
THE LEVY ECONOMICS INSTITUTE OF BARD COLLEGE
The Levy Economics Institute of Bard College was founded in 1986 as a nonprofit, nonpartisan, public policy research organization. It is independent of any political or other affiliation and encourages diversity of opinion in the examination of economic issues.

The purpose of all Levy Institute research and activities is to enable scholars and leaders in business, labor, and government to work together on problems of common interest. Levy Institute findings are disseminated—via publications, conferences, workshops, seminars, congressional testimony, and other activities—to an international audience of public officials, private sector executives, academics, and the general public.

Through this process of scholarship, analysis, and informed debate, the Levy Institute generates effective public policy responses to economic problems that profoundly affect the quality of life in the United States and abroad.

The Levy Institute’s main conference and research facility is Blithewood, on the campus of Bard College, located 90 miles north of New York City.
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As 2004 begins, the Levy Institute can look back on the 2002 through 2003 period as one of accomplishment and transition. Several initiatives were begun, new personnel were added, and the Institute continued its efforts in its traditional areas of strength. Thus, we can report that the Institute remains vibrant and as determined as ever to contribute to the formation of economic policy at a time when the world faces many new and daunting challenges.

Our macromodeling group, led by Distinguished Scholar Wynne Godley and me, continued to project trends in the external, government, and private-sector financial balances. This group was joined by longtime Senior Scholar Anwar Shaikh and new Research Scholars Gennaro Zezza and Claudio Dos Santos. Our team documented the continuation of unsustainable trends in household borrowing and trade deficits. It also probed the likely implications of the recent reemergence of large federal government deficits. The macromodeling team’s projections of the future course of the economy were discouraging but drew a great deal of attention to problems that often have been overlooked by the media and the economics profession. In the coming years, the group will look into possible ways out of what it accurately terms the nation’s economic “predicament.”

The Institute’s work in macroeconomics was bolstered by the addition of Institute Professor Philip Arestis to our staff. Arestis has been a prolific contributor to debates on policy in the eurozone and the United States. Since joining the Institute in 2002, Arestis has written or coauthored more than 30 works explaining, inter alia, the failure of neoliberal policies on the Continent and elsewhere.
and arguing for a Keynesian alternative. His works have ranged from applied policy studies, to in-depth critiques of the “new consensus” in macroeconomic theory, to sophisticated econometric studies of how financial problems spread between countries. Like the modeling team, Arestis has sometimes gone against the grain of accepted economic ideas, but the relevance of his findings has become increasingly evident as the European economy continues to stagnate.

The past two years have also seen the blossoming of the Institute’s activities in the area of income and wealth. As the baby boom generation nears retirement age, Thomas L. Hungerford, our new senior scholar, provides the Institute with a vital presence in the field of research on the economic condition of older Americans. A broader effort toward understanding in this field was launched with the construction of the Levy Institute Measure of Economic Well-Being (LIMEW), which is a barometer of the access of households to needed and desired goods and services. This project involved combining a number of different data sources on work within the household, asset ownership, use of government services, and other aspects of economic standing. In addition to its leader, Senior Scholar Edward N. Wolff, the LIMEW group comprised Research Scholars Ajit Zacharias and Asena Caner. At the end of 2003, the group began to release data on the evolution of economic well-being and its distribution among U.S. residents during the past decade or so. The group’s findings show that narrower income measures, such as money income, offer only a limited and potentially misleading view of households’ economic fortunes. In coming years, the Institute will expand the LIMEW project, regionally and internationally, thereby making it possible for policymakers to compare data pertaining to several regions and major developed economies.

During the period covered by this report, the Institute drew on the wisdom and hard work of scholars working outside of its walls. Our roster of research associates grew with the addition of Professors Rania Antonopoulos of New York University; Korkut Ertürk of the University of Utah; Maria Sagrario Floro of American University, Washington, D.C.; and Alex Izurieta of the Cambridge Endowment for Research in Finance, Judge Institute of Management Studies. Through the Institute’s efforts, the exciting and innovative ideas of more than 25 research associates from around the world gained a wide audience. Many scholars were called upon to make presentations at conferences we sponsored in New York City and at our own research facility in Annandale-on-Hudson, New York.

In spring 2002 and 2003, leaders from academe, industry, and central banks gathered to apply the ideas of our late colleague Hyman Minsky to the economic problems of the world. Those ideas proved to be as relevant and fruitful as ever. The Institute also held two conferences on wealth, one focusing on economic mobility and the other encompassing presentations on a swath of nine foreign countries and several aspects of wealth distribution in the United States.
It is difficult to summarize such a diverse body of work, but many of the conference participants presented disturbing and thought-provoking findings that depicted an increasingly skewed distribution of asset ownership.

The Institute’s work continues to be featured on our website, which, by the end of 2003, was receiving approximately 600,000 hits each month. As a new year begins, the site is benefitting from a complete redesign by our new webmaster, Horace G. Nelson Jr. The Institute also maintains a mailing list of more than 10,000 individuals, who read hard copies of our research publications on topics ranging from the U.S. welfare state to the vicissitudes of the euro.

In 2002, we welcomed two new members to our Board of Governors. Joseph E. Stiglitz, a Nobel Prize-winning economist and professor of finance and economics at Columbia University, and Janet L. Yellen, professor of economics and business administration at the University of California, Berkeley. We look forward to their continued counsel.

We must report with sadness the passing of our chairman and founder, Leon Levy. The Institute would not exist in its present form had it not been for his guidance, leadership, and support. Leon had a remarkable career, spanning some 50 years, on Wall Street. He also found time for a number of philanthropic pursuits, including not just The Levy Economics Institute but also Bard College, where he served as trustee. Our conference in April 2003 was dedicated to his memory, as is this biennial report.

This report is a summary of all the projects mentioned in this letter, as well as many additional Institute enterprises. We hope that readers will come away with a better appreciation of the scope and intensity of our efforts and will be interested in exploring them in more depth. As always, I welcome your comments.

I want to express my gratitude to all our supporters, those who review our research, and the members of the Board of Governors. A word of thanks and admiration goes to the Institute’s scholars and staff, who strive tirelessly to present timely and thorough analyses of current events, from a nonpartisan perspective, to a wide audience of policymakers, business leaders, members of the academy, and the general public.

DIMITRI B. PAPADIMITRIOU, President
LEON LEVY, life trustee of Bard College and founder of The Levy Economics Institute of Bard College, died on April 6, 2003, at his home in Manhattan. Mr. Levy was the leading donor to Bard College and the chairman of the Levy Institute’s board of governors. His philanthropy and leadership provided the means to promote programs associated with the study of the humanities and economics. He supported the Levy Institute as a tribute to his father and contributed immeasurably to its development since its founding in 1986. He was a man of ideas, whose wise counsel and guidance will be sorely missed.

