



Report

October 2005

Vol. 15, No. 4

New Strategic Analysis

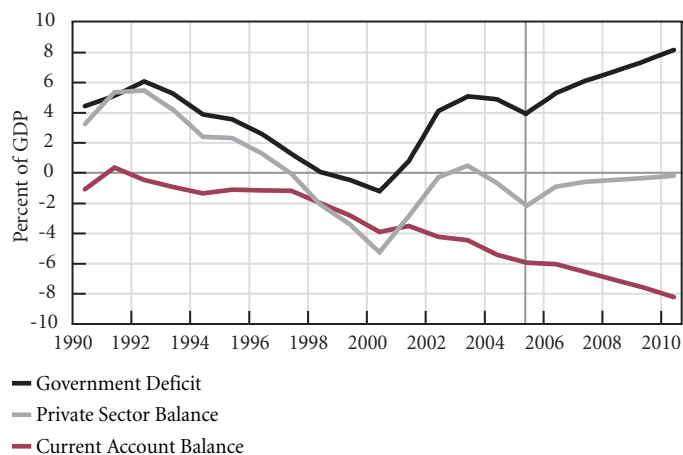
THE UNITED STATES AND HER CREDITORS: CAN THE SYMBIOSIS LAST?

WYNNE GODLEY, DIMITRI B. PAPADIMITRIOU, CLAUDIO H. DOS SANTOS,
AND GENNARO ZEZZA

www.levy.org/pubs/sa_sep_05.pdf

In a new strategic analysis, Distinguished Scholar Wynne Godley of the University of Cambridge; Dimitri B. Papadimitriou, president of the Levy Institute; and Research Scholars Claudio H. Dos Santos and Gennaro Zezza of the University of Cassino, Italy, examine the current states of the economy's main balances and propose an alternative to the piecemeal protectionist measures that some have advocated.

Figure 1 Baseline. Main Sector Balances



Sources: BEA and authors' calculations

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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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Editor: Greg Hannsgen

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To be placed on the *Report* mailing list, order publications, or inquire about or comment on research and events, contact the Levy Institute:

The Levy Economics Institute of Bard College, Blithewood, PO Box 5000, Annandale-on-Hudson, NY 12504-5000

Tel: 845-758-7700, 202-887-8464 (in Washington, D.C.); Fax: 845-758-1149; E-mail: info@levy.org

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The three balances involved are the government balance, the private sector balance, and the current account balance. Because the current account balance is equal by definition to the sum of the government and private sector balances, changes in any one balance imply by necessity changes in at least one of the other two.

Godley, Papadimitriou, Dos Santos, and Zezza first project the future course of the balances, conditional on certain assumptions. In this baseline scenario (see Figure 1), assuming growth is sufficient to prevent increases in the unemployment rate and there is no further depreciation of the dollar, the balance of trade is likely to deteriorate, possibly to 7.5 percent of GDP, by the end of the decade. Because foreigners collect claims on U.S. assets when the United States runs a current account deficit (see Figure 2), the authors project that under the assumptions of their baseline scenario, net income payments from abroad (such as interest payments) could turn negative. With regard to the private sector balance, the authors argue that consumers are likely to slow the rate at which they are buying goods and services by accumulating new debt, possibly to the point where their expenditures roughly match their income.

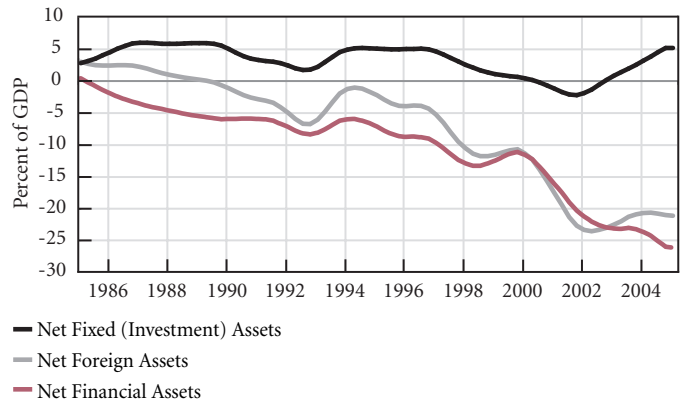
These developments imply that the government deficit would deteriorate to 8.5 percent of the economy, from its current 4 percent. If, on the other hand, the government fails to apply such a strong stimulus to the economy, the result would be a U.S. recession with worldwide repercussions.

Godley, Papadimitriou, Dos Santos, and Zezza argue that some of the dire events in their baseline scenario could be avoided if direct action were taken to mitigate the current account deficit. A devaluation of the dollar of 25 percent might be particularly helpful, but since foreign countries see themselves as benefiting greatly from the overvalued dollar, it is likely that Asian central banks will continue to prop up the American currency. This is one side of the “symbiosis” between the U.S. and foreign economies mentioned in the title.

