The Levy Economics Institute of Bard College

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New Strategic Analysis

ARE HOUSING PRICES, HOUSEHOLD DEBT, AND GROWTH SUSTAINABLE?

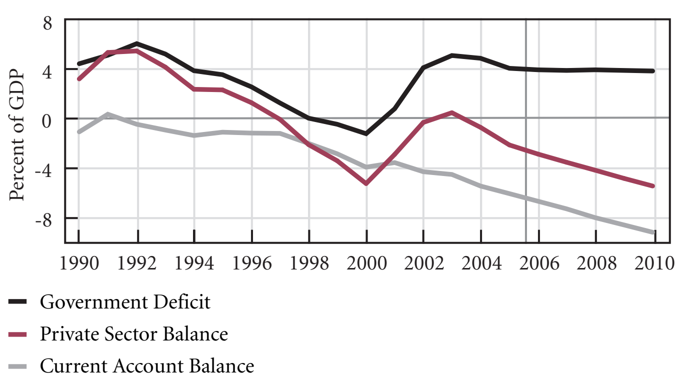
DIMITRI B. PAPADIMITRIOU, EDWARD CHILCOTE, AND GENNARO ZEZZA

www.levy.org/pubs/sa_jan_06.pdf

The latest Levy Institute Strategic Analysis depicts a household sector that is struggling under an unprecedented burden of debt and relying upon an unsustainable upward trend in real estate prices. The authors, Levy Institute President Dimitri B. Papadimitriou, Research Scholar Edward Chilcote, and Research Scholar Gennaro Zezza of the University of Cassino, Italy, find that a reversal of the trend could severely dampen economic growth.

The authors begin by noting the lack of consensus on the existence of a housing "bubble," with many prominent figures, including former Fed Chairman Alan Greenspan, doubting any analogy to the technology stock price run-up of the 1990s. Some of the arguments cited by optimists on this issue include the high transactions costs associated with selling homes, which prevent

Figure 1 CBO Scenario: Main Sector Balances



Sources: BEA and authorsí calculations

Continued on page 4 ►

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Contents

NEW STRATEGIC ANALYSIS

1 Are Housing Prices, Household Debt, and Growth Sustainable?

NEW POLICY NOTES

4 Credit Derivatives and Financial Fragility

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

NEW PUBLIC POLICY BRIEF

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

NEW WORKING PAPERS

6 Are Long-run Price Stability and Short-run Output Stabilization All that Monetary Policy Can Aim For?

6 Monetary Policy Strategies of the European Central Bank and the Federal Reserve Bank of the U.S.

7 Job-Hopping in Silicon Valley: Some Evidence Concerning the Micro-Foundations of a High Technology Cluster

7 All Types of Inequality are *Not* Created Equal: Divergent Impacts of Inequality on Economic Growth

8 Time to Eat: Household Production under Increasing Income Inequality

8 Speculation, Liquidity Preference, and Monetary Circulation

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

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

10 Keynes's Approach to Money: An Assessment after 70 Years

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

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

11 Prolegomena to Realistic Monetary Macroeconomics: A Theory of Intelligible Sequences

12 Government Effects on the Distribution of Income: An Overview

12 Personality and Earnings

LEVY INSTITUTE NEWS

13 Russell Sage Foundation Grant Supports Perlmann Book

14 Upcoming Events

Conference: Government Spending on the Elderly

Symposium: Gender Equality, Tax Policies, and Tax Reform in Comparative Perspective

PUBLICATIONS AND PRESENTATIONS

16 Publications and Presentations by Levy Institute Scholars

18 Recent Levy Institute Publications

a sudden, large-scale liquidation, limits on supply due to rising land values and regulations, and demand driven by the post–World War II baby boomers.

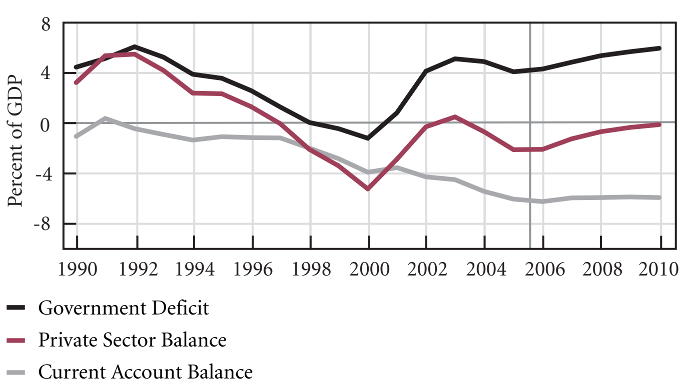
Papadimitriou, Chilcote, and Zezza argue that in fact, housing is excessively priced. The price of a house relative to its rental value is now above 19, compared with about 15 in 1976. In the past, this price-to-rent ratio has followed a cyclical patten, with peaks occurring every eight to ten years. By this measure, a drop in housing prices is long overdue.

The Strategic Analysis next turns to the overall financial picture of U.S. households. Since 2000, the authors note, the ratio of household debt to disposable income has risen at a compound rate in excess of 5 percent, compared with growth rates averaging about 1.25 percent in the 1980s and 1990s. This ratio now stands at over 120 percent. Despite low interest rates, the ratio of debt service payments to personal disposable income has reached a record level. The only bright spot in households' financial picture is their real estate wealth, and even a minor drop in housing prices could bring about a massive fall in the total value of such assets. The authors suggest that this perilous situation may have come about mainly for two reasons: official advice to home buyers to use variable-rate mortgages, and falling credit standards. The implication of all of these considerations—that a fall in real estate prices could pose major problems for the economy as a whole—is borne out by the recent experience of other industrialized countries. Further, U.S. historical data show that when real estate prices have fallen, consumers have put away their credit cards and stopped shopping.

The Strategic Analysis then examines three scenarios, based upon simulations conducted by the authors. In the "Congressional Budget Office" (CBO) scenario, the authors consider what level of household borrowing would be necessary in order to maintain growth rates projected by the CBO, while containing government budget deficits (see Figure 1, front cover). They find that the private sector as a whole would have to maintain a deficit equal to 4 percent of GDP under these circumstances—a highly unlikely rate of borrowing. The second ("Slow-Growth") scenario features a fall in housing prices of the depth that many observers consider likely (see Figure 2). The result is a cumulative 5-percent drop in GDP in the period up to 2010. The final simulation is the "Fiscal-Policy" scenario, under which government spending would rise to alleviate the recessionary effect of a fall in household borrowing. But the increase required would be very large indeed, amounting to 10 percent of GDP by 2010.

With these options on the table, policymakers will face some challenging dilemmas in the years to come.

Figure 2 **Slow-Growth Scenario: Main Sector Balances**



Sources: BEA and authors' calculations

New Policy Notes

Credit Derivatives and Financial Fragility

EDWARD CHILCOTE

Policy Note 2006/1

www.levy.org/pubs/pn_1_06.pdf

On September 15, 2005, the Federal Reserve held a meeting involving 14 large credit derivatives–dealer banks. The last time such a meeting took place was on September 16, 1998—in the midst of the Long-Term Capital Management crisis. Does the recent meeting portend a new crisis?

