

Inequality Ticks Up, Bringing Bad News for the Economy

U.S. wage inequality is on the rise. This does not bode well for the future: when inequality falls, so does unemployment, and when it rises—as it did prior to recessions in 1957, 1960, 1970, 1974, 1980, and 1990—it is matched by a rise in unemployment and a slowing economy. In the following editorial, Levy Institute Senior Scholar James K. Galbraith predicts that the recent rise in inequality portends a future economic slowdown.

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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.

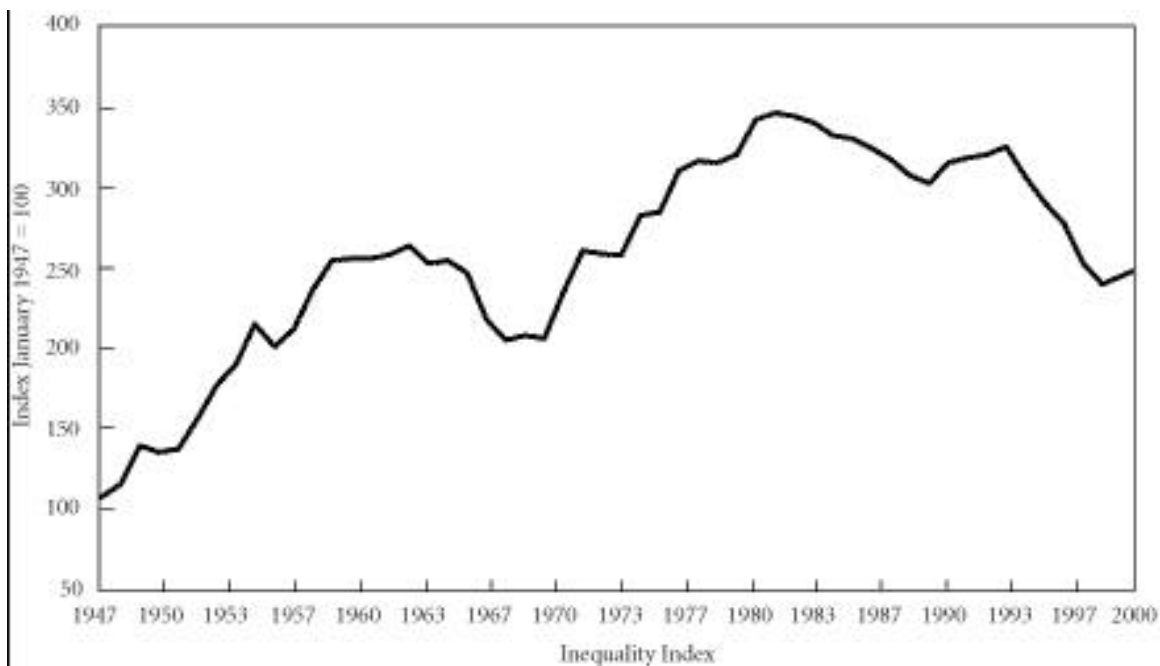
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Inequality Ticks Up, Bringing Bad News for the Economy

Inequality in U.S. Manufacturing Wages 1947-2000



Note: Inequality is a Theil measure of wage rate dispersion across 18 industrial sectors.

Source: University of Texas Inequality Project. Calculated by Vidal Garza Cantu with data from Bureau of Labor Statistics, U.S. Dept. of Labor.

Although some know me mainly as a Fed basher, I have another life entirely. In it, I pursue, for the pure pleasure of discovery, the measurement of economic inequalities. There are many different kinds: inequalities of pay, of income, across industries and economic sectors, across regions, in the United States and around the globe. I measure them, graph them, map them, and compare them to measures of other economic variables, such as unemployment, gross domestic product, and other people's inequality measurements.

This work-on display at the University of Texas Inequality Project website-has been well received by professional economists, giving rise to papers with impossibly long titles, dissertation topics for my students, and a small career for myself as a traveling evangelist for certain statistical techniques. But it also produces, on occasion, information of larger importance.

In particular, the monthly employment and earnings data sets produced by the Bureau of Labor Statistics can be used to measure inequality in pay in the U.S. manufacturing sector, and this calculation can be made just as soon as the data are released. Because employment and earnings data come out every month, monthly inequality measurements can be just as up to date as unemployment measurements, one of the most sensitive indicators of current economic performance that we have.

An Early Warning?

This measure of inequality has been closely related to unemployment and to economic performance in general over a very long time; month-to-month inequality and unemployment match as far back as 1939. The inequality measure may actually lead unemployment by a bit, giving an early warning of downturns. When the economy slows and unemployment is about to rise, firms first cut the hours and overtime of their hourly workers. This shows up as a fall in relative pay (monthly earnings) for the lowest-paid, and the inequality measure ticks up. Unemployment itself tends to rise a bit later, when firms are (as a rule, reluctantly) forced to eliminate whole shifts, shut factories, and let workers go.

