

Politics Aside, a Common Bond for Two Economists

By N. GREGORY MANKIWI

ONE of the cool things about hanging around a place like Harvard, where I have been a professor for almost 30 years, is that you get to meet some supertalented people long before the world recognizes their talents. I had a vivid reminder of this just a few days ago, when President Obama appointed Jason Furman as chairman of the Council of Economic Advisers, a position that I held under George W. Bush.

Jason was once a student of mine at Harvard. As the president noted in announcing the appointment, I was chairman of Jason's Ph.D. dissertation committee. He and I have remained friends ever since.

In Washington these days, comity between Republicans and Democrats is rare. Yet my relationship with Jason has never been hampered by our differing political affiliations.

During the campaign of 2004, I was part of the Bush administration and he was working for two Democratic candidates, first for Wesley K. Clark in the primary season and then for John Kerry during the general election. Yet the fact that our bosses were steeped in a political battle at the highest level did not stop us from enjoying regular dinners together. For me, and I suspect for Jason as well, friendship trumps politics.

Our friendship is based in part on the common bond of all economists. The field of economics offers a lens through which to view the world. For those who buy into it and pursue it as a career, it provides a foundation of a personal and political philosophy. It forever sets you apart — for better or worse — from mere muggles.

For economists working for politicians, as both Jason and I have, there is an inevitable tension between where the logic of the discipline leads you and what your political allies would like to hear.

In my case, one example is the gasoline tax. I have long advocated higher taxes on gasoline as a way to correct for the adverse side effects of driving, such as congestion, accidents and carbon emissions.

Yet this is not a message that most elected Republicans are ready to embrace. It dilutes the Republican message of being the party against higher taxes. Moreover, among the general public, the idea of raising the gasoline tax fares especially badly in polls, despite arguments from me and many other economists.

In Jason's case, an issue on which he parts ways with many of his political allies concerns the retailing giant Wal-Mart. Unions are traditional supporters of the Democratic Party, and over the years they have often been critical of Wal-Mart's business practices.

Yet in a 2005 study, titled "Wal-Mart: A Progressive Success Story," Jason concluded that the criticism was mostly off the mark. "By acting in the interests of its shareholders," he wrote, "Wal-Mart has innovated and expanded competition, resulting in huge benefits for the American middle class and even proportionately larger benefits for moderate-income Americans."

He did not reference Adam Smith's metaphor of the invisible hand, but the logic follows directly from it. The Walton family may have started its business to become rich, and it succeeded in doing so, but the normal forces of free markets have spread the benefits of its efforts more widely.

A NATURAL question is how, if Jason and I come from the same intellectual tradition, we ended up working for different political parties. I have never discussed this explicitly with him, but I doubt that there is a simple answer. So let me suggest three.

Arthur M. Okun, who served under President Lyndon B. Johnson as chairman of the Council of Economic Advisers, wrote that the big trade-off faced by society is between equality and efficiency. We can redistribute income to give everyone a more equal slice of the economic pie, but as we do so we blunt work incentives and the economic pie shrinks, he said. From

this perspective, the Democrats are the party of more equality, and the Republicans are the party of more efficiency.

Another view is that the important tradeoff is between community and liberty. As members of society, we have goals we want to achieve with others. But as we reach those shared goals, we are asked to sacrifice some personal freedoms. From this perspective, the Democrats are the party that emphasizes communal values, and the Republicans are the party that emphasizes individual liberty.

Finally, there is the issue of how much one trusts centralized governmental power. Democrats tend to want to expand the scope of the federal government to improve the lives of the citizenry, while Republicans are more fearful that centralized power leads to abuse and lack of accountability.

These three answers go a long way to explaining, for example, why Jason and I disagreed on President Obama's health care reform. Jason saw it as a proper expansion of government's role to promote the community value that everyone should have access to affordable health insurance. I saw it as a risky expansion of government's power that reduces individual freedom, dulls incentives and will likely lead to a host of unintended consequences.

On health care, and many other public policy discussions, there is room for reasonable people to disagree. I don't expect to agree with all the advice my friend will give the president in the years to come. But I am confident that the nation will be better off for Jason's having the president's ear.