The authors warn against the temptation to selectively apply protectionist measures against particular countries with which the U.S. is running a deficit. An alternative to this policy would be a universal tariff, which is permitted under Article 12 of the General Agreement on Tariffs and Trade. The authors’ projections improve greatly under the assumption that such

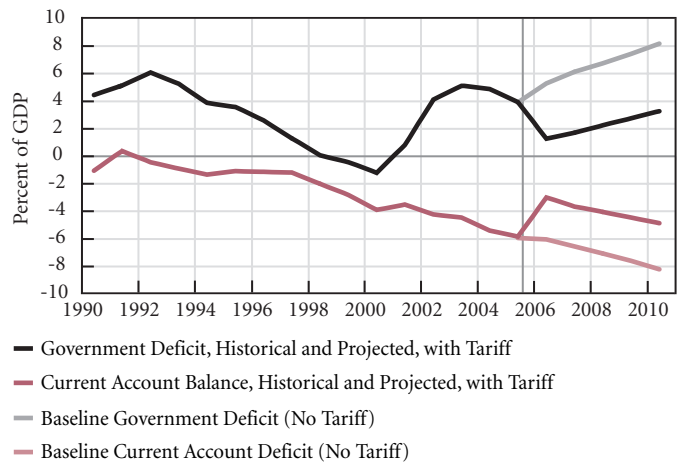
an action is taken (see Figure 3). However, a true resolution, according to this study, will require an international agreement to boost aggregate demand and change the relative prices of imports.

Figure 2 Asset Position of the United States



Sources: BEA and authors’ calculations

Figure 3 Scenario with a Tariff on Imports: Main Sector Balances



Sources: BEA and authors’ calculations

New Levy Institute Measure of Economic Well-Being Report

Interim Report 2005: The Effects of Government Deficits and the 2001–02 Recession on Well-Being

EDWARD N. WOLFF, AJIT ZACHARIAS, AND HYUNSUB KUM
www.levy.org/pubs/lmw_may_05.pdf

The Levy Institute Measure of Economic Well-Being, or LIMEW, was originally developed as an alternative to official measures of income. Public provisioning of services and unpaid work within the home are two important factors neglected by standard measures, such as the Census Bureau’s “extended income.” Moreover, official gauges of income do not fully account for the economic benefits of asset-holding. LIMEW represents an attempt to remedy these deficiencies. The LIMEW team, which comprises Senior Scholar Edward N. Wolff of New York University and Research Scholars Ajit Zacharias and Hyunsub Kum, has recently issued a new report, which compares LIMEW with Census Bureau measures for the period 1989–2002.

All measures of the well-being of the average household show improvement from 1989–2000. Progress was especially rapid in the late-1990s. On the other hand, the LIMEW and official measures differ in their assessment of changes in well-being from 2000–2002. The economy was in recession for much of this period. Official measures indicate a decline in income of 2–3 percent for the average household, while average LIMEW increased over 5 percent. On the other hand, according to all major measures, economic inequality—the degree to which well-being was concentrated among a small group of households—increased from 1989–2002.

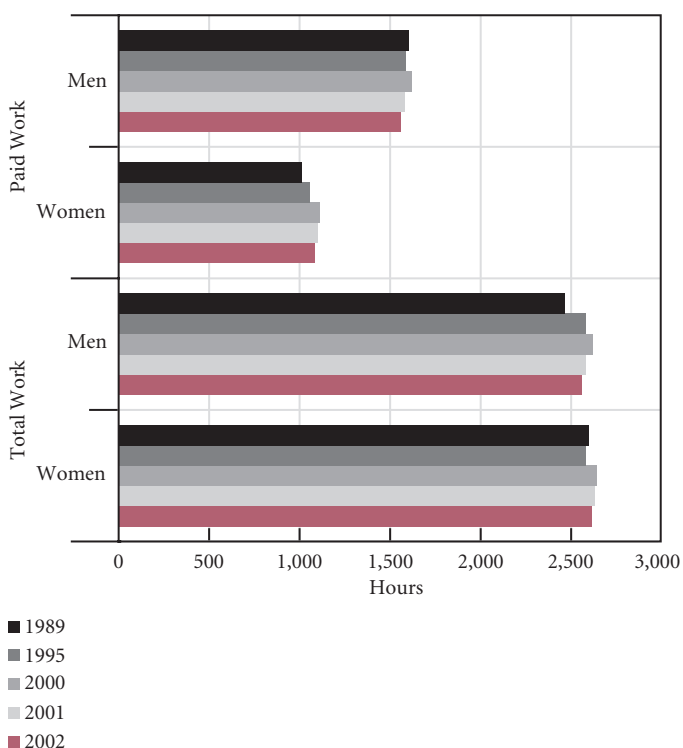
Significant changes have taken place in the time-use aspect of well-being in recent years (see Figure). Notably, hours of paid work by women rose 7 percent from 1989–2002, while men worked 3 percent less in paid jobs in 2002 than in 1989.

