
Report

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At a Levy Institute symposium to discuss the question "Is there a shortage of information technology workers?" George M. Fishman, House Committee on the Judiciary; Robert D. Atkinson, Progressive Policy Institute; and Daniel T. Griswold, Cato Institute, propose directions for policy.

- The federal government can craft a policy to guarantee the "right to employment" for all, argue Dimitri B. Papadimitriou, L. Randall Wray, and Mathew Forstater.
- Senator Daniel Patrick Moynihan says Social Security should return to a pay-as-you-go system that allows participants to invest part of their contribution in a savings plan.
- S Jay Levy and Walter M. Cadette propose a plan to make it less expensive for state and local governments to invest in infrastructure.
- Welfare-to-work programs may have succeeded in moving people off the welfare rolls, but they may also have reduced some recipients' chance for a better job and higher income down the road, argues Thomas Karier.

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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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Symposium on Employment Policy and Labor Markets

Is There a Shortage of Information Technology Workers?

America's information technology companies are among those pushing hard for changes in immigration policy. Claiming that there are not enough American workers skilled in information technology, these companies have been filling jobs with high-skilled immigrants who are allowed into the United States under a visa program known as H-1B. But this program limits the number of high-skilled immigrants to 65,000 annually, and the cap has already been reached for 1998. Information technology companies argue that without an increase in the cap jobs will be left unfilled and work will be left undone, which will reduce productivity in this sector and eventually put a drag on overall economic growth.

But is there really a shortage of qualified Americans for these high-skill, well-paying jobs? If there is, then is increased immigration the answer to the shortage? These questions were the focus of a symposium on employment policy and labor markets that was held on June 12 at Blithewood. Summaries of remarks by the participants follow.

Session 1. How Do We Define and Count Technology Workers and Technology Occupations?

The first session was moderated by **Frances M. Spring**, Levy Institute assistant director. Participants were **John Sargent**, senior technology policy analyst, Technology Administration, U.S. Department of Commerce; and **Carlotta Cooke Joyner**, director, Education and Employment Issues, Health, Education, and Human Services Division, U.S. General Accounting Office.

The first step toward determining if there is a shortage of information technology workers, Sargent said, is to identify these workers. The Bureau of Labor Statistics (BLS) defines them as workers who fall into one of three categories: computer scientists and engineers, systems analysts, and computer programmers. Using the BLS definition, the Commerce Department did a study of employment in the information technology sector and found that there has been tremendous growth in jobs. From 1988 to 1996 jobs in the sector grew 133 percent, compared to 12 percent for all jobs, but many of these jobs are going unfilled. Commerce Department research could not determine whether these vacancies are due to a shortage of high-skilled workers or an inability of employers to connect with potential employees. Sargent suggested three policy approaches to address these possible causes: train people for currently vacant jobs to relieve the short-term problem; reform the educational system to upgrade math and science skills in order to provide workers for the long term; and develop programs that help link employers and employees.

Joyner took issue with Sargent's suggestions on the ground that it has not been proven that a shortage of information technology workers exists and more data should be collected before solutions are proposed. The U.S. General Accounting Office found that the Commerce Department's research had analytical and methodological weaknesses that undermine its credibility. Research must be done to determine if there really is a shortage of information technology workers and, if so, in what categories. For example, there may be no shortage of computer programmers, but jobs for computer scientists may be going unfilled.



Carlotta Cooke Joyner, director, Education and Employment Issues, Health, Education, and Human Services Division, U.S. General Accounting Office

Session 2. Estimates of the Current Stock and Future Demand for and Supply of Technology Workers

Frances M. Spring moderated the session. Participants were **Lauren Brownstein**, Workforce Education Program manager, Information Technology Association of America; **Robert I. Lerman**, director, Human Resources Policy Center, Urban Institute, and professor of economics, American University; and **John H. Bishop**, chair, Department of Human Resource Studies, New York State School of Industrial and Labor Relations, Cornell University.



From right to left, Lauren Brownstein, Information Technology Association of America; John H. Bishop, New York State School of Industrial and Labor Relations, Cornell University; John Sargent, Technology Administration, U.S. Department of Commerce; and a member of the audience

Brownstein said the members of the Information Technology Association of America (ITAA), which represents nearly 11,000 companies in the information technology sector, are reporting a serious shortage of qualified workers. An ITAA survey of members found that there is about a

10 percent job vacancy in the industry, which is being reflected in rising wages and bonuses. To deal with the shortage, the ITAA has proposed means to broaden the pool of available, qualified labor. For example, it encourages businesses to invest in worker training, especially for women, minorities, older workers, and the disabled, and to work with schools to develop information technology training programs. It also suggests that government should support regional skills alliances that allow smaller businesses to pool resources to develop training programs; provide tax incentives for businesses to invest in worker training; promote school-to-work programs; and raise the cap on the H-1B visa program.

According to Lerman, it may be true that the job market for information technology workers is tight, but other job markets, such as the health field, are also tight. Demand for high-skilled workers in general is rising because job growth has surpassed the growth in the number of Americans who have more than a high school education. If information technology companies are facing a shortage, they should invest in worker training and offer more pay to lure high-skilled workers from other industrial sectors. There is no need for government intervention to "save" the information technology industry. As a long-term solution to the shortage problem, companies can work more with schools and colleges to set up training programs and encourage students to gain the skills needed in the industry.

Bishop warned that government must be careful in adopting policies to address a perceived shortage of workers in the information technology industry. Any policy that is adopted cannot be easily reversed should predictions turn out to be false. The increase in information technology jobs is already far greater than the Bureau of Labor Statistics had ever predicted, which indicates how difficult it is to determine whether more or fewer of such workers will be needed in the future. Even if there is a worker shortage today, there might not be one in the future. It is likely that college students, seeing the job possibilities, will themselves solve the problem by majoring in information technology-related fields. If government wants to adopt employment policies, it should focus on helping those at the bottom--the low-skilled workers--find jobs and make more money.

Session 3. Short- and Long-Term Directions for Policy

Moderator for this session was **Dimitri B. Papadimitriou**, Levy Institute executive director. Participants were **Robert D. Atkinson**, director, Technology, Innovation, and the New Economy Project, Progressive Policy Institute; **Daniel T. Griswold**, associate director, Center for Trade Policy Studies, Cato Institute; and **George M. Fishman**, chief counsel, Subcommittee on Immigration and Claims, Committee on the Judiciary, U.S. House of Representatives.

