
Report **September 2000**

Volume 10, Number 3

Conference on Saving, Intergenerational transfers, and the distribution of wealth

As part of its research program into the causes of and solutions to income inequality, the Levy Institute held a conference from June 7 to 9 on the distribution of wealth. The conference was organized by Senior Scholar Edward N. Wolff. Brief notes on the participants' remarks are given here.

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

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The *Report* is a quarterly publication of The Jerome Levy Economics Institute of Bard College.

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Conference on Saving, Intergenerational Transfers, and The Distribution of Wealth

SPEAKER: JAMES K. GALBRAITH



The economics profession takes the view that there is trade-off between efficiency and equity. The United States appears to have chosen inequality and efficiency, while Europe appears to have chosen equity and unemployment. But this view does not fit the facts. The standard view, applied to the history of the United States, would predict that falling unemployment would have been accompanied by increasing inequalities in the pay structure. But the reverse is the case. The standard view would also predict that European countries with more inequality should have less unemployment and countries with more equality should have more unemployment. But the reverse is the case. In addition, since the middle or late 1970s, the poorer countries of Europe, with only a few exceptions, have had systematically higher unemployment rates.

It is no longer appropriate to compare the United States with individual European countries. Europe has become a unified continental economy and the appropriate measure of inequality for Europe is not the inside-country measure but rather a measure that takes account of the large differences in average income across European countries. If one uses the additively decomposable methods of the Theil index and adds up pay inequalities within countries and across countries, one finds that the measure for Europe is higher than that for the United States.

Moreover, because the low-income countries of Europe lost ground in the 1980s, inequality across Europe rose as unemployment rose, so that the same relationship between pay inequality and unemployment that we find in the United States is also found in Europe. The laws of economics are the same on both continents, but they do not state a trade-off. Rather, they state a correspondence between equality and employment. The difference, therefore, is that the United States, relatively speaking, is succeeding, and Europe, for the moment, plainly is not.

How has the United States actually achieved the present prosperity? We have the new Keynesian mechanism of an advanced credit economy that involves massive privatization of the capacity to accumulate debt and hold wealth, mainly in the household sector. We have taken the burden of running deficits from the public sector and given it to the household sector, which has been more than willing to take up the slack.

The role of the public sector, however, is not to be discounted in creating the conditions for this new structure. That role is not the provision of employment, and it is only to some degree the provision of public physical capital. Its main role has been to lay the infrastructure for making

possible the creditworthiness and debt accumulation of the private household sector. There are three elements to that infrastructure. First and central is higher education. Economists treat college as the acquisition of skills to be applied to the production process. But, in truth, college merely certifies skills already there. A college degree certifies highly suitable people as to their suitability to join the financially sophisticated middle class. It says they are qualified to get a steady job, a mortgage, credit cards, and all other aspects of middle-class American life.

A second element of wealth, which has not been counted, is Social Security wealth, and yet it is enormously important in American households. To that one must add Medicare wealth, the value of not having to pay your own health bills when you are elderly, and even, to some extent, Medicaid wealth, which is the value of having long-term care paid for by the state when all other assets are exhausted or have been passed conveniently out of reach of the accountants. The beneficiaries of this are not just the elderly but everybody on whom the elderly would otherwise have to depend. This is an important part of the wealth structure of American society. The third element is direct support for access to credit. There is a vast network of publicly-provided, publicly-originated infrastructure behind the private access to credit markets, one example being the subsidized programs for first-time home buyers. There is also a vast and deep network of state and local governmental structures, all of which issue bonds and most of which are substantially absent from Europe.

The business of credit is subject to national policy, the enabling condition for which has been, particularly since 1994, a generally permissive attitude on the part of the Federal Reserve. Unlike the European central bank, the operating mandate of the Federal Reserve Board is full employment, balanced growth, and reasonable price stability as specified in the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978. Fed Chairman Alan Greenspan has proved that full employment, balanced growth, and reasonable price stability were, in fact, reconcilable and achievable economic objectives.

European institutions simply have to be changed and one should start with the charter and framework of accountability of the European central bank. Europe must create the infrastructure comparable to that in the United States. And this can be done in many ways, such as creation of a European pension union, adoption of a form of the earned income tax credit, and investment in such things as hospitals and universities, especially in low-income areas. This can be the infrastructure of a modern Keynesian social democracy, and surely a Keynesian social democracy would be very much the best kind.

SESSION 1. WEALTH TRENDS IN THE UNITED STATES IN THE 1990s

This session was chaired by Senior Scholar **Edward N. Wolff**. Participants were **Arthur Kennickell**, senior economist and project director, Survey of Consumer Finances, Board of Governors of the Federal Reserve System; **Barry Johnson**, economist with the Statistics of Income Division of the Internal Revenue Service; and **John C. Weicher**, director of Urban Policy Studies and a senior fellow at the Hudson Institute.

Kennickell used data from the *Forbes* list of the 400 wealthiest individuals and the Survey of Consumer Finances, a triennial survey by the Federal Reserve Board, to examine the distribution of wealth during the 1990s. He said that using such databases to measure wealth is limited by privacy rights, but, nonetheless, he found that those at the top of the wealth distribution made tremendous gains in the 1990s. Johnson continued this theme with a discussion of the characteristics of America's wealthiest individuals. He presented information on the trends in demographic characteristics and portfolio composition of these individuals between 1986 and 1995. He found that although there was a slight decline in the number of top wealth holders between 1989 and 1992, the numbers have been increasing since, with men continuing to far outnumber women. Weicher, as discussant, remarked that research on wealth distribution could benefit from consistent data collection dating back as far as possible (at least to 1983).

SESSION 2. WEALTH EXTREMES IN THE UNITED STATES

This session was chaired by **Robert Ashford**, professor of law at Syracuse University College of Law. Participants were **William Shay**, executive director of the Center for Basic Research in Social Sciences, Harvard University; **Conchita D'Ambrosio**, assistant professor at Università Bocconi, Milan; and **Michael J. Handel**, Levy Institute resident scholar.

Shay discussed research that he conducted with Leonard Broom, emeritus professor at the Research School of Social Sciences at the Australian National University, on wealthy individuals and families. Using information drawn from *Forbes* publications on wealth from 1982 to 1999, Shay and Broom produced a file of more than 1,100 wealthy individuals and families that they use to help understand how economic sectors serve as sources and stores of wealth and how that changes over time. For example, their research indicates that though great wealth is found in the electronic technology sector today, there are emerging sectors, such as biotechnology, which one day might be the source of wealth.