In a new Policy Note, Research Scholar Edward Chilcote writes about the potential for a major credit-derivatives debacle of the type that was averted in 1998. Credit derivatives are bilateral contracts that transfer credit risk between parties, for example, contracts that represent one part (tranche) of the risk of a pool of bonds. By acquiring derivatives contracts, banks or other institutions can reduce their exposure to credit risk.

These contracts grew at an annual rate of 128 percent in the first six months of 2005, with hedge funds among those heavily involved. This occurred while banks and other institutions seemed to be relaxing their other protection against adverse "credit events" by lowering their provisions for credit losses.

The growth of credit derivatives contracts increases the links between various financial players: if there are a few defaults, the sellers of derivatives could fail to hold up their end of the bargain to insure against risk. Banks and other lenders could rush to cover the risks that were exposed by the default of some derivatives buyers. If the banks found no willing purchasers (perhaps due to a climate of many defaults), then a "run" could occur and the derivatives markets could lose liquidity, meaning that it would be impossible to obtain cash in return for the contracts. With so many institutions exposed to risk without the protection of credit derivatives, a chain reaction of defaults could occur.

All of this is much more likely in light of the recent massive growth of the derivatives market, which, unfortunately, has made difficult the orchestration of an orderly bailout of the type engineered in the 1998 crisis. In order to prevent a crisis, Chilcote recommends standardizing trading documentation, imposing time limits for clearing transactions, mandating strict margin requirements, and several other reforms.

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

JAMES K. GALBRAITH

Policy Note 2006/2

www.levy.org/pubs/pn_2_06.pdf

In a new Policy Note, Senior Scholar James K. Galbraith of the University of Texas at Austin argues that "bankruptcy" is an inaccurate metaphor for the financial condition of the U.S. government. Bankruptcy may become a reality for all too many individual households, however, posing a serious problem for the economy as a whole.

Some observers, Galbraith notes, have implied that the government can literally go bankrupt. But U.S. debts are denominated in dollars, which can be created by the Federal Reserve in unlimited quantities. Other economists argue that a metaphorical bankruptcy could occur. In this scenario, investors and central banks would rapidly sell off large quantities of U.S. assets, raising the government's cost of borrowing and sending the currency into a tailspin. Since the United States has relied on the international purchase of a large share of U.S. securities in recent years, such a debacle is not impossible.

Some facts make a sell-off of U.S. securities rather unlikely, however, at least in the near term. First, Japan and China, two nations that together hold a large portion of U.S. securities, are dependent on exports to the United States, just as the United States is dependent upon foreign capital. Japan, a nation of savers, suffers from weak domestic consumer demand, while China must keep its factories running in order to support its rapidly expanding urban population.

Eventually, the sell-off may well occur, jeopardizing the dollar's status as the world's main reserve currency. But there is little that economists, governments, or anyone else can do to prevent this outcome, Galbraith argues. The sheer size of the current account deficit does not pose the greatest threat to the dollar; rather, a major foreign policy crisis, such as a war over Taiwan, would be most likely to precipitate a currency collapse.

Moreover, government deficit reductions would not ensure a return to current account balance, since the private sector's borrowing must also be taken into account. The private sector, already deeply in hock, may suffer a financial reversal, should interest rates rise much higher or real estate prices fall dramatically. Therein lies the true threat to the weak U.S. economic expansion.

New Public Policy Brief

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

PANOS KONSTAS

Public Policy Brief No. 83

www.levy.org/pubs/ppb_83.pdf

This new brief is based on working paper no. 419, March 2005. For a summary, see the July 2005 *Report,* p. 11.

New Working Papers

Are Long-run Price Stability and Short-run Output Stabilization All that Monetary Policy Can Aim For?

GIUSEPPE FONTANA AND ALFONSO PALACIO-VERA

Working Paper No. 430

www.levy.org/pubs/wp_430.pdf

Ask most economists how to run monetary policy, and they will likely give a variant on this answer: It is impossible for monetary policy to increase economic output over the long term. The best the monetary authorities can hope for is to stabilize the price level or inflation while keeping output fairly close to its equilibrium level. Practically speaking, central banks should set an inflation or price target of some form, raising interest rates when inflation is high and lowering them in times of low inflation.

But Giuseppe Fontana of Leeds University Business School and Alfonso Palacio-Vera of Universidad Complutense de Madrid argue in a new working paper that monetary policy can affect output over the long run; a policy of high interest rates can have a permanently depressing effect on the growth of GDP.

This unconventional idea has roots in several strands of economic literature. In one version, economic demand actually influences growth, in contrast to the standard approach that attributes cycles largely to demand, and secular growth to supply-side forces, such as the steady march of technological advances. For example, demand can lead output if the economy benefits from "economies of scale," which allow firms to cut unit costs permanently when they produce a greater volume of goods. If the government boosts demand by cutting interest rates or running deficits, subsequent reductions in costs can produce a chain of events that amplify the initial effects of demand stimulation.

In addition to demand-led growth models are models that highlight the effects of high demand on labor markets. In these models, a negative shock to demand can permanently reduce the inflation-free growth potential of the economy. An example would be a model in which unemployed people gradually lose their skills during spells of unemployment. In that case, the economy will not immediately return to its prerecession growth rate when workers finally go back to their jobs. Models in this vein often involve "hysteresis," a phenomenon first observed by physicists.

Fontana and Palacio-Vera argue that a more growth-friendly form of monetary policy, rather than standard inflation targeting, may be appropriate when demand can have important long-term effects. They show that average output can be reduced when central banks react strongly to inflation shocks. The economy may perform better, say the authors, when policymakers take what they call a "flexible opportunistic" approach to fighting inflation, refraining from rate increases, even sometimes when inflation is above its target.

Monetary Policy Strategies of the European Central Bank and the Federal Reserve Bank of the U.S.

CLAUDIO SARDONI AND L. RANDALL WRAY

Working Paper No. 431

www.levy.org/pubs/wp_431.pdf

In a new working paper, Claudio Sardoni of the University of Rome "La Sapienza" and Senior Scholar L. Randall Wray of the University of Missouri–Kansas City and the Center for Full Employment and Price Stability posit that many have misunderstood the differences between European and U.S. macroeconomic policy and their roles in the relative economic performance of Europe and the United States.

The recent Federal Reserve policy strategy dates back to the mid-1990s. An earlier Public Policy Brief by Wray, described in the April 2005 *Report* (p. 5), shows that this strategy is badly flawed. But the problems with monetary policy go beyond the weaknesses of any particular strategy for manipulating interest rates. Most of the followers of John Maynard Keynes do not consider interest rates one of the main determinants of economic growth. Surely, they argue, low interest rates cannot convince a company to make an investment that it believes will be unprofitable. Similarly, if a firm is highly optimistic about future profitability, high interest rates will probably not convince its management to refrain from aggressively making investments in future capacity. All in all, while interest rates affect certain forms of economic activity, such as home building, Federal Reserve policy moves have a relatively small impact on the overall economy.

The European Central Bank (ECB) has a slightly different philosophy than does the Federal Reserve. It states more clearly that its only goal is to contain inflation. It believes that by setting a rough target for inflation, it can anchor people's expectations of that variable. Once expectations for low inflation are in place, the ECB emphasizes, inflations are less likely to accelerate. Though all of this may seem reasonable, the ECB's strategies are just as flawed as the Fed's, write Sardoni and Wray. In particular, the ECB stubbornly refuses to give up the notion of a target for the total money supply, even though this approach failed completely in many countries in the 1970s and 1980s.

