Economic Issues
Business • Trade • Energy • Finance

June 2008

Social Entrepreneurs Want to Change the World

The same passion that helps entrepreneurs grasp business opportunities often drives them to make the world a better place. Whether selling fashionable shoes to help barefoot, Argentinian children or bottled water to bring clean water to African children, social entrepreneurs dedicate a portion of their profits to improve lives around the world. These entrepreneurs use business acumen to design and sell "ethical brands," popular with consumers for their inherent features as well as the social cause they represent.

"Ethical" Brands Allow U.S. Consumers to Fight Global Poverty

Business school roommates start a company with a mission to bring clean water to poor children. The founders struggle to succeed as "social entrepreneurs," then find support from U.S. investors and consumers. Their story is illustrative of a growing trend in building "ethical brands."

Businesswoman Creates Opportunities for Women in Conflict Zones

An American woman whose early life in Uganda was marred by conflict is focusing her business acumen on marketing gifts made by women in war zones. Her company, the Amber Chand Collection, offers such gifts as a "remember me" bracelet made by Afghan war widows and a "basket of strength" made by refugee women in Sudan's Darfur region.

American Company Donates Shoes to Barefoot Children

TOMS Shoes seeks to match every pair of shoes purchased in shops in Los Angeles, New York, London or on the company's Web site with a pair donated to a child in need in Argentina or South Africa. The company's designs are inspired by traditional Argentine canvas-and-ropesole slip-on shoes known as alpargatas or espadrilles.

http://fpolicy.america.gov/fpolicy/econ/entrepreneurship.html
PHOTOS ON THE FRONT COVER:

1./
Ethos Water donates profits to water projects and helps bring safe water to this Honduran boy. (Courtesy Starbucks)

2./
The Rwandan "scarf of peace" celebrates the resilience and strength of its makers. (Courtesy of the Amber Chand Collection)

3./
Peter Thum, co-founder of Ethos, visits children in Sumatra, Indonesia, who were getting water thanks to Ethos. (Courtesy Starbucks)

4./
“Dolls of compassion” are made by workers in Burma and Thailand. (Courtesy of the Amber Chand Collection)

5./
In Los Pilotones, Argentina, TOMS Shoes co-founder Blake Mycoskie stands with children to whom he provided shoes. (TOMS Shoes)
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President Bush and His Administration Are Working To Unleash the Potential of the Transatlantic Economy

This week, the Transatlantic Economic Council (TEC) met for the second time in Brussels, continuing its work to remove barriers to transatlantic trade and investment, and promoting economic integration. The U.S. delegation included Agriculture Secretary Ed Schafer, Labor Secretary Elaine Chao, U.S. Trade Representative Susan C. Schwab, Deputy Treasury Secretary Robert Kimmitt, Food and Drug Administration Commissioner Andrew von Eschenbach, Securities and Exchange Commissioner Paul Atkins, Assistant to the President for International Economic Affairs Daniel M. Price, Administrator of the Office of Information and Regulatory Affairs Susan Dudley and other senior Administration economic officials. The European Union delegation, led by Guenter Verheugen, Vice-President of the European Commission, included Commissioners Peter Mandelson, Charlie McCreevy, Meglena Kuneva, and Laszlo Kovacs, as well as other senior Commission economic officials.

During the course of the meeting, the U.S. and EU officials discussed on-going efforts to promote regulatory cooperation, eliminate barriers to transatlantic trade, advance capital market liberalization, and strengthen support for open investment regimes. The officials agreed to regulatory actions that will remove barriers to the export of U.S. poultry to Europe, minimize certain trade-disruptive impacts of the EU’s chemical registration regulation, and facilitate trade in certain electrical equipment, as well as joint efforts to address the safety of imported products. The two delegations also met with Members of the European Parliament and officials from the Transatlantic Business and Transatlantic Consumers Dialogues.

http://www.state.gov/p/eur/rls/fs/104919.htm

2008 SPECIAL 301 REPORT.
Office of the United States Trade Representative. (Spring) 2008

The 2008 Special 301 review process examined IPR protection and enforcement in 78 countries. Following extensive research and analysis, USTR designates 46 countries in this year’s Special 301 Report in the categories of Priority Watch List, Watch List, and/or Section 306 Monitoring status. This report reflects the Administration’s resolve to encourage and maintain effective IPR protection and enforcement worldwide.


INTERNATIONAL TRADE UPDATE. April 2008 issue. International Trade Administration, U.S. Department of Commerce

The April issue of the International Trade Administration’s newsletter includes a report on how free trade agreements are helping to expand markets in the Middle East, a look at the upcoming Americas Competitiveness Forum, and details about a recently released report on research and development priorities
for U.S. manufacturers. Other, regular sections offer updates on ITA activities and a calendar of upcoming trade-related events.


World markets for used equipment are important, but some of the most basic facts about them—such as their size, the best markets, and national laws and regulations that affect such trade—are either nonexistent or difficult to come by. The revised, sixth edition of this report offers U.S. exporters in one such market, used medical devices, a comprehensive listing of regulations governing this important and growing trade. It is based upon reports from the International Trade Administration’s worldwide network of in-country commercial analysts, offering detailed country-by-country entries for 106 markets. Each of the entries includes an in-depth discussion of the regulatory environment for imports of used medical equipment to that country. Related topics—such as sanitary codes, customs valuations, and taxes—that may affect trade in used medical devices are also noted. Most market entries also include lists of government and trade association contacts.


Trade Finance Guide: A Quick Reference for U.S. Exporters is designed to help U.S. companies, especially small and medium-sized enterprises, learn the basics of trade finance so that they can turn their export opportunities into actual sales and achieve the ultimate goal of getting paid—especially on time—for those sales. Concise, two-page chapters offer the basics of numerous financing techniques, from open accounts, to forfaiting, to government assisted foreign-buyer financing.


**WORKFORCE DEVELOPMENT: COMMUNITY COLLEGES AND ONE-STOP CENTERS COLLABORATE TO MEET 21ST CENTURY WORKFORCE NEEDS. U.S. Government Accountability Office.GAO-08-547. May 15, 2008**

In the future, businesses will demand workers with higher-level skills and more education. Community colleges are key providers of career and technical training as well as traditional academic education. These colleges can also play important roles in the one-stop system created by the Workforce Investment Act (WIA), through which a variety of federally funded employment and training programs provide services.
Given the importance of community colleges to workforce development, GAO was asked to examine (1) how community colleges meet the workforce training needs of their communities; (2) what community colleges do to integrate with the nation’s one-stop system; (3) the conditions or practices that enhance or impede these efforts; and (4) the actions the Departments of Labor and Education have taken to encourage linkages between community colleges and the workforce investment system, including one-stops. To address these objectives, GAO visited 20 community colleges, surveyed one-stop centers and their associated workforce investment boards, and talked to Labor and Education officials. Labor and Education generally agreed with GAO’s findings.


With regard to the ability of U.S. coal-burning, electricity-generating units to switch to natural gas, according to available data and key stakeholders, the ability of these units to switch is limited by high natural gas prices, supply constraints, and existing infrastructure. In addition, increasing the nation’s use of natural gas for electricity generation could result in adverse economic consequences. Natural gas currently costs about four times more than coal per British thermal unit and has shown a relatively higher rate of price increases and volatility over time relative to coal, according to EIA. In addition to higher fuel costs, supply constraints limit the practicality of replacing electricity generated from coal with natural gas. The United States has limited capability to meet the growing demand for natural gas with domestic production and would need to become increasingly dependent on international supplies of natural gas if there was widespread switching to natural gas from coal. Even taking imported natural gas into account, key stakeholders doubted whether natural gas supply could meet the demand if plant operators decided to pursue fuel switching. Fuel switching to natural gas also poses challenges related to existing infrastructure, including limited pipeline and storage capacity and technical and regulatory barriers to the conversion of existing coal plants. Large-scale fuel switching would require substantial investments in pipeline and storage capacity and new terminals to process imported natural gas—all of which would require regulatory approval.


Dissatisfaction with the federal tax system has led to a debate about U.S. tax reform, including proposals for a national consumption tax. One type of proposed consumption tax is a value-added tax (VAT), widely used around the world. A VAT is levied on the difference between a business’s sales and its purchases of goods and services. Typically, a business calculates the tax due on its sales, subtracts a credit for taxes paid on its purchases, and remits the difference to the government. While the economic and distributional effects of a U.S. VAT type tax have been studied, GAO was asked to identify the lessons learned from other countries’ experiences in administering a VAT. This report describes (1) how VAT design
choices, such as exemptions and enforcement mechanisms, have affected compliance, administrative costs, and compliance burden; (2) how countries with federal systems administer a VAT; and (3) how countries that recently transitioned to a VAT implemented the new tax.

GAO selected five countries to study—Australia, Canada, France, New Zealand, and the United Kingdom—that provided a range of VAT designs from relatively simple to more complex with multiple exemptions and tax rates. The study countries also included some with federal systems and some that recently implemented a VAT.


The share of older persons in the U.S. population age 55 and older is projected to increase to 30 percent by 2025 and continue to grow through 2050. At the same time, the labor force growth is expected to slow and employers will be faced with a relatively smaller and younger available workforce. As a result, some businesses will need to retain existing older workers or attract additional older workers to meet their workforce needs. The Department of Labor has identified one-stop career centers as a means to link older workers with employers through employment and training services.

http://www.gao.gov/new.items/d08548.pdf [PDF format, 39 pages].


Five government agencies play a role in Intellectual Property (IP) enforcement; their enforcement functions include seizures, investigations, and prosecutions. While IP enforcement is generally not the highest priority in these agencies, enforcement activities have increased during the past five years. What GAO found, however, is that most participating agencies have not systematically analyzed their IP enforcement statistics, something which is critical with regard to IP crimes with a public health and safety risk, such as production of counterfeit pharmaceuticals.


The federal government is on a “burning platform,” and the status quo way of doing business is unacceptable for a variety of reasons, including:

• Past fiscal trends and significant long-range challenges...
• Selected trends and challenges having no boundaries
• Additional resource demands due to Iraq, Afghanistan, incremental homeland security needs, and recent natural disasters in the United States
• Numerous government performance/accountability and high risk challenges
• Outdated federal organizational structures, policies, and practices
• Rising public expectations for demonstrable results and enhanced responsiveness


OPEC REVENUES FACT SHEET. Energy Information Administration, Department of Energy. Web posted May 6, 2008. 08AD711

Energy Information Administration (EIA) estimates that members of the Organization of the Petroleum Exporting Countries (OPEC) earned $674 billion in net oil export revenues in 2007, a 10 percent increase from 2006. Saudi Arabia earned the largest share of these earnings, $194 billion, representing 29 percent of total OPEC revenues. On a per-capita basis, OPEC net oil export earning reached $1,143, an 8 percent increase from 2006. Based on projections from the EIA May 2008 Short Term Energy Outlook (STEO), OPEC net oil export revenues could be $1,060 billion in 2008 and $990 billion in 2009.

http://www.eia.doe.gov/emeu/cabs/OPEC_Revenues/pdf.pdf [PDF format, 3 pages].

