the Popular Economist

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Where do we go from here? Five steps from bailout to recovery

Gerald Friedman, CPE staff economist & Prof. of Economics, UMass, Amherst

At best, the recently-enacted $700 billion Wall Street bailout stops the bleeding until we can develop a real solution to the economic crisis. Founded on a misguided interpretation of the problem, it will not produce recovery, not even a return to confidence within financial markets. Recovery needs more than bailout; it needs radical change in the way we do business.

1. Recognize that liquidity is the symptom not the problem

Since the crisis began, the Federal Reserve and the Treasury have treated the crisis as due to a shortage of liquidity, or cash available for lending. But the shortage of financial liquidity is due to loss of confidence in banks and other financial institutions by consumers. This loss of confidence is due to two underlying problems: mounting losses originating in the collapse of the housing bubble and the accounting tricks used to hide exposure to these losses. Once these losses began, shock at the risk that financial institutions had taken on frightened investors and lenders; and this fright grew when they discovered the extent to which these institutions had concealed risk. Each treatment of liquidity since August 2007 has failed to revive financial markets and the economy, only to be followed by a still larger treatment of liquidity. Without confidence in the integrity of financial institutions, no amount of liquidity will lead investors to lend; all the Federal Reserve has done has been to flood the country with idle cash while driving down interest rates on government bonds.

2. Accept that subprime lending compounded a problem that originated in the housing bubble.

Fed by aggressive mortgage lending, by 2007, housing prices were nearly 25% above long-term trend and there was a boom in home building that produced over a million unoccupied single-family homes. The accumulation of unsold properties threatened construction firms and the banks and financial institutions that had funded them. Further, price inflation threatened financial institutions holding mortgages because a drop to normal price levels would wipe-out most of the property-owners' equity leaving them with little reason to continue to make payments on their mortgages. More than the danger of some poor overstretched working-class

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Crisis and Opportunity

Emily Kawano, Executive director, CPE

We are living through an historic moment. Ten years from now, if not a whole lot sooner, we will look back and see this as a turning point in how the economy is run. The free market fundamentalists, who presided over the deregulation of the financial system and steadily undercut the role of the government, are now forced to promote the most massive government intervention since the Great Depression.

It wasn't long ago that conservatives proclaimed, 'There Is No Alternative', meaning no alternative to the reigning conservative neoliberal order. Now *neoliberalism*[1] is crumbling and just as the Great Depression ushered in New Deal Keynesianism, and the stagflation (high rates of unemployment and inflation) of the late 1970s paved the way for neoliberalism, the present economic crisis will give birth to a different economic order. The question is: what will it be?

Some call for a new New Deal, re-introducing us to Keynesianism – a reclamation of the government's mandate to stabilize the economy; to invest in infrastructure, education, job creation, and key industries; to regulate against the excesses of free market wheeling and dealing; and to forge egalitarian social programs. Barack Obama, who is likely to be our next President, has proposed policies that are largely in keeping with this model.

The international domino effect of the U.S. financial crisis has instigated a serious challenge to the U.S. dominance in global finance. European Union leaders have called for a new financial order with less U.S. domination and greater transparency and regulation. Brazil's President Lula da Silva has demanded that developing countries have a strong say in its restructuring. An international meeting to discuss the new structure is slated to take place in November.

There is no doubt a new New Deal and a new financial order would be an improvement on the brutality of neoliberalism, but the ques-

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CPE Happenings

2008 Summer Institute

The 2008 Summer Institute was a spectacular success. Both the U.S. and International classes were full and we had a terrific group of participants – smart and knowledgeable, with a collective treasure trove of organizing experience. We had an unusually high percentage of women and people of color - more than 50% in both cases. Geographically, we had a very diverse group as well - folks from all over the U.S. as well as from El Salvador, Sudan, India, Senegal, Mexico, Cuba, Turkey, Germany, Canada, Jamaica, Malaysia, D.R. Congo, China and Mali. This diversity helped to make for a particularly rich environment.