D'Ambrosio presented a paper (co-authored with Wolff) that examines the change over time of a variety of factors, such as household type (homeowner or renter), race, ethnicity, age, education, and income in an effort to determine if wealth is becoming more polarized in the United States. They find that the degree of polarization changes depending on which individual factor is examined.

Handel, a discussant, said that it was not always clear why, in the sectoral typology used by Shay and Broom, some industries were placed in particular economic sectors. He said it might be better to distinguish wealth between fortunes generated by speculative booms, those generated by some form of rents, or even those generated by family dynamics. Handel suggested that D'Ambrosio and Wolff provide greater explanation of the trends found in their research. In particular, the income variable should be further explored as it seemed to be a key factor in the growth of wealth inequality. He also suggested that the authors include stock ownership as a variable.

SESSION 3. INTERGENERATIONAL TRANSFERS IN THE UNITED STATES

This session was chaired by **Daphne Greenwood**, professor of economics at the University of Colorado at Colorado Springs. Participants were **Frank P. Stafford**, professor of economics and senior research scientist at the Survey Research Center at the University of Michigan; **Ngina Chiteji**, assistant professor, Skidmore College, and research affiliate, the Center on Poverty, Risk, and Mental Health at the University of Michigan; **Paul G. Schervish**, professor of sociology and director of the Social Welfare Research Institute at Boston College; and **André Masson**, director of research at the Centre National de la Recherche Scientifique and member of the Département et laboratoire d'économie théorique appliquée.

Stafford and Chiteji, in examining asset ownership across generations, focused on the intergenerational transfer of information. They sought to learn if parental asset ownership increases the probability that children would also own that asset, and find that for some assets, such as stocks, this does seem to be the case. Schervish presented a progress report on research conducted with John J. Havens on wealth and philanthropy, which focuses on the distribution of philanthropic giving by income and wealth group. Schervish and Havens presented information on a wealth transfer model that they are developing and sought suggestions from conference attendees on ways to improve the model.

As discussant, Masson presented information from a French study that is similar to that done by Stafford and Chiteji. He suggested that studies should ask why people have the assets that they do. Is it, for example, because their parents owned that asset? Masson said that the model being developed by Schervish needs to consider the trade-offs involved, such as those between one's own consumption, family consumption, private charity, and those made to avoid estate taxation. He also suggested that motivations for giving be considered.



SESSION 4. TRENDS IN HOME OWNERSHIP

This session was chaired by **Seymour Spilerman**, Julian C. Levi Professor of Sociology at Columbia University. Participants were **Dalton Conley**, associate professor of sociology and director of the Center for Advanced Social Science Research at New York University; **Erik Hurst**, assistant professor of economics in the Graduate School of Business, University of

Chicago; and **Annamaria Lusardi**, visiting research associate at the Harris School of Public Policy Studies, University of Chicago.

Conley presented findings about the effect of welfare states on wealth distribution and the lack of public welfare programs on family wealth accumulation. He finds that home ownership, used as representative of wealth accumulation, seems to be higher in countries with lower social welfare spending, but the causal relationship is not clear. It may be that homeowners want less social welfare spending or that less welfare spending leads to increased home ownership.

Hurst presented research conducted with Kerwin Kofi Charles, of the University of Michigan, that examines the lower end of the wealth distribution and, specifically, the differences in wealth between black and white households. Using home ownership as a measure of wealth, their research finds that about 95 percent of the difference in home ownership is due to differences in mortgage application rates among the two racial groups. A variety of variables, such as income and family structure, explain these differences in application rates. The remaining 5 percent is due to differences in rejection rates.

Lusardi, a discussant, said that while it is important to include home ownership in studying the distribution of wealth, one must have a broader measure of wealth. Housing is difficult to model, partly because it has both consumption and investment purposes.



SESSION 5. WEALTH INEQUALITY IN EUROPE AND JAPAN: PART I

This session was chaired by **Roland Spånt**, labor counselor at the Embassy of Sweden in Washington, D.C. Participants were **Mariacristina Rossi** and **Anthony Shorrocks**, both of the University of Essex; **Axel Börsch-Supan**, director of the Institute of Economics and Statistics at the University of Mannheim; and **James B. Davies**, professor of economics and chair of the Department of Economics at the University of Western Ontario.

Rossi and Shorrocks focused on the data used to measure wealth holdings in Britain, most of which is drawn from estate duty figures. They said a better data source would be based on household information, for which there are three sources: the Financial Resources Survey, the Family Resources Survey, and the British Household Panel Study. Rossi and Shorrocks

discussed the problems they found trying to use this last source to build a useful data set on the distribution of household wealth in Britain.

Börsch-Supan sought to understand why saving is high in Germany, Italy, and France despite the fact that all three countries have good social safety nets. He said there is no single explanation. It may simply be that perhaps this particular generation believes in saving because they lived through the Great Depression, or because their income has grown more than they expected it to.

Davies, a discussant, said that some of the problems that one finds with survey data sets are respondents' underreporting assets or failing to report them at all. He also offered that saving in Germany might be the result of the uncertainty created by unification, or uncertainty in general, considering the tumultuous century that Germany has gone through. Also, Germans need to save more for a down payment on a home.

SESSION 6. WEALTH INEQUALITY IN EUROPE AND JAPAN: PART II

This session was chaired by **Thomas Michl**, associate professor of economics, Colgate University. Participants were **Luc Arrondel**, research fellow at the Centre National de la Recherche Scientifique and a member of the Département et laboratoire d'économie théorique appliquée; **Charles Yuji Horioka**, professor of economics at the Institute of Social and Economic Research, Osaka University; and **Lars Osberg**, McCulloch Professor of Economics at Dalhousie University.

Arrondel discussed the effect of endogenous risk on wealth accumulation and portfolio choice in France. He found that borrowing constraints induce people to be more cautious in purchasing assets and that less risk-averse households have riskier jobs and riskier assets in their portfolio.

Horioka presented research conducted with Takatsugu Kouno and Shiho Iwamoto, both with the Japanese Ministry of Posts and Telecommunications. The three used data from Japanese household surveys to analyze the strength and nature of bequest motives in Japan, the impact of bequest motives on the dis-saving behavior of the aged, and the impact of bequest motives on the behavior of children. Horioka concludes that tax cuts would be an effective way to stimulate the economy and that the danger of wealth disparities passing from generation to generation is not serious in Japan.

