

la bataille de la pauvreté  
la politique du salaire minimum  
SUBPRIME MORTGAGE DEBACLE  
the Minsky moment  
rassen rijkdomongelijkheden  
глобальные финансовые несоответствия  
OUTSOURCING  
kapital marknadsföra inflationer  
politica monetaria federal  
ten natura od bieniadze  
το φορτίο της γήρανσης  
emploi complet  
alternatif



THE LEVY ECONOMICS INSTITUTE  
OF BARD COLLEGE

BIENNIAL REPORT 2006-2007

The Levy Economics Institute of Bard College was founded in 1986, through the generous support of Bard College Trustee Leon Levy, who contributed immeasurably to the Levy Institute's development and continued to serve as chairman of its board of governors until his death in 2003. As it grew into a highly esteemed nonprofit, nonpartisan public policy research organization, the Levy Institute benefited from Leon Levy's early guidance, insight, knowledge, and enthusiasm.

The Levy Institute 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.



Blithewood, 1954

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## MESSAGE FROM THE PRESIDENT



In the 2006–07 period covered by this report, The Levy Economics Institute continued to make significant contributions to the public policy discussion on many economic issues. In addition to organizing conferences, workshops, and lectures with distinguished representatives of the academy, the business community, and the government, the Levy Institute used its wide range of print and online publications to disseminate information about, and foster debate on, many policy issues.

The Levy Institute’s macromodeling team, led by Distinguished Scholar Wynne Godley and me, continued to simulate trends in the internal and external balances of our economy. The team was recently

strengthened by the addition of longtime Research Scholar Greg Hannsgen. Our group warned of the impending effects of a multifaceted implosion in the housing boom combined with an unraveling of subprime mortgage securities, two events that have, unfortunately, come to pass. In this regard, our group documented the unsustainability of household borrowing and trade deficits. It also probed the likely implications of the loosening of underwriting standards in the mortgage markets and the inability of borrowers to service their debt. As I write, the U.S. financial market is facing a crisis of major proportions, and that crisis is spreading overseas. Many commentators have referred to the crisis as a *Minsky moment*—a long-overdue recognition of the path-breaking work of our late Institute colleague Hyman P. Minsky. Our projections and analysis of the present and future course of the economy are discouraging, but they provide possible alternative pathways out of what we consider to be the nation’s most challenging economic predicament.

The Levy Institute’s research in macroeconomics and finance was bolstered by the addition of Senior Scholar Jan Kregel to our staff. Kregel, formerly chief of policy analysis and development in the U.N. Financing for Development Office, has been a prolific contributor to debates on monetary, fiscal, and development policies in the Eurozone, Latin America, and the United States. Since joining the Institute in 2007, Kregel has authored and delivered more than 15 papers around the world explaining inter alia the need for reforming the international financial architecture, the failure of neoliberal policies in Latin America, Africa, and elsewhere, and arguing for a Keynesian/Minskyan alternative. In addition to Kregel, the team of researchers working in this area includes Senior Scholars James K. Galbraith and L. Randall Wray.

The past two years have also seen the expansion of the Levy Institute’s activities in the area of the distribution of income, wealth, and economic well-being. This research project, led by Senior Scholars Edward N. Wolff and Ajit Zacharias, has released a number of reports on the Institute’s newly constructed measure of economic well-being (LIMEW) for a number of years in the 1980s, 1990s, and 2000s, and for various population groups and regions based on the available data. In October 2007, with significant financial support from the Alfred P. Sloan

Foundation, we convened a group of international scholars to study the feasibility of extending the Institute's measure to other countries within the Organisation for Economic Co-operation and Development. The grant from the Sloan Foundation will also enable us to complete the construction of the measure for more years, as far back as the 1960s, which we hope will assist policymakers as they tackle issues relating to the economic fortunes of the nation's various population groups (e.g., elderly and nonelderly) and regions (e.g., the blue and red states). In addition to Wolff and Zacharias, the LIMEW group includes recently appointed Senior Scholar Thomas Masterson, as well as Research Associate Hyunsub Kum and Research Assistant Melissa Mahoney.

The Levy Institute's program on gender equality and the economy, under the leadership of Research Scholar Rania Antonopoulos, issued a number of research papers and received several grants, from the United Nations Development Programme, the International Labour Organization, and, in association with the International Working Group on Gender, Macroeconomics, and International Economics, the Ford Foundation. As detailed in the pages that follow, the gender program, in conjunction with the program on the distribution of income, wealth, and economic well-being, will now focus on issues affecting the divergence in gender empowerment, inequality, time use, and various forms of deprivation. In 2007, Research Scholar Kijong Kim and Research Associate and Editor Feridoon Koohi-Kamali joined the gender program's team.

Senior Scholar Joel Perlmann, who heads the immigration, ethnicity, and social structure program, has been examining the social characteristics that can explain the social and economic mobility of Eastern European Jewish immigrants who entered the United States at the turn of the 20th century. He has been poring over U.S. Census data that were previously unavailable or not machine-readable. In fall 2007, Perlmann convened a symposium with leading sociologists and economic historians studying these issues to discuss and debate his and others' findings.

The Levy Institute's research and outreach activities were expanded through the work of its new associates, who carry out their research while maintaining their posts at their home institutions, working on specific issues affecting economic policy of particular interest to the Institute. In 2006–07, our roster of associates grew with the addition of Lekha S. Chakraborty and Pinaki Chakraborty of the Centre for Development Studies (India), Robert W. Parenteau of Allianz Capital, Jacques Silber of Bar-Ilan University (Israel), and Pavlina Tcherneva of Bard College. The thoughtful and innovative ideas of more than 35 research associates from around the world gained wide audience via the Institute's conferences and workshops, and/or by having their papers disseminated through the Institute's distribution channels.

During the period covered by this report, leaders from academe, business, central banks, and government gathered to assess the relevance of Hyman Minsky's ideas to the world's pressing economic problems, from global imbalances, overindebtedness, and financial instability, to unemployment and poverty. Given the recent state of the U.S. and world economies, Minsky's insights and policy prescriptions proved more telling than ever. The Institute also held two conferences on government spending, one focusing on the elderly (supported through a grant from the Smith Richardson Foundation), the other, on the distributional effects of spending and taxation in the United States and other countries of the industrialized world.

The Levy Institute's work continues to be featured on our website, which by the end of 2007 was receiving close to 750,000 hits per month. The site's recent redesign was expertly handled by Web Services Coordinator Juliet Meyers and Digital Content Manager Barbara A. Murphy. Our

scholars traveled to many countries, from South Africa to Argentina, from France and the United Kingdom to India and Malaysia, to present our policy research papers to academics and government officials.

In 2007, we welcomed a new member to our Board of Governors: Bruce C. Greenwald, professor of finance and asset management at Columbia University. We look forward to his guidance and wise counsel.

The pages that follow describe in more detail the Institute's research programs, events, and additional enterprises. I hope the readers of this report will better appreciate the scope and intensity of our efforts and will be interested in exploring them further.

As the activities of the Levy Institute continue to expand and diversify, the encouragement and support of numerous individuals in the academy and the public and private sectors have become increasingly crucial to our success. I want to express my sincere thanks to our supporters, those who review our research, the members of our Board of Governors, and the president and trustees of Bard College. Finally, a word of appreciation and admiration to the Institute's scholars and staff for their tireless efforts and willingness to contribute their talents toward fulfilling the Institute's ambitious goals.

DIMITRI B. PAPADIMITRIOU, *President*

# PUBLICATIONS PROGRAM

The Levy Institute’s publications program forms the main pillar of its public education and outreach activities. In an effort to raise the level of public debate on a broad spectrum of economic matters, the Levy Institute publishes research findings, conference proceedings, policy discussions and analyses, and other material. Publications are aimed at academic, general, and policymaking audiences.

**Working Papers**—in-progress research by Levy Institute scholars and conference participants. These documents cover areas of the Institute’s research programs, such as the macroeconomic performance of the U.S. and world economies, the effects of wealth distribution on living standards, and the impact that gender disparity has on the economy.

**Strategic Analysis**—reports based on Levy Institute macroeconomic models. These publications analyze U.S. economic performance and assess various policies in the light of forecasts produced by the Levy models. The broad outlook and specific assumptions employed in these models allow for the development of alternative economic policies on the basis of information often unavailable to policymakers from other research institutes.

**Public Policy Briefs**—examinations of the policy aspects of contemporary economic issues. These texts focus on the consequences of those economic programs that are of significance in the formation of public policy, for example, government spending on the aging population.

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

**Policy Notes**—short articles by Levy Institute scholars and other contributors, presenting up-to-date research conclusions or policy statements on a wide range of topics. *Policy Notes* are designed to reach policymakers, as well as business and general audiences.

**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.

**Summary**—published three times a year and designed to reach an academic audience. The *Summary* reports on current research by providing synopses of new publications, special features on continuing research projects, and overviews of Levy Institute events.

**Levy Institute Measure of Economic Well-Being (LIMEW) reports**—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**—summaries of presentations and discussion sessions





### *The Levy Institute book series*

#### *Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth*

WYNNE GODLEY AND MARC LAVOIE  
Palgrave Macmillan, 2007

#### *Government Spending on the Elderly*

DIMITRI B. PAPADIMITRIOU, ED.  
Palgrave Macmillan, 2007

#### *International Perspectives on Household Wealth*

EDWARD N. WOLFF, ED.  
Edward Elgar Publishing, 2006

#### *The Distributional Effects of Government Spending and Taxation*

DIMITRI B. PAPADIMITRIOU, ED.  
Palgrave Macmillan, 2006

*The Levy Institute website*—with information on research projects, publications, scholars, and upcoming events, the website 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.

The Levy Institute website averages 25,000 hits per day (nearly three-quarters of a million hits per month). The source of those hits underscores the international character of the community served by the site; visitors from 49 countries use the website to access Levy Institute publications and information. Those countries include the United States, Sweden, Russia, the Republic of South Africa, the United Kingdom, Canada, the People’s Republic of China, Germany, France, the Netherlands, Brazil, Japan, South Korea, Australia, Turkey, Italy, Spain, Singapore, Norway, Switzerland, Belgium, India, Greece, Mexico, Denmark, Finland, Argentina, Austria, Taiwan, the Philippines, Poland, Ireland, Slovenia, United Arab Emirates, and Thailand.





(foreground, left to right)  
Anthony M. Santomero,  
Federal Reserve Board, and  
Wynne Godley, Levy Institute

## RESEARCH PROGRAMS

### PROGRAM 1

#### THE STATE OF THE U.S. AND WORLD ECONOMIES

The central focus in this program area is the use of Levy Institute macroeconomic models in generating strategic analyses of the U.S. and world economies. The outcomes of alternative scenarios are projected and analyzed, with the results—published as Strategic Analysis reports—serving to help policymakers understand the implications of various policy options.

The Levy Institute macroeconomic models, created by Distinguished Scholar Wynne Godley, are accounting based. The U.S. model employs a complete and consistent system (in that all sectors “sum up,” with no unaccounted leakages) of stocks and flows (such as income, production, and wealth). The world model is a “closed” system, in which 11 trading blocs—of which the United States, China, Japan, and Western Europe are four—are represented. This model is based on a matrix in which each bloc’s imports are described in terms of exports from the other 10 blocs. From this information, and using alternative assumptions (e.g., growth rates, trade shares, and energy demands and supplies), trends are identified and patterns of trade and production analyzed.

The projections derived from the models are not presented as short-term forecasts. The aim is to display, based on careful analysis of the recent past, what it seems reasonable to expect if current trends, policies, and relationships continue. To inform policy, it is not necessary to establish that a particular projection *will* come to pass, but only that it is something that must be given serious consideration as a possibility. The usefulness of such analyses is strategic: they can serve to warn policymakers of potential dangers and serve as a guide to policy instruments that are, or should be made, available to deal with those dangers, should they arise.

*The Minskyan view holds that the increasing availability of credit and the proliferation of new financial products represent the unsustainable upward phase of a potentially unstable cycle.*

—From *Cracks in the Foundations of Growth*

## RESEARCH GROUP

Wynne Godley, *Distinguished Scholar*

Dimitri B. Papadimitriou, *President*

James K. Galbraith, *Senior Scholar*

Greg Hannsgen, *Research Scholar*

Kijong Kim, *Research Scholar*

Claudio H. Dos Santos, *Research Scholar*

Gennaro Zezza, *Research Scholar*

Robert W. Parenteau, *Research Associate*

## PUBLICATIONS

### STRATEGIC ANALYSIS

#### The U.S. Economy: Is There a Way Out of the Woods?

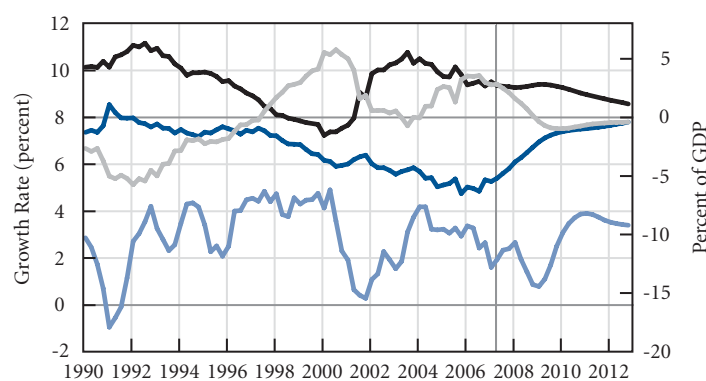
WYNNE GODLEY, DIMITRI B. PAPANIMITRIOU, GREG HANNSGEN, GENNARO ZEZZA

Strategic Analysis, November 2007

This Strategic Analysis provides a retrospective view of U.S. growth in the last 10 years, showing that the authors' previous work, grounded in the linkages between growth and the financial balances of the private, public, and foreign sectors of the economy, has proven a useful contribution to public discussion. The analysis reviews recent events in the U.S. housing and financial markets to obtain a likely scenario for the evolution of household spending. It argues that a significant drop in borrowing is likely to take place in the coming quarters, with severe consequences for growth and unemployment, unless (1) the U.S. dollar is allowed to continue its fall and thus complete the recovery in the U.S. external imbalance, and (2) fiscal policy shifts its course—as it did in the 2001 recession.

#### History and “Soft Landing” Projections:

##### U.S. GDP Growth and Main Sector Balances



- Government Deficit (right-hand scale [RHS])
- Current Account Balance (RHS)
- Private Expenditure Less Income (RHS)
- Real GDP Growth (left-hand scale)

Sources: Bureau of Economic Analysis and authors' calculations

## The U.S. Economy: What's Next?

WYNNE GODLEY, DIMITRI B. PAPADIMITRIOU, GENNARO ZEZZA

Strategic Analysis, April 2007

The collapse in the subprime mortgage market, along with multiple signals of distress in the broader housing market, has already drawn forth a large body of comment. Some people think the upheaval will turn out to be contagious, causing a major slowdown, or even a recession, later in 2007. Others believe that the turmoil will be contained, and that the U.S. economy will recover quite rapidly and resume the steady growth it has enjoyed during the last four years or so.

Yet, no participants in the public discussion, so far as we know, have framed their views in the context of a formal model that would enable them to draw well-argued conclusions (however conditional) about the magnitude and timing of the impact of recent events on the overall economy in the medium term—not just the next few months.

## Can Global Imbalances Continue? Policies for the U.S. Economy

DIMITRI B. PAPADIMITRIOU, GENNARO ZEZZA, GREG HANNSGEN

Strategic Analysis, November 2006

The most important issue facing economic policymakers in the United States and abroad is the prospect of a growth recession in the United States, linked to the imbalances in the U.S. current account, government, and private sector deficits. The current account balance, which is a negative addition to U.S. aggregate demand, is now likely to be above 6.5 percent of GDP and has been rising steadily for some time. The government balance has improved, again giving no stimulus to demand, which has, therefore, relied entirely on a large and growing private sector deficit.