Here's the headline: This particular inequality measure had been falling smartly since 1994, pretty much in line with the unemployment rate. But it stopped falling in early 1999. Since June 2000, the measure has started rising sharply, with particularly large jumps in October and November of last year. A chart showing the entire series, all the way back to 1947, illustrates this. Recently, Vidal Garza Cantu, a UTIP veteran who is now an assistant professor at the Monterrey Institute of Technology in Monterrey, Mexico, produced

the chart shown on page 1.

As you can see, the starts of recessions in 1957, 1960, 1970, 1974, 1980, and 1990 were all marked by distinct upturns in this series. It's a sensitive indicator, in other words, of larger economic conditions. And, given what it has started to do over the past year, this is not good news. It is risky to lean heavily on a single measure-particularly in this case, when the weight of manufacturing in employment has been falling over the decades. But on the other hand, it would be foolish to ignore a bit of evidence when a lot of other evidence also points the same way.

The Politics of Policy

Policy implications? As Dick Cheney said last December, the risk of recession is a serious one. The implications are that, yes, the Fed should cut interest rates and Congress should cut taxes (as well as increase spending on public services, such as education). But what taxes? Not, surely, those that mainly fall on creditors, savers, and the wealthy. Not, surely, tax rates four, five, and six years from now. Leave the income tax, the capital gains tax, and the estate tax alone. We are seeing a fall in income, relatively speaking, of the working American families with the lowest incomes, not the highest. That is what our inequality measure shows. And we are seeing it today. In fact, it has been going on for more than a year.

So, let's cut taxes on working Americans now. How? The best idea I've seen so far has been proposed by L. Randall Wray, of the University of Missouri at Kansas City and a visiting senior scholar at the Jerome Levy Economics Institute. Wray points out that Social Security payroll taxes now exceed benefits, this year, by around \$150 billion. A cut in payroll tax rates, sufficient to bring the trust fund into balance for a year or two, would usefully put money directly into the pockets of working Americans this year where it is most needed. If the measure stabilizes the economy, the long-term net effect on the Social Security trust fund would likely be quite small.

Obviously, some policymakers, determined to cut taxes for the wealthy and to privatize Social Security, will oppose this simple, effective proposal. But others, who may recognize what a long and steep recession will do to them politically in any event, might just line up with public-spirited Democrats and, for once, save the country. Or am I dreaming?

"Inequality Ticks Up, Bringing Bad News for the Economy" by James K. Galbraith, January 29, 2001. ©2001 TheStreet.com, Inc. All rights reserved. Reprint permission granted by TheStreet.com, Inc. (www.thestreet.com).

James K. Galbraith is a professor at the University of Texas at Austin, where he directs the University of Texas Inequality Project, and a senior scholar at the Levy Institute. For many years he was a staff member of the House Banking Committee, where he conducted oversight of the Federal Reserve. To view the chart displayed here with any updates as new measures become available, go to the UTIP website (utip.gov.utexas.edu), and from there to "Inequality Watch" and click on the American flag.

New Public Policy Briefs

Is There a Skills Crisis? Trends in Job Skill Requirements, Technology, and Wage Inequality in the United States

[Michael J. Handel](#)

[Public Policy Brief No. 62](#)

Despite seven years of economic growth, a large gap exists between the wages earned by workers at the top of the earnings scale and those at the bottom. The leading explanation for this growth in wage inequality

continues to be the skills-mismatch theory. This theory in part posits that gains in technology have resulted in jobs having highly technical skill requirements that have outpaced growth in worker skills; demand for highly skilled workers therefore rises more swiftly than that for less-skilled workers, creating upward pressure on wages for those with the most skills. In other words, technological advances have increased the number of high-skill jobs relative to low-skill jobs, but worker skills have not kept up.

The dramatic growth, beginning in the 1980s, in the use of computers in the workplace made the skills-mismatch theory plausible. During the 1980s this theory was the key explanation for increasing returns to education; as a postulate, it "explained" that minority workers' lack of skills was the cause of their relative disadvantage in the labor market. Policymakers, having accepted this theory, expressed alarm over the failure of the American educational system to provide workers with the skills needed to succeed in the new, high-tech economy. Thus, it was thought that educational programs aimed at upgrading skills would raise wages among minority and low-skill workers.

In this policy brief, Michael J. Handel examines the evidence used to support this theory and finds it lacking. He argues that there is little evidence to support the mismatch theory as there has been little sign of a shortage of workers with computer or general technical skills. If the analysis is correct, then policies currently used to close the wage gap, such as improved education and training, will not alone solve the inequality problem. Rather, the solution may require macroeconomic policies aimed at maintaining economic growth and full employment, and labor policies, such as the minimum wage, that support the earnings of workers at the lower end of the wage scale.

