The Levy Economics Institute of Bard College

LEVY INSTITUTE

Report

JUNE 2002 VOLUME 12, NUMBER 2

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

GARY H. STERN SPEAKS TO THE PRESS AT THE CLOSE OF THE 12TH ANNUAL MINSKY CONFERENCE

When recession hit the United States in 2001 it was widely believed that the country was facing a long-term downturn. Many economic analysts now believe that the U.S. economy is already on the path to recovery. Others, however, express caution and note that economic indicators point to a less-than-robust recovery. This uncertainty over how strong the economic recovery might be, if there is one, makes for difficulty in designing economic policy. At the 12th Annual Hyman P. Minsky Conference on Financial Markets, held on April 25 in New York City, participants from government, business, and academe gathered to discuss such questions as "what is the state of the U.S. economy?" and "what policies ought now to be adopted?" Brief summaries of participants' comments follow.

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The Levy Economics Institute of Bard College, founded in 1986, is a nonprofit, nonpartisan research organization devoted to public service. Through scholarship and economic research it generates viable, effective public policy responses to important economic problems that profoundly affect the quality of life in the United States and abroad.

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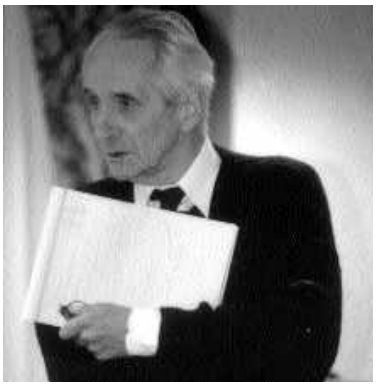
Speaker: Wynne Godley

For the past two years, Distinguished Scholar Wynne Godley and Research Scholar Alex Izurieta have worked jointly on research projects for the Levy Institute's Strategic Analysis publication series. In past papers, the pair have warned that, despite the great strides being made by the U.S. economy, the growth of aggregate demand was so structured as to be unsustainable. In presenting their most recent findings, Godley stated that, although the economy appears to be in recovery, Americans should not be complacent: dangers do still exist.

Many analysts and policymakers attribute the U.S. economy's quick rebound from recession to the New Economy's natural resilience and to aggressive interest rate reductions by the Federal Reserve. Godley sharply disagrees: too little credit, he says, has been given to fiscal policy, which he points out went through major changes in the past year. In January 2001 the Congressional Budget Office projected budget surpluses of $313 billion for 2002 and $359 billion for 2003. Two months later, those figures were revised to deficits of $46 billion and $40 billion respectively. The obvious conclusion, Godley said, is that the government proposes to inject large sums of money into the economy, a move in the right direction and exactly the sort of relaxation of fiscal policy that he and Izurieta had called for in past Strategic Analysis papers.

Godley next presented three five-year projections of the U.S. economy, pointing out strategic problems that could arise within each and offering alternatives for dealing with them. According to his and Izurieta's recent research, he said, four main conclusions can be drawn. First, personal and corporate debt are both high relative to income, which makes the economy vulnerable to shocks. Second, the government's fiscal stance, as projected by the CBO, is unlikely to halt a rise in unemployment after 2003. Third, a major relaxation of fiscal stance after 2003 could generate an adequate growth rate, but only at the cost of large and growing budget and balance of payments deficits. Fourth, a rapid expansion of net export demand could generate adequate growth while eliminating government and private sector deficits. This last, however, would require several conditions. If it occurred, for example, as the result of a major devaluation of the dollar not offset by higher inflation, a substantial reduction in U.S. absorption of goods and services would be required. Foreign countries would also need to enact expansionary measures to offset the disinflationary shock caused by improvement in the U.S. balance of payments. Godley was not optimistic about either condition being met.



WYNNE GODLEY

Speaker: Anthony M. Santomero

Anthony M. Santomero, president of the Federal Reserve Bank of Philadelphia, said that much can be learned from the recent recession. This was unique in that the economy suffered a number of negative shocks over a short period of time—the September 11 terrorist attacks, the collapse of Enron,a bursting stock bubble,and numerous global financial and military crises—and yet experienced one of the mildest recessions on record. Santomero credited four factors with helping to moderate the recession: monetary and fiscal policies, the strength of financial markets, business productivity, and consumer confidence.

