The Levy Economics Institute of Bard College

Report

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New Strategic Analysis

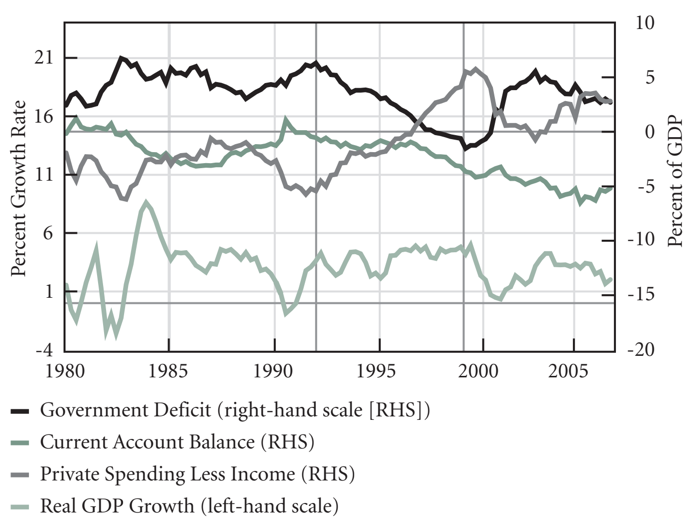
THE U.S. ECONOMY: IS THERE A WAY OUT OF THE WOODS?

WYNNE GODLEY, DIMITRI B. PAPADIMITRIOU, GREG HANNSGEN, and GENNARO ZEZZA

This new Strategic Analysis assesses the contribution of the Levy Institute macroeconomic model of the United States to public policy discussions of the last 10 years, and suggests likely scenarios for the evolution of the key sectors of the U.S. economy in the near future.

The authors point out that the model projections are for the medium term, and are unconcerned with short-term policy fine-tuning. The model's driving sectors consist of the budget surplus (the difference between income from taxes and government expenditure), the current account deficit (imports less exports), and private net saving (income less expenditure); the sum of the three is an identity that, by definition, equals zero. The authors note that the fall in the government and

Figure 1 **U.S. GDP Growth and Balances of the Main Sectors in Historical Perspective**



Sources: Bureau of Economic Analysis and authors' calculations

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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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foreign trade sectors throughout 1992–99 led to increasingly lower aggregate demand, which was offset by rising private expenditure (Figure 1). The latter, however, was based on borrowing and rose faster than income, until private net saving became substantially negative—an unsustainable outcome that required a major change in fiscal policy. The authors quote a 1999 Strategic Analysis placing the needed fiscal reflation at $400 billion; they also note a more precise projection, given in a 2001 Strategic Analysis, that, in the absence of measures to improve exports, an adequate growth in output would mean a 2006 current account deficit equal to 6 percent of GDP. As these projections have subsequently turned out to be quite accurate, they support the need for a greater role for fiscal policy in the regulation of the economy. The authors argue that, in fact, the huge 2001 fiscal stimuli saved the United States from a much deeper recession.

To obtain medium-term projections from the Levy Institute model, Godley et al. employ a range of assumptions about private borrowing based on past crunches: a pessimistic assumption that borrowing, insignificantly affected by monetary policy, will fall over a period of two years, to 3.36 percent, before achieving a moderate recovery; and an optimistic assumption that borrowing will fall to 7.75 percent of GDP, as in the early 1990s, and then recover to a rate of 9.48 percent. Based on these assumptions, the authors obtain econometric estimates for private expenditure, which, together with assumptions about the medium-term balance of payments and fiscal policy, allow them to derive medium-term projections. These projections suggest an improvement in net exports such that the balance of payments approaches zero by 2010, making a considerable contribution to sustaining aggregate demand. However, in the "credit crunch" scenario, the significant fall in private expenditure results in a recession in 2008, but spending in excess of income bottoms out at -2.66 percent early in 2010, then rises to -1.63 percent by the end of 2012. The "soft landing" scenario suggests a less severe growth recession in 2009, with real GDP slowing to less than 1 percent.

