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Restoring America's Economic Growth and International Competitiveness

Levy Institute

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*A Conference of
The Jerome Levy
Economics Institute
of Bard College*

***RESTORING AMERICA'S
ECONOMIC GROWTH AND
INTERNATIONAL
COMPETITIVENESS***

November 12-13, 1993

*The Jerome Levy Economics Institute
of Bard College*

The Jerome Levy Economics Institute of Bard College
**RESTORING AMERICA'S ECONOMIC GROWTH
AND INTERNATIONAL COMPETITIVENESS**

PARTICIPANTS

Alan Auerbach, Professor of Economics, University of Pennsylvania, and former Deputy Chief of Staff, Joint Committee on Taxation, U.S. Congress

Robert Barbera, Chief Economist and Managing Director, Lehman Brothers

Kurt Campbell, White House Deputy Counselor

Robert Eisner, Kenan Professor of Economics, Northwestern University

Steven Fazzari, Research Associate, The Jerome Levy Economics Institute, and Associate Professor of Economics, Washington University—St. Louis

Robert Giordano, Director of Economic Research, Goldman Sachs and Company

The Honorable Maurice Hinchey, U.S. House of Representatives

Douglas Holtz-Eakin, Associate Professor, The Maxwell School, Syracuse University

Paul Huard, Senior Vice President, National Association of Manufacturers

William Janeway, Managing Director, Warburg E.M. Pincus, Inc.

Kenan Jarboe, Senior Policy Advisor to Senator Donald Riegle

Robert Kuttner, Co-editor, The American Prospect, and columnist, Business Week

David A. Levy, Vice Chairman and Director of Forecasting, The Jerome Levy Economics Institute

S Jay Levy, Chairman of the Board of Governors, The Jerome Levy Economics Institute

Richard McGahey, Executive Director, Joint Economic Committee, U.S. Congress

Hyman P. Minsky, Distinguished Scholar, The Jerome Levy Economics Institute

Sanjay Mongia, Senior Research Associate, The Jerome Levy Economics Institute

The Honorable Daniel P. Moynihan, U.S. Senate

Ridge Multop, Economist, Committee on the Budget, U.S. House of Representatives

Dimitri B. Papadimitriou, Executive Director, The Jerome Levy Economics Institute, and Executive Vice President, Bard College

Edward V. Regan, President, The Jerome Levy Economics Institute

Howard Rosen, Executive Director, Competitiveness Policy Council

Robert Shapiro, Vice President, Progressive Policy Institute

James Tobin, Sterling Professor Emeritus of Economics, Yale University

Paolo Liebl von Schrach, The Concord Coalition, and Director of International Programs, INTELX

L. Randall Wray, Research Associate, The Jerome Levy Economics Institute, and Associate Professor of Economics, University of Denver

RESTORING AMERICA'S ECONOMIC GROWTH AND INTERNATIONAL COMPETITIVENESS

The objective of the conference is to assess policy options pertaining to the contemporary issues of investment, employment, growth, and economic competitiveness of the United States within the global perspective.

The Institute seeks to act as a catalyst by providing a forum for exchanging views among prominent academics, business leaders, noted public officials, and others engaged in the arena of public policy.

Founded in 1986, The Jerome Levy Economics Institute of Bard College is an autonomous, independently endowed research organization. It is nonpartisan, open to the examination of diverse points of view, and dedicated to public service. Its purpose is to generate viable, effective public policy responses to important economic problems, and it is concerned with issues that profoundly affect the quality of life in the United States and abroad.

CONFERENCE PROGRAM

Friday, November 12

- 8:30-9:30 am Registration
- 9:30-9:45 am Opening Remarks by **Dimitri B. Papadimitriou**, Executive Director, The Jerome Levy Economics Institute, and Executive Vice President, Bard College
- 9:45-10:30 am **David A. Levy**, Vice Chairman and Director of Forecasting, The Jerome Levy Economics Institute, on "Investment and Growth for the 1990s and Beyond"
- 10:45 am-12:15 pm Session I: "Investment and Economic Competitiveness"
Hyman P. Minsky (chair), Distinguished Scholar, The Jerome Levy Economics Institute
- Presentations
- L. Randall Wray**, Research Associate, The Jerome Levy Economics Institute, and Associate Professor of Economics, University of Denver, on "Government Deficits, Liquidity Preference, and Schumpeterian Innovation"
- Steven Fazzari**, Research Associate, The Jerome Levy Economics Institute, and Associate Professor of Economics, Washington University—St. Louis, on "Investment and U.S. Fiscal Policy in the 1990s"
- Discussants
- Douglas Holtz-Eakin**, Associate Professor, The Maxwell School, Syracuse University
- William Janeway**, Managing Director, Warburg E.M. Pincus, Inc.
- 12:15-2:00 p.m. Luncheon Speaker: **The Honorable Maurice Hinchey**, U.S. House of Representatives

2:00-3:30 pm

Session II: "The Global Challenge to American Economic Competitiveness"

Sanjay Mongia (chair), Senior Research Associate, The Jerome Levy Economics Institute

Presentations

Robert Barbera, Chief Economist and Managing Director, Lehman Brothers, on "U.S. Competitiveness in Light of Developments Abroad"

Robert Kuttner, Co-editor, The American Prospect, and columnist, Business Week, on "Keynes, Schumpeter, and High-Growth Economics in the 1990s"

Discussants

Robert Eisner, Kenan Professor of Economics, Northwestern University

Ridge Multop, Economist, Committee on the Budget, U.S. House of Representatives

4:00-4:30 pm

S Jay Levy, Chairman of the Board of Governors, The Jerome Levy Economics Institute, on "These Times Demand a Capitalist Revolution"

4:30-6:15 pm

Round Table I: "National Economic Policy and the Path to Prosperity"

Edward V. Regan (moderator), President, The Jerome Levy Economics Institute

Kenan Jarboe, Senior Policy Advisor to Senator Donald Riegle

Howard Rosen, Executive Director, Competitiveness Policy Council

Robert Shapiro, Vice President, Progressive Policy Institute

Paolo Liebl von Schirach, The Concord Coalition, and Director of International Programs, INTELX

6:15-7:00 pm

Reception

7:00 p.m.

Dinner Speaker: **James Tobin**, Sterling Professor Emeritus of Economics, Yale University, on "The Jobless Recovery"

Saturday, November 13

9:30-10:30 am

Speaker: **The Honorable Daniel P. Moynihan**, U.S. Senate

10:45 am-12:30 pm

Round Table II: "Fiscal Responsibility, Economic Growth, and the Performance of American Business"

Dimitri B. Papadimitriou (moderator), Executive Director, The Jerome Levy Economics Institute, and Executive Vice President, Bard College

Alan Auerbach, Professor of Economics, University of Pennsylvania, and former Deputy Chief of Staff, Joint Committee on Taxation, U.S. Congress

Robert Giordano, Director of Economic Research, Goldman Sachs and Company

Paul Huard, Senior Vice President, National Association of Manufacturers

Richard McGahey, Executive Director, Joint Economic Committee, U.S. Congress

12:30 pm

Luncheon Speaker: **Kurt Campbell**, White House Deputy Counselor, on "The North American Free Trade Agreement"

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, the 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 became an economist. 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 determining the sources of profits. 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 conquer economic problems and improve the human condition.

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