The Future of the Euro: Is There an Alternative to the Stability and Growth Pact?

[Philip Arestis, Kevin McCauley, and Malcolm Sawyer](#)

[Public Policy Brief No. 63](#)

Since the introduction of the euro, popular media attention has usually focused on the value of the currency relative to those of other countries, especially the U.S. dollar. After trading at about \$1.16 on the average for the first month after its launch, the euro bottomed out at \$0.83 near the end of October 2000 and climbed rather steadily to \$0.92 by the beginning of 2001. This up-and-down movement has led to much policy debate, surprisingly little of it focusing on the Stability and Growth Pact. The adoption of a single currency by most countries of the European Union is underpinned by this pact and it is crucial in the determination of economic policies to be pursued within the eurozone.

In this policy brief, Philip Arestis, Kevin McCauley, and Malcolm Sawyer provide a detailed description and trenchant critique of the Stability and Growth Pact and propose an alternative policy. The critique focuses on the shortcomings induced by the pact's regime of mandatory fiscal austerity, the separation between fiscal and monetary policy (with the latter entrusted to the hands of the European Central Bank), the undemocratic structure and lack of accountability of the ECB, and the paramount importance attached to price stability at the expense of other policy objectives. According to the authors, these shortcomings will have serious negative effects on the current and future economic performance of the member states and the material well-being of their citizens.

The proposed alternative pact urges removing the restraints on national-level fiscal policy and developing a coherent set of labor market, industrial, and macroeconomic policies at the European level. Full employment and the reduction of inequality and regional disparities, say the authors, are the major objectives for economic policy. Growth is a more important policy objective than is price stability. The authors argue that the achievement of these objectives requires the implementation of a different set of economic policies and the construction of appropriate institutional arrangements to underpin them.

New Working Papers

Harrod versus Thirlwall: A Reassessment of Export-Led Growth

[Jamee K. Moudud](#)

[Working Paper No. 316](#)

This paper contrasts the different approaches to export-led growth used by Harrod and Thirlwall. It argues that, unlike Thirlwall's model, Harrod's analysis of growth emphasized the importance of both the demand and the supply sides. The fundamental difference between the two authors lies in their differing characterizations of the long run. While both assume unemployment, Thirlwall's long run is presumably consistent with excess capacity, while Harrod's warranted path assumes normal capacity growth.

Harrod's perspective suggests that if the warranted growth rate exceeds the natural growth rate, desired saving is excessive relative to the amount necessary to maintain the economy along its maximum growth path. Under these circumstances, rising exports have the beneficial effect of adjusting the warranted path to the economy's maximum growth path while, at the same time, giving a boost to the actual growth rate. If, however, the warranted growth rate is lower than the natural rate, then rising net exports have to be accompanied by appropriate fiscal and/or tax policies to raise warranted growth. In either case, the long-run growth rate is regulated by the social saving rate (other things equal). Data for a number of OECD countries tend to confirm this implication of what might be called a classical-Harrodian perspective. The Harrodian growth tradition suggests that growth in an open economy, with normal capacity utilization and persistent cycles, can be characterized as export-oriented rather than export-led since both demand- and supply-side factors are important.

Productivity in Manufacturing and the Length of the Working Day: Evidence from the 1880 Census of Manufactures

[Jeremy Atack](#), [Fred Bateman](#), and [Robert A. Margo](#)

[Working Paper No. 317](#)

In this working paper, Jeremy Atack, professor of economics and history at Vanderbilt University and a research associate with the National Bureau of Economic Research; Fred Bateman, Nicholas A. Beadles Professor of Economics at the University of Georgia; and Robert A. Margo, visiting senior scholar at the Levy Economics Institute and professor of economics and history at Vanderbilt University, use data from the 1880 census of manufactures to investigate the effects of daily hours of work on manufacturing output and wages. These data include questions on the length of the working day and months of operation, as well as more traditional queries about output, inputs, and labor costs. The authors use these data to estimate the "marginal product" of hours, which they then compare with the analogous effect of hours on wages.

Atack, Bateman, and Margo find that, while the effects of hours on output and wages were both positive, the elasticities were less than one. That is, a 10 percent reduction would result in a less than proportionate reduction in value added and in wages, thus raising productivity per hour and the effective hourly wage. Given plausible estimates of labor's share, and assuming that daily non-labor costs were independent of daily hours, the marginal benefit to employers of shortening daily hours-lower labor costs-appears to have been close to the marginal cost, the reduction in value added. The authors' results imply that, in the absence of binding labor legislation or effective strikes, shorter hours in 1880 would have required a different set of economic fundamentals, such as a greater willingness on the part of workers to accept a lower daily wage for a shorter working day, or different technologies that increased output per hour.

