LEVY INSTITUTE

The Jerome Levy Economics Institute of Bard College

Summary

Spring 2001 Volume 10, Number 2

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Summary

Spring 2001 **Volume 10, Number 2**

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 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.

The *Summary* is a quarterly publication of The Jerome Levy Economics Institute of Bard College,intended to keep the academic community informed about the Levy Institute's research. To accomplish this goal, it contains summaries of recent research publications and reports on other activities.

AJIT ZACHARIAS, *Editor*
KATHERINE HARPER, *Text Editor*

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To our readers:

The program on the distribution of income and wealth begins with a special feature by Senior Scholar Edward N. Wolff on the inequality in the distribution of wealth and what can be done about it. The policy brief by Research Associate Michael J. Handel of the University of Wisconsin–Madison presents empirical evidence indicating that skill-biased technological change cannot explain the recent growth in wage inequality. Two working papers are also summarized. Stefan Hochguertel of the European University Institute and Henry Ohlsson of the University of Göteborg examine whether intergenerational gifts are compensatory and explore the determinants of the pattern of gift giving. Resident Research Associate Ajit Zacharias proposes an alternative to the existing empirical models for assessing long-run differentials in profit rates and applies it to U.S. manufacturing industries.

A working paper is summarized in the program on financial markets and monetary policy. Visiting Scholar Jörg Bibow of the University of Hamburg analyzes monetary developments in the euro area and how the European Central Bank's conduct of monetary policy and public pronouncements contributed to the decline of the euro.

There are two policy notes in the program on federal budget policy. Distinguished Scholar Wynne Godley argues that increases in government expenditure or much larger tax cuts than envisaged in President Bush's tax proposal may have to be put in place because the medium-term prospects for the U.S. economy could be much worse than most economists now expect. Senior Scholar L. Randall Wray and I provide a critique of arguments put forward by some analysts regarding the possibility of recession in the United States and suggest policy responses to minimize the effects of such an eventuality. We also outline a bigger and more comprehensive fiscal stimulus package than the one proposed by President Bush.

Three working papers are summarized under special studies. Jeremy Atack of Vanderbilt University and the National Bureau of Economic Research, Fred Bateman of the University of Georgia, and Senior Scholar Robert A. Margo suggest that the length of the working day in late 19th-century American manufacturing is best understood as the outcome of supply and demand conditions in a competitive labor market. Cambridge University Visiting Scholar James N. Miller utilizes previously unstudied archival material to reconstruct the early negotiating history of the General Agreements on Tariffs and Trade and reconsider the historical and political conditions under which it emerged. Senior Scholar Joel Perlmann examines how the history of a federal classification system in the early 20th century was intertwined with the history of legal philosophy and practice, social science, popular culture, and federal bureaucracy.

As always, I welcome your comments and suggestions.

Dimitri B. Papadimitriou, *President*

Program: Distribution of Income and Wealth

Special Feature
The Rich Get Richer . . . and Why the Poor Don't

EDWARD N. WOLFF

A newcomer to the United States, after reading the newspaper or watching television for a few days, might conclude that every family in America was huddled around its computer, watching its stocks and mutual funds rise and fall. Even the gloomier news reports of recent weeks ("How to Survive the Slump," blared a recent *Time* magazine cover) take for granted the triumph of a "people's capitalism"—the idea that the rising stock market of the 1990s lifted all ships—and imply that the average American's main concern as the economy lands is waiting out a temporary contraction in his technology portfolio.

The reality, as any regular *American Prospect* reader well knows, is quite otherwise: most American families have seen their level of well-being stagnate over the last quarter century—and that's even before the current economic slowdown. Between 1973 and 1998, the real hourly wages of the average American worker fell by 9 percent. (This contrasts with the preceding quarter century, 1947 to 1973, when real wages grew by 75 percent). Indeed, in 1998, the average inflation-adjusted hourly wage was about the same as in 1967. As workers' wages have stagnated, economic inequality has worsened. In 1974, the richest 5 percent of American families earned 14.8 percent of total U.S. income; by 1998, their share had risen to 20.7 percent.

But if everyone now owns stocks, then shouldn't inequality in wage income have been offset by the market gains of the last 10 years? Not at all. In fact, when both wealth and income are taken into account, the growth in inequality becomes worse. While it is true that the share of households owning stock either outright or indirectly through mutual funds, trusts, or various pension accounts rose from 24 percent in 1983 to 48 percent in 1998 (see Table 1), much of the increase was fueled by the growth in pension accounts such as IRAs, Keogh plans, and 401(k) plans. Indeed, while direct stock ownership declined somewhat between 1983 and 1989, probably as a result of the 1987 stock market plunge, the share of households with pension accounts nearly doubled over this period, from 11 to 23 percent, accounting for the overall increase in stock ownership during that period. Between 1989 and 1998, the direct ownership of stocks grew by only 6 percent, while the share of households with a pension account again doubled, accounting for the bulk of the overall increase in stock ownership.

Despite the overall gains in stock ownership, less than half of all households had any stake in the stock market by 1998—and many of those had only a minor one. In 1998, while 48 percent of households owned some stock, only 36 percent had total stock holdings worth $5,000 or more and only 32 percent $10,000 or more. Moreover, the top [wealthiest] 1 percent of households accounted for 42 percent of the value of all stock owned; the top 5 percent accounted for about two-thirds; the top 10 percent for over three-quarters; and the top 20 percent for almost 90 percent (see Table 2).

Far from offsetting inequality in wages, stock ownership tracks income class (see Table 3). Unsurprisingly, those people with the highest salaries tend to own the most stock. Whereas 93 percent of households in the top 1 percent of income recipients (those who earned $250,000 or more) owned stock in 1998, only 52 percent of the middle class (those who earned incomes between $25,000 and $50,000), 29 percent of the lower middle class (incomes between $15,000 and $25,000), and only 11 percent of poor households (income under $15,000) reported stock ownership. And 92 percent of the richest 1 percent—versus 27 percent

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TABLE 1. Percentage of Households Owning Stock Directly or Indirectly, 1983–1998

Stock Holdings	1983	1989	1992	1995	1998
Any stock holdings	24.4	31.7	37.2	40.4	48.2
Stock worth $5,000 or more*	14.5	22.6	27.3	29.5	36.3
Stock worth $10,000 or more*	10.8	18.5	21.8	23.9	31.8

Note: Includes direct ownership of stock and indirect ownership through mutual funds, trusts, IRAs, Keogh plans,401(k) plans,and other retirement accounts.

