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N° 125 – June 2010

ECONOMIC OUTLOOK - ECONOMIC GROWTH

Paul Blustein, Colin Bradford, Homi Kharas, Johannes Linn, Domenico Lombardi, Eswar Prasad, Ezra Suruma

Recovery or Relapse: The Role of the G-20 in the Global Economy

The Brookings Institution – Report – June 2010 – 20 pages

http://www.brookings.edu/~media/Files/rc/reports/2010/0618_g20_summit/0618_g20_summit.pdf

“Before the economic recovery could be fully entrenched, the global economy was hit with yet another setback in the form of the European debt crisis. Therefore, almost a year later, the question still remains: is the world economy really recovering? Or are we beginning to see a relapse? Experts from the Brookings Global Economy and Development program examine this question, analyze the current economic climate, and provide recommendations on how the G-20 should continue to serve as the ‘premier forum for international economic cooperation.’”

State of the Economy: View from the Federal Reserve: Testimony of Ben Bernanke

House Budget Committee – June 9, 2010 – 7 pages

http://budget.house.gov/hearings/2010/06.09.2010_Bernanke_Testimony.pdf

“The recovery in economic activity that began in the second half of last year has continued at a moderate pace so far this year. Moreover, the economy--supported by stimulative monetary policy and the concerted efforts of policymakers to stabilize the financial system--appears to be on track to continue to expand through this year and next.... This pace of growth, were it to be realized, would probably be associated with only a slow reduction in the unemployment rate over time.”

Eswar Prasad and Karim Foda

TIGER: Tracking Indexes for the Global Economic Recovery

Brookings Institution – May 2010

http://www.brookings.edu/reports/2010/05_economic_recovery_prasad.aspx

“This new index from the Brookings Institution and the Financial Times aims to track the recovery based on a set of macroeconomic, financial and confidence variables for the G-20 economies.”

Gregory F. Treverton

Making Policy in the Shadow of the Future

RAND Corporation – June 2010 – 55 pages

http://rand.org/pubs/occasional_papers/2010/RAND_OP298.pdf

Using a National Intelligence Council report on what the world will look like in 2025, the paper explores issues for which a long-term perspective might change U.S. policy now, such as climate change, international relations, and nuclear abolition.

William A. Galston

Economic Growth and Institutional Innovation: Outlines of a Reform Agenda

Brookings Institution – June 2010 – 8 pages

Policy Brief: http://www.brookings.edu/~media/Files/rc/papers/2010/0601_innovation_galston/pb_172.pdf

Event: http://www.brookings.edu/events/2010/0601_strengthening_democracy.aspx

“When experts and pundits are asked what the president and Congress should do to promote economic growth, they typically respond with a list of policies, often mixed with stylistic and political suggestions. Few focus on institutional change, which is too easy to conflate with yawn-inducing ‘governmental reorganization’... Today’s economic crisis is reflected in three distinct but linked deficits—the fiscal deficit, the savings deficit and the investment deficit. Meeting these challenges and laying the foundation for sustained economic growth will require institutional as well as policy changes.”

Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers

U.S. Congress Joint Economic Committee – Hearing – May 26, 2010

http://jec.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=24a53665-8108-4bb5-950e-585106df7004

“During the Great Recession, young workers have faced unemployment rates significantly higher than the national average. Last month, one out of four teens (ages 16-19) was unemployed and one out of six younger workers (ages 20-24) was jobless. The hearing focused on the specific challenges faced by younger workers and examined actions that can be taken to ensure that these workers are able to fully participate in the economic recovery now underway.”

Martin Neil Baily, Karen Dynan, and Douglas J. Elliot

The Future of Small Business Entrepreneurship: Jobs Generator for the U.S. Economy

Brookings Institution – Brief - June 2010 – 8 pages

http://www.brookings.edu/~media/Files/rc/papers/2010/0604_innovation_small_business/pb_175.pdf

This brief examines policy recommendations to strengthen the small business sector and provide a platform for effective programs. These recommendations draw heavily from ideas discussed at a conference held at the Brookings Institution with academic experts, successful private-sector entrepreneurs, and government policymakers, including leaders from the Small Business Administration. The gathering was intended to spur the development of creative solutions in the private and public sectors to foster lasting economic growth.

