National Economists Club

Where Economists Meet in the Nation's Capital

THE NATIONAL ECONOMISTS CLUB
P.O. BOX 33511
WASHINGTON, DC 20033-3511
http:// www.national-economists.org
(703) 493-8824

NEC IS THE LOCAL CHAPTER OF NABE
NEC DUES ARE SEPARATE FROM NABE DUES

CALENDAR OF EVENTS

September 2016

Noon – 1:30 p.m., unless Otherwise Specified

***Chinatown Garden Restaurant**—618 H St NW, Washington DC, Floor 2 (Just east of the H Street exit from Chinatown/Gallery Place Metro Stop)

- **$16** Members, NABE, SGE, Wharton Club of DC and Press (if choosing to have lunch), **$25** Non Members

Reservations: http://www.thenationaleconomistsclub.shuttlepod.org/

Information: (703) 493-8824 or **manager@national-economists.org**

****Walk-ins are allowed for Chinatown Garden Only Please****

Thursday, September 8 (Chinatown Garden) Click here to register

Mei Fong

Author and Journalist

"One Child: The Story of China's Most Radical Experiment"

Mei Fong's brilliant exploration of China's one-child policy must change the way we talk about China's rise. "One Child" is lucid, humane, and unflinching; it is vital reading for anyone focused on the future of China's economy, its environment, or its politics. It not only clarifies facts, and retires myths, but also confronts the deepest questions about the meaning of parenthood.

–Evan Osnos, staff writer for The New Yorker, author of Age of Ambition

Mei Fong is an author and journalist who owes the start of her writing career to the Queen of England. As a 16-year-old, the Malaysian-born Fong won an essay competition that garnered her an invitation to meet Queen

Elizabeth II, in town for a Commonwealth Heads of Government meeting. Emboldened by the meeting—"nothing so exciting had ever happened in my dull life until then,"— Fong resolved to become a journalist and writer. After graduating from the National University of Singapore she started her journalism career as a reporter at The New Paper, writing stories on local crime, forest fires in Indonesia and gang warfare in Macau. In 1999 she moved to New York for graduate studies at Columbia University with a scholarship from Singapore's Lee Foundation, graduating with a Masters in International Affairs. While a summer intern at Forbes, she created its Top-Earning Dead Celebrities list ("Sales from the Crypt") which is still published every year by the business magazine. She joined the Wall Street Journal in 2001, covering the aftermath and recovery of New York City after the 9-11 attacks. Later, she covered Hong Kong and China, where she won a shared Pulitzer for her stories on China's transformative process ahead of the 2008 Beijing Olympics. She is believed to be the first Malaysian to win a Pulitzer. Her stories on China's migrant workers also won a 2006 Human Rights Press Award from Amnesty International and the Hong Kong Correspondents Club, as well as awards from the Society of Publishers in Asia and Society of Professional Journalist. After leaving the China bureau, she was on faculty at the University of Southern California's Annenberg School of Communications. She is currently a fellow at think-tank New America. She is married to journalism professor Andrew Lih. They have two sons and live in greater Washington DC.

Thursday September 15 (Chinatown Garden) Click here to register

David Malpass

Senior Economic Advisor

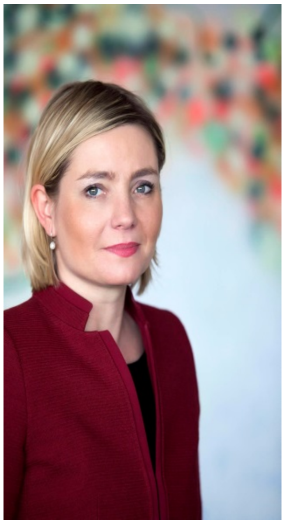
Trump Presidential Campaign

"The Trump Economic Program: Reversing the Decline in Median Income"

David Malpass is president of Encima Global, an economic research and consulting firm serving institutional investors and corporate clients. Formerly Bear Stearns' chief economist, Mr. Malpass's work provides insight and analysis on global economic and political trends, with investment research spanning equities, fixed income, commodities and currencies. A frequent public speaker and television guest, Mr. Malpass authors a Current Events column in Forbes magazine and his opinion pieces appear regularly in the Wall Street Journal. He sits on the boards of the New Mountain Finance Corporation, UBS Funds, the Manhattan Institute and the Gary Klinsky Children's Center and is a past director of the Economic Club of New York, the Council of the Americas and the National Committee on U.S.-China Relations. From 1984-1993, Mr. Malpass held senior economic appointments during the Reagan and Bush Administrations. He was Deputy Assistant Treasury Secretary for Developing Nations, a Deputy Assistant Secretary of State and Senior Analyst for Taxes and Trade at the Senate Budget Committee. From 1977-83, Mr. Malpass worked in Portland, Oregon as a CPA with Arthur Andersen's systems consulting group, the controller at Consolidated Supply Co., and a contract administrator at Esco Corporation, a steel foundry. Mr. Malpass received a bachelor's degree in physics from Colorado College and an MBA from the University of Denver. He studied international economics at Georgetown University's School of Foreign Service, and speaks Spanish, French, and Russian.

