The Levy Economics Institute of Bard College

LEVY INSTITUTE

Report

SEPTEMBER 2002

VOLUME 12, NUMBER 3

STRATEGIC ANALYSIS

Strategic Prospects and Policies for the U.S. Economy

WYNNE GODLEY AND ALEX IZURIETA

www.levy.org/docs/stratan/prospects.html

In 2000, the U.S. current account deficit reached a record 4.5 percent of GDP. Recently released Congressional Budget Office figures show that the government's fiscal stance by that year was tighter than at any time in the previous 40 years. These imbalances have been financed in recent years by dramatic increases in the level of private debt, which fueled the expansion of the 1990s. This trend cannot be sustained indefinitely. Recent work by Distinguished Scholar Wynne Godley and Research Fellow Alex Izurieta has assessed the likely implications of the coming adjustments in private borrowing for the economy as a whole. Their new strategic analysis brings these projections up to date and evaluates possible policy responses.

The outlook for the next five or so years depends upon tentative assumptions regarding the future course of economic growth, current account deficits, and so on. If it is assumed that neither the federal deficit nor the current account deficit departs dramatically from its current trend, private debt would have to continue to burgeon, reaching a level of twice disposable income by 2007. In a more realistic scenario in which private borrowing reverted somewhat toward normal levels, the economy would fall into a "growth recession," with unemployment reaching nearly 8 percent.

On the other hand, if the government were to attempt to avert a recession by further relaxing its fiscal posture, an inflation-adjusted infusion eventually reaching $600 billion per year would be required. But a stimulus of that magnitude, in the absence of accompanying measures to reduce the nation's deficit with the rest of the world, would bring about a 1980s-style "twin deficits" problem, with increased government borrowing being financed by foreign investors. The only viable solution is thus to somehow boost demand for U.S. exports, but no market forces exist that will automatically bring about such an adjustment. Moreover, a reduction in the trade deficit might bring dire consequences for other nations that rely on exports to the United States.

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The Levy Economics Institute of Bard College, founded in 1986, is a nonprofit, nonpartisan research organization devoted to public service. Through scholarship and economic research 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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CRA's 25th Anniversary: The Past, Present, and Future

Kenneth H. Thomas
Working Paper No. 346
www.levy.org/docs/wrkpap/papers/346.html

Low and moderate income (LMI) borrowers and other residents of LMI communities face many special barriers to obtaining loans from banks and thrift institutions. The Community Reinvestment Act (CRA) was passed in 1977 in an effort to compel financial institutions to treat these individuals more evenhandedly. The law mandated regular examinations of bank lending practices by regulators, who were to grade the performance of each institution in providing credit to LMI borrowers. Since its inception, the law has been modified several times and is due for a regulatory overhaul in 2002. In this working paper, Kenneth H. Thomas of the Wharton School reviews the history of the CRA, discusses various issues raised in public comments solicited by regulators, and makes proposals for improving the fairness and effectiveness of the CRA rules and regulations.

While the law has been effective and inexpensive to implement, a number of issues should be addressed by regulators when they revise their rules. For example, the grades given by examiners, which supposedly reflect the degree to which financial institutions are meeting the needs of LMI communities, are often inflated. This can be attributed to close ties between financial institutions and the agencies that evaluate them. Also, the effectiveness of the CRA has been diluted by the addition of service and investment tests to the performance evaluation process. Banks and thrifts often comply with the investment test by providing outright grants to friendly community groups or by making sham investments that satisfy the letter of the CRA's demands without truly increasing the target communities' access to credit.

The government should make several changes in the rules and regulations, so as to better fulfill the original intent of the CRA. Grade inflation should be controlled and the investment and service tests de-emphasized and subsumed under the lending test. "Sunshine" rules (which force banks to reveal the dollar amounts of settlements with activist community groups) should be strengthened in order to prevent what amounts in many cases to the covert payment of "hush money." Regulators should address the problem of predatory lending, but permit other types of subprime lending that benefit the LMI population. On the other hand, rulemakers should resist efforts to make race a factor in performance evaluations and to reduce the number of federal employees specializing in CRA compliance.