Osberg, a discussant, advised caution in relying on using the survey data to reach conclusions about the motives behind bequests. He said that asking people who are 25 or 35 years of age if they plan to leave a bequest only if their children support them requires them to imagine needing the support of their children, which is difficult. Osberg also suggested that Arrondel could improve his survey by expanding the list of questions.

SESSION 7. RACIAL DIVISIONS

This session was chaired by **Bernard Wasow**, a senior fellow at the Century Foundation, Washington, D.C. Participants were **Maury Gittleman**, research economist at the Bureau of Labor Statistics, U.S. Department of Labor; **Edward N. Wolff**, Levy Institute senior scholar and professor of economics at New York University; **Lisa A. Keister**, assistant professor of sociology, Ohio State University; and **Richard T. Curtin**, director of Surveys of Consumers at the Survey Research Center, University of Michigan.

Gittleman presented research work conducted with Wolff that examines racial wealth disparities, asks whether the wealth accumulation gap between the races is closing, and seeks to understand the differences in sources of wealth. Gittleman said the answers depend on how one defines wealth, but their research indicates that between 1984 and 1994 both African Americans and whites saw their wealth double, though there remains a big difference in absolute amounts.

Keister also examined racial differences in wealth ownership and her research indicates that family structure plays a role. For example, larger families mean that resources are divided between more siblings, which reduces the resources passed on to each child. Keister said much work remains to be done in this area, such as examining the relationship between early patterns in life and later outcomes.

In his discussion of the two papers, Curtin expressed reservations about the data but said that the two outlines fit well together. Gittleman and Wolff's work provides much detail on wealth accumulation but ignores family structure, which is addressed by Keister. He agreed with Keister that examining households and the transitions that people make in their lives would help to understand differences in wealth accumulation.

SESSION 8. WEALTH TAXATION

This session was chaired by **Frances M. Spring**, Levy Institute assistant director. Participants were **John P. Laitner**, professor of economics at the University of Michigan; **Pierre Pestieau**, professor at Liège University, Belgium; and **James Poterba**, Mitsui Professor of Economics at the Massachusetts Institute of Technology.

Laitner presented work in progress that examines wealth distribution. He is constructing an economic model aimed at explaining long-run equilibrium saving and at predicting what the distribution of wealth will look like in the long-run, especially if one eliminates the federal gift and estate tax. His research indicates that wealth inequality goes up without the federal tax.

Pestieau discussed estate, or inheritance, and capital income taxes in Europe, looking particularly at the problem of capital income taxation when inherited wealth is not observable. He said that neither tax is successful in Europe. The estate tax is easily avoided, which means that it is highly inequitable, and the capital income tax is not effective because each country is a tax haven for the others.

In his discussion of the two papers, Poterba said that the research presented has important policy implications, especially for taxing estates. Laitner's model illustrates the trade-off between the increase in capital stock that one could get from reducing the estate tax and the increase in wealth inequality that might result from a reduction of that tax. His work also provides more information about the nature of this tradeoff. Pestieau's work points to the difficulty of designing a tax structure when bequests are not observable and indicates that while taxing capital income might have distortions, it may still be worth taxing because at least it is observable.

SESSION 9. SOURCES, INTER VIVOS TRANSFERS, AND PSYCHOLOGICAL ASPECTS OF WEALTH ACCUMULATION

This session was chaired by **Dimitri B. Papadimitriou**, Levy Institute president. Participants were **F. Thomas Juster**, professor emeritus of economics at the University of Michigan and research scientist emeritus at the university's Institute of Social Research; **Joseph P. Lupton**, Ph.D. candidate in economics at the University of Michigan and a research associate at the university's Institute for Social Research; **Richard V. Burkhauser**, chair of the Department of Policy Analysis and Management and the Sarah Gibson Blanding Professor of Policy Analysis in the College of Human Ecology at Cornell University; **Stefan Hochguertel**, research fellow at the European University Institute, Florence, Italy; **Henry Ohlsson**, professor of economics in the Department of Economics, Göteborg University, Sweden; **Jay L. Zagorsky**, of Boston University and a research scientist for the National Longitudinal Surveys at the Center for Human Resource at Ohio State University; and **John Schmitt**, labor economist with the Economic Policy Institute.

Lupton presented research that he and Juster are conducting with James P. Smith and Frank Stafford on the effect that the rising stock market has had on household consumption and saving. The researchers used household data as far back as the 1960s to learn about trends in household wealth and shifts in the structure of household wealth. Both the 1960s and 1990s were periods of high income growth, but their research shows that in the 1960s the wealth-to-income ratio was relatively constant, whereas in the 1990s increases in wealth far surpassed increases in income. Burkhauser, a discussant, said the work of Juster and Lupton lends insight into the use of the savings rate as a predictor of changes in wealth because it indicates that an increase in stocks leads to a reduction in savings. However, Burkhauser said more attention should be given to capital gains and its connection to saving.

Ohlsson and Hochguertel, seeking to understand the motives behind voluntary intergenerational transfers, are examining several transfer models, such as the altruistic, egoistic, and exchange. Ohlsson said their research indicates that transfers are compensatory, a finding that most fits the altruistic model. In other words, parents tend to give the most to those children with the least financial resources. Zagorsky presented research that uses survey data that indicates husbands and wives have different views about family wealth and income. This suggests that some research data that relies on surveys can be biased depending on whether most respondents are men or women. In general, men report higher wealth and income values than women. Schmitt, a

discussant, offered possible explanations why parents would chose inter vivos gifts over bequests. Since bequests are given after death, parents might use the other option to have more control over who gets their assets and for what purpose they are used. Schmitt also suggested extending the research to include an education variable and breaking down the category "children" by gender. Schmitt said Zagorsky's work would be useful if it could be used to develop guidelines for adjusting data reported by spouses. The work could be extended to see if such things as differences between couples' ages, education, and work status can explain some of the differences in reporting wealth and income.

Workshop on Earnings Inequality

Researchers gathered at Blithewood on June 6 to discuss their recent work on the causes of and possible solutions to earnings inequality. The workshop was organized by Michael J. Handel, resident scholar at the Levy Institute. Sessions at the workshop covered three main topics: earnings mobility, implications of technological change, and developments in the 1990s. A brief summary of each session follows.