The analysis suggests that a necessary and sufficient condition to address this problem, without dire consequences for unemployment and growth, is that net export demand grow by a sufficient amount. For this to happen, three conditions need to be satisfied: foreign saving has to fall, especially in Europe and East Asia; U.S. saving has to rise; and some mechanism, such as a change in relative prices, must be put in place in order to help the previous two phenomena translate into an improvement in the U.S. balance of trade.

## Can the Growth in the U.S. Current Account Deficit Be Sustained? The Growing Burden of Servicing Foreign-owned U.S. Debt

DIMITRI B. PAPADIMITRIOU, EDWARD CHILCOTE, GENNARO ZEZZA

Strategic Analysis, May 2006

Can the growth in the U.S. current account deficit be sustained? How does the flow of deficits feed the stock of debt? And how will the burden of servicing this debt affect future deficits and economic growth? These are some of the questions addressed in this Strategic Analysis.

The U.S. current account deficit has been steadily growing since the early 1990s. By the end of 2005, it stood at almost 7 percent of GDP. The deficit increased from \$185.4 billion in the third quarter of 2005 to \$224.9 billion in the fourth quarter. The U.S. current account deficit rose from \$668.1 billion in 2004 to \$804.9 billion in 2005, an increase of more than 20 percent. After years of current account deficits, U.S. foreign liabilities now exceed U.S. foreign assets by nearly \$2.5 trillion. Yet, despite the deterioration in the U.S. position, income on foreign assets almost matches the income on foreign liabilities. Because net income flows to the United States remain neutral, the burden of servicing the external debt appears inconsequential to some. But appearances can be misleading. It is possible to take issue with the view that just because income flows

*A rehabilitation of fiscal policy as a key regulator of the economy is now in order, together with some demotion of monetary policy from its present exalted state.*

—From *The U.S. Economy: Is There a Way Out of the Woods?*

are currently neutral, there is little reason for concern. If interest rates continue to rise, the current account deficit will continue to worsen. This Strategic Analysis, which focuses on the cost of funding debt and on the structure of U.S. assets relative to U.S. liabilities, finds that temporary policy measures have masked the future costs of servicing foreign-owned U.S. debt.

### **Are Housing Prices, Household Debt, and Growth Sustainable?**

DIMITRI B. PAPADIMITRIOU, EDWARD CHILCOTE, GENNARO ZEZZA

Strategic Analysis, January 2006

Rising home prices and low interest rates have fueled the recent surge in mortgage borrowing and enabled consumers to spend at high rates relative to their income. Low interest rates have counterbalanced the growth in debt and acted to dampen the growth in household debt-service burdens. As past Levy Institute Strategic Analyses have pointed out, these trends are not sustainable: household spending relative to income cannot grow indefinitely.

## **PUBLIC POLICY BRIEFS**

### **Cracks in the Foundations of Growth: What Will the Housing Debacle Mean for the U.S. Economy?**

DIMITRI B. PAPADIMITRIOU, GREG HANNSGEN, GENNARO ZEZZA

Public Policy Brief No. 90, 2007 (Highlights, No. 90A)

With economic growth having cooled to 0.7 percent in the first quarter of 2007, the economy can ill afford a slump in consumption by the American household. But it now appears that the household sector could finally give in to the pressures of rising gasoline prices, a weakening home market, and a large debt burden. The signals are still mixed; for example, while April's retail sales numbers caused concern, May's were much improved, and so was the ISM manufacturing index for June. Consumption growth indicates a slowdown. This Public Policy Brief examines the American household and its economic fortunes, concentrating on how falling home prices might hamper economic growth, and possibly lead to a full-blown financial crisis.

### **U.S. Household Deficit Spending: A Rendezvous with Reality**

ROBERT W. PARENTEAU

Public Policy Brief No. 88, 2006 (Highlights, No. 88A)

Over the past decade, deficit spending by U.S. households has supported the U.S. economy. Research Associate Robert W. Parenteau analyzes the financial balance of U.S. households and finds that the pace of deficit spending is likely to stall and, possibly, reverse course. This reversion will jeopardize U.S. profit and economic growth, as well as the growth of countries dependent on export-led development strategies. His research supports the position of other Levy Institute scholars who have urged policymakers to recognize the consequences of current imbalances in the U.S. economy.

## Rethinking Trade and Trade Policy: Gomory, Baumol, and Samuelson on Comparative Advantage

THOMAS I. PALLEY

Public Policy Brief No. 86, 2006 (Highlights, No. 86A)

The theory of comparative advantage states that there are gains from trade for the global economy as a whole. Research Associate Thomas I. Palley observes that comparative advantage is driven by technology, which can be influenced by human action and policy. These associations have huge implications for the distribution of gains from trade and raise concerns about the future impact of international trade on the U.S. economy. Recent works by Ralph Gomory, William Baumol, and Paul Samuelson use pure trade theory to question the distribution of trade gains across countries over time and to challenge commonly held beliefs. These three economic theorists identify a new topic: what is the dynamic evolution of comparative advantage and how has it impacted the distribution of gains from trade, which depends on changing global demand and supply conditions?

### POLICY NOTES

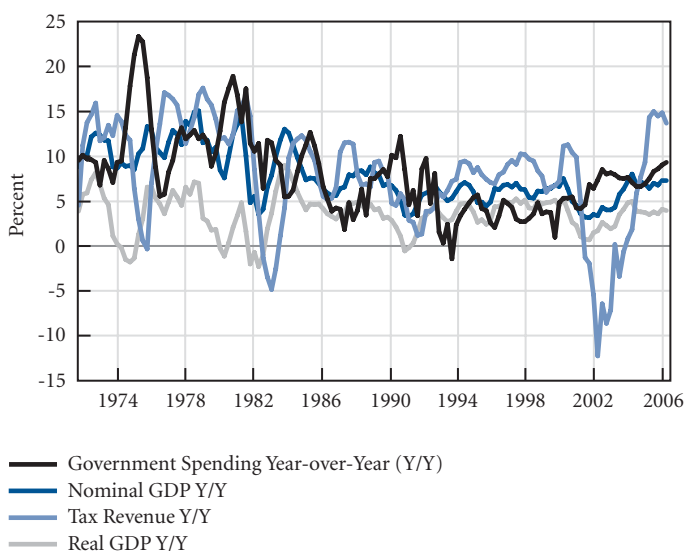
#### The April AMT Shock: Tax Reform Advice for the New Majority

DIMITRI B. PAPANIMITRIOU, L. RANDALL WRAY

Policy Note 2007/1

Anyone who reads a newspaper knows that most Americans have accumulated excessive levels of debt and realizes that, as interest rates climb, it becomes more difficult to service financial liabilities. To add insult to injury, wage growth has been slow, while prices have risen sharply. What is less commonly known is that taxes have also been rising rapidly, relative to both income and government spending. This Policy Note concentrates on the last issue and argues that many middle-income earners will find themselves unprepared for the coming surprise in April.

#### GDP Growth vs. Government Revenue and Spending Growth



Source: Cesar Guerra, Valance Co., Inc. From *The April AMT Shock*

*The Fed must . . .  
continue to respond  
aggressively to shocks  
that have potentially  
persistent adverse  
effects on both  
inflation and real  
activity.*

—Frederic S. Mishkin, Federal Reserve Board, speaking at the Hyman P. Minsky Conference on the State of the U.S. and World Economies

## Debt and Lending: A *Cri de Coeur*

WYNNE GODLEY, GENNARO ZEZZA

Policy Note 2006/4

Many papers published by the Levy Institute during the last few years have emphasized that the U.S. economy has relied too much on the growth of lending to the private sector to offset the negative effect on aggregate demand of the growing current account deficit. Yet, this centrally important point is largely absent from public discussion. People have generally been concerned with related but essentially different threats, for example, the possibility of a fall in house prices, a potentially excessive burden of interest and debt repayments on personal income, or a disorderly collapse in the dollar exchange rate.

In this Policy Note, Distinguished Scholar Wynne Godley and Research Scholar Gennaro Zezza observe that the path of lending, rather than debt, may turn out to be of decisive importance for the medium-term future of the U.S. economy—that even moderate (and highly plausible) assumptions about a slowdown of the path of debt have extremely strong and unpleasant implications for the path of lending and the growth of the economy.

## Twin Deficits and Sustainability

L. RANDALL WRAY

Policy Note 2006/3

In the mid to late 1980s, the U.S. economy simultaneously produced—for the first time in the post–World War II period—huge federal budget deficits and large current account deficits. Together, these were known as the “twin deficits.” This situation generated much debate and hand-wringing, most of which focused on supposed “crowding out” effects. Many claimed that the budget deficit was soaking up private saving and leaving too little for domestic investment. They also claimed that the “twin” current account deficit was soaking up foreign saving. The posited result would be higher interest rates and, therefore, lower economic growth, as domestic spending—especially on business investment and real estate construction—was depressed. Further, the government debt and foreign debt would burden future generations of Americans, who would have to make interest payments and eventually retire the debt. The promulgated solution was to promote domestic saving by cutting federal government spending and private consumption. Many pointed to Japan’s high personal-saving rates as a model of the proper way to run an economy.

## The Fiscal Facts: Public and Private Debts and the Future of the American Economy

JAMES K. GALBRAITH

Policy Note 2006/2

Today’s federal budget deficits are a preoccupation of many American citizens and more than a few political leaders. Is the American government going bankrupt? Does our fiscal condition warrant radical surgery, as some now prescribe? Or, are we in such deep trouble that there is no plausible route of escape? Senior Scholar James K. Galbraith’s answers to all of these questions are in the negative. The American government is not going bankrupt and will not go bankrupt. Legally, of course, it cannot. Individuals, companies, and municipalities can go bankrupt, but sovereign states cannot. The application of the word *bankrupt* to the government of the United States is gratuitous and inflammatory.

## **WORKING PAPERS**

### **The Effects of a Declining Housing Market on the U.S. Economy**

DIMITRI B. PAPADIMITRIOU, GREG HANNSGEN, GENNARO ZEZZA

Working Paper No. 506, July 2007

### **A Simplified “Benchmark” Stock-flow Consistent (SFC) Post-Keynesian Growth Model**

CLAUDIO H. DOS SANTOS, GENNARO ZEZZA

Working Paper No. 503, June 2007

### **Fiscal Policy in a Stock-flow Consistent (SFC) Model**

WYNNE GODLEY, MARC LAVOIE

Working Paper No. 494, April 2007

### **Demand Constraints and Big Government**

L. RANDALL WRAY

Working Paper No. 488, January 2007

### **Global Imbalances, Bretton Woods II, and Euroland’s Role in All This**

JÖRG BIBOW

Working Paper No. 486, December 2006

### **A Random Walk Down Maple Lane? A Critique of Neoclassical Consumption Theory with Reference to Housing Wealth**

GREG HANNSGEN

Working Paper No. 445, April 2006

### **Prolegomena to Realistic Monetary Macroeconomics: A Theory of Intelligible Sequences**

WYNNE GODLEY, MARC LAVOIE

Working Paper No. 441, February 2006

Donald L. Kohn, *Federal Reserve Board*



*In the United States, a fiscal policy shift toward greater deficits and innovations in financial markets that facilitated household spending have worked to lower national saving relative to domestic investment.*

—Donald L. Kohn, speaking at the Hyman P. Minsky Conference on the State of the U.S. and World Economies

## PROGRAM 2

### MONETARY POLICY AND FINANCIAL STRUCTURE

This program explores the structure of markets and institutions operating in the financial sector. Research builds on the work of the late Distinguished Scholar Hyman P. Minsky—notably, his financial instability hypothesis—and explores the institutional, regulatory, and market arrangements that contribute to financial instability. Research also examines policies—such as changes to the regulatory structure and the development of new types of institutions—necessary to contain instability.

Recent research has concentrated on the structure of financial markets and institutions, with the aim of determining whether financial systems are still subject to the risk of failing. Issues explored include the extent to which domestic and global economic events (such as the crises in Asia and Latin America) coincide with the types of instabilities Minsky describes, and involve analyses of his policy recommendations for alleviating instability and other economic problems. Other subjects covered include the distributional effects of monetary policy, central banking and structural issues related to the European Monetary Union, and the role of finance in small business investment.

#### RESEARCH GROUP

Dimitri B. Papadimitriou, *President*

James K. Galbraith, *Senior Scholar*

Jan Kregel, *Senior Scholar*

L. Randall Wray, *Senior Scholar*

Philip Arestis, *Senior Scholar*

Jörg Bibow, *Research Associate*

Thomas I. Palley, *Research Associate*

Willem Thorbecke, *Research Associate*



## PUBLICATIONS

### PUBLIC POLICY BRIEFS

#### **The U.S. Credit Crunch of 2007: A Minsky Moment**

CHARLES J. WHALEN

Public Policy Brief No. 92, 2007 (Highlights, No. 92A)

It is now clear that most economists underestimated the economic impact of the credit crunch that has shaken U.S. financial markets since at least mid-July. A credit crunch is an economic condition in which loans and investment capital are difficult to obtain. In such a period, banks and other lenders become wary of issuing loans, so the price of borrowing rises, often to the point where deals simply do not get done. Financial economist Hyman P. Minsky (1919–1996) was the foremost expert on such crunches, and his ideas remain relevant to understanding the current situation.

This brief demonstrates that the U.S. credit crunch of 2007 can aptly be described as a “Minsky moment.” It begins by taking a look at aspects of this crunch, then examines the notion of a Minsky moment, along with the main ideas informing Minsky’s perspective on economic instability. At the heart of that viewpoint is what Minsky called the “financial instability hypothesis,” which derives from an interpretation of John Maynard Keynes’s work and underscores the value of an evolving and institutionally grounded alternative to conventional economics. The brief then returns to the 2007 credit crunch and identifies some of the key elements relevant to fleshing out a Minsky-oriented account of that event.

#### **The Economics of Outsourcing: How Should Policy Respond?**

THOMAS I. PALLEY

Public Policy Brief No. 89, 2007 (Highlights, No. 89A)

According to Research Associate Thomas I. Palley, global outsourcing represents a new economic challenge that calls for a new set of institutions. In this brief, he expands upon the problems of off-shore outsourcing as outlined by him in Public Policy Brief No. 86 (*Rethinking Trade and Trade Policy*; page 10) and focuses on the issue’s microeconomic foundations. He argues that outsourcing is a central element of globalization and is best understood as a new form of competition. Palley urges policymakers to understand the economic basis of outsourcing so as to develop effective policies and emphasizes the necessity for enhancing national competitiveness and establishing new rules that govern the nature of global competition.

#### **The Fallacy of the Revised Bretton Woods Hypothesis: Why Today’s International Financial System Is Unsustainable**

THOMAS I. PALLEY

Public Policy Brief No. 85, 2006 (Highlights, No. 85A)

The stability of the international financial system is in doubt. Analysis of the system has focused mainly on the sustainability of financing the U.S. trade deficit and has failed to understand the microeconomics of transactions within the system. According to this brief by Thomas I. Palley, the international financial system is unsustainable for reasons of demand, not supply. He recommends a global system of managed exchange rates to replace the current system before it crashes, along with the U.S. economy.