*1995 dollars

for the middle class, 13 percent for the lower middle class, and 5 percent for the poor—reported large holdings ($10,000 worth or more). Three-quarters of all stocks were owned by households earning $75,000 or more (the top 16 percent of income earners); 88 percent of all stocks were held by the top third of households in terms of income.

Clearly, substantial stock holdings have still not penetrated much beyond the reach of the rich and the upper middle class; the middle class and the poor have not seen sizable benefits from the bull market."People's capitalism" is a myth.

The inequality generated by the wealth and income gaps is exacerbated by the fact that during the boom of the last eight years, corporate profitability has been rising. In general, when the real wage rises at the same rate as overall productivity, the wage and profit shares of income remain fixed over time. For example, during the "Golden Age" of American capitalism (1947 to 1973) wages kept pace with productivity: U.S. labor productivity grew by 2.4 percent per year and inflation-adjusted wages by 2.6 percent per year. After that, however, productivity slowed—and wages slowed even more. Since 1979, productivity has recovered somewhat, but wages have failed to keep up. It is this very rise in corporate profitability—which comes at the expense of workers' wages—that has fueled the record boom in the stock market, whose primary benefits (as we have seen) have not gone to low- and middle-income workers. In other words,as the returns to work have atrophied, returns to capital have climbed,shifting ever more power to the rich and contributing to the rising inequality of income in this country.

What can be done to help American workers? The following are some remedies that could help alleviate both income and wealth disparities:

Restore the minimum wage to its 1968 level. The [real] minimum wage in 1998 was down 32 percent from its peak in 1968. Restoring the minimum wage to its "Golden Age" level (when, I should point out, the unemployment rate was only 3.6 percent) will help increase the earnings of low-wage workers.

Extend the Earned Income Tax Credit (EITC). The EITC provides supplemental pay to low-wage workers in the form of a tax credit on their federal income tax return. An expansion of this credit will further raise the (post-tax) income of poor working families.

Make tax and transfer policy more redistributional. Comparisons between the United States and other advanced industrial countries (including Canada) that face similar labor market conditions indicate that tax and transfer policies can be effective in reducing inequality and increasing post-tax income.

Re-empower labor. Cross-national evidence suggests that the greater level of inequality in the United States relative to other advanced economies is due to our low level of unionization.A rejuvenated labor movement—a first step to which would be a reform of labor law—in the private sector would help reverse the trend toward greater inequality.

Curtail the Fed. With U.S. labor productivity now reaching 5 percent per year, according to the latest Bureau of Labor Statistics numbers, the Federal Reserve should curtail its exuberance in cracking down on wages whenever "wage inflation" appears.

Tax wealth directly. Almost a dozen European countries—including Denmark,Germany, the Netherlands, Sweden, and Switzerland—have a wealth tax in place. A very modest tax

TABLE 2. Concentration of Stock Ownership by Wealth Class,1998

Wealth Class	Percentage of Households Owning Stock Worth More Than: Zero	$4,999	$9,999	Percentage of Stock Owned: Shares	Cumulative
Top 1 percent	93.2	92.9	91.2	42.1	42.1
Next 4 percent	89.0	87.0	86.1	25.0	67.2
Next 5 percent	83.9	80.4	78.9	10.6	77.7
Next 10 percent	78.7	74.0	71.6	11.1	88.8
Second quintile	58.9	49.8	45.4	7.7	96.5
Third quintile	45.8	32.7	25.9	2.6	99.1
Fourth quintile	35.1	15.1	8.6	0.7	99.8
Bottom quintile	18.6	4.6	1.8	0.2	100.0
All	48.2	36.3	31.8	100.0	

Note: Includes direct ownership of stock and indirect ownership through mutual funds, trusts, IRAs, Keogh plans, 401(k) plans,and other retirement accounts.

TABLE 3. Concentration of Stock Ownership by Income Class,1998

Income Level	Share of Households	Percentage of Households Owning Stock Worth More Than: Zero	$4,999	$9,999	Percentage of Stock Owned: Shares	Cumulative
$250,000 or more	1.6	93.3	92.7	91.9	36.1	36.1
$100,000–$249,999	6.9	89.0	85.5	82.8	27.7	63.9
$75,000–$99,999	7.7	80.7	70.4	66.5	10.8	74.7
$50,000–$74,999	17.4	70.9	55.6	48.8	13.1	87.8
$25,000–$49,999	29.0	52.0	34.3	27.4	8.5	96.3
$15,000–$24,999	16.1	29.2	16.9	12.9	2.6	98.9
Under $15,000	21.3	10.6	5.2	4.5	1.1	100.0
All	100.0	48.2	36.3	31.8	100.0	

Note: Includes direct ownership of stock and indirect ownership through mutual funds, trusts, IRAs, Keogh plans,401(k) plans,and other retirement accounts.

that affected only households with more than $500,000 in assets, at marginal tax rates running from 0.05 to 0.3 percent, would have a minimal impact on the tax bills of 90 percent of American families—yet would raise $50 billion in additional revenue. While this is not a large amount (about 3 percent of total federal tax receipts), the additional revenue could fund transfer programs for the poor and middle class.

Promote Asset Ownership. We might also consider the development of mechanisms to promote asset ownership in the United States. These include Individual Development Accounts (IDAs), in which amounts set aside by eligible low income families are partially matched by public funds. (The Universal Savings Accounts proposed by President Clinton in his 1999 State of the Union address are similar in function.) The accounts draw interest, and can be withdrawn to support schooling or training, purchase a home, or start a business. IDAs can be complemented in some places by subsidized home ownership programs for the poor. Restoring asset ownership to middle-income and poor families can contribute greatly to increasing their economic security, restoring their participation in the social life of the community, and reversing their political disenfranchisement.

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

MICHAEL J. HANDEL

Public Policy Brief No. 62, 2000

www.levy.org/docs/ppb/ppb62.pdf

Several scholars have drawn attention to the increasing divergence between the pay of those at the top of the income ladder and those at the bottom over the last two decades. The leading explanation for this phenomenon is that there is a widening gap between the demand for and supply of more-skilled workers. Such a gap can be due either to the rapid pace of technological change that accelerated the demand for more-skilled workers or to a slowdown in the growth of educational attainment or supply of skilled workers. Whether the supply-demand imbalance is the result of a sudden acceleration in demand or a serious slowdown in supply, the consequence has been an increase in the relative pay of more-skilled workers.

