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

S Jay Levy, *Chairman*
Dimitri B. Papadimitriou, *President*

The *Summary* is a quarterly publication of The Jerome Levy Economics Institute of Bard College intended to keep the academic community informed about the Levy Institute's research. To accomplish this goal, it contains summaries of recent research publications and reports on other activities.

Editors: Ajit Zacharias
Text Editor: Katherine Harper

Letter from the President

To our readers:

This issue of the Summary begins with a report by Senior Scholar Joel Perlmann on the research he has been conducting on immigration and ethnicity. The key themes of Perlmann's work are how and why particular ethnic groups have achieved, or not achieved, social and economic mobility in America through generations, and the process of ethnic assimilation. As a part of his research program, Perlmann and Mary Waters of Harvard University organized the conference Multiraciality: How Will the New Census Data Be Used? The speeches made and the sessions held at the conference are summarized here, followed by a summary of a working paper by Perlmann. He proposes a new approach to measuring the extent of

intermarriage among Americans of different ethnic origins and employs this method to study the patterns of ethnic intermarriages by Italian Americans over four generations.

There are two working papers in the program on the distribution of income and wealth. Maury Gittleman of the Bureau of Labor Statistics and Senior Scholar Edward N. Wolff examine the extent of disparities in wealth between African American and white households. Ngina S. Chiteji of Skidmore College and Frank P. Stafford of the University of Michigan develop a theoretical model that investigates the role of intergenerational transmission of financial knowledge in determining asset ownership rates, and test the model empirically.

A working paper is summarized in the program on financial markets and monetary policy. Kenneth H. Thomas of the Wharton School of Management evaluates whether the ratings given to banks by federal regulators for the purpose of reflecting the banks' compliance with the Community Reinvestment Act fulfill that purpose.

In the program on federal budget policy, Research Associate Jamee K. Moudud of Sarah Lawrence College argues in a working paper that fiscal policy may have more complex effects than are recognized in existing theoretical models.

A working paper is summarized under Special Studies. In this paper Moudud provides a theoretical and empirical reassessment of the balance of payments constrained growth model developed by Anthony Thirlwall. A seminar led by Luigi L. Pasinetti of the Università Cattolica del Sacro Cuore in Milan, Italy, evaluates lessons for the future from Cambridge (U.K.) Keynesian economics.

As always, I welcome your comments and suggestions.

Dimitri B. Papadimitriou
President

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Institute Research

Project Report

Ethnicity, Assimilation, and Social Mobility in America

Joel Perlmann, Senior Scholar and research professor of history, Bard College

My studies of American ethnicity can be subsumed under the theme of how ethnic groups have entered, or been blocked from entering the mainstream of American economic and social life. (Ethnic groups are defined here in the broadest sense to include immigrant, ethnic, and racial groups.) I have approached this theme in terms of two major subjects: first, the study of intergenerational upward mobility in ethnic groups, and second, the extent of American ethnic intermarriage, with a focus on the offspring of partners of mixed ethnic origin.

My early research focused on the first of these subjects, and culminated in my 1989 book *Ethnic Differences: Schooling and Social Structure among the Irish, Italians, Jews, and Blacks of an American City, 1880-1935*. The work dealt with school achievement and intergenerational social mobility among the four groups mentioned during the period in which the American high school came into its own. The challenge was to estimate ethnic differentials in achievement, after controlling for measurable differences in children's family origins, such as those related to economic well-being and family structure. The estimated differentials were consequential, at least in the case of some groups, suggesting that elements of pre-migration culture (differences in habits, outlooks, and values) contributed to differential achievement.

I have continued to explore the issues raised in this early research. I co-edited a book on the nature of cultural and structural explanations for school behavior and mobility (Vermeulen and Perlmann 2000). The papers in this volume, for the most part, discuss how hard it is to fully distinguish between these types of explanations, but also how hard it is to avoid employing the culture-structure dichotomy. In one of my own included papers, I show how Alejandro Portes' otherwise useful schema for understanding immigration ("modes of incorporation") tries, ultimately without success, to bypass the culture-structure dichotomy. In a second paper, I show that in 1920, the occupations of Russian Jewish immigrants who had arrived in the United

States during the two previous decades were far more concentrated in commerce than would have been expected merely from their initial occupations in America, and that this concentration was consistent with a preference based on the long history of Jewish involvement in Eastern European petty trade.

The paper just mentioned is part of a larger project on Russian Jewish immigration. The initial stimulus for this project came from my concern with ethnic mobility issues, but it has grown to encompass other issues, too. It is based on three datasets. First, I collected a great amount of data on the demographic characteristics (e.g., age, occupation, literacy, place of residence, language) of Jews in the towns and provinces of the Russian Empire on the eve of emigration. My source was detailed tables in the roughly 100 volumes published in connection with the Russian Census of 1897, the only full-scale enumeration under the old regime. Second, I gathered data from manuscript passenger lists on a sample of some 7,000 immigrant Jews reaching the United States during the periods 1899-1900 and 1907-1908. These records include information on each immigrant's occupation and place of last residence in the old country, among many other demographic characteristics. Third, I relied on public-use samples of the 1910 and 1920 U.S. Censuses (both of which asked for mother tongue and parents' mother tongue, including Yiddish). I hope to eventually produce a volume that will provide a selective, detailed demographic profile of Russian Jews on the eve of migration--the last such original use of the Russian Census documents having appeared in 1908!--and a reconsideration of their upward economic mobility in this country. Some preliminary findings from these datasets are discussed in Perlmann 1996a, 1996b, and 1996c.

Issues of educational achievement and economic mobility are addressed in another area of my current research, involving comparisons between present-day immigrants and those of 1890-1920. This research is being conducted in collaboration with Roger Waldinger, professor of sociology at the University of California-Los Angeles and a research associate at the Levy Institute, and is funded by the Russell Sage Foundation. Our work questions the argument widely discussed in academic and popular journals that today's immigrants who start off poor will remain trapped at the bottom of the income distribution as a result of both their place in the new economy and American racism (Perlmann and Waldinger 1999; Waldinger and Perlmann 1998). We offer several perspectives from which to be skeptical of this view: political changes in favor of immigrants, the fact that a similar argument in reference to the immigrants of the early twentieth century was not borne out by subsequent history, and the actual patterns of second-generation educational and occupational attainment then and now. We plan to conduct further historical comparisons and examine closely the experience of today's

Mexican immigrants (the crucial national group to investigate, since by far the largest number of immigrants from any one country come from Mexico, and most of these enter American society as low-level manual laborers).

While the first major subject of my current work continues and extends an earlier interest in ethnic upward mobility and second-generation pattern, the other--the importance of ethnic intermarriage in American life, past and present--is of more recent origin. My interest is not in ethnic intermarriage as such, but in the offspring of such unions, who might be said to comprise the true "payoff" from the study of intermarriage: they are the subjects of a crucial chapter in the story of "how Americans are made," how a single people grow out of the intermingling of many. Of course, it is true that in studying intermarriage patterns, one indirectly studies the composition of the next generation, but questions and answers differ substantially when the focus is on the offspring rather than the determinants of intermarriage.

In general, it is difficult to obtain large samples of Americans with information on their ethnic origins going back more than two generations. Still, through 1970, U.S. censuses enumerated parents' as well as respondents' birthplaces, as have numerous Current Population Surveys in the years since. These sources provide information on the characteristics of native-born adults of foreign-born parents (the second generation) and the children living with them (the third generation). Using this strategy to focus on the ethnic origins of the third generation, I have been able to demonstrate remarkably high levels of ethnic intermingling among third-generation Italians (the largest of the immigrant groups of 1890-1920, and surely not the most rapidly assimilating; see Perlmann 2000). Partly because of poor data on actual patterns of ethnic mingling across generations, most studies of ethnic origins have focused on subjective reports of ethnic identity, constructed from answers to questions such as "With what ancestry group do you identify?". These studies of subjective patterns show, for example, how some ethnic origins are retained more than others. I have tried to restore attention to the question of actual patterns of descent, which, through its comparative complexity, conveys a picture of greater ethnic mingling.

Ironically enough, it has been mostly through intermarriage work and not the study of economic mobility that my research has brought me most immediately into contact with policy issues. While I was developing my research agenda on interethnic offspring, a national debate emerged on how to categorize people by race, especially those of multiple races. The federal government mandates the collection of race data in a wide variety of social contexts: in the decennial Census, in educational and health institutions, in hiring, in lending, and in connection with voting. In the past, participants in such surveys were directed to list only one race. That policy was changed in

1997 so that multiracial individuals could (as of Census 2000) respond just as other multiethnic individuals do: by listing one or more races from which they believe to have originated.

The new mandate raises several issues. Many civil rights groups had opposed the change because it would create complexity where civil and voting rights law and affirmative action policy require simplicity; how, for example, is the person who lists racial origins as both black and white to be counted in a congressional district? Such questions are likely to be played out in the courts. How other counts--for example, health statistics--will resolve the issue is also far from clear. Finally, considering tabulations of interracial origins also highlights the problematic way in which the Census Bureau conducts projections of the racial composition of America (of which the best known is the prediction that the population will be 50 percent nonwhite by 2050). These projections do not allow for racial intermarriage, and so create an astonishing distortion of reality. Yet, it is not the precise numerical distortions that are of greatest concern in this context, but rather the message that races should be thought of as fixed and stable for all time, as though they were separate species.

Concerned about these issues, Harvard sociologist Mary Waters and I organized a conference, sponsored by the Levy Institute, held on September 22-23. Kenneth Prewitt, director of the U.S. Census Bureau, participated, as did other officials from the Census Bureau, Bureau of Labor Statistics, National Center for Health Statistics, Department of Justice, and Office of Management and Budget. The conference also drew prominent scholars in the humanities and social sciences working on these questions. Summaries of the speeches and the sessions at the conference are provided below.

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Conference: Multiraciality: How Will the New Census Data Be Used?

An audio webcast of the conference is available. See the Webcasts page in the What's New section of the Levy Institute website.

Susan Schechter

Susan Schechter, a senior statistician in the Statistical Policy Office, Office of Management and Budget (OMB), spoke about the guidelines issued by the OMB for federal agencies on survey issues related to race and ethnicity. One current myth about the development of census data is that the racial categories are being altered only now. In actuality, racial category definitions--the products of U.S. political and social history--have changed in each decennial census since 1790.

By the 1970s, federal agencies were increasingly required to collect, aggregate, and analyze data on race and Hispanic origin, which led to the government's initial effort to develop and implement a common language on race and ethnicity. As a result, standard categories reflecting legislatively mandated priorities on particular population groups were adopted in 1977 (OMB Resolution 15). These categories were used by government agencies

for several decades and in the censuses for 1980 and 1990.

