PART 5

Behind the Scenes

Excerpt from Charles Blahous, Decoding the Debates
(Arlington, VA: Mercatus Center at George Mason University, 2020).

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Why Tell-All Books Distort Rather Than Illuminate the White House Policy Process

This article was originally published at E21 on September 27, 2010.

When it comes to government operations, the knowledge gap between insider and outsider is largest not with respect to policy but to process. People observing from without are fully capable of learning extensively about public policy. Such knowledge acquired on the outside never fully substitutes for direct professional experience, to be sure, but nevertheless members of the public can amass a great deal of raw data that is similar or complementary to what insiders possess. But there is simply no substitute for holding a policymaking job when it comes to learning how things work from a process standpoint. When someone is new to a position in government, the learning curve is steepest. Indeed, a great deal of public frustration with government performance is rooted in limited understanding of what can be done reasonably well within the processes of government and what can't.

The public cannot be faulted for knowledge limitations based on lack of direct experience; very few people are lucky enough to land a top White House job. And, to their great credit, many members of the American public are hungry to learn about these processes and eagerly consume information about them even as they conduct their own busy lives. Unfortunately, as this piece documents, much of this information comes by way of publications designed to advance the author's professional reputation rather than to improve the operations of government.

IN A PREVIOUS PIECE, I EXPLAINED THE WHITE HOUSE'S ECONOMIC policy process as directed by the National Economic Council (NEC).[1] The NEC process is a critical determinant of national policies, and one worthy of greater public appreciation. A new book by Steven Rattner has emerged, purporting to shed light on this process as it related to the auto industry bailout.[2] The "tell-all" nature of published excerpts from the book is exactly the wrong way to go about this.

1. Charles Blahous, "Change at the National Economic Council: What Does It Mean," E21 (Manhattan Institute for Policy Research), September 23, 2010.

2. Steven Rattner, *Overhaul: An Insider's Account of the Obama Administration's Emergency Rescue of the Auto Industry* (New York: Houghton Mifflin Harcourt, 2010).

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Rattner's accounts of the sometimes-heated deliberations among President Obama's advisers are entertaining and potentially informative for those of us on the outside looking in.[3] That said, they are profoundly damaging to the president's access to unvarnished counsel, and are therefore bad for everyone affected by the quality of the president's decision-making.

To understand why merely requires that one envision a meeting between the president and his senior advisers, at which consequential economic policy decisions are to be discussed. Now imagine that a camera is placed in the room, and the participants are told that their conversation will be aired at some unspecified future date. The inhibiting effect of this upon candid, uncensored discourse is obvious.

Those who author these "tell-all" accounts sometimes justify their conduct in the name of public transparency. Americans have a right to know, after all, how their elected leaders are making decisions. But such publications actually lead to less transparency rather than more.

The president needs to hear his advisers' unfiltered thoughts, including and perhaps especially those thoughts that might be publicly controversial. His advisers need to be free to brainstorm and to wander together down a few blind alleys before arriving at the policy that will be presented for public evaluation.

If the president cannot have these discussions with his advisers within a structured, thorough internal process, then he essentially has no alternative but to seek such counsel in ad hoc individual conversations, out of earshot of any potential "leakers." This deprives the president of the assurance that all relevant ideas have made their way to him, and also deprives him of the opportunity to have these ideas vetted in vigorous internal debate.

It is, of course, important for the administration and for Congress not only that they be publicly accountable for the decisions they make but also that they demonstrate that they have fairly considered policy alternatives. But it is important to distinguish between genuine transparency and phony transparency.

Phony transparency occurs when public events are disingenuously misportrayed as the venues in which critical decisions are made—when those critical decisions were actually made elsewhere. Voters and the press often

3. Mike Allen, "Rattner Book Details Econ. Team Infighting—POTUS: 'Larry, I've Read the Memo'—NYT Softens Lead Story after White House Flatly Denies—Cantor Op-Ed Promises GOP Spine—Crossroads Raises $32M," *Politico*, September 20, 2010.

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express frustration over the "canned" remarks of officials in public settings where greater candor would be refreshing. The contemporaneous publication of "tell-all" accounts is one sure way to inject such artifice into the few settings where candor is now operative.