The outlook of the study for the near quarters points to severe consequences for growth and unemployment, unless the U.S. dollar is allowed to continue its fall and complete the recovery in the U.S. external imbalance, and fiscal policy shifts its course as it did in the 2001 recession.

New Public Policy Briefs

Globalization and the Changing Trade Debate: Suggestions for a New Agenda

THOMAS I. PALLEY

Public Policy Brief No. 91, 2007
www.levy.org/pubs/ppb_91.pdf

July 2006 witnessed the failure of the Doha Development Round of World Trade Organization (WTO) negotiations—the first major collapse of a multilateral trade round since World War II. Research Associate Thomas I. Palley suggests that this event could mark the close of a 60-year era of trade policy largely centered on increasing market access and reducing tariffs, quotas, and subsidies. In his view, Doha's demise represents an opportunity to challenge the intellectual dominance of the current WTO paradigm, to expose the failings of the neoliberal model of economic development, and to reposition the global trade debate.

Palley suggests the development of an alternative trade agenda, a critical element of which is the need to recognize that trade is an instrument, not the ultimate goal, of policy. The real policy goal is economic development in the context of a fair, inclusive, and politically acceptable globalization.

Palley notes that classical comparative advantage theory no longer captures what is happening in the global economy; new structures of global production organized by multinational companies and retailing giants have changed both the character and the margins of global economic competition. He also notes that free trade was not the route chosen by industrialized countries in their early stages of economic development. He further notes that economic policy has neglected the development of domestic demand, which has likely slowed growth and made it more unequal between developed and developing countries.

A new, alternative policy paradigm that addresses the economic realities of trade and globalization should emphasize labor and environmental standards, rules for exchange rates, and domestic demand-led development. Wage income is a critical source of demand, so linking wages to productivity can promote a virtuous circle of inclusive economic development. Labor standards are key because they are critical to establishing a floor for the global economy. These standards should be part of the rules of the global trading system so that southern hemisphere workers capture a larger share of income, thus promoting domestic demand growth and mitigating competition between workers. Moreover, labor unions are essential to developing a demand-led system of economic growth, since they correct labor market failures by setting wages in a decentralized fashion.

A post-Doha agenda must permit developing countries to use tariffs and industrial policy as part of their economic development policy toolbox, and policy should be focused on consumption goods tariffs (as opposed to imported capital goods tariffs). The need for good governance and labor standards must be the bedrock of a 21st-century trade agenda aimed at refashioning globalization. There is also a need for international environmental standards (e.g., stripping away any competitive advantage achieved through environmental degradation), as well as trade arrangements that incorporate exchange-rate provisions explicitly. Palley suggests a tropical-products trade round involving commodities that are most beneficial to developing countries, such as sugar, coffee, and rice.

The U.S. Credit Crunch of 2007: A Minsky Moment

CHARLES J. WHALEN
Public Policy Brief No. 92
www.levy.org/pubs/ppb_92.pdf

The U.S. credit crunch of 2007 took most economists by surprise. In this public policy brief, Charles J. Whalen examines the 2007 crunch and concludes that it can be explained as a “Minsky moment,” a process in which financial stability generates instability. He also concludes that the housing difficulties at the root of much of the credit crunch are likely to continue for some time.

The late financial economist Hyman P. Minsky was a Levy Institute distinguished scholar and the foremost expert on credit crunches. He derived his financial instability hypothesis from his reading of John Maynard Keynes’s work. In contrast to the neoclassical view of a market economy, where endogenous processes generate an economic equilibrium and business cycles are the product of exogenous shocks, the Keynesian view led Minsky to maintain that endogenous processes breed financial and economic instability, and cyclical downturns are associated with involuntary unemployment.

