The Levy Economics Institute of Bard College

LEVY INSTITUTE

Report

SEPTEMBER 2003 VOLUME 13, NUMBER 3

Europe's Imposed Stability, Now It Has to Create Growth

PHILIP ARESTIS and MALCOLM SAWYER

The slowdown in economic growth and rising unemployment in the euro area, with major economies slipping into recession, have revealed serious fault lines in the stability and growth pact governing the euro area's macroeconomic policies.

The pact dictates that budget deficits must not exceed 3% of GDP, with a requirement budgets are in balance or surplus on average. Countries that do not adhere to these limits are threatened with fines. It should come as no surprise that slowdown pushes up deficits and has taken some countries over the 3% limit, notably in Germany and France.

For now, penalties for countries exceeding the limit have not been imposed and countries are given up to four years to meet the budget deficit requirements. Although there has been some bending of them, the rules remain in place. Indeed, the European Central Bank and members of the commission are demanding strict adherence to the rules of the pact in future. They are supported by the small countries of the eurozone, which complain that it is unfair for them to have to adhere to the pact while its main architects, Germany and France, do not.

The ECB and some governments view the zone's slowdown as the result of structural factors—labour market rigidities above all—and the failure to tackle burgeoning budget deficits. The rigidities, though, have been around for a long time: during the 50s and 60s, when many European economies were booming, especially Germany's "economic miracle" of the 70s. It is adherence to the pact's rules to limit budget deficits, which thereby can require tax rises and expenditure cuts in the face of recession, that has promoted the present slowdown.

This has not been helped by the ECB's inability to take action to stimulate the zone's economies. The recession has raised severe questions about the appropriateness of the institutional and policy arrangements governing the single currency and their ability to deal with unemployment, recession and inflation.

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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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Editorial *Continued from page 1*

The limit on budget deficits and the overall balanced budget requirement are severe, running counter to the experience of the past six decades, not allowing public capital investment to be funded by borrowing and more severe than necessary to maintain the 60% public debt to GDP ratio.

Seeking to enforce the requirements of the pact imposes a substantial deflationary thrust, and calls for flexibility in the pact's terms do not deal with the underlying problem. It is often argued the budget position of each country has to be restrained because of externalities, or spillover effects. These sometimes take the form of a government's spending putting upward pressure on interest rates and raising the cost of borrowing for others. This may then spill over into other countries and may cause the ECB to raise rates to dampen inflation.

Without accepting that expenditure would necessarily have these effects, we would say the expansion of private sector spending could be expected to have similar effects to those resulting from public spending. Fluctuations in the overall level of expenditure come into play mostly because of fluctuations in private expenditure. The logic of imposing limits on public expenditure would also apply to the private sector. Perhaps there should be limits on private sector deficit or on the trade account.

The pact threatens to become an "instability and no growth pact," with the thrust of fiscal and monetary policies pushing the eurozone economies in a deflationary direction, with Germany, Italy and the Netherlands now in recession.

No wonder the EC president, Romano Prodi, complains that current pact arrangements are "rigid" and "stupid," and it would not be an exaggeration to suggest they have also become a standing joke.

France and Germany's justification for violating the fiscal rules is that the pact has delivered too much stability and not enough growth. Changes at this juncture in global economic development are very pressing. The falling dollar provides an opportunity for expansion. For, without strong growth outside the US, the economic imbalances may undermine the rest of the world's prospects.

The euro countries should take a lead. What is needed is a fundamental change so a truly effective pact emerges. Coordination of monetary and fiscal policies is paramount but requires monetary authorities to enter into agreements with fiscal authorities and a removal of limits on national deficits. And those deficits should be used to ensure high levels of activity within the euro area.

Philip Arestis and Malcolm Sawyer are professors of economics at The Levy Economics Institute and Leeds University. This op-ed originally appeared in the Guardian *(www.guardian.co.uk) on August 25, 2003, and is reprinted here with permission. The authors are grateful for this permission to Larry Elliott.*

New Working Papers

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

Thomas L. Hungerford
Working Paper No. 375
www.levy.org/docs/wrkpap/papers/375.html

Future policies aimed at expanding pension coverage or reforming Social Security may center on "defined contribution" plans similar to 401Ks, which now account for 41 percent of all pension plans.

