Keeping US policymaking honest

By J. Bradford DeLong
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Benjamin Franklin famously told the American people that the US Constitution would provide them with "a republic, if you can keep it." The same can be said for high-quality policy analysis, which, at least until now, has carried substantial weight in decisions made by US legislators, presidents, and their advisers.

In a recent appearance here at the University of California, Berkeley, Alice Rivlin expressed optimism about the future of economic policymaking in the United States. What Rivlin – who served as Vice Chair of the US Federal Reserve, Director of the White House Office of Management and Budget (OMB) under President Bill Clinton, and founding Director of the Congressional Budget Office (CBO) – thinks about that topic matters a great deal. Indeed, America owes its current system of "technocracy" – which ensures that policymaking follows sound analysis and empirical evidence – more to Rivlin than to any other living human.

When she was younger, however, Rivlin was denied admission to the graduate program at Harvard University's Littauer Center of Public Administration. Her application was rejected, she was told, because of "unfortunate experiences" with previous admissions of "women of marriageable age."

In those phrases, you can almost hear the New England Puritans' unctuous sermonizing about the seduction of Eve by the serpent, and her subsequent temptation of Adam. Of course, when Rivlin helped found the CBO in 1974 she was essentially eating from the Tree of Knowledge, and she was making the rest of us eat from it, too. We are all better for it.

In her recent talk, Rivlin expressed confidence that, despite today's populist attacks on expertise, high-quality policy analysis will continue to flourish in the twenty-first-century public sphere. And she predicted that empirical evidence and expert knowledge will still carry substantial – if not full – weight in decision-making by legislators, presidents, and their advisers.

To be sure, the CBO has never been more influential than it is this year. Its influence has been felt not merely because of its role in congressional proceedings, but also because it offers assessments that are widely respected across government, the media, and civil society. Its estimates of how congressional Republicans' legislative proposals will affect the country are deeply informed, nonpartisan, and made in good faith. So far, at least, it seems that Rivlin is right to be optimistic.

Still, I have my doubts about the future. Rivlin believes that there is a general consensus within policymaking circles about basic economic principles, and that those principles will underpin the assessments, estimates, and models used in public-policy debates. She pointed out that no reputable economists today regard a simple monetary-policy rule as a magic bullet for avoiding depressions and inflationary spirals, whereas many once did.

That is true, as far as it goes. And yet, until the announcement that Jerome Powell had been selected as the next Fed Chair, Stanford University economist John Taylor was a leading contender. Taylor is known for having developed his own guideline (the "Taylor rule") for how central banks should set interest rates. And he has long clung to this rule, despite a lack of evidence that it would have delivered better results than the Fed's actual policy decisions since the 1970s.

Moreover, when US President Donald Trump appointed former American Enterprise Institute economist Kevin Hassett to lead the White House Council of Economic Advisers, many expected that Hassett would be a "normal" CEA chairman. Hassett, we were told, would safeguard the CEA's credibility, by ensuring that its estimates remained in line with those of the larger policy-analysis community. And he would understand that agencies and organizations such as the CBO, OMB, Joint Committee on Taxation, Tax Policy Center (TPC), and Center on Budget and Policy Priorities have a principal allegiance to facts, not to some donor or political master.

Yet Hassett has so far spent his time at the CEA tearing down TPC estimates, even though the organization will undoubtedly issue assessments in the future that are as inconvenient for his political adversaries as they are for him today.

According to the near-consensus among policy analysts, the share of corporate taxes borne by labor, and the share of lost revenues from a cut in corporate income tax that will be recouped through increased investment, are both 25%. Yet the CEA, under Hassett, now assumes that both are 82%. That claim, as well as Hassett's recent attacks on the TPC, made former US Treasury Secretary Larry Summers angrier than I can ever recall having seen him with respect to a public-policy issue. According to Summers, Hassett's analysis is "some combination of dishonest, incompetent, and absurd."

Benjamin Franklin famously told the American people that the US Constitution would provide them with "a republic, if you can keep it." In her long, distinguished career, Rivlin and others like her have provided us with a rational policymaking process – if we can keep it.

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