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Conference on Economic Inequality

- **S Jay Levy and Walter M. Cadette's plan to finance infrastructure**
- **Laurence H. Meyer--a central banker's view of the Asian financial crisis**
- **Wynne Godley on the unsustainable processes fueling the U.S. expansion**
- **A credit crunch for small businesses?**

CONTENTS

Conference

- [The Macrodynamics of Inequality in the Industrialized and Developing Countries](#)

Editorial

- [Overcoming America's Infrastructure Deficit](#)

New Working Papers

- [Minsky's Analysis of Financial Capitalism](#)
- [Lessons from the Asian Crisis: A Central Banker's Perspective](#)
- [Hyman Minsky's Theory of Capitalist Development](#)
- [Minsky and the Mainstream: Has Recent Research Rediscovered Financial Keynesianism?](#)
- [Monetary Policy in an Era of Capital Market Inflation](#)

-
- [The Rhetorical Evolution of the Minimum Wage](#)
 - [Open Economy Macroeconomics Using Models of Closed Systems](#)
 - [The Economic and Monetary Union: Current and Future Prospects](#)
 - [Financing Long-Term Care: Options for Policy](#)

Special Report

- [Seven Unsustainable Processes: Medium-Term Prospects and Policies for the United States and the World](#)

New Policy Note

- [1999 Levy Institute Survey of Small Business: An Impending Cash Flow Squeeze?](#)

Levy Institute News

- [Lectures](#)
 - *Leon Levy*: The Stock Market and Psychology
 - *Joan R. Rodgers* and *John L. Rodgers*: The Effect of Geographic Mobility on Male Labor Force Participants in the United States
 - *Leonard Greene*: The National Tax Rebate: A New America with Less Government
 - *Christopher Magee*: Why Do Political Action Committees Give Money to Candidates? Campaign Contributions, Policy Choices, and Election Outcomes

- [New Scholar](#)

Publications and Presentations

- [Publications and Presentations by Levy Institute Scholars](#)
-

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.

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Conference

The Macrodynamics of Inequality in the Industrialized and Developing Countries

The Levy Institute hosted a conference on October 28 and 29 to provide a forum in which scholars and policymakers could exchange ideas and research results on the measurement of inequality and the relationship between inequality and unemployment, economic growth, and economic development. The conference was coordinated by James K. Galbraith, of the Lyndon B. Johnson School of Public Affairs and the Department of Government at the University of Texas at Austin and a senior scholar at the Levy Institute. It was sponsored jointly by the Levy Institute and the Ford Foundation through the University of Texas Inequality Project. Brief notes on the participants' remarks are given here.

Keynote: James K. Galbraith

Galbraith said that because Americans have long defined their country as a middle-class nation, the rise in inequality that occurred during the 1970s and 1980s motivated economists to look

anew at the problem of inequality. For most economists the allocation of resources and the distribution of income are microeconomic topics--questions of relative supply and relative demand. As a result, Galbraith said that most research on the increased inequality of the past few decades has been fixed within this microeconomic framework. Discussion has centered on such things as the effects of trade and immigration on the relative supply of skilled and unskilled workers and the effects of technology on the relative demand for skilled and unskilled workers. Galbraith said that while these factors may have had some effects on rising inequality, they do not account for all of the economic changes that have occurred.

A better approach, according to Galbraith, would be one that merges two traditions. One emphasizes such things as structure, institutions, politics, market power, labor organization and rents, and the distribution of monopoly and oligopolistic rents. The other, which has essentially been confined to development economics, is associated with Kuznets and Keynes. This tradition treats the shape of the distribution as a macroeconomic variable associated with the level of income and with changes in economic performance. Structural forces determine the ordering of incomes, but macroeconomic forces tend to drive changes in the shape of the distribution itself. Galbraith's efforts to develop an approach that merges these two traditions begin with a three-sector classification that has a K sector supplying capital goods and technology products, a C sector supplying consumption goods, and an S sector supplying services. He is still developing this approach, but some applications of it are presented in later sessions of the conference. Galbraith said that the research done by him and his colleagues is rooted in a view of economics as an empirical science concerned with useful generalizations about important policy topics. And inequality is one such topic.

Speaker: Robert Z. Lawrence

Robert Z. Lawrence, a member of the Council of Economic Advisers, said that researchers studying economic inequality in the United States need to note a recent change in the trends and ask why the change is occurring. Data from the late 1970s and 1980s show a rise in inequality, with the more-skilled workers gaining and the less-skilled losing. But data for the last five years show that the increase in inequality has slowed. Lawrence cited numerous indicators of this change. Labor's share of output is on the rise, with wages increasing in line with production. The return to education and skills no longer appears to be rising, which indicates that the less skilled are making gains--a conclusion bolstered by data showing that since 1994 those at the bottom of the income scale have experienced greater hourly wage growth than those at the top. Poverty and unemployment rates have dropped, even among different racial and ethnic groups.

Three main explanations have been given for the increased inequality seen since the late 1970s. One is that technological change resulted in a greater demand for skilled workers, whose wages were increasingly higher than those of the unskilled. A second explanation is that global forces decreased the bargaining position of labor. A third is that institutional changes, such as deregulation, may have weakened the position of labor. Lawrence said that researchers need to reexamine these explanations in light of recent indications that inequality is no longer on the rise. It is possible that some or all of them were wrong or that some of the forces believed to account

for inequality have weakened or no longer exist. Some research indicates that some of these forces, such as technological change, might actually have played a role in decreasing inequality. Lawrence concluded that despite the trends, policymakers and researchers should not become complacent. There is still much that needs to be done to decrease inequality.

Session 1. Inequality in American Wages: Social and Institutional Change

This session was moderated by **James Lardner**, a senior writer at *U.S. News & World Report*. Participants were **Patrick L. Mason**, associate professor of economics at Florida State University; **Thomas I. Palley**, assistant director of public policy for the AFL-CIO; **Michael J. Handel**, a resident scholar at the Levy Institute; and **J. Bradford Jensen**, director of the Center for Economic Studies at the U.S. Bureau of the Census. Discussants were **Barry Bluestone**, Stearns Trustee Professor of Political Economy and director of the Center for Urban and Regional Policy at Northeastern University, and **William Spriggs**, director of research and public policy at the National Urban League.

Mason discussed rising racial economic inequality. He said there are two main explanations for the increase in inequality since the mid 1970s. One is the skill-bias argument that technological changes have increased and rewarded those with the most skills, and the most skilled tend to be whites. A second explanation, which Mason said his research supports, is that racial inequality has increased due to market discrimination against African American men.

In Palley's discussion of the causes of increasing inequality, he said that although globalization may have initially provided benefits to American workers, it now appears that globalization has played a role in declining union density, which in turn has weakened the bargaining position of labor. Palley said that closing the income gap will require adoption of such policies as an increased minimum wage, labor law reform to discourage firms from undermining unions, and the creation of international labor standards, with abiding by them an integral part of international trade agreements.

Handel considered the view that inequality is the result of technological changes that have increased the demand for skilled labor and increased the wage differential between skilled and unskilled workers. He challenges this view, arguing that there may be other causes for the inequality and that researchers should examine the role of macroeconomic forces and the decline of institutional protections for workers.