East Asian economies are pursuing export-led growth and running huge trade surpluses with the United States by actively pursuing policies aimed at maintaining undervalued exchange

*Will Basel II encourage safer lending practices?*

*Perhaps. Will it reduce*

*the cyclical nature of*

*the credit supply?*

*Probably not.*

*—From Can Basel II Enhance Financial Stability?*

rates. Their governments continue to accumulate U.S. financial assets in order to support and stabilize the international financial system. While East Asian policymakers are correct in their belief that they can improve economic outcomes through exchange rate intervention, the system is undermining the structure of income and aggregate demand and eroding U.S. manufacturing capacity.

### **Can Basel II Enhance Financial Stability? A Pessimistic View**

L. RANDALL WRAY

Public Policy Brief No. 84, 2006 (Highlights, No. 84A)

Even as the United States enjoys an economic expansion, there is an undercurrent of concern among economic analysts who follow financial markets. Some feel that the expansion of the credit-derivatives markets poses the threat of a crisis similar to the Long-Term Capital Management debacle of 1998. Credit derivatives allow banks to share risks with holders of the derivatives, which are often mutual funds and other nonbank financial institutions. The Basel II Accord, now being implemented in many countries, is hailed as a good form of protection against the risk of a series of bank failures of the type that might cause problems in the derivatives markets. Basel II represents a more sophisticated and complex version of the original Basel Accord of 1992, which set minimum capital ratios for various types of bank assets.

### **Reforming Deposit Insurance: The Case to Replace FDIC Protection with Self-Insurance**

PANOS KONSTAS

Public Policy Brief No. 83, 2006 (Highlights, No. 83A)

The Federal Deposit Insurance Corporation (FDIC) currently insures bank deposit balances up to \$100,000. According to some observers, statutory protection creates a moral hazard for financial institutions because it allows banks to engage in risky activities. As an example, moral hazard was a key contributor to huge losses suffered when thrift institutions failed during the 1980s.

This brief outlines a plan to reduce the risk of government losses by replacing insured deposits with uninsured deposits and eliminating some of the costs of deposit insurance. The plan proposes a self-insured depositor system that places an intermediary between the lender (saver) and borrower (bank) in the credit-flow chain. The FDIC would guarantee saver loans and allow the intermediary to borrow at the risk-free interest rate if the intermediary's bank deposit is statutorily defined outside the realm of FDIC insurance. The risk is therefore transferred to depositors (intermediaries), thus creating incentives for depositors to earn a rate of return at least equal to the cost of borrowing plus a risk premium based on the risk profile of banks.

### **POLICY NOTE**

#### **Credit Derivatives and Financial Fragility**

EDWARD CHILCOTE

Policy Note 2006/1

On September 15, the Federal Reserve convened an unusual meeting of 14 large banks dealing in credit derivatives. The last such meeting occurred on September 16, 1998, in secret. At that time, a major financial institution was melting down and threatening to take some large banks with it. This time, the banks met to discuss the same topic: the clearing of transactions in the credit-derivatives market.

**WORKING PAPERS**

**Financialization: What It Is and Why It Matters**

THOMAS I. PALLEY

Working Paper No. 525, December 2007

**The Natural Instability of Financial Markets**

JAN KREGEL

Working Paper No. 523, December 2007

**Lessons from the Subprime Meltdown**

L. RANDALL WRAY

Working Paper No. 522, December 2007

**Nurkse and the Role of Finance in Development Economics**

JAN KREGEL

Working Paper No. 520, November 2007

**Endogenous Money: Structuralist and Horizontalist**

L. RANDALL WRAY

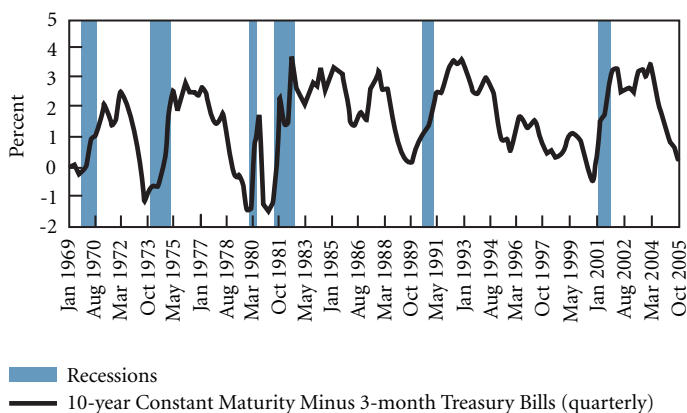
Working Paper No. 512, September 2007

**The Fed's *Real* Reaction Function: Monetary Policy, Inflation, Unemployment, Inequality—and Presidential Politics**

JAMES K. GALBRAITH, OLIVIER GIOVANNONI, ANN J. RUSSO

Working Paper No. 511, August 2007

**The Term Structure of Interest Rates, 1969–2006**



The yield curve, or term structure, of interest rates measured as the difference between a 30-day Treasury Bill rate and a 10-year bond rate. Sources: National Bureau of Economic Research and Bureau of Economic Analysis, National Income and Product Accounts; authors' calculations. From "The Fed's *Real* Reaction Function"

**A Post-Keynesian View of Central Bank Independence, Policy Targets, and the Rules-versus-Discretion Debate**

L. RANDALL WRAY

Working Paper No. 510, August 2007

## Fixed and Flexible Exchange Rates and Currency Sovereignty

CLAUDIO SARDONI, L. RANDALL WRAY

Working Paper No. 489, January 2007

## The Balance Sheet Approach to Financial Crises in Emerging Markets

GIOVANNI COZZI, JAN TOPOROWSKI

Working Paper No. 485, December 2006

## Expensive Living: The Greek Experience under the Euro

THEODORE PELAGIDIS, TAUN N. TOAY

Working Paper No. 484, December 2006

## Fisher's Theory of Interest Rates and the Notion of "Real": A Critique

ÉRIC TYMOIGNE

Working Paper No. 483, December 2006

## An Inquiry into the Nature of Money: An Alternative to the Functional Approach

ÉRIC TYMOIGNE

Working Paper No. 481, November 2006

## On Lower-bound Traps: A Framework for the Analysis of Monetary Policy in the "Age" of Central Banks

ALFONSO PALACIO-VERA

Working Paper No. 478, November 2006

## The "New Consensus" View of Monetary Policy: A New Wicksellian Connection?

GIUSEPPE FONTANA

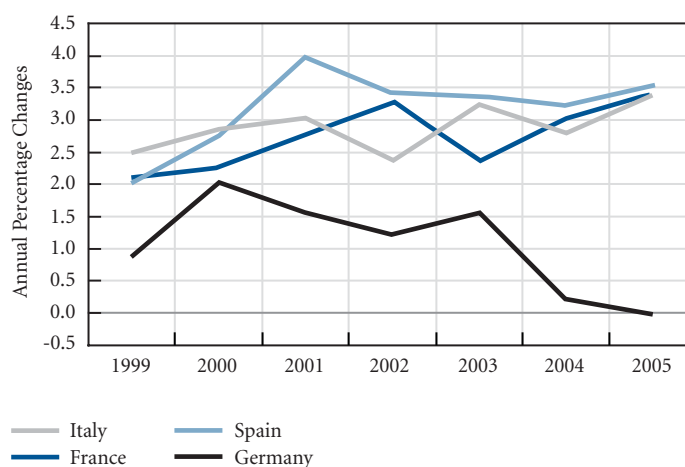
Working Paper No. 476, October 2006

## How the Maastricht Regime Fosters Divergence as Well as Fragility

JÖRG BIBOW

Working Paper No. 460, July 2006

### Divergent European Wage Inflation Trends, with Germany as the Outlier, 1999–2005



Source: Organisation for Economic Co-operation and Development, Economic Outlook No. 78, December 2005. From "How the Maastricht Regime Fosters Divergence as Well as Fragility"

## **Banking, Finance, and Money: A Socioeconomics Approach**

L. RANDALL WRAY

Working Paper No. 459, July 2006

## **Why Central Banks (and Money) “Rule the Roost”**

CLAUDIO SARDONI

Working Paper No. 457, June 2006

## **Asset Prices, Financial Fragility, and Central Banking**

ÉRIC TYMOIGNE

Working Paper No. 456, June 2006

## **The Minskyan System, Part III: System Dynamics Modeling of a Stock Flow–Consistent Minskyan Model**

ÉRIC TYMOIGNE

Working Paper No. 455, June 2006

## **The Minskyan System, Part II: Dynamics of the Minskyan Analysis and the Financial Fragility Hypothesis**

ÉRIC TYMOIGNE

Working Paper No. 453, June 2006

## **The Minskyan System, Part I: Properties of the Minskyan Analysis and How to Theorize and Model a Monetary Production Economy**

ÉRIC TYMOIGNE

Working Paper No. 452, June 2006

## **Extending Minsky’s Classifications of Fragility to Government and the Open Economy**

L. RANDALL WRAY

Working Paper No. 450, May 2006

## **Tinbergen Rules the Taylor Rule**

THOMAS R. MICHL

Working Paper No. 444, March 2006

## **Keynes’s Approach to Money: An Assessment after 70 Years**

L. RANDALL WRAY

Working Paper No. 438, January 2006

## **Speculation, Liquidity Preference, and Monetary Circulation**

KORKUT A. ERTÜRK

Working Paper No. 435, January 2006

Edward N. Wolff, *Levy Institute*



### PROGRAM 3

#### THE DISTRIBUTION OF INCOME AND WEALTH, AND THE LEVY INSTITUTE MEASURE OF ECONOMIC WELL-BEING (LIMEW)

*Our findings indicate that the level of economic well-being is substantially increased when money income is adjusted for wealth.*

—From “Household Wealth and the Measurement of Economic Well-Being in the United States”

Economic inequality has been a prominent and perennial concern in economics and public policy. The rise in inequality that occurred during the 1970s and early 1980s stimulated interest in the study of its causes and consequences. Experience from the 1990s suggests that economic growth and prosperity no longer dramatically reduce economic inequality. The persistent inequalities within nations and across nations raise several key issues that demand scholarship and innovative policies to aid in their resolution.

Recognizing this, the Levy Institute has maintained, since its inception, an active research program on the distribution of earnings, income, and wealth. Research in this area includes studies on the economic well-being of the elderly, public and private pensions, well-being over the life course, the role of assets in economic well-being, and the determinants of the accumulation of wealth.

It is widely recognized that existing official measures of economic well-being need to be improved in order to generate accurate cross-sectional and intertemporal comparisons. The picture of economic well-being can vary significantly depending on the measure used. Alternative measures are also crucially important for the formulation and evaluation of a wide variety of social and economic policies. The Levy Institute Measure of Economic Well-Being (LIMEW) and related research is aimed at bridging this gap.

#### RESEARCH GROUP

James K. Galbraith, *Senior Scholar*

Edward N. Wolff, *Senior Scholar*

Dimitri B. Papadimitriou, *President*

Ajit Zacharias, *Senior Scholar*

Thomas Masterson, *Research Scholar*

Barry Bluestone, *Research Associate*  
Robert Haveman, *Research Associate*  
Christopher Jencks, *Research Associate*  
Susan E. Mayer, *Research Associate*  
Branko Milanovic, *Research Associate*  
Jacques Silber, *Research Associate*  
Barbara Wolfe, *Research Associate*

#### **THE LEVY INSTITUTE MEASURE OF ECONOMIC WELL-BEING (LIMEW)**

The LIMEW is informed by the view that three key institutions—the market, state, and household—mediate the access of the members of the household to the goods and services produced in a modern market economy. The magnitude of the access that can be exercised by the household is approximated by a well-being measure that reflects the resources that the household can command for facilitating current consumption or acquiring physical or financial assets. The three institutions form interdependent parts of an organic entity, and household economic well-being is fundamentally shaped by the complex functioning of this entity.

The LIMEW has two crucial characteristics. First, its focus is limited to components that can be converted into money equivalents. Second, it is a household-level measure that can be evaluated for households in different economic and demographic groups, such as those in different percentiles of the income distribution or those in different racial groups.

The LIMEW is constructed as the sum of the following components: 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 (transfers and public consumption net of taxes), and the value of household production. In the absence of an ideal, unified database to measure household economic well-being, the LIMEW is built using mainly information from income and employment surveys (e.g., the Annual Demographic Supplement of the Current Population Survey conducted by the U.S. Census Bureau), other surveys on wealth and time use, National Income and Product Accounts, and government agencies.

One strand of research related to the LIMEW focuses on the conceptual, methodological, and data problems involved in measuring economic well-being. Another line of research analyzes specific aspects of the level and distribution of economic well-being. The ultimate goals of the project are to provide LIMEW estimates for the United States and a few other countries, at regular intervals, and to relate the measure and its components to the changing economic and policy environment.

#### **RESEARCH GROUP**

Edward N. Wolff, *Senior Scholar*  
Dimitri B. Papadimitriou, *President*  
Ajit Zacharias, *Senior Scholar*  
Thomas Masterson, *Research Scholar*  
Hyunsub Kum, *Research Associate*  
Melissa Mahoney, *Research Assistant*

## PUBLICATIONS

### LIMEW REPORTS

#### How Well Off Are America's Elderly? A New Perspective

EDWARD N. WOLFF, AJIT ZACHARIAS, HYUNSUB KUM

LIMEW/April 2007

Given the aging of the U.S. population, widening gap between rich and poor, and controversy surrounding Social Security, the economic welfare of the elderly is an extremely topical issue.

This report provides a new look at America's elderly, and shows that official measures of well-being do not adequately reflect income from wealth and net government expenditures. Moreover, from 1989 to 2001, there was an extraordinary increase in income from nonhome wealth, as well as a widening gap, between the elderly and nonelderly, in net government expenditures. On the basis of the Levy Institute Measure of Economic Well-Being—which is more comprehensive than conventional measures—the economic disadvantage of the elderly, relative to the nonelderly, appears less severe. The results suggest that government policies and programs that favor the elderly are misdirected. The authors advocate making more generous provisions for the nonelderly in existing social welfare programs.

#### Wealth and Economic Inequality: Who's at the Top of the Economic Ladder?

EDWARD N. WOLFF, AJIT ZACHARIAS

LIMEW/December 2006

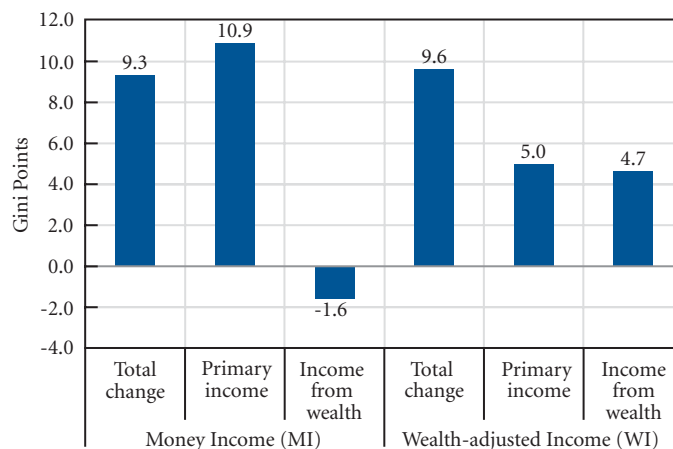
This report argues that wealth is an integral aspect of economic well-being. The authors combine income and net worth in order to demonstrate the importance of wealth inequalities in shaping overall economic inequality and defining the disparities among population subgroups.

Conventional measures of household economic well-being do not adequately reflect the advantages of asset ownership or the disadvantages of financial liabilities. The authors find that the picture of economic well-being in the United States is quite different if the yardstick is the authors' wealth-adjusted income measure, rather than the standard income measure.