THE NATIONAL ECONOMISTS CLUB September 2016

FRIDAY September 16 (LOCATION: Gov't National Mortgage Assn) Click here to Register (8:30 a.m. NEC Members have priority to sign up for this FREE Breakfast Event. Non Members may register beginning on Sept 9)



Lilja Alfredsdottir

Icelandic Minister, Foreign Affairs

"Iceland: Road to Recovery - Key Lessons"

Past positions for Alfreðsdóttir include work for the Central Bank of Iceland. She first came to the CBI in 2001 and became a deputy director at the office of international relations four years later. Between 2010-2012 Alfreðsdóttir worked for the International Monetary Fund in Washington DC representing Iceland at the office covering the Nordic and Baltic countries. Alfreðsdóttir returned to the CBI in 2012 but two years later she was temporarily transferred to the Prime Minister's office where she served as a specialist until last year when she again resumed her previous responsibilities at the Central Bank. Alfreðsdóttir studied political science and economics at the University of Iceland and earned a master's degree in international economics from Columbia University. She's married to economist Magnús Óskar Hafsteinsson. The couple lives in Reykjavík and has two children. The new Foreign Minister is a long-standing member of the governing Progressive Party ('Framsóknarflokkurinn'). Her father, Alfreð Þorsteinsson, represented the party in the Reykjavík city council for many years. When news emerged that Alfreðsdóttir would be the new top diplomat Össur Skarphéðinsson, former Foreign Minister, said on Facebook that her appointment was a windfall for those in Iceland favoring membership of the European Union. Skarphéðinsson pointed to the fact that a decade ago Alfreðsdóttir had served as board member of the European Movement Iceland. Asked on Thursday by journalists, after being sworn in as Foreign Minister, whether she still wanted Iceland to join the EU she replied: "What I was doing back then was to examine pros and cons of an EU application. This was around 2005. Many things have changed since, both in Europe and in Iceland. So I fully support the decision to withdraw the EU application," referring to Iceland's 2009 EU application with was scrapped last year. Alfreðsdóttir replaces Gunnar Bragi Sveinsson who has been appointed Minister of Fisheries and Agriculture.

Thursday September 22 (Chinatown Garden)
TBA—Please check the link for information on this date. http://www.national-economists.org/NEC_Events/

Thursday, September 29 (Chinatown Garden) Click here to Register

Thomas Stanton

Fellow, Center for the Study of American Government

Johns Hopkins University

"Federal Credit Programs: Strengths, Limitations, and Lessons Learned"

Stanton is a Washington, D.C., attorney who specializes in the design and administration of federal programs, especially with respect to credit and financial institutions. He is presently a fellow of the Center for the Study of American Government at the Johns Hopkins University. His books include an earlier book on government-sponsored enterprises, A State of Risk (HarperCollins, 1991), and Government-Sponsored Enterprises: Mercantilist Companies in the Modern World (AEI Press, 2002).

NEC ANNUAL MEMBERS DINNER 2016
and Herbert Stein Memorial Lecture
November 3, 2016

Location: City Club of Washington DC
555 13 St NW (Columbia Square, Concourse Level) 20004

2016 Herbert Stein Memorial Lecture

Sebastian Mallaby

Paul A. Volcker Senior Fellow for International Economics and Council on Foreign Relations

"The Man Who Knew: The Life and Times of Alan Greenspan"

A masterful biography of Alan Greenspan, that provides an intriguing opening into the major economic policy debates of the last 50 years.

RECEPTION

6:00 pm - 6:45 pm

* * * * * * * * * *

DINNER, Followed by Remarks

7:00 p.m.

Dinner Menu

Duet Plate--Pan Seared Salmon and Herb Roasted Chicken, Parmesan Risotto, Grilled Squash

Three Sixty- Baby Spinach, Sun-Dried Cranberry, Feta Cheese

Honey Balsamic Dressing

Assorted Breads

Vegetarian Entrée Option

Vegetarian Butternut Squash Ravioli –

Sauté' Spinach, Balsamic Glaze

Wine Service With Dinner

* * * * * * * * * *

Dessert

Apple Frangipane Tart- Berries, Caramel Sauce

Decaf Coffee, Hot Tea Service with Dessert

*****Credit card only payment will be accepted for this event and must be paid in advance. If you registered but have not yet paid, please use the "view invoice online" link from your invoice to take you to payment fulfillment. REFUNDS will NOT be available in the event you are unable to attend. If necessary you may substitute someone in your place if you notify the Manager at manager@national-economists.org in advance.*****

Registration Opens August 29th

Annual Dinner Registration Click Here to register and for details

Member Rate	$115.00	Early Bird	August 29-October 7
Affiliated Rate	$130.00	Early Bird	August 29-October 7
Non Member Rate	$140.00	Early Bird	August 29-October 7
Student Rate	$75.00		August 29-October 30
Member Rate	$125.00		October 8-October 30
Affiliated Rate	$140.00		October 8-October 30
Non Member Rate	$150.00		October 8-October 30

Technology Policy Institute Presents:
Artificial Intelligence: The Economic and Policy Implications

Registration: 8:15 am - 8:30 am
Program: 8:30 am - 11 am
September 12, 2016
First Amendment Lounge
The National Press Club
529 14th Street NW, 13th Floor
Washington, DC 20045

Register Here

Artificial intelligence and machine learning are becoming part of the economy in ways we could only imagine a decade ago. From self-driving cars to robots, the rapid growth of AI creates tremendous potential opportunities to increase productivity and economic growth. Panelists at the event will discuss how computer scientists design and implement AI as well as how it is being incorporated into diverse fields and applications, including the current FCC spectrum auction, the digital humanities and image recognition. Participants will also explore the policy implications of incorporating AI into these activities.