The LIMEW team analyzes the condition of the “middle class” (the middle 20 percent of the distribution) in detail. The portion of well-being derived from wealth declined for this group 2000–02 in terms of conventional income measures, but LIMEW showed no decline. Net government expenditures—the benefits to households of government programs less taxes—shifted strongly in favor of the middle class during 2000–02. This development reflected a sharp growth in transfer payments, such as

unemployment compensation, and a considerable decline in taxes. Also in connection with government intervention, it is notable that the tax system—as represented by effective tax rates—was less progressive in 2002 than in 2000.

The report includes information about the relative well-being of certain subpopulations between 1989–2002. Families headed by single females made little progress relative to married-couple families during this period. Also, the well-being of the elderly declined, relative to that of the nonelderly.

Figure Annual Hours of Paid Work and Total Work by Sex, 1989–2002 (mean values)



Source: Authors’ calculations

New Public Policy Briefs

Breaking Out of the Deficit Trap: The Case Against the Fiscal Hawks

JAMES K. GALBRAITH

Public Policy Brief No. 81

www.levy.org/pubs/ppb_81.pdf

Many economists believe that government deficits harm the economy by driving up interest rates. In a new public policy brief, Senior Scholar James K. Galbraith of the University of Texas at Austin challenges this conventional wisdom.

The focus of Galbraith's brief is an article by William G. Gale and Peter R. Orszag. Gale and Orszag's article deals with three views of the effects of deficits. In one view, increases in government deficits are automatically and completely offset by increases in private saving. A second theory holds that foreign investors finance any increase in the deficit at the going interest rate. Finally, according to the view to which Gale and Orszag subscribe, deficits increase interest rates, because they cause the government to compete with private firms for scarce funds. This, in turn, decreases the growth rate of the private sector.

Galbraith argues that Gale and Orszag overlook a fourth, alternative theory—that of John Maynard Keynes. According to Keynes, whose *General Theory of Employment, Interest, and Money* diagnosed the Great Depression, deficits could help stimulate spending throughout the economy, thereby raising economic growth. The result could be seemingly paradoxical: a reduction in government “thrif” could increase GDP both at present and in the future. If this theory is right, Gale and Orszag's assumption that output stays constant in the face of an increase in the deficit may not be appropriate.

Galbraith also discusses some empirical work in Gale and Orszag's article. This work involves regression analysis, a technique that can be used to determine the effects of deficits after all other factors have been taken into account. Some of the estimates indicate that deficits do have a significant negative impact on investment and therefore on future GDP. But most of these estimates rely on a projection of interest rates into the future, rather than on the current cost of borrowing. When standard definitions of interest rates are used and all of Gale and Orszag's control variables are included, deficits have no positive effect on interest rates. This finding indicates that according to

the work of Gale and Orszag themselves, the case for reducing deficits, at least as it is conventionally made, is weak.

The Ownership Society: Social Security Is Only the Beginning . . .

L. RANDALL WRAY

Public Policy Brief No. 82

www.levy.org/pubs/ppb_82.pdf

In recent months, the president's plan to shift some Social Security funds to private accounts has met with a great deal of political resistance. While Social Security has become a high-profile issue as the president has promoted his plan, many remain unaware of other aspects of Bush's agenda that go under the same “ownership society” banner. Senior Scholar L. Randall Wray of the University of Missouri–Kansas City examines the case for this agenda in a new public policy brief.

The proposed ownership-society programs are well known to movement conservatives and include the private exploitation of resources in the West, school vouchers, and controls on trial lawyers. This agenda is intended to give more citizens a stake in their communities and society, give them more control over their lives, and encourage them to husband their own resources, rather than placing excessive demands on the public purse. The idea that the primary role of government is to protect absolute property rights goes back to John Locke and many of the founding fathers, though many prominent Americans have dissented from the beginning.

Wray cites several recent developments pointing to some of the drawbacks of the “ownership” agenda. For example, the weak condition of the national pension guarantee fund, together with the shift from traditional pensions to individually owned retirement accounts, are as big a threat to retirement security as the privatization of Social Security. Across the board, various political strategies are being used to build dissatisfaction with public safety nets, seemingly demonstrating the callousness of ownership-society proponents more than an interest in new ways of providing for all.

Wray argues that the case for an ownership society rests on the notion that we are already a nation of owners and that the new proposals will serve to spread ownership even more. But a review of data from the Federal Reserve shows that most households do not possess large amounts of assets, other than

their homes. And many at the bottom of the income distribution are saddled with large debts. Furthermore, ownership-society proposals lack an important element: a means of making sure redesigned programs help more people enter the ownership class, rather than simply allowing the already-wealthy to feather their nests.

