The Levy Economics Institute of Bard College

Public Policy Brief

No. 75, 2003

IS FINANCIAL GLOBALIZATION TRULY GLOBAL?

New Institutions for an Inclusive Capital Market

PHILIP ARESTIS and SANTONU BASU

Public Policy Brief

IS FINANCIAL GLOBALIZATION TRULY GLOBAL?

New Institutions for an Inclusive Capital Market

PHILIP ARESTIS and SANTONU BASU

The Levy Economics Institute of Bard College, founded in 1986, is an autonomous research organization. It is nonpartisan, open to the examination of diverse points of view, and dedicated to public service.

The Institute is publishing this research with the conviction that it is a constructive and positive contribution to discussion on relevant policy issues. Neither the Institute's Board of Governors nor its advisers necessarily endorse any proposal made by the authors.

The Institute believes in the potential for the study of economics to improve the human condition. Through scholarship and research it generates viable, effective public policy responses to important economic problems that profoundly affect the quality of life in the United States and abroad.

The present research agenda includes such issues as financial instability, poverty, employment, problems associated with the distribution of income and wealth, and international trade and competitiveness. In all its endeavors, the Institute places heavy emphasis on the values of personal freedom and justice.

Editor: Greg Hannsgen
Text Editor: René Houtrides

The Public Policy Brief Series is a publication of The Levy Economics Institute of Bard College, Blithewood, PO Box 5000, Annandale-on-Hudson, NY 12504-5000. For information about the Levy Institute and to order Public Policy Briefs, call 845-758-7700 or 202-887-8464 (in Washington, D.C.), e-mail info@levy.org, or visit the Levy Institute website at www.levy.org.

The Public Policy Brief Series is produced by the Bard Publications Office.

Copyright © 2003 The Levy Economics Institute. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or any information-retrieval system, without permission in writing from the publisher.

ISSN 1063-5297
ISBN 1-931493-26-X

Contents

Preface 5
Dimitri B. Papadimitriou

Is Financial Globalization Truly Global? 7
Philip Arestis and Santonu Basu

About the Authors 18

Preface

This brief by Philip Arestis and Santonu Basu addresses a gap between the theory and practice of financial globalization. Ideally, global markets can allocate borrowed money to those industries and economies where it will be most productive. To take one example, the builders of the U.S. railroads were able to tap lenders from all over the world in the 19th century, just as foreign laborers helped to lay the track.

But this textbook example paints a misleading picture of the operation of international capital markets. The late 1800s, a period of open financial markets, saw numerous bank failures around the world and deflation in the United States. Recent times offer many more examples of the problems that accompany globalization. Some Latin American countries have not regained the ground they lost during the defaults of the 1980s. A long string of financial panics has led to the collapse of currencies in Asia, Russia, and elsewhere during the past decade.

These crises, which appear in the headlines every so often, are discussed more prominently than the difficulties many economies have in attracting capital in the first place. The financial community often uses the term "country risk" to refer to potential losses in certain markets. The most important of these potential losses is exchange rate risk, the risk that a profitable venture will not translate into gains in a "hard currency" such as the dollar or the yen. Exporters have greater access to foreign loans than do firms that produce for domestic buyers, because the former can expect earnings in "reserve" currencies. The requirement that potential borrowers have some prospect of acquiring foreign currency makes foreign capital markets less accessible to those borrowers than whatever sources of loans may exist internally.

The international lending institutions, the International Monetary Fund (IMF) and the World Bank, have an answer for this problem: bolster

the value of the currency of the nation in need of capital through tight government finance, even at the expense of immediate economic growth. Keeping government spending in check and interest rates high will, according to these institutions, stabilize the currency and attract international investors. The problem is that, as the case of Argentina shows, these cures are often worse than the disease, and IMF nostrums and other tight money policies are inevitably abandoned.