The dramatic growth, beginning in the 1980s, in the use of information technology in the workplace made the explanation plausible; the majority of analysts credited it for the increasing returns to education. The policy implication that flowed from such a diagnosis was that the American educational system had to be improved to provide newer and better skills to the disadvantaged so that their relative wages would rise. In this brief, Michael J. Handel examines the evidence used to support this explanation—trends in wage inequality; various measures of skill and technology use, including workers' educational attainment; the occupational distribution of the workforce; direct measures of job skill requirements, and use of computers at work—and finds it inadequate.

The trend in wage inequality from 1979 to 1997 shows that much of the growth in inequality occurred between 1981 and 1983, when the U.S. experienced its deepest recession since the Great Depression, but before the greatest diffusion of computers. The trend in mean educational attainment (measured in years of education) shows that there was steady growth since the early 1960s and a slowdown in the growth rate in the 1980s and 1990s. However, the latter cannot account for the sharp rise in inequality between 1981 and 1983 because any reasonable projected supply-demand imbalance could have only emerged later. Thus, the timing of inequality does not correspond to the slowdown in the growth of educational attainment.

Handel argues that the evidence for a causal relationship between education and computer use is rather weak. A series of regression models show that computer users have, on the average, about one-half to one year more education than do otherwise similar workers. However, a causal relation cannot be inferred from estimates generated by cross-sectional models. For example, firms that could afford computers may have been able to afford more-educated workers as well. Even assuming causality, the estimate suggests that a plausible wage premium for a worker who uses a computer is only about 3 percent—a differential too small to account for the sharp increase in wage inequality. To investigate the possibility of computer use driving up educational requirements, Handel estimated models of the relationship between changes in the educational composition of occupations and changes in the level of computer use within occupations between 1984 and 1997. The resulting estimates once again fail to indicate any causal connection between computer use and educational attainment.

Trends in the occupational composition of the workforce show that the share of skilled workers increased during the period of inequality growth, but the rate of increase is comparable to that experienced in previous decades. This implies that inequality growth cannot be attributed to any sudden shifts in the occupational composition. Similarly, though direct measures of job skill requirements constructed from individual-level surveys and the *Dictionary of Occupational Titles* indicate a shift toward more-skilled jobs, the shift is a gradual, secular one, in contrast to the sharp increase in wage inequality in the early 1980s.

Handel concludes that the most powerful factors contributing to the dramatic increase in inequality during the 1980s seem to be the recession and trade deficits. Similarly, the modest decline in inequality since 1995 suggests the importance of macroeconomic factors. The workers at the bottom of the pay ladder bear most of the burdens of recessions, and the recession of the early 1980s reshaped the wage structure. The subsequent recovery did not reverse the change in structure, thus resulting in stagnant wages for those at the bottom. Government policies aimed at maintaining high levels of aggregate demand and tight labor markets can play a crucial role in redressing wage inequality, as can policies aimed at strengthening collective bargaining and maintaining the real value of the minimum wage. Handel cautions that this argument should not be taken to imply that education and training are not important; they are simply not enough to prevent socially undesirable levels of inequality.

Compensatory Inter Vivos Gifts

STEFAN HOCHGUERTEL and HENRY OHLSSON
Working Paper No. 319, December 2000
www.levy.org/docs/wrkpap/pdf/319.pdf

The determinants of intergenerational transfers are important in several areas of economics. The well-known Ricardian equivalence theorem in macroeconomics depends on the specific assumptions employed to characterize individual behavior regarding intergenerational transfers. The extent to which wealth is carried from one generation to another influences patterns of wealth and income distribution. Several analysts have also pointed out the importance of intergenerational transfers for analyzing saving behavior and evaluating tax burdens. However, established models of intergenerational transfer predict that there should be no difference between post mortem bequests and inter vivos gifts, while empirical studies have consistently found that they differ: bequests tend to be equally divided among heirs, while gifts tend to be compensatory. Stefan Hochguertel of the European University Institute and Henry Ohlsson of the University of Göteborg examine whether gifts are compensatory and explore the determinants of the pattern of gift giving.

The authors derive the empirical predictions from three models of inter vivos gifts. While all suggest that the gift amount will increase with the resources of the parents, they differ with respect to the effects of within-family variations in income. In the altruistic model, the gift amount a child receives varies inversely with the child's own income and positively with the siblings' income. By contrast, the exchange model predicts that the child's own income has a positive effect and the siblings' income a negative effect on the amount received. Finally, the egoistic model predicts that neither factor influences the gift amount. The differences in the predictions stem from the different utility functions employed in the models. The authors suggest that empirical evidence can shed light on which model best describes reality.

The data used in the study are primarily from the 1992 wave of the Health and Retirement Study conducted by the University of Michigan's Survey Research Center. The data set focuses on the health- and retirement-related issues of the preretirement population (cohorts born between 1931 and 1941) of the United States. It was chosen because it is composed of individuals who are about to retire and hence in a position to bestow inter vivos gifts, and because it contains information on two generations of the same family—parents and children. In contrast to most other studies, Hochguertel and Ohlsson focus on the children rather than the parents, enabling them to test directly the predictions of the three models. As discussed above, the models generate predictions about within-family variation of gift behavior, not about variations of gift behavior across families.

The econometric strategy employed is to estimate the amount of gifts received by the children in a family as a function of siblings' characteristics (such as income and demographics) using a series of models. The results from the probit models show that a child who works fewer hours and has lower income than his or her siblings is more likely to receive gifts. Estimations of fixed and random effects linear models, conditional on positive family gift amounts, show that the fewer the hours worked and the lower the child's income as compared to his or her siblings, the larger the gift received. Fixed and random effects Tobit estimations corroborate these results. The authors point out that, since the theoretical models deal with the amount given rather than the probability of receiving gifts, the probit models may be considered less appropriate. Direct examination of the data set also revealed that only 4 percent of parents who give divide their gifts equally among their children.

The finding that inter vivos gifts are compensatory, as opposed to being divided equally among children, is consistent with most other empirical studies. The pattern of giving revealed by the estimation results lends strong support to the altruistic model of gift-giving. However, the authors caution that the results are based on a short period of observation and suggest that future research should address the issue of inter vivos gifts using a longer span of data.