Mr. Levy was a hedge fund pioneer who joined the firm of Oppenheimer & Company, Inc. in 1951 and founded Odyssey Partners LP with Jack Nash in 1982. He firmly believed that investing was as much a psychological as an economic act and that the stock market surge in the 1990s did not reflect a new economic reality, but only people’s hopes. His autobiography, *The Mind of Wall Street* (with Eugene Linden), was published in 2002. In the last year of his life, Mr. Levy taught a course at Bard College, Contemporary Developments of Finance, to which he brought peerless knowledge, delivered with characteristic enthusiasm and passion.

The Levy Institute and the entire Bard community extend its deepest condolences to his wife, Shelby White; his daughter, Tracy; his brother, Jay; and the entire Levy family.
FROM 2002 THROUGH 2003, the Levy Institute’s research activities comprised five major program areas.

**The State of U.S. and World Economies, and Strategic Analysis:** This program uses the Levy Institute Macro Model to develop strategic analyses of U.S. and world economies. The analyses project the outcomes of alternative scenarios, thereby providing policymakers with an understanding of the implications of various policy options.

**Distribution of Income and Wealth:** The core of this program is the Levy Institute Measure of Economic Well-Being (LIMEW), which presents a comprehensive accounting of people’s access to goods and services that determine economic well-being for households.

**Economic Policy for the 21st Century:** Under this program, scholars analyze macroeconomic, microeconomic, and other policy issues. The analyses aid in developing policies that promote prosperity and well-being.

**Theoretical and Empirical Analyses:** This program advances the “state of the art” in a variety of economic subfields, rather than focusing on a particular policy area. Several studies involve abstract models, while others tackle methodological issues and the place of monetarism in the history of economic thought.

**Immigration, Ethnicity, and Social Structure:** This program examines the socioeconomic assimilation and achievements of American immigrants, past and present. Social phenomena, such as intermarriage and graduation rates, are compared across immigrant groups of different periods and ethnicities.
THE LEVY INSTITUTE’s publications program forms the main pillar of its public education activities. In an effort to raise the level of public debate on a broad spectrum of economic matters, the Institute publishes research findings, conference proceedings, policy discussions and analyses, and other material. Publications are aimed at academic, general, and policy-making audiences.

**Working Papers**—research in progress by Levy Institute scholars and conference participants

**Strategic Analyses**—reports based on Levy Institute models

**Public Policy Briefs**—examinations of the policy aspects of contemporary economic issues

**Public Policy Brief Highlights**—condensed statements of the basic arguments and recommendations contained within Public Policy Briefs

**The Report**—a quarterly newsletter designed to reach a diverse, general audience interested in policy matters. It includes summaries of new publications, synopses of conferences and other events, information on Levy Institute activities, interviews with prominent scholars and public officials who can provide insights into current topics, and editorials by members of the Levy Institute research staff.

**The Summary**—a quarterly publication designed to reach an academic audience. It reports on current research by providing synopses of new publications, special features on continuing research projects, accounts of professional presentations by Levy Institute research staff, and overviews of Levy Institute events.

**The Levy Institute Measure of Economic Well-Being (LIMEW) Report**—a series of statistical reports on the Levy Institute’s own gauge of the ways in which three key institutions (market, state, and household) mediate access to the goods and services produced in a modern market economy

**Conference, symposium, and forum proceedings**—transcripts of presentations and summaries of discussion sessions

**The Levy Economics Institute book series**

**The Levy Institute website** (www.levy.org/2)—offers information on research projects, publications, scholars, and upcoming events. It provides a critical means of outreach to the global community. Full-text versions of all Levy Institute publications can be downloaded or ordered from the website. Audio archives of past conferences and registration information for future events are also available on the website.
Program 1: The State of U.S. and World Economies, and Strategic Analysis

This program, which began in 1999, uses accounting-based models created by Distinguished Scholar Wynne Godley. The U.S. model is a macroeconomic one, employing a complete and consistent system (i.e., all sectors “sum up” with no unaccounted leakages) of stocks and flows (including income, production, and wealth). The world model is a “closed” one in which 11 trading blocs are represented. The United States, Japan, China, and Western Europe are included in the model, which is based on a matrix wherein each bloc’s imports are described in terms of exports from the other blocs. Using this information (in conjunction with data on energy demands and supplies, growth rates, and trade shares) trends can be identified and patterns of trade and production can be analyzed.

Projections derived from the models are not intended as short-term forecasts but as a means of deriving reasonable expectations based on careful analysis of recent developments—assuming current trends, policies, and relationships continue. Such projections can serve as a guide to policymaking and alert leaders about unsustainable processes.

Research Group

WYNNE GODLEY, Distinguished Scholar
CLAUDIO H. DOS SANTOS, Research Scholar
ALEX IZURIETA, Research Associate
DIMITRI B. PAPADIMITRIOU, President
ANWAR M. SHAIKH, Senior Scholar
GENNARO ZEZZA, Research Scholar

Publications

Strategic Analyses

Deficits, Debts, and Growth: A Reprieve But Not a Pardon
ANWAR M. SHAIKH, DIMITRI B. PAPADIMITRIOU,
CLAUDIO H. DOS SANTOS, GENNARO ZEZZA
Strategic Analysis, October 2003

Federal surpluses projected by the Congressional Budget Office have turned into deficits. This analysis examines possible future consequences of this fiscal turnaround and strategies for dealing with imbalances in the private sector and between countries.
The U.S. Economy: A Changing Strategic Predicament
WYNNE GODLEY
Strategic Analysis, March 2003
Throughout the boom years preceding 2001, the U.S. economy faced a strategic predicament—the main engine of growth (credit-financed private spending) was unsustainable. This analysis argues that, as a result of the exceptionally large and growing balance-of-payments deficit, a new predicament is on the horizon.

Is Personal Debt Sustainable?
DIMITRI B. PAPADIMITRIOU, ANWAR M. SHAIKH,
CLAUDIO H. DOS SANTOS, GENNARO ZEZZA
Strategic Analysis, November 2002
The long economic expansion of the 1990s was fueled by an unprecedented rise in private expenditure relative to income. The great meltdown in the financial markets means that asset values cannot offset the perils of growing household indebtedness.

Strategic Prospects and Policies for the U.S. Economy
WYNNE GODLEY, ALEX IZURIETA
Strategic Analysis, June 2002
Notwithstanding the great achievements of the U.S. economy, the growth of aggregate demand during the past several years has been structured in a way that would eventually prove unsustainable. As a result, the entire stance of fiscal policy must move in an expansionary direction.