Is there some other solution, one that enables small economies to obtain capital without accepting crippling austerity measures? Arestis and Basu argue for an alternative form of globalization, one that would provide more countries with access to foreign capital. Paradoxically, their proposal does not call for the further erosion of regulatory barriers between countries. Instead, Arestis and Basu argue for a more orderly global market, supervised by an International Central Bank (ICB). This central bank would have a currency of its own, which would be used only by national central banks.

How would such a bank ensure that capital found its way into more corners of the world? It would deal with temporary imbalances in international borrowing by using a kind of overdraft protection of the type most central banks offer their own member private banks. The ICB would also help states deal with medium- and long-term current account and balance of payment deficits, which can undermine currency values. It would do so by providing prudent loans to debtor nations or encouraging nations with current account surpluses to buy more goods from the world market.

The goal is to make globalization work for the whole spectrum of economies, from the very rich to the very poor. In the end, all nations would benefit.

As always, I welcome your comments.

Dimitri B. Papadimitriou, *President*
December 2003

Is Financial Globalization Truly Global?

Introduction

In 2002 more than $1 trillion worth of new bonds was sold across international boundaries. The total stock of cross-border bond holdings was more than $9 trillion. Such lending, together with sales of equities, is regarded as one of the chief benefits of globalization. But financial investment does not always flow where it is needed most. While it appears that the world cannot be satiated with U.S. securities, issues of emerging economies account for less than 6 percent of total international holdings of debt securities (D'Arista 2003). And, as Argentina discovered recently, international lenders can be fickle, selling enough foreign currency and securities to cause a currency crisis.

International capital flows are touted as one of the benefits of globalization, and a great many steps have been taken over the past 30 years to make it easier for banks and investors to lend money in foreign markets. These measures have included eliminating capital controls and limits on interest rates. In theory, investing across borders enables countries that lack capital, including many developing nations, to obtain the funds they need for industrialization. However, although breaking down some regulatory barriers can, potentially, increase the efficiency of the world economy and spur growth, a truly globalized financial market that benefits all countries will not exist in the absence of an appropriate set of global institutions. When globalization in practice amounts to nothing but liberalization or the breaking down of barriers between countries, it tends to leave much of the developing world out of the picture. This sort of liberalization invites destabilizing speculation and accentuates international inequalities in access to capital rather than narrowing them.

This brief describes the evolution of global finance up to the present, states the rationale for deregulating financial markets, and points out

some deep flaws in the current financial system. The authors then propose the establishment of an international monetary authority, with its own currency, as a means of completing the process of globalization on terms fair to all.

The Beginnings of a Cycle of Globalization

The first age of unregulated financial globalization, from the 1870s to 1913, saw the emergence of nascent international financial institutions and markets (Eichengreen and Bordo 2002). During those years, international capital mobility reached a level not seen again until late in the 20th century. The first period of free capital markets was marked by a series of banking crises caused by speculation, excessive lending, poor management, lack of effective regulation, and concealment of information. The history of international financial sector development in the interwar period, 1919 to 1939, was not a particularly happy one either; in fact, it was deeply scarred by the 1920s stock market collapse and ensuing Great Depression.

At the end of World War II, various controls, including fixed exchange rates and restrictions on international flows of capital, were imposed on international finance in order to maintain financial stability. International leaders, recognizing that currency and financial markets would be vulnerable to destabilizing outflows of funds unless some regulations were in place, put limits on purchases of foreign currency and lending across borders.

Many nations also took steps to ensure that industry had access to needed capital on easy terms. In numerous cases, they capped interest rates and established specialized banks dedicated to particular industries. A number of governments guaranteed loans, or forced financial institutions to lend to companies that would not otherwise have qualified for credit.

