

4-25-2002

## Twelfth Annual Hyman P. Minsky Conference

Levy Institute

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### Recommended Citation

Levy Institute, "Twelfth Annual Hyman P. Minsky Conference" (2002). *Archives of the Levy Economics Institute*. 122.

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Dimitri B. Papadimitriou  
President



April 25, 2002

Dear Colleague,

I am delighted to welcome you to the 12<sup>th</sup> annual Hyman P. Minsky conference on the financial system, "Recession and Recovery: Economic Policy in Uncertain Times." Most analysts agree that the U.S. economy appears to be on the path to recovery following a short-lived recession. The "resilience" of our economy and the strength of the recovery, primarily due to higher-than-expected federal outlays and low interest rates, is still uncertain. Other data—the U.S. trade balance and energy prices, for example—indicate that the recovery could be less than robust, with growth rates that, while positive, remain anemic for some time. At this conference, participants will discuss their viewpoints on the current state of the U.S. economy and its future direction. We hope they will also explore whether current conditions in the U.S. financial system will assist or harm the general macroeconomic environment or other forces that might be necessary to combat a slump. What implications do the answers to these questions have for public policy?

The presenters at this year's conference come from business and government, some also having spent time in the academy. They are uniquely qualified to offer their insights on these issues. I trust you will enjoy their presentations and the discussions to follow. Your comments and suggestions are welcome.

I look forward to seeing you again at subsequent Levy Institute activities in the years ahead.

Sincerely,

A handwritten signature in black ink, which appears to read "Dimitri B. Papadimitriou". The signature is fluid and cursive, with a long horizontal line extending from the end.

Dimitri B. Papadimitriou  
President



***Twelfth Annual Hyman P. Minsky Conference on Financial Markets***

**Recession and Recovery: Economic Policy in Uncertain Times**

**April 25, 2002  
New York City**

**PARTICIPANTS**

Lakshman Achuthan  
Economic Cycle Research Institute

Robert Barbera  
Hoenig & Co., Inc.

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Marquette de Bary Company

Bernard Baumohl  
Time Magazine

Jesse Benjamin  
U.S. Bureau of Labor Statistics

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Austin Community College

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NYS Assembly Ways & Means  
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Marist College

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Banco Santander Central Hispano

Mike Derby  
Dow Jones

Peronet Despeignes  
Financial Times

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NY City Council

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James F. Dwyer

Howard Feinglass  
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Arab Banking Corporation

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Justin Fox  
Fortune Magazine

Suzie Gherub  
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Leon Levy  
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Mickey D. Levy  
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Dave Lewis  
Chaos-onomics

Steve Liesman  
CNBC

Eugene Linden

James Madore  
Newsday

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Michel Mascolo  
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Qiang Xu  
NYS Division of the Budget

Gennaro Zezza  
Levy Economics Institute



Twelfth Annual Hyman P. Minsky Conference  
on Financial Markets

## Recession and Recovery: Economic Policy in Uncertain Times

A conference of  
The Levy Economics Institute of Bard College



**APRIL 25, 2002**

The Roosevelt Hotel  
New York City

Twelfth Annual Hyman P. Minsky Conference  
on Financial Markets

## Recession and Recovery: Economic Policy in Uncertain Times

## PROGRAM

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**8:30–9:00 A.M.**

### REGISTRATION

**9:00–9:15 A.M.**

### WELCOME AND INTRODUCTION

DIMITRI B. PAPADIMITRIOU, *President, Levy Institute*

**9:15–10:00 A.M.**

### SPEAKER 1

WYNNE GODLEY, *Distinguished Scholar, Levy Institute*

**10:00–11:30 A.M.**

### SESSION 1. THE STATE OF THE U.S. ECONOMY:

#### A VIEW FROM THE STREET

Moderator: DAVID LEONHARDT, *Economics Writer,*  
*New York Times*

ROBERT BARBERA, *Executive Vice President and Chief*  
*Economist, Hoenig & Co., Inc.*

RICHARD BERNER, *Managing Director and Chief U.S.*  
*Economist, Morgan Stanley Dean Witter & Co.*