The event will also include a keynote address by Susan Athey, Economics and Technology Professor at the Stanford University Graduate School of Business, who will discuss the use and implications of machine learning on policy analysis itself.

Confirmed participants for two discussion panels following her remarks are:

Colin Allen, *Provost Professor of Cognitive Science and History & Philosophy of Science & Medicine, Indiana*

University and Chair Professor of Philosophy, Xi'an Jiaotong University, Xi'an, China

James Hairston, *Manager, Global Policy Development, Facebook*

Kris Hammond, *Chief Scientist and co-founder, Narrative Science and Professor of Computer Science, Northwestern University*

Kevin Leyton-Brown, *Professor, Computer Science, University of British Columbia*

Jenn Wortman Vaughan*, Senior Researcher, Microsoft Research, New York City*

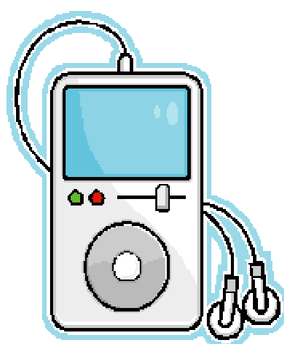
Scott Wallsten (moderator), *Vice President for Research and Senior Fellow, Technology Policy Institute*

The event, being held in the National Press Club's First Amendment Lounge, will include a continental breakfast starting at 8:15 am, with the program beginning at 8:30 am. Registration can be performed online here.

2015 Annual Dinner Sponsors

ECONOMETRICA, INC.

PODCASTS

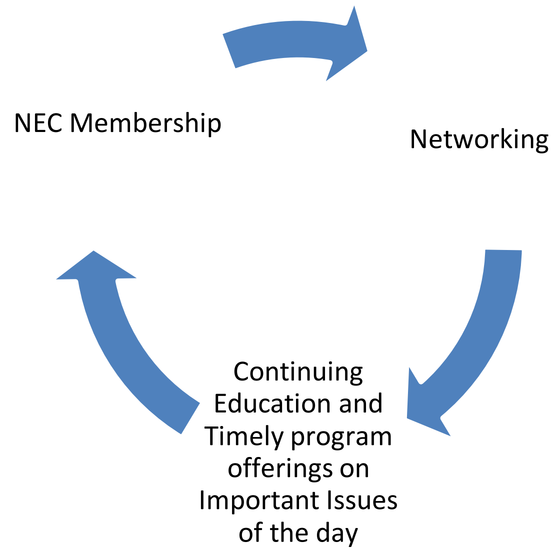


http://www.national-economists.org/Podcast/
(Stanley Fischer's 2015 Annual Dinner Address can be found here)

Membership Renewal

It is Membership Renewal time for a majority of our members. Renewal is 'rolling' on an annual basis, so it depends on when you joined as to when yours renews. **Some memberships have expired or lapsed.** Please check your record by logging in to www.national-economists.org (top right hand corner of the page) If you need assistance, please email the Business Manager at manager@national-economists.org and we'll be glad to help. If you are unsure, please check with us before renewing.

http://www.national-economists.org/



***If you need help or assistance, please email us at** manager@national-economists.org.*

KEEP YOUR RECORD INFORMATION CURRENT!!

Database System for NEC and Membership Renewal

http://national-economists.org/

(click on Member Login at the top right corner of the page)

You may do this in our system by logging in and "viewing" your profile. See instructions below.

- Generate a copy of the **Members Directory for viewing**
- Please check the **status of your membership prior to renewing.** You may already have renewed! Features of your record include the standard information but also things like website, photo, organization logo, sites like Facebook, Twitter, LinkedIn, etc. **You may edit the information!!**
- Check for **upcoming events, register and pay via credit card or manually** by mailing a check
- Access **past event information, Rapporteur Summaries and Podcasts and Newsletters**
- http://www.national-economists.org, Click the tab the tab on the top right hand of the page "Member Log In"—on the next screen, look at the **top right hand corner of the screen** and use the email address that is recognized by the system (***Check your SPAM file if you requested a password recovery email; contact us,*** [*manager@national-economists.org*](mailto:manager@national-economists.org) ***if you still have problems!)***
-

Notices are sent out via email several times prior to expiration and we also send a postcard mailing notifying you if your membership has expired. Please take the necessary steps to keep your membership current. Directions are listed above that direct you as to how to access your record to determine if you are one of these members. Remember, this is what someone will see about you when the directory is generated. Keep the information current!!