What Has Happened to Monetarism? An Investigation into the Keynesian Roots of Milton Friedman's Monetary Thought and Its Apparent Monetarist Legacies

Jörg Bibow
Working Paper No. 347
www.levy.org/docs/wrkpap/papers/347.html

During the past 25 or so years, monetary authorities in the developed world have placed an increasing emphasis on price stability. Many regard this trend in policymaking as a triumph of the monetarist theories of Milton Friedman. Monetarists are also viewed as carrying the day in scholarly work about the role of money in the economy. These views are based on certain conceptions about the differences separating Friedman and Keynes. A new working paper by Visiting Scholar Jörg Bibow of the University of Hamburg challenges this account of Friedman's relationship to Keynes and to present-day monetarists.

The distinguishing features of Friedman's work do not lie in his belief in the desirability of price stability. Broadly speaking, Friedman's most important claim is his vigorous assertion that "money matters"; that is, that the quantity of money in circulation governs the rate of inflation and affects the level of economic activity. Moreover, he has advanced the argument that attempts by the central bank to "fine tune" the economy only destabilize it and that Congress should therefore pass laws forcing the Federal Reserve to hold monetary growth to a fixed rate.

Most economists and central bankers today do not subscribe to these views or policy prescriptions. Many believe that the money supply adjusts passively to the needs of the economy and do not regard monetary factors as an important force driving the business cycle. Moreover, even the monetarist-influenced Fed operates by setting the short-term interest rate rather than attempting to directly control the money supply. And it changes its policy regularly, instead of following a given rule.

Though Friedman's views shared some important commonalities with Keynes's (including the idea that "money mattered"), they were in many ways polar opposites. Skeptical of the efficacy of the kind of activist monetary and fiscal policy advocated by Keynes, Friedman instead placed his faith in the ability of a capitalist economy to recover spontaneously from a downturn. Unlike Keynes, and even many earlier Chicago school economists, Friedman made the crucial claim that the demand for money depended in a systematic and stable way on interest rates and other measurable quantities. Whereas Keynes argued that the interest rate was determined by monetary factors, Friedman held the more traditional view that interest rates would automatically adjust in the long run to the level needed to equate the supply of and demand for saving. Thus, Friedman's work strongly contradicted Keynes's, and contemporary monetarists have in turn abandoned many of Friedman's positions.

Asset Prices, Liquidity Preference, and the Business Cycle

Korkut A. Ertürk
Working Paper No. 348
www.levy.org/docs/wrkpap/papers/348.html

Many economic theories purport to show that interest rates have a tendency to rise during an economic upswing. The existence of such trends is crucial, because rising interest rates, by discouraging investment and other interest-sensitive expenditures, might have the effect of prematurely choking off an expansion. A new working paper by Research Associate Korkut Ertürk of the University of Utah examines one argument—developed by Keynes but now largely forgotten—supporting the view that interest rates are not necessarily forced up as the economy grows.

Many monetary theorists have argued that a rise in GDP would drive interest rates up by increasing the demand for money used to carry out everyday transactions, assuming no concomitant increase in supply. Seeking to counter this claim, Keynes argued in a work predating the *General Theory* that as an expansion began, investors would be optimistic about securities markets and would bid up the prices of assets, relinquishing their cash holdings in the process. This would free up funds to be used for new expenditures without causing any increase in interest rates. Later in the expansion, on the other hand, investors would become more "bearish" and abandon positions in equities and bonds in favor of liquid assets, driving up interest rates.

The author uses a simple economic model to show that, under certain assumptions, such an effect would produce an inverse relationship between GDP and interest rates. Perhaps unfortunately, though, Keynes abandoned this argument in his later writings. This change was related to his new theory of the demand for money, which downplayed the impact of changing equity prices.

State Policies and the Warranted Growth Rate

Jamee K. Moudud
Working Paper No. 349
www.levy.org/docs/wrkpap/papers/349.html

Since the publication of Keynes's *General Theory*, many economists have recognized that, at least in the short run, increases in government deficits or consumer expenditures can stimulate growth by encouraging firms to tap unemployed resources. More conservative economists argue that additional deficit spending or consumption only hinders growth by diverting resources from productive private-sector investment. This disagreement leads to differing opinions about appropriate remedies for slow growth. In a new working paper, Research Associate Jamee Moudud of Sarah Lawrence College discusses the policy implications of yet another view of the relationship between spending and growth.