Although some economists are heaping praise on monetary policymakers for their quick and effective action, Santomero said that it was nothing new: the Federal Reserve acted as it has in the past and the same sort of response can be expected in similar situations that might arise in the future. What was not so typical in this recent recession was fiscal policy. Federal government actions, such as the tax rebates given out last summer and increased security spending after September 11, did help to stimulate the economy. However, Santomero pointed out,some of these fiscal policies were planned before the recession and others were the result of a unique situation—a terrorist attack. We cannot expect these same policies in a future recession. Thus, with regard to

ANTHONY M. SANTOMERO

government policy, monetary policy will remain the main tool for dealing with recessions.

Although monetary and fiscal policies were beneficial,said Santomero, the other three moderating factors are related to the private sector and they are likely to remain important moderating factors in the future. The financial sector entered the recession in a relatively strong position. Banks had learned their lessons from the losses of the 1990s and had become more cautious in their lending practices. Thus, when the recession began they had strong balance sheets and were able to continue lending throughout. In general, financial markets did a good job anticipating Fed actions and the impacts of those actions.

Businesses initially helped to push the country into a recession when they cut investment spending, but those same cost-cutting measures then played a role in moderating the recession. Faced with softening demand, businesses sought to cut inventories and production, shedding employees. They then instituted price reductions, which worked to stimulate consumer demand. This continuous consumer spending was the fourth factor that moderated the recession. Whether consumer confidence will be there in future recessions is unknown; however, said Santomero, the private sector, rather than the public, will more likely be the moderating force. Thus, federal policies should aim for long-term expansion and support of the private sector.

Session 1. The State of the U.S. Economy: A View from the Street

This session was moderated by DAVID LEONHARDT, economics writer with the New York Times. Participants were ROBERT J. BARBERA, executive vice president and chief economist, Hoenig & Co., Inc.; RICHARD BERNER, managing director and chief U.S. economist, Morgan Stanley Dean Witter & Co.; and MICKEY D. LEVY, chief economist, Bank of America.

Barbera stated that he expects the U.S. economy to experience a modest recovery, but not to return to the sort of boom seen during the 1990s. In rebounding, it faces two major challenges.First, due to the collapse of Enron, accounting standards are likely to be tightened. As a result, companies will lose the accounting system flexibility that contributed to their overvalued stock. The Brave New World economy depended on these accounting practices. It also depended on peace. Thus, the second challenge facing the economy is the U.S. war on terrorism, a conflict that seems likely to continue for some time.

Berner, in turn, predicted a healthy U.S. economic recovery, but one with much slower growth than previously. While he agrees with Barbera that challenges exist—restrictive financial conditions, one of the widest current account gaps on record, and a possible housing bubble—he is optimistic that they can be overcome. Demand for credit is likely to increase in 2003. Capital spending will probably rebound. While the current account gap is unlikely to change any time soon, there seems to be no imbalance between supply and demand in the housing market and therefore,no likely crash.

In contrast to his fellow panelists, Levy asserted that, as evidenced by how well it survived negative shocks in recent years, the basic structure of the U.S. economy is quite strong. Many economists fail to see this strength because some of its causes (for example, labor market and business structure flexibility and policymakers' ability to make quick adjustments when necessary) are difficult to quantify in economic analysis. The U.S. economic recovery, Levy predicted, will be not only healthy, but sustainable.

Session 2. Macroeconomic Issues in the Recovery

Moderator for this session was LAURENCE H. MEYER, distinguished visiting scholar, Center for Strategic and International Studies, and former governor of the Federal Reserve Board. Participants were LAKSHMAN ACHUTHAN, managing director, Economic Cycle Research Institute; JAMES E. GLASSMAN, senior economist and managing director, J. P. Morgan & Co.; and CHRIS VARVARES, president, Macroeconomic Advisers, LLC.

LEFT TO RIGHT: ROBERT J. BARBERA, RICHARD BERNER, AND MICKEY D. LEVY;
CHRIS VARVARES, LAURENCE H. MEYER, LAKSHMAN ACHUTHAN, AND JAMES E. GLASSMAN

The quick recovery of the U.S. economy from this latest recession has led some to argue that perhaps it was not a recession at all. Achuthan called this dangerous thinking, because not taking this recession seriously could lead the nation to underestimate the risk of future such events. If one examines the definition of a recession—two quarters of negative growth in the gross domestic product and significant declines in output, income, employment, and trade—economic data clearly show that the U.S. was in a recession. Achuthan credited aggressive fiscal and monetary policies with bringing it to a quick end.

