EconoFact Chats: Principles of Economics: Insights for Better Policy
Gregory Mankiw, Harvard University
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Michael Klein
I'm Michael Klein, executive editor of EconoFact, a non-partisan, web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein
The Nobel Laureate Paul Samuelson once wrote, "I don't care who writes a nation's law or crafts its advanced treaties if I can write its economic textbooks." Samuelson did, in fact, write the best-selling economics textbook of the 1950s and 1960s. Since the 1990s his successor in textbook publishing is Greg Mankiw of Harvard University. Greg has published best-selling textbooks for both Macroeconomics and Principles of Economics. He is a masterful writer with an ability to explain complex ideas in a straightforward way. Greg is a leading researcher in macroeconomics. He has held high-level policy positions, most notably serving as the Chair of the Council of Economic Advisors in the George W. Bush administration. Greg, welcome back to EconoFact Chats.

Gregory Mankiw
Thank you, Michael. It's great to be with you

Michael Klein
Greg, as you know, there's evidence that a month or two after a college course ends, many students retain few of the lessons taught in that course. In your Principles of Economics textbook, you list 10 basic insights from economics. Did you hope that this would help students remember the central insights from a 900-page textbook?

Gregory Mankiw
Absolutely. I taught the introductory economics course at Harvard, what we call EC 10, for 14 years. One of my predecessors in that job was Otto Eckstein. And he used to tell his teaching assistants, the less you teach them, the more they learn. And by that, I think he meant that it's tempting, as economists, to overwhelm the student. We know so much, and we have so much information we'd love to impart. But if we try to impart too much, we can intimidate the students, we can overwhelm the students, and they end up absorbing nothing. And so we have to keep things simple, especially at the beginning of their economics study. I often think that there's a trade-off between nuance and clarity. And in our research, we economists emphasize the nuance. But when we start teaching introductory students, we really need to emphasize the clarity. And so what I did with those 10 principles is try to boil the big ideas of economics down to just a small number of simple statements. And the rest of the book sort of builds on those statements as a scaffolding for understanding the basic way that economists view the world.

Michael Klein
These basic principles are not just worthwhile for students, but for the wider public, and perhaps especially for those involved in policy. I'd like to draw on some of these 10 principles for advice that you would offer to the new Trump administration. One basic principle you list is that the cost of something is what you give up to get it. We economists call this opportunity cost. Another closely related principle that you list is that people face trade-offs. In one of my first economics courses, the professor said that this was the TANSTAAFL principle. At first, I thought that was a Finnish name, but it turns out that it's an acronym for: there ain't no such thing as a free lunch. Ignoring the double negative in TANSTAAFL what particular policies, Greg, do you think are currently being debated that need to take this principle into account? And do you think these proposed policies do or do not recognize this basic idea from economics?

Gregory Mankiw
You're absolutely right about opportunity cost and trade-offs. In fact, the first of my 10 principles of economics in my introductory book is people face trade-offs. And that is, I think, one of the really big ideas of economics, which is usually when we get one thing we like, we have to give up something else. And there's a lot of examples in public policy. Let me actually start off with an example from the previous administration. The Biden administration was very concerned about the cost of higher education. They advocated policies like student loan forgiveness and free tuition at some schools. The problem with that policy is it didn't recognize really the costs of the policies. So college really can't be free. People like you and I, Michael, don't work for nothing. In fact, college education has been getting more and more expensive over time. And I think we understand why that is. It goes back to ideas that William Baumol talked about, about the cost disease of the service sector. So it would be delightful if college could be free, but ultimately it can't be because it takes resources to produce a college education. So the real question is not, is it going to be free, but who's going to pay for it? And so while it might be desirable for all college graduates to graduate debt-free and not have to pay a lot of money for tuition, that's not going to happen without somebody bearing some costs somewhere. So I think if President Biden had said, I'm going to raise everyone's taxes so that college graduates can be debt free, that would not have been nearly as appealing to him saying, I'm just going to wipe out people's debts. So I think that was an example where he acted as if his policy, wiping out student debt, did not involve trade offs, whereas it fundamentally did. There was no free lunch there. Somebody’s going to have to pay for the cost of college, and it could either be the taxpayer or it’s going to be the college student. But there's no free lunch involved.