SHORT TERM ENERGY AND SUMMER FUELS OUTLOOK. Energy Information Administration, U.S. Department of Energy. April 8, 2008. 08AD611

West Texas Intermediate crude oil prices, which averaged $72.32 per barrel in 2007, are projected to average $101 per barrel in 2008 and $92.50 per barrel in 2009. The projected higher costs for crude oil will contribute to higher petroleum product prices. Motor gasoline prices are projected to average $3.36 per gallon in 2008, up 55 cents from last year. The monthly average gasoline price is projected to peak at about $3.60 per gallon this spring. This document looks at production and consumption of oil for both OPEC and non-OPEC nations and evaluates the effects on the United States.

http://www.eia.doe.gov/emeu/steo/pub/apr08.pdf [pdf format, 43 pages]

HUMAN CAPITAL AND WOMEN’S BUSINESS OWNERSHIP. U.S. Small Business Administration. Darrene Hackler et al. Web posted April 28, 2008. 08AD691

Self-employed women differ from their wage and salary earning counterparts in several human capital areas. The self-employed women tend to be older, are better educated, and have more managerial experience than wage and salary earners. “Human capital factors such as education and experience have long been known to have a positive correlation with entrepreneurship,” said Dr. Chad Moutray, Chief Economist for the Office of Advocacy.

http://www.sba.gov/advo/research/rs323tot.pdf [PDF format, 75 pages].
U.S. CONGRESS

CAPITAL BUDGETING. Congressional Budget Office. May 2008. 08AD715

This paper analyzes the advantages and disadvantages of adopting a capital budget at the federal level. The federal budget presents the government’s expenditures and revenues for each fiscal year, enabling policymakers to allocate resources to serve national objectives. One approach would be to create a category for capital spending as part of a restoration of the statutory budget enforcement procedures. Such a category within overall discretionary spending limits could help highlight important policy goals. Another alternative, which would address concerns about the management of assets rather than their reporting in the budget, might be to attribute a portion of the cost of assets each year to the programs that use them. Requiring users to pay the costs might improve incentives for agencies to sell assets that are no longer appropriate to their needs.


The slowing of economic growth and the rising rate of inflation have given rise to concerns that the U.S. economy is at risk of an episode of stagflation. Stagflation describes an economy that is characterized by high rates of both unemployment and inflation. The term came into popular use in the 1970s to describe the economy at that time. Even though recent unemployment and inflation rates are not nearly as high as they were in the 1970s, some economists fear that the recent expansion in monetary and fiscal policy at a time when unemployment is low but rising and energy prices are rising, could lead to a new bout of stagflation in the near future.

Full Text:

http://assets.opencrs.com/rpts/RL34428_20080331.pdf [PDF format, 17 pages].


Increases in the price of crude oil pushed the spot price of West Texas Intermediate (WTI), to nearly $100 per barrel in the third quarter of 2007. It remained high as the demand growth in China, India, and other parts of the developing world continued. The political unrest in Nigeria, Venezuela, Iraq, and other suppliers continued to threaten the market. The decline of the value of the U.S. dollar on world currency markets has also been identified by some as a factor in the high price of oil. The profits of the five major integrated oil companies remained high in 2007, as they generally accounted for approximately 75% of both revenues and net incomes. At the same time, independent refiners and marketers experienced a difficult year that was reflected in profits in 2007. The potential volatility of the world oil and financial markets, coupled with the weakness of the U.S. and other economies, makes any profit forecast for 2008 highly speculative.

http://assets.opencrs.com/rpts/RL34437_20080404.pdf [PDF format, 11 pages].

Russian oil and natural gas industries play an important role in the Europe and Eurasia energy market. At the same time, the Russian government has majority control of these industries. There are cases when assets were sold to non-Russian firms, Russian firms cut off energy supplies to the facilities and also build new pipelines to circumvent infrastructure, which are not under their control. The neighboring countries are concerned that Russia could use their energy dependency to interfere in their domestic affairs or to force them to make foreign policy concessions.

[Note: Contains copyrighted material]
http://fas.org/sgp/crs/row/RL34261.pdf [pdf format, 26 pages]


In 2007, U.S. food prices rose 4% and are expected to gain 3.5% to 4.5% in 2008. Higher farm commodity prices and energy costs are the leading factors behind higher food prices. The report states that the farm commodity prices have surged because (1) demand for corn for ethanol is competing with food and feed for acreage; (2) global food grain and oilseed supplies are low due to poor harvests; (3) the weak dollar has increased U.S. exports; (4) rising incomes in large, rapidly emerging economies have changed eating habits; and (5) input costs have increased. Higher energy costs increase transportation, processing, and retail costs.


Congress authorized the Strategic Petroleum Reserve (SPR) in the Energy Policy and Conservation Act (EPCA, P.L. 94-163) to help prevent a repetition of the economic dislocation caused by the 1973-1974 Arab oil embargo. The program is managed by the Department of Energy (DOE). Physically, the SPR comprises five underground storage facilities, hollowed out from naturally occurring salt domes in Texas and Louisiana. Together, these facilities have a capacity of 727 million barrels of crude oil. Currently, it holds some 698 million barrels. This reports examines the background of the SPR and how the government manages it.

http://assets.opencrs.com/rpts/RL33341_20080214.pdf [pdf format, 16 pages]

Income inequality has been increasing in the United States over the past 25 years. Several factors have been identified as possibly contributing to this phenomenon. Some researchers have suggested the decline in unionization; others have argued that rising returns to education and skill-biased technological change are the important factors. Most analysts agree that the likely explanation skill-biased technological change combined with a change in institutions and norms.

http://assets.opencrs.com/rpts/RL34434_20080404.pdf  [pdf format, 27 pages]


The African Development Bank (AfDB) Group is a regional development bank whose stated goal is to combat poverty in Africa. Initially headquartered in Abidjan, Côte d’Ivoire, the AfDB was forced by political instability there to relocate to Tunis, Tunisia in 2003. It is hoped that this move will be temporary and the AfDB can eventually return to Abidjan. The bank is comprised of three lending facilities: theAfDB itself, the African Development Fund, and a trust fund established by Nigeria to lend to low-income African countries. The Bank has 53 African members, as well as 24 non-regional members, including the United States.

http://assets.opencrs.com/rpts/RS22690_20080129.pdf [pdf format, 6 pages]

THE WHITE HOUSE


“The interesting thing about trade as an issue, if you really study the issue of free and fair trade, leaders from both parties have been strong advocates for opening up markets. They really have been. I mean, generally this has been a -- not nearly as bitter an issue in the past as it is today. You know, I remember reading about John F. Kennedy's stand on trade. He was a strong believer in free and fair trade. My predecessor, President Clinton, worked hard to open up markets. It's interesting that a lot of the people that worked with the President have been here to the White House to, I guess, first test my temperature to determine whether I really was willing to strongly advocate opening up markets, and then when they realized that they had a steady ally, were willing to go out and declare publicly that they believed that we ought to open up markets.”

http://www.whitehouse.gov/news/releases/2008/05/20080523.html

“Last fall we started to get indications that the economy was going to slow down. And so, believe it or not, you can actually work with Congress sometimes -- with people on both sides of the aisle, which is what we did; these two members were incredibly constructive -- to pass a stimulus package, pro-growth package.

There’s two aspects to that package I want to spend some time talking about; one of them is, is that you're going to get some money. It turns out it's your money, but you're going to get it back. (Laughter and applause.) Six hundred dollars per person, $1,200 per couple, $300 per child; a family of four will be getting a $1,800 check. And the reason why -- and by the way, it's going to affect 130 million families. And the reason why that is good policy, first of all, it's a temporary tax relief, recognizing that we're going to recover, and this is to help stimulate that recovery. Secondly, we wanted to make sure that people were encouraged to be consumers. We wanted there to be consumption in our society, and no better way to stimulate consumption than to let you have some of your own money back.

http://www.whitehouse.gov/news/releases/2008/05/20080502-8.html


At the 2006 U.S.-EU Summit in Vienna, we committed to redouble our efforts to promote economic growth and innovation and reduce the barriers to transatlantic trade and investment by implementing all aspects of the 2005 Initiative to Enhance Transatlantic Economic Integration and Growth (2005 Economic Initiative). We endorsed the new Action Strategy for the Enforcement of Intellectual Property Rights, and agreed to build on progress of the High Level Regulatory Cooperation Forum and expand implementation of our Roadmap for U.S.-EU Regulatory Cooperation and Transparency. We pledged to intensify efforts to conclude a first stage Air Transport Agreement.

We agreed to reinforce our strategic energy cooperation to support diversification of energy sources and supplies, secure our energy infrastructure, promote market-based energy security policies, speed development of new lower-pollution and lower-carbon technologies, and accelerate investment in cleaner, more efficient use of fossil sources and renewable sources. We agreed to conduct an annual strategic review of U.S.-EU energy cooperation. We also agreed to establish a U.S.-EU High Level Dialogue on Climate Change, Clean Energy and Sustainable Development to build on existing initiatives in the areas of climate change, biodiversity loss and air pollution and to advance implementation of the G8 Gleneagles Plan of Action for Climate Change, Clean Energy and Sustainable Development.

We welcomed progress in these areas and discussed ways to intensify our efforts on intellectual property rights, innovation and removal of regulatory barriers to trade and investment at the second informal U.S.-EU Economic Ministerial in November 2006 in Washington.

This report notes areas of progress made over the past year to implement our multi-annual, broad economic program under the Economic Initiative, per our agreements on energy and climate and in other areas of transatlantic cooperation.

http://www.state.gov/p/eur/rls/prsrl/84005.htm
THINK TANKS AND INTERNATIONAL ORGANIZATIONS

AMERICAN ENTERPRISE INSTITUTE


The desire to enhance and store wealth has been present ever since income rose above subsistence levels. The dangerous stage for many wealth managers arises when the prospects for wealth enhancement seem to become overwhelmingly attractive. Bubbles arise, be they tied to the price of tulips, tech stocks, or Miami condos. A bubble occurs when investors believe that purchasing a particular means of storing wealth will yield such strong returns that a substantial rise in living standards will be possible much sooner than previously imagined. [Note: contains copyrighted material]

http://www.aei.org/docLib/20080430_23059EOMay_g.pdf [PDF format, 4 pages].

FAILURES OF INTER-KOREAN ECONOMIC COOPERATION. By Nicholas Eberstadt. ARTICLES. AEI. Published in The Korea Herald. May 22, 2008

Earlier this year, with the transfer of presidential authority from Roh Moo-hyun to Lee Myung-bak, South Korea in effect completed a decade-long experiment in economic diplomacy with the Kim Jong-il regime. Under two successive "Sunshine Era" governments, from early 1998 through early 2008, Seoul supported an initiative it called "inter-Korean economic cooperation": meaning, in practice, unconditional economic aid plus subsidized trade for the Democratic People’s Republic of Korea.

(…)The results of that experiment are now in; and judged by practically every objective initially presented by its proponents to justify it, this policy has proved to be a failure.