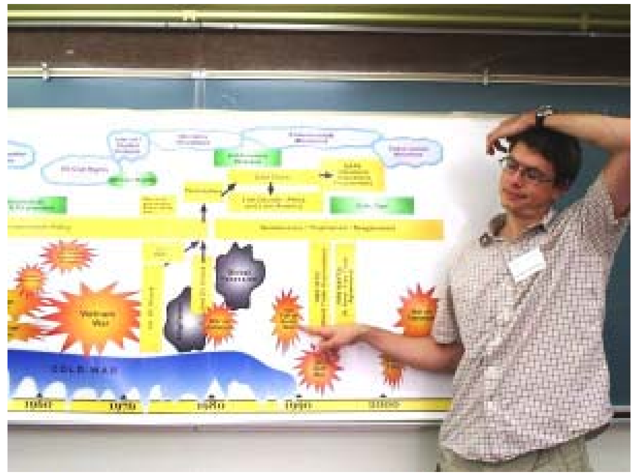
It was really wonderful to be in Chicago, and Roosevelt University, with its impressive egalitarian history, was a great place to have the Summer Institute – right downtown, the landmark Auditorium building was awesome, good food and accommodations, and a radical labor history tour that included a trip to Haymarket Square.

We had a fun open mic event, emceed with panache by one of our participants, Melissa Gordon. The Center for Immigrant Resources and Community Arts gave a wonderful and moving performance about an undocumented caregiver, who couldn't risk returning home to the Philippines for his father's funeral because his relatives depend on the remittances that he sends to support them. Other performances included some lovely singing, poetry and a humorous skit that made good-natured fun of teachers and staff.

The teaching teams were great, as attested by the enthusiastic written and oral evaluations. Tom Masterson and Ozgur Orhangazi taught the international class, while Maliha Safri and Florian Kaufmann taught the U.S. class. Maliha and Florian had a particularly big job because of the substantial revisions that were made to the U.S. curriculum in order to integrate the issue of immigration.

We had some great panels and workshops covering issues such as what would a good immigration policy look like, myths about immigration, black-brown divisions and unity, and the impact of militarized enforcement.

The sharing circle at the Friday graduation was overflowing with warm fuzzy praise and high emotion - there were even expressions of love (something that we economists aren't used to hearing reference to in our professional lives). We ended the week by going on a late night outing with a bunch of participants where we (well, some of us) went for a chilly skinny-dip in Lake Michigan under the city skyline. Maliha said that going for a swim in the buff was a CPE Summer Institute tradition - although nobody else remembered having heard of it before. Well - we'll see if it carries on next year.



Florian deep in thought

Workshops

<u>May: Springfield College</u>, Springfield, MA. "What's the Economy For Anyway? The Case for a Solidarity Economy" *(see Solidarity Economy News, p. 4)*

<u>May: National Educational Association, Leadership Training</u>, San Francisco, CA. Emily did a workshop on immigration, education and community economic development for around 200 teachers. The NEA has an interesting project called TEF (Taxes, Economic Development & Funding for Education) that is about shifting economic development money towards education rather than corporate giveaways.

<u>May 29-30: Highlander Research and Education Center</u>, New Market, TN. "What's the Economy For, Anyway? The Case for a Solidarity Economy and Social Wealth" *(see Solidarity Economy News, p. 4).*

<u>June: Homeless Resource Network,</u> Columbus, GA. Geert Dhondt ended up teaching solo at this workshop on economics and housing crisis, due to injuries sustained in a bike accident by co-teacher. Geert rose to the occasion and did a great job and his would-be co-teacher made a full recovery.

<u>June 20-22: Democracy at Work Conference</u>, New Orleans. "Solidarity Economy and Worker Cooperatives *(see Solidarity Economy News, p. 4).*

<u>August: Drum Major Institute,</u> New York – Anita Dancs and Hector Saez co-facilitated two workshops at this week long training for young people of color interested in public policy work. This is the second year that we did a workshop for DMI - Tom Masterson and Amit Basole did it last year.

