aging?

Income Dynamics of the Elderly in the United States and Germany

THOMAS L. HUNGERFORD

Working Paper No. 365, December 2002



Asena Caner and Ajit Zacharias

Asset Poverty in the United States, 1984–1999: Evidence from the Panel Study of Income Dynamics

ASENA CANER, EDWARD N. WOLFF

Working Paper No. 356, September 2002

Race, Ethnicity, and the Gender-Poverty Gap

YUVAL ELMELECH, HSIEN-HEN LU

Working Paper No. 351, August 2002

A Note on the Hicksian Concept of Income

AJIT ZACHARIAS

Working Paper No. 342, February 2002

Policy Notes

Caring for a Large Geriatric Generation: The Coming Crisis in U.S. Health Care

WALTER M. CADETTE

Policy Note 2003/3

The time has come to plan for the aging of the baby boom generation. The need goes beyond concerns regarding the solvency of Social Security and Medicare. Under the current system most nursing home care is paid for by Medicaid, a program designed to subsidize acute care for indigent families. This system thwarts the development of long-term-care insurance and forces heavily burdened providers to skimp on the care needed by a vulnerable population.

Program 3: Economic Policy for the 21st Century

The Levy Economics Institute is widely known for its use of economic analyses in informing policymaking strategies. The Economic Policy for the 21st Century program investigates monetary policy and financial institutions, federal budget policy, and the labor market. Past studies have included an examination of the introduction of the euro and its effects upon the monetary policies and institutions of the European community; a Minskyan analysis of economic problems in the United States, Japan, and Brazil; and an exploration of the impact of federal budget policies on economic growth and the finances of Social Security. The program has also explored labor market policies, such as the effects of technology on earnings, trends in productivity, promotion of full employment, and the impact of increased minimum wage on hiring practices and earnings.

If Germany's fiscal policy had been more in line with economic theory and had followed the best-practices example of the United States, it could easily have achieved a more favorable economic performance in the 1990s. The same can be said of Germany's monetary policy.

Policy Note 2003/4

Recent research has examined the economic crises in Asia and Latin America, distributional effects of monetary policy, macroeconomic policies in the European Economic and Monetary Union, and the role of finance in small business investment.

Research Group

PHILIP ARESTIS, *Institute Professor of Economics*

JÖRG BIBOW, *Research Associate*

WALTER M. CADETTE, *Senior Scholar*

ROBERT E. CARPENTER, *Research Associate*

KORKUT A. ERTÜRK, *Research Associate*

STEVEN M. FAZZARI, *Research Associate*

MATHEW FORSTATER, *Research Associate*

JAMES K. GALBRAITH, *Senior Scholar*

GREG HANNSGEN, *Resident Research Associate*

JAMEE K. MOUDUD, *Research Associate*

DIMITRI B. PAPADIMITRIOU, *President*

JAMES B. REBITZER, *Research Associate*

MALCOLM SAWYER, *Senior Scholar*

WILLEM THORBECKE, *Research Associate*

W. RAY TOWLE, *Resident Research Associate*

EDWARD N. WOLFE, *Senior Scholar*

L. RANDALL WRAY, *Senior Scholar*

AJIT ZACHARIAS, *Research Scholar*

Given the high propensity around the globe to save in the form of U.S. dollar assets (and, in particular, in the form of U.S. treasuries), much of the responsibility for restoring world economic growth rests on the shoulders of the U.S. federal government.

Policy Note 2003/7

Publications

Working Papers

Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

Financial Globalization and Regulation

PHILIP ARESTIS, SANTONU BASU

Working Paper No. 397, December 2003

Understanding Deflation: Treating the Disease, Not the Symptoms

L. RANDALL WRAY, DIMITRI B. PAPADIMITRIOU

Working Paper No. 392, October 2003

Aggregate Demand, Conflict, and Capacity in the Inflationary Process

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 391, September 2003

Inflation Targeting: A Critical Appraisal

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 388, September 2003

Macroeconomic Policies of the Economic and Monetary Union:

Theoretical Underpinnings and Challenges

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 385, August 2003

Minsky's Acceleration Channel and the Role of Money

GREG HANNSGEN

Working Paper No. 384, July 2003

Financial Sector Reforms in Developing Countries, with Special Reference to Egypt

PHILIP ARESTIS

Working Paper No. 383, July 2003

The Case for Fiscal Policy

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 382, May 2003

Reinventing Fiscal Policy

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 381, May 2003

How Long Can the U.S. Consumers Carry the Economy on Their Shoulders?

PHILIP ARESTIS, ELIAS KARAKITSOS

Working Paper No. 380, May 2003

Is Europe Doomed to Stagnation?

An Analysis of the Current Crisis and Recommendations for Reforming Macroeconomic Policymaking in Euroland

JÖRG BIBOW

Working Paper No. 379, May 2003

The Conditions for a Sustainable U.S. Recovery: The Role of Investment

PHILIP ARESTIS, ELIAS KARAKITSOS

Working Paper No. 378, May 2003

Finance and Development: Institutional and Policy Alternatives to Financial Liberalization Theory

PHILIP ARESTIS, MACHIKO NISSANKE, HOWARD STEIN

Working Paper No. 377, April 2003

We proposed removing the restraints on fiscal policy at the national level and developing a coherent set of labor market, industrial, and macro-economic policies at the EU level. Otherwise, we argued, achieving full employment or reducing inequalities and regional disparities in the EU would not be possible.

Policy Note 2003/2

The Nature and Role of Monetary Policy When Money Is Endogenous

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 374, March 2003

Credibility of Monetary Policy in Four Accession Countries: A Markov Regime-Switching Approach

PHILIP ARESTIS, KOSTAS MOURATIDIS

Working Paper No. 371, February 2003

Testing for Financial Contagion between Developed and Emerging Markets during the 1997 East Asian Crisis

PHILIP ARESTIS, GUGLIELMO MARIA CAPORALE, ANDREA CIPOLLINI

Working Paper No. 370, January 2003

On the Effectiveness of Monetary Policy and Fiscal Policy

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 369, January 2003

How Far Can U.S. Equity Prices Fall under Asset and Debt Deflation?

PHILIP ARESTIS, ELIAS KARAKITSOS

Working Paper No. 368, January 2003

“New Consensus,” New Keynesianism, and the Economics of the “Third Way”

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 364, December 2002

Does the Stock of Money Have Any Causal Significance?

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 363, December 2002

Financial Policies and the Aggregate Productivity of the Capital Stock: Evidence from Developed and Developing Economies

PHILIP ARESTIS, PANICOS DEMETRIADES, BASSAM FATTOUH

Working Paper No. 362, October 2002

Credibility of EMS Interest Rate Policies: A Markov Regime-Switching Approach

PHILIP ARESTIS, KOSTAS MOURATIDIS

Working Paper No. 361, October 2002

Financial Globalization: Some Conceptual Problems

PHILIP ARESTIS, SANTONU BASU

Working Paper No. 360, October 2002

Is There a Trade-Off between Inflation Variability and Output-Gap Variability in the EMU Countries?

PHILIP ARESTIS, KOSTAS MOURATIDIS

Working Paper No. 359, October 2002

Threshold Effects in the U.S. Budget Deficit

PHILIP ARESTIS, ANDREA CIPOLLINI, BASSAM FATTOUH

Working Paper No. 358, October 2002

The Euro, Public Expenditure, and Taxation

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 357, September 2002

Can Monetary Policy Affect the Real Economy?

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 355, September 2002

Should Banks Be “Narrowed”?

BIAGIO BOSSONE

Working Paper No. 354, September 2002

State Policies and the Warranted Growth Rate

JAMEE K. MOUDUD

Working Paper No. 349, July 2002

CRA’s 25th Anniversary: The Past, Present, and Future

KENNETH H. THOMAS

Working Paper No. 346, June 2002

The “Third Way” and the Challenges to Economic and Monetary Union Macropolicies

PHILIP ARESTIS, MALCOLM SAWYER

Working Paper No. 345, May 2002



Left to right: Robert A. Margo, Pierre Pestieau, Lisa A. Keister, and Thomas L. Hungerford

Policy Notes

The Future of the Dollar

Has the Unthinkable Become Thinkable?