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

AJIT ZACHARIAS

Working Paper No. 321, February 2001
www.levy.org/docs/wrkpap/pdf/321.pdf

Patterns of long-run differentials in profitability among industries are important for characterizing the overall nature of competition in a capitalist economy. In the industrial organization literature, this issue has been investigated in order to assess the extent of monopoly power exercised by firms in different industries. The question of monopoly power and its impact on differential profitability is also addressed in Post Keynesian microeconomics. Following the revival of classical political economy initiated by the work of Piero Sraffa, several theorists have argued that the marginalist theory of value and distribution that lies at the core of most mainstream models of competition is fundamentally flawed. Theorists in this tradition have also emphasized that the strategy of analyzing real world competition as departures from perfect competition is inappropriate since an alternative theory of competition that rests on an alternative theory of value and distribution can be developed on foundations laid by the classical economists. One of their central propositions, derived in the modern dynamic models of the classical competitive process, is that industrial profit rates have a tendency to gravitate around a common path in the long run. Resident Research Associate Ajit Zacharias critically examines econometric models used for assessing long-run profit rate differentials and proposes an alternative framework based on recent advances.

Empirical studies of profitability differentials conducted in the 1950s and 1960s generally employed static, cross-sectional models. These models came under criticism in the 1970s on the grounds that long-run theoretical predictions regarding profitability differentials cannot be adequately captured using observations over a short period of time. In order to overcome these objections, several authors began to employ dynamic, autoregressive models. While these avoid the pitfalls of static, cross-sectional models, Zacharias argues that they do not adequately distinguish between two potential components of long-run profit rate differentials identified in economic theory. One, the noncompetitive differential, stems from factors—generally characterized as risk and other premia—that do not depend directly on the state of competition. The other component, the competitive differential, is due to factors that depend directly on the state of competition (e.g., degree of concentration, economies of scale). Failure to distinguish between the two components makes it difficult to assess whether profit rates are equalized in the long run, because that expectation pertains to profit rates that are adjusted for noncompetitive differentials.

Zacharias proposes time-series models that can distinguish between the two potential components and incorporate the nonstationarity, indicated by unit root tests, of most industry profit rates. The models are estimated using profit rates, computed as the ratio of profits after depreciation to net fixed capital stock, for 20 manufacturing industries in the United States between 1947 and 1998. The first type, estimated for 18 industries, is a bivariate vector autoregressive model with the industry profit rate and the combined profit rate of the remaining industries as the endogenous variables. The second type, used for two industries whose profit rates were found to be stationary, is an autoregressive distributed lag model. Both models allow for a statistically satisfactory estimation of the long-run centers of gravity of profit rates and distinguish between noncompetitive and competitive profit rate differentials. The hypothesis of profit rate equalization can be tested in both as the null hypothesis of no competitive differentials.

The central finding of the paper is that the null hypothesis could not be rejected for 14 of the 20 industries, implying that these industries have no significant competitive differentials in the long run. During the period under study, these industries accounted for about 75 percent of net fixed capital stock and 72 percent of profits in the manufacturing sector. Zacharias interprets this finding as supporting the classical hypothesis of long-run equalization of profit rates. The stability of the long-run centers of gravity was also studied by estimating the "persistence profiles" of profit rates, that is, the number of years it takes for one standard deviation shock to the long-run center of gravity to vanish. Estimates show that the persistence profiles are relatively short; typically, within three to four years, all or most of the effects of the shock die out and the profit rates return to their long-run center of gravity. Zacharias concludes by indicating the directions in which the models he employs can be improved and suggesting alternative indicators of profitability to assess long-run profit rate differentials.

Program: Financial Markets and Monetary Policy

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

JÖRG BIBOW

Working Paper No. 323, March 2001

www.levy.org/docs/wrkpap/papers/323.html

The introduction of the euro in 1999 ushered in a new policy regime in the European Union. Monetary policy for the euro area is now centralized in the hands of the European Central Bank (ECB). There have been two outstanding macroeconomic developments in the euro area over the last two years: first, GDP growth has picked up and the unemployment rate (though still high) has declined, and second, the exchange rate of the euro has fallen dramatically and the inflation rate has risen well above the ECB's declared "tolerance level." Mainstream economists have cited labor market flexibility and wage moderation as the driving forces behind growth, while the second set of developments is generally attributed to external shocks beyond the control of the ECB rather than to its conduct of monetary policy. Visiting Scholar Jörg Bibow of the University of Hamburg takes issue with the mainstream assessment of the ECB's performance.

Since monetary policy works with lags, it may be too early to assess the ECB using its preferred standard, its effectiveness in controlling inflation in the euro area over the medium term. However, there is no reason to concentrate only on future price trends, because monetary policy has effects on output growth and employment in the short term; indicators of the health of the real economy must thus be considered. In addition, the ECB's ability to communicate with the financial markets should be considered, because these, including the currency markets, play a vital role in the transmission of the effects of monetary policy. It is essential to maintain effective communication with market participants, who, as Keynes noted, must consider the central bank's policies "time-consistent," that is, not liable to be reversed later.

The effects of monetary policy on the real economy are analyzed by examining the changes in exchange and interest rates and their impact, respectively, on competitiveness and domestic demand. In order to grasp the context in which the ECB operated, Bibow analyzes the monetary policy regime that existed prior to the launch of the euro, a central feature of which was the extraordinarily tight monetary policy that repressed domestic demand during most of the

1990s, especially in western Germany. Monetary conditions there loosened to some extent in 1996 due to the depreciation of the mark, and the resulting growth in exports fueled an economic recovery. However, following the collapse of export demand in 1998, largely as a result of the Asian and Russian crises, the Bundesbank raised short-term interest rates on the grounds of inflationary dangers. According to Bibow, this policy mistake was mainly responsible for the euro's launch in 1999 at an inappropriately high exchange rate.

Soon afterward, the ECB had to deal with its currency's steadily deteriorating value against the dollar. Compounding the situation was the new central bank's communication failure with the financial markets. Bibow argues that these two phenomena are closely related: the ECB's conduct may have contributed to the euro's decline. The source of the communication problem has been the central bank's ambiguity and inconsistencies regarding the role of the exchange rate in achieving its stated goal of price stability. Its efforts during 2000 to bolster the currency via interest rate hikes in response to changes in U.S. interest rates failed because the markets perceived such hikes as unsustainable in the long run: the euro area has a growth disadvantage vis-à-vis the United States, which higher interest rates can only make worse. While monetary conditions have eased as a result of the depreciation, the interest rate hikes have had negative effects on domestic demand and made the euro area vulnerable to a decline in export demand, such as would occur in the event of a U.S. recession. Bibow concludes that if monetary policies had been more conducive to domestic demand-led growth in the past, the euro's weakness would not have arisen in the first place.