By the 1990s there were clear signals within and outside the federal government that these categories were not keeping pace with changes in the U.S. population. Complaints were lodged that not enough groups were included, and that it was not possible for respondents to choose more than one race. The OMB conducted an intensive multiyear review of the existing 1977 standards to assess how racial and ethnic data should be classified. As a result, revised standards were issued in 1997.

The OMB recognized that the new standards would require changes in the manner in which data were collected, the key change being to allow respondents to report multiple racial origins. They also saw that research was necessary on the methods by which the data were tabulated. A February 1999 report on the new categories provided some implementation guidance (an unusual feature), as did OMB Bulletin 00-02. This winter, new provisional guidelines will be issued that likely will contain

- additional examples of ways to ask and design race and ethnicity survey questions;
- a format by which institutions and establishments can report aggregated data;
- means by which race and ethnicity data might be edited; and
- an updated evaluation of the effects of bridging methods on a combined distribution in which "Hispanic" is included in race tabulations (with non-Hispanic whites and non-Hispanic blacks included in the distribution).

Guidance information will be updated as more is learned. Remaining questions include how to improve reporting among Hispanic respondents, how to revise data collection forms so that all conform to one standard, how data from multiple-race responses will be used for affirmative action and other antidiscrimination purposes, and how the decennial census should be used to develop sample design and controls for other surveys so that meaningful comparisons can be made using past and new standards. Some answers will be forthcoming as the federal government moves toward complete implementation of the new standards.

Nathan Glazer

Nathan Glazer, professor emeritus of sociology and education at Harvard University, discussed his concerns about the census' questions on race, Hispanic origin, and ancestry. He pointed out serious flaws in the manner in which race data are collected today. First, he noted, the current census short form gives the impression that the government's most pressing need is

information about racial origins. Glazer wondered whether the questions require such prominence. Second, these questions have become incapable of adequately reflecting the racial and ethnic composition of America: the racial categories attempt to impose on many identities in flux a categorization that the public will find confusing. Considerable manipulation by professional statisticians is required to convert them into a form that can be presented to the Congress, the media, and the American people, which introduces a substantial degree of error into the final figures, the possible degree of which is not publicly known. Third, there are several instances of irrationality in the current classification system. For example, the category "Hispanic" includes people from Argentina and Spain, but not Brazilians or Portuguese.

Glazer proposed that the current undesirable state of affairs be ameliorated by greatly simplifying the race and ancestry questions on the census form. One question would ask whether the respondent self-identifies as black or African American. Another would be of a fill-in type and ask in which countries the respondent and his or her parents (and perhaps his or her grandparents) were born. There are several reasons, Glazer said, for asking about only one race. The census has counted blacks since its inception. This group has historically been subject to racism and continues to face discrimination; they are far less integrated into American society than are any other group, and they have a clear sense of identity, so that their response to the race question can be expected to be highly reliable. The rationale for the ancestry question is the rapid rate of assimilation, driven by high intermarriage rates, of all groups other than blacks.

Glazer admitted that his proposal will be difficult to put into practice due to powerful and steady political forces that support retaining the current categories. One set of these forces led to the formation of civil rights legislation (in particular, the Voting Rights Act), for implementation of which the census had to become a tool. While this is a noble purpose, Glazer said, he felt that another set of less noble political forces exists, linked to distinct group interests and partisan politics. The main driving force behind these is the notion that being identified as a minority group on the basis of census data might yield benefits from affirmative action programs. As an example, he cited the decision on the part of Asian Indians to be identified as an Asian race as opposed to being identified as white.

Glazer hopes that the present balance of political forces will change and the type of racial and ethnic data currently collected by the Census discontinued. The powerful assimilatory forces in American life and the gradual reduction in the need to benefit from being identified as a minority will favor such change.

Kenneth Prewitt

Kenneth Prewitt, director of the U.S. Census Bureau, stated that the census serves a wide array of public policy purposes. It is used to ensure approximately equal population size across election districts and see that districts are not drawn in a discriminatory fashion. The census also assists in the design of public policies and facilitates the public funding and planning process.

The functions of the census, however, extend beyond planning to the notion of democratic accountability. Promises of national well-being and claims of past success would be difficult to prove without the empirical backing of the census. Although some claim that survey rather than census data might be used for these purposes, surveys would be difficult to interpret without placing them in a larger context or making use of benchmarks or weighting factors derived from the census. Democratic accountability, then, is enhanced by the availability of better statistics about how we live. The census has also been used to advance social reform movements by providing data about the presence and size of population groups. Such data allow people to become politically and sociably visible by categorizing them as groups. Conversely, what is not measured cannot easily be made the target of public policy.

Through these functions, the census results in interactions of identified groups with public policy, which in turn causes it to become a subject of public policy. There is an ongoing inherent tension between the census' accountability to the state and the need for scientific autonomy in order for it to maintain credibility as a scientific instrument. Its current political moment is, in part, the result of the 1940 decennial count and the military conscription the following year. These two data collections, which showed discrepancies in numbers of recorded African Americans, marked the first systematic measure of the differential between census and other population counts. In the 1960s, the Voting Rights Act raised the stakes by mandating the collection of block-level data, and issues related to the census became more partisan.

Could the measurements included in the census be better? Just because something matters does not make it measurable, especially by a tool as crude as the census; it is difficult enough to measure educational attainment, let alone something as subtle and complex as race and ethnicity in American society. Nevertheless, the fact that these cannot be precisely measured does not mean that they have no importance to public policy.

The addition of the multiracial item will not cause the current system of measurement to collapse. However, ways must be developed to deal with discrimination (short of wiping it out entirely) should questions on race and

ethnicity be dropped. Without current measures, the issue will be difficult to define and deal with; new ones will be required in order to set social policy and handle litigation issues. Some social policies, such as those dealing with distribution issues, are developed with attention to race and ethnicity. How these programs will be developed and their effectiveness gauged is in question given current statistical methods.

Session 1. Empirical Analyses of Data on Multiraciality

Jorge H. Del Pinal of the U.S. Bureau of the Census discussed the data collected in his agency's 1999 American Community Survey, which included a race question identical to the one in Census 2000. While the new race question allowed respondents to categorize themselves as belonging to two or more races, only one in ten respondents stated that they belonged to more than two, and most of these reported three. Hispanics were more likely than other groups to check the "two or more races" category, with one of the choices being "some other race." For example, a Mexican reporting his or her race as white and ethnicity as Mexican was classified simultaneously as "white" and "some other race." Removing those who checked "some other race" along with another race substantially reduced the proportion of those reporting multiple races. American Indian or Alaska Native and White, Asian and White, Black or African American and White, American Indian or Alaska Native and Black or African American were found to be the most common double-race combinations. In no case did any of these exceed 1 percent of the total population. A comparison of the distribution of the country's population by race when all were assigned to only one identifiable race and when those who reported two or more races were assigned to "some other race" showed little difference. The evidence from the Survey, del Pinal concluded, suggests that complexities resulting from Census 2000's new race question will not be as daunting as has been suggested by some observers.

According to Reynolds Farley of the University of Michigan, the Constitution of the United States, several important Supreme Court decisions, and the majority of civil rights activists assume that individuals can be classified into distinct races. However, in recent years, a significant number of people have been reluctant to identify themselves as belonging to a single race or any race at all. Interracial marriage and new immigration patterns are increasingly rendering race a social trait, as long argued by social scientists, rather than an indelible biological attribute. Farley argued that the introduction of the Census 2000 question that allows multiple race responses and its treatment of the question on Hispanic origin should be seen in the context of these developments in the larger society. An analysis of the changes' possible impact was conducted using data from the 1998 Dress Rehearsal for Census 2000 and the 1999 American Community Survey. Farley found that 2.3 percent of respondents identified with more than one

race and that no more than 1 in 1,000 identified with three or more. He noted that 45 percent of those reporting two or more races marked a first race and "other" and wrote a Spanish term for their second or third race. Such individuals are counted as multiracial according to the new guidelines. Farley also drew attention to the wide geographic differences in the reporting of multiple races.

David R. Harris of the University of Michigan stated that, while intense debates on the characteristics of the multiracial population to emerge from Census 2000 are likely among policy advocates and academics, it will probably be forgotten that these characteristics would have been substantially different had another racial classification scheme and data collection method been used. This difference might not be of much consequence if an alternative scheme affected only the relative size of the multiracial groups. However, Harris argued, it could also have bearing on observed age structure, educational attainment, income levels, and other important socioeconomic characteristics. He employed data from the National Longitudinal Study of Adolescent Health to examine the characteristics of multiracial youth, compared these traits to those of monoracial youth, and determined the estimates' sensitivity to alternative classifications of race. The racial composition of the multiracial population was found to be significantly sensitive to the classification scheme used, as well as to methods of data collection. The multiracial and monoracial populations were significantly different in terms of their socioeconomic characteristics. The substantial differences between multiracial subgroups were quite sensitive to the racial classification scheme. Harris argued that his findings suggest that the Census 2000 data on race should be used to learn about a multiracial population rather than the multiracial population.

Sonya M. Tafoya of the Public Policy Institute of California examined the factors driving trends in multiracial/multiethnic births in California between 1982 and 1997, using data from the California Vital Statistics Birth Records. For the purposes of the study, multiracial/multiethnic births were defined as those in which at least one of the parents belonged to one of the following racial groups: American Indian or Alaska Native, Asian, Black or African American, and Hispanic or Latino. Of the total births in the state, these increased from 12 percent in 1982 to 14 percent in 1997. Tafoya suggested that this rather moderate increase can be attributed to the relatively high proportion of total births, accounted for by foreign-born mothers, coupled with the fact that immigrants are less likely than the native-born to marry across race and ethnic lines. Thus, the bulk of multiracial/multiethnic births occur among the native-born. In 75 percent of such births in 1997, one partner was white non-Hispanic. By 1997 the number of multiracial/multiethnic births exceeded both monoracial Asian births and

monoracial black births. Governmental recognition of this growing population will have policy effects that will be determined to a large extent by how respondents choose to identify themselves and how the data are tabulated. A key question that will confront policymakers in the coming years will be how to ensure the civil rights of a population that is outgrowing the monoracial categories upon which civil rights laws have been interpreted.

