From the Editor

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This issue contains pieces on a wide variety of topics, ranging from monetary theory to the details of compiling the CPI to the economics of the demand for marijuana to the market for corporate aircraft. As was the case for the October issue, we thank the Peterson Foundation for its grant supporting the publication of works arising from Annual Meeting presentations.

The first three articles are compiled from a session at last October's NABE Annual Meeting, in tribute to the late Alan Krueger. Krueger's sudden death last year shocked economists around the world. A professor at Princeton, he was renowned as both an academic scholar and policy analyst, serving in a number of official positions. He was a great friend of NABE and business economics, speaking frequently at our meetings.

Former BLS Commissioner Erica Groshen shared her memories of attending graduate school with Krueger, and collaborating with him early on. She emphasized his remarkable ability to hone in on topics of general concern beyond academics, his ingenuity at uncovering new data sources, and his personal kindness. She closed by noting that his passing also shows us that accomplishments, no matter how great, do not offset the effect of illnesses that can weigh on anyone.

Jonathan Gruber recalls his marveling how Kruger reached out to him as a graduate student—an uncommon act for an established professor. Gruber particularly stressed how Kruger's work revolutionized applied economics, especially policy analysis, and noted his unique ability to move back and forth between policy work in DC and academia.

Michael Horrigan also mentioned Kruger's talent for working with, and learning from, economists in public agencies. He added analysis, along the lines of Krueger, about the recent declines in male labor force participation and its connection to the opioid crisis.

The next group of articles were also taken from an Annual Meeting session, one dealing with Modern Monetary Theory (MMT), an approach that has gained considerable public interest, most notably for a claim that large boosts in deficit spending and debt may be financed without putting any upward pressure on interest rates or crowding out private investment.

Laurence Meyer addressed the conceptual differences between MMT and conventional monetary analysis. He agrees with one point often made in MMT: the traditional sharp distinction made between fiscal and monetary policy can be modified—the activities of a central bank can be considered alongside and integrated with government tax and spending policies. He argues, though, that conceptual integration of the two does not lead to strikingly different policy results: in particular, he disagrees that it is only arbitrary central bank actions that prevent interest rates from falling when government debt rises, and, as a practical matter, he is concerned by the proposal that control of inflation be specifically turned over to fiscal authorities.

Catherine Mann reinforced and added to Meyer's criticism of MMT. Specifically, MMT assumes that a nation such as the US can issue any amount of public debt denominated in its own currency. Mann notes that poor policy weakens or eliminates this "inordinate privilege," and warns there are a few straws in the wind that this may be dissipating for the US.

Julia Coronado was somewhat more sympathetic to MMT. While she largely agrees with Meyer and Mann's analytical points, she notes that standard monetary economics pays short thrift to important forces that bear on interest rates and policy facts, such as demographics. Opening up monetary economics to the consideration of such factors can be beneficial.

Turning to a very different topic, in his Contributed Paper Award work, Patrick Anderson discussed the demand for marijuana. With states moving to legalize the product, there is growing interest in understanding consumer demand, in particular to aid in estimating the revenue that could be earned from taxation. Trying to get a handle on the demand

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for a product that has long been illegal is difficult; moreover, with legalization underway the shift from underground to reported sales means announced sales figures cannot, by themselves, be used to help reveal true long-term demand. Anderson's work deals with many of the difficulties of estimating marijuana demand, and he notes there has been a tendency for states that have legalized to overestimate the revenue that would be gained by taxing the product.

Arthur Laffer was the recipient of the 2019 NABE Adam Smith Award. In his acceptance talk, Laffer gives an account of supply-side economics, the origin and logic of the Laffer Curve, and his reflections on numbers of current policy issues. Not surprisingly, he praises recent deregulatory and tax changes, but his lauding of a number of Democratic Party elected officials—including Jerry Brown and Bill Clinton—may be news to some.

In her *Focus on Statistics* article, Crystal Konny of BLS discusses how the agency is addressing the challenge the new technological environment poses to the compilation of the CPI. BLS is gradually adding Big Data methods to supplement the traditional field collection of prices. This is not a mere matter of stripping prices off the net, but rather careful, detailed, work involving the cooperation of vendors. The agency would certainly welcome the assistance of NABE members in getting more firms to participate in this effort.

The *Focus on Industries and Markets* piece authored by Jesse Jacobs and Brad Goebel takes to the skies and describes the business aviation industry. The market for business planes is highly cyclical, and the industry is consolidating. Sales can be explained well by consideration of product life cycles. Challenges facing the industry include the shrinkage of the supply of pilots relative to the number

of aircraft, reflecting the retiring of the baby-boomer cohort (interestingly, as noted above, in her piece on MMT, Julia Coronado also emphasized demographic forces).

The issue concludes with Beth Ann Bovino's review of Raghuram Rajan's *The Third Pillar*. Rajan—recipient of NABE's 2017 Adam Smith Award—writes about how modern economies and states have disrupted communities, with new IT technology reinforcing the process. Rajan makes a number of proposals to strengthen communities and broaden a sense of societal fairness, some of which are tied to increasing community diversity, strengthening public education, and reducing corporate management's concern with maximizing shareholder value. Bovino supports the message of the book, though is a bit skeptical about the efficacy of some of the proposed remedies.

In closing, it is appropriate to note the recent passing of Paul Volcker, the namesake for (and first winner of) one of NABE's two highest awards. Volcker—for whom I had the honor of working as a junior staff economist at the Board of Governors about 40 years ago—was in a number of dimensions a truly towering figure; most notably the man who had the courage to make the difficult decision to tackle head-on the high inflation of the late 1970s. He was the epitome of somebody who used economics as a tool to make the world a better place. He will be sorely missed.

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