



Newsletter

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Economic Issues

Business • Trade • Energy • Finance

April 2010

"if we want to once again approach full employment; if we want to create broad, shared, and lasting wealth for our workers and our families; if we want an America that is ready to compete on the global playing field in the 21st century -- then we can't slide back into an economy where we borrow too much and put off tough challenges. We can't return to an economy where too much of our prosperity is based on fleeting bubbles and rampant speculation. We have to rebuild our economy on a new, stronger, more balanced foundation for the future -- a foundation that will advance the American people's prosperity at home, and support American leadership in the world. And that's precisely what we've begun to do.

President Obama's Speech at Export-Import Bank Conference ►
11 March 2010



President Barack Obama waves after speaking at the Export-Import Bank's Annual Conference in Washington, March 11, 2010. (AP Photo)

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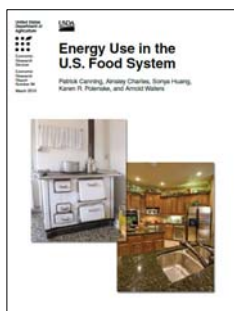
The paper examines the likely growth of U.S. GDP in the decade beginning in 2010. The author analyzes the two components of the rise in GDP over the ten year period: (1) the recovery from the substantially depressed level of economic activity at the start of the decade; and (2) the rise in potential GDP that will result from the expansion of the labor force, the growth of the capital stock, and the increase of multifactor productivity.

<http://www.nber.org/papers/w15685.pdf> [PDF format, 9 pages].

JOB OPENINGS AND LABOR TURNOVER SURVEY. Bureau of Labor Statistics, April 6, 2010.

The Bureau of Labor Statistics released the February report from the Job Openings and Labor Turnover Survey (JOLTS), showing that the number of job openings decreased by 131,000 to 2.7 million in February. However, this loss was almost exactly offset by a 130,000 upward revision to January data. From the Current Population Survey, we know that the number of unemployed workers increased in February to 14.9 million. This means that in February, the ratio of unemployed workers to job openings was 5.5-to-one. This remains a significant improvement over the high of 6.2 job seekers per job opening last November, but is still nearly twice as high as the worst month of the early 2000's recession, when there were 2.8 job seekers per job opening in September of 2003.

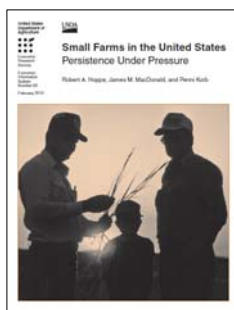
<http://www.bls.gov/jlt/>



ENERGY USE IN THE U.S. FOOD SYSTEM. U.S. Department of Agriculture. Patrick Canning et al. March 10, 2010.

Energy is an important input in growing, processing, packaging, distributing, storing, preparing, serving, and disposing of food. Analysis using the two most recent U.S. benchmark input-output accounts and a national energy data system shows that in the United States, use of energy along the food chain for food purchases by or for U.S. households increased between 1997 and 2002 at more than six times the rate of increase in total domestic energy use. This increase in food-related energy flows is over 80 percent of energy flow increases nationwide over the period.

<http://www.ers.usda.gov/Publications/ERR94/ERR94.pdf>



SMALL FARMS IN THE UNITED STATES: PERSISTENCE UNDER PRESSURE. U.S. Department of Agriculture. Robert A. Hoppe et al. February 2010.

Ninety-one percent of U.S. farms are classified as small, gross cash farm income (GCFI) of less than \$250,000. About 60 percent of these small farms are very small, generating GCFI of less than \$10,000. These very small noncommercial farms, in some respects, exist independently of the farm economy because their operators rely heavily on off-farm income. The remaining small commercial farms account for most small-farm

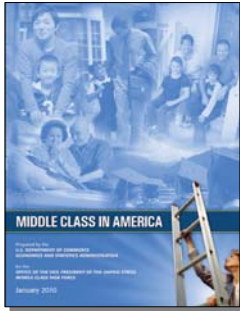
production. Overall farm production, however, continues to shift to larger operations, while the number of small commercial farms and their share of sales maintain a long-term decline.

<http://www.ers.usda.gov/Publications/EIB63/EIB63.pdf> [PDF format, 39 pages].

USDA AGRICULTURAL PROJECTIONS TO 2019. U.S. Department of Agriculture. February 2010.

The report provides long run (10-year) projections for the agricultural sector through 2019. Projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices. [PDF format, 106 pages].

<http://www.ers.usda.gov/Publications/OCE101/OCE101.pdf>

**MIDDLE CLASS IN AMERICA. U.S. Department of Commerce. January 25, 2010.**

The Commerce Department's Economics and Statistics Administration issued a report for Vice President Biden's Middle Class Task Force. The report, which identifies what it means to be middle class in America today, uses a host of measures to show that it is more difficult today to both attain and maintain a middle-class lifestyle than it was two decades ago.

[PDF format, 43 pages].

http://www.commerce.gov/s/groups/public/@doc/@os/@opa/documents/content/prod01_008833.pdf

SMALL BUSINESSES HELPING DRIVE ECONOMY: CLEAN ENERGY, CLEAN SITES. U.S. Department of Energy. March 17, 2010.

The report highlights the benefits of the Recovery Act to small businesses throughout the clean, renewable energy industry and environmental management sector. It finds that as of early March 2010, small businesses have been selected to receive nearly \$5.4 billion in funding across a number of Recovery Act and related programs, including loans, loan guarantees, grants, contracts and tax incentives, in partnership with the Department of Treasury. The report highlights 26 small businesses in a range of clean energy technologies, such as wind, solar, biofuels, along with critical new infrastructure, like Smart Grid, advanced batteries, energy storage, and energy efficiency tools. [PDF format, 12 pages].

http://www.energy.gov/news/documents/Small_Business_Memo_Mar2010.pdf

TOP 25 CITIES WITH THE MOST ENERGY STAR LABELED BUILDINGS IN 2009. U.S. Environmental Protection Agency. March 23, 2010.

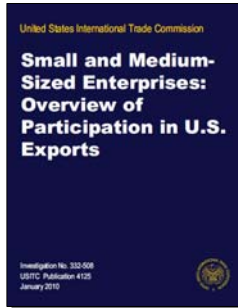
The U.S. Environmental Protection Agency (EPA) releases a list of U.S. metropolitan areas with the largest number of energy efficient buildings that earned EPA's Energy Star in 2009. The list is headed by Los Angeles, Washington, D.C., San Francisco, Denver, Chicago, Houston, Lakeland, Dallas-Fort Worth, Atlanta and New York. Energy efficiency saves building owners money and fights climate change. [PDF format, 1 page].

http://www.energystar.gov/ia/business/downloads/2009_Top_25_cities_chart.pdf

THE BEIGE BOOK. The Federal Reserve Board. March 3, 2010.

Reports from the twelve Federal Reserve Districts indicated that economic conditions continued to expand since the last report, although severe snowstorms in early February held back activity in several Districts. Nine Districts reported that economic activity improved, but in most cases the increases were modest. Overall conditions were described as mixed in the Atlanta and St. Louis Districts, though St. Louis noted further signs of improvement in some areas. Richmond reported that economic activity slackened or remained soft across most sectors, due importantly to especially severe February weather in that region. [HTML format, various paging].

<http://federalreserve.gov/fomc/beigebook/2010/20100303/FullReport.htm>



SMALL AND MEDIUM-SIZED ENTERPRISES: OVERVIEW OF PARTICIPATION IN U.S. EXPORTS. U.S. International Trade Commission. January 19, 2010.

U.S. small and medium-sized enterprises (SMEs) accounted for about 30 percent of known U.S. merchandise exports between 1997 and 2007, according to the study. The most heavily exported goods were computer and electronic products, machinery, and chemicals, with the biggest share of merchandise exports going to Canada and Mexico, according to the report. [PDF format, 91 pages].

<http://www.usitc.gov/publications/332/pub4125.pdf>

EIGHTH REPORT TO CONGRESS ON THE OPERATION OF THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT. Office of the U.S. Trade Representative. December 31, 2009.

The U.S. trade preferences programs for the Central American and Caribbean region, known collectively as the Caribbean Basin Initiative (CBI), continue to generate important benefits for the beneficiary countries. Expansion of CBI benefits through enactment of the Caribbean Basin Trade Partnership Act (CBTPA) in 2000, the provisions included in the Trade Act of 2002, the HOPE Act of 2006, and the HOPE II Act represents an important affirmation of the ongoing U.S. commitment to economic development in the Caribbean Basin, by expanding duty-free access to the U.S. market for CBI goods. [PDF, 83 pages].

http://www.ustr.gov/sites/default/files/2009%20CBI%20Report%20FINAL_0.pdf

AN ANALYSIS OF SMALL BUSINESS AND JOBS. Small Business Administration. Brian Headd. March 2010.

Over a recent 15-year period, small businesses created some 65 percent of the net new jobs in the private sector, according to conservative estimates cited in the report.

<http://www.sba.gov/advo/research/rs359tot.pdf> [PDF format, 20 pages].

THE WHITE HOUSE

PUTTING AMERICANS BACK TO WORK: ANOTHER STEP FORWARD. The White House Blog. Posted by Jesse Lee on March 18, 2010 at 06:46 PM EDT

(...)President Obama signed into effect the HIRE Act, a jobs bill that provides small businesses with incentives to spur hiring and help put Americans back to work. Saying that "while this jobs bill is absolutely necessary, it's by no means enough," the President pledged that this was just one step amongst many. The bill is The HIRE Act will:

- Provide tax cuts for businesses that hire someone who has been out of work for at least 2 months
- Help businesses to invest in their future by permitting them to write off investments in equipment this year
- Encourage job creation by expanding investments in schools and clean energy projects
- Maintain investments in roads and bridges

<http://www.whitehouse.gov/blog/2010/03/18/putting-americans-back-work>

"A GREAT BATTLE PITTING THE INTERESTS OF THE BANKS AND FINANCIAL INSTITUTIONS AGAINST THE INTERESTS OF STUDENTS". The White House Blog, Posted by Jesse Lee on March 30, 2010 at 01:23 PM EDT

(...)President Obama signed the Health Care and Education Reconciliation Act, the last step on health reform that provided fixes for some elements and which improved upon the core

health reforms by increasing tax credits for the middle class, investing in community health centers, and strengthening efforts to fight waste and fraud.

<http://www.whitehouse.gov/blog/2010/03/30/meaningful-progress-american-people>

RECOVERY BY THE NUMBERS: THE RECOVERY ACT AT ONE YEAR. The White House. February 17, 2010.