Minsky rejected conventional economic ideas such as the efficient market hypothesis. His financial instability hypothesis holds that the structure of a capitalist economy becomes more fragile over a period of prosperity. Whalen observes that the evolutionary tendency toward Ponzi finance—borrowing with the sole intention of paying interest, even as doing so increases liabilities—and the financial sector’s drive to innovate are connected to the recent situation in the U.S. home loan industry, where there has been a rash of mortgage innovations and a thrust toward more fragile financing by households, lending institutions, and purchasers of mortgage-backed securities.

The expansionary phase of the financial instability hypothesis leads to a Minsky moment. Without intervention in the form of collective action, usually by the central bank, a Minsky moment can engender an economic meltdown (i.e., plummeting asset values and credit, falling investment and output, and rising unemployment).

The key elements behind the 2007 credit crunch include the housing boom of the early and mid-2000s, “creative” lenders, exotic and subprime mortgages, unregulated mortgage brokers, the securitization of mortgages—whereby bundles of loans are sold to investment funds such as hedge funds—and a conflict of interest among credit-rating agencies. The investment tools widely used by these funds involve a lot more Keynesian uncertainty than probabilistic risk, resulting in a wave of defaults by homeowners, highly leveraged mortgage lenders, and holders of mortgage-backed securities. Moreover, it is now recognized that precarious borrowing has woven its way throughout the entire global financial system.

Despite the arrival of a Minsky moment, a meltdown is unlikely, says Whalen. Central banks have stepped in as “lenders of last resort” to help maintain orderly conditions in financial markets and to prevent credit dislocations from adversely affecting the broader economy. The responses to the credit crunch have been consistent with Minsky’s advice, except for actions to preempt financial-market excesses by means of more rigorous bank supervision and tighter regulation of financial institutions. Whalen believes that Minsky’s writings about the financial system and economic dynamics draw attention to the value of evolutionary and institutionally focused thinking about the economy.

New Working Papers

Endogenous Money: Structuralist and Horizontalist

L. RANDALL WRAY
Working Paper No. 512
www.levy.org/pubs/wp_512.pdf

It is a broadly held view that central banks can control only the overnight interest rate. In this working paper, Senior Scholar L. Randall Wray examines the aspects of the money market that are, from a policy point of view, exogenous—that is, within government control—and contrasts different views on the ability of the central bank to manipulate the supply side of credit markets.

Wray discusses two classic approaches that regard the quantity of money in the economy as endogenous. The creditary approach sees trade as fundamentally an exchange of goods for credit rather than for other goods, and the market as a clearinghouse for the constant process of debt and credit creation. The state-money approach defines money as the unit of account in terms of which a government imposes an obligation, such as a tax, on the population.

The author also examines the merits of two contrasting views of money: the horizontal, and the structural. These are two prominent approaches to monetary theory that emerged from heterodox thought in the 1980s and 1990s.

Wray argues against the horizontalists by pointing out that the central bank's operations cannot be independent from those of the treasury, since spending leads to banking credit reserves, and tax payments, to debits. He regards as more plausible the structuralists' emphasis on the active role of banks in continuously creating new financial instruments to economize on reserve holdings. However, he contends that, while the supply of reserves should be viewed as exogenous, and although demand will fall over time as banks find ways to economize, it is difficult to view as exogenous the supply of credit and loans, at a rate of interest set by the central bank, given the banks' reserve-economizing behavior.

Inequality of Life Chances and the Measurement of Social Immobility

JACQUES SILBER and AMEDEO SPADARO
Working Paper No. 513
www.levy.org/pubs/wp_513.pdf

One of the areas that demonstrate the versatility of the tools for measurement and comparison of inequality is their applications to social mobility. In this working paper, Research Associate Jacques Silber, Bar-Ilan University, Israel, and Amedeo Spadaro, Paris-Jourdan Sciences Economiques, FEDEA, Madrid, and Universitat de les Illes Balears, Palma de Mallorca, Spain, develop measurement indices for a particular concept of social mobility based on inequality of life chances, and illustrate their performance with French and Israeli data.