MICKEY D. LEVY, *Chief Economist, Bank of America*

**11:30 A.M. – 12:45 P.M.**

### LUNCHEON

Teddy's Table, Roosevelt Hotel, first floor

**12:45–1:30 P.M.**

### SPEAKER 2

ANTHONY M. SANTOMERO, *President,*  
*Federal Reserve Bank of Philadelphia*

**1:30–3:15 P.M.**

### SESSION 2. MACROECONOMIC ISSUES IN THE RECOVERY

Moderator: LAURENCE H. MEYER, *Distinguished Visiting*  
*Scholar, Center for Strategic &*  
*International Studies*

LAKSHMAN ACHUTHAN, *Managing Director,*  
*Economic Cycle Research Institute*

WILLIAM C. DUDLEY, *Managing Director and Director of*  
*U.S. Economic Research, Goldman Sachs & Co.*

JAMES E. GLASSMAN, *Senior Economist and Managing*  
*Director, J. P. Morgan & Co.*

CHRIS VARVARES, *President, Macroeconomic*  
*Advisers, LLC*

**3:15–4:00 P.M.**

### SPEAKER 3

GARY H. STERN, *President, Federal Reserve Bank of*  
*Minneapolis*

**4:00–4:10 P.M.**

### CLOSING REMARKS

DIMITRI B. PAPADIMITRIOU



## PARTICIPANTS

**LAKSHMAN ACHUTHAN** is the managing director of the Economic Cycle Research Institute (ECRI), an independent organization that developed and maintains over 100 economic indexes for 18 countries, including the Weekly Leading Index, Future Inflation Gauge, and *Journal of Commerce*–ECRI Industrial Price Index. Achuthan is the managing editor for ECRI periodicals, including U.S. *Cyclical Outlook* and *International Cyclical Outlook*, serves on the Economic Advisory Panel of New York City’s Office of Management and Budget, and is the treasurer for the Downtown Economists Club. He is frequently interviewed in the print and broadcast media and makes weekly contributions to CNN’s *Lou Dobbs Moneyline*. He has taught graduate courses at Long Island University and given seminars on business cycle forecasting. Achuthan has a B.S. in economics and finance from Fairleigh Dickinson University and an M.B.A. in international business from Long Island University.

**ROBERT BARBERA** is executive vice president and chief economist at Hoenig & Co., Inc., where he is responsible for global economic and financial market forecasts. He has spent the last 20 years as a Wall Street economist, earning a wide institutional following. He is regularly quoted in the *New York Times*, *Financial Times*, and *USA Today* and provides commentary on CNBC and CNN. Prior to joining Hoenig, Barbera was chief economist and director of economic research at Lehman Brothers and chief economist at E. F. Hutton. Barbera served as a staff economist for U.S. Senator Paul Tsongas and as an economist for the Congressional Budget Office. He also lectured at the Massachusetts Institute of Technology. Barbera received B.A. and Ph.D. degrees from Johns Hopkins University.

**RICHARD BERNER** is managing director and chief U.S. economist at Morgan Stanley Dean Witter. Previously, he served as executive vice president and chief economist of Mellon Bank, principal and senior economist for Morgan Stanley & Co., director and senior economist for Salomon Brothers, Inc., economist at Morgan Guaranty Trust Co., director of the Washington, D.C. office of Wharton Econometrics, and economist at the Federal Reserve Board. Berner has served on the American Bankers Association Economic Advisory Committee and the board of advisers of Macroeconomic Advisers, as chair of the Pennsylvania Bankers Association Economic Advisory Committee, and as president of the National Association for Business Economics. He holds a B.A. in economics from Harvard University and a Ph.D. in economics from the University of Pennsylvania.

