

Winter 1992

Brochure on Levy Institute

Levy Institute

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☼ The Jerome Levy ☼
Economics Institute
of Bard College

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THE LEVY INSTITUTE:

Humanitarianism, Independence, and Resolve

The Jerome Levy Economics Institute of Bard College, founded in 1986, is a nonpartisan, fully endowed, public-policy research organization.

Established in memory of economist Jerome Levy by his family and the trustees of Bard College, it strives to carry on his spirit of independent thinking and concern for economic efficiency and justice. Indeed, The Institute is the embodiment of Jerome Levy's belief in the potential of economics to make a positive contribution to society and to improve the human condition.

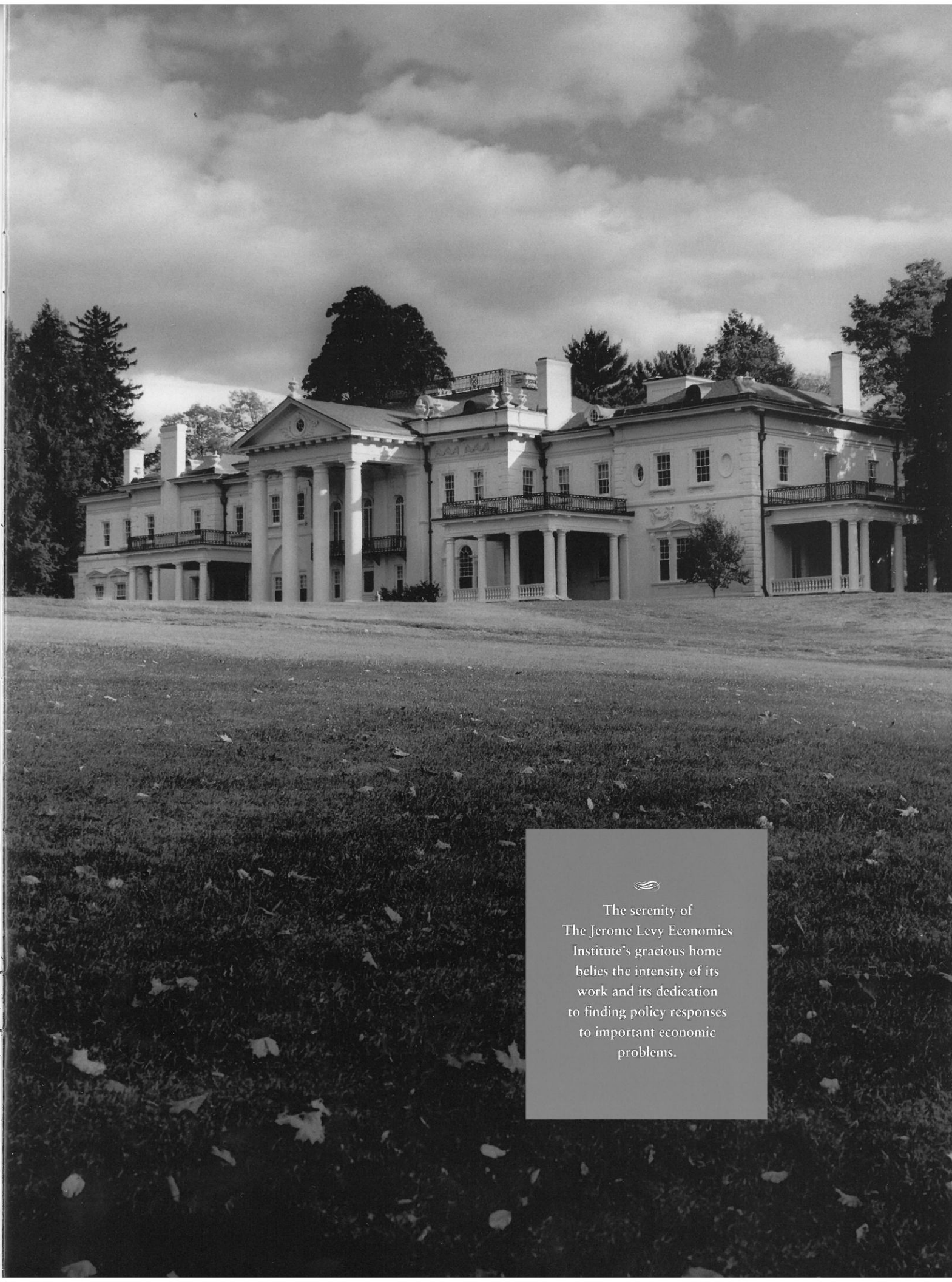
The Levy Institute is independent of any political or other affiliations and has no financial ties that could compromise the integrity of its research. It encourages diversity of opinion in the examination of issues while striving to transform ideological argument into informed debate.