Program: Federal Budget Policy

Fiscal Policy to the Rescue

WYNNE GODLEY

Policy Note 2001/1

www.levy.org/docs/pn/01-1.html

President George W. Bush recently presented to the Congress a plan that would cut taxes by an amount equal to about 1.5 percent of GDP over 10 years. Distinguished Scholar Wynne Godley argues that much larger tax cuts (or increases in government expenditure) may have to be put in place because the medium-term prospects for the U.S. economy could be much worse than most economists now expect. Most economists have attributed the country's recent growth to supply-side factors, yet aggregate demand growth of a unique and unsustainable variety has underpinned it. From the first quarter of 1997, private expenditure has consistently and by an increasing amount been higher than private disposable income. The consequence has been record levels of indebtedness for both households and corporations.

If the current ratio of private expenditure to private income is to be maintained, the flow of net lending has to stay at its current scale, thus further increasing the level of indebtedness. The situation is such that a mere decline in the growth of debt will result in falling aggregate demand. Indeed, if households and businesses were to pay back debts, aggregate demand would fall even further. The recent signs that limits to business borrowing have been reached and consumer confidence is falling suggest that the borrowing binge is coming to an end. A gradual reduction in private sector deficit toward zero is likely to lead to a serious recession. Godley notes that a historical precedent for the financial situation of the private sector in the United States can be found in the United Kingdom in the first quarter of 1989. There, this situation was followed by two years of declines in GDP and a three-percentage-point increase in the unemployment rate as the private sector deficit shrank to zero.

According to Godley, interest rate reductions such as the ones implemented by the Federal Reserve are simply inadequate to prevent a "hard landing," though they may be able to postpone it. At this juncture, only a significant fiscal stimulus can ameliorate the medium-term weakening of the U.S. economy.

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

DIMITRI B. PAPADIMITRIOU and L. RANDALL WRAY

Policy Note 2001/2
www.levy.org/docs/pn/01-2.html

Some economists have opposed the fiscal stimulus plan put forward by President George W. Bush on the grounds that (a) the economy is not slowing down, (b) monetary policy alone can provide the necessary stimulus to prevent a downturn,(c) fiscal stimulus is ineffective due to the long lags involved,and (d) tax cuts can whittle away the hard-won budget surpluses. In this policy note, President Dimitri B. Papadimitriou and Senior Scholar L. Randall Wray critique the above arguments and argue for a bigger and more comprehensive fiscal stimulus package than the one proposed by President Bush.

Recent facts and figures point to an economy that is slowing more sharply than in recent past recessions. Between the second and third quarters of 2000, real GDP growth slowed from 5.6 percent to 2.2 percent, nominal GDP growth declined from 8.2 percent to 3.8 percent, and real, nonresidential, fixed investment nearly halved. The consumer confidence index in January was at its lowest level in the last four years. Available evidence also indicates extremely weak retail sales, sharp declines in manufacturing activity, and a significant slowdown in commercial and residential real estate markets. Every day, another top corporation issues an earnings warning; the major stock market indexes are seeing their worst figures in years.

Following the analysis developed by Distinguished Scholar Wynne Godley, Papadimitriou and Wray argue that the causes of the current downturn were growing budget surpluses and trade deficits, which resulted in reductions in private sector disposable income and wealth. Consequently, economic growth could take place only if the private sector spent more than its disposable income, leading to growing indebtedness. As debt service burdens reached unprecedented levels, borrowers began to cut back on borrowing and creditors began to tighten credit, a process that was further accentuated by the stock market collapse and the evaporation of the so-called wealth effect. Total U.S. credit grew at a 9.5 percent annual rate in 1999, but fell to 6.8 percent by the second quarter of 2000 and to 5.8 percent in the third quarter.

This analysis implies that the twin objectives of allowing the private sector to bring its spending in line with its income and averting a downturn can be achieved only by a significant and immediate change in the government's budget stance. Godley's estimates indicate that if the household sector were to balance its budget in the first quarter of 2001, the federal government's budget stance would have to change by 6.5 percent of GDP, from surpluses of over 2 percent to deficits of 4.5 percent,in order to maintain the GDP growth rate achieved in the last quarter. However, consideration of other factors, such as the trade deficit, suggests a conservative estimate of the government deficit at 2.5 percent of GDP. Translated into tax cuts, this level of deficit implies the need for an immediate tax cut of $450 billion, about $300 billion more than the one suggested under the Bush plan.

The authors concur with the Bush plan's aim to achieve the tax reductions via cutting back marginal tax rates. Additionally, they propose a cut in payroll taxes amounting to $150 billion, to be divided equally between employers and employees. Such a tax cut would be progressive, reduce the competitive disadvantage of United States-based businesses and thereby the incentive for downsizing and layoffs,and put more purchasing power in the hands of those who are most likely to spend rather than save. The remaining required fiscal stimulus of $150 billion could be achieved by expanding the Earned Income Tax Credit, providing tax credits for educational expenses,and increasing public expenditure.

Papadimitriou and Wray argue that the fiscal imbalance, that is, the structural bias toward budget surpluses, is the main problem to be confronted in averting the downturn. They propose that the budget target cyclical deficit and long-run neutral balance, which implies that the budget should balance at full employment and a robust growth rate.

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

JEREMY ATACK, FRED BATEMAN, and ROBERT A. MARGO
Working Paper No. 317, November 2000
www.levy.org/docs/wrkpap/papers/317.html

The growth of industrial capitalism in the 19th century led to the imposition of a new discipline on labor as work intensity and the length of the average working day grew, leading to worker demands for "shorter hours." There were two routes to a shorter working day. One involved legislative action via the political process; the other, collective action by workers in the form of strikes. However, present-day scholars believe that neither was effective: legislation was not implemented and strikes were broken. Jeremy Atack of Vanderbilt University and the National Bureau of Economic Research, Fred Bateman of the University of Georgia, and Senior Scholar Robert A. Margo suggest that the length of the working day in late 19th-century American manufacturing was the outcome of decisions made at the level of individual establishments in the context of a competitive labor market. The authors use recently-collected archival data based on a sample of establishments from the 1880 Census of Manufactures to investigate the effects of daily hours of work on manufacturing output and wages. The data permit the estimation of the "marginal product" of hours, which can be compared to the analogous effect of hours on wages.