Atkinson said we are on the verge of a technical revolution and can expect the increasing demand for high-technology workers to continue. If this demand is to be met, more people must be trained in information technology fields, but not just anyone can be trained. Because people must have a certain level of skill to begin with, the long-term solution to meeting the demand is reform of primary school education. Atkinson said there should be national education standards, promotion of charter schools, and increased competition among schools. As a short-term

measure, the government should consider raising the cap on the H-1B visa program, but only temporarily. For the longer term, it should support regional skills alliances among businesses. Also, information technology companies should get more involved in training by participating in regional skills alliances and working with schools and colleges.

Griswold asserted that the evidence clearly shows there is a shortage of information technology workers, and he places part of the blame on government, specifically, on the H-1B program. The arbitrary limit of 65,000 high-skilled immigrants can only serve to weaken the economy, and a shortage of workers is causing some information technology companies to place projects on hold. Griswold advocated eliminating the visa cap as a way to get projects back on track. High-skilled immigrants fill job vacancies and are often the workers who develop innovations or start new companies that eventually employ hundreds. If the eventual goal of government is to place more Americans in these high-skill jobs, then the educational system must be reformed to create more competitive and efficient schools.

Fishman said it is not yet clear whether or not there is a shortage of information technology workers, and it is even less clear whether or not there will be a shortage in the future. Because of these uncertainties many members of Congress are concerned about raising the H-1B visa cap without providing protection for American workers. Even if there is a worker shortage now, it is possible that in the next few years many Americans will receive the training needed for these jobs, thus eliminating the shortage. For this reason, it has been proposed in the House of Representatives that those who receive an H-1B visa must renew it every three years. This gives government the option of reducing the number of high-skilled immigrants granted visas should the number of Americans trained for these jobs increase within the next few years. It has also been proposed that employers be made subject to restrictions to provide protection for American workers. These restrictions would require that employers first try to hire an American worker before hiring a worker through the H-1B visa program and that they not lay off an American with similar skills in order to hire an immigrant. Fishman predicted that the H-1B cap will be raised, but was not certain that these time and employment restrictions would be adopted.

Editor's Note: More complete summaries of the participants' remarks will be published in the symposium proceedings. To order, contact the Levy Institute as directed on the ["How to Order"](#) page in the "About the Institute" section.

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Editorial

Toward Full Employment without Inflation: The Job

Opportunity Program

By Dimitri B. Papadimitriou, Executive Director; L. Randall Wray, Senior Scholar; and Mathew Forstater, Visiting Scholar

For at least the past two or three decades, monetary policy has chosen unemployment as a means of achieving price stability in the belief that low inflation is incompatible with low unemployment. Recently, however, the U.S. economy appears to have approached what many believe to be "full employment" with low and stable inflation. This condition coincides with deficit reduction and with U.S. implementation of a "welfare reform" that seeks to force recipients off assistance through setting time (and other) limits on eligibility, while leaving it to individual states to try to find employment for these individuals, a task they are unable--even if they are willing--to shoulder. Failure to find employment leaves individuals without a means to provide for themselves and their families. This development is part of an overall trend toward the dismantling of the social safety net that has traditionally protected the most vulnerable segments of the population against the economic and other hardships that result from being unable to find a job.

We are faced with two important questions with regard to unemployment. If we are to believe the pundits who claim we have finally reached "full employment," is 6.2 million unemployed--and other millions out of the labor force--the best we are capable of achieving in the "best of times"? Are we prepared to deal with the sudden surge in unemployment and poverty that will occur should we enter a serious economic downturn?

During the Great Depression unemployment was combated through direct job creation by the federal government. These programs were discontinued with the economic recovery that accompanied U.S. entry into World War II. After the war the Murray-Wagner Full Employment Bill was put forward as an attempt to establish once and for all that the federal government would guarantee full employment. The bill passed overwhelmingly in the Senate, but failed to make it through the House. Compromise resulted in the Employment Act of 1946, in which the "guarantee" of "full employment" was replaced with the "promotion" of "maximum employment."

In the postwar era the promotion of maximum employment failed to live up to the ideal expressed by FDR in his 1944 State of the Union address (and codified by the United Nations in its Universal Declaration of Human Rights) that the "right to employment" is a fundamental human right. So ingrained is the notion of a trade-off between price stability and full employment that virtually all economists and policymakers agree that an official unemployment rate of even 5 percent is too inflationary. They are willing to adopt economic measures that force millions of individuals who are ready, willing, and able to work into a "reserve army" of unemployed labor in the belief that the existence of this army is a means by which price increases can be controlled.

If we are to uphold the "right to employment," we must craft a policy alternative--one that provides jobs for those who are willing and able, but does not interfere with the micro-decisions of individual employers; one that does not rely on the failed approach of "fine-tuning" aggregate demand; one that is not inflationary; one that can keep millions out of poverty in the face of an economic recession; and one that is consistent with the American value that socially productive work is superior to income maintenance.

That the situation calls for bold measures has been recognized by scholars across the theoretical and political spectrum. These include a wage subsidy program and a work sharing program. Edmund Phelps, economics professor at Columbia University, in a plan that has received considerable attention, proposes that employment of low-wage, lower-skill workers be subsidized by the federal government. He estimates that the initial cost of the program would be about \$125 billion--a high price tag for a plan that cannot guarantee full employment. In addition to the question of the effectiveness of the subsidies, it is possible that employers will seek to substitute subsidized workers for those currently employed. Another employment strategy that has gained substantial currency, especially in Europe, is a work sharing program. The program would limit the number of work hours of presently employed individuals and bring in others to share the same amount of work, keeping the amount of work equal to that needed for the present level of GDP.

The late Levy Institute Distinguished Scholar Hyman P. Minsky was skeptical of full employment plans based on subsidies, which he believed were liable to result in inflation, financial crisis, and serious instability. Minsky proposed an alternative employment strategy, called an "employer of last resort policy." Under this plan, the government could provide a job guarantee without the inflationary pressures and structural rigidities usually associated with full employment. Phil Harvey, associate professor at Rutgers School of Law, who supports a similar plan, calculated the annual net cost of such a program for an earlier high unemployment period to be about \$20 billion, without accounting for some significant benefits likely to result. The late Wendell Gordon, professor of economics at the University of Texas at Austin, estimated the annual net cost of a similar plan for a more recent period to be approximately \$41 billion.

We offer here an overview of a plan based on Minsky's work that provides even greater theoretical support for government guaranteed-job assurance. We call our program a job opportunity program rather than a job guarantee program. We propose that the government guarantee that a job will be offered to all who are ready, willing and able to work. However, we do not propose that the government would be unable to fire those who do not meet reasonable performance standards. The plan consists of two components. The first, a public sector employment program, guarantees the right to employment. The second, a program wage that is set exogenously, protects against pressure on wages that would result in cost-push inflation.