New Policy Notes

Some Unpleasant American Arithmetic

WYNNE GODLEY

Policy Note 2005/5

www.levy.org/pubs/pn_5_05.pdf

In a new policy note, Distinguished Scholar Wynne Godley of the University of Cambridge brings his analysis of the economy's balances up to date, concentrating on the U.S. side of several structural dilemmas. The dilemmas arise because of the relationship between the three main balances in any economy. Specifically, the government budget deficit plus the private-sector deficit must equal the current account deficit, a relationship that is true by definition. The private sector deficit was 2.2 percent in the first quarter of this year, a striking fact given that the private sector has historically maintained a positive balance of approximately 2 percent, on average. At some point, the borrowing binge will have to end, which implies that either the government budget deficit will have to rise, or the current account deficit problem will have to be fixed. An improvement in the current account deficit could be painful for the economy, as it might be achieved by reducing national income to the point where American consumers can no longer afford so many imports.

Social Security's 70th Anniversary: Surviving 20 Years of Reform

L. RANDALL WRAY

Policy Note 2005/6

www.levy.org/pubs/pn_6_05.pdf

Senior Scholar L. Randall Wray of the University of Missouri-Kansas City argues in a new policy note that concerns over the

solvency of the Social Security fund are misplaced and essentially act as a diversion from the important issues facing the program on its 70th anniversary. Wray links the hype about an upcoming Social Security crisis to a long-term effort to undermine public support for the country's most popular social program. By claiming that younger generations will lose their benefits when the "inevitable disaster" occurs, neoconservatives hope to gain support for radical initiatives that have little to do with the finances of Social Security and much to do with a distaste for successful social initiatives. Wray's note provides an account of his efforts since the 1980s to battle misconceptions about the program and deal with its politically inspired "reformers."

New Working Papers

Macroeconomics of Speculation

KORKUT A. ERTÜRK

Working Paper No. 424

www.levy.org/pubs/wp_424.pdf

The past 15 years have seen an increase in the number of crises in financial markets. In general, though, very little progress has been made recently in modeling how crises occur and specifically in how asset price "bubbles" can form. In a new working paper, Research Associate Korkut A. Ertürk of the University of Utah attempts to model asset-price fluctuations, using ideas borrowed from John Maynard Keynes's classic, *A Treatise on Money*.

Keynes's theory of asset prices was intimately bound up with his theory of the business cycle. According to Keynes, the money stock could be divided for the purposes of theory into the financial circulation, which represented mostly the holdings of investors who had sold securities short, and the industrial circulation, which involved sales of ordinary goods and services. The former was also called the "bear position," after the popular term for weak securities markets. During the expansion phase of the business cycle, the bear position would decrease, and securities would rise in price, due to the optimism of investors. Then, as the boom reached maturity, an increasing number of investors would become concerned that securities were overvalued. These investors would increase their cash holdings, even

as other investors continued to bid securities prices upward for the time being. The recession phase of the business cycle, too, could be described in terms of the condition of the money and securities markets. Keynes's *Treatise* analysis is inconsistent with the view of some economists that securities are always priced efficiently, but it meshes nicely with recent work by behavioral economists.

Ertürk's model shows how securities prices might adjust toward their expected future values. A key issue is whether the adjustment process stabilizes values around their efficient level, a question that free market-oriented economist Milton Friedman has answered in the affirmative. Ertürk uses the notion of second-order expectations, or expectations about other investors' expectations. When second- or higher-order expectations are important, Ertürk argues, investors' expectations may tend to follow actual securities prices, in a kind of self-fulfilling prophecy, and this process may impart instability to markets. Ertürk's model leaves him in agreement with Keynes that speculation can be either stabilizing or destabilizing, depending upon certain parameters of the model.

Ertürk next expands his model beyond securities markets to include economic output, the money stock, and interest rates. He shows that Keynes's theory can be neatly summarized in a two-dimensional graph. The graph also can be used to distinguish the model in the *Treatise* from the one in Keynes's later and better-known book, the *General Theory of Employment, Interest, and Money*.

Ertürk finally argues that Keynes's *Treatise* model offers the better explanation of asset-price bubbles and their role in the business cycle. Keynes's contribution, as updated by Ertürk, is increasingly relevant today.

Refocusing the ECB on Output Stabilization and Growth through Inflation Targeting?

JÖRG BIBOW

Working Paper No. 425

www.levy.org/pubs/wp_425.pdf

In a new working paper, Research Associate Jörg Bibow of Franklin College Switzerland challenges conventional wisdom with a contrarian interpretation and critique of European Central Bank (ECB) policies, along with recommendations for reform of one of the world's most conservative central banks.