Jensen presented results of his research with Andrew B. Bernard, of Dartmouth College. They found that levels and changes of inequality vary from state to state and that the loss of durable manufacturing jobs contributes to inequality.

In their discussion of the papers, both Bluestone and Spriggs commented that all the participants seek to move beyond simple explanations for the rising inequality in the United States.

Bluestone said the papers indicate that macroeconomic forces play an important role. Spriggs said the research presented indicates that there is much more at work than a skill-bias demand shift. Both discussants noted that a better understanding of the real causes is needed in order to design policies that can reduce inequality.

Session 2. Inequality in the OECD

Session 2 was moderated by **Bernie Wysocki**, a writer, editor, and columnist for *The Wall Street Journal*. Participants were **Lars Osberg**, McCulloch Professor of Economics at Dalhousie University; **Kevin Lang**, professor of economics at Boston University; and **David R. Howell**, professor and chair of the Urban Policy Analysis and Management Program at the Robert J. Milano Graduate School at New School University. Discussants were **Thomas Ferguson**, professor of political science and senior associate provost at the University of Massachusetts Boston, and **Stephen Rose**, a senior economist at the Educational Testing Service.

Osberg presented findings of research on the level and distribution of equivalent after-tax, after-transfer income in Canada, the United States, the United Kingdom, Germany, and Sweden for the years 1969-1970 and 1994-1995. Of these five countries, the United States and the United Kingdom experienced the greatest increase in inequality. Osberg found that the lowest incomes in the two countries stagnated while the highest incomes rose. He said that understanding changes in income distributions can provide insight into what segments of society are likely to push for changes in distribution; pressure might come from the bottom in the United States and the United Kingdom, but from the top in Canada and Sweden.

Lang discussed work-sharing proposals that have been prompted by persistent unemployment problems in many developed countries, especially in Europe. The idea is to shorten the workweek to spread existing work hours among more people. Lang and his co-researcher Shulamit Kahn, also of Boston University, find neither empirical nor theoretical evidence to indicate such a plan would work. In fact, research in Canada and the United States indicates that most workers would not be willing to trade work hours for more leisure (at less pay), and they might turn to a second job if the hours they can work in their primary job were limited.

Howell returned to the question of the role of technological change and globalization of trade in rising inequality. He presented findings of research on unemployment trends across OECD nations that challenges the view that technological change and global forces have increased the demand for high-skilled workers and decreased the demand for low-skilled workers in industrialized nations. He said his findings indicate that European unemployment cannot be solved by adopting a U.S. labor market model and the U.S. low-wage problem cannot be solved simply by upgrading workers' skills.

Both discussants expressed support for Howell's position. But while Ferguson said he fully agrees that the skill argument is not valid, Rose said that, even though this argument has faults, skill might play some role in explaining problems of inequality and unemployment, especially in

Europe. He suggested that researchers consider the possibility that Europe experiences a "brain drain," with the more skilled leaving for better paying jobs in the United States.

Session 3. Inequality and Industrial Change: New Perspectives

This session was moderated by **James K. Galbraith**. Participants, all of whom were members of the University of Texas Inequality Project, were **Vidal Garza Cantú**, a Ph.D. candidate in public policy at the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin; **Pedro Conceição**, with the Instituto Superior Técnico, Technical University of Lisbon; **Pedro Ferreira**, a Ph.D. candidate in technology, management, and policy at the Massachusetts Institute of Technology; and **Amy Calistri**, a Ph.D. candidate at the Lyndon B. Johnson School of Public Affairs. Discussants were **L. Randall Wray**, professor of economics at the University of Missouri-Kansas City, a senior research associate at the university's Center for Full Employment and Price Stability, and a visiting senior scholar at the Levy Institute; and **Brian K. MacLean**, an associate professor of economics and former director of the Institute of Northern Ontario Research and Development at Laurentian University.

Cantú presented research in which he matched events with data on manufacturing wages in Canada, the United States, and Mexico in an effort to learn what forces may have caused rising and declining inequality. Among his findings were that oil booms in Mexico seem to decrease wage inequality and peso devaluations seem to increase it. In the United States wage inequality rises in an oil crisis; also, when unemployment drops, so does inequality. Compared with Mexico and the United States, Canada's manufacturing wage inequality has been relatively stable. In Canada when inflation drops, wage inequality rises.

Conceição and Ferreira presented their research, done with Galbraith, on inequality and unemployment in Europe. Unlike most studies of Europe, their study considered continental Europe as a single economy rather than as separate national economies. They argued that this approach clearly shows that European unemployment is not due to rigid wage structures, high minimum wages, and generous social welfare systems, as many have said. Rather, the problem is that Europe does not have a continent-wide system for redistribution that could reduce interregional inequality.

Calistri presented a method that may be useful in understanding industry wage differentials-- why individuals with similar skills and in the same occupation but working in different industries earn different wages. The classic explanation is that the differentials are not really between industries but between workers (for example, skill differences), but differences between workers are not easily observed. Calistri and Galbraith have applied this method to OECD countries. The results are only preliminary, but they indicate that there actually are industry wage differentials and macroeconomic forces play a role in creating them.

In commenting on the issues raised in this session, Wray said that researchers should be careful about referring to the U.S. economy as one that is at full employment. He said the economy has yet to reach full employment and if it did, inequality would then certainly be reduced. Reaching

full employment may require some form of public service employment. MacLean said that although he felt Conceição and Ferreira should consider other theories that may explain the European situation, he did find intriguing their idea that Europe should pursue a continent-wide social welfare policy similar to that found at the federal level in the United States.

Speaker: S Jay Levy

Senior-citizen household poverty has greatly diminished to become relatively rare over the past quarter of a century, and workers' real incomes have generally declined since 1980. Levy Institute chairman S Jay Levy sees these two phenomena as related: We have a leisure class that has grown rapidly in size and purchasing power, one that lives quite well but off the labors of workers. Researchers and policymakers have shied away from attributing workers' shrinking portion of the economic pie to retirees' larger bites. No one wants to say to their grandparents, "Your lifestyle is too luxurious"; most workers are looking forward to comfortable retirements; and, because senior citizens vote when others do not, officials are not inclined to blame older persons' consumption for workers' belt-tightening.

From 1980 to 1997, Levy pointed out, our economy increased its manufacture of consumer goods 51 percent and more than doubled its net import of consumer goods. But retirees, who consumed 17.4 percent of workers' output in 1980, were taking 22.4 percent in 1993. From 1994 to 1998 this percentage barely changed and neither did the ratio of workers to retirees. The worker-retiree ratio will change little during the next 15 years, but between 2015 and 2030 the population of workers will rise less than 5 percent and that of retirees will rise almost 55 percent. Levy said that belt-tightening and turmoil lie ahead.

Speaker: William Darity Jr.

William Darity Jr., Cary C. Boshamer Professor of Economics at the University of North Carolina at Chapel Hill, addressed the issue of income inequality between and within racial and ethnic groups. In the United States income inequality for both blacks and whites rose between 1970 and the early 1990s, but the increase was greater for blacks. The interracial earnings gap may have narrowed in the 1970s following the adoption of antidiscrimination legislation and affirmative action, but the gap began widening again in the 1980s--a trend that continued into the 1990s. There has been increasing between-group inequality and increasing within-group inequality for both blacks and whites.

