The Levy Economics Institute of Bard College

Summary

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GREG HANNSGEN, Resident Research Associate
THOMAS L. HUNGERFORD, Research Director and Senior Scholar
JAMES K. GALBRAITH, Senior Scholar
DIMITRI B. PAPADIMITRIOU, President
JOEL PERLMANN, Senior Scholar
MALCOLM SAWYER, Senior Scholar
ANWAR M. SHAIKH, Senior Scholar
W. RAY TOWLE, Resident Research Associate
EDWARD N. WOLFF, Senior Scholar
L. RANDALL WRAY, Senior Scholar
AJIT ZACHARIAS, Research Scholar
GENNARO ZEZZA, Research Scholar

Research Associates

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WILLIAM J. BAUMOL
JÖRG BIBOW
BARRY BLUESTONE
ROBERT E. CARPENTER
YUVAL ELMELECH
KORKUT A. ERTÜRK
STEVEN M. FAZZARI
MARIA SAGRARIO FLORO
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ROGER WALDINGER
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The Summary is published three times a year (Winter, Spring, and Fall) and is intended to keep the academic community informed about the Institute's research. To accomplish this goal, it contains summaries of recent research publications and reports on other activities.

Editor: W. Ray Towle
Text Editor: Debby Mayer

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The Levy Economics Institute of Bard College
Blithewood, Annandale-on-Hudson, NY 12504-5000
Phone: 845-758-7700, 202-887-8464 (in Washington, D.C.)
Fax: 845-758-1149 E-mail: info@levy.org Website: www.levy.org

LETTER FROM THE PRESIDENT

To our readers:

This issue begins with an analysis of economic well-being in the United States by Senior Scholar Edward N. Wolff and Research Scholars Ajit Zacharias and Asena Caner. Using the Levy Institute Measure of Economic Well-Being, they find that the standard measures understate economic well-being and the distribution of inequality. They also find that the growth rate of economic well-being was accompanied by an increase in total hours of work so that economic improvement came at the expense of life-enriching activities.

Under Strategic Analysis, a paper by Senior Scholar Anwar M. Shaikh, Research Scholars Claudio H. Dos Santos and Gennaro Zezza, and me finds that the sharp reversal from surplus to deficit of the U.S. federal budget has prevented a deep recession, but long-term strategic economic difficulties remain. We suggest that the U.S. government continue its substantial fiscal stimulus, while enhancing the country's international competitiveness, so as to stimulate export growth and use the domestic jobs thereby created to fill in the remaining employment gaps.

A working paper by Richard Hauser and Holger Stein under the Distribution of Income and Wealth Program studies the distribution of personal wealth in Germany. They show that retirees are wealthier than the national average as a result of a generous pension system and social insurance, a finding that is contrary to the life-cycle model. A comparison between eastern and western Germany showed, surprisingly, that there was greater wealth inequality in the east.

A working paper by Institute Professor Philip Arestis and Santonu Basu under the Financial Markets and Monetary Policy Program finds that financial liberalization is not a sufficient condition for financial globalization, which requires a single worldwide currency that is managed and regulated by an international monetary authority. They propose a revamped International Monetary Fund and World Bank. Another working paper by Arestis, Ambika D. Luintel, and Kul B. Luintel studies competing views of financial structure in the context of developing countries. They find that financial structure significantly explains economic growth and that previous studies that pooled data may have concealed important cross-country differences.

A policy note by Research Associate Korkut A. Ertürk posits that a sharp and steep dollar devaluation is preferable to a slow downward drift because it would substantially improve the United States' negative net investment with the rest of the world. A gradual fragmentation of the world currency markets may benefit developing countries, he writes, and it is time to rehash such ideas as the Asian Monetary Fund.

A working paper by Jörg Bibow studies two opposing strategies to fiscal consolidation: thrift-based versus growth-based. He notes that Europe applied fiscal discipline and austerity when it established the Economic and Monetary Union, but these measures depressed domestic demand and economic growth. Anticyclical fiscal policies like those in the United States are more successful, he observes, and U.S. growth priorities versus German-style procyclical consolidation in Europe are on a collision course.

Three working papers are included under Explorations in Theory and Empirical Analysis. Resident Research Associate Greg Hannsgen reviews the difference between traditional and securitized loans and examines the policy implications in light of social theory. He finds that if the financial sector is to be rational, policymakers must think seriously about race, gender, class, and the distribution of power, and alleviate problems of bias and risk evaluation. A bold policy action would have the Federal Reserve engage in the purchase and sale of a wider variety of assets.

A second working paper by Dos Santos and Zezza includes a government sector and a central bank in an expanded post-Keynesian growth model. They find that fiscal policy is more efficient than monetary policy in controlling economic growth and that their model exhibits cycles around the "normal" economic growth rate. A third working paper by Dos Santos reviews the existing formal Minskyan models, which he finds to be biased because they focus only on Minsky's core insight. The author's ultimate objective is to develop a more accurate and consensual model of Minsky's financial structures and views of the economy.

As always, I welcome your comments and suggestions.

Dimitri B. Papadimitriou, *President*

INSTITUTE RESEARCH

Levy Institute Measure of Economic Well-Being

Levy Institute Measure of Economic Well-Being: United States, 1989 and 2000

EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENA CANER
Levy Institute Measure of Economic Well-Being,
December 2003
http://www.levy.org/pubs/limew/limew1203s.pdf

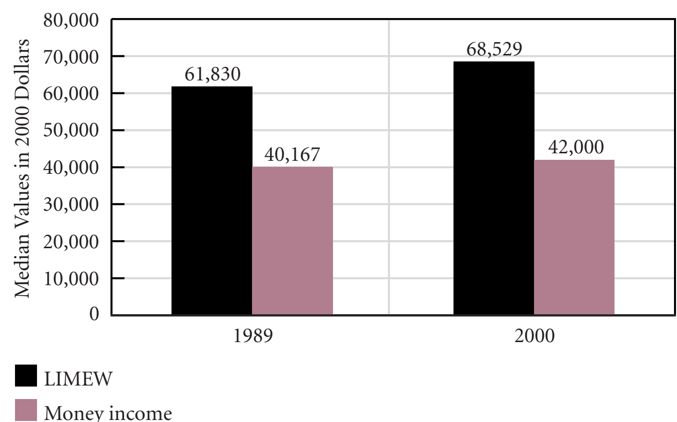
The picture of economic well-being depends crucially on the yardstick by which it is measured. Official measures of well-being are meant to reflect a household's command over commodities, but Senior Scholar Edward N. Wolff of New York University and Research Scholars Ajit Zacharias and Asena Caner find that these measures significantly understate the level and growth of such command, and the inequality in the command over commodities. The authors proceed to analyze economic well-being using a more comprehensive and accurate measure—the Levy Institute Measure of Economic Well-Being (LIMEW).

The LIMEW is a research project that simultaneously integrates the key components of economic well-being. In addition to the command over commodities, it includes the availability of goods and services to households via public consumption and household production. The authors generate information on wealth and time spent on housework via statistical matching of the Current Population Survey's Annual Demographic Supplement (ADS) by the U.S. Census Bureau with the Federal Reserve's household wealth surveys and national time-use surveys. They use information from the National Income and Product Accounts (NIPA), government agencies, and the ADS to estimate different components of net government expenditures. Specifically, the LIMEW is constructed as the sum of base money income, employer contributions for health insurance, income from wealth, net government expenditures, and value of household production. The LIMEW is used to analyze economic well-being in the United States in two benchmark years, 1989 and 2000, which are considered to be the peak years of the last two economic expansions.