This theory, inspired by Keynes and developed by Harrod and Domar, is based upon the notion of the *warranted* growth rate. Their approach emphasized that saving was proportional to output, while the needed increase in productive capacity (or investment) in a given period was proportional to that period's increase in production. Therefore, only one rate of growth would generate an appropriate level of capital expenditures and at the same time maintain the equality of saving and investment. The actual growth rate would gravitate toward this "warranted rate" in the long run; the higher the rate of private saving or the lower the government deficit, the greater the warranted rate. To encourage growth over an extended period, policymakers would have to follow the seemingly un-Keynesian path of cutting deficits or increasing the rate of private saving.

Moudud argues that the Harrodian theory does not necessarily imply that the role of government should be reduced in the interests of economic growth. He uses a model based on Pasinetti's work to demonstrate the validity of this claim. First, he shows that when the government is already running deficits, an increase in tax rates will improve growth; such a tax hike can be accompanied by an increase in government spending without sacrificing the pro-growth effect. There is a second reason why Harrod's findings do not necessarily support the use of austerity policies: if the government uses deficits to augment the capital stock, rather than for current needs—a policy recommended by Keynes—it can actually increase the warranted rate. Thus, a judicious choice of fiscal policies can reconcile the need for an active government with desires for robust economic growth.

Project Report

Economic Well-Being

Edward N. Wolff and Ajit Zacharias

The research program on Economic Well-Being is motivated by two central concerns. First, there is substantial room for improving existing official measures of the level and distribution of household economic well-being. This is the case for examining the economic well-being of a single country over time and for comparing well-being across countries. Second, developing alternative measures is crucially important for the formulation and evaluation of a variety of social and economic policies.

The present phase of the research program has focused on the conceptual, methodological, and data problems raised by a careful consideration of the first concern mentioned above, in the context of the United States. While the most widely used official measure of U.S. economic well-being—gross money income as measured in the Annual Demographic Supplement (ADS) of the Current Population Survey conducted by the Census Bureau—has several well-known

EDWARD N. WOLFF

limitations, we are struck by the fact that there does not appear to be an alternative measure that is regularly available and constructed using household-level information. We hope to contribute to filling this gap by developing an index of economic well-being.

The definition of the scope of our index is guided by an extended concept of income that fundamentally reflects the resources a household can command for facilitating current consumption or acquiring financial and physical assets. In the contemporary United States, three main institutions—markets, the government, and the household—mediate such command. The sale of labor services yields sellers cash income and, frequently, noncash benefits, such as employer payment of health insurance premiums. Government transfer payments in cash, such as Supplemental Security Income, and government noncash transfers—for example, payments to health care providers for medical services rendered to the poor—are also means by which households exercise command over certain resources. Government expenditures on public consumption (e.g., public education and public health) are also important in shaping households' access to goods and services. Finally, households also perform self-provisioning by engaging in unpaid, nonmarket activities such as caring for their own children and producing home-cooked meals. In short, the index being developed has the following components: money income, wealth, noncash transfers from the business and government sectors, some forms of public consumption, and household production.

Ideally, the index should be constructed on the basis of detailed information regarding household money income and wealth, receipts of noncash transfers from the government and business sectors, consumption patterns of private and public goods, and uses of time. A unified database of this nature does not and perhaps never will exist, given the known difficulties involved in gathering survey information on any single topic, such as the aforementioned consumption expenditures. Consequently, the information base required for the calculation of our index must be compiled from a variety of sources.

Our basic strategy is to begin with the public use microdata available from the ADS. A detailed set of estimates are then made regarding each component of the index not covered in the ADS, using two other sources: data from other household surveys (such as unofficial time-use surveys) and publicly available administrative data compiled by official agencies (such as information on per-pupil expenditures in elementary education available from the U.S. Department of Education). Purists might, quite justifiably, feel uncomfortable with the type of estimation we plan to undertake. However, our belief is that we must identify the best available sources of information and design estimation techniques that can be subjected to a variety of sensitivity tests.

A planned annual Levy Institute publication will announce the index for the United States and its major regions. It will also provide an analytical commentary on the trends revealed by the index and its various components, as well as their implications for public policy. In further research, we intend to use what we learned in the process of preparing the index for the United States both to refine that index and to develop similar indices for other major industrialized countries.