Darity said that when searching for the causes of inequality, researchers must consider the key role that group differences play in determining the structure of inequality. In any society with dominant and subordinate groups, competition for control over the resources of society develops as the dominant group attempts to maintain control and subordinate groups seek a larger share of the resources. The group that has political power can control the inter- and intragroup distribution of income. Darity argued that opponents of affirmative action who claim that competent minority individuals will do well without affirmative action programs are wrong. Racial and ethnic discrimination in labor markets persists in both industrialized and developing countries and the economic inequality between and within groups must be addressed through policy that provides support to the subordinate groups.

Session 4. Measuring Inequality in the World Economy

Session 4 was moderated by **Ajit Zacharias**, a resident research associate at the Levy Institute. Participants were **Klaus Deininger**, of the World Bank; **James K. Galbraith**; and **Robert Summers**, emeritus professor at the University of Pennsylvania. Discussants were **Edward N. Wolff**, professor of economics at New York University and a senior scholar at the Levy Institute, and **Paul Davidson**, holder of the Holly Chair of Excellence in Political Economy at the University of Tennessee.

Deininger took issue with economists who have argued that inequality is an unfortunate but necessary stage of development and that reducing inequality too much can slow economic growth. In a study of asset distribution, income inequality, and growth across 60 countries, Deininger, with Pedro Olinto of the World Bank, examined this argument and found it lacking. Their findings indicate that a link between income inequality and lower subsequent growth may be tenuous, but there appears to be a strong link between asset inequality and lower growth. For example, Deininger said countries with more equal land distribution seem to experience increased growth, and investment in human capital assets through education also seems to increase growth.

Galbraith praised the data collection work of Deininger and his colleague Lyn Squire, which was used by Deininger and Olinto in their study. Researchers at the University of Texas Inequality Project drew on this work to build their own data set on industrial earnings inequality in more than 70 countries. The data collection is an ongoing process, but is already providing information on the effects of globalization. Among initial findings are that economic liberalization seems to make inequality worse, economic growth helps reduce inequality, and global forces hamper the ability of many nations to control their national economic performance.

Summers approached the issue of inequality by examining living standards. He is collecting data on distribution of consumption, both private and public, by aggregating information from about 135 nations. He is attempting to answer questions about global distribution such as what proportion of the world's population in 1970, 1980, and 1990 had an income of less than \$1 a day; what proportion of the population has an income below half the median; and what is the world distribution of individual consumption levels.

Discussants praised participants in this session for their work in amassing data sets that can be used by other researchers, but they did express some concerns about methods of collection and categorization. Wolff cautioned the University of Texas group about reaching general conclusions based on the manufacturing wage data, expressed concern that Deininger may be mixing income and consumption data, and warned that Summers's use of consumption as a measure of well-being leaves out the fact that some people are poor but manage to acquire the things they need. Davidson suggested that researchers should investigate possible benefits of inequality. For example, the amount of money available for investment might be reduced if some of the money that the wealthy can afford to put aside for investment is shifted to the poor

who may spend all their income on sustenance. Davidson also asked whether redistribution would hold over time or whether the rich would prove to be resourceful enough to find ways to get the money back.

Speaker: Joseph J. Minarik

Joseph J. Minarik, associate director for economic policy at the Office of Management and Budget, said that economic research is valuable to policymakers because it gives them the information they need to make good policy. For example, several researchers at the conference argued against the skill-bias theory, which views increasing inequality as a result of technological changes that reward workers who are more skilled. If they are correct in arguing that this is not a major cause of increased inequality, policymakers must ask if it is wise to spend government money on training and educating low-wage workers. How one measures inequality also raises questions. Policymakers must ask what is the real goal of policy. Is it simply to raise wages or is it to increase the consumption of those at the lower end of the economic scale?

Minarik said that questions raised during the conference are relevant to policies that determine distribution of income and wealth in the United States, such as proposals to modify the earned income tax credit, proposals to make the income tax more progressive, reforms that would change the way stock options are taxed, and plans to change the way Social Security is financed. The conference topics are also relevant to policies that determine the allocation of government resources, such as proposals to institute a capital budget and to raise discretionary spending caps. Of all the information brought out during the conference, Minarik said, the thing that most stood out in his mind is that despite all the data showing that it should be easy for Americans to find jobs and get ahead, there are still people losing their jobs and people struggling to keep up.

Session 5. Development Strategies: Successes and Disasters

The moderator for this session was **Frances M. Spring**, assistant director of the Levy Institute. Participants were **Pan A. Yotopoulos**, professor of economics at the Food Research Institute at Stanford University; **Junmo Kim**, a senior researcher at the Korea Institute of Public Administration in Seoul; and **Nancy Birdsall**, a senior associate and director of Economics Programs at the Carnegie Endowment for International Peace. Discussants were **Michael D. Intriligator**, a senior fellow at the Milken Institute and a professor of economics and political science at the University of California at Los Angeles; **Jan A. Kregel**, an adviser at the United Nations Conference on Trade and Development, a visiting senior scholar at the Levy Institute, and a professor at the University of Bologna; and **Robert A. Blecker**, a professor of economics at American University and a research associate at the Economic Policy Institute.

Yotopoulos discussed the role of the distinction between hard currency and soft currency in setting off financial crises such as that which occurred in Asia in 1997. In a free currency market, participants may prefer, as a precaution, to hold hard currencies, resulting in a depreciation of soft currencies, which can lead to financial crisis. Yotopoulos argued for exchange controls (restrictions on the conversion of soft to hard currency) as a way to prevent this situation.

Kim analyzed the industrialization policy pursued by Korea since the 1960s. Some researchers have criticized this policy on the grounds that it was inefficient in terms of resource allocation because the government channeled resources to the industrial sector, thereby limiting resources to other sectors. Kim presented evidence to support his argument that Korea's industrialization policy was efficient and successful.

Birdsall discussed the role of education in creating economic growth and reducing inequality. Her research on Latin America and Asia indicates that an unequal distribution of education constrains growth, which then increases income inequality. Asian policies to promote land distribution and education helped foster economic growth. The average years of education among the labor force in Asia is 9 to 10 years; it is around 5 years in Latin America. This difference is reflected in Latin America's weaker economic growth. Birdsall said that improving education for the poor would help reduce income inequality.

In commenting on the presentations, Intriligator suggested that Yotopoulos might want to consider such exchange controls as a Tobin tax and that Birdsall should view education as an investment rather than as an asset. With regard to Korea's industrialization policy, he said that it showed that sometimes state planning can work. Intriligator added some remarks on the economic crisis in Russia. He believes that a major fault of the policy Western nations prescribed for the Russian transition economy was its failure to consider a role for government. Government is needed to enforce and regulate the laws of the market.