Michael Klein
Another basic idea from economics in your list is that people respond to incentives. This is something that finds itself in the tax code. There are incentives to do some things like save in tax-deferred accounts. One of the issues facing the new Congress and the new administration is whether to extend the provisions of the 2017 Tax Cut and Jobs Act. What are the incentives in that act, and do you think those are worthwhile? And if not, which ones do you think should not be extended?

Gregory Mankiw
You know, the 2017 Tax Act is probably the biggest thing that Donald Trump did in his first term, and its extension is going to be one of the biggest economic policies in his second term. And I think there's good parts and there's bad parts of it. I think, let me sort of mention both, in the interest of fairness. I think the best part of the 2017 Act, from my perspective, was a lower corporate tax rate. We had a corporate tax rate of 35%, plus even higher if you add corporate taxes that many states impose. That put us very high internationally, compared to most countries in Western Europe, for example. I think it really put the United States at a competitive disadvantage. So I think the fact that we managed to lower the corporate tax rate to make it more competitive with other countries abroad was a good thing. I also think, by the way, that in general, lower taxes on capital income is probably pro-growth and is a good thing, even independent of the international dimension of the problem. And interestingly, the Biden administration has reluctantly agreed to this. They wanted to raise the corporate tax rate, but they didn't want to raise it back to where it was pre-Trump. They didn't want to go back to 35%. So there seems to be a bipartisan agreement now that at 35%, corporate taxes were too high, and it was a good thing that we lowered them. So that, I think, was the best part of the 2017 Tax Act. I think the worst thing of the 2017 Tax Act was the fact it didn't really recognize that we have a long-term fiscal imbalance that it's not coming to grips with. I mean, Donald Trump talked about how this was not going to cost government revenue. I think that might have been in part because he was being advised by Arthur Laffer, who somehow often pushes the line that tax cuts don't cost revenue. But there's no question that this did help expand the budget deficit, did contribute to the growing national debt. We are on a trajectory that is really not sustainable. The Congressional Budget Office says under current law, the debt-to-GDP ratio will be heading off toward infinity in the next several decades, and extending this tax act only contributes to that. The Committee for a Responsible Federal Budget says that Trump has promised about $7.5 trillion in tax cuts and spending increases over the next 10 years. And so that's adding on top of the already unsustainable fiscal policy that we have.

I heard one commentator describe the policy discussion about fiscal policy during the campaign as "kayfabe" economic policy. And I had never heard the word kayfabe. The word kayfabe actually comes from professional wrestling. And kayfabe refers to the fact that all of professional wrestling is basically fake. The performers know it's basically fake. The audience knows that it's basically fake. But everybody pretends that it's real. And the fact that we all know it's fake was sort of put aside. Well, similarly, during the campaign, there were all sorts of economic promises about more tax cuts, not only extending the existing tax cuts, but reducing taxes on tips, reducing taxes on Social Security, all sorts of promises of fiscal giveaways that really just weren't realistic. And I think one of the things that we're going to have to come to grips with is that we have a long-term fiscal imbalance. And at some point, tax cuts are going to be unsustainable.

Michael Klein
Yeah, we have a really good memo by your colleague, Karen Dynan, where she talks about the unsustainability of the federal debt and how it's rising to very high levels. Maybe not quite infinity, as you mentioned, but pretty high levels. Many other policies affect incentives as well. The Biden administration, for example, put in place policies that attempt to promote manufacturing, especially manufacturing of things like semiconductors. There's a national security reason for this, it's argued. But is there also a good economic rationale?

