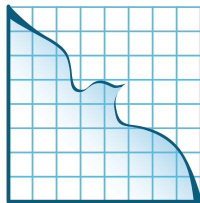
EPS QUARTERLY

The Newsletter of

Volume 26 / Issue 1
April 2014



ECONOMISTS for PEACE & SECURITY

War and famine. Peace and milk. — *Somali proverb*

Jobs, Investment, and Rebuilding America

"Defense Secretary Hegel ...acknowledges the need for additional defense reductions and for greater military efficiencies. At this point, I could say only that the military fat is in the fire."

Richard Kaufman, page 10

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Jeffrey Sachs

Welcoming Remarks

James Galbraith

Let me welcome you to this Bernard L. Schwartz Symposium on "Jobs, Investment, and Rebuilding America: Economic and National Security Issues." I want first to offer our thanks to Bernard Schwartz, to whom we are indebted for unstinting support of the symposia that we have organized in Washington over the last several years.

I also would like to say a word in remembrance of a most distinguished economist, Lawrence Klein, who was the founding co-chair of our organization. Lawry Klein was a great theoretical and empirical economist, spanning the age of Keynes and the age of Keynesianism, the development of numerical modeling of economic performance. He was also an economist who always understood that the function of economics is to address itself to the issues of pressing social concern.

The function of EPS in that spirit is to foster professional discussion of the problems that face this country and the world, and to integrate the full spectrum of security issues into economic discourse and debate. That's something that we have taken as our particular role in the economics profession since our founding in 1987, and represents a distinctive contribution that this organization makes. We plan to be very much in that spirit this morning, discussing both economic and security issues.

A central tenet of our work is that economics cannot be reduced to simple slogans about budget deficits, the public debt, or the size of government. Instead, we must engage with the larger issues in the concrete form that they are faced by the people of this country: jobs, wages, investment, economic growth, resources, the environment, the structure and integrity of the financial system, taxes, social protections, and social insurance. Together, these issues frame an agenda for public action and an alternative to the sterile and destructive politics of sequestration and shutdown. They also reflect a conviction that, even now, in the rather depressive condition of our politics, action remains a possibility.

We are, as always, thrilled to work again as partners with the New America Foundation.

Panel Three, left to right: Richard Parker, Bruce Bartlett, Josh Bivens, Stan Collender, Bill Black, and Yanis Varoufakis

EPS QUARTERLY
is published by
ECONOMISTS FOR
PEACE AND SECURITY

EPS promotes economic analysis and appropriate action on global issues relating to peace, security, and the world economy.

Newsletter articles are based on the views of the authors and do not necessarily represent the views of the Directors, Trustees, or members of EPS.

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ABOUT THIS ISSUE

As part of a series of Bernard Schwartz symposia, EPS and New America Foundation co-hosted a conference entitled "Jobs, Investment, and Rebuilding America: Economic and National Security Issues" in Washington DC on November 12, 2013. This issue is comprised of edited transcripts from the sessions and keynote address. Visit our weebsite, epsusa.org, and click on "Past Events" for links to video of the symposium.

The Dinner Address on page 20, by Jeffrey Sachs, was his speech at the EPS dinner held annually at the AEA meetings. He was the guest of honor for 2014.

Jobs, Investment, and Rebuilding America: Economic and National Security Issues

Welcoming Remarks
James Galbraith, Economists for Peace and Security

Session One: A Jobs-Investment-Security Agenda
Chaired by Michael Lind, New America Foundation
Allen Sinai, Michael Tomasky, Sherle Schwenninger, Ron Unz

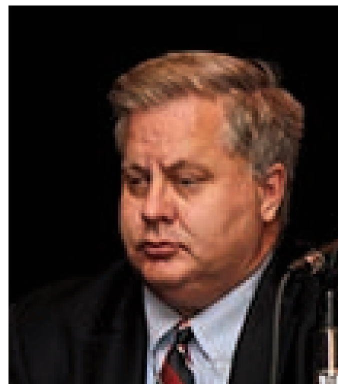
Keynote Address
Jason Furman, Chair, Council of Economic Advisers

Session Two: US Security Policy After Syria
Chaired by Richard Kaufman, Bethesda Research Institute
Heather Hurlburt, Winslow Wheeler, Peter Galbraith, Carl Conetta

Session Three: The Economic and Financial Risks and Dangers
Chaired by Richard Parker, Shorenstein Center, Harvard University
Josh Bivens, Bruce Bartlett, Stan Collender, Bill Black, Yanis Varoufakis

Session One Summary: A Jobs-Investment-Security Agenda

Michael Lind



We're meeting in Washington in a lull between manufactured crises. There will be another one possibly in December or January or February; and as in the first half of October, when the government was shut down, the conversation will be dominated almost exclusively about debts and deficits to cut, and how fast.

That's a conversation worth having, but there's another conversation that the American people want people in Washington to have. If you look at polls, it's fairly consistent that the top priorities are jobs, wages, employment, investment, economic growth; and so we're pushing against the consensus here in Washington by focusing on these issues.

We're very fortunate to have a panel of people from different parts of the political spectrum, with different views, to try to talk outside of the very narrow bandwidth on economic issues at this time in Washington DC.

Economic Performance in Perspective

Allen Sinai

I first began to ask about the causes of jobless recoveries after the recession in 1990-91. The labor market is a big deal. Substantial improvement in the labor market is a necessary condition for the Federal Reserve to begin to exit from quantitative easing. Additionally, jobs and income quantitatively are the number one fundamental driver of consumer spending. Jobs and income haven't been doing well for years. Neither have consumption or the US economy; average consumption has been growing 1.5 to 2 percent a year in real terms, and the economy, a little bit more. This current episode is the worst ever for any recovery/expansion; 52 months long.

Knowing what causes these jobless recoveries ought to lead to policy prescriptions that might ameliorate the situation. The whys certainly include a lack of aggregate demand; but of course the weak jobs growth is part of the lack of aggregate demand, because consumption is basically 75 percent of the US economy. If jobs aren't growing much, incomes aren't growing much, aggregate demand isn't going to grow much, companies aren't going to hire much — and the loop goes on.

There's a lot of literature on aggregate demand or structural unemployment, citing many sources for our recent performance: the labor market, uncertainties over the future, Washington dysfunctionality, Obamacare, questions on the efficacy of quantitative easing, government support providing disincentives to work, structural demographic declines in the labor force and the labor force participation rate, a shift in the Beveridge curve, and the relationship between job opening and hiring.

What's being overlooked is a phenomenon rooted in the reality of company behavior and motivation. This mantra, this religion in corporate America is "maximizing shareholder value." Virtually every executive you talk to and every corporate pronouncement talks about maximizing shareholder value. It doesn't mean maximizing profits or the expected value of profits, as we are taught and teach in our classrooms. It is literally maximizing the stock price!

Shareholder value maximization leads to intense cost minimization in the name of maximizing the stock price; and the biggest expense is labor. Labor expense is looked at in reality by companies not as just the wage rate; it's total compensation, including health care, pension costs, and administrative costs.

In the Great Recession fewer than 10 percent of the S&P 500 companies lost money, the lowest percentage ever in any recession. Since 1990, profit margins have risen; the most recent company data on the S&P 500 profit margins ran 10 to 11 percent — a new high despite the slow-growing economy.

Taking into account the cost of labor defined under a maximized shareholder value goal, it becomes a no-brainer for companies not to hire workers unless they have to. They want to find all kinds of ways to reduce the cost of labor, pension, health care, to cut labor and outsource in order to keep expenses down, and keep profits and profit margins up.

These days corporate compensation is heavily skewed toward variable comp, and the biggest comp is restricted stock and stock options tied to the stock price. I think it's very natural to want to maximize shareholder value. It's very natural to look for other ways to do it than by adding workers. It's very natural to substitute technology: it's labor-saving, productivity-enhancing, very cheap, easy to use and install. Basically, substitute capital for labor to keep productivity and profit margins up; and that doesn't help hiring.

As we would expect, we see profits and profit margins higher under this hypothesis. In the Great Recession fewer than 10 percent of the S&P 500 companies lost money, the lowest percentage ever in any recession. Since 1990, profit margins have risen; the most recent company data on the S&P 500 profit margins ran 10 to 11 percent — a new high despite the slow-growing economy.

Maximizing shareholder value has also led to shifting the burden of benefits onto the workers. We used to have defined contribution and defined benefits; now workers pay most of that and handle those accounts themselves. Health care was originally insured by insurers; then it became self-insured by companies; and then the employees began to pay more of the bill. Obamacare provides an opportunity to put your employees onto health care exchanges, pay a fine, and get out of the health care payment business; and my prediction is we'll see lots of that. It may work out well for people; it may not. Again, this is perfectly rational behavior by companies. What startles me is how many places it's happening. I'm speaking out today, because I'm absolutely convinced that this mantra of maximizing shareholder value has reached a point where it's counterproductive for our economy and our society.

I have no policy prescriptions. As a forecaster, what we see is what we've got. We are not going to see big-time jobs growth. Monetary policy will be disappointing in terms of giving us a lot more jobs growth. Fiscal policy is a moot issue because one way or the other the lay of the land is fiscal restraint. The US economy still looks like it's going to grow very slowly, in part because of the feedback loop. You don't hire much, people don't get much money, they don't spend a lot, the economy doesn't grow, so you don't hire: a positive feedback loop with negative results.

The State of the Middle Class Now

Michael Tomasky

I am not an economist, so I don't think that I can tell this crowd a lot of things that you don't already know, some of you perhaps better than I. I'm not going to stand up here and retell the usual grim statistical portrait of the immiseration of the American middle class over the last 30 or 40 years, or indeed over the last five since the meltdown. We've all seen that horrible chart of middle class wages that look like the plains of Kansas and the compensation that's gone to the top 2 percent that look like Mt. Everest.

I also don't think that I need to retell in any really detailed wonky way what the policy solutions for the middle class are. Broadly speaking, we all probably agree on some general steps to be taken. We know that an increase in the minimum wage would actually be salutary; perhaps a rising tide that would lift all boats in the other direction that we've been told about for the last 30 years. We know about the additional help — tax credits and so forth — that could be given to families with children in college to encourage more college enrollment; the help that could be given to families with younger children, paid family leave like they have in civilized countries; and the many other steps that could be taken in terms of public investment, infrastructure investment, and creating green jobs and fostering a green economy.

These are all things that we know need to be done. I think I can talk a little bit about why we can't get them done at all. Dr. Sinai said that he used to think that knowing the policy prescriptions meant that we would know what to do and that we would go out and do those things. We now know it doesn't quite work that way in this city, and it hasn't worked that way for a while. Will it ever work that way again? I'm not very optimistic about the near-term, to be perfectly honest, but there is some interesting work being done in terms of how we frame and talk about these ideas.

We need to think and talk about investment in the middle class, not merely as a nice thing that sounds good because most people are middle-class, but as an alternative theory of economic growth to supply-side theory. We've been told for 30 years or more that investing in the top one or two percent would work out for everyone, and the benefits would trickle down to everyone. I think we've seen for many, many years that that theory has worked out rather nicely for the one or two percent, but it hasn't worked out all that nicely for the people to whom the benefits were supposed to trickle down. Middle-class investment is not just a vote-getting ploy. It's a theory of growth that is not about investing in the top; it's about investing in the broad middle class and letting the benefits spread out from there.