The eurozone has struggled with chronically low economic growth and high unemployment for a decade; what's more, the central bank has not met its targets for inflation in recent years. The ECB has put most of the blame for this poor performance on factors beyond its control, but Bibow argues that the ECB has not only created recessionary conditions, but perversely aggravated the inflation it has sought so assiduously to contain.

It is often argued that the ECB is a covert inflation targeter, adjusting its interest rate so as to keep inflation around 2 percent, while claiming its goals are different. Bibow argues that the ECB has not lived up to its reputation as an inflation targeter. The central bank uses money supply targets—the avowed “second pillar” of its inflation-fighting strategy—as an excuse to take discretionary actions a true inflation targeter would avoid.

Several blunders have arisen partly as a consequence of departures from inflation targeting. First, the ECB has often driven the interest rate so high as to lead to depreciation of the euro, at times when the currency markets believed high rates would stifle euro-area growth. A falling euro made foreign goods more expensive in Europe, pushing up inflation. Second, a drop in productivity growth inevitably followed contractionary policies; this stagnation in output per worker led to a rise in inflation. The third blunder was a failure of the ECB to take over the stabilization job when the fiscal policy of individual governments was restricted.

What would be some of the hallmarks of a successful inflation-targeting monetary policy regime, asks Bibow? The central bank should act preemptively to counteract both excessive and insufficient inflation, instead of worrying solely about upside inflationary risks.

Bibow suggests several institutional reforms that might encourage the ECB to better stabilize the economy. True inflation targeting could be imposed from the outside by member governments. In the absence of such a rule, the governments of the euro area should at least appoint more prudent central bankers.

Gender Inequality in a Globalizing World

STEPHANIE SEGUINO

Working Paper No. 426

www.levy.org/pubs/wp_426.pdf

In a new working paper, Research Associate Stephanie Seguino of the University of Vermont examines strategies for development

in today's global economy and their likely effect on the well-being of women around the world. Seguino begins by noting that many Asian governments developed their economies by pursuing a set of policies at odds with those currently being enforced by international financial institutions. Governments of countries such as South Korea nurtured their economies with cheap capital and protected them behind barriers to foreign investment. This approach allowed national industries to "learn by doing." A key element of policy in Asian countries was to enforce discipline by putting conditions—such as export goals—on the receipt of government help.

Many would not fault Asian countries for adopting a strategy that so obviously succeeded in bringing rapid economic growth over a sustained period. But the results have not been entirely beneficial for women, Seguino argues. From the beginning, women were crucial to the performance of Asia's export industries, since they provided a large pool of inexpensive labor. Export earnings in turn were used for high-technology imports. But women did not achieve great increases in their status. Being confined to certain sectors of the economy, women workers lacked bargaining power at work. Women's low wages also helped men's power over women indirectly by substituting for devaluations that would have eroded the purchasing power of men's earnings.

Unhappily, recent developments in many Asian countries have not generally favored women, either. As a result of World Trade Organization rules and the Asian financial crisis, many Asian nations adopted neoliberal economic policies, which stand in stark contrast to the interventionist programs of the 1960s and 1970s. Neoliberal policies have hurt women's standing in many ways. Restrictions on foreign direct investment have been eased, a development that allows capital to hire the most inexpensive labor in the world. This reduces pressures on companies to save costs by boosting output per worker. Also, since liberalization, firms have hired more and more women on an informal basis to work in their own homes. Seguino points out that all of these developments have prevented progress toward economic equity: in Taiwan, for example, women's wages are roughly two-thirds those of men, and the part of the gap due to discrimination has actually risen since 1980.

What policies might allow women to improve their economic position? Any successful policies would allow women to gain adequate and secure income. Some of Seguino's suggestions: expansionary macroeconomic policy, financial market

regulation, regulation of trade and investment flows, and gender-sensitive public sector spending.

Liquidity Preference Theory Revisited—To Ditch It or to Build on It?

JÖRG BIBOW

Working Paper No. 427

www.levy.org/pubs/wp_427.pdf

One of John Maynard Keynes's key innovations in his book, *The General Theory of Employment, Interest, and Money*, is his theory of money demand, which he called "liquidity preference." Keynes used this theory as a replacement for the conventional theory of interest rate determination, which involved what were known as the forces of productivity and thrift. Research Associate Jörg Bibow revisits the liquidity preference theory in a new working paper.

The old theory said that interest rates were determined by supply and demand in the market for saving. If the public increased its saving rate, the supply of "loanable funds" would increase, and the interest rate would fall. No problems of excess saving would arise, as the interest rate would always adjust as necessary to balance supply and demand.

Keynes argued that instead of being the result of decisions to save, the interest rate involved decisions to hold wealth in the form of cash, as opposed to other assets. Thus, an increase in saving could actually increase interest rates, if it was expressed entirely as an increase in the demand for cash. A rise in thrift would also have the effect of depriving firms of sales, which might lead firms to cut back on investment—a prediction that stood conventional theories on their heads. This argument was crucial to Keynes's overall objective in his book, which was to overthrow those mainstream models that held that inadequate demand would never present a problem. Those mainstream models have returned with a vengeance in recent decades.

