



The Making of Economic Policy in the White House

Spring 2021
Tuesdays and Thursdays
11:00 am - 12:15 pm

Simon Bowmaker
sbowmake@stern.nyu.edu

Course Description

This course shows students how economic policy gets made, and should get made, at the highest levels of federal government. It draws upon almost fifty years of economic policymaking, and the challenges that have confronted the men and women who have sat in positions of power in the Treasury, the Office of Management and Budget, the Council of Economic Advisers, and the National Economic Council. These challenges include the breakdown of the Bretton Woods system and the transition to a predominantly floating exchange rate world, the era of rampant inflation, the collapse of the Soviet Union and the transition to market economies, the shock of 9/11, the financial crisis of 2008, and the Great Recession that followed, the trade war of 2018/2019, and the coronavirus public health crisis of 2020 that unleashed an economic crisis.

Lectures and discussions will lead to in-class exercises, in which students will role-play as advisors to US presidents. What is it like to sit in the Oval Office and discuss policy with the president? To know that your input into his decisions will impact millions of people? To know that the wrong advice could be calamitous? Students will learn how to analyze policy problems and design solutions, taking into account the multi-dimensional aspects of making federal policy and the many constraints upon those decisions, including those of Congress.

As part of the learning process, students will also have the opportunity to hear from guest speakers, including those who have worked at the very top of economic policymaking.

Pre-requisites

Microeconomics

Economics of Global Business

Reading

Simon W. Bowmaker, *When the President Calls: Conversations with Economic Policymakers*, MIT Press (2019)

The schedule below also contains additional recommended readings to supplement this text.

Course website

All announcements regarding the course will be made on NYU Classes. Besides administrative issues, I may post clarifications on the class material. You are responsible for checking NYU Classes for announcements on a regular basis (i.e., at least a couple of times a week).

Assessment

Midterm: 30%

Final: 35%

Class participation: 20%

Group role play: 15%

Course policies

Exams and re-grading. You are responsible for checking the exam dates and avoiding any conflict with other commitments. Exams will not be re-administered on other dates. During an online exam, you are allowed to consult class notes, books, or any other material, i.e. it is open book. However, you may not confer with your classmates or with anyone else during the exam. Questions about grading must be made in writing and no more than a week after the exams are returned.

Honor code. The Stern community believes that honesty and integrity are necessary for rewarding academic and professional experiences. These qualities form the basis for the strong trust among members of the academic community (students, faculty, and administrators) that is essential for excellence in education. The Stern Code of Conduct (available online at <https://nyustern.campusgroups.com/ose/code-of-conduct/>) requires that each student act with integrity in all academic activities and endeavor to hold his or her peers to the same standard.

Other policies. Unless explicitly stated otherwise, students should assume that Stern's default policies (available online at <http://www.stern.nyu.edu/portal-partners/registrar/policies-procedures/general-policies-1>) are in force.

Diversity, inclusion, and equity

I am deeply committed to maintaining a classroom culture that respects and embraces diversity, inclusion, and equity. For more information about NYU Stern's continued efforts in this area, please visit: <https://www.stern.nyu.edu/portal-partners/diversity-inclusion>

Student Accessibility

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility (212-998-4980, mosescsa@nyu.edu) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: <https://www.nyu.edu/students/communities-and-groups/student-accessibility.html>

Course Schedule and Readings (to be completed before class)

Thursday, January 28: Introduction

Bowmaker, Simon W. (2019), 'Introduction,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 1-6.

Neil Irwin (2017), 'Presidents Have Less Power Over The Economy Than You Might Think,' *The New York Times*, January 17.

<https://www.nytimes.com/2017/01/17/upshot/presidents-have-less-power-over-the-economy-than-you-might-think.html>

Tuesday, February 2: The Presidential Establishment

Diane Francis (2019), 'Parliament Over Presidents,' *The American Interest*, October 18.

<https://www.the-american-interest.com/2019/10/18/parliament-over-presidents/>

Thursday, February 4: Guest Speaker (Michael McNair)

Mike McNair is an Associate Partner at McKinsey & Company in London, UK. From 2012-20 he was Head of Policy / Senior Advisor for Canadian Prime Minister Justin Trudeau, with his final role as special advisor for the COVID-19 economic response. He is a Distinguished Fellow at INSEAD business school and has recently advised pension funds, FiscalNote and the Rt. Hon. Tony Blair. In addition to earlier senior policy roles in the Parliament of Canada he worked in M&A at CIBC World Markets and strategy consulting at Deloitte. His graduate studies were at the London School of Economics and Columbia University in New York, with undergraduate studies at Queen's University in Canada.

Tuesday, February 9: The Treasury, CEA, OMB, and NEC

Porter, Roger B. (1997), 'Presidents and Economists: The Council of Economic Advisers,' *American Economic Review, Papers and Proceedings*, Vol. 87, No. 2 (May), pp. 103-106.

Porter, Roger B. (2017), Remarks from "The Council of Economic Advisers: 70 years of advising the president."