Joshua R. Goldstein and Ann J. Morning of Princeton University argued that the allocation procedure announced by the OMB in March 2000 is a modern application to all minority groups of the historical "one-drop rule," under which a person with any black ancestry was considered legally black. The current procedure mandates that mixed-race individuals who mark both "white" and a nonwhite race on the race question be considered to belong to the nonwhite race group for the purposes of voting rights and civil rights monitoring and enforcement. The need for an allocation rule stems from the fact that civil rights laws require single-race categories; however, it should be recognized that the rule affects both the observed racial composition of the population and the socioeconomic characteristics of the racial groups. Goldstein and Morning examined these effects at the national and state levels using data on race and ancestry from the 1990 Census, and at the local level using data on Sacramento, California from the 1998 Dress Rehearsal for Census 2000. On the whole, their results indicate that the effects of the allocation rule vary considerably across states and are quite significant with respect to racial composition and socioeconomic characteristics. Most of the individuals designated as minorities had previously been identified as white, a potential future problem for civil rights enforcement. Goldstein and Morning concluded that a particular allocation rule should be chosen not by administrative fiat, but through a democratic political process.

Discussant John H. Thompson of the U.S. Census Bureau pointed out that the Bureau's mission is to make detailed information on race available and provide users with maximum flexibility in retabulating the underlying data in a manner they consider fit. The issue of multiraciality has become topical as a result of the growth in this population and the fact that data collection procedures, as well as civil and voting rights laws, have until now been based on single-race categories. The papers at the session used differing methodologies and datasets to assess the size and characteristics of the multiracial population. According to Thompson, a common theme emerged: that the impact of the new race question on the racial composition of the national population will be modest, because the size of the multiracial population, however defined, remains rather small relative to the national one. Overall, he stated, the papers contribute to furthering our understanding of issues related to the collection, tabulation, and analysis of data on multiracial populations.

Discussant Claudette Bennett of the U.S. Census Bureau commented on the papers by Farley and Harris. She stated that race is a social construct and the manner in which racial data are collected is influenced by social, political, and historical forces. Census data on population by race are used by government agencies, businesses, educational institutions, researchers, and a host of other organizations and individuals for a variety of purposes. Both papers, she said, point toward the fundamental difficulties involved in quantifying a social construct such as race. Farley rightly points out that racial data, as well as issues related to collecting it, became important following the civil rights revolution of the 1960s. Bennett warned that Harris' findings may be biased by the fact that he discarded Hispanics from his sample; she also suggested several possible improvements to the classification system used.

Nampeo R. McKenney of the U.S. Census Bureau, discussant for the session, focused on the presentations by del Pinal, Tafoya, and Goldstein and Morning. She pointed out that research on biracial individuals has shown that self-perceived racial identity is subject to changes over the life cycle and is powerfully influenced by a number of political and social factors. According to McKenney, del Pinal provided an insightful analysis that gives concrete indications as to what to expect from Census 2000 regarding the size and composition of the multiracial population. However, she speculated that the growing public debate over the current census and the involvement of activists might influence the manner in which individuals report their race. She felt that Goldstein and Morning's use of ancestry data from the 1990 Census as a proxy for multiraciality in order to assess the impact of the allocation rule may have led to some biased results. McKenney argued that, while Tafoya's analysis did provide a comprehensive picture of the evolving multiracial/multiethnic population in California, it did not take into account the implications that possible changes in these individuals' self-perceived racial identity pose for this population's observed characteristics in the future.

Session 2. Coping with Issues of Continuity

Jennifer H. Madans of the National Center for Health Statistics discussed the data collected by her agency on multiracial individuals, through surveys designed to produce estimates of health status by race and ethnicity. Methodological research has been undertaken to ensure that such estimates are comparable over time, since such comparability is essential in developing and evaluating policies to address racial disparities in health status. The crucial issue for the NCHS is to assess whether the new tabulation guidelines mandated by the OMB will affect the current understanding of disparities in health between whites and nonwhites in a dramatic way. Madans argued that the existing disparities are so huge that, on a national scale, the impact of the

new guidelines may be only minimal. She evaluated the possible impact by examining data gathered in the National Health Interview Survey, which allowed respondents to report more than one race. Retabulating the data according to the new OMB guidelines revealed that the percentage of population reporting more than one race was relatively small and constant at 1.6 percent from 1982 to 1993-1995. However, Madans pointed out, the relationships between the characteristics of multiple-race groups and those of the corresponding single-race groups are not consistent across either characteristics or race groups. For example, the poverty rate for those who are "black and white" (31.6 percent) is closer to the rate for blacks (35.1 percent) than that for whites (11.8 percent); the poverty rate for American Indian or Alaska Native and white (20.1 percent) is about midway between the rates for the corresponding single-race groups (32.9 percent for the first group and 11.8 percent for the second).

N. Clyde Tucker of the Bureau of Labor Statistics discussed various "bridging" techniques--the statistical methods used to compare data collected when respondents were allowed to report only one race (as in the earlier censuses) with those when multiple-race responses were permitted (as in Census 2000). The basic problem is how to classify individuals' responses to the new race question as closely as possible to the answers they would have given using the old single-race categories. (Obviously, this does not apply to individuals with a single-race ancestry, only to those who report multiple races.) The development of appropriate bridging techniques is essential: without comparability of race data, it would be impossible to separate real changes in the characteristics of various racial groups from changes that were merely the result of new classification systems. Tucker assessed various bridging techniques using three sources of data where respondents were allowed to report multiple races: the National Health Interview Survey (1993-1995), Current Population Survey Supplement (1995), and Washington State Population Survey (1998). He noted that these techniques revealed substantial differences in changes in several of the characteristics of minority racial groups. This suggests, Tucker concluded, the need for a judicious approach to the choice of bridging technique by users of the new census data.

Roderick Harrison of Howard University and the Joint Center for Political and Economic Studies stated that federal statistical agencies' rationale for collecting data on race is the need to measure and monitor racial disparities in social, economic, health, education, and other conditions. The mandate that respondents be allowed to report multiple races on all federal data collection efforts may prevent the data, in significant ways, from being useful in quantifying and ameliorating racial inequalities. The assurance given by census officials that the mandate will not substantially affect the race

distribution of the population at a national level is not comforting, since what is relevant for issues related to racial disparities is the ratio of the counts of a particular race obtained under the new guidelines (where those who report "white" and any other minority race are counted as belonging to the minority race) to the counts of the same race that would have been obtained under the old guidelines (with single-race reporting). Harrison's analysis of the 1998 American Community Survey data shows that this ratio can be quite high in localities where the minority population (especially American Indians and Asians) represents a relatively large proportion of the total population compared to the national average, thus affecting their status as a minority group. He also argued that data collected on the multiracial population on the basis of self-identification may not be statistically meaningful enough to allow comparison of this population's traits with those of other segments of the population, since the latter may contain those of multiracial ancestry who chose to identify with a single race. A more meaningful procedure, Harrison said, would be to collect data on parental racial ancestry.

Discussant Nancy Krieger of Harvard University stated that Madans' findings that characteristics (such as poverty rate) of a biracial group differ from the primary racial group's, and that the extent of such differences depends on which groups are involved, suggests the high degree of complexity involved in analyzing the multiracial population. She argued that, while Tucker provided an insightful analysis of the various bridging techniques, his findings indicate that a particular bridging method chosen must be statistically robust and appropriate to the question(s) that the data is used to answer. Krieger agreed with Harrison's observation that, for some purposes, multiracial data gathered on the basis of self-identification may not be as useful as that gathered on the basis of parental racial ancestry. However, she pointed out, it may be useful for other purposes, such as analyzing the processes of identity formation in the multiracial population.

Discussant Sharon M. Lee of Portland State University noted that the uses of race data gathered by the census Bureau have always been shaped by social conflicts and tensions. The decision to allow multiple-race reporting is only the latest in a long series of changes that have been taking place in the racial classification system since its very inception. For example, until the 1980 Census, Asian Indians were considered whites, but since then, they have been classified as Asians. Thus, the racial groups used in the census do not refer to homogenous entities over time. According to Lee, this suggests that it is impossible to arrive at a perfect bridging method that will ensure continuity with older censuses. She also argued that there is no need to collect data on multiracial groups, only on the major groups that historically have been, and continue to be targets of racism.

Session 3. From Enumeration to Law

In this session, panelists briefly discussed current issues surrounding the legal ramifications of the change in the question about race on the census and other government surveys, and responded to questions posed by Joel Perlmann and Mary Waters.

Joel Perlmann opened the session with some preliminary comments aimed to spur discussion about the implications of multiracial counts for racial and ethnic preference data. He noted that allowing multiple responses has left questions unanswered about how two or more races will be classified within the data. These questions are not merely technical; a tension has grown between the legal need for clarity in definitions and tabulations and the social reality of complexity that has arisen as a result of, among other things, recent changes in black-white relations and immigration trends. This tension is not the result of self-identification (which is not new), but of the fact that racial identification is being passed from the respondent to the tabulator. The data will be widely available for alternate uses, including tabulations different from those specified in the OMB guidelines. The differences in outcomes generated by the use of different tabulation rules will continue to force the executive branch of government to make explicit statements about such rules, rather than providing definitions without elaboration or explanation, as was done in the past. Other remaining questions include:

1. Will the new categories affect the legal heritage of racial groups in any direct way? Since the time of British colonial law, the legal status of mixed-race individuals has been explicitly stated; implicitly, it has been included in civil rights legislation since the 1960s. The new categories and definitions could alter the size of the minority population that might face discrimination.
2. Are the new OMB guidelines a form of classifying race according to the "one-drop" rule? Tabulating as black every individual who includes "black" among his or her racial origins makes this appear to be the case.

Mary Waters wondered about the process that led to the current OMB guidelines and the rationale behind them. She agreed with Perlmann that they effectively re-create the one-drop rule for civil rights cases. She called on the participants to share their ideas about the types of civil rights cases that will be most affected by the new procedure for tabulating individuals by race. She also wondered whether, if differences in the tabulations are small, they will be misperceived as larger or smaller than they actually are.

Anita S. Hodgkiss, senior attorney for the Advancement Project and former deputy assistant attorney general for the Civil Rights Division of the U.S.

Department of Justice, offered a perspective from the Department of Justice. She discussed the decision-making process behind the new OMB guidelines and made a case for why the allocation rule is not a one-drop rule. For the legal community, the pertinent question is whether enforcement will be enriched or eroded by the new means of identification; Hodgkiss feels it will be enriched.

The two main goals of the new guidelines were to simplify matters for those required to collect and aggregate data (such as schools), and to maintain accurate, defensible data for civil rights enforcement. These goals were subject to the constraints that they

- could not reverse the 1997 directives;
- could not ask a single-race identification question, as the survey questions would not be uniform across agencies, and would contradict the purpose of allowing self-identification;
- needed to be clear and easy to understand (which excluded fractional formulas);
- should be completed far in advance of the April Census data releases in order to be seen as credible (rather than result-driven) and available for redistricting purposes; and
- could not result in double counting--that is, the results had to sum to 100 percent.

