Now available in paperback

**Capital Flight and Capital Controls in Developing Countries**

One of the most significant developments in the global economy over the past 25 years has been the growth of international capital movements following the financial deregulation of the 1980s. Some argued that the removal of capital controls would lead to only a one-off adjustment. That has proved false. In addition to the continued high level of recorded short-term financial flows, this book documents the large scale unrecorded capital flights that have hit a number of developing countries.

“This book represents the most thorough and significant analysis and documentation of this important economic phenomenon.” - Jonathan Michie, Birmingham Business School, UK

More information about this book

[Link to the publisher’s site to purchase the book](http://www.umass.edu/peri/newsletter/summer06.htm)

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1. AN EMPLOYMENT-TARGETED ECONOMIC PROGRAM FOR SOUTH AFRICA

The people of South Africa, and the African National Congress-led government, have made extraordinary social and economic advances since ending apartheid and beginning the transition to democracy in 1994. But the country still faces severe problems of mass unemployment, underemployment and poverty. This study presents a detailed economic program designed to produce major reductions in unemployment and poverty, and a general spreading of economic well-being; and to achieve these ends in a manner that is sustainable over a longer-term framework. The “employment-targeted” program developed here builds from standard policy tools and initiatives already undertaken by the government, in the areas of macroeconomic policy, development banking and large-scale credit subsidies, labor-intensive public investments, and social welfare expenditures. The authors introduce these measures alongside specific proposals in the areas of fiscal budgetary control, inflation control and exchange rate management.

“This United Nations-commissioned study presents the work of a group of leading economists who were asked to think about the nature of the economic policy agenda that South Africa should be pursuing after a decade that was punctuated by improved levels of growth, a growing black middle class, but increased levels of poverty and structural unemployment. It compliments the AGSISA program and provides a platform for the ANC-led developmental state to tackle unemployment and poverty in a sustainable manner. This is an exciting and stimulating work, and one that will leave its mark upon the work of social scientists and policy makers.”

--Lumkile Mondi, Chief Economist and Executive Vice President, Industrial
A number of new working papers and reports have been released since the last edition of this newsletter. Short descriptions of each of these new research studies and links for downloading the papers off the PERI website are listed below.

**The Fallacy of the Revised Bretton Woods Hypothesis: Why Today’s System is Unsustainable and Suggestions for a Replacement**

*Thomas I. Palley, April 2006*

Dooley et al. (2003) have argued that today’s international financial system has structural similarities with the earlier Bretton Woods (1946 – 71) arrangements and is stable. This paper argues that the comparison is misplaced and ignores fundamental microeconomic differences, and that today’s system is also vulnerable to a crash. Eichengreen (2004) and Goldstein and Lardy (2005) have also argued that the system is unsustainable. However, their focus is the sustainability of financing to cover the U.S. trade deficit, whereas the current paper focuses on inadequacies on the system’s demand side. The paper concludes with suggestions for a global system of managed exchange rates that should replace the current system – hopefully, before it crashes.

**ONLINE RESOURCES:**

- > UNDP International Poverty Centre Study Summary (15 pages)
- > Full text of the Study (226 pages)
- > Interview with the authors
- > Available from Edward Elgar, Fall 2006

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**Why Racial Stereotyping Doesn’t Just Go Away: The Question of Honesty and Work Ethic**

*Keith B. Griffin, Distinguished Professor of Economics Emeritus, University of California-Riverside*

“Investment in South Africa is low, real interest rates are high, the employment-intensity of growth has been relatively slow. The ”employment-targeted program” advocated in this book seeks to reverse these tendencies by lowering average interest rates and channeling subsidized credit to labor-intensive, pro-poor activities, particularly small-scale agriculture and small and medium-sized enterprises. This is a bold program and by challenging conventional ”inflation-targeted” economic policy, the book makes a major contribution to the debate on economic policy in South Africa.”

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**2. HUMAN DEVELOPMENT IN THE ERA OF GLOBALIZATION**

Keith Griffin has offered more than 40 years of fundamental contributions to the discipline of economics. The essays in this festschrift volume reflect his deep commitment to advancing the well-being of the world’s poor majority and his unflinching willingness to question conventional wisdom as to how this should be done. The volume collects the proceedings of a conference held at PERI in 2004: *Egalitarian Development in the Era of Globalization: A Conference in Honor of Professor Keith Griffin.*

Four overarching themes recur in both Keith Griffin’s work and this book: the need to eradicate poverty and redress inequalities in the distribution of wealth within and among nations; the interaction between growth and inequality; the political economy of policy-making; and the need for heterogeneity in analytic tools and policy recommendations. The volume’s essays, including a paper by Keith Griffin, explore strategies for addressing these essential issues, along with explorations of the rural/urban divide in China, biodiversity, and the sustainability of development.

