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Comment on 'Economic Inequality at the Close of the Twentieth Century'

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Comment by Hyman P. Minsky on "Economic Inequality at the Close of the Twentieth Century", a research proposal submitted to the Jerome Levy Economics Institute by Edward N. Wolff.

I would like to see a precise statement of what is planned in the way of work and greater clarity in the research proposal.

The Preliminary Staff as listed is most distinguished. Each proposed participant has a positive reputation earned by a substantial body of work. Each reviewer of the proposal might have a different preferred list of topics and of participants, but that is nit - picking.

The distinguished list suggests that Wolff is proposing a Conference or perhaps a Seminar in which prior research is presented and views about policy are aired. The function of the Conference or Seminar would be to integrate the prior research positions into a consensus view of the relevant facts and theory and to hammer out a consensus policy perspective. This would be valuable and a contribution. It would be doable.

An alternative is that Wolff is proposing a Summer workshop at Blithewood. The distinguished group will spend say June and part of July in residence. Each will be committed to prepare a first draft of an original monograph on the agreed upon subject. The workshop will meet say four afternoons each week. Progress reports etc. will be the subject of the workshops. The aims of the workshop may be to define the problem, both data and theory, of inequality, to specify how policy interventions might affect inequality, and to set out realistic measures that can achieve desired ends.

A third possibility is that Wolff is proposing that the Levy Institute finance a cooperative research effort by the listed participants at their respective "home bases". These efforts will culminate in Conferences at Blithewood and Levy Institute Monographs. In addition a panel or committee of distinguished private citizens might be formed which would have its own research coordinator and which would produce a summary volume with Policy Proposals. (The model is the Commission on Money and Credit of the 60's and the 20th Century Fund's Debts and Recovery of the 1930's (Al Hart was the young professional who did the "work" for this volume))

There is a murkiness in the proposal. I will not nit pick on details. What bothered me is that I couldn't figure out where Wolff stood on the issue of whether poverty is the fault of the poor or of the economy. If characteristics of the economy or the social system which have tended to increase inequality over the past two decades are identified then policies can be proposed to ameliorate poverty by

changing the economy. (If poverty is due to unemployment then more aggressive full employment policies may be in order, if poverty is due to a lack of jobs for which the poor are qualified then policies to change the mix of jobs are called for.)

On page 3 Wolff singles out five socio-economic groups for analysis. On page 5,6,7, and 8 he lists eight research groups. What is the relation between the two classifications?

One nit-pick: Wolff calls it a paradox that personal savings rate has fallen while household debt has increased: an increase in household debt is dissaving.

On page 5 Wolff states that "The research will be directly policy-oriented. Studies included in the project must provide a set of specific policy recommendations in order to qualify for support" This reminds me of Adlai Stevenson's characterization of the lawyer's approach "These are the conclusions from which I draw my premises." If "specific policy recommendations" are required "to qualify for (research) support" then the research is not needed, the answers are available.

Recommendation: Continue negotiations with Wolff, perhaps look around for some other coordinator. I am impressed by W. J. Wilson of the University of Chicago. From the jacket of Wilson's The Truly Disadvantaged so is Moynihan.

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