Federal government agencies, advocacy groups, White House representatives, and academics participated for more than a year in discussions about how to address these issues. Bridging methods were examined and discarded. The legal context was considered crucial: it was felt that applicability needed to be broadened in cases that arose because individuals were multiracial. Consideration was given to the manner in which minorities are treated and how they are dealt with by the legal system. It was concluded that no airtight statistical method was available; the allocation rule decided upon was considered the most likely to protect the civil rights of minorities, including multiracial groups. The new classifications would have some effect on disparate impacts cases, less on affirmative action cases, and none on individual discrimination cases. The new tabulation would be beneficial to multiracials in cases of discrimination claims because there would be richer data to draw on. Moreover, the revised guidelines were not a return to the one-drop rule because the revisions moved away from requiring that only one race be declared. It did not eliminate a single-race response, was still based on self-identification, and did not force a specific allocation method to be chosen.

David Mcmillen, professional staff member, Subcommittee on the Census,

Committee on Government Reform, U.S. House of Representatives, offered a view from Capitol Hill. He noted that measuring race is inherently political, born out of the politics of slavery and nurtured by continued discrimination. This history cannot be denied, and to turn away from it will lead to policy responses that are bound to fail. The problem today is that we no longer have a good idea about what to measure. In measuring self-identity, neither race, ethnicity, nor ancestry is measured very clearly. The conflicts surrounding these issues--the group versus the individual, minorities versus the majority, assimilation versus pluralism--are long-standing in American political history; understanding them will allow us to better comprehend the issues. This is especially true with respect to the conflict between assimilation and pluralism, according to which ethnic differences will dissolve over time (leading to advocacy for simple majority rule) as compared to the idea that ethnic differences are valued (leading to advocacy for the safeguard of minority rights). This struggle outlines the same sort of issues dealt with in the discussion of the multirace tabulation issue. Although there is interesting research to be done on combining race, ethnicity, and ancestry that would give individuals an equal opportunity to self-identify, these are different questions that may not help us enforce existing civil rights laws.

Hugh Davis Graham of Vanderbilt University spoke from a perspective of the history of civil rights in the United States. In order to reconstruct the process by which official minorities were designated by the OMB in 1977, he discussed his interviews of government employees who worked closely on the guidelines from the 1950s forward. A survey in which contractors were asked to respond to questions about hiring and firing practices requested them to count the number of white, Negro, and other minority employees, and provide a total. Contractors reporting a large number of "other minorities" may have been able to provide further detail: they were allowed responses for employees who were Spanish American, Oriental, Jewish, or Puerto Rican. Not surprisingly, these categories triggered protest by Hispanic constituencies, the G.I. Forum, and Mexican American advocacy groups, who complained of not being included on the form. Congress and the administration took interest, with a presidential committee placing these groups on the form in 1962.

At this time, survey forms started to become more standardized, and by 1965, the creation of the Equal Employment Opportunity Commission and its own form led to fairly standard definitions of racial categories. In 1967, the EEOC's report on employment by race showed that Asians were overrepresented in terms of income, education, and higher-paying jobs, while American Indians were only fractionally represented. In 1973, the Small Business Administration produced a survey that included "Spanish" and "Puerto Rican" as races. The various survey lists were the result of essentially

closed debate between agency officials and political advocacy groups, which looked only at their own political needs. There were no hearings or official records. No justification was offered for policy, and the process seemed to reify a sense of assumptions being taken for granted, namely, that minority groups were disadvantaged on an equal basis, and that individuals could be of only one race. The implications were considerable: they led to the seven-category standardized list issued by the OMB in 1977.

Jennifer L. Hochschild of Princeton University offered a view from the perspective of public policy development. Speaking as a political philosopher, Hochschild raised questions about the new OMB guidelines, such as whether to view them as a one-drop rule or a means to express the size of and growth in the nonwhite population (which will help these groups in a political context). As policy advocacy generally focuses on groups who appear to be worse off, the guidelines are likely to increase the socioeconomic status of American Indians and blacks, while decreasing it for Asians. Is this good or bad? How do we view the notion of being multiracial? Is it a new identity in and of itself? Is "multiracial" a meaningful category only within its subdivisions, or is it a crucial step leading to the abolition of racial categories? Several groups could decide these issues: advocates, who have a deep commitment, but are not representative; "experts," who offer neutrality and so can follow evidence no matter where it lies, but who lack the commitment of stakeholders; the courts, which may be better suited to judge the deep underlying constitutionality of issues, but lack the ability to take a long-term, historical view; and legislators, the most obvious democratic choice. The complexity of the issue, however, could cause problems.

Session 4. Historical and Comparative Experience with Evolving Race Data

Margo Anderson of the University of Wisconsin-Milwaukee stated that useful insights on the issues surrounding the 2000 Census can be gleaned from factors shaping the race classification system used in censuses prior to the Civil War. The basic driving force at that time was the institution of slavery. Bitter conflicts emerged about how to treat the slave and free black populations for the purposes of taxation and political representation: there were debates as to whether a slave should be counted as one person--the stance taken by the Northern states--or as a fraction of a free person or not at all, the position of the South. With the 1850 Census, there was a shift to gather data at an individual level from the earlier system, under which information was provided by local authorities. In order to gather data on race, it became necessary to include a question regarding each person's "color." After the Civil War and with the Fifteenth Amendment, the issue of equal voting rights became topical and this rendered new vitality to counting by

race. Anderson argued that today, we are still counting by race and discussing the political ramifications of doing so, and that at a fundamental level, the same issues are involved: voting rights, civil rights, and equal opportunity.

According to Naomi Mezey of the Georgetown University Law Center, the census has played a dual role in the shaping of racial identities and in the cultural discourse about race: it has been used as a mechanism for identifying and controlling racial and ethnic groups, and by racial and ethnic groups seeking inclusion in the national community. Mezey stated that the first role can be seen in the factors leading to the emergence, in the 1870 Census, of the first racial category not implied in the Constitution--"Chinese." The tremendous increase in Chinese immigration during the 1850s and 1860s (especially into California), along with the then-prevalent popular anxiety, with racist overtones, over the proliferation of Chinese laborers, suggest that the category was introduced not merely for the sake of enumeration, but also for subsequent social control. The census' second role became prominent in the 1960s and beyond with the emergence of the civil rights movement. Mezey claimed that the introduction of the option to identify oneself as multiracial is best understood as the result of the efforts of this particular group to gain recognition as a legitimate component of the national identity, and has mainly symbolic value. However, she recognized that the introduction of this option may complicate the monitoring and enforcement of the civil rights of some minority groups.

Melissa Nobles of the Massachusetts Institute of Technology analyzed the idea of multiraciality and the political agendas that it has helped or hindered in Brazil. Such analysis is useful because the debates in the United States about multiraciality and multiple-race responses in the census have centered around their potential impact on the implementation and efficacy of race-conscious legislation. The striking feature of the idea of multiraciality in Brazil is that it is commonly assumed that all Brazilians belong to a single race (Brazilian) that is a mixture of other races; differences among citizens are based on skin color. This primarily physical attribute is not reducible to racial origins but is definitely related to them; therefore, race does matter in Brazil. However, the country's right-wing and centrist political parties hold that there are no race-based inequalities, while the leftist parties assert that inequalities stem only from class divisions. The neglect of the racial dimension by parties all along the political spectrum has only recently been challenged by small groups of activists demanding affirmative action. Nobles argued that an important lesson to be learned from the Brazilian experience is that the mere self-recognition of a society as multiracial does not render racial origins inconsequential.

Peter Skerry of Claremont McKenna College and the Brookings Institution sought to place the discussion about multiraciality in the context of recent census history and relate it to the controversy over differential racial undercount and the proposed remedy of statistical sampling and adjustment. A major theme that emerged from the debate over undercounting is that census-taking cannot be considered a purely scientific operation, but one that is subject to political manipulation and control. Skerry suggested that Bureau officials' efforts to portray their work as scientific research have strained their relationship with politicians. Public participation in the census has been promoted as enhancing political and economic benefits and thus favorable to self and group interests. However, it is important to recognize that an individual does not stand to gain on a personal basis from checking a minority category on the census form (as opposed to, say, a college application form). The modern census has also been portrayed as different from many in the past in that it does not aim at military conscription or taxation; on the contrary, it is claimed that the modern version helps to allocate power and governmental funds. A more balanced view would also recognize that the census is bound by governmental authority and can be a tool for governmental coercion. Skerry concluded that situating the debate on multiraciality in its proper context reveals it to be part of a growing conflict between the vagaries of personal identity and the requirements of bureaucratic rationality.

Discussant Matthew F. Jacobson of Yale University summarized the important insights provided by this session's papers. The new race question is the latest chapter in the long, racism-marred history of counting by race in America. The history of changes in the classification system itself indicates that there is no stable "whiteness" or "blackness"; race is always a social and political construct. However, Jacobson argued, the current debate over the new multiracial categories effaces the historical fact that, in the United States, there has always been a relatively high degree of multiraciality. Census-taking also reveals the power of the state in defining racial groups in society, and thereby strongly shapes individuals' self-identity and their perceptions of others. Jacobson stated that all these issues have an important moral dimension that needs to be brought more explicitly into the analyses.

Werner Sollors of Harvard University, the next discussant, complimented the presenters for bringing forth the historical and comparative aspects of the relationship between racism and the census, as in Anderson's study highlighting practices in the nineteenth century. Sollors found that Skerry's assertion that the census is closely tied to the exercise of state power debunks the view that it is a purely scientific endeavor. Nobles' analysis of Brazil points to the fact that a recognition of multiraciality as attempted by the U.S. Census today will not only not lead to any automatic reduction in racial

disparities, but may, in fact, raise problems in redressing them. Sollors pointed out that the etymology of the term "race" itself indicates its character as a social and political construct: it originated from *razza*, a medieval Italian word used in horse-breeding, and was adopted in fifteenth-century Spain in order to define the Spanish race as excluding Arabs and Jews. He stated his hope that the official recognition in the new census that a person's racial identity can be complicated will be a step in challenging the notion of race as a biological and immutable category.

Discussant Mary C. Waters of Harvard University pointed out the gulf between academic discussions of multiraciality and the Census Bureau's attempt to grapple with both it and the political context that allows the Bureau to function. (However, she emphasized, a substantial portion of the Bureau's work is informed by scientific research, not political contingency.) Waters argued that globalization is, and will continue to be a major force behind changes in the federal statistical system; this requires that U.S. statistics be comparable internationally and meet international standards. It is also fostering a huge wave of immigration into this country, which will expand the number of multiracial groups; this, in turn, may lead to the introduction of more complex racial categories in future Censuses.