Origins of the GATT: British Resistance to American Multilateralism

[James N. Miller](#)

[Working Paper No. 318](#)

Fiftieth-anniversary explanations for the efficacy of the GATT imply that the institution's longevity is testimony to the free trade principles upon which it is based. In this light, the predominantly American

architects of the system are seen as free-trade visionaries who benevolently imposed postwar institutions of international cooperation on their war-torn allies. In this working paper, Cambridge Visiting Scholar James N. Miller takes issue with such a characterization.

Miller explores the negotiating history of the GATT through previously unexamined archival material, which he argues indicates that the historical and political context that gave rise to the agreement should be reconsidered. Miller concludes that the success of the GATT has been crucially dependent upon its ability to generate pragmatic, detailed policy via a uniquely inclusive forum. An effective institutional procedure, not free-trade dogma, has proven key to its endurance-and this feature has been in place since the institution's inception.

Compensatory Inter Vivos Gifts

Stefan Hochguertel and Henry Ohlsson

[Working Paper No. 319](#) (pdf)

Empirical studies of intergenerational transfers usually find that bequests are equally divided among heirs. Inter vivos gifts, on the other hand, tend to be compensatory. This difference between post-mortem bequests and inter vivos gift behavior is a puzzle, since established models of intergenerational transfers predict that there should be no difference. These models indicate that altruistic parents will make compensatory transfers, regardless of whether the transfer is post mortem or inter vivos. In this working paper, Stefan Hochguertel of the European University Institute and Henry Ohlsson of Göteborg University examine this puzzle.

Using the 1992 and 1994 waves of the Health and Retirement Study, they find that only 4 percent of parents who give divide their gifts equally among their children. Estimating probit models using family panels, they find that gifts are compensatory in the sense that a child who works fewer hours and has lower income than do his or her brothers and sisters is more likely to receive a gift. These results carry over to the amounts given. Fixed-effect Tobit estimations show that the fewer hours a child works and the lower his or her income, the more the parents give. These results imply that gifts are compensatory. The empirical results are, therefore, consistent with the predictions of the altruistic model of intergenerational transfers.

"Race or People": Federal Race Classifications for Europeans in America, 1898-1913

[Joel Perlmann](#)

[Working Paper No. 320](#)

In 1898 the U.S. Bureau of Immigration initiated a classification of immigrants into some 40 categories of "race or people." Nearly all the categories covered Europeans. In 1909 an effort was made to extend this system of classification to the U.S. Census, and the relevant measure passed in the Senate. From the outset, organizations representing a segment of American Jews strongly opposed the measure, although not on the grounds of racism. But other groups of immigrants, including Jews, strongly supported the new racial classification of Europeans for the census. A compromise replaced the proposed new race question with one on "mother tongue." Clearly, this issue regarding racial classification and the census is not new. It recently reemerged following the Census Bureau's unveiling of its new categories for the 2000 census.

In this working paper, Senior Scholar Joel Perlmann examines the issue of racial classification from a historical perspective, focusing on the early 1900s and explaining the origin and development of the classification system and the ensuing controversy. Extensive verbatim transcripts (in which participants argue their conception of race in the context of other terms) and unpublished letters constitute the basic sources of Perlmann's research. The "race or people" classification was immensely important in its own right, since our knowledge of the socioeconomic characteristics of immigrants in the first half of the 20th century is organized in terms of that classification. However, Perlmann argues that the topic is interesting for much broader reasons: discussion of a seemingly narrow and technical matter, namely a statistical classification scheme, illuminates the meaning of race for the debaters and sheds light on the dynamics of

ideas, bureaucracy, and organized opposition to official procedures.

Testing Profit Rate Equalization in the U.S. Manufacturing Sector: 1947-1998

[Ajit Zacharias](#)

[Working Paper No. 321 \(pdf\)](#)

Long-run differentials in interindustrial profitability are relevant for several areas of theoretical and applied economics because they characterize the overall nature of competition in a capitalist economy. In this working paper, Resident Research Associate Ajit Zacharias argues that the existing empirical models of competition in the industrial organization literature suffer from serious flaws. He discusses these flaws and proposes an alternative framework, based on recent advances in the econometric modeling of the long run, for estimating the size of long-run profit rate differentials.

Zacharias shows that this framework generates separate, industry-specific estimates of two potential components. One is the noncompetitive differential, which stems from factors—generally characterized as risk and other premia—that do not depend directly on the state of competition. The other is the competitive differential, due to factors that directly depend on the state of competition, such as the degree of concentration and economies of scale. Using this framework, Zacharias finds that during the period 1947-1998, the group of industries with statistically insignificant competitive differentials accounted for 72 percent of manufacturing profits and 75 percent of manufacturing capital stock. He argues that these findings can be interpreted as lending support to the theories of competition advanced by the classical economists and their modern followers.

Will the Euro Bring Economic Crisis to Europe?