MONETARY POLICY

Katy Jacob

Two cheers for the Monetary Control Act

FRB Chicago – Economic Letter – June 2010 – 4 pages

http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2010/cfljune2010_275.pdf

This article explains how the Monetary Control Act (MCA) of 1980 paved the way for the transition away from paper to electronic check clearing and processing, ultimately leading to the successful implementation of the Check Clearing for the 21st Century Act (Check 21) in 2003.

Asani Sarkar and Jeffrey Shrader

Financial Amplification Mechanisms and the Federal Reserve's Supply of Liquidity during the Financial Crisis

FRB New York - Economic Policy Review – Forthcoming – 20 pages

<http://www.newyorkfed.org/research/epr/forthcoming/1006sark.pdf>

“In this paper, we examine how [interaction between general market conditions] led to widespread losses in financial markets. Our study focuses on two financial amplification mechanisms of relevance to the crisis: balance-sheet amplifiers and adverse-selection amplifiers. We also interpret the actions of the Federal Reserve in the context of the literature on financial amplification mechanisms as well as provide new empirical evidence on the effectiveness of the Fed's liquidity supply during the crisis.”

Glenn D. Rudebusch

The Fed's Exit Strategy for Monetary Policy

FRB San Francisco - Economic Letter – June 14, 2010 – 5 pages

<http://www.frbsf.org/publications/economics/letter/2010/el2010-18.pdf>

“As the financial crisis has receded, the Federal Reserve has scaled back its extraordinary provision of liquidity. Eventually, the Fed will remove all remaining monetary stimulus by raising the federal funds rate and shrinking its balance sheet. The timing of such renormalizations depends crucially on evolving economic conditions.... This Economic Letter describes various considerations in formulating an appropriate policy exit strategy.”

Tobias Adrian, Karin Kimbrough, and Dina Marchioni

The Federal Reserve's Commercial Paper Funding Facility

FRB New York – Economic Policy Review – Web posted June 2010

<http://www.newyorkfed.org/research/epr/forthcoming/1006adri.pdf>

“This paper offers an overview of the Commercial Paper Funding Facility. We explain the economic role of the commercial paper market as a source of funding for various financial intermediaries. We briefly review the events surrounding the turmoil that led to the creation of the CPFF. Our study also presents operational details of the CPFF and documents its usage and effectiveness. In addition, we discuss the economics of the facility in the context of the financial system and in relation to the Federal Reserve's role as lender of last resort.”

FINANCE

Roya Wolverson

The Credit Rating Controversy

Council on Foreign Relations – Backgrounder - June 4, 2010

http://www.cfr.org/publication/22328/credit_rating_controversy.html?breadcrumb=%2Fpublication%2Fby_type%2Fbackgrounder

Proposals to rein in the three major credit rating agencies, implicated in the U.S. housing market collapse, could dampen competition. But absent new controls, investors may continue to rely on the same ratings services, according to the report.

Carl R. Tannenbaum and Steven VanBever

Searching for the New Normal: The Rebuilding Process for Risk Management—A conference summary

FRB Chicago - Fed Letter – July 2010 – 4 pages

http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2010/cfljuly2010_276a.pdf

“The Chicago Fed’s Supervision and Regulation Department, in conjunction with DePaul University’s Center for Financial Services, sponsored its third annual Financial Institution Risk Management Conference on April 6–7, 2010. The conference concentrated on comprehensive risk management, lessons learned, and headline issues.

HOUSING

Andrew Haughwout, Richard Peach, and Joseph Tracy

The Homeownership Gap

FRB New York - Current Issues in Economics and Finance – May 2010 – 11 pages

http://www.newyorkfed.org/research/current_issues/ci16-5.pdf

“Recent years have seen a sharp rise in the number of negative equity homeowners--those who owe more on their mortgages than their houses are worth. These homeowners are included in the official homeownership rate computed by the Census Bureau, but the savings they must amass to retain their home or purchase a new home are daunting. Recognizing that these homeowners are likely to convert to renters over time, the authors of this analysis calculate an “effective” rate of homeownership that excludes negative equity households.”

Alon Cohen and Andrew Jakabovics

A Look at Current State-Based Foreclosure Mediation Programs and How to Bring Them to Scale

Center for American Progress – June 2010 – 43 pages

http://www.americanprogress.org/issues/2010/06/pdf/foreclosure_mediation.pdf

“Based on our in-depth analysis of existing foreclosure mediation programs and their successes (and failures) at bringing homeowners and their mortgage servicers together to settle claims without resorting to losing/taking the property in foreclosure, we find that the optimal programs are those in which the first mediation session is automatically scheduled by the state once the mortgage servicer initiates the foreclosure process.”