The authors find that the standard measures understate economic well-being by a sizable amount. Median household money income is only about 61 percent of the median value of the LIMEW in 2000, and the change in money income between 1989 and 2000 is less than half of the change in the LIMEW (Figure 1). As shown in Figure 2, household production and public consumption accounted for nearly 30 percent of the mean value of the LIMEW in 1989 and 2000. While income from wealth and taxes increased their shares over time, the share of household production declined. The authors also find that the disparities in economic well-being related to race, family type, and age are reduced, but not eliminated, using the LIMEW.

The authors examine the distribution of economic well-being using base money income and then study the incremental effect of income from wealth, government transfers, taxes, and public consumption (Figure 3). They find that income from wealth raises the level of inequality because wealth is distributed more unequally than base money income. A growing concentration of wealth, especially financial assets, during the 1990s contributed to an increase in inequality from 1989 to 2000. Although government transfers and taxes significantly reduce economic inequality, their effectiveness had dwindled by 2000. The authors expect this trend to continue as a result of the pro-rich orientation of the federal tax cuts and the scaling back of major discretionary transfer programs.

Figure 1 **Household Economic Well-Being by Income Measure: 1989 and 2000**



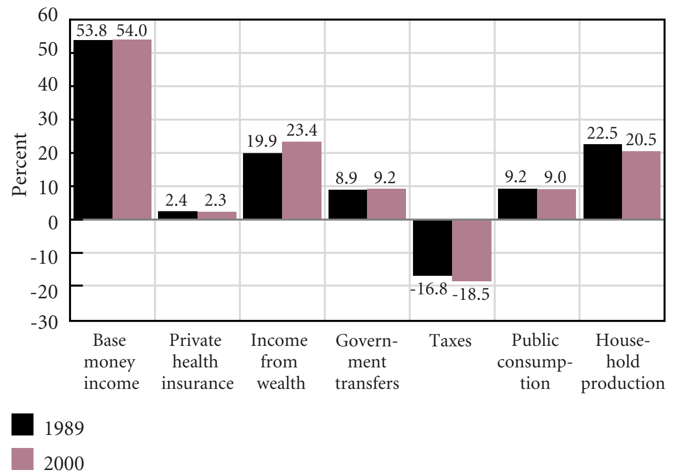
Source: Authorsí calculations

The addition of public consumption, a major component of the LIMEW (Figure 2), and household production cause inequality to decline further. The authors note that the effect of the redistribution of government spending and taxes has declined over time, another trend that will likely continue as a result of state and local government fiscal crises and the fact that federal budgetary priorities in favor of defense and "homeland security" are not included in the definition of public consumption. The LIMEW shows a much higher level of inequality (by about 20 percent) and a more unequally distributed inequality compared to other measures. A major factor is its treatment of financial wealth, which is captured by means of a lifetime annuity.

A further finding is that the growth rate of economic well-being between 1989 and 2000 was accompanied by a comparable increase in total hours of work by the median household, which reduced the availability of free time. Economic improvement came at the expense of life-enriching activities and relaxation.

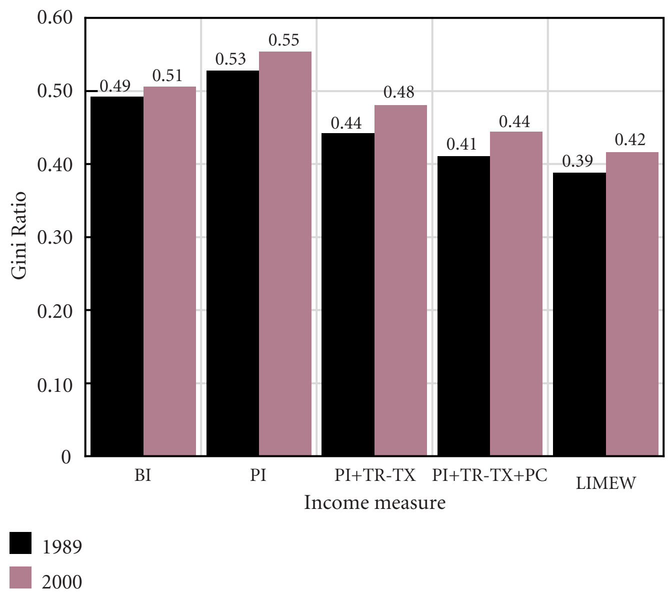
The authors suggest that policies to promote the accumulation of wealth among households mired in debt, or without assets, combined with reasonable taxation of large amounts of financial wealth, are needed to mitigate the socially undesirable effects of wealth inequality.

Figure 2 **Composition of the LIMEW, 1989 and 2000**



Source: Authors' calculations

Figure 3 **Economic Inequality, 1989 and 2000**



Note: BI = sum of base money income and employer contributions for health insurance; PI (primary income) = sum of BI and income from wealth; TR = government transfers; TX = taxes; PC = public consumption; LIMEW = the sum of primary income, net government expenditure (TR-TX+PC) and the value of household production.

Source: Authors' calculations

Deficits, Debts, and Growth: A Reprieve But Not a Pardon

ANWAR M. SHAIKH, DIMITRI B. PAPADIMITRIOU, CLAUDIO H. DOS SANTOS, and GENNARO ZEZZA
Strategic Analysis, October 2003
www.levy.org/pubs/files/stratan-oct-03.pdf

Through a combination of tax cuts and war expenditures, the U.S. federal budget has undergone a sharp reversal from surplus to deficit. Senior Scholar Anwar M. Shaikh of New School University, President Dimitri B. Papadimitriou, and Research Scholars Claudio H. Dos Santos and Gennaro Zezza of the University of Cassino, Italy, observe that while the reversal has buoyed the U.S. economy and prevented a deep recession, long-term strategic economic difficulties remain. Consumer spending is on shaky ground, and exchange rate intervention and greatly expanded fiscal deficits will not be sufficient to address the problem. They suggest that the U.S. government embark on a two-part systematic social policy of enhancing U.S. international competitiveness, so as to stimulate export growth and use the domestic jobs thereby created to fill in the remaining employment gaps.

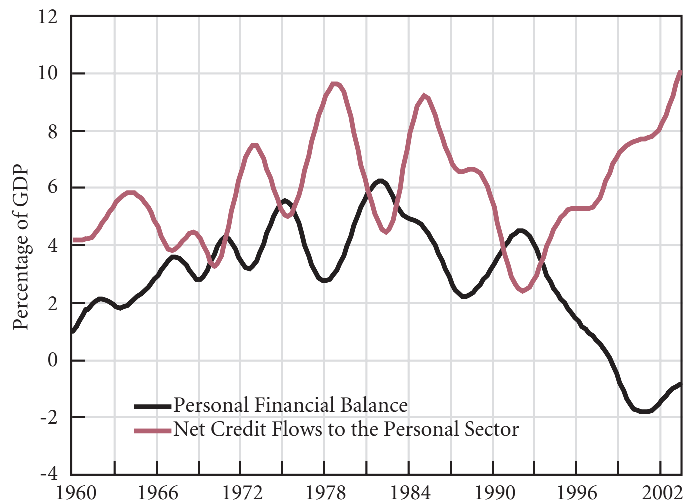
The authors find the U.S. economy in an unsettled position, as stagnating employment and earnings bode ill for future growth in consumption expenditures. Furthermore, the corporate sector has used newly borrowed funds to pay down short-term debt and reduce the stock of equities outstanding, while the personal sector continues to run a deficit with a debt that accelerates despite a high and still rising debt ratio (Figure 1).