The first component of the plan is relatively simple. The government announces the wage at which it will hire anyone who wants to work in the public sector and then hires all who seek employment at that wage. Normal public sector employment remains a vital and separate part of

the public sector and is not affected by the job guarantee program. This component of the plan will, as a matter of logic, eliminate all involuntary unemployment by providing jobs for every person ready and willing but unable to find work in the private sector. Certainly, there will still be many individuals who remain unemployed. Some will be unwilling to work for the government at any wage; some who are between jobs will prefer to remain unemployed while looking for another job; and so on. But any person willing and able to work will have the opportunity to do so. In other words, involuntary unemployment will be zero.

One result of the plan is that much social spending that is targeted to the unemployed can be eliminated or reduced. For example, unemployment compensation, which currently provides some income replacement for some of the unemployed, could be eliminated. Some forms of social spending, such as general assistance, Aid to Families with Dependent Children, and food stamps, could be reduced. Obviously, the job opportunity program cannot replace these programs entirely; many individuals receiving such assistance are not (and probably could not be) in the labor force. Exactly who would be forced out of these programs and into the job opportunity program is a subject of social policy, but is beyond the scope of this article. Unlike "welfare-to-work" schemes, the job opportunity is voluntary, it ensures a job is available, and there are no lifetime limits. Funding comes from the federal government, but it can be administered by state and local governments.

For current levels of unemployment, the net cost of the program is estimated at \$25 billion to \$50 billion. The budgetary effects of the plan are quite small, relative to the size of the federal budget, the size of the deficit, and the size of GDP. In addition, this estimate excludes a number of indirect benefits likely to result from the program, such as decreases in the social costs of unemployment (for example, decreased criminal activity and physical and mental health problems) and the benefits of some public sector projects (for example, environmental protection and improvements in infrastructure).

An important question, however, concerns the impact of the program on aggregate demand. Will full employment increase aggregate demand enough to bring about accelerating demand-pull inflation? Alternatively, can aggregate demand increase sufficiently with the additional government deficit spending without generating inflation? The answer is easy to obtain.

The fact that public plus private sector spending now provides a level of employment that leaves 7 million workers involuntarily unemployed is evidence that aggregate demand is too low. If aggregate demand were higher, the population would be spending more and creating more jobs for the unemployed; indeed, existence of involuntarily unemployed workers is de facto evidence that aggregate demand is below the level required for full employment. This means that the government can safely increase its deficit spending for this program, lowering unemployment and increasing aggregate demand. So long as additional government deficit spending does increase employment, this is evidence that aggregate demand was below the full employment level.

The job opportunity program is designed to ensure that the deficit will rise only to the point at which all involuntary employment is eliminated. Once there are no workers willing to accept a guaranteed job, the deficit will not be increased further. Thus, the design of the plan guarantees that the deficit will not become excessive; that is, it will not cause aggregate demand to increase beyond the full employment level. The program does not preclude aggregate demand fine-tuning of the guaranteed job pool. Changes in taxation and the level of government expenditure can be used to increase and decrease its size. This should eliminate the fear that a full employment policy must necessarily generate demand-pull inflation. However, it can still be objected that full employment will generate cost-push inflation by placing pressure on wages and thus costs and prices. This leads to the second component of the plan: exogenous wage setting by the government.

The price paid by the government for guaranteed employment is to be exogenously set. What are the implications for prices and wages? Clearly, being a fixed price, the program's wage is perfectly stable and sets a benchmark price for labor. True, most low-wage jobs that pay less than the program wage before the program is implemented will experience a one-time increase of wages (or will disappear altogether). Employers will be forced to cover the higher labor cost through a combination of higher product prices, greater labor productivity, and lower realized profits. Thus, some product prices will experience a one-time jump as the job opportunity program is implemented. This, however, is not inflation nor can it be accelerating inflation, as these terms are normally defined by economists.

Additionally, recent research has tended to place a high rate of "depreciation" on idle human capital. The productivity of workers falls quickly when they are unemployed, and beyond some point they may become unemployable (due, for example, to loss of the "work habit"). With the job opportunity policy, however, those who are not employed in the private sector continue to work, and thus skills will not depreciate so quickly. Thus, a program that keeps people working might actually enhance the human capital of the job opportunity pool. This would reduce the productivity-adjusted cost of hiring out of this pool relative to unemployed workers and thereby diminish inflationary pressures.

Opponents of a job opportunity program argue that it could be inflationary in the sense that it could generate continuous pressure on wages and prices. It is unlikely that full employment under such a program would be more inflationary than the current system. The current system pays people for not working, allows human capital to depreciate, and results in high economic and social costs associated with unemployment. In addition, while income maintenance programs increase aggregate demand without increasing aggregate supply, the job opportunity program increases both aggregate supply and aggregate demand, placing less pressure on prices.

Also, because unemployment compensation might no longer be needed, there would be no need for experience-rated unemployment insurance taxes on firms. This means that firms that typically have a volatile demand for labor (those subject to seasonal or cyclical demand) would experience a reduction of overall labor costs, which would tend to offset some of the higher wage costs. Thus, even the one-time jump of wages and prices might be quite small.

There is reason to believe that subsidizing employment in the private sector, if successful in substantially increasing employment, will result in the inflation and sluggish growth associated with tight labor markets and structural rigidities. The job opportunity solution provides an alternative policy approach that ensures full employment while retaining system flexibility and stability. Such an approach also will be relatively inexpensive and may even pay for itself. Job opportunity employment will preserve and even enhance the productivity of the "reserve pool" of guaranteed job holders, while potentially providing valuable public services, including those that reduce social and environmental costs. Only an infinitely elastic demand for labor can guarantee full employment without setting off a wage-price spiral, and only direct job creation by the government can provide such elastic demand.

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The Levy Report Interview

Senator Daniel Patrick Moynihan Discusses Social Security, Tax Reform, Income Inequality, and Trade



Senator Daniel Patrick Moynihan (D-N.Y.) has a long history of government service. He held a cabinet position in four successive administrations, those of Kennedy, Johnson, Nixon, and Ford. He was ambassador to India from 1973 to 1975 and representative to the United Nations from 1975 to 1976. Elected to the Senate in 1976, he is currently the ranking minority member of the Senate Committee on Finance and also serves on the Senate Committee on Environment and Public Works, the Senate Committee on Rules and Administration, the Joint Committee on Taxation, and the Joint Committee on the Library of Congress. Moynihan has a Ph.D. from Tufts University's Fletcher School of Law and Diplomacy, he is the author of many books on politics and public policy, and he is a member of the Board of Advisors of the Levy Institute. On May 19 he spoke with Sanjay Mongia, Levy Institute assistant director/Washington liaison. In the following excerpt from their discussion, Moynihan comments on his proposals for reform of the Social Security system, tax code reform, welfare, and trade.