*The bottom line is that the economic disadvantage of the elderly appears to be much less severe when our more comprehensive measure of income is used.*

—From *How Well Off Are America's Elderly?*

Contribution to the Change in the Gini Coefficient between 1982 and 2000 (in Gini points)



Source: Survey of Consumer Finances public-use files. From *Wealth and Economic Inequality*



## POLICY NOTE

### **The Burden of Aging: Much Ado about Nothing, or Little to Do about Something?**

L. RANDALL WRAY

Policy Note 2006/5

Demographers and economists agree that we are aging—individually and collectively, nationally and globally. An aging population results from the twin demographic forces of fewer children per family and longer life expectancy. Most experts recognize the burden that aging causes, as the number of retirees supported by each active worker rises. This trend is reinforced by the graying of the baby boom generation. However, burdens will continue to rise—albeit at a slower pace—even after the baby boomers are buried.

Given that the real burden *will* rise, is there anything we can begin to do *today* to attenuate that increase? The answer proposed by Senior Scholar L. Randall Wray is that we should essentially follow the same policy prescriptions that would make sense *even if our society were not aging*: (1) more human capital: more years of schooling, fewer dropouts, higher quality schooling, and enhanced apprenticeship and training programs; (2) more public investment: new and improved public infrastructure, better maintenance of existing infrastructure, and reduction of adverse environmental impacts; and (3) more private investment: new and improved private production facilities to enhance growth. The last item will almost certainly require maintenance of high aggregate demand today and over the near future.

## WORKING PAPERS

### **Earnings Functions and the Measurement of the Determinants of Wage Dispersion: Extending Oaxaca's Approach**

JOSEPH DEUTSCH, JACQUES SILBER

Working Paper No. 521, November 2007

### **Inequality of Life Chances and the Measurement of Social Immobility**

JACQUES SILBER, AMEDEO SPADARO

Working Paper No. 513, September 2007

### **Recent Trends in Household Wealth in the United States: Rising Debt and the Middle-Class Squeeze**

EDWARD N. WOLFF

Working Paper No. 502, June 2007

### **Economic Perspectives on Aging**

DIMITRI B. PAPADIMITRIOU

Working Paper No. 500, May 2007

### **Class Structure and Economic Inequality**

EDWARD N. WOLFF, AJIT ZACHARIAS

Working Paper No. 487, January 2007

**Net Intergenerational Transfers from an Increase in Social Security Benefits**

LI GAN, GUAN GONG, MICHAEL HURD

Working Paper No. 482, November 2006

**European Welfare State Regimes and Their Generosity toward the Elderly**

AXEL BÖRSCH-SUPAN

Working Paper No. 479, November 2006

**The Adequacy of Retirement Resources among the Soon-to-Retire, 1983–2001**

EDWARD N. WOLFF

Working Paper No. 472, August 2006

**Population Forecasts, Fiscal Policy, and Risk**

SHRIPAD TULJAPURKAR

Working Paper No. 471, August 2006

**Global Demographic Trends and Provisioning for the Future**

L. RANDALL WRAY

Working Paper No. 468, August 2006

**Net Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989–2001**

HYUNSUB KUM, EDWARD N. WOLFE, AJIT ZACHARIAS

Working Paper No. 466, August 2006

**Differing Prospects for Women and Men: Young Old-Age, Old Old-Age, and Elder Care**

LOIS B. SHAW

Working Paper No. 464, July 2006

**Working for a Good Retirement**

BARBARA A. BUTRICA, KAREN E. SMITH, C. EUGENE STEUERLE

Working Paper No. 463, July 2006

**Wage Growth and the Measurement of Social Security's Financial Condition**

JAGADEESH GOKHALE

Working Paper No. 461, July 2006

**How Does Household Production Affect Earnings Inequality? Evidence from the American Time Use Survey**

HARLEY FRAZIS, JAY STEWART

Working Paper No. 454, June 2006

**Time and Money: Substitutes in Real Terms and Complements in Satisfactions**

J. BONKE, M. DEDING, M. LAUSTEN

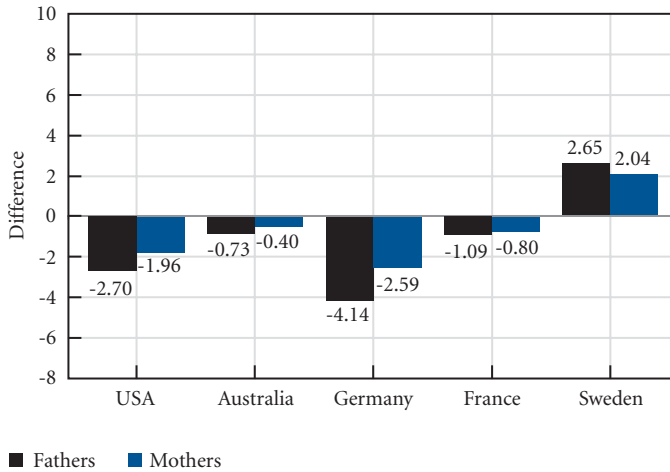
Working Paper No. 451, May 2006

## The Temporal Welfare State: A Cross-national Comparison

JAMES MAHMUD RICE, ROBERT E. GOODIN, ANTTI PARPO

Working Paper No. 449, May 2006

Mean Difference between Post-government and Pre-government Discretionary Time among Parents in Two-earner Couples (hours per week)



Sources: 2005 Luxembourg Income Study and Multinational Time Use Study; authors' calculations. From "The Temporal Welfare State"

## Household Wealth and the Measurement of Economic Well-Being in the United States

EDWARD N. WOLFF, AJIT ZACHARIAS

Working Paper No. 447, May 2006

## Government Effects on the Distribution of Income: An Overview

DIMITRI B. PAPADIMITRIOU

Working Paper No. 442, February 2006

## Parental Child Care in Single Parent, Cohabiting, and Married Couple Families: Time Diary Evidence from the United States and the United Kingdom

CHARLENE M. KALENKOSKI, DAVID C. RIBAR, LESLIE S. STRATTON

Working Paper No. 440, February 2006

## Where Do They Find the Time? An Analysis of How Parents Shift and Squeeze Their Time around Work and Child Care

LYN CRAIG

Working Paper No. 439, February 2006

## Enhancing Livelihood Security through the National Employment Guarantee Act: Toward Effective Implementation of the Act

INDIRA HIRWAY

Working Paper No. 437, January 2006

## Time to Eat: Household Production under Increasing Income Inequality

DANIEL S. HAMERMESH

Working Paper No. 434, January 2006

*The conservative welfare-gender regime of Germany is concerned with promoting traditional family structure, not with gender equality—that is, with increasing the discretionary time for stay-at-home mothers rather than that for two-earner couples with children.*

—From "The Temporal Welfare State"

Janet Stotsky, *International Monetary Fund*



#### PROGRAM 4 GENDER EQUALITY AND THE ECONOMY

While gender inequalities have diminished in some aspects of life, they remain deeply rooted in others. In no country around the world do men and women enjoy equality in economic and political participation, earnings, educational attainment, general health, and physical security. These gender gaps undermine economic growth and development and are costly to individuals and households.

The Levy Institute's Gender Equality and the Economy (GEE) program focuses on the ways in which economic processes and policies affect gender equality and examines the influence of gender inequalities on economic outcomes. GEE's goal is to stimulate reexamination of key economic concepts, models, and indicators—with a particular view to reformulating policy. It offers a broad view of what an economy is and how it functions, bringing into the analysis not only paid work, but also the unpaid work (e.g., caring for families and community volunteerism) that enables the market economy to function. Ultimately, the program seeks to contribute knowledge that improves women's status and helps them realize their rights in the United States and other countries.

#### RESEARCH

GEE research concentrates on three primary themes: gender equality and public finance; gender dimensions of macroeconomic and international economic policy; and gender equality, poverty, and well-being in national and international perspective. Public finance (which includes taxation, spending on goods and services, provision of income transfers from governments to households, and government borrowing and debt) has the potential to reduce or increase gender inequalities. Yet, very little research exists on the ways that various public finance policies influence gender inequality within and across countries and over time. How much do tax and transfer policies offset market-based gender-income inequalities? Does a greater voice for women in public policy result in changes in the size and composition of government budgets? What are the gender biases of taxation and tax-policy reforms?

In the past decade, a growing body of work has explored how macroeconomic outcomes are affected by gender inequalities, and how gender inequalities are influenced by macroeconomic policies. Although gender equality is not the focus of macroeconomic policy, such policies cannot be assumed to be gender neutral. Does a requirement to balance budgets make it more difficult to reduce gender inequality? Is a focus on public investment and full employment sufficient for achieving gender equality? How can economic growth and gender equality be made compatible? Can gender equality improve the employment/inflation trade-off?

The Levy Institute Measure of Economic Well-Being (see page 18) was established in order to improve existing official measures of economic well-being and allow for accurate cross-sectional and intertemporal comparisons. GEE will enhance this area of the Levy Institute's work by developing research on the intersection of gender inequality and other forms of deprivation. Research will include the reexamination of U.N. indicators for measuring gender inequality and women's empowerment, new analyses of time-use data, and the preparation of recommendations for the refinement of existing measures and/or the development of alternative indicators that can be used in policy formulation.

#### RESEARCH GROUP

Rania Antonopoulos, *Research Scholar*  
Dimitri B. Papadimitriou, *President*  
Nilüfer A. Çağatay, *Senior Scholar*  
Marzia Fontana, *Research Scholar*  
Kijong Kim, *Research Scholar*  
Feridoon Koochi-Kamali, *Research Associate and Editor*  
Lekha S. Chakraborty, *Research Associate*  
Pinaki Chakraborty, *Research Associate*  
Valeria Esquivel, *Research Associate*  
Maria Sagrario Floro, *Research Associate*  
Indira Hirway, *Research Associate*  
Stephanie Seguino, *Research Associate*  
Imraan Valodia, *Research Associate*

#### PUBLICATIONS

##### WORKING PAPERS

#### ***The Right to a Job, the Right Types of Projects: Employment Guarantee Policies from a Gender Perspective***

RANIA ANTONOPOULOS

Working Paper No. 516, September 2007

#### ***Female Land Rights, Crop Specialization, and Productivity in Paraguayan Agriculture***

THOMAS MASTERSON

Working Paper No. 504, July 2007

#### ***Gender Disparities in Employment and Aggregate Profitability in the United States***

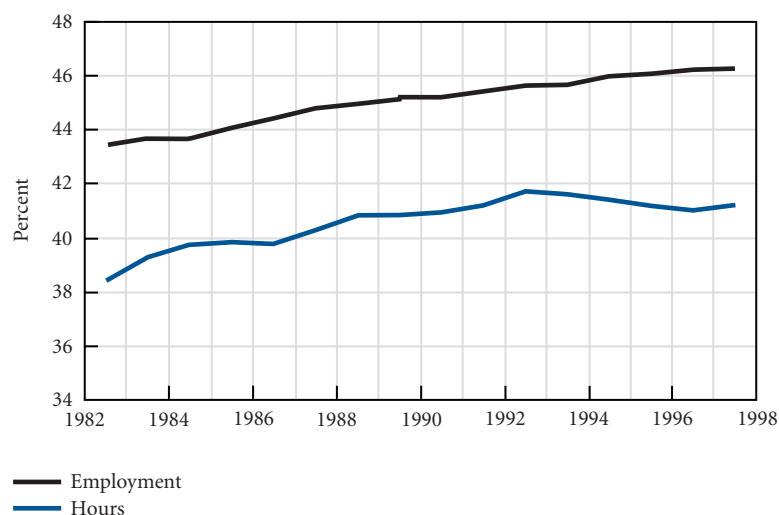
MELISSA MAHONEY, AJIT ZACHARIAS

Working Paper No. 496, April 2007

*Land rights for women  
are key determinants  
in women's and  
household welfare in  
rural settings  
throughout the  
developing world.*

—From "Female Land Rights,  
Crop Specialization, and  
Productivity in Paraguayan  
Agriculture"

Share of Women in Total Employment and Hours Worked, 1982–1997 (percent)



Sources: Public-use version of the Annual Demographic Survey (March CPS Supplement), Bureau of Labor Statistics/Bureau of the Census; authors' calculations. From "Gender Disparities in Employment and Aggregate Profitability in the United States"

### **Gender Inequalities in Allocating Time to Paid and Unpaid Work:**

#### **Evidence from Bolivia**

MARCELO MEDEIROS, RAFAEL GUERREIRO OSÓRIO, JOANA COSTA

Working Paper No. 495, April 2007

### **State, Difference, and Diversity: Toward a Path of Expanded Democracy and Gender Equality**

RANIA ANTONOPOULOS, FRANCISCO COS-MONTIEL

Working Paper No. 493, March 2007

### **The Financial Requirements of Achieving Gender Equality and Women's Empowerment**

CAREN A. GROWN, CHANDRIKA BAHADUR, JESSIE HANDBURY, DIANE ELSON

Working Paper No. 467, August 2006

### **Quick Impact Initiatives for Gender Equality: A Menu of Options**

CAREN A. GROWN

Working Paper No. 462, July 2006

### **Feminist-Kaleckian Macroeconomic Policy for Developing Countries**

STEPHANIE SEGUINO, CAREN A. GROWN

Working Paper No. 446, May 2006

### **Importing Equality or Exporting Jobs? Competition and Gender Wage and Employment Differentials in U.S. Manufacturing**

EBRU KONGAR

Working Paper No. 436, January 2006



(left to right) Rania Antonopoulos, Levy Institute, and Saul Weisleder, Permanent Mission of Costa Rica to the United Nations

## PROGRAM 5 EMPLOYMENT POLICY AND LABOR MARKETS

In 2001 the U.S. economy entered a seventh consecutive year of expansion and unemployment rates were at 30-year lows. Yet not all shared in the employment boom. Levy Institute research has found that between 1995 and 1999, only 217,000 jobs—of the more than 13 million created—went to the half of the population holding a high school degree or less; the remaining jobs went to those with at least some college education. Today, in an ever-tightening economy, there are more than 16 million unemployed—10 percent of the labor force—and four job-seekers for each available job. In addition, there are roughly 17 million full-time workers whose wages place them at or below the official poverty line. Clearly, there is room for improvement on the jobs front.

In response to this problem, Levy Institute scholars have proposed a full-employment, or job-opportunity, program that would employ all who are willing to work and increase flexibility between economic sectors, thereby lowering the social and economic costs of unemployment. This program is preferable to proposed alternatives such as a reduction of the workweek or employment subsidies, neither of which is sure to raise employment—and both may have serious side effects. Other labor market policies studied by Levy Institute scholars include the effects of technology on earnings, and the effects of an increase in the minimum wage on hiring practices and earnings.