One year in, the Recovery Act is at work across the country creating jobs and driving economic growth. From major highway projects to green retrofits of military facilities and manufacturing of advanced batteries, more than 55,000 projects across the country have now been funded through the Recovery Act. [HTML format with links].

<http://www.whitehouse.gov/the-press-office/recovery-numbers>

THINK TANKS AND INTERNATIONAL ORGANIZATIONS

AMERICAN ENTERPRISE INSTITUTE



AEI OUTLOOK SERIES

HOPE FLOATS, By John H. Makin | AEI Online, April 2010

Moving toward summer, the buoyancy of hope for economic recovery will depend on the path of U.S. consumption, Chinese inflation, the Fed, and northern Europe's willingness to accommodate southern Europe's rising need to borrow.

<http://www.aei.org/outlook/100947>

THE YEAR TO DATE, By John H. Makin | AEI Online, March 2010

The year began with substantial optimism and rising equity markets worldwide, but since late January, risk appetite has faded as uncertainties increased even more quickly than expected. <http://www.aei.org/outlook/100942>

MYTHS ABOUT BUDGET DEFICITS, By John H. Makin | AEI Online, February 2010

Problems associated with a rapid buildup of deficits and debt should not be compounded by ill-advised, ad hoc policies.

<http://www.aei.org/outlook/100935>



HEDGING AGAINST PEAK OIL SHOCKS. By Marc D. Weidenmier | AEI Online, Wednesday, March 31, 2010

Many policymakers and pundits have made the case that the United States should become "energy independent." One economic interpretation of energy independence is that increased domestic energy production leads to greater risk sharing in the presence of imperfect capital markets. The wealth effects of energy production increase during peak oil shocks that help energy-producing states hedge against peak oil shocks. The author tests this hypothesis using

consumption and gross state product data for US states for the period 1963-2007. He finds that risk sharing is approximately 50 percent higher in energy producing states than non-energy states. The results suggest that oil shocks have different effects on energy and non-energy producing states.

<http://www.aei.org/paper/100096>

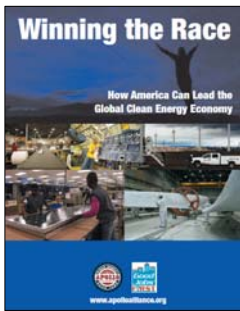
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

RIDING PUBLIC TRANSIT SAVES INDIVIDUALS \$9,242 ANNUALLY. American Public Transportation Association. Mantill Williams. January 12, 2010.

Individuals who ride public transportation can save on average \$9,242 annually based on the January 11, 2010 national average gas price and the national unreserved monthly parking rate. Compared to last year at this time, the average cost per gallon of gas was \$1.79 which is nearly \$1 less than the current price of gas at \$2.75 per gallon. This increase in cost equates to an additional \$600 in savings per year for transit commuters as compared to last year's savings amount at this same time. [HTML format, various paging].

http://www.publictransportation.org/facts/100112_transit_savings.asp

APOLLO ALLIANCE AND GOOD JOBS FIRST



WINNING THE RACE: HOW AMERICA CAN LEAD THE GLOBAL CLEAN ENERGY ECONOMY. Apollo Alliance and Good Jobs First. March 2010.

The report estimates that some 70 percent of America's renewable energy systems and components are manufactured abroad. If America continues to import 70 percent of the clean energy systems and component parts demanded by new investments in renewable energy, it stands to lose out on an estimated 100,000 clean energy manufacturing jobs between now and 2015, and potentially a quarter million manufacturing jobs by 2030, according to the report.

<http://apolloalliance.org/wp-content/uploads/2010/03/wtr3-2010final.pdf>

ASIAN DEVELOPMENT BANK (ADB)



SOUTH ASIA WORKING PAPER NO. 1: THE IMPACT OF THE GLOBAL CRISIS ON SOUTH ASIA. ADB South Asia Working Paper Series No. 1, February 2010

Over a year since the onset of the global economic crisis—which in South Asia disproportionately affected India and Sri Lanka—financial markets have rallied. However, recent indicators point so far to only mild signs of recovery in the real sector, except in India where the recovery in growth has been impressive. The paper reviews the state of the South Asian economies in late 2009, analyzing the countercyclical fiscal and monetary policy interventions and assessing overall performance.

<http://www.adb.org/documents/papers/south-asia-working-paper-series/Global-Crisis-Impact.pdf>

BROOKINGS INSTITUTION

THE FED'S DECISION NOT TO CHANGE INTEREST RATES. Ted Gayer, Co-Director, Economic Studies. Brookings Institution, MARCH 17, 2010

The Federal Reserve's Federal Open Market Committee voted this week to not change interest rates. Ted Gayer, senior fellow and Economic Studies co-director, explains that while the economy continues to strengthen, there is still a lot of economic uncertainty, which is why, he says, the Fed's move wasn't surprising.

http://www.brookings.edu/multimedia/video/2010/0317_federal_reserve_gayer.aspx

METROMONITOR: TRACKING ECONOMIC RECESSION AND RECOVERY IN AMERICA'S 100 LARGEST METROPOLITAN AREAS. Brookings Institution. Howard Wial and Alec Friedhoff. March 2010.

More than two years after the Great Recession began, the nation is in the midst of a slow and fragile economic recovery. Some economic indicators seem to suggest that robust

economic growth will soon resume, while others point toward a “double-dip” recession and still others indicate little change in the economic situation. [PDF format, 27 pages].
http://www.brookings.edu/~media/Files/Programs/Metro/metro_monitor/2010_03_metro_monitor/2010_03_metro_monitor.pdf

HOW WE'RE DOING IN THE WORLD. Brookings Institution. Carol Graham and Martin Indyk. February 28, 2010.

Judged by most standards, America and the world are better off today than they were a year ago when President Obama entered office. While few Americans will forget the fear of global economic meltdown that accompanied the 44th president's inauguration and the drastic stimulus and triage measures that had to be taken to arrest the economic freefall, public optimism, as measured by a variety of opinion poll measures, has recovered.

http://www.brookings.edu/~media/Files/rc/papers/2010/0228_recovery_renewal/0228_how_were_doing_index.pdf

[PDF format, 6 pages].

PERILOUS TIMES FOR LATIN AMERICA. Brookings Institution. Theodore J. Piccone. February 2010.

Latin America has suffered more than its fair share of economic crises, but the global recession of 2008–2009 was supposed to be different. Because this crisis was triggered not by fiscal mismanagement in Latin America but by a combination of risky lending and lax regulation in the U.S., some experts and politicians in the region proclaimed it a moment of “de-linkage” from the North. Yet early predictions of a soft landing, following a six-year economic bonanza for the region, which was largely driven by China's thirst for natural resources, proved incorrect, according to the paper. [PDF format, 3 pages].

<http://ejcontent.ebsco.com/ContentServer.aspx?target=http%3A%2F%2Fwww%2Ecurrenthistory%2Ecom%2Fpdf%5Fforg%5Ffiles%2F109%5F724%5F081%2Epdf>

TAX PROPOSALS IN THE 2011 BUDGET. Urban-Brookings Tax Policy Center. February 19, 2010.

The Tax Policy Center has examined the key tax proposals in President Obama's 2011 budget. Separate discussions below describe each of the proposals including current law, proposed changes, and, when appropriate, the distributional effects. The budget as presented by the president lacks complete details on many of the tax proposals. Some provisions had virtually no detail and our discussion of them is necessarily limited.

http://www.urban.org/UploadedPDF/412029_2011_budget.pdf

[PDF format, 49 pages].

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE (CEIP)



THE WORLD ORDER IN 2050. Carnegie Endowment for International Peace. Uri Dadush and Bennett Stancil. February 22, 2010.

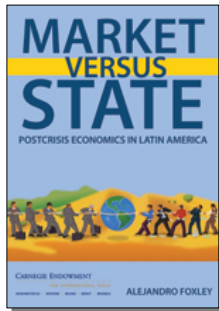
The rise of China, India, and other emerging markets has been anticipated for years by numerous economists, and the recent global recession has only accelerated this trend. New projections for economic growth through 2050 offer insight into the implications of this changing economic landscape. [PDF format, 31 pages].

http://www.carnegieendowment.org/files/The_World_Order_in_2050.pdf

THE TRANSFORMATION OF WORLD TRADE. Carnegie Endowment for International Peace. Uri Dadush and Shimelse Ali. February 22, 2010.

Developing countries are growing rapidly, and long term projections suggest that their rising economic weight will transform world trade. As these emerging economies diversify and become increasingly important export markets, they will come to dominate international trade, according to the report. [PDF format, 20 pages].

http://www.carnegieendowment.org/files/The_Transformation_of_World_Trade.pdf



MARKET VERSUS STATE: POSTCRISIS ECONOMICS IN LATIN AMERICA. Alejandro Foxley. CEIP Report, November 2009

The global financial crisis was a result of failures in both the market and state—markets created financial turmoil and regulatory agencies failed to detect risks and correct imbalances. As Latin American countries emerge from the crisis, both the market and state are needed to ensure sustainable growth. Analyzing the successes and mistakes of economic policies over the past twenty years, Foxley makes recommendations for Latin America to achieve development that creates fewer inequalities and increases the capacity for innovation.

<http://carnegieendowment.org/publications/index.cfm?fa=view&id=24133>

CATO INSTITUTE



GLOBALIZATION: CURSE OR CURE? The Cato Institute. Jagadeesh Gokhale. February 1, 2010.

Globalization holds tremendous promise to improve human welfare but can also cause conflicts and crises as witnessed during 2007–09. How will competition for resources, employment, and growth shape economic policies among developed nations as they attempt to maintain productivity growth, social protections, and extensive political and cultural freedoms? The author strives to answer these questions.

<http://www.cato.org/pubs/pas/pa659.pdf>

CENTER FOR AMERICAN PROGRESS



ADVANCING THE ECONOMIC SECURITY OF UNMARRIED WOMEN. Center for American Progress. Liz Weiss and Page Garner. March 17, 2010.