When, earlier this year, the administration held a televised "health care summit" to which leaders from both parties were invited, no actual policy development took place during it.[4] Elected officials instead arrived with carefully rehearsed presentations, designed to best present their own policy prescriptions to the public.

There absolutely is a role for this manner of public argument. But no one should be deceived into thinking that the White House or congressional leaders ever intended to actually develop their respective policies in that public setting. True negotiation, let alone policy development, will always to a certain extent occur within private conversations and meetings. If the president really wants to negotiate in good faith with the Republican leader, for example, he doesn't invite CNN to listen in on the call.

Accounts like Rattner's do not advance the cause of genuine transparency; they instead further a breed of phony transparency. If the president cannot receive candid advice during his own policy sessions without his staff members fearing leaks, then those musings will be driven out of those policy sessions and into private individual conversations. The inevitable result is that even the president's own staff will know less about the president's thinking than they otherwise would. This is not transparency.

Rattner's published account is especially troubling in that he describes a heated exchange between two senior advisers who still continue to serve President Obama. For these advisers, the concern about whether their counsel to the president will be broadcast is no longer abstract: it is a troubling reality that may thereafter inhibit the content and manner of their advice. The revelations are in especially poor form because we are asked to take Rattner's word that his account is accurate; the two advisers involved are not currently at full liberty to present their sides of the story.

By no means does this imply that the ideas considered and rejected by the president should be withheld from public view. But, as I found in writing my own book on Social Security policy making, it is entirely possible to provide a thorough account of the ideas considered without getting into who said what in which meeting. (This is one implicit reason why presidential archives

4. "Highlights from Obama's Health Care Summit," *CNN Politics*, February 25, 2010.

are not opened to historians for some years, after which opening them is less likely to undercut the rigor of ongoing policy deliberation.)

One hesitates to delve into the specific episode related by Rattner in his book, for fear of further publicizing his subjective take on a private exchange between individual advisers. The episode, however, does speak to a subject of legitimate general interest: specifically, the process by which the NEC acquaints the president with the range of views among his team.

In any well-functioning policy apparatus, it is rare that opinions on all details of a policy decision will be unanimous. The NEC director may make a determination that sufficient agreement exists to present the president with a recommendation fairly portrayed as a majority or consensus view. Even if this is the case, however, it is vital that alternative views be presented to the president—especially if at least one of his own advisers has found an alternative view convincing.

The reasons for this are various. One is that even if the president agrees with the majority position, he needs to be familiar with the strongest argument that will be made against it. A second is that the credibility of the NEC process depends on all participants trusting it; those in the minority must know they can make their case to the president if they so choose. Third, and especially importantly, the president might well side with a minority against a majority. (If John F. Kennedy had only been presented with the majority opinion of his own advisers during the Cuban missile crisis, there might have been an air strike that precipitated a disastrous and preventable nuclear exchange.)

There are various ways for the process to break down. One is for the adviser with the dissenting view to take it to the president without working through the NEC process. Another is for the president to be advised only of the majority view without a structured presentation of the extent of disagreement. These are equally problematic, and the NEC must take equal care to prevent both. Either can lead to uninformed decision-making, as well as bad feelings among the team.

The bottom line is that no matter how the process is conducted, the president's advisers need to be able to offer their counsel—and yes, even to have heated exchanges in the hallway—without later reading a transcript of their remarks in the newspapers. If they cannot, the presidency and the national interest are harmed.

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Picking the Right CBO Director

This article was originally published at E21 on January 5, 2015.

This piece was written at a delicate moment in the federal policy process: the selection of a new director to head the Congressional Budget Office. The selection was critical because CBO acts as Congress's nonpartisan referee when it comes to scoring and evaluating legislation affecting the budget. For me the moment was especially delicate because my name had been publicly mentioned for the job (including in one article this piece linked to). My view is that people in my position should never reveal whether they are or aren't under active consideration for such posts. Doing so merely allows reporters to home in more closely on the names of the candidates in contention, thereby making it more difficult for the selection to be made with appropriate discretion, respect for privacy, and freedom from unwanted political pressure. For similar reasons, one should never reveal whether one has been asked to advise on the choice.