The President uses this phrase intermittently, but not effectively, because he doesn't posit middle-class investment as an alternative to supply-side to the top one or two percent investment. I think that if it were pitted as a choice for people, it could have resonance and help us perhaps move this political situation along a little bit.

Polls show repeatedly that people want a different conversation to be happening in Washington. People want Washington to think about jobs, about public investment, about some of the things that I talked about a moment ago: minimum wage, more investments in raising children in college, and the rest of it. I think the political gridlock can eventually be defeated in the right economic circumstances and with the right way of thinking about and framing the conversation. The framing of investment in the middle class needs to be done as an alternative to supply-side economics. We have done this in the pages of my journal, *Democracy: A Journal of Ideas.* A couple of issues ago there was a special issue; but we sort of address that all the time. I do hope you'll give it a look.

Jobs and Investment

Sherle Schwenninger

I'm going to highlight and underscore five trends and then draw five broad policy lessons from them.

The first relates to the pattern of investment in job creation over the last 15 years. We have asset bubble driven investment — the tech bubble in the late 1990s, the housing bubble in the 2000s — which also modestly lifts jobs followed by an investment bust, then a more serious jobs bust, and extended periods of jobless recovery. The increasing evidence shows there's going to be at least one more little bubble that is going to lift investment, although not capital expenditures, followed by a bust. This probably will be driven by social media. There also has been fairly exuberant investment in the real world in biotechnology and the energy sector that may outstrip demand at some point, and that may create a problem.

The second trend is that government investment as a percentage of GDP has been on the decline. It's now at the lowest percentage of GDP since 1948. It did improve a bit with the American Recovery Act in 2009-10. The decline of government investment is worrying because it's not only important for productivity, but also for employment.

Third, government employment has been essentially steady for the last 20 years, while there has been an increase in employment in the private sector. Since the Great Recession there was a plunge in the private sector, and then a not-robust-but-respectable recovery. However, there was actually a dip in government jobs because of the sequester and cutbacks at the local and state levels. A huge gap has opened up

Jobs and Investment

between private sector growth and government growth. If government employment was growing at the same level as in 2002–2003, our employment picture would look much healthier. The jobless recovery in this case is a jobless recovery in government.

The fourth trend is the rise of what I call the post-employment companies. The old-line lead industries of the past — like Eaton, Lockheed, Dupont, Dow Chemicals — all have enormous amount of jobs per capitalization. Yet the new range of companies—Apple, Google, the Facebooks, the Twitters — have captured an enormous amount of capital in investment, but employ very few people. They also pay very few taxes. It's not just the case of the companies replacing labor with capital; we're in a new mode of company to some degree (see below). Even first and second generation of tech, like CISCO and Microsoft, were actually fairly healthy in terms of capital structure to labor market and jobs created, as compared to the newer generation.

The final trend is that the preponderance of jobs being created are essentially in low-wage industries. The Bureau of Labor Statistics (BLS) projects that 8 out of 10 employment growth sectors from 2010 to 2020 are in low-wage sectors. In a study that New America published with Dan Alpert from Westward Capital, it was calculated that over 57 percent of the jobs created in the first half of 2013 were in the three lowest-wage sectors of the economy: retail trade, administrative services, and leisure and hospitality.

There are five policy conclusions that I want to draw out from these trends.

The first is that our finance system is still broken. Part of that is the problem of shareholder capital, as Allen Sinai discussed. Part of it is the way our debt and equity markets operate, and part of it is the sort of asymmetrical reliance on easy money versus fiscal policy.

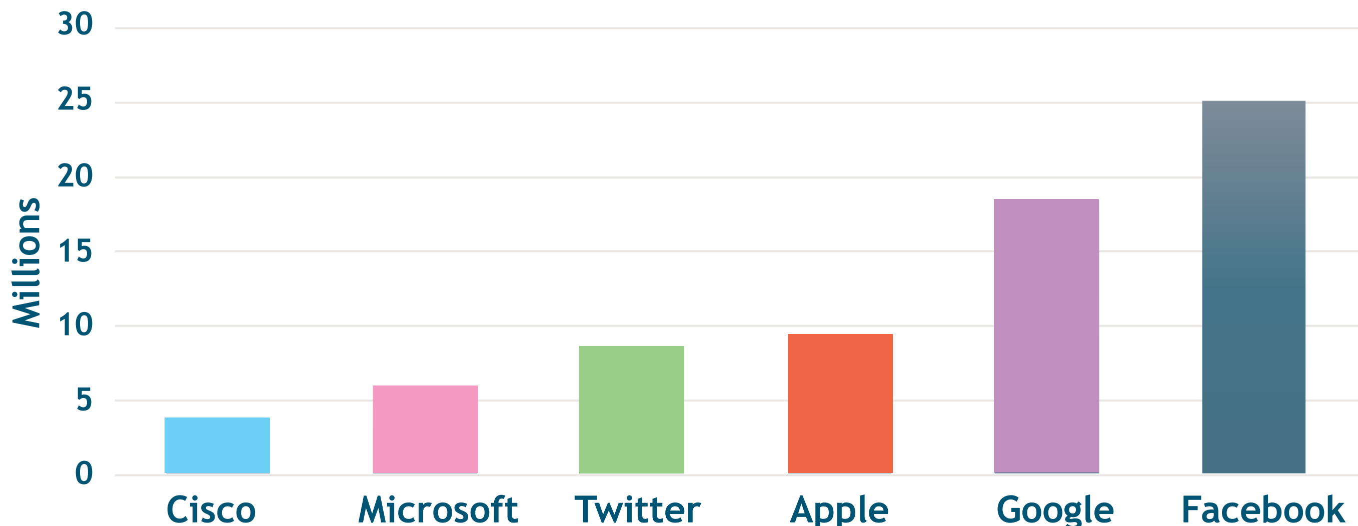
Secondly, we have investment that is driven generally by asset bubbles; public investment is needed to smooth that out, absorb the extra capital. The consequence of these first two policy options suggest that we're going to have to supplement our current finance and banking system with a lot more public purpose bank vehicles.

Third, of course, we face a political resistance to increasing government public investment by year-to-year government allocations. We need to be able to use a severance tax on shale oil, and gas, for example, or expatriated corporate profits to essentially capitalize a variety of state infrastructures, state investments, state public banks, to be able to supplement the existence of the private banking and finance system.

The fourth point is that our industrial policy is heavily tilted towards these new post-employment companies. They don't pay any taxes, are given huge breaks for the intellectual property they generate, and benefit from capital market rules and regulations that allow them to capture a large share of wealth in a very short period of time. On the other hand, we tend actually to penalize all those companies in the middle because they actually bear the cost of employing people.

Finally, we must increase public services as a way to tighten the labor market for private service employment. Unfortunately, the BLS is probably correct: the structure of the economy can be changed to some degree to create more middle-skilled jobs, but many of the jobs that will be created are high-touch jobs that can't be outsourced or can't be subject to technology — generally low-wage jobs. The only way to solve that problem is to tighten the labor market, and to pursue ideas like creating a much higher minimum wage, which I believe Ron Unz will probably talk about next.

Job Intensity: Market Cap Divided by Number of US-Based Employees



Source: New America Foundation, CNN Money

Raising the Minimum Wage

Ron Unz

It seems over the last couple of decades the issue of a much higher minimum wage has dropped off the political radar screen. That really struck me as surprising when I started exploring the implications. Once I started thinking about it, it seemed that raising the minimum wage by a much higher amount would have a lot of advantages.

The minimum wage directly affects exactly those sectors of the employment economy that have been most negatively impacted by all these changes in the workforce and the labor markets over the last few decades. Furthermore, a much higher minimum wage would have a lot of dramatic impacts on the overall economy. For example, if the minimum wage were boosted to $12 an hour, the impact would be to raise the amount of income going to that sector of the workforce by between $150 billion and $200 billion a year. That money would go toward households that spend every dollar they earn, so you're talking about an economic boost, a permanent stimulus effect approaching $200 billion a year.

One reason a much higher minimum wage might work now, where it couldn't 20 or 40 years ago, is because America has lost almost its entire manufacturing sector. The manufacturing sector was subject to competition with foreign countries that a much higher wage level could not support. Those sectors of the American economy today that would be benefiting from a minimum wage of $12 an hour are the non-tradable, low-wage service sector. Those industries would probably raise their prices by some small amount, and trim back some of their record level profits. It's unlikely that many of those jobs would cease to exist if all of the competitors raised their prices in unison.

The benefits are tremendous, and polls show enormous support for a much higher minimum wage: 60 percent among Republicans, 70−80 percent among Democrats. Many of the economic proposals out of Washington have been very intricate and complex; they often don't work very well in practice, and when you're talking about changes

One reason a much higher minimum wage might work now, where it couldn't 20 or 40 years ago, is because America has lost almost its entire manufacturing sector. (It) was subject to competition with foreign countries that a much higher wage level could not support.

in the economy or setting up new types of financial structures ordinary people don't understand them very well. When you explain that the government would simply require that the minimum wage rise to $12 an hour people understand that.

Shifting from policy to politics, I think one thing that a lot of people have missed is that a small rise in the minimum wage is much more difficult to get through than a large one. Very few people feel they would directly benefit from a small rise in the minimum wage. The people who would benefit, for socioeconomics and demographic reasons, tend to be Democrats, and many don't vote at all. The political momentum behind raising the minimum wage — say, 50 cents or even $1.75 — is relatively small.

On the other hand, if you're talking about raising the minimum wage 70 percent, from $7.25 up to $12 an hour, the landscape and the socioeconomic and political structure of the beneficiaries is entirely different. Nearly 40 percent of white Southerners, the demographic base of the Republican Party, would benefit from that sort of rise in the minimum wage. When you're talking about raising their incomes by $5,000–$8,000 a year, it gets their attention. A policy proposal that essentially would only benefit low-voting Democrats is narrowly confined to a certain sector of the political market. If you're talking about something that would benefit enormous numbers of conservatives and Republicans, suddenly the impact on many of the people whom they elect would be enormous.

Relatively few unionized employees would benefit from a rise like that; however, it would be a very powerful protective measure for the unions. A lot of the pressure to break the unions is driven by the huge gap between union wages and the minimum wage; companies feel that they can save huge amounts of money if the unions were not there. If the gap between the minimum wage and the lower ends of the union wage becomes much smaller, then the incentive for companies to try to break the unions or stop them from coming in becomes much less. In other words, if the service employees typically make $13- $15 an hour, and the minimum wage is $7 or $8 an hour, there's a massive incentive to keep them from unionizing the workforce. If on the other hand the minimum wage is $12 an hour, the incentive disappears. This could be a tremendously important issue for unions to get behind.