DISCUSSION OF "CONSUMPTION TAX REFORM: CHANGES IN BUSINESS EQUITY AND HOUSING PRICES". By Alan D. Viard. BOOK CHAPTER. AEI. April 1, 2008

Alan D. Viard argues that switching from the current income tax to a consumption tax would cause only modest declines in the prices of stocks and owner-occupied homes. In the published version of his comments on a paper presented by John Diamond and George Zodrow at a 2006 conference, Viard notes that their results refute common claims of large price declines. He observes, though, that the transition to a new tax system raises a number of complex issues.

The authors’ model has the crucial building blocks required to examine the change in the market value of existing capital and the resulting impact on the aggregate utility of different cohorts; a general equilibrium methodology, rational expectations, a careful representation of the current tax system’s key features, and separate analysis of owner-occupied housing and business capital. The last element is important because the two types of capital are affected
differently by tax reform and because changes in their values have different political and distributional implications. The authors take an additional step forward by separating rental housing from other business capital, permitting recognition of the close substitutability between rental and owner-occupied housing.

http://www.aei.org/publications/filter.all,pubID.28033/pub_detail.asp

THE HUMAN FOUNDATIONS OF FINANCIAL RISK. By Alex J. Pollock.
FINANCIAL SERVICES OUTLOOK. AEI Online. May 12, 2008

Why is it that "a prudent banker is one who goes broke when everybody else goes broke"? This witty line of John Maynard Keynes points us to the human elements at the base of financial bubbles and busts, including the housing and mortgage bubble that our sophisticated, globalized, and leveraged markets produced from 2003 to 2006; the subsequent debt market panics of 2007 and 2008; and the continuing bust, with announced write-offs and losses so far exceeding $200 billion. The mathematical models used to design and evaluate structured mortgage securities, using vast computer power and reams of data, did not save us from the consequences of all-too-human behavior.


WHY (FINANCIAL) HISTORY REPEATS. By Alex J. Pollock. AEI ARTICLES.
Published in the New York Sun. May 19, 2008

Resident fellow Alex J. Pollock explores the parallels between the recent government bailout of the investment bank Bear Stearns and the government's 1984 rescue of Continental Illinois, the largest commercial bank in Chicago. Both banks were determined to be too intertwined in the financial system to be allowed to fail; consequently, creditors were bailed out, management lost control, and equity investors bore the brunt of the losses. History repeatedly shows that the government intervenes when faced with potential financial collapse.

http://www.aei.org/publications/filter.all,pubID.28023/pub_detail.asp

ASIAN DEVELOPMENT BANK (ADB)

SOCIAL PROTECTION INDEX FOR COMMITTED POVERTY REDUCTION. 

Social Protection is getting more attention around the world. Recognition is growing that the Millennium Development Goals for poverty reduction, as well as equitable and sustainable growth, cannot be achieved purely through the promotion of economic growth and the development of physical and social infrastructure. Interventions are necessary to directly address the needs of the poorest and to prevent members of vulnerable groups from falling into poverty following community-wide or household-specific shocks.

However, there had been relatively few attempts to systematically quantify the impact of social protection activities in terms of expenditure, beneficiaries or the
impact of the programs, and to assess social protection schemes following a standard methodology. Even within many countries governments and stakeholders have no complete picture of their own social protection arrangements, and their quantity and performance. To remedy this situation, ADB commissioned a study in order to develop a methodology for assessing and comparing social protection efforts of countries.

BROOKINGS INSTITUTION


In recent testimony to the Senate Committee on Finance, Lael Brainard discusses America’s response to globalization through the lens of trade policies and examines how provisions of the Trade Enforcement Act of 2007, S. 1919, could help America compete more fairly in the growing global marketplace that requires clearly enforced rules.
http://www.brookings.edu/testimony/2008/0522_trade_brainard.aspx


The experience of the U.S. financial system and economy during the past year vividly demonstrate the need for reform of our financial regulation and supervision. Financial markets will always experience swings between confidence and fear; between optimism and pessimism. However, effective regulation and supervision can reduce the frequency, the magnitude, and the broader consequences of these swings. Our diagnosis of what caused this crisis leads directly to our prescriptions for policy changes. We view our proposals as a measured response—more than a fine-tuning of the regulatory and supervisory system, but less than a complete overhaul.


Taxpayers are overwhelmed by complexity, real and imagined, in the tax code. Testifying before the Senate Finance Committee, William Gale said that, although the need to simplify the tax system is one goal that everyone accepts, every year the system becomes more complex.
BUSINESS SOFTWARE ALLIANCE

FIFTH ANNUAL BSA AND IDC GLOBAL SOFTWARE PIRACY STUDY. BSA. May 14, 2008

Although piracy of software on personal computers (PC) declined in many countries in 2007, fast growing PC markets in some of the world’s highest piracy nations caused overall numbers to worsen—a trend that is expected to continue. Moreover, dollar losses from piracy rose by $8 billion to nearly $48 billion.

These are among the findings of the fifth annual global PC software piracy study released today by the Business Software Alliance (BSA), an international association representing the software industry and its hardware partners. The study was conducted by IDC, the information technology industry’s leading global market research and forecasting firm.

Of the 108 countries included in the report, the use of pirated software dropped in sixty-seven, and rose in only eight. However, because the worldwide PC market grew fastest in high-piracy countries, the worldwide PC software piracy rate increased by three percentage points to 38% in 2007.


CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE (CEIP)


A new study reveals that although many poor households will require urgent assistance because of rising food prices, more are likely to gain than lose.

It also recommends how the Doha Round, which might soon reach a deal, could help by:
• allowing developing countries the policy tools they need to build up their own agricultural sectors;
• increasing food supply in the medium and long term; and
• shielding the poor from market failures that can affect their very survival.

In a policy outlook, Rising Food Prices, Poverty, and the Doha Round, Sandra Polaski examines the role of a Doha agreement in light of rising food prices and their impact on global poverty. She finds that conventional wisdom about the price rises, their effect on the poor, and how best to respond is largely wrong.


Acclaimed author and visiting scholar at Carnegie, David Rothkopf discusses how a select, insular group of the six thousand most powerful people on the planet make daily decisions that impact the lives of millions across borders and develop ideas that are shaping the history of our times. In his new book, Superclass, Rothkopf reveals a harsh truth: The most powerful individuals in the world are not elected. Indeed, they have helped shape a system that is producing historic inequities not just in wealth but in the distribution of world power. 

CATO INSTITUTE

ASSET BUBBLES AND THEIR CONSEQUENCES. By Gerald P. O'Driscoll Jr. CATO. Briefing Paper no. 103. May 20, 2008

In the past, the federal government has introduced moral hazard in the banking system through deposit insurance. Banks underpriced risk because of the federal guarantee that backed deposits. After banking crises in the 1980s and 1990s, deposit insurance was put on a sound basis and that source of moral hazard was mitigated. In its place, monetary policy has become a source of moral hazard. In acting to counter the economic effects of declining asset prices, the Federal Reserve has come to be viewed as underwriting risky investments. Policy pronouncements by senior Fed officials have reinforced that perception. These actions and pronouncements are mutually reinforcing and destructive to the operation of financial markets. The current financial crisis began in the subprime housing market and then spread throughout credit markets. The new Fed policy fueled the housing boom. Refusing to accept responsibility for the housing bubble, the Fed's recent actions will likely fuel a new asset bubble. The cumulative effects of recent monetary policy undermine the case for free markets.


Naomi Klein's The Shock Doctrine purports to be an exposé of the ruthless nature of free-market capitalism and its chief recent exponent, Milton Friedman. Klein argues that capitalism goes hand in hand with dictatorship and brutality and that dictators and other unscrupulous political figures take advantage of "shocks"—catastrophes real or manufactured—to consolidate their power and implement unpopular market reforms. Klein cites Chile under General Augusto Pinochet, Britain under Margaret Thatcher, China during the Tiananmen Square crisis, and the ongoing war in Iraq as examples of this process.

Klein's analysis is hopelessly flawed at virtually every level. Friedman's own words reveal him to be an advocate of peace, democracy, and individual rights. He argued that gradual
economic reforms were often preferable to swift ones and that the public should be fully informed about them, the better to prepare themselves in advance. Further, Friedman condemned the Pinochet regime and opposed the war in Iraq. 

http://www.cato.org/pub_display.php?pub_id=9384


Even though most rail transit system uses less energy than buses, it is heavily supplemented by extensive feeder bus operations, with very low number of users. Therefore, most rail transit systems end up using more energy per passenger mile. Many decades of energy savings would be needed to repay the energy cost of rail transit system construction. Even with the attempts to improve the environment by changing people’s behavior so that they drive less, such behavioral efforts have been far less successful than technical solutions to toxic air pollution associated with automobiles.

[Note: contains copyrighted material]


**CENTER FOR AMERICAN PROGRESS**

**THE PROGRESSIVE GENERATION: HOW YOUNG ADULTS THINK ABOUT THE ECONOMY. By David Madland, Amanda Logan. Center for American Progress. May 6, 2008**

Young adults today—often known as the Millennial Generation—have decidedly progressive views on economic issues, possibly more so than any previous generation. According to the results of our first-of-a-kind analysis of Millennials’ views on the economy, a majority of 18- to 29-year-olds (our definition of this generation) believe that the government can be a force for good in the economy, and that increased investments in healthcare, education, and other areas are necessary to ensure strong and sustainable economic growth.

http://www.americanprogress.org/issues/2008/05/pdf/progressive_generation.pdf

**CENTER FOR ECONOMIC AND POLICY RESEARCH**


Synthesizing previous CEPR research, this report uses a new methodology to better assess the economic security of working families. Rather than using the federal poverty line as a metric for a family's economic hardship, the authors of "Working Families and Economic Insecurity in the States: The Role of Job
Quality and Work Supports,” use basic family budgets and consider the role of public works supports to present a more accurate picture of a working family's economic needs for attaining a basic standard of living in their communities. The study includes results for 45 states and the District of Columbia.

THE UNION WAGE ADVANTAGE FOR LOW-WAGE WORKERS. John Schmitt. CEPR. May 2008

This report uses national data from 2003 to 2007 to show that unionization raises the wages of the typical low-wage worker (one in the 10th percentile) by 20.6 percent compared to 13.7 percent for the typical medium wage worker (one in the 50th percentile), 6.1 percent for the typical high-wage worker (one in the 90th percentile). The paper also produces results for the 50 states and the District of Columbia. Throughout the states, a similar pattern holds, with unionization raising the wages of the lowest-wage workers the most.

HOW NOT TO ATTACK AN ECONOMIST (AND AN ECONOMY): GETTING THE NUMBERS RIGHT. Mark Weisbrot. CEPR. April 2008

This paper continues a debate over the extent of economic and social progress in Venezuela that began with an article in the March/April 2008 issue of Foreign Affairs. This article argued that “a close look at the evidence reveals just how much Chávez's 'revolution' has hurt Venezuela's economy -- and that the poor are hurting most of all.” CEPR responded with “An Empty Research Agenda: The Creation of Myths About Contemporary Venezuela,” showing that the main allegations of the article were wrong. The author of the Foreign Affairs article, economist Francisco Rodriguez, then responded with an Economics Working Paper at Wesleyan University, which defended his original analysis.