Kregel commented that the international currency system is far more complex than Yotopoulos's research suggests and that the terms used need to be more clearly defined. For example, there is no simple division between hard, soft, and reserve currencies; hard currencies can become soft currencies, and reserve currencies can be either hard or soft. Also complex is the question of what makes people who hold currencies decide to shift from one to another. Blecker was less bothered by the research, but was interested in what policy Yotopoulos would suggest based on his research. Blecker said that Kim needed stronger evidence to support his argument, perhaps by gathering information on such variables as profits and assets rather than relying so much on industry wage data. Blecker found Birdsall's argument compelling but asked whether many developing nations have the political will to deliver education to the poor, and, whether, even if they do, there will be better jobs. Blecker said this last question raises another that needs to be addressed by researchers: Is educational inequality a cause of economic inequality or a symptom of it?

Session 6. Policy Roundtable

The moderator for this session was **Frances M. Spring**. The participants--**James K. Galbraith**, **Pan A. Yotopoulos**, **Michael D. Intriligator**, and **Edward N. Wolff**--offered some final thoughts on economic inequality and the insights gained from the presentations and then responded to comments and questions.

Although the participants in this session expressed many different perspectives and opinions, all agreed that economic inequality is a global problem and a problem that governments should try to do something about. Both Intriligator and Wolff said that governments must adopt policies that provide income support and social welfare support such as health care and funding for education. Intriligator suggested that perhaps the United States should declare a new "war on poverty." He said the real problem is not inequality but poverty, which always hurts growth. Wolff emphasized the need to focus on wealth inequality. The economy may be booming, but that boom is fueled by the rich spending more as they get richer. Meanwhile, the middle and lower classes are seeing their wealth stagnate or decrease.

Galbraith and Yotopoulos voiced concern about global integration and economic liberalization. Galbraith said that liberalization may be good for some nations, but it does not appear to be good for small, developing countries. When nations integrate into the global system, they become committed to the global wage structure, and that structure is committed to inequality. The United States and Europe both need to realize that in this integrated system their economic policy decisions affect other nations. Yotopoulos said that policymakers and researchers need to stop believing that free markets always improve competition and make things better. Many other institutions need to be in place before a free market can work effectively and be beneficial. If they are not, free markets can make a situation worse.

Transcripts of the speakers' addresses and extended summaries of the sessions will be published in the conference proceedings. To listen to audio webcasts of the addresses and sessions, go to the [Webcasts page](#) in the What's New section of our web site.

Editorial

Overcoming America's Infrastructure Deficit

S Jay Levy, Chairman, and Walter M. Cadette, Senior Scholar

(This article is based on Levy Institute Public Policy Brief No. 40. The article was distributed by Bridge News and is reprinted with permission.)

Washington these days seldom sets aside partisan politics. Yet Republicans and Democrats can agree. Both sides of the aisle are eager to strengthen the nation's public capital stock. Jack Metcalf and Tom Campbell, both Republicans, and Maurice Hinchey, a Democrat, have jointly introduced a bill (H.R. 2777) that would create a vehicle for financing a substantial increase in investment in state and local schools, sewerage disposal plants, water purification facilities, and other long-lived capital. The financing would have minimal impact on the federal budget, and it would stimulate long-term economic growth through stepped-up private as well as public investment.

After long years of weak public capital formation, the returns from such investment are potentially quite large. It is no accident that growth in economic activity in this country has slowed dramatically in recent decades compared with the earlier post -World War II period. Many factors have played a role, but research at the Levy Institute points up the importance of the slowing in the expansion of the public capital stock. Net of depreciation, that expansion has fluctuated around 2 percent per year in constant dollars since the mid 1970s, whereas it had been twice that between the mid 1950s and the mid 1970s.

Education (and the corollary human capital) has been handicapped by deteriorating school buildings. Seemingly endless traffic, commuter rail service disruptions, and backed-up airport runways--everyday experiences for many Americans--have spelled waste and inefficiency for the economy at large. And they have meant less private investment than otherwise would have occurred. Indeed, public and private investment are complements, not substitutes. Every CEO who has made a decision to locate a factory near an interstate, a research laboratory in a community with first-rate schools, or a corporate office close to a major airport can testify to the linkage.

We have put forth a plan for returning public capital formation to the standard of the earlier postwar period. It would boost outlays by some \$50 billion per year above current levels and finance them in a fiscally responsible way. A financing vehicle (call it a bank for short), capitalized by the Federal Reserve, would buy and hold in portfolio eligible state and local governments' mortgages issued at zero percent interest. The bank's balance sheet would have those mortgages on the asset side and the similarly zero-interest "deposits" of the Federal Reserve on the liability side. The borrowings would be amortized, just like any other mortgage.

The bank's purchases of the subsidized mortgages would form part of open-market operations. They would take the place of the Federal Reserve's purchase of Treasury securities, the customary way of supplying reserves to the banking system and, in turn, of meeting the economy's demand for money balances.

To be sure, financing infrastructure in this way would cost the Treasury something. It would lose the interest on the Treasury securities the Federal Reserve otherwise would have bought, held in its portfolio, and turned over to the Treasury at year's end. At current interest rates, that loss would be quite small, however; it would barely put a dent in the earnings of the Federal Reserve banks, which in 1998 amounted to \$25 billion.

Replacing Treasuries with the state and local government mortgages would not change the character of monetary policy in any way. As now, policymakers would strive to strike the right balance between overall credit creation and credit restraint. Integrating into monetary policy what is in essence a fiscal function would strengthen, not weaken, the conduct of monetary policy. A closer link would be forged between the money stock and the nation's real wealth, as money would be created with the specific purpose of also creating real assets. The money stock, in turn, would be withdrawn as the assets depreciated. Money that represents underappreciated capital assets is sound money.

The Federal Reserve would also be more effective in cooling an overheated economy and stimulating a flagging one under a loan program of this nature. Loan amounts, although averaging \$50 billion per year, could be varied with cyclical conditions. When stimulus is called for, the Federal Reserve could give the economy a boost by having the infrastructure bank step up its lending, which would be more effective in adding to demand than lowering interest rates and waiting for the lowering to have an impact. When restraint is called for, the Federal Reserve would not have to contend with the possibly serious impact of a rise in interest rates on securities markets. The change to a more speculative stock and bond market over the years (made possible in part by derivatives) has naturally made the Federal Reserve more cautious about tightening than in the past. Witness all the signaling it feels compelled to do before taking a real policy step.

An alternative means of financing new infrastructure would be to have private investors buy the mortgages and have the federal government reimburse the issuing state and local governments for the interest expense. That approach, however, would seriously compromise the national objective of budget balance. The commitment to pay the interest subsidy would impose a budgetary obligation on Washington for the life of the security. It would therefore trigger budget rules that would measure the interest subsidy in present-value terms over that life and score that cost against the current year's budget. Under these rules, infrastructure would remain at the back of the queue.

The private investment with reimbursement approach, moreover, would not have the monetary policy advantages of financing via an infrastructure bank under the aegis of the Federal Reserve: enhanced efficacy in keeping the economy on a stable, noninflationary growth path and an explicit link between the money stock and the nation's real wealth. Indeed, with budget surpluses on the horizon for the first time in decades, open-market operations may well have to branch out beyond Treasuries to provide for a growing economy's liquidity needs.