The Jerome Levy Economics Institute's research agenda varies according to prevailing economic conditions but remains focused on issues central to achieving society's most fundamental economic goals. The Institute's bylaws explicitly avow its purpose: "To pursue knowledge of economics that will enable nations to enlarge personal

freedom, promote justice, and maintain stable economies with full employment and rising standards of living." These objectives were Jerome Levy's concerns; more importantly, they are universal aspirations. Yet the world has never experienced a period without serious shortcomings in achieving these goals.

Through its Resident Scholars program, research projects and conferences, The Levy Institute seeks to conceive viable, effective, public-policy responses to important economic problems in the United States and abroad. It enables scholars and leaders in business, labor, and government to work together on problems of common interest. Findings are disseminated through conferences, publications, and other public education programs.

The Jerome Levy Economics Institute is a separately endowed, autonomously governed part of Bard College, a private liberal arts institution located 100 miles north of New York City. The Institute's main conference and research facility is housed in Blithewood, a turn-of-the-century Georgian mansion on the Bard campus overlooking the Hudson River.

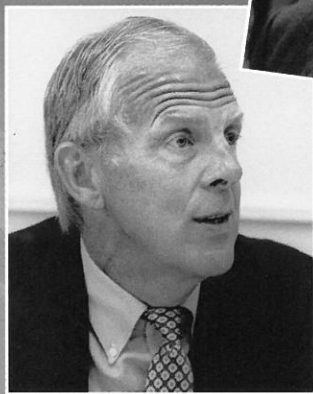
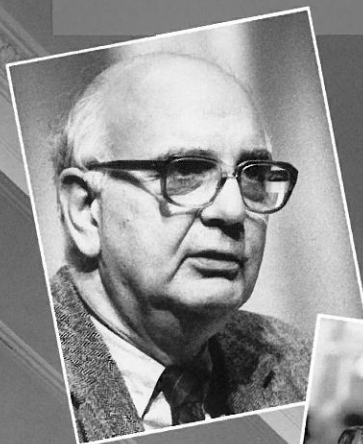


The serenity of
The Jerome Levy Economics
Institute's gracious home
belies the intensity of its
work and its dedication
to finding policy responses
to important economic
problems.



The Jerome Levy Economics Institute: To pursue knowledge of economics that will enable nations to enlarge personal freedom, promote justice, and maintain stable economies with full employment and rising standards of living.

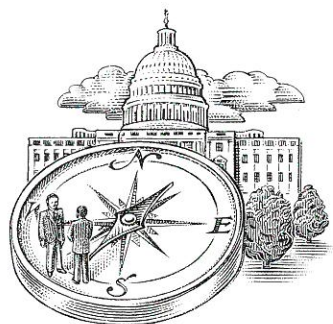
Below: Paul Volker (former Chairman of the Federal Reserve); Albert Wojnilower (Chief Economist at First Boston); Robert Haverman (University of Wisconsin).



RESEARCH PHILOSOPHY: *Flexibility in the Quest for Solutions*

Innovation is central to The Jerome Levy Economic Institute's strategy for producing research that leads to constructive public policy. The Institute works on new approaches to problems that have defied solution, identifies important, overlooked issues, and scans the horizon for emerging topics.

- ♦ One characteristic of The Levy Institute's approach involves broadening the scope of problems, redefining economic questions as multi-disciplinary ones. Virtually all profound economic problems have political, managerial, legal, sociological, technological, or other dimensions. At The Levy Institute, therefore, economists exchange ideas with corporate chiefs, bankers, government officials, psychologists, historians, and other experts.
- ♦ Flexibility and responsiveness are integral aspects of The Levy Institute's philosophy. The Institute evolves and changes based on the challenges of the times. Its structure encourages adaptation and change; it is not constrained by rules, political affiliations, ideological positions, or fund-raising concerns.
- ♦ The Levy Institute is interested in new methodologies only insofar as they offer realistic potential to solve economic problems of serious social concern. New technologies are the tools, but not the subject, of Institute research.
- ♦ In the words of Founding Governor Leon Levy, "The Institute is rather like an explorer, knowing his objective and having a general idea as to where he has to go, but not knowing the particular path he is going to take." The means may change dramatically, but The Jerome Levy Economics Institute's broad goals, integrity, and commitment to making effective contributions remain immutable.