Despite the recent recession, Glassman said that there is still much optimism in the market and he does not expect this to change. He attributes this optimism to the fact that recovery prospects are very good due to the aggressive, stimulative policies of the Federal Reserve, and to federal fiscal policies. Also, continued consumer spending during the recession lowered inventory stocks to a point that production may now pick up to replenish them. Profits also seem to be improving and Glassman expects businesses to increase hiring this summer. He does not feel that this optimism is misplaced; the Fed, he said, is likely to remain extremely vigilant throughout this recovery and will act quickly at the first sign of trouble.

Varvares said that the recession may be over, but concerns persist. He attributes the recovery to successful monetary and fiscal policies,a rebound in confidence,and several temporary factors such as a mild, dry winter and reduced energy prices. These factors, however, may not be sustainable. For example, a rise in federal spending helped speed the recovery, but the federal government may not be able to maintain that spending through the 2003 and 2004 fiscal years.

Speaker: Gary H. Stern

Gary H. Stern, president of the Federal Reserve Bank of Minneapolis, cautioned against optimism by policymakers and economists about their ability to forecast short-term economic conditions. Monetary policymakers, in particular, have a desire to adopt policies that will ward off problems, but they tend to forget that economic policy always deals with uncertainty. Moderate policies, he said, are the best approach. Despite many shocks over the past dozen years, the U.S. economy continued to grow, a demonstration not of the success of federal policy, but rather the resilience of the economy.

Economists and policymakers, Stern believes, should take into account recent findings about two major economic sectors. The business sector does not necessarily agree with the conventional wisdom that the U.S. economy is on the rebound. Many businesses have yet to adjust to a low-inflation environment;as a result,they are still feeling pressure on their bottom lines and have a more negative view of the economy. Labor, due to its attendant wage pressure, is often considered a key factor in inflation. Research has shown, however, that it is not a reliable forecasting tool; in fact, many analysts have even called for the discarding of NAIRU (nonaccelerating inflation rate of unemployment), once considered key to the process.

The bottom line,Stern said,is that economic forecasting is difficult. No one really knows what will happen in the short term. Policymakers need to accept this and act cautiously and as correctly as possible. The U.S. economy is resilient;it does a good job of taking care of itself.

Audiocasts of conference speakers and sessions are available on the Levy Institute website (www.levy.org).

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

Scholars gathered at the Levy Institute May 9–10 to discuss their research on gender-aware economics. The purpose of the symposium was to provide researchers with a venue to present their latest research, obtain feedback from fellow scholars, and discuss future directions in research and policy. Brief synopses of the sessions follow. The symposium was sponsored by the Ford Foundation, the Levy Institute, the MacArthur Foundation,and the University of Utah economics department.

Session 1. Gender Inequality, Growth, and Investment

Facilitator for this session was DIANE ELSON of the University of Essex. Participants were STEPHANIE SEGUINO of the University of Vermont, DAVID KUCERA of the International Labour Organization, WILLIAM DARITY JR. of the University of North Carolina at Chapel Hill,and Senior Scholar EDWARD N. WOLFF of New York University.

Seguino discussed the contribution of gender inequality to the rapid economic growth of many Asian economies. The low wages paid to female workers helped to reduce unit labor costs; between 1975 and 1990,the economies of those nations that most disadvantaged women grew the fastest. Kucera discussed the effect of labor standards on foreign direct investment (FDI). He noted that most studies of FDI focus on labor costs and ignore the effects of labor standards, despite the common belief that investors favor countries with lower labor standards. Kucera presented research that indicates the opposite—that investors actually seem to favor countries with higher labor standards.

Darity, a discussant, said that although the two papers in this session address the issue of inequality and growth, both ought to be linked more with theory. He suggested that Kucera expand his paper to focus on more than just FDI, perhaps to include such things as inequality indicators, immigrant labor, and net investment. Wolff, also a discussant, found Seguino's research interesting and suggested that even more detail would be helpful: for example, the percentage of economic growth that was due to the gender-wage gap.