New Working Papers

Minsky's Analysis of Financial Capitalism

Dimitri B. Papadimitriou and L. Randall Wray

[Working Paper No. 275](#)

According to Hyman Minsky, capitalism in the United States and Western Europe evolved from a highly successful form of financial capitalism in the 25 years following World War II to the much more fragile, unstable form that has existed since then. President Dimitri B. Papadimitriou and Senior Scholar L. Randall Wray discuss Minsky's analysis of this transformation. The term "financial capitalism" is credited to Hilferding, who defined it as a stage of capitalism that developed at the end of the nineteenth century and is characterized by complex financial

relations and the domination of industry by finance. It was this form of capitalism that was dominant in the industrialized countries after World War II.

Minsky, like Schumpeter and Veblen, emphasized the importance of market power in this stage. Modern capitalism requires expensive and long-lived capital assets, which, in turn, necessitate financing of positions in these assets as well as market power in order to gain access to financial markets. It is the relation between finance and investment that creates instability in the modern capitalist economy. The failure of the form of financial capitalism that existed between the two world wars led developed nations to create strong institutions to strengthen the system--most importantly, big government and powerful central banks. As a result, financial capitalism emerged from World War II stronger than ever before, but, over time, successful containment of instability led to fragile financial structures and to renewed financial crises. The problem, as Minsky saw it, is that institutional forms have not changed to keep pace with innovations in the financial system.

Lessons from the Asian Crisis: A Central Banker's Perspective

Laurence H. Meyer

[Working Paper No. 276](#)

Laurence H. Meyer, a member of the Board of Governors of the Federal Reserve System, presents a central banker's view of the causes of the Asian financial crisis and suggestions for prevention of crises in the future. Meyer notes that central banks have two core missions: the pursuit of monetary policy to achieve broad macroeconomic objectives and the maintenance of financial stability, including the management of financial crises. The management of financial crises is closely connected to the regulation and supervision of the banking system. Central banks also often have or share with finance ministries the choice and management of an exchange rate regime. For these reasons, Meyer considers macroeconomic policy, banking supervision and regulation, and exchange rate policy as they relate to financial crises.

Meyer's interpretation of the crisis draws heavily upon the work of Hyman P. Minsky, especially his financial instability theory. Meyer finds two general lessons to be learned from the Asian crisis. First, to reduce the vulnerability of an economy to banking and financial crises, a high priority should be given to sound corporate governance, narrow and explicit government guarantees, and adequate prudential supervision of banks. Second, once a crisis has occurred, the first priority should be to repair the damage done to banking and corporate balance sheets. Among the suggestions Meyer offers for preventing a similar crisis are to continue efforts to develop and monitor banking standards and to offer developing countries the assistance they need to meet those standards.

Hyman Minsky's Theory of Capitalist Development

Charles J. Whalen

[Working Paper No. 277](#)

During the last decade of his life, Hyman P. Minsky drew on insights acquired from Joseph Schumpeter in an effort to explore the long-term development of capitalism. He believed such an exploration would underscore the economic implications of postwar financial system innovations and could encourage a broad discussion regarding the appropriate structure of the U.S. economy. Charles J. Whalen, of the Institute for Industry Studies at Cornell University, describes the theory of capitalist development that Minsky produced during that decade, the purposes of his exploration, the essential elements of the theory, and its application to the U.S. economy.

According to Whalen, Minsky identified five stages of capitalism through which the U.S. economy has moved: merchant capitalism (1607-1813), industrial capitalism (1813-1890), banker capitalism (1890-1933), managerial capitalism (1933-1982), and money manager capitalism (1982-present). Whalen notes that recent transformations in the financial system could be leading us into a sixth stage, which he terms global financial capitalism. Whalen concludes that Minsky's theory provides the foundation for a comprehensive research program to examine the relations between finance, business, and policy institutions in each stage, to analyze the transition from stage to stage, and to apply the theory to other nations.

Minsky and the Mainstream: Has Recent Research Rediscovered Financial Keynesianism?

Steven M. Fazzari

[Working Paper No. 278](#)

Hyman P. Minsky emphasized a fundamental connection between finance and economic activity at a time when mainstream macroeconomics assigned financial relations only a limited role. However, in the 1980s mainstream economists began to explore the theoretical and empirical importance of financial factors in firm and consumer behavior. Senior Scholar Steven M. Fazzari examines the extent to which the recent mainstream research captures Minsky's insights and extends his work.

Fazzari argues that recent work on micro foundations--the link between economic behavior and finance--complements Minsky's contributions, and corresponding empirical research provides strong support for his argument that financial conditions have a decisive influence on investment. But large differences remain between Minsky and the mainstream paradigm, especially in the role played by the financial system in macroeconomic fluctuations. Also, the mainstream has ignored Minsky's arguments for the importance of big government and a big central bank--the role of fiscal policy and monetary policy intervention-- in maintaining financial stability.

Monetary Policy in an Era of Capital Market Inflation

Jan Toporowski

[Working Paper No. 279](#)

Jan Toporowski, a reader in economics at South Bank University in London, notes that Minsky's analysis of financial fragility focused on banks as the central financial organization of a capitalist economy and gave only a sketchy account of capital markets. The continental countries of Europe have a strong universal banking tradition, but the English-speaking countries on both sides of the Atlantic have pioneered business finance through capital markets and the banking system no longer covers their whole financial system. Toporowski seeks to extend Minsky's analysis of finance to include an assessment of financing structures in capital markets, a theory of capital market inflation, and the interaction between monetary policy and capital market inflation.

The theory of capital market inflation argues that the value of a long-term securities market is determined by a disequilibrium inflow of funds into the market. The resulting overcapitalization of companies leads to increased fragility of banking and undermines monetary policy and a stable relationship between short- and long-term interest rates, such as that postulated by Keynes in his theory of the speculative demand for money. Moreover, while the increased fragility of banking is an immediate effect, capital market inflation also creates an unstable Ponzi financing structure in the capital market as a whole.

The Rhetorical Evolution of the Minimum Wage

Oren M. Levin-Waldman

[Working Paper No. 280](#)

Debate about the minimum wage has undergone several rhetorical permutations. Resident Scholar Oren M. Levin-Waldman traces the changes in the focus of the debate and shows how the rhetoric used by various groups has been shaped by the political and economic environment.

Originally, the minimum wage was conceived of as a means to ensure that a family earned enough to support itself. Opponents argued that it was up to the individual to improve his or her income. The minimum wage later was viewed as a matter of macroeconomic policy, the goals of which were greater efficiency, wage stabilization, purchasing power increases, or economic development. In recent years, the debate has pitted assistance to the poor against a youth disemployment effect. Opponents of the minimum wage argue that employers facing higher wage costs reduce the number of employees. Supporters counter that such an effect is not fully proven and that the minimum wage is still needed to increase the income of the working poor.

Levin-Waldman finds that in a way the debate has come full circle. Those arguing for a broad view of the wage to assist the working poor are using the earlier language of a "living wage," a wage that enables people to live above the poverty line in a manner that preserves their dignity. Opponents have returned to the idea of individual responsibility.

Open Economy Macroeconomics Using Models of Closed Systems

Wynne Godley
[Working Paper No. 281](#)

Distinguished Scholar Wynne Godley presents a series of two-country models, each of which makes up a whole world. The models are based on a rigorous and watertight system of stock and flow accounts and can be used to generate numerical simulations of the way in which each whole world evolves through time on various assumptions regarding institutions, policies, and behavioral responses. Godley emphasizes that the supply of internationally traded assets is as important as demand in the determination of exchange rates. All the models characterize income determination and inflation as well as international trade and intercountry dealings in assets.