<https://www.brookings.edu/opinions/remarks-from-the-council-of-economic-advisers-70-years-of-advising-the-president/>

Thursday, February 11: The Evolution of the American Presidency

John Dickerson (2018), 'The hardest job in the world,' *The Atlantic*.

<https://www.theatlantic.com/magazine/archive/2018/05/a-broken-office/556883/>

Tuesday, February 16: Guest Speaker (Austan Goolsbee)

Austan D. Goolsbee is the Robert P. Gwinn Professor of Economics at the University of Chicago's Booth School of Business. He previously served as Chairman of the Council of Economic Advisers and a member of President Obama's Cabinet. He advised Obama during his 2004 U.S. Senate race and was his senior economic policy advisor during the 2008 presidential campaign. Goolsbee previously served on the Economic Advisory Panel to the Federal Reserve Bank of New York and the Panel of Economic Advisors to the Congressional Budget Office, the U.S. Census Advisory Commission, and as a special consultant for Internet Policy to the Antitrust Division of the Department of Justice. Professor Goolsbee's research has earned him recognition as a Fulbright Scholar and an Alfred P. Sloan Fellow. He holds bachelor's and master's degrees from Yale University and a doctorate from the Massachusetts Institute of Technology—all in economics.

Tuesday, February 23: The Presidency of Richard Nixon

Bowmaker, Simon W. (2019), 'Richard Nixon Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 9-39.

McCracken, Paul W. (1996), 'Economic Policy in the Nixon Years,' *Presidential Studies Quarterly*, Vol. 26, No. 1, pp. 165-177.

Thursday, February 25: The Presidency of Gerald Ford

Bowmaker, Simon W. (2019), 'Gerald Ford Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 41-57.

Moran, Andrew D. (2011), 'More than a Caretaker: The Economic Policy of Gerald R. Ford,' *Presidential Studies Quarterly*, Vol. 41, No. 1, pp. 39-63.

Tuesday, March 2: The Presidency of Jimmy Carter

Bowmaker, Simon W. (2019), 'Jimmy Carter Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 59-111.

Thursday, March 4: Midterm

Tuesday, March 9: Guest Speaker (Claudia Sahm)

Claudia Sahm is founder of Stay-at-Home Macro (SAHM) Consulting. She is a regular opinion writer at Bloomberg and The New York Times. She has policy and research expertise on consumer spending, fiscal stimulus, and the financial well-being of households. She is the author of the "Sahm Rule," a reliable early signal of recessions that she developed as a way to automatically trigger stimulus payments to individuals in a recession. Previously, she was Director of Macroeconomic Policy at Equitable Growth, section chief in the Division of Consumer and Community Affairs at the Federal Reserve Board, where she oversaw the Survey of Household Economics and Decision making. Before that she worked for ten years in the Division of Research and Statistics on the staff's macroeconomic forecast. She was a senior economist at the Council of Economic Advisers in 2015-

2016. She holds a PhD in Economics from the University of Michigan (2007), and a bachelor's degree in economics, political science, and German from Denison University (1998).

Thursday, March 11: The Presidency of Ronald Reagan, I

Bowmaker, Simon W. (2019), 'Ronald Reagan Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 113-169.

Arthur Laffer (2004), 'The Laffer Curve: Past, Present, and Future,' The Heritage Foundation

<https://www.heritage.org/taxes/report/the-laffer-curve-past-present-and-future>

Tuesday, March 16: Guest Speaker (Casey Mulligan)

Casey B. Mulligan is Professor in Economics and the College at the University of Chicago and he served as Chief Economist of President Trump's Council of Economic Advisers in 2018-2019. Professor Mulligan is an expert in the economics of labor markets, taxation, healthcare, and consumer choice. He is also an expert in the application of econometric techniques to measure the effects of both government policy and decisions by private firms. He has submitted expert reports, been deposed, and has testified before Congress. Professor Mulligan has authored books on the economics of healthcare and labor markets, and is the co-author of *Chicago Price Theory*, which covers the famous first-year Ph.D. price theory courses taught at the University of Chicago. His latest book, *You're Hired! Untold Successes and Failures of a Populist President* is inspired by his work at the White House. He is also the creator of *TheoryGuru*, a software application designed to automate economic reasoning, which won the Wolfram Innovator Award in 2019. He received his Ph.D. in Economics from the University of Chicago in 1993, and a bachelor's degree from Harvard University (also in economics) in 1991 (Magna Cum Laude and Phi Beta Kappa).

Thursday, March 18: The Presidency of Ronald Reagan, II

Bowmaker, Simon W. (2019), 'Ronald Reagan Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 113-169.

Tuesday, March 23: The Presidency of George H.W. Bush

Bowmaker, Simon W. (2019), 'George H.W. Bush Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 171-219.

Thursday, March 25: The Presidency of Bill Clinton, I

Bowmaker, Simon W. (2019), 'Bill Clinton Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 221-355.

Allen Schick (2000), 'A Surplus, If We Can Keep It: How The Federal Budget Surplus Happened,' Brookings Institution.

