From the Editor

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This issue opens with the Adam Smith Award lecture delivered by William White at NABE's annual meeting in September 2016. White has been lauded for his prescient warnings, as the chief economist of the Bank for International Settlements, about the risks building in the financial system prior to the crisis. In his address, White discusses the risks posed by "ultra-easy" monetary policies. He argues that such policies cannot be neatly calibrated to deliver satisfactory macroeconomic outcomes, while they do encourage risky financial behavior. He contends that the exit from the near-zero interest rate policies is also fraught with risks.

In her NABE Presidential Address, Lisa Emsbo-Mattingly discusses the business economist's "tool kit." Members of our profession are urged to look beyond the basic, essential, academic background to be willing to do basic hands-on research, be open to diverse viewpoints, and have the gumption to communicate unpleasant findings.

In the next article, George Akerlof and Robert Shiller, two Nobel Laureates, who would certainly be categorized, in Emsbo-Mattingly's terms, as "high priests" of academic economics, discuss how unfettered free markets can readily lead to unsatisfactory social outcomes. Essentially, Akerlof and Shiller (who are known to be not the most orthodox of academic high priests) show how consumers can be manipulated to make choices that clearly go against their best interests: they are often "phools" who are "phished." This reality is a challenge that economists should deal with.

The issue features three papers that received awards at the annual meeting. Cliff Waldman's Edmund Mennis Award paper delves into the linkages between productivity and automation investment in the U.S. manufacturing industries, using both official government data and survey results. In their Contributed Award-winning paper, Sam Bullard, Azhar Iqbal, and John Silvia propose a modified rule to explain the behavior of the federal funds rate. Essentially, the FOMC is believed to put time-varying weight on the likelihood that inflation will be higher or lower than its target. In recent years; the FOMC appears to have been especially concerned with overly low inflation. In the other Contributed Award paper, Iqbal and Silvia propose a new method of statistically analyzing the likely near-term path of the economy, bringing together not only the probability of a recession, but also whether a cyclical recovery will be strong or weak.

The last paper discusses the behavior of the economy in election years (incidentally, this note was written in October, several weeks prior to Election Day). Michael Brown and Michael Pugliese examine whether the economic numbers systematically differ in election years, possibly falling on the weak side due to heightened uncertainty (we would probably all agree that given the political rhetoric, 2016 should be the year to demonstrate such an effect!). Brown and Pugliese find no evidence of systematic election-year weakness; indeed, there is evidence that some measures tend to be a bit firmer in election years.

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