Most workers who have 401Ks have some choice about how their money is invested. The size of their nest eggs will depend upon how they decide to allocate their funds. Unfortunately, there is some evidence that 401K holders invest too conservatively and do not hold on to higher-risk investments, such as stocks, long enough to take advantage of their generally superior long-run returns. In a new working paper, Research Director and Senior Scholar Thomas L. Hungerford investigates how workers with different characteristics invest their funds.

The study, which draws on data from the Federal Reserve Bank's Survey of Consumer Finances, confirms several findings from previous papers: men, non-Hispanic whites, and the wealthy tend to invest a greater share of their funds in stocks than women, minority-group members, and the less well-off, respectively. The implication is that some groups will fare better than others if policy favors the expansion of defined contribution plans. Policymakers may have to limit workers' freedom to choose investments in order to ensure a reasonable rate of return.

An important question is whether people who choose to participate in defined contribution plans tend to have different characteristics than the general population. If so, the results of the study might not provide a good indication of the likely effects of offering 401K-type coverage to a broader cross section of the population. Indeed, the study shows that workers who currently lack pension coverage of any type would probably invest their money less aggressively than current defined contribution pension participants.

Mexicans Now, Italians Then: Intermarriage Patterns

Joel Perlmann
Working Paper No. 376
www.levy.org/docs/wrkpap/papers/376.html

Modern-day descendents of Italian immigrants who arrived in the United States between 1890 and 1920 are, on average, as well-off as the descendents of much earlier immigrants. Today's Mexican immigrants face many obstacles to economic success: discrimination and a lack of well-paying entry-level jobs, to name two. Will their descendents manage to surmount these barriers, as Italian Americans have overcome their own?

One indication of society's acceptance of, and hence the prospects for, the children of Mexican immigrants is the prevalence of ethnic intermarriage in their community. In a new working paper, Senior Scholar Joel Perlmann uses U.S. Census data to compare patterns of intermarriage in the children of Italians who immigrated about a century ago with those of 23- to 27-year-old children of Mexican immigrants.

Perlmann focuses his attention on U.S. children of two Mexican-born parents (a small portion of the total population of U.S. citizens with some Mexican heritage). Perlmann finds that 11 percent of the second-generation Mexican women in his study married men in different ethnic groups. He estimates that roughly one-fourth of third-generation children will have a parent from a different ethnic group.

A comparison with the Italian group mentioned earlier shows that Italian women were not much more likely to marry outside their ethnic group; 12 to 18 percent had non–Italian American husbands. One conclusion drawn by Perlmann is that intermarriage in the Mexican immigrant community may become much more common in 20 years or so, in a pattern of assimilation similar to that of Italian Americans. Perlmann's results also cast doubt on the notion that large numbers of Mexican Americans will become isolated in an "underclass," with little economic mobility, an alienated view of mainstream society and values, and distinct patterns of behavior.

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

Philip Arestis, Machiko Nissanke, and Howard Stein
Working Paper No. 377
www.levy.org/docs/wrkpap/papers/377.html

Since 1997 financial crises have struck the economies of Argentina, Brazil, Ecuador, Thailand, Russia, Uruguay, Colombia, Indonesia, Kenya, and Korea. These crises have taken many forms but usually involve some combination of bank failures, defaults on foreign debt, and currency collapses. The unprecedented series of financial debacles has followed the widespread institution of financial "reforms," such as interest rate deregulation, the opening of capital markets to foreign investors, and the introduction of competition in banking. Institute Professor Philip Arestis, Machiko Nissanke of the University of London, and Howard Stein of Roosevelt University argue in a new working paper that it was no accident that a wave of financial collapses occurred soon after financial systems were liberalized.

The authors trace the adoption of the disastrous program of reforms to a popular, but flawed, theory of the role of finance in economic development propounded by Hugh Patrick, Ronald I. McKinnon, and Edward S. Shaw in the 1960s and '70s. The problem with finance in most developing countries, according to the theory of "financial repression," is that the government keeps interest rates artificially low through regulation. When rates are kept below levels that would prevail in a completely free market, the result is "credit rationing"—a gap between the supply and demand for loans. The idea of recent reforms is to close that gap by allowing interest rates to rise and opening the banking system to competition.

One flaw in this analysis is that even in rich, industrialized countries, financial markets do not fit the models that developing countries are being asked to emulate—in particular the assumption that both parties to a loan possess complete information. Moreover, in reality, sophisticated financial systems can thrive only under favorable institutional and political conditions.