* * *

Since its founding, The Levy Institute has emphasized one analytical perspective above all others, making it manifest in numerous Institute activities. By studying the macroeconomic role of profits in economic systems, The Institute has sought to provide important insights into the workings and malfunctions of market economies.

Profits (i.e. the excess of business revenues over expenses) serve as the engine in private economies for production, employment, and investment in new plant, equipment, and research. Yet many critical questions remain concerning the role of profits. Indeed, most economic analysts neglect to consider the macroeconomic role of profits in diagnosing, forecasting, and developing economic public policy measures.

The Levy Institute's focus on the study of profits is neither an ideological evaluation nor an endorsement of any particular policy. Rather, it reflects a conviction that an

understanding of (1) the processes through which an economy generates and distributes profits and (2) how these phenomena relate to economic performance merits increased consideration by economists as they tackle the world's economic ills.

The Levy Institute's Forecasting Center uses and promotes the advantages of a macro-economic perspective on profits. The dynamics of profits have also played important roles in other Institute programs, such as the Reconstitution of the Financial Structure project, and have been the focus of many of its Resident Scholars, conference participants, and meetings.

RESEARCH PROGRAMS: *Targeting Policy Issues*

The Jerome Levy Economics Institute first supported research in 1986, and, following completion of the initial phase of the Blithewood restoration in 1988, the Resident Scholars program began. The program has expanded and grown rapidly, becoming more sharply focused on policy issues and bringing leading scholars to The Institute. Typically about ten economists and other social scientists work full-time at Blithewood.

As the Resident Scholars program grew, The Levy Institute expanded its research activities. It began to commission off-site, part-time research projects, and it established The Levy Institute Forecasting Center.

Institute researchers undertake research projects either individually or in groups, at Blithewood or elsewhere. Projects are selected in accordance with The Institute's current research agenda, which is established by the Board of Governors with the guidance of the Board of Advisors.

Participants in The Levy Institute economic and public policy research programs fall into six categories:

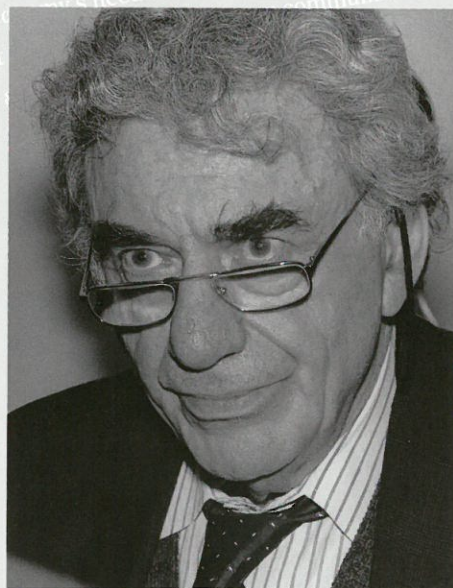
- ♦ *Distinguished Scholars* are highly respected senior economists who continue their writings in residence at Blithewood while supervising Institute meetings and research projects.
- ♦ *Resident Scholars* are generally at Blithewood for a year, concentrating on studies in their areas of special interest.
- ♦ *Research Fellows* conduct studies under the auspices of The Levy Institute at their home institutions.
- ♦ *Cambridge Travel Scholars* are leading, recent graduates from Britain's Cambridge University who spend a year at The Institute conducting research projects.
- ♦ *Forecasting Center Research Staff* is comprised of economists who devote their full energies to the analysis of current and prospective economic conditions.
- ♦ *Institute Research Staff* supports current programs and investigates potential projects.

THE EX-COMMUNIST COUNTRIES

of Europe as well as Soviet Union want to find a way out of the command economy to a market system. The advice (e.g. Lipton and Sachs, Kornai) has been to go to a fully capitalist economy. The difficulties of the transition to a fully capitalist economy are well known. This paper argues that a "middle way" is a more attractive path for these countries, for both the economic and social relations.



private contracts provide some of the security of socialism. The economic case for a middle way is supported by its widespread success in including the social market economy, Sweden, Canada and Japan. The middle way is based on an economic system that is more flexible than the communist society to its own economic forms. It is less of a shock to move to the "middle way" than to a purely capitalist society.