KORKUT A. ERTÜRK

Policy Note 2003/7

Without the active support of the major central banks, can the dollar—the world’s reserve currency—survive a steep fall in its value? Can the United States broker another Plaza Accord without jeopardizing its unique international role? Is an orderly retreat for the dollar possible today?

Deflation Worries

L. RANDALL WRAY

Policy Note 2003/5

For the first time since the 1930s, many worry that the world’s economy faces the prospect of deflation, accompanied by massive job losses, on a global scale. In a hopeful sign, policymakers throughout the world seem to recognize the threat that falling prices pose to markets. But, because policymakers (especially central bankers in Europe and the United States) fail to realize that the problem is one of deficient demand, they have little inkling of how to stave off deflation.

Pushing Germany Off the Cliff Edge

JÖRG BIBOW

Policy Note 2003/4

Germany’s fiscal crisis cannot be attributed to unification, per se. It arose as a consequence of ill-guided macroeconomic policies pursued in response to unification. Since Germany provided the blueprint for Europe’s stability-oriented macroeconomic policy regime, there is a risk that the “German disease” is spreading throughout the continent and, potentially, beyond it.

Reforming the Euro’s Institutional Framework

PHILIP ARESTIS, MALCOLM SAWYER

Policy Note 2003/2

The Stability and Growth Pact (SGP) has been the focus of a growing controversy in the eurozone. The European Central Bank continues to argue that reforming the SGP by relaxing its rules would damage the credibility of the euro. The opposite view, however, may be closer to reality. The authors maintain that many more fiscal policy reforms are needed if the eurozone is to realize a true economic recovery and the credibility of the euro is to be enhanced.

The Big Fix: The Case for Public Spending

JAMES K. GALBRAITH

Policy Note 2003/1

Keynesian economics is back: tax cuts and deficit spending are on the agenda, low interest rates seem to be here to stay, and stimulus is the watchword of the day. But existing and commonly proposed policies are unlikely to generate the growth in profitability required to restart strong business investment, stabilize household finances, and reduce unemployment.

European Integration and the “Euro Project”

PHILIP ARESTIS, MALCOLM SAWYER

Policy Note 2002/3

The introduction of the euro represents a significant step in integrating the economies of the countries that form the European Economic and Monetary Union. The currency is also embedded in a particular set of institutional and policy arrangements that reveal much about the nature of economic integration. In terms of economic integration at a global level, however, the introduction of the euro is a relatively small step. The neoliberal agenda of globalization can clearly be seen from the way in which the euro was introduced.

The Brazilian Swindle and the Larger International Monetary Problem

JAMES K. GALBRAITH

Policy Note 2002/2

The IMF has offered Brazil a \$30 billion loan, on condition that the country continue to run a large primary surplus in the government budget. In this way, the IMF would maintain strong control over Brazil’s next government. Any significant move toward fiscal expansion would trigger revocation of the loan, followed by capital market chaos. Or so one is led to suppose.

Public Policy Briefs

Is Financial Globalization Truly Global?

New Institutions for an Inclusive Capital Market

PHILIP ARESTIS, SANTONU BASU

Public Policy Brief No. 75, 2003 (Highlights, No. 75A)

In 2002 more than \$1 trillion in new bonds was sold across international boundaries, and the total stock of cross-border bond holdings exceeded \$9 trillion. Such lending, together with sales of equities, is regarded as one of the chief benefits of globalization. But appropriate international institutions are not in place, with the result that financial investment does not always flow to those regions where it is needed most.

If, however, deflation serves mostly as the canary in the coal mine, policy should be aimed at the underlying economic problems that generate deflationary pressures, rather than at the falling general price level.

Public Policy Brief No. 74, 2003

Understanding Deflation

Treating the Disease, Not the Symptoms

L. RANDALL WRAY, DIMITRI B. PAPADIMITRIOU

Public Policy Brief No. 74, 2003 (Highlights, No. 74A)

Most recent discussions of deflation overlook the main dangers posed by a deflationary economy and offer superficial solutions. The authors argue that, barring drastic changes in asset and output prices, the main culprit is recessionary conditions. They recommend a Keynesian remedy—government deficit spending—in order to finance useful programs and tax cuts, reduce unemployment, increase growth, and relieve deflationary pressures.

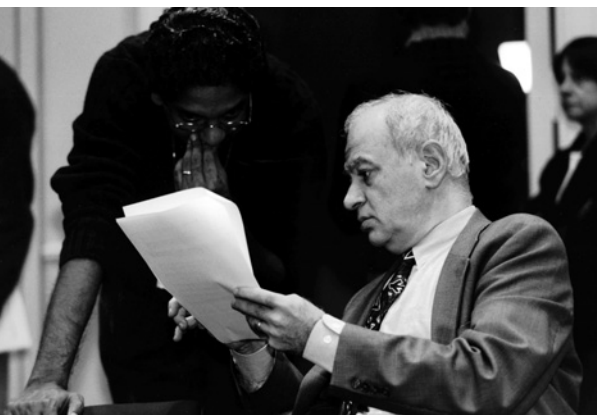
Asset and Debt Deflation in the United States

How Far Can Equity Prices Fall?

PHILIP ARESTIS, ELIAS KARAKITSOS

Public Policy Brief No. 73, 2003 (Highlights, No. 73A)

In an asset and debt deflation, the process of reducing debt by saving and curtailing spending takes a long time, say the authors. Potential exists for a credit crunch that adversely affects the U.S. economy, which is vulnerable to exogenous shocks and lacks the foundations for a new, long-lasting expansion.



Ajit Zacharias (*left*) and Dimitri B. Papadimitriou

What Is the American Model Really About?

Soft Budgets and the Keynesian Devolution

JAMES K. GALBRAITH

Public Policy Brief No. 72, 2003 (Highlights, No. 72A)

The American model serves as a point of reference in discussions of economic policy around the world, with many claiming that the American free market represents an ideal form of capitalism. The author argues, however, that the United States has relied heavily on government intervention and, now that the nation is in a weak, jobless recovery, the key to restoring growth may lie in the kinds of government programs that stabilized the U.S. economy in the past.

Can Monetary Policy Affect the Real Economy?

The Dubious Effectiveness of Interest Rate Policy

PHILIP ARESTIS, MALCOLM SAWYER

Public Policy Brief No. 71, 2003 (Highlights, No. 71A)

This brief evaluates a premise, subscribed to by most central bankers, that monetary policy can be used to control inflation without any permanent sacrifice in the form of reduced income or job opportunities.

Physician Incentives in Managed Care Organizations

Medical Practice Norms and the Quality of Care

DAVID J. COOPER, JAMES B. REBITZER

Public Policy Brief No. 70, 2002 (Highlights, No. 70A)

This brief considers the interaction between physician incentive systems and product market competition in the delivery of medical services via managed care organizations. The authors find that although physician practice styles respond to financial incentives, there is little evidence that HMO cost-containment strategies cause a discernible reduction in care quality.

Should Banks Be “Narrowed”?

An Evaluation of a Plan to Reduce Financial Instability

BIAGIO BOSSONE

Public Policy Brief No. 69, 2002 (Highlights, No. 69A)

The author evaluates narrow banking from the perspective of modern theories of financial intermediation. He argues that the status quo banking system contributes greatly to the efficiency of the economy and that these efficiency gains outweigh disadvantages associated with the existing legal framework.

Optimal CRA Reform

Balancing Government Regulation and Market Forces

KENNETH H. THOMAS

Public Policy Brief No. 68, 2002 (Highlights, No. 68A)

At issue in the debate over the renewal of the Community Reinvestment Act (CRA) of 1977 are the yardsticks regulators use to judge whether institutions are meeting the credit and service needs of low- and moderate-income communities. The author concludes that regulators must strike a balance between competing interests, rules could be simplified, and strong measures should be taken against “predatory lending.”

The keys to the American model lie in those sectors providing social amenities to the middle class: health care, education, housing, and pensions.