Many have argued that Europe's economic performance has been poor, relative to that of the United States, because of better central banking in this country. Indeed, unemployment in the eurozone has been high over the past five years, and growth low. But the policies of the ECB and the Fed have not been different enough to warrant such a view, according to Sardoni and Wray.

What accounts for the differences between U.S. and eurozone growth and employment? The answer is probably fiscal (spending and taxation) policy. The eurozone as a whole, unlike the United States, does not run deficits, and member nations are restricted in their ability to deficit-spend, partly by international agreement, and partly by market discipline. The ECB's interest rate policies cannot be blamed for the economic troubles of much of the eurozone, and, sadly, cannot do much to remedy those problems.

Job-Hopping in Silicon Valley: Some Evidence Concerning the Micro-Foundations of a High Technology Cluster

BRUCE FALLICK, CHARLES A. FLEISCHMAN, AND JAMES B. REBITZER

Working Paper No. 432
www.levy.org/pubs/wp_432.pdf

It is a fact of economic life that similar firms often locate near one another. Economists explain this phenomenon by "agglomeration economies"—the benefits to a firm of being located in an area with a large number of similar firms.

A prime example of agglomeration economies is Silicon Valley, the information-technology center near San Francisco. In a new working paper, Bruce Fallick and Charles A. Fleischman of the Board of Governors of the Federal Reserve and Research Associate James B. Rebitzer of Case Western Reserve University investigate possible agglomeration economies there. They hypothesize that agglomeration economies may be important in the IT industry because employees need to be able to quit underperforming firms, and shift rapidly to firms that are introducing successful innovations. Moreover, Silicon Valley may be especially well positioned to take advantage of such externalities because of an old law, unique to California, that makes it difficult for firms to enforce "noncompete" clauses in employees' contracts, which, in the interests of protecting trade secrets, prevent employees from moving to competing firms in the same area.

Until now, a lack of data on the movement of employees between firms in a specific region has prevented a thorough empirical examination of these ideas. Fallick, Fleischman, and Rebitzer use data from the Current Population Survey, a monthly study conducted by the U.S. Bureau of the Census, which includes monthly information on employment status. In the survey, respondents are reminded of how they answered a question about their jobs the previous month and then asked if there has been any change in their employer.

The authors find much evidence in support of the importance of interfirm mobility in generating agglomeration economies, especially in California. They use statistical techniques to investigate the factors that influence the likelihood that workers will remain with the same employer from one month to the next. They find that Silicon Valley technology employees are more likely than those in other technological centers to change employers. But this effect is reduced when the technology industry is broadly defined, and the general effect of being located in California is considered. In other words, worker mobility is higher in Silicon Valley than in other IT centers, including Boston's Route 128, but it is just as high in other parts of California—a finding that lends credence to the view that the lack of noncompete agreements in California may be an important factor. California's distinctiveness as a place of high mobility appears weaker when the IT industry is defined more narrowly.

All Types of Inequality are *Not* Created Equal: Divergent Impacts of Inequality on Economic Growth

STEPHANIE SEGUINO

Working Paper No. 433
www.levy.org/pubs/wp_433.pdf

The effects of inequality on growth are ambiguous, according to Research Associate Stephanie Seguino of the University of

Vermont. For example, an economy such as South Korea's may be able to use low-paid female workers to help build a competitive export sector. On the other hand, inequality can adversely affect growth in the long run in part because men tend to invest less of their income than women in the well-being of children.

Moreover, because individuals tend to be sorted into many different categories (race, gender, class, religion, etc.), there exist many types of inequality, each of which may impact growth in complex and differing ways. Seguino argues that it is essential to account for various forms of inequality separately, because some may spur growth, at least in the short run, while others may stunt growth.

Seguino first studies data from 68 countries from varying years (around 1998), calculating correlations among different measures of inequality. Her variables are the gender wage gap, the male-female population ratio, the ratio of male to female life expectancy, the gender educational gap, ethnic polarization, and two general measures of wage inequality among all members of society. The wage gap between men and women is not correlated strongly with other measures of social inequality, including two measures of ethnic inequality. The wage gap also has a weak correlation with other aspects of gender inequality, such as inequality in life expectancy and education. And the correlation between gender inequality in wages and overall income inequality among households is negative. Ethnic inequality measures, on the other hand, have a positive correlation with inequality among households. An inverse relationship exists between the gender wage gap and the ethnic wage gap, a finding, Seguino suggests, that could indicate that in ethnically diverse societies, ethnic exploitation and marginalization might partially "substitute" for patriarchal practices.

Given this information about how different forms of inequality thrive in different societies, it is no wonder that no clear relationship has been found between inequality and economic growth.

To investigate conjectures about the relationship between growth and various measures of inequality, Seguino uses statistical techniques that allow her to control for noninequality factors. She finds that in two different periods, the gender wage gap exerted a positive effect on growth.

Time to Eat: Household Production under Increasing Income Inequality

DANIEL S. HAMERMESH
Working Paper No. 434
www.levy.org/pubs/wp_434.pdf

This working paper is based upon the author's presentation at the Levy Institute's October 2005 conference, "Time Use and Economic Well-Being." For a summary of that presentation, see the January 2006 *Report*, p. 15.

Speculation, Liquidity Preference, and Monetary Circulation

KORKUT A. ERTÜRK
Working Paper No. 435
www.levy.org/pubs/wp_435.pdf

John Maynard Keynes's *General Theory of Employment, Interest, and Money* (1936) helped to convince policymakers and economists that government spending could take the economy out of recession. In a new working paper, Research Associate Korkut A. Ertürk of the University of Utah examines some ideas from one of Keynes's earlier works, which have been pushed to the side over the years during several bruising intellectual battles.

Keynes's early contribution built on the work of Swedish economist Knut Wicksell, who argued that inflationary and deflationary processes could be set in motion by differences in the natural and monetary rates of interest. The former rate was set largely by technological factors and the possibility of overinvestment. The latter rate was determined by the banking system, which was capable of expanding the money supply to any needed level at an interest rate largely of its choosing. If the natural rate dipped below (rose above) the rate set by the banking system, investment would be choked off (accelerated), leading to deflation.

Keynes offered several elaborations of this basic theory, which is influential even today. First, Keynes argued, the demand for money changed over the course of the business cycle, accounting for a greater portion of price volatility than did changes in money supply. Second, the prices of consumer goods relative to investment goods changed systematically over the course of the business cycle, as the two types of prices were determined by different influences. Finally, Keynes linked changes in asset prices over the cycle to changes in a part of the demand for cash balances ("the bear position").

These insights were lost in the cacophony of Keynesian interpretations and criticisms that followed the publication of *General Theory.* In the latter work, the demand for money was linked to "liquidity preference," which was not related to speculation over asset prices in any systematic way. Keynes's new argument depended to a large degree on the "stickiness" of expectations of the interest rate, which required a fixed degree of liquidity preference, rather than one that moved over the business cycle. Keynes's emphasis on the "marginal efficiency of investment" (the expected rates of return to varying levels of investment) in *General Theory* obscured issues of the mispricing of securities, as it emphasized valuations based on "states of expectation" of investors. These states could be self-fulfilling and stable over the short run.