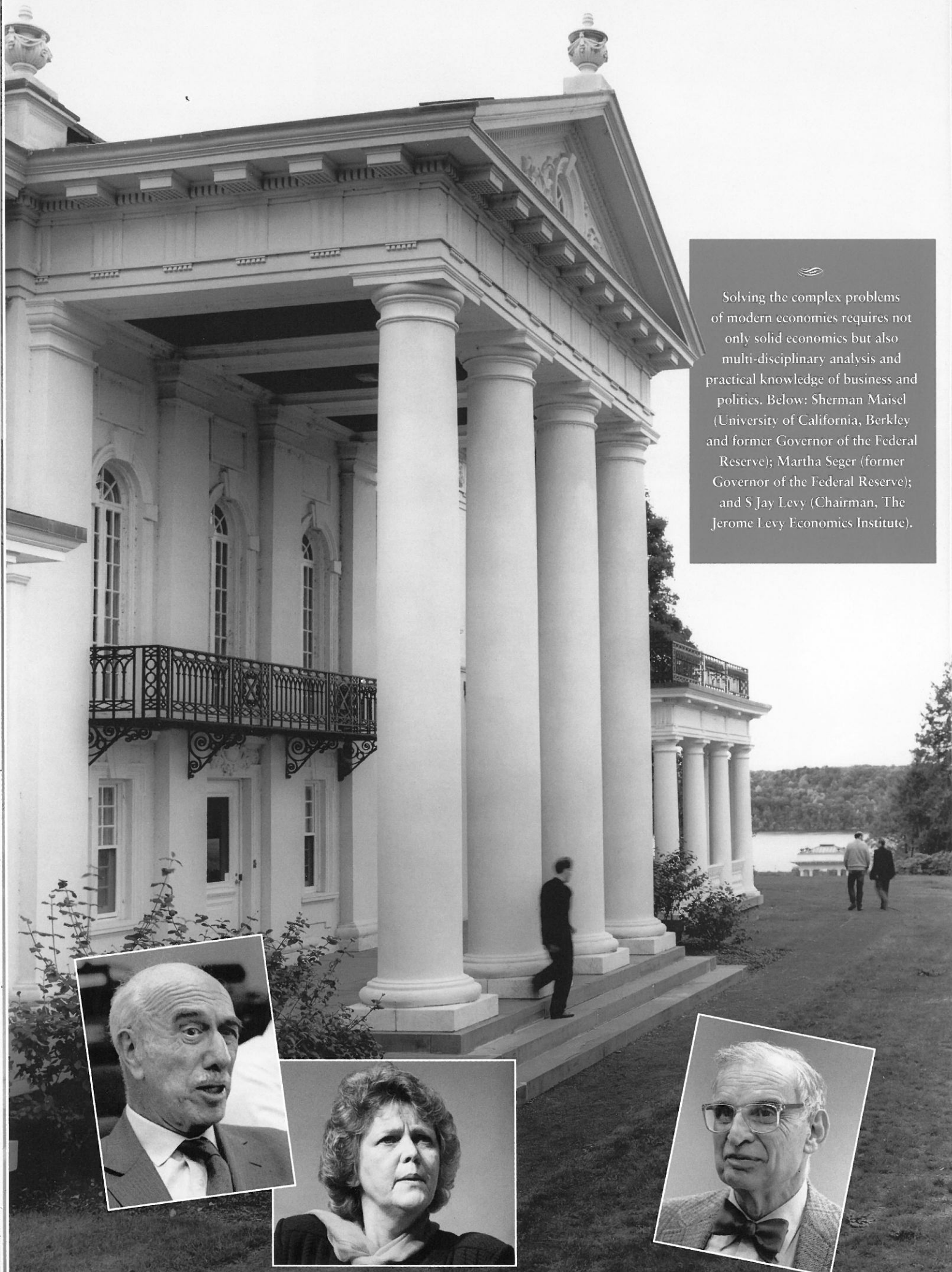
Above, Clockwise from the left:
Philip Caldwell (former CEO, Ford Motor Co.); Andrall Pearson (Harvard Business School and former CEO of PepsiCo); George Hatsopoulos (CEO of Thermo Dynamics and Chairman of the Boston Federal Reserve Bank); Leon Levy (General Partner, Odyssey Partners); James Tobin (Yale University); Paul Sarbanes (United States Senate); Hyman Minsky (Distinguished Scholar, The Jerome Levy Economics Institute); Alan Blinder (Princeton University);

Chicago Tribune FAMILY RETAINERS

By Gail Schmoller

Working women—not the economy—have kept families financially afloat over the last two decades, according to a recent study of the impact of employed wives on family income. From 1968-1988...