To measure social mobility, one must study the intergenerational transition of individuals from the original social category, such as educational level or occupation of the parents, to the income class or other socioeconomic rank to which their children belong. One gauge of social mobility is the extent of equality of life chances. This type of measurement requires the outcome to be independent both of the distribution of parents by origin and of children by status, treating marginal distribution (differences) in status among children as though they were equal lotteries, so that information on the margins becomes irrelevant. This is a useful approach when there is no obvious ordering of such differences; for example, when the information on children's status refers to socioeconomic standing.

Silber and Spadaro construct a transition matrix in which the lines correspond to the social category of parents, and the columns, to the distribution of their children by status (e.g., occupation). The authors note that social mobility may change not only because of the distribution of parents by social origin or of children by status, but also because of a change in the degree of independence between the rows (parental origin) and the columns (status of children) when the outcomes depend only on the luck of the draw. It is this last change that should be isolated for the measurement of inequality of life chances. In order to do so, Silber and Spadaro apply a decomposition procedure to two proposed "cardinal" measures based on the Theil and Gini inequality indices. Moreover, they also propose using cumulative values, obtained from the transition matrix, to construct "social immobility curves" that are capable of "ordinal" comparison when they lie above or below one another.

The authors apply their concepts to two data sets: a 1998 survey in France and a 2003 social survey in Israel. A result from using the French survey data is that the degree of social immobility is much higher when comparing fathers and sons/daughters than mothers and sons/daughters. The difference is even greater when controlling for the margins. A similar result using the Israeli data is that social immobility (mobility) is much higher (lower) among individuals born in Asia or Africa than among individuals born in Europe, the United States, or Israel.

The Continuing Legacy of John Maynard Keynes

L. RANDALL WRAY
Working Paper No. 514
www.levy.org/pubs/wp_514.pdf

This working paper by Senior Scholar L. Randall Wray examines the key contributions of John Maynard Keynes's General Theory, and some recent developments in the Keynesian tradition. The author puts forward what he regards as the central argument of Keynes, namely, that entrepreneurs produce what they expect to sell; those decisions are based on a comparison of the production costs incurred and the inherently uncertain proceeds to be received in the future. Given this uncertainty, the sum of these production decisions do not lead to full employment in the short or the long run. Wray points out that this interpretation does not rely on the causes of unemployment underlying many approaches, some of which are also attributed to Keynes. Nor does it depend on imperfect market structures, "sticky" wages, or unfulfilled entrepreneurial expectations. In this interpretation, "equilibrium" unemployment is possible even with perfectly competitive markets, flexible wages, and satisfied expectations.

The author also discusses Friedrich Hayek's suggestion that, when entrepreneurial expectations about revenues from production are low, unemployed labor would be diverted to produce gold to satisfy the preference for the accumulation of money over the production of other commodities, thus ensuring that the market returns to full employment. Keynes, however, did not regard gold as money. The latter cannot be produced by labor, he argued, and as long as there is at least one such asset, the continued accumulation of money balances would prevent a return to full employment. Another commonly held cause of "Keynesian" unemployment is wage stickiness—the slow adjustment of wages in response to a change in labor market conditions. Wray maintains that Keynes, on the contrary, argued that wage flexibility would move the economy further away from full employment, because of its dampening effect on aggregate demand, profits, and expectation.

The paper also contains a discussion of some post-Keynesian contributions in fields such as economic development, and unemployment reduction policies based on investment expansion as opposed to consumption enhancement.

Minsky's Approach to Employment Policy and Poverty: Employer of Last Resort and the War on Poverty

L. RANDALL WRAY
Working Paper No. 515
www.levy.org/pubs/wp_515.pdf

Hyman P. Minsky's research in the areas of poverty and unemployment was an integral part of his work concerning the financial instability of modern capitalist economies. This paper by Research Scholar L. Randall Wray addresses Minsky's contributions in these areas.