Today nearly half of women are unmarried—a transformational societal change from 1960 when only one-third of women were unmarried. And today virtually every woman will spend at least part of her adult life as the sole supporter of herself or her family. With so many women living on their own, it is crucial that lawmakers take seriously unmarried women's economic security needs, according to the report.

http://www.americanprogress.org/issues/2010/03/pdf/unmarried_women.pdf

CENTER FOR ECONOMIC AND POLICY RESEARCH

WHO ARE THE 46.3 MILLION UNINSURED? Center for Economic and Policy Research, April 5, 2010

The most recent available data (2008) show that 46.3 million people in the United States had no health insurance. Adults between 18 and 64 are by far the largest group of uninsured (38.3 million in 2008). Children are the next largest group of the uninsured (7.3 million). Thanks primarily to Medicare, only a small share of the uninsured are 65 or older (0.6 million). Most uninsured adults are workers. Over 23 million workers 18 to 64 have no

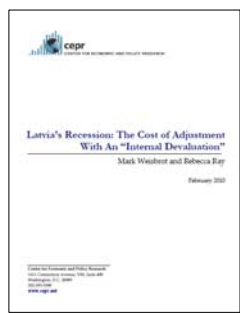
health insurance from any source, compared to about 15 million non-working adults in the same age range. A large majority of the working adults (14.7 million) are “full-time, full-year” (that is, worked at least 50 weeks in the year, for at least 35 hours per week).

<http://www.cepr.net/index.php/graphic-economics/graphic-economics/who-are-the-463-million-uninsured/>

THE BUDGET DEFICIT SCARE STORY AND THE GREAT RECESSION. Dean Baker. Center for Economic and Policy Research, February 2010,

The Great Recession has left tens of millions of families facing unemployment, underemployment and the threat of losing their home. However, concerns over the deficit threaten to derail efforts to turn around the economy and spur employment. This report attempts to correct many of the misperceptions about the deficit that have brought the issue to the center of national debate. In a time when cogent, effective policies are needed to address the suffering stemming from the economic downturn, the tactics of the deficit hawks distract the public and policy makers from the policies necessary to bring the economy back to full employment.

<http://www.cepr.net/index.php/publications/reports/deficit-scare-story/>



LATVIA'S RECESSION: THE COST OF ADJUSTMENT WITH AN "INTERNAL DEVALUATION" Center for Economic and Policy Research. Mark Weisbrot and Rebecca Ray. February 2010.

The Latvian recession, which is now more than two years old, has seen a world-historical drop in GDP of more than 25 percent. The IMF projects another 4 percent drop this year, and predicts that the total loss of output from peak to bottom will reach 30 percent. This would make Latvia's loss more than that of the U.S. Great Depression downturn of 1929-1933. The paper argues that the depth of the recession and the difficulty of recovery are attributable in large part to the decision to maintain the country's overvalued fixed exchange rate, because it prevents the government from pursuing the policies necessary to restore economic growth. [PDF format, 19 pages].

<http://www.cepr.net/documents/publications/latvia-recession-2010-02.pdf>

CENTER FOR GLOBAL DEVELOPMENT (CGD)



OPEN MARKETS FOR THE POOREST COUNTRIES: TRADE PREFERENCES THAT WORK. Kimberly Ann Elliott. CGD Working Group on Global Trade Preference Reform, April 2010.

Many rich countries provide special market access for exports from least developed countries (LDCs), but the trade preferences are often inhibited by tough restrictions and do not extend to the products that matter most to poor countries. Improving these programs could make a major difference in the lives of the poor with only minimal effects on production or exports in preference-giving countries. Now is the time to make preferences work for development. (PDF, 344 KB)

<http://www.cgdev.org/content/publications/detail/1423918/>

THE (INDISPENSABLE) MIDDLE CLASS IN DEVELOPING COUNTRIES; OR, THE RICH AND THE REST, NOT THE POOR AND THE REST - Working Paper 207. Nancy Birdsall. CGD, March 2010.

Inclusive growth is widely embraced as the central economic goal for developing countries, but the concept is not well defined in the development economics literature. Since the early 1990s, the focus has been primarily on pro-poor growth, with the “poor” being people living on less than \$1 day, or in some regions \$2 day. The idea of pro-poor growth emerged in

the early 1990s as a counterpoint to a concern with growth alone (measured in per-capita income) and is generally defined as growth which benefits the poor as much or more than the rest of the population.

<http://www.cgdev.org/content/publications/detail/1423994/>



AID, DUTCH DISEASE, AND MANUFACTURING GROWTH. Center for Global Development. Raghuram G. Rajan and Arvind Subramanian. CGD, December 16, 2009.

The report examines the effects of aid on the growth of manufacturing, using a methodology that exploits the variation within countries and across manufacturing sectors, and corrects for possible reverse causality. It finds that aid inflows have systematic adverse effects on a country's competitiveness, as reflected in the lower relative growth rate of exportable industries. [HTML format with a link].

<http://www.cgdev.org/content/publications/detail/1423404/>

CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE.

THE SWEDISH PENSION SYSTEM AND THE ECONOMIC CRISIS. Center for Retirement Research at Boston College. Annika Sundén. December 2009.

The steep drop in financial markets in 2008 coupled with the ongoing economic recession pose immediate challenges for some public pension systems, particularly those that rely partly on equity investments. In the case of Sweden, the crisis provides an initial 'stress test' for a major pension system reform implemented earlier this decade. The new system created by the reform was designed to be fiscally sustainable by including automatic adjustment mechanisms to maintain balance in response to short-term economic and financial fluctuations and long-term demographic changes.

http://crr.bc.edu/images/stories/Briefs/ib_9-25.pdf [PDF format, 5 pages].

CENTER ON BUDGET AND POLICY PRIORITIES



OBAMA BUDGET REDUCES DEFICIT BY \$1.3 TRILLION OVER NEXT DECADE COMPARED TO CURRENT POLICIES--BUT MUCH MORE ACTION WILL BE NEEDED. By Kathy Ruffing and James R. Horney. Center on Budget and Policy Priorities, April 5, 2010

Despite claims that President Obama's policies will generate big increases in deficits, his 2011 budget would actually reduce deficits by about \$1.3 trillion over ten years, based on a Congressional Budget Office (CBO) estimate of his budget and a realistic assessment of what deficits would be if policymakers continued to follow current tax and

spending policies. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3143>

HIGH-INCOME TAX CUTS SHOULD EXPIRE ON SCHEDULE--EXTENDING TAX CUTS FOR ONE OR TWO YEARS OR EXEMPTING "SMALL BUSINESS" INCOME WOULD BE ILL-ADVISED. By Chuck Marr and Gillian Brunet. Center on Budget and Policy Priorities, April 1, 2010

Allowing the 2001 and 2003 tax cuts for couples making over \$250,000 (and singles over \$200,000) to expire on schedule on December 31 represents the best course of action for the budget and the economy. Extending those tax cuts for one or two years, as some have proposed, would be highly ill-advised. It would make it much more likely that Congress would ultimately act to extend the tax cuts indefinitely, increasing deficits and the debt for as far as the eye can see — and thereby adding to the long-term risks that deficits and debt pose to the economy. Exempting small business income from the scheduled increase in the top tax rates, as some may also propose, would do little for the economy in the short term;

only the top 3 percent of people with any business income would benefit.[1] Over the long term, such an exemption would likely harm the economy and the budget by encouraging tax avoidance and reducing revenues.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3140>

CENTRE FOR ECONOMIC POLICY RESEARCH

OUT OF WORK BUT NOT OUT OF HOPE: ADDRESSING THE CRISIS OF THE CHRONICALLY UNEMPLOYED. Testimony of Dean Baker before the Congressional Black Caucus on March 17, 2010,

The logic of work-sharing is very simple. Instead of providing an unemployment benefit to unemployed workers who have lost their job, work-sharing programs divide the benefit among workers who stay at their job, but work shorter hours. In the standard German version, workers would have their hours cut by 20 percent. The government makes up 60 percent of the lost pay (12 percent of total pay) with a tax credit. It requires the company to cover 20 percent of the lost pay (4 percent of total pay). This leaves workers with 4 percent less pay, while they work 20 percent fewer hours. Typically, this could mean working a four-day week instead of a five-day week. In this situation, the savings on commuting costs, childcare, and other work-related expenses are likely to exceed the workers' reduction pay, leaving them on net better off in spite of the fact that they are working fewer hours.

<http://www.cepr.net/index.php/publications/testimony/work-sharing/>

CHICAGO COUNCIL



PAST SILOS AND SMOKESTACKS: TRANSFORMING THE RURAL ECONOMY IN THE MIDWEST. The Chicago Council. Mark Drabbenstott. March 18, 2010.

The report says the rural Midwest must reinvent itself and compete in the global economy. The report calls on towns and counties, competing with each other for industry and manufacturing jobs and investments, to join forces to spur innovation and entrepreneurship. [PDF format, 48 pages].

<http://www.thechicagocouncil.org/UserFiles/File/Task%20Force%20Reports/Heartland%20Paper%20-%20Rural%20Development%2010.pdf>

COUNCIL ON FOREIGN RELATIONS (CFR)

THE ROAD TO FINANCIAL REGULATORY REFORM. Roya Wolverson.CFR. Updated: April 5, 2010

The global financial crisis prompted Congress to press for stronger U.S. financial regulations. But experts debate what level of government involvement will help the economy long term.

http://www.cfr.org/publication/21266/road_to_financial_regulatory_reform.html?breadcrumb=%2Fissue%2F2%2Feconomics

THE IMMIGRATION ECONOMY. Council on Foreign Relations. David Scott Fitzgerald et al. March 8, 2010.

Four experts debate whether the Obama administration's proposal to legalize immigrants would help or harm U.S. workers and economic growth. [HTML format, various paging].

http://www.cfr.org/publication/21591/immigration_economy.html?breadcrumb=%2Fpublication%2Fby_type%2Fregion_issue_brief

THE GREEK AUSTERITY MESSAGE. Council on Foreign Relations. Robert McMahon and Roya Wolverson. March 3, 2010.

Tough new measures by the Greek government to curb debt levels are likely to be welcomed by a nervous European Union, but debate persists on whether the EU will, or should, offer Greece financial assistance. [HTML format, various paging].

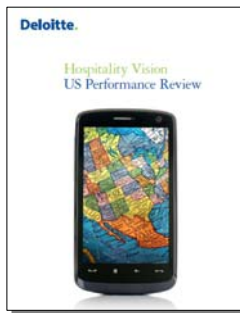
http://www.cfr.org/publication/21565/greek_austerity_message.html?breadcrumb=%2Fpublication%2Fby_type%2Fdaily_analysis

CHINA'S EXCHANGE RATE POLICY: THE HEAT IS ON. Council on Foreign Relations. Steven Dunaway. February 18, 2010.