Gregory Mankiw
I don't think so. I don't think we need to think of manufacturing jobs as special, as being more important than other kinds of jobs. Obviously, we want to promote good jobs, but good jobs don't have to be manufacturing jobs. And in fact, I think the decline in manufacturing is really a worldwide phenomenon that's more related to technological change and automation than it is to international trade. So I think focusing on manufacturing as a particularly vital sector from an economic standpoint doesn't make a lot of sense. Now, you raise the question of national security, and there might well be a geopolitical case for promoting certain kinds of jobs in particular kinds of sectors. And as an economist, I'm reluctant to admit that not everything is an economic issue, but everything is not an economic issue. And in particular, we need to think about national security. We need to think about the geopolitics of it all. And in particular, when we think about the semiconductor industry, I think that's particularly important. There's a great book that came out a few years ago by Chris Miller called *Chip War*, about the history of the semiconductor industry.

Michael Klein
Chris is a colleague of mine at Fletcher, and I interviewed him about that book in an earlier podcast.

Gregory Mankiw
Oh, fantastic. It was actually a book given to me by my wife for Christmas one year. And I read it, and I thought it was just terrific. So I met Chris afterwards. And it really makes the point of how semiconductors is a particularly vital industry geopolitically. And there might be well a case for promoting that industry for geopolitical, not economic reasons. And so that's why I understood the CHIPS Act that President Biden signed into law, even though I didn't think it was good economically, it might well have been good from a broader public policy perspective. But I think there is a risk that thinking about geopolitics makes us become very nationalistic, and that nationalism can easily extend into xenophobia and be a fear of foreigners. And I think a lot of President Trump's hostility to international trade and hostility to immigration, to me, goes well beyond rational nationalism. It does become xenophobia. And that's true of the previous administration, too. You know, President Biden's blocking of the purchase of U.S. steel by Nippon Steel, I thought was not well thought out economically. I don't think most economists were in favor of that. And I think it really was a misplaced nationalism that drove that. And I think that's probably going to be true of the incoming administration as well.

Michael Klein
Well, I would think more than probably, given that President Trump has said that the word tariff is the most beautiful word in the English language. I think a lot of poets would disagree with that. And you have another one of your principles that trade can make everyone better off. And I guess you're not necessarily focusing on international trade. But, of course, this is a major point of debate with the new administration calling for these tariffs, that is, taxes that affect trade. Do you think these will have the opposite effect of not making people better off, and more to the point, not bringing back manufacturing jobs?

Gregory Mankiw
Oh, yeah, absolutely. Economists have been fighting this battle for a long time. If you go back to the history of economics, you see Adam Smith in the 18th century was writing, basically doing combat with the mercantilists, who thought that only exports were good because we could accumulate gold and imports were a problem. You see this in the 19th century where David Ricardo was battling the corn laws, which were restricting the import of grains into England. People have this natural skepticism about both markets and foreigners that leads to the suspicion of international trade. And I think one of the basic lessons we teach in Econ 101 is that trade expands the economic pie for both countries. We shouldn't think about trade as a game, as if there's a winner and a loser, but rather it's a partnership where both sides can be better off with trade. Now, for sure, some people are left with a smaller slice. So trade is not necessarily a prey to improvement in the sense that literally everybody is better off, but it's basically the country overall is better off. And so I think we need to figure out ways to navigate towards a more open and freer trading system to expand economic prosperity both at home and abroad. And there's two other sorts of misunderstandings, as you mentioned, and what people think about international trade. One is that there's a tendency for politicians to point to bilateral trade deficits. And economists think that trade deficits matter, but only matter overall. Bilateral trade deficits, country to country, are not all that relevant. And politicians also tend to think that tariffs are going to help with trade deficits, which is really probably not true. I mean, trade deficits are really about savings and investment, not so much about trade barriers. And most people don't see that. And in part, that's a pretty subtle point. It really takes a full understanding of macroeconomics to understand what are the drivers of trade deficits. But it's one of the things we teach in both introductory economics and intermediate economics, what are the fundamental drivers of trade deficits. And tariffs are not going to have a big impact on them.