All of these regulations were imposed in widespread recognition that, to use the language of modern economics, credit markets did not resemble "perfect markets," which would, hypothetically, allow any creditworthy firm to borrow an unlimited amount of money for worthwhile projects. The fact that lenders could not be assured that their loans would be repaid limited the availability and affordability of credit, even for potential borrowers who intended to repay their loans. In the absence of government

intervention, policymakers realized, worthy borrowers who failed to meet credit standards might be unable to obtain capital. In particular, newly developing industries might lack sufficient collateral or cash flow.

The use of barriers to the free, unregulated movement of capital would make developing economies less subject to the whims of foreign investors. With adequate supplies of credit in place, policymakers believed, financial markets would remain stable and governments could use loans as a tool to promote their economic and social objectives (Sayers 1960; Basu 2002). In some cases, such as South Korea, interventionist policies were spectacularly successful. However, by the 1960s, many scholars and policymakers began to have second thoughts about the desirability of tight financial regulation.

The Turn Toward Liberalization

The case for deregulation of financial markets was based on the efficiency of a free market in capital. Free-market "reformers" envisioned a completely liberalized, ideal system in which the interest rate would control the allocation of credit. Firms would not have access to subsidized loans. Since no industry or firm would be given favorable treatment, all would have to meet the same standards of creditworthiness and pay market interest rates. This system would ensure that capital was allocated to its most productive uses; all projects whose predicted return was greater than the rate of interest would be funded, while less profitable ventures would not be viable.

Financial deregulation would not only direct capital flows to their most productive uses, reformers argued, it would also increase total savings available in the economy (McKinnon 1973; Shaw 1973). When caps on interest rates were lifted, the incentive to save would be increased, and all creditworthy borrowers would be able to obtain loans. By taking the further step of eliminating restrictions on international purchases of currency and allowing foreign banks to serve domestic borrowers, economies could also draw upon foreign sources of capital.

Around the same time that financial reform became a topic of discussion, many economists proffered a related set of arguments regarding trade balances. Until the 1970s, governments around the world often pegged their currencies, or set their values at a fixed level, by purchasing and selling currency on international markets. This practice, some claimed, could

make imports or exports artificially expensive and, possibly, prevent the attainment of a zero trade balance (Krueger 1974; Cordon 1981). Restrictions on foreign direct investment (acquiring capital goods or equity in foreign countries) might further aggravate the problem, because a lack of such investment could force companies to take on excessive debt.

According to some economists, allowing the exchange rate to "float" would bring about a balance of imports and exports in the following way. If, for example, Argentina were running a trade deficit, the value of the peso would fall because firms would sell pesos and demand foreign currency needed to purchase goods and services from abroad. A decrease in the exchange rate would, in turn, have the effect of automatically correcting the imbalance of trade, because it would increase the peso price of foreign goods and lower the price of Argentinian goods in foreign markets. Eventually, the peso, after reaching a level at which trade was perfectly balanced, would stop depreciating. Proponents of this strategy felt it was important to allow exchange rates to move freely and reach their "natural" level, eliminating trade imbalances in the process.

All of these arguments for financial and foreign exchange liberalization had an impact; country after country joined the currency-float trend and removed financial regulations of various types. It was thought that liberalization of financial markets would improve efficiency, spur growth, and clear the way for capital to move freely from one country to another. The speed of capital's movement was further enhanced by advances in information technology. All of these developments have fostered the impression that financial markets are now globalized. But, after 30 years of reforms, the ideal of a global capital market has not yet been reached.

Problems of Financial Globalization: Instability and Differences in Access

In a world in which restrictions on international capital flows have been nearly eliminated, why do some countries, industries, and firms still have so much trouble obtaining loans? The answer lies, of course, in the risk of default. Domestic lenders cannot be assured of the complete safety of their loans, but foreign borrowers face the additional problem of having to pay interest in dollars, euros, or yen, rather than in domestic currency. Even if

a project is profitable in terms of domestic currency, the possibility remains that the currency will depreciate or completely lose convertibility. If this occurs, the value of the project's revenues (in terms of dollars, yen, or euros) will be lower than the value of the required loan payments.

