

From preface of Laurence J. Kotlikoff, Jimmy Stewart is dead. Ending the worlds ongoing financial plague with limited purpose banking, Wiley, 2010.

We economists are charged with understanding and protecting the economy; we're supposed to spot economic disasters before arise and recommend solutions. Unfortunately, we failed in our fiduciary duty.

With rare exceptions, those of us manning the watch - the economists hired by the government and the business world - missed what was coming, were shocked when it happened, exacerbated the public's fear, and are now helping resurrect the system that failed so miserably.

The rest of us - academic economists like myself - were perched in ivory towers, too high above the deck to see the pervasive financial malfeasance that was underway. We had a clear view had we looked, but we were researching our imaginary world in which people play by the rules.

Consequently, we had even less clue that the nation's largest financial companies, aided and abetted by the rating companies, politicians and regulators, were madly driving our economy straight toward the rocks.

They reached their destination. The economy is now firmly on the shoals and in ongoing danger of completely breaking up.

Given that our economy is in DEFCOM 1 or very close to that condition, it's all economic hands on deck. Every economist has an obligation, regardless of her or his specialization, to focus on this economic emergency - to understand what really went wrong and to help make sure this never, ever happens again.