The current paper demonstrates that Rodriguez's assertions in his response are almost all without merit. His argument that inequality has increased during the Chávez years is contradicted by the best available data (in fact these data show a reduction in inequality). His claim that the amount of poverty reduction in Venezuela during the last four years, relative to its economic growth, compares unfavorably to other countries is clearly wrong; in fact, Venezuela's poverty reduction has been much better than the vast majority of countries for the amount of growth that it has had. His argument that the Chávez government did not demonstrate any change of priorities with regard to public spending is wrong and misleading and his assertion that Venezuela's literacy program has not had any distinguishable effect on literacy cannot be demonstrated from the data that he uses.
THE COMMITMENT TO DEVELOPMENT INDEX FOR AFRICA: HOW MUCH DO THE RICHEST COUNTRIES HELP THE POOREST CONTINENT? David Roodman. CGD. 05/12/2008

How committed are world’s richest countries to the development of Africa, the world’s poorest continent? While rich countries are most often compared on the basis of foreign aid as a percentage of their GDP, finding the real answer involves so much more. Using the same methods as in the global Commitment to Development Index (CDI), research fellow David Roodman ranks the world’s 21 richest countries in a new CDI for Africa based not only on their foreign aid, but on their trade, investment, and migration policies as well as their commitments to the environment, to security, and to technology. Many findings reflect global trends, but some of the results specific to Africa may not be what you expect.
http://www.cgdev.org/content/publications/detail/16037

GEORGE BUSH'S FOREIGN AID: TRANSFORMATION OR CHAOS? Carol Lancaster. CGD. 05/16/2008

In this study, CGD visiting fellow Carol Lancaster analyzes the dramatic changes in U.S. foreign aid during the Bush administration, including the increased use of aid to address failed states and to fight HIV/AIDS and the global war on terror; changes in organization; the establishment of an entirely new aid agency—the Millennium Challenge Corporation (MCC); new approaches to delivering aid, including the MCC’s “performance-based aid”; and the use of large amounts of aid to address a single problem, as with the President’s Emergency Plan for AIDS Relief (PEPFAR).

Lancaster analyzes the origins of these shifts in aid, their promise, and their potential problems. She also analyzes major policy issues and organizational challenges that these changes raise. She concludes with recommendations on the purposes and organization of U.S. aid for the future.
http://www.cgdev.org/content/publications/detail/16085


Today, as China’s influence in the world grows and as the European Union moves to strengthen its position in international affairs, it is all the more critical for U.S. policy leaders to take careful stock of China-Europe relations and their implications for U.S. interests. Europe-China relations have become increasingly regularized,
institutionalized, and mutually beneficial, encompassing a broadening range of political, economic, military, scientific, technological, educational, and cultural ties. The China question has arisen as an area of potential transatlantic disagreement, especially over the arm embargo issue, but also on broader concerns of global order, multipolarity, balancing U.S. power, and economic competition.

Given the political, economic and security-related importance of China and Europe to the United States, improving China-Europe relations pose important challenges and opportunities for U.S. interests. These developments may not only challenge the U.S. position vis-à-vis China and Europe; they also could contribute to an increasingly competitive, confrontational, and ultimately detrimental deterioration in traditionally strong transatlantic relations, while also further exacerbating persistent mistrust in U.S.-China ties. Were U.S.-Europe-China relations to deteriorate, Washington could lose out on the enormous strategic opportunities that would encourage positive political, economic, and security-related outcomes in China, which favor U.S., European, and Chinese interests over the longer term.


CENTER ON BUDGET AND POLICY PRIORITIES


On May 20, House and Senate negotiators reached agreement on a Congressional budget plan for fiscal year 2009, which the House and Senate plan to vote on by the end of this week. This paper provides a brief analysis of the plan and how it compares with the budget President Bush submitted earlier this year.

Current policy projections of federal spending and revenues show sizable surpluses in 2012 and 2013 primarily because the large tax cuts enacted in 2001 and 2003 are scheduled to expire at the end of 2010 under current law (and relief from the Alternative Minimum Tax ends under current law). Both the congressional budget plan and the President’s budget assume enactment of legislation that will largely consume these projected surpluses, but the legislation assumed in the congressional plan differs substantially from what the President’s budget proposes.

http://www.cbpp.org/5-22-08bud.htm


Supplemental appropriations legislation that the House of Representatives approved last week (H.R. 2642) would impose a modest income tax surcharge on couples with adjusted gross income above $1 million (and singles with AGI above $500,000) to fund an expansion of higher education benefits for veterans. The surcharge would be equal to 0.47 percent of a taxpayer’s income above the
threshold. For example, a couple with AGI of $1.1 million would pay a surcharge of $470 ($470 = 0.47% x $100,000).

Critics of the legislation have charged that the surcharge would harm small businesses and thereby damage the economy. In a letter to House members, the National Association of Manufacturers asserted that the surcharge would even diminish the employment prospects of returning veterans. The claim is that, because most small business owners pay individual income tax on their small business income, many of them would pay higher tax on their profits as a result of the legislation, which would deter them from hiring new workers and investing in their businesses. This argument is severely flawed in several respects. http://www.cbpp.org/5-20-08tax.pdf

**DESIGNING CLIMATE-CHANGE LEGISLATION THAT SHIELDS LOW-INCOME HOUSEHOLDS FROM INCREASED POVERTY AND HARDSHIP.** By Robert Greenstein, Sharon Parrott, and Arloc Sherman. Center on Budget and Policy Priorities. Revised May 9, 2008

Efficient, effective policies to reduce greenhouse-gas emissions work in part by raising the prices of fossil-fuel energy products to encourage energy efficiency and the substitution of clean energy sources for fossil fuel. This is essential to prevent extensive environmental and economic damage from climate change. However, it will raise costs to consumers for a wide array of products and services, from gasoline and electricity to food, mass transit, and other products or services with significant energy inputs.

The cost increases will pose special challenges for low- and moderate-income households because, as Congressional Budget Office studies have shown, they spend a larger share of their budgets on energy than better-off households do. Using methodology developed by CBO and data from the Bureau of Labor Statistics’ Consumer Expenditure Agency, we estimate that households in the poorest fifth of the population would, on average, face an estimated $750, a year in added costs (in today’s dollars) if emissions were reduced 15 percent below projected levels, which is a modest emissions-control target. http://www.cbpp.org/10-25-07climate.pdf

**PULLING APART: A STATE-BY-STATE ANALYSIS OF INCOME TRENDS.** Jared Bernstein; Elizabeth McNichol; Andrew Nicholas. Center on Budget and Policy Priorities. April 9, 2008

A state-by-state examination of trends in income inequality over the past two business cycles finds that inequality has grown in most parts of the country since the late 1980s. The incomes of the country’s highest-income families have climbed substantially, while middle- and lower-income families have seen only modest increases.

In fact, the long-standing trend of growing income inequality accelerated between the late 1990s and the mid-2000s (the latest period for which state data are available).
Similarly, families in the middle of the income distribution have fallen farther behind upper-income families in many states since the late 1990s.

The benefits of economic growth were broadly shared for a few years in the late 1990s — the only period in the past two decades for which this was true — but this broad-based growth ended with the 2001 downturn. Once the effects of the recession were left behind, the trend toward greater inequality quickened, as the incomes of the richest families climbed while those of low- and moderate-income families stagnated or declined.

http://www.cbpp.org/4-9-08sfp.pdf

COUNCIL ON FOREIGN RELATIONS (CFR)


In this Nikkei article, Roger Kubarych outlines the lessons learned in the past few weeks that will be of lasting importance to global investors. He finds that "too complex to fail" is the prevailing U.S. economic doctrine—with the Bear Stearns bailout as case in point. Kubarych also argues that banks are capitalists until they need government hand-outs but will revert to type once the crisis fades.


SMART COUNTRIES, FOOLISH CHOICES. Center for Geoeconomic Studies, Council on Foreign Relations. Amity Shales and Gaurav Tiwari. April 8, 2008. 08AD640

It seems to be a common belief that oil-rich countries are not friendly to the United States, and that entrepreneurial or “smart” countries are not endowed with oil. Shales and Gaurav find a triangular relationship between oil wealth, entrepreneurial spirit, and friendliness to the United States. They conclude that oil producing countries are not U.S.-friendly, in contrast to entrepreneurial countries, which are friendly to the United States, do not have oil. The authors recommend that it is in the U.S. interest to support education and economic diversification in oil producing countries so those countries can become entrepreneurial and friendly.

[Note: Contains copyrighted material]
http://www.cfr.org/content/publications/attachments/CGS_WorkingPaper_1.pdf [pdf format, 26 pages].
EAST-WEST CENTER

MAPPING CHANGE IN THE ASIA PACIFIC REGION: GEOPOLITICS, ECONOMICS, AND DIPLOMACY. By Benjamin Glahn (rapporteur) East-West Center. 2008

The Senior Policy Seminar brings together senior foreign policy officials, private sector leaders, and analysts from countries around the region for nonofficial, frank, and non-attribution discussions of security issues in the Asia Pacific region.

The 2007 Senior Policy Seminar at the East-West Center was the eighth in an annual series. In view of the profound changes that have been occurring in the Asia Pacific region over recent years and in anticipation of a 2008 presidential election in the United States that will shape the nature of the next U.S. administration if not its specific policies, this year’s seminar focused on a retrospective on the ongoing “tectonic shifts” in various dimensions of power within the region. The three subareas were strategic/geopolitical power, economic power, and the more recently articulated concept of “soft power.” In addition, the opening and concluding sessions considered a somewhat broader and more topical range of regional issues including implications and challenges for U.S. policy.

The principal value of the seminar is always found in the insights and contributions of the participants both those who made opening presentations at the various sessions and those who participated in the frequently lively discussions. It is their observations that provide the analysis and judgments recorded in this report. All views expressed in this report are those of the participants and do not necessarily represent either a consensus of all views expressed or the views of the East-West Center.