<u>August: Holyoke, MA.</u> Intro to the Solidarity Econoomy – This workshop was organized by W. Mass. American Friends Service Committee to introduce Holyoke high school students to the solidarity economy. Helen Scharber led a participatory exploration of what the solidarity economy is and helped them identify ways that they or their families are already engaged in it in their own lives. After the workshop, the students toured some local examples of the solidarity economy, including Nuestras Raices.

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In this issue

CPE Happenings *(cont'd from previous page)*

October 23: W. Mass. Jobs with Justice, Greenfield, MA. "The Financial Crisis: Implications for the Labor Movement" with David Kotz.

Upcoming

October 30: W. Mass. Jobs with Justice, Unitarian Universalists & SAGE, Amherst, MA "Boom, Bust and Bailout: What happened and what to do about it" with Jim Crotty and Jerry Friedman.
Nov.: W. Mass. Jobs with Justice, Springfield, MA – date TBA
Nov 23: Green party state convention, Leominster, MA. "Economic Crisis and the Solidarity Economy"

Walaalo! Somali Sisters Collective

We've been continuing our involvement in this collaborative project. The latest news is that Dean's Beans, a fair trade coffee business, has gotten involved. The owner Dean Cycon asked if the women would be interested in making tote or shopping bags out of the sacks that the coffee beans come in. He already has a buyer for 500-1000 bags plus interest from local businesses. The women were enthusiastic about the project and CPE brought in a sewing instructor from the UMass Craft Collective to do trainings with the women. Dean has generously purchased four industrial sewing machines from Newmans Sewing Center in Springfield, which are on loan to the project for as long as they are needed. The women had a couple of 'field trips' to Newmans. One of their pros whipped up a beautiful tote bag out of the sack material in no time at all and offered to help train the women. We have secured a place to set up the machines at Gasoline Alley, an economic development organization in Springfield and the women are about to start production this week. Very exciting!

Some of the women from Walaalo! Somali Sisters Collective

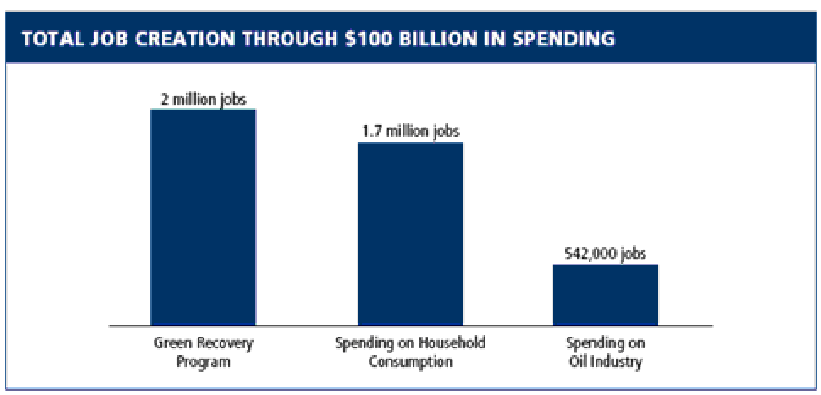
Green Recovery:

A Program to Create Good Jobs and Start Building a Low-Carbon Economy

Robert Pollin, co-director, Political Economy Research Institute (PERI) & Heidi Garrett-Peltier, CPE economist

In September of this year, Robert Pollin (CPE Board Member), Heidi Garrett-Peltier, James Heintz, and Helen Scharber (all CPE Staff Economists) released their "Green Recovery" report which was commissioned by the Center for American Progress.

The report outlines a $100 billion green economic stimulus program that could create about 2 million new jobs within the U.S. economy over a 1-2 year time period. Over the longer term, it will also support a wide range of new investment initiatives that can effectively fight global warming and build a clean-energy economy in the United States. The report is available at http://www.peri.umass.edu/ .We give you a few of the highlights here:



Source: U.S. Bureau of Economic Analysis and authors' calculations. See Appendix 1 for details.