The authors point out that it has taken steadily falling interest rates throughout the 1990s to offset a steadily rising household debt burden. Interest rates cannot perform this compensating function any longer, they say, and the debt service burden will soon become unsustainable. As the rate of increase of new debt and the rate of consumer spending slow down, these events will have major implications for the potential growth rate of the U.S. economy.

The authors consider the relationship between the rate of change of real housing prices and the housing price-to-earnings ratio in the housing market (Figure 2). The ratio is again close to the all-time high it reached in 1979, and the household debt service burden is at a historic high. Moreover, households have experienced a large decline in their relative net worth because of the collapse of the stock market bubble, and the value of housing is likely to grow more slowly. The authors note that the situation is no better in the corporate sector (e.g., rising debt relative to equity and net worth, declining profits and capital expenditures, and a depreciating dollar that has only stabilized the current account deficit). Therefore, they conclude, the need continues for substantial fiscal stimulus.

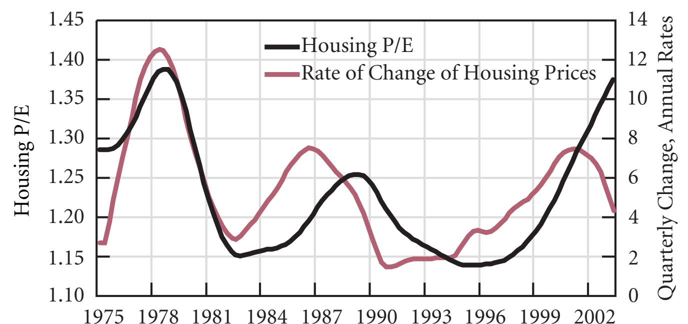
Using the latest U.S. Congressional Budget Office (CBO) projections for fiscal policy and economic growth, the authors

Figure 1 Personal Financial Balance and Net Borrowing (Smoothed*)



Sources: BEA, Flow of Funds, and authors' calculations
* Using an HP filter with smoothing parameter = 30

Figure 2 Housing Price/Earnings Ratio and the Rate of Change of House Prices (Smoothed*)



Sources: BLS, Office of Federal Housing Oversight, and authors' calculations
* Using an HP filter with smoothing parameter = 30

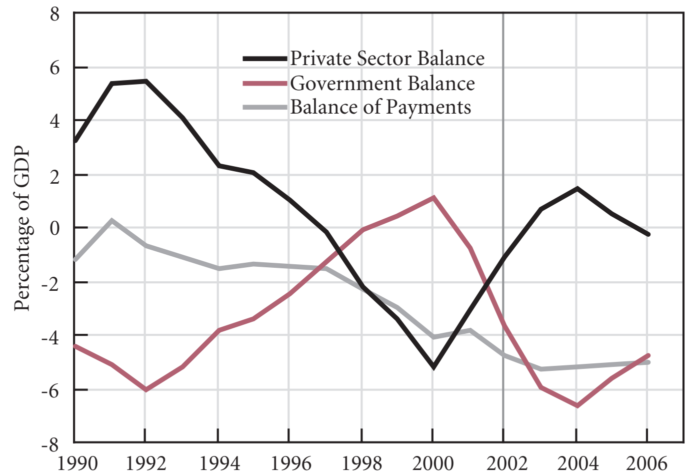
derive a baseline scenario of private, government, and current account balances (Figure 3). The total government budget balance moves into a deficit of 6.6 percent of GDP in 2004, before improving to a deficit of 4.8 percent by 2006. With the government sector fueling growth, the private sector can move into surplus. The current account balance remains at a historically high deficit of about 5 percent of GDP.

Although the short-term horizon of the baseline scenario is quite favorable, unsustainable patterns reassert themselves over the longer term (e.g., the private sector debt burden resumes its rising trend and the ratio of foreign debt to income continues to grow). The authors note that even a small reduction in foreign investment would significantly affect U.S. interest rates, credit availability, and the exchange rate of the dollar. They also note that the CBO scenario significantly understates the size of future deficits because the CBO can only consider already mandated items. The authors, therefore, consider two additional scenarios.

The first of these allows for the likely extension of the 2001 tax cuts and additional military spending on Iraq, and assumes that the private sector debt burden stabilizes (moving from a modest deficit to a modest surplus) (Figure 4). Additional government expenditures combined with a boost to private disposable income generate a higher growth rate than the baseline scenario. Unemployment falls to 4.8 percent by 2006, but the government deficit rises to roughly 7 percent of GDP, and the current account deficit reaches a record 5.9 percent by 2006, which is not sustainable over the long run.

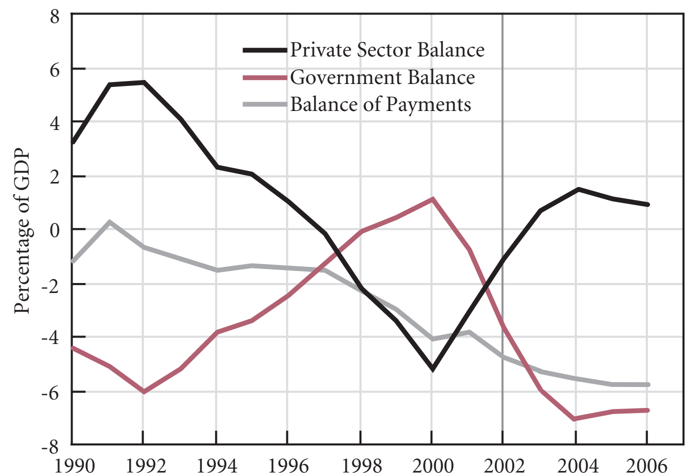
The second considers what would happen if the broad U.S. exchange rate index fell by 20 percent over the next 10 quarters (a position previously advocated by the authors). The private sector would remain in modest surplus, and dollar devaluation would reverse the trend in the current account deficit, but not to any manageable proportion. The rise in foreign debt, however, would not be reversed or stabilized, and the greatly enhanced demand growth could revive inflation. Since the bulk of the current account deficit (more than 80 percent) comes from manufactures (as a result of markets lost to foreign competition and movement abroad by domestic producers) and a fair degree of renewed growth of U.S. trading partners has already been factored into the various scenarios, even exchange rate intervention and greatly expanded fiscal deficits would not be sufficient to address the long-term strategic difficulties of the U.S. economy.

Figure 3 **Implications of the CBO's Projected Fiscal Policy**



Sources: BEA and authors' calculations

Figure 4 **Main Sector Balances Allowing for a More Realistic Path of the Government Balance**



Sources: BEA and authors' calculations

Program: Distribution of Income and Wealth

Inequality of the Distribution of Personal Wealth in Germany 1973–1998

RICHARD HAUSER and HOLGER STEIN
Working Paper No. 398, January 2004
www.levy.org/pubs/wp/398.pdf

A summary of this working paper appears in the report of the conference on international perspectives on household wealth, session 3, in the Winter 2004 Summary, Vol.13, No.1, pp. 7–8.

Program: Financial Markets and Monetary Policy

The Future of the Dollar: Has the Unthinkable Become Thinkable?

KORKUT A. ERTÜRK
Policy Note 2003/7
www.levy.org/pubs/pn03_7.pdf

In 1985 the dollar lost half of its value against the yen and the mark but retained its unique international role when the United States brokered the Plaza Accord. Today, the dollar is depreciating against the euro and is under increasing pressure to depreciate against a host of other currencies. Research Associate Korkut A. Ertürk of the University of Utah finds, however, that neither an orderly retreat for the dollar nor the emergence of a new source of global demand to replace the U.S. economy is likely. Instead, he posits that a sharp and steep dollar devaluation, rather than a slow downward drift, is preferable because it would substantially improve the United States' negative net investment with the rest of the world.