International pressure must continue on China to allow its currency to appreciate, which would provide an important boost to the global economic recovery, writes the author.

http://www.cfr.org/publication/21455/chinas_exchange_rate_policy.html?breadcrumb=%2Fpublication%2Fby_type%2Fregion_issue_brief

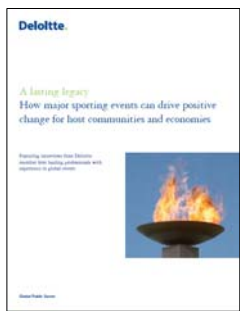
DELOITTE



HOSPITALITY VISION: U.S. PERFORMANCE REVIEW. Deloitte. March 2010.

The U.S. hotel industry welcomed the dawn of 2010. Performance measures in the first half of 2009 were particularly troublesome for many companies, and only in the closing months of that year were there glimmers of hope that the worst was over. By December 2009, a number of major markets started to experience increases in occupancy and revenue per available room, following what in some cases had been multi-year, record-breaking declines. The domestic tourism activity was starting to revive for a few select markets, while declines in international travel were lessening, and business travel remained mostly stagnant. [PDF format, 16 pages].

http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Consumer%20Business/us_thl_US%20Performance%20review_012910.pdf



A LASTING LEGACY: HOW MAJOR SPORTING EVENTS CAN DRIVE POSITIVE CHANGE FOR HOST COMMUNITIES AND ECONOMICS. Deloitte. Greg Pellegrino and Heather Hancock. February 16, 2010.

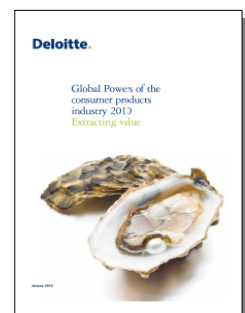
Hosting major sporting and entertainment events, such as the Olympic and Paralympic Games, FIFA World Cup, and World's Fair, is becoming increasingly attractive to governments around the world. As a catalyst for change, major events can elevate the host country or city's global stature and accelerate its economic, political, and social development.

With the whole world watching and fierce competition from emerging cities and countries, hosting an event can be a high-stakes game, but one that can pay off in the long term if done right. [PDF format, 20 pages].

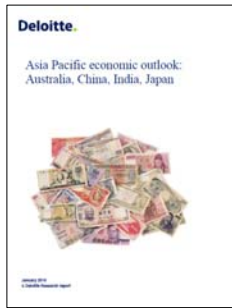
http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Public%20Sector/dtt_ps_lastinglegacy_160209.pdf

GLOBAL POWERS OF THE CONSUMER PRODUCTS INDUSTRY 2010: EXTRACTING VALUE. Deloitte. February 15, 2010.

The third annual report on the world's top 250 consumer products companies includes discussions that together provide much-needed perspective on the industry, including: trends companies in the



industry will need to address as we emerge from the economic downturn, a global economic overview, and analyzes of companies by region, sector, and product line
http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Consumer%20Business/dtt_globalpowersco_nsumerproducts_150210.pdf



ASIA PACIFIC ECONOMIC OUTLOOK: AUSTRALIA, CHINA, INDIA, JAPAN. Deloitte. January 2010.

The January 2010 edition of the Asia Pacific economic outlook gives a near-term outlook for Australia, China, India, and Japan. [PDF format, 9 pages].

http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Deloitte%20Research/dtt_dr_apeconoutlook_0110.pdf



MEDICAL TOURISM: UPDATE AND IMPLICATIONS. Deloitte. December 2009.

With health care costs increasing at six percent per year for the next decade, and medical tourism offering savings of up to 70 percent after travel expenses, the Deloitte Center for Health Solutions estimates that the medical tourism industry will recover from the current economic downturn and attain 35 percent annual growth in coming years. This growth holds important implications for U.S. health care providers, health plans, consumers and the government. [PDF format, 16 pages].

http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_chs_MedicalTourism_111209_web.pdf

ECONOMIC POLICY INSTITUTE



UNFAIR CHINA TRADE COSTS LOCAL JOBS: 2.4 MILLION JOBS LOST, THOUSANDS DISPLACES IN EVERY U.S. CONGRESSIONAL DISTRICT. Economic Policy Institute. Robert E. Scott. March 23, 2010.

The report finds the growing trade deficit between the U.S. and China eliminated or displaced an estimated 2.4 million American jobs between 2001 and 2008.

http://epi.3cdn.net/91b2eeeffce66c1a10_v5m6beqhi.pdf
http://www.epi.org/page/-/bp260/bp260_supplemental_table_a.pdf

Net Job Loss Due to Growing Trade Deficits with China, 2001-08, by Congressional District Tables

LOOKING FOR BLAME IN ALL THE WRONG PLACES—MINIMUM WAGE INCREASES DO NOT CAUSE PART-TIME JOB LOSS. Kai Filion. EPI Issue Brief #274, February 25, 2010

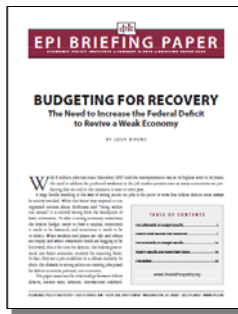
Minimum wage increases do not cause part-time job loss.

<http://www.epi.org/page/-/ib274/ib274.pdf>

UNDERSTANDING THE PRESIDENT'S FY 2011 BUDGET. Economic Policy Institute. John S. Irons. February 2, 2010.

Now that President Obama has released his budget, Irons offers further analysis.

<http://www.epi.org/publications/entry/ib273/> [HTML format, various paging].

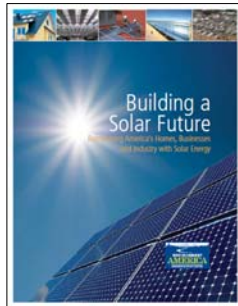


BUDGETING FOR RECOVERY: THE NEED TO INCREASE THE FEDERAL DEFICIT TO REVIVE A WEAK ECONOMY. Economic Policy Institute. Josh Bivens. January 6, 2010.

According to the author, in an ailing economy with idle workers and factories, larger deficits provide the spending that is necessary to ensure a robust recovery. [PDF format, 24 pages].

http://epi.3cdn.net/1616707e0c784d8134_4nm6becsb.pdf

ENVIRONMENT AMERICA



BUILDING A SOLAR FUTURE: REPOWERING AMERICA'S HOMES, BUSINESSES AND INDUSTRY WITH SOLAR ENERGY. Environment America. Tony Dutzik et al. March 9, 2010.

America has virtually limitless potential to tap the energy of the sun. Solar energy is clean, safe, proven and available everywhere, and the price of many solar energy technologies is declining rapidly. By adopting solar energy on a broad scale, the nation can address our biggest energy challenges, according to the authors. [PDF format, 65 pages].

<http://www.environmentamerica.org/uploads/37/06/370684e>

[48c4a60d6c25763175070f0ae/Building-a-Solar-Future.pdf](http://www.environmentamerica.org/uploads/37/06/370684e48c4a60d6c25763175070f0ae/Building-a-Solar-Future.pdf)

FEDERAL RESERVE BANK OF ATLANTA



PRUDENTIAL DISCIPLINE FOR FINANCIAL FIRMS: MICRO, MACRO, AND MARKET STRUCTURES. Larry D. Wall. Federal Reserve Bank of Atlanta. Working Paper 2010-9. March 2010

The recent global financial crisis reflects numerous breakdowns in the prudential discipline of financial firms. This paper discusses ways to strengthen micro- and macroprudential supervision and restore credible market discipline. The discussion notes that microprudential supervisors are typically assigned a variety of goals that sometimes have conflicting policy implications. In such a setting, the structure of the regulatory agencies and the priority given to prudential goals are critical to achieving those goals.

<http://www.frbatlanta.org/documents/pubs/wp/wp1009.pdf>

THE INFORMATION REVOLUTION AND SMALL BUSINESS LENDING: THE MISSING EVIDENCE. Robert DeYoung, et al. Federal Reserve Bank of Atlanta. Working Paper 2010-7. March 2010

This paper provides empirical confirmation for Petersen and Rajan's (2002) widely accepted conjecture that information technology was the primary driver of the observed increase in small business borrower-lender distances in the United States in recent years. Using a different data source for small business loans, we show that annual increases in borrower-lender distances were slow and steady prior to 1993 (the end point in Petersen and Rajan's data) but accelerated rapidly after that. Importantly, we are able to assign at least half of this acceleration to the adoption of credit scoring technologies by the lending banks. Our tests also reveal strong statistical associations between lending distances and borrower characteristics, lender characteristics, market conditions, regulatory constraints, moral hazard incentives, and principal-agent incentives.

http://www.frbatlanta.org/pubs/wp/working_paper_2010-7.cfm

GLOBAL PUBLIC POLICY INSTITUTE

EUROPEAN INTEGRATION AND THE DEVELOPMENT OF A EUROPEAN EXTERNAL POLICY IN EURASIA. Global Public Policy Institute. Albert Bressand. February 2010.

The report concludes with the search now underway for a European external energy policy as an essential objective that, the report suggest, brings together all dimensions of the "speaking with a single voice" nexus: the definition of what "Europe" is; of whether Europe must be content with some "common foreign policy" or whether it can design a single foreign policy that does not depend on consensus; and the role of energy, to use the phrase of Jacques de Jong and Coby van der Linde⁷, as "the Litmus test" of EU integration or disintegration. [PDF format, 40 pages].

http://www.gppi.net/fileadmin/gppi/GPPiPP7-EU_Integration_and_Energy.pdf

HARVARD BUSINESS SCHOOL

ACCELERATING INNOVATION IN ENERGY: INSIGHTS FROM MULTIPLE SECTORS. Harvard Business School. Rebecca Henderson and Richard G. Newell. February 2010.

A combination of concerns about climate change and energy security has recently led to significant increases in public funding for energy R&D. Some commentators are suggesting that these increases need to be sustained, and are advocating for increases of as much as three or four hundred percent, suggesting that the U.S. needs a "Manhattan project" for energy. Other observers have discussed supporting innovation through a range of additional policy interventions, including tax credits, loan guarantees, IP policy, regulatory mandates, codes and standards. It is critically important that these kinds of interventions be thoughtfully designed since it seems probable that without major advances in energy technology it is unlikely that the world will be able to reduce green house gas emissions rapidly enough to avoid a substantial increase in the risk of significant climate change.

<http://www.hbs.edu/research/pdf/10-067.pdf> [PDF format, 24 pages].

TRAGEDY AT TOYOTA: HOW NOT TO LEAD IN CRISIS. Harvard Business School. William George. February 22, 2010.