Session 1. Earnings Mobility

Martina Morris, of the Department of Economics, Pennsylvania State University, compared hourly wage growth for two cohorts of young workers who were surveyed over 16 years, one cohort in the 1960s and 1970s and the other in the 1980s and 1990s. She finds that real wages for the more recent cohort were consistently lower than for the earlier cohort, grew more slowly, and grew more unequal over time. Peter Gottschalk, of the Department of Economics, Boston College, compared earnings mobility in the United States to Germany in terms of levels of inequality over time, the degree of income mobility within countries over time, and the degree to which future income is dependent on current income. He finds that permanent income is more unequal in the United States than in Germany, but future income is less dependent on current income.

Session 2. Technology and Skills I

In a study of U.S. manufacturing plants, Kenneth Troske, of the Department of Economics, University of Missouri-Columbia, finds that much of the total wage dispersion is between plants. Changes in between-plant wage inequality are related to changes in between-plant productivity differences and both are related to differences in levels of computer investment and capital intensity. In a case study of a plant that relocated, modernized production technology, and introduced greater employee involvement in quality control, Roberto M. Fernandez, of the Graduate School of Business, Stanford University, finds that skill requirements and wage inequality rose significantly among blue-collar workers.

Session 3. Technology and Skills II

Eli Berman, of the Department of Economics, Boston University, finds that the education premium rose dramatically in the 1980s, remained flat for most of the 1990s, and then resumed significant growth after 1997. Michael J. Handel's research challenges the attribution of inequality growth to technologically induced shifts in the demand for skill. He finds that most of the increase in inequality in the last two decades occurred during the recession in the early 1980s, before widespread computerization; that computer use is not related to educational upgrading within occupations; and that computer use does not appear to be related to shifts in the occupational structure.

Session 4. The Big Picture: Effects of the 1990s Expansion

In a study on changing levels of inequality across U.S. counties, James K. Galbraith, of the Levy Institute and the University of Texas at Austin, finds that a small number of counties, especially those in large urban areas, account for most of the growth in between-county inequality. John Schmitt, of the Economic Policy Institute, reported on trends in differentials between workers in the 90th, 50th, and 10th percentiles of the wage distribution. The relatively small change in the gap between the 90th and the 10th percentiles in the 1990s masks growth in the differential between the 90th and the 50th percentiles and decline in the differential between the 50th and the 10th, as the bottom of the wage distribution recovered from some of the dramatic declines in the 1980s.

Editorial

Monetarism is Finally Dead, RIP

L. Randall Wray

In his *Barron's* column of June 12, 2000, Gene Epstein tells readers to "forget what you learned in econ class about that thing called monetary policy. And while you're at it, throw away that textbook on money and banking. Now hunker down, because the skinny on how the Fed really works is almost too strange to be believed." As he explains, the activities of the Fed have long been shrouded in "record levels of myth, misunderstanding and the kind of manure-spreading one can find only in academe." This "manure-spreading" goes by the name of "monetarism." Monetarists have long held that by turning its levers and spinning its dials, the Fed controls the money supply and this, in turn, determines the rate of inflation. To keep inflation low, monetarists have always wanted the Fed to keep money growth low. Beginning in 1979, the Fed claimed it would do just that. However, after a decade and a half of experimenting with different definitions of money, the Fed admitted that for unknown reasons it was not able to hit its money targets, leaving it in recent years to toy with a wide variety of potential targets, including real interest rates, CPI indexes, gold prices, and who-knows-what-else.

Epstein correctly concludes that all this is simply a smoke screen to hide the Fed's sole policy variable. The Fed sets only the shortest-term interest rate, the fed funds rate charged on

overnight loans of reserves among private banks. The Fed has no choice in this matter; the fed funds rate is its only policy instrument and it cannot leave it up to markets to determine that rate. While all the textbooks teach that the Fed determines the quantity of reserves and the required reserve ratio, Epstein demonstrates that bank reserves are not and cannot be under the control of the Fed. Banks calculate their reserve requirements long after the fact—the reserves that are legally required are based on the deposits held up to a month previously. Since they can do nothing about deposits held in the past, they have no choice but to obtain the reserves required. To do so, they go to the fed funds market. If the banking system as a whole is short, the Fed automatically lends the reserves needed. If it did not, the whole Federal Reserve System would come crashing down as the fed funds rate was pushed sky-high. Checks could not clear at par among banks and payments made by taxpayers to the IRS would bounce because banks would not have the reserves for clearing. On the other hand, if the banking system as a whole has excess reserves, the fed funds rate is immediately bid toward zero because in this situation there will be offers to lend but no takers. These results are due to the nature of the "market" for reserves: the supply is completely interest-inelastic (as the supply only comes from the government) and demand is highly interest-inelastic and, consequently, the only way to obtain a stable fed funds rate is for the Fed to accommodate demand on a day-by-day basis at its fed funds rate target.

This means, as Epstein recognizes, that the Fed cannot control the money supply. Monetarism is finally dead. Rest in Peace. Monetary policy consists solely of setting the fed funds rate and then ensuring that just the right amount of reserves is supplied in order to hit that target. Why have economists and Fed officials tried so hard to hide this fact? Because it is convenient to absolve the Fed of blame for high interest rates. All through the 1980s and into the early 1990s, it was said that high interest rates were caused by the Reagan-Bush budget deficits. Greenspan promised innumerable times that if only the government would balance its budget, interest rates would go down. We now have, of course, record budget surpluses and projections that trillions more in surpluses will be accumulated over the next few years. What has happened to interest rates? They've gone up six times in the past year. Why? The Fed raised them, plain and simple. This means that interest rates can be set anywhere the Fed wants to set them. And it means that high interest rates in the 1980s—above 20 percent under Chairman Paul Volcker—and early 1990s had nothing to do with budget deficits and could have been lower if the Fed had wanted them lower.