Investment strategies. The program focuses on six green investment areas that partially comprise a clean-energy economic strategy. This includes three energy efficiency strategies—building retrofitting; mass transit and freight rail; and constructing "smart" electrical grid transmission systems. It also includes three renewable energy strategies—wind power, solar power and biomass fuels.

Widespread employment gains. Investments in these areas will produce employment opportunities across a wide range of familiar occupations—roofers, welders, electricians, truck drivers, accountants, and research scientists. It will also strengthen promotion ladders for workers to move up from lower-paying to good jobs. Jobs can be created on an equitable basis throughout all regions and states in the country.

Pushing unemployment down. If this green stimulus program could be fully implemented within roughly the conditions prevailing in the September 2008 U.S. labor market, it would reduce the number of unemployed people from 9.5 million to 7.5 million. The unemployment rate would fall from 6.1 to 4.8 percent.

Countering the slump in construction. Employment in construction fell from 8 million to 7.35 million between July 2006 – September 2008. The green stimulus program can, at the least, replace the 650,000 lost construction jobs.

Countering oil price increases. Expanding investments in energy efficiency and renewable energy sources will push down demand for oil, which in turn can reduce oil prices. If U.S. oil demand were to fall by five percent in a year, and if other factors were pushing oil prices up from $4.00 to $4.70 a gallon at the pump, the five per- cent demand reduction would push the price back down to $4.40.

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Solidarity Economy News

Emily Kawano, Dir. CPE and U.S. SEN

Our work on the solidarity economy has been keeping us quite busy. Emily Kawano continues to wear two hats as the director of CPE and the U.S. Solidarity Economy Network (SEN).

We are working on planning and coordinating the **Forum on the Solidarity Economy: Building Another World** which will be held at the University of Massachusetts in Amherst, from March 19 through 22, 2009. This will be SEN's inaugural conference as well as the first such forum in the U.S. and will include a tour of the local solidarity economy, workshops, plenaries and cultural events. For more information, see the SEN website: http://www.ussen.org

We plan to organize a delegation from U.S. to attend the **Fourth International Forum on the Globalization of Solidarity** which will be held in Luxembourg from April 29 through May 2, 2009. This Forum is organized by RIPESS, the Intercontinental Social Solidarity Economy Network and the European Institute of the Solidarity Economy (INEES). The last one was held in Dakar in 2005 and drew together 1,200 participants from 63 countries. For more information, visit the SEN website.

We are finding that there is a great demand for a positive vision and real world examples. At the same time we feel that it is important to ground the need for a solidarity economy in an understanding of what's wrong with what we currently have. The *What's the Economy For, Anyway* framework serves this purpose beautifully and we have developed curriculum and led workshops that combines the two themes. Support was provided by the PERI's Forum on Social Wealth and the Rockefeller Brothers Fund.

May 1, 2008: "What's the Economy For Anyway? The Case for a Solidarity Economy", Springfield College, Springfield, MA
The Center for Popular Economics facilitated two workshops with around 60 students at Springfield College. We discussed what the economy should be for, looked at how the U.S. economy is failing to deliver in many important ways and considered the need for a different economy that promotes the welfare of people and planet. We looked at the principles and framework of the solidarity economy and used a participatory Stepping Stone exercise to explore many of the real examples of the solidarity economy in action. One student commented after the workshop that this was the most interesting class of the semester!

May 29-30, 2008: "What's the Economy For, Anyway? The Case for a Solidarity Economy and Social Wealth" Highlander Research and Education Center, New Market, TN
We were delighted to have the opportunity to work with the Highlander Research & Education Center which has a long and venerable history of bringing together generations of activists to share, learn and strategize. This regional workshop convened organizations based in the South and Appalachia that are involved in economic justice work. It provided an opportunity for these activists to share their experiences and challenges. We drew on these discussions to raise the question, What's the economy for, anyway? We followed this with an introduction to the solidarity economy as a framework that can bring together the many struggles for a better world. The workshop focused also on social wealth and the common property resource management strategies. This latter topic was of particular interest given that many Appalachian communities are heavily dependent on resource extraction. We ended with small group discussions of how to put what we talked about into practice and to identify next steps.