<https://www.brookings.edu/articles/a-surplus-if-we-can-keep-it-how-the-federal-budget-surplus-happened/>

Tuesday, March 30: Guest speaker (Jeanna Smialek)

Jeanna Smialek writes about the Federal Reserve and the economy for The New York Times. She previously covered economics at Bloomberg News, where she also wrote feature stories for Businessweek magazine. She graduated with a bachelor's in journalism and international relations from the University of North Carolina at Chapel Hill, and she is currently studying for her master's in business administration at NYU Stern.

Thursday, April 1: The Presidency of Bill Clinton, II

Bowmaker, Simon W. (2019), 'Bill Clinton Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 221-355.

Vann R. Newkirk II (2018), 'The Real Lessons from Clinton's Welfare Reform,' *The Atlantic*.

<https://www.theatlantic.com/politics/archive/2018/02/welfare-reform-tanf-medicaid-food-stamps/552299/>

Tuesday, April 6: The Presidency of George W. Bush, I

Bowmaker, Simon W. (2019), 'George W. Bush Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 357-493.

Emily Horton (2017), 'The Legacy of the 2001 and 2003 "Bush" Tax Cuts,' Center on Budget and Policy Priorities.

<https://www.cbpp.org/research/federal-tax/the-legacy-of-the-2001-and-2003-bush-tax-cuts>

Thursday, April 8: Guest speaker (Peter Orszag)

Peter Orszag is CEO of Financial Advisory at Lazard Freres & Co LLC. Dr. Orszag previously served as the firm's Head of North American Mergers & Acquisitions and Global Co-Head of Healthcare. Before joining Lazard in May 2016, he was Vice Chairman of Corporate and Investment Banking and Chairman of the Financial Strategy and Solutions Group at Citigroup, Inc.

He previously served as the Director of the Office of Management and Budget in the Obama Administration from January 2009 until July 2010. From January 2007 to December 2008, Dr. Orszag was the Director of the Congressional Budget Office.

Dr. Orszag graduated *summa cum laude* in economics from Princeton University and obtained a Ph.D. in economics from the London School of Economics, which he attended as a Marshall Scholar.

Tuesday, April 13: The Presidency of George W. Bush, II

Bowmaker, Simon W. (2019), 'George W. Bush Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 357-493.

James B. Stewart (2009), 'Eight Days – The Battle to Save the Financial System,' *The New Yorker*.

<https://www.newyorker.com/magazine/2009/09/21/eight-days>

Thursday, April 15: The Presidency of Barack Obama, I

Bowmaker, Simon W. (2019), 'Barack Obama Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 495-597.

A.D. Goolsbee and A.B. Krueger (2016), 'A Retrospective Look at Rescuing and Restructuring General Motors and Chrysler,' *Journal of Economic Perspectives*, Volume 29, No. 2, pp. 3-24.

<https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.29.2.3>

Tuesday, April 20: Guest speaker (Karen Dynan)

Karen Dynan is a Professor of the Practice in the Department of Economics at Harvard University. She served as Assistant Secretary for Economic Policy and Chief Economist at the U.S. Department of the Treasury from 2014 to 2017, leading analysis of economic conditions and development of policies to address the nation's economic challenges. From 2009 to 2013, Professor Dynan was Vice President and Co-director of the Economic Studies program at the Brookings Institution. Before that, she was on the staff of the Federal Reserve Board for 17 years, playing a leadership role in a number of areas, including macroeconomic forecasting, household finances, and the Fed's response to the financial crisis. She also served as a senior economist at the White House Council of Economic Advisers from 2003 to 2004 and as a visiting assistant professor at Johns Hopkins University in 1998. Professor Dynan teaches in the Harvard Economics Department and at the Harvard Kennedy School; she is also currently a nonresident senior fellow at the Peterson Institute for International Economics. Her research focuses on fiscal and other types of macroeconomic policy, consumer behavior, and household finances. She received her Ph.D. in economics from Harvard University and her A.B. from Brown University.

Thursday, April 22: The Presidency of Barack Obama, II

Bowmaker, Simon W. (2019), 'Barack Obama Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 495-597.

Tuesday, April 27: The Presidency of Donald Trump

Bowmaker, Simon W. (2019), 'Donald Trump Administration,' *When the President Calls: Conversations with Economic Policymakers*, MIT Press, pp. 599-628.

Patricia Cohen (2020), 'Trump's Biggest Economic Legacy Isn't About the Numbers,' *The New York Times*, October 24.

<https://www.nytimes.com/2020/10/24/business/economy/trump-economy-manufacturing.html>

Casey B. Mulligan (2020), *You're Hired! Untold Successes and Failures of a Populist President*, Republic Book Publishers.

Thursday, April 29: The Presidency of Joe Biden

Jeff Stein, Erica Werner, Heather Long, Yeganeh Torbati, David Lynch, and Eli Rosenberg, 'Biden's Policies on the Economy,' *Washington Post*, January 14.

<https://www.washingtonpost.com/graphics/2021/politics/biden-economy/>

Tuesday, May 4: Group role-play

Thursday, May 6: Group role-play

Final Exam Date and Time to be determined.