Session 2. Gender Inequality and Trade I

Participants in this session were NILÜFER ÇAGATAY of the University of Utah, CAREN GROWN of the International Center for Research on Women, IRENE VAN STAVEREN of the Institute of Social Studies in The Hague, and WILLIAM MILBERG of New School University.

Çagatay presented research that examined the impact of trade liberalization on gender inequalities and that of gender inequalities on trade performance. Trade policies and performance have different impacts on men and women, and therefore,Çagatay said, gender analysis is necessary in order to develop effective policies because, as a result of gender-based inequalities, trade liberalization policies do not always yield expected results. Grown, presenting research from a paper coauthored by Seguino, addressed the question of how to shape policies to promote gender equity. Such policies, she noted,are often an afterthought, and argued that they need to focus more on developing opportunities for women, most of whom are segregated into low-wage, export-oriented, labor-intensive industries. Discussants van Staveren and Milberg raised some issues with the papers' policy suggestions. It was noted that the wage-led economy suggested in Grown's paper may not be possible.

Session 3. Gender Inequality and Trade II

Facilitator for this session was RADHIKA BALAKRISHNAN of Marymount Manhattan College. Participants were MARZIA FONTANA of the International Food Policy Institute, JAYATI GHOSH of Jawaharlal Nehru University, MUMTAZ KEKLIK of the United Nations Development Programme, GROWN, and ELSON.

Fontana presented research that examined the impact of trade policy changes on female workers in Bangladesh and Zambia. She argued that men and women are affected differently but that there are also variations among women depending on their educations, household wealth, whether a woman

is head of their household, and whether they live in a rural or an urban area. Ghosh addressed the issue of feminization and presented research that examined female employment in India's export-oriented manufacturing industry during the era of globalization. One important finding is that much female labor is found in informal and unorganized workplaces,making them less reachable by government policies.

Keklik, as a discussant, addressed Fontana's paper and noted that it required further research. The model used should consider other factors, such as government finances, especially when applied to Zambia. Grown discussed the paper by Ghosh and said that it led to the question of how to integrate the issue of feminization into settings other than India, or Asia in general. Elson pointed out that Fontana, whose research addressed the issue of leisure time,may need a better measurement of leisure.

Session 4. Gender Inequality and Trade III

Facilitator for this session was ELSON. Participants were GUNSELI BERIK of the University of Utah, SHAIANNE OSTERREICH of Ithaca College, ELLEN HOUSTON of New School University, GHOSH, and KUCERA.

Berik's research examined the impact of competition from international trade on the gender-wage gap in Taiwan and South Korea between 1980 and 1999. She found that in both countries, an increase in international competitiveness over time in concentrated industries was associated with a widening in the gender-wage gap. Osterreich presented research that investigated the links between gender inequalities in labor markets, North-South manufacturing terms of trade, and uneven development. She argued that the research supports the view that gender-wage gaps in the semi-industrialized middle-income countries are associated with a decline in the terms of trade in manufacturing with industrialized economies. Houston addressed the question of whether gender inequality was good for trade performance. She said that research indicates that countries with greater gender inequality perform better in trade. However, Houston noted, it is difficult to prove this conclusively due to the absence of good wage data.

In discussing Berik's paper, Ghosh said that some questions remain. For example, the research does not seem to address the effects of the financial crisis of 1998 and 1999. Nor does it take into account the impacts of imports on the gender-wage gap. Ghosh noted that she disagreed with the hypothesis of Osterreich's paper, while Kucera said that it would be interesting to take the sample of countries used and drop one at a time into the analysis to see how the results change.

Session 5. Gender-Sensitive Financial Reform and Monetary Policy: A Roundtable Discussion (Part I)

ELSON was facilitator for this session. Participants were AJIT SINGH of the University of Cambridge, ANNE ZAMMIT of the United Nations Research Institute for Social Development, KORKUT ERTURK of the University of Utah,and BRIGITTE YOUNG of the University of Muenster.

Singh and Zammit presented collaborative research that examined the gender impact of international capital flows on developing countries. Their findings indicate that, at the macroeconomic level, women lose more from slow and/or unstable economic growth, financial crises, and meltdowns than do men. The situation for women in developing countries, they suggested, could be improved with publicly provided social security systems. Other measures could also be adopted to mitigate the effects of capital flows on women in particular. In his own discussion of capital flows, Erturk stated the need for reforms in the international financial system, such as a Tobin tax, in order to bring about more stability. Young also called for more state regulation of international capital flows, pointing out that research shows that women suffer more from instability in the international financial system than do men.