We are happy to report on some of these next steps: there were a couple of follow up Solidarity Economy meetings in Knoxville (see www.ussen.org for news article, A Different Citizen Panel) and folks were interested in further exploration of participatory budgeting. The Appalachian Community Economics Conference held in Abingdon, VA from Sept. 19-21, included a "What's the economy for anyway? The Case for a Solidarity Economy" workshop, which was led by two Highlander staff. Finally, we are delighted that Highlander has joined the SEN Coordinating Committee. Support for this workshop was provided by the Forum on Social Wealth, the Rockefeller Brothers Foundation and the Appalachian Community Fund.

June 2-July 10, 2008: "What's the Economy For, Anyway? The Case for a Solidarity Economy and Social Wealth" Online course. Amit Basole taught this course, which is the first time that we that we have done any online teaching. Twenty people, a mix of traditional students and activists, took the course. It started off by exploring the question: what purpose do we want our economy to fulfill? The students then looked at the emerging global solidarity economy movement and its potential to provide an alternative economic development framework. Finally, the course focused in on

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The U.S. Solidarity Economy Network
invites you to the first national

[illegible]
[illegible]:
[illegible]

March 19-22, 2009 ◆ Univ. of Massachusetts, Amherst
Co-convened with Universidad de los Andes (Venezuela) & RIPESS-NA (Intercontinental Network for the Promotion of the Social Solidarity Economy – N. America)

Join us!
The time to advance real solutions, built on real experiences and successes is now. Another world is possible and necessary. Join the global movement to make that 'other world' a reality!

For more details and background please visit our website: http://www.ussen.org
Or contact: Emily Kawano, Coordinator, U.S. Solidarity Economy Network, 413-545-0743, emily@populareconomics.org

Attracting Undocumented Migrants:

The Perverse Effects of U.S. Border Enforcement

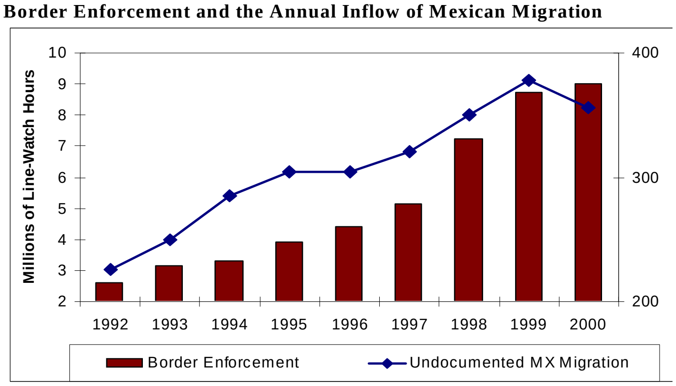
Florian Kaufmann - CPE Staff Economist

Imagine drones flying overhead, large numbers of military personnel, motion detectors, barbed wire fences, 500 recorded deaths per year – these images might evoke war zones like Baghdad, Kabul, or maybe the Guantanamo Bay detention center. Probably few would think of places such as El Paso, Texas.

Over the last 15 years, U.S. border enforcement activities have risen dramatically:

- The budget of the U.S. border patrol has increased ten-fold.
- The number of U.S. border patrol agents has more than quadrupled, surpassing 17,000 in 2008.

Border Enforcement and the Annual Inflow of Mexican Migration



Sources: Passel, Jeffrey and Roberto Suro (2005). *Rise, Peak, and Decline: Trends in U.S. Immigration 1992–2004*, Washington, DC: Pew Hispanic Center; Kaufmann (2008).

Meanwhile, undocumented Mexican migration to the U.S. has grown at similar rates (see above figure). The net inflow of undocumented Mexican migrants in the new millennium alone was estimated to average around 300,000 per year (migration has dropped recently, most likely due to the economic downturn). Furthermore, undocumented Mexican migrants now stay longer in the U.S. than before. Why has tougher border enforcement resulted in the exact opposite of what it was trying to achieve?