Alain Bertaud

Land Markets, Government Interventions, and Housing Affordability

Brookings Institution – May 2010 – 55 pages

http://www.brookings.edu/~media/Files/rc/papers/2010/05_urban_development_bertaud/05_urban_development_bertaud.pdf

“What is required, therefore, is not to identify an “optimum model” of land development to be copied but to develop for each city (1) an analytical method to identify the shortcomings of current land delivery mechanisms, (2) a set of land development objectives (equity, affordability, transportation efficiency, etc.), and (3) a reform path to modify the existing land delivery system to meet the development objectives.”

OTHER ECONOMIC POLICIES

Omri Ben-Shahar

Consumer Protection without Law

Cato Institute - Regulation - summer 2010 – 5 pages

<http://www.cato.org/pubs/regulation/regv33n2/regv33n2-6.pdf>

“Can one-way contracts provide better consumer protection than the current enforcement-based regime?”

Craig Pirrong

No Theory? No Evidence? No Problem!

Cato Institute - Regulation - summer 2010 – 7 pages

<http://www.cato.org/pubs/regulation/regv33n2/regv33n2-8.pdf>

“In sum, there is no compelling theoretical or empirical case for limits on speculative derivatives positions. Indeed, there is not even a less-than-compelling case. Moreover, the particular limits that the CFTC has proposed are especially pernicious because they are more intrusive and constraining than more traditional limits (that do not include crowding-out provisions or constraints on swap dealers who are hedging legitimate risk exposures). As a result, if implemented, the proposed position limits will impair the proper functioning of the commodity markets and produce no offsetting benefit.”

Universal Service: Transforming the High-Cost Fund for the Broadband Era

Senate Committee on Commerce, Science, and Transportation – Hearing – June 24, 2010

http://commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=fc757765-b147-4f14-9e01-754721a5cffd&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a

“Universal service is a cherished principle. In years past, it has meant that this nation connects every community with basic phone service. But in years ahead, it must mean that we connect our communities with broadband. So today we are going to talk about universal service reform. We are going to talk about how we should change the system we have at the FCC—and make it work for consumers. We are going to talk about how the agency can better target universal service support to areas in this country that do not have service today. And we are going to talk about how universal service can help provide the broadband and wireless access that is essential for every community to have a fair shot at prosperity in the 21st century.”

The Business Case for Climate Legislation

Pew Center on Global Climate Change - June 2010 – 16 pages

<http://www.pewclimate.org/docUploads/business-case-for-climate-legislation-06-2010.pdf>

In recent years, leading businesses have emerged as some of the strongest advocates for passage of national climate and energy legislation that mandates reductions in greenhouse gas (GHG) emissions. The analysis explains why an unprecedented number of businesses are supporting passage of clean energy and climate legislation.

LOCAL ECONOMIC DEVELOPMENT

Jeremy Gerst and Daniel Wilson

Fiscal Crises of the States: Causes and Consequences

FRBSF Economic Letter – June 28, 2010 – 5 pages

<http://www.frbsf.org/publications/economics/letter/2010/el2010-20.pdf>

“The recession that began in late 2007 severely reduced state tax revenue and increased demand for many public services. In the near term, institutional and political factors limit the options states have for cutting spending and raising taxes.... This Economic Letter examines the fiscal crises faced by state governments, focusing on three key questions: What caused these crises? When are they likely to end? And what might be their broader impact going forward?”

Alison Felix and Jason Henderson

Rural America's Fiscal Challenge

Federal Reserve Bank of Kansas City – The Main Street Economist – 2010 – 7 pages

http://www.kansascityfed.org/RegionalAffairs/MainStreet/MSE_0610.pdf

“Rural governments are responding [to their fiscal challenges] by raising taxes, limiting service delivery, cutting jobs, and improving the efficiency of service delivery. While many of these solutions can be painful, the challenge has a bright side for rural America—an opportunity to foster a new round of innovation in service delivery through consolidation, cooperation, and privatization of services.”

Public Rejects Variety of Options for Fixing State Budgets

Pew Research Center for the People & the Press – June 28, 2010

<http://people-press.org/report/628/>

“Most Americans see the deteriorating budget situations in many states as a problem that the states themselves – rather than the federal government – should solve. But when it comes to specific proposals to balance state budgets, there is more opposition than support for each option asked about – particularly cuts in funding for education and public safety programs.”