Session 6. Gender-Sensitive Financial Reform and Monetary Policy: A Roundtable Discussion (Part II)

Facilitator for this session was ELSON. Participants were VAN STAVEREN, GERALD EPSTEIN of the University of Massachusetts, and GÜLAY CAGLAR of the University of Kassel.

The first speaker, van Staveren, noted that global financial policy is most often determined by men, who are not affected by the global financial system in the same way as women.She called for changes in policy that would consider the repercussions of policy decisions on women and suggested, for one,

that the World Bank invest more in human development policies, which tend to provide increased benefits for women. Epstein addressed the issue of central bank policies. He noted that most central banks focus on controlling inflation and suggested that they ought to focus on full employment instead. Policies that promote employment are more beneficial for women. Caglar focused on the issue of budgeting and argued that countries should adopt gender-sensitive budgeting. This can easily be done within the framework of current budgeting systems.

Session 7. Gender-Aware Macroeconomics

YOUNG was facilitator for this session. Participants were ISABELLA BAKKER of York University, HAROON AKRAM-LODHI of the Institute of Social Studies in The Hague, CHARLES ABUGRE of the Integrated Social Development Centre in Ghana, FONTANA, and ROSANNA GALLI of the University of Lugano.

Bakker discussed research into the links between unpaid work and the macroeconomy. She noted that more women than men tend to be involved in unpaid work, such as child care and elder care, yet their contribution is rarely recognized in economic research or considered in economic policy debates. Akram-Lodhi discussed research into public finance in Vietnam and called for gender awareness in budgeting. (The nation attempted to take this into account at one time, but was not successful.) He placed part of the blame on World Bank policies that set requirements for nations without consideration of gender issues. Aubugre discussed the DEEP model, designed to give greater insight into the social impacts of financial policies, especially those imposed on countries by the International Monetary Fund. Such a model is necessary, he argued, in order to design better policies aimed at reducing poverty.

The discussants, Fontana and Galli, noted the benefits each paper provided to the research on gender and economic policy. However, in commenting on the model presented by Aubugre, Fontana noted that it seemed much more complex than necessary and perhaps should focus on one main objective.

Session 8. What Have We Learned and Where Do We Go from Here?

Participants for this final session were ELSON, ERTURK, AUBUGRE, and BALAKRISHNAN, who discussed the overall lessons learned from the symposium and raised questions for future research.One clear problem is that not enough data are yet available to draw concrete conclusions from much of the research. Among the suggestions in the final session were to develop more and better data, expand the issue of gender-aware economics into other areas of economic study, and create better models.

New Working Papers

Dollarization: A Dead End

Alex Izurieta
Working Paper No. 344
www.levy.org/docs/wrkpap/papers/344.html

Several developing countries that have experienced successive failures of exchange rate and monetary management have considered tying the value of their currencies to the U.S. dollar. In this working paper, Research Scholar Alex Izurieta examines the case for "dollarization" and finds that it may not provide the financial stability these countries seek. He presents a theoretical model that shows that, contrary to the commonly accepted view, a dollarized economy would experience financial instability in the event of external shocks should it attempt to operate discretionary fiscal policies.

Izurieta argues that shocks not simultaneously contained by adjustments to spending lead to ever-increasing fiscal and current account deficits because public sector borrowing requirements can only be financed by selling bonds in the open market at constantly rising rates of interest. Hence, such a path cannot be an option. Alternatively, if fiscal spending were curbed at par with the shock, external and current account balances would converge to equilibrium, but trigger a recession and increased unemployment. Since this, too, is unacceptable, dollarization turns out to be a "dead end."

The "Third Way" and the Challenges to Economic and Monetary Union Macropolicies

Philip Arestis
Working Paper No. 345
www.levy.org/docs/wrkpap/papers/345.html

In this working paper, Visiting Senior Scholar Philip Arestis examines three issues: "third way" economics, the theoretical and policy framework of the European Monetary Union (EMU), and EMU macropolicies. He begins with an analysis of eight elements that underpin third way economics that are embedded in New Keynesianism (the basis for the economic model surrounding the EMU). The key challenge facing the EMU, he says,is whether its policies are adequate to deal with the problems of unemployment and inflation in order to achieve and maintain a framework of full employment. Arestis asserts that they are not.

