

A Man Without a Plan

By Robert Shiller Thu, Nov 15, 2012

Obama's chief economic adviser is Gene Sperling, head of the National Economic Council. Unlike the typical academic economist, Sperling concentrates on practical things that might lift the economy, writes Shiller, the well-known Yale economist.



During the United States' recent presidential election campaign, public-opinion polls consistently showed that the economy – and especially unemployment – was voters' number one concern. The Republican challenger, Mitt Romney, sought to capitalize on the issue, asserting: "The president's plans haven't worked – he doesn't have a plan to get the economy going."

Nonetheless, Barack Obama was reelected. The outcome may reflect the economy's slight improvement at election time (as happened when Franklin Roosevelt defeated the Republican Alf Landon in 1936, despite the continuing Great Depression). But Obama's victory might also be a testament to most US voters' basic sense of economic reality.

Economic theory does not provide an unambiguous prescription for policymakers. Professional opinion in macroeconomics is, as always, in disarray. Because controlled experiments to test policy prescriptions are impossible, we will never have a definitive test of macroeconomic measures.

Romney had no miracle cure, either, but he attempted to tap into voters' wishful-thinking bias, by promising to reduce the size of the government and cut marginal tax rates. That would work if it were true that the best way to ensure economic recovery were to leave more money on the table for individuals. But the electorate did not succumb to wishful thinking.

The idea that Obama lacks a plan is right in a sense: nothing he has proposed has been big enough to boost the US economy's painfully slow recovery from the 2007-9 recession, nor to insulate it from shocks coming from Europe and from weakening growth in the rest of the world.

What Obama does have is a history of bringing in capable economic advisers. Is there anything more, really, that one can ask of a president?

And yet US presidential campaigns generally neglect discussion of advisers or intellectual influences. Although a president's advisers may change, one would think that candidates would acknowledge them, if only to suggest where their own ideas come from; after all, realistically what they are selling is their ability to judge and manage expertise, not their own ability as economists. This time, too, however, there was no mention by name of any deep economic thinker, or of any specific economic model.

Obama originally had a wonder team of economic advisers, including Lawrence Summers, Christina Romer, Austan Goolsbee, and Cass Sunstein. But they are gone now.

Today, the most powerful economic adviser remaining in the White House is Gene Sperling, head of the National Economic Council, the agency created by President Bill Clinton in 1993 to serve as his main source of economic policy (somewhat shunting aside the Council of Economic Advisers). Because this position does not require Congressional approval, the president may appoint whomever he wants, without having his choice raked over the coals in the US Senate. That is why Obama could appoint the highly talented but politically unpopular Summers, the former president of Harvard University.

Sperling is not nearly so well known as Summers. But his record of influence in government is striking; indeed, he has been at the pinnacle of economic-policymaking power in the US for almost a decade. He was the NEC's deputy director from its beginning in 1993 until 1996, and its director from 1996 to 2000. Obama reappointed him as head of the NEC in January 2011.

His 2005 book, *The Pro-Growth Progressive*, contains many ideas about how to make the economy perform better. None is grandiose, but together they might help substantially. Some of these ideas found their way into the American Jobs Act, which might have had some real impact had Congress passed it in 2011.

The AJA embodied some of what Sperling describes in his book: subsidies for hiring, wage insurance, and job training, as well as support for education and early learning. Moreover, the AJA would have offered some balanced-budget stimulus – the kind of stimulus that would boost the level of economic activity without increasing the volume of government debt.

But the public, despite its concern about unemployment, is not very interested in the details of concrete plans to create more jobs. Sperling is just not very visible to the public. His book was not a best seller: in commercial terms, it might be better described as a dud.

Sperling is fundamentally different from the typical academic economist, who tends to concentrate on advancing economic theory and statistics. He concentrates on legislation – that is, practical things that might be accomplished to lift the economy. He listens to academic economists, but is focused differently.

At one point in his book, Sperling jokes that maybe the US needs a third political party, called the “Humility Party.” Its members would admit that there are no miraculous solutions to America's economic problems, and they would focus on the “practical options” that are actually available to make things a little better.

In fact, Americans do not need a new political party: with Obama's reelection, voters have endorsed precisely that credo of pragmatic idealism.