

Date: Wed, 12 Jan 2011 12:59:37 -0500

To: "Dr. Baruch Fischhoff - Chair, National Academy Committee on Improving Intelligence" <baruch@cmu.edu>, "Dr. Richard Atkinson - National Academy of Sciences and Chair, DBASSE" <rcatkinson@ucsd.edu>, "Bill Nordhaus - National Academy of Sciences" <william.nordhaus@yale.edu> "Dr. Daniel Goroff - OSTP" <dgoroff@ostp.eop.gov>, "Dr. Christopher Sims - National Academy of Sciences and AEA President-elect" <sims@Princeton.EDU>, "Dr. Robert E. Hall - National Academy of Sciences and AEA-President" <rehall@stanford.edu>, "Dr. Richard Cooper" <rcooper@harvard.edu>, "Dr. Richard Levin - Member, President's Council of Advisers on Science and Technology" <richard.levin@yale.edu>

From: Lloyd Etheredge <lloyd.etheredge@policyscience.net>

Subject: 199. Red Team: Urgent Policy Implications of Lawrence

Summers: "The wholesale abdication of public responsibility that will unfold across Europe . . . ".? An agenda that I beg you to move forward.

Dear Dr. Fischhoff and Colleagues:

In his recent departure interview ([PBS Newshour, 12/17/2010](#)) Lawrence Summers (Director of the National Economic Council and a member of the National Academy of Sciences) bluntly mentioned (in passing) the "*wholesale abdication of public responsibility*" that must unfold in Europe. "[R]elative to our current political challenges and our current political process . . . it is dwarfed by a factor of four, five, eight by the magnitude of the fiscal adjustments that are necessary in many countries in Europe."

We are paying \$80+ billion/year for a national intelligence system that can help our nation and its political institutions to think ahead, connect the dots, and make wise choices. Asking for advice from our nation's best behavioral scientists, via the National Academy of Sciences, is a part of the system. I am deeply concerned that the National Academy's Fischhoff Report, and its letters of transmission and follow up, sound alarms that are loud enough, and provide analysis that is brilliant enough and imaginative enough, to enable wise, far-sighted choices. And, at this point in history, it probably has to be the US government and US social science capacity that the world relies upon.

- Politically, Summers is underscoring the warning in my 2009 paper (# 15 re "Forecasting Political Violence/Instability as an Effect of Global Economic Hardship" at www.policyscience.net at II. D.) about growing political instability. Even in America - where the new hostile and demonizing political rhetoric and new political movements are limited - we can observe the kinds of politics that may grow if once-trusted institutions falter. The discrediting of Marxism means that there is, as yet, no conceptual framework to organize political anger and find scapegoats or affix national or institutional or individual blame for complex failures of stewardship. And a remarkable degree of international trust and hope that attaches to President Obama may give a temporary reprieve that would not be available if (for example) George W. Bush was still President. There is still time, but we ought to be connecting the dots and thinking, self-reflectively, about Grand Strategy. <1>

Doing Our Best Work to Achieve a 1% (above pre-crisis baseline) Increase in the Rate of GDP/capita Growth.

I want to underscore the extraordinary urgency and opportunity to modernize and upgrade economic theory. A truly multidisciplinary and refined economic theory (with new, R&D databases) could open pathways to increase the sustainable GDP/capita growth by 1% above pre-crisis baselines. It is a worthy goal, which will help politically to sustain hope. <2>

If we can do it - and I think that we can - it also is a far better future for everyone than the brutal regression to distributional politics that lies ahead beyond the water's edge. And that will hit the US more starkly as national, state, and local governments move past the temporary reprieve of multi-trillion dollar borrowing and begin battles about whose taxes will increase, and whose futures, grants, activities and benefits will be hurt.

I beg you to move this agenda forward.

Lloyd Etheredge

<1>The potential for violent movements may become worse in vulnerable UDCs with high youth unemployment (# 40, # 197).

<2> See also the letter from Robert Reischauer and other supporting (pre-crisis) discussions of

the many dimensions of opportunity to modernize and upgrade macroeconomic databases in the appendix material to the March 2007 filing with NSF, "NSF Recommendations: Fresh Thinking for the 21st Century. National Challenges 1.2 under II. A. at www.policyscience.net. A reminder copy of Reischauer's overview is attached to this message.

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December 23, 2002

Dr. Lloyd S. Etheredge, Director
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Dear Dr. Etheredge:

Thank you for your letter and thoughtful attachment. I am in complete agreement that the economic data we collect has significant deficiencies that limit our ability to understand the economy's problems and chart future policy.

We don't collect some information that is needed and gather much that we could do without. We collect other data in insufficient detail and almost always take too long to release the data for it to be useful in policy decisions.

As you know better than I, there are many reasons for this situation. What we collect and how we collect it reflects the forces at play in the first half of the last century and those forces do not want to give anything up. Congress has little interest in devoting more scarce budget resources to collect new and better information. Few economists who use the data appreciate its limitations. They have been raised on certain data sets and treat them as if they are part of the underlying environment, not subject to change. They put a premium on continuity and don't want discontinuity in the data sets they know and use.

I don't think I would be as critical as you are about CNSTAT/NCR. I don't think they would have much of an impact even if they had done the studies and made the recommendations you think warranted. Nor do I think universities (Yale or Harvard) or the Fed could make much of a dent in the problem. Rather, I think a presidential or congressional study commission is called for—one with a clear mandate and a promise that added resources will be devoted to strengthening the statistical system based on the commission's report. Unfortunately, the prospects for such an initiative rising to the top of policymakers' lists of things to do is very, very low.

Nevertheless, I wish you well in your efforts.

Sincerely,