Public Policy Brief No. 72, 2003

Program 4: Theoretical and Empirical Analyses

On occasion, Levy Institute scholars conduct research that does not fall within a current program or general topic area. Recent examples of such research include examinations of Harrodian growth models and campaign finance reform.

*The failures of monetarism
in the 1970s and 1980s
appear to have convinced
most central bankers of the
futility and riskiness
of setting targets for the
money supply.*

Public Policy Brief No. 71, 2003

Research Group

WYNNE GODLEY, *Distinguished Scholar*
PHILIP ARESTIS, *Institute Professor of Economics*
KORKUT A. ERTÜRK, *Research Associate*
WILLIAM H. LAZONICK, *Research Associate*
JOEL PERLMANN, *Senior Scholar*
JAMES B. REBITZER, *Research Associate*
AJIT ZACHARIAS, *Research Scholar*

Publications

Working Papers

Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

Why the Tobin Tax Can Be Stabilizing

KORKUT A. ERTÜRK
Working Paper No. 366, December 2002

Managed Care, Physician Incentives, and Norms of Medical Practice: Racing to the Bottom or Pulling to the Top?

DAVID J. COOPER, JAMES B. REBITZER
Working Paper No. 353, September 2002

Critical Realism and the Political Economy of the Euro

PHILIP ARESTIS, ANDREW BROWN, MALCOLM SAWYER
Working Paper No. 352, September 2002

Asset Prices, Liquidity Preference, and the Business Cycle

KORKUT A. ERTÜRK
Working Paper No. 348, June 2002

What has Happened to Monetarism?

*An Investigation into the Keynesian Roots of Milton Friedman's
Monetary Thought and Its Apparent Monetarist Legacies*
JÖRG BIBOW
Working Paper No. 347, June 2002

Program 5: Immigration, Ethnicity, and Social Structure

The Immigration, Ethnicity, and Social Structure research initiative focuses on the processes by which immigrants and their descendants assimilate into U.S. economic life. The goal of the research is to shed light on current policy issues related to immigration. These issues include international competitiveness, the labor market, income distribution, and poverty.

Senior Scholar Joel Perlmann is engaged in three research projects designed to further understanding in this area. *The Jews Circa 1900: Social Structure in Europe and America* focuses on social characteristics that help explain the rapid socioeconomic rise of eastern European Jewish immigrants who entered America at the turn of the century. This study uses previously unavailable census data. *Assimilation and the Third Generation* explores the assimilation of immigrants and the socioeconomic experiences of their descendants. Special attention is paid to those groups whose first- and second-generation immigrants experienced particular difficulty in assimilating. *The New Immigration's Second Generation* reviews literature dealing with the economic progress and difficulties faced by children of immigrants today and compares those difficulties with the experiences of the children of turn-of-the-century immigrants.

Publications

Working Papers

Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

Mexicans Now, Italians Then: Intermarriage Patterns

JOEL PERLMANN

Working Paper No. 376, April 2003

Polish and Italian Schooling Then, Mexican Schooling Now?

U.S. Ethnic School Attainments across the Generations of the 20th Century

JOEL PERLMANN

Working Paper No. 350, July 2002

Poles and Italians Then, Mexicans Now?

Immigrant-to-Native Wage Ratios, 1910 and 1940

JOEL PERLMANN

Working Paper No. 343, February 2002

SECTION II: EVENTS



PROGRAM: DISTRIBUTION OF INCOME AND WEALTH

Conference

International Perspectives on Household Wealth

October 17–18, 2003

The Levy Economics Institute of Bard College
Annandale-on-Hudson, New York

The conference focused on the distribution of household wealth and savings in the United States and other advanced industrialized countries. Particular emphasis was placed on the examination of wealth-inequality trends during the 1990s. Additional topics included asset poverty in the United States and the role of entrepreneurship in wealth accumulation.



Participants

PHILIP ARESTIS, *The Levy Economics Institute of Bard College*

ANDREA BRANDOLINI, *Bank of Italy*

ASENA CANER, *The Levy Economics Institute of Bard College*

NGINA CHITEJI, *Skidmore College*

DALTON CONLEY, *New York University*

HELMUTH CREMER, *University of Toulouse, France*

JOHN L. CZAJKA, *Mathematica Policy Research, Inc.*

MAURY GITTLEMAN, *Bureau of Labor Statistics*

ELENA GOUSKOVA, *University of Michigan*

RICHARD HAUSER, *Goethe University, Frankfurt am Main, Germany*

THOMAS L. HUNGERFORD, *The Levy Economics Institute of Bard College*

ERIK HURST, *University of Chicago*

Top (left to right): Asena Caner, Elena Gouskova, Mark Wilhelm, and Dimitri B. Papadimitriou; bottom (left to right): John L. Czajka and Arthur B. Kennickell at “International Perspectives on Household Wealth”

HOWARD IAMS, *Social Security Administration*
 MARKUS JÄNTTI, *Abo Akademi University, Finland*
 LISA A. KEISTER, *Ohio State University*
 ARTHUR B. KENNICKELL, *Board of Governors, Federal Reserve System*
 N. ANDERS KLEVMARKEN, *Uppsala University, Sweden*
 ROBERT A. MARGO, *Vanderbilt University*
 RENÉ MORISSETTE, *Statistics Canada*
 LARS OSBERG, *Dalhousie University, Canada*
 DIMITRI B. PAPADIMITRIOU, *The Levy Economics Institute of Bard College*
 PIERRE PESTIEAU, *University of Liège, Belgium*
 TIMOTHY M. SMEEDING, *The Maxwell School, Syracuse University*
 SEYMOUR SPILERMAN, *Columbia University*
 FRANK P. STAFFORD, *University of Michigan*
 HOLGER STEIN, *Goethe University, Frankfurt am Main, Germany*
 FLORENCIA TORCHE, *Columbia University*
 MARK WILHELM, *Indiana University–Purdue University Indianapolis*
 EDWARD N. WOLFF, *The Levy Economics Institute of Bard College, and
 New York University*
 WEI-JUN JEAN YEUNG, *New York University*
 AJIT ZACHARIAS, *The Levy Economics Institute of Bard College*
 JAY ZAGORSKY, *Ohio State University*

Conference

Economic Mobility in America and Other Advanced Countries

October 18–19, 2002

The Levy Economics Institute of Bard College
 Annandale-on-Hudson, New York

More than 30 scholars from various universities, institutes, and government agencies attended the conference and presented their latest research on economic mobility. Sessions covered a range of issues, from the effect of education on intergenerational mobility to the persistence of hardship over the life cycle.

Participants

JO BLANDEN, *Department of Economics, University College (London), and Centre for
 Economic Performance, London School of Economics*
 HEATHER BOUSHEY, *Economic Policy Institute*
 MARIKO CHANG, *Harvard University*
 NGINA CHITEJI, *Skidmore College*
 BRUNO CONTINI, *Laboratorio R. Revelli, Centre for Employment Studies IZA, and
 University of Torino*
 CONCHITA D'AMBROSIO, *Università Bocconi, and DIW Berlin*
 JONATHAN D. FISHER, *Bureau of Labor Statistics*
 JOACHIM R. FRICK, *DIW Berlin*
 THESIA GARNER, *Bureau of Labor Statistics*
 MAURY GITTLEMAN, *Bureau of Labor Statistics*
 DAPHNE GREENWOOD, *University of Colorado, Colorado Springs*



Top (left to right): Andrea Brandolini, Richard Hauser, and Holger Stein; bottom (standing at back): Lars Osberg and Jonathan D. Fisher; (seated left to right) Thesia Garner, Joachim R. Frick, and Conchita D'Ambrosio speaking with attendees of "Economic Mobility in America and Other Advanced Countries"