Easy money and lax U.S. fiscal policy are helping to keep the dollar afloat, Ertürk notes, while a bond market bubble underwriting a housing boom helps to keep the consumption boom alive. A weak economic recovery and the ballooning current account deficit stoke expectations that the United States will eventually revert to a weak-dollar policy, however. This action would cause a substantial fall in the value of the dollar, threaten the maintenance of the private consumption boom and foreign investment, and lead to higher interest rates. Ertürk also notes the increasing inability of the United States to continue as the major source of global demand and, further, that keeping interest rates low as the dollar depreciates requires the joint intervention of the major central banks in the foreign exchange markets. He concludes that an orderly retreat of the dollar is unlikely and could turn into a rout if the U.S. economy does not recover.

Using the example of the liquidity trap in Japan, the author observes that the same dilemma exists for Europe, so any move toward another major currency is self-limiting under current conditions. A U.S. economy acting as the engine of world growth is the only game in town, he says, as a result of a slowed momentum in the emergence of a Eurasian block (Europe, Russia, and China) following the war in Iraq, a fractured European political system, Japan's military dependence on the United States, and China's fear that a revaluation of the renminbi could slow its export engine and collapse its fragile banking system.

The likely outcome, writes Ertürk, is a gradual fragmentation of the world currency markets. This outcome may benefit developing countries by making it easier for them to stimulate their internal demand and reflate their economies (hot money is returning to the emerging markets, and people with wealth are buying assets denominated in local currencies). Now may be the time, suggests the author, to experiment in setting up regional networks and to rehash ideas, such as the Asian Monetary Fund.

Financial Globalization and Regulation

PHILIP ARESTIS and SANTONU BASU
Working Paper No. 397, December 2003
www.levy.org/pubs/wp/397.pdf

Financial globalization is defined as the unrestricted movement of finance across national boundaries, or the process by which financial markets of various countries are integrated as one. Institute Professor Philip Arestis and Santonu Basu of the London South Bank University find that financial liberalization is not a sufficient condition for financial globalization, which requires a single worldwide currency that is managed and regu-

lated by an international monetary authority. We are a long way away from true financial globalization, say Arestis and Basu.

The authors review the history of financial globalization and note such problems as unregulated financial integration, financial instability, government regulations that undermine the independence of the financial sector as a profit-seeking economic unit, the decline of the banks' share of the loan market, and the ineffectiveness of interventions to bring allocational efficiency to the financial sector. They note that these events led to deregulation of the financial sector in favor of market forces that determined the rate of interest.

The crucial message of the financial liberalization thesis is that a lack of competition brings inefficiency to the financial sector. The need, therefore, is to increase the number of players in the marketplace and to tap a larger pool of savings by removing entry restrictions and controls over the purchase and sale of foreign currency, and by relaxing laws relating to takeover and merger activities. Floating currencies are expected to balance exports and imports (the J-curve effect), while remaining trade imbalances are addressed via foreign direct investment. Internal and external liberalization of the financial sector is adopted to bring efficiency to the financial sector and improve growth so that financial capital moves freely among countries. Although liberalization promotes the integration of lending and borrowing countries into one market, it has also brought about a series of financial crises.

The authors believe that the problem of integration requires two remedies that have been overlooked: the development of international institutions and the introduction of a single currency. They see a need for a central player to perform a coordinating and regulatory role among the financial institutions of borrowing and lending countries, and for rules that are developed and accepted by all participants.

The authors cite two main reasons for a single international currency: (1) different currencies have varying degrees of convertibility in the international market, which limits globalization since access to the foreign loan market is determined by a limited number of countries with sufficient export sector earnings; and (2) loan markets operate in the presence of uncertainty, requiring lenders to introduce credit standards (e.g., collateral) that are not uniform across countries, which results in varying degrees of access to international financial markets. Currencies with a low degree of convertibility are faced with differences between domestic and international credit standard requirements, thereby segregating the domestic from the international financial markets.

The authors outline three problems related to the process of financial globalization. First, developing countries must repay foreign loans in a foreign currency (only assets of the export sector are acceptable, according to international credit standards). If the foreign loans are not used to enhance the export facilities, then the loan repayment no longer depends upon project performance. Second, a country's ability to attract foreign financial capital depends on having international marketable assets as security. This means that the assets of developing countries are directly related to the export sector and the earnings of internationally marketable assets. Export-led growth economies will have greater access to the global financial markets and, in the event of default, foreign lenders may sell the assets to recoup the loan. As a result, the assets no longer serve the purpose for which the credit standard was introduced. The third problem is macroeconomic volatility, which is particularly pertinent to developing countries in view of their low level of physical capital. While the volatility of output growth has declined, the volatility of consumption growth relative to income growth increased during the 1990s for developing economies that were better integrated financially. Financial globalization amplifies cross-country financial linkages, so shocks are quickly transmitted across national boundaries. There is evidence that some countries may have experienced greater consumption volatility as a result of financial globalization. The authors, therefore, caution against unqualified support for financial globalization.

The authors' analysis suggests that unregulated opportunities for financial free flow among countries are a byproduct of financial liberalization. To complete the process of financial globalization, therefore, they propose a revamped and independent International Monetary Fund (IMF) that embraces aspects of Keynes's International Clearing Bank (ICB) proposals for the post–World War II international financial order. The IMF would act as an international central bank with the power to issue a single international currency and to intervene and provide sufficient liquidity for the needs of international trade. National central banks would keep accounts with the ICB so that normal banking "account clearing" could take place. An International Clearing Unit (ICU) issued by the IMF would serve as a medium of exchange and a reserve asset. The ICB would be a double-entry bookkeeping clearing institution,

providing overdraft facilities so that unused credit balances could be mobilized efficiently and effectively.

The authors also recommend the creation of a sister institution—an International Investment Agency (a revamped World Bank), which would provide finance for investment (especially for developing countries) and lending facilities (to avoid foreign exchange difficulties).

Does Financial Structure Matter?

PHILIP ARESTIS, AMBIKA D. LUINTEL, and KUL B. LUINTEL
Working Paper No. 399, January 2004
www.levy.org/pubs/wp/399.pdf

Whether or not financial structure influences economic growth is a crucial policy issue, one that has not been addressed for developing countries. Institute Professor Philip Arestis, Ambika D. Luintel of London South Bank University, and Kul B. Luintel of Brunel University study three competing views of financial structure—bank-based, market-based, and financial services–based—and embark on two empirical approaches to analyze the economies of six developing countries. In a result that sharply contrasts with previous studies, they find that financial structure significantly explains economic growth.

The bank-based view emphasizes the role of banks in development and growth and stresses the shortcomings of market-based financial systems. The market-based view highlights the advantages of well-functioning markets and stresses the problems of bank-based financial systems. The financial-services view embraces the bank-based and market-based views but minimizes their importance and emphasizes the creation of better functioning banks, markets, and financial services, rather than the type of financial structure.

The authors employ time series and dynamic heterogeneous panel estimators to analyze countries with different income levels, growth, and economic structure that are in different stages of development: Greece, India, South Korea, the Philippines, South Africa, and Taiwan. Since a consistent series of physical capital stock for the sample period (1962–2000) is not available, they construct capital stock from real gross fixed investment series, using the perpetual inventory method. Financial structure is defined as the log of the capitalization ratio over the bank-lending ratio. They find that, with the exception of Taiwan, all of the countries have evolved toward a more market-based system over the past 30 to 40 years. Although bank-lending ratios have increased, the rise in capitalization ratios has been greater and financial structure has risen almost threefold, on average.

