

From the editor

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This issue begins with three speeches from NABE's 2017 Annual Meeting. The first is Raghuram Rajan's Adam Smith Award address. Rajan has served as chief economist of IMF and governor of the Reserve Bank of India, and was prescient in warning of financial sector risks pre-crisis at a Federal Reserve Conference in Jackson Hole, Wyoming. In his speech, Rajan discusses the situation that central banks are now facing, a decade after the onset of the crisis. He argues, though admitting that hard estimates are difficult to make, that the unconventional policies adopted during the crisis were probably effective. But now central banks are facing the challenge of unwinding these policies, particularly reducing swollen balance sheets, without disrupting markets. Rajan proposes no simple solutions to the problems now facing central banks, but instead calls for "sober thinkers to examine the experience of the last few years."

Fed Chair Janet Yellen's speech also addresses an issue that has raised some questions, namely the surprisingly low rate of inflation. Yellen notes how inflation has remained under the FOMC's target of 2%, even though analysis suggests strongly that there is little or no economic slack. Decomposition of the set of forces conventionally assumed to affect inflation suggests that a number of temporary factors have played a significant role holding down its observed rate. Nevertheless, it may be the case that this standard "framework for understanding inflation dynamics could be misspecified in some fundamental way." Yellen concludes that a balancing of the apparently high rate of resource utilization against inflation developments supports a gradual tightening of monetary policy.

Martin Feldstein discussed the possibilities for tax reform (his speech was given a few days before the Trump Administration released its framework). Feldstein supports elimination of the deduction of state and local taxes in return for reducing income tax rates, but would go further and modify the tax treatment of employer-paid health insurance premiums. He supports the elimination of estate and gift taxes, though suggests that there be some modification of the treatment of unrealized capital gains at the time of death. On the corporate front, Feldstein favors adoption of a territorial system, and also is favorable toward the earlier proposal for a destination-based border tax. However, he notes that proposals to reduce the rate of individual income tax on income directly passed through to owners (following a cut in the basic corporate rate) would not truly level the playing field between Subchapter C and other businesses, but would instead maintain the relatively favorable treatment of the latter firms. Finally, he notes that Congressional budget rules restrict the size and scope of potential tax reform.

Aside from low inflation, another puzzle in the economy has been the behavior of employment. The last two recoveries were "jobless," seeing strong growth of output well before and noticeable gains in employment. In contrast, this recovery has seen vigorous growth in employment and declining unemployment with only modest gains in output. Giorgio Canarella and Stephen Miller, in "Did Okun's Law Die After the Great Recession," carefully examine the relationship between output and unemployment. They demonstrate that the relationship has always been less stable than some may have assumed, with a number of breakpoints and inherent non-linearity. Not surprisingly, the evidence suggests that there may have been another break going into this expansion.

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The next two papers were the winners of NABE's annual contributed paper competition. The Mennis Award winner, Christopher Hooton's "America's Online 'Jobs': Conceptualizations, Measurements, and Influencing Factors," discusses the number of income-earning positions associated with internet platforms. Basing his estimates on responses from company surveys, Hooton concludes that 23.9 million positions can be associated with earning income from internet activity. The paper further discusses the types of positions and their distribution by state. A state's count of these positions is associated with higher incomes and costs, population, unemployment, and internet access and employment by providers.

Azhar Iqbal and Mark Vitner, in "Quantifying the Housing Recovery: Which MSAs are Experiencing Bubbles?" examine the connection between local and national housing markets. Looking at data since 2000, they find that home price movements in some MSAs have systematically moved in advance of the national figures. Thus, focusing on prices in these cities may allow policymakers to get a lead on what may develop for the national as a whole.

Stuart Mackintosh's NABE presidential address, "Business Economics in a Post-Truth Era," calls for business economists to be candid about the limitations of their analysis and models, and to be forthright in presenting "analysis that is sensitive or difficult to stomach." He pleads for enhanced budgets for the statistical agencies, and for their freedom to provide data without political influence.

The two book reviews in this issue discuss works focusing on longer-term trends. John Fernald reviews Robert Gordon's *Rise and Fall of American Economic Growth*. Fernald sympathizes with Gordon's analysis that the near-century of rapid growth in the U.S. economy was fueled by the adoption of a number of basic, fundamental, technologies, such as universal electrification. While also finding merit in Gordon's pessimism that comparable changes do not now seem to be in the offing, Fernald is open to the possibility that advances in high technology may, at some point, bear somewhat comparable fruit.

Stephen Sexauer and Laurence Siegel review Marc Levinson's *An Extraordinary Time: The End of the Post-war Boom and the Return of the Ordinary Economy*. Levinson's book examines the rapid growth of the world's economy (particularly in the industrialized nations) from 1948 to 1973, and the slowdown since. The reviewers note the book's point that the 1948–1973 period was marked by a belief that experts working with models could keep economies on a high-growth trajectory, and the disillusionment that followed in the 1970s. They take exception to the argument that the words "ordinary" and "extraordinary" are useful ways to categorize economic eras: all times have their extraordinary features. Indeed, the period since 1973 has seen remarkable growth in large parts of the formerly non-industrial world, and that, given the level of current incomes, many, if not most, people in the industrial world are experiencing extraordinary levels of well-being.