Thus, it comes as no surprise that careful econometric studies have failed to find a positive relationship between interest rates and savings, and often suggest that economic growth must precede financial modernization, rather than vice versa. The authors sketch an alternative theory of the role of finance that emphasizes five key types of institutions: norms, regulations, incentives, capacities, and organizations. Once these factors are taken into account, it becomes clear that theories focusing exclusively on interest rates and other economic incentives are poor guides for policymakers.

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

Philip Arestis and Elias Karakitsos
Working Paper No. 378
www.levy.org/docs/wrkpap/papers/378.html

A key aspect of the United States's weak recovery from the recession of 2001 is the slow pace of investment. Macroeconomists are always concerned about investment because it represents a more volatile component of economic output than consumer spending.

Among economists, two very different views about the prospects for a renewed burst of investment—and for a significant upswing in total output—have each attracted adherents. Some believe that the tax cuts approved by Congress earlier this year will encourage investment by putting more cash in the hands of consumers and reducing the cost of capital. Institute Professor Philip Arestis and Elias Karakitsos of Trafalgar Asset Managers side with the more pessimistic group of economists who believe that the onus of excessive debt will prevent a strong recovery of investment.

Historically, corporate debt reaches a peak at the "bottom" of a typical recession. In the recovery from the 2001 recession, on the other hand, debt has continued to grow. The burden of debt appears to be a little lighter when measured as a percentage of the net cash earnings of firms, or when measured by the level of interest payments. Nevertheless, Arestis and Karakitsos believe that the effects of the corporate debt problem will outweigh any improvements in such variables as the level of inventories and tax policies.

Using a statistical model, the authors forecast future investment in two different hypothetical scenarios. In the first scenario, which is the more pessimistic, a double-dip recession will occur and investment will fall by nearly 11 percent from its recent levels. The second scenario is based on an optimistic view of the likely effects of President Bush's tax cuts. In this scenario, investment would grow dramatically in the first year following the tax cuts. However, investment would slow down and decrease once the effects of the stimulus package faded.

These calculations reported by Arestis and Karakitsos show that new tax policies will not provide much of a boost to investment. The reason is that fiscal policy has little effect on the most important factors influencing investment, especially corporate debt and net worth.

Is Europe Doomed to Stagnation? An Analysis of the Current Crisis and Recommendations for Reforming Macroeconomic Policymaking in Euroland

Jörg Bibow
Working Paper No. 379
www.levy.org/docs/wrkpap/papers/379.html

While economists remain concerned about the slow pace of the U.S. recovery from the 2001 recession, the rate of economic growth in the euro area is barely above zero. The European Central Bank (ECB) has laid the blame for the poor economic performance partly on the rigidity of western Europe's labor markets. Research Associate Jörg Bibow's new working paper argues that tight fiscal and monetary policies are the true culprits in the economic stagnation gripping the euro region.

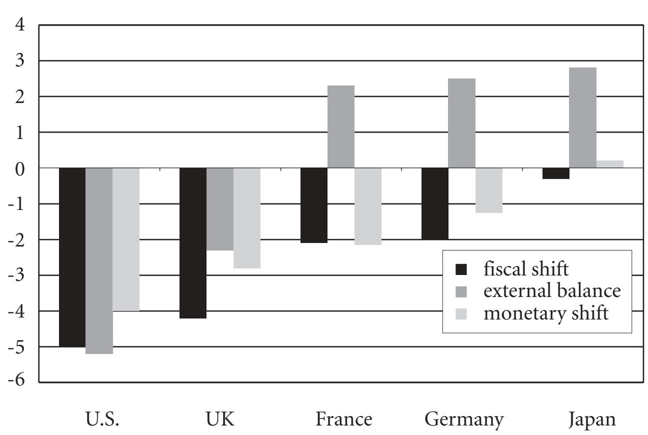
Deficit limits agreed to by euro nations restrict the ability of policymakers to stimulate their economies by supplementing private demand for their countries' goods and services. The high interest rates imposed by the ECB—even as the European economies slipped into recession in 2001—were an additional impediment to growth.

The ECB offers another explanation for the slow growth, citing various economic "shocks," many originating abroad. But Bibow observes that the euro area's exports to the rest of the world continued to increase for some time after the current slowdown began. ECB officials also blame excessive wage growth, but, as Bibow points out, compensation is barely growing in Europe. If wages and benefits were to begin falling, a deflation could ensue; the typical result of a deflation is a recession, not strong growth.