The authors find a robust cointegrating relationship among output per capita, capital stock per capita, and financial structure. Financial structure significantly affects per capita GDP for all of the countries except the Philippines. Long-run per capita output is explained by a market-based financial system for Greece, India, South Korea, and Taiwan, whereas a bank-based system appears better for South Africa. The authors also observe that the magnitude of the long-run effects of financial structure on per capita output and other country-specific estimates are extremely heterogeneous across countries. They point out that, from a national policy perspective, establishing the degree of equivalence between country-specific and panel estimates is extremely important.

The authors formally test the validity of pooling the data set of the six countries because of their concern that panel and cross-sectional tests neglect heterogeneity. Their test shows clearly that one country can dominate the results, that panel estimates do not correspond with country-specific estimates, and that the speed of adjustment to long-run equilibria differs significantly across countries. With cross-country heterogeneity in financial structure and growth dynamics therefore significant, pooling data is invalid. As a result, previous studies of financial structure and economic growth that pooled data from several countries may have concealed important cross-country differences.

Fiscal Consolidation: Contrasting Strategies and Lessons from International Experiences

JÖRG BIBOW
Working Paper No. 400, January 2004
www.levy.org/pubs/wp/400.pdf

After the recession of the early 1990s, the United States, Europe, and Japan experienced very different economic growth rates as a result of their individual government consolidation policies regarding public finances. Research Associate Jörg Bibow of the University of Hamburg finds that the United States was the champion of growth-based consolidation, while Europe and Japan relied on thrift-based consolidation.

Cooperative U.S. fiscal and monetary policies geared at steering domestic demand growth resulted in sustainable public finances. Japan's approach must be avoided, warns Bibow, but the Maastricht regime may result in Europe following in Japan's footsteps.

In the conventional view, governments, misled by Keynesianism, were slow to respond to the trend break in productivity in the early 1970s; fiscal policies were asymmetric and procyclical; and expansionary bias pushed debt ratios into a rising trend. Many believed fiscal laxity to be the main problem, and thus saw fiscal discipline as the fix, i.e., a safeguard that would protect monetary policy from political pressures. "Expansionary fiscal contractions" became popular among policymakers in Europe, notes Bibow, so Europe embarked on a path of fiscal discipline and austerity when it established the Economic and Monetary Union (EMU). The hope was that consolidation by austerity would encourage more appropriate wage behavior and lead to lower interest rates. Important links were believed to exist among macroeconomic policy, fiscal consolidation, employment, and economic growth.

After reviewing fiscal trends since World War II, Bibow focuses on the role of macroeconomic demand management (monetary and fiscal policies) as the key determinant of GDP growth and interest rate levels, and as the means that reversed the trend of deteriorating public finances in the 1990s. He notes that a stable debt ratio suggests public finance sustainability (the public debt grows at a rate equal to or less than the nominal GDP growth rate). From the viewpoint of stabilization policy, the heart of the matter is whether macroeconomic policy maintains potential growth and prevents protracted negative output gaps.

Bibow focuses on large economies because they have the macroeconomic tools to look after domestic demand and external growth. The rate gap (the differential between the nominal rate of interest and the nominal GDP growth rate) is the key to debt dynamics and indicates the level of coordination between fiscal and monetary policies, of fiscal consolidation, and of economic performance. Since rising unemployment and soaring interest burdens cause budgetary squeezes, the objective is to find the correct balance and mix of macroeconomic policies, rather than to target directly some deficit ratio.

The eurozone is obsessed with the idea that an expansionary bias in fiscal policy might threaten sound money and price stability, writes Bibow, but it ignores the threat of a deflationary bias in monetary policy. Nothing is gained if consolidation by austerity crushes the GDP growth rate.

In the 1990s the debt ratio increased about 100 percentage points in Japan and 15 percentage points in the eurozone, while it declined about 10 percentage points in the United States. Japanese debt dynamics were driven by a rising primary deficit and a cumulative interest burden, and Japan appears to be stuck in a "deflationary double-trap" (nominal interest rates cannot be cut further and fiscal stimulus is not expected to be much good). The International Monetary Fund (IMF) supports consolidation by austerity, says Bibow, because "structural problems" are suppressing growth. According to a plan posited by Benjamin Bernanke (a U.S. Federal Reserve governor), a period of reflation is needed to undo the effects of deflation on the burden of debt. The rationale is that a temporary application of a decisive stimulus will push the economy out of its slump, and, along the way, reverse current debt dynamics. The IMF and Bernanke approaches represent the two opposing strategies to fiscal consolidation—thrift-based versus growth-based.

A key characteristic of policy in the United States is that it is countercyclical, which allows for growth-based consolidation. Debt dynamics are mainly driven by primary balances, so a close alignment of bond yields and nominal GDP growth checks public debt dynamics. Private spending is timely and sufficiently stimulated so that public finances are successfully consolidated. The private sector's willingness to spend in excess of income, together with sufficient credit creation, allowed the public sector to run budget surpluses by the late 1990s.

In terms of magnitude of fiscal swing, the eurozone's consolidation efforts were comparable to those of the United States, but its actions were procyclical when it embarked on consolidation in 1991 (two years earlier than the United States) and throughout the 1992–93 recession. When consolidation ceased, the eurozone's debt ratio declined along with a sharp turnaround in the sustainability gap between 1995 and 1997, but its interest rate burden was relatively more than that of the United States.

The 1990s were characterized by greatly diverging monetary conditions within the eurozone as nominal interest rates converged to common levels by the end of 1998 and competitive positions changed. There were also significant differences in the timing, degree, and composition of fiscal consolidation strategies, and, as a result, different economic outcomes.

Bibow outlines three groups. The special-case group includes Germany and Ireland. He notes that the shock of German unification was not what destabilized the former West Germany. Rather, there was a Bundesbank-orchestrated macroeconomic shock in 1991–92 (an ultra-tight monetary policy followed by cautious easing of interest rates and austere fiscal policies), along with destabilization of eastern Germany. GDP growth was crushed to zero, and a highly adverse rate gap caused an extra interest burden to German taxpayers. By contrast, Ireland enjoyed a declining debt ratio of 65 percentage points between 1991 and 2002 when it benefitted from interest rate convergence, massive EU transfers, and direct investment flows. Investment and growth characterized the Irish miracle, not thriftiness.

EU member states pursuing German-style procyclical consolidation—Italy, Belgium, Netherlands, Finland, Greece, and Portugal—generally experienced current account surpluses; sluggish economic growth; and declining currencies, domestic demand, interest burdens, and debt ratios. Interest rate convergence helped to offset the adverse effects of fiscal retrenchment. EU member states adopting a more anticyclical consolidation approach—France, Austria, United Kingdom, Sweden, Denmark, and Spain—generally experienced higher GDP and employment growth, and rising debt ratios as a result of spillover effects from the Bundesbank's ultra-tight money crusade. Bibow could not identify a single "expansionary fiscal contraction" scenario. Countries achieved better economic performance and were more successful in consolidating their public finances if they pursued anticyclical fiscal policies, if their currencies depreciated at the right time, and if interest rates fell sufficiently and in time to boost private domestic demand. In all cases, fiscal austerity depressed domestic demand.