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

EBRU KONGAR
Working Paper No. 436
www.levy.org/pubs/wp_436.pdf

In a new working paper, Ebru Kongar of Dickinson College investigates the possible causes of recent improvements in the male-female wage gap in the United States. Since women workers tend to be concentrated in less skilled occupations, and since international trade seems to have increased the demand for skilled workers, relative to unskilled, some economists expected globalization to have an adverse effect on women's relative wages. But actual developments have run counter to this prediction.

A recent paper by Sandra E. Black and Elizabeth Brainerd argued that international trade caused a reduction in the gender wage gap, through what they term the "importing equality" argument. They posited that in industries with significant excess profits, corporate decision makers are able to indulge their "taste for discrimination" and hire male workers. On the other hand, in heavily competitive industries, costs must be kept to an absolute minimum, so companies hire cheaper female labor. Since international trade has intensified competition in many industries, Black and Brainerd concluded that it has had such an equalizing effect on relative wages.

Kongar counters Black and Brainerd with a different hypothesis, the "exporting jobs" explanation. International trade led to a loss of jobs for women in industries that compete with foreign imports, and these losses have been concentrated in the lower rungs of the labor hierarchy. With low-wage jobs for women moving overseas and many higher-wage positions staying in the United States, average wages for women here have risen, relative to those of men, at least in less competitive industries.

Kongar investigates the factors that lead to interindustry variation in the gender wage gap. The variable explained by Kongar's empirical model is the part of the change in the gap between men's and women's wages that cannot be accounted for by differences in average skill, education, experience, etc. This variable is explained by interindustry variation in the following factors: the change in the amount of international trade, the amount of pricing discretion (or monopoly power), the interaction of trade and monopoly, and technological advances. Kongar also estimates similar relationships involving the wages of men and women and the percentage of women among employees in an industry. The data are from 1976 to 1993.

Kongar finds that trade has a tendency to reduce the wage gap in competitive industries relative to more monopolistic ones. This change was not coupled with an increase in women's share in employment, she writes. This result shows that any improvements in the wage gap have probably not been the result of increasing demand for female labor, as Black and Brainerd would have it. Moreover, increased import competition was associated with a *decline* in women's share of low-wage employment in concentrated industries. Clearly, this decline is not consistent with a world in which high-profit industries demand more female workers as they become exposed to international competition. Kongar reaches different conclusions regarding highly competitive industries, where the gender wage gap actually increased.

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

INDIRA HIRWAY

Working Paper No. 437

www.levy.org/pubs/wp_437.pdf

The National Rural Employment Guarantee Act of 2005, which mandates that 100 days of paid employment be guaranteed each year to all households in 150 districts of India, is the latest of several similar acts. In a new working paper, Research Associate Indira Hirway of the Centre for Development Alternatives suggests ways of insuring that the new act is implemented more effectively than the earlier ones.

Among the problems that have plagued past efforts to provide public jobs in India are the small size of the programs, an inability to continue employment over the long term, a tendency to produce public projects that are poorly maintained and do not generate additional employment opportunities, and poor planning.

In order to overcome such problems, the new employment guarantee act will have to achieve several things. First, the right sorts of assets must be produced by employees of the program, accommodating demand for employment and promoting development of regional and local economies. Second, the assets that are created must be owned collectively by the local community or by poor households. Finally, the assets must be maintained well and used productively to help the poor and socially excluded communities.

The act outlines several types of projects, mostly related to natural resource–management and infrastructure, to be undertaken: roads, water conservation and water harvesting, drought-proofing, irrigation, renovation of water bodies, and land development. The projects will be labor-intensive and planned primarily at the local level. Limitations of current plans for implementation of the act include a weak theoretical framework underlying planning for the program, which leads to ad-hoc decision making; ineffective coordination with other projects; a weak strategy for ensuring the supply of labor; inadequate arrangements for ownership and management of the assets to be produced; and a failure to learn lessons from past programs.

Hirway describes several steps that authorities should take to insure that the act is effectively implemented. Local organizations and local people must be involved. Governments must monitor the success of the program and adapt it as necessary to meet challenges that arise. All governmental and nonprofit agencies involved would benefit from capacity-building efforts, such as information dissemination and education. Independent agencies will have to continually evaluate the program, using appropriate performance and outcome measures. Finally, the state governments must have a strong commitment to the program.

In short, efforts will have to be made to ensure that the poor participate, the job guarantee is enforced, and the livelihoods of poor people are improved in both the short and the long run. Only then will the plan be an opportunity to eradicate the worst forms of poverty, empower the poor, and stimulate "pro-poor" growth.

Keynes's Approach to Money: An Assessment after 70 Years

L. RANDALL WRAY

Working Paper No. 438

www.levy.org/pubs/wp_438.pdf

Senior Scholar L. Randall Wray of the University of Missouri–Kansas City and the Center for Full Employment and Price Stability covers a broad range of macroeconomic topics in his new working paper.

Wray first discusses theories of money supply and demand, which are often used by economists to explain how interest rates are determined. In Chapter 13 of his *General Theory,* Keynes argues that the interest rate depends upon the public's "liquidity preference," or willingness to part with liquid assets in return for other forms of wealth. Liquidity preference was made up of three motives: the transactions, the precautionary, and the speculative. The market sets the interest rate so that the public's liquidity preference is just strong enough to induce people to hold the entire existing monetary stock. Over the course of his career, Keynes expressed different views on what determined this stock; sometimes he treated it as a constant set by central bank policy, and other times he argued that it would depend primarily on the activities of private banks, which were not completely controlled by the monetary authorities.

Wray also discusses how money affects employment and output. Many contemporary economists blame unemployment on temporary "shocks" to the economy, which cause it to leave its equilibrium. Keynes found much deeper roots for chronic unemployment, in the monetary system. Though money is necessary for a modern economy, it can act as a brake on economic growth, because its rate of return sets the benchmark for the rate of return on all other assets, including capital. For example, since money earns no return, its "return" is primarily in the form of the advantages of holding a liquid asset. If this return remains stubbornly high, investors will demand the same high return (mostly appreciation and yield, less carrying costs) on capital, a demand that can cut off investment before full employment is reached. This led Keynes to argue that unemployment occurs because people "want the moon"—money, which cannot be produced like other goods. Still, creating more money is not always the answer to unemployment, in part because the needed amount of investment may not be forthcoming, regardless of the rate of return on money. This argument is important, and many critiques of Keynes's theories, such as endogenous money theory, do not diminish its force.

Wray turns to the origins and functions of money, arguing that money does not exist merely because of uncertainty about the future, as some Keynesians and post-Keynesians would have it. Keynes himself hit upon the correct explanation for the existence of money: the government creates a need for its liabilities by imposing taxes, payable in currency.

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

LYN CRAIG
Working Paper No. 439
www.levy.org/pubs/wp_439.pdf

This working paper is based upon the author's presentation at the Levy Institute's October 2005 conference, "Time Use and Economic Well-Being." For a summary of that presentation, see the January 2006 *Report,* pp. 15–16.