Mongia: Your Social Security proposal has been widely viewed as both reasonable and politically viable. What are the principal distinguishing features of your plan?

Moynihan: My Social Security proposal has three essential points. The first is to return to a pay-as-you-go system. In 1977 we went to a partially funded system with no real thought about what we would do with the surplus. For the longest while Social Security was the domain of a closed company in Washington--people who had been present at the creation of the system. Robert J. Meyers, a wonderful man, arrived in Washington in 1934 and he is still here. He served as the actuary and examined the demographics and other factors. This group put a pay-as-you-go system in place, but they decided in 1977 to go to a partially funded system. Returning to pay-as-you-go will allow us to provide a guaranteed annuity.

The second essential feature is to give Social Security participants (beneficiaries) the option to take 2 percent--which is the amount by which we are reducing the payroll tax [from 12.4 percent to 10.4 percent]--of their mandatory contribution and put it into a thrift savings plan. We have a lot of experience with this, unlike in 1935, when owning stocks was limited to a select group of people. Now, about half of American households have some kind of equity, and the federal retirement system has a thrift savings plan through which you can opt to put up to 10 percent of your pay into government bonds, commercial bonds, or the stock index. Eighty-three percent of the people who have this option are exercising it, and it causes no problems.

One of the problems with Social Security is that it is out of touch with its constituents. The majority of nonretired adults now think they will not get Social Security. Of course, if you don't think you are going to get it, it won't be hard to take it away. I spent 20 years trying to get the Social Security system to send an annual personal earnings and benefits estimate to every American. The largest cost would be the stamps. But it would be an important signal that we know your name, we know your address, we know how much you made last year, we know what you contributed, and we promise you a defined level of benefits. Banks do this once a month. Doing this annually with Social Security would make people feel they have a connection with the system and would reassure the average worker that he or she will have some wealth at the end of the day. What we don't want to do, as many have suggested, is have the federal government invest this money because no matter how much one believes that we are going to insulate it from politics, it won't stay insulated. If the federal government owns a quarter of the stock market, God have mercy. But our proposal incorporates a perfectly decent arrangement.

Third, and most important, is to correct the consumer price index. Former Senator Packwood and I appointed a good panel, headed by Michael Boskin, and it came up with a perfectly reasonable estimate that the present consumer price index overstates inflation by approximately 1.1 percent per year. Among those in government, there is no argument on the overstating of inflation.

Mongia: How do you respond to critics who charge that even partial privatization of Social Security undermines the principle of universal support for a collective social insurance program?

Moynihan: I respond by restating that we are maintaining the basic annuity and giving people--not everybody, but a surprisingly large number of people--a chance at an estate. When they

retire, they will end up with a Social Security annuity and, for example, a retirement benefit from the TIAA, if they've chosen that particular stock. The prospect of having three or four income streams will make having the option to invest in a thrift savings plan popular.

Mongia: Do you agree with the president's proposal to dedicate the federal budget surplus to bolster Social Security? Also, are you concerned that a temporary or band-aid solution to Social Security's problems may lead to a false sense of security and complacency, which would then delay the type of reform that you endorse?

Moynihan: At this time we have a surplus in the Social Security Trust Fund; it takes in more money than it pays out. We can go on to about 2013, so we have another 14 years of a surplus in the fund. So what on earth are they [members the Clinton administration] talking about? The answer is they don't know what they are talking about.

Mongia: Republicans suggest that the federal budget surplus be used to finance a sizable tax cut. As a member of the Finance Committee, what do you recommend be done with the budget surplus?

Moynihan: Not a thing! Pay down the debt. I think your colleagues at the Levy Institute would agree that if we have one troubling economic indicator, it is our savings rate. The United States now has the lowest savings rate in the OECD. There is a direct inverse relationship in that every dollar in reduced public debt leads to a dollar increase in output.

Mongia: The Finance Committee recently focused public attention on IRS abuses with the declared intent of making the IRS a more consumer-friendly tax-collecting body.

Moynihan: And we did it with a 500-page bill.

Mongia: Nevertheless, it was a political coup.

Moynihan: Yes, but either we really get serious about simplifying the tax code or come clean with the public that these modest reforms to the IRS are just that--very modest.

Mongia: Each proposal for restructuring the tax code proclaims a different objective, be it a progressive rate structure, fairness for taxpayers, simplicity, or protection of the revenue base. What should be the principles of any effort to overhaul the tax code, and are the objectives I cited mutually exclusive?

Moynihan: Most of them are. The flat tax has a little bit of a flat earth quality to it. We have a complex society and we're going to have a reasonably complex tax code, but it need not be an impenetrable one. In the Tax Reform Act of 1986 we did a good job. The base was broadened, rates were lowered, and a lot of stuff (exemptions and deductions) was cleansed.

Mongia: In lieu of a pure flat tax, do you see any momentum for a single-rate tax that exempts the first \$35,000 or so of income and eliminates all exemptions and deductions except for, say, mortgage interest and charitable contributions?

Moynihan: You could be able to move in that direction. It may be doable because you can exempt an awful lot of low-income people from federal taxes and make it simple for the rest. We probably would be thanked by everyone but the lawyers, but don't ever underestimate the lawyers.

Mongia: In the midst of general prosperity and what is widely hailed as the best economy in generations, the disturbing pattern of widening income inequality continues unabated. Do you believe that widening inequality may actually be a natural outcome in a mature capitalist state?

Moynihan: I have to assume that it is. Even as we hire more people, there is an increasing reward for specialized skills. Couple that with the ongoing accumulation of capital, and you are going to get a wider range [of income and wealth]. Furthermore, with half the households having two earnings and the other half having no earning, you get much more dispersion of income and wealth. About a third of households are now headed by single parents, and they are going to be low-income households.

Mongia: Is redistribution of income or wealth an appropriate function of government?

Moynihan: I have always been for it, but I found myself very much alone two years ago when we repealed Title IVa of the Social Security Act, which was the provision for widows and children. Another thing to keep in mind with Social Security: Only 62 percent of the recipients of Social Security are retired, and the rest are receiving survivors' and disability benefits.

Mongia: During the debate over welfare reform in 1996, you stated that supporters of the new welfare law were punishing innocent children, and they would go to their graves in shame for this offense. Do you stand by that statement?

Moynihan: Oh, I hope I didn't quite say that, but I think I did. Well, that was during the floor debate in the Senate. To measure the effects of the new welfare law, you are just going to have to wait until the five-year cutoff is officially implemented. Ten years after that, we will know a lot about the impact of the welfare law.

Mongia: Were the warnings issued by critics of the welfare reform overstated?

