From the Editor

Business Economics (2013) 48, 207.
doi:10.1057/be.2013.30

This issue's content covers a wide range of topics in a few papers: trust in financial services, small business hiring, financial bubbles, commodity markets, knowledge-intensive services, and economics at work in a major financial institution.

Roger W. Ferguson, Jr. was given NABE's Adam Smith Award for 2013. His address to mark the event focused on the public's lack of trust in the financial services industry in the wake of the 2008 financial crisis. Much of this lack of trust can be laid at the feet of weak corporate governance. Remedying this will require not only more effective government supervision but also rethinking on the part of financial industry stakeholders, especially since the public's financial literacy is weak and guidance by the financial industry that can be trusted is increasingly important.

The second paper, by Michael J. Chow and William C. Dunkelberg, won the NABE Contributed Paper Award.¹ It looks at the low level of loans to small business in the wake of the financial crisis and the failure of monetary policy to stimulate lending to small business. The paper presents evidence that the problem of weak borrowing by small business was diagnosed incorrectly as coming from the supply side when in fact the main problem has been lack of small business demand for credit.

The third paper, by John C. Williams, the President of the Federal Reserve Bank of San Francisco, examines asset price bubbles. He finds that the formation of these bubbles, such as the bubble in house prices and stock values that was so critical in the 2008 financial crisis and its aftermath, does not conform to standard asset price theory and explores alternative explanations that are not dependent on traditional assumptions of rational behavior. He also examines the implications of such explanations for future macroprudential policy.

L. Christopher Plantier examines the proposition that the emergence of commodity index mutual funds has exacerbated movements or increased volatility of

commodity prices. He presents quantitative evidence and analysis that confirm academic studies that conclude that the rise and fall of commodity prices in the 2004–11 period were driven by fundamentals rather than the influence of these funds.

In this issue's Focus on Industries and Markets, Andrew Gross, Mark Holtzblatt, Raj Javalgi, Jozsef Poor, and Emeric Solymossy examine professional service industries, such as accounting, engineering, law, and management consulting. They find that these industries are continuing to grow and remain competitive but that the dominance of Western Europe and North America is being challenged by firms from emerging-market countries.

In Economics at Work, John E. Silvia describes what is necessary for a successful macroeconomic forecasting operation within a major bank, emphasizing not only the technical aspects of forecasting but also understanding the forecast's clients and the environment in which the forecasts will be used.

In the first of this issue's two book reviews, John C. Goodman has a favorable impression of *Balance: The Economics of Great Powers from Ancient Rome to Modern America*, by Glenn Hubbard and Tim Kane. The book looks at the rise and fall of great powers through the lens of economic policy. The authors use their analysis to draw conclusions for policy for the United States, using California as an example of what to avoid.

The second book review also covers federal economic policy. Devon M. Herrick reviews *Red Ink: Inside the High-Stakes Politics of the Federal Budget* by David Wessel. After describing the dimensions of the federal budget and a description of how it is funded, Wessel provides a "... dire prediction, a collection of uncomfortable, indisputable facts showing the unsustainable fiscal course the U.S. government is on." Herrick finds the book to be an even-handed, readable treatment of the choices before the United States and how we arrived at a situation in which popular programs will have to be curtailed or taxes will have to be raised to sustain them.

Robert Thomas Crow
Editor

E-mail: rtcrow@comcast.net

¹The Edmund A. Mennis Contributed Paper Award was won by Patrick L. Anderson. His paper will appear in the January 2014 issue of *Business Economics*.