

Feedback on GiveWell's macroeconomic policy writeup from Jared Bernstein, June 9, 2014

A few comments I hope you might find helpful.

--I thought all of the ideas on ways to engage various types of economists, from young ones starting out to “tony” ones of prominence were very good and probably decent bang for buck.

--“Designing a model stimulus bill to have prepared in case of a future recession” also strikes me as a very smart idea. That’s the sort of thing I’m thinking about for the next stage of the Full Employment project.

--I wouldn’t characterize CBPP as “advocacy” though that’s part of what we do. We also do tons of research.

--A couple of nuances I’d add to the broad overview impressions.

First, the discussion is largely around preventing recessions, or at least really deep ones (no one’s going to revoke the business cycle). In fact, I strive in my work to push back on this idea that there’s recessions (bad) and recoveries (good). The evidence of the last 30 years strongly supports the view that periods of full employment has been the exception. See figure 2 here: http://www.pathtofullemployment.org/wp-content/uploads/2014/04/JB_overview.pdf. Our problem isn’t just recessions; it’s weak recoveries.

I thought the discussion was a bit over-weighted on influencing monetary policy as opposed to fiscal and financial policies. Obviously, monetary policy is a big piece of the story and I agree with much of what folks said, but I’m deeply worried that we’ll continue to see terrible fiscal policy, which may be even more poorly understood than monetary. I can expand on this if you want.

Similarly, the conversations may reflect a bit of an under-emphasis on the role of financial stability. See the connection I try to draw here: <http://jaredbernsteinblog.com/no-false-choices-re-fed-govs/>. We cannot depend on bubbles to achieve full employment—as has been seen, the lasting damage from their implosion makes it very hard to maintain strong growth and tight labor markets. While I don’t think we can avoid recessions, I strongly believe that policy can reduce bubbles (remember, both Bernanke and Greenspan explicitly argued they couldn’t spot or stop them—thankfully, Yellen has expressed different views). Mike Konczal has been very strong on this part of the argument.