Working Papers
Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

Measures of the Real GDP of U.S. Trading Partners:
Methodology and Results
CLAUDIO H. DOS SANTOS, ANWAR M. SHAIKH, GENNARO ZEZZA

Dollarization: A Dead End
ALEX IZURIETA
Working Paper No. 344, March 2002
Policy Notes

Is International Growth the Way Out of U.S. Current Account Deficits?
A Note of Caution
ANWAR M. SHAIKH, GENNARO ZEZZA, CLAUDIO H. DOS SANTOS
Policy Note 2003/6

The current account deficit of the United States has been growing steadily as a share of GDP for more than a decade. Levy Institute scholars have long argued that this burgeoning deficit is unsustainable. New empirical evidence suggests that the imbalance cannot be explained entirely by slow growth in the economies of U.S. trading partners.

Kick-Start Strategy Fails to Fire Sputtering U.S. Economic Motor
WYNNE GODLEY
Policy Note 2002/1

In order to avoid a “growth recession,” it will be necessary to establish a new “motor” capable of driving the economy. This is particularly true if private expenditure continues to decline relative to income, thereby generating a larger deficiency in aggregate demand.

Program 2: Distribution of Income and Wealth

Economic inequality is a prominent and perennial concern. An increase in inequality during the 1970s and early 1980s stimulated interest in studying the causes and consequences of the phenomenon. Information from the 1990s suggests that economic growth and prosperity no longer reduce economic equality dramatically.

Persistent inequalities, within and across nations, can only be resolved using innovative policies based on sound scholarship. Recognizing this fact, the Levy Institute has, since its inception, maintained an active research program on the distribution of earnings, income, and wealth. Recent Levy Institute research has included studies of economic well-being among the elderly, public and private pensions, well-being over the life cycle, the role of assets in economic well-being, and determinants of wealth accumulation.

The Levy Institute Measure of Economic Well-Being (LIMEW)

LIMEW is informed by the understanding that three key institutions—market, state, and household—together mediate household members’ access to the goods and services of a modern market economy. The economic well-being of a household is shaped by all three institutions. Households’ degree of access to resources and assets is approximated by an income measure.
Two crucial elements characterize LIMEW: it focuses on components that can be converted into money equivalents, and its household-level measures can be applied to different economic and demographic groups.

LIMEW is constructed as the sum of base money income (gross money income less government cash transfers and property income); the value of certain employer-provided, in-kind benefits; income from wealth; net government expenditures; and value of household production. In the absence of an ideal unified database, LIMEW draws information on income, employment, wealth, time use, and the like from sources such as the Annual Demographic Supplement of the Current Population Survey conducted by the U.S. Census Bureau, National Income and Product Accounts, and government agencies.

One of the goals of LIMEW is to provide estimates, at regular intervals, of well-being for the United States and a number of other nations and to relate those estimates to economic policies.

Research Group
ASENA CANER, Research Scholar
JAMES K. GALBRAITH, Senior Scholar
THOMAS L. HUNGERFORD, Senior Scholar
EDWARD N. WOLFF, Senior Scholar
AJIT ZACHARIAS, Research Scholar

Publications

Working Papers
Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

The Evolution of Wealth Inequality in Canada, 1984–1999
RENÉ MORISSETTE, XUELIN ZHANG, MARIE DROLET
Working Paper No. 396, November 2003

On Household Wealth Trends in Sweden over the 1990s
N. ANDERS KLEVMARKEN

Wealth Transfer Taxation: A Survey
HELMUTH CREAMER, PIERRE PESTIEAU
Working Paper No. 394, November 2003
ARTHUR B. KENNICKELL
Working Paper No. 393, November 2003

Savings of Entrepreneurs
ASENA CANER

Do Workers with Low Lifetime Earnings Really Have Low Earnings Every Year?
IMPlications for Social Security Reform
THOMAS L. HUNGERFORD

Household Wealth, Public Consumption, and Economic Well-Being in the United States
EDWARD N. WOLFF, AJIT ZACHARIAS, ASENA CANER

U.S. Workers’ Investment Decisions for Participant-Directed Defined Contribution Pension Assets
THOMAS L. HUNGERFORD
Working Paper No. 375, March 2003

Does Trade Promote Gender Wage Equity?
Evidence from East Asia
GÜNSELI BERIK, YANA VAN DER MEULEN RODGERS, JOSEPH E. ZVEGLICH JR.
Working Paper No. 373, February 2003

The Levy Institute Measure of Economic Well-Being
EDWARD N. WOLFF, AJIT ZACHARIAS

The Persistence of Hardship over the Life Course
THOMAS L. HUNGERFORD

Is There an American Way of Aging?
Income Dynamics of the Elderly in the United States and Germany
THOMAS L. HUNGERFORD
Working Paper No. 365, December 2002
Caring for a Large Geriatric Generation: The Coming Crisis in U.S. Health Care
WALTER M. CADETTE
Policy Note 2003/3

The time has come to plan for the aging of the baby boom generation. The need goes beyond concerns regarding the solvency of Social Security and Medicare. Under the current system most nursing home care is paid for by Medicaid, a program designed to subsidize acute care for indigent families. This system thwarts the development of long-term-care insurance and forces heavily burdened providers to skimp on the care needed by a vulnerable population.

Program 3: Economic Policy for the 21st Century

The Levy Economics Institute is widely known for its use of economic analyses in informing policymaking strategies. The Economic Policy for the 21st Century program investigates monetary policy and financial institutions, federal budget policy, and the labor market. Past studies have included an examination of the introduction of the euro and its effects upon the monetary policies and institutions of the European community; a Minskyan analysis of economic problems in the United States, Japan, and Brazil; and an exploration of the impact of federal budget policies on economic growth and the finances of Social Security. The program has also explored labor market policies, such as the effects of technology on earnings, trends in productivity, promotion of full employment, and the impact of increased minimum wage on hiring practices and earnings.

If Germany’s fiscal policy had been more in line with economic theory and had followed the best-practices example of the United States, it could easily have achieved a more favorable economic performance in the 1990s. The same can be said of Germany’s monetary policy.

Policy Note 2003/4
Recent research has examined the economic crises in Asia and Latin America, distributional effects of monetary policy, macroeconomic policies in the European Economic and Monetary Union, and the role of finance in small business investment.