...ical married woman... she worked by... most 40 percent... average weekly wage... ed to work in... approximately 16... earnings for the... ed by \$8,800 per... it was attributable... d women in the... ed the percentage... earnings below... fueled an... income... of the '80s has... n women... lies to raise... ldon... ors of the... Policy at the University Michigan... The study was part of a larger examination by the Jerome Levy Institute of Bard College in New York of the effect of economic growth on the distribution of wealth in the United States over the last 20 years... Working wives bring home the bread...



Solving the complex problems of modern economies requires not only solid economics but also multi-disciplinary analysis and practical knowledge of business and politics. Below: Sherman Maisel (University of California, Berkley and former Governor of the Federal Reserve); Martha Seger (former Governor of the Federal Reserve); and S Jay Levy (Chairman, The Jerome Levy Economics Institute).

CONFERENCES AND MEETINGS: *Purposeful, Multifaceted Debate*

In only a few short years, The Jerome Levy Economics Institute has become well established as a gathering place for scholars, executives, and political leaders to exchange ideas and debate public policy alternatives. The quality and diversity of those who participate, the timeliness and importance of the issues examined, and the idyllic setting not far from the nation's financial capital have rapidly earned The Levy Institute a reputation for holding fruitful, provocative meetings. These gatherings have led to numerous publications, policy proposals, research projects, and reports in the major news media.

Levy Institute meetings take several forms:

- ♦ *Workshops* lay the groundwork for research projects or for subsequent conferences.

In informal working sessions, participants have opportunities to discuss in depth and unhurriedly work in progress, to explore issues, and to form policy proposals.

- ♦ *Conferences* are larger and more tightly structured than workshops. They include both formal paper presentations and substantial time for informal discussion and debate.

Scholars present research findings, executives offer perspectives based on practical experience and trends in business, and public officials raise political issues and deepen the discussion of policy matters. Paper presentations and critiques are interspersed with panel discussions on questions of policy, including a featured "Policy Forum."

Resultant journal articles, books, summaries in the *Report*, paper abstracts in *Research Summary*, policy discussions in *Policy Forum*, and coverage in the media are all important parts of The Institute's public education program.

- ♦ *Joint board meetings* of the Board of Governors and the Board of Advisors target emerging issues, shape research priorities, and evaluate research opportunities.
- ♦ *Seminars and lectures* by guests and Resident Scholars relate to The Institute's ongoing research concerns and to other issues. They occur frequently and contribute to the intellectual ferment at The Levy Institute.



THE FORECASTING CENTER: *Putting Innovative Analysis to the Test*

The Forecasting Center, established in 1991 and directed by David A. Levy, represents The Levy Institute's return to its roots. The Center continues the uninterrupted forecasting work that was begun by Jerome Levy and has been carried on by two generations of his descendants. Using the profit-centered, macroeconomic perspective that Jerome Levy pioneered, The Forecasting Center analyzes and forecasts economic conditions, and it contributes to public understanding of policy issues relating to unemployment, price stability, growth, and other aspects of economic performance.

With the inception of The Forecasting Center, The Levy Institute took on the role of publisher of *Industry Forecast*, America's oldest publication dedicated exclusively to economic analysis and forecasting. This monthly report was started in 1949 by Jerome Levy and one of his sons, S Jay Levy. *Industry Forecast* is well known and highly respected in the financial community, and it has been cited frequently by the press since the 1950s. Jay Levy, The Institute's chairman, remains heavily involved in the forecasting program. The Forecasting Center is located in Mount Kisco, New York.

The Forecasting Center contributes to The Levy Institute's mission in several ways:

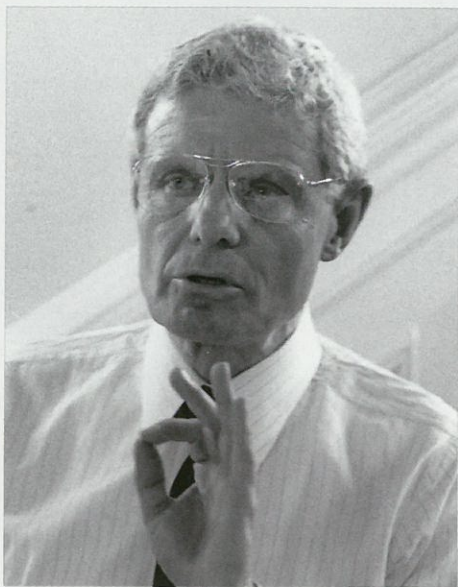
- ♦ Providing analysis and forecasts that are practical tools for both private and public sector decision makers.
- ♦ Serving as a scout for emerging or future trends that will give rise to major public policy issues.
- ♦ Educating a broad audience of executives, analysts, and public officials about the macroeconomic dynamics of profits and their relationships with investment, growth, and prosperity.