This piece includes one explicit, and as it turns out correct, prediction: that congressional Republicans would select a fully qualified, unbiased individual to serve as CBO director. They did: my former White House and Mercatus Center colleague Keith Hall. He is not mentioned in this piece, which was consciously written to only refer to other highly qualified individuals who had been publicly mentioned.

WITH THE TERM OF CURRENT CONGRESSIONAL BUDGET OFFICE director Doug Elmendorf expiring, incoming House Budget Committee chairman Tom Price, along with soon-to-be-named Senate Budget Committee chairman Mike Enzi, will need to choose the agency's next director. I am confident the eventual choice will be strongly credentialed and capable. This piece describes some criteria I believe should guide this critical decision.

A number of prominent Republican budget experts, including my former NEC boss Keith Hennessey, Harvard's Greg Mankiw, and the American Enterprise Institute's Alan Viard, have endorsed the reappointment of

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Elmendorf.[1] I agree with their assessments that reappointing Elmendorf would have been a strong choice fully in keeping with Republican objectives of advancing conservative fiscal policy, as well as furthering Congress's longstanding interest in having impartial, credible leadership at CBO.

Hennessey and Mankiw offer the apt analogy that CBO should be thought of as the referee of the policy contest, not a participant in it. Naming an impartial referee in no way conflicts with players on both sides fighting as hard as they can to advance their preferred policies. If the referee is perceived as biased or incompetent, it hurts both sides, not least because it affects public perceptions of the integrity of the contest and the legitimacy of the result. Similarly, both sides benefit when the referee's calls are perceived as fair ones.

A related and important detail is that the referee's rulings need to be transparent and clear. In CBO's case this means that assumptions and methodologies need to be adequately disclosed, understood, and open to replication or challenge.

Hennessey offers several examples of CBO under Elmendorf publishing analyses that frustrated advocates on the Left.[2] Others have published examples of CBO's frustrating those on the Right as well.[3] All this is evidence of Elmendorf's elevation of straight-up analysis above either side's policy objectives. At the same time it should be said that it is not the CBO director's job to identify and advance the political center; he should go wherever the evidence leads, irrespective of whether this helps advocates in the center or at more distant points on the ideological spectrum.

When Hennessey and Mankiw published their pieces, the case for reappointing Elmendorf was probably stronger than it is now. Since that time a number of developments have taken place suggesting Republicans will need to go in a different direction.

In particular, some public commentary about the choice facing Republicans has been concerning. Too much of it has come dangerously close to suggesting that a director with conservative policy views is somehow less capable

1. Keith Hennessey, "Elmendorf for CBO," *KeithHennessey.com*, November 19, 2014; Greg Mankiw, "Elmendorf for CBO Director," *Greg Mankiw's Blog*, November 15, 2014; Alan D. Viard, "The Right Choice for CBO Director: Doug Elmendorf," *AEIdeas*, November 18, 2014.

2. Hennessey, "Elmendorf for CBO."

3. "The Case against Doug Elmendorf at CBO," Americans for Tax Reform, November 21, 2014.

of impartiality and objectivity than someone with center-left views.[4] Some articles have even gone so far as to refer to Republicans appointing someone new as "blocking" the reappointment of Elmendorf, as though reappointment of the other party's choice is customary rather than the highly unusual move it would be.[5] Such an approach to the selection process should concern anyone who cares about the long-term integrity of CBO.[6] If reappointing Elmendorf would perpetuate such a biased mindset, that in and of itself is a compelling reason to make a change. CBO's analyses should continually be subject to challenge, revision, and refinement irrespective of whether those challenges come from a director with right-of-center or left-of-center views.

During my career in public service I have developed a maxim: honesty is easy; it's objectivity that is hard. Washington is filled with honest people doing their level best to serve the public good. What is in shorter supply is self-awareness and objectivity. Throughout the whole political spectrum nearly everyone regards his or her own conclusions as "objective" and supported by the evidence. A good CBO director needs to be self-aware enough to understand the power of this delusion, and to continually invite challenge to his or her own analytical conclusions as well as those of the agency.