ECONOMIC POLICY INSTITUTE


With federal stimulus checks in the mail this month, it’s worth reconsidering the much-trumpeted bipartisan accord that was reached in January to jumpstart the U.S. economy – and all that it fails to do. For instance, the stimulus deal provides for no extension of unemployment benefits; no aid to cash-strapped states; and no spending on immediate repairs to schools, bridges, ports, and other crucial infrastructure. All of the above were identified by EPI as cost-effective ways to inject money into a shrinking economy, in many cases, creating good jobs in the process. They were not incorporated into the plan then, and despite far worsening economic conditions, efforts to revive the ideas have not gathered sufficient support. In fact, the latest effort toward a second stimulus package in the House, which began with talk of halting foreclosures and building infrastructure, has shrunk down to a minor extension of unemployment benefits tagged onto a supplemental appropriations bill used to fund the war in Iraq.

http://www.epi.org/content.cfm/pm124
TRADE, JOBS, AND WAGES: ARE THE PUBLIC’S WORRIES ABOUT
GLOBALIZATION JUSTIFIED? By L. Josh Bivens. EPI Issue Brief #244 May 6, 2008

A wide gulf exists today in American politics. On one shore are voters increasingly anxious about globalization and its effect on their jobs and communities. On the other are economists, policy makers, and pundits who maintain that trade is good for the economy, that the wider public is simply misguided about its benefits, and that politicians who sympathize with those concerned about globalization are pandering to special interests at the expense of the wider economy. This latter group relies heavily on the suggestion that “all economists believe” globalization is good for the vast majority of American workers. This reliance is odd given that mainstream economics actually argues that there are plenty of reasons for concern about globalization’s effect on the majority of American workers. This primer highlights two issues in particular that should worry American workers about globalization: job losses stemming from growing trade deficits; and downward wage pressure for tens of millions of American workers. These problems are not unexpected consequences of expanded trade; quite the opposite, they are exactly what standard economic reasoning predicts.

http://www.epi.org/issuebriefs/244/ib244.pdf

INVESTING IN U.S. INFRASTRUCTURE; An Agenda for Shared Prosperity forum. EPI. Tuesday, April 29, 2008

In a time of economic weakness, public investments in our nation's infrastructure can provide short-term stimulus while also building the foundation for long-term economic growth. The Economic Policy Institute sponsored a timely forum on Investing in U.S. Infrastructure to address critically needed federal investments in infrastructure, including transportation, school buildings, and information networks.

http://www.sharedprosperity.org/av/20080429.html Full written transcript:

EUROPEAN COMMISSION


European policy makers, notably in the euro area, seem to take for granted that the electorate will punish them for bold reform in product and labour markets. This may explain why progress in the euro area has been comparatively limited. This paper posits and, using a dataset for 21 OECD countries, shows that this fear of electoral backlashes is unfounded, provided that financial markets work well. The mechanisms involved are relatively straightforward: well functioning financial markets "bring forward" future yields of structural reform to the present, thus permitting to overcome possible short-run costs. As a result, the electorate tend to reward, not punish, reformist governments. This has
important implications for the design of structural reform packages, with financial market reforms being an essential ingredient beside product and labour market reforms.


The introduction of the euro was an immense political and symbolic step towards an integrated Europe. It was also the world’s largest economic ‘experiment.’ This experiment opens the door to a major advance in our understanding of how a common currency affects economic activity ranging from trade and foreign direct investment to wage-setting behaviour and corporate business strategies. A series of studies stretching back to the early years of the decade have begun to piece together a wide range of results. The resulting collage is still not fully coherent, this report has moved in that direction.

ENTREPRENEURSHIP IN HIGHER EDUCATION, ESPECIALLY WITHIN NON-BUSINESS STUDIES. Enterprise and Industry Directorate-General, European Commission. March 2008. 08AD642

The report stresses Europe’s need to stimulate the entrepreneurial mindsets, encourage creative business start-ups, and foster a culture that is friendlier to the growth of small and medium-sized enterprises. The benefits of entrepreneurship education can expand an individual’s ability to turn ideas into action and is therefore a key competence for all, helping young people to be more creative and self-confident in whatever they set out to accomplish.

EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS

LABOUR MOBILITY IN A TRANSATLANTIC PERSPECTIVE: CONFERENCE REPORT. European Foundation for the Improvement of Living and Working Conditions. Peter Ester and Hubert Krieger. Web posted April 21, 2008. 08AD643

The seminar brought together about 60 leading European and American researchers and policymakers in the field of labor mobility, in order to examine transatlantic mobility trends and the social, economic and cultural impacts of geographical and long-distance labor market mobility. It focused on long-distance geographic mobility trends in the US and in Europe. Overall, it concluded that increased but improved mobility is needed and that the mobility concept covers different forms and motives.
EWING MARION KAUFFMAN FOUNDATION

EDUCATION AND TECH ENTREPRENEURSHIP. Ewing Marion Kauffman Foundation. Vivek Wadhwa et al. May 2008. 08AD718

The popular image of American tech entrepreneurs is that they come from elite universities. Some graduate and start companies in their garages, while others drop out of college to start their business careers. The dot-com boom reinforced the image of technology CEOs being young and brash. But, even though Bill Gates and Steve Jobs founded two of the world’s most successful companies, they are not representative of technology and engineering company founders. A larger proportion of tech founders are middle-aged, well-educated in business or technical disciplines, with degrees from a wide assortment of schools.

[Note: contains copyrighted material]
http://www.kauffman.org/pdf/Education_Tech_Ent_042908.pdf [PDF format, 16 pages].


The Kauffman Index of Entrepreneurial Activity is a leading indicator of new business creation in the United States. Capturing new business owners in their first month of significant business activity, this measure provides the earliest documentation of new business development across the country. Analysis of matched monthly data from the Current Population Survey (CPS) allows for comparisons of the percentage of the adult, non-business-owner population that starts a business over time. In addition to this overall rate of entrepreneurial activity, separate estimates for specific demographic groups, states, and select metropolitan statistical areas (MSAs) are presented. The Index provides the only national measure of business creation by specific demographic groups.

New 2007 CPS data allow for an update to previous reports, with consideration of trends in the rates of entrepreneurial activity over the twelve-year period between 1996 and 2007. While the entrepreneurial activity rate has remained roughly consistent over the past decade, the Kauffman Index reveals important shifts in the demographic and geographic composition of new entrepreneurs across the country.


The authors identify the conditions that characterize Good Capitalism—the right blend of entrepreneurial and established firms, which can vary among countries—as well as the features of Bad Capitalism. They examine how countries catching up to the United States can move faster toward the economic frontier, while laying out the need for the United States itself to stick to and reinforce the recipe for growth that has enabled
it to be the leading economic force in the world. This pathbreaking book is a must read for anyone who cares about global growth and how to ensure America’s economic future.
http://www.kauffman.org/capitalism/

HARVARD KENNEDY SCHOOL


We propose a two-level-game (Putnam, 1988) perspective on gender in job negotiations. At Level 1, candidates negotiate with the employers. At Level 2, candidates negotiate with domestic partners. In order to illuminate the interplay between these two levels, we review literature from two separate bodies of literature. Research in psychology and organizational behavior on candidate-employer negotiations sheds light on the effects of gender on Level 1 negotiations. Research from economics and sociology on intra-household bargaining elucidates how negotiations over the allocation of domestic labor at Level 2 influence labor force participation at Level 1. In conclusion, we integrate practical implications from these two bodies of literature to propose a set of prescriptive suggestions for candidates to approach job negotiations as a two-level game and to minimize disadvantageous effects of gender on job negotiation outcomes.
http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP08-027/$File/rwp_08_027_bowles.pdf


The paper offers a new approach to estimate de facto exchange rate regimes, a synthesis of two techniques. One is a technique that the authors have used in the past to estimate implicit de facto weights when the hypothesis is a basket peg with little flexibility. The second is a technique used by others to estimate the de facto degree of exchange rate flexibility when the hypothesis is an anchor to the dollar or some other single major currency, but with a possibly-substantial degree of flexibility around that anchor. Since many currencies today follow variants of Band-Basket-Crawl, it is important to have available a technique that can cover both dimensions, inferring weights and inferring flexibility. We try out the technique on twenty-some currencies, over the period 1980-2007. Most are currencies that have officially used baskets as anchors for at least part of this sample period. But a few are known floaters or known simple peggers. In general the synthesis technique seems to work as it should.

A fixed budget must be allocated to a finite number of different projects with uncertain outputs. The expected marginal productivity of capital in a project first increases then decreases with the amount of capital invested. Such behavior is common when output is a probability (of escaping infection, succeeding with an R&D project...). When the total budget is below some threshold, it is invested in a single project. Above this cutoff, the share invested in a project can be discontinuous and non-monotone in the total budget. Above an upper cutoff, all projects receive more capital as the budget increases.


Business leaders, government officials, and academics are focused on the concept of “corporate social responsibility” (CSR), with the emphasis on environmental protection. The report looks through the lens of economics, including insights from legal analysis and business scholarship, to beyond the compliance with environmental regulations, and into additional moral or social responsibilities to commit resources to environmental protection by the corporate world.

[Note: Contains copyrighted material]

http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP08-023/$File/rwp_08_023_stavins.pdf [PDF format, 37 pages].


The attacks of September 11, 2001, and more recently the Madrid and London downtown train bombings, have raised concerns over both the safety of downtowns and the continuous efforts by terrorists to attack areas of such high density and significance. This article employs building-level data on vacancy rates to investigate the impact of an increased perception of terrorist risk after 9/11 on the office real estate market in downtown Chicago. Chicago provides the perfect laboratory to investigate the effects of an increase in the perceived level of terrorist risk in a major financial district. Unlike in New York, the 9/11 attacks did not restrict directly the available office space in downtown Chicago. Moreover, the 9/11 attacks induced a large increase in the perception of terrorist risk in the Chicago Central Business District, which includes the tallest building in the U.S. (the Sears Tower) and other landmark buildings which are potential targets of large-scale terrorist attacks. Our results show that, following the 9/11 attacks, vacancy rates experienced a much more pronounced increase in the three most distinctive Chicago landmark buildings (the Sears Tower, the Aon Center and
the Hancock Center) and their vicinities than in other areas of the city of Chicago. Our results suggest that economic activity in Central Business Districts can be greatly affected by changes in the perceived level of terrorism.


The euro has arisen as a credible eventual competitor to the dollar as leading international currency, much as the dollar rose to challenge the pound 70 years ago. This paper uses econometrically-estimated determinants of the shares of major currencies in the reserve holdings of the world’s central banks. Significant factors include: size of the home country, rate of return, and liquidity in the relevant home financial center (as measured by the turnover in its foreign exchange market). There is a tipping phenomenon, but changes are felt only with a long lag (we estimate a weight on the preceding year’s currency share around .9). The equation correctly predicts out-of-sample a (small) narrowing in the gap between the dollar and euro over the period 1999-2007. This paper updates calculations regarding possible scenarios for the future. We exclude the scenario where the United Kingdom joins euroland. But we do take into account of the fact that London has nonetheless become the de facto financial center of the euro, more so than Frankfurt. We also assume that the dollar continues in the future to depreciate at the trend rate that it has shown on average over the last 20 years. The conclusion is that the euro may surpass the dollar as leading international reserve currency as early as 2025.


**HERITAGE FOUNDATION**

**INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT.** By Ambassador Terry Miller. Heritage Foundation WebMemo #1936. 23 May 2008

International trade is fulfilling its promise as the most significant source of external financing for development, surpassing all other external sources combined. In the first five years following the adoption of the Monterey Consensus, exports from emerging markets and developing countries have grown, according to the International Monetary Fund, at an average annual rate of almost 11 percent. Current account balances for those countries have grown from $78.4 billion in 2002 to $596 billion in 2006.

THE GOOD AND BAD APPROACHES TO AFFORDABLE ENERGY POLICY. By Ben Lieberman. Heritage Foundation WebMemo #1927. 19 May 2008

Good energy policy is easy to distinguish from bad energy policy: Good policy leads to more supplies of affordable energy, and bad policy leads to less. The recently rejected American Energy Production Act of 2008 (S. 2958), sponsored by Senator Mitch McConnell R-KY), sought for the most part to make it easier to access domestic energy supplies by undoing past constraints, including restrictions on domestic oil production.


