

Educating America: Economic Policy and the Changing Economy

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November 15, 2005

Economics as a Missing Key

- An immensely powerful system of thought
- A very exciting system of thought to come across
- A system of thought that is alien to an overwhelmingly-large fraction of Americans.
 - Even Americans who are sophisticated users of other parts of our civilization's knowledge

Consider the Issues We Have on the Plate Today

- Great and important issues:
 - Fundamental tax reform (Alan Viard)
 - Poverty and welfare (Robert Rector)
 - Immigration (Manuel Garcia y Griego)
 - Globalization (Richard Fisher)
 - Latin American instability (John Welch)
 - The Rise of China and India (Michael Cox)
- Let me briefly note three...

Fundamental Tax Reform

- If you asked one of us what the issues are...
 - Fairness--i.e., social insurance
 - Simplicity--the Treasury Tax Policy staff is greatly outnumbered
 - Balance--nominal debt shouldn't grow (much) faster than real GDP
 - Efficiency--Jean Baptiste Colbert: "plucking the most feathers with the least amount of hissing"
- That's not the way it's being covered...
 - "They want to take away your mortgage interest deduction"
 - "They want to take away the deductibility of your state and local taxes"

Poverty and Welfare

- If you asked one of us what the issues are...
 - Raising kids as perhaps the most important job in the world
 - Getting needed resources to those who raise the kids
 - Providing social insurance against bad luck
 - But: effects on incentives
 - And: we call in the sociologists: effect on motivations
- That's not how it's covered...
 - “They're trying to starve the children”
 - “They're trying to destroy morality”

Immigration

- If you asked one of us what the issues are...
 - Move somebody twenty years old north across the Rio Grande, and boost the present value of their lifetime income by at least \$300,000
 - But: effects on low-wage American citizens
 - Stresses and strains on material and sociological infrastructure
- That's not how it's covered...

The Economist's Point of View

- People do things for good reasons: behavioral relationships
 - Given their information and experience
- Actions add up to a consistent whole: equilibrium conditions
 - And the whole is likely to be pretty good from the standpoint of liberty and prosperity if proper account has been taken of:
 - Externalities
 - Distribution
 - Competition
 - Aggregate demand

Our Collective Failure

- The great public debate often misses the point that people do things for good reasons...
- And when it gets that point, it misses the point that actions add up to a consistent whole...
- I wish I had a magic wand to wave:
 - I don't