This lesson has been driven home by my experiences as a Social Security and Medicare trustee. In that work I never encounter staff who are attempting to doctor the numbers to advance their own policy views or political agenda. The barriers to impartiality are much subtler; over time certain ways of approaching things can become entrenched, and more resistant to modification and improvement. The longer this persists, the more certain it is that the simple due diligence of challenging existing methodologies provokes instinctive suspicion; longstanding practices wrongly become regarded as having an inherently superior claim to nonpartisan objectivity.

For this reason, leadership at agencies such as CBO should never be solely in one party's hands for too long. Elmendorf's commitment to continually refining CBO's methods has been exemplary; he has frequently brought in outside experts of diverse viewpoints and has on occasion revised CBO's

4. Rob Graver, "Why Budget Experts Are Worried about the Next CBO Chief," *Fiscal Times*, November 13, 2014.

5. David Weigel, "Republicans Block Reappointment of CBO Chief Doug Elmendorf," *Bloomberg Politics*, December 22, 2014.

6. Ezra Klein, "Republicans and the CBO Director," *RealClearPolitics*, December 26, 2014.

analysis in response to credible outside criticism.[7] But he is just one man. Another director would no doubt challenge CBO's staff in a different way.

The last thing that should be allowed to happen at an agency like CBO is for a certain set of analytical views to become synonymous with the non-partisan standard, such that a challenge from a new direction is treated reflexively as ideological or political. Future CBO directors should not face staff-level inflexibility built up over a decade or more of one-party leadership. Staff should instead remain fully accustomed to and comfortable with frequent changes in the types of questions raised by the directors that move through the door.

Some have written about specific analytical changes they would like to see at CBO. I have my own views about which of Congress's scorekeeping methods warrant review; I've written about some of these, and some I have not.[8] But I don't want the director to be selected on this basis; it would be a mistake to select (or to oppose) the next CBO director based on his or her views of any particular issue. A good CBO director cannot be reluctant to publish a solid agency analysis simply because it may interfere with the advancement of the director's subjective beliefs. The director needs to be able to sit in a room with members of Congress, say, "I may (or may not) agree with your policy view, but here is what our analysis shows," and be prepared to defend that analysis—or, if not, have a plan to improve it.

The ideal candidate to succeed Elmendorf would have strong analytical credentials and a temperament combining open-mindedness and collegiality with firm resolution once an analytical conclusion has been reached. The director must be able to defend CBO's conclusions publicly while constantly improving methods behind the scenes.

Fortunately there is no shortage of candidates with these qualifications. Several weeks ago, Damian Paletta profiled five candidates at the *Wall Street Journal* online, of whom exactly four would be excellent choices.[9] Greg Mankiw's academic and temperamental qualifications are obvious, though it was always doubtful that he would accept the position, long before he

7. Congressional Budget Office, "Labor Market Effects of the Affordable Care Act: Updated Estimates," February 2014.

8. Charles Blahous, "Should Congress Change CBO's Scorekeeping Rules?," E21 (Manhattan Institute for Policy Research), May 29, 2012 (republished in this collection).

9. Damian Paletta, "Who Will Run CBO Next?," *Wall Street Journal*, November 12, 2014.

publicly endorsed Elmendorf's reappointment.[10] Donald Marron has acted as CBO director before and is widely known for impartiality and expertise. Jeff Brown (University of Illinois) possesses the academic and analytical credibility, and public appreciation for his work has soared in the wake of the *Wall Street Journal* article. Kate Baicker (Harvard) possesses all the academic credentials and temperamental characteristics needed for the post and already knows her way around CBO. Other articles have discussed additional good candidates, such as former Senate Budget Committee staff director Bill Hoagland.[11]

Reappointing Doug Elmendorf would certainly have been a strong choice, but the strongest choice would be for Republicans to appoint his analogue from across the aisle. I have complete confidence that they will do so.

10. Greg Mankiw, "Elmendorf for CBO Director," *Greg Mankiw's Blog*, November 15, 2014.
11. Rebecca Shabad, "Experts Rally in Defense of Budget Referee," *The Hill*, December 24, 2014.

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Why Government Doubles Down on Policy Mistakes

This article was originally published at E21 on September 18, 2016.

This is another piece that proved to be more evergreen than expected when it was first published. It turns out that it tells a story heard again and again: the federal government creates or worsens a problem by taking some action, people face difficulties as a result, and then they and others call for additional government involvement to ameliorate the resulting problems. Consequently, politicians are drawn deeper and deeper into the issue, often worsening the situation at every step.