U.S. government programs that subsidize risk offer above-market returns by privatizing gains while socializing losses. Advancing freer trade through a comprehensive and substantive conclusion to the Doha Round of trade negotiations and ratification of the three pending free trade agreements would promote both U.S. prosperity and economic development abroad.
http://www.heritage.org/Research/TradeandForeignAid/upload/hl_1084.pdf

MORE H-1B VISAS, MORE AMERICAN JOBS, A BETTER ECONOMY. By James Sherk and Guinevere Nell. Heritage Foundation. Center for Data Analysis Report #08-01. 30 April 2008

High-tech employers cannot hire needed new workers, and advanced fields like computers and mathematical are at full employment. Raising the cap on H-1B visas for skilled workers would allow these companies to expand inside the U.S. and would increase tax revenues by $69 billion over eight years, which would not harm the economy, unlike tax increases sought for PAYGO offsets.
http://www.heritage.org/Research/Labor/upload/cda_08-01.pdf

HOW SMART GROWTH EXACERBATED THE INTERNATIONAL FINANCIAL CRISIS. By Wendell Cox. WebMemo #1906. Heritage Foundation. 29 April 2008

The U.S. mortgage meltdown has dominated business news for months. The crisis seems to deepen daily, and its impacts are felt throughout an increasingly interdependent financial world. Only recently, the Organization for Economic and Development (OECD) and the International Monetary Fund (IMF) have suggested that losses of an additional $250 billion to $1 trillion may yet be in the offing. In the ongoing debate over the causes and cures of the mortgage meltdown, one of the most important factors has been virtually absent: the role of excessive land use regulations in exacerbating the extent of losses.
ECONOMIC EFFECTS OF INCREASING THE TAX RATES ON CAPITAL GAINS AND DIVIDENDS. By William Beach, Rea S. Hederman, Jr., and Guinevere Nell. Heritage Foundation. WebMemo #1891. 15 April 2008

On December 31, 2010, the low tax rates on capital gains and dividends enacted in 2003 will increase to the higher level that applied prior to that year. Many economists agree that the expiration of these tax cuts will discourage investment and slow economic growth. The United States already has one of the world's highest capital gains tax rates.


HOOVER INSTITUTION


Conflicting priorities are confusing policy.

There’s broad agreement that America should reduce its dependence on imported oil, but far less agreement on why. Are we combating global warming, or are we distancing ourselves from hostile and unstable regimes? The popular reply is that it hardly matters — we need to do both and the goals reinforce each other. But these two national energy goals are not only different but frequently in conflict, and effective policy will not be forged until those conflicts are addressed. Meanwhile, we’ll continue to see watered down legislative efforts similar to the Energy Act of 2007 and its predecessors. When dependence on foreign oil first became a major issue in 1973, the country imported less than a third of its petroleum; it now imports over 60 percent.

http://www.hoover.org/publications/policyreview/17086446.html

AMERICA’S TAX BURDEN. Hoover Institution. Michelle Bussenius. April 9, 2008. 08AD636

America’s tax system has a complicated history and a complicated tax code that many would like to see simplified. The Internal Revenue Service is projecting that close to 140 million American individuals, families, and businesses will file income tax returns by April 15, 2008. In total, the U.S. Department of the Treasury expects an estimated $2.5 trillion in tax revenue this year. According to data released by the IRS in 2007, the average American household paid $22,100 in federal.

http://www.hoover.org/research/focusonissues/focus/17442454.html

HUDSON INSTITUTE

HUDSON ECONOMIC REPORT-- May 2, 2008. By Diana Furchtgott-Roth. Hudson Institute

Stock markets had cause to rally last week. Despite the almost-universal predictions of a deep recession, first-quarter GDP was positive. Unless it is revised down to negative growth, the first proof that we are in a recession will come only in October, when we’ll find out if both
the second and third quarters were negative. Whereas first-quarter GDP growth was not strong, coming in at only 0.6 percent, positive growth provided a boost to worried markets. Furthermore, the unemployment rate declined and the job losses were not as severe as were predicted.

More stimulus is on the way to attempt to prod the economy into greater growth. The Federal Reserve made what some predict to be its final cut in the target rate to 2% on Wednesday. The IRS is mailing out checks to encourage increased consumer spending. However, growing gasoline taxes may very well take the stimulus checks out of consumers’ pockets and deposit them straight in their gas tanks.

The economy shed 20,000 jobs in April. 90,000 new service jobs offset much of the 110,000 decrease in construction, manufacturing, and retail trade. Key industries that gained jobs in April include the usual suspects: education and health services (+52,000), professional and business services (+39,000), leisure and hospitality (+18,000), government (+9,000) other services (+7,000), finance, insurance and real estate (+3,000), and transportation (+1,200). At the same time, the household survey showed an increase of 362,000 employed workers, and the unemployment rate declined to 5.0.


INSTITUTE FOR STUDY OF LABOR


The negative correlation between female employment and fertility in industrialized nations has weakened since the 1960s, particularly in the United States. We suggest that the continuing influx of low-skilled immigrants has led to a substantial reduction in the trade-off between work and childrearing facing American women. The evidence we present indicates that low-skilled immigration has driven down wages in the US child-care sector. More affordable child-care has, in turn, increased the fertility of college graduate native females. Although childbearing is generally associated with temporary exit from the labor force, immigrant-led declines in the price of child-care has reduced the extent of role incompatibility between fertility and work.


In this paper we develop a dynamic structural life-cycle model of labor supply behavior which fully accounts for the effect of income tax and transfers on labor supply incentives. Additionally, the model recognizes the demand side driven rationing risk that might prevent individuals from realizing their optimal labor supply state, resulting in involuntary unemployment. We use this framework to study the employment effects of transforming a traditional welfare state, as is
currently in place in Germany, towards a more Anglo-American system in which a large proportion of transfers are paid to the working poor.


The paper contributes to the existing studies which show that the self-employed are generally more satisfied than those employed by others. French data and British data were used to draw conclusions. The self-employed workers are generally more satisfied with working conditions and pay, but less satisfied than other employees with respect to job security. Then the authors considered the differences between the first- and second-generation self-employed. The first-generation self-employed are more satisfied overall than are the second-generation self-employed.
[Note: contains copyrighted material]
http://ftp.iza.org/dp3476.pdf [PDF format, 26 pages].

INTER-AMERICAN DEVELOPMENT BANK


The 2007 Annual Report highlights new initiatives to make IDB an “indispensable partner” for Latin America and the Caribbean. It also contains a brief description of key areas and institutional aspects of the Bank, statements of approved operations in 2007, financial highlights and audited financial statements, and the region’s outlook for 2008.


INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE (IFPRI)


The sharp increase in food prices over the past couple of years has raised serious concerns about the food and nutrition situation of poor people in developing countries, about inflation, and—in some countries—about civil unrest. Real prices are still below their mid-1970s peak, but they have reached their highest point since that time. Both developing- and developed-country governments have roles to play in bringing prices under control and in helping poor people cope with higher food bills.
http://www.ifpri.org/pubs/bp/bp001.asp
INTERNATIONAL MONETARY FUND

WATCHDOG RELEASES REPORT ON IMF CORPORATE GOVERNANCE. Tom Bernes interview by Gita Bhatt, IMF Survey online. May 28, 2008

The Independent Evaluation Office (IEO) of the International Monetary Fund released on May 28 a report assessing the governance of the institution. The report calls for changes in the Fund's governance, including clarifying the respective roles of various bodies within the IMF and reorienting the job of the Executive Board. http://www.imf.org/external/pubs/ft/survey/so/2008/INT052808A.htm


Following record low interest rates and fast depreciating U.S. dollar, crude oil prices became under rising pressure and seemed boundless. Oil price process parameters changed drastically in 2003M5-2007M10 toward consistently rising prices. Short-term forecasting would imply persistence of observed trends, as market fundamentals and underlying monetary policies were supportive of these trends. Market expectations derived from option prices anticipated further surge in oil prices and allowed significant probability for right tail events. Given explosive trends in other commodities prices, depreciating currencies, and weakening financial conditions, recent trends in oil prices might not persist further without triggering world economic recession, regressive oil supply, as oil producers became wary about inflation. Restoring stable oil markets, through restraining monetary policy, is essential for durable growth and price stability. http://www.imf.org/external/pubs/ft/wp/2008/wp08133.pdf


This paper documents the evolution of measures of financial integration for major advanced and emerging markets economies, assesses whether advances in integration have had a significant positive impact on countries' risk-adjusted growth opportunities, and identifies some of the channels through which financial integration may foster growth. Three main results obtain. First, financial integration has progressed significantly worldwide, particularly in emerging markets, and regional integration has advanced at the fastest pace in Europe. Second, a country's speed of integration predicts future country's risk-adjusted growth opportunities, while improved risk-adjusted growth opportunities predict future advances in integration, indicating that the countries whose integration has been faster may have benefited most from a virtuous dynamics in which financial integration and improved real prospects are mutually reinforcing. Third, financial integration predicts globalization but the reverse does not necessarily hold, while advances in financial integration predict advances in financial development and improvements in the liquidity of equity markets. http://www.imf.org/external/pubs/ft/wp/2008/wp08126.pdf
JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY, RICE UNIVERSITY


The Baker Institute conference, “The Global Energy Market: Comprehensive Strategies to Meet Geopolitical and Financial Risks,” brings together senior policymakers, economists, academic specialists and industry professionals to discuss the geopolitical risks currently facing international energy markets and the global financial system. It also investigates the consequences that such risks could pose to energy security, pricing and supply, as well as to the transparent and smooth operation of the global market for oil and natural gas trade and investment. At the conference, the Baker Institute will release a new energy study titled “The Global Energy Market: Comprehensive Strategies to Meet Geopolitical and Financial Risks.” By analyzing these key geopolitical threats in depth, the study identifies a series of policy frameworks that can be used to fortify the current market system and ensure that it can respond flexibly to the array of threats that might be encountered in the coming years. The study also examines the impact of emerging climate policy on future U.S. foreign and national energy policy.

http://www.rice.edu/energy/events/past/21may08_GlobalEnergyMkt-Hou.html#_gempres


This report examines the macroeconomic and transitional effects of implementing a specific type of consumption tax reform—the national retail sales tax known as the FairTax, as specified in H.R. 25—with a focus on the effects of such a reform on the housing sector, including reform-induced reductions in the prices of existing housing. The analysis is conducted within the context of a dynamic overlapping generations computable general equilibrium model that includes a corporate sector that produces a nonresidential composite good as well as noncorporate rental housing and owner-occupied housing production sectors and allows for the costs of adjusting all capital stocks in response to the enactment of the reform.


LEY ECONOMICS INSTITUTE OF BARD COLLEGE


According to Jan Kregel, in the last two centuries in Latin America, a Washington Consensus development strategy based on integration in the global trading system has dominated both domestic demand management and industrialization from within. The paper looks at the performance of each from the impact of external conditions and the validity of its underlying theory. It concludes that replacing the Consensus will require not only reform of the
international financial architecture but also a return to the integrated policy framework represented in the Havana Charter.