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

CHARLENE KALENKOSKI, DAVID C. RIBAR, AND LESLIE S. STRATTON
Working Paper No. 440
www.levy.org/pubs/wp_440.pdf

This working paper is based upon the authors' presentation at the Levy Institute's October 2005 conference, "Time Use and Economic Well-Being." For a summary of that presentation, see the January 2006 *Report,* pp. 15–16.

Prolegomena to Realistic Monetary Macroeconomics: A Theory of Intelligible Sequences

WYNNE GODLEY AND MARC LAVOIE
Working Paper No. 441
www.levy.org/pubs/wp_441.pdf

Distinguished Scholar Wynne Godley of Cambridge University and Marc Lavoie of the University of Ottawa have created a series of economic models that attempt to represent the intricate interconnections among different markets. They continue this project in their new working paper, developing a model that characteristically accounts for both sides of each transaction and the effects of each transaction on the stocks of financial assets held by households, firms, banks, the central bank, and the government.

Looking to capture both sides of every transaction, the authors begin by positing a social accounting matrix (SAM). Each column of the matrix (grid) corresponds to a sector of the economy. There are two sets of rows, one that shows all transactions and another that shows how the amount of each asset changes. For example, the first column is households, with some of the rows named "personal consumption," "wages," and "interest on bonds." The entry for wages is positive, of course, and the entry for consumption is negative, indicating that the former is an inflow of cash, and the latter an outflow. In the "firms" column, consumption is a positive number, since companies receive money from households in return for consumption goods. Keeping track of all the entries in this matrix goes beyond "pencil-and-paper" methods, of course, and must be accomplished through simulations.

Though they bring relatively novel analytical methods to the table, the authors rely upon a rich tradition of post-Keynesian thought, which runs counter to the neoclassical economics favored by many central banks and scholars. Among the key features of the model are the assumption that firms face increasing returns to the scale of their operations in the short run and constant returns in the long run; prices are set so as to be consistent with expected demand and to generate enough profit to pay for a set proportion of fixed investment; one of the main roles of prices is to determine the distribution of GDP; and households choose among financial investments through a supply-and-demand process, with the amount of bank money being determined within the private sector.

Various simulations show a simulated economy that reacts in plausible ways to various changes in government-policy variables. In their work, the authors use the important distinction between the fiscal stance and the fiscal deficit. The former includes all the tax and spending levers over which the government has direct control, such as tax rates and budgets. The latter is the amount by which expenditures actually exceed revenues. This is not under the direct control of the government, since, for example, total tax revenues depend upon the amounts of economic activity subject to tax. The authors show that only one value for the fiscal *stance* is consistent with economic stability over even a moderate period of time. On the other hand, the authors show that the fiscal *deficit* is completely determined by private-sector decisions. Moreover, deficits will exist under almost any conditions, and it is unrealistic to expect governments to achieve Maastricht-like targets.

Government Effects on the Distribution of Income: An Overview

DIMITRI B. PAPADIMITRIOU
Working Paper No. 442
www.levy.org/pubs/wp_442.pdf

This new working paper by Dimitri B. Papadimitriou, president of the Levy Institute, is the first chapter of *The Distributional Effects of Government Spending and Taxation,* his new book in the Levy Institute book series. In this introduction, Papadimitriou first describes some of the policy issues surrounding government taxation and spending, then outlines the chapters that follow, which were originally presented by various scholars at a conference with the same title as the book. (See the January 2005 *Report* for summaries of the individual presentations.)

Papadimitriou sees government spending as falling into two categories: collective consumption goods and private consumption goods. The former include projects that benefit everyone, such as national defense, and the latter primarily help individual citizens, for example, educational aid. Individual government expenditures can be justified in four ways: market failures, basic-needs considerations, externalities, and distributional considerations. These reasons can be described briefly. An example of a market failure would be in health care, which is subject to selection bias, the tendency of the least healthy to buy the most insurance. Basic-needs considerations include the minimum level of common provision consistent with maintaining social cohesion. "Externalities" means economic activities that affect people other than the buyer or seller (a polluting factory would be a good example). Distributional considerations include the need to maintain some reasonable equality among different economic and social classes.

Four different models of the welfare state prevail across the developed world: taxpayers of the Nordic countries spend the most overall; the "Anglo-Saxon" nations concentrate on programs "of last resort"; many of the Continental nations rely on strong employment protection and retirement and unemployment benefits; and the Mediterranean countries devote a high proportion of their social spending to old-age pensions.

Recent times have found many social programs under attack. Experts have responded by developing performance and efficiency measures and guides to the optimal level of government intervention. Public efforts to help the more vulnerable members of society have weakened, despite the fact that economic growth potentially provides increased funding for social programs. The book measures the effects of those programs and taxes that remain in effect.

Personality and Earnings

KAYE K. W. LEE
Working Paper No. 443
www.levy.org/pubs/wp_443.pdf

Economists often try to account for differences between the earnings of individuals. Among the factors that have been cited are unionization, "high-wage" industries, and intelligence. Kaye K. W. Lee, a former Levy Institute junior fellow in association with the Cambridge University Visiting Scholar Program, suggests in a new working paper that workers' wages may depend partly on their personalities.

According to Lee, a key part of personality may be accounted for by memes, ingrained habits of thought that can be transferred from person to person, almost like genes. Memes may be part of the "culture" of a particular firm, and they can be important in determining economic outcomes, in part because they can prevent a worker or an employer from making optimal decisions, as described by economic theory. For example, workers may not be aware of some possible game-theoretic strategies, because their perceptions are colored by memes. Moreover, the memes of a firm may prevent individual workers from negotiating their best possible contract.

As an example of how memes can affect economic outcomes, Lee cites the classic "effort extraction" problem for firms. Employers may not know their best strategy if their perceptions are distorted by memes, and furthermore, they may be prevented by the firm's cultural environment from extracting workers' hypothetical maximum effort.

Memes may be relevant for individual wages for a number of reasons. First of all, memes can generate personality characteristics that improve the value of a particular worker to a firm. Someone who is honest or enjoys working hard may command a higher wage. Such "incentive-enhancing" memes have been emphasized by many economists who have studied the role of memes. But a firm may favor particular personality traits that do not contribute to productivity at all, if the traits happen to fit well with the firm's culture.

Lee provides a detailed analysis of how memes are similar to genes. Memes are considered to be "selected" when someone internalizes them, a process that can occur for several reasons. For example, a particular meme may be transmitted if it serves some desired end or if it fits well with the person's environment. "Variation" in memes can be generated through migration (communication of memes from outside the organization), mutation (changes that take place in a meme when it is transmitted), and recombination (the mixing of various memes already present within the organization). The "retention" of memes is favored when they are reinforced through actions, reproduced accurately, and diffused widely.

The author believes that Syslogic, a theory of the behavior of systems, offers a promising avenue for future research on memes and their roles in earnings determination.

Levy Institute News

Russell Sage Foundation Grant Supports Perlmann Book

Senior Scholar Joel Perlmann has received a grant from the Russell Sage Foundation to write a book about ethnic and racial intermarriage in America since 1880. A major focus of his research will be the descendants of the last great wave of immigrants (ca. 1890–1914), particularly Italian immigrants. Another focus will be contemporary issues that relate to Mexican Americans and blacks.