Moynihan: There weren't that many critics. It may be that this new legislation is going to work and there is really nothing to worry about. I doubt it. But if there is really something to worry about, we are going to awaken in 10 or 15 or 20 years and find just an extraordinary number of dependent children with very little real wealth. Fifty-two percent of the children born in New

York City are out-of-wedlock. There is no social experience of this kind; nothing like this has ever happened in the world and we're not alone in observing this trend. The British, Canadians, and French are all going through it to varying degrees.

Mongia: Let's move to the international arena and discuss trade. Both the NAFTA and the fast track debates highlighted the gulf between those who endorse unencumbered free trade and those who favor linking labor and environmental accords with trade.

Moynihan: The architects of reciprocal trade agreements more than a half century ago taught me a very important lesson: The issue of free trade and liberalization was not a matter of improving living standards; it was a matter of avoiding another world war. If you make a list of five things that led to World War II, you have to include the Smoot-Hawley tariffs.

We tend to forget just how much labor standards have always been connected with trade. In the late nineteenth century the idea grew up that if you raised labor standards in your country, you put yourself at a trade disadvantage. Therefore, the thing to do was to have international labor treaties that had universal participation. Bismarck convened the first labor conference, after which the International Labor Organization was created in January 1919. At a series of meetings and conferences held since 1919, the ILO has developed a set of core labor standards: the right to organize and bargain, freedom of association, nondiscrimination against women, prohibition of child labor, and so forth. But the one thing lacking in the ILO as a system is inspection. You can almost make the point that there is an inverse ratio between the number of ILO conventions that a country has signed and its actual level of labor standards. Inspections need to be part of international agreements.

Mongia: Some observers believe that free trade can serve as a carrot and give us some leverage on peripheral issues. Might unilateral sanctions be appropriate and effective as punitive instruments in reforming the behavior of nations such as Cuba, China, and India?

Moynihan: Marginally, but not really. After India's peaceful nuclear explosion in 1974, I called on Prime Minister Indira Gandhi to say that I wished it hadn't happened. She said if there was going to be a comprehensive test ban treaty and it was nondiscriminatory, then India would discuss it. In this last go-round [India's recent series of nuclear tests], I have been repeatedly asked on television to explain why the Central Intelligence Agency or the State Department didn't anticipate this and alert the Congress. Well, the intelligence community merely should have learned to read. The manifesto of the BJP [Bharatiya Janata Party] condemned the state of nuclear apartheid and explicitly signaled that India might exercise the nuclear option. Incidentally, Prime Minister Bhutto [of Pakistan] in 1974 declared that "We are willing to eat grass" until we get nuclear weapons. The need to protect national security is a much more primal matter than most commentators recognize.

The United States has said that the arrangements that were in place in 1958 are now the permanent arrangements for the rest of time, and that isn't practical. India is not a rogue state

about to rain missiles on unsuspecting neighbors; it rightly belongs in the club of declared nuclear powers. There are countries that have regimes that we wouldn't want to see have a nuclear capacity, but India is not among them.

Mongia: Finally, lawmakers are experiencing a modest boost in public opinion, but that's largely attributed to a strong economy. What can lawmakers do to restore public confidence and trust in government and other large institutions?

Moynihan: We don't know. We have much higher levels of public confidence than most institutions in most countries. We are remarkable in that respect. The founders of this nation and authors of the Constitution were asked, "What makes you think that this republic is going to last, given the test of the fugitive existence of earlier republics?" The founders replied by declaring that we simply have a new science of politics. We do not think men are virtuous, but rather we think that they are grasping and self-interested and, plainly speaking, not altogether attractive. But if you can arrange a system of checks and balances in which the interests of one are offset by the interests of another, you can come to some kind of accommodation. That idea, of course, assumes a great deal of distrust and even animosity, but look at the stability that has emerged. The oldest constitutional government, aside from the British, and no signs of crumbling yet! We are doing well as we move into our third century.

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New Working Papers

The Hierarchy of Money

Stephanie Bell

Working Paper No. 231

Economists who study the function and origin of money generally fall into two schools of thought. Metallists view money as a medium of exchange that was created by the needs of the market. Precious metals were first used because they had value themselves and they were a convenient form of exchange. Chartalists view money as a unit of account and a means of payment. It is a creation of the state, not the market. It is valuable not because of what it is made of or what it can obtain, but because it is the means by which obligations to the state, such as tax obligations, can be settled.

Cambridge University Visiting Scholar Stephanie Bell argues for the Chartalist view. She finds support for the Chartalist position in the writings of Adam Smith, Friedrich Knapp, John Maynard Keynes, and Hyman P. Minsky. All four of these theorists argued that the state had the

power to demand payment from its citizens and the power to determine the unit and means for making these payments. Minsky argued that it is precisely because the state does demand payment from citizens, usually in the form of taxes, that money is created. Citizens must work to acquire that which the state demands in payment of taxes. The Chartalist view holds that money is created when one party agrees to hold the debt of another. And Minsky argued that money is created because private individuals agree to hold the debt of the state. Money, he said, is thus both an asset and a liability. Therefore, it should be treated as a balance-sheet operation.

Since money is a promise to pay, anyone can create money, but not everyone can get his or her money accepted. What makes money acceptable is its convertibility into the promise to pay of someone higher in a hierarchy or pyramid of debt. What is accepted by the state in payment of taxes is the money at the top of the pyramid. Bank money follows on the second tier because the state is willing to guarantee that bank deposits will be accepted on par with state money. This makes bank money highly acceptable by society. Third-tier money is that which is issued by firms in the form of stocks and bonds. These are less secure than state or bank money; their value can change over time and they are not as liquid as bank money. On the bottom tier is household money, that is, promises by households to pay their debts, such as credit cards.



The Asian Disease: Plausible Diagnoses, Possible Remedies

Martin Mayer

Working Paper No. 232

Martin Mayer, author and Brookings Institute visiting scholar, finds in the current Asian crisis a clear case of Hyman P. Minsky's financial instability hypothesis. Minsky argued that economic booms cause both lenders and borrowers to take risks they otherwise would not. Such risk taking results in financial instability as borrowers seek access to cash to finance the acquisition of additional capital goods and lenders willingly provide it. Any shock to the system can easily push borrowers into insolvency. Mayer notes that Minsky's hypothesis was not widely accepted among economists because there was no historical case that fit the theory. This is no longer the case because the Asian crisis does fit the theory.

The economic euphoria that Minsky saw as a precursor to financial instability was clearly evident in Asia. Capital flowed into the region as investors sought to gain from the "Asian miracle." Mayer argues that Asian governments bear much of the responsibility for the risk taking that occurred. Few governments believe that they can afford to let their banking system fail and most will intervene to save it. As a result, central banks played a key role in creating moral hazard--investors and banks took big risks because they knew that ultimately governments would step in and bail out the banks, saving the investors as well.