[Note: contains copyrighted material]

ORGANISATION OF ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)


The study reviews where the crisis stands since the OECD’s September 2007 calculation of $300 billion loss. Further, it examines the effect of losses for the deleveraging in the economy and the options to deal with the economic consequences.

[Note: Contains copyrighted material]

OXFAM INTERNATIONAL

HEALTH INSURANCE IN LOW-INCOME COUNTRIES: WHERE IS THE EVIDENCE THAT IT WORKS? Oxfam. 07 May 2008

Some donors and governments propose that health insurance mechanisms can close health financing gaps and benefit poor people. Although beneficial for the people able to join, this method of financing health care has so far been unable to sufficiently fill financing gaps in health systems and improve access to quality health care for the poor. Donors and governments need to consider the evidence and scale up public resources for the health sector. Without adequate public funding and government stewardship, health insurance mechanisms pose a threat rather than an opportunity to the objectives of equity and universal access to health care.


PARTNERSHIP OR POWER PLAY? Oxfam International. Emily Jones. April 21, 2008. 08AD662

By the negotiating deadline of December 2007, six years after the trade talks began between the European Union and 76 African, Caribbean, and Pacific (ACP) countries, fewer than half the ACP countries had ‘initialed’ any form of deal with Europe. The trade ministers from across the ACP stated in December 2007, the ‘European Union’s mercantilist interests have taken precedence over the ACP’s developmental and regional integration interests’. Since there is still room for some changes, through the analysis of the goods, services, investment, and intellectual property chapters of texts concluded last year, the paper looks at the
aspects of Economic Partnership Agreements (EPAs) that put future economic development at risk. It uses case studies from the history of the integration of ACP countries into the global economy to draw lessons from both the past and the present.

[Note: Contains copyrighted material]

PETEISON INSTITUTE FOR INTERNATIONAL ECONOMICS

A BLUEPRINT FOR SOVEREIGN WEALTH FUND BEST PRACTICES. By Edwin M. Truman, Peterson Institute. Policy Brief 08-3

Management of sovereign wealth funds (SWFs)—pools of government-owned or government-controlled financial assets—has become a major focus of national and international economic and financial policy. The principal reasons are their size, lack of transparency, potential to disrupt financial markets, and the risk that political objectives might influence investment decisions. Truman provides a blueprint for SWF best practices to make them more transparent, predictable, and accountable to their own citizens and governments, citizens and governments of host countries, and participants in financial markets.

The blueprint for SWF best practices is based on a scoreboard he has constructed for the current practices of 44 SWFs. The scoreboard contains 33 elements grouped in four categories: structure of the fund, governance, transparency and accountability, and behavior of the fund in managing its portfolio. The elements of the scoreboard can be incorporated into best practices without asking any fund to do something that at least one other fund does not already do. This blueprint meets the substantive principles that have been enunciated by G-7, US, and EU officials and provides a basis for evaluating the results of the International Monetary Fund–sponsored dialogue on SWF best practices.


RAND

THE ECONOMICS OF EARLY CHILDHOOD POLIC: WHAT THE DISMAL SCIENCE HAS TO SAY ABOUT INVESTING IN CHILDREN. By: M. Rebecca Kilburn, Lynn A. Karoly. May 2008

Scientific discoveries over the past two decades have transformed the way in which researchers, policymakers, and the public think about early childhood. For example, recent research in brain science has provided a biological basis for prevailing theories about early child development, and cost-benefit analysis has reoriented some of the discussion about early childhood toward prevention programs. Several recent reports have been particularly helpful in translating research findings into practical information that improves policy. This paper summarizes the contributions from the field of economics, which has played an increasingly prominent role in recent discussions about early childhood policy. The insights from economics also have broader implications for social
programs focused on prevention, especially during childhood, rather than later-in-life remediation. This research will be of value to individuals who are interested in early childhood policy, including decisionmakers in the public and private sectors, service providers, and the public more generally.


More than 60 percent of nonelderly Americans receive health-insurance (HI) coverage through employers, either as policyholders or as dependents. However, rising health-care costs are leading many to question the long-term viability of the employer-based insurance system. Concerns about the economic burden of providing HI are particularly acute for small businesses, which are both less likely than larger firms to offer HI and more sensitive to price when deciding to offer insurance. Small firms may have difficulty containing costs due to their limited bargaining power and their inability to hire experts skilled in negotiating with insurance companies. Further, while few recent studies have systematically explored differences in the quality of HI plans that small and large firms offer, small firms may offer health plans of lower quality. To better understand these issues, researchers from the Kauffman-RAND Institute for Entrepreneurship Public Policy (KRI) explored trends in the economic burden associated with HI provision, as well as the distribution of this burden, for small and large businesses. They also considered the quality of plans that small and large firms offer.

**UNITED NATIONS**

**ECONOMIC REPORT ON AFRICA 2008 -- Africa and the Monterrey Consensus: Tracking Performance and Progress.** UN ECA. April 2008

In 2007, world economic growth slowed to 3.7 per cent from 3.9 per cent in 2006. High prices for oil and other inputs combined with some turbulence in financial markets have contributed to this slowdown. Globally, growth rates were highest in the Commonwealth of Independent States (CIS) as well as in East Asia, with rates above 8 per cent. Growth in developing countries declined only slightly from 7.0 per cent in 2006 to 6.9 per cent in 2007. Africa has maintained the strong growth momentum of the last few years and achieved a 5.8 per cent growth rate in 2007, up from 5.7 per cent in 2006 and 5.2 per cent in 2005. For 2008, world growth is projected to be around 3.4 per cent.

(...) One if the important developments in the world economy that is of high relevance for Africa is the rapid increase in South-South trade and capital flows. Foreign Direct Investment (FDI) from the South increased from just 5 per cent of world outward flows in 1990 to 17 per cent in 2005. FDI to Africa is increasingly coming from Asia, especially China, India and the Gulf States. At the same time, FDI flows within Africa increased substantially in 2006, mainly originating in South and North Africa. These flows are concentrated in the natural resource and services sectors.
http://www.uneca.org/era2008/
WHARTON SCHOOL

HARNESSING THE WINDS OF CHANGE. Wharton Private Equity Review. Knowledge@Wharton. Spring 2008

While the credit crunch has put a damper on headline-grabbing large buyouts, private equity firms have found other ways to discover value in the current market. In this special report, produced in cooperation with the Wharton Private Equity Club, Knowledge@Wharton looks at how funds are adapting to changes in the credit environment, what opportunities exist in the developed markets of Europe and Japan, and the ways that proposed changes in taxation may affect the industry. Also included is a roundtable discussion on setting up a first-time fund in the current market, as well as an interview with David Rubenstein, co-founder and managing director of The Carlyle Group.

http://knowledge.wharton.upenn.edu/papers/download/PrivateEquity08_screenonly.pdf

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS


American Public Media and the Woodrow Wilson Center launch new “serious” game for public to weigh values and develop insight on managing the federal budget

(St. Paul, Minn.) May 5, 2008—On a recent episode of the U.S. television game show "Deal or No Deal," President George W. Bush made a highly unusual appearance and sought host Howie Mandel's help to deal with the federal budget in upcoming talks with Congress. President Bush can now turn to millions of Americans for this help as American Public Media, in partnership with the Woodrow Wilson International Center for Scholars, announces the launch of “Budget Hero”—an online game that lets citizens weigh in on where their tax dollars should go.

“Budget Hero is a new type of journalism that gives people the big picture on the complex and fragmented federal budget process. We created this news game to help Americans feel they can understand and participate in the national debate over the election, the budget and the direction of our country,” said Michael Skoler, executive director of the Center for Innovation in Journalism at American Public Media. “It isn’t easy to be a Budget Hero in the game. You have to stay true to the values you express in the first screen and create a budget that achieves your main goals without jeopardizing the fiscal health of the nation for your children and grandchildren.”

http://www.wilsoncenter.org/index.cfm?topic_id=1414&fuseaction=topics.item&news_id=406518
WORLD BANK


The authors use homogenized definitions of what a migrant is and compute gender-disaggregated indicators of the brain drain. Emigration stocks and rates are provided by level of education and gender for 195 countries in 1990 and 2000. The data set is used to capture the recent trend in women’s skilled migration and to analyze its causes and consequences for developing countries. The findings show that women represent an increasing share of the OECD immigration stock and exhibit higher rates of brain drain than men. The gender gap in skilled migration is strongly correlated with the gender gap in educational level.


The global carbon market grew to a US$64 billion in 2007, more than doubling over 2006, according to this World Bank report. The European Union Emission Trading Scheme (EU ETS) also saw a doubling of both value and number of allowances transacted to a US$50 billion. The report’s data shows that the global carbon market doubled or tripled in value for all segments, except for projects in developing countries. It cautions that market momentum may be at a crossroads for many developing countries just as they are beginning to reap the benefits of carbon finance and are stepping forward to show that they are making efforts to mitigate climate change through advancing clean energy technology.

[Note: contains copyrighted material]
http://siteresources.worldbank.org/NEWS/Resources/State&Trendsformatted06May10pm.pdf [PDF format, 78 pages].


Rising food prices are affecting most developing countries in East Asia. They are contributing to higher inflation, slowing the pace of poverty reduction, and raising concerns about civil unrest. One of the key reasons for higher food prices are the advanced country biofuel policies. The policies aim to promote a more climate-friendly source of energy, but they have also induced a sharp increase in world demand for grains and in grain prices. Recent export restrictions by rice exporting countries concerned about food security have worsened the situation. There is an urgent need for more international dialogue to allow a more open and stable global market in food and to continue progress towards environmentally friendly energy sources.

http://siteresources.worldbank.org/INTEAPREGTOPURDEV/Resources/573691-1141228934263 EAST_Asia_and_Rising_Food_prices_5_5_2008.pdf [PDF format, 18 pages]

The authors, Anderson and Winters, examine the costs of the anti-poor trade policies and the possible strategies to reduce them. Even though barriers to trade in most goods and services have been reduced considerably over the past two decades, many remain. These policies harm not just the economies imposing them, but the merchandise barriers, especially in agriculture and textiles, and worker migration barriers across the borders are particularly harmful to the world's poorest people, as are barriers to worker migration across borders. http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/04/17/000158349_20080417085829/Rendered/PDF/wps4598.pdf [PDF format, 69 pages].