As this piece explains, there are many examples of this unfortunate phenomenon, and in the time since the piece was first published still more have occurred. It is a terribly difficult dynamic to correct, because correcting it requires reconsidering the premise on which the government acted in the first place, while also risking harm to those who have since become dependent on the initial government intervention. We are seeing an example right now with proposals to shore up the troubled health insurance exchanges under the ACA. The ACA, whatever its other virtues, created a number of problems such as substantial new federal spending commitments and distortions of healthcare markets. Lawmakers are currently wrestling with whether to double down on the ACA's policy approach by shoring up the law's health insurance marketplaces with still more federal government subsidies.

FRUSTRATED VOTERS OFTEN WONDER WHY, AFTER THEY ELECT well-intended lawmakers to office, so many subsequent government economic policies prove damaging. Part of the answer lies in the nearly irresistible public policy dynamic of "doubling down" on mistakes. Lawmakers, press, and the public need to understand the strength of this phenomenon and guard against it when adopting policy positions.

In simplified form, the dynamic runs as follows:

1. Government, in response to a perceived need, takes action to meet that need in a manner that distorts economic behavior and produces predictable adverse effects.

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2. The public consequently experiences problems and expresses concern.
3. The problems themselves become justification for additional government actions that worsen the distortions and the resultant problems.
4. As problems worsen, the public more urgently demands corrective actions.
5. Steps 3 and 4 are repeated ad infinitum.

We have seen and continue to see this dynamic operate in many areas of economic policy. The following are but a few examples.

Worker Health Benefits

With the best of intentions, the federal government has long exempted worker compensation in the form of health benefits from income taxation. There is wide consensus among economists that the results of this policy have been highly deleterious.[1] As I have written previously, this tax exclusion "depresses wages, it drives up health spending, it's regressive, and it makes it harder for people with enduring health conditions to change jobs or enter the individual insurance market."[2] Lawmakers have reacted not by scaling back the flawed policy that fuels these problems, but rather by trying to shield Americans from the resulting healthcare cost increases. This has been done through the enactment of additional health programs and policies that further distort health markets and that themselves drive personal and government health spending still higher.

Federal Health Programs

The federal government has enacted programs such as Medicare and Medicaid to protect vulnerable seniors and poor Americans from ruinous

1. Julie Rovner, "The Huge (and Rarely Discussed) Health Insurance Tax Break," *NPR*, December 4, 2012.

2. Gary Burtless and Sveta Milusheva, "Research Summary: Effects of Employer-Sponsored Health Insurance Costs on Social Security Taxable Wages," *Social Security Bulletin* 73, no. 1 (2013); Jeremy Horpedahl and Harrison Searles, "The Tax Exemption of Employer-Provided Health Insurance" (Mercatus on Policy, Mercatus Center at George Mason University, Arlington, VA, 2013); Joseph Antos, "End the Exemption for Employer-Provided Health Care," *New York Times*, December 6, 2016; Charles Lane, "Break the Link between Health Care and Employment," *Washington Post*, April 2, 2014.

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healthcare costs.[3] The positive benefits of these programs coexist with well-documented adverse effects. For example, it is firmly established that creating these programs pushed up national health spending, driving health costs higher for Americans as a whole.[4] Consumer displeasure over these health cost increases subsequently became a rationale for still more government health spending, rather than for reducing government's contribution to the problem. Examples of this doubling down include the health exchange subsidies established under the Affordable Care Act and the further expansion of Medicaid.[5] As the problem of high healthcare costs remains, proposals have proliferated to expand government's role still further: for example, some have proposed making Medicare available to the entire US population.[6] Though intended to provide relief, such legislation inevitably adds to national health spending growth.

Education

The cost of higher education has become an increasingly salient policy issue and political issue. In an effort to broaden access to education, government has subsidized its cost with a heavy emphasis on grants and loans to students and their families.[7] It is now fairly well understood that these subsidies have had the predictable effect of increasing tuition costs.[8] Students and their families regularly complain about having to choose between footing a massive education bill or taking out student loans that create crushing levels of indebtedness. Many politicians have reacted to these trends not by reconsidering the policies that give rise to them, but by proposing dramatic further expansions of government education subsidies.[9]

3. C. Eugene Steuerle and Rudolph G. Penner, "Restoring More Discretion to the Federal Budget," E21 (Manhattan Institute for Policy Research), September 14, 2016.