Tight monetary policy is usually expected to bolster the value of a currency by attracting foreign capital, but the high rates imposed by the ECB may have discouraged foreign investors for some time. These lenders were well aware that the high rates would undermine economic growth, thus reducing the value of investments in euroland. So the euro's value fell relative to other currencies on the international markets. This meant that the euro price of imported goods rose—a development that contributed to inflation.

A more hopeful approach to euro-area policy would involve the abandonment of strict limits on government deficits. Deficit spending in the public sector—as in the private—is warranted if it constitutes a true investment that will yield adequate returns in future years. Furthermore, it will be easier to keep deficits under control if policymakers succeed in maintaining robust economic growth, which increases tax revenues. Both fiscal and monetary policy should be oriented toward a nominal GDP target, rather than a goal of near-zero inflation. With this approach, the euro area could emerge from economic stagnation without paying the "price" of renewed inflation.

Conflicting Stabilization Policies and Global Imbalances



Note: The "fiscal shift" shows the change in budgetary positions (as a percentage of GDP exc. UMTS), the "monetary shift" the change in real short-term interest rates (in percentage points) between 2000 and 2003 (forecast).

Sources: OECD, author's estimates. From Working Paper 379.

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

Philip Arestis and Elias Karakitsos
Working Paper No. 380
www.levy.org/docs/wrkpap/papers/380.html

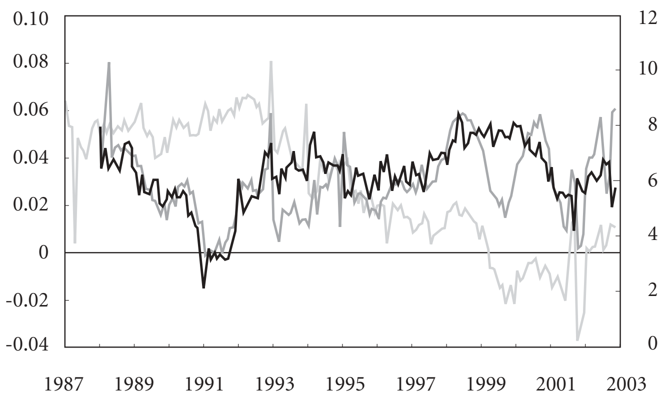
Purchases of consumer goods account for over 70 percent of GDP, a point worth noting at a time when many are concerned about the prospects for economic growth. Consumption expenditures have remained relatively strong during the recent period of slow expansion.

In a new working paper, Institute Professor Philip Arestis and Elias Karakitsos of Trafalgar Asset Managers model the various factors that will influence the pace of consumption spending in the next few years. In their model, not only disposable income, but also the assets and debts of households figure in purchasing decisions. Arestis and Sawyer hypothesize that people spend a smaller proportion of their incomes when asset values decline because, in that situation, they try to rebuild the value of their portfolios. Interest rates are also a factor because they determine loan costs and influence the values of certain financial assets.

Considering all of these factors, it is not easy to guess if consumption spending will remain buoyant over the next few years. Real disposable income—the most important factor in consumption behavior—has been on the rise, though not as strongly as economists might like. And low interest rates have contained increases in the costs of paying back loans, even as total debt continues to pile up. However, household balance sheets have been weakened by the stock market collapse.

Arestis and Karakitsos use a statistical test to measure the impact of all these developments on the level of consumption. They find that the resulting set of equations fits the facts (data from various periods since 1952) very well. They then use their model to forecast future consumption. They find that their predictions depend heavily on their assumptions about other economic variables, especially interest rates and

Consumption, Income, and Savings



Real Personal Consumption Expenditures (fractional increase over year ago, left scale).
Real Personal Disposable Income (fractional increase over year ago, left scale).
Personal Savings as Percentage of Disposable Personal Income (percentage points, right scale).

Source: BEA. From Working Paper 380.

government deficits. A long recession could be in store under pessimistic assumptions, while consumption could continue to grow at 2 to 3 percent with the help of expansionary fiscal and monetary policy.