NABE

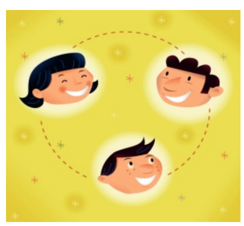
http://www.nabe.com

NABE
National Association for Business Economics

CBE
CERTIFIED BUSINESS ECONOMIST

Other Items of Interest

http://www.national-economists.org/



LINKED IN Networking Opportunity

The NEC **Linked In** group is only for current NEC members. If you are interested in joining the group, please go to: http://www.linkedin.com/e/gis/819767. You will click on the link stating that you want to join the group, and assuming that your membership is up-to-date, someone will approve your entry into the NEC Linked In group.

Wharton Club

Wharton Club and NEC partner for some events. This allows them to attend our events and us to attend theirs at either Member rates or preferential rates. Please check their website for any offerings open to NEC Members. http://www.whartondc.com/ Click on Events.

Special Thanks

INSTITUTIONAL MEMBERS FOR 2016

The Heritage Foundation, http://www.heritage.org
Nathan Associates, Inc., http://www.nathaninc.com
District of Columbia Office of Revenue Analysis http://cfo.dc.gov/cfo/site/default.asp
Investment Company Institute http://www.ici.org
The Group of Thirty http://www.group30.org
National Association of Realtors http://www.realtor.org
Japan Bank for International Cooperation http://www.jbic.go.jp/en/
Manufacturers Alliance/MAPI http://www.mapi.net/
National Association of Manufacturers: http://www.nam.org/
Econometrica, Inc.: http://www.econometricainc.com/
****Embassy of France (**Regional Department of Economic Affairs):
http://www.ambafrance-us.org/spip.php?article426

Thank you to these institutions for their continued support year after year!
(**Newest Member)

PROFESSIONAL OPPORTUNITIES

(You will need your login information to access the **Members' Only area** in this part of the site www.national-economists.org (Click the tab for Member Log In on the left side of the pge)
Please see the website for positions available. We make every effort to ensure timeliness and accuracy of the positions posted. You may also view below.

NEC Welcomes New Members

September 2016

Laurence Cope	***President***	***Cope Associates, LLC***
Markus Krygier	***Co-Chief Investment Officer***	***Strategic Investment Group***
Rita Ismaylov	***Senior Consultant***	***Booz Allen Hamilton***
Andrew Reamer	***Research Professor***	***George Washington University***
Linden Li	***Research Associate***	***Econometrica, Inc.***

The National Economists Club
P.O. Box 33511
Washington DC 20033-3511
703-493-8824
www.national-economists.org

SUMMARY

NEC Kakehashi Trip Debrief

"Japan and U.S. Energy Landscape: Recent Developments, Shared Challenges, and Economic Implications"

Elliott J. Nethercutt
Senior Technical Adviser
North American Electric Reliability Corporation (NERC)
June 10, 2016

Mr. Nethercutt provided an overview of the electricity sectors in Japan and the U.S. He looked at their electricity mixes and their shared challenges and policy goals.

The U.S. is the second largest consumer of electricity while Japan is the third largest. The U.S. has state and federal regulations with some overlap, whereas in Japan, electricity is regulated at the federal level. Deregulation in the U.S. began in 1992 with elimination of obstacles to wholesale electricity competition. Japan is looking toward deregulating the utility market.

The structure of the U.S. electricity structure consists of a patchwork of investor-owned utilities, municipals, federal power markets, and cooperatives. In Japan the electricity sector is a regulated market with 10 vertically-integrated, investor-owned utility companies.

In terms of the electricity mix, in 2014 the U.S. had 38 percent coal, 27 percent natural gas, 19 percent nuclear, 8 percent renewables and 6 percent hydro. In Japan the mix was: 43 percent natural gas, 30 percent coal, 14 percent petroleum and other liquids, 8 percent hydro, 5 percent renewables, and 1 percent nuclear.

In the U.S. about 20 percent of electricity is generated through nuclear means and there are 99 reactors currently online with 5 new reactors to come online shortly. The ongoing challenges for nuclear in the U.S. have to do with the storage of nuclear waste, competition with natural gas that has increased in abundance and natural gas prices have gone down considerably, and general public opposition to nuclear generation.

In Japan prior to the Fukushima disaster, 27 percent of electricity came through nuclear but as of 2013 only 1 percent was nuclear. There has been an increased emphasis on electricity conservation, and reliance on LNG

and oil. Initially there was a total rejection of all nuclear power; but there have been recent changes in policy to restart certain reactors. Nuclear power is expected to produce 20 percent of Japan's electricity by 2030.
In the U.S. the share of natural gas in electricity generation is expected to surpass that of coal's in 2016. Low natural gas prices resulting from increased domestic production from shale formations have been partly responsible for this shift. The other driver has been environmental regulations. Over-dependence on natural gas is a concern. It is expected that the U.S. will shift from being a net importer to an exporter of LNG by 2017.