**Research Group**

PHILIP ASTERIS, *Institute Professor of Economics*

WALTER M. CADETTE, *Senior Scholar*

ROBERT E. CARPENTER, *Research Associate*

KORKUT A. ERTÜRK, *Research Associate*

STEVEN M. FAZZARI, *Research Associate*

MATHEW FORSTATER, *Research Associate*

JAMES K. GALBRAITH, *Senior Scholar*

GREG HANNSGEN, *Resident Research Associate*

JAMEE K. MOUDUD, *Research Associate*

DIMITRI B. PAPADIMITRIOU, *President*

JAMES B. REBITZER, *Research Associate*

WILLEM THORBECKE, *Research Associate*

L. RANDALL WRAY, *Senior Scholar*

W. RAY TOWLE, *Research Associate*

EDWARD N. WOLFF, *Senior Scholar*

MALCOLM SAWYER, *Research Scholar*

AJIT ZACHARIAS, *Research Scholar*

**Publications**

**Working Papers**

Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

*Financial Globalization and Regulation*
PHILIP ASTERIS, SANTONU BASU
Working Paper No. 397, December 2003

*Understanding Deflation: Treating the Disease, Not the Symptoms*
L. RANDALL WRAY, DIMITRI B. PAPADIMITRIOU
Working Paper No. 392, October 2003

*Aggregate Demand, Conflict, and Capacity in the Inflationary Process*
PHILIP ASTERIS, MALCOLM SAWYER

Given the high propensity around the globe to save in the form of U.S. dollar assets (and, in particular, in the form of U.S. treasuries), much of the responsibility for restoring world economic growth rests on the shoulders of the U.S. federal government.
Inflation Targeting: A Critical Appraisal
Philip Arestis, Malcolm Sawyer

Macroeconomic Policies of the Economic and Monetary Union: Theoretical Underpinnings and Challenges
Philip Arestis, Malcolm Sawyer
Working Paper No. 385, August 2003

Minsky’s Acceleration Channel and the Role of Money
Greg Hannsgen

Financial Sector Reforms in Developing Countries, with Special Reference to Egypt
Philip Arestis

The Case for Fiscal Policy
Philip Arestis, Malcolm Sawyer
Working Paper No. 382, May 2003

Reinventing Fiscal Policy
Philip Arestis, Malcolm Sawyer
Working Paper No. 381, May 2003

How Long Can the U.S. Consumers Carry the Economy on Their Shoulders?
Philip Arestis, Elias Karakitsos
Working Paper No. 380, May 2003

Is Europe Doomed to Stagnation?
An Analysis of the Current Crisis and Recommendations for Reforming Macroeconomic Policymaking in Euroland
Jörg Bibow
Working Paper No. 379, May 2003

The Conditions for a Sustainable U.S. Recovery: The Role of Investment
Philip Arestis, Elias Karakitsos
Working Paper No. 378, May 2003

Finance and Development: Institutional and Policy Alternatives to Financial Liberalization Theory
Philip Arestis, Machiko Nissanke, Howard Stein
We proposed removing the restraints on fiscal policy at the national level and developing a coherent set of labor market, industrial, and macro-economic policies at the EU level. Otherwise, we argued, achieving full employment or reducing inequalities and regional disparities in the EU would not be possible.

Policy Note 2003/2

The Nature and Role of Monetary Policy When Money Is Endogenous
PHILIP ARESTIS, MALCOLM SAWYER
Working Paper No. 374, March 2003

Credibility of Monetary Policy in Four Accession Countries: A Markov Regime-Switching Approach
PHILIP ARESTIS, KOSTAS MOURATIDIS

Testing for Financial Contagion between Developed and Emerging Markets during the 1997 East Asian Crisis
PHILIP ARESTIS, GUGLIELMO MARIA CAPORALE, ANDREA CIPOLLINI

On the Effectiveness of Monetary Policy and Fiscal Policy
PHILIP ARESTIS, MALCOLM SAWYER
Working Paper No. 369, January 2003

How Far Can U.S. Equity Prices Fall under Asset and Debt Deflation?
PHILIP ARESTIS, ELIAS KARAKITSOS

“New Consensus,” New Keynesianism, and the Economics of the “Third Way”
PHILIP ARESTIS, MALCOLM SAWYER

Does the Stock of Money Have Any Causal Significance?
PHILIP ARESTIS, MALCOLM SAWYER

Financial Policies and the Aggregate Productivity of the Capital Stock: Evidence from Developed and Developing Economies
PHILIP ARESTIS, PANICOS DEMETRIADES, BASSAM FATTOUH

Credibility of EMS Interest Rate Policies: A Markov Regime-Switching Approach
PHILIP ARESTIS, KOSTAS MOURATIDIS
Working Paper No. 361, October 2002
Financial Globalization: Some Conceptual Problems
PHILIP ARESTIS, SANTONU BASU
Working Paper No. 360, October 2002

Is There a Trade-Off between Inflation Variability and Output-Gap Variability in the EMU Countries?
PHILIP ARESTIS, KOSTAS MOURATIDIS
Working Paper No. 359, October 2002

Threshold Effects in the U.S. Budget Deficit
PHILIP ARESTIS, ANDREA CIPOLLINI, BASSAM FATTOUH
Working Paper No. 358, October 2002

The Euro, Public Expenditure, and Taxation
PHILIP ARESTIS, MALCOLM SAWYER
Working Paper No. 357, September 2002

Can Monetary Policy Affect the Real Economy?
PHILIP ARESTIS, MALCOLM SAWYER

Should Banks Be “Narrowed”?
BIAGIO BOSSONE

State Policies and the Warranted Growth Rate
JAMIE K. MOUDUD
Working Paper No. 349, July 2002

CRA’s 25th Anniversary: The Past, Present, and Future
KENNETH H. THOMAS
Working Paper No. 346, June 2002

The “Third Way” and the Challenges to Economic and Monetary Union Macropolicies
PHILIP ARESTIS, MALCOLM SAWYER
Working Paper No. 345, May 2002
Policy Notes

The Future of the Dollar
Has the Unthinkable Become Thinkable?
KORKUT A. ERTÜRK
Policy Note 2003/7
Without the active support of the major central banks, can the dollar—the world’s reserve currency—survive a steep fall in its value? Can the United States broker another Plaza Accord without jeopardizing its unique international role? Is an orderly retreat for the dollar possible today?

Deflation Worries
L. RANDALL WRAY
Policy Note 2003/5
For the first time since the 1930s, many worry that the world’s economy faces the prospect of deflation, accompanied by massive job losses, on a global scale. In a hopeful sign, policymakers throughout the world seem to recognize the threat that falling prices pose to markets. But, because policymakers (especially central bankers in Europe and the United States) fail to realize that the problem is one of deficient demand, they have little inkling of how to stave off deflation.

Pushing Germany Off the Cliff Edge
JÖRG BIBOW
Policy Note 2003/4
Germany’s fiscal crisis cannot be attributed to unification, per se. It arose as a consequence of ill-guided macroeconomic policies pursued in response to unification. Since Germany provided the blueprint for Europe’s stability-oriented macroeconomic policy regime, there is a risk that the “German disease” is spreading throughout the continent and, potentially, beyond it.

Reforming the Euro’s Institutional Framework
PHILIP ARESTIS, MALCOLM SAWYER
Policy Note 2003/2
The Stability and Growth Pact (SGB) has been the focus of a growing controversy in the eurozone. The European Central Bank continues to argue that reforming the SGB by relaxing its rules would damage the credibility of the euro. The opposite view, however, may be closer to reality. The authors maintain that many more fiscal policy reforms are needed if the eurozone is to realize a true economic recovery and the credibility of the euro is to be enhanced.
Keynesian economics is back: tax cuts and deficit spending are on the agenda, low interest rates seem to be here to stay, and stimulus is the watchword of the day. But existing and commonly proposed policies are unlikely to generate the growth in profitability required to restart strong business investment, stabilize household finances, and reduce unemployment.