4. Amy Finkelstein, "The Aggregate Effects of Health Insurance Evidence from the Introduction of Medicare," *Quarterly Journal of Economics* CXXII, issue 1 (2007).

5. "The Bottom Line: How the Affordable Care Act Helps America's Families" (Families USA, Washington, DC, October 2011).

6. Laurence S. Jacobs, "Make Medicare Available to All," Physicians for a National Health Program, July 15, 2013.

7. Chris Edwards and Neal McCluskey, "Higher Education Subsidies," *Downsizing the Federal Government*, November 1, 2015.

8. David O. Lucca, Taylor Nadauld, and Karen Shen, "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs" (FRBNY Staff Reports No. 733, Federal Reserve Bank of New York, February 2017).

9. David Hudson, "The President Proposes to Make Community College Free for Responsible Students for 2 Years," White House, January 8, 2015.

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Social Security

Social Security collects payroll taxes from workers and provides monetary benefits to retirees, surviving family members, and the disabled. It operates as an income transfer program rather than by building retirement savings. Because of this, whenever its benefits and tax burdens are expanded, Americans' abilities and incentives to save for retirement are reduced. This phenomenon is most pronounced with low-income, liquidity-constrained workers who, after program expansions in the 1970s, were promised Social Security benefits equaling a very high percentage of their earnings, while at the same time were left with very little surplus earnings to put aside while working.[10] There is general agreement among economists both that Social Security depresses other saving and that savings rates among Americans of modest incomes are undesirably low.[11] Paradoxically, however, many advocates cite these low savings rates as a reason to further expand Social Security.[12]

Conclusion

As these and countless other examples reveal, whenever government policies create or exacerbate adverse economic effects, the political focus often turns to relieving the consequent hardship rather than addressing its policy causes. The resulting relief is often short-lived because the remedial legislation has usually failed to correct the underlying problem and has often made it worse.

The ACA threatens to repeatedly be such a case. It is complex legislation with far-reaching consequences, both positive and negative, offering many opportunities for policymakers to double down on its more problematic policy choices. Lawmakers should resist trying to repair its problematic provisions by expanding them. Here are two examples of where the temptation is likely to be faced:

- *Fixing the ACA's work disincentives.* Experts ranging from economist Casey Mulligan to those at the Congressional Budget Office have substantiated that the ACA is driving many workers out of the

10. Charles Blahous, "Understanding Social Security Benefit Adequacy: Myths and Realities of Social Security Replacement Rates" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, 2012).

11. Congressional Budget Office, "CBO Memorandum: Social Security and Private Saving: A Review of the Empirical Evidence," 1998; Charisse Jones, "Millions of Americans Have Little to No Money Saved," *USA Today*, March 31, 2015.

12. Martin O'Malley, "Expand Social Security," *Martinomalley.com*, August 21, 2016.

workforce at a time when we can least afford it.[13] A primary culprit is the design of its health exchange subsidies, which are skewed so heavily toward the lowest-income individuals that anything they earn subjects them to a substantial loss of federal support.[14] To see the double-down instinct at work, read for example columnist Catherine Rampell, who acknowledges the work incentive problem under current federal laws but then argues that the answer lies in expanding the ACA's various subsidies (which are themselves ample work disincentives, and expansion of which would worsen the ACA's troubled finances).[15]

- *Fixing the ACA's effects on health insurance premiums.* The ACA effectuated many requirements that are causing health insurance premiums to rise.[16] Combined with this problem are many horizontal inequities arising from the law's complexities. For example, individuals with identical incomes receive different levels of support depending on whether they get insurance through exchanges or through their employer. As I noted in 2012, this creates enormous temptation for the federal government to provide relief from premium increases by expanding subsidies to those buying insurance outside the ACA's exchanges.[17] Doubling down in this manner would considerably worsen the ACA's rising price tag.