Lenders who are concerned about this sort of "exchange rate risk" usually demand that the borrower provide some form of collateral. In the case of foreign loans, collateral must take the form of assets that can be sold for an internationally recognized currency. Usually, only industries or nations with strong export earnings can provide such assets. If the loan is not used to develop export industries, some alternative source of foreign currency must be made available. Hence, firms must meet what is in essence a higher credit standard for international loans than for domestic ones. This means there are two separate sources for loans, and the foreign source is simply inaccessible to certain countries and certain borrowers. Small wonder that ratios of investment to GDP are still correlated with saving rates; to a large extent, capital accumulation is still dependent upon domestic saving. In this case, the ideal of an international market is not realized.

The system not only excludes many borrowers, it is biased toward already thriving industries and nations. A healthy export industry can readily obtain credit because of the internationally marketable assets that it holds. Credit allows the industry to expand and increases the value of the industry's assets, which, in turn, can be used to secure more debt. On the other hand, if an industry fails to earn sufficient foreign currency, its assets will fall in value, thereby reducing access to credit. This vicious cycle can turn a small setback into a bankruptcy or currency collapse.

Even when a nation is able to borrow on international financial markets, it may quickly lose access to funds if investors panic. Several of the emerging Asian economies, including those of Thailand and Malaysia, suffered greatly in 1997 when international investors began to dump assets denominated in baht and ringgit. Through a process known as contagion, fears of the collapse of one currency can spread to nearby markets, leading investors to withdraw from several economies simultaneously. What would otherwise be a minor, local crisis can take on continental proportions, and affected countries might have been better off not borrowing on international markets in the first place.

Proponents of capital market liberalization argue that open financial markets can stabilize economies by allowing them to borrow money in hard times and share the risk of poor economic outcomes with foreign investors. But, although there is evidence of some reduction in the volatility of GDP when countries integrate into world capital markets, "the volatility of consumption growth relative to that of income growth has increased for more financially integrated developing economies in the 1990s" (Kose, Prasad, and Terrones 2003). This suggests that the amount of goods and services available to households can fluctuate more widely over the business cycle in a globalized world than in an autarchic one, surely an undesirable outcome.

Toward a More Inclusive Globalization

The analysis so far indicates that two problems plague the global financial system. First, in a world where most currencies are not as highly regarded as the euro, dollar, and yen, most countries find it difficult to convince international lenders of their ability to repay loans in an acceptable currency. In those countries, only export industries earn sufficient foreign currency to establish their creditworthiness. Companies may find it difficult to finance production for the domestic market, even if it seems likely that they will make profits in the "home" currency. Second, relying on foreign capital can make an economy vulnerable to destabilizing forces originating elsewhere in the world.

To solve these problems without completely shutting off international flows of capital, less-developed nations must gain access to currency that can be used to settle debts with lending nations. One way of accomplishing this would be to create an international currency and an international monetary authority.

The new monetary authority, which would amount to a kind of IMF with a Keynesian bent, would do more than issue currency. Consider some of the functions of a central bank such as the Federal Reserve. Each bank has an account at the Fed, and deposits in that account are accepted by all banks for use as reserves. A check written on an account at bank A can be sent to a company that deposits it at bank B. The Fed then credits bank B and debits bank A for the appropriate amount. The Fed cancels out offsetting

debits and credits, so that if bank A receives 100 dollars of checks from bank B, while 110 dollars go in the opposite direction, the Fed simply credits bank B with 10 dollars in deposits in its account at the Fed at the end of the day, debiting A for the same amount.

As in the previous example, most banking systems have a means for dealing with imbalances between banks. Often, central banks extend credit to banks that are in good standing and temporarily need more deposits in their central bank accounts. (Other central banks, such as the Fed, help ensure that reserves are available on a market at a steady interest rate.) If a particular bank develops chronic liquidity problems (i.e., a lack of reserves needed to accommodate withdrawals and debits to other banks), the central bank usually makes some effort to provide reserves temporarily, or at least make good on the bank's debts before shuttering it or merging it with another bank.