Epstein is to be congratulated for exposing the monetarist myths. As he surmises, those "in the know" have always recognized that the money multiplier in the textbooks was simply a useful fiction for obfuscating Fed policy. However, he goes on to say that only an "ignorant person" could believe that "the Treasury's budget surplus is draining money from the banking system." It is true that *required* reserves cannot be drained—at the end of the day they have to be in the banking system or the fed funds rate would rise above the target level. But budget surpluses necessarily drain bank reserves from the system. The Treasury spends by cutting checks, which are mostly deposited in the banking system, leading to a reserve credit. On the other hand, when taxpayers write checks to the IRS, banking system reserves are debited. Over any period in

which federal government tax receipts exceed federal government expenditures, there must be a net drain of bank reserves. On a day-to-day basis, the Fed intervenes to supply reserves as needed to compensate for the Treasury's drain. Over a longer period, it is the Treasury that offsets the drain by retiring Treasury debt. Thus, a federal budget surplus does indeed drain "money" (bank reserves) from the system, but this is automatically offset by Fed open market purchases. While the Fed could continue to do this as long as the budget remained in surplus, it would eventually hold \$3 trillion of Treasury debt if, as expected, the budget were to remain in surplus through the next decade!

Lest the full implication of this be missed, let us examine the reverse case, a budget deficit. Monetarists have claimed for years that budget deficits raise interest rates as the government competes for a limited supply of loanable funds. In reality, budget deficits increase bank reserves, which must be drained *or the fed funds rate would fall!* Over the short run, the Fed would sell bonds to drain the reserves, but over the long run, the Treasury would have to take over (because the Fed would soon run out of Treasury debt to sell). Thus, rather than viewing Treasury issues of debt as a "borrowing operation," they should be seen as a necessary reserve-draining intervention to keep the fed funds rate at the Fed's target. Government deficits do not "crowd out" private borrowing, which explains why the huge deficits of the Reagan-Bush and early Clinton eras did not really pressure interest rates. Instead, interest rates have always been under control of the Fed, regardless of its protestations.

New Working Papers

Trends in Direct Measures of Job Skill Requirements

Michael J. Handel

[Working Paper No. 301](#)

It is commonly assumed that jobs in the United States require ever greater levels of skill and that this trend is accelerating as a result of the diffusion of information technology. Mainstream economists agree that the growth of earnings inequality in the 1980s and 1990s is due primarily to a technology-driven shift in the demand for skilled workers. Others question this hypothesis, but the debate over the importance of skill requirements suffers from a lack of direct measures of job skill requirements. Previous studies have used proxies, such as education, as indicators of shifting job skill requirements, but such studies are vulnerable to the criticism that a worker's educational attainment is not a direct measure of job content.

Resident Scholar Michael J. Handel attempts to rectify this measurement problem by using previously unexamined individual-level measures of job skill requirements to test for an increase and acceleration of skill requirements over time. Specifically, he uses measures of the level of

formal education needed for an individual's job and the time it would take the "average" person to learn the job, both of which are from the Survey of Working Conditions (1969), Quality of Employment Surveys (1972, 1977), and the Panel Study of Income Dynamics (1976, 1985). He also uses these measures to validate occupation-level measures available from the Dictionary of Occupational Titles and to create a new set of occupation-level measures, which makes it possible to examine a longer time series of between-occupation skill shifts than is possible with the DOT measures alone. Handel finds that job skill requirements have increased steadily from the 1970s through the 1990s but that there has been no acceleration in recent years or any dramatic change in the number of workers who are under-educated. He argues that these results support his view that a skills mismatch does not explain increased earnings inequality.

Kaleckian Models of Growth in a Stock-Flow Monetary Framework: A Neo-Kaldorian Model

Marc Lavoie and Wynne Godley

[Working Paper No. 302](#)

Marc Lavoie, of the department of economics at the University of Ottawa, and Distinguished Scholar Wynne Godley present a growth model that integrates a stock-flow monetary accounting framework with Kaleckian models of growth. The accounting framework used ensures that all stocks and flows are accounted for and that the real and financial sides of the economy are coherent with one another. Credit, money, equities, and stocks of real capital link periods of time with one another in articulated sequences. Wealth is allocated between assets on Tobinesque principles but no equilibrium condition is necessary to bring the "demand" for money into equivalence with its "supply." Growth and profit rates, as well as valuation, debt, and capacity utilization ratios, are analyzed using simulations in which a growing economy is assumed to be shocked by changes in interest rates, liquidity preferences, real wages, and the parameters that determine how firms finance investment.

Lavoie and Godley demonstrate the usefulness of this framework when deploying a macroeconomic model. This approach has been used previously by Godley to describe an economy that tended toward a stationary steady state with no secular growth. In this work, this same methodology is used to analyze a growing economy. The authors provide examples of the model's use. In one, they show how and why an excess supply of money can never arise. In a second example, they assess the relationship between the rate of growth of firms and their debt ratios and discover that the relationship between these two variables is not the same depending on the stage of the transition process.

"It" Happened, But Not Again: A Minskian Analysis of Japan's Lost Decade

Marc-André Pigeon
[Working Paper No. 303](#)

Research Assistant Marc-André Pigeon provides an institutional analysis of the Japanese financial crisis, similar to the one Hyman Minsky applied to the post-World War II U.S. economy, with the aim of answering two questions: Can one explain Japan's ongoing financial crisis and what are the implications of this analysis for what is happening in the U.S. and Canadian economies today? In answering the first, Pigeon develops an interpretation of Japan's postwar history and particularly the evolution of its financial institutions that fits Minsky's institutional analysis. To answer the second, he draws parallels between events leading up to Japan's 1990 stock market crash and events in the United States and Canada today.

Pigeon argues that the popular perception of the pre-crisis Japanese economy as driven by a widespread bubble and speculative binge is unfounded. The bubble phenomenon was restricted to three areas of the economy: stocks, real estate, and banking. According to Pigeon, it was the institutional structure of the Japanese economy that allowed firms to prosper in spite of such high debt levels. He argues that although the large-scale nonmarket institutions of the modern economy—the central bank and government—failed to ameliorate the Japanese crisis, this does not mean that these institutions are unable to play such a role. What is required is a vigorous and creative attempt by economists to design better institutions that can adapt quickly to constant changes. This task assumes even more urgency if one acknowledges the similarities between the pre-crisis situation in Japan and the current situation of the U.S. and the Canadian economies.

Family Structure, Race, and Wealth Ownership: A Longitudinal Exploration of Wealth Accumulation Processes

Lisa A. Keister
[Working Paper No. 304](#)

Researchers have documented racial inequalities in wealth ownership and have offered a variety of explanations to account for these differences. Lisa A. Keister, of the Department of Sociology at Ohio State University, argues that racial differences in family structure is an important factor in explaining differences in wealth ownership. She explores racial differences in the structure of family of origin and family in adulthood and the impact of these differences on wealth accumulation patterns. Using the National Longitudinal Survey of Youth to examine the relationship between family structure and net worth, wealth mobility, and asset ownership, Keister finds that large family size and family disruptions in childhood are negatively associated with wealth accumulation, portfolio behavior, and wealth mobility in adulthood.