The report on our methodology will be organized as follows:

Chapter 1. Levy Institute Index of Economic Well-Being
Chapter 2. Money Income
Chapter 3. Government Expenditures
Chapter 4. Noncash Government Transfers
Chapter 5. The Treatment of Taxes
Chapter 6. Wealth and Income
Chapter 7. Household Production

Two other strands of research that we intend to pursue would complement these efforts. The first would inquire into the relationships between our extended concept of income and a variety of household-level social, health, and environmental indicators, with a view toward contributing to the formulation and evaluation of social policy. The second would investigate ways in which at least some of the information developed for the index can be employed, in conjunction with the Levy macromodel, to analyze the distributional impact of fiscal and monetary policies.

Levy Institute News

New Members of the Board of Governors

Distinguished economists **Joseph E. Stiglitz**, a recipient of the 2001 Nobel Prize in Economics, and **Janet Yellen**, a former member of the Board of Governors of the Federal Reserve System and President Clinton's Chair of the Council of Economic Advisors, have joined the Levy Economic Institute's board of governors.

"We are delighted that Professors Stiglitz and Yellen have joined the Institute's board," said President Dimitri B. Papadimitriou. "Their significant contributions in many areas of economics have profoundly influenced scholarship and policymaking, and will continue to do so far into the future. We welcome their keen insight, wise counsel, and guidance, which will be pivotal to the Institute's work in the years ahead."

Joseph E. Stiglitz was corecipient of the 2001 Nobel Prize in Economics. He served as chief economist at the World Bank from 1997 to 1999 and chair of the President's Council of Economic Advisers from 1993 to 1997, and is currently a professor of economics, business, and international and public affairs at Columbia University. In his academic career Stiglitz has been a professor at Yale, Princeton, Oxford, and Stanford Universities. He became a fellow of the Econometric Society at the age of 29 and is a member of the National Academy of Sciences. He is also a recipient of the prestigious John Bates Clark Medal, awarded every two years to the American economist under the age of 40 who has made the most significant contributions to the field. He was a Fulbright Scholar and Tapp Junior Research Fellow at Cambridge University in 1970. He received a B.A. degree from Amherst College and a Ph.D. from the Massachusetts Institute of Technology.

Janet Yellen was a member of the Board of Governors of the Federal Reserve from 1994 to 1997 and chair of the

President's Council of Economic Advisers from 1997 to 1999. She is currently the Eugene E. and Catherine M. Trefethen Professor of Business and professor of economics at the University of California, Berkeley. She is a research associate at the National Bureau of Economic Research, a fellow of the Yale Corporation, and a member of the advisory boards of the Center for International Political Economy, Brookings Panel on Economic Activity, and Women's Economic Round Table. In addition, she has been a Guggenheim Fellow, a fellow of the American Academy of Arts and Sciences, chair of the Economic Policy Committee of the Organization for Economic Cooperation and Development, and an adviser to the Congressional Budget Office. Yellen received a B.A. from Brown University and a Ph.D. from Yale University.

New Research Associates

Research Associate **Rania Antonopoulos** is an assistant professor of economics at New York University. She has two main areas of research interest: international competition and long-run determinants of foreign exchange rates, and gender and economics. The latter can be differentiated from the economics of gender in that it attempts to conceptualize the economy by incorporating gender as a key socioeconomic category within macro and micro theoretics. Antonopoulos recently joined Nilüfer Çagatay, Diane Elson, and Karen Grown as a co-principal investigator for Knowledge Networking and Capacity Building on Gender, Macroeconomics, and International Economics, a program funded by the Ford Foundation. She is currently investigating the gender dimensions of various indices of economic well-being. Antonopoulos received a Ph.D. in economics from New School University.

Research Associate **Korkut A. Ertürk** is an associate professor and chair of the economics department at the University of Utah. Ertürk's general research interests include monetary theory, economic growth and development, gender and development, mathematical modeling, political economy, and the history of economic thought. He has served as consultant to the Institute for Training and Research of Women, the Commonwealth Secretariat, and the Department of Social and Economic Affairs of the United Nations General Secretariat, and on the International Advisory Committee for the UNIFEM Biennial Report. Recent publications include "Revisiting the Old Theory of Cyclical Growth: Harrod, Kaldor *cum* Schumpeter" (*Review of Political Economy* 14:2, 2002), "Overcapacity and the East Asian Crisis" (*Journal of Post Keynesian Economics* 24:2, 2001–02), and *Rethinking Central Asia: Non-Eurocentric Studies in History, Social Structure, and Identity* (Ithaca Press, 1999). Ertürk received a Ph.D. in economics from the New School University.