U.S. border enforcement policies rest on the assumption that stricter border controls increase migration costs and that this deters Mexicans from migrating. However, what would happen if Mexicans still migrate but, due the high cost of crossing, return home less frequently than they used to, and instead move "home" - their family and other belongings - to the U.S? These migrants, now more permanently settled in the U.S., would probably send fewer remittances (earnings sent home) and spend less back home. This in turn, would likely lower the incomes of some "stayers" and could induce them to migrate. Analyzing data from 19,003 Mexican household heads and controlling for individual differences, wages and several macroeconomic factors, my research results support this story.

First, higher U.S. border enforcement, as measured by the number of line-watch hours of U.S. border patrol agents, strongly increases Mexican migrants' degree of socio-economic reorientation from Mexico to the U.S. In the 1990s, as a consequence of tighter U.S. border enforcement, Mexican migrant households heads:

- moved one-fourth of their family dependents to the U.S.
- increased their time in the U.S. by 18 percent
- increased their efforts to obtain a long-term U.S. visa by 23 percent
- increased the likelihood of acquiring a U.S. house by 6 percent, and
- reduced the proportion of income that they remit by about one-third.

Second, stricter U.S. border enforcement stimulates *more* undocumented migration from Mexico. By reducing remittances and migrants' economic activity at home, stricter border enforcement lowers stayers' incomes and increases their likelihood to migrate. I estimate that the tripling of U.S. border enforcement in the 1990s induced between 245,000 and 360,000 Mexicans per year to migrate illegally.

Hence, a change in U.S. immigration policy is needed. In the long-run, the most promising policy would be to support solidaristic economic development in Mexico. While this is challenging, the example of Spain can be instructive. Prior to joining the European Union (EU), Spain's shortfall in living standards relative to its rich neighbors was comparable to the U.S.-Mexican gap. Many of the richer countries feared that admitting Spain into the EU would lead to a flood of Spanish immigrants. However, when Spain joined the European Union in 1986 (then called European Community), it received support through EU structural investment funds to improve education, infrastructure, social insurance and pension programs. Less than 10 years later there were more Spaniards returning home than leaving, for the first time in living memory. It shows that out-migration can be reversed with the enactment of policies that help to increase the welfare of all sides – in other words, solidaristic integration rather than a destructive model of trade liberalization.

Crisis & Opportunity *(cont'd from page 1)*

tion for progressives, who have been hunkering down for these many years of conservative rule, is can we do better? We've been down the New Deal road – and in the final analysis it is simply a kinder and gentler version of capitalism, which by definition is propelled by the logic of profits, growth and competition. Is it time to be more ambitious?

Is it time to push for a fundamental reorientation of our economic system towards one that puts people and planet front and center; one that fosters solidarity and cooperation instead of cut-throat competition and private profits? This is a tall order, and in an environment where Barack Obama's modest redistributive tax proposal has earned him the label of 'socialist', it might seem like a cry in the dark. And yet not as dark as it used to be. The catch phrases of the World Social Forum have been evolving from 'another world is possible' to 'another world is necessary' to 'building another world', as social movements become increasingly aware that there are already many stepping stones upon which to build. The current financial crisis provides some specific opportunities. Here are some of them:

- Start with re-regulation of finance,[2] but push further to force financial institutions back to their original and useful purpose of lending rather than speculating.
- Start with the government taking an equity share in exchange for helping troubled financial institutions, but rather than sell them off, keep them and build up a system of publicly owned social investment banks.
- Provide help for people who face losing their homes but also support community land trusts that restrict real estate speculation.
- Stimulate the economy through public investment in green jobs but make these 'good' jobs – unionized, well paid, good working conditions, and with benefits for starters. Better yet, promote workplace democracy through ESOPs and co-operative ownership.

These are all elements of a solidarity economy, an economic framework that puts the interests of people and planet before private profits and blind growth. The solidarity economy movement has been gaining momentum throughout the world and the current economic crisis provides a precious opportunity to advance it as the way to "build another world".

