

## A conversation with Mike Konczal, September 19, 2017

### Participants

- Mike Konczal – Fellow, Roosevelt Institute
- Alexander Berger – Program Officer, US Policy, Open Philanthropy Project

**Note:** These notes were compiled by the Open Philanthropy Project and give an overview of the major points made by Mr. Konczal.

### Summary

The Open Philanthropy Project spoke with Mr. Konczal of the Roosevelt Institute as part of an update on our 2016 grant. Conversation topics included the response to J. W. Mason's recent paper, Roosevelt's general strategy around Fed policy and Fed appointments, and potential future projects.

### Research

#### *What Recovery?* report

Media coverage of J. W. Mason's *What Recovery?* report has generally been good; there was a New York Times story the day of the launch.

The paper's argument has a "waterfall" structure, i.e.:

1. The output gap is large; however, even if weren't,
2. employment is good for productivity; however, even if it's not,
3. the risks are asymmetric in favor of more expansionary policy.

The first component (i.e. Roosevelt's argument that there is a large output gap) received more emphasis in the coverage. This report's reception positions Roosevelt well for the release of its upcoming "toolkit" paper.

#### *Potential quarterly re-analysis*

It might be helpful to produce a more formal package around quarterly data using the framework of Dr. Mason's paper, automating some components to be updated each quarter and to re-examine the data in a way that is consistent with the original analysis and underlying argument. This could help show, e.g., how close we are to the pre-crisis baseline. Roosevelt has code and data pulls from various agencies set up that would allow it to re-do this analysis quarterly.

Keeping this issue alive could also help set the tone for Fed nomination fights next year.

Roosevelt expects the audience for this work to include the media, journalists, and congressional staffers.

## **“Toolkit” paper**

Roosevelt’s upcoming toolkit paper is mainly intended to broaden the range of conceptual tools available to the Fed. This differs from most other work in this area, which tends to focus on arguing for particular Fed targets.

A major point Roosevelt wants to emphasize is that the next recession is very likely to happen near the Zero Lower Bound. In itself, this is fairly uncontroversial; however, it’s widely believed that quantitative easing and forward guidance will be sufficient to manage this. (Criticisms of that viewpoint typically take the form of arguing for a different target, e.g., NGDP, wage targets, or a higher inflation target.) Roosevelt wants to argue for taking a deeper look at potential levers in the transmission mechanisms themselves. In particular, Roosevelt wants to promote an empirical examination of the Bank of Japan’s record with setting long-term interest rates at 0%. By explicitly aiming to set the level of the ten-year rate, the Bank of Japan has been able to buy fewer bonds than it had been previously.

## **Formalizing cost-benefit analysis**

It might be useful for Roosevelt to further formalize its cost-benefit analysis. People tend to discuss tradeoffs in monetary policy at a high level; in the future, Mr. Konczal would like to work with Dr. Mason to write something that discusses the tradeoffs in a more nuanced, quantitative way backed by detailed research.

## **Advocacy strategy going forward**

Based on transcripts and public discussion, the Fed appears to be fairly cautious and conservative. Roosevelt thinks shifting that overall attitude is very important, and an important piece of that is controlling the narrative around what happened with the Great Recession. Roosevelt wants to draw attention to the ways that the crisis should have been managed better, while acknowledging that it could also have been much worse (e.g. Great Depression-level).

Roosevelt wants to promote critical thinking about how monetary policy operates in the context of real-world constraints (especially at the ZLB, for instance) and how other factors push or pull against its effects.

## **Fed nominees**

Mr. Konczal expects the Fed chair nomination to be a time of reflection for many people and thinks it might be an especially useful moment at which to interject. He expects most politics and conversation around the nomination to be forward-looking (i.e. treating the Great Recession as over and considering what to do next).

Advocating for good Fed nominees is difficult. Bipartisan letters on the nomination might be useful. Roosevelt might try to collaborate with Mercatus around this.

## **Improving coordination and preparedness**

Organizationally, the broader left was not very coordinated in its response to the recession. Better internal coordination going forward will be important.

The creation of the Consumer Financial Protection Bureau was a good example of having a concrete ask ready when an opportunity arose. Effective “priming” work often involves framing problems in a particular way such that the proposed solution follows naturally; for instance, Senator Elizabeth Warren's criticism of regulators focused on the argument that, institutionally, there was a race to the bottom due to the lack of a centralized authority.

In 2008, policy and advocacy work around the Fed and monetary policy, particularly from progressives, was very uncommon; now it has become more mainstream. There isn't as much of an infrastructure for thinking about more democratic policy-making at the Fed as there is for building up financial regulation. There are a lot of points within financial reform at which advocacy can have an influence; Fed advocacy is much more closed.

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