Obviously the problem is gridlock politics; getting something like this through Congress or state legislatures is very difficult. Ideologically, it shouldn't be because a much higher minimum wage means reductions in housing subsidies, food stamps, social welfare programs, tax credits — exactly the sort of things that many libertarian or free-market advocates are really annoyed by. In the last 20 or 30 years, many companies have been able to maximize profits by shifting the cost of their low-wage workforce onto the backs of the general taxpayer. From any ideological perspective, that makes no sense at all. Companies should be forced to pay their own workers rather than get the taxpayers to do it. Potentially there is an opening to conservatives or libertarians who may not like the minimum wage, who may not like regulations, but like the alternatives even less.

Keynote Address

Jason Furman

I was excited about the topic of "Jobs, Investment, and Rebuilding America." I want to use this opportunity to talk about some of the biggest challenges we face, and give you some perspective of what the administration has done, and is continuing to try to do, to address those challenges.

Looking back a couple of decades, we've dealt with the double-whammy of the productivity slowdown that began in the early 1970s and the increase in inequality that began in the mid- to late 1970s. Taken together, and adding the very large cyclical challenge of the Great Recession, you get a sense of just how big the task of digging out is going to be.

The productivity slowdown is best captured in the statistics on total factor productivity, which measure output from a given amount of capital and labor. In economics it's the closest thing we have to a free lunch. From 1948 to 1973, total factor productivity increased 2.2 percent annually; but from 1973 to 1987, it slowed to 0.5 percent annually, and that led, in 1987, Robert Solow to famously write, "You can see the computer age everywhere but in the productivity statistics." It's gotten somewhat better since Bob wrote those words, with total factor productivity doubling to a 1.0 percent annual rate since 1987; but that's still less than half of the postwar golden age average.

Not only is the pie growing more slowly, but its division has become increasingly unequal due to a combination of technological change, globalization, trends in education, institutional changes (like the erosion of the inflation-adjusted minimum wage), and the decline of union membership. The statistics in this regard are often repeated, but nonetheless striking. The ratio of household income at the 95th percentile to the 50th percentile was roughly flat through the mid-1970s; but has since grown from 2.72 in 1975 to a record 3.75 in 2012. That's the equivalent of a 0.9 percentage point growth gap between those incomes, which is basically on par with the magnitude of the slowdown that we've seen in productivity. You lose a point on your income due to the productivity slowdown; you lose in effect another point on your income due to the increased inequality and the fact that that reduced productivity, such as it is, is disconnected from compensation growth.

The facts are even more stark at the top of the income distribution. You can see this in the recently updated numbers from Manny Saez at the University of California at Berkeley, showing that the top one percent of tax units receive 19.3 percent of the total income in 2012 (excluding income from capital gains, which can be volatile from year to year), the largest share since 1928, and up from 17.5 percent in 2011. The gain in the income share was 1.8 percentage points in a single year; half of that gain that went to the top one percent, and half of that gain went to the top one percent of the top one percent. That is 0.9 percentage point of national income share increase for the top 1/100 of one percent in a single year. This longstanding trend of increased inequality goes back many decades. It's one that we're not going to be able to stop on a dime; and it has been continuing.

Add the cyclical downturn in 2007–2009, including the loss of over 700,000 jobs per month in the depths of the crisis and an unemployment rate that reached 10 percent. You see what happens to household incomes, on top of the decline in the previous economic expansion, and what happens to things like the pre-tax and transfer poverty rate. That gives a sense of just how much there is ahead of us to deal with.

Continued on page 8

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Keynote Address (continued from page 7)

I want to talk a little bit about the response and the agenda going forward to deal with all of this, and to divide that into four areas. First is accelerating the return of the economy to its potential. The second is expanding the economy's potential. Third is policies that address what economists would call the post-tax and transfer income inequality, incomes and poverty. And finally, what economists would call policies that address pre-tax and transfer incomes, or what would more colloquially be described as strengthening the middle class and creating ladders of opportunity to move people into the middle class.

Accelerating the return of the economy to its potential has been a major focus of the president's policies from the Recovery Act through the many other jobs measures, like the payroll tax cuts and extension of unemployment insurance, to the broader financial rescue and housing efforts. All told, these policies have contributed to 44 straight months of private sector job growth, a total of 7.8 million jobs, and an unemployment rate that has fallen steadily by about ¾ of a point per year.

Even though this is better than in some other countries, or in financial crises in the past, we don't expect our country to be graded on a curve. It's clear that a lot more work remains to be done, partly involving the overall stance of fiscal policy. There's reason to be cautiously optimistic — in this past year, we had a decline in the deficit by 2.7 percentage points of GDP, about as large a single year of deficit reduction as we've seen. Over the last four years we've seen nearly 6 percent of GDP off the deficit, the largest four-year contraction in the deficit since the end of World War II. While it's good to be returning towards fiscal sustainability and stabilizing the debt, that rapid deficit reduction has created a significant headwind for the economy and for the private sector and for economic growth.

The good news is that, no matter how our fiscal issues are resolved for FY 2015, there won't be nearly as contractionary a fiscal stance going into next year in the pace of deficit reduction; it won't be nearly as large. We'd like more up-front investment in infrastructure and jobs, without the same rapid-pace of deficit reduction in the short run; rather, paying for those items over the medium and long run. We also have more work in terms of speeding the recovery to potential in the area of housing. We're building at about 60 percent of capacity. Credit may have been overly loose going into the crisis; now it's overly tight.

The minimum wage now, in real terms, is the same level that it was in 1950. In 60 years, the minimum wage has gone up zero, adjusted for inflation. In that 60 years the productivity of our economy has well more than doubled

The even more fundamental question, though, is what we can do to promote a return to long-term growth. Even people who are mostly focused on inequality should care a lot about this. Had we managed to maintain the same productivity growth from the years 1948 to 1973, and continued it after 1973, incomes would be 69 percent higher. There's no reason not to believe they'd be 69 percent higher across the board. Even given the same magnitude of increase in inequality, we'd all feel a lot better about it if everyone's incomes were shifted up 69 percent.

Public investment is a key factor in increasing our long-run potential. An important part of the strong productivity growth from 1948 to 1973 was the interstate highway system, as well as inventions and discoveries from World War II that were repurposed for civilian use, like the jet engine. We coasted for several decades on pent-up federal innovation and continued public investment.

Since then, however, public investment has declined significantly. The national income and product statistics have gone from about 4 percent of GDP down to less than one percent. We're going to have to spend more. The President has a proposal to take the savings from unwinding the wars in Iraq and Afghanistan and devote them to reinvesting in infrastructure here at home through a surface transportation reauthorization that would be more than $500 billion over the next six years, about a 40 percent increase.

We also have to be honest with ourselves, and realistic that there's going to be an upper limit on the extra federal dollars to be put into infrastructure. That's why, when thinking about that type of public investment, it's also important to ask what can be done 1) to ensure that spending goes to projects with higher rates of return, and 2) to leverage our money and leverage private capital. Australia, Canada, and a lot of countries in Europe do a much better job of attracting private capital into their countries. The President is focused on the Rebuilding America Partnership to provide loan guarantees and remove some of the tax and other impediments to leverage private and public capital for infrastructure projects.

Increasing the economy's potential also will depend on private investment. It's not just the quantity of private investment that matters, but its quality as well. Business tax reform matters, not with the goal of lowering the average tax rate on businesses, but to make the tax code more neutral between different types of investments. Right now, investing in a manufacturing structure means you're taxed at around 25 percent; investing in an oil or gas structure means you're taxed at less than 10 percent. Currently, we also have tax advantages for investing overseas. That type of distortion doesn't make sense.

The President's all-of-the-above strategy on energy, including renewables and natural gas, matters not just for climate and our planet's future, but also for economic growth in the near term. The slowing of health costs matters a lot for increasing productivity of the economy. I think investments in

Keynote Address

wired and wireless broadband have been part of the reason for that total factor productivity rise from its level in the late ’70s and early ’80s; and I think that will continue to be important.

Whatever is done in terms of returning the economy to its potential, and expanding the economy’s potential, there still will be unacceptably high inequality, unacceptably high poverty, and a lot of barriers for families trying to enter the middle class. Because of this, I want to talk about addressing what economists call tax-and-transfer policies. It has been a very underappreciated success of public policy in the last couple of decades. Some conservatives have wanted to deny that the War on Poverty has had any success. Some on the left, who are focused appropriately on incomes, have missed some of the triumphs of public policy.

A new paper by researchers at Columbia came out last week; it takes the new supplemental poverty measure and extrapolates it back. If you look at that measure and take out all our policies, just incomes — not counting Social Security, unemployment, food stamps, or the EITC, etc. — you see an amazing thing. The poverty rate in 1967 was 32 percent; the poverty rate in 2011 was 31 percent. The poverty rate barely budged in about 45 years, looking only at people’s incomes. That’s pretty depressing, considering that per capital GDP doubled over that period.

Look at what our policies did. In 1967 — taking into account Social Security, food stamps (we didn't have refundable tax credits then), all the different policies we have — the poverty rate was 27 percent. That was only a small reduction in the poverty rate due to our policies.

By 2011, the post-tax-and-transfer poverty rate had fallen to 16 percent. Poverty has been cut in half in the last 45 years, entirely by the expansion of public policies — like food stamps and the earned income tax credit — that better reward work.

That’s a pretty amazing achievement. The President has tried to build on and add to that. Most importantly, the Affordable Care Act will obviously have a very substantial impact on inequality. We’ve expanded things: the EITC for married couples, for families with three or more children; and increased the refundability of the child tax credit. A lot of that has been paid for with measures like returning to the Clinton era tax rates for high-income households and making sure that, within Medicare, you’re taxing un-earned income for high-income households in addition to taxing earned income.

There’s more scope for public policy that directly addresses poverty and inequality; it directly helps lift up the poor and the middle class. However, the biggest challenge will be defending the gains already made from the people who want to dismantle and cut things like the EITC or radically cut things like nutritional assistance. A lot of ongoing policy won’t make a whole leapfrog forward as big as what was made in the last 45 years, but it will defend the gains were already made.

I think the bigger place to put push forward is in terms of pre-tax-and-transfer incomes and mobility. Things that affect incomes are broader and longer-lasting, but take longer as well. One change that would have immediate impact is raising the minimum wage. I noted before that the poverty rate was basically unchanged for the last 45 years. An important part of that story is that the real value of the minimum wage eroded by 23 percent between 1967 and today.

The minimum wage now, in real terms, is the same level that it was in 1950. In 60 years, the minimum wage has gone up zero, adjusted for inflation. In that 60 years the productivity of our economy has well more than doubled, our wages have doubled, and the minimum wage has been flat. It has had its ups and downs in the interim, but over that 60-year window it’s been flat. One thing needed is to raise the minimum wage in a way that would take families that are below the poverty line (with the tax credits I was talking about earlier) above the poverty line.

The centerpiece of these longer term policies is education at every level. There was first an expansion of K through 12, then an expansion of federal investment in college. The next big new investment will be preschool for all, which has been shown to have among the highest rates of return of any investment in education. We’ll also need to improve high school, invest in things like career academies, make college more affordable, help people continue college, and then lifelong education and matching to jobs.

The other thing that’s going to matter for inequality is mobility — not just in the sense of raising income, but ability to move from job to job, to places with more opportunity. The main way people’s wages go up is not by getting a raise on their current job, but by moving to another job that’s better matched for their skills. They have higher productivity that helps growth, and they get a piece of that in the form of a higher wage. When there’s less turnover in labor markets, less movement between states, there’s less mobility and improvement. Restoring that dynamism is an important part of the bigger picture.