*The focus of any  
antipoverty program  
would have to be tilted  
toward jobs, not  
transfers and welfare.*

—From “Minsky’s Approach to  
Employment Policy and Poverty”

### RESEARCH GROUP

Dimitri B. Papadimitriou, *President*

James K. Galbraith, *Senior Scholar*

Jan Kregel, *Senior Scholar*

L. Randall Wray, *Senior Scholar*

Rania Antonopoulos, *Research Scholar*

Marzia Fontana, *Research Scholar*

Valeria Esquivel, *Research Associate*

Mathew Forstater, *Research Associate*

Pavlina R. Tcherneva, *Research Associate*

## PUBLICATIONS

### PUBLIC POLICY BRIEF

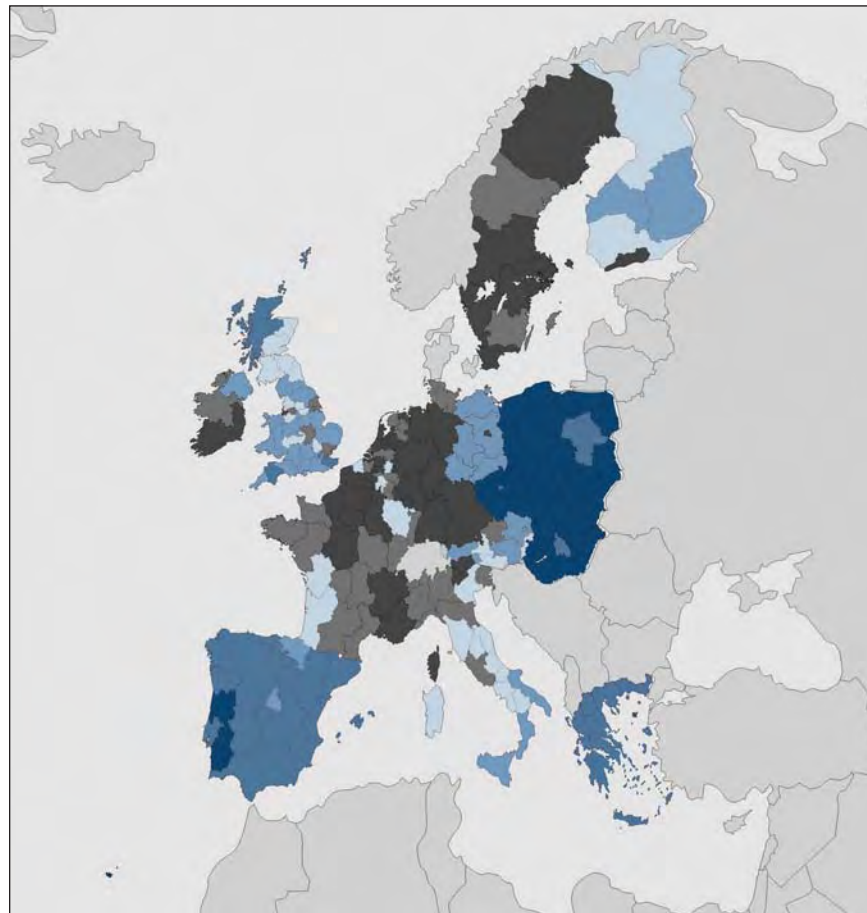
#### **Maastricht 2042 and the Fate of Europe: Toward Convergence and Full Employment**

JAMES K. GALBRAITH

Public Policy Brief No. 87, 2006 (Highlights, No. 87A)

Unemployment in the European Union (EU) is a serious problem that threatens to disrupt the integration of accession countries, the character of individual countries, and the continued existence of the EU. Senior Scholar James K. Galbraith sets forth a concrete strategy of earnings convergence for the EU that is compatible with a high-employment strategy and achievable productivity growth. He finds that countries and regions that are more egalitarian enjoy more employment—a relationship in accord with correct principles of economics. The paradox is that European ideals require convergence, but European policy imposes divergence, which, if rigorously pursued, will result in declining relative pay rates in the poorer regions.

Distribution of Growth Rates of Real Average Annual Pay Required to Meet Convergence Criteria between 2007 and 2042, by Region\*



Growth rate to meet convergence criteria

- 5.7 to 7.4 percent (36 regions)
- 3.8 to 5.7 percent (37 regions)
- 3.3 to 3.8 percent (36 regions)
- 3.1 to 3.3 percent (31 regions)
- 2.9 to 3.1 percent (35 regions)
- 0.0 to 2.9 percent (40 regions)

\*excluding Denmark

From *Maastricht 2042 and the Fate of Europe*



**WORKING PAPERS**

**Promotion Nationale: Forty-Five Years of Experience of Public Works in Morocco**

HIND JALAL

Working Paper No. 524, December 2007

**Public Employment and Women: The Impact of Argentina's Jefes Program on Female Heads of Poor Households**

PAVLINA R. TCHERNEVA, L. RANDALL WRAY

Working Paper No. 519, November 2007

**What Are the Relative Macroeconomic Merits and Environmental Impacts of Direct Job Creation and Basic Income Guarantees?**

PAVLINA R. TCHERNEVA

Working Paper No. 517, October 2007

**Minsky's Approach to Employment Policy and Poverty: Employer of Last Resort and the War on Poverty**

L. RANDALL WRAY

Working Paper No. 515, September 2007

**The Continuing Legacy of John Maynard Keynes**

L. RANDALL WRAY

Working Paper No. 514, September 2007

**On Various Ways of Measuring Unemployment, with Applications to Switzerland**

JOSEPH DEUTSCH, YVES FLÜCKIGER, JACQUES SILBER

Working Paper No. 509, August 2007

**Implementation of the National Rural Employment Guarantee Act in India: Spatial Dimensions and Fiscal Implications**

PINAKI CHAKRABORTY

Working Paper No. 505, July 2007

**ELR-led Economic Development: A Plan for Tunisia**

FADHEL KABOUB

Working Paper No. 499, May 2007

**Employment Guarantee Programs: A Survey of Theories and Policy Experiences**

FADHEL KABOUB

Working Paper No. 498, May 2007

**When Knowledge Is an Asset: Explaining the Organizational Structure of Large Law Firms**

JAMES B. REBITZER, LOWELL J. TAYLOR

Working Paper No. 477, October 2006

*The problem of unemployment in Europe is vexed by a theory-driven predisposition to blame it on defects of labor market structure and then to go out in search of particular rigidities to blame.*

*—From Maastricht 2042 and the Fate of Europe*

**Capital Stock and Unemployment: Searching for the Missing Link**

ALFONSO PALACIO-VERA, ANA ROSA MARTÍNEZ-CAÑETE, ELENA MÁRQUEZ DE LA CRUZ,  
INÉS PÉREZ-SOBA AGUILAR

Working Paper No. 475, August 2006

**Retiree Health Benefit Coverage and Retirement**

JAMES MARTON, STEPHEN A. WOODBURY

Working Paper No. 470, August 2006

**The Changing Role of Employer Pensions: Tax Expenditures, Costs, and Implications for Middle-Class Elderly**

TERESA GHILARDUCCI

Working Paper No. 469, August 2006



Joel Perlmann (*right*) engages in a discussion with Bard students

## PROGRAM 6 IMMIGRATION, ETHNICITY, AND SOCIAL STRUCTURE

This program is led by Senior Scholar Joel Perlmann, who guides a research initiative, “Ethnicity and Economy in America—Past and Present,” that focuses on the processes by which immigrants and their descendants are assimilated into U.S. economic life. The Levy Institute believes that this work will shed light on current policy issues related to immigration, such as international competitiveness, the labor market, income distribution, and poverty.

The program comprises three research projects. The first, “The Jews circa 1900: Social Structure in Europe and America,” focuses on social characteristics that help to explain the rapid socioeconomic rise of eastern European Jewish immigrants who entered the American economy at the turn of the 20th century. Census data that were previously unavailable or not machine readable are used to examine social and economic characteristics of eastern European Jews who emigrated to the United States, as well as those who remained in Europe.

The second project, “Assimilation and the Third Generation,” explores the assimilation of immigrants into the socioeconomic mainstream of the United States, and the social and economic experiences of their American-born children. Special attention is paid to a few large groups whose absorption seemed especially slow and painful during the first and second generations: Irish immigrants who arrived in the mid 19th century, Italians and Poles who immigrated between 1880 and 1920, Mexicans who arrived throughout much of the 20th century, and southern-born blacks who migrated north. Census data are used in new ways in order to identify and trace second- and third-generation Americans.

The third project, “The New Immigration’s Second Generation,” conducted by Perlmann and Research Associate Roger Waldinger, reviews literature that deals with the economic progress and difficulties faced by children of today’s immigrants (i.e., at the turn of the 21st century). Their experiences are compared with those faced by children of immigrants at the turn of the 20th century.

*Themes of upward mobility and immigrant absorption are at the heart of American social history.*

—Joel Perlmann, *Italians Then, Mexicans Now*

## **RESEARCH GROUP**

Joel Perlmann, *Senior Scholar*  
Dimitri B. Papadimitriou, *President*  
Yuval Elmelech, *Research Associate*  
Roger Waldinger, *Research Associate*

## **PUBLICATIONS**

### **WORKING PAPERS**

#### **American Jewish Opinion about the Future of the West Bank: A Reanalysis of American Jewish Committee Surveys**

JOEL PERLMANN  
Working Paper No. 526, December 2007

#### **The American Jewish Committee's Annual Opinion Surveys: An Assessment of Sample Quality**

JOEL PERLMANN  
Working Paper No. 508, July 2007

#### **Who's a Jew in an Era of High Intermarriage? Surveys, Operational Definitions, and the Contemporary American Context**

JOEL PERLMANN  
Working Paper No. 507, July 2007

#### **Two National Surveys of American Jews, 2000–01: A Comparison of the NJPS and AJIS**

JOEL PERLMANN  
Working Paper No. 501, May 2007

#### **Surveying American Jews and Their Views on Middle East Politics: The Current Situation and a Proposal for a New Approach**

JOEL PERLMANN  
Working Paper No. 497, May 2007

#### **The American Jewish Periphery: An Overview**

JOEL PERLMANN  
Working Paper No. 473, August 2006

#### **The Local Geographic Origins of Russian-Jewish Immigrants, Circa 1900**

JOEL PERLMANN  
Working Paper No. 465, August 2006

#### **Dissent and Discipline in Ben Gurion's Labor Party: 1930–32**

JOEL PERLMANN  
Working Paper No. 458, July 2006



(left to right) Ajit Zacharias,  
Levy Institute, and Lois B. Shaw,  
Institute for Women's Policy  
Research

## PROGRAM 7

### **ECONOMIC POLICY FOR THE 21ST CENTURY, INCLUDING FEDERAL BUDGET POLICY AND EXPLORATIONS IN THEORY AND EMPIRICAL ANALYSIS**

Nearly all Levy Institute research focuses not only on economic analysis, but on the creation of possible strategies through which policymakers may solve the issue at hand. This program includes research on those macroeconomic policy areas most closely associated with public sector activities: monetary policy and financial institutions, federal budget policy, and the labor market. Examples of studies on monetary policy and financial institutions include explorations of the repercussions the euro's introduction has had on monetary and fiscal policies and monetary institutions within the European Community; the effectiveness of monetary policy; and Minskyan analyses of the current economic problems in the United States, Japan, and Brazil. Examinations of federal budget policies cover such topics as the effects of budget surpluses on the economy, the need for fiscal expansion to combat economic torpor, and analyses of the Social Security and health care systems.

#### **FEDERAL BUDGET POLICY**

The demographic shift resulting from the aging of the baby boomer generation presents a number of potential dilemmas for policymakers. Whether a shrinking working-age population can support its own dependents, in addition to retirees, has led to debates about the increasing size of Social Security, Medicare, and Medicaid budgets—now and in the future. Questions have been raised about whether these government programs can continue to function in the same manner, and achieve the same goals, as they do today. Will structural reform be necessary? Do we wish to provide the same, or a higher, level of support equally throughout the aging population? Should some, or all, benefits be “income tested”? What can be done today to offset the problems of the future?

*Most analyses . . .  
confuse the difference  
between financial  
provisioning and real  
provisioning for  
retirees in the future.*

—Dimitri B. Papadimitriou,  
introduction to *Government Spending  
on the Elderly*

In aggregate terms, fiscal debates have turned from what to do about growing federal budget surpluses to what constitutes the necessary size and composition of a stimulus package. Some economists have argued that, by creating a wider pool of funds available for investment, “fiscal responsibility” resulted in greater access to investment funds by private sector firms, which, in turn, stimulated economic growth. Others contend that the unprecedented growth of the 1990s happened in spite of budget surpluses and that if the composition of private versus public funding had been more in balance, growth and employment would have expanded even further. These debates are related to those that surround the current demand shortfall and to calls for fiscal stimulus: if budget surpluses were the cause of economic growth, an argument can be made that fiscal stimulus should focus on investment-targeted tax cuts. If, however, surpluses were the result of economic growth, then demand-led fiscal policies, such as spending programs and tax cuts aimed broadly over the income distribution, should be the focus.

In responding to the above-listed issues, Levy Institute scholars have concentrated recent research on evaluating proposals that would alter the structure of Social Security to deal with future funding shortfalls, privatize any or all of the Social Security program, and restructure Medicaid financing to widen the availability of funding for long-term care. Other recent analyses deal with specific budgetary issues, such as tax-cut proposals and evaluation of the causes and effects of federal budget surpluses.

#### **EXPLORATIONS IN THEORY AND EMPIRICAL ANALYSIS**

On occasion, scholars at the Levy Institute conduct research that does not fall within a current program or general topic area. Such study might include examination of a subject of particular policy interest, empirical research that has grown out of work in a current program area, or initial exploration in an area being considered for a new research program. Recent studies have included those on Harrodian growth models, the economic consequences of German reunification, and campaign finance reform.

#### **RESEARCH GROUP**

James K. Galbraith, *Senior Scholar*

Dimitri B. Papadimitriou, *President*

Rania Antonopoulos, *Research Scholar*

Philip Arestis, *Senior Scholar*

William J. Baumol, *Research Associate*

Jörg Bibow, *Research Associate*

Barry Bluestone, *Research Associate*

Robert E. Carpenter, *Research Associate*

Lekha S. Chakraborty, *Research Associate*

Pinaki Chakraborty, *Research Associate*

Korkut A. Ertürk, *Research Associate*

Marzia Fontana, *Research Scholar*

Mathew Forstater, *Research Associate*

Greg Hannsgen, *Research Scholar*

Thomas Karier, *Research Associate*

Stephanie A. Kelton, *Research Associate*

Feridoon Koohi-Kamali, *Research Associate and Editor*

William H. Lazonick, *Research Associate*

Jamee K. Moudud, *Research Associate*  
Mary O’Sullivan, *Research Associate*  
Thomas I. Palley, *Research Associate*  
Robert W. Parenteau, *Research Associate*  
James B. Rebitzer, *Research Associate*  
Malcolm Sawyer, *Research Associate*  
Willem Thorbecke, *Research Associate*  
W. Ray Towle, *Research Associate and Editor*  
Edward N. Wolff, *Senior Scholar*  
L. Randall Wray, *Senior Scholar*  
Ajit Zacharias, *Senior Scholar*

## **PUBLICATIONS**

### **PUBLIC POLICY BRIEF**

#### **Globalization and the Changing Trade Debate**

THOMAS I. PALLEY

Public Policy Brief No. 91, 2007 (Highlights, No. 91A)

The failure of the Doha Development Round of World Trade Organization (WTO) negotiations in July 2006 was the first major collapse of a multilateral trade round since World War II. Research Associate Thomas I. Palley sees the failure as an event that could mark the close of a 60-year era of trade policy largely centered on increasing market access and reducing tariffs, quotas, and subsidies. Doha’s demise represents an opportunity to challenge the intellectual dominance of the current WTO paradigm, to expose the failings of the neoliberal model of economic development, and to reposition the global trade debate.

Palley suggests the development of an alternative trade agenda in association with an exposition of the faulty economics of the existing policy paradigm. A critical element of the new agenda is the need to recognize that trade is an instrument, not the ultimate goal, of policy. The real policy goal is economic development in the context of a fair, inclusive, and politically acceptable globalization.