All of these activities undertaken by central banks prevent complete collapses of the banking system. They prevent a "run" (massive withdrawals) from occurring when rumors surface that a bank is about to become insolvent, since depositors can always be assured they will be able to withdraw their funds. Central bank operations ensure that business borrowers will retain access to the loans they need and that all banks will accept checks from all other banks, making good on the checks' full value. In order to make all of this possible and to ensure prudent lending, central banks possess regulatory power over private member banks.

An international central bank (ICB) would operate on principles similar to those of the Federal Reserve and other national central banks. It would have a currency of its own (analogous to the Federal Reserve accounts of U.S. banks) that would be held only by central banks. Since this currency could be exchanged at a fixed rate for the currencies of all member nations, the global bank could compensate for imbalances in the accounts of its members. Potential lenders could be confident they would be paid back in an internationally accepted currency and would not be vulnerable to a fall in the value of the borrowing country's currency. This would reduce the possibility that foreign investors would dump a country's securities (as in a bank run), based upon rumors that the country might not be able to manage its debts.

The benefits would be significant. First, even the weakest currencies would be stabilized in value because they would be backed, implicitly, by

the international bank. Just as U.S. banks accept each other's checks, knowing that the Fed will make good on them, businesses around the world would feel more comfortable accepting payments in foreign currency. The international bank could also prevent weaknesses from arising in the first place, by monitoring international flows of cash. As a result, less-developed nations would find it easier to raise needed capital, even if they lacked a source of a "reserve currency," such as the dollar. These nations might find it easier than before to raise capital for projects not aimed at the markets of major industrialized nations. Countries might be spared from the ordeal of currency and banking crises and would enjoy a steadier flow of capital. The tilted playing field of international capital markets would be somewhat leveled.

John Maynard Keynes proposed an ICB shortly after World War II.[1] Keynes's suggested international currency, the Bancor, would be "fixed (but not unalterable) in terms of gold and accepted as the equivalent of gold . . . for the purposes of settling international balances." Keynes's ICB would be based on generalizing "the essential principle of banking, as it is exhibited within any closed system. This principle is the necessary equality of credits and debits, of assets and liabilities." The proposed bank "can with safety make what advances it wishes to any of its members with the assurance that the proceeds can only be transferred to the bank account of another member. Its problem is solely to see to it that its members behave themselves and that the advances made to each of them are prudent and advisable from the point of view of the Union as a whole" (Keynes 1980, pp. 72–73).

Existing institutions could be used to implement Keynes's proposal. An ICB, as part of a revamped IMF, could issue an international clearing unit (ICU) to serve as a medium of exchange and reserve asset. The ICB would issue ICUs in return for gold, dollars, and the reserves of other member central banks. The ICB would, therefore, be a "double-entry bookkeeping clearing institution," providing overdraft services to deal with imbalances between economies. It would try to ensure that unused balances in countries' accounts could be mobilized, not hoarded. It should be committed, along with member central banks, to guaranteeing one-way convertibility of the ICU to national monies.

A sister institution to the ICB, called the International Investment Agency (IIA), should be established as a replacement for the World Bank. The IIA would have two specific aims. First, it would provide finance for investment, especially to developing and emerging economies, allowing them to industrialize without depending upon developed countries. Second, it would stand prepared to lend ICUs to countries to help them avoid currency crises. The latter function would be justified by the fact that nations are at different stages of banking and economic development and, therefore, may not run continuously balanced current accounts. In particular, developing nations may need infusions of capital that cannot be raised internally.