In conclusion, the bad news is the double-whammy of long-term productivity slowdown and an increase in inequality, compounded by the Great Recession. The good news is that many of the policies that address these issues are complementary win-win, or even win-win-win. Investing in infrastructure helps the economy return to its potential more quickly. Additionally, it expands that potential and provides jobs for middle-class families. Increasing the supply of skills through investment in education and training not only reduces inequality, but also expands growth.

I could go on. We’ve made a lot of progress in digging out of the Great Recession. There have been some public investments and encouraged private investment. There have been some important policies that have further built on several decades of progress in terms of public policy reducing poverty and helping the middle class; but there’s a lot more to do. That win-win-win philosophy of returning the economy to its potential, expanding potential, and policies that directly and indirectly reduce inequality and expand opportunity will be central to the President’s approach going forward.

Session Two Summary: US Security Policy After Syria

Richard Kaufman

We've heard this morning so far about crossroads in jobs, investment, and growth. We also face a crossroads in security and military spending.

US military spending was virtually unconstrained during the first ten years of this century, as the US went to war against Iraq and various terrorist groups. Despite the record war spending and our huge commitment of resources, the results were disappointing to say the least.

There has been a modest military downturn over the past couple of years, and if that trend continues we might see an easing of our military budget and perhaps a peace dividend of sorts.

The big question that we face has to do with sequestration. If that does go forward into the defense area there will be further cutbacks.

This could be the occasion for fundamental reforms and a smaller, more efficient force structure, and a better sense of real future threats to our security. Military leaders and their followers, however, seem not to think so.

Undeterred by their lack of success in our recent wars, it is apparently business as usual for many in the Pentagon and for those planning, for example, a new long-range fleet of manned bombers, a new series of aircraft carriers, and a new series of nuclear submarines, all of which cost in the multiple billions of dollars.

Of course there are those who advocate greater US involvement in overseas conflicts, especially in the Middle East.

Defense Secretary Hegel, to his credit and unlike his predecessor, acknowledges the need for additional defense reductions and for greater military efficiencies. At this point, I could say only that the military fat is in the fire.

The Implications of the Syrian Bargain

Heather Hurlburt

I want to make three points to frame our discussion and set things up for my colleagues to disagree with.

One, that sequestration is our peace dividend.

Point number two will be the threat of Pentagon spending crowding out infrastructure development here at home and also crowding out the infrastructure the US needs to have a nonmilitary presence in the world.

This leads to point number three: that the question of use of military in Syria is not over, nor is the question of whether you will see more US military adventurism overseas in the future.

The politics of defense are realigning. People on the Hill were stunned when President Obama asked Congress for support in launching a missile strike into Syria. I don't think that the President imagined for a second that it would be as difficult as it was. One percent of the population of the State of Vermont called Senator Leahy's office to register their opposition to a military solution. When has one percent of a state's population ever called a congressional office about anything?

Both sides of the aisle were in genuine shock that a president could go to Congress with the magical incantation that has worked for decades: "We're going to go do this. It's going to be breathtakingly small and there aren't going to be any ground troops" — and it didn't work this time.

There's still a lot of head-scratching about what it meant. Are the American people really as anti-war or anti-intervention as that made them appear? How many of the old levers still work? Do those levers apply in Iran the same way they apply in Syria? Do they apply in North Korea? In all those ways it is much too early to understand what has happened; but you're going to see a lot more skittishness. That Syria debate may have made our President a lame duck on national security two-and-a-half years before the end of his term.

Panel Two, left to right: Peter Galbraith, Winslow Wheeler, Richard Kaufman, Heather Hurlburt, and Carl Conetta

The Implications of the Syrian Bargain

How does that intersect with the politics of defense spending? It's very much my impression that neither side thought they were getting the level of cuts in defense spending that sequester is providing. Yet when I talk to people on the Hill, I hear, "There is no solution to sequester. We don't know how we can solve this." Something really dramatic has changed in our politics that it's no longer political suicide to say, "We're going to keep cutting the military and we don't care how hard the Joint Chiefs wail about it." Very much in parallel to the Syria issue, on both sides of the aisle those who assume that it's business as usual are continually unpleasantly surprised.

A lot of people in the American political environment don't have anywhere to go; we don't have an alternative framework. Where do those who would identify themselves traditionally as the liberal left, or folks who served in the military and didn't really like the results of what they were doing — or those who want to see investment at home, or who are queasy about the causes and effects of what the US does in the world — turn? What's the Tea Party's foreign policy, for example? What is the foreign policy of the Left? Can anyone tell me what Chris Christie's views on national security are, other than having fights with Rand Paul? What do the folks who are going to be maybe not the 2016 political candidates, but certainly the 2020 presidential candidates, think about these issues? What schools do they attach to?

People on the Hill were stunned when President Obama asked Congress for support in launching a missile strike into Syria. I don't think that the President imagined for a second that it would be as difficult as it was.

We still have the world's largest, most powerful military, that takes up 50 percent of our discretionary spending. On the other hand, we have a diplomatic establishment that's dwindling, dwindling, dwindling. We are like someone trying to walk on two legs, one of which is ten times as big as the other. Which leg are we going to use?

We're going to keep using the military leg. Why are we in such a godawful mess in Syria? It's because, when there was the moment that diplomacy could have made a difference, we had good people out in the field doing good work and no support back here. The minute anyone starts talking about Syria, they are talking about the use of force.

Unfortunately, it's my belief that we're now past the point that diplomacy is going to deliver a solution. There are Al Qaida-linked forces in Syria sitting on the borders of our Turkish and Israeli allies; so there is no universe in which the Syria discussion is over. It will come back, and come back, and back. We will not have diplomatic tools to deal with it. Even if we started putting that extra $50 billion a year into the State Department today, we wouldn't have the public discourse or the tools to deal with it. For the decade ahead, we're going to continue to circle back to our military because it's what we have.

At the same time, sequester is a stupid way to cut the military, just like it's a stupid way to cut anything else. We're very likely, if things continue on their present course, to end up with a military that does less well at everything, rather than having had any kind of national conversation about what it is we want our military and our nonmilitary international affairs establishment to be good at doing.

Syria throws it all into sharp relief, and gives us opportunities because people are asking questions.

An Unaffordable Defense Budget

Winslow Wheeler

I'm going to talk briefly about strategy before, during, and after Syria.

In these confusing, uncertain times. It's always good to have the rock bed of the Pentagon and the simplicity of its strategy: quite simply, spend more. When the politicians want to do stupid things like spending less, tell them that they have to spend more. There's an important corollary to the Pentagon's decades-long strategy: more is never enough.

Our current peace dividend is $150 billion or so above the end of the Clinton era, when he was increasing spending. The "doomsday" level of spending that the sequester cuts have brought rivals the peak of the Reagan years. That's not my data; that's Pentagon appropriations adjusted for inflation according to OMB's GDP inflater index, all real dollars.

The Pentagon will show you a slightly different graph. It will have all those humps, but the rate of increase is almost flat. They like to cook their inflation numbers. They don't use GDP deflaters; they use their own specialized ones to make you think that the Korea, Vietnam, and Reagan peaks were about as high as the Bush-Obama peak. That's not the inflation measure that the federal government uses for other federal spending, or for you and me. That sort of says it all.

The doomsday level is also quite stable. The Pentagon says it must have stability in spending; well, there you go, tiger. What they **love** is instability in spending as long as the incline is in the right direction. Note also — during that huge increase in the Bush-Obama spend-up, combat squadrons for all

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An Unaffordable Defense Budget (continued from page 11)

active duty and reserve Air Force combat units were down. The number of combat brigades in the army went up by two from a base of 46. Now it's back down, and that huge increase in spending brought a shrinkage in the force.

That's not a smaller, newer force, but a smaller, older force. The average age of combat aircraft and ships, for example, is significantly older than they were before the spend-up started. It's not a better trained force. We spend less time and money training pilots, for example, than during the bad readiness years of the Clinton era. In fact, it's been the same during the entire post-World War II era: more money has meant smaller, older, less trained forces.

Compare this to what the rest of the world is doing. According to last year's SIPRI data, the US doomsday level of spending is about two-and-a-half times China, Russia, Syria, Iran, and North Korea combined. It's not that others are spending all that smartly, either; but we are spending at a prodigious rate that dwarfs everybody else.

Our current peace dividend is $150 billion or so above the end of the Clinton era, when he was increasing spending. The "doomsday" level of spending that the sequester cuts have brought rivals the peak of the Reagan years.

Finally, the Pentagon is only a part of the issue here. Pentagon spending is about three-fifths of total national security spending for 2014. Add the 050 International Affairs budget function, the cost of past wars, veterans' affairs, and Department of Homeland Security. There's some Pentagon spending buried in the Treasury Department for DoD health care and military retirement. A lot of people either miss or miscount that, but it's a significant amount of money.

Add it all together, you get about a trillion dollars. The plan is to stay about there even in the so-called peace dividend that we're going to have. That doesn't include the additional spending for the wars in Iraq and Afghanistan and wherever else they want to go. It's the so-called base level of spending after sequestration, so we'll be well put to maintain spending at about that level. It's a huge amount, but the most important point to take away is not that it's just big; it's that it's buying you a decaying force: smaller, older, and less trained. That's the plan for the future.

Lessons for Future Diplomacy

Peter Galbraith

I'm going to start by contradicting a point that Heather made, which is, there was never a point when the United States could have solved Syria either diplomatically or militarily. It is at the root of our problem to think that in every situation there is something that we can do about it. It's not that we are totally unable to do things, but in large parts of the world we flatter ourselves by believing that we can control the fate of nations.

Now just a couple of points about the situation in Syria.

Assad, or the Alawite regime, is not going to be ousted. Syria is different from Egypt and Libya. In Egypt, it was just Mubarak and a handful of associates who were going to lose when the regime lost. Libya was a slightly larger group, essentially the Gadaffi family, cronies, and some tribesmen. In the case of Syria, the Alawites, who are 12 percent of the population, know that they face genocide if the regime tumbles. The Christians, another 10 percent, and the Druze, 5 percent, are very nervous about it. A regime that has, say, 25 percent support plus the military probably can hang on indefinitely. Assad won't lose, but he can't win; he's not going to regain control of all of Syria.

It's also wrong to think of this as a conflict in Syria. In fact, Syria and Iraq, both of which are artificial creations, have become a single theater in the war; that is to say, the Iraqi Prime Minister Maliki's Shiite regime in Baghdad is supporting Assad and the Alawites, who are deemed to be a branch of Shiites. The Sunnis in Iraq are supporting the Sunnis in Syria, and the violence in Iraq has reignited partly as a result of a flow of fighters and weapons from Syria. The Kurds are doing their best to stay out of it, but the Kurds in Iraqi Kurdistan are supporting the Kurds in Syria.