The introduction of the euro represents a significant step in integrating the economies of the countries that form the European Economic and Monetary Union. The currency is also embedded in a particular set of institutional and policy arrangements that reveal much about the nature of economic integration. In terms of economic integration at a global level, however, the introduction of the euro is a relatively small step. The neoliberal agenda of globalization can clearly be seen from the way in which the euro was introduced.

The IMF has offered Brazil a $30 billion loan, on condition that the country continue to run a large primary surplus in the government budget. In this way, the IMF would maintain strong control over Brazil’s next government. Any significant move toward fiscal expansion would trigger revocation of the loan, followed by capital market chaos. Or so one is led to suppose.

In 2002 more than $1 trillion in new bonds was sold across international boundaries, and the total stock of cross-border bond holdings exceeded $9 trillion. Such lending, together with sales of equities, is regarded as one of the chief benefits of globalization. But appropriate international institutions are not in place, with the result that financial investment does not always flow to those regions where it is needed most.
Understanding Deflation
Treating the Disease, Not the Symptoms
L. RANDALL WRAY, DIMITRI B. PAPADIMITRIOU
Public Policy Brief No. 74, 2003 (Highlights, No. 74A)
Most recent discussions of deflation overlook the main dangers posed by a deflationary economy and offer superficial solutions. The authors argue that, barring drastic changes in asset and output prices, the main culprit is recessionary conditions. They recommend a Keynesian remedy—government deficit spending—in order to finance useful programs and tax cuts, reduce unemployment, increase growth, and relieve deflationary pressures.

Asset and Debt Deflation in the United States
How Far Can Equity Prices Fall?
PHILIP ARESTIS, ELIAS KARAKITSOS
Public Policy Brief No. 73, 2003 (Highlights, No. 73A)
In an asset and debt deflation, the process of reducing debt by saving and curtailing spending takes a long time, say the authors. Potential exists for a credit crunch that adversely affects the U.S. economy, which is vulnerable to exogenous shocks and lacks the foundations for a new, long-lasting expansion.

What Is the American Model Really About?
Soft Budgets and the Keynesian Devolution
JAMES K. GALBRAITH
Public Policy Brief No. 72, 2003 (Highlights, No. 72A)
The American model serves as a point of reference in discussions of economic policy around the world, with many claiming that the American free market represents an ideal form of capitalism. The author argues, however, that the United States has relied heavily on government intervention and, now that the nation is in a weak, jobless recovery, the key to restoring growth may lie in the kinds of government programs that stabilized the U.S. economy in the past.

Can Monetary Policy Affect the Real Economy?
The Dubious Effectiveness of Interest Rate Policy
PHILIP ARESTIS, MALCOLM SAWYER
Public Policy Brief No. 71, 2003 (Highlights, No. 71A)
This brief evaluates a premise, subscribed to by most central bankers, that monetary policy can be used to control inflation without any permanent sacrifice in the form of reduced income or job opportunities.
Physician Incentives in Managed Care Organizations

Medical Practice Norms and the Quality of Care

DAVID J. COOPER, JAMES B. REBITZER
Public Policy Brief No. 70, 2002 (Highlights, No. 70A)
This brief considers the interaction between physician incentive systems and product market competition in the delivery of medical services via managed care organizations. The authors find that although physician practice styles respond to financial incentives, there is little evidence that HMO cost-containment strategies cause a discernible reduction in care quality.

Should Banks Be “Narrowed”?
An Evaluation of a Plan to Reduce Financial Instability

BIAGIO BOSSONE
Public Policy Brief No. 69, 2002 (Highlights, No. 69A)
The author evaluates narrow banking from the perspective of modern theories of financial intermediation. He argues that the status quo banking system contributes greatly to the efficiency of the economy and that these efficiency gains outweigh disadvantages associated with the existing legal framework.

Optimal CRA Reform
Balancing Government Regulation and Market Forces

KENNETH H. THOMAS
Public Policy Brief No. 68, 2002 (Highlights, No. 68A)
At issue in the debate over the renewal of the Community Reinvestment Act (CRA) of 1977 are the yardsticks regulators use to judge whether institutions are meeting the credit and service needs of low- and moderate-income communities. The author concludes that regulators must strike a balance between competing interests, rules could be simplified, and strong measures should be taken against “predatory lending.”

The keys to the American model lie in those sectors providing social amenities to the middle class: health care, education, housing, and pensions.

Public Policy Brief No. 72, 2003
Program 4: Theoretical and Empirical Analyses

On occasion, Levy Institute scholars conduct research that does not fall within a current program or general topic area. Recent examples of such research include examinations of Harrodian growth models and campaign finance reform.

Research Group

WYNNE GODLEY, Distinguished Scholar
PHILIP ARESTIS, Institute Professor of Economics
KORKUT A. ERTÜRK, Research Associate
WILLIAM H. LAZONICK, Research Associate
JOEL PERLMANN, Senior Scholar
JAMES B. REBITZER, Research Associate
AJIT ZACHARIAS, Research Scholar

Publications

Working Papers
Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

Why the Tobin Tax Can Be Stabilizing
KORKUT A. ERTÜRK

Managed Care, Physician Incentives, and Norms of Medical Practice: Racing to the Bottom or Pulling to the Top?
DAVID J. COOPER, JAMES B. REBITZER

Critical Realism and the Political Economy of the Euro
PHILIP ARESTIS, ANDREW BROWN, MALCOLM SAWYER
Working Paper No. 352, September 2002

Asset Prices, Liquidity Preference, and the Business Cycle
KORKUT A. ERTÜRK
Working Paper No. 348, June 2002

What has Happened to Monetarism?
An Investigation into the Keynesian Roots of Milton Friedman’s Monetary Thought and Its Apparent Monetarist Legacies
JÖRG BIBOW
Working Paper No. 347, June 2002
Program 5: Immigration, Ethnicity, and Social Structure

The Immigration, Ethnicity, and Social Structure research initiative focuses on the processes by which immigrants and their descendents assimilate into U.S. economic life. The goal of the research is to shed light on current policy issues related to immigration. These issues include international competitiveness, the labor market, income distribution, and poverty.

Senior Scholar Joel Perlmann is engaged in three research projects designed to further understanding in this area. The Jews Circa 1900: Social Structure in Europe and America focuses on social characteristics that help explain the rapid socioeconomic rise of eastern European Jewish immigrants who entered America at the turn of the century. This study uses previously unavailable census data. Assimilation and the Third Generation explores the assimilation of immigrants and the socioeconomic experiences of their descendents. Special attention is paid to those groups whose first-and second-generation immigrants experienced particular difficulty in assimilating. The New Immigration's Second Generation reviews literature dealing with the economic progress and difficulties faced by children of immigrants today and compares those difficulties with the experiences of the children of turn-of-the-century immigrants.