Minsky's approach to the alleviation of poverty was a response to the shortcomings of the orthodox and Keynesian solutions of his time. The orthodox approach advocated investment in human capital, based on the belief that people are poor because they are not sufficiently productive. Given the long gestational period for such investment, Minsky argued that we still need policies to resolve existing and near-term poverty. Moreover, in a dynamic economy, some skills are made obsolete as new ones emerge. Antipoverty policies are required to deal with skill obsolescence, since it is impossible to "reboot" human capital investment to match the changing skill mix of the economy.

Minsky was also concerned with the inadequacies of poverty-reduction programs based on investment-led growth. He maintained that growth of investment has differential impacts across sectors, and the consequences are inflationary bias, financial instability, and deteriorating distribution of income. If growth raises demand and output in the leading sectors, rising prices enhance CPI-measured inflation long before full employment is achieved, although growth in lagging sectors with excess capacity would expand employment without a corresponding increase in prices. Moreover, an investment-led strategy implies the growth of private debt relative to government debt, introducing financial instability into the economic structure. Finally, because profits return to capitalists, more investment raises the share of profits relative to wages.

Minsky did not favor the War on Poverty program of the Lyndon Johnson era, which he believed distorted economic incentives, relying as it did on transfers from those who work to those who do not, and which was unpopular because taxpayers perceived few benefits from it. Minsky advocated job creation and faster growth of wages in low-wage (lagging) sectors relative to those in high-wage (leading) sectors. To prevent overall inflation, he suggested combining this strategy with wage and price constraints in the leading sectors. He proposed a tax-financed employer-of-last-resort (ELR) program that would provide local jobs for the unemployed that fit their existing skills rather than retraining them for jobs in other locations. The ELR approach avoids the problems of investment-led policies: direct job creation would limit dependence on investment, reducing financial instability and improving distribution by increasing the share of wages. Its preference for consumption and public investment (schools, parks, child and elder care services, and so on) would lead to visible public benefits; it is thus more likely to ensure taxpayer support. By creating jobs where the unemployed live, such programs would decrease the urban migration of the rural unemployed, a major consideration in developing countries.

The *Right* to a Job, the *Right Types* of Projects: Employment Guarantee Policies from a Gender Perspective

RANIA ANTONOPOULOS
Working Paper No. 516
www.levy.org/pubs/wp_516.pdf

Public employment guarantee policy (EGP) would be a more effective tool for the promotion of income-generating antipoverty employment if it were focused on women's use of time. In this working paper, Research Scholar Rania Antonopoulos argues the case for gender-informed EGP.

The author maintains that the success of EGP as a tool for poverty alleviation requires engendering its projects, and the key factor for policy to influence is the allocation of women's time between market and nonmarket activities. She notes that, on a global scale, the majority of the 1.3 billion people living in poverty are women, and their vulnerability to poverty is strongly linked to the gender division of labor in paid and unpaid work. The author suggests a rough measure of the time expenditure a woman needs to reach the poverty line. This is obtained from adding the number of paid working hours needed to reach the poverty line to the number of hours of unpaid work that women undertake, at the expense of "inviolable" free time, even when in paid employment. In South Africa, for example, unskilled women need to work an extra four hours per day, compared to unskilled men, to earn the poverty-line income, in addition to an average of over two hours of unpaid work per day—a difference of over six hours per day. Since much of the gap in public service delivery in poor communities is filled by unpaid work performed by women and children (e.g., care of the elderly, provision of water, and so on), public employment aimed at reducing this burden—most notably, by converting unpaid services into paid employment (e.g., HIV care delivery)—should be an obvious focus of job guarantee programs. This is in contrast to the more common approach of concentrating on generating social and infrastructural assets.

The author also reviews the South African experience with guaranteed-employment schemes, and provides estimates suggesting that EGP has the highest impact on poverty reduction in that country when female unskilled labor is targeted through the provision of paid work, mostly for social services; the households that benefit most from such a policy are those located in urban slums.