"Toyota can only regain its footing by transforming itself from top to bottom to deliver the highest quality automobiles," says Harvard Business School professor Bill George of the beleaguered automobile company that in recent months has recalled 8 million vehicles. He offers seven recommendations for restoring consumer confidence in the safety and quality behind the storied brand. [HTML format, various paging].

<http://hbswk.hbs.edu/item/6381.html>

HERITAGE FOUNDATION

THE VOLCKER RULE: NOT THE SOLUTION TO REDUCING FINANCIAL RISK. The Heritage Foundation. David C. John. February 22, 2010.

President Obama has reached into the past to try to resurrect failed bank regulatory approaches as a way of raising the stakes on his newly emphasized financial regulatory plan. Referred to as the "Volcker rule" after former Fed Chairman Paul Volcker, who developed the two-part proposal, it would further restrict the size of financial institutions and prevent those with insured deposits from trading in the financial markets on their own behalf, according to the author. [HTML format, various paging].

<http://www.heritage.org/Research/Regulation/wm2810.cfm?renderforprint=1>

2010 INDEX OF ECONOMIC FREEDOM. The Heritage Foundation and Wall Street Journal. January 2010.

The Index covers 183 countries around the world, ranking 179 of them with an economic freedom score based on 10 measures of economic openness, regulatory efficiency, the rule of law, and competitiveness. The basic principles of economic freedom emphasized in the Index are individual empowerment, equitable treatment, and the promotion of competition.

<http://www.heritage.org/index/> [HTML format with links].

http://www.heritage.org/index/pdf/2010/Index2010_ExecutiveHighlights.pdf
Executive Highlights [PDF format, 8 pages].

INTER-AMERICAN DEVELOPMENT BANK



IS LATIN AMERICA ON THE RIGHT TRACK? AN ANALYSIS OF MEDIUM-TERM FRAMEWORKS AND THE BUDGET PROCESS. Filc, Gabriel; Scartascini, Carlos. IDB, March 2010.

Medium Term Fiscal Frameworks (MTFs) have become one of the most popular reforms to the budgetary process in Latin America during the last decade, and introducing MTFs seemed to be the magic solution for most fiscal ailments. Nonetheless, there has been no comprehensive evaluation of their impact. This document discusses the normative merits of using MTFs, provides a characterization of the different types of MTF, and describes their development in the Latin American region

based on extensive field work. As a first approximation for understanding how they are working, this document explores in detail the cases of Argentina, Colombia and Peru. While an unambiguous diagnosis is not possible, this document lays the groundwork for progress toward comprehensive impact evaluations and, eventually, to the consolidation of MTFs in the region.

<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35121838>

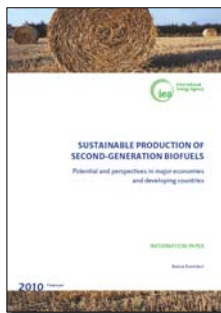
INTERNATIONAL ENERGY AGENCY



COMPARATIVE STUDY ON RURAL ELECTRIFICATION POLICIES IN EMERGING ECONOMIES: KEYS TO SUCCESSFUL POLICIES. International Energy Agency. Alexandra Niez. March 2010.

Brazil, China, India and South Africa have each worked to improve access to electricity services. While many of the challenges faced by these countries are similar, the means of addressing them varied in their application and effectiveness. The report analyses the four country profiles, determining the pre-requisites to successful rural electrification policies.

http://www.iea.org/papers/2010/rural_elect.pdf [PDF. 118 pages].



SUSTAINABLE PRODUCTION OF SECOND-GENERATION BIOFUELS. International Energy Agency. Anselm Eisentraut. February 2010.

The study aims to identify opportunities and constraints related to the potential future production of second-generation biofuels in major economies and developing countries, and to examine under which conditions the new fuels could be produced sustainably in these countries. The paper identifies global drivers for second-generation biofuel development, discusses projections on biomass potentials and assesses the potential of agricultural and forestry residues for the sustainable production of lignocellulosic biofuels. [PDF format, 221 pages].

http://www.iea.org/papers/2010/second_generation_biofuels.pdf

INTERNATIONAL INSTITUTE FOR STRATEGIC STUDIES

DUBAI'S DEBT WOES EXPOSE FLAWS IN GOVERNANCE MODEL. International Institute for Strategic Studies. March 18, 2010.

The debt problems of Dubai World, an investment company owned by the Emirate of Dubai, have cast a pall over economic activity in the United Arab Emirates (UAE) and the Gulf. They have raised questions about relationships between the seven Emirates that constitute the UAE, as well as about Dubai's ambitious economic model and the unclear boundaries between the public finances and those of the ruling Al Maktum family. As negotiations continue on restructuring \$26 billion of debt, it is clear that greater transparency in governance may be needed in the Gulf to restore business confidence over the longer term.

<http://www.iiss.org/publications/strategic-comments/past-issues/volume-16-2010/march/dubais-debt-woes-expose-governance-model/>

[HTML format, various paging].

INTERNATIONAL LABOUR OFFICE (ILO)



ACTION AGAINST CHILD LABOUR 2008-2009: IPEC PROGRESS AND FUTURE PRIORITIES. ILO, March 2010.

This report is the implementation report of the ILO's International Programme on the Elimination of Child Labour (IPEC) covering the biennium 2008-09. It provides information about the Programme's activities worldwide during this period. The report also reflects upon IPEC's responses to implications of the global economic crisis on the child labour and highlights the lessons learned by IPEC after a decade of action against child trafficking.

<http://www.ilo.org/ipecinfo/product/viewProduct.do?productId=12813>



INTERNATIONAL MIGRATION--A RIGHTS-BASED APPROACH. ILO, 2010.

This book offers a comprehensive and accessible overview of international labour migration and the ILO's efforts to protect migrant workers through a rights-based approach. It gives new insights into the factors that motivate people to seek work outside their country of origin and the significant development effects on both origin and destination countries. Exposing the often limited access of migrant workers to their fundamental rights at work, it describes in detail the international norms that have evolved to protect migrant workers and ensure decent work for all. It

reflects on existing and potential international governance structures, addressing the linkages between migration and development, and reviews the role of the ILO's Multilateral Framework on Labour Migration in improving policy-making and international cooperation in the area of labour migration.

http://www.ilo.org/global/What_we_do/Publications/ILOBookstore/Forthcomingpublications/lang--en/docName--WCMS_125361/index.htm

INTERNATIONAL MONETARY FUND

THE CYCLICALITY OF FISCAL POLICY IN THE MIDDLE EAST AND CENTRAL ASIA: IS THE CURRENT CRISIS DIFFERENT? International Monetary Fund. Yasser Abdih et al. March 2010.

The countries of the Middle East and North Africa, and the Caucasus and Central Asia have the highest output volatility in the world. Fiscal policy is a powerful tool that can help dampen the business cycles. The paper analyzes the cyclical properties of fiscal policy in

the region during the past four decades and explores whether the response during the current global economic crisis is different in 2009. [PDF format, 27 pages].

<http://www.imf.org/external/pubs/ft/wp/2010/wp1068.pdf>

JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY, RICE UNIVERSITY

EDUCATION, INFRASTRUCTURE, AND BORDER ECONOMIC GROWTH. James A. Baker III Institute for Public Policy. Thomas M. Fullerton Jr. et al. March 24, 2010.

The study shows how economic recovery programs may improve, or fail to improve, regional education systems. [PDF format, 22 pages].

<http://www.bakerinstitute.org/publications/LAI-pub-BorderEconFullerton-032410.pdf>

LEVY ECONOMICS INSTITUTE OF BARD COLLEGE



GLOBAL IMBALANCE, THE U.S. DOLLAR, AND HOW THE CRISIS AT THE CORE OF GLOBAL FINANCE SPREAD TO "SELF-INSURING" EMERGING MARKET ECONOMIES. Levy Economics Institute of Bard College. Jorg Bibow. March 2010.

The paper investigates the spread of what started as a crisis at the core of the global financial system to emerging economies. While emerging economies had exhibited some resilience through the early stages of the financial turmoil that began in the summer of 2007, they have been hit hard since mid-2008. Things were made worse by emerging markets' exposure to the turmoil in global finance itself. As "innocent bystanders," even countries that had taken out "self-insurance" proved vulnerable to the global "sudden stop" in capital flows. [PDF format, 42 pages].

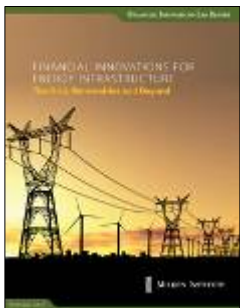
http://www.levy.org/pubs/wp_591.pdf

IS REREGULATION OF THE FINANCIAL SYSTEM AN OXYMORON? Levy Economics Institute of Bard College. Jan Kregel. February 2010.

The extension of the subprime mortgage crisis to a global financial meltdown led to calls for fundamental reregulation of the United States financial system. However, that reregulation has been slow in implementation and the proposals under discussion are far from fundamental. One explanation for this delay is the fact that many of the difficulties stemmed not from lack of regulation but from a failure to fully implement existing regulations. At the same time, the crisis evolved in stages, interspersed by what appeared to be the system's return to normalcy. [PDF format, 14 pages].

http://www.levy.org/pubs/wp_585.pdf

MILKEN INSTITUTE



FINANCIAL INNOVATIONS FOR INFRASTRUCTURE FINANCE: THE GRID, RENEWABLES AND BEYOND. Milken Institute, March 29, 2010

The report proposes new regulatory models and the implementation of financial innovation to harness the capital markets and leverage private-sector investment to make up the difference. It outlines several options for new regulatory models and financial innovations that could unlock private investment to update transmission infrastructure, increase capacity to deliver renewable energy to population centers and move toward tomorrow's "smart" grid.

<http://www.milkeninstitute.org/publications/publications.taf?function=detail&ID=38801236&cat=finlab>

NATIONAL BUREAU OF ECONOMIC RESEARCH

RECRUITING FOR IDEAS: HOW FIRMS EXPLOIT THE PRIOR INVENTIONS OF NEW HIRES. Jasjit Singh, Ajay K. Agrawal. NBER Working Paper No. 15869. April 2010

When firms recruit inventors, they acquire not only the use of their skills but also enhanced access to their stock of ideas. But do hiring firms actually increase their use of the new recruits' prior inventions? The authors' estimates suggest they do, quite significantly in fact, by approximately 202% on average. However, this does not necessarily reflect widespread "learning-by-hiring."

