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# From the Editor

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This issue is mostly about macro-level finance, especially banking. This was not a matter of choice as much as happenstance: it was the way NABE's meetings and submitted papers happened to roll. First, on the occasion of being given NABE's Lifetime Achievement Award for Public Policy, Paul Volcker sat down with Steve Liesman and NABE President Ken Simonson to share his views on the international monetary system and U.S. financial regulation before entering into a broader discussion with Liesman and Simonson on the "Volcker Rule," regulatory consolidation, "too big to fail," and other topics. His paper is an edited transcript of that conversation.

Continuing with the NABE session on central bank independence that was held at the January meetings of the American Economic Association, John B. Taylor examines the distinction between de jure and de facto independence and finds that history shows that de jure independence is not sufficient for effective economic performance and that a rule-based central bank policy provides the best outcomes.

Alan S. Blinder, on the other hand, maintains that international cooperation between central banks and between central banks and their own governments' treasuries are essential in a financial crisis, such as the one that began in 2008: desperate times require desperate measures. He provides reasons for this being both inevitable and desirable and also explores how these relationships between central banks and treasuries should develop in the aftermath.

Richard Fisher and Harvey Rosenblum of the Dallas Federal Reserve Bank present their proposal on, "A Credible Path for Ending Too Big to Fail." They discuss why such a path must be taken and why Dodd-Frank is inadequate to address the problem. They then present the Dallas Federal Reserve recommendations on how too-big-to-fail can be remedied.

John A. Tatom revisits the relationship between the residential mortgage foreclosure crisis, the broader financial crisis, and the recession of 2007–09. In disentangling the relationships between them, he questions whether public policy was shooting at the wrong target with its emphasis on commercial banks.

Xiaobing Shuai and Christine Chmura investigate whether changing state corporate tax rates have a measurable impact on state employment. Their empirical results confirm what theory would suggest and indicate that modest reductions in rates might also have a positive effect on state revenues through secondary effects.

In this issue's Focus on Industries and Markets, Bob Costello describes the trucking industry—especially its competitive environment and the institutional and technological changes that have affected it. In particular, he describes the roles of the Interstate Highway System, deregulation, and just-in-time inventory management in the evolution of the current trucking industry.

In the first book review, Gerald R. Musgrave examines *The Physics of Wall Street* by James Owen Weatherall. It focuses on the mathematics and scientific approach of physics as applied to financial analysis, examining how physicists contributed to the development of the capital asset pricing model, efficient market theory, and other topics. Musgrave finds that, "The extraordinary strength of this book is in the exposition. Weatherall is a storyteller of the first magnitude." Even though there is no insight on *why* markets behave the way they do, Musgrave enthusiastically recommends this book for what it does accomplish.

The second review, by Jan Kmenta, is of Tomas Sedlacek's *Economics of Good and Evil: The Quest for Economic Meaning from Gilgamesh to Wall Street.* The first part of the book traces economic thought from ancient Mesopotamia through Adam Smith. This part appears to have some fascinating insights on the development of economic thought that do not appear in conventional treatments of the subject. The second part presents the author's "blasphemous thoughts" on the state of modern economics. Sedlacek finds that there is far too little emphasis on the ethical content of economics and far too much on science. Although Kmenta takes the author to task on his representation of economic theory and omission of econometrics in his description of contemporary economics, he does applaud the emphasis on increasing normative content in economic thought and finds the book to be, "thoughtful, educational, and at times entertaining. It is not suitable to be used as a textbook, but it is a great book to read for erudition and for stimulated thinking by anybody interested in economic thought."

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