HEIDI HARTMANN, *Institute for Women's Policy Research*
 ROBERT HAVEMAN, *University of Wisconsin, Madison*
 THOMAS L. HUNGERFORD, *Social Security Administration*
 SANDERS KORENMAN, *Baruch College*
 ROBERT A. MARGO, *Vanderbilt University*
 LARS OSBERG, *Dalhousie University*
 DIMITRI B. PAPADIMITRIOU, *The Levy Economics Institute of Bard College*
 STEVEN J. ROSE, *ORC Macro International*
 SEYMOUR SPILERMAN, *Columbia University*
 RICHARD H. STECKEL, *Ohio State University*
 FLORENCIA TORCHE, *Columbia University*
 PANOS TSAKLOGLOU, *Athens University of Economics and Business*
 BARBARA WOLFE, *University of Wisconsin, Madison*
 EDWARD N. WOLFF, *The Levy Economics Institute of Bard College, and
 New York University*
 AJIT ZACHARIAS, *The Levy Economics Institute of Bard College*
 JAY L. ZAGORSKY, *Ohio State University*
 JEFFREY S. ZAX, *University of Colorado, Boulder*



Top (left to right): Jo Blanden, Daphne Greenwood, and Barbara Wolfe; bottom (left to right): Bruno Contini, Robert Haveman, and Edward N. Wolff at "Economic Mobility in America and Other Advanced Countries"

Symposium

New Directions in Research on Gender-Aware Macroeconomics and International Economics

May 9–10, 2002

The Levy Economics Institute of Bard College

Annandale-on-Hudson, New York

This international symposium provided an opportunity for participants from various universities and organizations to present their latest research and discuss future directions in policy. A gender wage gap was commonly found in developing countries, as were adverse impacts from international capital flows, trade liberalization, and globalization. The working group expressed the need for better data and models and expansion of gender-aware economics.

Participants

CHARLES ABUGRE, *Integrated Social Development Center, Ghana*
 HAROON AKRAM-LODHI, *Institute of Social Studies, The Hague*
 ISABELLA BAKKER, *York University*
 RADHIKA BALAKRISHNAN, *Marymount Manhattan College*
 GÜNSELI BERIK, *University of Utah*
 NILÜFER ÇAĞATAY, *University of Utah*
 GÜLAY CAGLAR, *University of Kassel*
 WILLIAM DARITY JR., *University of North Carolina, Chapel Hill*
 DIANE ELSON, *University of Essex*
 GERALD EPSTEIN, *University of Massachusetts*
 KORKUT A. ERTÜRK, *University of Utah*
 MARZIA FONTANA, *International Food Policy Institute*
 ROSANNA GALLI, *University of Lugano*

JAYATI GHOSH, *Jawaharlal Nehru University*
 CAREN GROWN, *International Center for Research on Women*
 ELLEN HOUSTON, *New School University*
 MUMTAZ KEKLIK, *United Nations Development Programme*
 DAVID KUCERA, *International Labour Organization*
 WILLIAM MILBERG, *New School University*
 SHAIANNE OSTERREICH, *Ithaca College*
 STEPHANIE SEGUINO, *University of Vermont*
 AJIT SINGH, *University of Cambridge*
 IRENE VAN STAVEREN, *Institute of Social Studies, The Hague*
 EDWARD N. WOLFF, *The Levy Economics Institute of Bard College, and
 New York University*
 BRIGITTE YOUNG, *University of Muenster*
 ANNE ZAMMIT, *United Nations Research Institute for Social Development*

PROGRAM: ECONOMIC POLICY FOR THE 21ST CENTURY

Conference

The 13th Annual Hyman P. Minsky Conference on the State of U.S. and World Economies: Economic Policy for Sustainable Growth

April 15, 2003

New York Hilton, New York City

The conference was organized as part of the Levy Institute's research program on financial markets. It provided a forum within which to discuss the current state of U.S. and world economies and their future direction. Topics included uncertainty regarding the resilience of the U.S. economy and its implications for the global economy; and monetary and fiscal policy prescriptions for renewed growth, employment, and price stability.

Participants

LAKSHMAN ACHUTHAN, *Economic Cycle Research Institute*
 J. ALFRED BROADDUS JR., *Federal Reserve Bank of Richmond*
 WILLIAM C. DUDLEY, *Goldman Sachs & Co.*
 MARC FABER, *Marc Faber Limited*
 RANDALL S. KROSZNER, *President's Council of Economic Advisers*
 JOHN LIPSKY, *JP Morgan Investment Bank*
 MICHAEL MANDEL, *Business Week*
 MARTIN MAYER, *Brookings Institution*
 CONSTANCE MITCHELL-FORD, *Wall Street Journal*
 DIMITRI B. PAPADIMITRIOU, *The Levy Economics Institute of Bard College*
 JAMES W. PAULSEN, *Wells Capital Management*
 WILLIAM POOLE, *Federal Reserve Bank of St. Louis*
 ERNST WELTEKE, *Deutsche Bundesbank*



Top: Ernst Welteke; bottom (left to right): John Lipsky, Constance Mitchell-Ford, Lakshman Achuthan, James W. Paulsen, William C. Dudley at the 13th Annual Hyman P. Minsky Conference on the State of U.S. and World Economies

Conference

The 12th Annual Hyman P. Minsky Conference on Financial Markets: Recession and Recovery: Economic Policy in Uncertain Times

April 25, 2002

Roosevelt Hotel, New York City

As part of its research program on financial markets, the Levy Institute organized a conference to discuss viewpoints on the current state of the U.S. economy and its future direction. Participating scholars examined whether conditions in the U.S. financial system were propitious for the performance of the economy and what impact these factors would have on public policy.

Participants

LAKSHMAN ACHUTHAN, *Economic Cycle Research Institute*

ROBERT J. BARBERA, *Hoening and Company, Inc.*

RICHARD BERNER, *Morgan Stanley Dean Witter & Co.*

JAMES E. GLASSMAN, *J.P. Morgan & Co.*

WYNNE GODLEY, *The Levy Economics Institute of Bard College*

DAVID LEONHARDT, *New York Times*

MICKEY D. LEVY, *Bank of America*

LAURENCE H. MEYER, *Center for Strategic and International Studies*

DIMITRI B. PAPADIMITRIOU, *The Levy Economics Institute of Bard College*

ANTHONY M. SANTOMERO, *Federal Reserve Bank of Philadelphia*

GARY H. STERN, *Federal Reserve Bank of Minneapolis*

CHRIS VARVARES, *Macroeconomic Advisers, LLC*



Top (left to right): Chris Varvares, Laurence H. Meyer, Lakshman Achuthan, and James E. Glassman; bottom: Gary H. Stern speaks to the press at the 12th Annual Hyman P. Minsky Conference on Financial Markets

Shanghai Academy of Social Sciences

In October 2003, President Dimitri B. Papadimitriou visited the Shanghai Academy of Social Sciences in the People's Republic of China as a Distinguished Scholar. He gave a lecture, "The Revival of Keynesian Economics," and led two seminars, "Reconstituting the Financial Structure" and "Community Development Banking." He also finalized an agreement between The Levy Economics Institute of Bard College and the Shanghai Academy of Social Sciences for joint research and a scholar exchange.

SECTION III: IN THE MEDIA

U.S. teenager's budgeting analogy is misleading and helps divert attention from the real issues

THOMAS L. HUNGERFORD

Letter to the Editor, *Financial Times*, September 11, 2003

Wrong policies pulling eurozone economies apart

PHILIP ARESTIS AND MALCOLM SAWYER

Letter to the Editor, *Financial Times*, September 8, 2003

Only fiscal activism has the power to counter recession, because central banks are impotent

PHILIP ARESTIS AND DIMITRI B. PAPADIMITRIOU

Letter to the Editor, *Financial Times*, August 29, 2003

Europe's imposed stability, now it has to create growth

PHILIP ARESTIS AND MALCOLM SAWYER

Op-Ed, *The Guardian*, August 25, 2003

Studies originally appearing as Levy Institute Working Papers during the 2002 through 2003 time period were published in the following journals:

American Journal of Economics and Sociology

Banca Nazionale del Lavoro Quarterly Review

Cambridge Journal of Economics

Challenge

Eastern Economic Journal

Economic Inquiry

Indicators: A Journal of Social Health

International Review of Applied Economics

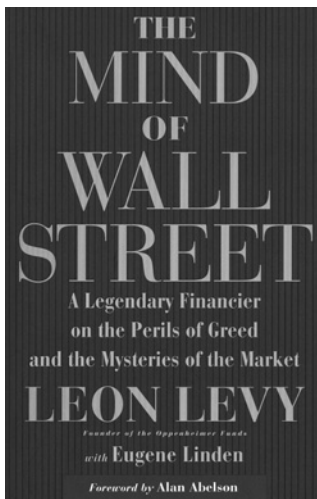
Journal of Political Economy

Research on Aging

Social Science Research

Wirtschaft und Gesellschaft

SECTION IV: THE LEVY INSTITUTE BOOK SERIES



Induced Investment and Business Cycles

HYMAN P. MINSKY

DIMITRI B. PAPADIMITRIOU, ed.