Session 5. Racial Projections: How to Do Them, Whether to Do Them

Barry Edmonston and Sharon M. Lee of Portland State University and Jeffrey S. Passel of the Urban Institute presented population projections for the United States, using a demographic model that incorporates the effects of immigration and intermarriage. The projections take into account trends in fertility, mortality, and international migration, but unlike standard models, generational profiles are derived in order to highlight the short- and long-term impacts of immigration on the racial and ethnic composition of the population. The projections also take into account trends in intermarriage, defined as "interracial/ethnic unions resulting in children of multiple racial/ethnic origins," in order to arrive at future shares of multiracial and single-race groups in the population. The researchers found, on the basis of certain assumptions regarding the parameters of the demographic model, that racial groups will have the following shares in the 2100 and [2000] populations: whites, 39 percent [71]; blacks, 16 percent [12]; Asians and Pacific Islanders, 14 percent [4]; Hispanics, 31 percent [12]. They also found that the share of multiple-origin population in the total population of 2100 will be 34 percent, as opposed to the estimated level of 8 percent in 2000. However, the researchers warned, these projections are highly sensitive to assumptions regarding the key parameters of the model, especially intermarriage rates.

C. Matthew Snipp of Stanford University said that the traditional view that

variability in population projections can be reduced to the biases and measurement errors involved in the estimation of fertility rates, mortality rates, and net migration needs to be expanded to incorporate the special problems encountered in forecasting racial and ethnic minority populations. The racial classifications used in the census and the manner in which people under different classifications are tabulated will affect the size and characteristics of the base population, the benchmark from which projections are made. This would produce an additional amount of variability in population forecasts. Snipp examined American Indian population estimates to demonstrate how this variability can come about and the likely extent of the problems. He discussed the multiple ways in which it is possible to classify this group--by blood quantum, tribal membership, or self-identification--and pointed out that the last has become the method by which the Census Bureau collects data on race. Given that American Indians historically have had high rates of interracial marriage, a substantial number of multiracial people might identify themselves as American Indian. Under the new guidelines, the Census Bureau will validate that identification. Depending on how the resulting multiracial people are allocated, the benchmark population size will vary dramatically, thus affecting future projections. Another source of error in the projections is that reliable data on fertility and mortality rates for multiracial groups are simply not available at the present time.

Joel Perlmann of the Levy Institute stated that forecasts of ethnic and racial populations made by the Census Bureau--likely generated in the process of refining projections of the total population--do not take into account racial and ethnic intermarriage rates, and as a result, are seriously flawed. During the 1980s and 1990s, these projections led to the widespread belief that the country will become much less white in the future than it is at present. Perlmann presented the results from a historical study that traced the intermingling of Italian Americans with other groups over four generations using census data. The results indicate that, by the third generation, a majority of those studied had multiple ethnic origins; by the fourth, only an insignificant fraction (11 percent) were of unmixed origin. The average time between the first generation's arrival and the third generation's reaching first grade in school was 45 years. Given that second-generation Asians and Hispanics have interracial marriage rates comparable to those of second-generation Italian Americans, the intermingling of these racial groups is likely to be of a similar extent. Perlmann argued that his findings suggest the rationale behind the Census Bureau's not taking intermarriage rates into account must be questioned, given the impact these projections have on public opinion.

[Editor's note: Joel Perlmann's remarks are based in part on Working Paper No. 312.]

Arthur Cresce of the Census Bureau, discussant for the session, stated that Snipp's and Perlmann's papers highlight the problems involved in making population projections, while the one by Edmonston et al. offers a possible solution. He deemed the latter's demographic model innovative in introducing generational profiles and the effects of intermarriage. Cresce acknowledged that the Census Bureau's ignoring of intermarriage rates in population forecasts by race is bound to introduce a considerable amount of error. However, he said, this would occur even if intermarriage rates were taken into account, because, if the current practice of collecting race data on the basis of self-identification continues, a considerable number of multiracial individuals may choose to identify with a single race, rather than with all of their racial origins. Although the Bureau's practices may have defects, Cresce emphasized, they must be corrected rather than abandoned altogether.

Discussant Charles Hirschman of the University of Washington noted a striking similarity between the topical role played by immigration and its effects in public and academic debates in the early twentieth and early twenty-first centuries. He pointed out that, at the turn of the last century, some prominent social scientists believed that whites would lose their status as the majority race in the near future as a result of immigration and other demographic changes. However, these expectations were not borne out because of several later developments, most importantly, trends in intermarriage rates, which simply could not have been foreseen at that time. The current projections of population by race for the next 50 or 100 years are subject to similar uncertainties and therefore cannot be used as a reliable guide to the future. Both Snipp and Perlmann identified several problems with the existing projections. They also highlighted the importance of intermarriage as a factor in governing the formation and sustenance of group identity in the United States. Hirschman hoped that the official recognition, via the census, of multiracial groups as distinct within American society might in fact help to overcome prejudices sometimes found against interracial unions and thus speed up the process of social assimilation.

Demographic Outcomes of Ethnic Intermarriage in American History: Italian Americans through Four Generations

Joel Perlmann

[Working Paper No. 312](#), August 2000

Trends in racial and ethnic intermarriage are receiving renewed attention today, for two reasons. First, new waves of immigrants raise questions as to the speed and manner in which they will be assimilated into American society. Second, there has been a remarkable growth in the number of

interracial children, especially those born to white and nonwhite (excluding black) parents; this has stimulated a widespread discussion of how to define and count them, and speculation about their identity formation. While sociological study of intermarriage is a well-developed field, historical and demographic studies that inquire into how intermarriage has served to enhance the blending of peoples are scarce. Senior Scholar Joel Perlmann contributes toward filling this lacuna in the existing literature by proposing a new approach to measuring the extent of intermarriage and applying it to an examination of the ethnic intermingling of Italian Americans over four generations.

Perlmann's proposed approach differs substantially from those followed in standard sociological studies of intermarriage and ethnic ancestry. In the first line of research, the approach is to identify the determinants of intermarriage and the differences in intermarriage rates between ethnic or racial groups. By contrast, Perlmann focuses on the effects of intermarriage on the ethnic composition of later generations. Studies of ethnic ancestry generally seek to understand the determinants of an individual's self-identification with one or more ethnic backgrounds. This approach is limited for several reasons, most importantly, that a significant number of people tend to identify with a single group, even when their heritage includes others. Perlmann's approach is to trace the origins of a whole ethnic group--that is, to attempt to determine the ethnic origins of the members' parents, grandparents, and great-grandparents.

Perlmann's study focuses on Italian Americans. The bulk of the data used are from the Integrated Public Use Microdata Samples generated from the decennial Censuses conducted during the periods 1850-1880, 1900-1920, and 1940-1990. Every Census taken from 1880 to 1970 asked individuals where they were born and the birthplaces of their parents. Using this information, members of the second generation--adults who answered that they were born in the United States and their parents were born abroad--can be identified. Children in the homes of second-generation parents can be characterized as members of the third generation. Data on the fourth generation are constructed from the 1979 Current Population Survey, which asked not only for the birthplaces of respondents and their parents, but also with which ethnic ancestry or ancestries each person identified. The data extracted from these sources were refined to ensure as little bias as possible. The final data were then designed to characterize the experiences of adult Italian immigrants of the years 1900-1914, their children, grandchildren, and great-grandchildren.

Multiethnic origins in the second, third, and fourth generations of this group were estimated using the data described above. There are two possible ways to define the second generation: the first requires both parents to be

Italian-born, while the second, more inclusive one requires this of only one parent. Using the second definition, Perlmann found that both parents of 84 percent of second-generation members were Italian-born. The most restrictive definition of the third generation includes only the grandchildren of immigrants; the most inclusive, any native-born child of a native-born parent who, in turn, had at least one Italian-born parent. The data show that, on the basis of the most inclusive definition, only 24 percent of the third generation had parents who were both born to Italian-born immigrants. By the fourth generation, Perlmann finds, only 8 percent can be considered to be of exclusively Italian ancestry. Thus, with each successive generation, the extent of multiethnic origins grows rapidly, indicating increasing rates of ethnic intermarriage.

Perlmann considers the Italian experience an "acid test" for studies of European immigrant groups, both because they were the largest single ethnic group to arrive in America between 1890-1920 and because they were mainly low-wage workers. These factors would tend to reduce the extent of intermarriage. A preliminary examination of Germans, Poles, Irish, and Mexicans suggests that the Italian experience is not unique: the majority of the members of the third generation in all these groups are multiethnic in origin.

Perlmann suggests a simple model that rests--with fertility rates, mortality rates, and other characteristics remaining the same for intermarriages and within-group marriages--on the crucial insight that the proportion of adults who intermarry will always be lower than the proportion of children in the next generation who are products of intermarriage. This is because every marriage by two members of the same ethnic group produces one marriage, as does every marriage of one member of the same ethnic group to a person of another ethnicity.

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Program: Distribution of Income and Wealth

Racial Wealth Disparities: Is the Gap Closing?

Maury Gittleman and Edward N. Wolff

[Working Paper No. 311](#), August 2000

Most studies of the economic progress of African Americans have focused on

income and earnings to assess the extent to which any gains have been made relative to the status of other racial groups. These studies are important for assessing the scope of labor market discrimination and the extent of racial differences in skills and educational attainment. However, they provide an incomplete picture, because disparities in wealth can have an independent and significant impact on disparities in economic well-being. Families with similar income levels but substantially different wealth levels evidently enjoy different levels of well-being; for example, the wealthier family may be able to provide a better education for their children, live in a neighborhood with more amenities, or possess greater political influence.

Maury Gittleman of the Bureau of Labor Statistics and Senior Scholar Edward N. Wolff explore how African Americans have fared in terms of wealth in the recent past. The main source of data for their study is the Panel Study of Income Dynamics and its supplements on family wealth for the years 1984, 1989, and 1994. The PSID measures "fungible wealth," that is, assets that are saleable and therefore have current market value. Net worth is determined by adding up the net values of the main home, other real estate, the farm or business, stocks, checking and saving accounts, and other savings, and then subtracting debts.

The data show staggering gaps in wealth levels between African Americans and whites. In 1994, the average African American family had a net worth of \$32,426, less than one-fifth the average net worth of \$180,720 for white families. Even more striking is that in the same year, the median African American family had a net worth of \$1,100, barely positive and just one-fiftieth of the median wealth for whites. These disparities did not change significantly between 1984 and 1994. To appreciate their extent, it is useful to compare them to the income gap between the two groups: in 1997, the ratio of both the median and mean income of African American households to those for white households was 0.64.