Michael Klein
Yeah, I have an EconoFact memo with another one of your colleagues, Marc Melitz , where we look at bilateral trade and show how the statistics are really off because it doesn't take into account when a country uses an intermediate input from another country, and then exports it, like iPhones. The full cost of the iPhone would look like our import from China. But in fact, the value added, the part that China contributes is a small fraction of that.

Gregory Mankiw
Exactly.

Michael Klein
Also, you know, President Trump seems to see deficits as a bad thing. Whereas, you know, if we have a trade deficit, it means that we're consuming more. And economists think about sort of consumption, not production, as the ultimate goal of economic activity.

Gregory Mankiw
No, that's exactly right. I think economists may have misled people by using the word deficit. Now, deficit has a couple different meanings in the dictionary. One of which is just a shortfall of one variable from another variable. But another thing means a flaw or a deficiency. And I don't think, when we talk about trade deficits, I don't think we're thinking about deficiencies. We're

just thinking about an imbalance. And we could easily call them capital account surpluses rather than trade deficits. And that means more or less the same thing.

Michael Klein
Or maybe we could use that word, "kayfabe" again. That seems to cover a lot of sins.

Economists tend to favor markets. And one of your principles is that markets are usually a good way to organize economic activity. But the word usually is important here. And you recognize this in the subsequent principle that governments can sometimes improve market outcomes. So the keywords here are usually and sometimes. You've been a strong advocate of carbon taxes to cut greenhouse gas emissions. So I imagine this is a policy you would like to see the new administration and Congress pursue, although they don't really seem inclined to do so.

Gregory Mankiw
Oh, yeah. You're right. You're right, Michael. You know, from an economic standpoint, climate change is not a complicated issue. We understand it as a basic problem of externalities. And we've understood since Arthur Pigou that one way to deal with handling externalities is putting a tax on things that have negative externalities. And that's why economists of all political stripes have advocated carbon taxes as a solution to climate change. I was part of a group that put out a policy some years ago. The group's called the Climate Leadership Council. And it included, well, started by Republican former leaders, people like George Shultz and Jim Baker. But then it was joined by people like Larry Summers and Janet Yellen. And we're basically advocating for a carbon tax where all of the revenue for the carbon tax was rebated lump sum to people. And the carbon tax would go together with a variety of deregulations. Because once you have a price on carbon, you didn't need to regulate a lot of particular behavior because you've incentivized people to reduce their carbon footprint. So you don't need to be as regulatory. The overall policy was progressive. The tax itself might not be. But if you take the tax together with the lump sum rebates, the overall policy was progressive. So I think you can get economists of all different political stripes endorsing this kind of policy. It's a hard sell in Washington because people are skeptical of all kinds of taxes. I mean, the Republicans don't want to raise any kind of taxes. President Biden only wants to raise taxes on people making more than $400,000 a year. So that really does make it very hard to make any progress on this problem. I should note, by the way, that one problem in the incoming administration is I've been told by people who have worked for Donald Trump that he basically doesn't worry at all about man-made climate change. He thinks it's a hoax. He just doesn't want to worry about it. So if you're really not at all concerned about man-made climate change, then any sort of solution to it is a non-starter because he doesn't think it's a problem. So I think for those of us who do believe in climate change, who are convinced by the scientists, that's going to be a problem for the next four years.

Michael Klein
We have a number of memos by my colleague, Gib Metcalf, who's one of the leading scholars about carbon taxes. And also one of your colleagues, Jim Stock, did a really nice memo where he estimated the contribution of man-made factors to the rising temperature. And he shows that it's all man-made factors since the Industrial Revolution. It's a very compelling memo. I wish people in the administration would read those memos. Maybe, Greg, you know some of these people. Maybe you can get them to sign up for our newsletter.

Gregory Mankiw
Well, you know, I don't think it's always the staff. I think it's the president. The president really does set the policy here, and he's a skeptic. So if the president's a skeptic, it's going to be a hard sell.