Also contributing to financial instability in the region was the use of interest rates by central

banks to manage the value of their nation's currency. In an integrated system, such as that in Asia, an international money market cannot operate efficiently when interest rates in one currency are higher than those in another but the nations maintain pegged exchange rates. Such a situation leads to large volumes of currency flows from low-interest nations to high-interest nations.

Mayer offers several suggestions for dealing with a crisis such as that in Asia. One is to create some sort of authority that has the power to force creditors to wait it out. He also suggests changes in the banking system that would end short-term interbank lending, create an international system to monitor interbank lending, and increase transparency and market discipline.



Public Capital and Economic Growth: Issues of Quantity, Finance, and Efficiency

David Alan Aschauer

Working Paper No. 233

In recent years economic researchers have delved into the question of whether or not it pays for governments to invest in public capital in order to increase the quantity of such capital and stimulate economic growth. Much of this research indicates that investments in public capital do pay off in the form of higher levels of economic growth. But it is not just amount that is important in determining the value of public capital to economic growth; one must also consider how public capital is paid for and how it is used.

Research Associate David Alan Aschauer examines all three of these aspects of public capital and presents the results of his analysis of the correlation between economic growth and the amount of public capital, the cost of public capital, and the use of public capital. He finds that increases in the amount of public capital and increases in the efficient use of that capital can have a positive effect on economic growth. However, financing of public capital through debt can have a negative impact. This research shows the importance of considering all three variables when developing public capital policies. Leaving any one out of an analysis of public capital can bias the results.



Yes, 'It' Did Happen Again--A Minsky Crisis Happened in Asia

Jan A. Kregel
Working Paper No. 234

Visiting Senior Scholar Jan A. Kregel demonstrates the relevance of Hyman P. Minsky's financial instability hypothesis to the financial crisis in Asia, asserting that had Asian nations followed Minsky's policy suggestions, they might have avoided, or at least lessened, the effects of the crisis. In this examination of Minsky's theory, Kregel shows how it can be used to develop policies that can help the region recover.

Minsky held that big government and an active central bank can lend stability to financial systems. Government is needed to keep aggregate demand from falling below a certain floor and a central bank is needed to act as lender of last resort in order to keep banks solvent. Neither of these important conditions existed in Asia. The governments in Asia played only a small economic role. The central banks could offer only limited financial support. Because much of the lending that occurred in Asia was in U.S. dollars and yen rather than in local currencies, the central banks could lend only as much as they had in dollar reserves.

Kregel argues that if Asian nations are to recover, they will need to bolster their productive structures so that they can "grow" out of the current crisis. But many firms have either been sold off or collapsed into bankruptcy. Those firms still operating cannot get the financing they need to purchase materials for production. The situation is made worse by tight monetary policies and high interest rates, which work to reduce consumer demand and make it more difficult for firms to get credit. Kregel argues that a better policy approach would be to lower interest rates and seek to bolster demand.

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East Asia Is Not Mexico: The Difference between Balance of Payments Crises and Debt Deflations

Jan A. Kregel
Working Paper No. 235

Visiting Senior Scholar Jan A. Kregel argues that many policymakers who are attempting to deal with the Asian financial crisis have failed to recognize that the crisis differs from the Mexican peso crisis of 1994. This failure has led them to adopt policies that rather than speeding Asia's recovery are likely to hamper it. In Mexico rapid liberalization of domestic markets caused imports to grow more rapidly than exports, which led to a balance of payments problem. The problem escalated under tight monetary policy and high interest rates, which attracted foreign capital, much of which was then used by banks to finance consumption. In addition,

Mexico's monetary policy caused the peso to appreciate, which further reduced the value of exports.

In Asia, on the other hand, savings rates were high and banks were not financing unsustainable consumption of luxury foreign imports. The problems faced by Asian nations were due to changes in the external environment that were beyond their control. The deterioration in the trade balance resulted from a rise in short-term bank flows and a decline in developed country demand for Asian exports, which was further aggravated by the appreciation of the dollar and the expansion of domestic credit. Kregel argues that the Asian crisis was not a foreign exchange crisis caused by a payments imbalance because he finds no evidence that exchange rates were inappropriate.

Had the Asian crisis been similar to the Mexican crisis, the tight monetary and fiscal policy imposed by the International Monetary Fund would have been appropriate. Such policies can work to rein in consumption of imports and increase demand for domestic products, thus improving the balance of payments. But, Kregel argues, what is needed in the debt deflation case of Asia are policies that encourage consumption and provide firms with the credit they need in order to continue production and stay solvent. Forcing firms and banks to sell off assets to make payments to lenders only floods the market and drives down the price of those assets to a point below what the firms and banks need to cover their debt. It would be better to encourage foreign investors to maintain their investments and ease the conditions for repayment of loans.



An Important Inconsistency at the Heart of the Standard Macroeconomic Model

Wynne Godley and Anwar Shaikh
Working Paper No. 236

The standard neoclassical model is the foundation of macroeconomics and dominates the analysis of macroeconomic phenomena, the teaching of economics, and the formulation of economic policy. It is also from this model that the modern quantity theory of money, from which monetary policies are often developed, has evolved. In a study of this model Distinguished Scholar Wynne Godley and Anwar Shaikh, professor of economics at New School University, find that it contains an inconsistency in its treatment of the distribution of income. But they have also found that this inconsistency can be easily dealt with by distinguishing between household income (defined as wages and interest payments) and net value added (defined as wages and profits).

Their correction of this inconsistency, however, changes results of the model. For example, in the neoclassical model, real and nominal variables are strictly separated. When the inconsistency

is corrected, this separation disappears and it is found that an increase in the exogenously given money supply changes real variables such as household income, consumption, investment, the interest rate, and therefore real money demand. As a result of these changes, Godley and Shaikh find that price levels are no longer proportional to changes in the money supply. They then demonstrate that prices can even fall when the money supply rises.



Speed of Technical Progress and Length of the Average Interjob Period

William J. Baumol and Edward N. Wolff
Working Paper No. 237

The duration of unemployment in the United States and the percentage of unemployed workers who are out of work for an extended period of time have increased dramatically since the 1950s. From the 1970s to the 1990s the length of time between jobs among all demographic groups rose about 3 to 4 weeks; the percentage unemployed for 15 weeks or more doubled and the percentage unemployed for 27 or more weeks tripled. Research Associates William J. Baumol and Edward N. Wolff analyze technological, institutional, and demographic variables in an effort to determine which, if any, of these variables play a role in increasing the duration of unemployment.

Baumol and Wolff find that the duration of unemployment increases as the rate of technological change increases and those most affected are young, poorly educated workers and older workers. This seems to be linked to firms' reluctance to invest in the training of unskilled and older workers. The widespread use of computers has led employers increasingly to favor younger, more-educated workers, who are supposedly easier to train and more computer literate.