[Philip Arestis and Malcolm Sawyer](#)

[Working Paper No. 322](#)

Much of the discussion regarding the introduction of the euro has focused on its declining value against the U.S. dollar. In this working paper, Visiting Senior Scholars Philip Arestis and Malcolm Sawyer look beyond the issue of the euro's value to explore how the introduction of this common currency is impacting the economies of European Union nations. They argue that the nations within the eurozone have faced, and will continue to face considerable economic difficulties, due partly to the policy and institutional arrangements within which the euro is embedded. These difficulties will take a number of forms, but two in particular would qualify as economic crises. Arestis and Sawyer argue that the system within which the euro operates is likely to exacerbate the problems of unemployment and financial instability.

The euro was launched during a time of high unemployment and when disparities in unemployment and standards of living were quite severe. At the end of 1998, the rate of unemployment in Spain was more than 20 percent and it was in double figures in Finland, France, Germany, Ireland, and Italy. Arestis and Sawyer argue that this situation could be termed a crisis and that it is unlikely to improve because the policy arrangements within which the euro operates, notably the objectives of the European Central Bank and the workings of the Stability and Growth Pact, will have a deflationary bias.

In addition to the unemployment problem, the introduction of the euro could serve to exacerbate tendencies toward financial crisis including the volatility and subsequent collapse of asset prices and runs on the banking system. Additional forces of instability may arise from the current trade imbalances and the relationship between the dollar and the euro as two major global currencies. Arestis and Sawyer argue that the operating arrangements of the European System of Central Banks is inadequate to cope with such financial crises.

Easy Money through the Back Door: The Markets versus the ECB?

[Jörg Bibow](#)

[Working Paper No. 323](#)

It has now been two years since the euro was launched and the European Central Bank (ECB) took control over monetary policy for the 11 European nations that are part of the eurozone. During this time the euro's value against the dollar fell dramatically and inflation in the eurozone increased. Despite these apparent failures of ECB monetary policy, there has been a tendency to view the euro's plunge and the rise in inflation as caused by something other than monetary policy, and many have argued that despite these failures, the ECB is doing a good job. In this working paper, Visiting Scholar Jörg Bibow assesses the performance of the ECB over its first two years and challenges the view that it has been a success.

Bibow argues that despite the fact that it is the responsibility of the ECB to control monetary policy for the euro nations, in reality the ECB has not been in charge. The euro's decline in value and the rise in inflation occurred because the markets took over and imposed easy money on the eurozone. ECB policies, rather than helping the situation, only made it worse. Bibow argues that to some extent, the roots of the euro's weakness lie in the past: the low-growth legacies of unsound macro policies inflicted upon Europe during the 1990s.

The ECB contributed to the problem by failing to communicate with financial market participants and by playing against the market's dominant theme-growth. Attempts to prop up the euro by narrowing the current interest rate spread vis-à-vis the U.S. dollar were perceived as risking the eurozone's growth prospects, and hence, the sustainability of tighter money in the future. Under such conditions, interest rate hikes might weaken rather than strengthen the currency. Bibow argues that an ECB policy with a more balanced and proactive attitude growth, and a medium-term orientation as regards inflation, might have both reduced inflation in the short run and improved growth in the long run.

New Policy Notes

Fiscal Policy to the Rescue

[Wynne Godley](#)

[Policy Note 2001/1](#)

The U.S. expansion of the past eight years has been fueled by a rise in private sector indebtedness. In 1997 U.S. private sector spending exceeded income for the first time since 1952, and since then the gap between the two has risen markedly. The situation closely mirrors that experienced in the United Kingdom during the 1980s, when a two-year slowdown resulted in absolute declines in GDP and a three-percentage-point increase in the unemployment rate. In this policy note, Distinguished Scholar Wynne Godley argues that to avoid such an economic decline, President George W. Bush may need to propose tax cuts or public expenditure increases far larger than those he currently has in mind. The reason is that the medium-term outlook for the U.S. economy could be much more depressed than most economists now expect.

Godley notes that when discussing macroeconomic policy, too many economists concentrate almost entirely on supply-side factors. Thus, they ignore the danger signs visible if one concentrates on aggregate demand. Aggregate demand has risen dramatically in the U.S., fueled by private expenditure, a good portion of which has been financed by debt. As a result, expenditure has been exceeding income. Godley argues that recent levels of private expenditure relative to income cannot be sustained unless the flow of net lending continues on at least its present scale, which would require further indebtedness. Were the private sector to reduce its level of indebtedness by repaying debts, aggregate demand would fall, resulting in economic decline. Monetary policy alone may postpone this decline, but Godley argues that what is most needed is a significant fiscal relaxation. President Bush is considering a tax cut worth about 1.5 percent of GDP. Godley suggests that he triple that.