Footnotes:

[1] *Neoliberalism is a conservative economic model that champions the interests of big business and finance, while villainizing the government. It's policies of free trade, free market fundamentalism, de-regulation, privatization, and enfeebling government have led to widening inequality, deepening poverty, cutbacks in social programs and instability, as evidenced by the current financial crisis.*

[2] *For an excellent run down of re-regulation proposals, see Crotty and Epstein's paper on our website: http://www.populareconomics.org*

Popular Economics in Venezuela

Maliha Safri, Dept. of Economics, Drew University

CPE staff economist Maliha Safri attended and represented the U.S. Solidarity Economy Network at the 8th National Symposium on the Social Economy in Trujillo, Venezuela. Along with Sabine Kienzl from the Venezuelan embassy in Washington DC, Maliha got the chance to meet with participants in a variety of alternative economic projects, beginning with a small-scale hydroponic project. Designed to use less water and space and produce more nutritional food for farming families, engineer Sebastian Fuenmayor showed us one of the projects that was recently awarded one of ten national prizes.

Maliha at a hydoponics cooperative

During the following two days, the symposium brought together an amazing variety of social actors - government officials, including the national superintendent of cooperatives, agrarian cooperative members, researchers and academics, teachers, and teenagers - to assess and debate various aspects of the social economy. The conference provided a careful and thorough-going critique, as well as strategies for how to address various problems that activists faced.

After the conference ended, Maliha and Sabine got the chance to visit more local enterprises in the following two days thanks to professors Benito Diaz and Leonardo Arguello. They visited a farmer's market in Bocono that uses a local currency, Cafe Empresa Socialista (a socialist coffee firm), Red Socialista de Champignones Bella Vista (a socialist mushroom network), and Confruti (a juice-making worker cooperative).

Confruti's members recounted a recent discussion in the members' assembly where they considered how to finance the acquisition of a new expensive machine. They debated the pros and cons of accepting government financing (which comes with a set of strings), or pursuing more expensive private financing. What was clear is the members' commitment to participatory decision-making, despite the sometimes long, antagonistic discussions that are part and parcel of such a commitment.

That is probably the most inspiring aspect of the very diverse projects that comprise the social economy in Venezuela: a practical commitment to the messiness of negotiation, critique, and improvement. For a country that has embarked on such large-scale missions (such as 'Mission Robinson' which hired 100,000 teachers throughout the country to enroll 1 million illiterate Venezuelans, or 'Mission Barrio Adentro' in which Cuban doctors staffed a community health program for the 3 million Venezuelans without access to any local clinics) with so much promise and hope, there is also a pervasive sense that there is a constant need to revise those plans according to problems that arise during implementation.

Where Do We Go From Here? (cont'd from page 1)

homeowners defaulting on relatively low-priced property, the real Sword of Damocles hanging over financial markets has been the prospect of widespread default by builders holding properties worth less than the mortgage.

Economic recovery must begin with the housing bubble by running down the stock of unsold homes and clearly allocating the losses from the burst bubble. **We need Federal aid to first-time home buyers to occupy these empty homes and stabilize home prices.** We also need to settle the losses. Banks would be happy to dump their bad debts onto the taxpayer and leave it to the government to force home owners to pay up on excessive mortgages. Instead, **we need bankruptcy reform that will allow judges to reset mortgages taking account of new market conditions so that home owners can pay off a reasonable debt.**

3. Start by helping those who need help the most.

Regardless of its origins, once the crisis began it fed on itself and spread. Fearing losses on their real-estate investments, including mortgages, banks reduced their exposure by reducing real estate loans. This reduced housing sales, lowering prices, as well as forcing construction firms to reduce activity and to lay off workers. As unemployment spread, mortgage defaults increased, housing prices fell, frightening investors who began to pull money out of banks, leading the banks to retrench further, worsening the growing crisis.