Japan is the world's largest LNG importer. LNG imports jumped following the Fukushima event, and has reversed trade dynamics as a result: In 2010, Japan had a $65 billion surplus, in 2013, it had a $112 billion deficit. Japan has a diversified sources for LNG imports coming primarily from Southeast Asia. It is seeking future imports from the United States.

In terms of renewables in the U. S. electricity generation is subject to state renewable portfolio standards which encourage their use. For wind generation transmission is needed for wind. Variability in generation poses technical challenges; market mechanism have been introduced to address these and the use of natural gas is expected to balance variability. In Japan currently, solar PV, wind, geothermal, and biomass account for only 3.2 percent. There are some inducements provided like renewable subsidies, feed-in-tariff schemes, and other requirements. However the penetration is limited because of the "big 10" regional monopolies which create some limitations for renewable integration. Energy efficiency and demand response programs have been a priority.

Both the U.S. and Japan have a continued reliance on nuclear as an important source of baseload power, have policies promoting continuing growth in renewables in electricity generation, and are striving for increase in renewable resources and a diverse fuel mix.

"Japan's Agricultural Economy"

Jessie Yu Hanjie
Director of Strategy and Business Development
Intercontinental Exchange

Ms. Yu provided a comprehensive picture of the agricultural sector in Japan. In terms of protection to the agricultural sector Japan ranks highest among the OECD countries. Japan has a nominal protection coefficient (NPC) of 1.8 which means prices received by farmers are 1.8 times higher than prices in world markets. For the OECD as a whole NPC is slightly over 1. The share of support in farm gross receipts is about 50 percent, where the average in OECD is 25 percent. New Zealand has the lowest support in OECD of about 2 percent, highest is in Iceland at 65 percent. In the US, it is 11 percent.

Japan maintains direct payments and price support schemes, with comparatively high tariffs on several key categories of products. It has tariffs of 500-1000 percent for rice and peanuts; 300 – 500 percent on butter and pork; and 200-300 percent on wheat, barley, skim milk powder, starch, bean, and raw milk. In the U.S. and E.U. none of these products are subject to any tariff. Japan also has product restrictions to support prices whereas in the U.S. and E.U. this is not the case.

Several features distinguish Japan's agricultural economy. Agricultural production is dominated by small-scale, part-time and aging farmer households. About 45 percent of agricultural workers are 65 years of age or older, up from 14 percent 30 years ago. Of Japan's 1.5 million farmers about 72 percent are part-time workers and 28 percent are full-time workers.

Rice farming is prime example of the extent of protection. Dominated by small-scale producers, rice production in Japan faces high production costs, requiring significant support from government and consumer sectors. In total agricultural production 10 percent of produce is rice. About 64 percent of farmers are engaged in rice production. In terms of value, 21 percent of revenue comes from rice. In terms of income to farm households, only 15 percent comes from farming, 40 percent from non-farming work, and 45 percent from pension.

Set-aside programs cause market and behavioral distortion. Entire import quota for rice (from US and China) costs about $3bn. It is mostly bought by the government which uses it as expensive animal feed, or sends it abroad as aid. Under Acreage Reduction program, government researchers are prohibited from developing rice varieties with greater yield. As a result, average amount of rice yield in Japan is 60 percent less than California. Tax payer funded acreage reduction program costs about 400 Bn Yen. At the same time domestic demand for rice is going down. The aging population is driving this decrease in demand. Over the past 2 decades domestic rice consumption is down by 20 percent. Presently consumption of Sake, which is made of rice, is one-third what it was in the 1970s. Average daily calorie intake was 2400 in 2014 compared to 2650 in 2006.

The biggest road block to agricultural reforms is the Japanese Agricultural Cooperative, or JA, which has evolved to be an enormous political, and financial heavyweight that opposes agricultural reforms. It is a cooperative serving farmers and is the only legal entity in Japan allowed to engage in any business activity, including sales of farm inputs and products, insurance, and banking. It is exempt from antitrust legislations. It is the second largest financial institution in Japan and employs 240,000 people. It delivers rural votes and recently collected approximately 10 million signatures against abolition of tariffs on agricultural products and the Transpacific Partnership Agreement (TPP). It has financial interest in maintaining high domestic prices through set-aside program and high tariffs. JA derives revenue from commission-generating members – 2 to 3 percent on every rice trade. It provides outsourced capabilities that make part-time farming possible. It generates significant income from its monopoly status in selling farming inputs at twice the market price.

Historically reforms have attempted to introduce deregulation and diminish power of JA with varying degrees of success. The Abe administration attempted to introduce reforms to JA, although most were ultimately struck down. The 2014 and 2015 depreciation of JPY vs. USD eliminated price differentials on rice, causing quota take rate to be 12 percent only. This was encouraging for the time it lasted, as government was keen to encourage exports.