Forthcoming, 2004

What Has Happened to the Quality of Life in the Advanced Industrialized Nations?

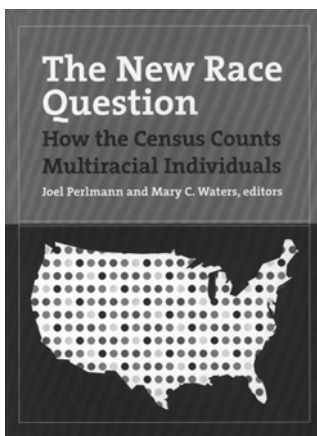
EDWARD N. WOLFE, ed.

Forthcoming, 2004

After the Bell: Family Background, Public Policy, and Educational Success

DALTON CONLEY AND KAREN ALBRIGHT, eds.

Forthcoming, 2004



The Mind of Wall Street: A Legendary Financier on the Perils of Greed and the Mysteries of the Market

LEON LEVY (WITH EUGENE LINDEN)

New York: Public Affairs, 2002

The New Race Question: How the Census Counts Multiracial Individuals

JOEL PERLMANN AND MARY WATERS, eds.

New York: Levy Institute and Russell Sage Foundation, 2002

SECTION V: BIOGRAPHIES OF INSTITUTE SCHOLARS

Wynne Godley

Ph.D., Oxford University. *Current Position:* Distinguished Scholar, The Levy Economics Institute of Bard College; Professor Emeritus of Applied Economics, University of Cambridge; Fellow, King's College. *Areas of Interest:* Accounting-based models that track economies, using a system of stocks and flows; and “closed” world models that identify economic trends, analyze patterns of trade and production, and reveal structural imbalances

Selected Recent Publications

“The Case for a Severe Recession” (with A. Izurieta).

Challenge, March–April 2002.

“An Important Inconsistency at the Heart of the Standard Macroeconomic Model” (with A. M. Shaikh). *Journal of Post-Keynesian Economics*, Spring 2002.

Philip Arestis

B.A., Athens Graduate School of Economics and Business Studies; M.Sc., London School of Economics; Ph.D., University of Surrey. *Current Position:* Institute Professor of Economics, The Levy Economics Institute of Bard College; reviewer and member of the editorial board of numerous

academic journals. *Areas of Interest:* Analysis of money and monetary policy, historical and institutional framework of the EMU, the European Central Bank, deflationary consequences of the EMU, levels of employment, the relationship between finance and growth/development, the regime-switching approach to EMS, inflation targeting, threshold effects in the U.S. budget deficit, and Minsky and financial liberalization in the southeast Asian crisis

Selected Recent Publications

Globalisation, Regionalism, and Economic Activity (edited with M. Baddeley and J. McCombie). Northampton, Mass.: Edward Elgar, 2003.

Methodology, Microeconomics, and Keynes: Essays in Honour of Victoria Chick, Volume II (edited with M. Desai and S. C. Dow). New York: Routledge, 2002.

Monetary Union in South America: Lessons from the EMU (edited with L. F. de Paula). Northampton, Mass.: Edward Elgar, 2003.

Money, Macroeconomics, and Keynes: Essays in Honour of Victoria Chick, Volume I (edited with M. Desai and S. C. Dow). New York: Routledge, 2002.

“Conflict in Wage and Unemployment Determination in the U.K.” (with I. B.-F. Mariscal). S. C. Dow and J. Hillard, eds.

- Post-Keynesian Econometrics, Microeconomics, and the Theory of the Firm: Beyond Keynes*, Volume I. Northampton, Mass.: Edward Elgar, 2002.
- “The Decline of the Euro in its First Two Years: Is There a Satisfactory Explanation?” (with I. B.-F. Mariscal, A. Brown, and M. C. Sawyer). L.-P. Rochon and M. Seccareccia, eds. *Dollarization: Lessons from Europe and the Americas*. London: Routledge, 2003.
- “Financial Sector Reforms in Developing Countries with Special Reference to Egypt.” R. Arena and N. Salvadori, eds. *Money, Credit, and the Role of the State: Essays in Honour of Augusto Graziani*. Aldershot, U.K.: Ashgate, forthcoming.
- “Credibility of EMS Interest Rate Policies: A Markov Regime-Switching Approach” (with K. Mouratidis). *The Manchester School of Economic and Social Research*, January 2004.
- “Does the Stock of Money Have Any Causal Significance?” (with M. C. Sawyer). *Banca Nazionale Del Lavoro Quarterly Review*, June 2003.
- “The Euro and the EMU: Lessons from MERCOSUR” (with P. Ferrari-Filho, L. F. de Paula, and M. C. Sawyer). *Economia e Sociedade*, January–June 2003.
- “Financial Policies and the Average Productivity of Capital: Evidence from Developed and Developing Economies” (with P. Demetriades and B. Fattouh). *Eastern Economic Journal*, May 2003.
- “Is There a Trade-Off between Inflation and Output Gap?” (with G. M. Caporale and A. Cipollini). *The Manchester School of Economic and Social Research*, 70:4.
- “Threshold Effects in the U.S. Budget Deficit” (with A. Cipollini and B. Fattouh). *Economic Inquiry*, April 2004.
- “Reinventing Fiscal Policy” (with M. C. Sawyer). *Journal of Post-Keynesian Economics*, Fall, 2003.
- “Financial Globalisation and Regulation” (with S. Basu). *Research in International Business and Finance*, 2004.
- “Causes of Euro Instability” (with I. B.-F. Mariscal, A. Brown, and M. C. Sawyer). A. M. Al-Agraa, ed. *The Euro and Britain: Implications of Moving into the EMU*. London: Pearson Education, 2002.
- “Critical Realism and the Political Economy of the Euro” (with A. Brown and M. C. Sawyer). P. Downward, ed. *Applied Economics and the Critical Realist Critique*. London: Routledge, 2003.
- “European Integration and the ‘Euro Project’” (with M. C. Sawyer). J. Michie, ed. *The Handbook of Globalization*. Northampton, Mass.: Edward Elgar, 2003.
- “The Importance of Capital Stock in Unemployment and Wage Determination: An Empirical Investigation” (with I. B.-F. Mariscal). H. Hagemann and S. Seiter, eds. *Growth Theory and Growth Policy*. London: Routledge, 2003.
- “Asymmetries of Demand for Money Functions Amongst EMU Countries” (with I. B.-F. Mariscal, A. Brown, and M. C. Sawyer). *Investigación Económica*, July–September 2003.
- “European Union Must End the Stability and Growth Pact and Reform the European Central Bank” (with M. C. Sawyer). *Economía*, January 2004.
- “Financial Globalization: Some Conceptual Problems” (with S. Basu). *Eastern Economic Journal*, May 2003.
- “The First Three Years of the Euro” (with M. C. Sawyer). *Oikonomikos Tachydromos*, 2002.
- “Making the Euro Work” (with M. C. Sawyer). *Challenge: The Magazine of Economic Affairs*, March–April 2003.