The main purpose of the paper is to deploy a method of analysis believed to be capable of substantial further development. In addition, however, Godley reports some results of the analysis. He finds that no vestige of the "price-specie flow" mechanism remains once asset demands and supplies are comprehensively represented and interrelated with income flows. He also finds that once the supply of internationally traded assets (for instance, as a result of imbalances in trade) is taken into account, the role of expectations in determining exchange rates, although important, is exaggerated in much contemporary theorizing.

The Economic and Monetary Union: Current and Future Prospects

Philip Arestis and Malcolm Sawyer
[Working Paper No. 282](#)

The euro, adopted as legal tender by 11 countries in the European Union on January 1, 1999, is intended to be fully operational by 2002 with the phasing out of national currencies and the introduction of notes and coins denominated in euros. Visiting Senior Scholars Philip Arestis and Malcolm Sawyer examine the current position of the EMU member states in relation to the convergence criteria agreed upon in the Maastricht Treaty; the central role of aggregate demand in the EMU and concerns about unemployment; and the possible effects of the current EMU arrangements on interest rates, national fiscal policy, and the euro exchange rates.

Arestis and Sawyer find that considerable leeway was given to countries in meeting the convergence criteria for membership in the EMU; only France and Luxembourg satisfied all four criteria. The authors argue that because of the failure of so many countries to meet the criteria, the policies of the European Central Bank (ECB) could be more deflationary than they otherwise would be. Also, the attempt to meet these criteria has been accompanied by higher unemployment rates throughout the European Union. Arestis and Sawyer predict that EMU countries will face long periods of recession because they no longer have available to them instruments to deal with the recessions.

The authors argue that to overcome the deflationary bias of the ECB and to alleviate serious

unemployment, the EMU nations must enhance the ECB and create a new institution to supplement it. They suggest the creation of a European Union Development Bank that would focus on stimulating investment activity, especially in regions with high unemployment. The authors also suggest that in addition to a common ECB monetary policy for stability, the EMU nations should establish a common fiscal policy to encourage growth.

Financing Long-Term Care: Options for Policy

Walter M. Cadette

[Working Paper No. 283](#)

Senior Scholar Walter M. Cadette argues that the United States is not prepared to finance the increase in long-term care spending that will occur as baby boomers age. By default, Medicaid has become the main source of funds for long-term care. But, Cadette argues, reliance on Medicaid has fostered the institutionalization of the disabled elderly, has given rise to a two-tier care system, and has yielded the bizarre outcome of the use of limited welfare funds by middle- and even high-income Americans who have succeeded in sheltering assets from Medicaid's spend-down requirements.

Cadette suggests that insurance would be a better answer to the nation's long-term care problem, but the market for such insurance will not develop as long as Americans can make easy claims on Medicaid. Cadette proposes a plan for universal long-term care insurance supported by income-scaled tax credits. His plan, which could be implemented in stages, would work to discourage use of Medicaid and to encourage the insurance industry to offer better long-term care policies.

[Back to Contents](#)

Special Report

Seven Unsustainable Processes: Medium-Term Prospects and Policies for the

United States and the World

Wynne Godley

<http://www.levy.org/docs/sreport/sevenproc.html>

Distinguished Scholar Wynne Godley argues that the long expansion of the U.S. economy has been propelled by forces that cannot be sustained into the medium term. The growth of total demand has taken place notwithstanding an increasingly restrictive stance of fiscal policy and a large deterioration in the balance of trade; it could not have occurred but for a wholly

exceptional rise in private expenditure relative to disposable income. At no time during the last 40 years has private expenditure exceeded income by such a large amount or for so long a time. The rise in private sector deficit could not have occurred without a parallel rise in the flow of net lending to the private sector. In the first half of 1999 private disposable income was supplemented by borrowing to the tune of well over \$1 trillion and by midyear the total debt- to-income ratio had risen to nearly 1.7 percent of disposable income. Most of the unusual deficit occurred in the household sector.

According to the latest projections by the Congressional Budget Office, it is government policy to tighten the fiscal stance yet further over the next few years. The trade balance has continued to deteriorate and, according to Godley, there is reason to suppose that foreign trade and payments will continue to act as a drag on the economy for some time. Accordingly, the economic expansion can probably continue into the medium term only if private expenditure continues to grow faster than income. This can happen only if the flow of net lending rises yet further, driving households and firms into debt even further and even faster than hitherto.

Godley argues that the growth of net lending cannot continue indefinitely into the future. It is impossible to set the date on which the turning point will come; credit booms both in the United States and in other countries have often continued for much longer than anyone could have imagined. But come it eventually must, given existing policy. Even if the stock market continued to boom, any substantial further rise in indebtedness would commit households and firms to making dangerously high payments (in the form of interest and repayments of principal) relative to their income for years into the future.

Godley concludes with a series of medium-term projections that attempt to translate the imbalances in the economy (the high and rising budget surplus and the high and rising deficits in the balance of payments and in the private financial balance) into numerical estimates of the kind of stagnation--or recession--to be expected when the imbalances finally unravel. All of these projections show below average growth with rising unemployment over the next five years as a whole in the United States. The potential consequences for the rest of the world of all these scenarios are serious. The study uses a simple model of world trade and production to infer the potential scale of the impact of stagnation in the United States. The effect would probably be felt most keenly in Latin America and Asia.

According to Godley, there is nothing inevitable about any of these conclusions, which are entirely conditional on the assumption that government policy remains unchanged. To correct the imbalances so that growth can be sustained into the medium term will probably require at some stage a substantial relaxation in fiscal policy. But the growing deficit in the balance of payments will also have to be corrected at some stage and it is difficult to see how this is going to be achieved (short of recession) without a substantial depreciation of the dollar.

[Back to Contents](#)

New Policy Note

1999 Levy Institute Survey of Small Business: An Impending Cash Flow Squeeze?

Jamee K. Moudud

[Policy Note 1999/9](#)

The small business sector is the most dynamic in terms of its capacity to generate jobs, so its growth potential is of great importance to prospects for employment. Yet, it is also the sector that has the most difficulty obtaining external finance for expansion. Research indicates that this is because of discrimination by banks against small firms, financial innovation, recent changes in bank regulation, and the wave of bank collapses and mergers in the past two decades. As a result, small businesses rely heavily on internal finance. However, both internal and external credit are granted largely on the strength of sales and retained earnings.

Resident Scholar Jamee K. Moudud presents findings of the 1999 Levy Institute Survey of Small Business showing that small firms are not optimistic about their ability to increase sales. Despite the current economic boom, many expect to face some internal cash flow constraint in the coming year and so may be curtailing their plans for hiring and capital investment. A cash flow squeeze would be exacerbated by an economic slowdown with its attendant collapse of demand and reduced availability of both internal and external finance. Considering the important role played by small business in generating jobs, Moudud argues that policymakers should consider ways to increase small businesses' access to external credit.