What Are the Relative Macroeconomic Merits and Environmental Impacts of Direct Job Creation and Basic Income Guarantees?

PAVLINA R. TCHERNEVA
Working Paper No. 517
www.levy.org/pubs/wp_517.pdf

Direct job creation through government employer-of-last-resort (ELR) programs constitutes a serious policy alternative to basic income guarantees, and the selection criteria for such programs can easily incorporate green projects. In this working paper, Research Associate Pavlina R. Tcherneva examines the case for the superiority of ELR policy as a means of alleviating poverty, and its green potential. Tcherneva argues that basic income guarantees, while providing a minimum living standard, cause an exodus from the labor market of workers who used to earn an equivalent amount by working, leading to a fall in taxation and a rise in the budget deficit. However, given the balanced-budget requirement of such entitlement programs, the compulsion would be to raise taxes, leading to more departures from the labor market and a loss of output. Moreover, the private sector would have to pay higher wages to coax deserting workers back into the market; this added cost would then be passed on to consumers in the form of higher prices. Consequently, income guarantees lead to a destabilizing wage-price spiral, lower employment, and decreased output.

By contrast, ELR programs generate a buffer stock of labor against falling demand, keeping a fixed wage rate while allowing the supply of public sector employment to expand and contract as unemployment rises and falls. In business downturns, these programs absorb private sector layoffs through increased expenditure, but as the economy recovers and workers are hired away from the ELR pool, government reduces its deficit. Since labor enters the production of all other commodities, the purchasing power of the currency under an ELR policy will be determined by how much labor it can purchase; hence, if the wage rate remains stable, so will the value of the currency. However, the countercyclical mechanism of ELR policy will ensure that the correct level of deficit spending, required for full employment, will adjust to counteract inflationary and deflationary pressures.

Not the least of such a policy's attractions, the author argues, is its ability to provide "green" public sector jobs. Job creation through public sector "pump priming" (e.g., military expenditure) is environmentally unsustainable. However, individual ELR programs can be focused on tasks that the private sector has no incentive to perform, such as environmental cleanup and restoration, offered in the communities where the unemployed live.

Fiscal Deficit, Capital Formation, and Crowding Out in India: Evidence from an Asymmetric VAR Model

LEKHA S. CHAKRABORTY
Working Paper No. 518
www.levy.org/pubs/wp_518.pdf

The question of whether public investment hinders or promotes private investment has been the focus of a good deal of research, yet, for policy formation, the evidence produced is not clear enough. In this working paper, Research Associate Lekha S. Chakraborty offers new evidence based on the examination of the Indian experience, subjecting the data to some econometric analyses commonly absent from studies on the subject.

One of her study's features, neglected in other tests of the crowding-out hypothesis, is the examination of the effect of public investment on private expenditure—not in the aggregate, but by incorporating in the proposed model specifications for the separate treatment of infrastructure (e.g., roads and bridges) and noninfrastructure investment. The model also allows more detailed, yet less restrictive mechanisms for the effects of public investment on private capital formation. Furthermore, the author tests the theory of financial crowding-out—namely, that public investment leads to a loss of private capital formation due to rising interest rates resulting from the government's bond financing of the fiscal deficit.

Chakraborty outlines and implements several steps required for a satisfactory test of the relationship between changes in public and private investment, and the direction of causality in this relationship, by estimating a system of equations employing tools from time series econometrics. One interesting feature of the model is the flexibility of the time-lag structure employed. In earlier studies, this is typically assumed to consist of the same time periods for different variables. This assumption is inflexible—changes in the availability of financing may affect private investment more quickly than similar changes in direct public investment—and reduces the accuracy of the results, since a given number of observations are used to obtain estimates for a greater number of parameters. A major result of the study is that, once a distinction is maintained between infrastructure and noninfrastructure public investment, the evidence supports the hypothesis that the former crowds in (complements) private investment rather than replacing it. Regarding financial crowding, the study finds that, although private investment is sensitive to interest rate changes, there is no financial crowding out because such changes must also be induced by the government's fiscal operations.