*In today’s world,  
where technology and  
methods of production  
are highly mobile,  
winning at trade  
involves strategic  
policy. . . .*

—From *Globalization and  
the Changing Trade Debate*

### **WORKING PAPERS**

#### **Fiscal Deficit, Capital Formation, and Crowding Out in India: Evidence from an Asymmetric VAR Model**

LEKHA S. CHAKRABORTY

Working Paper No. 518, October 2007

#### **Are the Costs of the Business Cycle “Trivially Small”? Lucas’s Calculus of Hardship and Chooser-dependent, Non-Expected Utility Preferences**

GREG HANNSGEN

Working Paper No. 492, March 2007

**Land Rental and Sales Markets in Paraguay**

THOMAS MASTERSON

Working Paper No. 491, February 2007

**Productivity, Technical Efficiency, and Farm Size in Paraguayan Agriculture**

THOMAS MASTERSON

Working Paper No. 490, February 2007

**Methodology and Microeconomics in the Early Work of Hyman P. Minsky**

JAN TOPOROWSKI

Working Paper No. 480, November 2006

**On the Minskyan Business Cycle**

KORKUT A. ERTÜRK

Working Paper No. 474, August 2006

**Gibson's Paradox II**

GREG HANNSGEN

Working Paper No. 448, May 2006

**Personality and Earnings**

KAYE K. W. LEE

Working Paper No. 443, February 2006





## CONFERENCES AND SYMPOSIA

**PROGRAM: THE STATE OF THE U.S. AND WORLD ECONOMIES**

**16TH ANNUAL HYMAN P. MINSKY CONFERENCE ON THE STATE OF THE U.S. AND WORLD ECONOMIES**

**GLOBAL IMBALANCES: PROSPECTS FOR THE U.S. AND WORLD ECONOMIES**

April 19–20, 2007

The Levy Economics Institute of Bard College

The 2007 Minsky conference drew upon public discussions on the state of the U.S. and world economies in the context of prevailing economic trends and their implications. The presenters—top policymakers, economists, and analysts—addressed such topics as fiscal and monetary policies for continued growth and employment; currency market fluctuations and the consequent exchange-rate misalignments, as well as possible cures; and the U.S. household and trade deficits, their implications for growth and employment, and their effect on the conduct of monetary and fiscal policy.

Difficulties adhering to the U.S. “housing boom” were considered and a number of key macro-financial questions regarding the U.S. economy were posed, to wit: Is household deficit spending on a sustainable trajectory? Is the U.S. economy headed for a soft or hard landing? Is the new financial architecture an efficient risk distributor or an incentive distorter? Are intelligent responses based on coherent or incomplete macro and policy frameworks?

The United States’ role in the global marketplace was examined in view of the current international economic landscape. Further discussion centered on global expansion and global imbalances as they relate to the entry of India, China, and the former Soviet Union into the global market economy.

**ABOVE**

**LEFT** (*left to right*) James E. Glassman, Robert J. Barbera, and James W. Paulsen

**RIGHT** Wolfgang Münchau

**OPPOSITE**

**LEFT** (*left to right*) Robert Z. Aliber and Torsten Slok

**RIGHT** Frederic S. Mishkin



#### **PARTICIPANTS**

Lakshman Achuthan, *Economic Cycle Research Institute*

Robert Z. Aliber, *University of Chicago*

Robert J. Barbera, *Investment Technology Group (ITG)*

Korkut A. Ertürk, *Levy Institute and University of Utah*

James K. Galbraith, *Levy Institute and University of Texas at Austin*

James E. Glassman, *JPMorgan Chase & Co.*

Greg Hannsgen, *Levy Institute*

Jan Kregel, *Levy Institute and University of Missouri–Kansas City*

Frederic S. Mishkin, *Federal Reserve Board*

Wolfgang Münchau, *Financial Times*

Dimitri B. Papadimitriou, *Levy Institute*

Robert W. Parenteau, *RCM*

James W. Paulsen, *Wells Capital Management*

Torsten Slok, *Deutsche Bank Securities, Inc.*

W. Ray Towle, *Levy Institute*

L. Randall Wray, *Levy Institute and University of Missouri–Kansas City*

Ajit Zacharias, *Levy Institute*



**PROGRAM: EMPLOYMENT POLICY AND LABOR MARKETS**

**CONFERENCE**

**EMPLOYMENT GUARANTEE POLICIES: THEORY AND PRACTICE**

October 13–14, 2006

The Levy Economics Institute of Bard College

This conference focused on those government policy initiatives that can create a safety net through public service employment for individuals who are ready, willing, and able to work but who find themselves in an economic environment that does not offer job opportunities.

Unemployment and involuntary “inactivity” are structural macroeconomic problems of both developed and developing economies. The negative effects of unemployment reach beyond the immediate economic losses to individuals and their families. The effects extend to the potential growth of the economy. Protracted periods of unemployment lead to multidimensional poverty, deterioration of communities, erosion of decent job conditions, and intolerance along racial and gender divides. There appears a connection, then, between the right to work and the role of government in guaranteeing employment. This connection ought to be part of the public policy dialogue.

The International Working Group on Gender, Macroeconomics, and International Economics (GEM-IWG), a global knowledge-sharing and capacity-building network, generously provided support for the conference by securing the participation and contributions of several GEM-IWG members.

**PARTICIPANTS**

Bola Akanji, *Nigerian Institute of Social and Economic Research; GEM-IWG*

Olagoke Akintola, *University of KwaZulu-Natal, Durban, South Africa*

Rania Antonopoulos, *Levy Institute*

Amit Bhaduri, *Jawaharlal Nehru University and University of Pavia*

Sanjaya DeSilva, *Bard College*

**ABOVE**

**LEFT** (*left to right*) Mathew Forstater and Rebeca Grynspan  
**RIGHT** (*left to right*) Rathin Roy, Hind Jalal, Steven Miller, and others

**OPPOSITE**

**LEFT** Amit Bhaduri (*center*) and others

**RIGHT** Lydia Santova Shouleva



Ahmed El Bouazzaoui, *Ministry of Economy and Finance, Rabat, Morocco;*

*GEM-IWG*

Valeria Esquivel, *Universidad Nacional de General Sarmiento, Buenos Aires; GEM-IWG*

Marzia Fontana, *Levy Institute and Institute of Development Studies, Sussex*

Mathew Forstater, *Levy Institute and University of Missouri–Kansas City*

Scott T. Fullwiler, *Wartburg College*

James K. Galbraith, *Levy Institute and University of Texas at Austin*

Rebeca Grynspan, *United Nations Development Programme*

Philip Harvey, *Rutgers University School of Law*

Indira Hirway, *Levy Institute and Centre for Development Alternatives, Ahmedabad, India;*

*GEM-IWG*

Hind Jalal, *Ministry of Economy and Finance, Rabat, Morocco; GEM-IWG*

Fadhel Kaboub, *Drew University*

Daniel Kostzer, *United Nations Development Programme, Buenos Aires*

Jan Kregel, *University of Missouri–Kansas City*

Santosh Mehrotra, *Planning Commission of the Government of India*

Martha Melesse, *International Development Research Centre, Canada*

Steven Miller, *International Labour Organization*

Dimitri B. Papadimitriou, *Levy Institute*

Corinne Pastoret, *University of Missouri–Kansas City*

Hamidou Poufon, *Cameroon School of Public Administration; GEM-IWG*

Mehnaz Rabbani, *BRAC, Bangladesh; GEM-IWG*

Rathin Roy, *United Nations Development Programme*

Lydia Santova Shouleva, *Member, 40th National Assembly of Bulgaria and Bulgarian Observer,*

*European Parliament*

Pavlina R. Tcherneva, *Bard College*

Martha Tepepa, *University of Missouri–Kansas City*

Ramaa Vasudevan, *Barnard College; GEM-IWG*

Saul Weisleder, *Permanent Mission of Costa Rica to the United Nations*

L. Randall Wray, *Levy Institute and University of Missouri–Kansas City*



**PROGRAM: GENDER EQUALITY AND THE ECONOMY**

**SYMPOSIUM**

**GENDER EQUALITY, TAX POLICIES, AND TAX REFORM**

May 17–18, 2006

The Levy Economics Institute of Bard College

This symposium focused on the gender dimensions of tax policy and tax reforms in countries at different levels of development. Topics included gender biases in direct taxation (including biases in individual and joint filing) and the structure of exemptions, deductions, and allowances; gender biases in indirect taxation, including VAT and excise or sales taxes; the impact of personal income taxation on labor supply, household production, and time use; gender issues in tax reform and fiscal decentralization; and methodological issues in tax-burden and tax-incidence analysis from a gender perspective.

The symposium was convened as part of the Gender Equality and the Economy (GEE) program at The Levy Economics Institute. The program considers how economic processes and policies affect gender equality, and how existing gender inequalities influence economic outcomes. GEE stimulates reexamination of key economic concepts, models, and indicators—with a particular view to reformulating policy—and offers a broader view of what an economy is and how it functions. The purpose of the program is to contribute knowledge that improves women’s status and helps them realize their rights in the United States and other countries.

**PARTICIPANTS**

Mimi Abramovitz, *Hunter College School of Social Work*

Fran Bennett, *University of Oxford*

Elissa Braunstein, *Colorado State University*

Tim Callan, *Economic and Social Research Institute, Ireland*

Bridget Crawford, *Pace University*

Diane Elson, *Levy Institute*

Lucía Fragoso, *Gender Equity: Citizenship, Labor, and Family, Mexico City*

**ABOVE**

LEFT Sue Himmelweit

RIGHT Claire Young

**OPPOSITE**

LEFT (*left to right*) Janet Stotsky,

Thitu Mwaniki, and Frances

Woolley

RIGHT Evelyne Huber



Caren A. Grown, *Levy Institute*  
Elisabeth Gugl, *University of Victoria, Canada*  
Heidi Hartmann, *Institute for Women's Policy Research*  
Sue Himmelweit, *Open University, United Kingdom*  
Evelyne Huber, *University of North Carolina at Chapel Hill*  
Herwig Immervoll, *Organisation for Economic Co-operation and Development and  
Institute for the Study of Labour, Bonn, Germany*  
Jane Kiringai, *Kenya Institute for Public Policy Research and Analysis*  
Horacio Levy, *Institute for Social and Economic Research, University of Essex*  
Naomi Mathenge, *Kenya Institute for Public Policy Research and Analysis*  
Thitu Mwaniki, *Institute of Economic Affairs, Kenya*  
Julie Nelson, *Global Development and Environment Institute, Tufts University*  
Dimitri B. Papadimitriou, *Levy Institute*  
Lisa Philipps, *York University, Canada*  
Corina Rodríguez Enríquez, *Centro Interdisciplinario para el Estudio de Políticas Públicas,  
Argentina*  
Terence Smith, *University of KwaZulu-Natal, Durban, South Africa*  
Janet Stotsky, *International Monetary Fund*  
Holly Sutherland, *Institute for Social and Economic Research, University of Essex*  
Tsu-Yu Tsao, *Bard College*  
Imraan Valodia, *University of KwaZulu-Natal, Durban, South Africa*  
Dennis Ventry, *University of California, Los Angeles*  
Paloma de Villota, *Universidad Complutense de Madrid, Spain*  
Bernadette Wanjala, *Kenya Institute for Public Policy Research and Analysis*  
Frances Woolley, *Carleton University, Canada*  
Claire Young, *University of British Columbia*  
Ajit Zacharias, *Levy Institute*



**PROGRAM: ECONOMIC POLICY FOR THE 21ST CENTURY**

**CONFERENCE**

**GOVERNMENT SPENDING ON THE ELDERLY**

April 28–29, 2006

The Levy Economics Institute of Bard College

The aging of the U.S. population will be a primary domestic public policy issue during the next decades. According to U.S. Census Bureau projections, the proportion of the elderly in the total population will increase from its 2002 level of 12.5 percent to 16.3 percent by 2020. Concomitantly, the proportion of the working-age population (20–64) is projected to decline from its current level, of about 59 percent, to 57.2 percent in 2020. These demographic changes imply a significant growth in the number beneficiaries in major federal entitlement programs. Apart from this factor, existing program rules and rapidly escalating health care costs are expected to lead to fiscal pressures and pose challenges for economic growth.

The United States is not alone in facing these challenges; in fact, in most countries with advanced economies, the problem is far more severe. The challenges of coping with an aging population require action in the near term in order to forestall difficult choices in the long term.

This conference provided an assessment of the forces that currently drive, and will continue to drive, government spending on retirees. Papers presented at the conference examined how the retirement and health care of older citizens might be financed, and measured the potential impact of different reform proposals.

**PARTICIPANTS**

Andrew Biggs, *U.S. Social Security Administration*

Zvi Bodi, *Boston University*

Axel Börsch-Supan, *Mannheim Research Institute for the Economics of Aging, University of Mannheim*

Clark Burdick, *U.S. Social Security Administration*

Barbara A. Butrica, *Urban Institute*

**ABOVE**

**LEFT** (*left to right*) Sergio Nisticò, L. Randall Wray, and Axel Börsch-Supan

**RIGHT** (*left to right*) Stephanie A. Kelton, Jagadeesh Gokhale, Clark Burdick, Shripad Tuljapurkar, and Hyunsub Kum

**OPPOSITE**

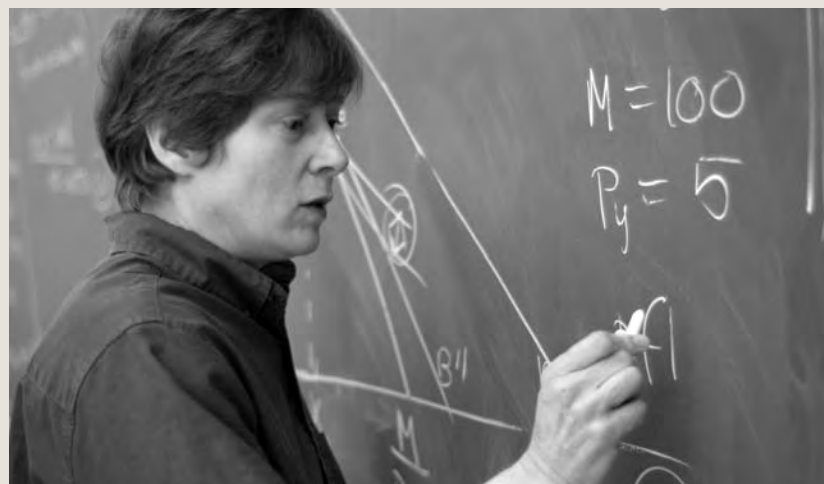
**LEFT** Zvi Bodi

**RIGHT** Teresa Ghilarducci



Melissa M. Favreault, *Urban Institute*  
Teresa Ghilarducci, *University of Notre Dame*  
Jagadeesh Gokhale, *Cato Institute*  
Caren A. Grown, *Levy Institute*  
Greg Hannsgen, *Levy Institute*  
Brooke Harrington, *Brown University*  
Robert Haveman, *University of Wisconsin–Madison*  
Michael Hurd, *RAND Corporation*  
Stephanie A. Kelton, *University of Missouri–Kansas City*  
Hyunsub Kum, *Levy Institute*  
James Marton, *University of Kentucky*  
Gordon B. T. Mermin, *Urban Institute*  
Sergio Nisticò, *University of Cassino*  
Dimitri B. Papadimitriou, *Levy Institute*  
Lucie G. Schmidt, *Williams College*  
Lois B. Shaw, *Institute for Women’s Policy Research*  
Karen E. Smith, *Urban Institute*  
Richard Startz, *University of Washington*  
C. Eugene Steuerle, *Urban Institute*  
Daniel L. Thornton, *Federal Reserve Bank of St. Louis*  
W. Ray Towle, *Levy Institute*  
Robert K. Triest, *Federal Reserve Bank of Boston*  
Shripad Tuljapurkar, *Stanford University*  
Barbara Wolfe, *University of Wisconsin–Madison*  
Edward N. Wolff, *Levy Institute*  
Stephen A. Woodbury, *Michigan State University*  
L. Randall Wray, *Levy Institute and University of Missouri–Kansas City*  
Ajit Zacharias, *Levy Institute*





## AFFILIATED PROGRAMS

The **Economics Program at Bard** is the branch of the College’s Division of Social Studies that inquires into “the nature and causes of the wealth of nations” (Adam Smith). The principal aim of an economics program offered within a liberal arts setting is not to train students in how to manage a business or maximize the value of an investment portfolio, but to show how alternative economic systems arise, why they succeed, and why they fail. Because issues of public policy invariably have an economic dimension, all informed citizens should be familiar with basic economic principles. The Economics Program offers several courses of general interest at the 100 level (no prerequisites), as well as courses of special interest to students concentrating in political studies, historical studies, sociology, philosophy, American studies, or community, regional, and environmental studies.