Reinventing Fiscal Policy

Philip Arestis and Malcolm Sawyer
Working Paper No. 381
www.levy.org/docs/wrkpap/papers/381.html

Can Congress and the executive branch significantly and lastingly increase economic growth by running budget deficits? Yes, say many Keynesian economists, proponents of the tax cuts signed into law by the president in the spring, and others. No, say many other economists and policymakers, including those who espouse the fashionable set of economic theories known as the "new consensus."

Economists influenced by the theories of John Maynard Keynes, including Institute Professor Philip Arestis and Senior Scholar Malcolm Sawyer of the University of Leeds, believe that by spending borrowed money the government can induce consumers and businesses to make more purchases. Those who directly benefit from government programs spend more money, as do the firms from which they purchase goods and services, the suppliers of those firms, and so on.

The arguments against the effectiveness of government deficit spending fall into four categories. First, if the central bank is able to limit the total amount of money in circulation, government borrowing will force up long-term interest rates. This reduces the incentive of private firms to invest in new plants, equipment, and software. A second, slightly different, form of what economists call the "crowding out" effect of deficits holds that the total (domestic and foreign) supply of savings is fixed. When the government draws upon this stream of savings, the amount available for private lending will fall, to the detriment of the economy. A third argument hinges on the ability of the economy to spontaneously adjust to some normal level without help from the government. Finally, some argue that citizens are aware that the government must eventually raise taxes to pay off its debt. Knowing this, they set aside more money to pay their anticipated tax bill.

Many objections have been raised against these four criticisms, but Arestis and Sawyer focus their attention on the fact that the critics of budget deficits all miss the point of deficit spending: generating enough demand for goods and services to reduce the gap between the economy's maximum potential output and actual GDP. When this goal is achieved, government spending need not be financed by a fixed amount of savings. In Keynesian economics, deficit spending can enlarge the economic "pie" from which savings are drawn, rather than simply giving government a larger slice. Arestis and Sawyer consider various institutional problems that may reduce the effectiveness of deficit spending in stabilizing the economy, but in the end come down on the side of more activist policy.

The Case for Fiscal Policy

Philip Arestis and Malcolm Sawyer
Working Paper No. 382
www.levy.org/docs/wrkpap/papers/382.html

As policymakers cast about for solutions to the problem of meager growth, they might find the theory of functional finance a valuable perspective. This theory is explored and extended in a new working paper by Institute Professor Philip

Arestis and Senior Scholar Malcolm Sawyer of the University of Leeds.

Functional finance, which was developed by the late scholar Abba Lerner and others, suggests that we use deficit financing as a way to bridge the gap between total savings and total planned investment when the economy is at full employment. If this gap is not filled in some way, demand for goods and services will not be sufficient, inventories will pile up, and firms will cut back production. Once this process is completed, GDP will reach a new point of rest (or equilibrium) below its full-employment level. Deficit spending can prevent such an occurrence by soaking up whatever excess savings might exist before GDP begins to drop.

Arestis and Sawyer argue against the widely held belief that fiscal policy is unnecessary because of the economy's intrinsic tendency to produce to the full extent of its (noninflationary) potential without government intervention. They also argue against a number of claims that deficit spending is always futile or self-defeating.

Arestis and Sawyer show that one such argument, made by Robert J. Barro of Harvard, is incorrect. They present a version of Barro's model in which the economy can get stuck in a low-output equilibrium. The model's equations can be satisfied even in such a recession or depression. The question for the policymaker, then, is not what happens to a perpetually growing economy when the government goes into deficit, but whether an appropriate government deficit can lift a chronically recessionary or weak economy into full employment.

The authors also see the government's "intertemporal budget constraint" differently from Barro. This supposed constraint is simply a mathematical formula showing that deficits must be matched by surpluses at some later date. The government need not run surpluses at any time, provided that, first, it is content to maintain a constant ratio of debt to GDP and, second, the central bank is able to keep interest rates below the rate of growth of the economy. Arestis and Sawyer calculate that the second condition was usually met in the Organization for Economic Cooperation and Development countries during the period from 1985 to 2001.

New Policy Notes

Reforming the Euro's Institutional Framework

Philip Arestis and Malcolm Sawyer
Policy Note 2003/2
www.levy.org/docs/pn/03-2.html

In a new policy note, Institute Professor Philip Arestis and Senior Scholar Malcolm Sawyer of the University of Leeds argue that current eurozone policies are misguided and offer proposals aimed at improving the economic performance of the region.