**WILLIAM C. DUDLEY** is chief U.S. economist at Goldman Sachs & Co., where he is responsible for U.S. economic and interest rate forecasts, oversees the research effort for the Americas, and has been managing director since 1996. Formerly, he was responsible for the foreign exchange outlook; prior to that, he analyzed U.S. financial market developments, with primary responsibility for economic policy issues, and served as senior economic adviser to Goldman Sachs chairman Robert Rubin. Dudley has briefed the Federal Reserve Board on several occasions and is a member of the Technical Consultants Board of the Congressional Budget Office. He is a member of the Brookings Council of the Brookings Institution and chairs the Economic Advisory Committee of the Bond Market Association. He received a Ph.D. from the University of California, Berkeley.

**JAMES E. GLASSMAN** is senior economist and managing director at J. P. Morgan & Co. He is director of the U.S. Economic and Policy Issues Research division, which provides analysis of the U.S. economic outlook, monetary and fiscal policy developments, and financial market prospects for the company’s capital markets activities and corporate relationships. Previously, he worked as an economist in Morgan’s Global Research group; at Chemical Bank (which subsequently merged with Chase Manhattan Bank and, most recently, with J. P. Morgan); and as a senior economist with the Federal Reserve Board in Washington, D.C., where his responsibilities included analysis of inflation, labor market developments, money and capital markets issues, and the Federal Reserve’s monetary policy operating procedures. Glassman received a bachelor’s degree in economics from the University of Illinois and a Ph.D. in economics from Northwestern University.

Two accounting-based models form the foundation of much of Levy Institute Distinguished Scholar **WYNNE GODLEY**’s research. The first tracks the evolution of the U.S. economy using a consistent system of stocks and flows (such as income, production, and wealth). This system makes it possible to (1) identify significant trends and magnitudes, suggest policy responses to problems, and gauge economic outcomes, and (2) assess the economic implications of different policy regimes. The second model, originally developed at Cambridge University, is a “closed” world model in which 11 trading blocs—of which the United States, China, Japan, and Western Europe are four—are represented. This model is based on a matrix in which each bloc’s imports are described in terms of exports from the other 10. Using this

information and alternative assumptions about, for example, growth rates, trade shares, and energy demands and supplies, past trends can be identified and patterns of trade and production analyzed to reveal any structural imbalances. The findings are published in the Levy Institute's Strategic Analysis series. Godley was a member of HM Treasury's Panel of Independent Forecasters, the so-called Six Wise Men. He is professor emeritus of applied economics at Cambridge University and a fellow of King's College.

**DAVID LEONHARDT** covers economics for the *New York Times*, where he has worked since 1999. Previously, he wrote for *Business Week* magazine in Chicago and New York and for the metro desk of the *Washington Post*. A native of New York, he studied applied mathematics at Yale University and enjoys writing occasionally about the use and misuse of statistics in politics, business, and sports.

**MICKEY D. LEVY** is chief economist at Bank of America, where he analyzes and forecasts national and international economic performance and financial market behavior, conducts research on monetary and fiscal policies, sits on the bank's Finance Committee, and is a member of the Leadership Committee of Bank of America Securities. Levy also serves on the Shadow Open Market Committee, the Academic Advisory Panel of the Federal Reserve Bank of New York, and the Board of Directors of the Economic and Social Research Institute. Prior to his career in the private sector, Levy conducted research at the American Enterprise Institute and the Congressional Budget Office. He has testified often before congressional committees on topics concerning the Federal Reserve and monetary policy, fiscal and budget policies, economic and credit conditions, and the banking industry.

**LAURENCE H. MEYER**, currently associated with the Center for Strategic and International Studies in Washington, D.C., recently concluded his term as a member of the Board of Governors of the Federal Reserve System. Before joining the board, he was president of Laurence H. Meyer and Associates (now Macroeconomic Advisers, LLC), a St. Louis-based economic consulting firm that specializes in macroeconomic forecasting and policy analysis, providing forecasts and the use of its model to government agencies, trade associations, and private firms. He was also a professor of economics at Washington University in St. Louis and a research associate of the university's Center for the Study of American Business. Meyer has served as an economist at the Federal Reserve Bank of New York and a visiting scholar at the Federal Reserve Bank of St. Louis. He is widely recognized as one of the nation's leading economic

forecasters, has had numerous articles published in professional journals, is the author of a textbook on macroeconomic modeling, and has testified before Congress on macroeconomic policy issues. Meyer received a B.A. from Yale University and a Ph.D. in economics from the Massachusetts Institute of Technology.