In the fall of 2007, Bard College began offering a five-year B.S./B.A. dual-degree program in economics and finance. Students receive both a B.S. degree in economics and finance and a B.A. degree in one of four academic divisions: Arts; Languages and Literature; Science, Mathematics, and Computing; or Social Studies (in a field other than economics). **The Bard Program in Economics and Finance** is designed to meet the needs of students who wish to achieve a broad education in the liberal arts and sciences, even as they prepare themselves for careers in the financial world.

**Economists for Full Employment** (EFE) is a knowledge-sharing initiative designed to link and mobilize a global community of economists, academics, public policy advocates, nongovernmental organizations (NGOs), and nonprofits. EFE’s principal objective is to place decent job creation at the center of development and macroeconomic policy strategies. EFE advances policy-oriented research that is linked to the design and implementation of full-employment schemes and works to improve employment outcomes by influencing and leveraging the policies and programs of development agencies and financial institutions.

### ABOVE

**LEFT** Sanjaya DeSilva, *Assistant Professor of Economics*

**RIGHT** Kris Feder, *Associate Professor of Economics*

### OPPOSITE

**LEFT** Tamar Khitarishvili, *Assistant Professor of Economics*

**RIGHT** Tsu-Yu Tsao, *Assistant Professor of Economics*



In 2007, the Levy Institute designed and launched an interactive website, as groundwork for creating EFE's operational network. The website provides news of upcoming events and links to other organizations and information networks; maintains a bibliographic database; offers—for use by governments, NGOs, and nonprofits—a list of experts in fields such as economics, engineering, and anthropology; and hosts an open forum for EFE members.

**Economists for Peace and Security (EPS)**, an independent not-for-profit organization housed at the Levy Institute, is an international network of economists with affiliates in 17 countries. Worldwide membership is approximately 1,000. Since 1989, EPS has been the economic community's voice on issues of war, armaments, and conflict reduction, and has served as a clearinghouse for research on these issues. The organization works to inform social scientists, citizens, journalists, and policymakers about the full costs of war and conflict, and to propose feasible alternative approaches to building international security. EPS is accredited with special consultative status by the United Nations' Department of Public Information, as well as its Economic and Social Council.

**The International Working Group on Gender, Macroeconomics, and International Economics (GEM-IWG)** was formed in 1994 for the purpose of promoting research, teaching, policymaking, and advocacy on gender-equitable approaches to macroeconomics, international economics, and globalization. GEM-IWG comprises five regional groups, as well as nine thematic groups (addressing specific subjects). These groups are composed of fellows, instructors, and participants from GEM-IWG's summer courses and conferences. GEM-IWG's Program on Knowledge Networking and Capacity Building, inaugurated in summer 2003, strengthens intellectual links among practitioners in networks working on similar issues, and is intended primarily for economists. The program consists of a self-study module and an intensive two-week course, followed by a conference.

## GRANTS TO THE LEVY INSTITUTE

The Levy Economics Institute gratefully acknowledges the financial support provided by the following organizations.

The **United Nations Development Programme** (UNDP) awarded the Levy Institute a grant to lead a research project on the impact of public employment guarantee schemes (EGS) on pro-poor development and gender equality. Public employment generates income for the poor, results in asset creation, and improves human development. However, extensive worldwide participation of women in EGS points to the fact that substituting unpaid work with public jobs can be instrumental for gender equity, because it simultaneously creates much-needed employment for, and alleviates the time burdens of, women.

The Levy Institute project consists of a pilot study exploring the synergies between EGS and unpaid work—including unpaid care work—in India and South Africa. The study will provide the empirical evidence necessary for policymakers to initiate innovative poverty-alleviation plans. The project team, led by Research Scholar Rania Antonopoulos, includes Research Associates Indira Hirway and Valeria Esquivel, and President Dimitri B. Papadimitriou.

The **Alfred P. Sloan Foundation** awarded a generous grant to support research within the Levy Institute Measure of Economic Well-Being (LIMEW) program. The ongoing LIMEW research project, “Long-Term Trends in Economic Well-Being in the United States and International Comparisons among Advanced Industrialized Countries,” is headed by Senior Scholars Edward N. Wolff and Ajit Zacharias. The initial phase of the research focused on constructing the LIMEW for two benchmark years, 1989 and 2000. Subsequently, estimates were developed for 1995, 2001, and 2002. The Sloan Foundation grant allows the research team to complete estimates for 2003 and 2004, extend the LIMEW for the United States back in time to 1962, and explore the feasibility of developing the LIMEW for a range of Organisation for Economic Co-operation and Development countries whose political-economic systems vary widely and whose governments carry out differing amounts of redistribution via social welfare spending and taxation.

The Levy Institute received a generous underwriting grant from the **Smith Richardson Foundation** in support of its project “Government Spending on the Elderly.” According to Census Bureau estimates, the elderly population will increase, and the working-age population decline, in the coming decades. In order to explore the implications of an aging society for the economy and for domestic public policy, the Institute commissioned a series of papers examining various aspects of the economics of aging, including the changing role of employer pensions in the United States, the adequacy of retirement resources among the soon-to-retire, and the effects of wage growth on the long-term solvency of Social Security. The papers were presented at a conference held at Blithewood in April 2006, and were subsequently issued as working papers by the Institute. Final papers were compiled in the volume *Government Spending on the Elderly*, edited by President Dimitri B. Papadimitriou and published by Palgrave Macmillan in fall 2007.

The **International Development Research Centre** (IDRC) and the **Ford Foundation** awarded major grants to the Levy Institute and the University of KwaZulu-Natal (South Africa) for coordinating an international project on the gender dimensions of taxation and tax policy reforms.

Studies in South Africa, Mexico, Argentina, India, and Morocco will form the basis for a comparative analysis of gender and taxation data from developing countries and will generate specific lessons for gender-aware tax reform within the context of globalization. Project outcomes will include an edited volume containing the case studies, information briefs for policy advocacy, and country-specific recommendations for tax policy and tax reform. This joint project emerged from discussions at the workshops and conferences of the International Working Group on Gender, Macroeconomics, and International Economics (GEM-IWG), organized at the University of Utah in 2004 and 2005 and supported by the Ford Foundation and the IDRC.

The Levy Institute received support from the **International Labour Organization** (ILO) for a primary background paper on the gendered division of labor in unpaid care work and paid work at the household level. The study examines the evolving international division of labor and the gender dimensions of new global production systems; effects of the paid–unpaid work interface on gender equality, with respect to decent work outcomes; and interconnections between individual and family poverty. The findings will be incorporated in the ILO’s forthcoming “Decent Work Report” on gender equality.

The ILO also provided support for the launch of an interactive website, as groundwork for creating an operational network to serve the goals of Economists for Full Employment (EFE). A knowledge-sharing initiative that grew out of an October 2006 Levy Institute conference on employment guarantee policies, EFE seeks to link and mobilize a global community of economists, academics, public policy advocates, nongovernmental organizations, and nonprofits, with the principal objective of placing decent job creation at the center of development and macroeconomic strategies. Research Scholar Rania Antonopoulos is coordinator of the project.

Senior Scholar Joel Perlmann has received a grant from the **Russell Sage Foundation** to write a book about ethnic and racial intermarriage in America since 1880, with a major focus on the descendants of the last great wave of immigrants (ca. 1890–1914), particularly Italian immigrants. An objective of Perlmann’s research is the linking of two great themes of American assimilation: intermarriage and upward socioeconomic mobility.

At the recommendation of **J. Ezra Merkin**, of Gabriel Capital Group, the Tehilah Foundation of the Jewish Communal Fund awarded a grant of \$13,000 to the Levy Institute. The grant helped underwrite Senior Scholar Joel Perlmann’s miniconference, “The American Jewish Periphery,” held at the Levy Institute in October 2006.

Among those with Jewish origins, there exists a marginal group whose members have only one Jewish parent or guardian, and whose connections to their Jewish roots are tenuous. This raises a number of questions about American Jewish life in the near term. What are the social characteristics and political outlook of this peripheral group? How do members of the group interact with the Jewish mainstream? When conducting community surveys and government censuses, what is the best way to account for the group?

Supplemental support for the two-day event was drawn from a grant that the Center for Cultural Judaism provided to Bard College’s Jewish Studies Program.

## BIOGRAPHIES OF LEVY INSTITUTE SCHOLARS

### WYNNE GODLEY

Ph.D., University of Oxford. *Current Positions*: Distinguished Scholar, Levy Institute; Senior Visiting Research Scholar, Cambridge Endowment for Research in Finance, Judge Institute of Management, University of Cambridge; Professor Emeritus of Applied Economics, University of Cambridge; Fellow, King's College. *Areas of Interest*: Stock-flow consistent macroeconomic models; analysis of accounting-based macroeconomic models, in order to reveal structural imbalances

#### SELECTED RECENT PUBLICATIONS

**“A Simple Model of Three Economies with Two Currencies: The Eurozone and the USA”**

(with M. Lavoie). *Cambridge Journal of Economics*, Vol. 31, No. 1, January 2007.

***Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth*** (with M. Lavoie). Palgrave MacMillan, 2007.

**“Thinking the Unthinkable: Can Trade Protection Be Benign?”** (with D. B. Papadimitriou and G. Zezza). *Milken Institute Review*, Second Quarter, 2006.



Wynne Godley

### RANIA ANTONOPOULOS

Ph.D., New School for Social Research. *Current Positions*: Research Scholar, Levy Institute; Visiting Associate Professor of Economics, Bard College. *Areas of Interest*: International competition and long-run determinants of exchange rates, gender and economics, gender dimensions of asset ownership

#### SELECTED RECENT PUBLICATIONS

**Commentary on L. B. Shaw’s “Differing Prospects for Women and Men: Young Old-Age, Old Old-Age, and Eldercare.”** D. B. Papadimitriou, ed. *Government Spending on the Elderly*. Palgrave Macmillan, 2007.

**“Asset Ownership along Gender Lines: Evidence from Thailand”** (with M. Floro). *Journal of Income Distribution*, Vol. 13, No. 3–4, Fall–Winter 2005.



Rania Antonopoulos

### PHILIP ARESTIS

B.A., Athens Graduate School of Economics and Business Studies; M.Sc., London School of Economics; Ph.D., University of Surrey. *Current Positions*: Senior Scholar, Levy Institute; University Director of Research, Cambridge Centre for Economic and Public Policy, Department of Land Economy, University of Cambridge. *Areas of Interest*: Economic policies of the Economic and Monetary Union, current monetary and fiscal policies

#### SELECTED RECENT PUBLICATIONS

***Advances in Monetary Policy and Macroeconomics*** (edited with G. Zezza). Palgrave Macmillan, 2007.

***Aspects of Modern Monetary and Macroeconomic Policies*** (edited with E. Hein and E. Le Heron). Palgrave Macmillan, 2007.

***Economic Growth: New Directions in Theory and Policy*** (edited with M. Baddeley and J. McCombie). Edward Elgar Publishing, 2007.



Philip Arestis

*Is There a New Consensus in Macroeconomics?* (ed.). Palgrave Macmillan, 2007.

*A Handbook of Alternative Monetary Economics* (edited with M. Sawyer). Edward Elgar Publishing, 2006.



Nilüfer Çağatay

#### **NİLÜFER ÇAĞATAY**

B.A. in economics and political science, Yale University; M.A. and Ph.D., Stanford University. *Current Positions:* Senior Scholar, Levy Institute; Associate Professor of Economics, University of Utah, Salt Lake City. *Areas of Interest:* Gender and development, international trade theories, engendering macroeconometrics and international trade theories and policies



Claudio H. Dos Santos

#### **CLAUDIO H. DOS SANTOS**

B.A., M.S., Universidade Federal do Rio de Janeiro, Brazil; Ph.D., New School for Social Research. *Current Positions:* Research Scholar, Levy Institute; Research Economist, Instituto de Pesquisa Econômica Aplicada, Brazil. *Areas of Interest:* Macroeconomics, national accounting, macroeconometrics

#### **SELECTED RECENT PUBLICATIONS**

“Keynesian Theorising during Hard Times: Stock-flow Consistent Models as an Unexplored ‘Frontier’ of Keynesian Macroeconomics.” *Cambridge Journal of Economics*, Vol. 30, No. 4, July 2006.

“Distribution and Growth in a Post-Keynesian Stock–flow Consistent Model” (with G. Zezza). N. Salvadori, ed. *Economic Growth and Distribution: On the Nature and Causes of the Wealth of Nations*. Edward Elgar Publishing, 2006.



Marzia Fontana

#### **MARZIA FONTANA**

M.Phil. in development studies and D.Phil. in economics, Institute of Development Studies, University of Sussex. *Current Position:* Research Scholar, Levy Institute. *Areas of Interest:* Gender inequalities and international trade, labor markets, and income distribution; gender constraints in general equilibrium models



James K. Galbraith

#### **JAMES K. GALBRAITH**

B.A., Harvard University; Ph.D., Yale University. *Current Positions:* Senior Scholar, Levy Institute; Professor, Lyndon B. Johnson School of Public Affairs and Department of Government, University of Texas at Austin; Director, University of Texas Inequality Project; Chair of the Board of Economists for Peace and Security. *Areas of Interest:* Employment and inequality, especially determinants of global inequality

#### **SELECTED RECENT PUBLICATIONS**

“Economic Equality and Victory in War: An Empirical Investigation” (with C. Priest and G. Purcell). *Defense and Peace Economics*, Vol. 18, No. 5, October 2007.

“Global Macroeconomics and Global Inequality.” D. Held and A. Kaya, eds. *Global Inequality: Patterns and Explanations*. Polity Press, 2007.

“Taming Predatory Capitalism.” *The Nation*, April 17, 2006.

“Endogenous Doctrine, or Why Is Monetary Policy in America So Much Better Than in Europe?” *Journal of Post Keynesian Economics*, Vol. 28, No. 3, Spring 2006.

*Innovation, Evolution and Economic Change: New Ideas in the Tradition of Galbraith* (edited with B. Laperche and D. Uzinides). New Directions in Modern Economics Series. Edward Elgar Publishing, 2006.

*Unbearable Cost: Bush, Greenspan and the Economics of Empire*. Palgrave Macmillan, 2006.

#### GREG HANNSGEN

B.A., Swarthmore College; M.A., Humphrey Institute of Public Affairs, University of Minnesota; M.A., Ph.D., University of Notre Dame. *Current Position*: Research Scholar, Levy Institute. *Areas of Interest*: Macroeconomics, monetary economics, social economics

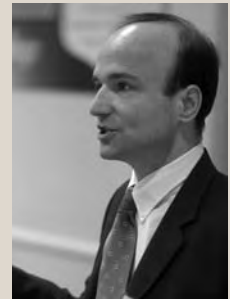
#### SELECTED RECENT PUBLICATIONS

“A Random Walk Down Maple Lane? A Critique of Neoclassical Consumption Theory with Reference to Housing Wealth.” *Review of Political Economy*, Vol. 19, No. 1, January 2007.