Keister's research also suggests that family size is a more important factor in determining wealth accumulation for whites than it is for blacks or Hispanics and that family disruption is most

strongly related to wealth outcomes for Hispanics. Keister also finds that family structure in adulthood is only modestly associated with overall wealth but is strongly related to portfolio behavior and wealth mobility and that these relationships are relatively fixed across racial groups. She argues that her findings lend support to arguments about the importance of the role that resource dilution plays in determining life outcomes. They also suggest that efforts to reduce racial inequality in wealth ownership may be most effective if they reduce the impact of deprivation early in life.

Can European Central Banks Survive a Unified Currency in a Nationally Segmented Capital Market?

Jan A. Kregel

[Working Paper No. 305](#)

The euro was expected to become a substitute for the U.S. dollar as an international currency but so far has not been able to. Visiting Senior Scholar Jan A. Kregel says that the euro has not become what its creators had hoped because compromises made during its creation make it a less than perfect substitute for the dollar in the medium term. Among these compromises was the application of macro convergence and micro diversity in financial markets and supervision at the national level. This now prevents the creation of a unified capital market and places EU banks at a disadvantage when competing with U.S. banks in global markets. Kregel argues that it is the extent of financial engineering and the depth and breadth of U.S. capital markets that has assured the dollar its international role despite the weakness of the U.S. current account position. The euro will never be able to rival the dollar if it is not able to play a similar role in European capital markets.

The monetary unification of the United States is often used as an example for the EU, but Kregel says that there are substantial differences between the two. The United States has a federal government that controls economic activity, including control over the issue of currency. In the EMU, control over the issue of the currency is held by a monetary authority, which is not only without political legitimacy, but is also legally independent of political control. Another problem is that financial regulation varies across European nations. Kregel says that for the euro to be a success further institutional changes will be necessary.

Household Savings in Germany

Axel Börsch-Supan, Anette Reil-Held, Ralf Rodepeter, Reinhold Schnabel, and Joachim Winter

[Working Paper No. 306](#)

Axel Börsch-Supan, Anette Reil-Held, Ralf Rodepeter, Reinhold Schnabel, and Joachim

Winter, all of the University of Mannheim, Germany, argue that understanding household saving is important for policymakers because private household saving, as a form of private insurance, interacts with social policy as a public insurance. Germany is a puzzle because it has one of the most generous public pension and health insurance systems in the world, yet private saving remains high until old age. In this working paper, the researchers attempt to explain this puzzle and how German saving is linked to public policy, especially pension policy.

The analysis is based on a synthetic panel of four cross sections of the German Income and Expenditure Survey for the years 1978, 1983, 1988, and 1993. The researchers separate discretionary saving from mandatory saving and use two flow measures of saving: the sum of purchases of assets minus the sum of sales of assets and the residual of income minus consumption. The results combine historical facts with capital market imperfections and a distinction between the role of discretionary and mandatory saving.

An Examination of Changes in the Distribution of Wealth from 1989 to 1998: Evidence from the Survey of Consumer Finances

Arthur B. Kennickell

[Working Paper No. 307](#)

In this working paper, Arthur B. Kennickell, senior economist and project director with the Survey of Consumer Finances at the Federal Reserve Board, examines changes in the economic condition of households from 1989 to 1998 using two data sources: the *Forbes* annual list of the 400 wealthiest people in the United States and the Survey of Consumer Finances, a triennial survey conducted by the Board of Governors of the Federal Reserve System. The *Forbes* data sheds light on changes at the top of the wealth distribution and the SCF data provide information on those below the *Forbes* 400 level.

Kennickell finds that despite large shifts in the assets and liabilities of families over this period and large gains in the wealth of the very wealthiest families, the SCF data show remarkably little change in the concentration of wealth below the Forbes 400 level. This result holds for a variety of different approaches to summarizing the distribution of wealth. Kennickell finds that there have been substantial gains across most of the wealth distribution above about the 20th percentile of the distribution.

Discontinuities in the Distribution of Great Wealth: Sectoral Forces Old and New

Leonard Broom and William Shay

[Working Paper No. 308](#)

National surveys of household economics and well-being in the United States usually focus on income. In those income surveys with supplemental wealth modules, the very rich are under-represented, if not unrepresented. Typically, wealth data are truncated such that they do not afford a view of the extreme top of the distribution. Leonard Broom, of the Australian National University and the University of California at Santa Barbara, and William Shay, of the Center for Basic Research in the Social Sciences at Harvard University, attempt to fill the gap in knowledge about elite wealth holdings by compiling data on the richest individuals and families in the United States by drawing on information from the *Forbes* 400 list and from business press reports and standard biographical sources.

Broom and Shay are more interested in inequality between different economic sectors than in the maldistribution of wealth by demographic groups. They find a change in the sources of great wealth; electronic technology has emerged as a major wealth generator. However, this does not mean that more traditional sources of wealth generation, such as industrial production, are no longer important. Many more traditional industries have remained successful, often through organizational innovation such as vertical integration.

Profits: The Views of Jerome Levy and Michal Kalecki

S Jay Levy

[Working Paper No. 309](#)

Profits are the incentive for production and therefore employment in almost all of the world's economies. They also may represent exploitation of workers and consumers. Chairman S Jay Levy examines the views of two individuals whose work contributed to the understanding of profits: Jerome Levy and Michal Kalecki. Jerome Levy began the derivation of his profits identity and his serious interest in economics in 1908, a time of high unemployment and no unemployment insurance. Kalecki derived his identity 30 years later.

Levy said that Jerome Levy believed that the profits equation could be a tool for developing policies that would enable capitalist economies to achieve high rates of employment. Kalecki, who, like Levy, was also disturbed by unemployment, believed that unemployment was a chronic feature of capitalism. Jerome Levy would say that unemployment in capitalist economies is a result of the way that capitalist economies are abused, that is, due to the way they "waste" profits.