PUBLICATIONS: *Raising the Level of Public Debate*

The Jerome Levy Economics Institute's publications program is the mainstay of its public education activities. The Institute publishes research findings, conference proceedings, policy discussions and analyses, and other material for professional and general audiences. Regularly issued publications include:

- ♦ *The Jerome Levy Economics Institute Working Paper Series*, initiated in 1987, includes contributions from Resident Scholars and Research Fellows of The Institute.
- ♦ *Report* presents conference summaries and other news on Institute research, people, and activities.
- ♦ *Policy Forum* broadens the audience for the featured panel discussions on key policy issues at Levy Institute conferences.
- ♦ *Research Summary* presents abstracts of recent Institute working papers, alerting scholars and other audiences to the latest Levy Institute research findings.
- ♦ The proceedings of major conferences are published in The Jerome Levy Economics Institute/Macmillan book series. The work of Institute scholars and other researchers is also featured in books, major journal articles, and contributions in the press.
- ♦ The Levy Institute publishes research from its Forecasting Center, including *Industry Forecast*, a monthly report on current and prospective U.S. economic conditions.

A complete list of publications is available upon request.



BusinessWeek

WILL THE BANKS DRAG THE ECONOMY DOWN?

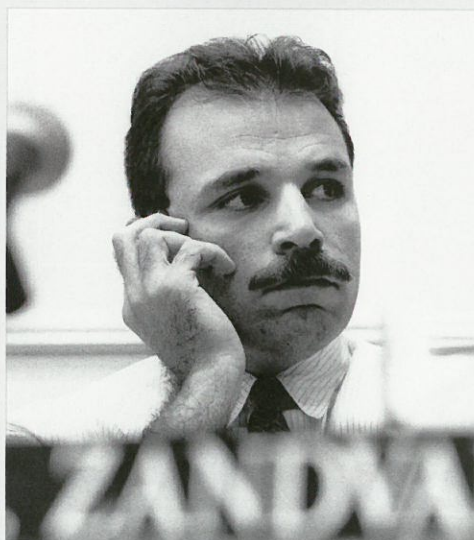
The shaky industry could spark a crisis

Worried about the economy? Worrying probably won't help much, but it's going to be quite a while before the third-biggest out, the Federal Reserve leading us in...
...the federal government...
...the federal government...
...the federal government...



put of the...
...the Great Depression...
...1929 to 1933. As David A. Levy...
...center at the Jerome Levy Economics...
...a contained depression."