The Macroeconomics of Industrial Strategy

Philip Arestis and Malcolm Sawyer
Working Paper No. 238

Macroeconomics and industrial economics are commonly viewed as two distinct research fields, and this separation is evident in policy making. Discussion of macroeconomic policies rarely considers the effects of those policies on industrial strategy and discussion of industrial strategy rarely considers macroeconomic consequences. Visiting Senior Scholars Philip Arestis and Malcolm Sawyer argue that this separation ought not to exist. Macroeconomic policy does have an impact on industrial strategy and vice versa. Industrial strategy can be especially useful in dealing with inflationary pressures and foreign trade positions.

According to Arestis and Sawyer, current economic policies place too much emphasis on the labor market as a determinant of macroeconomic performance. They emphasize the role of output, or capacity, and investment activities of enterprises. They view inflation as a capacity problem and argue that industrial strategies that focus on expanding capacity can be used in conjunction with macroeconomic policies to control inflation. Policies that control inflation by lowering demand will only depress investment and harm capacity. Industrial strategies can also be used to support successful export industries that both improve foreign trade positions and contribute to overall economic growth.

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New Public Policy Brief

Overcoming America's Infrastructure Deficit

S Jay Levy and Walter M. Cadette
Public Policy Brief No. 40

Nondefense public investment has declined dramatically since the mid 1960s when it was over 3.5 percent of gross domestic product. In recent years such public investment has fallen to less than 2.5 percent of GDP. The decreased investment is evident in dilapidated and inadequate school buildings, condemned bridges, and inadequate water and sewer systems. Chairman S Jay Levy and Senior Fellow Walter M. Cadette cite research that shows that there is a link between investments in public infrastructure and economic growth. Thus, they assert, by failing to maintain its public infrastructure, the United States puts its economic growth at risk. They offer a plan to enable state and local governments to increase their expenditures for infrastructure and they explain why their proposal would be fiscally sound.

Levy and Cadette propose the creation of a Federal Bank for Infrastructure Modernization (FBIM). The FBIM would extend \$50 billion a year of zero-interest mortgage loans to state and local governments for capital projects. The loans would be repaid in 30 years or less. Being interest-free, the loans would sharply reduce the costs to state and local governments of investing in public infrastructure--a cost that has forced many of them to curtail such investments in recent years. While the subsidization of state and local public infrastructure would be a cost to the federal government, it would bring large returns. The enhanced public infrastructure would significantly raise the economy's long-term growth rate.

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New Policy Notes

Welfare Graduates: College and Financial Independence

Thomas Karier
1998/1

As a result of welfare reform, recipients are being pushed off the welfare rolls and into the workplace. While some states continue to encourage recipients to pursue short-term education and training, most discourage them from earning degrees at two- and four-year colleges by refusing to provide benefits to those who are attending college. The danger of this is that those welfare recipients who are qualified to pursue postsecondary degrees will not do so because they cannot support their families while attending college. In a study of welfare recipients who graduated from Eastern Washington University, Research Associate Thomas Karier, associate dean and professor of economics at Eastern Washington University, finds that for many welfare recipients a college degree is the best road to a secure and well-paying job. He argues that the federal and state governments should alter their welfare programs to provide support to those welfare recipients who wish to pursue postsecondary degrees.



How Should the Surpluses Be Spent?

David Alan Aschauer
1998/2

A strong economy and balanced budget acts are successfully eating away at the federal budget deficit. The Congressional Budget Office estimates that the budget will be balanced by 2001 and that there will then be a surplus each year until at least 2008. Already a battle has erupted over what to do with the expected surpluses. Some want to use them to pay down government debt. Others want to increase spending on programs that have experienced cuts in recent years. And still others want tax relief. Research Associate David Alan Aschauer, Elmer W. Campbell Professor of Economics at Bates College, examines all three of these options to determine which one, if any, will provide the greatest benefit to American society. He concludes we should use the surpluses in a way that will support a sustained rise in living standards, and this can best be done by spending them on public investment projects. It is through a commitment to investment in infrastructure that the country will build a path to future economic abundance.

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Institute News

Lectures and Seminars

Frank D. Bean: Help or Hindrance: The Economic Implications of Immigration for African Americans

The immigration debate in the United States often centers on the question of what effect immigration has on the American economy. On one side of the debate are those who argue that immigration benefits the country because it leads to increased productivity and reduced costs-- both high- and low-skilled immigrants provide an important source of labor and contribute to tax revenues. On the other side of the debate are those who argue that immigrants tend to be a drag on the economic system. They flood the labor market depressing wages, and the taxes they pay



Frank D. Bean, Ashbel Smith Professor of Sociology and Public Affairs and director of the Population Research Center at the University of Texas at Austin

are exceeded by the benefits they receive. The effect of immigration on one segment of the population was the subject of a lecture, held on April 30 at the Levy Institute, by Frank D. Bean, Ashbel Smith Professor of Sociology and Public Affairs and director of the Population Research Center at the University of Texas at Austin.

Bean has found that while immigration does have some positive economic benefits in the aggregate, it appears to harm many African Americans. Immigrants contribute to the overall national output, but are not paid the total value of their contribution. The value that they do not receive is a gain to those who own capital. Because such a large number of African Americans are not capital owners, they do not share in these benefits of immigration. Bean's research also indicates that immigration has a small negative effect on African American wages because immigrants compete with African Americans for blue-collar and entry-level jobs. In addition, the two groups compete for slots in elite schools and for financial

aid for education.



David A. Levy: The Wall Street Bubble: Threat to Prosperity and Fed Dilemma

Levy Institute Vice Chairman and Director of Forecasting David A. Levy briefed members of Congress and their staff on May 13 in Washington, D.C., on the dangers of the current stock market bubble. This was also the topic of a lecture Levy presented on June 3 at the Levy Institute. Nearly 40 percent of American households have some money invested in the stock

market today, well above the 25 percent of households 20 years ago. As a result, consumers are more sensitive to changes in the stock market than they were in the past. The success that households have had in the stock market over the past 16 years has led them to increase their spending. This consumer spending is a key reason why the American economy has been so strong in recent years. But if the stock market bubble bursts, these households are likely to cut spending, which will dramatically slow the economy.

Levy said profits today are exaggerated and as a result the stock market is overvalued. New accounting tools have made it easy for executives, who are under great pressure from stockholders to generate profits and who also benefit financially by increasing profits, to overstate company profits. This situation, however, is not sustainable, and the bubble is likely to burst. For this reason, Levy said, the Federal Reserve should take no action to slow the economy. He predicts that the economy will slow on its own because the stock market boom won't continue for much longer.



