

## From the Editor

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This issue is largely devoted to material that discusses the adequacy of economic growth, both the published aggregates, and the distribution of the product. All the speeches and articles come from material presented at NABE's March Economic Policy Conference, and we again thank the Peterson Foundation for providing funding through the NABE Foundation that aided the publication of this work.

The first piece is Nobel-Laureate Joseph Stiglitz's Paul Volcker award speech on the problems raised by globalization. As its title, "The Overselling of Globalization," clearly indicates, Stiglitz does not believe that increased globalization is an unalloyed blessing. He notes that there were never good arguments to suggest that globalization would lead to faster job growth, and the potential for negative impacts were ignored. The result has been a protectionist backlash. Stiglitz calls for, instead, increases in social policies that will protect workers and ease the evolution of the economy, rather than trusting solely in market outcomes.

Catherine Mann, chief economist of the OECD (and a former member of the NABE Board) spoke about the near-term outlook in the industrial world. It is a half-empty, half-full picture. Growth prospects appear to be improving, but only to a pace that in the past would have been seen as rather weak, and may not be fast enough to head off protectionist pressures and reduce financial vulnerabilities. In the current environment of low inflation and interest rates, Mann sees opportunities for fiscal expansion, along with structural reforms, to help spur growth.

Two very distinguished fiscal policy policymakers, scholars, and deans of Ivy League schools spoke on the connections between U.S. fiscal policy and growth. Douglas Elmendorf (former CBO head, now dean of Harvard's Kennedy School) was concerned that promises that policies will deliver higher growth will not deliver, and was worried that too little concern is being paid to matters such as boosting basic infrastructure, and sees the need to adopt policies beneficial to the poorer parts of the population. Glenn Hubbard (former CEA head, now dean of Columbia's business school) advocated a variety of tax reform proposals, such as the adoption of a Border Adjustment Tax (BAT), as well as regulatory reform and improvements in infrastructure spending procedures. Much of his emphasis was on containing the growth of, and removing unfavorable incentives from, existing entitlement programs, as well as reform of immigration policies.

A second panel was more specifically focused on the policy implications of "Trumponomics." Jason Furman, another former CEA head, went into considerable detail about the basic underpinnings of growth in the U.S. He found that the likely trend growth rate is now low, and finds little reason to think that the Administration's proposals, if adopted, would boost that rate meaningfully. Indeed, there is reason to think that the impact might turn out to be negative. Like the other panel, this one paired a former CEA and former CBO head. Douglas Holtz-Eakin, the CBO veteran, remarked on the uncertainties in the policy environment, relating to such matters as the hazy shape of policy proposals, the lack of clarity about whether executive or legislative action is considered, and the complexities of the legislative process. These add to the basic uncertainties surrounding the possible effect of ideas such as the BAT. Joel Prakken (a former President of NABE) offered his thoughts, coming from analysis done with the

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Macroeconomic Advisors model. The scope for additional growth from tax cuts is limited in what looks like a full-employment economy. Prakken noted that ideas such as large import taxes have negative consequences similar to very large tax increases; he also pointed to the very large share of U.S. labor force growth expected to come from immigration, which means that proposals to cut immigration could have noticeably negative consequences for growth. He was also concerned that possible legislation to require the FOMC to adhere closely to a Taylor Rule for interest rates could seriously hamper its ability to counter future recessions.

John Fernald's piece examines U.S. productivity growth from a longer-term perspective. He notes that many of the forces that led to fast growth in the past, such as steadily increasing levels of educational achievement, are now operative. He is skeptical that we are making major undercounts of output (at least larger ones than in the past), and does not know how one would measure the impact of any drop in U.S. dynamism. He does not believe that the recession led to a temporary slowdown in innovation. Looking ahead, while he believes that policies such as increased investment in infrastructure and corporate tax reform may boost growth, he sees no clear set of policies

that will definitely deliver markedly higher productivity growth than the recent experience.

This issue features two book reviews. Kevin Kliesen looks at *The End of Alchemy*, by Mervin King, the former Governor of the Bank of England. Lord King (to give him his proper and truly memorable title) discusses the vulnerabilities of modern economies, many of them stemming from the financial sector, and the weakness of modern macroeconomics in coming up with remedies. King proposes a variety of reforms to financial structures, monetary policy, and regulations to get the world economy and financial system on a better and more stable path.

Former NABE president Ellen Hughes-Cromwick reviews Michael Lewis's *The Undoing Project*. Lewis's book is an intellectual biography of Amos Tversky and Daniel Kahneman, the Israeli psychologists whose work revolutionized our understanding of decision-making. Their work explained a number of puzzles that had long-baffled economists working under the traditional assumption that people maximize a well-defined and stable utility function. Kahneman received, after Tversky's death, the Nobel Prize in Economics. Hughes-Cromwick finds that Lewis' book, and the work of Kahneman and Tversky, will "either reinforce or change your thinking."