Bibow also believes that Keynes also has something in his liquidity preference theory to teach modern post-Keynesians and other nonmainstream economists. For many of these economists, liquidity preference is one of the least satisfactory elements of Keynes's work and needs to be set aside to proceed with a logically consistent model of modern monetary economies. In the resulting models, credit and money often adjust passively to demand, rising and falling as firms need more or less cash. In

parts of his work Keynes, by contrast, argues that banks may respond to reductions in loan demand by actively moving into nonloan investments such as bonds. This sort of active behavior on the part of banks can act as an independent force affecting the economy, contrary to the views of many.

In sum, several different modern schools of economics would benefit from an understanding of the liquidity preference theory, a concept that is too often dismissed out of hand. Bibow's new paper is a contribution to such a reexamination.

Levy Institute News

New Research Scholar

Ed Chilcote has joined the Levy Institute as a research scholar for the macroeconomic modeling team. Chilcote brings with him seven years of banking experience. His research interests include macroeconomics, banking, input/output analysis, and the history of economic thought. Chilcote received a B.A. in economics from the University of California, Berkeley and a Ph.D. in economics from the New School University.

New Research Associate

Indira Hirway has joined the Levy Institute as a research associate with the Gender Equality and the Economy program. She is director and professor of economics at the Centre for Development Alternatives, an academic research center in Ahmedabad, India. Her areas of specialization include issues in women's employment, time-use surveys, and integrating unpaid work into macropolicies; poverty and human development, social protection, and safety nets; labor-market structures and issues in employment generation; sustainable and regional development; and entrepreneurship development programs for economic diversification. Hirway has published extensively in these areas of specialization and has been a member of multiple committees and working groups for the Government of India. She is the editor of *Applications of Time Use Statistics* (2003) for UNIFEM and the Government of India and author of research papers such as "Employment Programmes for Protecting the Vulnerable Poor: Lessons from the Past Experiences in India" in *Protecting the Vulnerable Poor in India: The Role of Safety Nets*

(2005), published by the World Food Programme, New Delhi. Hirway holds a B.A. in economics and statistics from Gujarat University, Ahmedabad; an M.A. in economics and statistics from the Delhi School of Economics, University of Delhi; and a Ph.D. in economics from the University of Bombay.

Levy Institute Awarded Grant from Smith Richardson Foundation

The trustees of the Smith Richardson Foundation have recently approved a grant of \$50,000 to The Levy Economics Institute of Bard College supporting the project "Government Spending on the Elderly." The goal of the project is to explore the implications of an aging society for the economy and for public policies. The Levy Institute will commission a series of papers that examine various aspects of the economics of aging, including such topics as prospects for aging and government spending, retirement security, progressivity of Social Security and Medicare, retirement behavior, the interaction between private and public provisioning of retiree benefits, government expenditures and the well-being of the elderly, and women and retirement security. The papers will be presented at a conference and issued as working papers by the Levy Institute.

A summary of the conference proceedings will be disseminated to members and staff of Congressional committees, appropriate federal and state officials, the academic community, and the Institute's press list, including all major newspapers. The dissemination of final papers to policymakers, professional associations, and advocacy organizations will provide them with new and crucial information as they explore options for the future financing of health and economic support programs for the aging.

Upcoming Event

Time Use and Economic Well-Being: A Conference of The Levy Economics Institute of Bard College

October 28–29, 2005

Blithewood, Annandale-on-Hudson, New York

The conference is organized by Edward N. Wolff and Ajit Zacharias, scholars in the Institute's program on the distribution of income and wealth. The Levy Institute Measure of Economic Well-Being, developed by these scholars in collaboration with

other members of the research team, is the only comprehensive household-level measure of economic well-being for the United States that includes the value of household production—unpaid activities that provide goods and services within the household. The inclusion of household production in the measure of well-being reflects the belief that these activities are important in sustaining well-being and that public policies should be informed by their substantive role. The conference is expected to contribute to the Institute’s capacities in this vital area of research. Leading experts from a number of countries will present papers and discuss fundamental forces that shape the determinants and effects of time allocation patterns. The final program is available on the Institute’s website at: www.levy.org/default.asp?view=news_event&eventID=1.

Program

Friday, October 28

8:30–9:00 a.m.

BREAKFAST AND REGISTRATION

9:00–9:15 a.m.

WELCOME AND INTRODUCTION

Dimitri B. Papadimitriou, President, Levy Institute

9:15–11:00 a.m.

SESSION 1

Determinants of Household Production I

“What Gives? When Mothers Are Employed?” **Suzanne M. Bianchi**, University of Maryland.