Lessons from Resurgent Cities

Federal Reserve Bank of Boston – 2009 Annual Report – 76 pages

<http://www.bos.frb.org/about/ar/ar2009/ar2009.pdf>

“This essay reports on lessons learned from our research on older industrial cities that have adapted relatively well to economic challenges, and are recognized as vital communities today. We believe these ‘resurgent cities’ provide relevant, inspiring insights on development strategies for urban America.”

Bill Medley

A Pivotal Industry: Energy's Ups and Downs Drive Economies

Federal Reserve Bank of Kansas City – TEN Magazine – spring 2010 – 6 pages

http://www.kansascityfed.org/PUBLICAT/TEN/PDF/Spring2010/Pivotal_Industry.pdf

This article discusses the central role of the energy industry in some U.S. states and the effect of the recession on these industries.

Charles Davidson

Stiff Headwinds Blow through Retail Spaces

FRB Atlanta – EconSouth - 2nd Quarter 2010 – 6 pages

<http://www.frbatlanta.org/documents/pubs/econsouth/10-q2-stiff-headwinds-blow-through-retail-spaces.pdf>

“Across the Southeast, vacant retail space and empty parking lots are a reminder of the consumer spending and development boom that preceded the recession.... Charles Davidson explores the reasons behind the region's vacant shopping centers. Some of the reasons are relatively straightforward, he says, while others are more subtle, but what it really boils down to is a mismatch between supply and demand.”

Dennis Bellafiore, Maria Cristina Herrera, and Stephen Herzenberg

Making Smarter State Investments - The Geographic Distribution of Business Subsidies in Pennsylvania

Keystone Research Center – Report – June 2010 – 34 pages

http://keystoneresearch.org/sites/keystoneresearch.org/files/MakingSmarterStateInvestments_0.pdf

“The state of Pennsylvania currently gives out roughly \$300 million dollars each year to attract businesses to Pennsylvania or retain existing ones. This report raises the question: does Pennsylvania invest these subsidies in the right places? The report analyzes where subsidies given out by three of the largest Pennsylvania business subsidy programs go, including the extent to which they go to older communities with existing infrastructure versus outlying communities.”

SCIENCE AND TECHNOLOGY

Innovation in America: Opportunities and Obstacles

Senate Committee on Commerce, Science, and Transportation – Hearing – June 22, 2010

http://commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=8de8ab1c-3c02-4c99-9436-9d033d17008a&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a

“While it is clear that a new foundation for innovation and growth is needed, the appropriate framework for government involvement is still debated. For the Obama Administration, the arguments about too much or too little government involvement in innovation policy often lead to unproductive debates. The real question is how can government best create the conditions that will enable private sector entrepreneurs to innovate. Stated differently, the real issue is how to enable entrepreneurs to move our economy forward. As explained in the Innovation Strategy document, the best way forward is for the United States to invest in the building blocks that only the government can provide, protecting an open and competitive environment for businesses and individuals to experiment and grow, and by providing extra catalysts to jumpstart innovation in sectors of national importance.”

Improving Science and Technology Innovation in the United States

Brookings Institution – Event – June 8, 2010

http://www.brookings.edu/events/2010/0608_science_technology.aspx#

“Over the past 50 years, the United States has led the world in science and technology innovation. Yet now there are troubling signs of a downward trend in American innovation. Last year, for example, was the first time that non-U.S. innovators filed more patents than Americans; the United States is also falling behind other countries in the percentage of gross domestic product spent on national research and development.”

Fueling Local Economies: Research, Innovation and Jobs

U.S. Congress Joint Economic Committee – Hearing - June 29, 2010

http://jec.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=148ca29d-c4f3-407a-bf53-fcddb7c3aec8

The hearing explored how federally-funded innovation through university grants, including those for basic research, has a positive impact on communities and fuels employment growth. The Committee heard from witnesses on ways to efficiently leverage those federal dollars to ensure the biggest impact on employment and growth.

Testimonies by Robert Litan (Kauffman Foundation and Brookings Institution); Samuel L. Stanley (Stony Brook University); Zachary Shulman (Cornell University)

Sparking Economic Growth: How federally funded university research creates innovation, new companies and jobs

The Science Coalition – Report – April 2010 – 266 pages

<http://www.sciencecoalition.org/successstories/resources/pdf/Sparking%20Economic%20Growth%20Full%20Report%20FINAL%204-5-10.pdf>

“This report was prepared by The Science Coalition (TSC) to illustrate one way in which federal investment in basic research helps to stimulate the economy. The examples highlighted were provided by the member universities of The Science Coalition (each member was invited to submit a small number of examples). They tell an important story about the role federally funded university-based research plays in the economy of the United States.”