Levy Institute News

Workshop: International Comparisons of Well-Being

This workshop, organized with the generous support of the Alfred P. Sloan Foundation, was held at the Levy Institute on October 11 and 12. Its aim was to discuss the feasibility of developing estimates of the Levy Institute Measure of Economic Well-Being, an alternative measure of household economic well-being in the United States, for other Organization of Economic Cooperation and Development countries. Three broad groups of countries were identified in terms of the roles of the market and the state in shaping the economy: the United States/Britain, Continental Europe, and Scandinavia. This division is intended to serve a principal purpose of the project, namely, obtaining the comparative evidence about the type of economic and social systems more likely to provide better welfare outcomes for citizens. The participants discussed in some detail the availability of similar data across countries, and how to deal with the remaining data gaps in each.

Participants in the workshop included Conchita D'Ambrosio, Bicocca University, Italy; Jean-Francois Arsenault, Centre for the Study of Living Standards, Canada; Markus Grabka, DIW Berlin, Germany; Charles Horioka, Insitute of Social and Economic Research, Osaka University, Japan; Melissa Mahoney, Levy Institute; Thomas Masterson, Levy Institute; Joachim Merz, University of Lüneburg, Germany; Lars Osberg, Dalhousie University, Canada; Dimitri B. Papadimitriou, Levy Institute; Ronald Schettkat, Bergische Universität Wuppertal, Germany; Michael Teitelbaum, Sloan Foundation; Panos Tsakloglou, Athens University of Economics and Business, Greece; Edward N. Wolff, Levy Institute and New York University; and Ajit Zacharias, Levy Institute.

Publications and Presentations

Publications and Presentations by Levy Institute Scholars

RANIA ANTONOPOULOS *Research Scholar*

Presentations: "HIV/AIDS and Women's Time-tax Burdens" (with T. Toay), presentation for the Expert Meeting organized by UNESCO/SSRC, Paris, October 4–5; "Employment Guarantee Policies from a Gender Perspective," 12th Regional Seminar for Labour-Intensive Construction, The Government of South Africa and the International Labour Organization, Durban, October 8–12; "What Leads to Poverty?," Seminar on Global Poverty, International Student Organization and Students for Peoples' Relief, Bard College, December 4.

JAMES K. GALBRAITH *Senior Scholar*

Publication: "Economic Equality and Victory in War: An Empirical Investigation" (with C. Priest and G. Purcell), *Defense and Peace Economics*, Vol. 18, No. 5, October.

DIMITRI B. PAPADIMITRIOU *President*

Publications: "Economic Perspectives on Aging: An Overview," in *Government Spending on the Elderly*, D. B. Papadimitriou, ed., Houndmills, Basingstoke, Hampshire, U.K., and New York: Palgrave Macmillan, 2007; book review, "The Future of Europe: Reform or Decline" by A. Alesina and F. Giavazzi, *Comparative Economic Studies*, Vol. 49, No. 2.

Presentations: Appearance regarding the role of Greek banks in Turkey on the Turkish television program *TNT*, July 24; interview regarding Bard College's dual degree program in economics and finance with Gary Shapiro, *The New York Sun*, July 31, and with Elia Powers, *Inside Higher Education*, August 1; interview regarding the risks of the housing debacle to the larger credit and financial markets with Rex Nutting, *MarketWatch*, August 2; interview regarding Hyman P. Minsky with Jon Hilsenrath, *The Wall Street Journal*, August 16; interview regarding Basel II and the current U.S. framework with Nicholas Rummell, *Financial Week*, August 22; interview regarding currency intervention with Steve Johnson, Reuters, September 25.

