

A conversation with Dr. Josh Bivens, March 21, 2017

Participants

- Dr. Josh Bivens – Director of Research, Economic Policy Institute (EPI)
- 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 Dr. Bivens.

Summary

The Open Philanthropy Project spoke with Dr. Bivens of EPI to get an update on our 2016 grant. Conversation topics included Dr. Bivens' recent activities and output, upcoming projects, and EPI's role under the new administration.

Research projects

Recently released papers

High-pressure labor markets

Dr. Bivens recently released a paper arguing that high-pressure labor markets could boost productivity. As labor markets tighten and real wage growth occurs, employers may be more likely to automate more quickly in response to rising labor costs, which could lead to substantial productivity growth. Dr. Bivens' argument is mainly about the last four years of below-1% total-factor productivity growth, rather than the more medium-term productivity shortfall that other economists have focused on.

Dr. Bivens estimates that a paper like this usually takes at least three weeks of full-time work. This paper took longer than usual because it incorporated three separate regression analyses.

EPI typically promotes a paper like this by sending it to an economists' subsection of its email list and sharing it with economics-focused journalists.

Impact of fiscal policies on recovery

Dr. Bivens released a short paper in August on the fiscal side examining the extent to which the slow pace of recovery has been due to state vs. federal policies. The paper argues that state governments' spending shortfalls have been especially important in explaining the slow recovery.

Other current projects

Ben Zipperer and a research assistant have been working on a paper on state-level wage growth and labor market slack indicators that will try to identify some better predictors of slack. Dr. Bivens hasn't yet seen the preliminary results of that paper.

Dr. Bivens is doing research comparing the unemployment rate between black and white workers. There is a well-known, fairly consistent ratio of two-to-one between

black unemployment and white unemployment levels. Dr. Bivens is interested in whether this also applies to total hours worked. The total hours worked by the bottom 20% of income earners appears to change very cyclically. Dr. Bivens is interested in the extent to which tighter labor markets could help close these gaps. Valerie Wilson (Director of EPI's Program on Race, Ethnicity and the Economy) and Janelle Jones (EPI Economic Analyst) are also working on this.

Time allocation

Dr. Bivens spends about half of his time on macroeconomic policy, including fiscal policy. (He may have spent more time than usual on this over the last couple of months because of the high-pressure labor markets paper.) He is also overseeing EPI's analysis of the Congressional Progressive Caucus budget.

Congressional testimony

Dr. Bivens recently testified at an event held by Rep. John Conyers and the Full Employment Caucus. He also recently testified before the House Subcommittee on Monetary Policy and Trade. Dr. Bivens usually gives formal testimony roughly once a year and also answers questions for committee staff fairly often.

Predictions and future activities

Dr. Bivens has significantly lowered his expected probability of a major fiscal expansion since November (when he would have said it was very likely). He thinks that any major infrastructure investment is unlikely. The budget will not be revenue neutral, but even a major deficit-financed tax cut would have a limited macroeconomic impact relative to its price tag.

Dr. Bivens expects progress in reducing unemployment to continue at roughly the current rate of 200,000 jobs per month.

Fed nominees

With the upcoming resignation of Daniel Tarullo, there will be three vacancies on the Fed board. Many of the potential Republican choices for appointees might push the Fed in an undesirably hawkish direction.

EPI's role under the new administration

EPI plans to continue to build a body of research in order to play effective defense against bad macroeconomic and labor market policies proposed by the new administration, but also to lay the groundwork for impact on the policy-making process in the future. They also want to help advocates avoid endorsing positions that might serve their short-term interests but undermine their long-term ones.

All Open Philanthropy Project conversations are available at <http://www.openphilanthropy.org/research/conversations>