In fact, both of these countries have disintegrated. Kurdistan in northern Iraq is, in all regards, an independent state with its own government, its own military controlling its own borders; and the Kurds in Syria declared their own region. The Sunnis have an enclave in Iraq around Mosul and Tikrit. The Shiites dominate Baghdad and Southern Iraq; the Alawites control Central Damascus and the coast; and in East Syria and West Iraq is dominated by Al Qaida. Neither the regime in Damascus nor the regime in Baghdad are going to regain control of their country. Both Kurdistans are out of reach. Neither Assad nor Maliki can defeat the Sunnis. In the case of Syria, this kind of war is likely to continue for a very long time; and Iraq is likely to continue as a lower-intensity conflict. There is, in my view, no possible outside intervention that is going to change this.

A couple of prescriptions for US policy: first is to recognize the new reality, which is that the agreements that were

Lessons for Future Diplomacy

drawn. Nearly a hundred years' history is gone! We need to deal with an emerging Kurdistan state, which, at least in Iraq, will declare itself independent in the next few years. Deal with the reality that Syria's not going to be put back together and, frankly, that we may have no particular solution to deal with this problem of the" no man's land" in Western Iraq and Eastern Syria.

I'm not personally against intervention; I was one of the hawks on intervening in Bosnia; and I supported the intervention in Libya. But Syria fails two simple tests.

First, will the situation after you have intervened be better? If we intervene with aid to the Syrian opposition, it's not at all clear that the situation will be better. Even if we were somehow able to aid the so-called democratic opposition, it's not clear that they would be strong enough (if they were to prevail) to control or avoid being dominated by the Salafi extremists. Beyond that, it is very striking that of the 40 percent of Syrians who are minorities, virtually none of them support the opposition. That ought to be the canary in the mine.

The second simple test: is there a plausible path of intervention that will work? I think the answer to that, as well, is no. We need to think about what we're capable of doing. We have engaged in two massive nation-building operations that have been incredibly expensive failures in Iraq and Afghanistan: a trillion dollars in Iraq at least, $600 billion in Afghanistan. In Afghanistan, the strategy was one of counterinsurgency. For counterinsurgency to work you need a local partner. It was evident that in Karzai and in the whole Afghan establishment, we had no partner; the regime was corrupt, ineffective, and — after the 2009 elections — illegitimate. The strategy on its face couldn't work.

Another part of the problem is our approach our foreign assistance programs. We don't do the things that will be helpful; we do the things that we know how to do, mostly for the purpose of spending the money.

In his book *We Meant Well: How I Helped Lose the Hearts and Minds of the Iraqi People*, Peter van Buren says the problem is not that some of what we did was ineffective or wasteful, but that none of it — not one thing we did — was useful. Intervention in Bosnia and Kosovo and Libya worked in part because we intervened on behalf of local parties in support of their agenda. In Iraq and Afghanistan, we substituted our agenda for the local agenda. Incidentally, the costs of the successful interventions: about $10 billion in Bosnia, $10 billion in Kosovo, maybe just a couple of billion in Libya, as compared to the trillions for the failures in Iraq and Afghanistan.

My final point: it's about time that the Democrats got away from the idea that if we're going to be successful, we really have to be tougher than the Republicans. That was the Cold War, that was the missile gap, and frankly that's what happened in Afghanistan. The three leading figures in the first term of the Obama administration — Obama, Clinton, and Biden — had all campaigned on the idea that Iraq was the bad war and therefore we had to be in favor of a good war, and that was Afghanistan. It was a very expensive mistake.

US Grand Strategy Now

Carl Conetta

In early November, Secretary Hegel and the Joint Chiefs essentially said that they cannot defend this nation. They cannot reasonably provide security for this nation given $475 billion, which is about 5 percent above the Cold War level. During the Cold War, we were in contention with a peer alliance that was spending as much as we were on defense, that was feeding, as we were, civil conflicts and major terrorist organizations throughout the world. We were able to defeat that alliance spending less than we do now, and less than our current military leadership says they can't secure this nation with. Today, we and our allies spend four times as much as all of our competitors and potential competitors combined. Cold War: one to one. Today: four to one. Today we can't afford sequestration, according to our defense secretary and Joint Chiefs of Staff. Either we've got the wrong leadership, or we've got the wrong strategy; maybe both.

Between 1998 and 2010, the peacetime portion of the budget went up 50 percent in real terms. On top of that was layered another $1.5 trillion for wars. We're now talking about rolling it back by about 16 percent total from the high point, which they say we can't do.

I don't see the rise of a new threat that warrants such a vast increase in defense spending. What I do see (beginning with the 1997 Quadrennial Defense Review, continuing through several iterations) is a change in our military strategy. We went from a strategy that emphasized defense in alliance with others to a strategy that says we have this remarkable superiority, thanks to the collapse of the Soviet Bloc; let's use it to transform the world. Here we have a fast, decisive instrument. The American people will support it. Unlike diplomacy, we don't have to think about following or cooperating with others, enabling a more unilateralist approach. We really moved from thinking of defense as a shield to thinking of it as a hammer and a chisel.

We also think of it as a straightjacket strategy. Let's put a straightjacket around China, and Russia, by moving bases and strengthening our alliances in those areas. The theory is that those two countries will respond by essentially accommodating us. They will accept the straightjacket. Neither the straightjacket nor the hammer and chisel seem to be working out so well. We have a strategy that has delivered only one thing: a fabulous level of expense. I don't see an

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US Grand Strategy Now (continued from page 13)

improvement in stability from 1998 to today. Now we really need to rethink the framework by which we approach national security policy.

We face five major strategic challenges in the world today.

First is a set of environmental and resource challenges, including climate change.

The second is a series of demographic challenges: an aging population in our country, rapid urbanization in the global south, and a youth bulge in many developing countries.

Third strategic challenge: the destabilizing effects of globalization, especially the rise in inequality within countries creating large zones of deprivation, and weakened governance in many places.

A fourth, quite important: the shifting balance of global economic power. America is losing our economic dominance in the world. The last time that we did not have the world's largest GDP was in the late 1800s. Whether we like it or not, we're going to be welcoming a number of new members into the club of economic powers.

The fifth challenge really follows from that: global repolarization and remilitarization. Defense spending worldwide has grown 70 percent since 1998. Half of it is due to us; the other half is spread among countries of Asia and the Middle East especially. We see a number of countries being invited into this process emphasizing the role of military power. How we manage ourselves in the world is going to help determine whether we are a stimulant to this process of repolarization and remilitarization, which can lead us back to a Cold War circumstance. It will mean arms races worldwide; a lot of intervention, not just by us, but also by our competitors.

To begin to address these challenges, we must shift resources away from the military instrument into the diplomatic instrument, and even more importantly, into the revitalization of the American economy. I would propose reducing defense spending to below 2.5 percent of the GDP if it can be done from a security perspective, and I think it can. It would mean reducing our current level of expenditure to something like $420 billion, significantly below where sequestration would take us, significantly below where the Obama administration or the Republican opposition would take us; but I think it better fits the strategic challenges that are really facing us in the world today.

Session Three Summary: The Economic and Financial Risks and Dangers

Richard Parker

I'm hoping that in this session we'll talk more about the politics behind the policies, as well as the policies themselves. It seems to me that the comments by several panelists underscore the dilemma that we lack an imaginative framework for launching policies that would seem politically plausible not only to American voters, but to voters worldwide. Also, that the challenge for the US in the future is not to continue executing unilaterally constructed policies, but to begin negotiating more meaningfully in a multilateral world. Whether this is around finance globally, or around income inequality domestically, or military spending domestically, or the wars globally that are entailed in that spending, it strikes me that too often Washington is the place where politics goes to die, and that we need to change that equation.

Part of that is by removing ourselves from the comfortable range of policy options, and beginning once again to discuss political opportunities and political risks entailed in moving our country forward.

We've lived through two long presidential eras since the Second World War, a long Rooseveltian era that ended with Richard Nixon, and a long Reagan era that began with Jimmy Carter. These eras all come to an end, it seems to me, when one experiences either major economic dislocation or failed war — and we seem to have had both in the near recent past. Yet a third era is having great difficulty being born.

More policy will not, in fact help, give birth to that era. More courageous politics will.

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Wages and Incomes

Josh Bivens

I'm going to give the view from 40,000 feet and allow other people on the panel to add a lot of nuance. Concentrating on just the US economy, I want to make a couple of points.

First, we are much further from an actual economic recovery than most people recognize, and we're surely a lot further away than most policymakers seem to acknowledge in Washington DC. Comparing the ratio of actual to potential GDP (potential as defined, I think, too conservatively by the Congressional Budget Office) and the share of adults between 25 and 54, prime age adults who actually have a job, we see that both these measures fell off a cliff during the Great Recession and we've made stunningly little progress in getting them back up to pre-recession levels. The reason people think a recovery has not happened in the US economy yet, it really hasn't. We stopped a free-fall, and then we stabilized at a much lower level of economic activity and a much lower level of employment. We're about 20 percent recovered at best by these measures.

This failure to recover continues to puzzle policy makers. The CBO forecast for how long and deep the recession will be changes each successive year. Basically, it pushes it out a year each time, so recovery is always two and a half years away. It was two and a half years away in 2009, and it was two and a half years starting in 2012.

This is just how too many policy makers and people in the economics profession look at the economic crisis. It hurt, it was bad. Luckily it will end. How it's supposed to end? They're a lot murkier on that one; but we're going to make policy as if it's going to end in two years. My punch line is: it will end when we make it end, when we actually take the policy measures that force it to come to an end.

The level of austerity we have undertaken in the current recovery is really underappreciated, mostly because the Obama administration passed the Recovery Act, a large piece of government spending. US policymakers have gotten a lot of traction in recent years by going, "Yeah, we've cut some spending, but we haven't done what the Eurozone has done. We haven't done austerity like that, so we should get some credit for avoiding that kind of disaster."

In the past two years, the US is really converging on Eurozone levels of austerity. The amazing thing is that most individual countries in the Eurozone being damaged by austerity have had it foisted upon them. Greece had very little choice about whether or not to undertake the austerity it did. In the US, this is completely freely chosen. There is no economic or political mechanism making us choose this path.

Another problem (besides the really savage degrees of austerity, holding back the recovery) is rooted in the declining bargaining power of labor over the past couple of generations. That manifests in growing inequality, in slow wage growth even in good times. It also manifests in slower recoveries; the last two recoveries showed a huge increase in the share of income claimed by capital owners in the early parts of recoveries. We've had a very profit-biased recovery so far. We would have a much stronger recovery if the incomes started showing up as workers' wages that they could actually spend, instead of showing up as corporate income piling up on balance sheets, not being sent out to undertake productive job-creating investments. It takes a long time for that spending power to reach workers and be filtered into the rest of the economy.

Since 2010, everyone from the 80th percentile wage earner on down has had real wage decline (below).