With the ACA specifically and with economic policy in general, it is vital that lawmakers understand the doubling-down trap and use their awareness to avoid it. If an economic distortion is created or exacerbated by government policy, the best first response is to look squarely at the policy that has caused the problem and consider whether it needs to be tweaked, redesigned, scaled back, or even eliminated. When instead we focus only on alleviating the hardship caused by flawed government policies, too often we perpetuate those very policy flaws while allowing the hardship to reemerge again and again.

13. Casey B. Mulligan, "The Affordable Care Act and the New Economic Policies of Part-Time Work" (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, 2014); Edward Harris and Shannon Mok, "How CBO Estimates the Effects of the Affordable Care Act on the Labor Market" (Working Paper No. 2015-09, Congressional Budget Office, Washington, DC, December 2015).

14. Mulligan, "Affordable Care Act and the New Economic Policies."

15. Catherine Rampell, "Part of the Safety Net Does Discourage Work. Expanding Obamacare Would Fix That," *Washington Post*, June 14, 2016.

16. Rampell, "Part of the Safety Net."

17. Charles Blahous, "The Fiscal Consequences of the Affordable Care Act" (Mercatus Research, Mercatus Center at George Mason University, 2012).

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The Importance of the National Economic Council

This article was originally published at E21 on November 21, 2016.

Americans know far too little about the National Economic Council relative to its importance. Other cabinet officials are seen and heard in public much more frequently than NEC chairs, because the NEC does its vital work mostly behind the scenes. Yet it's the NEC, more than any other department or policy council, that often does the most to shape administration economic policy.

By the end of the George W. Bush administration, the NEC process ran impressively smoothly and well. However, it has generally taken costly time for each incoming White House to get the NEC's role quite right. Every presidency should be expected to have growing pains in this area. This article was written in a preemptive effort to positively influence these dynamics from the outside upon a change of administration and to help mitigate difficulties—to the limited extent that such pieces can have that influence.

OVER THE PAST SEVERAL DAYS THERE HAVE BEEN MULTIPLE announcements of president-elect Trump's intended appointments. The purpose of this piece is to draw public attention to another yet-unfilled administration job that receives less press attention than it should: directing the National Economic Council.

The NEC director is vital because that individual essentially has the job of facilitating all the president's economic policy decisions. This critical NEC role is generally less visible in the press than certain other roles, in part because the job is not subject to Senate confirmation and in part because the NEC interfaces with the president rather than with the public as economic policies are implemented. Cabinet-level positions such as the secretary of the Treasury and the director of the Office of Management and Budget are every bit as important as commonly portrayed, both as economic policy developers and later as implementers. But it is the NEC that actually runs the president's economic decision process, with those other advisers acting as participants. Typically, the NEC consists of a director, a deputy director,

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and roughly a half-dozen special assistants, each advising the president on a different portion of the economic policy portfolio.

It is important to distinguish the NEC director's role from that of the chair of the Council of Economic Advisers. CEA basically acts as the White House's internal consultancy for economic analysis; the NEC, by contrast, is the vehicle for policy development. I often explain the difference with a hypothetical example. If the president sought an analysis about why young adult males are dropping out of the labor force, that analysis would likely be authored by CEA, submitted through a process led by the NEC. If, on the other hand, the president wished to develop a policy to increase labor force participation, the NEC would lead that process with the CEA chair as one of the participants.

These distinct roles highlight the importance of finding people with the right qualifications to head up the NEC and CEA respectively. The process works best when CEA is headed by an esteemed academic economist while the NEC is headed by someone with expertise in directing economic policy process. Previous administrations have had troubles whenever there was confusion about the respective roles—for example, if the NEC is routinely disputing CEA's analyses, or CEA is attempting to control policy development.

The NEC manages the flow of information to the president to serve his economic policy decision-making. This consists of both written material and information transmitted orally in meetings. Each is important; the relative importance is determined by whether the president most readily absorbs information in writing or in oral conversation. The written part often consists of memoranda or visual presentations that the NEC compiles and condenses from information generated by the different departments and agencies. The NEC typically conducts repeat checks with all participants, to ensure the material submitted is sufficiently complete and balanced. For in-person meetings, the NEC coordinates the presentation of the principals' advice and information to the president. On both tracks, the NEC must work within the president's extremely tight time constraints, which means reading material must be succinct and oral presentations efficiently brief.

