From the Editor

Charles Steindel¹

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At this writing, with vaccine distribution accelerating in the US and some other nations, there is a sense that the end of the COVID pandemic is looming. Attention has been shifting from immediate concerns, and the works in this issue are more focused on longer-term issues. As was the case in the last two issues, we thank the Peterson Foundation for its support in published material presented at the NABE Annual Meeting.

The topic of inequality, and racial and other forms of discrimination has been in the forefront of public discussion. A question economists ask is the cost of these actions; is it possible that growth has been hindered? A panel consisting of Lisa Cook, Nela Richardson, and Jim Tankersley addresses that. Basically, they find that discrimination—most notably, but not solely, against African Americans, and also women—has retarded US growth, by resulting in a misallocation of resources and a shortfall in patents. The lessening of discrimination in post-war America likely was a contributor to the brisk growth in that era, and the slowdown in that process may have contributed to the end of that era. They conclude that a variety of policies should be adopted to address problems in such areas as education, hiring, and the workplace environment.

The issue of gender pay discrimination has long been contentious. Rama Malladi and Joshua Mean look at the topic through the lens of top executives. It has been argued that on average, female CEOs are compensated at about the same amount as their male counterparts. Malladi and Mean look at the numbers when controls are made for the gender of the previous CEO. They find that female CEOs are paid notably less than the males they replace, even though females have a better track record turning firms around; moreover, firms have less patience about retaining female CEOs when their stock performance falters.

A major concern during the pandemic, prompting the widespread cash stimulus payments, was the status of household balance sheets. One fear was that people may have felt the need to tap dedicated retirement savings, such as 401k accounts, to meet immediate needs, no matter the penalties and longer-term consequences. David Bernstein's analysis of household use of 401k accounts suggests that such fears were real. People who tap such funds prior to retirement are, indeed, those with high levels of other debt, of lower income, and otherwise in weak financial positions.

The use of electronic forms of payments accelerated during the pandemic. Ostensibly, such transactions are “cost-less” to consumers but subject the merchant to fees (as would be apparent by a glimpse at posted gas prices at many stations, showing the discount for cash). Angelika Welte and Josef Molnar, in a *Focus on Industries and Markets* piece, discuss the relationship between merchants and “acquirers” (firms that intermediate between merchants and the electronic debit and credit card systems) in Canada. In general, unit costs for such transactions are higher for smaller merchants, likely discouraging some take-up—and in provinces where the acquiring market is more concentrated, there tend to be more firms that are cash-only. The US situation appears broadly comparable to Canada, though on this side of the border there is a larger universe of acquirers—as well as more regulators of the market.

In the book reviews, David Wilcox looks at *Strategies for Monetary Policy*, edited by John Cochrane and John Taylor. Wilcox, formerly director of the Federal Reserve Board's Division of Research and Statistics, takes issue with works in the volume critical of the efficacy of the Fed's Large-Scale Asset Purchase (LSAP) policy followed in the financial crisis (and also now ongoing) and those advocating negative nominal interest rates. He also disputes the general characterization that “rules-based” monetary policy is obviously superior to “discretionary” policy, in part because there are many potential rules (admission: I was a long-time Fed system colleague of David, and was on the sidelines of many of those debates).

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Peter Ireland reviews Edward Nelson's monumental examination of Milton Friedman's life and work (the two volumes discussed only take the story to 1970). Ireland lays particular praise on Nelson's efforts to put Friedman's work in terms compatible with modern "New Keynesian" monetary economics, as well as detailing all of Friedman's scholarly, policy, and popular contributions.

Paul Mizen reviews John Kay and Mervyn King's *Radical Uncertainty*. The authors stress that the models used by economists assign probabilities to events based on well-behaved concepts of uncertainty. But, as has been all too well illustrated in recent years, the events of real concern (the financial crisis, the pandemic...) do not lend themselves to such well-ordered quantification of risk. While Mizen does not accept all of the authors' reasoning, he is in great sympathy with the book's thrust.

Robert Shiller is an economist well known for comparable contrarian arguments. Stuart Mackintosh looks at Shiller's *Narrative Economics...*, which stresses the role of storytelling in analysis of economic events. Mackintosh judges it is the Nobel Laureate Shiller's "most important work."

Finally, Robert Eisenbeis reviews *The Great Demographic Reversal...*, by Charles Goodhart and Monon Pradhan. One of the key tectonic trends of our time is the slow-down in world population growth and the aging of nations. Goodhart and Pradhan discuss what this means on both the macroeconomic and microeconomic levels; what may be of particular interest is that they contend demographics will be placing great fiscal stress on nations, and will almost surely lead to higher interest rates and higher inflation. Eisenbeis points out that the authors do note that the interest rate and inflation hikes have not eventuated in nations such as Japan, but that the authors have opened "an insightful window" into these critical issues.

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