Bibow notes that the experiences of individual countries cannot necessarily represent the eurozone as a whole; that changes in external competitiveness due to exchange rate adjustments are no longer possible; that the process of interest rate convergence was a singular event and has run its course; and that the Stability and Growth Pact limits free choice and discretion and poses a binding constraint on all EMU countries. Obstinate neglect of domestic demand is unsustainable and a highly risky strategy, he says, as evidenced by the 2001 world economic slowdown and the sharp budgetary deterioration in the eurozone in recent years. The eurozone is too large to freeload perpetually on U.S.–sponsored, export-led growth while eurozone policymakers do their best to suffocate domestic demand. Moreover, the "Maastricht paradox"—granting independent central bankers unbounded discretion—needs to be confronted, asserts Bibow, and U.S. growth priorities versus German-style "stability orientation" in Europe are on a collision course.

Explorations in Theory and Empirical Analysis

Borrowing Alone: The Theory and Policy Implications of the Commodification of Finance

GREG HANNSGEN

Working Paper No. 401, January 2004

www.levy.org/pubs/wp/401.pdf

The way in which consumers and firms borrow money has changed, as bank loans decline in favor of bonds, and securitized loans held by banks are traded in secondary markets. The change to less personal forms of finance is part of the commodification of the credit markets. Resident Research Associate Greg Hannsgen reviews the difference between relationship finance and securities finance (traditional loans versus securitized loans) and examines the policy implications in light of social theory. He finds that either form of finance can be functional or dysfunctional and that social relations are the basis of both.

Policy concerns about the rise of securities (bond) finance include macroeconomic implications (monetary policy may have lost its effectiveness), governance (discipline may be reduced as bond owners have a more distant relationship with borrowers), and access to credit (e.g., women and minorities are excluded from the debt markets). Hannsgen does not favor commercial bank loans or securities sales, as neither can surmount the irrational aspects of estimating risk, which is subject to racial and other biases. He points out that making the financial sector rational requires policymakers to think seriously about race, gender, class, and the distribution of power.

Two groups of economists have studied the move toward securities finance: the imperfect information school and the social economists. The imperfect information school, including some new Keynesians, notes that commercial banks are

experts in reducing the costs associated with various forms of risk in an environment of asymmetric information (e.g., by screening borrowers, setting interest rates below the "market-clearing" level, and establishing long-term relationships). The decline of commercial and industrial lending by banks will cause the problems of asymmetric information to reemerge, says the author.

Social economists have found that customers sustaining long-term and multiple relationships with lenders are able to borrow at lower interest rates; that friendships between lenders and customers lead to feelings of trust; that high social status leads to unusually good access to credit; that race and gender do matter; that honesty verification from third parties is tied to religion, ethnicity, or nationality; and that tight credit will likely favor established customers. Access to credit depends on personal characteristics and relationships, in contrast to the notion that access to commodities depends on money income, which is impersonal. Hannsgen shows that norms that ideally govern market relations are violated, and he observes that the imperfect-information school and social economists have not fully acknowledged the importance of personal and social relationships of trust, which help to ensure honesty by putting "social capital" at stake, (i.e., reorienting some business activity toward social ends rather than profit maximization).

Hannsgen outlines a number of unexamined issues, such as unspoken bad news (rather than honesty), the inability to stop a project after friendship is established, the precedence of relationships at the expense of business ventures, the manipulation of another party to strengthen an economic position, the provision of loans to compensate other business, and socializing as a cultural expectation. While relationships between bankers and customers are an important factor in lending activities, he writes, they are not always economically functional.

An alternative view of relationship banking is to consider risk in its social context, which may be underestimated or relative in a cultural context. Hannsgen outlines examples where risk is perceived and handled in an unconventional institutional context (e.g., the Grameen bank of Bangladesh lends to extremely poor borrowers). These examples demonstrate that most commercial banks are biased and not completely effective or evenhanded in discerning risk. He suggests that appropriate government policies, along with idealistic and ambitious individuals, might alleviate the problems of bias and risk evaluation.

The social theory of risk supports the Keynesian argument that pricing of securities is irrational, since risk is based upon convention and mass psychology, as well as the bias of the perceiver. The theory also casts doubt on the benefits of securities finance (that competitive markets can democratize the allocation of capital). A radical solution to governance and access problems associated with marketized lending allows workers to be investors. Other solutions include expanding the community development banks and strengthening Community Reinvestment Act regulations. Good policy should compensate inequalities of power, asserts Hannsgen, as disempowered people (minorities and women) find it difficult to form beneficial relationships.

The policy challenge is that ties between lender and borrower are weaker now than in the past. A bold policy action would have the Federal Reserve engage in the purchase and sale of a wider variety of assets, including long-term government bonds and, perhaps, private securities, and to peg the value of some classes of assets. This action is better than discouraging short-term speculation, writes Hannsgen, since the economy would enjoy the benefits of securitization while some stability in the financial sector was maintained.

A Post-Keynesian Stock-Flow Consistent Macroeconomic Growth Model: Preliminary Results

CLAUDIO H. DOS SANTOS and GENNARO ZEZZA

Working Paper No. 402, February 2004
www.levy.org/pubs/wp/402.pdf

In Lavoie and Godley's seminal post-Keynesian growth model, banks are assumed to create money to finance firms' production decisions, and investment is assumed to depend on financial variables. Research Scholars Claudio H. Dos Santos and Gennaro Zezza of the University of Cassino, Italy, extend the Lavoie-Godley model to account for a government sector and a central bank in order to address practical concerns about policy making. Their extension requires substantial changes in Lavoie and Godley's original treatment of inflation and the financial decisions on the part of households, banks, and the government. The authors' findings support some of the major results of the Lavoie-Godley model and suggest that fiscal policy is more efficient than monetary policy in controlling economic growth.

The authors limit their analysis to the case of a nonindependent central bank, which accommodates any borrowing requirements from the government. They outline a social accounting matrix with seven accounting identities that relate to production, households, firms, banks, a central bank, government, and the capital account. Flow behavior depends on aggregate wealth and debt stocks of each macroeconomic sector in the model, à la Godley and Tobin. The introduction of a government treasury and a central bank leads to a more realistic treatment of financial relations, since government expenditures increase the amount of cash circulating in the economy and the central bank requires the banking sector to hold cash reserves.

Households play three key roles in the model: (1) their consumption expenditures are part of aggregate demand; (2) their financial decisions determine the behavior of the financial markets; and (3) their nominal wage demands affect prices and, therefore, inflation. Firms fix prices and decide how much to invest and how to finance their investment. Growth in the real stock of capital is stimulated by rises in retained profits, in the ratio of the stock of equities and loans to the stock of capital (Tobin's "q"), and in the utilization rate. An increase in a firm's cost of borrowing has a negative impact on investment.

Dos Santos and Zezza also analyze changes in the markup on wages. Unit wages are assumed to be set on the basis of expected real wages, where firms and workers alike share the same view about increases in productivity.

The authors study the effects of wage and labor productivity shocks on the behavior of their model when inflation is exogenous. Because the model is complex and highly nonlinear, model properties are analyzed by virtue of dynamic simulations. They find that the model quickly converges to a steady growth path, characterized by stable stock-flow ratios, over a wide range of values for the key parameters. An exogenous shock to wage inflation (e.g., 1 percent in one year) increases inflation and reduces wealth, the demand for equities, and investment. The economy stabilizes on a lower growth path with higher unemployment and a higher utilization rate. Given the authors' assumptions about investment, changes in productivity have no effect on the long-run dynamics of the economy, but unemployment is higher.

