

A conversation with the Center for American Progress, November 17, 2016

Participants

- Marc Jarsulic – Vice President, Economic Policy, Center for American Progress (CAP)
- Michael Madowitz – Economics, CAP
- Alexander Berger – Program Officer, U.S. Policy, the Open Philanthropy Project

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

Summary

The Open Philanthropy Project spoke with Mr. Jarsulic and Mr. Madowitz of CAP as an update on an Open Philanthropy Project grant. The \$500,000 grant was awarded in March 2016 to support CAP in hiring an economist focused on macroeconomic stabilization policy. Conversation topics included Mr. Madowitz's research interests, his current work on the Federal Reserve and other research projects, and the structure of the team working on macroeconomic stabilization projects at CAP.

Mr. Madowitz's research interests

Mr. Madowitz has always been focused on macroeconomics. His graduate school background is in public finance, macroeconomics and environmental issues. In the past, he worked on a carbon tax proposal, though he was not able to make significant headway in this area in the current political environment. This work is still in progress, but he has not devoted time to it in the past year. In general, his work has focused on macroeconomics and labor market issues. He is especially interested in aggregate supply policies.

Mr. Madowitz has been shifting CAP's focus on the labor market and employment into monetary policy. He has been interested in work on the Federal Reserve System since he joined CAP three years ago. This appeared to be a fruitful area for research: the national unemployment rate had fallen to close to 6%, within the threshold of the Evans Rule, but there was a lack of general knowledge about this.

Federal Reserve System

In August, Mr. Madowitz and CAP decided to prioritize work on the Federal Reserve System. CAP began to reach out to potential candidates for its advisory board to facilitate this work.

Progress to date

CAP is beginning to lay the foundation of this work. It is searching for a top researcher in the field to join the advisory board and has created a set of principles to unite the team around a shared vision.

Goals

The goals of this focus area are to:

1. Increase knowledge within the U.S. government about the function of the Federal Reserve System. It is necessary to build knowledge first, in order to ensure that reform efforts are successful. Many people wonder why it is important to discuss the Federal Reserve System. It takes time to explain its importance – e.g., that if the Federal Reserve System is not working towards expansionary fiscal policy, new policies may fail when the Federal Reserve System responds to increased government spending by, e.g., changing interest rates.
2. Support the Federal Reserve System and encourage reform in a cooperative, positive way.
3. Engage with academic researchers working on the economics of the Federal Reserve System and increase their awareness of macroprudential tools – i.e., tools to mitigate risk in the financial system. Mr. Madowitz has contacts at the Federal Reserve Bank of San Francisco and the Federal Reserve Board and is interested in making sure they are aware of these tools.

Deliverables

CAP is currently scoping the deliverables and potential audience of the work in this area. Initially, it was interested in creating short briefs laying out the basic concepts underlying the Federal Reserve System. The purpose of these briefs was to inform a broader audience, beyond those who are already familiar with monetary policy.

However, the structure for disseminating this type of knowledge is not yet in place, and more buy-in may be needed for a longer-term effort to increase foundational knowledge of the Federal Reserve System.

Staffing of the Federal Reserve after the U.S. election

It is difficult to forecast who will join the Federal Reserve System or other financial regulatory entities after the transition of power in the U.S. government.

Other research projects

Mr. Madowitz has also been researching the long-term and short-term impacts of the Phillips Curve – the relationship between unemployment and inflation. However, he has not been able to devote much time to this project recently.

Mr. Madowitz is also interested in demonstrating the tradeoffs between monetary policy and specific economic tools that can be used to enact change in market trends – e.g., the commercial real estate bubble. There are many tools that can be used to affect real estate bubbles. Mr. Madowitz is interested in showing that it is possible to use these tools, reform them, or ignore them. Given the current public debate around the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2011, this could be an opportune time to raise these issues.

Team structure

At CAP, Mr. Madowitz has primarily worked on macroeconomic stabilization projects alone. There is a pool of research assistants at CAP, and they are matched with projects they are interested in. However, since Mr. Madowitz has been focused on creating a high-level strategy in the monetary policy area, he has not yet needed more dedicated assistance. Once the portfolio of deliverables in this focus area is finalized and prioritized, Mr. Madowitz may need more assistance with the execution phase.

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