By studying the effects of both past and present immigration, Perlmann intends to place intermarriage rates in the context of history; i.e., to deal with the historical *origins* and *outcomes* of intermarriage rates. He observes that each immigration wave is unique, that intermarriage is affected by the complex nature of the "second generation," and that high proportions of mixed-origin "third generation" members emerge from relatively modest levels of second-generation intermarriage.

An objective of Perlmann's research is to link the two great themes of American assimilation—intermarriage and upward economic mobility. He also intends to investigate two main issues of black intermarriage (rates of black outmarriage in areas with relatively few black residents and the effect of out-of-wedlock births on intermarriage rates), as well as current rates of Jewish intermarriage.

This research follows Perlmann's 2005 book, *Italians Then, Mexicans Now: Immigrant Origins and Second-Generation Progress, 1890–2000*, which was published by the Russell Sage Foundation and The Levy Economics Institute.

Upcoming Events

Conference: Government Spending on the Elderly

April 28–29, 2006
Blithewood
Annandale-on-Hudson, New York

Demographic changes in the United States imply a significant growth in the number of beneficiaries in major federal entitlement programs. Existing program rules and rapidly escalating health care costs are expected to lead to fiscal pressures and pose challenges for economic growth.

"Government Spending on the Elderly," presented by The Levy Economics Institute of Bard College with support from the Smith Richardson Foundation, will provide an assessment of forces that drive government spending on retirees. Papers will examine how the retirement and health care of older citizens might be financed and will measure the potential impact of different reform proposals.

The current conference program is outlined below. Further information will be posted as it becomes available on the Levy Institute website, www.levy.org.

Preliminary Program

Friday, April 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

9:15–10:55 a.m. Session 1

Welfare State and the Incentives to Retire

"European Welfare State Regimes and Their Implications for the Elderly" AXEL BOERSCH-SUPAN, Mannheim Research Institute for the Economics of Aging (MEA), University of Mannheim

"Global Demographic Trends and Provisioning for the Future" L. RANDALL WRAY, Levy Institute and University of Missouri–Kansas City

Discussants: SERGIO NISTICÒ, University of Cassino
RICHARD STARTZ, University of Washington

10:55–11:25 a.m. Break

11:25 a.m. – 1:05 p.m. Session 2

Aspects of Economic Well-Being and Gender Disparities among the Elderly

"Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989–2002" EDWARD N. WOLFF, Levy Institute and New York University, and AJIT ZACHARIAS and HYUNSUB KUM, Levy Institute

"Differing Prospects of Women and Men: Young Old-Age and Old Old-Age" LOIS B. SHAW, Institute for Women's Policy Research

Discussants: ROBERT HAVEMAN, University of Wisconsin–Madison
MADONNA HARRINGTON MEYER, Syracuse University

1:05–2:30 p.m. Lunch

2:30–4:10 p.m. Session 3

Changing Patterns of Retirement Behavior

"Working for a Good Retirement" KAREN E. SMITH, BARBARA A. BUTRICA, and C. EUGENE STEUERLE, Urban Institute

"Net Intergenerational Transfers from an Increase in Social Security Benefits" MICHAEL HURD, RAND Corporation

Discussants: LUCIE G. SCHMIDT, Williams College
DANIEL L. THORNTON, Federal Reserve Bank of St. Louis

4:10–4:40 p.m. Break

4:40–6:10 p.m. Session 4

Interaction between Private and Public Provisioning

"The Changing Role of Employee Benefits and Federal Government Spending on the Elderly" TERESA GHILARDUCCI, University of Notre Dame

"Trends and Issues in Retiree Health Coverage" STEPHEN WOODBURY, Michigan State University, and JAMES MARTON, University of Kentucky

Discussants: ZVI BODIE, Boston University
BARBARA WOLFE, University of Wisconsin–Madison

6:10–9:00 p.m. Reception and Dinner

Saturday, April 29

8:30–9:15 a.m. Breakfast

9:15–10:55 a.m. Session 5

Budgetary and Macroeconomic Implications of Aging

"Population Forecasts, Fiscal Policy, and Risk"
SHRIPAD TULJAPURKAR, Stanford University
"Wage Growth and the Measurement of Social Security's Financial Shortfall" JAGADEESH GOKHALE, Cato Institute, and ANDREW BIGGS, Social Security Administration

Discussants: CLARK BURDICK, Social Security Administration
STEPHANIE A. KELTON, University of Missouri–Kansas City

10:55–11:25 a.m. Break

11:25 a.m. – 1:05 p.m. Session 6

Retirement Security: Problems and Prospects

"The Adequacy of Retirement Resources among the Soon-to-Retire" EDWARD N. WOLFF, Levy Institute and New York University
"Minimum Benefits in Social Security"
MELISSA M. FAVREAULT, GORDON B. T. MERMIN, and C. EUGENE STEUERLE, Urban Institute

Discussants: BROOKE HARRINGTON, Brown University
ROBERT K. TRIEST, Federal Reserve Bank of Boston

1:00–2:30 p.m. Lunch and Closing Remarks

Symposium: Gender Equality, Tax Policies, and Tax Reform in Comparative Perspective

May 17–18, 2006
Blithewood
Annandale-on-Hudson, New York

The symposium will focus on the gender dimensions of tax policy and tax reforms in countries at different levels of development. Participants will present papers based on their research in South Africa, India, Kenya, New Zealand, the United Kingdom, Spain, the European Union, Canada, and the United States.

The papers will address the following topics:

- gender biases in direct taxation, including biases in individual and joint filing, and the structure of exemptions, deductions, and allowances;
- gender biases in indirect taxation, including VAT and excise or sales taxes;
- impacts of personal income taxation on labor supply, household production, and time use;
- gender issues in tax reform and fiscal decentralization;
- theoretical and methodological issues in tax burden and tax incidence analysis from a gender perspective.

The symposium is part of the Levy Institute's program on Gender Equality and Economy. This new program considers the ways in which economic processes and policies affect gender equality, and how existing gender inequalities influence economic outcomes. Program objectives include stimulating a reexamination of key economic concepts, models, and indicators, with a particular view to reformulating policy; offering a broader view of an economy and how it functions; and contributing to knowledge that will improve the status of women and help them to realize their rights in the United States and other countries.

Publications and Presentations

Publications and Presentations by Levy Institute Scholars

RANIA ANTONOPOULOS *Research Scholar*

Presentations: "Unpaid Work, Gender, and Poverty," VI World Social Forum, Caracas, Venezuela, January 27; "Employment Creation Strategies and Time Use Survey Data," International Development Research Centre, Montevideo, Uruguay, February 2.