Arestis proposes a number of changes to improve EMU policies. First, he argues, a revamped European Investment Bank is necessary to supplement the European Central Bank. Second, political constraints on national budget positions should be removed and national governments set fiscal policy as they deem appropriate. Third, institutional arrangements for the coordination of national fiscal policies must be strengthened. Fourth, EU institutional arrangements are required for the operation of an EU fiscal policy and to ensure that monetary authorities do not dominate economic policy-making. And lastly, Arestis strongly suggests serious coordination of monetary and fiscal policies.

Levy Institute News

Events

CONFERENCE

Economic Mobility in the United States and Other Advanced Countries

October 18–19, 2002, Blithewood, Annandale-on-Hudson, New York
Organizer: Edward N. Wolff, Levy Economics Institute and New York University

It has been argued that rising inequality in the United States and several other advanced countries is not a problem because it is measured using annual income, while mobility—the movement of households from one income group to another—has risen over time. Therefore, the argument goes, over an individual's lifetime, inequality may actually decline. Moreover, the higher degree of inequality (computed on the basis of annual income) in the United States as compared to other industrialized countries may be offset by higher U.S. mobility. One objective of this conference is to determine whether these arguments are true.

The focus of the conference is on empirical research on economic mobility in the United States and other advanced countries. Potential topics include:

1. Mobility in jobs, earnings, income, wealth, and other indicators of well-being over a lifetime
2. The distribution of lifetime income and other measures of lifetime resources
3. Intergenerational mobility in income, wealth, and other indicators of well-being
4. Changes in mobility, both over a lifetime and across generations
5. International comparisons of mobility, both over a lifetime and across generations

Preliminary program information is available on the Levy Institute website (www.levy.org).Registration information will be posted as it becomes available.

Publications and Presentations

Publications and Presentations by Levy Institute Scholars

SENIOR SCHOLAR

JAMES K. GALBRAITH

Publications: "A Perfect Crime: Inequality in the Age of Globalization" Daedalus, Winter 2002; "The Importance of Being Sufficiently Equal," Social Philosophy and Policy, Winter 2002.

VISITING SENIOR SCHOLAR

MALCOLM SAWYER

Presentations: "Investment and Barriers to Full Employment," University of Newcastle, Australia, April 11;"Monetary Policy when Money Is Endogenous," University of Newcastle, April 12;"Prospects and Alternative Policies for the European Single Currency," University of New South Wales, Sydney, April 19; "Aggregate Demand, Investment,and the NAIRU," La Trobe University, Melbourne, Australia, April 24; "What Are the Barriers to Full Employment? A Critique of the Non-Accelerating Inflation Rate of Unemployment (NAIRU)," Korea University, Seoul, May 21, and Seoul National University, May 28; "Will the Euro Bring Economic Prosperity to Europe? The Need for an Alternative Economic Policy in the European Union," Seoul National University, May 22, and Korea University, May 24; "Can Monetary Policy Deal with Inflation and Unemployment? Monetary Policy When Money Is Endogenous," Korea University, May 23; "A Contribution to the Analysis of Endogenous Money," Korea University, May 27, and Bank of Korea, Seoul, May 28; "Kaleckian Economics for the 21st Century: The Enduring Contribution of Michal Kalecki," Korea University, May 29.

SENIOR SCHOLAR

EDWARD N. WOLFF

Publications: Retirement Insecurity: The Income Shortfalls Awaiting the Soon-to-Retire, Washington, D.C.: Economic Policy Institute, 2002; "Computerization and Structural Change," Review of Income and Wealth, March 2002;"Racial Wealth Disparities: What Are the Causes?" The Journal of Social Health, Spring 2002.

Presentations: "Is the Distributional Effect of Retirement Wealth Wearing Off?"NBER Labor Workshop, Cambridge, Mass., April 12, and Income Distribution and Welfare Conference, University of Bocconi, Milan, Italy, May 30 – June 1; "Retirement Insecurity," Economic Policy Institute, Washington, D.C., May 2; "Social Security," Democratic Policy Committee, New York City, May 4.

Media: Lynn Holley Show, WebFN, Chicago, April 10; Marketplace, Public Radio International, May 2; Interview with Doug Henwood, WBAI Radio, New York City, May 3.