WORLD RESOURCES INSTITUTE

CREATING JOBS WITH CLIMATE SOLUTIONS: HOW AGRICULTURE AND FORESTRY CAN HELP LOWER COSTS IN A LOW CARBON ECONOMY. Testimony of Derik Broekhoff, Senior Associate, World Resources Institute, Before the Senate Subcommittee on Rural Revitalization, Conservation, Forestry, and Credit of the United States Committee on Agriculture, Nutrition, and Forestry. May 21, 2008

Carbon offsets can be an effective tool for lowering the costs of compliance in a cap-and-trade program, and are already being widely used internationally to comply with greenhouse gas emissions targets. To function well and maintain the integrity of a cap-and-trade system, carbon offsets must adhere to certain basic criteria and standards defining how they are quantified and certified. A number of programs around the world have begun developing such standards, but these standards would have to be carefully evaluated before being adopted under a U.S. regulatory program. Carbon offsets can come from many types of projects that reduce or sequester emissions. Some types of projects face higher quantification uncertainties than others, however, necessitating higher transaction costs in certifying the offsets they generate. These projects include certain types of forestry and agriculture carbon sequestration projects, which are subject to greater measurement and baseline uncertainties, reversibility, and leakage compared to other projects. It may be preferable in some cases fund these projects using direct payments rather than an offset market, in order to avoid costs of reducing uncertainties and lower the total cost of achieving emission reductions. http://pdf.wri.org/testimony/creating_jobs_with_climate_solutions.pdf


U.S. decision-makers enjoy access to some of the best economic information and analysis in the world, including detailed measurements of economic activity, employment, and changes in the productivity of labor and capital. These statistics and indicators drive policy and move markets. Regrettably, our conventional economic accounts are not so effective when it comes to providing adequate information on the long-term costs to society of environmental degradation.
This report provides detailed data on trends in material flows in four key sectors of the U.S. economy:

- metal and minerals,
- nonrenewable organic materials (including fossil fuels),
- agriculture, and
- forestry

This report analyzes WRI’s material flow dataset by economic sector, identifies the environmental implications of national trends in materials use, and recommends several policy alternatives to the U.S. government for incorporating and using these accounts.

http://pdf.wri.org/material_flows_in_the_united_states.pdf

WORLD TRADE ORGANIZATION (WTO)


World trade growth slid to 5.5% last year from 8.5% in 2006 and may grow even more slowly in 2008 — at about 4.5% — as sharp economic deceleration in key developed countries is only partly offset by continuing strong growth in emerging economies, according to World Trade Organization economists.

http://www.wto.org/english/news_e/pres08_e/pr520_e.htm

ARTICLES FROM U.S. JOURNALS


Summary: The author, who teaches environmental science and public policy at George Mason University, notes that the nineteenth-century creators of neoclassical economics — the field whose theories underpin the modern market economy — developed their theories by adapting equations from nineteenth-century physics that themselves became obsolete. Says Nadeau, “it is clear that neoclassical economics has become outdated ... [it] is based on unscientific assumptions that are hindering the implementation of viable economic solutions for global warming and other menacing environmental problems.” Among the assumptions of neoclassical economics: that natural resources exist in a domain separate from the closed market system; that the value of these resources can only be determined by the market system; that environmental damage is a cost external to the market system; and that there are no physical limits to the growth of market systems. The present-day global environmental crisis means that “this theory can no longer be regarded as useful ... because neoclassical economics does not even acknowledge the costs of environmental problems and the limits to economic growth, it constitutes one of the greatest barriers to combating climate change and other threats to the planet.” Currently available online at http://www.sciam.com/article.cfm?id=the-economist-has-no-clothes

Summary: Is microcredit the solution to poverty in the world? No, say the authors, both with George Mason University. Although microcredit is undeniably making people’s lives better around the world, it is not pulling them out of poverty. “It is hard to find entrepreneurs who start with these tiny loans and graduate to run commercial empires,” they write. Many lenders refuse to extend microcredit to start-ups. “The more modest truth is that microcredit may help some people, perhaps earning $2 a day, to earn something like $2.50 a day,” the authors say. Not a dramatic improvement, but definitely a step forward to a poor person in many third-world countries. An important advantage to microcredit is that unlike many charitable services, microcredit is capable of paying for itself. “The future of microcredit lies in the commercial sector, not in unsustainable aid programs,” the authors say. Available online at http://www.wilsoncenter.org/index.cfm?fuseaction=wq.essay&essay_id=361250

PUTTING YOUR MONEY WHERE YOUR MOUTH IS: HOW EXPENSIVE IS FOOD, REALLY? Astyk, Sharon. Grist. Posted April 14, 2008  AA08114

Summary: The author, a farmer and writer on food, energy and sustainability issues, notes that skyrocketing food prices are creating widespread hardship, with many low-wage households spending half their income on food. In earlier agrarian societies, it was commonplace to spend a lot of money on food; low food prices of the past half century is an anomaly, generated by large-scale agriculture requiring massive energy and fertilizer inputs. However, Astyk notes that we cannot regard food prices in isolation from society as a whole; while food prices may have been low, the cost of housing has skyrocketed, and people must work long hours to pay for all the dependencies created by the modern industrial economy. Large-scale urbanization has meant that the price of land has become divorced from the value of what it can produce. Low food prices has meant low compensation for farmers — only a small number of massive agribusinesses are able to survive. The rise in food prices that has resulted from increased energy costs will eventually require a return to localized agriculture, which will benefit farmers, and will mean that land and house prices will have to return to a level at which they are tied to the value of the soil beneath them. Available online at http://gristmill.grist.org/story/2008/4/13/1412/53386

AMERICA.GOV – U.S. DEPARTMENT OF STATE PUBLICATIONS
http://www.america.gov/

MORTGAGE MARKETS BOOST HOME OWNERSHIP, U.S. ECONOMY; Government helps ensure access to home loans, mitigate crises. By Howard Cincotta, Special Correspondent. U.S. Department of State International Information Programs. 16 May 2008

Washington -- Owning a home long has been equated with the realization of the "American Dream." The encouragement of homeownership in the United States has been a major factor shaping government economic and tax policies, especially in regard to housing loans or mortgages.
In recent months, the housing market has come under intense scrutiny with a credit crisis triggered by the collapse of the subprime mortgage sector. Subprime mortgages are high-rate loans for borrowers who cannot qualify for lower-interest conventional loans. During the housing boom of recent years, mortgages were sold as securities. When subprime borrowers began defaulting on their loans, the shock wave rippled through the entire housing sector -- lowering median home prices for the first time in decades and doubling the number of foreclosures -- and led to swift government action.

http://www.america.gov/st/econ-english/2008/May/20080515152055attocnich0.837826.html?CP.rss=true

**U.S. CENTRAL BANK BENEFITS SELF-REGULATING ECONOMY; THE U.S. FEDERAL RESERVE GREW OUT OF CLASHING ECONOMIC INTERESTS.** By Howard Cincotta, Special Correspondent. U.S. Department of State International Information Programs. 28 April 2008

This is the first article in a series on the U.S. financial system and market regulation.

President Andrew Jackson, shown in an undated portrait, fought against centralized financial control. (© AP Images)

Washington -- Five days a week, throughout the year, special presses that belong to the U.S. Bureau of Engraving and Printing in Washington and Dallas roll out 38 million pieces of paper currency totaling approximately $750 million.

Yet this massive amount of currency and coin (manufactured by different facilities) is only a small fraction of the nation's total money supply -- an estimated $7.6 trillion in March 2008. (This figure reflects the "M2" definition of the money supply comprising paper currency and coin-plus-checking accounts, short-term savings accounts and small certificates of deposit.)

http://www.america.gov/st/econ-english/2008/April/20080416155226attocnich0.2177393.html

**U.S. GOVERNMENT USES TAX POLICY TO SHAPE ECONOMY; Tax system grows more complicated as tool is used more often.** By Howard Cincotta, Special Correspondent. U.S. Department of State International Information Programs. 29 April 2008

Washington -- Americans fought for their independence from the British, in part, because of taxes. "Taxation without representation is tyranny!" was the Colonists' cry. But throughout American history, in good economic times and bad, the question of who pays taxes and how much they pay has been debated vigorously.

New York City residents wait in line at a post office to file their 2007 tax returns just hours before the deadline. (© AP Images)

http://www.america.gov/st/econ-english/2008/April/20080429110439attocnich0.550625.html?CP.rss=true
DOGS “HUMANIZE” THE PROBLEM OF COUNTERFEIT MOVIES AND CDS; Lucky and Flo gain hero stature by sniffing out plastic in discs. By Judi Hasson, Special Correspondent. U.S. Department of State International Information Programs. 29 April 2008

Washington -- Dogs can’t talk. But Lucky and Flo clearly know how to express themselves, and they convey a serious message while they do.

Lucky and Flo, black Labrador retrievers trained to sniff out illegal DVD’s and CD’s pose with their handlers. (Ken White/State Dept)

The pair of black Labrador retrievers, the first canines in the world trained to sniff out pirated DVDs and CDs, showed off their skills recently on Capitol Hill in Washington and at an elementary school in Alexandria, Virginia. Their stunts were planned to increase awareness of the costs to businesses and consumers that come from trade in counterfeit products.


NORTH AMERICAN LEADERS DEFEND FREE TRADE PACT, (North American Free Trade Agreement basis for cooperation, they say. By David I. McKeeby, Staff Writer. U.S. Department of State International Information Programs. 23 April 2008

Washington -- Since the United States, Canada and Mexico established the North American Free Trade Agreement (NAFTA) in 1994, trade has tripled, laying a firm foundation for expanded regional cooperation among three countries united by geography and a shared belief in democracy, President Bush says.

President Bush, center, with Mexico President Felipe Calderón, left, and Canadian Prime Minister Stephen Harper April 22 (© AP Images)

“Now is the time to make it work better for all our people, and now is the time to reduce trade barriers worldwide,” Bush said April 22 following talks with Canadian Prime Minister Stephen Harper and Mexican President Felipe Calderón in New Orleans at the fourth meeting of the Security and Prosperity Partnership.

All three leaders joined in defending NAFTA, which in recent months has become an issue in the U.S. presidential campaign, where Democratic nomination contenders have cited labor and environmental concerns in calling for reconsideration of the 15-year-old trade pact.

“All thanks to the free trade agreement,” says Calderón, “we have jobs, we have investment, we have goods and services that improve the quality of life of Canadians, Americans and Mexicans. And we want these benefits to reach more and more of all our citizens.”

WORLD FINANCE LEADERS TO MEET AS CONCERNS ON GLOBAL ECONOMY GROW. (Economy growth rates on agenda for International Monetary Fund, World Bank.) By Phillip Kurata, Staff Writer. U.S. Department of State International Information Programs. 11 April 2008

Washington -- Financial leaders from around the world are converging on Washington for meetings of the International Monetary Fund (IMF) and the World Bank April 12-13 against the backdrop of growing concerns about the global economy.

World Bank President Zoellick, right, and IMF Managing Director Strauss-Kahn at a meeting lunch break in November 2007 (© AP Images)

(...)"The credit shock emanating from the U.S. subprime crisis is set to broaden amid a significant economic slowdown," Caruana said, briefing reporters April 8 about the coming IMF-World Bank meeting. "The deterioration in credit has moved up and across the credit spectrum to prime residential and commercial mortgage markets and to corporate credit markets. As the credit cycle turns, default rates are likely to rise across the board."


This eJournal explores the phenomenon that drives uncounted Americans — and now citizens of other nations — to create fledgling “start-up” businesses that explore and exploit the latest developments in high technology. It also investigates the closely related “venture capital” phenomenon. How investors match their funds to (hopefully) winning ideas is a big part of the start-up story.


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