

THE PROBLEM WITH PURPORTEDLY APOLITICAL POLICY WONKS: THEIR FAULTY LOGIC

Peter Orszag opines from the politically sheltered comfort of his gig at Citigroup that we have too much democracy.

I'll say more about specific claims he makes below, but first, let me point out a fundamental problem with his argument. He suggests we need to establish institutions insulated from our so-called polarization to tackle the important issues facing this country. That argument is all premised on the assumption that policy wonks sheltered from politics, as he now is, make the right decisions. But not only is his own logic faulty in several ways—for example, he never proves that polarization (and not, say, money in politics or crappy political journalism or a number of other potential causes) is the problem. More importantly, he never once explains why the Fed—that archetypal independent policy institution—hasn't been more effective at counteracting our economic problems.

If the Fed doesn't work—and it arguably has not and at the very least has ignored the full employment half of its dual mandate—then there's no reason to think Orszag's proposed solution of taking policy out of the political arena would work.

Here's Orszag's initial claim that polarization is dooming our country.

During my recent stint in the Obama administration as director of the Office of Management and Budget, it was clear to me that the country's political polarization was growing worse—harming Washington's ability to do the basic, necessary work of

governing. If you need confirmation of this, look no further than the recent debt-limit debacle, which clearly showed that we are becoming two nations governed by a single Congress—and that paralyzing gridlock is the result.

There are a couple of problems with this. First, in response to the debt limit charade, voter approval of Congress and the President pretty much tanked. And while we don't know how voters will act on their disgust with Congress' (and the President's) inaction, polling at least suggests that Congress will pay for the debt limit fiasco. It also suggests that support for the Tea Party, the architect of that fiasco, continues to decline. Which seems to suggest that democracy **is working**, it will end up punishing elected representatives for playing games with our country's future, it will have precisely the result you'd want for such idiocy.

Add in the fact that Orszag later points to the automatic triggers that that flawed political process put in place.

Beyond automatic stabilizers, we also need more backstop rules: events that take place if Congress doesn't act. In this sense, the fiscal trigger created as part of the debt-limit negotiations is a good step forward. It leads to automatic spending reductions if Congress doesn't enact measures to reduce the deficit; in other words, it changes the default from inaction to action.

In other words, Orszag points to the debt-limit fiasco (and returns to it in his closing paragraph) as the best example of the problem with politics, but then points to the automatic triggers that resulted from that fiasco as a good thing. I don't necessarily agree with him on that point, but his own logic doesn't make any sense. He's simultaneously saying the debt limit fight was the worst thing ever, but applauding the result.

Curiously, while Orszag tries to claim that the

problem with all of Congress is polarization, rather than polarization being a problem in the House and Senate rules being a problem in the Senate (plus, the money in politics and crappy political journalism I mentioned earlier), he makes no mention of the number of centrists in the Senate. Perhaps that's because the centrists back policy proposals (like immediate cuts) to the right of what Orszag proposes in his piece (which notes that economists advocate holding off on cuts and advocates for progressive taxation). The most likely outcome of more non-partisan or bipartisan commissions, then, are policies that aren't the ones Orszag champions.

Which means the key to these so-called independent commissions would immediately get us into the question of who chooses them? Peter Orszag cites, among others, former Vice Chair of the Fed, Alan Blinder with approval; but he has been criticized for his own failed independence. Will we use the process that resulted in the selection of Ben Bernanke and the rest of the current Fed, that hasn't even fulfilled its mandate, much less necessarily made the right decisions on restoring our economy?

In short, Orszag promises that independent wonks will make the right decisions for the country. But in making that argument he shows that even policy wonks sheltered from politics, like him, allow bad logic and personal biases to cloud their decisions.