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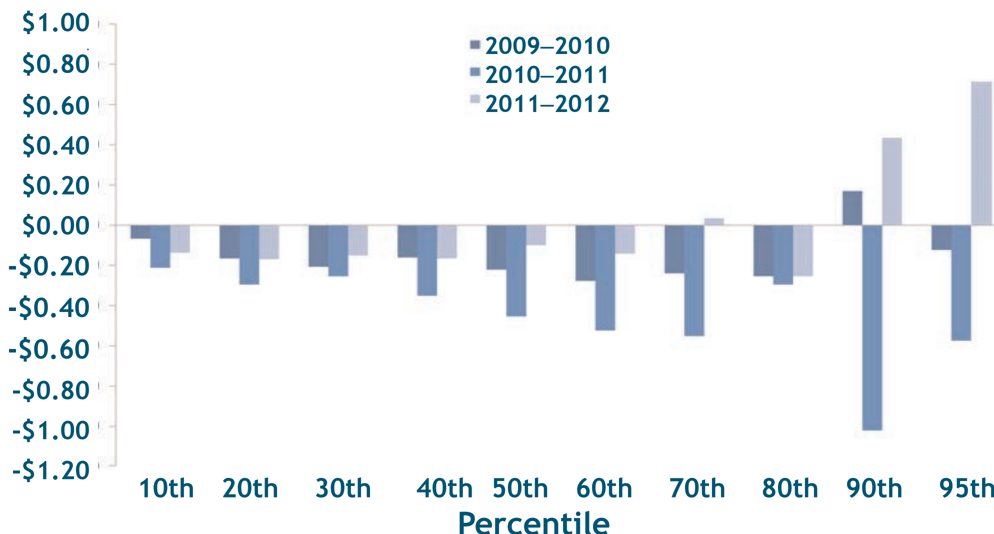
Change in real (inflation-adjusted hourly wages, 2009–2012



Source: The State of Working America, 12th Edition, Table 4

Wages and Incomes (continued from page 15)

Even people at the very high end of the wage distribution have not seen steady wage growth over those three years. This is a manifestation of the very long trend of declining bargaining power for labor. It also just shows the terrible vicious cycle we're in. Eroded bargaining power of labor impedes the recovery, because more income goes to capital, and doesn't filter through the economy in productive investments the way it would if it went to workers' wages and sustained consumption. Then, of course, the high rates of unemployment and the low rates of economic activity make it very hard to generate wage growth. We are stuck in this vicious cycle of poor recovery and poor bargaining power; and until we do something ambitious on the policy front, I think that is where we'll be for quite a while.

Tax Reform

Bruce Bartlett

I'd like to talk about a progressive tax agenda for the future. Unfortunately, the administration thought very poorly in a strategic sense about tax policy since day one. The President had exactly one, very powerful, card to play against the Republicans: the expiration of the Bush tax cuts. That was the one time he had them over a barrel, where they had to agree to some form of tax increase because the alternative was a really big tax increase. Obama just gave it away. He said, "Let's make them all permanent, and I'll take a little bit of an increase in the top rate." Once they were over that, he had nothing left to force the Republicans to agree to raise revenues; it's the one issue they will never give in on — unless a lot of creativity is used.

One idea that has to be worked on is earmarking taxes. There's a lot of evidence that taxpayers (and maybe even Republicans) will support higher revenues for a very specific purpose that they agree with. One that I think everybody in this room agrees with is we need higher infrastructure spending. There's a lot of demand for new roads and bridges and highways and repairs and stuff like this, and there's a perfectly easy and sensible way to finance it: a gasoline tax. That's a deal I think you might be able to get Republicans to agree to. Unfortunately, people on the progressive side are going to say, "Oh, you know, this is a regressive tax the poor will pay." I think that's a dumb argument. We need the infrastructure spending a lot more than the poor need to be able to pay less tax, and the price of gasoline goes up and down anyway; so five or ten cents is a price well worth paying.

We also have to think more about broadly about revenue. There's a very easy deal sitting there on the table for dealing with the current budget situation: let's raise Medicare Part B premiums, okay? When Medicare Part B was established, the law said the premiums should cover half the cost of the program; the other half will be paid by the general taxpayer. That percentage has fallen to 25 percent, so the elderly are getting a 75 percent subsidy.

I think the progressives have to eliminate the idea that they've had since before the Johnson administration: that the elderly are all poor. We don't need to give them more. That's why they're all in the Tea Party, because they're doing so well financially. It's everybody else that's doing poorly. I say we need to get the elderly to make a contribution. The benefit of raising Part B premiums is that they are counted in the budget as an offsetting receipt, or negative spending. They're not counted as revenues. They're not counted as taxes; they're counted as an entitlement spending cut. You've got the potential of a win-win situation where you get higher revenues by raising Part B premiums, but they're counted as cuts in entitlement spending, which the Republicans are obsessed with. It seems to me that this needs to be considered, rather than wasting a great deal of time beating dead horses.

I wish somebody would explain why progressives didn't demand that the wars in Iraq and Afghanistan be paid for. Every war in American history prior to the Bush wars was paid for, to a very large extent. The Korean War was almost 100 percent paid for with higher taxes. World War II was very substantially paid for with higher taxes. Before that war, only three percent of the population paid any federal income taxes; by the end of the war, that number was up to 40 percent. We even had the Vietnam War surtax that paid a big chunk of the Vietnam War. Yet, this one was put 100 percent on the national credit card. I think if somebody had stood up and said, "Yes, we need to invade Iraq for whatever reason; but let's put in a special tax to pay for it." Now think about the political dynamics if you had a tax that was dedicated to paying for a specific war. All of a sudden, you've had a massive constituency out there saying, "Let's end this damn war so we can get rid of the tax!"

This is the kind of thing that has to be thought about going forward, to use opportunities to raise the tax issue, perhaps under circumstances where it might not otherwise arise.

EPS has a group page on LinkedIn. Check it out next time you log in.

Look for EPS on Facebook. Keep up with our latest activities and events.

The Budget and Spending Cuts

Stan Collender

Outside of work, I'm the guy who always sees the glass half or three-quarters full; so when I tell you that I'm known as a Dr. Doom when it comes to the federal budget, understand that it doesn't come naturally to me. For all the protests about how bad sequestration is — and I agree with everybody about it — get over the fact that it's happening, because it's the most likely thing to happen each of the next nine years.

We may not like the fact that it was put into law, but the prospects of it going away anytime soon are small to nonexistent, at least through the 2016 election, which means the 2017 budget, at least.

Currently, we have a budget conference committee that has until December 13, 2013 to come up with an agreement. What happens if we don't get a deal? What is the incentive for Republicans to agree to increasing revenues when, if they do nothing, they get spending cuts?

In fact, the only way you could probably get rid of the sequester any time soon is to get a grand bargain. Well, let me burst everyone's bubble here: a grand bargain any time soon is a fantasy that we should all stop talking about. There is no way, no how.

What's the incentive for anybody to do this anytime soon? Does anybody really think that House Republicans can agree to an increase in revenues before the 2016 election? Serious tax reform and entitlement reform (or changes, let's call it—therefore the grand bargain) doesn't really get started until after the next presidential election. The last big comprehensive tax reform program — in the mid-80s — took three years to enact, and that was pretty easy relatively speaking.

It was going to be revenue-neutral from the start. It was never going to raise more revenues than the current system. Every member of Congress had to be heard multiple times; the bill almost died multiple times along the way. Pete Davis, who was on the Joint Tax Committee, tells me it took two years to agree on everything, and a year to write the transition rules from the old system to the new system.

Fast-forward to today. We're not talking about a revenue-neutral program; we're talking about something that raises revenues. In the face of the Tea Party, Rush Limbaugh, cable television, Twitter, Facebook, and one-party congressional districts, do people really think it's going to be easier to enact now than it was in 1985?

I've been telling my clients for months that the earliest we're going to see a "grand bargain" is 2019. The best you can hope for over the next couple of years is a small deal. Unfortunately for everybody, the small deal may postpone some of the sequester cuts, may provide the agencies with a little bit more room to maneuver; but it will also extend the Budget Control Act beyond 2021. It will create the biggest threat to the economy.

Yes, we need more infrastructure, and we need to invest in education; but the big macro picture is very simple. We have a fiscal policy that is completely unrelated to the economic needs of the country and will continue to be that way at least through the next presidential election and maybe through the end of the decade.

Fiscal policy will play very little role in the ability of the government to deal with economic issues. The deficit that right now is going to decline on its own under current policy through about 2018; and I suspect that, in spite of the willpower that everybody seems to have in this room, this is what's going to continue.

Out-of-Control Banks and Non-Regulation

Bill Black

Why do we suffer recurrent intensifying financial crises? We have created an incredibly criminogenic environment that produces these scandals. This has three primary components. First, perverse executive and professional compensation and changes in ownership structure, getting rid of joint liability, and eliminating private market discipline; second is the global regulatory race to the bottom; and third, crony capitalism and the rise of the systemically dangerous institutions.

To have a recurrent crisis, of course, we have to be getting the causes wrong, and we have to be responding inappropriately to past crises. We keep producing greater disasters. During the savings and loan debacle, we convicted over 1000 felonies. The Enron-era frauds were framed by economists as the first virgin crisis, conceived without any sin in the C-suite. It's the most amazing story that has ever been presented, and it's treated with utter of-course-that's-what-happened.

I'm going to focus on the three D's: Deregulation, Desupervision, and de facto Decriminalization.

Everybody has focused on Glass-Steagall and the Commodities Future Modernization Act; but I will tell you that, far more important to deregulation, was the removal of the loan underwriting rule. This is what allowed liars' loans. The old rule used to be, you had to underwrite and establish that the borrower had the ability to repay before you made a loan (duh). You also had to keep a written record of this. This creates a trilemma if you want to cheat as a lender: you have to destroy, remove, or actually forge documents. Otherwise you're creating a paper trail that establishes that you knew you were making bad loans.

Desupervision is actually far more important. It doesn't matter what the rules are if the person in charge won't enforce the rules. When the Clinton-Gore administration was "reinventing

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Out-of-Control Banks and Non-Regulation (continued from page 17)

government," Bob Stone, who was in charge of the initiative, was told, "Don't waste one second worrying about fraud." During that period, the FDIC lost more than three-quarters of its personnel; the Office of Thrift Supervision, more than half. Regulation negotiation became a big deal. We were told not to impose rules on the industry, to negotiate with them; enforcement was viewed as a regulatory failure.

Under the Bush administration, the competition in laxity grew much more intense. Not only was federal regulation shut down, but state regulation as well. The leading opponent of reform, Harvey Pitt, was put in charge of the Securities and Exchange Commission. The head of the Office of Thrift Supervision was pictured with the leading bank lobbyists in America holding a chainsaw and pruning shears "to reduce the regulatory burden" in the 2003 annual report of the FDIC, because they were proud of it (below).

Let me tell you of a success. The FDIC fought an epic rear-guard action against the Federal Reserve on Basel II. If not for that, Basel II would have been implemented two years earlier, and US bank leverage would have been twice as large. Now think what that would have done to the crisis. In other words, some unknown people at the FDIC saved us trillions of dollars and millions of jobs.

Under Obama, we promoted Geitner, who said, "I have never been a regulator." The DC circuit has reestablished substantive due process. It's being used to destroy regulation left, right, and center, which is why the Republicans are desperately blocking the appointment of new members to that court.

Decriminalization: this crisis is 70 times larger than the savings and loan debacle and we have no prosecutions of any of the elite that actually drove the crisis.