Michael Klein
What are some other examples, Greg, of policies that are currently being debated where either markets should be allowed to operate or the government should intervene? Just a couple of them, perhaps.

Gregory Mankiw
Sure. You know, economists love using prices to get incentives right. You know, so in competitive markets, if there's no externalities, the price is set by supply and demand, and that incentivizes both consumers and producers to do the right thing in terms of reaching an efficient allocation of resources. But of course, markets don't always get prices right, especially when they're externalities. And the thing that I've particularly been enjoying watching lately is what's going on in New York City. Congestion is a classic externality. We know how to solve externalities. Again, like with climate change, we want to put a tax on the external activity. It's a negative externality. And this is what New York has done. New York has put a tax on congestion through this congestion pricing they've introduced. And it's been very exciting to me the fact that they've implemented it. It was a hard political fight, and it seems to be working brilliantly. It's a hard political fight, and it seems to be working brilliantly. So I'm watching the reaction to this, whether people appreciate that congestion pricing is working. And of course, there'll be winners and losers, as there is with any policy. And so the losers will surely complain. But it's, I think, overall been a positive move for New York City. And so the next thing is whether they consider other things in cities, like putting, for example, a price on street parking, which would be another sort of place that we don't use prices nearly enough. I think using prices as a way to guide the allocation of resources, both in competitive markets, when the markets are setting the prices, and in non-perfect markets, where the government's helping set the prices, I think that's really sort of an important idea of economics that needs to be applied more.

Michael Klein
Aren't you the founder of the Pigouvian Club?

Gregory Mankiw
Yeah, that was a rhetorical device I used on my blog. It was basically talking about higher taxes on energy, in particular, thinking about climate change. And I really used it as a rhetorical device to illustrate how big the club is, how many economists of all different backgrounds are in favor of this. So there's a lot of people out there. There aren't nearly as many elected leaders in the club as I'd like, but there's a lot of economists in the club.

Michael Klein
And sadly, Pigou himself can't be a member because he was in the first part of the 20th century.

Gregory Mankiw
Yes, well, yes. He didn't think about climate change, but he had the founding idea. Oh, and by the way, if anybody's interested in Arthur Pigou I should recommend, there's a wonderful biography of Pigou called, *The First Serious Optimist* that I highly recommend.

Michael Klein
That's a great title. So moving from microeconomics to macroeconomics, one of your macroeconomic principles is that a country's standard of living depends upon its ability to produce goods and services. What policies do you think a government should pursue to raise productivity and increase the standard of living? And what kind of policies do you think the government should step back from in order to achieve higher standards of living? And finally, do you see the new administration moving one way or another with respect to this issue?

Gregory Mankiw
I think when I think about countries and promoting economic growth, there's, I think, different challenges for the world's developing countries versus the advanced countries like the United States. When I think of developing countries, the world's poorest countries, like those in, say, in sub-Saharan Africa, which has some of the world's poorest countries, I always goes back to this quote from Adam Smith. And Adam Smith said the following. He said, “Little else is required to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice, all the rest being brought about by the natural course of things.” And if you think about the world's poor countries, you realize that often what they're lacking is peace, easy taxes, and a tolerable administration of justice. You see rampant civil war, official corruption, failure of property rights. That's what's often holding them back. And so solving these political problems is really the first step toward economic growth and economic prosperity. The United States has a different set of challenges. For us, we have a rule of law. We have a tolerable administration of justice. We have some corruption, but not a lot. For us, the key to economic growth is promoting technological advance. And I think in some ways, we're really very lucky. We have a very vibrant venture capital industry here in the United States. And so we're really funding lots of new technologies. I have a friend, actually a neighbor here, in my new condo, who's a venture capitalist. And what he does, his business model is he basically gets money from investors. And then he goes and meets engineering professors, some mostly at MIT, some at Harvard, and basically invest in the technology that they're inventing. And that really is what's creating economic growth, is the ability to fund great new ideas. And I think we need to foster that. And I think the Trump administration, by being deregulatory, may well be good for that, that part of economic growth. There are other things that I'm kind of worried about. I think the 2017 Tax Act did get rid of the R&D tax credit as one of the pay-fors. That was probably a step in the wrong direction. If you think of other recent examples of things that have slowed down economic growth, there's been a lot of hostility to big pharma. I think big pharma has been one of the great innovators and really prolonging, not just economic growth as normally measured, but sort of quality of life, of letting us live longer and healthier than we could in the past. And I think the hostility to big pharma that you see in, say, the Inflation Reduction Act passed during the Biden administration has probably been a step in the wrong direction in terms of promoting research and development.