Levy Institute President **DIMITRI B. PAPADIMITRIOU**'s areas of special interest are community development banking, banking and financial structure, the Federal Reserve and monetary policy, and the distribution of wealth and income in the United States. He and Senior Scholar L. Randall Wray are continuing their work in the Institute's program on financial markets and monetary policy, studying the appropriateness of using existing price indexes as targets for monetary policy; they will apply their findings to OECD countries. In addition, Papadimitriou and Wray are conducting research on the effect of demographic shifts—specifically, the aging of the population—on the labor market, in light of the current slow growth in labor force participation rates and based on different ranges of productivity growth. They will then evaluate the need to revise public policies concerning the retirement age, the Social Security program, and macroeconomic employment policies. In addition to his duties as president of the Levy Institute, Papadimitriou is executive vice president and Jerome Levy Professor of Economics at Bard College. He recently served as vice chairman of the congressional U.S. Trade Deficit Review Commission. Papadimitriou is general editor of the Levy Economics Institute book series and a member of the editorial board of the *Review of Income and Wealth*. He received a Ph.D. in economics from New School University.

**ANTHONY M. SANTOMERO**, president of the Federal Reserve Bank of Philadelphia since July 2001, is a leading authority on the financial services industry, risk management issues in financial institutions, and financial regulation. During the 28 years before he joined the bank, Santomero held various academic and managerial positions at the University of Pennsylvania's Wharton School, including Richard K. Mellon Professor of Finance, director of the Wharton Financial Institutions Center, deputy dean of the school, vice dean and director of the graduate division, associate director of the doctoral program, and cochairman of the finance department. He also served as a consultant to major financial institutions and regulatory agencies throughout North America, Europe, and the Far East. Santomero has written more than 100 articles on banking, financial regulation, and economic performance, as well as several books; his textbook on financial markets, instruments, and institutions is widely used. He is the founding coeditor of the *Brookings-Wharton Papers on*

*Financial Services* and serves on several academic editorial boards. He has also acted as associate editor of the *Journal of Banking and Finance*; *Journal of Money, Credit, and Banking*; *Journal of Financial Services Research*; and *European Finance Review*. Santomero received an A.B. in economics from Fordham University and a Ph.D. in economics from Brown University. He also holds an honorary doctorate from the Stockholm School of Economics.

**GARY H. STERN** has been president of the Federal Reserve Bank of Minneapolis since March 1985 and is currently serving a full term that began in March 2001. Prior to being named president, Stern was senior vice president and director of research and then chief financial officer. Before joining the bank, he was a partner in a New York-based economic consulting firm; a faculty member at Columbia University, Washington University, and New York University; and an economist at the Federal Reserve Bank of New York, where his last position was manager of the domestic research department. Stern is chairman of the board of directors of the Northwest Area Foundation and serves on the boards of the Carlson School of Management at the University of Minnesota and the Alliance Française, the boards of trustees of the National Council on Economic Education and the Educational Testing Service, and the board of governors of the Minneapolis Club. He holds an A.B. in economics from Washington University in St. Louis and a Ph.D. in economics from Rice University.

**CHRIS VARVARES** is president of Macroeconomic Advisers, LLC, a company he founded with Joel Prakken and Laurence Meyer as Laurence H. Meyer and Associates in 1982. The firm became Macroeconomic Advisers in June 1996, when Meyer joined the Board of Governors of the Federal Reserve System. Varvares has more than 20 years of experience in macroeconomic forecasting and policy analysis, both as a principal of Macroeconomic Advisers (1982 to present) and a member of the staff of the President's Council of Economic Advisers (1981–82). While at the Council, he served as a member of the U.S. delegation to the OECD in April 1982. Varvares is a member of *Time* magazine's Board of Economists and has been a panelist for the World Economic Forum. He holds a B.A. in economics from George Washington University and received his graduate training in economics from Washington University in St. Louis.