TRANSPORTATION

The Economic Impacts of High-Speed Rail on Cities and their Metropolitan Areas

The United States Conference of Mayors - June 2010 – 28 pages

<http://www.usmayors.org/highspeedrail/documents/report.pdf>

The report assesses High-Speed Intercity Passenger Rail’s economic impact on city and regional economies. It examines job creation, the effects of improved market access, greater connectivity, work-related travel time savings, as well as increased income and business sales.

Competition in the Airline Industry

House Judiciary Committee – June 16, 2010

http://judiciary.house.gov/hearings/hear_100616.html

Witnesses:

Glenn F. Tilton – Chairman, President and CEO – UAL Corporation

Jeffery A. Smisek – Chairman, President and CEO – Continental Airlines

Darren Bush, Ph.D., J.D. – Associate Professor of Law – University of Houston Law Center – on behalf of The American Antitrust Institute

William S. Swelbar – Research Engineer – Department of Aeronautics and Astronautics – M.I.T.

Representatives from pilots, machinists, aerospace workers and flight attendants

The Financial State of the Airline Industry and the Implications of Consolidation

Senate Committee on Commerce, Science, and Transportation – Hearing – June 17, 2010

http://commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=e2247b86-900c-4d2f-938f-a8453e4c1784&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a

“Today, the airline industry appears to have weathered the worst of the financial storms, but the core question is whether it has done enough to shore up its bottom-line and survive the next crisis. Will it be able to cope with the next spike in oil prices? Can it survive a recession in Europe?”

The Proposed United-Continental Merger: Possible Effects for Consumers and the Industry

House Transportation and Infrastructure Committee – Hearing – June 16, 2010

<http://transportation.house.gov/hearings/hearingDetail.aspx?NewsID=1202>

“United and Continental announced last month that they would merge to form the world’s largest air carrier, further reordering the dynamic U.S. airline industry. Some analysts say the merger could increase the probability of more consolidation in the future, with American Airlines and US Airways regarded as potential participants, and with low-cost carriers having expressed interest in exploring potential transactions, as well.”

EMPLOYMENT

Heather Boushey, Christine Riordan, Luke Reidenbach

Today's Unemployment Crisis by the Numbers

Center for American Progress – June 2010 – 10 pages

http://www.americanprogress.org/issues/2010/06/pdf/ui_numbers.pdf

“Our nation today is mired in one of the worst labor markets since the Great Depression. There are currently nearly 15 million Americans unemployed, with the unemployment rate hovering at or just under 10 percent for nearly a year. Heather Boushey, Luke Reidenbach, and Christine Riordan outline why Congress needs to act now and reauthorize unemployment compensation benefits to help the jobless.”

Ed English

Out of the Workplace... and Struggling to Find a Way Back In

Federal Reserve Bank of Atlanta – EconSouth – 2nd Quarter 2010 – 5 pages

<http://www.frbatlanta.org/documents/pubs/econsouth/10-q2-out-of-workplace-struggling-to-find-way-back-in.pdf>

“A striking feature of the 2007–09 recession has been the swelling ranks of the long-term unemployed (those without a job for 27 weeks or longer). However, the effects of the high jobless rate spreads beyond those immediately affected.... The article... examines the costs of long-term unemployment and the challenges this cohort faces in reentering the workforce.”

Algernon Austin

Hidden Disadvantage: Asian American Unemployment and the Great Recession

Economic Policy Institute – Web posted June 2, 2010 – 11 pages

http://epi.3cdn.net/4393c4d80f2da2b5f9_67m6b95nl.pdf

“Asian Americans experience a complex mix of advantages and disadvantages in finding employment. Asian Americans in the labor force are advantaged in that a large share of them have bachelor’s and advanced degrees. In contrast, they also have a larger share of workers than whites without high school diplomas. Asian Americans with bachelor’s degrees only have a higher unemployment rate than whites with bachelor’s degrees. Asian American high school dropouts, however, are more successful than white dropouts at finding work. These advantages and disadvantages sum to a net disadvantage for Asian American workers.”