PHILIP ARESTIS *Senior Scholar*

Publications: *Financial Liberalization: Beyond Orthodox Concerns* (with M. Sawyer), London: Palgrave Macmillan, 2005; *The New Monetary Policy: Implications and Relevance* (with M. Baddeley and J. McCombie, eds.), Cheltenham, U.K.: Edward Elgar Publishing Ltd., 2005; "New Consensus Monetary Policy: An Appraisal" and "On the U.S. Post–'New Economy' Bubble: Should Asset Prices Be Controlled?" in *The New Monetary Policy: Implications and Relevance*, P. Arestis, M. Baddeley, and J. McCombie, eds., Cheltenham, U.K.: Edward Elgar Publishing Ltd., 2005; "An Institutional Perspective to Finance and Development as an Alternative to Financial Liberalisation" (with H. Stein), *International Review of Applied Economics*, Vol. 19, No. 4, 2005; "Aggregate Demand, Conflict, and Capacity in the Inflationary Process" (with M. Sawyer), *Cambridge Journal of Economics*, Vol. 29, No. 6, 2005; "Financial Liberalization and the Finance-Growth Nexus: What Have We Learned?" and "Financial Liberalization and Poverty: Channels of Influence," *International Papers in Political Economy* (New Series), 2005; "How Exposed Is the Euro Area Economic Performance to External Factors?" (with E. Karakitsos), *Newropeans Magazine*, November 18, 2005; "Financial Market Puzzles May Affect World Growth," *Challenge: The Magazine of Economic Affairs*, Vol. 48, No. 6, November–December 2005; "Makroökonomische Politik im Euroraum: Eine kritische Betrachtung," *WSI Mitteilungen, Monatszeitschrift des Wirtschafts – und Sozialwissenschaftlichen Instituts in der Hans Böckler Stiftung*, Bund-Verlag, Vol. 58, No. 12, December 2005; "Exposição da Zona do Euro a Fatores Externos," *Revista Autor*, Vol. V, No. 54, December 1, 2005; *Financial Developments in National and International Markets* (with J. Ferreiro and F. Serrano), London: Palgrave Macmillan, 2006; "The Case for Fiscal Policy" in *Financial Developments in National and International Markets*, P. Arestis, J. Ferreiro and F. Serrano, eds., London: Palgrave Macmillan, 2006; "Das Erwartungsparadox" (with W. Mosler), *Financial Times Deutschland*, January 27, 2006; "Is Capital Stock a Determinant of Unemployment?" (with M. Baddeley and M. Sawyer), in *Wages, Employment, Distribution and Growth: International Perspectives*, E. Hein, A. Heise, and A. Truger, eds., London: Palgrave Macmillan, 2006; "What Type of European Monetary Union?" in *Implications of the Euro: A Critical Perspective from the Left*, P. Whyman, M. Baimbridge, and B. Birkitt, eds., Oxford: Routledge, Taylor & Francis Group, 2006.

Presentations: "New Monetary Policy and Keynes," Hans Böckler Stiftung conference, "Macroeconomics and Macroeconomic Policies—Alternatives to Orthodoxy," Berlin, October 28–29, 2005; "Can the EMU Play a Stabilizing Role in Balancing the Global Imbalances? (Where Does Cyprus Fit in All This?)" Institute of Employment conference, Nicosia, Cyprus, November 18, 2005; "What Is the New Consensus in Macroeconomics?" HM Treasury/GES conference, "Is There a New Consensus in Macroeconomics?" London, November 30, 2005, and "The Political Economy of Governance," conference, University of Bourgogne, Dijon, France, November 2–3, 2005; "The Consensus View on Interest Rates and Inflation: Reality or Innocent Fraud?" International Monetary Policy Conference: "The Role of Asset Prices in Central Banking," St. Croix, U.S. Virgin Islands, January 12–14; "Economic Policy in the U.K. under New Labour: The End of Boom and Bust?" (with M. Sawyer), workshop on Growth and Employment in Europe, Oxford Brookes University Business School, January 27; "Can the Euro Area Play a Stabilizing Role in Balancing the Global Imbalances?" at "Euroland: Global Player or Global Drag?" conference, Franklin College Switzerland, Lugano, March 2–4.

DIANE ELSON *Senior Scholar*

Publications: "Women's Rights and Engendering Development" in E. Kuiper and D. K. Barker, eds., *Feminist Economics and the World Bank: History, Theory and Policy*, Oxford: Routledge, 2006; "The Financial Requirements of Achieving Gender Equality and Women's Empowerment" (with C. Bahadur, C. Grown, and J. Handbury), World Bank Working Paper, Washington, D.C., February 2006.

Presentations: "Unpaid Work: Creating Social Wealth or Subsidizing Patriarchy and Private Profit?" Forum for Social Wealth, Political Economy Research Institute, University of

Massachusetts Amherst, December 1, 2005; "Gender Budgeting as an Instrument to Promote Emancipatory Policies" at a networking event for European Gender Budgeting Initiatives, Watch Group, Gender and Public Finance, Vienna, February 6.

JAMES K. GALBRAITH *Senior Scholar*
Publications: "Some Notes on Entrepreneurship and Welfare State," *Industrial and Corporate Change*, Vol. 15, No. 1; "Pay Inequality in Europe 1995–2000; Convergence between Countries and Stability Inside" (with E. Garcilazo) in *European Journal of Comparative Economics*, Vol. 2, No. 2, December 2005; "Galbraith: un éloge partisan," *L'Économie Politique*, No. 28, Octobre–Novembre 2005; "Preface" and "Galbraith: A Partisan Appraisal," in *John Kenneth Galbraith and the Future of Economics*, Blandine Laperche and Dimitri Uzinidis, eds., London: Palgrave Macmillan, 2005; "The Continental Divide," *Mother Jones*, November–December 2005; "Smith vs. Darwin," *Mother Jones*, Special Issue, December 2005; "Ego Inflation," *Mother Jones*, January–February 2006; "State Income Inequality and Presidential Election Turnout and Outcomes" (with T. Hale), University of Texas Inequality Project Working Paper 33, January 13, 2006.

CAREN A. GROWN *Senior Scholar*
Publications: "The Financial Requirements of Achieving Gender Equality and Women's Empowerment" (with C. Bahadur, J. Handbury, and D. Elson), World Bank Working Paper, Washington, D.C., February 2006; "Quick Impact Initiatives for Gender Equality: A Menu of Options," World Bank Working Paper, Washington, D.C., February 2006.
Presentations: "Gender, Growth, and Inequality," panel discussant, Allied Social Science Associations meetings, Boston, January 6–8; "The Global Climate and Women's Economic Empowerment," keynote speaker, SEEDS 25th Anniversary Conference, "Promoting Decent Work for Low-Income Women," New York, February 9–10; "Achieving Gender Equality: How to Hasten Progress and How Much Does It Cost?", consultant, "Promoting the Gender Equality MDG: The Implementation Challenge," World Bank, Washington, D.C., February 15–16; "Gender Equity and Globalization: Macroeconomic Policy for Developing Countries," Eastern Economic Association annual meetings, Philadelphia, February 24–26.

GREG HANNSGEN *Resident Research Associate*
Publication: "The Disutility of International Debt: Analytical Results and Methodological Implications," in *Financial Developments in National and International Markets*, P. Arestis, J. Ferreiro, and F. Serrano, eds., London: Palgrave Macmillan, 2006.
Presentation: "A Random Walk Down Maple Lane? A Critique of Consumption Theory with Reference to Housing Wealth," Eastern Economic Association annual meetings, Philadelphia, February 24–26.