Available evidence indicates that the average length of the working day in American manufacturing declined from about 11.5 hours in the 1830s to 10 hours in 1880. During the intervening period,legislation on the length of the working day was enacted. Federal legislation in 1842 limited the number of hours worked per day by federal employees to 10 hours. A decision in several states in the 1850s limited all employees, both public and private, to 10 hours' work daily, except in cases where a contractual agreement existed between employee and employer for longer hours. The presence of this loophole, along with the evidence of indifferent or no enforcement, suggests that the effect of legislation on reducing the length of the working day was minimal. Similarly, available information on the causes of strikes during the period in question indicates that strikes over shorter hours were comparatively rare. An alternative explanation is therefore warranted for the reduction in the average length of the working day.

Atack, Bateman, and Margo develop a model of employer behavior based on an aggregate production function framework to account for this phenomenon. The production function is postulated to have daily hours and number of annual days of operation as its arguments in addition to the usual capital and labor inputs; however, of the additional variables, only daily hours is assumed to be a decision variable in the theoretical model, while in the empirical implementation, both daily hours and annual days of operation are allowed to vary. The first-order condition with respect to hours indicates that profit maximization implies that the elasticity of output with respect to daily hours ("marginal benefit") should equal the elasticity of wage with respect to daily hours multiplied by labor's share in value added ("marginal cost"). The model was estimated using data on value of capital invested, number of employees, average daily hours of work, and annual daily hours of operation for a random sample of approximately 7,300 establishments drawn from the 1880 Census of Manufactures. The results indicate that, for the typical employer, 10 hours was the profit-maximizing length of the working day.

The authors suggest that their finding corroborates the idea that, in the absence of legislation or collective action by workers, only market fundamentals (supply-demand imbalances) could have altered the length of the working day. The rough constancy in the length of the working day in the last decade of the 19th century and its sharp decline between 1909 and 1919 is thus attributed mainly to supply-demand conditions in the labor market in the respective periods. However, for the latter period (1909–1919), growing union power and legislation also contributed. Given this finding, the authors suggest that future research should probe the reasons why collective action and legislation were so ineffective in the 19th century.

Origins of the GATT: British Resistance to American Multilateralism

JAMES N. MILLER

Working Paper No. 318, December 2000

www.levy.org/docs/wrkpap/papers/318.html

Today, the World Trade Organization is considered one of the most potent symbols of globalization. However, most observers are unaware of the historical irony that its precursor, the General Agreements on Tariffs and Trade (GATT), was born as a temporary arrangement from the failure of the more ambitious International Trade Organization (ITO), intended to be a key player in post–Second World War international economic arrangements along with the International Monetary Fund and the International Bank for Reconstruction and Development (later the World Bank). James N. Miller, Cambridge University Visiting Scholar, argues that the GATT's transition from a temporary to a durable arrangement among nations is best understood in light of its initial inclusiveness, which came about largely as a result of British resistance to the American strategy of promoting unfettered foreign trade. Miller utilizes previously unexamined archival material to reconstruct the early negotiating history of the GATT and reconsider the historical and political conditions under which it emerged.

The formal negotiations between the United States and Britain to establish a world trade regime began in 1945. Four major issues caused conflict between the sides. The first two concerned preferences and quantitative restrictions. The Americans initially insisted upon an immediate and unconditional abolition of all preferences and quantitative restrictions because these went against the ideal of free trade and harmed American exporters. However, the British managed to obtain, in exchange for preferential arrangements, a lessening of American tariffs; in addition, they negotiated a loophole whereby quantitative restrictions could be allowed in the case of countries with balance of payments difficulties. On the third issue, monitoring and preventing restrictive business practices by international cartels, the American position was that there should be a uniform code of conduct, enforced by the ITO, while the British argued in favor of the ITO's examining any such allegations on a case-by-case basis. In the issue of the role of state-owned companies in foreign trade, the initially rigid American position to outlaw such companies again gave way to the flexible and accommodating stance pursued by the British.

How did the British succeed in winning these concessions from a country that was at that time, by far, politically and economically more powerful? Miller credits this to successful British diplomacy, helped by American miscalculations and weaker negotiating tactics. The most serious of the U.S. errors was the overestimation of the appeal of the free trade agenda and potential reductions in American tariffs. Their weakness in negotiating was manifest on several occasions when they began with an impassioned, principled position and later succumbed wholly or significantly to the pragmatic and flexible British position. The British negotiators used a combination of lucid arguments, bluff, delay, and obstinacy to ensure the acceptance of their proposals. Most important, according to Miller, was their clever manipulation of the Commonwealth and Dominions to transform a bilateral negotiation into a multilateral forum in which Britain and its allies had a clear numerical majority.

Miller contends that it is important to distinguish between different types of multilateralism to grasp the longer-term consequences of the shift engineered by the British. Procedural multilateralism results from the direct involvement of three or more participants in the negotiation and design of policy. Principled multilateralism emerges when there is sufficient agreement among all participants that they are prepared to coordinate, irrespective of whether they took part in the actual design of procedures or policies. The American strategy was to obtain unfettered free trade—a type of principled multilateralism—via a process of procedural multilateralism. The British, on the other hand, wanted procedural multilateralism in determining what constitutes free trade and designing policies to achieve it. Miller argues that the British strategy was written into the GATT at its inception; he attributes its durability to the adherence to procedural multilateralism.

“Race or People”: Federal Race Classifications for Europeans in America, 1898–1913

JOEL PERLMANN

Working Paper No. 320, January 2001
www.levy.org/docs/wrkpap/papers/320.html

Senior Scholar Joel Perlmann examines how the history of a federal classification system in the early 20th century was intertwined with legal philosophy and practice, social science, popular culture, and bureaucracy. The system studied was introduced by the U.S. Bureau of Immigration to classify immigrants, mostly from Europe, and persisted without substantial changes for the next 50 years. Prior to the 20th century, immigrants were classified solely by their country of origin. The change to classification by “race or people” was justified mainly on the grounds that an increasing proportion of 1890s American immigrants came from multinational empires of central and eastern Europe (such as Austria-Hungary), and therefore knowledge of nationality alone was not sufficient to characterize their origins. Immigration forms introduced in 1903 by congressional mandate instructed officials to collect information on the “race or people” of immigrants, to be determined by the language and the “stock from which they sprang.” They provided a list of 40 races and peoples, including Hebrew, northern Italian, southern Italian, Irish, and German. Perlmann suggests that in implementing this classification system, the Bureau of Immigration was attempting to adapt to changing patterns of immigration, ethnological scholarship, and popular perceptions.