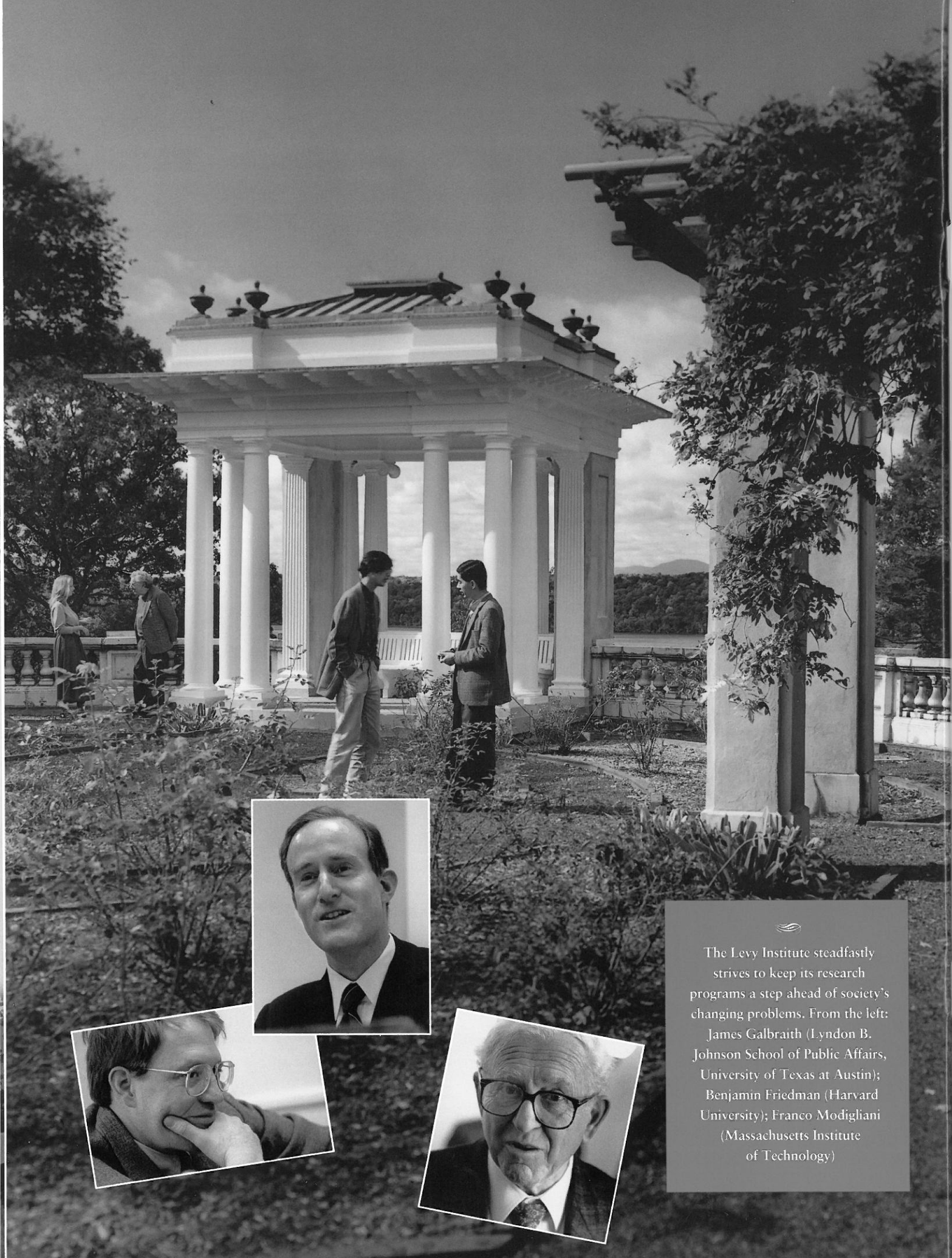
"It's a contained depression."



OVER THE PAST DECADE for conditions—combined with regula generated thereby—have contribut and a mounting number of insolvent erosion may be identified. First, in re bank business strategies have begun. Second, barring new elements of weak services on which...
...like...
...a con...
...depos...
...weak...
...The ma...
...summar...
...the three...

...support policies will... restore the...
...ability of those remaining strong...
...parts. The first consists of a brief...
...the succeeding sections address...
The role of banks in the future is likely to be reduced.

Above, Clockwise from the left:
Edward Regan (New York State Controller);
Daniel Patrick Moynihan (United States Senate);
Dimitri Papdimitriou (Executive Director and Institute Professor, The Jerome Levy Economics Institute and Executive Vice President, Bard College);
David A. Levy (Vice Chairman and Director of Forecasting, The Jerome Levy Economics Institute);
Rebecca Blank (Northwestern University);
Sourushe Zandvakili (University of Cincinnati);
Stephen Quick (Director, Joint Economic Committee)



The Levy Institute steadfastly strives to keep its research programs a step ahead of society's changing problems. From the left: James Galbraith (Lyndon B. Johnson School of Public Affairs, University of Texas at Austin); Benjamin Friedman (Harvard University); Franco Modigliani (Massachusetts Institute of Technology)

BARD COLLEGE: *An Alliance of Excellence*

The founders of The Jerome Levy Economics Institute envisioned it as part of a vibrant, growing educational institution with high ideals and visionary leadership, a place of higher learning and cooperative spirit that is innovative, entrepreneurial, and disposed to take risks in the pursuit of excellence. Bard College, which Institute Chairman Jay Levy calls “the most rapidly rising star in American higher education”, embodies all of these qualities.