Publications

Working Papers
Note: Summaries and texts of all Working Papers can be located at www.levy.org/2.

**Mexicans Now, Italians Then: Intermarriage Patterns**
JOEL PERLMANN
Working Paper No. 376, April 2003

**Polish and Italian Schooling Then, Mexican Schooling Now?**
*U.S. Ethnic School Attainments across the Generations of the 20th Century*
JOEL PERLMANN

**Poles and Italians Then, Mexicans Now?**
*Immigrant-to-Native Wage Ratios, 1910 and 1940*
JOEL PERLMANN
Working Paper No. 343, February 2002
The conference focused on the distribution of household wealth and savings in the United States and other advanced industrialized countries. Particular emphasis was placed on the examination of wealth-inequality trends during the 1990s. Additional topics included asset poverty in the United States and the role of entrepreneurship in wealth accumulation.

**Participants**

**Philip Arestis**, The Levy Economics Institute of Bard College  
**Andrea Brandolini**, Bank of Italy  
**Asena Caner**, The Levy Economics Institute of Bard College  
**Ingina Chiteji**, Skidmore College  
**Dalton Conley**, New York University  
**Helmuth Cremer**, University of Toulouse, France  
**Maury Gittleman**, Bureau of Labor Statistics  
**Elena Gouskova**, University of Michigan  
**Richard Hauser**, Goethe University, Frankfurt am Main, Germany  
**Thomas L. Hungerford**, The Levy Economics Institute of Bard College  
**Erik Hurst**, University of Chicago
HOWARD IAMSO, Social Security Administration  
MARKUS JÄNTTI, Abo Akademi University, Finland  
LISA A. KEISTER, Ohio State University  
ARTHUR B. KENNICKELL, Board of Governors, Federal Reserve System  
N. ANDERS KLEVMARKEN, Uppsala University, Sweden  
ROBERT A. MARGO, Vanderbilt University  
RENÉ MORISSETTE, Statistics Canada  
LARS OSBERG, Dalhousie University, Canada  
DIMITRI B. PAPADIMITRIOU, The Levy Economics Institute of Bard College  
Pierre Pestieau, University of Liège, Belgium  
TIMOTHY M. SMEEDING, The Maxwell School, Syracuse University  
SEYMOUR SPILERMAN, Columbia University  
FRANK P. STAFFORD, University of Michigan  
HOLGER STEIN, Goethe University, Frankfurt am Main, Germany  
FLORENCIA TORCHE, Columbia University  
MARK WILHELM, Indiana University–Purdue University Indianapolis  
EDWARD N. WOLFF, The Levy Economics Institute of Bard College, and New York University  
WEI-JUN JEAN YEUNG, New York University  
AJIT ZACHARIAS, The Levy Economics Institute of Bard College  
JAY ZAGORSKY, Ohio State University

Conference  
Economic Mobility in America and Other Advanced Countries  
October 18–19, 2002  
The Levy Economics Institute of Bard College  
Annandale-on-Hudson, New York

More than 30 scholars from various universities, institutes, and government agencies attended the conference and presented their latest research on economic mobility. Sessions covered a range of issues, from the effect of education on intergenerational mobility to the persistence of hardship over the life cycle.

Participants

JO BLANDEN, Department of Economics, University College (London), and Centre for Economic Performance, London School of Economics  
HEATHER BOUSHEY, Economic Policy Institute  
MARIKO CHANG, Harvard University  
NGINA CHITEJI, Skidmore College  
BRUNO CONTINI, Laboratorio R. Revelli, Centre for Employment Studies IZA, and University of Torino  
CONCHITA D’AMBROSIO, Università Bocconi, and DIW Berlin  
JONATHAN D. FISHER, Bureau of Labor Statistics  
JOACHIM R. FRICK, DIW Berlin  
THESIA GARNER, Bureau of Labor Statistics  
MAURY GITTEL, Bureau of Labor Statistics  
DAPHNE GREENWOOD, University of Colorado, Colorado Springs

Top (left to right): Andrea Brandolini, Richard Hauser, and Holger Stein; bottom (standing at back): Lars Osberg and Jonathan D. Fisher; (seated left to right) Thesia Garner, Joachim R. Frick, and Conchita D’Ambrosio speaking with attendees of “Economic Mobility in America and Other Advanced Countries”
This international symposium provided an opportunity for participants from various universities and organizations to present their latest research and discuss future directions in policy. A gender wage gap was commonly found in developing countries, as were adverse impacts from international capital flows, trade liberalization, and globalization. The working group expressed the need for better data and models and expansion of gender-aware economics.
The conference was organized as part of the Levy Institute’s research program on financial markets. It provided a forum within which to discuss the current state of U.S. and world economies and their future direction. Topics included uncertainty regarding the resilience of the U.S. economy and its implications for the global economy; and monetary and fiscal policy prescriptions for renewed growth, employment, and price stability.

Participants

LAKSHMAN ACHUTHAN, Economic Cycle Research Institute
J. ALFRED BROADDUS JR., Federal Reserve Bank of Richmond
WILLIAM C. DUDLEY, Goldman Sachs & Co.
MARC FABER, Marc Faber Limited
RANDALL S. KROSZNER, President’s Council of Economic Advisers
JOHN LIPSKY, JP Morgan Investment Bank
MICHAEL MANDEL, Business Week
MARTIN MAYER, Brookings Institution
CONSTANCE MITCHELL-FORD, Wall Street Journal
DIMITRI B. PAPADIMITRIOU, The Levy Economics Institute of Bard College
JAMES W. PAULSEN, Wells Capital Management
WILLIAM POOLE, Federal Reserve Bank of St. Louis
ERNST WELTEKE, Deutsche Bundesbank
As part of its research program on financial markets, the Levy Institute organized a conference to discuss viewpoints on the current state of the U.S. economy and its future direction. Participating scholars examined whether conditions in the U.S. financial system were propitious for the performance of the economy and what impact these factors would have on public policy.