<http://www.nber.org/papers/w15869>

QUANTIFYING THE IMPACT OF FINANCIAL DEVELOPMENT ON ECONOMIC DEVELOPMENT. Jeremy Greenwood, Juan M. Sanchez, Cheng Wang. NBER Working Paper No. 15893. April 2010

How important is financial development for economic development? A costly state verification model of financial intermediation is presented to address this question. The model is calibrated to match facts about the U.S. economy, such as intermediation spreads and the firm-size distribution for the years 1974 and 2004. It is then used to study the international data, using cross-country interest-rate spreads and per-capita GDP. The analysis suggests a country like Uganda could increase its output by 140 to 180% if it could adopt the world's best practice in the financial sector. Still, this amounts to only 34 to 40% of the gap between Uganda's potential and actual output.

<http://www.nber.org/papers/w15893>

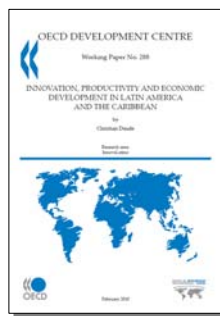
NEW AMERICA FOUNDATION

EFFECTS OF IMPOSING A VALUE-ADDED TAX TO REPLACE PAYROLL TAXES OR CORPORATE TAXES. New America Foundation. Eric Toder and Joseph Rosenberg. Web posted March 22, 2010.

The report examines the effects of imposing a new value added tax (VAT) in the United States and using the revenue raised to lower payroll tax and corporate income tax rates. We summarize how different forms of VAT operate and compare how a VAT, payroll tax, and corporate income treat different sources of income and the different ways each tax distort economic decision-making. [PDF format, 39 pages].

<http://growth.newamerica.net/sites/newamerica.net/files/policydocs/VATpaper.pdf>

ORGANISATION OF ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)



INNOVATION, PRODUCTIVITY AND ECONOMIC DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN. Organisation for Economic Co-operation and Development. Christian Daude. February 10, 2010.

GDP per capita in Latin America has been falling behind high-income countries and other benchmarks for decades. The paper explores some of the potential roots of this poor performance by using development accounting techniques. [PDF format, 55 pages].

<http://www.oecd.org/dataoecd/4/36/44581147.pdf>

AUTOMOBILE INDUSTRY IN AND BEYOND THE CRISIS. Organisation for Economic Co-operation and Development. David Haugh et al. January 26, 2010.

The paper considers the role of the automobile industry in the current cycle. It shows that the industry is economically important and its cycle is intertwined with business cycles.

[http://www.oecd.org/olis/2010doc.nsf/LinkTo/NT000009FE/\\$FILE/JT03277464.PDF](http://www.oecd.org/olis/2010doc.nsf/LinkTo/NT000009FE/$FILE/JT03277464.PDF)

ISRAEL: REPORT ON THE APPLICATION OF CONVENTION ON COMBATING BRIBERY OF FOREIGN PUBLIC OFFICIALS IN INTERNATIONAL BUSINESS TRANSACTIONS AND THE 1997 RECOMMENDATION ON COMBATING BRIBERY IN INTERNATIONAL BUSINESS TRANSACTIONS. Organisation for Economic Co-operation and Development. December 2009.

Israel should be more proactive in detecting, investigating and prosecuting foreign bribery cases, notably those involving the defense industry, according to the OECD Working Group on Bribery. [PDF format, 78 pages].

<http://www.oecd.org/dataoecd/60/10/44253914.pdf>

OXFAM INTERNATIONAL

GENDER PERSPECTIVES ON THE GLOBAL ECONOMIC CRISIS. Oxfam International. Richard King and Caroline Sweetman. February 3, 2010.

The economic crisis continues to affect many women and men living in poverty. But how these effects are felt depends, to a large extent, on their relationships with the people and institutions with whom they interact. These relationships are profoundly different for women and men. [PDF format, 18 pages].

<http://www.oxfam.org/sites/www.oxfam.org/files/gender-perspectives-global-economic-crisis-feb10.pdf>

PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS



NEW PPP-BASED ESTIMATES OF RENMINBI UNDERVALUATION AND POLICY IMPLICATIONS. Arvind Subramanian. Peterson Institute for International Economics. POLICY BRIEF 10-8. April 2010.

New estimates by Arvind Subramanian for the undervaluation of the Chinese currency based on the purchasing power parity (PPP) approach find that the renminbi is undervalued by approximately 30 percent rather than the 12 percent widely reported. Subramanian applies new insights about the way PPP data are compiled, uses new data that have become available, and corrects existing estimates for the biases in the data in order to attain a more accurate estimation of China's currency undervaluation. Corrective action must be taken not primarily to help China but to prevent its currency undervaluation from harming the rest of the world. The real victims of China's currency policies, argues Subramanian, are other emerging-market and developing countries because they compete more closely with China. It is crucial that the subject be broached delicately and with humility and that a multilateral approach be taken with China, most likely by going through the World Trade Organization.

<http://www.petersoninstitute.org/publications/interstitial.cfm?ResearchID=1541>

GLOBAL ECONOMIC PROSPECTS FOR 2010 AND 2011: GLOBAL RECOVERY CONTINUES. Michael Mussa, Senior Fellow. Paper presented at the seventeenth semiannual meeting on Global Economic Prospects, April 8, 2010. Peterson Institute for International Economics

Looking ahead, if the recovery proceeds at even a moderately vigorous pace, it will be necessary to reemploy many of those who lost their jobs during the recession. As this happens, the average level of productive efficiency of the workforce is likely to decline somewhat; relatively less productive workers will predominate among those who are reemployed. Accordingly, the outsized gains in labor productivity that we have seen in recent quarters are unlikely to persist, and unit labor costs are likely to rise. The other side of this coin is that the employment gains associated with a given rise in real GDP are likely to become larger as we move forward into the expansion. These gains are significantly larger than those now envisioned by most forecasters.

<http://www.petersoninstitute.org/publications/papers/mussa0410.pdf>



COPENHAGEN, THE ACCORD, AND THE WAY FORWARD. Trevor Houser, Peterson Institute for International Economics. POLICY BRIEF 10-5. March 2010.

This policy brief assesses the two-week conference, evaluates the Copenhagen Accord that resulted, and discusses key issues the international community will face moving forward. Author Trevor Houser argues that despite the chaos in Copenhagen, the accord is a significant step in addressing global climate change. The chaos in Copenhagen presents the international community with a unique opportunity to go back to first principles and craft a more suitable and sustainable long-term approach to this challenge. Houser calls for combining the UN process aimed at producing a legally binding agreement with a small-group process that would start work immediately on a politically binding basis—an approach that would prevent near-term substantive action from being held hostage to disagreements over legal form while demonstrating that meaningful international cooperation is possible and thus building support for a future treaty.

<http://www.petersoninstitute.org/publications/interstitial.cfm?ResearchID=1508>

PEW

WHO'S WINNING THE CLEAN ENERGY RACE?: GROWTH, COMPETITION AND OPPORTUNITY IN THE WORLD'S LARGEST ECONOMIES. Pew Charitable Trusts. March 24, 2010.

For the first time, China led the United States and other G-20 members in 2009 clean energy investments and finance, according to the data. China invested \$34.6 billion in the clean energy economy, nearly double the United States' total of \$18.6 billion. Over the last five years, the United States also trailed five G-20 members, Turkey, Brazil, China, the United Kingdom, and Italy, in the rate of clean energy investment growth.

http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Global_warming/G-20%20Report.pdf

PUBLIC'S ECONOMIC WOES PERSIST: HEALTH CARE REFORM -- CAN'T LIVE WITH IT, OR WITHOUT IT. Pew Research Center for the People & the Press, March 18, 2010.

As the day of reckoning for health care reform approaches, Americans have little to cheer about. Nearly everyone (92%) gives the national economy a negative rating. Closer to home, 85% say that jobs are hard to find in their community. A majority (54%) now says that someone in their household has been without a job or looking for work in the past year, compared with 39% in February 2009. And the proportion saying they got a pay raise or a better job in the past year fell from 41% in January 2008 to 24% currently. Public gloom about the economy and personal finances extends to opinions about the future of health care costs.

<http://pewresearch.org/pubs/1530/poll-health-care-costs-prefer-new-bill>

MOVING TOWARDS SAFER CREDIT CARDS. Pew Safe Credit Cards Project. Nicolle Grayson. February 2010.

The Credit CARD Act of 2009, with major provisions taking effect this month, will save American cardholders billions of dollars by banning unfair or deceptive practices, according to research from the Pew Safe Credit Cards Project. Just two of these practices, retroactive rate increases and "hair-trigger" penalty interest rates, were costing U.S. consumers a minimum of \$10 billion per year. Congress designed the Act to be implemented in three phases. The first part of the law took effect last summer, and the second phase begins on February 22. The third and final stage of new protections will be enacted in August when

the Federal Reserve issues its final rules on “reasonable and proportional” penalty fees and charges. [PDF format, 2 pages].

http://www.pewtrusts.org/news_room_detail.aspx?id=57259

CLEAN ENERGY MARKETS: JOBS AND OPPORTUNITIES. Pew Center on Global Climate Change. February 2010.

The brief explains how investment in clean energy technologies will generate economic growth and create new jobs in the United States and around the world. Comprehensive, market-based national policy that attracts investment in clean energy markets can help create these economic benefits. [PDF format, 18 pages].

<http://www.pewclimate.org/docUploads/clean-energy-markets-jobs-opportunities-brief.pdf>



CHASING THE SAME DREAM, CLIMBING DIFFERENT LADDERS: ECONOMIC MOBILITY IN THE UNITED STATES AND CANADA. Pew Charitable Trusts. Miles Corak. January 21, 2010.

The United States and Canada have a great deal in common, with histories and cultures shaped by newcomers seeking opportunities and better lives. Yet there are very important differences in social and economic trends on either side of the 49th parallel. In particular, previous analyses of economic mobility in the United States and other industrialized nations reveal that the United States has less, not more, mobility than its northern neighbor. That is, one’s family economic background is more likely to influence one’s economic outcomes in the United States than in Canada. [PDF format, 28 pages].

http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Economic_Mobility/EMP_Chasing%20the%20Same%20Dream_Full%20Report_2010-1-07.pdf?n=7500

WOMEN, MEN AND THE NEW ECONOMICS OF MARRIAGE. Pew Research Center. January 19, 2010.

The institution of marriage has undergone significant changes in recent decades as women have outpaced men in education and earnings growth. These unequal gains have been accompanied by gender role reversals in both the spousal characteristics and the economic benefits of marriage. [PDF format, 37 pages].