[Back to Contents](#)

Levy Institute News

Lectures

Leon Levy: The Stock Market and Psychology

Leon Levy, vice chairman of the Levy Institute Board of Governors, and Brian F. Wruble, a member of the board, made several observations on the psychology of stock market investment and on how the democratization of equity ownership and soaring asset values affect the working of the economy. Bull market and asset inflation trends are self-reinforcing and confirming: Whichever forecaster was right last is listened to and the individual who sees a paper profit feels smart and buys more. Behavior is determined by the expectations that these trends will continue.

Levy noted some long-term trends in the role of the market. Sixty years ago trust funds were not allowed to buy stocks because their recent performance had been poor and they were considered too risky. Today, trust funds are expected to be in stocks. In the 1940s and 1950s investors looked for good value in a stock, defined as a price at which the value of all the stocks of a firm is equal to the amount a reasonable businessperson would pay for the firm. Today the price of most stocks is far higher.

According to Levy and Wruble, the market in recent years has gone up eightfold but profits have risen only 3 percent. One reason for this is aggressive marketing by mutual funds. Another is the experiences of investors. What seems real to people is their own, their parents', and their children's experience. Memories of the Great Depression are fading fast, and the product of the crash of 1987 is the absence of fear (because the market rebounded so quickly). More people have entered the market as the expectations of optimists have been validated and as memories of instability continue to fade. As gains continue, the economic question arises of how people use those gains. Do they spend on goods and services? The trend now seems to be to save only for retirement and children's education. Levy and Wruble concluded with the suggestion that, given current conditions, recovery may be slow from a serious downturn.

Joan R. Rodgers and John L. Rodgers: The Effect of Geographic Mobility on Male Labor Force Participants in the United States

In search of a change in lifestyle or better employment opportunities, Americans are quite willing to move from one region of the country to another. On September 21 Joan R. Rodgers and John L. Rodgers, both of the Department of Economics at the University of Wollongong in Australia, presented some results of their study to see if such mobility actually benefits workers.

Data from the University of Michigan's Panel Study of Income Dynamics (PSID) from 1969 to 1992, indicates that relocating does provide financial benefits. Rodgers and Rodgers found that real earnings of male labor force participants are about 20 percent higher than they would have been had the men not moved. (Women were not included in the study because the PSID assumes household heads are male.) The benefits, however, vary among movers. Men under 40 and those with lower incomes before the move gain the most.

Rodgers and Rodgers noted that further research is needed to learn if there is something about movers that makes them different from those who stay. Movers appear to be better educated, in occupations requiring more skill, and younger, and it is possible that they would have increased their earnings over time even if they had not relocated.

Leonard Greene: The National Tax Rebate: A New America with Less Government

There has long been debate in the United States over how to ensure that all Americans have an income that allows them to provide adequately for themselves and their families. Many proposals have been made, but few are implemented. In a lecture on September 30 Leonard

Greene, president of the Institute for SocioEconomic Studies, outlined his proposal for a national tax rebate income plan, which aims to help not only the poor but also the middle class, which Greene said is also struggling financially.

Under this plan, government would collect taxes and then rebate money to American families, distributing it so that a family of four might expect to receive about \$1,000 a month. The plan would be funded by eliminating most current local, state, and federal social welfare programs including farm support programs. Social Security, health care programs, and programs for the disabled would not be affected. Greene believes that his plan would help all Americans by providing income and by dramatically reducing the size of government, thus eliminating the financial losses from bureaucratic waste.

Christopher Magee: Why Do Political Action Committees Give Money to Candidates? Campaign Contributions, Policy Choices, and Election Outcomes

Campaign finance reform is currently a hot topic in policy circles, but little headway has been made in the effort to reform the system. On October 19 Christopher Magee, an assistant professor of economics at Bard College, presented the results of his study of political action committee contributions in the 1996 elections to the U.S. House of Representatives.

Political action committees attempt to achieve their policy goals by influencing outcomes of elections or influencing the actions of winning candidates once they are in office. Magee's research indicates that they contribute to challengers when they want to influence the election outcome. An incumbent has such a strong advantage over challengers that funds from a political action committee are unlikely to improve his or her chances of victory and the committees know this. Contributions might influence the incumbent to adopt a policy stance favorable to the political action committee. Also, an incumbent in a leadership position may be able to provide services that are not as easily observable as a voting record.

New Scholar

Milan Boran, a Cambridge University visiting scholar, is studying organizational learning. The focus of his current project is the economics of organizational learning, emphasizing intellectual, venture, and entrepreneurial capital, in an extension of Schumpeter's work. He is also interested in information science and the psychosocial aspects of organizational learning.

Upcoming Conference

Tenth Annual Hyman P. Minsky Conference
on Financial Structure
April 27- 28, 2000
Blithewood, Annandale-on-Hudson, New York

[Back to Contents](#)

Publications and Presentations

Publications and Presentations by Levy Institute Scholars

Distinguished Scholar Wynne Godley

Publications: "America's New Era" (with Bill Martin), *Phillips & Drew*, September; "America's New Era" (with Bill Martin), *Economic Outlook* (London Business School), September.

Visiting Senior Scholar Philip Arestis

Publications: "The Independent European Central Bank: Keynesian Alternatives," *Arche Interdisciplinary*, August; "Unit Roots and Structural Breaks in OECD Unemployment" (with I. Biefang-Frisancho Mariscal), *Economics Letters*, November; "Financial Development and Economic Growth: Assessing the Evidence" (with P. Demetriades), in H. Dixon (ed.), *Controversies in Macroeconomics: Growth, Trade and Policy* (Blackwell); "Post Keynesian Economic Policies: Continuing Relevance" (with M. Glickman), in P. Arestis, S. Daniel, and J. Grahl (eds.), *Adjustment, Convergence and Economic Policy: Essays in Macroeconomics in Honour of Bernard Corry and Maurice Peston*, vol. 1 (Elgar); "Wage Determination, Capital Shortage and Unemployment--A Comparison Between Germany and the UK" (with I. Biefang-Frisancho Mariscal), in M. Setterfield (ed.), *The Political Economy of Growth, Employment and Inflation: Essays in Honour of John Cornwall* (Macmillan); "Globalisation of Production and Industrialisation in the Periphery: The Case of the EU and NAFTA" (with E. Paliginis), in J. Deprez and J. Harvey (eds.), *Post-Keynesian Foundations in the Analysis of International Economics* (Routledge).

Presentations: "Financial Policies and the Average Productivity of Capital: Evidence from Developed and Developing Economies" (with P. Demetriades and B. Fattouh), International Conference of the Money, Macro and Finance Research Group, University College, University of Oxford, September 22-24; "The Relevance of Kalecki's 'Political Aspects of Full Employment' to the 21st Century" (with F. E. Skuse), Polish Economic Society, Warsaw, September 27-28, and One Day International Conference on the Economics of Michal Kalecki, University of Leeds, November 13.