Michael Klein
So the standard of living is an aggregate measure and it can mask very different ranges of distributions of income. In your opinion, what should a government do towards achieving greater economic equality? And do you see any policy proposals on the table that would achieve that goal?

Gregory Mankiw
Yeah, there's no question that over the past several decades, basically starting roughly in the mid-1970s, we've seen inequality go up quite a bit. And I think that is one of the great challenges of our time. I don't think there's any easy way to deal with this. My own personal preference is to have some sympathy for something like a universal basic income. And that's been talked about among economists for a very long time. And really the idea goes back at least to Milton Friedman's book, *Capitalism and Freedom* where he talks about the negative income tax, which is basically a universal basic income by another name. And so I'm basically sympathetic to that. There's a recent book on this topic by Annie Lowrey called *Give People Money*, which tries to make the case for universal basic income. And I think, from my perspective, if we're worried about inequality, that is much less distortionary and much better targeted than policies like the minimum wage, which is often the policy of choice among some politicians. Now, some people think of this as very pie in the sky. But actually, we've been slowly moving in this direction. So if you think about policies over the past 20 or 30 years, we've seen an expanded EITC, Earned Income Tax Credit. We've seen expanded child tax credits. And these are not exactly universal basic income, but they have the flavor of universal basic income. We're moving in the direction of giving people unconditional money rather than putting in distortionary policies like minimum wages, to help people at the bottom of the economic ladder.

Michael Klein
Yeah, we have stuff on the Earned Income Tax Credit and how effective it is. Do you have any sense if the new administration is in favor of these kinds of social safety net and income promoting programs?

Gregory Mankiw
I would guess not. They haven't talked about it. You know, Joe Biden tried to get in a big expansion of the Child Tax Credit, which he did temporarily. I mean, we had a temporary expansion of the Child Tax Credit.

Michael Klein
During COVID.

Gregory Mankiw
During COIVD, yes. And I think the Biden administration tried to make some of that permanent and they failed politically to get that done. But I was actually sympathetic. That was one of the things the Biden administration did that I was sympathetic to, because it was sort of moving the direction of the Milton Friedman-style negative income tax.

Michael Klein
Another macroeconomic principle that you list is that prices rise when the government prints too much money. In the United States, as in most other countries, the central bank makes the decision about how much money to print. The central bank is not part of the executive, legislative, nor the judicial branch of government, but it stands apart and is given quite a bit of independence. However, Donald Trump has called for greater executive branch influence over the Federal Reserve. What do you think of this?

Gregory Mankiw
I think that's one of the worst ideas that Donald Trump has proposed. I think there's pretty good evidence that independent central banks produce better outcomes. In particular, I'm thinking of a famous paper by my colleague Larry Summers and my late colleague Alberto Alesina they wrote years ago. Monetary policy is very much a technocratic exercise. It's not fundamentally a political exercise, and I think we should turn it over to technocrats. And Donald Trump doesn't believe that. He believes that he's, as president, should have the authority to direct the Federal Reserve whether to raise lower interest rates at his will. That's, I think, really a step in the wrong direction. I think when we've seen countries go through periods of very bad monetary policy, it's often because the fiscal authority is directing the monetary authority to do things that the monetary authority knows they shouldn't be doing. And I think keeping the Fed as independent as possible is important. And remember, this would be a very easy change. The Republicans have control of Congress and the Fed is a creation of Congress so it will not be hard for Congress to change the independence of the Fed, but I think that would be a huge step in the wrong direction.