Participants

LAKSHMAN ACHUTHAN, Economic Cycle Research Institute
ROBERT J. BARBERA, Hoenig and Company, Inc.
RICHARD BERNER, Morgan Stanley Dean Witter & Co.
JAMES E. GLASSMAN, J.P. Morgan & Co.
WYNNE GODLEY, The Levy Economics Institute of Bard College
DAVID LEONHARDT, New York Times
MICKEY D. LEVY, Bank of America
LAURENCE H. MEYER, Center for Strategic and International Studies
DIMITRI B. PAPADIMITRIOU, The Levy Economics Institute of Bard College
ANTHONY M. SANTOMERO, Federal Reserve Bank of Philadelphia
GARY H. STERN, Federal Reserve Bank of Minneapolis
CHRIS VARVARES, Macroeconomic Advisers, LLC

Shanghai Academy of Social Sciences

In October 2003, President Dimitri B. Papadimitriou visited the Shanghai Academy of Social Sciences in the People’s Republic of China as a Distinguished Scholar. He gave a lecture, “The Revival of Keynesian Economics,” and led two seminars, “Reconstituting the Financial Structure” and “Community Development Banking.” He also finalized an agreement between The Levy Economics Institute of Bard College and the Shanghai Academy of Social Sciences for joint research and a scholar exchange.
U.S. teenager’s budgeting analogy is misleading and helps divert attention from the real issues
THOMAS L. HUNGERFORD
Letter to the Editor, Financial Times, September 11, 2003

Wrong policies pulling eurozone economies apart
PHILIP ARESTIS AND MALCOLM SAWYER
Letter to the Editor, Financial Times, September 8, 2003

Only fiscal activism has the power to counter recession, because central banks are impotent
PHILIP ARESTIS AND DIMITRI B. PAPADIMITRIOU
Letter to the Editor, Financial Times, August 29, 2003

Europe’s imposed stability, now it has to create growth
PHILIP ARESTIS AND MALCOLM SAWYER

Studies originally appearing as Levy Institute Working Papers during the 2002 through 2003 time period were published in the following journals:

American Journal of Economics and Sociology
Banca Nazionale del Lavoro Quarterly Review
Cambridge Journal of Economics
Challenge
Eastern Economic Journal
Economic Inquiry
Indicators: A Journal of Social Health
International Review of Applied Economics
Journal of Political Economy
Research on Aging
Social Science Research
Wirtschaft und Gesellschaft
SECTION V: BIOGRAPHIES OF INSTITUTE SCHOLARS

Wynne Godley
Ph.D., Oxford University. Current Position: Distinguished Scholar, The Levy Economics Institute of Bard College; Professor Emeritus of Applied Economics, University of Cambridge; Fellow, King’s College. Areas of Interest: Accounting-based models that track economies, using a system of stocks and flows; and “closed” world models that identify economic trends, analyze patterns of trade and production, and reveal structural imbalances.

Selected Recent Publications

Philip Arestis
B.A., Athens Graduate School of Economics and Business Studies; M.Sc., London School of Economics; Ph.D., University of Surrey. Current Position: Institute Professor of Economics, The Levy Economics Institute of Bard College; reviewer and member of the editorial board of numerous academic journals. Areas of Interest: Analysis of money and monetary policy, historical and institutional framework of the EMU, the European Central Bank, deflationary consequences of the EMU, levels of employment, the relationship between finance and growth/development, the regime-switching approach to EMS, inflation targeting, threshold effects in the U.S. budget deficit, and Minsky and financial liberalization in the southeast Asian crisis.

Selected Recent Publications


Jörg Bibow
B.A., University of the Witwatersrand, Johannesburg; Diplom-Volkswirt, University of Hamburg; M.A., and Ph.D., University of Cambridge. Current Position: Research Associate, The Levy Economics Institute of Bard College; Lecturer, University of Hamburg. Areas of Interest: Policymaking in Europe’s Economic and Monetary Union, the European Central Bank, issues of fiscal consolidation, Germany’s ongoing crisis and policymaking traditions, the origins of the Bundesbank’s independence and stability orientation, the role of Keynesian uncertainty and conventions in asset market valuations, and developments in behavioral finance

Selected Recent Publications


“The Euro: Market Failure or Central Bank Failure?” Challenge 45:3


Walter M. Cadette

Selected Recent Publications


Asena Caner
B.A., Middle East Technical University, Ankara, Turkey; M.A., North Carolina State University; Ph.D., New York University. Current Position: Research Scholar, The Levy Economics Institute of Bard College. Areas of Interest: The role of household wealth in poverty and inequality, wealth distribution, the relationship between entrepreneurship and household wealth accumulation, and the measurement of income flows from household assets

Selected Recent Publications

Claudio H. Dos Santos
B.A. and M.Sc., Universidade Federal do Rio de Janeiro, Brazil; Ph.D., Graduate Faculty of the New School University, Department of Economics. Current Position: Research Scholar, The Levy Economics Institute of Bard College. Areas of Interest: Macroeconomic modeling, U.S. and Brazilian economies, and national accounts

Selected Recent Publications

Korkut A. Ertürk
Ph.D., Graduate Faculty of the New School University, Department of Economics. Current Position: Research Associate, The Levy Economics Institute of Bard College; Associate Professor and Chair, Department of Economics, University of Utah. Areas of Interest: Monetary theory, economic growth and development, gender and development, mathematical modeling, political economy, and the history of economic thought

Selected Recent Publications


Steven M. Fazzari
James K. Galbraith
B.A., Harvard University; Ph.D., Yale University. Current Position: Senior Scholar, The Levy Economics Institute of Bard College; Lloyd M. Bentsen Jr. Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs; Professor, Department of Government, The University of Texas at Austin; Chair, Economists Allied for Arms Reduction. Areas of Interest: Measurement of economic inequalities in the global economy, across Europe, and in the national economies of Russia, China, and India; peace and security issues

Selected Recent Publications

Greg Hannsgen
B.A., Swarthmore College; M.A. Humphrey School of Public Affairs, University of Minnesota; M.A. and Ph.D., University of Notre Dame. Current Position: Resident Research Associate, The Levy Economics Institute of Bard College; Editor of the Levy Institute Report and other Levy publications. Areas of Interest: Monetary theory and policy, the effects of money and finance on the economy, and endogeneity of the money supply

Selected Recent Publications

Thomas L. Hungerford
B.S. Hillsdale College; M.P.P. and Ph.D., University of Michigan. Current Position: Senior Scholar, The Levy Economics Institute of Bard College; Areas of Interest: Poverty, income inequality and mobility, social welfare policy, economics and demography of aging, and labor economics

Selected Recent Publications

Christopher Jencks
A.B., Harvard College; M.Ed., Harvard Graduate School of Education. Current Position: Research Associate, The Levy Economics Institute of Bard College; Malcolm Wiener Professor of Social Policy, Kennedy School of Government, Harvard University. Areas of Interest: Intergenerational economic mobility, changes in the material standard of living, homelessness, the effects of growing up in poor neighborhoods, welfare reform, poverty measurement, changes in family structure, and the noneconomic effects of economic inequality

Selected Recent Publications
Robert A. Margo

Selected Recent Publications


Dimitri B. Papadimitriou
B.A., Columbia University; M.A., Ph.D., Graduate Faculty of the New School University, Department of Economics. Current Position: Executive Vice President, Bard College; President, The Levy Economics Institute of Bard College; Executive Director, The Bard Center; Jerome Levy Professor of Economics, Bard College. Areas of Interest: Community development banking, banking and financial structure, the Federal Reserve, monetary and fiscal policy, the distribution of wealth and income in the United States, financial markets, the appropriateness of using existing price indexes as targets for monetary policy, and measures of well-being