EDWARD N. WOLFF *Senior Scholar*

Publications: "Net Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989–2001" (with A. Zacharias and H. Kum) and "The Adequacy of Retirement Resources among the Soon-to-Retire, 1983–2001," in *Government Spending on the Elderly*, D. B. Papadimitriou, ed., Houndmills, Basingstoke, Hampshire, U.K., and New York: Palgrave Macmillan, 2007; "Impact of Wealth Inequality on Economic Well-Being" (with A. Zacharias), *Challenge*, Vol. 50, No. 4, July–August; "The Levy Institute Measure of Economic

Well-Being, 1989–2001" (with A. Zacharias), *Eastern Economic Journal*, Vol. 33, No. 4, Fall; "The Distributional Consequences of Government Spending and Taxation in the U.S., 1989 and 2000" (with A. Zacharias), *Review of Income and Wealth*, Vol. 53, No. 4, December.

L. RANDALL WRAY *Senior Scholar*

Publications: "Global Demographic Trends and Provisioning for the Future," in *Government Spending on the Elderly*, D. B. Papadimitriou, ed., Houndmills, Basingstoke, Hampshire, U.K., and New York: Palgrave Macmillan, 2007; "The Employer of Last Resort Programme: Could It Work for Developing Countries?," Economic and Labour Market Paper 2007/5, International Labour Office, Geneva, August; "A Post Keynesian View of Central Bank Independence, Policy Targets, and the Rules versus Discretion Debate," *Journal of Post Keynesian Economics*, Vol. 30, No. 1, Fall.

AJIT ZACHARIAS *Senior Scholar*

Publications: "Net Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989–2001" (with E. N. Wolff and H. Kum), in *Government Spending on the Elderly*, D. B. Papadimitriou, ed., Houndmills, Basingstoke, Hampshire, U.K., and New York: Palgrave Macmillan, 2007; "Impact of Wealth Inequality on Economic Well-Being" (with E. N. Wolff), *Challenge*, Vol. 50, No. 4, July–August; "The Levy Institute Measure of Economic Well-Being, 1989–2001" (with E. N. Wolff), *Eastern Economic Journal*, Vol. 33, No. 4, Fall; "The Distributional Consequences of Government Spending and Taxation in the U.S., 1989 and 2000" (with E. N. Wolff), *Review of Income and Wealth*, Vol. 53, No. 4, December.

Recent Levy Institute Publications

LEVY INSTITUTE MEASURE OF ECONOMIC WELL-BEING

How Well Off Are America's Elderly? A New Perspective
EDWARD N. WOLFF, AJIT ZACHARIAS, and HYUNSUB KUM
April 2007

Wealth and Economic Inequality: Who's at the Top of the Economic Ladder?
EDWARD N. WOLFF and AJIT ZACHARIAS
December 2006

Interim Report 2005: The Effects of Government Deficits and the 2001–02 Recession on Well-Being
EDWARD N. WOLFF, AJIT ZACHARIAS, and HYUNSUB KUM
May 2005

Economic Well-Being in U.S. Regions and the Red and Blue States
EDWARD N. WOLFF and AJIT ZACHARIAS
March 2005

How Much Does Public Consumption Matter for Well-Being?
EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENA CANER
December 2004

POLICY NOTES

The April AMT Shock: Tax Reform Advice for the New Majority
DIMITRI B. PAPADIMITRIOU and L. RANDALL WRAY
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The Burden of Aging: Much Ado about Nothing, or Little to Do about Something?
L. RANDALL WRAY
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***Debt and Lending: A* Cri de Coeur**
WYNNE GODLEY and GENNARO ZEZZA
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Twin Deficits and Sustainability
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The Fiscal Facts: Public and Private Debts and the Future of the American Economy
JAMES K. GALBRAITH
2006/2

Credit Derivatives and Financial Fragility
EDWARD CHILCOTE
2006/1

PUBLIC POLICY BRIEFS

The U.S. Credit Crunch of 2007
A Minsky Moment
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