Michael Klein
Greg, I'd like to conclude by starting this last question with a quote from John Maynard Keynes which I'm sure you're familiar with. Keynes said, “the ideas of economists and political philosophers both when they're right and when they're wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else.” You in your public writing—and of course in your textbooks—and we at Econofact hope to influence debates. But there's a recent New York Times article titled, “Economists Are in the Wilderness. Can They Find a Way Back to Influence?” This article cites economists, many of whom have been guests here on Econofact Chats, like Jason Furman, Karen Dynan, Aaron Sojourner, and Kim Clausing. And the article makes the point that economists' ideas have been discredited and don't get the traction with policymakers or the public that they used to get. This is reflected in the comments that Jason made to Kim at a session at the annual American Economics Association meeting. Jason said, “everyone in this room agrees with your book. No one outside of this room agrees with your book.” Is this a crisis for economic analysis informing policy and for informing the public? And if so, what can economists do about this?

Gregory Mankiw
Yeah, I think this is one of the big questions that the economics profession needs to grapple with going forward. Ultimately, voters get the policy they want. And I've often said to my students, I view our elected leaders as not so much our elected leaders, but rather as our elected followers. And by that, I mean that politicians follow very closely what the public thinks, and they can't depart very far from that. So let me just give you an example. It's not economics. President

Obama, when he was president, hailed the Supreme Court decision that made same-sex marriage the law of the land. And that was, I thought when he did that, I thought that was really quite striking because he had twice run for president opposed to same-sex marriage. So why the switch? Why did he go from opposing same-sex marriage twice when he was running to then applauding it? Well, basically the public opinion changed. If you look at the polling, people used to be opposed to same-sex marriage, then they became in favor of it. And not surprisingly, our elected leaders followed what the public wanted. And I think that's true of economic policy as well. Ultimately, we economists don't need to convince politicians what the right policy is. We need to convince voters what the right policy is. Because once the voters believe us, the politicians will follow suit. And so the question is, how do we economists do that? And I don't think there's any simple way. Let me say that I think those of us who teach economics, especially undergraduate economics, and especially, especially introductory economics, we really are pursuing a very important job of teaching the voters of the…future voters of the world how to think about economic policy. We're giving them a set of tools to think more rationally about economics. So I think one of the most important things I've done is teach introductory economics at Harvard because I'm reaching a lot of future voters. I'm guessing over the years I've taught probably 10,000 introductory economics students, plus, of course, several million through my textbook. So I think that's one of the ways which economists can try to push policy in a better direction is through our teaching. But also economists should spend more time in public outreach. We should spend more time writing op-eds, talking to non-economic groups, just writing articles not just for each other, which we spend a lot of time doing, but writing articles for the general public. And I have wondered whether the university should incentivize us more to do that—reward not only articles published in the American Economic Review, but reward articles being published in your local newspaper. We tend not to do that as a profession and maybe we should do that more. And I should say, by the way, that EconoFact is an absolutely fantastic example of how economists can reach non-economists, and try to move public policy in a better direction. So, Michael, thank you for all you do in this forum.

Michael Klein
Well, thanks for that, Greg. It's been eight years now that we've been running Econofact and it's been really one of the highlights of my career to be able to do this. I've always thought that a democracy depends upon a well-educated public and that was sort of a founding principle of doing EconoFact. And congratulations to you, Greg, for having taught, as you said, probably millions of people through your textbook. And, you know, along with civics, I think a basic understanding of economics is a core requirement for a democracy to be well-functioning. And so thanks very much for speaking with me today, Greg. I always enjoy our conversations and your insights.

Gregory Mankiw
Well, thank you, Michael. You're welcome and I always enjoy it as well.

Michael Klein
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