The IIA would not only ease the straits of countries with net foreign deficits, but would encourage surplus nations to do their part to correct imbalances. This is important because, in the existing system, countries can cut their own demand for imports and create a bias toward a current account surplus by reducing growth within their own countries. Deficit countries then find themselves under pressure to reduce demand within their own economies in order to control their deficits. The IIA would attempt to prevent the use of this "beggar-thy-neighbor" policy, by encouraging nations with large amounts of international reserves to invest those reserves in its own projects or other concerns in developing nations. The IIA would also see to it that countries that consistently ran surpluses took steps to raise aggregate demand within their own economies (except when income was already growing rapidly), so as to increase demand for imports. In this way, nations could cope with current account deficits without resigning themselves to crippling austerity measures.

Conclusion

Observers are correct in some sense when they describe capital markets as globalized. But the perception that barriers to foreign lending are falling masks a reality in which many nations cannot obtain needed capital, even for potentially profitable investments. Banks and other lenders are reluctant to provide money for projects that do not earn profits in currencies that are easily convertible and internationally traded. Even countries that raise vast amounts of capital on international markets are vulnerable to

panic sales of their liabilities. The result of liberating capital from constraints is not always the fair or efficient allocation of funds.

To ensure that capital markets work for the benefit of all and facilitate economic development, policymakers must create appropriate institutions and, to some extent, limit the free movement of capital and exchange rates. The creation of a world currency whose value is guaranteed by an ICB would encourage lenders to serve markets that would otherwise be cut off from the spigot of international capital. Such a bank might also prevent currency crises of the type that increasingly plague emerging economies. With the advent of these reforms, globalization might begin to live up to its promise as an engine for development and prosperity.

Note

1. For a similar proposal, see Davidson (2003). In a proposal to reform the global financial system, Stiglitz (2002) argues for substantial changes to the IMF, World Bank, and WTO.

References

Basu, S. 2002. *Financial Liberalization and Intervention: A New Analysis of Credit Rationing.* Northampton, Mass.: Edward Elgar.

Cordon, W. M. 1981. *Inflation, Exchange Rates, and the World Economy: Lectures on International Monetary Economics.* 2d ed. Chicago: University of Chicago Press.

D'Arista, Jane. 2003. "Capital Flows Monitor: Flows Slow in Global Economy Going Nowhere Fast." Philomont, Va.: Financial Markets Center.

Davidson, P. 2003. "The Future of the International Financial System." Presented at the International Conference on the Future of Economics, University of Cambridge, September 17–19.

Eichengreen, B. and M. D. Bordo. 2002. "Crises Now and Then: What Lessons from the Last Era of Financial Globalization." Working Paper No. w8716. New York: National Bureau of Economic Research.

Keynes, J. M. 1980. *The Collected Writings of John Maynard Keynes.* Volume 25. New York: St. Martin's Press for Royal Economic Society.

Kose, M. A., E. S. Prasad, and M. E. Terrones. 2003. "Financial Integration and Macroeconomic Volatility." Working Paper No. 03/50. Washington, D.C.: International Monetary Fund.

Krueger, A. O. 1974. "The Political Economy of the Rent-Society." *American Economic Review* 64:3: 291–303.

McKinnon, R. I. 1973. *Money and Capital in Economic Development.* Washington, D.C.: Brookings Institution.

Sayers, R. S. 1960. *Modern Banking.* Oxford: Clarendon Press.

Shaw, E. 1973. *Financial Deepening in Economic Development.* New York: Oxford University Press.

Stiglitz, J. 2002. *Globalization and Its Discontents.* New York: Norton.

