From the editor

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This issue features pieces on a variety of topics that may have been pushed into the background by the pandemic and recession, but will likely in time re-emerge. Many are based on presentations made at the February Economic Policy Conference, and we again thank the Peterson Foundation for its financial support in publishing these.

Roger Ferguson was this year's recipient of NABE's Paul Volcker Award. In his discussion with NABE President Constance Hunter, Ferguson outlined his approach to decision-making, using as illustrations his role in addressing the immediate crisis on 9/11, the reform of check-processing, and the establishment of the *Journal of Central Banking*. He also discussed his views on entitlement reform and the challenges of making investment decisions in a world facing environmental change.

Policies to address income and wealth inequality have been a major area of contention. Two prominent analysts with different partisan attachments, Jason Furman and Douglas Holtz-Eakin, offer their thoughts on these. Perhaps surprisingly, they agree on much: they both support policies more targeted to help the most disadvantaged, most notably improving K-12 education, as opposed to broader and costlier programs. Both are dubious about wealth taxes, and agree much of the goals intended to be reached by those can be achieved through incremental reforms of our existing personal and corporate income tax systems.

David Dollar and Nathan Sheets address the value of (US) dollar. Sheets emphasizes that a "strong dollar" policy is not an isolated artifact, but actually a natural byproduct of generally good policies across the board, even granting that a depreciated exchange rate can help some sectors. Dollar discusses whether the Renminbi is on track to replace the US dollar as the primary currency used in international transactions; he feels despite some gains, the Chinese financial and monetary system would need considerably more reforms

to take on such a role. Sheets adds that the Euro is also not in a position to take the dollar's place. Thus, although both are somewhat critical of some recent steps taken by the Trump administration, they believe the dollar will remain the world's dominant currency.

As a part-time college instructor, I often hear students saying that student debt is the next "bubble." In their papers, Karen Dynan and Kamila Sommer discuss the student debt situation. Dynan examines whether the existence of large amounts of student debt seriously impairs an individual's economic progress later on in life. She finds that there is only limited evidence that this is so. She further notes that the existing system does allow for a fair amount of loan forgiveness, and does not favor outright forgiveness of all loans. She suggests though, that reforms directed toward educational institutions bearing some of the risk that students will be unable to repay loans will incentivize schools to improve their programs, and thus student outcomes.

Sommer focuses on the link between student debt and future homeownership, overall credit use, and aggregate consumption. There is some modest association between greater student debt and a delayed transition to homeownership. The connection between student debt and other credit is more complex, with higher amounts of student debt linked to greater and lesser usage of various other types. In principle, lower student debt would mean greater resources available for consumer spending, but the aggregate increment appears to be modest.

The financing of public-sector pensions has become a major burden for many state and local governments. In my paper I build on a recent observation that the elimination of pension debt is not, by usual public finance reasoning, an obviously desirable goal. Using two datasets, I examine the linkage between state economic growth and pension debt, and find that, while increases in pension debt may hold back a state's economy, there is little evidence that the level of existing debt will, by itself, slow growth. Given that moves to eliminate pension debt can involve substantive fiscal consolidation, these results suggest that

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stabilization, not elimination, of the debt may be a more plausible goal. (Kevin Kliesen has my thanks for his handling of my submission).

In his *Focus on Industries and Markets* paper, Thomas Hemphill discusses the small-dollar loan industry, often better-known as “payday lending.” The business has often been the subject of intense criticism for the high fees and interest it charges borrowers, and is heavily regulated (in some instances banned) by many states. In recent years the federal government has been taking steps to reform this market, in part by encouraging banks to expand lending to households that would otherwise take out small-dollar loans. Hemphill discusses numbers of other reform proposals and the current and likely pending status of the industry.

In the book reviews, Gary Gorton examines *First Responders*, edited by a trio of household names: Ben Bernanke, Timothy Geithner, and Henry Paulson—the three policymakers on the front line in 2008 addressing the financial crisis. The book contains essays exploring various aspects of the response to the crisis. Gorton praises the work, closing with words that may prove prophetic earlier than he anticipated: “In the next crisis, there will be many readers.”

Jesse Abraham looks at *Jump-Starting America*, by Jonathan Gruber and Simon Johnson. Gruber and Johnson argue that US growth can be reignited, and regions revived, by the Federal government subsidizing basic scientific research in troubled areas. Abraham is sympathetic to the proposal, but wishes there was more examination of what can be learned from existing high-tech centers.

Alex Tabarrok reviews Janek Wasserman’s *The Troubled Revolutionaries*, an examination of the Austrian school of economics, ranging back to Carl Menger. The work examines how the members of this group (which in the book goes beyond the usual figures known as “Austrian” to economists such as Gottfried Haberler, Oskar Morgenstern, Fritz Machlup, and Josef Schumpeter) formed networks to flee Central Europe and get their ideas circulated in the West.

The Chicago school of economics, often popularly assumed by noneconomists to be the same as the Austrian school (economists, of course, know better), is also seen as having had great influence on policy in the US and elsewhere. Binyamin Appelbaum’s *The Economists’ Hour* discusses the extent of the influence and effect of economic advice—non-Chicago economists, such as Paul Volcker, are included. Vincent Reinhart reviews the book, and finds that Appelbaum fails to appreciate the logic of the economic thinking behind the advice.

Turning to an economist of a different stripe than those of the Austrian or Chicago schools, my review is of Thomas Piketty’s *Capital and Ideology*. Piketty’s massive work looks at how societies have developed rationales for existing levels of wealth and income inequality, documents the recent increase in many nations, and offers a number of proposals to lessen inequality—most notably, a wealth tax. While I agree that inequality is a major problem, and am intrigued by much of his historic discussion, I feel he has not offered a thorough case for the efficacy and practicality of his proposed solutions, and could have more fully addressed what seemed to me to be fairly clear counters to aspects of his assessment of US developments.

The final review is Mark Wynne’s assessment of Otmar Issing’s *The Long Journey of Central Bank Communication*. Issing was the first chief economist of the ECB. In this “masterful” work, he advocates traditional modes of central bank communication and opposes “mission creep.”

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