New Title in the Levy Institute Book Series

The New Race Question: How the Census Counts Multiracial Individuals

Joel Perlmann and Mary Waters, eds.
New York: Levy Institute and the Russell Sage Foundation, 2002 (forthcoming)

Bitterly fought controversies surrounded U.S. censuses of the late 20th century, particularly the one of 1990, over population undercounts and possible adjustments. Census 2000 was equally controversial—yet Kenneth Prewitt, director of the Census Bureau during this enumeration, writes in *The New Race Question* that when historians look back on the census, the debates over undercounting will get only a footnote; the change in the race question, he predicts, will get a chapter. Indeed, the race question introduced in the 2000 census has opened the door to a new way of measuring and thinking about race. Allowing individuals to report identification with more than one race challenges long-held fictions and strongly defended beliefs about the very nature and definition of race in our society. This volume examines these monumental changes from a multidisciplinary perspective. The collected papers are the direct outgrowth of the September 2000 Levy Institute conference "Multiraciality: How Will the New Census Data Be Used?," organized by Perlmann and Waters. In addition to the organizers, contributors are Reynolds Farley; David Harris; Sonya Tafoya; Josh Goldstein and Ann Morning; Roderick Harrison; Nathaniel Persily; C. Matthew Snipp; Barry Edmonston, Sharon M. Lee, and Jeffrey S. Passell; Matthew Jacobson; Werner Sollors; Margo Anderson; Hugh Davis Graham; Melissa Nobles; Nathan Glazer; Peter Skerry; Jennifer Hochschild; Kenneth Prewitt; and Clyde Tucker, Steve Miller, and Jennifer Parker.

Event

CONFERENCE

"Economic Mobility in America and Other Advanced Countries"

October 18–19, 2002

Blithewood, Annandale-on-Hudson, New York

Organizer: Edward N. Wolff, *Levy Economics Institute* and *New York University*

The main aim of this conference is to take stock of the knowledge gained regarding the economic aspects of economic mobility, both over a lifetime and intergenerationally, and its relationship to inequality. Various indicators of mobility—using income, earnings, or consumption as their basis—will be examined and the ramifications of the findings on directions for public policy explored.

"Economic Mobility in America and Other Advanced Countries" represents the Levy Institute's commitment to research in the distribution of income and wealth and the quality of life. Levy Institute Senior Scholar Edward N. Wolff of New York University is coordinating the conference.

PRELIMINARY PROGRAM

FRIDAY, OCTOBER 18

8:30–9:00 a.m. CONTINENTAL BREAKFAST

9:00–9:15 a.m. WELCOME AND INTRODUCTION

Dimitri B. Papadimitriou, *President, Levy Economics Institute*

9:15–11:00 a.m. SESSION 1

Mobility in Economic Well-Being

CHAIR: Dimitri B. Papadimitriou

Jonathan D. Fisher and David S. Johnson, *Bureau of Labor Statistics*

"Consumption Mobility in the United States: Evidence from Two Panel Data Sets"

Conchita D'Ambrosio, *Università Bocconi* and *DIW Berlin*, and Joachim R. Frick, *DIW Berlin*

"Germans on the Move? Mobility in Well-Being in the 1990s"

DISCUSSANT: Thesia Garner, *Bureau of Labor Statistics*

11:00–11:30 a.m. BREAK

11:30 a.m. – 1:00 p.m. SESSION 2

Mobility in the Labor Market

CHAIR: Edward N. Wolff, *Levy Economics Institute* and *New York University*

Robert Haveman and Brian Knight, *University of Wisconsin, Madison*

"Effects of Labor Market Changes on Young Adult Employment, Labor Market Mobility, Living Arrangements, and Economic Independence: A Cohort Analysis"

Bruno Contini, *Laboratorio R. Revelli, Centre for Employment Studies*, and *University of Torino*

"Earnings Mobility and Labor Market Segmentation in Europe and the U.S.: Preliminary Explorations"

DISCUSSANT: Heidi Hartmann, *Institute for Women's Policy Research*

1:00–2:30 p.m. LUNCHEON

2:30–4:00 p.m. SESSION 3

Poverty over the Life Cycle

CHAIR: Ajit Zacharias, *Levy Economics Institute*

Thomas L. Hungerford, *Social Security Administration*

"The Persistence of Hardship over the Life Course"