Selected Recent Publications


Joel Perlmann
B.A., Hebrew University, Jerusalem; Ph.D. in history and sociology, Harvard University. Current Position: Senior Scholar, The Levy Economics Institute of Bard College. Areas of Interest: The process by which immigrants and their descendents are assimilated into U.S. economic life, policy issues related to immigration, international competitiveness, the labor market, and income distribution

Selected Recent Publications


Malcolm Sawyer
B.A., University of Oxford; M.Sc., University of London;
Current Position: Professor and Head of Economics
Department, Leeds University Business School; Senior
Scholar, The Levy Economics Institute of Bard College.
Areas of Interest: Fiscal policy, monetary policy and endogenous
money, the European single currency, barriers to full employ-
ment and NAIRU, privatization and pensions

Selected Recent Publications
“Asymmetries of Demand for Money Functions Amongst
EMU Countries” (with I. B.-F. Mariscal, P. Arestis, and
“European Integration and the ‘Euro Project’” (with
“Money: Means of Payment or Store of Wealth?” L.-P.
Rochon and S. Rossi, eds. *Modern Theories of Money.*
“The NAIRU, Labour Market ‘Flexibility,’ and Full
the Market: The Struggle to Regulate Work and Income.*
and Implications” (with P. Arestis). *Journal of Post-
Keynesian Economics* 24:2.
“Employer of Last Resort: Could it Deliver Full
Employment and Price Stability?” *Journal of Economic
“The Euro and the Distribution of Income and Employment.”
Editorial in *Journal of Income Distribution* 10:3.
“Explaining the Euro’s Initial Decline” (with P. Arestis, I. B.-F.
“The NAIRU, Aggregate Demand, and Investment.”
*Metroeconomica* 53:1.
“Post-Keynesian Price Theory.” *Journal of Post-Keynesian
“Market Structure, Uncertainty, and Unemployment” (with
N. Shapiro). S. Dow and J. Hillard, eds. *Keynes,
Uncertainty, and the Global Economy.* Northampton,
“Causes of Euro Instability” (with P. Arestis, I. B.-F.
and Britain: Implications of Moving into the EMU.*
“The Decline of the Euro in its First Two Years: Is There a
Satisfactory Explanation?” (with I. B.-F. Mariscal,
P. Arestis, A. Brown). L.-P. Rochon and M. Seccareccia,
D. Coffey and C. Thorley, eds. *Industrial and Labour
“Does the Stock of Money Have Any Causal Significance?”
(with P. Arestis). *Banca Nazionale Del Lavoro Quarterly
“The Euro and the EMU: Lessons from MERCOSUR” (with
“The Euro: Reflections on the First Three Years” (with
P. Arestis, A. Brown, and K. Mouratidis). *International
“European Union Must End the Stability and Growth Pact
and Reform the European Central Bank” (with P. Arestis).
“The First Three Years of the Euro” (with P. Arestis).
*Oikonomikos Tachydromos*, 2002.
“Making the Euro Work” (with P. Arestis). *Challenge: The
“Reinventing Fiscal Policy” (with P. Arestis). *Journal of Post-
Keynesian Economics*, Fall, 2003
“Third Way, New Labor, and the Challenges to EMU
Macropolicies” (with P. Arestis). *Wirtschaft und

Anwar M. Shaikh
B.S.E., Princeton University; M.A. and Ph.D., Columbia
Economics Institute of Bard College; Professor, Graduate
Faculty of the New School University, Department of
Economics. Areas of Interest: International trade, mathematical
economics, growth and cycle theory, national economic
accounts, history of economic thought, macroeconomics, long-
term determinants of exchange rates among OECD countries, the U.S. stock market, and inflation in advanced economies

**Selected Recent Publications**


**W. Ray Towle**

B.S. and M.A., University of Alberta; Ph.D., University of London. *Current Position*: Resident Research Associate, The Levy Economics Institute of Bard College. Editor of the Levy Institute *Summary* and other Levy publications. *Areas of Interest*: Social and economic impact of the electrochemical and electrometallurgical industries in Norway, macroeconomic forecasting, international financial systems, economic development, sustainable development, and deregulation

**Edward N. Wolff**

A.B., Harvard University; M.Phil. and Ph.D., Yale University. *Current Position*: Senior Scholar, The Levy Economics Institute of Bard College; Professor of Economics, New York University. *Areas of Interest*: Productivity growth; distribution of income and wealth; and long-term implications of technological change and information technology on earnings, inequality, and labor demand

**Selected Recent Publications**


**L. Randall Wray**

B.A., University of the Pacific; M.A. and Ph.D., Washington University, St. Louis. *Current Position*: Senior Scholar, The Levy Economics Institute of Bard College; Professor of Economics and Senior Research Associate, Center for Full Employment and Price Stability, University of Missouri–Kansas City. *Areas of Interest*: Monetary policy, employment, and Social Security

**Selected Recent Publications**

“Demand Constraint and the New Economy” (with M.-A. Pigeon). P. Davidson, ed. *A Post-Keynesian Perspective on...*


Ajit Zacharias

B.A., University of Kerala; M.A., University of Bombay; Ph.D., Graduate Faculty of the New School University, Department of Economics. Current Position: Research Scholar, The Levy Economics Institute of Bard College. Areas of Interest: Concepts and measurement of income and economic well-being, effects of taxes and transfers on income, valuation of noncash transfers, and time use

Selected Recent Publications


Gennaro Zezza

Degree in economics, University of Naples. Current Position: Research Scholar, The Levy Economics Institute of Bard College; Associate Professor, Faculty of Law, University of Cassino, Frosinone. Areas of Interest: Macroeconomic models; economic growth, innovation and regional convergence; and distance learning

Selected Recent Publications


Board of Governors of The Levy Economics Institute of Bard College

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GREG HANSSGEN, Resident Research Associate
THOMAS L. HUNGERFORD, Senior Scholar
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SUSAN MAYER
JAMEE K. MOUDUD
MARY O’SULLIVAN
JAMES B. REBITZER
WILLEM THORBECHE
ROGER WALDINGER
BARBARA WOLFE
Bard College: An Alliance of Excellence

The founders of The Levy Economics Institute envisioned it as part of a vibrant, growing educational institution with high ideals and inspired leadership. They designed the Levy Institute as a place of higher learning that would foster cooperative, innovative, and entrepreneurial spirit and a willingness to take risks.

In allying itself with The Levy Economics Institute, Bard College took a major step forward in its effort to build a community of diverse intellectual centers. According to Bard President Leon Botstein, “Bringing the Levy Institute to Bard College was one of the most important events in the development of the College's intellectual and academic excellence.”