The highlights of Transpacific Partnership Agreement for the Japanese agriculture sector are as follows:

- Tariffs on rice, wheat, sugar, butter are skim milk powder maintained
- Surcharge on wheat within tariff-quota decreased
- Tariffs on beef and pork decreased
- Tariffs on whey and cheese are eliminated
- Tariff-quotas of rice, wheat, butter and skim milk powder are expanded

There will be little impact on beef industry as production shifts to Wagyu which is higher-priced, and less affected by tariffs. For rice the expanded quote will be bought up by government and never released to market – no impact on price, or less burden on taxpayers.   There will be a large impact on dairy industry with tariffs on whey eliminated, where whey is a strong substitute for skim milk powder – a major dairy processed product in Japanese agriculture, then 3.5mm tons of milk out of 7.3 mm tons of milk production could be wiped out

The near-term outlook for agriculture reform is mixed. In the 2018 General Elections broader questions will be about macroeconomic and foreign policy which may take center-stage and the JA vote block will still be important despite weakening political power.

Rapporteur: Nasir M. Khilji

The National Economists Club
P.O. Box 33511
Washington DC 20033-3511
703-493-8824
www.national-economists.org

SUMMARY

"Why the U.S. Needs a New Productivity Strategy"

Robert D. Atkinson
Information Technology and Innovation Foundation (ITIF)

June 16, 2016

Dr. Atkinson gave a fairly comprehensive presentation on productivity in the U.S. This was based on his paper, entitled, 'Think like an Enterprise: Why Nations Need Comprehensive Productivity Strategies'. He reviewed reasons why productivity in the U.S. has been abysmal recently, made the case for a national productivity strategy, and talked about the components that would form part of that strategy.

Productivity is a measure of output per unit of input (i.e., it is an efficiency measure). The unit of input can be labor hours (labor productivity) or all production factors, including labor, machines, and energy (total factor of productivity). The former is the easiest to understand and most discussion revolve around that concept. It is well known that faster productivity growth drives income growth, improves a nation's standard of living and fiscal positions of governments

Atkinson attempted to clear up the misconception that faster productivity growth would lead to fewer jobs. He cited a study by McKinsey Global Institute that found that increases in productivity were correlated with increases in subsequent employment. Productivity generally leads to second order income effects (higher wages or lower prices) and this income is spent, thus creating other jobs.

U.S. productivity has gone through periods of strong and weak growth. From 1947 to 1973, U.S. labor productivity grew on average 2.8 percent per year. From the mid-1970s until 1995, labor productivity growth fell by about half, to just 1.5 percent per year. It turned around in 1995, however, as labor productivity grew by 2.4 percent between 1995 and 2008. After the Great Recession, productivity growth sagged to 1.2 percent per year, its lowest level since the government began reporting productivity statistics.

Atkinson then reviewed the various hypotheses about why Has U.S. productivity growth stagnated. One explanation is that the gains are occurring but that official government statistics do not measure them properly. Many who advocate for this view talk about the output of things like Wikipedia and the consumer surplus from better web searches. To be sure, these are real and provide definitive value to consumers, but it is not clear that they are large enough to account for the measured slowdown.

Many argue that we should just be patient, that we will learn to use the technologies and get a big productivity benefit. Barry Eichengreen writes that “it takes time for the productivity-enhancing effects of new technologies to show. Indeed, when radical innovations are rolled out, their immediate effect is to reduce, not raise, productivity. Electricity, the new technology studied by Paul David, economics historian at Stanford University, is a case in point.” *I*n his article “Computer and Dynamo: The Modern Productivity Paradox in a Not-Too-Distant Mirror,” David argues that it took more than 30 years for electric motors to be fully used in factories after they were first developed in the early 1900s.

Inadequate Investment in New Tools More and better tools, as reflected in rates of investment in equipment and software, is a key factor driving productivity growth. However, as ITIF has shown, quality adjusted nonresidential equipment and software investment peaked in 2001, fell, stabilized until 2007, and then fell again. For the entire 15 years, overall investment levels were below previous levels. Some of this may be a reflection of the slowdown in tool improvement, but some may also be due to other factors: Companies are simply not investing enough to maximize productivity. Lack of growth in capital goods reduces the capital-to-labor ratio and makes it more difficult to increase productivity.

Economists such as Robert Gordon and Tyler Cowen maintain that this slump in productivity growth reflects the stagnation of technology. Gordon argues that all of the epochal advances, from running water and electricity to the internal combustion and jet engine, powered growth through the 1970s but that today’s IT-based tools are inadequate. The U.S. economy has “picked all the low-hanging fruit” for productivity advancement and is in for a long period of stagnation. There are optimists out there in contrast, who see an array of emerging technologies with enormous potential to drive productivity. OECD reports that the recent global productivity slowdown has not been because the possibilities of productivity growth have diminished, because the most globally advanced firms have continued robust productivity growth. Rather, a growing gap has emerged between the least and most productive firms in the same industry. The McKinsey Global Institute finds a similar phenomenon. In light of these studies Atkinson asks, “If there were no more “low-hanging fruit” and if the technologies of the day are frivolous, why are the best firms in the world still seeing high productivity growth?” According to Atkinson, the outlook for productivity growth is likely somewhere in the middle.

Atkinson then turned towards making a case for nations to have a productivity policy. He emphasized the need for such a policy because relying on free markets alone would lead to less productivity. This is because of three main reasons: public goods and public functions, externalities and enterprise failures, and system interdependency challenges.