New Policy Notes

Welfare College Students: Measuring the Impact of Welfare Reform

Thomas Karier

[Policy Note 2000/3](#)

Research Associate Thomas Karier, a professor of economics at Eastern Washington University, examines the effects of some recent welfare reforms by studying students at EWU who identified welfare receipts as a source of income between fall 1994 and fall 1998. The number of welfare students attending EWU was declining before the introduction of state-level welfare reform in 1997, but their number and their share in the total student population declined much faster after the introduction. According to Karier, most of the reduction was due to the decline in the number of new welfare students. He argues that changes in the rules governing welfare at the federal and state levels in the past few years, although aimed at creating incentives for immediate employment, have created disincentives for pursuing higher education as a means of achieving economic independence. The work standards required by federal law are difficult for full-time students to meet and compliance by students who are also single parents (as many welfare recipients are) is made still more difficult by the fact that state and local governments deny them child care assistance.

Karier offers recommendations to help retain college as a feasible option for welfare recipients: provide child care and other appropriate benefits for recipients in college; make participation in college degree programs an approved category of work activity; count hours of college education, work study, and unpaid internships toward satisfying work requirements; and extend support beyond the usual time limits to recipients who make normal progress. Karier said that these recommendations can be implemented through changes in federal legislation or through state initiatives.

Health Care Finance in Need of Rethinking

Walter M. Cadette

[Policy Note 2000/4](#)

According to Senior Scholar Walter M. Cadette, several unfavorable trends have become entrenched in the health care system: a rising number of uninsured, relatively high out-of-pocket costs for many who are insured, loss of physician and patient autonomy with the ascendancy of managed care, and the unwillingness of third-party payers to pay for health care as generously as before. These trends require a comprehensive reevaluation of health care finance. Cadette argues that five major issues need to be addressed: the financial stress faced by the hospitals, Medicare's appropriate role in light of an aging population, a suitable model for financing long-term care, government's role in patient advocacy, and the status of the tax exemption of employer-based health benefits.

Cadette suggests holding HMOs accountable for the consequences of denial and their modalities of care, ending the tax exclusion of employment-based health benefits, and the creation of a tax credit system-accompanied by a requirement that everyone carry health insurance-as a way to achieve universal health care. Cadette says that in the past, cross subsidies from both government and employers provided health care for the poor and uninsured and support for hospitals, but the government's fiscal restraint and the development of managed care have changed the situation starkly. The confluence of factors in the current system of financing will ultimately lead to a substantial deterioration in the quality of health care for all.

Can the Expansion Be Sustained? A Minskian View

L. Randall Wray

[Policy Note 2000/5](#)

Hyman P. Minsky's insights into the relationship between profits, economic growth, and the public and private financial balances are particularly relevant to today's conditions. In this policy note, Visiting Senior Scholar L. Randall Wray uses the insights of Minsky to explain the processes that brought the economy to its current state and to recommend policy directions for the future. Minsky believed that government can play an important role in stabilizing the economy by using deficit spending to maintain personal income. Wray says this means that Minsky would see the current focus on building up the budget surplus as a serious danger to economic stability. The federal government has gone from a bias toward deficits at all stages of the business cycle to a bias toward surpluses in all but the most severe recessions. This bias could leave fiscal policy unable to stimulate the economy should a recession arise. Mainstream analysts hope that monetary policy will forestall any recession, but the experience of Japan shows otherwise. The Japanese government developed a similar bias toward surpluses in the late 1980s and continued in surplus for three years after the economy slid into recession. Japan has remained in recession despite zero interest rates for nearly four years.

Wray sees several other danger signs for the U.S. economy. First, delinquency rates on loans and leases are not yet inordinately high, but they have been rising, which could indicate problems to come. Second, a change in law making bankruptcy more difficult will force indebted consumers to cut back on other spending, making it harder to get out of recession. Third, Fed interest rate hikes will eventually increase the debt burden substantially among households. Fourth, weakness in the stock market will adversely affect consumer spending if, as many believe, much of the increase in consumer spending has been stimulated by the wealth effect of the rising stock market. A continued wealth effect would require not only high but continually rising stock prices. Fifth, some areas of the economy slowed perceptibly in March. Sixth is the growing financing gap in the corporate sector. Seventh, business interest expense is rising sharply.

Economic theory does not support the notion that growing private sector deficits are any more

sustainable than are growing public sector deficits, and Minsky would say that private sector deficits are far more risky. Wray believes Minsky would oppose any approach that relies on monetary policy alone to stabilize the economy and limits fiscal policy to the maintenance of a surplus. Instead, the government should prepare to use fiscal policy to stimulate the economy should private sector spending falter, as already appears to be the case.

Drowning In Debt

Wynne Godley

[Policy Note 2000/6](#)

It is generally agreed that the growth of the U.S. economy must soon slow down-or be slowed down by Federal Reserve Chairman Alan Greenspan-because unemployment cannot fall much further without awakening inflation. The question seems to be whether there will be a "soft" landing or a "hard" landing. A soft landing could occur if growth slows to a rate that just accords with the rate of productive capacity. Some believe that if this happens, the good times can continue forever. Distinguished Scholar Wynne Godley, however, doubts that the expansion can continue during the next few years unless there are major changes in policy.

The U.S. economic expansion has been driven to an unusual extent by falling personal saving and rising borrowing by the private sector. If this process goes into reverse, as has happened under comparable circumstances in other countries, there will be a severe recession. This can be avoided by jettisoning policies aimed at increasing the budget surplus. A fall in private spending could, at least in theory, be offset by a relaxation of fiscal policy, which might have to take place even though the budget was already moving back into deficit.

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Levy Institute News

Lecture

Steve Keen: Toward a General Model of Debt Deflation

Steve Keen, of the University of Western Sydney, demonstrated his dynamic model of financial instability at Blithewood on May 23. Static models focus on the levels of variables such as output, government spending, and demand. Dynamic models focus on rates of change in variables with respect to time and often the variables are expressed as ratios. Keen used an extension of Goodwin's predator-prey model in which wages, investment, unemployment, and

output fluctuate around, rather than rest on, their equilibrium values. Near equilibrium, linear forces dominate and, since these are unstable in these models, values are pushed away from equilibrium levels; further away from equilibrium, nonlinear forces dominate, and values are pushed back toward equilibrium.