Rania Antonopoulos and Anwar Shaikh: Long-Term Determinants of Real Exchange Rates: The Case of Japan and the United States

Many researchers have noted that existing models of exchange rates don't work empirically. Yet, these models are still used by policymakers who attempt to influence exchange rates, often with the aim of altering their nation's balance of trade. As a result, policies are rarely as effective as policymakers hope. In an effort to correct this problem, Rania Antonopoulos, assistant professor of economics at New York University, and Anwar Shaikh, professor of economics at New School University, have tested a new model of exchange rates, which was developed by Shaikh. They presented the model and some preliminary findings at a seminar at the Levy Institute on June 18.

In a study of several countries, including the United States and Japan, Antonopoulos and Shaikh found a relationship between exchange rates and labor costs: Real exchange rates are regulated by real costs. Policymakers often focus on the appreciation or depreciation of currency as a method for affecting exchange rates and thus the balance of trade. But what they should be looking at is the difference in labor costs between their nation and other nations. Antonopoulos and Shaikh argue that a sustainable exchange rate is one that keeps up with the movement of relative costs. If countries want to remain competitive, they must lower their costs of production, which can be done either by increasing productivity or cutting wages.



New Scholars

The Levy Institute extends a warm welcome to four scholars. **Steven M. Fazzari** is now a senior scholar. His current research project, provocatively titled "A Penny Saved May Not Be a

Penny Earned," examines the paradox of thrift and the conventional loanable funds theory of investment to explore the means by which wealth is accumulated and the effect of this accumulation on personal and aggregate saving. Fazzari then explores public policies that would best stimulate capital accumulation, especially in light of current demographic trends that will reduce the proportion of the available workforce in the total population.

James K. Galbraith, of the Lyndon B. Johnson School of Public Affairs and the Department of Government at the University of Texas at Austin, joins the Institute as a senior scholar. He will be examining issues pertaining to employment and inequality, especially determinants of global inequality.

Philip Arestis, of the University of East London, and **Malcolm Sawyer**, of the University of Leeds Business School, are visiting senior scholars. They will concentrate on the aspects of the European Union related to monetary union, such as the historical and institutional framework of the EMU, the shaping of new institutions such as a European Central Bank, the deflationary consequences of the EMU, and the type of institutional framework necessary to generate higher levels of employment.



Thomas Karier Appointed to Policy-Setting Council

Research Associate Thomas Karier was recently appointed by Washington State governor Gary Locke to the Northwest Power Planning Council. The council, which sets policy for power production and fish and wildlife management in the Columbia River system, is currently focusing on issues of electric power deregulation and endangered species recovery efforts. Karier is associate dean and professor of economics at Eastern Washington University, where he teaches courses in energy, natural resources, and environmental economics.

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Presentations and Publications by Levy Institute Scholars

Executive Director Dimitri B. Papadimitriou

Presentations: "Zero Unemployment with Price Stability," Simon's Rock College, March; keynote address, "The Real Effects of the Asian Crisis," Athenian Policy Forum, York University, Toronto, May 28.

Distinguished Scholar Wynne Godley

Publication: "Why the World Could Still Catch Asian Flu," *The Observer*, April 26. (This editorial can be found under Current Topics in the What's New section of the Levy Institute web site at www.levy.org.)

Senior Scholar Joel Perlmann

Publications: with Roger Waldinger, "Second Generations: Past, Present, and Future," *Journal of Ethnic and Migration Studies* 24, no. 1; "Are the Children of Today's Immigrants Making It?" *The Public Interest*, Summer 1998.

Presentations: "Intermarriage and Multiraciality," University of Maryland at College Park, March 21, and University of California at Los Angeles, May 28; "Culture versus Structure in Modes of Incorporation and Segmented Assimilation," University of California at Los Angeles, May 29.

Senior Scholar L. Randall Wray

Publications: "Zero Unemployment and Stable Prices," *Journal of Economic Issues*, June 1998; *Money and the Modern Era: Price Stability Through Full Employment* (Elgar, forthcoming).

Presentations: "Is Keynesianism Institutionalist?" Association for Institutional Thought, April 15-18; "Money and Taxes: The Chartalist Approach," Transformational Growth and Full Employment Conference, New School University, April 20-21; "Government as Employer of Last Resort: Full Employment without Inflation," Post-Keynesian Workshop, June 25-July 1.

Resident Scholar Oren M. Levin-Waldman

Publications: "Plant Closings: Is WARN an Effective Response?" *Review of Social Economy*, Spring 1998; "Exploring the Politics of the Minimum Wage," *Journal of Economic Issues*, September 1998.

Visiting Scholar Mathew Forstater

Publications: "Institutional Approaches to Full Employment, Continued," *Journal of Economic Issues*, December 1998; "Imagining the Possibilities: The Dissent of Adolph Lowe," in *Economics and Its Discontents*, edited by Richard P. F. Holt and Steven Pressman (Elgar, 1998).

Presentations: "Toward a New Instrumentalist Macro-economics," Functional Finance and Full Employment Conference, New School University, April 20-21; "Retroduction in Economics," Conference on Economics, Methodology, and Philosophy, June 17; "Selective Use of Discretionary Public Employment and Economic Flexibility," Post-Keynesian Workshop, June 25-July 1.

Cambridge University Visiting Scholar Stephanie Bell

Presentation: "Can Taxes and Bonds Finance Government Spending? Reserve Accounting and Government Finance," Post-Keynesian Workshop, June 25-July 1.

Research Associate Karl Widerquist

Presentations: "Reciprocity and the Guaranteed Income," Pennsylvania Economic Association, May 28; "An Efficiency Argument for the Guaranteed Income," Canadian Economic Association, May 30; "A Voting Paradox and the Budget Deficit," Society for Social Choice and Welfare, July 5.



Levy Scholars Meet with Members of Congress

Chairman S Jay Levy, Policy Advisor Ned V. Regan, Senior Fellow Walter M. Cadette, and Assistant Director/ Washington Liaison Sanjay Mongia met with House Speaker Newt Gingrich and Representative Jack Metcalf in Washington on March 12 to discuss public infrastructure. Levy and Cadette outlined their proposal to finance state and local infrastructure improvements through zero-interest mortgage loans. The proposal is summarized in Public Policy Brief No. 40, *Overcoming America's Infrastructure Deficit*, by Levy and Cadette (see the Publications section of the Levy Institute web site at www.levy.org).



Upcoming Conference

On Thursday, September 24, the Levy Institute will host an all-day conference on employment policy relating to the distribution of income and poverty. Program and registration information will be posted on the Levy Institute web site (www.levy.org) as it becomes available, or you may contact the Institute by phone at 845-758-7700, fax at 845-758-1149, or e-mail at info@levy.org.

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