Visiting Senior Scholars Philip Arestis and Malcolm Sawyer

Publications: Editors, *The Legacy of Michal Kalecki* (Elgar); "Post Keynesian Economics and Its Critics" (with S. Dunn), *Journal of Post Keynesian Economics* 21, no. 4; "On the Coherence of Post-Keynesian Economics: A Comment" (with S. Dunn), *Scottish Journal of Political Economy*, August; "The Role of the Tobin Tax in the Reform of the Global Financial System," *Kasetsart University Journal of Economics*, August; "The Economic and Monetary Union: Current and Future Prospects," *Revista*, December; "The Deflationary Consequences of the Single Currency," in M. Baimbridge and B. Burkitt (eds.), *A Single Currency for Europe?*

(Macmillan); "The Macroeconomics of Industrial Strategy," in K. Cowling and R. Sugden (eds.), *Industrial Policy in Europe* (Routledge); "Prospects for the Single European Currency and Some Proposals for a New Maastricht," in P. Davidson and J. Kregel (eds.), *Full Employment and Price Stability in a Global Economy* (Elgar); "What Role for the Tobin Tax in World Economic Governance?" in J. Grieve Smith and J. Michie (eds.), *Global Instability: The Political Economy of World Economic Governance* (Routledge).

Presentations: "Will the Euro Bring Economic Crisis to Europe?" What Economic Global Crisis? Recent Global Management, Financial, and Institutional Changes and Their Impact on the Global Economy, Cambridge University, September 9-11; "An Alternative Stability and Growth Pact for the EU," Fifth International Workshop for an Alternative Economic Policy in Europe, Brussels, October 1-3.

Senior Scholar Walter M. Cadette

Publications: "Overcoming America's Infrastructure Deficit" (with S Jay Levy), Bridge News, November 4; "Should Social Security Be Privatized?" (with S Jay Levy), Bridge News; "Rx for Health Care Policy," *Quarterly Commentary* (Sanders Research Associates).

Presentation: "Should Social Security Be Privatized?" Forum sponsored by the Life Insurance Committee for Social Responsibility and the Professionals' Network for Social Responsibility, November 10.

Senior Scholar Steven M. Fazzari

Publications: "Financing Constraints and Inventory Investment: A Comparative Study with High-Frequency Panel Data" (with Robert Carpenter and Bruce Petersen), *Review of Economics and Statistics*, November; "Capital Income Taxes and Economic Performance," *Proceedings of the Ninety-first Annual Conference of the National Tax Association*; "How Responsive Is Business Capital Formation to Its User Cost? An Exploration with Micro Data" (with Robert Chirinko and Andrew Meyer), *Journal of Public Economics*, October.

Senior Scholar James K. Galbraith

Publications: "Globalization and Pay," *Proceedings of the American Philosophical Society*, June; "The Crisis of Globalization," *Dissent*, Summer; "Inter-Industry Wage Structures: New Evidence from the OECD" (with Amy D. Calistri), UTIP Working Paper No. 13, July; "Inequality and Industrial Wage Change in Brazil" (with Paulo Du Pin Calmon and Pedro Conceição), UTIP Working Paper No. 12, July; *Review of In Praise of Hard Industries: Why Manufacturing, and Not the Information Economy, Is the Key to Future Prosperity* by Eamonn Fingleton, *The New York Times Book Review*, September 12.

Presentation: "Inequality and Industrial Wage Change in Brazil" (with Paulo Du Pin Calmon and Pedro Conceição), Rio Economi a 99 Conference, Rio de Janeiro, September 13-17.

Media: "Fire and Ice," *The Texas Observer*, June; "Kill the Raptor" (with J. R. Behrman), *The Texas Observer*, August; "The Wrong Question," *The Texas Observer*, September; "The Fed's Pre-emptive Mis-Fire," *TheStreet.com*, June 29; "Re- runs," *TheStreet.com*, August 2.

Chairman S Jay Levy

Publications: "Overcoming America's Infrastructure Deficit" (with Walter M. Cadette), Bridge News, November 4; "Should Social Security Be Privatized?" (with Walter M. Cadette), Bridge News.

President Dimitri B. Papadimitriou

Publications: Editor, *Modernizing Financial Systems* (Macmillan and St. Martin's Press); "No Cheers for Full Employment," *Challenge*, November-December; "(Full) Employment Policy: Theory and Practice," in A. Warner and S. Rosen (eds.), *Commitment to Full Employment: Macroeconomics and Social Policy in Memory of William Vickrey* (M.E. Sharpe).

Presentations: Panelist, "Economic Causes and Consequences of the War in Yugoslavia," Canadian Economic Association, Toronto, May 30; "Options for Full Employment," XII Congress of the International Economic Association, Buenos Aires, August; Panelist, "Social Security Reform Issues," Massachusetts Federation of Business and Professional Women, Pittsfield, Mass., October 21; "The State of the U.S. Economy and the Debate over the Budget Surplus," Rensselaer Polytechnic Institute, November 18.

Visiting Senior Scholar Malcolm Sawyer

Publications: "Canada's Two Economies" (review of Jim Stanford, *Paper Boom: Why Real Prosperity Requires a New Approach to Canada's Economy*), *International Review of Applied Economics* 14, no. 1; "Algunas Reflexiones Postkeynesianas Sobre el Futuro del Estado del Bienestar," *Ekonomiaz* 42, no. 3.

Presentations: "Kalecki on Money and Finance," Polish Economic Society, Warsaw, September 27; Warsaw School of Economics, September, 29; and Post Keynesian Conference, University of Leeds, November 13; "Endogenous Money and Economic Policy," European Association of Evolutionary Political Economy, Prague, November 6.

Senior Scholar Edward N. Wolff

Publication: "The Size Distribution of Wealth in the United States: A Comparison among Recent Household Surveys," in J. P. Smith and R. J. Willis (eds.), *Wealth, Work, and Health: Innovations in Measurement in the Social Sciences* (University of Michigan Press).

Visiting Senior Scholar L. Randall Wray

Publication: "Abolish the Surplus," *Dismal.com*, September.

Presentations: "Moneda, Impuestos y Gasto Publico en las Economias Modernas" and "Empleador de Ultima Instancial: Pleno Empleo con Estabilidad de Precios," Universidad Nacional Autonoma de Mexico, Mexico City, September 30 -October 1.

Media: Interview, Televisa Chapultepec; Interview, "Should the U.S. Pay Off the National Debt?" Bridge News, October 18.

Resident Scholar Oren M. Levin-Waldman

Media: Interview, on minimum wage, WGR radio, Buffalo, October 13.

Resident Scholar Jamee K. Moudud

Presentations: "The Social Wage, Welfare Policy, and the Phases of Capital Accumulation" (with Ajit Zacharias), International Atlantic Economic Conference, Montreal, October 9; "Crowding In or Crowding Out? A Classical Perspective," Fourth Annual Postgraduate Economics Conference, University of Leeds, November 12.

Resident Research Associate Karl Widerquist

Presentation: "Combining Unemployment Insurance and the Earned Income Tax Credit," International Atlantic Economic Conference, Montreal, October 9.

Resident Research Associate Ajit Zacharias

Presentation: "The Social Wage, Welfare Policy, and the Phases of Capital Accumulation" (with Jamee K. Moudud), International Atlantic Economic Conference, Montreal, October 9.

Research Assistant Marc-André Pigeon

Presentations: "Down and Out in the United States: An Inside Look at the Out of the Labor Force Population," International Atlantic Economic Conference, Montreal, October 9; "Japan's Story: A Mixed Minskian Analysis," Fourth Annual Postgraduate Economics Conference, University of Leeds, November 12.

[Back to Contents](#)