<http://pewsocialtrends.org/assets/pdf/new-economics-of-marriage.pdf>

RAND

THREE ESSAYS IN TRANSPORTATION ENERGY AND ENVIRONMENTAL POLICY. Sara Hajiamiri. RAND Dissertation, April 2010.

Concerns about climate change, dependence on oil, and unstable gasoline prices have led to significant efforts by policymakers to cut greenhouse gas (GHG) emissions and oil consumption. Within the transportation sector, light-duty vehicles (LDVs) are responsible for more than 65 percent of oil consumption and more than 60 percent of total GHG emissions, so meaningful reductions in oil consumption and GHG emissions can be achieved if a significant fraction the LDV fleet is replaced by more fuel-efficient technologies. This dissertation, consisting of three essays, investigates the potential benefits and impacts of deploying more fuel-efficient vehicles in the LDV fleet. The first essay uses data on 2003- and 2006-model gasoline-powered passenger cars, light trucks, and sport utility vehicles to investigate the implicit private cost of improving vehicle fuel efficiencies by reducing other desired attributes, such as horsepower. The second essay estimates the private benefits and societal impacts of electric vehicles, which have implications for efforts to incentivize the purchase and production of these vehicles. The third essay explores the implications of a large-scale adoption of electric vehicles, explaining that, although such an adoption is desirable with respect to goals for achieving energy security and environmental

improvement, the decline fuel tax revenues that would result has adverse implications for the current system of transportation finance.

http://www.rand.org/pubs/rgs_dissertations/RGSD261/

SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL

"AMAZON TAX" LAWS SIGNAL BUSINESS UNFRIENDLINESS AND WILL WORSEN SHORT-TERM BUDGET PROBLEMS. Tax Foundation. Joseph Henchman. March 8, 2010.

As more states consider enacting so-called "Amazon tax" laws to force online retailers to collect sales taxes, the report cautions that such policies would not only fail to relieve short-term budget problems but also hurt long-term economic growth.

<http://www.taxfoundation.org/publications/show/25949.html>

[HTML format, various paging].

URBAN INSTITUTE

AMERICA INSECURE: CHANGES IN THE ECONOMIC SECURITY OF AMERICAN FAMILIES. Urban Institute. Gregory Acs and Austin Nichols. Web posted March 23, 2010.

The paper synthesizes findings from a series of Urban Institute reports produced under the "Risk and Low-Income Working Families" research initiative. It is structured around two key questions: (1) How have economic instability and insecurity for America's low-income working families changed over time? and (2) What are the factors that contribute to or offer protection from substantial income losses and promote or inhibit recoveries from such losses? [PDF format, 32 pages].

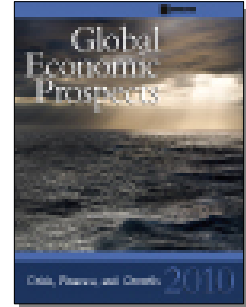
http://www.urban.org/UploadedPDF/412055_america_insecure.pdf

WORLD BANK

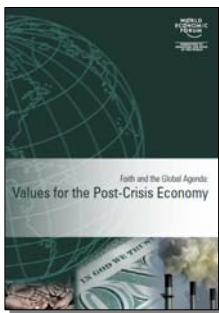
GLOBAL ECONOMIC PROSPECTS 2010: CRISIS, FINANCE, AND GROWTH. The World Bank, January 21, 2010.

The global economic recovery that is now underway will slow later this year as the impact of fiscal stimulus wanes. Financial markets remain troubled and private sector demand lags amid high unemployment, according to the report. [HTML format with links].

<http://go.worldbank.org/7NIPEVSM00>



WORLD ECONOMIC FORUM



FAITH AND THE GLOBAL AGENDA: VALUES FOR THE POST-CRISIS ECONOMY. World Economic Forum. January 18, 2010.

Over two-thirds of people believe the current economic crisis is also a crisis of ethics and values. But only 50% think universal values exist. These are among the findings of the report on issues related to the role of faith in global affairs. The report contains a unique new public opinion poll on values conducted through Facebook. The poll reached over 130,000 respondents in France, Germany, India, Indonesia, Israel, Mexico, Saudi Arabia, South Africa, Turkey and the United States. [PDF format, 77

pages].

<http://www.weforum.org/pdf/faith/valuesreport.pdf>

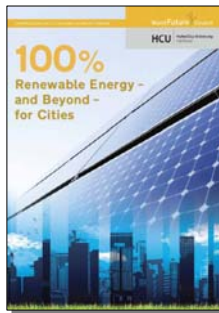


GLOBAL RISKS 2010: A GLOBAL RISK NETWORK REPORT. World Economic Forum. January 2010.

The report explores a set of risks that share a potential for wider systemic impact and are strongly linked to a number of significant, long-term trends. First, there are those which feature highly on the Global Risks Landscape and which predated the recession but have been exacerbated by its impact through greater resources constraints or short-term thinking. [PDF format, 52 pages].

http://opim.wharton.upenn.edu/risk/downloads/WEF_Global-Risks_2010.pdf

WORLD FUTURE COUNCIL



100% RENEWABLE ENERGY – AND BEYOND – FOR CITIES. World Future Council. March 2010.

What does '100 percent renewable' really mean, and what does 'and beyond' signify? The paper provides strategies for cities to become 100% powered by renewable energy.

n[PDF format, 29 pages].

http://worldfuturecouncil.org/fileadmin/user_upload/PDF/100_renewable_energy_for_citys-for_web.pdf

YALEGLOBAL

NEW WORLD ORDER WITHOUT A HEGEMON: COMPLETE AND COOPERATE--Can trading partners also be strategic adversaries? YaleGlobal. Dilip Hiro. February 24, 2010.

The US, China, EU, Russia, India, and Brazil are emerging as the key players whose relationships will define the future of global relations, according to author Dilip Hiro. While the era of unrivalled American supremacy is over, a new pattern of relations is emerging. Rather than being fixed alliances, however, these relationships are fluid combinations of "cooperation and competition." The complexity of these relationships hearkens back to a period in European history after the Napoleonic Wars: a period in which international relations were dictated by the principle of the balance of power. The difference today is that such a concept, rather than being principally confined to European politics, now extends across the globe [HTML format, various paging].

<http://yaleglobal.yale.edu/content/new-world-order-compet-and-cooperate>

ARTICLES FROM U.S. JOURNALS

CRISIS? WHAT CRISIS? Caryl, Christian. *Foreign Policy online*, April 5, 2010

Caryl, contributing editor to *Foreign Policy*, writes that when the financial crisis hit in 2008, there were dire predictions that millions of people in developing countries would fall back into poverty as a result of the collapse. However, that has not been the case; many of the emerging economies that have embraced globalization, learned the lessons of the financial crisis of the late 1990s, and have built healthy balance sheets, and have invested in health care and education instead of trying to artificially prop up the economy. Global trade is now more evenly spread around the world, with China a bigger market for Asian exporters than the U.S. Many developing countries' financial systems were less exposed to the complex edifice of derivatives that derailed Western banking systems. Caryl notes that the world is still a long way from conquering poverty, but concludes, "how remarkable it would be if we could one day look back on the 2008-2009 crisis as the beginning of a more equitable global economy." Currently available online at

http://www.foreignpolicy.com/articles/2010/04/05/crisis_what_crisis?page=0,1

IT'S CHINA'S WORLD -- WE'RE JUST LIVING IN IT. Foroohar, Rana; Liu, Melinda. *Newsweek Magazine*, March 22, 2010

China is rewriting the rules on trade, technology, currency, climate and more, the authors say. Beijing has begun to push harder to reshape international systems to make them more China-friendly and, in the process, to raise the regime's chances of survival. For example, Beijing is helping re-design the Web; the Chinese have been working on the next generation of Internet standards, Internet Protocol version 6 (IPv6). IPv6 will provide trillions of new addresses for everything from Web sites to intelligent home appliances and military applications -- and Beijing intends to get its share of them. China may also get a new opportunity for cyber-spying: unlike the previous architecture, IPv6 allows addresses to be attached to specific computers or mobile devices, which would give the regime greater ability to police its Netizens.

<http://www.newsweek.com/id/234928>

CAN YOU LEARN TO BE AN ENTREPRENEUR? Whitford, David. *Fortune Magazine online*, March 11, 2010

Can you learn to be an entrepreneur? Yes, says Gregg Fairbrothers, a former academic who is now the founding director of Dartmouth Entrepreneurial Network. Entrepreneurs, he said, possess an identifiable set of traits (such as willingness to take risks), but entrepreneurs are defined more by how they do things than what they do.

Entrepreneurship, he says is more about learning through experience. One thing this article makes clear is that courses in entrepreneurship have become very popular across the United States -- two-thirds of U.S. colleges and universities now are teaching entrepreneurship courses. This article is available online at:

http://money.cnn.com/2010/03/10/smallbusiness/entrepreneur_b_school.fortune/index.htm

A SIMPLE MARKET MECHANISM TO CLEAN UP OUR ECONOMY. Barnes, Peter; Mckibben, Bill *Solutions* no. 1, January-February 2010

Summary: A progressive and revolutionary plan for reducing carbon emissions called "cap-and-dividend" is outlined by the authors. Carbon permits would be auctioned, monthly dividends paid to citizens to help defray costs of sustainable energy development and use. It would be transparent and simple to administer. "Markets currently assume the atmosphere can absorb an infinite amount of CO2 since the price for emitting it is exactly zero. Capping the carbon supply will inform markets of nature's limits," they write, adding that the technological progress required will be easy compared to structuring the economics. Currently available online at

http://www.thesolutionsjournal.com/feature_article/2009-01-14-simple-market-mechanism-can-clean-our-economy

HOW TO HANDLE THE SOVEREIGN DEBT EXPLOSION. El-Erian, Mohamed. *Financial Times*, March 10, 2010

Summary: The author, chief executive of investment firm Pimco, writes that the major development of the ongoing financial crisis is the deterioration in the public finances of many advanced economies. Greece is currently the focus of attention, but in time will affect many other Western countries. This development is overturning traditional assumptions about a big divide between advanced and emerging economies; a growing number of the former now have poorer prospects and are more vulnerable than the latter. El-Erian believes that governments of the advanced economies will pull through this difficult period, but cautions that we should recognize that traditional assumptions about economic downturns being cyclical may not apply today, when fundamental changes are taking place. Currently available online at

http://us.ft.com/ftgateway/superpage.ft?news_id=fto031020101453310596

HOW A NEW JOBLESS ERA WILL TRANSFORM AMERICA. Peck, Don. *Atlantic Monthly*, March 2010

Summary: The author notes that the official unemployment figures in the U.S. understate the magnitude of the jobs crisis; the percentage of unemployed and underemployed have approached the highest figure since the 1930s. Despite official pronouncements that the recession is over, a prolonged era of high joblessness is just beginning. Peck writes that it will have a profound effect on the prospects, character and behavior patterns of a generation of young people who are just now trying to enter the workforce. For the first time in U.S. history, the majority of the jobs in the country will be held by women, as the shrinking of the traditional manufacturing industries and trades falls disproportionately on men. Peck fears that the longer the jobless period lasts, the greater the negative effect it will have on the stability of households and communities around the country.