In their investigation of the effect of changes in the distribution of income between wages and profits, the authors find that their model belongs to the wage-led growth category. A study of the effect of changing policy instruments shows that fiscal policy is very effective in achieving a desired growth path.

The authors also analyze the tools available to monetary authorities—interest rates and the banks' reserve ratio. They find that lower inflation can be obtained through slower growth and higher unemployment, and that monetary policy is less effective than fiscal policy, at least in the long run. A rise in the reserve requirement generates a fall in profits and an increase in central bank receipts, where the former affects household income negatively and the latter reduces the government deficit and results in a decline in consumption, the utilization rate, and profits.

The authors assume that when sales growth increases at a higher rate than capital accumulation and generates a capacity utilization rate above normal, in the short run productivity slows down and the economy is stabilized. Therefore, any positive shock to consumption that causes the economy to grow above normal will make unemployment fall and the utilization rate rise and will put in motion a chain of reactions that affect the economy in different directions. The authors show that under simple assumptions about wage and markup settings, their model exhibits cycles around its "normal" growth rate (and that small changes to the key parameters may imply instability).

A Stock-Flow Consistent General Framework for Formal Minskyan Analyses of Closed Economies

CLAUDIO H. DOS SANTOS

Working Paper No. 403, February 2004
www.levy.org/pubs/wp/403.pdf

There have been various attempts to model Hyman Minsky's views of the economy, particularly the observation that an economy becomes increasingly fragile and unstable over time. According to Research Scholar Claudio H. Dos Santos, however, the models associated with the formal Minskyan literature (FML) present underdeveloped financial structures and treat financing issues with oversimplified hypotheses that do not do justice to the richness of Minsky's analyses. Using the tools associated with stock-flow consistent (SFC) models, which integrate a financial flow of funds with a full set of balance sheets, Dos Santos clarifies the advantages and weaknesses of the FML models. Such a systemization, he argues, is a first and necessary step toward a consensual "formal Minskyan model."

Dos Santos reviews the main steps associated with the SFC methodology and divides the Minskyan literature into three main groups: (1) literary and exegetical analyses; (2) new Keynesian analyses; and (3) a smaller group of analyses that embeds financial variables into standard macroeconomic frameworks that produce results imagined, but not modeled, by Minsky. According to the author, the FML consists of papers in the third group.

After reviewing the general tenets of FML and SFC models, Dos Santos analyzes a representative sample of formal Minskyan models (particularly the Taylor-O'Connel model) within the context of a consistent "Minskyan artificial economy." He reviews the models' common features, their simplifying assumptions, and the internal logical consistency of their specifications. He finds that the FML has focused on modeling only the core Minskyan insight—that capitalist economies left on their own are prone to "financial fragility" and recurrent financial crises—and is, therefore, biased. FML models simplify the role of banks, government, and the stock market and do not address the role of inflation. These roles are crucial in Minsky's writings, says the author. Moreover, the models do not consider the aggregate budget constraints faced by the macroeconomic sectors and do not incorporate various interest rates or the price of equities that affect the financing decisions of firms. These omissions often have unnoticed and unintended consequences, writes Dos Santos. As an evidence of this main point, he cites the fact that the specific formalization used by Taylor and O'Connel (the first and most influential FML paper) only holds under a number of "hidden" hypotheses, all related to stock-flow consistency issues.

INSTITUTE NEWS

Upcoming Events

14th Annual Hyman P. Minsky Conference

"Can the Recovery Be Sustained? U.S. and International Perspectives"
April 23–24, 2004
Blithewood
Annandale-on-Hudson, New York

Drawing upon the public discussions of previous Minsky conferences, this year's Minsky conference will examine those discussions in the context of current economic trends and their implications for the U.S. and world economies. Topics will include fiscal and monetary policies for the expansion of national economies as well as the global economy; exchange rate misalignments resulting from "brutal" gyrations in the currency markets, and their possible cures; and trade and capital flows as they might impinge upon the conduct of monetary and fiscal policies. The international economic role of the United States will be examined in view of the current international economic climate.

Registration and program information is posted on the Levy Institute website (www.levy.org).

The Distributional Effects of Government Spending and Taxation

October 15–16, 2004
Blithewood
Annandale-on-Hudson, New York

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

PUBLICATIONS AND PRESENTATIONS

Publications and Presentations by Levy Institute Scholars

PHILIP ARESTIS *Institute Professor of Economics*

Publications: "Macroeconomic Policies of the Economic and Monetary Union: Theoretical Underpinnings and Challenges" (with M. C. Sawyer), *International Papers in Political Economy*, Vol. 10, No.1, 2003; "New Consensus, New Keynesianism, and the Economics of the Third Way" (with M. C. Sawyer), in E. Hein, A. Heise, and A. Truger, eds., *Nei-Keunesianismus–der Neue Wirtschaftspolische Mainstream?* Marburg: Metropolis–Verlag, 2003; Review of John Cornwall and Wendy Cornwall's "Capitalist Development in the Twentieth Century: An Evolutionary-Keynesian Analysis," in *Review of Social Economy*, September 2003; "The Relevance of Kalecki's 'Political Aspects of Full Employment' to the Twenty-First Century" (with F. Skuse), in Z. L. Sadowski and A. Szeworski, eds., *Kalecki's Economics Today*, Routledge, Taylor and Francis Group, 2004; "Credibility of EMS Interest Rate Policies: A Markov Regime-Switching Approach" (with Kostas Mouratidis), *Manchester School of Economic and Social Research*, Vol. 72, No. 1, January 2004.

Presentations: "What is Wrong with the Euro Area Monetary Model?" (with M. C. Sawyer), at The Monetary Theory of Production: Tradition and Perspectives international conference in honor of Augusto Graziani, University of Sannio, Benevento, Italy, December 5–6, 2003; "Rediscovering Fiscal Policy through Minskyan Eyes" (with M. C. Sawyer), Minsky on Economic Policy II session, annual meeting of the Allied Social Science Associations, San Diego, January 3–5; "Macroeconomic Policies of the Economic and Monetary Union: Theoretical Underpinnings and Challenges," Department of Economics, University of the Basque Country, Bilbao, Spain, February 9; "The Case for Fiscal Policy" (with M. C. Sawyer), The Means to Prosperity: Fiscal Policy Reconsidered session, and "Reforming the Euro's Institutional Framework" (with M. C. Sawyer), The Euro as a Global Currency Model session, annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22; "What is Wrong with the Euro Area Macroeconomic Model?," Employment Institute, Nicosia, Cyprus, March 4.

ASENA CANER *Research Scholar*

Publication: "Asset Poverty in the United States: 1984–1999" (with E. N. Wolff), *Challenge*, Vol. 47, No. 1, January–February 2004.

Presentation: "Economic Well-Being in Late Industrial Capitalism," annual meeting of the Allied Social Science Associations, San Diego, January 3–5.

CLAUDIO H. DOS SANTOS *Research Scholar*

Presentations: "A General Stock-Flow Consistent Framework for Minskyan-type Analyses of Closed Economies," annual meeting of the Allied Social Science Associations, San Diego, January 3–5; "The Explosion of Brazilian External and Internal Debts," annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22.