In the eurozone, macroeconomic policy is to a great extent monetary policy, since the Stability and Growth Pact (SGP) limits the size of the budget deficits of individual countries. Arestis and Sawyer question the wisdom of putting countries in fiscal straitjackets and argue that monetary policy, particularly as it has been applied by the European Central Bank (ECB), cannot effectively control inflation, support the currency, or ensure adequate economic growth.

Large deficits are appropriate during periods of slow growth, because tax revenues are naturally low when an economy is weak and because deficits are needed in order to stimulate spending. It is small wonder, then, that many euro nations are breaching SGP deficit limits, risking stern rebukes from the European Commission.

The weaknesses of ECB monetary policy are now apparent. The ECB was slow to reduce interest rates after the global slowdown began in early 2001, which may account for the fact that the euro economy has not performed as well as the U.S. economy. The ECB has not met its targets for inflation. Conditions (such as inflation) vary across member nations, making it difficult to set policy in a way that will be appropriate for all.

Economists have a limited understanding of how interest rate policy affects the economy, complicating the job of setting policy. Many economic variables, from the exchange rate of the euro to private investment, are involved. But there is some empirical evidence that monetary policy is not sufficiently potent to enable the ECB to regulate two of the most important variables—growth and inflation.

Is there a satisfactory alternative to current policy? To spur the eurozone economy and prevent it from acting as a drag on world economic growth, the euro states will have to go beyond loosening their straitjackets and scrap the SGP altogether. Fiscal policy will have to be used more freely and aggressively, and it will have to be carefully coordinated with the actions of a more growth-oriented ECB.

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

Walter M. Cadette
Policy Note 2003/3
www.levy.org/docs/pn/03-3.html

Even those who worry that the Social Security and Medicare programs will "go bankrupt" when the baby boom generation retires sometimes overlook the gloomy prospects for financing nursing home care. The needs of older seniors often go beyond a monthly retirement check: many need help with eating, taking medication, dressing, getting out of bed, recovering from illness, and performing simple daily tasks.

In a new policy note, Senior Scholar Walter M. Cadette points out that most nursing home care is currently paid for by Medicaid, a medical insurance program mainly intended to serve low-income families. Seniors have to be poor to qualify for this program, a requirement they often meet by taking advantage of rules that allow them to transfer their assets to relatives.

There are few alternatives to this system. Private long-term care insurance remains too expensive for most, partly because too few healthy young people apply for coverage. Also, most people do not bother to pay for something they believe they can get free of charge. Medicare's nursing home coverage applies only to certain short-term stays. In the absence of a major new program, Medicaid will soon be responsible for a huge long-term care bill. The result may be inadequate or nonexistent care for large numbers of the elderly.

Cadette proposes paying for care by extending Medicare coverage to relatively long nursing home stays and providing government subsidies to make private long-term care insurance affordable for low- and middle-income buyers. Another possibility would be to create a completely new federal entitlement. These new programs would relieve the financial burden on Medicaid and eliminate the need for creative accounting, though any feasible solution will come at great expense to taxpayers.

Levy Institute News

Upcoming Event

Conference on International Perspectives on Household Wealth
October 17–18, 2003
Annandale-on-Hudson, New York

The main focus of the conference is the distribution of household wealth and savings in the United States and other advanced industrialized countries. Most of the papers will highlight recent trends in wealth inequality in this set of countries during the 1990s. Comparative work on a few less developed countries will also be presented. Other topics include the role of entrepreneurship in wealth accumulation and asset poverty in the U.S.

This conference represents The Levy Institute's commitment to continuing its research into the distribution of income and wealth, and the effect this distribution has on the quality of life. Senior Scholar Edward N. Wolff of New York University is coordinating the conference.

Registration information and the conference program can be found at www.levy.org/whatsnew/events.html.