DIMITRI B. PAPADIMITRIOU *President*
Presentations: "The United States and Her Creditors," keynote speaker at the Centre of Full Employment and Equity, University of Newcastle, Australia, December 8, 2005; interview regarding the trade deficit with Michael E. Kanell, *Atlanta Journal-Constitution*, December 14, 2005; interview regarding the economy and the Senate budget bill of December 22, 2005, with Peter Donalds, *The Ben Merens Show*, Wisconsin Public Radio, December 28, 2005; "The Outlook for the U.S. Economy" (with L. R. Wray), International Monetary Policy Conference: "The Role of Asset Prices in Central Banking," St. Croix, U.S. Virgin Islands, January 12–14; Economic Panel: "A Check on Corporate and Consumer Health," guest speaker, British-American Business Council, New York, February 9.

JOEL PERLMANN *Senior Scholar*
Presentation: "Italians Then, Mexicans Now," immigration seminar, CUNY Graduate Center, New York, February 27.

EDWARD N. WOLFF *Senior Scholar*
Publications: "Pensions, Social Security, and Inequality," *The Economic Outlook for 2006*, Ann Arbor, Michigan: University of Michigan Press, 2006.
Presentations: "Pensions, Social Security, and Inequality," Annual Conference on the Economic Outlook, Ann Arbor, Michigan, November 17–18, 2005; "Is the Well-Being of the U.S. Population on an Upward or Downward Trajectory?" Alfred P. Sloan Foundation seminar, January 26; discussant, Conference on the Economics of the Transition to Adulthood, MDRC, New York, January 27–28.

L. RANDALL WRAY *Senior Scholar*

Publications: "International Aspects of Current Monetary Policy" in *The New Monetary Policy: Implications and Relevance*, P. Arestis, M. Baddeley, and J. McCombie, eds., Cheltenham, U.K.: Edward Elgar Publishing Ltd., 2005; "To Fix or To Float: Theoretical and Pragmatic Considerations" in *Monetary and Exchange Rate Systems: A Global View of Financial Crises*," Louis-Philippe Rochon and Sergio Rossi, eds., Cheltenham, U.K.: Edward Elgar Publishing Ltd., 2006; "Neocons and the Ownership Society," *Challenge*, 49(1) January–February 2006; "Money and Taxes: The Chartalist Approach," in *Concepts of Money: Interdisciplinary Perspectives from Economics, Sociology and Political Science*, Geoffrey K. Ingham, ed., Cheltenham, U.K.: Edward Elgar Publishing Ltd., January 2006; "The Balance of Trade, Not Payments, Is True Measure of Deficit's Effects" and "Obscure Argument Not Easy to Follow" (coauthored with W. Godley), letters to the editor, *Financial Times*, February 15, 17.

Presentations: "Monetary Policy Strategies of the ECB and the Fed" (coauthored with C. Sardoni), Hans Böckler Stiftung conference on "Macroeconomics and Macroeconomic Policies—Alternatives to Orthodoxy," Berlin, October 28–29, 2005; "Employer-of-Last-Resort Programs and Argentina's Jefes de Hogar Plan: A Critical Appraisal," University of Massachusetts, November 29, 2005; "Gender and the Job Guarantee: The Impact of Argentina's Jefes Program on Female Heads of Poor Households," keynote presentation, Centre of Full Employment and Equity conference and the 2005 Society of Heterodox Economists conference, University of Newcastle, Australia, December 8 and 13, 2005; radio interview with Mike Norman, BizRadio Network KXYZ-AM, December 28, 2005; "The Demographics of Social Security," URPE panel presentation, and "Keynes's Approach to Money: An Assessment after 70 Years," HES panel presentation at the Allied Social Science Associations annual meetings, Boston, January 6–8; "The Outlook for the U.S. Economy" (with D. Papadimitriou), International Monetary Policy Conference: "The Role of Asset Prices in Central Banking," St. Croix, U.S. Virgin Islands, January 12–14; interview with Michael E. Kanell, *Atlanta Journal-Constitution*, January 18; interview with Jennifer Bjorhus, *St. Paul Pioneer Press*, February 2; "Extending Minsky's Classifications of Fragility to Government and the Open Economy" and "Monetary Policy Strategies of the ECB and the Fed" (coauthored with C. Sardoni), Eastern Economic Association annual meetings, Philadelphia, February 24–26.

AJIT ZACHARIAS *Research Scholar*

Publications: "Household Wealth, Public Consumption, and Economic Well-Being in the United States" (with E. N. Wolff and A. Caner), *Cambridge Journal of Economics*, Vol. 29, 2005.

Presentations: "Class and Household Economic Well-Being," Allied Social Science Associations meetings, Boston, January 6–8; "Household Production and the Distribution of Economic Well-Being in the United States," Eastern Economic Association annual meetings, Philadelphia, February 24–26.

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

Economic Well-Being in U.S. Regions and the Red and Blue States

EDWARD N. WOLFF and AJIT ZACHARIAS

March 2005

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JAMES K. GALBRAITH

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EDWARD CHILCOTE

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L. RANDALL WRAY

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

PANOS KONSTAS

No. 83, 2005 (Highlights, No. 83A)

The Ownership Society
Social Security Is Only the Beginning . . .
L. RANDALL WRAY
No. 82, 2005 (Highlights, No. 82A)

STRATEGIC ANALYSES

Are Housing Prices, Household Debt, and Growth Sustainable?
DIMITRI B. PAPADIMITRIOU, EDWARD CHILCOTE, and GENNARO ZEZZA
January 2006

The United States and Her Creditors: Can the Symbiosis Last?
WYNNE GODLEY, DIMITRI B. PAPADIMITRIOU, CLAUDIO H. DOS SANTOS, and GENNARO ZEZZA
September 2005

WORKING PAPERS

Personality and Earnings
KAYE K. W. LEE
No. 443, February 2006

Government Effects on the Distribution of Income: An Overview
DIMITRI B. PAPADIMITRIOU
No. 442, February 2006

Prolegomena to Realistic Monetary Macroeconomics: A Theory of Intelligible Sequences
WYNNE GODLEY and MARC LAVOIE
No. 441, February 2006

Parental Child Care in Single Parent, Cohabiting, and Married Couple Families: Time Diary Evidence from the United States and the United Kingdom
CHARLENE KALENKOSKI, DAVID C. RIBAR, and LESLIE S. STRATTON
Working Paper No. 440, February 2006

Where Do They Find the Time? An Analysis of How Parents Shift and Squeeze Their Time around Work and Child Care
LYN CRAIG
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Keynes's Approach to Money: An Assessment after 70 Years
L. RANDALL WRAY
No. 438, January 2006

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INDIRA HIRWAY
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EBRU KONGAR
No. 436, January 2006

Speculation, Liquidity Preference, and Monetary Circulation
KORKUT A. ERTÜRK
No. 435, January 2006

Time to Eat: Household Production under Increasing Income Inequality
DANIEL S. HAMERMESH
No. 434, January 2006

All Types of Inequality are* Not *Created Equal: Divergent Impacts of Inequality on Economic Growth
STEPHANIE SEGUINO
No. 433, December 2005

Job-Hopping in Silicon Valley: Some Evidence Concerning the Micro-Foundations of a High Technology Cluster
BRUCE FALLICK, CHARLES A. FLEISCHMAN, and JAMES B. REBITZER
No. 432, November 2005

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