“Time to Eat: Household Production under Increasing Income Inequality.” **Daniel S. Hamermesh**, University of Texas at Austin, National Bureau of Economic Research (NBER), and Institute for the Study of Labor (IZA).

Discussant: **Susan Himmelweit**, Open University, UK

11:00–11:30 a.m.

BREAK

11:30 a.m. – 1:00 p.m.

SESSION 2

Determinants of Household Production II

“Where Do They Find the Time? A Time-Diary Analysis of How Working Parents Preserve Their Time with Children.” **Lyn Craig**, Social Policy Research Centre, University of New South Wales.

“Parental Child Care in Single Parent, Cohabiting, and Married Couple Families: Time-Diary Evidence from the United States and the United Kingdom.” **Charlene Kalenkoski**, Ohio University; **David Ribar**, The George Washington University; and **Leslie Stratton**, Virginia Commonwealth University.

Discussant: **Jean Kimmel**, Western Michigan University

1:00–2:30 p.m.

LUNCH

2:30–4:00 p.m.

SESSION 3

Labor Market Developments and Workers’ Time-Allocation Patterns

“Working Hour Arrangements and Income Inequality—An Earnings Treatment Effects Approach by Fragmentation and Timing of Work.” **Joachim Merz**, University of Lüneburg; Research Institute on Professions (Forschungsinstitut Freie Berufe, FFB); Center for Research in Entrepreneurship, Professions and Small Business Economics; CREPS; and IZA.

“Time Allocation of Employed Population in Russia.” **Irina Soboleva**, Center for Labor Market Studies, Institute of Economics, Russian Academy of Sciences.

Discussant: **Irina Paley**, Brown University

4:00–4:30 p.m.

BREAK

4:30–6:00 p.m.

SESSION 4

Time Use, Macroeconomic Modeling, and Social Policy

“From National Satellite Accounts of Household Production to Macroeconomic Modeling in African Countries.” **Alfred Latigo** and **Omar Abdourahaman**, United Nations

Economic Commission for Africa; **Ismaël Fofana, Bernard Decaluwe,** and **John Cockburn,** University of Laval.

“The Temporal Welfare State: A Cross-national Comparison.”

Robert E. Goodin and **James M. Rice,** Australian National University.

Discussant: **Marzia Fontana,** University of Sussex

6:00–9:00 p.m.

RECEPTION AND DINNER

Keynote Address: “Valuing Time.” **Nancy Folbre,** University of Massachusetts, Amherst

Saturday, October 29

8:30–9:15 a.m.

BREAKFAST

9:15–11:00 a.m.

SESSION 5

Measurement Issues in Time-Use Research

“Using Auxiliary Data to Compensate for Noisy Time-Use Data.” **N. Anders Klevmarken,** Uppsala University

“Examining the Dynamics of Child Care Using the American Time-Use Survey and the American Historical Time-Use Study.” **Kimberly Fisher,** Institute for Social and Economic Research, University of Essex.

Discussant: **Jay Stewart,** U.S. Bureau of Labor Statistics

11:00–11:30 a.m.

BREAK

11:30 a.m. – 1:00 p.m.

SESSION 6

Household Production and Economic Inequality

“Household Production and the Distribution of Economic Well-Being in the United States.” **Ajit Zacharias,** Levy Institute.

“How Does Nonmarket Production Affect Earnings Inequality? Evidence from the American Time-Use Survey.” **Harley Frazis** and **Jay Stewart,** U.S. Bureau of Labor Statistics.

Discussant: **Frank Stafford,** University of Michigan

1:00–2:30 p.m.

LUNCH

2:30–4:00 p.m.

SESSION 7

Well-Being and Deprivation: Subjective and Objective Measures Utilizing Time-Use Data

“Time, Money, and Satisfaction.” **Jens Bonke, Mette Deding,** and **Mette Lausten,** The Danish National Institute of Social Research, Copenhagen.

“Developing Poverty Indicators Using Time-Use Statistics: A Study in India.” **Indira Hirway,** Centre for Development Alternatives.

Discussant: **Lars Osberg,** Dalhousie University.

4:00–4:30 p.m.

BREAK

4:30–6:00 p.m.

SESSION 8

International Comparisons of Time Allocation

“International Differences in Market Work and Household Production.” **Richard B. Freeman,** Harvard University and NBER; and **Ronald Schettkat,** Bergische Universität Wuppertal.

“Elderly Time Allocation and Well-Being: What Changes after Retirement? An International Comparison.” **Elsa Fontainha,** ISEG (Technical University of Lisbon).

Discussant: **Younghwan Song,** Union College

6:00–6:05 p.m.

CLOSING REMARKS

6:05–9:00 p.m.