Jörg Bibow

B.A., University of the Witwatersrand, Johannesburg; Diplom-Volkswirt, University of Hamburg; M.A., and Ph.D., University of Cambridge. *Current Position*: Research Associate, The Levy Economics Institute of Bard College; Lecturer, University of Hamburg. *Areas of Interest*: Policymaking in Europe’s Economic and Monetary Union, the European Central Bank, issues of fiscal consolidation, Germany’s ongoing crisis and policymaking traditions, the origins of the Bundesbank’s independence and stability orientation, the role of Keynesian uncertainty and conventions in asset market valuations, and developments in behavioral finance

Selected Recent Publications

- “On Convention: Keynes, Lewis, and the French School” (with J. Runde and P. Lewis). S. Mizuhara and J. Runde, eds. *Perspectives on the Philosophical Underpinnings of Keynes’s Economics: Probability, Uncertainty, and Convention*. London: Routledge, 2003.
- “The Markets vs. the ECB and the Euro’s Plunge.” *Eastern Economic Journal* 28:1.

“John Maynard Keynes on Central Banking and the Structure of Monetary Policy.” *History of Political Economy* 34:4.

“The Monetary Policies of the European Central Bank and the Euro’s (Mal-) Performance: A Stability-Oriented Assessment.” *International Review of Applied Economics* 16:1.

“On the Burden of German Unification.” *Banca Nazionale del Lavoro Quarterly Review*, 2003.

“The Euro: Market Failure or Central Bank Failure?” *Challenge* 45:3

“Three Years Euro Weakness and Price Stability. Three Years ECB Success Stories?” *Oikonomikos Tachidromos*, April 6, 2002.

Walter M. Cadette

B.A., Fordham College; M.S., Georgetown University; Fulbright Scholar, University of Madrid. *Current Position*: Senior Scholar, The Levy Economics Institute of Bard College. *Areas of Interest*: health care finance and regulation, Social Security reform, and earnings inflation of American corporations

Selected Recent Publications

“Social Security Privatization: A Bad Idea.” A. Tausch, ed. *The Three Pillars of Wisdom? A Reader on Globalization, World Bank Pension Models, and Welfare Society*. New York: Nova Science, 2002.

“The Paradox of Our Health Care,” *Challenge*, January–February 2003.

Asena Caner

B.A., Middle East Technical University, Ankara, Turkey; M.A., North Carolina State University; Ph.D., New York University. *Current Position*: Research Scholar, The Levy Economics Institute of Bard College. *Areas of Interest*: The role of household wealth in poverty and inequality, wealth distribution, the relationship between entrepreneurship and household wealth accumulation, and the measurement of income flows from household assets

Selected Recent Publications

“Asset Poverty in the United States: 1984–1999: Evidence from the Panel Study of Income Dynamics” (with E. N. Wolff). *Challenge*, forthcoming.

Claudio H. Dos Santos

B.A. and M.Sc., Universidade Federal do Rio de Janeiro, Brazil; Ph.D., Graduate Faculty of the New School University, Department of Economics. *Current Position*: Research Scholar, The Levy Economics Institute of Bard College. *Areas of Interest*: Macroeconomic modeling, U.S. and Brazilian economies, and national accounts

Selected Recent Publications

“The Role of Monetary Policy in Post-Keynesian Stock-Flow Consistent Macroeconomic Growth Models: Preliminary Results” (with G. Zezza). M. Lavoie and M. Seccareccia, eds. *Central Banking in the Modern World: Alternative Perspectives*. Northampton, Mass.: Edward Elgar, forthcoming.

Korkut A. Ertürk

Ph.D., Graduate Faculty of the New School University, Department of Economics. *Current Position*: Research Associate, The Levy Economics Institute of Bard College; Associate Professor and Chair, Department of Economics, University of Utah. *Areas of Interest*: Monetary theory, economic growth and development, gender and development, mathematical modeling, political economy, and the history of economic thought

Selected Recent Publications

“Transformational Growth and the Changing Nature of the Business Cycle.” G. Mongiovi, G. Argyrous, and M. Forstater, eds. *Growth, Distribution, and Effective Demand*. Armonk, N.Y.: M. E. Sharpe, 2004.

“Gender and Globalization: A Macroeconomic Perspective” (with N. Çağatay), for the ILO World Commission on the Social Dimensions of Globalization, forthcoming.

“Reflections on Currency Crises.” *Investigacion Economica*, forthcoming.

Steven M. Fazzari

B.S. and Ph.D., Stanford University. *Current Position*: Research Associate, The Levy Economics Institute of Bard College; Chair, Department of Economics, Washington University in St. Louis. *Areas of Interest*: The link between macroeconomic activity and finance, and foundations of Keynesian macroeconomics.

James K. Galbraith

B.A., Harvard University; Ph.D., Yale University. *Current Position:* Senior Scholar, The Levy Economics Institute of Bard College; Lloyd M. Bentsen Jr. Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs; Professor, Department of Government, The University of Texas at Austin; Chair, Economists Allied for Arms Reduction. *Areas of Interest:* Measurement of economic inequalities in the global economy, across Europe, and in the national economies of Russia, China, and India; peace and security issues

Selected Recent Publications

- “The Evolving Economics of War and Peace.” *UNESCO Encyclopedia of Life Support Systems*. 2003.
- “The Brazilian Swindle and the Larger International Monetary Problem.” *Brazilian Journal of Political Economy*, January–March 2003
- “The Importance of Being Sufficiently Equal.” *Social Policy and Philosophy*, January–February 2002.
- “Inequality and Economic Growth: A Global View Based on Measures of Pay” (with H. Kum). *CESifo Economic Studies* 4:03.
- “A Perfect Crime: Inequality in the Age of Globalization.” *Daedalus*, Winter, 2002.
- “Can We Please Move On? A Contribution to the Guerrien Debate.” *Post-Autistic Economics Review*, September 2002.
- “Technological Intensity and Inter-Sectoral Dynamics of Inequality: Evidence from the OECD, 1970–1990” (with P. Conceição). *International Journal of Technology Policy and Management* 2:3.

Greg Hannsgen

B.A., Swarthmore College; M.A. Humphrey School of Public Affairs, University of Minnesota; M.A. and Ph.D., University of Notre Dame. *Current Position:* Resident Research Associate, The Levy Economics Institute of Bard College; Editor of the Levy Institute *Report* and other Levy publications. *Areas of Interest:* Monetary theory and policy, the effects of money and finance on the economy, and endogeneity of the money supply

Selected Recent Publications

- “The Monetary Transmission Mechanism.” P. Arestis and M. Sawyer, eds. *Handbook of Alternative Monetary Economics*. Northampton, Mass.: Edward Elgar, forthcoming.

Thomas L. Hungerford

B.S. Hillsdale College; M.P.P. and Ph.D., University of Michigan. *Current Position:* Senior Scholar, The Levy Economics Institute of Bard College; *Areas of Interest:* Poverty, income inequality and mobility, social welfare policy, economics and demography of aging, and labor economics

Selected Recent Publications

- “Do Workers with Low Lifetime Earnings Really Have Low Earnings Every Year? Implications for Social Security Reform.” *Challenge*, forthcoming.
- “Is There an American Way of Aging? Income Dynamics of the Elderly in the U.S. and Germany.” *Research on Aging*, September 2003.

Christopher Jencks

A.B., Harvard College; M.Ed., Harvard Graduate School of Education. *Current Position:* Research Associate, The Levy Economics Institute of Bard College; Malcolm Wiener Professor of Social Policy, Kennedy School of Government, Harvard University. *Areas of Interest:* Intergenerational economic mobility, changes in the material standard of living, homelessness, the effects of growing up in poor neighborhoods, welfare reform, poverty measurement, changes in family structure, and the noneconomic effects of economic inequality

Selected Recent Publications

- “Changing Attitudes Toward Premarital Sex: Cohort, Period, and Aging Effects” (with D. Harding). *Public Opinion Quarterly*, 2003.
- “Does Inequality Matter?” *Daedalus*, Winter 2002.
- “American Inequality and Its Consequences” (with G. Burtless). H. Aaron, J. Lindsay, and P. Nivola, eds. *Agenda for the Nation*. Washington, D.C.: Brookings Institution, 2003.
- “The Changing Effect of Family Background on the Incomes of American Adults” (with D. Harding, L. Lopoo, and S. E. Mayer). S. Bowles, H. Gintis, and M. Osborne, eds. *Unequal Chances: Family Background and Economic Success*. Princeton, N.J.: Princeton University Press and Russell Sage, 2004.