An array of public goods can make organizations more productive. These include high-quality, innovative physical infrastructure. Governments also play a key role in human capital development, in large part by funding K–12 and higher education. They play a role in technical infrastructures, including measurement and test methods, science and engineering data, and the technical specifications for the physical and especially the functional interfaces between components of modern technology systems.

Secondly, firms may not maximize productivity for an array of reasons. The first is that firms cannot capture all the benefits of their productive activity, meaning they will produce less productivity than is societally optimal. If the actual rate of return to society is greater than to the firm, firms will stop investing before the societal rate of return equals the cost of capital. In other words, the inability of firms to capture all the benefits of its activity means that, left on their own, they will invest less in productivity . Although some economists accept the reality of spillovers from R&D investments, few accept that of spillovers from investing in physical assets, especially capital equipment and software. However, new research suggests that companies capture only about half of the total societal return from their investment in new capital equipment. Other market failures relate to the fact that many of the social and economic benefits from large-scale deployment of technology accrue not to those buying or selling products and services, but to competitors through the expansion of network benefits.

Another challenge for firms to maximizing productivity is that they can maximize profits from increasing revenues or reducing costs. Many companies focus less on boosting productivity and more on increasing revenues, either by getting more customers or increasing revenue per customer by selling products or services with higher margins. This can mean that for some firms and industries a large share of capital investment spend is toward activities to gain market share, rather than to cut costs. This focus on top-line revenues can make sense from the perspective of an individual company, but from the perspective of the economy as a whole, it is mostly a zero-sum game, companies investing solely to gain market share from their

Another challenge is that some industries do not have strong incentives for driving productivity because of the principal-agent problem. This issue arises when productivity increases hurt its implementers. In such industries, workers "control the means of production" and therefore productivity is a direct threat to their jobs. In many industries, however, such as legal, accounting, health care, real estate, optometry, and higher education, the same workers affected by automation are often those making decisions about automation. In these cases, increased productivity often means cannibalizing their own jobs.

Finally Atkinson turned to providing the components that ought to go into an effective productivity policy. First is what are called by him as framework conditions. These refer to the overall economic system in which organizations operate. One condition includes stable fiscal and monetary policies that get the balance right between controlling inflation and supporting full employment. Other conditions include a rule of law that market participants can trust, including the ability to enforce contracts and protect tangible and intellectual property, and regulations and processes that make it easy to start and close a business. These policies constitute the rules of the road for organizations and affect several stages in the lifecycle of an organization.

Others conditions are properly designed labor market regulations, product market regulations, and social policy regulations. Regulations designed to protect consumers can reduce productivity, even when output is properly defined to include societal outputs, such as improved health from a cleaner environment. The point is not to reduce regulation per se, but to work toward a regulatory system that better takes costs and benefits into account and focuses on optimal regulatory design.

Atkinson recommended that nations should eliminate policies favoring small firms over larger firms because as a class small businesses are less productive than their larger counterparts. In most nations, small firms are significantly less productive than large ones in the same industry, in part because they have fewer economies of scale when they invest in capital stock. Organizations not only need the right market framework conditions to enable them and provide the incentive to increase productivity, they also need the right external factor inputs, including physical and digital infrastructures, a skilled workforce, and scientific research output.

Atkinson made the point that when the price of labor is high, the return on investment from investing in labor-saving technology is higher. The theory is that a higher wage floor leads to higher levels of efficiency. It explains, not surprisingly, why countries with higher wages are generally more likely to adopt labor-saving technology. Therefore, a reasonably set minimum wage indexed to inflation helps make it more economical for organizations to substitute capital for labor. The feedback effects from the higher wages for the remaining workers and lower prices mean job creation in other sectors. It may very well be that a minimum wage priced so high that it is a significant jump in wages would have negative employment impacts. But most minimum wage proposals, at least in the United States, represent modest increases (less than 50 percent). At this level, fewer jobs may be available in occupations that see a wage increase, in part because of productivity effects and in part because of demand effects, but the higher income of the remaining workers is spent and this creates other jobs in other industries and occupations. The same is true with respect to low-wage immigration. Greater numbers of low-wage workers reduce capital intensity as it becomes easier for employers to substitute workers for machines.

A copy of Atkinson's comprehensive and detailed paper on Productivity and Comprehensive Productivity Strategy is available at: http://www2.itif.org/2016-think-like-an-enterprise.pdf?_ga=1.158695674.1342888684.1469805993

Robert Atkinson is founder and president of the Information Technology and Innovation Foundation (ITIF). He is an internationally recognized scholar and a widely published author and has testified numerous times before the U.S. Senate and House of Representatives, and he appears frequently on news and public affairs programs.

Atkinson's books include Innovation Economics: The Race for Global Advantage (Yale, 2012), Supply-Side Follies: Why Conservative Economics Fails, Liberal Economics Falters, and Innovation Economics is the Answer (Rowman & Littlefield, 2006), and The Past And Future Of America's Economy: Long Waves Of Innovation That Power Cycles Of Growth (Edward Elgar, 2005). He also has conducted groundbreaking research projects and authored hundreds of articles and reports on technology and innovation-related topics ranging from tax policy to advanced manufacturing, productivity, and global competitiveness.