Gittleman and Wolff examined wealth disparities by controlling for several factors. The data on wealth disparities by age group show that the disparity is lowest for the elderly group. More strikingly, the ratio of mean African American to white wealth for young heads of households (under age 25) is only 0.22. This wide gap at an early age, even before a household head has had time to accumulate assets through saving from personal income, suggests that intergenerational transfers play an important role in these groups' starting out on unequal footing. The pattern of racial wealth differences changes little when education is controlled for, indicating that the gap is primarily attributable to large differences at the same educational level, rather than to the smaller number of African Americans relative to whites in the wealthier, more highly educated groups. In a broadly similar fashion,

neither marital status nor income class has much explanatory power, as racial wealth gaps are primarily attributable to differences within groups defined by these variables.

A wealth accounting framework was employed to examine racial differences in the impact of several behavioral and structural variables on the increase in a family's wealth. First, inheritances played almost no role in African Americans' gains over the period, whereas for whites they constituted as much as 10 percent of the increase in wealth. Second, with respect to capital gains and rates of return, there is no evidence that the former play a more important relative role for whites than for African Americans over the period examined. No evidence was found in support of the popular perception that African Americans experience lower rates of return on assets because of barriers to acquiring historically high-return assets and factors that may lower returns to specific assets. Third, the contribution of saving to wealth accumulation is similar for both groups. Fourth, among whites, changes in household compositions are responsible for a small portion of wealth accumulation, whereas they make virtually none among African Americans.

Gittleman and Wolff also assessed whether the racial wealth gap would still be significant if blacks inherited similar amounts to those of whites and had comparable levels of family income, similar portfolio composition, and similar saving rates. They found that such changes would reduce the gap significantly; however, a major disparity would still remain due to the difference in the two groups' initial levels of wealth.

Asset Ownership across Generations

Ngina S. Chiteji and Frank P. Stafford [Working Paper No. 314](#), September 2000

A considerable amount of research has been conducted on estimating the size of intergenerational transfers, such as bequests of assets, and their share in household wealth. Comparatively, much less has been done on intergenerational transmission of financial knowledge from parents to children. These two transfers possess inherent differences. For example, if each partner in a marriage receives an inheritance, the effect on their family wealth is likely to be additive. By contrast, when considering the information that the two partners may have acquired while growing up, one spouse may believe equities to be a necessary part of a portfolio, while the other may not wish to hold any equity. The net result on their family choice is unclear and is quite unlikely to be additive. Ngina S. Chiteji of Skidmore College and the Center on Poverty, Risk, and Mental Health, the University of Michigan, and Frank P. Stafford of the University of Michigan explore, both theoretically

and empirically, parents' ability to affect their children's wealth outcomes by imparting critical information about asset ownership to the next generation.

The researchers developed an overlapping generations model in which each individual lives for two periods: childhood and adulthood. For each type of asset, male and female children were split into one of two groups: one that was exposed to that asset in childhood and one that was not. In adulthood, males and females form marriages that can be of four types, depending on whether both or one spouse did/did not have exposure to a particular asset. Taking the probabilities of each type of marriage resulting in asset ownership as exogenously given and assuming a common fertility rate, the authors are able to derive a recursive relation for the fraction of families owning assets in a given time period. This relation links families' ownership rates to the characteristics of the adults involved: that is, to their exposure or lack of exposure during childhood, and ultimately to family asset ownership rates in the previous period. The recursive relation is shown to yield a unique equilibrium value for the fraction of families owning each type of asset; that value, however, differs depending on the assumed probabilities of each type of marriage resulting in asset ownership.

According to Chiteji and Stafford, the process of accumulating knowledge of assets is determined by parental inputs into that learning and inputs from external sources, such as financial institutions and the news media. In turn, the decision to own a particular asset can be considered a function of knowledge about that asset and a host of other factors, such as income, returns, and risk. Data from the 1994 wave of the Panel Study on Income Dynamics (PSID), a nationally representative longitudinal survey, were employed to assess the empirical validity of the postulated theoretical relationships. A sample of parents and their adult children was created by choosing households whose heads were in the age group 25-53 in 1994 and for whom data on parents' asset holdings (taken from the 1984 PSID) could be matched. Ownership rates of two types of assets, bank accounts and stocks, were examined. The relationship between the probability of a household's owning an asset and its economic and demographic characteristics was studied using regression analysis.

Results show that, for bank account ownership, the standard result is confirmed that income, education, age, marital status, and the number of children in the household each affect the probability of asset ownership, with all coefficient signs in the expected direction. They also indicate that the likelihood of owning a bank account is affected by having parents who owned a bank account. Similar results hold for stock ownership. Families with higher income, more education, two partners, and fewer children are more likely to own stocks. The regressions also indicate that families whose

parents own stock are more likely to be stock owners themselves, even when the influences of other economic and demographic variables are taken into account. Chiteji and Stafford conclude that their results suggest that increasing education and enhancing publicly available information about assets can improve ownership rates.

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Program: Financial Markets and Monetary Policy

CRA Grade Inflation

Kenneth H. Thomas

[Working Paper No. 313](#), September 2000

The Community Reinvestment Act of 1977 (CRA) requires the four federal regulatory agencies--the Federal Deposit Insurance Corporation, Federal Reserve System, Office of the Comptroller of the Currency, and Office of Thrift Supervision--to encourage covered banks and thrifts to help meet the credit needs of their entire community, including low- and moderate-income (LMI) areas, in a manner consistent with safe and sound banking practices. The law is primarily enforced--that is, a CRA rating or grade is assigned--when banks seek to expand their operations. These ratings are in the midst of a controversy. Community activists claim that the fact that more than 98 percent of banks and thrifts currently receive a passing "Outstanding" (O) or "Satisfactory" (S) is evidence that regulators "inflate" CRA ratings. By contrast, bankers claim that the very low proportion of below-average "Needs to Improve" (NI) or "Substantial Noncompliance" (SN) ratings proves that bankers do a good job of meeting community credit needs.

In spite of the importance of these claims for public policy and community development, surprisingly little academic research has been devoted to evaluating them. Kenneth H. Thomas of the Wharton School of Management contributes to our knowledge with his comprehensive analysis of the CRA grades assigned during the first nine months of 1996 on the basis of performance evaluations (PEs) that described and evaluated a bank's performance relative to several assessment factors. He developed a methodology for measuring grade inflation and applied it on an individual basis to 1,407 small banks and thrifts.

An overall CRA grade is arrived at on the basis of performance with respect

to a few important ratios concerning the soundness of the bank's loans and its community involvement. Three types of inflation were used to characterize the grades given by the regulators with respect to each of the above ratios, ranging from the lowest to the highest, "likely inflation," "inflation," and "gross inflation." Thomas trained a group of research analysts to provide inflation evaluation for each PE. The evaluations were exhaustive and subject to several cross-checks by the analysts; Thomas reviewed them carefully. The findings indicate that inflation occurred in roughly 37 percent of ratings given on loan-to-deposit ratio performance, only about 7 percent of those given on assessment area concentration ratio (reflecting the percentage of loans made to borrowers in the locality), a little over 50 percent for the combined performance on LMI borrower ratio (reflecting the percentage of loans made to those at the bottom rungs of the income ladder) and small business and/or farm lending ratio, and 36 percent for the LMI geography ratio (reflecting the percentage of loans made to those identified as located in a low-to-moderate-income geographical area within the bank's locality).

Inflation in overall ratings was evaluated using two methods. The first examined the extent to which banks were assigned O grades that were undeserved according to explicit regulatory guidelines. Thomas found that as many as 83 percent of those with O ratings should have received an S. The second method aggregated the inflation found with respect to individual ratios discussed above using an implicit weighting scheme to gauge the inflation in overall rating. Nearly half (47.1 percent) of all CRA ratings were found to be inflated according to this method. Approximately half of all the inflation involved O ratings that should have been S ratings, and the other half, S ratings that should have been NIs.

Regression analyses using a variety of specifications were also conducted with either the ratings on individual ratios or the overall CRA ratings as the dependent variable, and an appropriate set of independent variables. The overall results are quite consistent with the earlier ones. According to Thomas, his findings lend clear support to the "Friendly Regulator Hypothesis," based on the argument that regulators are more interested in appeasing and befriending bank personnel than in objectively evaluating and rating the banks. Such behavior, it is argued, stems from the desire of the regulators to make their jobs easier and less stressful. Low ratings are likely to result in confrontation with personnel and scrutiny from superiors. Thus, there is little incentive to be a scrupulous and objective regulator, but a major incentive to be a friendly one.

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Program: Federal Budget Policy

Crowding In or Crowding Out? A Classical-Harrodian Perspective

Jamee K. Moudud

[Working Paper No. 315](#), October 2000

The pursuit of balanced budgets or fixed-deficit targets has come to be seen in public and academic discussions as one of the principal ways of increasing long-run growth. This conventional fiscal policy wisdom is based on the neoclassical theory of output and employment, which has two principal variants. In the general equilibrium version, the economy is assumed to be continuously at the full employment level of output. An increase in government deficit, financed by borrowing, will raise interest rates, which crowds out private investment and thus lowers output growth. The mainstream Keynesian version allows for short-term unemployment: this permits fiscal deficit to have an expansionary effect in the short run, but as soon as full employment is reached, fiscal deficit leads to inflation. In contrast to both versions of the neoclassical theory, non-mainstream Keynesian economists have insisted that fiscal deficits will, in general, have both short- and long-run expansionary effects because of substantial amounts of unemployment and underutilized capacity. Thus, fiscal deficits generally crowd in output growth.

Research Associate Jamee K. Moudud of Sarah Lawrence College argues that both the neoclassical and non-mainstream Keynesian view provide an incomplete picture of the macrodynamics of market economies. In this study, he develops an alternative model of cyclical growth, which he characterizes as classical-Harrodian because some of its crucial features have their theoretical antecedents in the works of classical economists such as François Quesnay and Karl Marx and in the seminal work on growth theory by Sir Roy Harrod.

Unlike traditional models in which growth is strictly a long-term phenomenon, the classical-Harrodian starts from the assumption that growth is ever-present and driven by investment decisions based on profitability considerations. A crucial implication of its dynamic specification is that the levels of all variables (exogenous and endogenous) must be distinguished from their shares relative to, for example, output. Bank credit is considered endogenous and assumed to be available whenever planned investment exceeds available saving. The model is embedded in a social accounting

matrix with fully integrated stocks and flows. Full employment is not assumed, even in the long run, when the economy attains the normal capacity utilization rate.

The dynamics of the model unfold along two distinct time horizons. In the fast adjustment (short-run) process aggregate demand and aggregate supply are balanced; however, such a balance will not generally be accompanied by normal capacity utilization. The slow adjustment (long-run) process describes how the interaction between fixed investment and actual capacity utilization rate brings the economy to a long-run growth path along which capacity utilization is at its normal level. The long-run growth path is, in the classical-Harrodian model, determined by the normal profit rate and the ratio of investable surplus (business and household saving less these sectors' money and bond holdings) to output.