Publications and Presentations by Levy Institute Scholars

INSTITUTE PROFESSOR OF ECONOMICS
PHILIP ARESTIS

Publications: "The Decline of the Euro in Its First Two Years: Is There a Satisfactory Explanation?" (with I. Biefang-Frisancho Mariscal, A. Brown, and M. C. Sawyer), in Louis-Philippe Rochon and Mario Seccareccia, eds., *Dollarization: Lessons from Europe and the Americas*, London: Routledge, 2003, pp. 15–29; "Asymmetries of Demand for Money Functions Amongst EMU Countries" (with I. Biefang-Frisancho Mariscal, A. Brown, and M.C. Sawyer), *Investigasion Economica*, No. 245, July–September, 2003; "Reinventing Fiscal Policy" (with M. C. Sawyer), *Journal of Post Keynesian Economics*, Vol. 25, No. 4, Summer 2003; "Does the Stock of Money Have Any Causal Significance?" (with M. C. Sawyer), *Banca Nazionale Del Lavoro Quarterly Review*, Vol. LVI, No. 225, pp. 113–136, 2003; "The Euro and the Level of Public Expenditure," memorandum submitted by Philip Arestis and Malcolm Sawyer to the Treasury Select Committee and printed as Appendix 27 of Sixth Report, "The UK and the Euro," HC 187-II.
Presentations: "The 'Third Way' and the European Monetary Union," Department of Economics, Trinity College, Hartford, April 30; "Macroeconomic Policies of the Economic and Monetary Union: Theoretical Underpinnings and Challenges," Department of Economics, New School University, New York City, May 12.

SENIOR SCHOLAR
WALTER M. CADETTE

Publications: "An Economist's Perspective on Expensing Stock Options," New York: The Interfaith Council on Corporate Responsibility, July 2003; "The Economics of Long-Term Care," Germantown, N.Y.: Avila Institute of Gerontology, Winter 2002.
Presentation: "U.S. Fiscal Policy: The Clash Between the Short- and the Long-Term," Putting Returns Back on Capital, conference sponsored by Sanders Research Associates (SRA) Institute of Directors, London, June 6.

PRESIDENT
DIMITRI B. PAPADIMITRIOU

Presentations: Panelist, "Globalization and the Myths of Free Trade," conference at New School University, New York City, April; panelist, conference on macroeconomics and gender, University of Utah, June.

SENIOR SCHOLAR
JOEL PERLMANN

Publication: "IPUMS" (Website review), *Journal of American History*, Vol. 90, No. 1, June 2003.

SENIOR SCHOLAR
MALCOLM SAWYER

Publications: "Post Keynesian Price Theory" (with Nina Shapiro), *Journal of Post Keynesian Economics*, Spring 2003, Vol. 25, No. 3, pp. 355–366; "The Decline of the Euro in Its First Two Years: Is There a Satisfactory Explanation?" (with P. Arestis, I. Biefang-Frisancho Mariscal, and A. Brown) in Louis-Philippe Rochon and Mario Seccareccia, eds., *Dollarization: Lessons from Europe and the Americas*, London: Routledge, 2003, pp.15–29; "Contribución al análisis del dinero endógeno" in Leticia Campos Aragón, ed., *La Realidad Económica Actual y Las Corrientes Teóricas de su Interpretación: Un Debate Inicial*, Mexico City: UNAM, pp. 435–454; "The Private Finance Initiative: A Critical Assessment" in Dan Coffey and Carol Thorley, eds., *Industrial and Labour Market Policy and Performance*, London: Routledge, pp.171–189; "Money: Means of Payment or Store of Wealth?" in L. P. Rochon and S. Rossi, eds., *Modern Theories of Money*, pp. 3–17; "The Euro and the Level of Public Expenditure," memorandum submitted by Philip Arestis and Malcolm Sawyer to the Treasury Select Committee and printed as Appendix 27 of Sixth Report, "The UK and the Euro," HC 187-II; "Does the Stock of Money Have Any Causal Significance?" (with P. Arestis), *Banca Nazionale Del Lavoro Quarterly Review*, Vol. LVI, No. 225, pp. 113–136, 2003; "Asymmetries of Demand for Money Functions Amongst EMU Countries" (with P. Arestis, I. Biefang-Frisancho Mariscal, and A. Brown), *Investigasion Economica*, No. 245, July–September 2003; "Reinventing Fiscal Policy" (with P. Arestis), *Journal of Post*

Keynesian Economics, Vol. 25, No. 4, Summer 2003.
Presentations: "The Private Finance Initiative: A Critical Assessment, Public Services and European Economic Integration," Universita degli Studi di Milano, Milano, June 6–7; "An Economic Evaluation of Alternative Arrangements for Retirement Pensions," Privatisation of Public Pension Systems—Forces, Experience, Prospects, Chamber of Labor, conference in Vienna, June 19–21.

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