“The Spread of Single-Parent Families in the United States since 1960” (with D. Ellwood). D. P. Moynihan, L. Rainwater, and T. Smeeding, eds. *Public Policy and the Future of the Family*. New York: Russell Sage, forthcoming.

“Who Has Benefited from Economic Growth in the United States Since 1969? The Case of Children” (with S. E. Mayer and J. Swingle). E. Wolff, ed. *What Has Happened to the Quality of Life in the Advanced Industrialized Nations?* Northampton, Mass.: Edward Elgar, forthcoming.

Robert A. Margo

A.B., University of Michigan; A.M. and Ph.D., Harvard University. *Current Position*: Professor of History, Vanderbilt University. *Areas of Interest*: Economic history and labor markets

Selected Recent Publications

“Part-Year Operation in 19th-Century American Manufacturing: Evidence from the 1870 and 1880 Censuses.” *Journal of Economic History*, September 2002.

“The Great Compression of the 1940s: The Public versus the Private Sector” (with T. A. Finegan). *Explorations in Economic History*, April 2002.

“Race, Family Structure, and Home Ownership in 20th-Century America” (with W. Collins). E. Wolff, ed. *What Has Happened to the Quality of Life in the Advanced Industrialized Nations?* Northampton, Mass.: Edward Elgar, forthcoming.

“Race and the Value of Owner-Occupied Housing, 1940–1990” (with W. Collins). *Regional Science and Urban Economics*, May 2003.

“Productivity in Manufacturing and the Length of the Working Day: Evidence from the 1880 Census of Manufactures” (with J. Attack and F. Bateman). *Explorations in Economic History*, April 2003.

Dimitri B. Papadimitriou

B.A., Columbia University; M.A., Ph.D., Graduate Faculty of the New School University, Department of Economics. *Current Position*: Executive Vice President, Bard College; President, The Levy Economics Institute of Bard College; Executive Director, The Bard Center; Jerome Levy Professor of Economics, Bard College. *Areas of Interest*: Community development banking, banking and financial structure, the Federal Reserve, monetary and fiscal policy, the distribution of wealth and income in the United States, financial markets, the appropriateness of using existing price indexes as targets for monetary policy, and measures of well-being

Selected Recent Publications

“Hyman P. Minsky” (biographical entry). R. J. Jones, ed. *Routledge Encyclopedia of International Political Economy*, New York: Routledge, 2001.

“Minsky’s Analysis of Financial Capitalism” (with L. R. Wray). R. Bellofiore and P. Ferri, eds. *Financial Keynesianism and Market Instability: The Economic Legacy of Hyman Minsky*, Vol. I, Northampton, Mass.: Edward Elgar, 2001.

Review of Isao Ohashi and Toshiaki Tachibanaki, *Internal Labor Markets: Incentives and Employment*. *Economic Journal*, 2001.

Joel Perlmann

B.A., Hebrew University, Jerusalem; Ph.D. in history and sociology, Harvard University. *Current Position*: Senior Scholar, The Levy Economics Institute of Bard College. *Areas of Interest*: The process by which immigrants and their descendants are assimilated into U.S. economic life, policy issues related to immigration, international competitiveness, the labor market, and income distribution

Selected Recent Publications

“Comments on Second-Generation Transnationalism.” P. Leavitt and M. Waters, eds. *Second-Generation Transnationalism*. New York: Russell Sage, 2002.

“IPUMS” (website review). *Journal of American History*, June 2003.

The New Race Question: How the Census Counts Multiracial Individuals (edited with M. Waters). New York: Russell Sage, 2002.

Malcolm Sawyer

B.A., University of Oxford; M.Sc., University of London; *Current Position*: Professor and Head of Economics Department, Leeds University Business School; Senior Scholar, The Levy Economics Institute of Bard College. *Areas of Interest*: Fiscal policy, monetary policy and endogenous money, the European single currency, barriers to full employment and NAIRU, privatization and pensions

Selected Recent Publications

- “Asymmetries of Demand for Money Functions Amongst EMU Countries” (with I. B.-F. Mariscal, P. Arestis, and A. Brown). *Investigación Económica*, July–September 2003.
- “European Integration and the ‘Euro Project’” (with P. Arestis), J. Michie, ed. *The Handbook of Globalization*. Northampton, Mass.: Edward Elgar, 2003.
- “Money: Means of Payment or Store of Wealth?” L.-P. Rochon and S. Rossi, eds. *Modern Theories of Money*. Northampton, Mass.: Edward Elgar, 2003.
- “The NAIRU, Labour Market ‘Flexibility,’ and Full Employment.” J. Stanford and L. Vosko, eds. *Challenging the Market: The Struggle to Regulate Work and Income*. Montreal: McGill-Queen’s University Press, 2003.
- “The Bank of England Macroeconomic Model: Its Nature and Implications” (with P. Arestis). *Journal of Post-Keynesian Economics* 24:2.
- “Employer of Last Resort: Could it Deliver Full Employment and Price Stability?” *Journal of Economic Issues*, December 2003.
- “The Euro and the Distribution of Income and Employment.” Editorial in *Journal of Income Distribution* 10:3.
- “Explaining the Euro’s Initial Decline” (with P. Arestis, I. B.-F. Mariscal, and A. Brown). *Eastern Economic Journal* 28:1.
- “The NAIRU, Aggregate Demand, and Investment.” *Metroeconomica* 53:1.
- “Post-Keynesian Price Theory.” *Journal of Post-Keynesian Economics*, Spring 2003.
- “Market Structure, Uncertainty, and Unemployment” (with N. Shapiro). S. Dow and J. Hillard, eds. *Keynes, Uncertainty, and the Global Economy*. Northampton, Mass.: Edward Elgar, 2002.
- “Causes of Euro Instability” (with P. Arestis, I. B.-F. Mariscal, and A. Brown). A. M. Al-Agraa, ed. *The Euro and Britain: Implications of Moving into the EMU*. London: Pearson Education, 2002.
- “The Decline of the Euro in its First Two Years: Is There a Satisfactory Explanation?” (with I. B.-F. Mariscal, P. Arestis, A. Brown). L.-P. Rochon and M. Seccareccia, eds. *Dollarization: Lessons from Europe and the Americas*. London: Routledge, 2002.
- “The Private Finance Initiative: A Critical Assessment.” D. Coffey and C. Thorley, eds. *Industrial and Labour Market Policy and Performance*. London: Routledge, 2003.
- “Does the Stock of Money Have Any Causal Significance?” (with P. Arestis). *Banca Nazionale Del Lavoro Quarterly Review*, June 2003.
- “The Euro and the EMU: Lessons from MERCOSUR” (with P. Arestis, P. Ferrari-Filho, and L. F. de Paula). *Economia e Sociedade*, January–June 2003.
- “The Euro: Reflections on the First Three Years” (with P. Arestis, A. Brown, and K. Mouratidis). *International Review of Applied Economics* 16:1.
- “European Union Must End the Stability and Growth Pact and Reform the European Central Bank” (with P. Arestis). *Ekonomia*, January 2004.
- “The First Three Years of the Euro” (with P. Arestis). *Oikonomikos Tachydromos*, 2002.
- “Making the Euro Work” (with P. Arestis). *Challenge: The Magazine of Economic Affairs*, March–April 2003.
- “Reinventing Fiscal Policy” (with P. Arestis). *Journal of Post-Keynesian Economics*, Fall, 2003
- “Third Way, New Labor, and the Challenges to EMU Macropolicies” (with P. Arestis). *Wirtschaft und Gesellschaft* 28:1.