Members of the Union of Radical Political Economists, the Association for Evolutionary Economics and the Human Development Capability Association may order the book at a 50% discount, and should do so by contacting:

*In the U.S.:
Katy Wight
Edward Elgar Publishing Inc.,*
One of the most persistent stereotypes about blacks concerns honesty and work ethic. These characteristics are also central to employers’ evaluation of prospective and current workers; employers say that these traits matter more than skills. However, honesty and work ethic are difficult to observe and assess, placing them squarely in the terrain of statistical discrimination theory. One common criticism of this theory is that employers should be able to collect enough information on prospective workers to render race irrelevant, and that high-quality workers have incentives to signal their productivity to employers regardless of race. As a result, inefficient stereotypes should erode over time. In contrast, I argue that there are many reasons for inefficient stereotypes about honesty and work ethic to persist, and I investigate the empirical evidence for these theories.

Employment Regulation and French Unemployment: Were the French Students Right After All?
David Howell and John Schmitt, April 2006
The authors provide important context for understanding the recent struggles in France over the government’s efforts to reduce employment protections for young workers. Howell and Schmitt recognize that the French economy certainly faces serious difficulties in fighting unemployment and expanding employment opportunities. But they argue that reducing employment protections in the name of "labor market

In May, PERI economists James Boyce and Michael Ash released the newest Toxic 100, an updated list of the top corporate air polluters among the nation’s largest corporations. The Toxic 100’s top five companies are E.I. DuPont de Nemours & Co., US Steel, ConocoPhillips, GE, and Eastman Kodak.

"The Toxic 100 informs consumers and shareholders which large corporations release the most toxic pollutants into our air," says James K. Boyce, director of PERI’s environment program. "We measure not just how many pounds of pollutants are released, but which are the most toxic and how many people are at risk. People have a right to know about toxic hazards to which they are exposed. Legislators need to understand the effects of pollution on their constituents."

A new feature of the index is that readers can see the details behind each company, such as individual facilities owned by the corporation, specific chemicals they emit, their toxicities, and their contributions to the company’s overall Toxic Score. The Toxic 100 builds on data from the EPA’s Toxic Release Inventory (TRI) and Risk-Screening Environmental Indicators (RSEI) by including toxicity weights and the number of people at risk using the most recent available data. PERI researchers added up facility-by-facility data from the EPA to get corporate rankings.

"In making this information available, we are building on the achievements of the right-to-know movement," Boyce explains. “Our goal is to engender public participation in environmental decision-making, and to help residents translate the right to know into the right to clean air."

3. NEW RELEASE OF THE CORPORATE TOXICS INFORMATION PROJECT

4. MANDATED WAGE FLOORS AND THE WAGE STRUCTURE: NEW ESTIMATES OF THE RIPPLE EFFECTS OF MINIMUM WAGE LAWS
When a school, a county, or a state raises its minimum wage, clearly the lowest-wage workers affected see an increase in earnings. But there is evidence that the impact does not stop there, but creates a ‘ripple effect’ on other wages. Do other workers in firms employing minimum-wage workers receive raises in order to keep the wage hierarchy in place? What of workers in competing firms, not covered by the ordinance? What is the ‘ripple effect’ when we look not just at minimum wage levels, but living wages as well? And, on the bottom line, do these ripple effects benefit workers through increased earnings, or harm them through potentially greater lay-offs? Fundamentally, are ripple effects an argument for, or against, higher wage floors?

PERI Research Fellow Jeannette Wicks-Lim’s ongoing exploration of this issue is now expanded into a PERI Working Paper, and at the same time made accessible to non-economists in an article in the May/June 2006 issue of Dollars & Sense Magazine. The working paper includes new, refined estimates of the impact of ripple effects, based on data from the Current Population Survey, 1983-2002. For her analysis of the potential magnitude of living wage ripple effects, Wicks-Lim bases her model on the percent of employees affected by wage hikes parallels the potential magnitude of the “bite” of a living wage law.

ONLINE RESOURCES:
>> PERI Working Paper: Mandated Wage Floors and the Wage Structure
>> Dollars & Sense, May/June 2006

5. IN THE WAKE OF THE STORM: ENVIRONMENT, DISASTER, AND RACE AFTER KATRINA

Hurricane Katrina opened a window on a world often ignored by media, policy makers, and the public. Facing enhanced environmental vulnerability and stranded by a lack of public transit, residents of the poorest and blackest neighborhoods of New Orleans quickly educated America that disasters and rescues are not equal opportunity affairs.

Do environmental disparities by race and class really exist? Researchers have gone back and forth, with early studies supplanted by newer studies supplanted by still newer studies. Although the evidence is still emerging, the best assessment is that disparities are common, and researchers increasingly suspect that some observed differences in health outcomes are attributable to environmental factors, particularly in combination with social stressors related to poverty and lesser access to health care. And it is not just income: race seems to be a more significant predictor in many studies, suggesting the importance of deeply-rooted systems of privilege and discrimination.
James Boyce, Director of PERI’S Environment Program, joins authors Manuel Pastor, Robert Bullard, Alice Fothergill, Rachel Morello-Frosh and Beverly Wright in this groundbreaking exploration the complex repercussions of natural disaster.

**ONLINE RESOURCES:**

>> In the Wake of the Storm full report (60 pages)