From the Editor

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As this issue of *Business Economics* goes to press, the global economy is threatened by an echo of the 2007–08 global financial crisis in the form of a fresh sovereign debt crisis originating in the European Union, which threatens to plunge the global economy into contraction once again. In the first article of this issue, Guillermo Ortiz recalls the financial crisis and recovery experienced by Mexico in the 1980s and draws lessons from that episode that can be useful in resolving the current situation.

Of course, central to coping with financial crises and macroeconomic stabilization in general are the activities of central banks. The efficacy of these activities depends heavily on the quality of information available for decisions. One major piece of such information is data on inflation expectations. Michael J. Ashton examines the flaws in this information and how to correct for it to make public policy and private decisions more appropriate.

Another major issue concerning the quality of information, particularly for the Federal Reserve's Open Market Committee (FOMC), is how to evaluate incoming information during what appears to be major structural change. In the 1990s, one such change was the explosion in the quality and rate of adoption of information technology. The problem was that conventional statistics and powerful anecdotal evidence told two different stories about what was happening to productivity, and which story was believed had important consequences for monetary policy. Richard G. Anderson and Kevin L. Kliesen examine the FOMC's records to track how the FOMC adjusted its views of what was happening and its views of the consequences in making monetary policy.

The fourth article of this issue, by William F. Ford, Travis Minor, and Mark F. Owens, examines

the phenomenon of state legislation specifying minimum wages that exceed those mandated by the federal government. In particular, it separates the influence of purely economic factors, such as the cost of living, from states' political inclinations. The ability to separate the two kinds of influences might impact firms' location and expansion decisions.

In this issue's Focus on Statistics, Saswati Mahapatra and Thomas K. Swift introduce global production activity indices for the chemical industry. They describe the methods and challenges for producing industry indices that are consistent across countries and investigate the extent to which such indices for the chemical industry may be used as proxies for broader macroeconomic activity.

In this issue's Economics at Work, Richard Koss describes his views on the state of economics and on applied economic analysis from the standpoint of his position in Fannie Mae. In particular, he looks at the strengths and shortcomings of probabilistic assessments of the future vs. scenario analysis. He also describes the cross-currents that buffet Fannie Mae in making appropriate policy.

In the first book review of this issue, Jan Kmenta lauds *Trade and Poverty: When the Third World Fell Behind*, by Jeffrey G. Williamson. In particular, Williamson focuses on the role of trade in what Kmenta finds to be a well-documented and closely reasoned analysis.

The second book review, by Thomas A. Hemphill, is a favorable view of *The Next American Economy: Blueprint for a Real Recovery*, by William J. Holstein. This book argues the necessity for important microeconomic structural change in order for the United States to retain and regain its competitiveness, particularly in manufacturing.

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