Fiscal Policy for the Coming Recession: Large Tax Cuts Are Needed to Prevent a Hard Landing

[Dimitri B. Papadimitriou](#) and [L. Randall Wray](#)
[Policy Note 2001/2](#)

Growing government surpluses, a ballooning trade deficit, and the resulting growth in private sector debt have placed the U.S. economy in a precarious position. President George W. Bush has proposed tax cuts as a way to reinvigorate the economy. In this policy note, Levy Institute President Dimitri B. Papadimitriou and Visiting Senior Scholar L. Randall Wray agree with President Bush that monetary policy alone is not enough to keep the economy going and that a fiscal stimulus is needed. However, they argue that a tax cut that would adequately stave off a downturn needs to be substantially larger than that proposed by the president.

The evidence of an economic slowdown is becoming more pronounced. However, a number of economists, and many policymakers in the former Clinton administration, argue that avoiding a recession is the job of the Federal Reserve. Papadimitriou and Wray make a case for implementing stimulative fiscal policy rather than relying on interest rate reductions to avoid a recession. They examine the evidence of a slowing economy, consider the factors behind it, and make a case for a fiscal policy that allows for a budget deficit. Papadimitriou and Wray argue that one of the underlying causes of the downturn is the extremely tight fiscal policy that has sucked private income and wealth from the economy. What is needed is a fiscal policy that reverses the current bias of the federal budget, away from surplus and toward deficit.

President Bush has recommended a tax cut of about \$150 billion over the next year. Papadimitriou and Wray recommend an additional \$150 billion tax cut in the form of a reduction in the payroll tax and another \$150 billion cut to be achieved through retroactive tax refunds, an expansion of the EITC, and provision of tax credits for educational spending, child care, or similar activities.

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Levy Institute Forecasting Center Special Report

The Real Story behind the Productivity "Miracle"

Srinivas Thiruvadhanthai

A number of economic analysts have claimed that we are in a "new economy" era in which technological advances will drive continuing worker productivity gains, making it possible for the economy to sustain high levels of growth in profits and output without igniting inflation. This belief has led a number of economists to express optimism that the economy can continue to grow at high levels well into the future. In this special report, Srinivas Thiruvadhanthai, a resident scholar at the Levy Institute Forecasting Center, examines the evidence behind this "productivity miracle" and reports that, while there is some good news, there is also little support for some of the more dramatic "new economy" claims.

It is true that productivity gains are at the core of economic progress, the source of increases in living standards. However, Thiruvadhanthai argues that the optimistic claims about recent and future productivity trends rest on unreliable data and misconceptions regarding productivity figures and their implications for the economy and markets. Among his findings:

- Most measures indicate that there has indeed been some recent acceleration in trend productivity, but the rate of increase is not record-breaking. Moreover, improvements in productivity have been concentrated in one sector of the economy: computer manufacturing.

- The estimation of productivity is beset by conceptual and data-related issues that compromise the validity of reported productivity data and make quarterly changes unreliable.
- Productivity has limited ability to contain inflation when worker compensation rates are accelerating.
- Productivity has no direct effect on aggregate business profits in the economy.

Based on his findings, Thiruvadhanthai concludes that the optimistic view that we are in a new economy capable of sustaining high growth without causing inflation is a reflection of exaggerated expectations for future productivity, unreliable estimates of productivity, and mistaken notions about the implications of productivity growth for economic performance.

To obtain a copy of this report, contact The Forecasting Center at www.levyforecast.org.

Levy Institute News

New Scholar

Alex Izurieta has joined the Levy Economics Institute as a research fellow. His current areas of interest include macro-economic analysis and economic development, including analyses of fiscal and monetary issues and the performance of financial systems in developing countries. Central to his work is the construction of consistent systems of national accounts and flow-of-funds as a basis for macroeconomic modeling. He is currently working with Distinguished Scholar Wynne Godley to explore the reach of the Levy Institute models to policy issues such as the U.S. fiscal stance, prospects for economic growth, and the implications of these for other regions of the world. Godley and Izurieta are working together to develop a theoretical macroeconomic model. Izurieta received a degree in economics from the University of Madrid and M.A. and Ph.D. degrees in development economics from the Institute of Social Studies at The Hague.

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Events

CONFERENCE: 11TH ANNUAL HYMAN P. MINSKY CONFERENCE ON FINANCIAL STRUCTURE: "CAN THE FINANCIAL STRUCTURE AVERT AN ECONOMIC DOWNTURN?"
April 26-27, 2001, Annandale-on-Hudson, New York

At this year's conference, we hope to draw lessons learned from previous Minsky conferences and consider these within the context of current trends and their implications for both the national and global economies. Examples of topics for discussion include changes in the global financial and economic landscape and their impacts on capital flows or the actions of monetary institutions; the ability of monetary policy to stem what appears to be a slowdown in U.S. economic growth; changes in the structure of financial institutions in relation to the introduction of virtual financial services; and the fiscal and monetary consequences to EU countries of the introduction of the euro.