About the Authors

PHILIP ARESTIS is Institute Professor of Economics at The Levy Economics Institute. Previously, Arestis was professor and chair of economics departments at a number of universities in the United Kingdom. His recent publications have addressed, among other topics, current monetary policy, fiscal policy, the relationship between finance and growth and development, the regime-switching approach to the European Monetary System, capital stock in wage and unemployment determination, the "Third Way," inflation targeting, threshold effects in the U.S. budget deficit, and the role of Minskian economics and financial liberalization in the southeast Asian crisis. His recent work has appeared in *Cambridge Journal of Economics; Eastern Economic Journal; Economic Inquiry; Economic Journal; International Review of Applied Economics; Journal of Money, Credit, and Banking; Journal of Post-Keynesian Economics; Manchester School;* and *Scottish Journal of Political Economy.* Arestis studied at the Athens Graduate School of Economics and Business Studies and London School of Economics prior to receiving a Ph.D. in economics from the University of Surrey.

SANTONU BASU is senior lecturer at South Bank Business School, London South Bank University. His research focuses on banking, finance, and financial globalization. His articles have appeared in such journals as *Australian Economic Papers; Eastern Economic Journal; International Review of Applied Economics;* and *World Development.* His book, *Financial Liberalization and Intervention: A New Analysis of Credit Rationing,* was published in 2002 by Edward Elgar. Basu holds masters' degrees from Visva-Bharati University (Santiniketan), India, and the University of Sydney, Australia, and a doctorate from the University of New England, Australia.

Public Policy Brief Series

The full text of the Public Policy Brief and Public Policy Brief Highlights series can be downloaded from the Levy Institute website, www.levy.org. The site also includes a complete list and short summaries of all the titles in the Public Policy Brief series.

To order a copy, call 845-758-7700 or 202-887-8464 (in Washington, D.C.), fax 845-758-1149, e-mail info@levy.org, or write to The Levy Economics Institute of Bard College, Blithewood, PO Box 5000, Annandale-on-Hudson, NY 12504-5000.

Is Financial Globalization Truly Global?
New Institutions for an Inclusive Capital Market
PHILIP ARESTIS and SANTONU BASU
No. 75, 2003 (Highlights, No. 75A)

Understanding Deflation
Treating the Disease, Not the Symptoms
L. RANDALL WRAY and DIMITRI B. PAPADIMITRIOU
No. 74, 2003 (Highlights, No. 74A)

Asset and Debt Deflation in the United States
How Far Can Equity Prices Fall?
PHILIP ARESTIS and ELIAS KARAKITSOS
No. 73, 2003 (Highlights, No. 73A)

What Is the American Model Really About?
Soft Budgets and the Keynesian Devolution
JAMES K. GALBRAITH
No. 72, 2003 (Highlights, No. 72A)

Can Monetary Policy Affect the Real Economy?
The Dubious Effectiveness of Interest Rate Policy
PHILIP ARESTIS and MALCOLM SAWYER
No. 71, 2003 (Highlights, No. 71A)

Physician Incentives in Managed Care Organizations
Medical Practice Norms and the Quality of Care
DAVID J. COOPER and JAMES B. REBITZER
No. 70, 2002 (Highlights, No. 70A)

Should Banks Be "Narrowed"?
An Evaluation of a Plan to Reduce Financial Instability
BIAGIO BOSSONE
No. 69, 2002 (Highlights, No. 69A)

Optimal CRA Reform
Balancing Government Regulation and Market Forces
KENNETH H. THOMAS
No. 68, 2002 (Highlights, No. 68A)

The Economic Consequences of German Unification
The Impact of Misguided Macroeconomic Policies
JÖRG BIBOW
No. 67, 2001 (Highlights, No. 67A)

Racial Wealth Disparities
Is the Gap Closing?
EDWARD N. WOLFF
No. 66, 2001 (Highlights, No. 66A)

Easy Money through the Back Door
The Markets vs. the ECB
JÖRG BIBOW
No. 65, 2001 (Highlights, No. 65A)

The Levy Economics Institute of Bard College
Blithewood
PO Box 5000
Annandale-on-Hudson, NY 12504-5000

Address Service Requested

NONPROFIT ORGANIZATION
U.S. POSTAGE PAID
ANNANDALE-ON-HUDSON, NY
PERMIT NO. 12