Fotis Papadopoulos and Panos Tsakloglou, *Athens University of Economics and Business*

"Short-Term Poverty Dynamics in Europe: A Comparative Analysis"

DISCUSSANT: TBA

4:00–4:30 p.m. BREAK

4:30–6:00 p.m. SESSION 4

Intergenerational Income Mobility

CHAIR: TBA

Paul A. Johnson, *Vassar College*

"A Nonparametric Analysis of U.S. Intergenerational Dependence in Income"

Jo Blanden and Stephen Machin, *University College (London)* and *Centre for Economic Performance, London School of Economics*

"Cross-Country Comparisons of Changes in Intergenerational Mobility"

DISCUSSANT: Barbara Wolfe, *University of Wisconsin, Madison,* and *Levy Economics Institute*

6:00–9:00 p.m. RECEPTION AND DINNER

SATURDAY, OCTOBER 19

8:30–9:15 a.m. CONTINENTAL BREAKFAST

9:15–11:00 a.m. SESSION 5

Wealth Mobility I

CHAIR: TBA

Lisa A. Keister, *Ohio State University*

"Getting Rich in America: The Prevalence and Determinants of Wealth Mobility"

Richard H. Steckel, *Ohio State University,* and Jayanthi Krishnan, *Temple University*

"Wealth Mobility in America: A View from the National Longitudinal Survey"

DISCUSSANT: Ngina Chiteji, *Skidmore College*

11:00–11:30 a.m. BREAK

11:30 a.m. – 1:00 p.m. SESSION 6

Wealth Mobility II

CHAIR: TBA

Seymour Spilerman and Florencia Torche, *Columbia University*

"Wealth Transfers and Living Standards: A Comparison of Chile and Israel"

Jay L. Zagorsky, *Ohio State University*

"Wealth, Mobility and Race: A Longitudinal Study of U.S. Young Baby Boomers"

DISCUSSANT: Robert A. Margo, *Vanderbilt University* and *Levy Economics Institute*

1:00–2:30 p.m. LUNCHEON

2:30–4:00 p.m. SESSION 7

Earnings Mobility

CHAIR: Heather Boushey, *Economic Policy Institute*

Steven J. Rose, *ORC Macro International*

"Earnings Mobility: Determining What Measure to Use"

Jeffrey S. Zax, *University of Colorado, Boulder*

"Permanent, Transitory, and Life-Cycle Inequality"

DISCUSSANT: Jens Christensen, *Mount Holyoke College*

Publications

Publications by Levy Institute Scholars

VISITING SENIOR SCHOLAR
PHILIP ARESTIS

"The Bank of England Macroeconomic Model: Its Nature and Implications" (with M. C. Sawyer). *Journal of Post Keynesian Economics*, Summer 2002; "Conflict in Wage and Unemployment Determination in the U.K." (with I. Biefang-Frisancho Mariscal), in S. C. Dow and J. Hillard, eds., *Post Keynesian Econometrics, Microeconomics, and the Theory of the Firm: Beyond Keynes, Volume One.* Northampton, Mass.: Edward Elgar, 2002; "An Evaluation of the Tobin Transactions Tax" (with M. C. Sawyer), in S. C. Dow and J. Hillard, eds., *Keynes, Uncertainty, and the Global Economy: Beyond Keynes, Volume Two.* Northampton, Mass.: Edward Elgar, 2002; "Fiscal Policies in the Eurosystem" (with M. C. Sawyer), in Arne Heise, ed., *Neues Geld—alte Geldpolitik? Die EZB im Makroökonomischen Interaktionsraum.* Marburg, Germany: Metropolis-Verlag, 2002; "Third Way, New Labour, and the Challenges to Economic and Monetary Union Macropolicies" (with M. C. Sawyer). *Wirtschaft und Gesellschaft*, 2002.

SENIOR SCHOLAR
WALTER M. CADETTE

"How Stock Options Lead to Scandal," Op-ed, *New York Times*, July 12, 2002; "Health Care Finance: A Dysfunctional System." *Challenge*, September–October 2002.