The physical structure of presidential meetings is important. Subject to the approval of the White House chief of staff, the NEC serves as arbiter of which principal advisers attend alone and which are permitted a "plus one" or additional staff. Advisers who are regarded as central to a discussion

Excerpt from Charles Blahous, Decoding the Debates
(Arlington, VA: Mercatus Center at George Mason University, 2020).

are assigned seats closer to the center, with others seated near the ends or perhaps even in separate chairs away from the table and against the wall. In my time as NEC deputy director, I felt that discussions in the White House's Roosevelt Room tended to be better structured for decision-making than those in the Oval Office. This was because the long rectangular table in the Roosevelt Room, with the president seated at the center, was more conducive to orderly discussion than the Oval Office, where the president and vice president sat on separate chairs on one side of the room and staff were distributed between two sofas and separate chairs scattered behind them.

Before any meeting, the NEC must know which departments and agencies have important information or advice to put before the president. In the George W. Bush White House, a typical meeting might begin with the NEC director sitting across from the president and saying, "Mr. President, the purpose of this meeting is to facilitate a decision on issue X. With your permission, the deputy director will summarize some critical background information about this issue for roughly five minutes. Then we would like secretary Y to present the argument for course A, and then budget director Z will present the countervailing argument for course B. In your background memorandum, we have listed a fuller range of options for your consideration, and we have also listed which of your advisers favor each one. Now, with your permission, the deputy director will begin your background briefing."

Key at all times is deferring to the president's sense of what he or she needs to make a decision. When I was the NEC deputy, Director Keith Hennessey and I spent a lot of time structuring and rehearsing our presentations to ensure maximum clarity and efficiency. Still, all bets were off once the briefing began. More than once, President Bush cut me off less than a minute into the presentation to basically say, "Wrong place. Start again. Tell me this, this, and that. Then go back to where you were." His method of reorganizing the discussion often better met his needs than what we had planned.

Other surprises can happen as well. One time I was barely into my background presentation when the president cut me off and said, "Got it. So, what do you think we should do?" As the background briefer, I had not expected to offer my opinion. I hesitated briefly and in that split second the president's eyes darted to his other advisers, who immediately filled the gap with their advice. I resolved never to make that mistake again, and I didn't.

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From then on I was prepared to answer any question the president posed, whether informational or advisory.

We at the NEC always felt that, regardless of the president's decision, the meeting had gone well if the discussion had stayed on track and he had heard the information and advice he needed to decide. We were proudest of all when someone on the losing side of a decision nevertheless came up to us afterward and said, "Good meeting."

Though the NEC is not currently receiving the same level of public and press attention as other administration appointments, it is tremendously important. The quality of the president's economic policy decision-making will depend on his team getting this right.

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About the Author

Charles Blahous is the J. Fish and Lillian F. Smith Chair and Senior Research Strategist at the Mercatus Center at George Mason University. Blahous specializes in domestic economic policy and retirement security (with an emphasis on Social Security), as well as federal fiscal policy, entitlements, and healthcare programs.

Blahous's media appearances range from *The Diane Rehm Show* and Fox News to C-SPAN's *Washington Journal*. He was named to *SmartMoney*'s "Power 30" list in 2005 and has written for the *Wall Street Journal*, *The Washington Post*, *Financial Times*, *Politico*, *National Review*, *Harvard Journal on Legislation*, *National Affairs*, *Journal of Chemical Physics*, and *Baseball Research Journal*, among others.

Blahous is the author of *Social Security: The Unfinished Work* and *Pension Wise: Confronting Employer Pension Underfunding and Sparing Taxpayers the Next Bailout*, as well as the influential studies *The Costs of a National Single-Payer Healthcare System* and *The Fiscal Consequences of the Affordable Care Act*.

Blahous served as a public trustee for Social Security and Medicare from 2010 through 2015. He was formerly the deputy director of President Bush's National Economic Council, special assistant to the president for economic policy, and executive director of the bipartisan President's Commission to Strengthen Social Security. He recently served on the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings.

Blahous received his PhD in computational quantum chemistry from the University of California at Berkeley and his BA from Princeton University.