Moudud shows that, in the short run, a rise in the level of the budget deficit or in the share of budget deficit in output will always raise output growth. The stimulus can be enhanced if accompanied by expansionary monetary policies. In the long run, there is an asymmetry: a temporary increase in the level of budget deficit has no effect on long-run growth, but a rise in the share of budget deficit in output will slow it down. Of course, these results are arrived at on the basis of the usual *ceteris paribus* assumptions. However, Moudud points out that if the increased share of budget deficit in output is offset by increases in the private saving rate by a set of appropriate taxation policies, the ratio of investable surplus to output will not fall. Given the profit rate, this implies that output growth will not fall in the long run.

Moudud argues that crucial insights on the effects of expansionary fiscal policies can be gained by reconsidering Harrod's analysis of policy conflicts based on the relationships between actual, long-run, and "natural" growth rates (that is, the maximum possible growth rate, defined to be equal to the sum of productivity and population growth rates). For example, a rise in the share of budget deficit in output stimulates short-run growth while lowering long-run growth. However, if the long-run growth rate that would have ensued in the absence of this change in policy were to exceed the natural growth rate, then the change in fiscal policy might be desirable. The effects of fiscal policy are, concludes Moudud, much more complex than indicated in the neoclassical or Keynesian models.

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Special Studies

Harrod versus Thirlwall: A Reassessment of Export-Led Growth

Jamee K. Moudud

[Working Paper No. 316](#), November 2000

The social and economic costs associated with rapid globalization have raised questions regarding the merits of the mainstream view that the removal of market "rigidities" and imperfections, restrictive fiscal and monetary policies, and exchange rate devaluations inevitably lead to long-run improvements in economic well-being. The most significant alternatives to the mainstream open economy macromodels have been those in the tradition of Keynes and Kalecki. The one that underpins the analyses of most economists in this alternative tradition is the balance of payments constrained growth model developed by Anthony Thirlwall.

The basic idea in Thirlwall's model is that countries grow at different rates because the demand for their respective outputs (most importantly, exports) grows at different rates. The main reason why demand faces constraint in an open economy is balance of payments difficulties. Thus, if demand grows at a rate that leads the country to balance of payments deficits before potential output (capacity) is reached, then demand will have to be reduced; this slowdown will, in turn, result in lower investment and lower growth in potential output. Conversely, if demand catches up with potential output without encountering any balance of payments difficulties, then it can stimulate higher investment and higher growth in potential output. Research Associate Jamee K. Moudud of Sarah Lawrence College argues that the Thirlwall model is flawed on theoretical and empirical grounds. He also develops an alternative analysis based on insights from Sir Roy Harrod's contributions to growth theory.

A key theoretical problem with the Thirlwall model is that the long-run growth path it determines is potentially unstable. If, as discussed above, a country's demand grows without facing any balance of payments difficulties, stimulating capacity growth, there is a question as to whether a balance will be eventually struck between demand growth and capacity growth. Moudud argues that no mechanism in the Thirlwall model will serve to achieve such a balance; on the contrary, he says, the model predicts that divergences will become increasingly larger as time goes by.

Empirically, the model predicts that a higher trade balance-to-GDP ratio (trade balance share) would be associated with a higher growth rate. Moudud presents data on two countries widely characterized as having export-led

growth: Japan and South Korea. He claims that from 1960 to 1997, the Japanese trade balance share improved continuously while its GDP growth rate gradually declined; for South Korea, the trade balance improved steadily, but the growth rate displays no particular trend. These findings do not suggest that a trade surplus has no beneficial effects on economic growth, but that these effects are mediated via some other, more fundamental forces driving long run growth.

According to Moudud, the effects of a rising trade balance ratio can be better understood by reconsidering Harrod's analysis of expansionary policies. This analysis is based on the distinction between three growth rates: the actual, warranted (long-run), and natural (sum of productivity and the population growth rate). Harrod argued that the actual and natural rates tend to be roughly equal over long periods of time. On the other hand, the warranted rate--determined by the desired saving rate and the desired capital-output ratio--may be greater or less than the natural growth rate. The rise in trade balance share will raise the actual growth rate and lower the warranted rate by lowering the saving rate; whether this is desirable depends on the relationship between the warranted and natural growth rates. For example, suppose that the warranted rate is the higher of the two. In this situation, an increase in trade balance share ratio will impart a stimulus to the actual rate, thus reducing unemployment in the short run. Further, it will also bring the warranted rate into line with the natural rate.

A central weakness of Harrod's model is its well-known dynamic instability. However, Moudud argues, this weakness can be overcome and a model of cyclical growth developed by combining Harrod's insights and those of the classical economists, such as Quesnay and Marx. The determinants of long-run growth in the modified model turn out to be (as compared to desired social saving rate and desired capital output ratio in Harrod) the ratio of investable surplus (business and household savings less the money and bond holdings of these sectors) to output and profit rate. The investable surplus-output ratio is simply a refined version of the social saving rate in a multi-asset framework and the profit rate is fundamentally related to the capital-output ratio, so that the basic determinants of growth are the same in both models.

The classical-Harrodian model suggests that, with a constant profit rate, long-run output growth will be driven by the social saving rate, so that empirically, one would expect these two variables to move together. On the other hand, Thirlwall's model suggests that as social saving rate falls (a necessary consequence of a rise in trade balance share) growth rate will rise. Upon examining the paths of the two variables for a variety of countries and applying econometric tests of causality, Moudud found no support for the

Thirlwall model.

The classical-Harrodian model has distinct policy implications for developing market economies, in which there is often a more pressing need to expand exports. While the Thirlwall model suggests there is no negative impact on long-run growth from an export-led policy, the alternative framework suggests that such an impact is likely. It is not inevitable, however: appropriate taxation policies that seek to raise the private saving rate can offset the negative impact of the rising trade surplus.

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Cambridge School Keynesian Economics: Lessons for the Future

Luigi L. Pasinetti

Seminar, November 3

In his seminar at Blithewood, Professor Luigi L. Pasinetti of the Università Cattolica S.C. in Milan, Italy discussed a theoretical approach to studying technological and structural change. He was inspired to develop this approach by the theoretical contributions of the Cambridge (U.K.) school of Keynesian economists, such as Richard Kahn, Piero Sraffa, Joan Robinson, Richard Goodwin, and Nicholas Kaldor. The work of these economists, together with Keynes' pioneering General Theory, constituted a paradigmatic shift in economic analysis.

According to Pasinetti, the wave of technological changes that is widely believed to have ushered in the "new economy" has three main features. First, the acceleration in technical progress originated in information technology, a relatively small sector of the economy. Second, the technical progress in this sector has had ripple effects on several others, and thereby on the aggregate economy itself. Third, the information technology revolution has, and will continue to exert a profound influence on shaping international economic relations.

Pasinetti pointed out that the information technology revolution is the latest in a series of dramatic waves of innovation that have periodically and irreversibly altered the technology and structures of modern economies since the Industrial Revolution. Methods of production are subject to periodic change: new products emerge, existing ones are rendered obsolete, and distribution of economic activity across sectors shifts, resulting in structural change. Given the persistent nature of such changes, it is important to

develop a comprehensive theoretical framework that can describe and explain their origins and effects. According to Pasinetti, mainstream economic analysis that concentrates on the optimal allocation of a given set of resources is not fundamentally suitable for this purpose.

Pasinetti has developed a multisectoral model of economic growth in which the interactions between the evolution of final demand and the changing methods of production in individual industries result in changes that transform the entire economic system. Changes in consumption norms accompany the introduction of new products. Simultaneously, because the industry that produces a new product has linkages with other industries in the economy, the production structure of the whole economy is altered. In a similar fashion, the interdependence of production activities implies that changes in the methods of production in individual industries will also lead to changes throughout the economy as a whole.

The driving force behind technological progress, Pasinetti argued, is human learning. The production process in an industry is, by its very nature, one that generates human learning, which in turn, leads to improvements in production techniques. While an individual's capacity to learn has several determinants, public policies aimed at encouraging education and literacy can play significant roles in enhancing such capacity. Pasinetti presented stylized facts to illustrate the significant relationships between international differences in literacy rates and differences in per capita incomes.

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Institute News

Report Issued by U.S. Trade Deficit Review Commission

In a press conference at the U.S. Capitol on November 14, Levy Institute President Dimitri B. Papadimitriou, vice chairman of the commission, presented the Democratic Commissioners' viewpoints from the final report by the U.S. Trade Deficit Review Commission. The commission, comprised of 12 members, six appointed by congressional Democrats and six by Republicans, was mandated by Congress to examine the causes, consequences, and policy implications of surging U.S. trade and current account deficits.

The commission reached agreement about the need to eliminate trade barriers and open markets, for additional education and training for U.S. workers to enable them to participate more fully in the U.S. economy; additional funding for the trade policy agencies, the Commerce Department, and the office of the U.S. Trade Representative; better enforcement of existing trade agreements, and policies to increase national saving in order to stem the effects of a sudden drop in foreign capital inflows. (Republicans viewed the possibility of such a drop as slim, Democrats as a distinct possibility.) Both sides advocated that greater attention should be paid to enforcing compliance with trade agreements (with Democrats emphasizing those with Japan and China, the main sources of the trade deficit).

Disagreement between Democratic and Republican Commissioners was voiced on a number of issues, including the causes and consequences of the trade and current account deficits.

Democrats stressed the roles in the deficit of nontariff barriers in foreign markets, predatory practices (such as dumping in U.S. markets), foreign government subsidies, and unfair competition arising from developing countries ignoring labor and environmental standards, as well as U.S. economic strength and weak demand from other countries. They noted that an effect of the trade deficit has been the decline of manufacturing and along with it the loss of high-paying manufacturing jobs, which in turn has exacerbated inequality in the distribution of income. They also were less sanguine about the likelihood that shifts in market sentiment would result in gradual adjustments in financial markets, and noted the possibility that a precipitous drop in capital inflows could spark a financial crisis in the United States. The Democratic Commissioners therefore urged the administration and Congress to develop contingency plans to be implemented in the event of a currency or financial crisis in order to ensure continuing U.S. economic prosperity.

Democrats and Republicans also had differing opinions about the role environmental and labor standards should play in trade agreements. Democrats asserted that, because of the economic costs imposed on the rest of the world by other countries that do not adhere to a minimum level of labor and environmental standards, foreign countries should at least be required to enforce the labor and environmental laws that exist in their own countries. Republicans argued that trade forums were an inappropriate place for such disputes to be settled, and that strict enforcement of such standards might deter developing countries from taking part in a new round of global trade liberalization.