The Attorney General of the United States of America actually said that there were institutions that were too big to prosecute. In addition, there are no elite civil defendants who have had to give back the money, so people like Mozilo, head of Countrywide, walked away. He gave $45 million, mostly from the insurance company, but he was left with the vast bulk of his wealth. Fraud doesn't simply pay; in the words of George Akerlof and Paul Romer, it is a sure thing.

I'll leave you with just the largest frauds. Each of them individually would be the most destructive financial frauds in world history, and they happened at the same time.

The first was appraisal fraud. The appraisers alerted the United States government in writing in 2000 that lenders were extorting the appraisers to inflate appraisals. No honest lender would ever do that, because that's their great protection against loss. This is one of the clearest signals you possibly can have of a fraud epidemic. This is the deliberate creation of a Gresham's dynamic in which bad ethics drives good ethics out of the marketplace.

The second is liars' loans. People stil call this a subprime crisis. Liars' loans and subprime are not mutually exclusive. Subprime means you have known credit defects; liars' loans mean that they don't verify the borrower's income. By 2006, half of all the loans called subprime were also liars' loans. Forty percent of all mortgage loans originated that year, 2006, were liars' loans. The industry's own study was that 90 percent of liars' loans were fraudulent. That means over 2 million fraudulent loans originated in 2006 alone by the lenders and their agents, the loan brokers.

Once they have beeen originated fraudulent, they stay fraudulent. Everybody had skin in the game. They all had to make representations and warranties to be able to sell. And the only way to sell a fraudulent loan is to engage in further fraud. We have evidence again from the Financial Crisis Inquiry Commission that 46 percent of the time the reps and warranties were fraudulent.

Determined to cut red tape and reduce regulatory burden are (l to r), OTS Director James Gilleran, Jim McLaughlin of the American Bankers Association, Harry Doherty of America's Community Bankers, FDIC Vice Chairman John Reich and Ken Guenther of the Independent Community Bankers of America.

Europe

Yanis Varoufakis

Ending a session on the risks and dangers with a Greek economist takes a certain mixture of irony and humor.

The US Treasury recently issued a report to Congress raising eyebrows by effectively describing Germany as a perpetual net exporter of recession to the rest of the Eurozone, and — as a result — turning the Eurozone into a perpetual net exporter of recession worldwide. I concur; if anything, it has understated the nature and magnitude of the problem.

After the banking disaster of 2008, we feared very much the lost decade of Japan afflicting Europe. It was far worse than that, of course: not only did we end up with a zombified, fragmented banking sector, but we did that without the quantitative easing, expansionary fiscal policy, or integrated banking sector that Japan had.

The European Central Bank has reduced interest rates belatedly in response to the news that we are in a kind of deflationary environment. Inflation in the Eurozone as a whole is 0.8 percent, which of course means that places like Spain, Italy, and Greece are in the grips of debt deflation. More recently I looked at some very disturbing figures: loans to non-financial firms in the Eurozone as a whole were -3 percent in October. In Greece they are -20 percent; in Italy they are -11 percent; and in Spain, -15 percent. This is a catastrophic environment that, nevertheless, the great and the good in Europe are describing as “stabilization, and the beginning of a new phase, and crisis over.”

There are a couple possible scenarios in the way that the Eurozone is moving.

The first scenario is the Kosovization of two-thirds of Europe. Kosovo is de facto in the Eurozone, without being in the Eurozone. If you put your credit card in an ATM, you get Euros out; you go to a restaurant, and you pay in Euros. The economy is stable, but stably comatose.

Ireland is being hailed as the country that is going to exit its bailout. It is the example of the German blueprint for recovery for the Eurozone. Ireland’s exports are 108 percent of its GDP. There can be no greater mercantilist beast than a country with that kind of performance; yet 1000 young people leave Ireland every week. The budget deficit is 7.3, and debt to GDP has risen to 123 percent. If this powerhouse of mercantilist posture has not managed to de-Kosovize itself, what can you say about Portugal, let alone Greece?

Italy is also quite interesting because the economy was crashed by a political failure. The recession in Italy is totally artificial; it was imposed by Brussels. In the latest figures: industrial production was down 4.5 percent; orders, 7 percent down; the debt-to-GDP ratio in the last 15 months has gone up by 15 percent. The result of the European Central Bank’s attempt to successfully stabilize the financial and bond markets was that the average maturity of Italian government bonds has gone down by a year and a half, therefore raising the risks and the dangers of a refinancing crisis. Yet, Italy has a primary surplus of almost 3 percent. It has a very high ratio of domestically owned debt. It has an enormously balanced current account. This is a country that has been squeezed and crushed by artificial austerity, and it can get out tomorrow.

That gives rise to the second scenario: breakup. A breakup, if and when it happens, will happen along the fault lines of the Rhine and the Alps, creating a recessionary region, Deutschemark-based, east of the Rhine and north of the Alps, and a stagflationary region throughout the rest of the Eurozone.

The result of squeezing almost two-thirds of the Eurozone’s economy (including parts of Germany) into this austerity posture is the effective poisoning of debt dynamics, creating a humanitarian crisis and poisoning democracy. Debt deflation is getting worse, and now we are having a permanent bankruptocracy in the whole of the Eurozone, especially the periphery, where the greatest capacity to extract rents from the rest of the economy is afforded to the most bankrupt of banks.These two scenarios, Kosovization and the breakup along the fault lines of the Rhine and the Alps, probably both will materialize if we continue along the present path. That will prove a present and clear danger to recovery prospects of the United States, to the development of emerging societies, and to the chances of promoting peace, security, and environmental policies globally.

So, what policies should Washington recommend to Europe’s great and good? I would not recommend either quantitative easing or federalization. Neither is feasible politically. Nor would I support a breakup of the Eurozone, even though its design has been catastrophic and a lesson of how not to manage integration of different economies.

I would recommend that we should very simply redeploy existing European Union institutions like the European Investment Bank, the European Central Bank, the European Stability Mechanism, and the European Investment Fund in a manner that simulates the automatic stabilizers that our federated economy has. These existing institutions in the Eurozone could be coordinated in a manner that homogenizes the banking sector, a proportion of public debt, aggregate investment, and uses the accounting surpluses that are sloshing around within the European system of central banks. This could put into effect an EU-wide Eurozone minimum safety net (such as food stamps) that would actually restore a little bit of hope and a modicum of prosperity amongst the people in Europe who were never responsible for the debacle, and who are now carrying on their very weakened shoulders a very great burden.

Dinner Address

Jeffrey Sachs

I really want to thank Richard and Jamie and this wonderful society that makes us all proud to be economists. If this evening has done one thing, it has revealed any secret of my method, which is when somebody wonderful knocks on your door, or is teaching an unforgettable class, or when you are blessed with a colleague of brilliance and unique mind, they're for life. That is really the only truth I think I can find: we're a social science, a science where it is our own sociality that makes it possible for us to accomplish anything. Anything that I've been able to do at all has been because of fantastic colleagues and teachers.

Everybody who spoke here this evening has been a teacher for me, a teacher in life, a teacher in what's important, a teacher in reminding me why this is truly one of the two great loves of my life. Of course, Sonia and my family are the greatest love of my life, and economics has been my steadfast also-partner for now 42 years. There's never been a day when I've regretted for a moment this choice of how to spend a lifetime, because I think it is a most wondrous, remarkable opportunity to participate in the world in a meaningful way.

The main thing I want to say is thank you to all of you. Everyone that spoke tonight has changed my life in a way that I can only be incredibly grateful for. It may be the case that Ronnie (MacLean-Abaroa) had the biggest effect. From him I learned that if you're invited to something interesting, go; if someone interesting knocks on your door, open it. The work that we did in Bolivia was a turning point in my life. I came into this field feeling that it has value only if it can contribute to the world. That's a hard challenge. In Bolivia I had the experience of feeling that this was really the miracle of a profession to both have the gift of the wisdom of great teachers and a great tradition, and also the chance to explore the world and to be able to do something useful in it.

Gerry (Lenfest) showed me how the vision of an entrepreneur can be applied to world change. He suggested trying a pilot project for our Millenium Development ideas; he made possible the Millennium Village program that is now in 23 countries, covering many millions of people, and is being taken to national scale in seven African countries. It was this vision that made it possible for me to even begin to dream this way.

> **I believe that our profession still has a great deal to contribute, but not necessarily the way we normally do it, and not by ourselves....[b]ut what we can add, I think, can be indispensable.**

Ed (Leamer) helped me to understand how to think. Forty years ago Ed taught me econometrics — not a cookbook of statistics, but actually one of the most important ideas that I carry with me, which, at a technical level is Bayesian reasoning, and at a human level is how to how to view your life and your learning as a constant updating, improving, refining of your understanding and your assessment of how the world works. And you learn by being out in the world, seeing how things work, listening to people, learning from people, and trying to think hard about what we understand the world to be and how we can make sense of it, and how we can do something useful in it.

I've learned that the world doesn't take care of itself; it's not self-organizing. In a world of undeniable technological, demographic, and environmental change, all of which produces unbelievable intellectual, social, and other forms of economic change — things don't take care of themselves. There is no equilibrium. We live in a world of change, and we need a certain kind of human sympathy to avoid the damage that change can bring. Because there is no rest point, no final victory, no moment when you say, we've solved the problem.

Every generation has faced problems and we now face our own set of challenges, distinct for our time. We're 7.2 billion people; we're going to be 8 billion in the early 2020s; we're going to be 9 billion probably by around 2040, barring catastrophe. The planet's awfully crowded.

We're in each other's faces. The rate of technological change is upending everything we know about jobs and employment. We also have vast social crises and simmering or explosive conflicts that we meddle in with no understanding.

Behind all of it is a completely unprecedented environmental crisis that we cannot emotionally feel the scientific reality of. I live this day in and day out with 900 mostly scientific colleagues in climate and hydrology and biodiversity. I know a lot about it, but as much as I try, I don't grasp the full reality of what we face on this planet. We're facing a set of challenges that we're not yet adequately able to address.

I believe that our profession still has a great deal to contribute, but not necessarily the way we normally do it, and not by ourselves. We don't have actually the knowledge base, the skills, to decide a lot of things where the influences and the issues are way beyond what we're trained to know and how we're trained to look at it. But what we can add, I think, can be indispensable.

I have always loved Keynes's description of Marshall, because he defined for me what we can aspire to, not what we are. Keynes wrote this striking line, "The study of economics does not seem to require any specialized gifts of an unusually high order. Is it not, intellectually regarded a very easy subject compared with the higher branches of philosophy and pure science? Yet good or even competent economists are the rarest of birds — an easy subject at which very few excel! The paradox finds its explanation, perhaps, in that the master economist must possess a rare combination of gifts. He must reach a high

Dinner Address

standard in several different directions and must combine talents not often found together. He must be mathematician, historian, statesman, philosopher— in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must fly entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood, as aloof and incorruptible as an artist, yet sometimes as near the Earth as a politician."

Much but not all of this ideal manysidedness Marshall possessed.

What a vision for what I think, in our own ways, we can only aspire to be. It comes back to the question of what we are doing in this profession. Marshall was solving problems of the 1880s, of Victorian England. He was intensely involved and interested in his time. Keynes, of course, was the masterful thinker and innovator of his time. And Ken Galbraith was the master guide of progressive thinking of his time.

