
Editorial

From the Editor

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This issue of *Business Economics* includes four articles based upon presentations delivered at NABE's 2014 Economic Policy Conference, held on February 23–25, 2014. Their publication is sponsored by the NABE Foundation as a means to broaden exposure to the ideas raised at the event, as well to make contributions on their own merit.

The first article is Lawrence H. Summers' keynote address to the Conference. He notes the shift in macroeconomics over the past several years from a focus on stabilizing the pre-2008 Great Moderation to avoiding secular stagnation. In particular, he notes the long-run impact of the Great Recession and the nature of macroeconomic policy when interest rates managed by the Federal Reserve can fall no further. He then recommends a path for macroeconomic policy that is appropriate for these circumstances.

The second article is an address by Jean-Claude Trichet on the occasion of being presented with the NABE Lifetime Achievement Award for Economic Policy. He notes that the financial crisis of 2007 was caused not only by factors that were unique to the time but also by others that have been familiar since the Great Depression. That said, the world's major central banks reacted quickly and demonstrated remarkable policy convergence to keep the situation from becoming even worse. The paper discusses the lessons that were learned and the remaining dangers to the global financial system.

Rep. Kevin Brady (R, Texas) presented the Conference's closing keynote address from his perspective as Chairman of the U.S. Congress' Joint Economic Committee. The address discusses the "growth gap" between the current recovery and the average post-1960 recovery (sharing Summers' concerns) and focuses on growing concerns regarding economic inequality and immobility. It presents ideas on how federal government policy can alleviate these problems.

The fourth article, by Andrew G. Haldane, was presented initially at the NABE session of the Allied Social Sciences Associations' Annual Meeting, January 4, 2014. It notes that monetary policy and regulation of banks as individual entities has proven to be insufficient to avoid financial crisis. The result has been the emergence of macroprudential financial regulation to act in tandem with monetary policy. Had this tandem been in place, past crises' impacts might have been mitigated.

Continuing with banking—a major theme of this issue—Thomas M. Hoenig examines unfinished business in banking reform, with special attention to what to do about banks that are too big to fail. Such banks' complexity as well as their size poses intractable problems in the event of failure, and Hoenig advances some ideas on how to mitigate this situation.

In the only microeconomics paper of this issue, Mark Purdy and Kuangyi Wei conduct an empirical investigation on whether and under what circumstances international diversification is beneficial to firms' profits, revenue, and return on capital. The results should provide some food for thought for firms considering international diversification as a strategy.

In this issue's Economics at Work, one of its editors, Thomas Kevin Swift, provides a thoughtful and comprehensive account of the scope, responsibilities, and challenges of the economics team of the American Chemistry, a major trade association.

Ronnie H. Davis describes the printing industry in Focus on Industries and Markets. This is a large and ubiquitous industry; and the article discusses what it is, how it is organized, and what makes it go.

In Focus on Statistics, Robert P. Parker describes and discusses the 2012 Economic Census, whose initial results are being released. The article describes its industry and geographic detail and its importance as a benchmark for critical statistical series, as well as its direct value for businesses, researchers, and government policy-makers.

The first of this issue's two book reviews is by Devon M. Herrick, who examines *The Great Deformation: The Corruption of Capitalism in America* by David A. Stockman. The deformation in question is

federal deficits, particularly—in Stockman’s view—due to excessive federal spending. Herrick finds that Stockman’s view is bleak, with no hope of remedy from the political processes that have launched the U.S. economy in an irreversible downward slide. The Federal Reserve comes off no better than elected politicians. The overarching message from Stockman seems to be “a plague on all of your houses.”

The second review is by W. Steven Barnett. His focus is *The Great Escape: Health, Wealth, and the Origins of Inequality* by Angus Deaton. Barnett finds that, “*The Great Escape* is a good place to start if you are looking to increase your own understanding of inequality....” Deaton is a distinguished development economist and provides dispassionate perspective on what is known and what is uncertain about

mankind’s progress to physical health and material well-being. Although global inequality has been reduced dramatically in the past few decades by the growth of formerly poverty-stricken countries, this progress is not irreversible. Of particular interest to Barnett are the chapters on inequality in the United States and the efficacy of foreign aid to less developed countries’ governments. In general, Barnett finds the book to be valuable to business economists as an important source of information and a cautionary tale on the state of our knowledge and on unintended consequences.

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