To stop this cascade where financial troubles cause real economic distress exacerbating financial troubles, the Federal government must initiate an aggressive program of economic recovery. **We should provide help for the unemployed with extended unemployment insurance. We should use this opportunity to fund extended infrastructure investments including in environmental projects. And we should enact a new revenue sharing program to help local and state governments cope with economic hard times.** Eventually, a recovery founded in help to the public may even trickle up to Wall Street as well!

4. Learn the lesson: Financial overstretch is not an anomaly; it is typical of capitalist financial markets.

Since the Dutch Tulipmania of 1637 and the South Sea Bubble of 1720, financial markets float like a manic depressive from euphoria to bust. Since then, there has been a significant financial mania and panic every decade. These are not accidents: financial markets are driven by the madness of crowds because they price assets not according to their expected return but rather according to what others will pay, or the expectations that others have of the assets future return. Worse, prices are set by expectations of the future expectations that others will have of the assets future return. Speculative markets like these make for interesting games of poker; it is a dangerous way to run an economy.

5. Go back to basics: Full recovery requires restructuring financial markets.

We learned an important lesson in the Great Depression: unregulated financial markets are a joy for bankers but a disaster for the rest of us. Coming out of the depression we established regulations over financial markets to restrain euphoria, to promote transparency, and to limit market scope, with boundaries placed to contain financial euphoria and bust. After World War II, these regulations helped to promote the greatest period of economic growth in human history, growth that promoted equity and a general lifting of living standards. We did so well that we forgot the reasons for our regulatory system, and after the mid-1970s we abandoned financial regulation to return to a system of free-wheeling laissez-faire capitalism. Now, we reap the whirlwind; tomorrow, **we may apply these old lessons to restructuring and re-regulating Wall Street.**

Boom, Bust, and Bailouts!

The financial meltdown, the economic crisis and what we can do about it.

For a workshop or speaker, contact us at:
programs@populareconomics.org or call 413-545-0743

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Economics for people not profit

Solidarity Economy News (cont'd from page 5)

social wealth, which includes natural and social resources such as the air, the care economy, and knowledge, as a key component of the solidarity economy.

June 20-22, 2008: "Solidarity Economy and Worker Cooperatives", Democracy at Work Conference, New Orleans. CPE did two presentations at this conference, organized by the U.S. Federation of Worker Cooperatives, one of which was our workshop on "What's the Economy For Anyway? Why We Need a Solidarity Economy". The other was a presentation at the a local community forum on "Uplifting and Strengthening our Community: Alternative Economic Development and Action". This forum showcased cooperatives and the solidarity economy, with an emphasis on how they can serve communities of color and low income neighborhoods. We had a discussion about how to seed alternative strategies for economic renewal in New Orleans and the Gulf Coast.

July 23-Aug 2, 2008: CPE Summer Institute, Chicago. Emily led two solidarity economy workshops at the Summer Institute, the second one due to popular demand. Participants were delighted to see and discuss so many successful examples of the solidarity economy in action.

Green Recovery (cont'd from page 3)

Energy efficiency investments are self-financing. The primary point of investments in energy efficiency—for both the public and private sectors—is to save on energy costs. This means that money spent now on energy efficiency will pay for educational buildings and can mean more funds for teachers, books, and scholarships. Retrofitting hospitals will release money capable of being used on patient care.

Green investments are a more effective stimulus than tax rebates. Investments in energy efficiency and renewable energy generate a greater number of jobs, and better-paying jobs, than spending an equivalent amount on household consumption. $100 billion would lead to 2 million jobs through green investments, compared to 1.7 through household consumption (resulting from tax rebates, for example). The green investment jobs also pay 14% higher on average and have better career ladders.

The "Green Recovery" report showcases the economic benefits of moving to a low-carbon economy and outlines a method for financing investments in energy efficiency and renewable energy. This report focuses on the near-term benefits of a green stimulus. The authors also analyze the state-by-state benefits for 34 states, and state-specific fact sheets are available at http://www.peri.umass.edu/green_recovery/. Check this website in the upcoming month for a full report on green investments and employment which analyzes a longer-term clean energy strategy.