Papadimitriou also spoke at two other events in connection with the Trade

Deficit Review Commission report: a presentation of findings at the Woodrow Wilson Center and a congressional briefing sponsored by the Economic Policy Institute.

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Upcoming Conference and Call for Papers

What Has Happened to the Quality of Life in America and Other Advanced Industrialized Nations?

June 6-7, 2001

During the 1990s, the gap between the United States and other advanced industrialized nations expanded in terms of per capita income (as conventionally measured). However, it is not clear whether the level of well-being in the United States has grown concomitantly with per capita income, or whether American citizens are necessarily better off than their counterparts in other advanced countries.

To determine whether citizens are better off requires a means by which to measure well-being. The purpose of this conference is to assess available measures of well-being, propose new ones, and analyze and compare possible measures. The conference is sponsored by the Levy Institute and organized by Senior Scholar Edward N. Wolff, of New York University.

We are seeking conference papers from interested scholars. These may take the form of either conceptual or empirical studies that identify key issues related to the measurement and evaluation of the standard of living, and should focus primarily on identifying the major issues in this field and providing some empirical estimates of their importance. Papers are not expected to be major research projects in their own right, but rather, analyses that draw on the author's past research or that of other economists (see list of possible topics below). We anticipate publishing a volume of selected conference papers. Please submit abstracts of papers by e-mail to Edward N. Wolff at edward.wolff@nyu.edu.

Possible paper topics include:

- An examination of both conventional and more inclusive measures or indices of the standard of living;
- How to use macroeconomic data, such as the national income and

- product accounts, to obtain better measures of economic well-being;
- Historical trends in welfare in the United States and other advanced nations over the past century, particularly during the post-World War II period;
- International comparisons of the standard of living;
- Consumption-based measures of economic well-being;
- How best to incorporate government expenditures on social welfare into measures of living standards;
- How best to use the Consumer Price Index and other deflators to measure changes in living standards;
- How best to incorporate wealth into indicators of well-being;
- How best to account for leisure time in the measurement of well-being;
- Construction and/or discussion of happiness and satisfaction indices;
- Construction and/or discussion of how to incorporate job satisfaction, fringe benefits, and perquisites into measures of well-being;
- Construction and/or discussion of how to incorporate health status, environmental issues, and the quality of life into measures of well-being.

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New Scholar

George Sherer has joined the Levy Institute as a resident scholar. Currently, he is working on assessing the effects of the North American Free Trade Agreement (NAFTA) on trends in black-white wage disparities in the United States. His other research interests include the measurement of wage discrimination in South Africa's labor market and political economy. He has also written (with Cecelia Conrad of Pomona College) on the political-economic works of Robert Clifton Weaver. Sherer, who holds a Ph.D. in economics from Columbia University, is a former instructor at the Brooklyn campus of Long Island University. He recently conducted postdoctoral work at the University of North Carolina at Chapel Hill.

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Publications and Presentations by Levy Institute Scholars

Philip Arestis Visiting Senior Scholar

Publications: Editor and introduction co-writer (with Malcolm C. Sawyer) and author of the entry on Alfred Eichner, *A Biographical Dictionary of Dissenting Economists*, Second Edition. Northampton, Mass.: Edward Elgar, 2000; "Capital Stock, Unemployment, and Wages in the UK and Germany" (with Iris Biefang-Frisancho Mariscal). *Scottish Journal of Political Economy*, 47:5 (2000); "An Alternative Stability and Growth Pact for the European Union" (with K. McCauley and M. C. Sawyer). *Cambridge Journal of Economics* 25:1 (2001).

Presentations: "The Causes of Euro Instability" (with Andrew Brown, Iris Biefang-Frisancho Mariscal, and M. C. Sawyer), The Political Economy of Monetary Integration: Lessons from Europe for Canada, University of Ottawa, October 6, and the IV Jornadas de Política Económica, Tenerife, Canary Islands, Spain, December 4-5.

Steven M. Fazzari Senior Scholar

Presentations: Panel discussant, "The Third Presidential Debate," Washington University, St. Louis, October 17; "Economic Policy and the Cost of Capital," Pomona College, Pomona, California, December 1; "Bounded Rationality and Keynes-Minsky Fluctuations," University of California, Riverside, December 4.

Robert A. Margo Senior Scholar

Publications: "The Labor Force in the Nineteenth Century," in R. Gallman and S. Engerman, eds. *The Cambridge Economic History of the United States*. Cambridge: Cambridge University Press, 2000; "Residential Segregation and Socioeconomic Outcomes: When Did Ghettos Go Bad?" (with W. Collins). *Economics Letters* 69 (2000); "Race and Home Ownership: A Century's View" (with W. Collins). *Explorations in Economic History* (forthcoming).

Presentations: "Race and the Value of Owner-Occupied Housing, 1940-1990," Economic History Workshop, Columbia University, October 5; at Labor Economics and Economic History Workshop, University of Michigan, Ann Arbor, October 20; "Rising Wage Dispersion across American Manufacturing Establishments, 1850-1880," Economics Workshop, Clemson University, December 1; at Labor Economics Workshop, Princeton University, December 13.

Joel Perlmann Senior Scholar

Publications: Editor (with Hans Vermeulen), *Immigrants, Schooling, and Social Mobility: Does Culture Make a Difference?* New York: St. Martin's, 2000, and author of the included essays "The Persistence of Culture versus Structure in Recent Work: The Case of Modes of Incorporation" and "What the Jews Brought: East-European Jewish Immigration to the United States, circa 1900."

Malcolm C. Sawyer Visiting Senior Scholar

Publications: Editor (with Philip Arestis) and author of entries on Michal Kalecki and Gunnar Myrdal, *A Biographical Dictionary of Dissenting Economists*, Second Edition. Northampton, Mass.: Edward Elgar, 2000.

Presentations: "The NAIRU, Labour Market 'Flexibility,' and Full Employment," Conference on Labour Market Regulation and Deregulation: Challenges and Prospects in the 21st Century, York University, Toronto, December 1-2; "Reflections on the Future of the Welfare State," IV Jornadas de Política Económica, Tenerife, Canary Islands, Spain, December 4-5.

Edward N. Wolff Senior Scholar

Publications: "Technology and the Demand for Skills," in Lex Borghans and Andries de Grip, eds. *The Overeducated Worker?: The Economics of Skill Utilization*. Northampton, Mass.: Edward Elgar, 2000; "Why Stocks Won't Save the Middle Class," in Jeff Madrick, ed. *Unconventional Wisdom: Alternative Perspectives on the New Economy*. New York: Century Foundation Press, 2000; "How Persistent is Industry Specialization over Time in Industrialized Countries?" *International Journal of Technology Management*, 19 (2000); "Productivity Convergence among OECD Countries: The Postwar Experience." *International Productivity Monitor*, Fall 2000.

Presentations: "Productivity Convergence and Education: Evidence from OECD Countries," Conference Honoring Richard R. Nelson, Columbia University, New York, October 13-15; "What Has Happened to Stock Ownership in the United States?" Conference on Savings and Portfolio Choice, Paris, France, October 19-21; "Productivity, Computerization, and Skill Change," University of Tilburg, the Netherlands, October 24.

L. Randall Wray Visiting Senior Scholar

Presentations: "Public Service Employment--Full Employment without Inflation," Conference at the University of Missouri, Kansas City, October 18; "Monetary Policy for Full Employment," Instituto Politécnico Nacional, Mexico City, November 15.

Media: Interview for "Morality and Money" series on Eastern Tennessee NPR affiliate WETS, September 3; interview for the Brazilian magazine *Carta Capital*, October 25.

Jörg Bibow Visiting Scholar

Publications: "The Loanable Funds Fallacy in Retrospect." *History of Political Economy*, 32 (2000); "On Exogenous Money and Bank Behavior: The Pandora's Box Kept Shut in Keynes' Theory of Liquidity Preference." *European Journal of the History of Economic Thought* 7:4 (2000).

Presentations: "Keynes on Central Banking and the Structure of Monetary Policy," York University and the University of Toronto Joint Workshop on

the History of Economic Thought, November 24; "Reflections on the Current Fashion for Central Bank Independence," University of Ottawa, November 28.

Lynndee Kemmet Resident Research Associate

Presentation: "Local Power versus Central Government Policy: The Case of Mexico's Mexicali Valley," Northeast Political Science Association, Albany, New York, November 9.

Willem Thorbecke Research Associate

Presentations: Discussant, "The Impact of the Asian Economic Crisis on Poverty in Indonesia," International Food Policy Research Institute, Washington, D.C., October 1; "The Real Exchange Rate Process and Its Real Effects: Theory and Evidence," Southern Economic Association Annual Meetings, Washington, D.C., November 10; "Free Traders: Sleeping in Seattle," Fenwick Fellow Lecture, Fairfax, Virginia, November 30; "Modeling the Banking Crisis in Indonesia," Asian Development Bank Institute, Tokyo, December 12.

Levy Scholars at the ASSA

Several Institute scholars will be presenting papers at the 2001 annual convention of the Allied Social Sciences Associations, to be held in New Orleans, Louisiana, January 5-7.

Philip Arestis Visiting Senior Scholar: "The Causes of the Euro's Instability" (with Andrew Brown and Malcolm C. Sawyer), in a session titled "The EMU and Exchange Rate Stability."

James K. Galbraith Senior Scholar: "Air Power After Kosovo: What We Should Learn," in the ECAAR session; "Inequality, Growth, and Unemployment: New Evidence from Old Data," in the ACES session.

Robert A. Margo Senior Scholar: "Rising Wage Dispersion across American Manufacturing Establishments, 1850-1880" (with Jeremy Atack and Fred Bateman), in a session titled "Historical Evolution of U.S. Labor Markets."
jamee k. moudud Research Associate: "Harrod versus Thirlwall: A Reassessment of Export-Led Growth," in a session titled "Trade Deficits, Export-Led Growth, and Economic Policy," and "Crowding In or Crowding Out? A Classical-Harrodian Perspective," in a session titled "The Role of the State."

Edward N. Wolff Senior Scholar: "The Stagnating Fortunes of the Middle

Class," in a session titled "Neoliberal Order and Disorders"; "What's behind the Recent Rise in Profitability?" in a session titled "The U.S. Economy."

L. Randall Wray Visiting Senior Scholar: "How to Implement True, Full Employment," in a session titled "Employment as a Human Right."

Ajit Zacharias Resident Research Associate: "Interindustrial Profit Rate Differentials: Theory and Evidence," in a session titled "The U.S. Economy."

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