“Borrowing Alone: The Theory and Policy Implications of the Commodification of Finance.” B. J. Clary, W. Dolfmsa, and D. M. Figart, eds. *Ethics and the Market: Insights from Social Economics*. Routledge, 2006.

“The Disutility of International Debt: Analytical Results and Methodological Implications.” P. Arestis, J. Ferreiro, and F. Serrano, eds. *Financial Developments in National and International Markets*, Palgrave Macmillan, 2006.

“The Transmission Mechanism of Monetary Policy: A Critical Review.” P. Arestis and M. Sawyer, eds. *A Handbook of Alternative Monetary Economics*. Edward Elgar Publishing, 2006.



Greg Hannsgen

#### KIJONG KIM

B.S. in economics, Korea University; Ph.D. in applied economics, University of Minnesota, St. Paul. *Current Position*: Research Scholar, Levy Institute. *Areas of Interest*: Strengthening the gender aspect of macroeconomic modeling, including incorporating time-use data into the social accounting matrix and gender-oriented macro models; economic development in natural-resource-abundant countries; political economy; environmentally sustainable development



Kijong Kim

#### FERIDOON KOOHI-KAMALI

M.Sc. (Econ.), London University; D.Phil. in economics, University of Oxford. *Current Position*: Research Associate and Editor, Levy Institute. *Areas of Interest*: Consumption and analysis of household budgets in developing countries; gender bias and expenditure patterns, poverty and household size, price behaviors in tight food markets



Feridoon Koohi-Kamali

#### JAN KREGEL

University of Cambridge; Ph.D., Rutgers University. *Current Positions*: Senior Scholar, Levy Institute; Distinguished Research Professor of Economics, Center for Full Employment and



Jan Kregel

Price Stability, University of Missouri–Kansas City; Life Fellow, Royal Economic Society (U.K.).  
*Areas of Interest:* Price formation and market structure, international finance and development

#### SELECTED RECENT PUBLICATIONS

**“Construyendo mercados financieros domésticos para estabilizar los flujos de capital.”**

*I repensando el rol de los bancos nacionales de desarrollo: Funciones y desafíos futuros.* Alide, Lima, May 2007.

**“The Monetary Theory of Production and the Theory of the Circuit.”** *Storia del Pensiero*

*Economico*, Vol. 2, 2006.

**“Negative Net Resource Transfers as a Minskyian Hedge Profile and the Stability of the International Financial System.”** L. R. Wray and M. Forstater, eds. *Money, Financial*

*Instability and Stabilization Policy.* Edward Elgar Publishing, 2006.

**“Prefacio.”** J. Sicsu and F. Ferrari, eds. *Câmbio e controles de capitais.* Elsevier-Campus, 2006.

*International Finance and Development* (edited with J. A. Ocampo and S. Griffith-Jones).

Zed Books, 2006.



Thomas Masterson

#### THOMAS MASTERSON

Ph.D. in economics, University of Massachusetts, Amherst. *Current Position:* Research Scholar, Levy Institute. *Area of Interest:* Distribution of land, income, and wealth

#### DIMITRI B. PAPADIMITRIOU

B.A., Columbia University; M.A., Ph.D., New School for Social Research. *Current Positions:* President, Levy Institute; Executive Vice President and Jerome Levy Professor of Economics, Bard College. *Areas of Interest:* Macroeconomic modeling and policy; the Federal Reserve; monetary and fiscal policy; banking and financial structure; community development banking; distribution of income, wealth, and well-being

#### SELECTED RECENT PUBLICATIONS

*Government Spending on the Elderly* (ed.). Palgrave Macmillan, 2007.

**“Thinking the Unthinkable: Can Trade Protection Be Benign?”** (with W. Godley and G. Zezza). *Milken Institute Review*, Second Quarter, 2006.

*The Distributional Effects of Government Spending and Taxation* (ed.). Palgrave Macmillan, 2006.



Dimitri B. Papadimitriou



Joel Perlmann

#### JOEL PERLMANN

B.A., Hebrew University, Jerusalem; Ph.D. in history and sociology, Harvard University. *Current Positions:* Senior Scholar, Levy Institute; Levy Institute Research Professor, Bard College. *Areas of Interest:* American ethnic and racial intermarriage, people of mixed origin, and upward mobility since 1880; the use of ethnic categories in the collection of government data

#### SELECTED RECENT PUBLICATIONS

**“Assimilation and Intermarriage”** (with M. C. Waters). R. Ueda and M. Waters, eds. *The New Americans.* Harvard University Press, 2007.

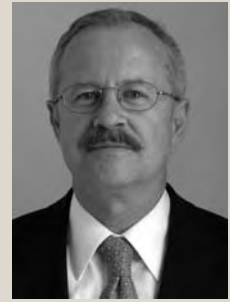
*Italians Then, Mexicans Now: Immigrant Origins and Second-generation Progress, 1890 to 2000.*

The Levy Economics Institute and Russell Sage Foundation, 2005



## W. RAY TOWLE

B.Sc., M.A., University of Alberta; Executive M.S., Zicklin School of Business, Baruch College, City University of New York; Ph.D., University of London. *Current Position:* Research Associate and Editor, Levy Institute. *Areas of Interest:* Macroeconomic forecasting, international financial systems, regional economic development, balanced budgets, deregulation



W. Ray Towle

## EDWARD N. WOLFF

A.B., Harvard College; M. Phil., Ph.D., Yale University. *Current Positions:* Senior Scholar, Levy Institute; Professor of Economics, New York University; Research Associate, National Bureau of Economic Research. *Areas of Interest:* Distribution of income and wealth, productivity growth



Edward N. Wolff

### SELECTED RECENT PUBLICATIONS

“**The Distributional Consequences of Government Spending and Taxation in the U.S., 1989 and 2000**” (with A. Zacharias). *Review of Income and Wealth*, Vol. 53, No. 4, December 2007.

“**The Levy Institute Measure of Economic Well-Being, 1989–2001**” (with A. Zacharias). *Eastern Economic Journal*, Vol. 33, No. 4, Fall 2007.

“**Impact of Wealth Inequality on Economic Well-Being**” (with A. Zacharias). *Challenge*, Vol. 50, No. 4, July–August 2007.

“**Net Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989–2001**” (with A. Zacharias and H. Kum) and “**The Adequacy of Retirement Resources among the Soon-to-Retire, 1983–2001.**” D. B. Papadimitriou, ed. *Government Spending on the Elderly*. Palgrave Macmillan, 2007.

*Does Education Really Help? Skill, Work, and Inequality*. Oxford University Press, 2006.

“**An Overall Assessment of the Distributional Consequences of Government Spending and Taxation in the U.S., 1989 and 2000**” (with A. Zacharias). D. B. Papadimitriou, ed. *The Distributional Effects of Government Spending and Taxation*. Palgrave Macmillan, 2006.

## L. RANDALL WRAY

B.A., University of the Pacific; M.A., Ph.D., Washington University in St. Louis. *Current Positions:* Senior Scholar, Levy Institute; Professor of Economics and Director of Research, Center for Full Employment and Price Stability, University of Missouri–Kansas City. *Areas of Interest:* Employer-of-last-resort programs, monetary economics, macroeconomics



L. Randall Wray

### SELECTED RECENT PUBLICATIONS

“**Veblen’s Theory of Business Enterprise and Keynes’s Monetary Theory of Production.**” *Journal of Economic Issues*, Vol. 41, No. 2, June 2007.

“**Global Demographic Trends and Provisioning for the Future.**” D. B. Papadimitriou, ed. *Government Spending on the Elderly*. Palgrave Macmillan, 2007.

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“**International Aspects of Current Monetary Policy.**” P. Arestis, M. Baddeley, and J. McCombie, eds. *The New Monetary Policy: Implications and Relevance*. Edward Elgar Publishing, 2006.

“**Money: An Alternative Story**” (with É. Tymoigne). P. Arestis and M. Sawyer, eds. *A Handbook of Alternative Monetary Economics*. Edward Elgar Publishing, 2006.

*Money, Financial Instability and Stabilization Policy* (edited with M. Forstater), including chapter 3, “System Dynamics of Interest Rate Effects on Aggregate Demand” (with L. Tauheed). Edward Elgar Publishing, 2006.



Ajit Zacharias

#### AJIT ZACHARIAS

B.A., University of Kerala; M.A., University of Bombay; Ph.D., New School for Social Research. *Current Position:* Senior Scholar, Levy Institute. *Areas of Interest:* Concepts and measurement of economic well-being, effects of taxes and government spending on well-being, valuation of noncash transfers, time use

#### SELECTED RECENT PUBLICATIONS

“The Distributional Consequences of Government Spending and Taxation in the U.S., 1989 and 2000” (with E. N. Wolff). *Review of Income and Wealth*, Vol. 53, No. 4, December 2007.

“The Levy Institute Measure of Economic Well-Being, 1989–2001” (with E. N. Wolff). *Eastern Economic Journal*, Vol. 33, No. 4, Fall 2007.

“Impact of Wealth Inequality on Economic Well-Being” (with E. N. Wolff). *Challenge*, Vol. 50, No. 4, July–August 2007.

“Net Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989–2001” (with E. N. Wolff and H. Kum). D. B. Papadimitriou, ed. *Government Spending on the Elderly*. Palgrave Macmillan, 2007.

“An Overall Assessment of the Distributional Consequences of Government Spending and Taxation in the U.S., 1989 and 2000” (with E. N. Wolff). D. B. Papadimitriou, ed. *The Distributional Effects of Government Spending and Taxation*. Palgrave Macmillan, 2006.



Gennaro Zezza

#### GENNARO ZEZZA

Degree in economics, University of Naples. *Current Positions:* Research Scholar, Levy Institute; Associate Professor, Faculty of Law, University of Cassino, Italy. *Areas of Interest:* Macroeconomic modeling; economic growth, innovation, and regional convergence; distance learning

#### SELECTED RECENT PUBLICATIONS

*Advances in Monetary Policy and Macroeconomics* (edited with P. Arestis). Palgrave Macmillan, 2007.

“Thinking the Unthinkable: Can Trade Protection Be Benign?” (with W. Godley and D. B. Papadimitriou). *Milken Institute Review*, Second Quarter, 2006.

“Distribution and Growth in a Post-Keynesian Stock Flow–Consistent Model” (with C. H. Dos Santos). N. Salvadori, ed. *Economic Growth and Distribution: On the Nature and Causes of the Wealth of Nations*. Edward Elgar Publishing, 2006.

## BOARD, ADMINISTRATION, AND RESEARCH STAFF

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FERIDOON KOOHI-KAMALI, *Research Associate and Editor*

W. RAY TOWLE, *Research Associate and Editor*

BARBARA ROSS, *Editor*

JULIET MEYERS, *Web Services Coordinator*

BARBARA A. MURPHY, *Digital Content Manager*

ELIZABETH DUNN, *Administrative Assistant*

### RESEARCH STAFF

#### *Scholars*

WYNNE GODLEY, *Distinguished Scholar*

RANIA ANTONOPOULOS, *Research Scholar*

PHILIP ARESTIS, *Senior Scholar*

NILÜFER ÇAĞATAY, *Senior Scholar*

CLAUDIO H. DOS SANTOS, *Research Scholar*

MARZIA FONTANA, *Research Scholar*

JAMES K. GALBRAITH, *Senior Scholar*

GREG HANNSGEN, *Research Scholar*

KIJONG KIM, *Research Scholar*

FERIDOON KOOHI-KAMALI, *Research Associate and Editor*

JAN KREGEL, *Senior Scholar*

THOMAS MASTERSON, *Research Scholar*

DIMITRI B. PAPADIMITRIOU, *President*

JOEL PERLMANN, *Senior Scholar*  
W. RAY TOWLE, *Research Associate and Editor*  
EDWARD N. WOLFF, *Senior Scholar*  
L. RANDALL WRAY, *Senior Scholar*  
AJIT ZACHARIAS, *Senior Scholar*  
GENNARO ZEZZA, *Research Scholar*  
MELISSA MAHONEY, *Research Assistant*  
TAUN TOAY, *Research Assistant*

***Research Associates***

WILLIAM J. BAUMOL, *New York University*  
JÖRG BIBOW, *Skidmore College*  
BARRY BLUESTONE, *Northeastern University*  
ROBERT E. CARPENTER, *University of Maryland, Baltimore County*  
LEKHA S. CHAKRABORTY, *National Institute of Public Finance and Policy, New Delhi, India*  
PINAKI CHAKRABORTY, *National Institute of Public Finance and Policy, New Delhi, India*  
YUVAL ELMELECH, *Bard College*  
KORKUT A. ERTÜRK, *University of Utah*  
VALERIA ESQUIVEL, *Universidad Nacional de General Sarmiento, Buenos Aires*  
MARIA SAGRARIO FLORO, *American University*  
MATHEW FORSTATER, *University of Missouri–Kansas City*  
ROBERT HAVEMAN, *University of Wisconsin–Madison*  
INDIRA HIRWAY, *Centre for Development Alternatives, Ahmedabad, India*  
CHRISTOPHER JENCKS, *Harvard University*  
THOMAS KARIER, *Eastern Washington University*  
STEPHANIE A. KELTON, *University of Missouri–Kansas City*  
HYUNSUB KUM, *Seoul National University*  
WILLIAM H. LAZONICK, *University of Massachusetts, Lowell; INSEAD*  
SUSAN E. MAYER, *University of Chicago*  
BRANKO MILANOVIC, *World Bank; Johns Hopkins University*  
JAMEE K. MOUDUD, *Sarah Lawrence College*  
MARY O’SULLIVAN, *INSEAD*  
THOMAS I. PALLEY, *Economics for Democratic and Open Societies*  
ROBERT W. PARENTEAU, *RCM*  
JAMES B. REBITZER, *Case Western Reserve University*  
MALCOLM SAWYER, *Leeds University Business School*  
STEPHANIE SEGUINO, *The University of Vermont*  
JACQUES SILBER, *Bar-Ilan University, Ramat-Gan, Israel*  
PAVLINA R. TCHERNEVA, *Bard College*  
WILLEM THORBECKE, *George Mason University*  
IMRAAN VALODIA, *School of Development Studies (SDS), University of KwaZulu-Natal,  
Durban, South Africa*  
ROGER WALDINGER, *University of California, Los Angeles*  
BARBARA WOLFE, *University of Wisconsin–Madison*

The Levy Institute's main research and conference facility is Blithewood, an early-20th-century mansion on the campus of Bard College, located 90 miles north of New York City in Annandale-on-Hudson, New York. Bard College is an independent, nonsectarian, residential, coeducational institution offering a four-year B.A. program in the liberal arts and sciences and a five-year B.S./B.A. degree in economics and finance.

In 1860 John Bard donated a portion of the Blithewood estate for the founding of St. Stephen's College, which later became Bard College. Captain Andrew Zabriskie bought the remainder of the estate in 1899 and commissioned Francis L. V. Hoppin, an alumnus of the prestigious architectural firm McKim, Mead & White, to design the manor house and formal garden. The classical Italianate garden, 135 feet by 109 feet, sits behind the Georgian mansion and is integrally connected to its design.

After the Levy Institute was established in 1986, Blithewood—which overlooks the Hudson River—underwent a full-scale restoration. The project was carried out under the direction of James Polshek and Partners, the architectural firm noted for its restoration of Carnegie Hall. Shelby White led the effort to restore the garden. White is the widow of Leon Levy (1925–2003), who was the founder of the Levy Institute, chairman of its Board of Governors, and life trustee of Bard College.

#### **THE LEVY ECONOMICS INSTITUTE OF BARD COLLEGE**

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

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

FAX 845-758-1149

E-MAIL [info@levy.org](mailto:info@levy.org)

WEBSITE [www.levy.org](http://www.levy.org)

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