Atkinson presently serves as co-chair of the White House Office of Science and Technology Policy's China-U.S. Innovation Policy Experts Group and as a member of the U.S. State Department's Advisory Committee on International Communications and Information Policy and the U.S. Department of Commerce's National Advisory Council on Innovation and Entrepreneurship.

Atkinson was previously vice president of the Progressive Policy Institute. Prior to that, Atkinson served as the first executive director of the Rhode Island Economic Policy Council (RIEPC. Prior to his service in Rhode Island, Atkinson was a project director at the Congressional Office of Technology Assessment.

Atkinson holds a Ph.D. in city and regional planning from the University of North Carolina, Chapel Hill. He earned his master's degree in urban and regional planning from the University of Oregon.

Rapporteur: Nasir M. Khilji

The National Economists Club
P.O. Box 33511
Washington DC 20033-3511
703-493-8824
www.thenationaleconomistsclub.shuttlepod.org

SUMMARY

"BREXIT"

Summary of Remarks by
Stuart P.M. Mackintosh
Director, Group of Thirty

June 22, 2016

The June 23 Referendum – Collective Insanity?

Dr. Mackintosh divided his remarks into three sections. He addressed: What Does Brexit Cost?; Is It Really about Economics?; and Which Side Will Win?

What Does Brexit Cost?

Various official entities have examined the costs of Brexit. The Bank of England and the British Treasury offered economic assessments. The Confederation of British Industry analyzed the likely negative economic impact of Brexit. Cost per British household by 2020 ranged from 2,200 to 3,200 pounds.

International groups such as the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) published negative forecasts about the impact of Brexit. These reports complemented analyses from British sources.

Negotiating a withdrawal from the European Union (EU) would involve restructuring many of the United Kingdom's international business procedures and governmental economic obligations. This process might use Norway's or Switzerland's economic relationship with the EU as possible models. Then, there is the emerging free trade agreement between the EU and Canada as an alternate path.

Is It Really about Economics?

Other significant dynamics beyond economics permeate discussion about continued membership in the EU for Britain and other EU states. Due to the UK's Brexit campaign, public opinion in at least eight other EU countries has shifted toward political initiatives for national referenda on their respective countries remaining in the EU.

Immigration and, more recently migration, influence public attitudes throughout EU countries. These two issues increasingly become conflated with the economic benefits of continued EU membership.

Of the Islamic State's approximately 5,000 European foreign fighters, 3,500 individuals come from France (1,700), United Kingdom (760), Germany (760), and Belgium (470). This fact and migration flows influence British working class voters. Nevertheless, migration benefits the UK overall as a country.

Which Side Will Win?

British leaders supporting a yes vote invoke the probable economic losses due to Brexit. Economists throughout the United Kingdom support this argument. Conversely, the leave camp decries an alleged erosion of British sovereignty. Opponents of the EU claim that a loss of sovereignty to Brussels produces excessive migration.

Dr. Mackintosh explained that a June 2016 YouGov survey reveals that remain supporters trust traditional repositories of expertise. In contrast, the poll demonstrates that leave supporters overwhelmingly distrust institutions and individuals defined of as belonging to elites.

Our speaker highlighted the differences between Great Britain's current 2016 referendum on the EU and the UK's 1975 referendum on the European Community. Margaret Thatcher supported remain in the earlier vote. Today, the British popular press supports Brexit.

A current poll of polls from What UK Thinks exposes a narrow margin between remain and leave voters. The split among British voters falls along lines of age, demographics, employment, and geography. Now, the world anxiously awaits the results of tomorrow's intensely scrutinized referendum in the United Kingdom.

Dr. Mackintosh is the Executive Director of the Group of Thirty. Previously, Dr. Mackintosh was a Washington-based economist and country risk manager for Mitsubishi International Corporation. Before locating to the United States, Dr. Mackintosh was Chief of Staff and principal speechwriter for leading politicians in the European Parliament.

Dr. Mackintosh is a past Chairman and President of the National Economists Club of Washington, D.C. In July 2016, Dr. Mackintosh served as the 2016-2017 President of the National Association for Business Economics (NABE Mackintosh is an elected member of the Conference of Business Economists, He serves on the advisory boards of the Official Monetary and Financial Institutions Forum, and the World Affairs Council.

Dr. Mackintosh 's publications include. The Redesign of the Global Financial Architecture: The Return of State Authority, Routledge, 2015; 'Making the jump,' UNEP, 2015; 'A Response to Critics', The Political Quarterly, 85(1); 2015; 'The Financial Crisis and Paradigm Shift', The Political Quarterly, 84(4), 2014; 'The Global Financial and Economic Crisis and the creation of the Financial Stability Board', World Economics, July-September, 2014.

Stuart P.M. Mackintosh has a B.A. and Ph.D. from Newcastle University and a M.Sc. from the University of Edinburgh. He is a Certified Business Economist (CBE).

Rapporteur: William Janis