Prominent opposition to the new classification system came from organizations representing the older, largely second-generation German-Jewish elite. They argued that the category “Hebrew” involved counting Jews by religion; that since no other race or people was coextensive with a religious grouping, no other group was being enumerated in religious terms; and that such singling out might be unconstitutional and lead to antisemitism. This opposition was mainly ineffective; the only change it appears to have produced was that immigration authorities stopped publishing the table showing the distribution of immigrants by religion in their annual official report. Subsequently, in the 1900s, several innovations were made to refine and improve the effectiveness of the classification system, primarily with a view to distinguishing between European groups and, more fundamentally, between whites and nonwhites.

Issues related to the definition and purposes of the classification system as well as its social and political implications came to the forefront of policy debates during 1908–1910 when the Immigration Commission was conducting its surveys. Unlike the Bureau of Immigration, the Commission was interested not just in arriving immigrants, but also in their children, in order to assess assimilatory tendencies among various ethnic and racial groups. The Commission campaigned to introduce a “race or people” question into the 1910 decennial census (in addition to the existing question on “color”). Perlmann demonstrates, using extensive verbatim transcripts of the Commission’s hearings and unpublished letters, that this effort was challenged by the American Jewish Committee (representing the Americanized German-Jewish elite) and a few senators of Jewish origin, using arguments similar to the earlier ones. However, organizations representing the larger, eastern European Jewish immigrant population and other ethnic groups wanted the “race or people” question extended to Europeans. The final outcome was the inclusion of a question about “mother tongue.”

Perlmann discusses several aspects of the shifting, conflicting constructions of identity in terms of national origin, language, and race held by the participants in these debates. The question of the classification of mixed racial origins, perhaps the single most important issue with respect to the 2000 Census, was not raised in the case of grouping Europeans by “race or people.” The only type of mixed-race individual considered was the offspring of a union between a white European and a black, who was classified as black. There was also an awareness underlying the public discourse and debates that there is a great deal of ambiguity in national and racial classifications: national origin (Irish, Spanish) versus race, nationality (Pole, Bohemian) versus race, and overlaps when color and nationality are confused (Chinese, Indian, Malay, yellow). In spite of such difficulties, the classification system served as the organizing principle through which the entire official data on the last great wave of immigration, covering roughly the first quarter of the 20th century, were presented, thus shaping later research on immigration and immigrants.

NEW SCHOLAR

Research Scholar Alex Izurieta is conducting research on macroeconomic analysis and economic development, including analyses of fiscal and monetary issues and the performance of financial systems in developing countries. Central to his work is the construction of consistent systems of national accounts and flow-of-funds as a basis for macroeconomic modeling. He is working with Distinguished Scholar Wynne Godley to explore the policy implications of the Levy Institute models for the U.S. fiscal stance and prospects for economic growth in the United States and abroad. Godley and Izurieta are also collaborating on developing a theoretical macroeconomic model. Izurieta received a degree in economics from the University of Madrid and M.A. and Ph.D. degrees in development economics from the Institute of Social Studies at The Hague.

UPCOMING CONFERENCES

Registration and program information for the conferences listed will be posted on the Levy Institute website as it becomes available.

11th Annual Hyman P. Minsky Conference on Financial Structure: Can the Financial Structure Avert an Economic Downturn?
April 26–27,2001
Blithewood, Annandale-on-Hudson, New York

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

Among the speakers at this year's conference will be Robert Aliber, University of Chicago; Robert Barbera, Hoenig and Co., Inc.; Stephen G. Cecchetti, Ohio State University; Jane D'Arista, Financial Markets Center; Roger W. Ferguson Jr., vice chairman, Federal Reserve Board of Governors; Wynne Godley, Levy Institute; Bruce Greenwald, Columbia University; Maurice Hinchey (D-NY), U.S. House of Representatives (invited); Thomas M. Hoenig, president, Federal Reserve Bank of Kansas City; Jan Kregel, UNCTAD and Levy Institute; Karin Lissakers, International Monetary Fund; Martin Mayer, Brookings Institution; and Diane C. Swonk, Bank One Corporation.

After the Bell: Education Solutions outside the School
June 4–5,2001
Blithewood, Annandale-on-Hudson, New York

This conference examines issues related to educational policy and politics. It is sponsored by The Jerome Levy Economics Institute of Bard College and the New York University Center for Advanced Social Science Research, and organized by Dalton Conley, director of the CASSR and associate professor of sociology, New York University.

What Has Happened to the Quality of Life in America and Other Advanced Industrialized Nations?
June 6–7,2001
Blithewood, Annandale-on-Hudson, New York

The purpose of this conference is to assess available measures of well-being, propose new ones, and analyze and compare possible measures. The conference is organized by Edward N. Wolff, Levy Institute senior scholar and professor of economics, New York University.

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PUBLICATIONS AND PRESENTATIONS

PUBLICATIONS AND PRESENTATIONS BY LEVY INSTITUTE SCHOLARS

WYNNE GODLEY *Distinguished Scholar*
Publication: "Fiscal Policy to the Rescue," *Financial Times*, January 21.
Presentations: Panelist, meeting on Macroeconomic Challenges and Policy Responses, Economic Policy Institute, January 25; "A Neo-Kaldorian Model of Growth in a Stock-Flow Monetary Framework" (with Marc Lavoie), Eastern Economic Association, New York, February 23–25.