<http://www.theatlantic.com/doc/201003/jobless-america-future>

POVERTY, DISCONNECTED. Kanbur, Ravi. *Finance & Development*, vol. 46, no. 4, December 2009

Summary: Kanbur, professor of economics at Cornell University, notes that relying on official statistics such as GDP numbers often paints too rosy a picture of the incidence of poverty; economists have long sought ways to provide a more complete picture of the state of the poor. He notes that the Commission on the Measurement of Economic Performance and Social Progress, established by the French government, goes a long way to address this discrepancy. Kanbur highlights the numerous ways in which the disconnect between the optimistic picture on poverty painted by official data and the more pessimistic assessment by grassroots activists manifests itself. If the population of a given country is growing faster than the poverty rate is declining, then the absolute number of people living in poverty is in fact growing. Privatizing public services may show a growth in official GDP, but it does not reflect the decline in well-being from the disappearance of those public services. Measuring the per-capita consumption by individual household in many developing countries does not reflect the reality that, often, women and children receive a much smaller share of household consumption than men. Kanbur notes that "there is plenty of work to be done" in helping authorities design policies that enable more people to escape poverty. **<http://www.imf.org/external/pubs/ft/fandd/2009/12/kanbur.htm>**

THE FINANCIAL CRISIS AND THE SCIENTIFIC MINDSET. Cella, Paul J. Iii. *New Atlantis*, Fall 2009 / Winter 2010

Summary: The author writes that what is becoming clear about the financial collapse in 2008-2009 is that the U.S. economy has been driven by a financial system that relies on a complicated structure of speculative debt, that is enabled by modern technology, is totally dependent on abstractions and mathematical formulas and, as it turned out, can only be kept alive by the intervention of the government. On the surface, the development of the shadow banking system appears as a technocratic revolution in capitalism, but on a deeper level is "a failure of the modern mind ... and of the reckless grandiosity of modern technological civilization". Cella observes that Wall Street was infatuated with "the engineered abstraction, produced by mathematical brilliance and computing capacity", believing that the untidy reality of the everyday world could be made predictable by their formulas. He notes that this mindset "is singularly susceptible to falsely imagining that ideas are more real than men . . . This is the simple wisdom that modern finance forgot."

<http://www.thenewatlantis.com/publications/the-financial-crisis-and-the-scientific-mindset>

THE BETTER HALF: HELPING WOMEN HELP THE WORLD. Coleman, Isobel. *Foreign Affairs* January/February 2010

Summary: Coleman, Senior Fellow at the Council of Foreign Relations, writes that efforts to help women gain more economic and political power is more than a worthy moral crusade –

it is probably the most effective means to promote development and stability around the world. During a tour of Africa in August 2009, Secretary of State Hillary Clinton underscored women's rights as a crucial foreign-policy issue by spending a great deal of time meeting with a variety of women's groups. In a review of Nicholas Kristof and Sheryl WuDunn's new book, *HALF THE SKY*, Coleman remarks that it is now well-known among the international-development community that aid provided to women generates much greater benefits, because women are more likely to use it to improve their families' circumstances. Coleman acknowledges the difficulty of eliminating the deeply rooted social traditions that underlie the discrimination, marginalization and abuse of women and girls, and notes that in some instances, the problems may get worse: the globalization of trade and communication has created new channels for sex trafficking and incited contagious forms of violence against women. Coleman notes that the fundamental challenge to improving the status of women is cultural -- Many people in the West too often ignore the problems confronting women in other parts of the world by dismissing, or even condoning, the oppressive practices there as those of a different culture ... Culture, in fact, is contested in every country, and societal norms are far from immutable." Currently available online at <http://www.foreignaffairs.com/articles/65728/isobel-coleman/the-better-half>

THE GLOBAL MIDDLE CLASS IS HERE: NOW WHAT? Wheary, Jennifer. *World Policy Journal* vol. 26, no. 4, Winter 2009/2010, pp. 75-83

Summary: Wheary, senior fellow at the public-policy organization Demos, writes that the global middle class has been growing exponentially, with some 1.2 billion people joining its ranks since the early 1990s. This new group has massive new expectations -- part consumer group, part social force, they are in a position to pressure for more infrastructure, better governance, social stability or even political change. The author notes that a growing middle class does not guarantee a move to democracy, the elimination of corruption or enactment of property-ownership laws, but is an indication that change is afoot. She notes that the downside of a growing middle class is growing material consumption, resulting in more pollution and carbon emissions. The major challenge is to inculcate in this emerging class the virtues of sustainability, while ensuring that the goods and services they want to obtain are environmentally sound. Available online at <http://www.mitpressjournals.org/doi/pdf/10.1162/wopj.2010.26.4.75>

SHOULD CENTRAL BANKS TARGET ASSET PRICES? *International Economy*, Fall 2009, pp. 8-19

Summary: Over the past year, with the collapse of the U.S. subprime mortgage market, central banks have enacted a host of emergency measures. However, identifying overinflated asset markets in advance and avoiding moral hazard is very difficult. Former Federal Reserve Chairman Alan Greenspan made his famous remark about the stock market being "irrationally exuberant" at a time when the stock market was a third lower than it is today; Americans' "irrational exuberance" over housing prices turned out to be a bubble, after all. Twenty experts offer their views in this symposium on the degree to which central banks should attempt to influence asset prices, or whether it is even possible. http://www.international-economy.com/TIE_F09_AssetPriceSymp.pdf

THE ROOT OF THE FINANCIAL CRISIS. Kling, Arnold. *Policy Review* No. 158, December 2009-January 2010

Summary: The author, a former economist at the Federal Reserve, notes that there is no single chief villain in the financial crisis of 2008; what characterized it was the magnitude of the self-deception in all parties concerned. The crisis was both a market failure and a government failure -- financial executives had too much confidence in their risk-management strategies, and government regulators did not question the soundness of the oversight measures in place. Says Kling, "there was a widespread gap between what people

thought they knew to be true and what was actually true." The failure to prevent the crisis was from the lack of knowledge of key policymakers -- if they realized that the housing bubble was posing a risk, or that the market was becoming distorted away from direct lending and toward securitization, they could have issued rules to banks to reduce their exposure or restrict the issuance of mortgage securities several years earlier.

<http://www.hoover.org/publications/policyreview/72903637.html>

HOW CHINA WON AND RUSSIA LOST: TWO DISSIMILAR ECONOMIC PATHS.

Gregory, Paul; Zhou, Kate. *Policy Review*, No. 158, December 2009-January 2010

Summary: The economic reforms that took place in China and Russia in the 1980s have resulted in very different outcomes, note the authors. The Chinese Communist Party under Deng Xiaoping opened up the economy but resisted grassroots reform. However, China has a tradition of small private agriculture and trading, and the rural population began bringing food and goods to the major urban centers on their own, braving official harassment and reprisal. China's was a bottom-up spontaneous reform that had broad popular support, and spread to such an extent that the leadership eventually had to concede its success. In Russia's case, Gorbachev's reforms were initiated on a top-down basis, with no meaningful constituency, as all Russians worked for the state. Gorbachev also had to contend with the intractable problems of large state enterprises and state-run collective farms, and foreign firms were reluctant to invest in Russia because of the lack of contract and property-rights law. The authors note that Russia's experience in foreign investment is in stark contrast to the case in China, which was helped by the knowledge of local contacts by the large Chinese émigré business community throughout Asia and North America. Available online at

<http://www.hoover.org/publications/policyreview/72997307.html>

BAD DEBTS: ASSESSING CHINA'S FINANCIAL INFLUENCE IN GREAT POWER POLITICS.

Drezner, Daniel W. *International Security* vol. 34, no. 2, Fall 2009, pp. 7-45

Summary: Drezner, professor of international politics at the Fletcher School of Law and Diplomacy at Tufts University, states that policymakers have voiced growing concerns about U.S. dependence on China and other authoritarian capitalist states as a source of credit to fund the U.S. trade and budget deficits. He argues if Beijing or another sovereign creditor were to flex its financial muscles, Washington could buckle. The ability of creditor states to convert their financial power into political power suggests that the power of credit has been moderately exaggerated in policy circles. China's financial power increases its deterrent capabilities, but it has little effect on its coercible capabilities. China can use its financial power to resist U.S. entreaty, but it cannot force the United States into changing its policies. Financial power works best when a concert of creditors (or debtors) can be maintained. The author describes two case studies—the contestation over regulating sovereign wealth funds and the protection of Chinese financial investments in the United States—demonstrate the constraints on China's financial power.

http://muse.jhu.edu/journals/international_security/summary/v034/34.2.drezner.html

SEARCHING FOR A MIRACLE: 'NET ENERGY' LIMITS AND THE FATE OF

INDUSTRIAL SOCIETY. Heinberg, Richard. *Post Carbon Institute / International Forum on Globalization*. September 2009, 83 pp.

Summary: Heinberg, Senior Fellow at the Post Carbon Institute, notes in this special report that the world's current energy regime is unsustainable -- "the designers of the global economy sold us visions of never-ending growth and abundance ... but now, limits are everywhere apparent." Conventional fossil and nuclear energy sources are nearing their limits, and their continued use is proving increasingly hazardous to the biosphere. This report analyzes in detail whether any combination of known or alternative energy sources

supply society's energy needs up to the year 2100. Heinberg's disturbing conclusion is that "there is no clear practical scenario" by which energy from today's conventional sources can be replaced with energy from alternative sources to maintain industrial society at its present scale. Key among his assertions is that the net energy yield, or Energy Returned On Energy Invested (EROEI) ratio, on alternative energy systems is much lower than on conventional fossil or nuclear sources, which have powered modern development for a century. He is convinced that energy conservation, combined with gradual population decline, must become primary strategies for achieving sustainability. The report concludes that "this is not great news, but denial is worse . . . current assumptions about our energy options are unrealistic. New thinking is mandatory." Available online at <http://www.postcarbon.org/report/44377-searching-for-a-miracle>

More about economic issues:
<http://www.america.gov/econ.html>