Among the key speakers at this year's conference will be Robert Aliber, University of Chicago; Robert

Barbera, Hoenig and Co., Inc.; Stephen G. Cecchetti, Ohio State University; Roger W. Ferguson Jr., vice chairman, Federal Reserve Board of Governors; Wynne Godley, Levy Institute; Bruce Greenwald, Columbia University; Maurice Hinchey (D-NY), U.S. House of Representatives (invited); Thomas M. Hoenig, president, Federal Reserve Bank of Kansas City; Jan Kregel, UNCTAD and Levy Institute; James Glassman, The Chase Manhattan Corporation; Martin Mayer, Brookings Institution; Diane C. Swonk, Bank One Corporation; and Chris Varvares, Macroeconomic Advisers, LLC (invited).

Registration and program information will be posted on the [Events section](#) as it becomes available.

CONFERENCE: AFTER THE BELL: EDUCATION SOLUTIONS OUTSIDE THE SCHOOL

June 4-5, 2001, Annandale-on-Hudson, New York

Almost 35 years ago, James Coleman and his co-authors issued their controversial report on inequality in schooling. The document, later known as the Coleman Report, reached the troubling conclusion that the strongest predictor of academic performance was not school-based dynamics, but rather the student's family background as measured by such things as household income and parents' socioeconomic status. Since the publication of this controversial report, many researchers have examined the methodology and reanalyzed the original data, which comprised information on more than 600,000 students in 4,000 schools, and found that the overall pattern of findings held steady. This conference, which marks the 35th anniversary of the Coleman Report, will address such questions as:

- Why, after 35 years of evidence that schools are marginal to academic achievement, have educational politics and policy continued to focus almost exclusively on schools?
- What would an education policy look like if it did not mention the word "school"?
- Can government address achievement differences that are rooted in the home?
- What are the political implications?

For more information about the conference, visit the Levy Institute website Events section at www.levy.org/whatsnew/events.html.



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Publications and Presentations

Publications and Presentations by Levy Institute Scholars

DISTINGUISHED SCHOLAR

WYNNE GODLEY

Publications: "Fiscal Policy to the Rescue," *Financial Times*, January 21.

Presentations: Panelist, meeting on Macroeconomic Challenges and Policy Responses, Economic Policy Institute, January 25; "A Neo-Kaldorian Model of Growth in a Stock-Flow Monetary Framework" (with Marc Lavoie), Eastern Economic Association, New York, February 23-25.

VISITING SENIOR SCHOLAR

PHILIP ARESTIS

Publications: *A Biographical Dictionary of Dissenting Economists* (with Malcolm Sawyer). Northampton, Mass: Edward Elgar, 2000; "An Alternative Stability and Growth Pact for the European Union" (with Kevin

McCauley and Malcolm Sawyer). *Cambridge Journal of Economics* 25:1 (2001); "Financial Development and Economic Growth: The Role of Stock Markets" (with P.O. Demetriades and K. B. Luintel). *Journal of Money, Credit and Banking* 33:1 (2001).

Presentations: "Financial Policies and the Average Productivity of Capital: Evidence from Developed and Developing Economies" (with P. Demetriades and B. Fattouh), Allied Social Science Associations, New Orleans, January 5-7; "The Causes of Euro Instability" (with Andrew Brown, Iris Biefang-Frisancho Mariscal and Malcolm C. Sawyer), Allied Social Science Associations, New Orleans, January 5-7, and the University of Bilbao, January 22; "What Role for the Tobin Tax in World Economic Governance?" (with Malcolm C. Sawyer) and "Fiscal Deficits in Monetary Unions: A Comparison of EMU and U.S." (with M. Khan and K. B. Luintel), Eastern Economic Association, New York, February 23-25.

SENIOR SCHOLAR

JAMES K. GALBRAITH

Publications: "Corporate Democracy, Civic Disrespect." *The Texas Observer*, January 19; "A Stitch in Time? We'll See." *TheStreet.com*, January. (www.thestreet.com/comment/galbraith/1252149.html); "Watching Greenspan Grow." Review of Justin Martin's *Greenspan: The Man behind Money* and Bob Woodward's *Maestro: Alan Greenspan and the American Boom*. *The American Prospect*, January 29.

Presentations: "Inequality and Growth Reconsidered Once Again: Some New Evidence from Old Data" (with Pedro Conceicao and Hyunsub Kum) and "Air Power after Kosovo," Allied Social Science Associations, New Orleans, January 5-7; "What Has Happened to Global Inequality and Why?" Lewis and Clark College, Portland, Oregon, February 8; "European Unemployment: Learning the Right American Lessons," Eastern Economic Association, New York, February 23-25; "Inequality and Globalization: What Has Happened and What it Means," Winchester College, Salt Lake City, March 12-15.