VISITING SENIOR SCHOLAR

L. RANDALL WRAY

Publications: "Demand Constraint and the New Economy"(with Marc-André Pigeon), in Paul Davidson, ed., A Post Keynesian Perspective on 21st Century Economic Problems, Northampton, Mass.: Edward Elgar Publishing, 2002; "A Full Employment Program for Hong Kong" (with Henry C. K. Liu), Center for Full Employment and Price Stability Policy Note No. 01/03;"Downgrading Japan," CFEPS Policy Note No. 02/01; "A Monetary and Fiscal Framework for Economic Stability," CFEPS Policy Note No. 02/02;"Fisher Effect or Fed's COLA?"CFEPS Policy Note No. 02/03; "On Offer: A Full Employment Program for China" (with Henry Liu), Asia Times, March 30, 2002; "Public Service Employment: Full Employment without Inflation," Problemas del Desarrollo: Revista Latinamericana de Economía, Spring 2002; "What Happened to Goldilocks?" Journal of Economic Issues, June 2002.

Presentations: "Downgrading Japan," "What Happened to Goldilocks?: A Minskian Analysis," "A Monetary and Fiscal Framework for Economic Stability," and "Fisher Effect or Fed's COLA?"Eastern Economics Association, Boston, March 15–17; "What Happened to Goldilocks?: A Minskian Framework," Seminario de Economía Financiera, Universidad Nacional Autónoma de México, Mexico City, April 3; "Social Security: Truth or Convenient Fictions?"

Association for Institutional Thought, Western Social Science Association, Albuquerque, April 12, and 4th Annual National Policy Forum, Industrial Relations Research Association, National Press Club, Washington, D.C., June 20; "Can a Rising Tide Lift All Boats?" Global Development and Environment Institute, Pocantico Conference Center of the Rockefeller Brothers Fund, June 20–23.

VISITING SCHOLAR
JÖRG BIBOW

Publications: "The Euro: Market Failure or Central Bank Failure?" Challenge, May-June 2002; "Three Years Euro Weakness and Price Instability. Three Years ECB Success Stories?" Oikonomikos Tachidromos, April 6, 2002.
Presentation: "Zur (Re-)Etablierung Zentralbankpolitischer Institutionen und Traditionen in Westdeutschland: Theoretische Grundlagen und Politisches Kalkül (1946–67)," Annual Meeting of the History of Thought Committee, Verein für Socialpolitik, Obermayerhofen, Austria, May 9–10.

RESEARCH ASSOCIATE
WILLEM THORBECKE

Presentations: "The Effects of Exchange Rate and Interest Rate Shocks on Bank Lending in Indonesia," Washington Area Finance Association, George Washington University, Washington, D.C., April 26; "Linking Firm and Bank Behavior with Macroeconomic Shocks" (with I. Azis and F. Siddik), Asian Development Bank Institute, Tokyo, May 28.

Recent Levy Institute Publications

WORKING PAPERS

Uncertainty, Conventional Behavior, and Economic Sociology
Jörg Bibow, Paul Lewis, and Jochen Runde
No. 339, September 2001

Incentives in HMOs
Martin Gaynor, James B. Rebitzer, and Lowell J. Taylor
No. 340, October 2001

Israeli Attitudes about Inter Vivos Transfers
Seymour Spilerman and Yuval Elmelech
No. 341, November 2001

A Note on the Hicksian Concept of Income
Ajit Zacharias
No. 342, February 2002

Poles and Italians Then, Mexicans Now?: Immigrant-to-Native Wage Ratios, 1910 and 1940
Joel Perlmann
No. 343, February 2002

Dollarization: A Dead End
Alex Izurieta
No. 344, March 2002

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Philip Arestis
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Are We All Keynesians (Again)?
Dimitri B. Papadimitriou and L. Randall Wray
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Kick-Start Strategy Fails to Fire Sputtering U.S. Economic Motor
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PUBLIC POLICY BRIEFS

Easy Money through the Back Door
The Markets vs. the ECB
Jörg Bibow
No. 65, 2001 (Highlights, No. 65A)

Racial Wealth Disparities
Is the Gap Closing?
Edward N. Wolff
No. 66, 2001 (Highlights, No. 66A)

The Economic Consequences of German Unification
The Impact of Misguided Macroeconomic Policies
Jörg Bibow
No. 67, 2001 (Highlights, No. 67A)

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