It strikes me that there are two lessons in that.

First, we don't live, and can't and shouldn't aim to live, in the infinite or the ever-enduring. We are part of our time, and we need to contribute to the challenges of our time.

The second point I want to make not at all apologetically, but centrally: we can't do any of these things without a moral commitment. There is no such thing as economics without ethics and economics without morality. We can tell right from wrong. We can tell what's important. We need to know when people are suffering. We need to understand the fragility of the Earth. EPS is devoted to peace. I also believe that links to economics directly. Pope Paul VI said, "Development is the new name for peace, because when people are poor, when they don't have human dignity, when they can't meet their needs, that's when violence flairs." In the 21st Century, I say that sustainable development is the new name for peace because only if we also live in a socially sustainable and an environmentally sustainable manner will we have a chance to accomplish what this wonderful society aims to do and can we fulfill the promise of this beloved profession.

Thank you very much.

Panelists

Bruce Bartlett is a columnist for *The Fiscal Times*, an online newspaper covering public and personal finance, and *Tax Notes*, a weekly magazine for tax practitioners and policymakers. He also contributes a weekly post to the "Economix" blog at the *New York Times*, and writes regularly for the *Financial Times*.

Josh Bivens joined the Economic Policy Institute in 2002. He is the author of *Everybody Wins Except for Most of Us: What Economics Teaches About Globalization* and has published numerous articles in both academic and popular venues, including USA Today, The Guardian, The American Prospect, Challenge Magazine, and Worth. He is a frequent commentator on economic issues for a variety of media outlets, including NPR, CNN, CNBC, Reuters and the BBC.

William K. Black is an associate professor of economics and law at the University of Missouri-Kansas City. He was the executive director of the Institute for Fraud Prevention from 2005–2007. He previously taught at the LBJ School of Public Affairs at the University of Texas at Austin and at Santa Clara University, where he was also the distinguished scholar in residence for insurance law and a visiting scholar at the Markkula Center for Applied Ethics.

Stanley Collender serves as Managing Director and Partner of Qorvis Communications, LLC. Mr. Collender's financial and public affairs communications experience is extensive. He has received the Howard Award for lifetime achievement in federal budgeting from the American Society for Public Administration.

Carl Conetta has been Co-director of the Project on Defense Alternatives (PDA) since January 1991. Prior to joining PDA, Mr. Conetta was a Research Fellow of the Institute for Defense and Disarmament Studies (IDDS) and served for three years as editor of the IDDS journal *Defense and Disarmament Alternatives*, and the *Arms Control Reporter*.

Jason Furman is the Chairman of the Council of Economic Advisers. Prior to this role, he served as Assistant to the President for Economic Policy and the Principal Deputy Director of the National Economic Council. From 2007 to 2008 Furman was a Senior Fellow in Economic Studies and Director of the Hamilton Project at the Brookings Institute. Furman was the Economic Policy Director for Obama for America.

James K. Galbraith teaches economics and a variety of other subjects at the LBJ School. He holds degrees from Harvard (BA magna cum laude, 1974) and Yale (PhD in economics, 1981). He studied economics as a Marshall Scholar at King's College

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Cambridge in 1974-1975, and served in several positions on the staff of the US Congress. He is Chair of the Board of Directors of Economists for Peace and Security.

Peter W. Galbraith is the Senior Diplomatic Fellow at the Center for Arms Control and Non-Proliferation where his work focuses on Iraq, the greater Middle East, and conflict resolution and post-conflict reconstruction, specifically in the Balkans, Indonesia, Iraq, India/Pakistan, and Southeast Asia. Prior to joining the Center, Galbraith was a professor of National Security Strategy at the National War College. He has held senior positions in the United States government and with the United Nations.

Heather F. Hurlburt is now a senior fellow at Human Rights First. Previously, she served as Executive Director for the National Security Network, as Deputy Director of the Washington office of the International Crisis Group, and as Special Assistant to the President and Presidential Speechwriter in the Cllinton Administration..

Richard Kaufman is a member of the Board of Directors and Vice Chair of Economists for Peace and Security. He was formerly a staff economist and general counsel of the Joint Economic Committee of the US Congress where he directed and authored numerous studies on national and international security issues including defense spending, procurement, research and development, and economic trends in Russia and China. He is Director of the Bethesda Research Institute.

Michael Lind is a co-founder of the New America Foundation, where he is Policy Director of its Economic Growth Program and Next Social Contract Initiative. A former editor and staff writer at *Harper's Magazine*, *The New Yorker*, *The New Republic* and *The National Interest*, he has taught at Harvard and Johns Hopkins. His most recent book is "Land of Promise: An Economic History of the United States." He is a member of the board of Economists for Peace and Security.

Richard Parker is Lecturer in Public Policy and Senior Fellow of the Shorenstein Center at Harvard University. An Oxford-trained economist, his career before coming to the Kennedy School in 1993 included journalism, philanthropy, social entrepreneurship, and political consulting. His academic articles appear in numerous academic anthologies and journals and he writes regularly for magazines and newspapers. From 2009 to 2011 he was an economic advisor to Greek Prime Minister George Papandreou. He is also a member of the board of EPS

Sherle Schwenninger directs the New America Foundation's Economic Growth Program, and the Global Middle Class Initiative. He is also the former director of the Bernard L. Schwartz Fellows Program. Mr. Schwenninger was Founding Editor of *World Policy Journal* from 1983 to 1992, and was Director of the World Policy Institute at The New School from 1992 to 1996. More recently, Mr. Schwenninger served as Senior Program Coordinator for the Project on Development, Trade, and International Finance at the Council on Foreign Relations.

Allen Sinai is CEO, Co-Founder and Chief Global Economist and Strategist of Decision Economics. Prior to DE, he was Chief Economist at Lehman Brothers and The Boston Company. Dr. Sinai has also been a non-partisan adviser and consultant to multiple facets of the US Government including past Presidential Administrations, House and Senate Committees. He is a member at large of the Board of Directors of Economists for Peace and Security.

Michael Tomasky is a columnist, journalist and author. He is the editor in chief of *Democracy*, a special correspondent for *The Daily Beast*, a contributing editor for *The American Prospect*, and a contributor to *The New York Review of Books*. He is the author of two books, *Left for Dead* and *Hillary's Turn*. He lives with his wife and daughter in Silver Spring, MD.

Ron Unz is a theoretical physicist by training. He serves as founder and chairman of UNZ.org, a content-archiving website providing free access to many hundreds of thousands of articles from prominent periodicals of the last hundred and fifty years. He also serves as publisher of The American Conservative, a small opinion magazine, and had previously served as chair of Wall Street Analytics, Inc., a financial services software company he founded in New York City in 1987.

Yanis Varoufakis is an economist who heads the Department of Economic Policy at the National and Kapodistrian University of Athens. Dr. Varoufakis received his doctorate in 1987 at the University of Essex, in the United Kingdom. From 1990 to 2002, he was a senior lecturer in economics at the University of Sydney, in Australia. Since 2000, he has been a professor of economic theory at the University of Athens and director of the university's doctoral program in economics.

Winslow Wheeler is Director of the Straus Military Reform Project, Center for Defense Information at the Project On Government Oversight in Washington DC. Before joining the CDI in 2002, he worked on Capitol Hill for four US Senators from both political parties and for the Government Accountability Office. He is a contributor of periodic articles to *Foreign Policy* magazine and to *TIME* Magazine's "Battleland" blog.

Upcoming Events

•**May 17, 2014** The Good Relations Symposium will be hosted by the Conflict Research Society of the University of Liverpool, UK. The Symposium will be held at the Institute of Irish Studies.

More details are available here: http://www.liv.ac.uk/irish-studies/research/good-relations-symposium/.

•**June 2 — 13, 2014 13th** Annual International Nonviolence Summer Institute is hosted by the Center for Nonviolence and Peace Studies at the University of Rhode Island. The International Nonviolence Summer Institute is ideal for anyone interested in acquiring the leadership skills necessary for promoting peace, nonviolence, and social change, regardless of work career or field of study. It is often attended by NGO workers, human-rights activists, teachers, university students and faculty, counselors, social workers, business management, criminal justice workers, law enforcement, health care professionals, clergy, and faith-based educators.

For further details, go to http://web.uri.edu/nonviolence/summerinstituteinfo/.

•**June 6 — 10, 2014** The International Economics Association's 17th World Congress will be held at the King Hussein Bin Talal Convention Centeron the Dead Sea, Jordan. The scientific program will include more than 100 contributed sessions, 25 invited academic sessions, 30 invited policy sessions, and 5 plenary sessions.

Moreover, a number of sessions have also been arranged in collaboration with organisations such as INET, CIGI, IDRC, Fung Global Institute, World Bank, OECD, ECINEQ, Economists For Peace And Security, International Growth Centre, SIPA and WIDER. Sessions will also be organised by some of the IEA member associations.

More information is available at http://www.iea-world.org/JordanCongress_Welcome.php.

•**June 12 — 13, 2014** Global Sustainable Finance Conference hosted by the European Organisation for Sustainable Development will be held in Karlsruhe, Germany.

The event will address some of the most burning issues of our time including environmental and social challenges, and transformation to low carbon economy. In addition, the delegates will discuss the decisive role of finance and investments as the triple bottom line — social, economic and environmental sustainability — is becoming imperative for long term survival of any organization.

Conference details are available here: http://eosd.org/en/academic_gsfc.html.

•**June 19 — 20, 2014** The 18th Annual International Conference on Economics and Security will be hosted by the University of Perugia and Economists for Peace and Security (Italy).

For more information, see https://sites.google.com/site/conferencees18/home.

•**June 23 — 25, 2014** The 14th Jan Tinbergen European Peace Science Conference, annual meeting of NEPS, will be held in the Hague at the International Institute of Social Studies, Kortenaerkade 2518, Den Haag, The Netherlands.

Further information is available at http://www.europeanpeacescientists.org/jan.html.

•**July 2 — 4, 2014** Archbishop Desmond Tutu Centre for War and Peace Studies
Annual Conference 2014 "Arts, Peace and Conflict." The conference is organized by the Archbishop Desmond Tutu Centre for War and Peace Studies at Liverpool Hope University. The venue will be the Capstone Theatre, Liverpool Hope University Creative Campus, Liverpool, UK.

Details can be found here:http://tutu.hope.ac.uk/newsevents/upcomingevents/annualconference2014artspeaceand-conflict.html.

•**September 2 — 4, 2014** Peace and Conflict: an Interdisciplinary Conference. The Annual Conference of the Conflict Research Society will be held at The University of Leeds, UK. The Conference of the British Conflict Research Society is an interdisciplinary event that brings together academics, practitioners and policymakers to discuss a broad range of issues relating to peace and conflict studies.

More information can bee found at http://www.crsconference.net/index.php.

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More information is available at http://www.epsusa.org/events/events.htm.

The Economics of Peace and Security Journal has launched their NEW website

The Economics of Peace and Security Journal (EPSJ) addresses economic aspects of peace and security, ranging from the interpersonal and communal domains to transboundary and global affairs. Our scope includes all violent and nonviolent conflict affecting human and nonhuman life as well as their implications for our common habitat, Earth.

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