VISITING SENIOR SCHOLAR

ROBERT A. MARGO

Publications: "Race and Home Ownership: A Century-Long View" (with William Collins). *Explorations in Economic History* 38 (2001); *Women's Work? American Schoolteachers, 1650-1920* (with Joel Perlmann). Chicago: University of Chicago Press, 2001; Review of Price Fishback and Shawn Kantor's *A Prelude to the Welfare State: The Origins of Worker's Compensation*. *Southern Economic Journal* 67 (2001).

Presentations: "Rising Wage Dispersion across American Manufacturing Establishments, 1850-1880," Allied Social Science Associations, New Orleans, January 5-7; at George Washington University, Washington, D.C., February 28; at McGill University, Montreal, March 15; and at the University of Toronto, March 16; "Productivity in Manufacturing and the Length of the Working Day: Evidence from the 1880 Census of Manufactures," National Bureau of Economic Research, Cambridge, Mass., March 10; and Yale University, March 28.

PRESIDENT

DIMITRI B. PAPADIMITRIOU

Media: "Strategic Concerns Generated by the U.S. Trade Deficit," U.S. Business and Industry Council press conference, Washington, D.C., February 20. Press conference discussing the publication of "Unconventional Wisdom: Alternative Perspectives on the New Economy," by Jeff Madrick, Century Foundation, New York, January 26.

VISITING SENIOR SCHOLAR

MALCOLM SAWYER

Publication: "An Alternative Stability Pact for the European Union." *Cambridge Journal of Economics* 25:1 (2001).

Presentations: "What Role for the Tobin Tax in World Economic Governance?" (with Philip Arestis), "EMU and Fiscal Policy," and "NAIRU, Aggregate Demand, and Investment," Eastern Economic Association, New York, February 23-25.

SENIOR SCHOLAR EDWARD N. WOLFF

Publications: "Tendencias Recientes en la Propiedad de la Riqueza." In Diego Guerrero, ed., *Macroeconomía y crisis mundial*. Madrid: Editorial Trotta, 2000; "Engines of Growth in the U.S. Economy" (with Thijs ten Raa), and "Human Capital Investment and Economic Growth: Exploring the Cross-Country Evidence."

Structural Change and Economic Dynamics 11:4 (2000); "The Rich Get Richer. . . and Why the Poor Don't." *The American Prospect*, February 12.

Presentations: "The Stagnating Fortunes of the Middle Class," Seminar, State University of New York, New Paltz, November 9; "Median Wealth: Why Is It Increasing So Slowly?" Seminar, John F. Kennedy School of Government, Harvard University, December 18; "The Stagnating Fortunes of the Middle Class" and "What's Behind the Recent Rise in Profitability?" Allied Social Science Associations, New Orleans, January 5-7; "The Impact of IT Investment on Income and Wealth Inequality in the Postwar U.S. Economy," UNU/WIDER Project Meeting on Production, Employment, and Income Distribution in the Global Digital Economy, Helsinki, January 12-13; "Racial Wealth Disparities: Is the Gap Closing?" Eastern Economic Association, New York, February 23-25.

VISITING SENIOR SCHOLAR L. RANDALL WRAY

Publications: "U.S. Tax Cut is Likely to Be Far Too Small." *Financial Times*, January 22; "Are Prisons Our Best Way to Stimulate the Economy?" (with Marc-André Pigeon). *Street Light* 5:1 (2001).

Presentations: "How to Implement True, Full Employment" and "Did the Rising Tide Eliminate Our 'Surplus' Population?" Allied Social Science Associations, New Orleans, January 5-7; "Understanding Modern Money: An Overview of an Alternative Approach to Monetary Theory and Policy," University of Southern California, January 9.

Media: Interview for "Father Greenspan Loves Us All," by William Greider. *thenation.com*, January 1.

VISITING SCHOLAR JÖRG BIBOW

Presentation: "Easy Money through the Back Door: The Markets versus the ECB," Eastern Economic Association, New York, February 23-25.

RESIDENT RESEARCH ASSOCIATE AJIT ZACHARIAS

Presentations: "Interindustrial Profit Rate Differentials: Theory and Evidence," Annual Allied Social Science Associations, New Orleans, January 5-7; "Inventories and Interindustrial Profit Rate Differentials," Eastern Economic Association, New York, February 23-25.

RESEARCH ASSOCIATE WILLEM THORBECKE

Publications: "Estimating the Effects of Disinflationary Monetary Policy on Minorities." *Journal of Policy Modeling* 23:2 (2001).

Presentations: "Financial Factors in the Indonesian Economic Crisis," The World Bank, Washington, D.C., February 20; "Modeling the Socioeconomic Impact of the Economic Crisis in Indonesia," The World Bank, March 12.

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