Responding to Long-Term Unemployment

House Ways and Means Committee – Hearing – June 10, 2010

<http://waysandmeans.house.gov/Hearings/hearingDetails.aspx?NewsID=11201>

Witnesses:

Lawrence Mishel, Ph.D., President, Economic Policy Institute

Heather Boushey, Ph.D., Senior Economist, Center for American Progress

Michael Reich, Ph.D., Professor of Economics, University of California, Berkeley, California

Till Marco von Wachter, Ph.D., Associate Professor of Economics, Columbia University, New York

Jason Taylor, Ph.D., Associate Professor of Economics, Central Michigan University

Darrell M. West

Brain Gain: Rethinking U.S. Immigration Policy

Brookings Institution Press – 2010 – 182p

<http://www.brookings.edu/press/Books/2010/braingain.aspx>

“To stay competitive, the United States must institute more of an open-door policy to attract unique talents from other nations. Yet Americans resist such a policy despite their own immigrant histories and the substantial social, economic, intellectual, and cultural benefits of welcoming newcomers. Why? In Brain

Gain, Darrell West asserts that perception or ‘vision’ is one reason reform in immigration policy is so politically difficult. Public discourse tends to emphasize the perceived negatives. Fear too often trumps optimism and reason. And democracy is messy, with policy principles that are often difficult to reconcile.”

HEALTH

How Health Reform Saves Consumers and Taxpayers Money

Center for American Progress – June 2010 – 5 pages

http://www.americanprogress.org/issues/2010/06/pdf/cost_containment_memo.pdf

This memo discusses the health care reforms made by the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. The memo explains the provisions of these bills and how they will lower costs and improve quality.

TRADE

Jay Richards

The Economy Hits Home: International Trade

Heritage Foundation – June 22, 2010

<http://www.heritage.org/Research/Reports/2010/06/The-Economy-Hits-Home-International-Trade>

“Critics tell us that it’s unfair to American workers and businesses, hurts our economy, exploits poor workers in the developing world, and harms the environment.... Despite what we’re told, though, each of these indictments against free trade is false. There may be no subject on which public opinion and reality are so far apart. If you look at the evidence, it’s clear that American and foreign workers, our economy, and the environment are all better off to the degree that we enjoy free trade.”

Edward M. Truman

Linkages between International Trade and Financial Markets: Mapping the Issues

Peterson Institute for International Economics – Speech – June 17, 2010 – 6 pages

<http://www.piie.com/publications/papers/truman201006.pdf>

“Both real and financial activities are relevant to the health of our economies and the international economic and financial system.... It may be that one or the other element is dominant or more important at a particular point in time, but both are equally important over time—like it or not. Against that background, I will sketch some thoughts loosely organized under four headings: policymaking, investment and government policies, currencies and trade, and linkages.”

Lawrence Edwards and Robert Z. Lawrence

Do Developed and Developing Countries Compete Head to Head in High Tech?

Peterson Institute for International Economics – June 2010 – 30 pages

<http://www.piie.com/publications/wp/wp10-8.pdf>

“Concerns that (1) growth in developing countries could worsen the US terms of trade and (2) that increased US trade with developing countries will increase US wage inequality both implicitly reflect the assumption that goods produced in the United States and developing countries are close substitutes and that specialization is incomplete. In this paper we show on the contrary that there are distinctive patterns of international specialization and that developed and developing countries export fundamentally different products, especially those classified as high tech.”

Daniel J. Ikenson

Manufacturing Discord: Growing Tensions Threaten the U.S.-China Economic Relationship

Cato Institute - Trade Briefing Paper no. 29 - May 4, 2010 – 20 pages

<http://www.cato.org/pubs/tbp/tbp-029.pdf>

“This paper examines the economic relationship and some of its high-profile sources of friction, distills the substance from the hype, and concludes that although some policy tweaks would be beneficial, a more aggressive U.S. policy tack is unnecessary and unwanted. Much more can be done to cultivate our areas of agreement using carrots before seriously considering the use of sticks.”

CHINA

The U.S. – China Economic Relationship: A New Approach for A New China

Senate Committee on Finance – Hearing – June 10, 2010

<http://finance.senate.gov/hearings/hearing/?id=e0d2c9e4-5056-a032-5282-69840a3c7b3b>

Testimony by Timothy Geithner, Secretary of the Treasury, United States Department of the Treasury

“Right now our job is to help the private sector do what it does best. Our job is to help American businesses expand. Our job is to make sure that as China continues to develop, it does so in a way that does not disadvantage our firms.”

