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## From the Editor

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This issue is once again dominated by the global/financial economic crisis and its aftermath. In its opening paper, Jürgen Stark, a Member of the Executive Board of the European Central Bank, looks at the imbalances at the root of the financial crisis and maintains that unless these imbalances are successfully remedied by global policy reform, the global economy will suffer a “lost decade.”

In the second paper, Charles L. Evans, the President and CEO of the Federal Reserve Bank of Chicago, looks behind headline unemployment numbers and concludes that the U.S. employment recovery is weaker than what would be expected from prior recessions. He examines the options available to the Federal Reserve, especially the Large Scale Asset Purchases program. However, the Federal Reserve has already accumulated unprecedented levels of assets in its stimulus efforts.

Brian Sack’s paper describes the challenges the Federal Reserve faces in unwinding its holdings as the economy recovers and how it will manage to meet them, emphasizing caution, transparency, and close coordination with traditional monetary policy.

Gary Gorton’s paper explores the mechanics of the banking panic in the “shadow” banking system that resulted from the collapse of the market for sale and repurchase (repo) agreements and how it affected the traditional banking system. He finds that given the structure of this market, there was nothing irrational about the panic, likening it to the reaction of consumers to an outbreak of *E. coli*.

In the final paper of this issue relating to the financial crisis, Parul Jain and Leo Kamp analyze the relationship between inflation and default on fixed rate bonds. This relationship is more complex than it may seem, and Jain and Kamp present theory and evidence to support their conclusions.

Turning to the micro side, there has been fierce controversy over whether mergers lead to greater market power, increased efficiency, or both.

Nowhere has this controversy been more intense than the defense industry, which has undergone major consolidation over the past two decades. Nayantara Hensel explores the causes of consolidation and conducts an empirical exploration of its impact on defense system costs.

The fact that economists view *homo economicus* as the object of research by no means excludes them from membership in the species: our interest in our own compensation is as great as that of any other profession. Thus, NABE conducts a biennial survey of its members’ salaries and other compensation. The paper by Elizabeth Bernstein and Christopher Swann presents an analysis of the data from the 2008 survey to identify those factors that account for pay differentials among members, and presumably among the broader profession as well.

One of the questions about immigration is whether immigrant labor is efficiently used and whether individual immigrants suffer economic discrimination. Investigating the nursing profession in Canada, Karen J. Buhr conducts an empirical investigation with Canadian Census data that isolates the major factors that are likely to cause wage differentials and concludes that in the Canadian nursing field, at least, immigrants suffer wage penalties that seem to be due to their national origin.

There are four book reviews in this issue. In the first, Anthony Clark reviews *Spin-Free Economics—A No-Nonsense, Nonpartisan Guide to Today’s Global Economic Debates* by Nariman Behraves. He finds that the text lives up to the title in that the powerful case made in favor of free markets is based on sound economic reasoning and evidence rather than ideology.

The second book reviewed is *The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It* by Scott Patterson. In it, the author traces the evolution of the models behind financial trading strategies and their successes and failures. However, the reviewer—Jesse Hixon—wonders whether the failures were due to problems with the models or with those who applied them.

Continuing with the topic of the day (the month? the year? the decade?), Michael Lea reviews

*The Rise and Fall of the U.S. Mortgage and Credit Markets: A Comprehensive Analysis of the Market Meltdown* by James Barth, Tong Li, Wenling Lu, Triphon Phumiwasana, and Glenn Yago. He finds it to be comprehensive and thoughtful and recommends it as a “standard reference for analysts and policy makers in the years to come.”

The final book reviewed in this issue continues along the same path. *Financial Market Bubbles and Crashes* by Harold L. Vogel is a history of the phenomena, outlining their causes, and the

shortcomings of economic theory in understanding them. The reviewer, Jerry H. Tempelman, finds it to be a thorough, informative, and readable overview of the subject.

Because there are so many articles in this issue, it does not have Focus on Statistics, Focus on Industries and Markets, and Economics at Work. These features will reappear in future issues.

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