Since its founding in 1860, Bard has engaged vital educational issues and brought them to the forefront of the national consciousness. Its contributions to the development of modern education are remarkable: innovations in curriculum and teaching, groundbreaking financial aid strategies, and an undergraduate program drawing upon the resources of a unique network of educational, research and cultural organizations. A respected place of learning, Bard has refined a curriculum that is both classical and progressive. The tutorial, modeled on the Oxford system, and an emphasis on the balance between the arts, literature, sciences, and social studies have become hallmarks of the program.



Allying itself with The Jerome Levy Economics Institute was a major step forward for Bard in its effort to build a community of diverse intellectual centers. In President Leon Botstein's view, “In the history of the college, there will be no more important event in the development of its intellectual and academic excellence than bringing The Levy Institute to Bard College.”

The Bard faculty, past and present, reflects the school's commitment to innovation and excellence. The teaching staff was enlarged in the 1940s to include a number of distinguished emigres from war-torn Europe. During the late 1940s and 1950s, a new influx of distinctive personalities and scholars taught at Bard, including Mary McCarthy, A.J. Ayer, Ralph Ellison, Franco Modigliani and Saul Bellow. In recent years, Roy Lichtenstein, Toni Morrison, Mona Simpson, John Ashbery, Isaac Bashevis Singer, Chinua Achebe, and Arthur Penn have all taught at the College.

Under the leadership of Dr. Botstein, president since 1975, Bard has developed a dynamic array of activities conducted by The Bard Center, The International Academy for Scholarship and Arts, The Bard Music Festival, The Blum Art Gallery, The Black Center for the Arts, and, of course, The Jerome Levy Economics Institute. Reflecting the College's vitality are recent additions to its physical plant: a humanities center, gymnasium, computer center, science laboratories, residence halls, a second major library addition, and new or renovated structures to house its subsidiary organizations.

BLITHEWOOD: *Gracious Tradition, State-of-the-Art Facilities*

Blithewood, the home of The Jerome Levy Economics Institute, is a turn-of-the-century mansion in the style of a Georgian Manor house situated on the scenic campus of Bard College. It was given to Bard College in 1951 and transferred to The Jerome Levy Economics Institute in 1987. The architectural firm of James Stewart Polshek and Partners, noted for, among other projects, the restoration of Carnegie Hall, directed the restoration and renovation of the mansion.

Blithewood has offices for scholars and administrative staff, a library, modern kitchen and dining areas, and a large variety of meeting rooms. It also houses extensive research resources, including advanced computer and communications systems (such as Internet) as well as library search facilities.

Rooms in the restored areas were furnished in turn-of-the-century style under the supervision of Marvin D. Schwartz of the Metropolitan Museum of Art. The mansion's formal, Italian style garden has also been returned to its original splendor.

Blithewood and its lovely setting enchant scholars and visitors alike. The site is further enhanced by the rich cultural life of Bard College and the Hudson Valley region. Blithewood offers easy access to New York City, Boston and the nearby Stewart (Newburgh) and Albany airports.





JEROME LEVY 1882-1967

"If you were unemployed and were willing to work and able to work and could find no work, what would you do?"

The question was directed to William Howard Taft, candidate for the presidency.

"God knows," Taft replied, "I don't."

The United States was in the midst of the economic "panic" of 1908 and the future president had just completed a campaign speech.

Jerome Levy, 26-year-old head of a small wholesale business, read about the incident in his newspaper. Levy, an erstwhile student of physics, mulled over Taft's candid admission and the problem of the unemployed.

That morning Jerome Levy began to study economics. He believed that a man who is willing and able to work should have an opportunity to work.

As a businessman, he understood that his own decisions to employ workers were directly dependent on the profitability of his business. He thus approached the problem of unemployment by seeking to determine the sources of profits—not just for a single firm, but for the entire economy.

Levy dedicated his spare time between 1908 and 1914 to his quest. He arrived at an equation for the sources of profits—a version more detailed but otherwise identical to the profit identity later rediscovered by the Polish economist, Michal Kalecki, and noted by John Maynard Keynes.

Jerome Levy saw the profit equation as the core of a powerful perspective on the operation of an economy, as the best way to understand the dynamics of the system. His own experience strengthened his conviction. During the next decade-and-a-half he was remarkably successful at forecasting economic conditions and managing his business accordingly. His analysis prompted him to liquidate his business and all stock market holdings in the spring of 1929.

Jerome Levy continued his studies and carried on extensive correspondence regarding economic issues with government officials and other influential individuals in the United States and abroad.

The Institute carries on in the spirit of Jerome Levy's efforts to overcome economic problems and improve the human condition.

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