JAMES K. GALBRAITH *Senior Scholar*

Publications: "Inequality and Economic Growth: A Global View Based on Measures of Pay" (with H. Kum), *CESifo Economic Studies,* Vol. 49, 4/2003; "Exit Strategy," *Boston Review*, Vol. 28, No. 5, October–November, 2003; "Kennedy, Vietnam, and Iraq," *Salon*, November 22, 2003; "Cashing Out," a review of *In an Uncertain World* by Robert E. Rubin and Jacob Weisberg, *Washington Post Book World*, November 23, 2003; a review of *Downsizing in America: Reality, Causes, and Consequences* by William J. Baumol, Alan S. Blinder, and Edward N. Wolff, and of *The Betrayal of Work: How Low-Wage Jobs Fail 30 Million Americans and Their Families* by Beth Shulman, *The American Prospect*, January; "The No-Jobs President," *Salon*, January 19; "Nothing is Certain But Death," a review of *Perfectly Legal: The Covert Campaign to Rig Our Tax System to Benefit the Super Rich–and Cheat Everybody Else* by David Kay Johnston, *New York Times Book Review*, February 1; "Bush's Hail Mary," *Salon*, February 9.

Presentations: "Global Inequality and Global Policy," Catholic Social Thought and Globalization conference, Villanova University, November 7, 2003; "Regional Inequality and the Information Bubble" (with T. Hale), annual meeting of APPAM, Washington, D.C., November 8, 2003; "Unemployment in Europe: A Theoretical and Regional Analysis" (with Enrique Garcilazo), UTIP Working Paper No. 25, October 21, 2003, delivered at the first meeting of PEKEA, Rennes, France, December 15, 2003, and the Association for Evolutionary Economics at the annual meeting of the Allied Social Science Associations, San Diego, January 5; speech to the opening

plenary, VI International Conference on Globalization and Development, Havana, February 9.

GREG HANNSGEN *Resident Research Associate*
Presentations: "Minsky's Acceleration Channel and the Role of Money," Association for Evolutionary Economics session at the annual meeting of the Allied Social Science Associations, San Diego, January 3–5; "Minsky's Acceleration Channel: An Empirical Investigation," annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22.

THOMAS L. HUNGERFORD *Research Director and Senior Scholar*
Presentations: "Policies for Economic Development," National Education Association Midwest Region strategic planning meeting, Chicago, February 5; "Does Increasing the Minimum Wage Increase the Incidence of Involuntary Part-time Work? A Micro Analysis with Monthly CPS Data," annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22.

DIMITRI B. PAPADIMITRIOU *President*
Presentations: "Is the U.S. Recovery Sustainable?" Panteion University, Athens, January 2; "Is the Jobless Economic Growth Sustainable? Policies and Prospects in an Election Year," University of Utah, February 27; interview regarding the growing wealth and income gap with Steve Magagnini, *Sacramento Bee*, January 13; interview regarding "The Future of the Dollar" by Korkut A. Ertürk with Jonathan Weisman, *Washington Post*, January 22; interview regarding the U.S. labor market and the recovery in creating jobs with Amity Shlaes, *Financial Times*, February 3.

MALCOLM SAWYER *Senior Scholar*
Publications: "Macroeconomic Policies of the Economic and Monetary Union: Theoretical Underpinnings and Challenges" (with P. Arestis), *International Papers in Political Economy*, Vol. 10, No.1, 2003; "Employer of Last Resort: Could It Deliver Full Employment and Price Stability?" *Journal of Economic Issues*, December 2003; "Money and Finance in Kalecki's Analysis," in Zdzislaw L. Sadowski and Adam Szeworski, eds., *Kalecki's Economics Today*, London: Routledge, 2003; "New Consensus, New Keynesianism, and the Economics of the Third Way" (with P. Arestis), in E. Hein, A. Heise, and A. Truger, eds., *Nei-Keunesianismus–der Neue Wirtschaftspolische Mainstream?* Marburg: Metropolis–Verlag, 2003; "Kalecki, Keynes, et L'Analyse Post-Keynesienne de la Monnaie," in Pierre Piégay and Louis-Philippe Rochon, eds., *Théories Monétaires Post Keynésiennes*, Paris: Economica, 2003.
Presentations: "Money, Interest Rates, and Unemployment: Reflections on Changes in Keynes's Analysis," and "What is Wrong with the Euro Area Monetary Model?" (with P. Arestis) at The Monetary Theory of Production: Tradition and Perspectives international conference in honor of Augusto Graziani, University of Sannio, Benevento, Italy, December 5–6, 2003; "Rediscovering Fiscal Policy through Minskyan Eyes," AFEE session and "Kalecki and Steindl on Finance and Debt," URPE session, annual meeting of the Allied Social Science Associations, San Diego, January 3–5; "The Case for Fiscal Policy" (with P. Arestis), The Means to Prosperity: Fiscal Policy Reconsidered session, and "Reforming the Euro's Institutional Framework" (with P. Arestis), The Euro as a Global Currency Model session, annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22; "The U.K.'s Private Finance Initiative," annual conference of the Radical Statistics Group, February 28, London.

EDWARD N. WOLFF *Senior Scholar*
Publication: "Asset Poverty in the United States: 1984–1999" (with A. Caner), *Challenge*, Vol. 47, No. 1, January–February 2004.
Presentation: "Workers' Economic Well-Being in the United States" (with A. Zacharias), annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22.

L. RANDALL WRAY *Senior Scholar*
Publications: "The Post Keynesian Approach to Money" (in French), in Pierre Piégay and Louis-Philippe Rochon, eds., *Théories Monétaires post Keynésiennes*, Paris: Economica, 2003; "Functional Finance and U.S. Government Budget Surpluses in the New Millennium," in *Reinventing Functional Finance: Transformational Growth and Full Employment*, Edward Nell and Mathew Forstater, eds., Cheltenham: Edward Elgar; "Loanable Funds, Liquidity Preference, and Endogenous Money," *Journal of Post Keynesian Economics*, Vol. 26, No. 2, Winter 2003–04; "Employment and Inflation: A Balancing Act," *Chartered Financial Analyst*, December 2003.
Presentations: Press conference (with Pavlina Tcherneva and Mathew Forstater) and appearance on Turkey's CNBC with the mayor of Istanbul to announce and discuss a collaborative study of policy to create jobs, November 3, 2003; report on

"The Adverse Economic Impact from Repeal of the Prevailing Wage Law in Missouri" for the Council for Promoting American Business, January; featured in "Lending a Lasting Hand" by David Glenn, *The Chronicle of Higher Education*, January 16; "When Are Interest Rates Exogenous?" presentations at Complexity, Endogenous Money, and Exogenous Interest Rates conference in honor of Basil Moore, University of Stellenbosch, South Africa, January 8, and the annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22.

AJIT ZACHARIAS *Research Scholar*
Presentation: "Workers' Economic Well-Being in the United States" (with E. N. Wolff), annual meeting of the Eastern Economic Association, Washington, D.C., February 20–22.

Recent Levy Institute Publications

Levy Institute Measure of Economic Well-Being Concept, Measurement, and Findings: United States, 1989 and 2000
EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENA CANER
February 2004

Levy Institute Measure of Economic Well-Being: United States, 1989 and 2000
EDWARD N. WOLFF, AJIT ZACHARIAS, and ASENA CANER
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WYNNE GODLEY
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WORKING PAPERS

A Stock-Flow Consistent General Framework for Formal Minskyan Analyses of Closed Economies
CLAUDIO H. DOS SANTOS
No. 403, February 2004

A Post-Keynesian Stock-Flow Consistent Macroeconomic Growth Model: Preliminary Results
CLAUDIO H. DOS SANTOS and GENNARO ZEZZA
No. 402, February 2004

Borrowing Alone: The Theory and Policy Implications of the Commodification of Finance
GREG HANNSGEN
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