PHILIP ARESTIS *Visiting Senior Scholar*
Publications: *A Biographical Dictionary of Dissenting Economists* (with Malcolm Sawyer). Northampton, Mass: Edward Elgar, 2000; "An Alternative Stability and Growth Pact for the European Union" (with Kevin McCauley and Malcolm Sawyer). *Cambridge Journal of Economics* 25:1 (2001);"Financial Development and Economic Growth: The Role of Stock Markets" (with P. O. Demetriades and K. B. Luintel). *Journal of Money, Credit and Banking*, 33:1 (2001).
Presentations: "Financial Policies and the Average Productivity of Capital: Evidence from Developed and Developing Economies" (with P. Demetriades and B. Fattouh), Allied Social Science Associations, New Orleans, January 5–7; "The Causes of Euro Instability"(with Andrew Brown, Iris Biefang-Frisancho Mariscal and Malcolm Sawyer), Allied Social Science Associations, New Orleans, January 5–7, and the University of Bilbao, January 22; "What Role for the Tobin Tax in World Economic Governance?"(with Malcolm Sawyer) and "Fiscal Deficits in Monetary Unions: A Comparison of EMU and U.S." (with M. Khan and K. B. Luintel), Eastern Economic Association, New York, February 23–25.

JAMES K. GALBRAITH *Senior Scholar*
Publications: "Corporate Democracy, Civic Disrespect." *The Texas Observer*, January 19; "A Stitch in Time? We'll See." *TheStreet.com*, January. (www.thestreet.com/comment/galbraith/1252149.html); "Watching Greenspan Grow." Review of Justin Martin's *Greenspan: The Man behind Money* and Bob Woodward's *Maestro: Alan Greenspan and the American Boom*. *The American Prospect*, January 29.
Presentations: "Inequality and Growth Reconsidered Once Again: Some New Evidence from Old Data" (with Pedro Conceicao and Hyunsub Kum) and "Air Power after Kosovo," Allied Social Science Associations, New Orleans, January 5–7; "What Has Happened to Global Inequality and Why?" Lewis and Clark College, February 8;"European Unemployment: Learning the Right American Lessons," Eastern Economic Association, New York, February 23–25; "Inequality and Globalization: What Has Happened and What it Means," Winchester College, Salt Lake City, March 12–15.

ROBERT A. MARGO *Visiting Senior Scholar*
Publications: "Race and Home Ownership: A Century-Long View"(with William Collins). *Explorations in Economic History* 38 (2001); "Women's Work? American Schoolteachers, 1650–1920" (with Joel Perlmann). Chicago: University of Chicago Press, 2001; Review of Price Fishback and Shawn Kantor's *A Prelude to the Welfare State: The Origins of Worker's Compensation*. *Southern Economic Journal* 67 (2001).
Presentations: "Rising Wage Dispersion across American Manufacturing Establishments, 1850–1880," Allied Social Science Associations, New Orleans, January 5–7; at George Washington University, Washington, D.C., February 28; at McGill University, Montreal, March 15; and at the

University of Toronto, March 16; "Productivity in Manufacturing and the Length of the Working Day: Evidence from the 1880 Census of Manufactures," National Bureau of Economic Research, Cambridge, Mass., March 10; and Yale University, March 28.

DIMITRI B. PAPADIMITRIOU *President*
Publication: Review of Isao Ohashi and Toshiaki Tachibanaki's *Internal Labour Markets: Incentives and Employment*. *Economic Journal* 111 (2001).
Media: Press conference discussing the publication of "Unconventional Wisdom: Alternative Perspectives on the New Economy," by Jeff Madrick, Century Foundation, New York, January 26; "Strategic Concerns Generated by the U.S. Trade Deficit," U.S. Business and Industry Council press conference, Washington, D.C., February 20.

MALCOLM SAWYER *Visiting Senior Scholar*
Publication: "An Alternative Stability Pact for the European Union." *Cambridge Journal of Economics* 25:1 (2001).
Presentations: "What Role for the Tobin Tax in World Economic Governance?" (with Philip Arestis), "EMU and Fiscal Policy," and "NAIRU, Aggregate Demand, and Investment," Eastern Economic Association, New York, February 23–25.

EDWARD N. WOLFF *Senior Scholar*
Publications: "Tendencias Recientes en la Propiedad de la Riqueza." In Diego Guerrero, ed., *Macroeconomía y crisis mundial.* Madrid: Editorial Trotta, 2000; "Engines of Growth in the U.S. Economy" (with Thijs ten Raa) and "Human Capital Investment and Economic Growth: Exploring the Cross-Country Evidence." *Structural Change and Economic Dynamics* 11:4 (2000); "The Rich Get Richer . . . and Why the Poor Don't." *The American Prospect*, February 12.
Presentations: "The Stagnating Fortunes of the Middle Class," Seminar, State University of New York, New Paltz, November 9; "Median Wealth: Why is it Increasing So Slowly?" Seminar, John F. Kennedy School of Government, Harvard University, December 18; "The Stagnating Fortunes of the Middle Class" and "What's Behind the Recent Rise in Profitability?" Allied Social Science Associations, New Orleans, January 5–7; "The Impact of IT Investment on Income and Wealth Inequality in the Postwar U.S. Economy," UNU/WIDER Project Meeting on Production, Employment, and Income Distribution in the Global Digital Economy, Helsinki, January 12–13.

L. RANDALL WRAY *Visiting Senior Scholar*
Publications: "U.S. Tax Cut is Likely to Be Far Too Small," *Financial Times*, January 22; "Are Prisons Our Best Way to Stimulate the Economy?" (with Marc-André Pigeon), *Street Light* 5:1 (2001).
Presentations: "How to Implement True, Full Employment" and "Did the Rising Tide Eliminate Our 'Surplus' Population?" Allied Social Science Associations, New Orleans, January 5–7; "Understanding Modern Money: An Overview of an Alternative Approach to Monetary Theory and Policy," University of Southern California, January 9.
Media: Interview for "Father Greenspan Loves Us All," by William Greider. *thenation.com*, January 1.

JÖRG BIBOW *Visiting Scholar*
Presentation: "Easy Money through the Back Door: The Markets versus the ECB," Eastern Economic Association, New York, February 23–25.

AJIT ZACHARIAS *Resident Research Associate*
Presentations: "Interindustrial Profit Rate Differentials: Theory and Evidence," Allied Social Science Associations, New Orleans, January 5–7; "Inventories and Interindustrial Profit Rate Differentials," Eastern Economic Association, New York, February 23–25.

WILLEM THORBECKE *Research Associate*
Publication: "Estimating the Effects of Disinflationary Monetary Policy on Minorities." *Journal of Policy Modeling* 23:2 (2001).
Presentations: "Financial Factors in the Indonesian Economic Crisis," The World Bank, Washington, D.C., February 20; "Modeling the Socioeconomic Impact of the Economic Crisis in Indonesia," The World Bank, March 12.

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