From the Editor

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As this was written, it was still not clear whether the Congress of the United States was going to pass a budget for FY2011 in time to avoid a shutdown of the federal government. Whatever is done for FY2011, however, will be only a minor factor in the larger U.S. federal debt problem that looms ever more ominous. In the lead article of this issue, Rudolph G. Penner examines the debt, the proposals to mitigate it, and the consequences of failure in the form of a full-blown sovereign debt crisis.

It seems safe to say that no commodity receives as much attention as oil, and the setting of oil prices is much more complicated than is often appreciated. In particular, price-setting often shifts between Europe and the United States. In the second paper of this issue, Philip K. Verleger documents and explains this phenomenon and examines its consequences for the analysis of oil prices.

From his perspective as President of the Federal Reserve Bank of Atlanta and a member of the Federal Open Market Committee, Dennis P. Lockhart provides his view of the economic outlook and the monetary policy scenarios that must be considered in the near- and medium-term. In particular, international political uncertainty is one of the factors that require particular vigilance in how the Federal Reserve manages its asset position, implying the need for a forward-looking guide to policy action.

Durable goods orders have long been regarded as among the important leading indicators of economic growth, on the logical supposition that when orders come, shipments—and therefore production—will follow. Daniel Bachman's paper examines this supposition and finds that it comes up short: durable goods orders do not reliably predict shipments. In addition to providing evidence for this conclusion, he examines the factors that might be behind this broken link.

When the subject is forecasting, economists are always in the market for a better mousetrap. Gad

Levanon provides his candidate by using Markov switching probabilities as independent variables in a probit analysis approach to forecasting the probabilities of recessions and of slowdowns. The mice proving to be illusive, this is a promising tool. Even if we can't catch the critters, if we have enough traps, we might be able to surround them.

When manufacturing and other firms consider moving into a region, one of their important issues is the state of labor relations—an important aspect of which is the state of unionization and what it means. Jack Kleinhenz and Russ Smith examine this question in terms of productivity, wage premium, job security, innovation, communication, and economic development. In doing so, they particularly explore the potential for effective relationships between unions and management.

In the first book review, Douglas J. Lamdin considers *Seeds of Destruction: Why the Path to Economic Ruin Runs through Washington, and How to Reclaim American Prosperity* by Glenn Hubbard and Peter Navarro. Given its clear policy point of view, Lamdin finds that it is well reasoned and clearly written, covering a wide range of policy topics.

In the second book review, Gerald L. Musgrave takes on *Naked Economics: Undressing the Dismal Science* by Charles Wheelan. This book, too, covers a wide range of topics related to public policy, but its focus attempts to be balanced rather than ideological in presenting the common-sense, everyday aspects of economics. Although written for the general public, its wide array of subjects and issues “gives business economists a template of how to present issues to non-economists.”

Editorial Board

I am pleased to announce that Charles Steindel has joined the *Business Economics* Editorial Board. Charles is a former Director of NABE and is now with the New Jersey Department of the Treasury. For many years, he was with the Federal Reserve Bank of New York.

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Editor

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