RECEPTION AND DINNER

Publications and Presentations

Publications and Presentations by Levy Institute Scholars

CLAUDIO H. DOS SANTOS *Research Scholar*

Publication: “A Stock-Flow Consistent General Framework for Formal Minskyan Analyses of Closed Economies,” *Journal of Post Keynesian Economics*, Vol. 27, No. 4, Summer 2005.

GREG HANNSGEN *Resident Research Associate*

Publication: “Minsky’s Acceleration Channel and the Role of Money,” *Journal of Post Keynesian Economics*, Vol. 27, No. 3, Spring 2005.

Presentation: “The Disutility of International Debt: Analytical Results and Methodological Implications,” Western Economic Association International annual meetings, San Francisco, July 4–8.

DIMITRI B. PAPADIMITRIOU *President*

Presentations: Interview regarding the Levy Institute’s Strategic Analysis, along with indicators and the economy, with Ed Zwirn, CFO.com, April 8; interview regarding the effects of gas prices on businesses, employees, and payouts with John Eckberg, *Cincinnati Enquirer*, May 12; interview regarding the structure of the Federal Reserve with Cheryl Glaser, Marketplace, June 28; lecture on “Inflation Targeting” and “Full-Employment Schemes and Gender” and roundtable discussant on “Finance and Monetary Policy in Historical Perspective” and “Inflation Targeting and Its Alternatives,” University of Utah, June 8.

JOEL PERLMANN *Senior Scholar*

Presentation: “‘Race of People’: American Social Science, Bureaucracy, and Ethnic Politics, 1898–1913,” Society for the Advancement of SocioEconomics, Budapest, July 1.

EDWARD N. WOLFF *Senior Scholar*

Publication: *Retirement Income: The Crucial Role of Social Security* (with Christian Weller), Economic Policy Institute, 2005.

Presentations: Taping for BBC World (hosted by Tanya Beckett), March 3; NBC (New York) Nightly News, March 4; “Social Security, Pensions, and the Inequality of Household Wealth in the United States, 1983–2001,” Center for the Study of Wealth and Inequality, ISERP, Columbia University, April 21; “Measures

of Technical Change and Structural Change in Services in the United States: Was There a Resurgence of Productivity Growth in Services?” for a workshop on “The Economics of Services and Intangible Goods Revisited: Models and Empirical Evidence,” University of Rome “La Sapienza,” Rome, Italy, June 3–4; “The Vintage Effect in TFP Growth: An Analysis of the Age Structure of Capital,” Fifteenth International Conference on Input-Output Techniques, Beijing, China, June 27 – July 1.

L. RANDALL WRAY *Senior Scholar*

Presentations: “Common Goals—Different Solutions: Can Basic Income and Job Guarantees Deliver Their Own Promises?” (with Pavlina Tcherneva), and “The Fed’s Neutral Rate and the New Monetary Consensus,” Eastern Economic Association annual meetings, New York City, March 4–6; “Is Argentina’s Jefes de Hogar an Employer of Last Resort Program?” (with Pavlina Tcherneva), Asociacion Argentina de Especialistas en Estudios del Trabajo annual conference, Buenos Aires, August 13.

Recent Levy Institute Publications

LEVY INSTITUTE MEASURE OF ECONOMIC WELL-BEING *Interim Report 2005: The Effects of Government Deficits and the 2001–02 Recession on Well-Being*

EDWARD N. WOLFF, AJIT ZACHARIAS, and HYUNSUB KUM
May 2005

Levy Institute Measure of Economic Well-Being *Economic Well-Being in U.S. Regions and the Red and Blue States*

EDWARD N. WOLFF and AJIT ZACHARIAS
March 2005

Levy Institute Measure of Economic Well-Being *How Much Does Public Consumption Matter for Well-Being?*

EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENA CANER
December 2004

Levy Institute Measure of Economic Well-Being *How Much Does Wealth Matter for Well-Being? Alternative Measures of Income from Wealth*

EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENA CANER
September 2004

Levy Institute Measure of Economic Well-Being

United States, 1989, 1995, 2000, and 2001

EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENSA CANER
May 2004

Levy Institute Measure of Economic Well-Being

*Concept, Measurement, and Findings: United States, 1989
and 2000*

EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENSA CANER
February 2004

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Imbalances Looking for a Policy

WYNNE GODLEY
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KORKUT A. ERTÜRK
2005/3

*Manufacturing a Crisis: The Neocon Attack on Social
Security*

L. RANDALL WRAY
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The Case for an Environmentally Sustainable Jobs Program

MATHEW FORSTATER
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Those "D" Words: Deficits, Debt, Deflation, and Depreciation

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Inflation Targeting and the Natural Rate of Unemployment

WILLEM THORBECKE
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No. 82, 2005 (Highlights, No. 82A)

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The Case Against the Fiscal Hawks

JAMES K. GALBRATH
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The Fed and the New Monetary Consensus

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