Anwar M. Shaikh

B.S.E., Princeton University; M.A. and Ph.D., Columbia University. *Current Position*: Senior Scholar, The Levy Economics Institute of Bard College; Professor, Graduate Faculty of the New School University, Department of Economics. *Areas of Interest*: International trade, mathematical economics, growth and cycle theory, national economic accounts, history of economic thought, macroeconomics, long-

term determinants of exchange rates among OECD countries, the U.S. stock market, and inflation in advanced economies

Selected Recent Publications

“Labor Market Dynamics within Rival Macroeconomic Frameworks.” G. Argyrous, M. Forstater, and G. Mongiovi, eds. *Growth, Distribution, and Effective Demand*. Armonk, N.Y.: M. E. Sharpe, 2004.

“An Important Inconsistency at the Heart of the Standard Macroeconomic Model” (with W. Godley). *Journal of Post-Keynesian Economics*, Spring 2003.

“Nonlinear Dynamics and Pseudo-Production Functions.” *Eastern Economic Journal*, forthcoming.

“Who Pays for the ‘Welfare’ in Welfare State? A Multi-Country Study.” *Social Research*, Summer 2003.

W. Ray Towle

B.S. and M.A., University of Alberta; Ph.D., University of London. *Current Position*: Resident Research Associate, The Levy Economics Institute of Bard College. Editor of the Levy Institute *Summary* and other Levy publications. *Areas of Interest*: Social and economic impact of the electrochemical and electrometallurgical industries in Norway, macroeconomic forecasting, international financial systems, economic development, sustainable development, and deregulation

Edward N. Wolff

A.B., Harvard University; M.Phil. and Ph.D., Yale University. *Current Position*: Senior Scholar, The Levy Economics Institute of Bard College; Professor of Economics, New York University. *Areas of Interest*: Productivity growth; distribution of income and wealth; and long-term implications of technological change and information technology on earnings, inequality, and labor demand

Selected Recent Publications

Downsizing in America: Reality, Causes, and Consequences (with W. J. Baumol and A. S. Blinder). New York: Russell Sage Press, 2003.

Retirement Insecurity: The Income Shortfalls Awaiting the Soon-to-Retire. Economic Policy Institute, 2002.

“The Economic Status of Parents in Postwar America.”

S. Hewlitt, N. Rankin, and C. West, eds. *Taking Parenting Public: The Case for a New Social Movement*. New York: Rowman and Littlefield, 2002.

“How Stagnant Are Services?” J. Gadrey and F. Gallouj, eds. *Productivity, Innovation, and Knowledge in Services: New Economic and Socio-Economic Approaches*. Northampton, Mass.: Edward Elgar, 2002.

“The Impact of Gifts and Bequests on the Distribution of Wealth.” A. Munnell and A. Sundén, eds. *Death and Dollars*. Washington, D.C.: Brookings Institution, 2003.

“Computerization and Structural Change.” *Review of Income and Wealth*, March 2002.

“Income, Wealth, and Late-Life Inequality in the U.S.” *Annual Review of Gerontology and Geriatrics*, 2002.

“Inheritances and Wealth Inequality, 1989–1998.” *American Economic Review Papers and Proceedings*, May 2002.

“Skills and Changing Comparative Advantage.” *Review of Economics and Statistics*, February 2003.

“What’s Behind the Recent Rise in Profitability in the U.S.?” *Cambridge Journal of Economics*, July 2003.

“The Devolution of the American Pension System: Who Gained and Who Lost?” *Eastern Economic Journal*, Fall 2003.

“The Impact of IT Investment on Income and Wealth Inequality in the Postwar U.S. Economy.” *Information, Economics, and Policy*, June 2002.

“Productivity, Computerization, and Skill Change.” *Federal Reserve Bank of Atlanta Economic Review*, Third Quarter, 2002.

L. Randall Wray

B.A., University of the Pacific; M.A. and Ph.D., Washington University, St. Louis. *Current Position*: Senior Scholar, The Levy Economics Institute of Bard College; Professor of Economics and Senior Research Associate, Center for Full Employment and Price Stability, University of Missouri–Kansas City. *Areas of Interest*: Monetary policy, employment, and Social Security

Selected Recent Publications

“Demand Constraint and the New Economy” (with M.-A. Pigeon). P. Davidson, ed. *A Post-Keynesian Perspective on*

- Twenty-First Century Economic Problems*. Northampton, Mass.: Edward Elgar, 2002.
- “Financial Instability.” H. Vane and B. Snowdon, eds. *An Encyclopedia of Macroeconomics*. Northampton, Mass.: Edward Elgar, 2003.
- “The Neo-Chartalist Approach to Money.” S. Bell and E. Nell, eds. *The State, the Euro, and the Market*. Northampton, Mass.: Edward Elgar, 2003.
- “A Fiscal and Monetary Framework for Economic Stability: A Friedmanian Approach to Restoring Growth.” *Problemas del Desarrollo: Revista Latinamericana de Economia*, 2003.
- “Fiscal Effects on Reserves and the Independence of the Fed” (with S. Bell). *Journal of Post-Keynesian Economics*, Winter 2002–03.
- “The Perfect Fiscal Storm,” *Challenge*, January–February 2003.
- “Public Service Employment: Full Employment without Inflation.” *Problemas del Desarrollo Revista Latinamericana de Economia*, Spring 2002.
- “Functional Finance and the U.S. Government Surpluses in the New Millennium.” E. Nell and M. Forstater, eds. *Reinventing Functional Finance: Transformational Growth and Full Employment*. Northampton, Mass.: Edward Elgar, 2003.
- “Money.” J. King, ed. *The Elgar Companion to Post-Keynesian Economics*. Northampton, Mass.: Edward Elgar, 2003.
- “Seignorage or Sovereignty?” L.-P. Rochon and S. Rossi, eds. *Modern Theories of Money*. Northampton, Mass.: Edward Elgar, 2003.
- “The Economic Legacy of Hyman Minsky.” (book review) *Journal of Economic Literature*, December 2002.
- “Social Security: Truth or Useful Fictions?” *Perspectives on Work* 6:2.
- “What Happened to Goldilocks?” *Journal of Economic Issues*, June 2002.

Ajit Zacharias

B.A., University of Kerala; M.A., University of Bombay; Ph.D., Graduate Faculty of the New School University, Department of Economics. *Current Position*: Research Scholar, The Levy Economics Institute of Bard College. *Areas of Interest*: Concepts and measurement of income and economic well-being, effects of taxes and transfers on income, valuation of noncash transfers, and time use

Selected Recent Publications

- “Competition and Profitability: A Critique of Robert Brenner.” *Review of Radical Political Economics*, 2002.
- “Introduction.” E. N. Wolff, ed. *What Has Happened to the Quality of Life in the Advanced Industrialized Nations?* Northampton, Mass.: Edward Elgar, forthcoming.
- “The Levy Institute Measure of Economic Well-Being” (with E. N. Wolff). *Indicators: The Journal of Social Health*, Fall 2003.

Gennaro Zezza

Degree in economics, University of Naples. *Current Position*: Research Scholar, The Levy Economics Institute of Bard College; Associate Professor, Faculty of Law, University of Cassino, Frosinone. *Areas of Interest*: Macroeconomic models; economic growth, innovation and regional convergence; and distance learning

Selected Recent Publications

- “The Role of Monetary Policy in Post-Keynesian Stock-Flow Consistent Macroeconomic Growth Models” (with C. H. Dos Santos). M. Lavoie and M. Seccareccia, eds. *Central Banking in the Modern World: Alternative Perspectives*. Northampton, Mass.: Edward Elgar, forthcoming.
- “Il Contesto Economico in Cui Operano le Imprese On-Line.” *Diritto ed Economia dei Mezzi di Comunicazione*, 2003.

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THE LEVY ECONOMICS INSTITUTE OF BARD COLLEGE

Blithewood, Annandale-on-Hudson, NY 12504-5000

TELEPHONE 845-758-7700, 202-887-8464 (*in Washington D.C.*)

FAX 845-758-1149

E-MAIL info@levy.org

WEBSITE www.levy.org

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THE LEVY ECONOMICS INSTITUTE OF BARD COLLEGE
Blithewood, Annandale-on-Hudson, NY 12504-5000