The U.S. – China Trade Relationship: Finding a New Path Forward

Senate Committee on Finance – Hearing – June 23, 2010

<http://finance.senate.gov/hearings/hearing/?id=60d8f31a-5056-a032-5232-b21ff7bd6801>

“Our trade imbalance — the focus of this hearing — results from many factors. China continues to erect barriers to U.S. exports. China infringes U.S. intellectual property at unacceptable rates. China discriminates against U.S. companies through its so-called ‘indigenous innovation’ policies. China dumps many of its products on the U.S. market. And China improperly subsidizes many of its exports... China has kept moving. But the U.S. has not. America’s approach to China remains the same.”

Testimonies by Gary Locke, Secretary of Commerce and Ambassador Ronald Kirk, United States Trade Representative

China’s Trade and Industrial Policies

House Ways and Means Committee – Hearing – June 16, 2010

<http://waysandmeans.house.gov/Hearings/hearingDetails.aspx?NewsID=11212>

“There are growing concerns that the Government of the People’s Republic of China is intervening more aggressively in its economy, in ways that distort trade flows and disadvantage U.S. businesses and workers. This hearing will examine overall trends in China’s trade and industrial policies, as well as several specific examples of how China appears to be embracing mercantilism and ‘national champions’ over a market-based model of economic development. These examples include the following: (1) China’s ‘indigenous innovation’ initiative; (2) failure to enforce intellectual property rights; (3) the adoption of discriminatory product standards; (4) the manipulation of export flows through export restrictions and selective tax rebates; and (5) subsidies and other measures that create substantial overcapacity in key sectors.”

EUROPE

From the Lisbon Treaty to the Eurozone Crisis: A New Beginning or the Unraveling of Europe?

Brookings Institution – Event – June 2, 2010

http://www.brookings.edu/events/2010/0602_cuse_conference.aspx

“With a U.S. Administration still popular across Europe and a new Lisbon Treaty designed to enhance the diplomatic reach of the European Union, transatlantic relations should now be at their best in years. But this is clearly not the case, with the strategic partners often looking in opposite directions. While the United States channels its foreign policy attention on the war in Afghanistan, counterterrorism and nuclear non-proliferation, Europe is turning inward. Despite its ambitions, the European Union has yet to achieve the great global role to which it aspires, or to be the global partner that Washington seeks. Moreover, the Greek financial crisis has raised questions about the very survival of the European project.”

Jacob Funk Kirkegaard

In Defense of Europe’s Grand Bargain

Peterson Institute for International Economics – June 2010 – 11 pages

<http://www.piie.com/publications/pb/pb10-14.pdf>

In this policy brief, the author argues that the “grand bargain” between the EU member states and the ECB was a decidedly positive step for EU fiscal policy and finances, and that the eurozone will survive the current crisis intact. The author then suggests Europe’s next steps, including the implementation of a common “Maastricht bond” that would be available only “to eurozone members that actually adhere to the Maastricht Treaty debt stock criteria of a maximum level of government debt of 60 percent over an entire business cycle.”

MISCELLANEOUS

Lawrence J. McQuillan and Hovannes Abramyan

U.S. Tort Liability Index: 2010 Report

Pacific Research Institute – June 2, 2010 – 108 pages

http://www.pacificresearch.org/docLib/20100525_Tort_Liability_Index_2010.pdf

The index is a measure of which states impose the highest and lowest tort costs and risks. Alaska, Hawaii and North Carolina lead the pack with the best rankings, while New Jersey, New York and Florida bring up the rear. “Direct tort costs account for almost 2 percent of GDP in the United States—that’s the highest in the world,” writes Dr. McQuillan. “These high costs impact American businesses when firms have to divert revenue to fight lawsuits. But all of us ultimately shoulder the burden through higher prices and insurance premiums, lower wages, restricted access to health care, less innovation, and higher taxes to pay for court costs.”

Feed the Future Guide

U.S. Government, Global Hunger and Food Security Initiative – May 2010 – 43 pages

http://www.feedthefuture.gov/FTF_Guide.pdf

“The Feed the Future Guide describes the strategic approach and implementation structures of Feed the Future (FTF), the U.S. global hunger and food security initiative. It is intended to inform partners and stakeholders about the development of FTF and how we translate our principles into actions on the ground.”