Keen extends Goodwin's model by introducing debt, prices (using markup pricing), and a nonlinear investment function. Assuming a small government sector, the economy is locally stable around equilibrium but globally unstable and thus is vulnerable to systemic breakdowns because of the accumulation of excessive private debt. Adding government as a potential countercyclical force converts the economy into one that is locally unstable around equilibrium but globally stable. Public debt counterbalances private debt and, although it does not eliminate cycles, it does prevent a debt-induced depression. Keen, therefore, sees a mixed economy as more systemically stable than a pure market economy.

New Staff

Robert A. Margo, of Vanderbilt University and the National Bureau of Economic Research, will be a senior scholar at the Levy Institute this academic year engaged in two research projects. First, he will explore the history of U.S. wage inequality, specifically, whether the changes in inequality are unusual in American history, either in magnitude or underlying causes. Second, Margo will be working on a new book, *From the Bottom Up: Microeconomic Aspects of Labor and Labor Markets during the Great Depression*. Using data from the public use sample of the 1940 census, Margo will update previous work on the relationships between work relief and labor force participation of married women and between work relief and duration of unemployment and undertake studies of migration, schooling decisions, and race and gender differences in his analysis of the depression's impact. **Jörg Bibow** will join the Levy Institute this academic year as a visiting scholar. He will be working in the area of central banking and financial systems. His research focuses on the effects of monetary policy on economic performance, especially the monetary policies conducted by the Bundesbank and the European Central Bank. The background to these research activities is his earlier research on John Maynard Keynes's monetary thought. Bibow received a B.Com Honours in economics from the University of the Witwatersrand, Johannesburg, a Diplom-Volkswirt from the University of Hamburg, and an M.Phil and a Ph.D. in economics from the University of Cambridge. He is on leave from the University of Hamburg where he lectures on central banking and European integration. **Eric Rosenstock** has joined the Levy Forecasting Center as a fellow. He received a B.A. in economics from Washington University in St. Louis.

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Event

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

September 22-23, 2000, Annandale-on-Hudson, N.Y.

Audio webcasts of the sessions are available on our web site, www.levy.org/webcast. Extended summaries of the sessions will be published in the conference proceedings.

Census 2000 introduces far-reaching but not well-understood changes in the way information about race is collected. Senior Scholar Joel Perlmann and Mary Waters, a professor of sociology at Harvard University, have organized a conference to consider these changes.

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Publications and Presentations

VISITING SENIOR SCHOLAR PHILIP ARESTIS

Publications: "Benchmarking' Economics" (with J. Beath), Royal Economic Society Newsletter, no. 110, July 2000.

Presentations: "Financial Policies and the Average Productivity of Capital: Evidence from Developed and Developing Economies" (with P. Demetriades and B. Fattouh), Annual Conference of the Royal Economic Society, St. Andrews University, July 10-13; "Economic Growth: New Evidence" (with P. Demetriades and B. Fattouh), Annual Conference of the Money, Macro and Finance Research Group, South Bank University, September 6-8; "The Causes of EURO Instability" (with I. Biefang-Mariscal Frisanch, A. Brown, and M. Sawyer), International Conference on the EMU, Ottawa, October 7-8.

VISITING SENIOR SCHOLAR ROBERT A. MARGO

Publications: "Regional Wage Gaps and the Settlement of the Midwest," *Explorations in Economic History*, April 2000; *Wages and Labor Markets in the United States, 1820-1860* (University of Chicago Press, 2000); Review of *The Moderates' Dilemma: Massive Resistance to School Desegregation in Virginia*, Matthew D. Lassiter and Andrew B. Lewis, eds., *American Historical Review*, February 2000; Review of *The New Dollars and Dreams* by Frank Levy, *Journal of Economic Literature*, March 2000; Review of *Essays on the Great Depression* by Ben S. Bernanke, www.eh.net, July 2000.

Presentations: "Rising Wage Dispersion in American Manufacturing in the 19th Century," Economic History Workshop, Harvard University, March; at the Economics Workshop, University of Texas at Austin, March; at the Fourth World Congress of Cliometrics, Montreal, July; and at the National Bureau of Economic Research, July.

RESEARCH ASSOCIATE EDWARD N. WOLFF

Publications: "International Comparisons of Wealth Inequality," in Frank Ackerman, Neva R. Goodwin, Laurie Dougherty, and Kevin Gallagher, eds., *The Political Economy of Inequality*

(Island Press, 2000); "Who Are the Rich? A Demographic Profile of High-Income and High-Wealth Americans," in Joel Slemrod, ed., *Does Atlas Shrug? The Economic Consequences of Taxing the Rich* (Harvard University Press, 2000); "Recent Trends in the Distribution of Household Wealth," in Ray Marshall, ed., *Back to Shared Prosperity?* (M.E. Sharpe, 2000). *Presentations*: "How Stagnant are Services?" International Conference on the Economics and Socio-Economics of Services, Lille, France, June 22-23; "Outsourcing of Services and the Productivity Recovery in U.S. Manufacturing in the 1980s and 1990s," NBER Productivity Summer Institute, Cambridge, July 29-August 1; "Skills and Changing Comparative Advantage," Thirteenth International Conference on Input-Output Techniques, Macerata, Italy, August 20-25; "The Stagnating Fortunes of the Middle Class," Conference: Should Differences in Income and Wealth Matter? Palo Alto, September 21-24.

VISITING SENIOR SCHOLAR L. RANDALL WRAY

Publications: Review of *Money and the Public Interest* by Perry Mehrling, *Eastern Economic Journal*, Winter 2000; "Modern Money" in *What is Money?* edited by John Smithin (Routledge, 2000); "Penal Keynesianism at the Turn of the Millennium," *Challenge*, September/October 2000.

Presentations: "Why Does the Fed Want Slower Growth?" Federal Reserve Leadership Education Program, Maritime Institute of Technology Training and Conference Center, Baltimore, June 15-16; "Demand Constraints and the New Economy," JPKE-University of Tennessee Summer Workshop, June 2000.

Media: Interview, Kansas City radio station KKFI, June 2000; panel discussion on "Kansas City This Week," program on KMBC (NBC affiliate), May 21, 2000; interview for "Morality and Money" series on NPR affiliate WETS, July 21.

RESEARCH ASSISTANT MARC-ANDRÉ PIGEON

Presentations: "Japan's Story: A Mixed Minskian Analysis," Eastern Economic Association, March 26; "It" Happened, But Not Again: A Minskian Analysis of Japan's Lost Decade and Some Thoughts on the Parallels with Recent Events in the U.S. and Canada," Canadian Economics Association Meeting, Vancouver, June 3.

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