SENIOR SCHOLAR
MALCOLM SAWYER

"The Bank of England Macroeconomic Model: Its Nature and Implications" (with P. Arestis). *Journal of Post Keynesian Economics*, Summer 2002; "An Evaluation of the Tobin Transactions Tax" (with P. Arestis), in S. C. Dow and J. Hillard, eds., *Keynes, Uncertainty, and the Global Economy: Beyond Keynes, Volume Two.* Northampton, Mass.: Edward Elgar, 2002; "Fiscal Policies in the Eurosystem" (with P. Arestis), in Arne Heise, ed., *Neues Geld—alte Geldpolitik? Die EZB im Makroökonomischen Interaktionsraum.* Marburg, Germany: Metropolis-Verlag, 2002; "Theory of Economic Dynamics: An Essay on Cyclical and Long-Run Changes in the Capitalist Economy," in X. Greff, J. Lallemont, and M. de Vroey, eds., *Dictionnaire des Grandes Ouvres Economiques.* Paris: Editions Dalloz, 2002; "Third Way, New Labour, and the Challenges to Economic and Monetary Union Macropolicies" (with P. Arestis). *Wirtschaft und Gesellschaft*, 2002.

RESEARCH ASSOCIATE
WILLEM THORBECKE

"Budget Deficits, Inflation Risk, and Asset Prices." *Journal of International Money and Finance*, August 2002.

HEAD OF INFORMATION SERVICES
GWYNETH H. CROWLEY

"User Perceptions of the Library's Web Pages: A Focus Group Study at Texas A & M University" (with Rob Leffel, Diana Ramirez, Judith Hart, and Tommy S. Armstrong II). *The Journal of Academic Librarianship*, July–August 2002.

Recent Levy Institute Publications

WORKING PAPERS

The Monetary Policies of the European Central Bank and the Euro's (Mal)Performance: A Stability-Oriented Assessment
Jörg Bibow
No. 338, September 2001

Uncertainty, Conventional Behavior, and Economic Sociology
Jörg Bibow, Paul Lewis, and Jochen Runde
No. 339, September 2001

Incentives in HMOs
Martin Gaynor, James B. Rebitzer, and Lowell J. Taylor
No. 340, October 2001

Israeli Attitudes about Inter Vivos Transfers
Seymour Spilerman and Yuval Elmelech
No. 341, November 2001

A Note on the Hicksian Concept of Income
Ajit Zacharias
No. 342, February 2002

Poles and Italians Then, Mexicans Now? Immigrant-to-Native Wage Ratios, 1910 and 1940
Joel Perlmann
No. 343, February 2002

Dollarization: A Dead End
Alex Izurieta
No. 344, March 2002

The "Third Way" and the Challenges to Economic and Monetary Union Macropolicies
Philip Arestis and Malcolm Sawyer
No. 345, May 2002

CRA's 25th Anniversary: The Past, Present, and Future
Kenneth H. Thomas
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What has Happened to Monetarism? An Investigation into the Keynesian Roots of Milton Friedman's Monetary Thought and Its Apparent Monetarist Legacies
Jörg Bibow
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Asset Prices, Liquidity Preference, and the Business Cycle
Korkut A. Ertürk
No. 348, June 2002

State Policies and the Warranted Growth Rate
Jamee K. Moudud
No. 349, July 2002

POLICY NOTES

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The War Economy
James K. Galbraith
2001/8

Hard Times, Easy Money? Countercyclical Stabilization in an Uncertain Economy
Robert E. Carpenter
2001/9

Are We All Keynesians (Again)?
Dimitri B. Papadimitriou and L. Randall Wray
2001/10

Kick-Start Strategy Fails to Fire Sputtering U.S. Economic Motor
Wynne Godley
2002/1

PUBLIC POLICY BRIEFS

The Future of the Euro
Is There an Alternative to the Stability and Growth Pact?
Philip Arestis, Kevin McCauley, and Malcolm Sawyer
No. 63, 2001 (Highlights, No. 63A)

Campaign Contributions, Policy Decisions, and Election Outcomes
A Study of the Effects of Campaign Finance Reform
Christopher Magee
No. 64, 2001 (Highlights, No. 64A)

Easy Money through the Back Door
The Markets vs. the ECB
Jörg Bibow
No. 65, 2001 (Highlights, No. 65A)

Racial Wealth Disparities
Is the Gap Closing?
Edward N. Wolff
No. 66, 2001 (Highlights, No. 66A)

The Economic Consequences of German Unification
The Impact of Misguided Macroeconomic Policies
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