

The late Henry Wallich (1988) was an economist, central banker, and Yale professor. He served under Eisenhower and was also a prolific columnist for Newsweek. Wallich was well known for his ability to connect with the common American citizen. He was accountable and accessible.

A couple of weeks ago, Yale University hosted a “Panel Discussion on the US Economy - How Do We Create More Jobs” - that caught a lot of us in the ranks of Yale Alumni off guard. It wasn’t so much Yale’s esteemed James Tobin Professor of Economics, John Geanakoplos, suggesting that we “try inflation as a policy” that would have Wallich rolling over in his grave, as it was the glaring level of partisanship on the panel.

To challenge the Yale Economics Department formally to a debate would be challenging the perceived wisdoms of **Big Government Interventions** and Keynesian Economics on their merits – so we will.

The key highlights from the panel, based on our notes, are as follows:

1. **Richard Levin** - opens by saying “we did not stimulate enough”... and goes on to suggest the US government should have acted as boldly as the Chinese did (which is interesting in and of itself, given that China is not a democracy). Levin thinks it’s “simple” - if we had spent even more taxpayer moneys, we’d have been fine. This is the Paul Krugman school of thought. Period.

2. **William Nordhaus** – says the word “occupy” is the wrong word – he thinks it sounds like the “West Bank.” In terms of “substance”, he says “even if they are right”, it won’t work unless they have “well defined policies” (again assuming that all Americans think more policy is the answer to America’s problems, as opposed to less).

Nordhaus, like Levin, thinks Obama is right and we need a “jobs bill times 3” and “need to stop attacking the Federal Reserve.” He states plainly that any other idea is “partisan” (implicating himself as partisan). He addressed trivial points like the Gold Standard saying “give me a break ... come on over to econ 122 and we’ll have a discussion.”

3. **Robert Shiller** – starts by saying “every crisis is an opportunity... I have written 4 books... and now I have 10 minutes to talk”... “I think we should be improving our financial markets by democratizing and humanizing” (through Dodd-Frank type reforms – i.e. more policy)...

On the Jobs Bill (that was filibustered), I’d like to focus on “all the good things that were in that bill... building bridges and highways, hiring teachers and policemen, etc... but it seems to have a budgetary problem... in that it would raise the national debt”... “especially in times like this when we are in near depression - we need a balanced budget multiplier” (a Paul Samuelson theory from the 1940s).

4. **Aleh Tsyvinski** – clearly the outlier – refreshingly younger and more globally oriented in his macro thoughts. What worries him in general is the “short-term focus on today’s crisis” as opposed to focusing on the “longer-term context” of large Keynesian experiments like Japan. “I am afraid we are on the verge of something much bigger and problematic in terms of long-term US economic growth.”

“Part of our employment problem has to do with the failure of policy... the theory of the multiplier effect didn’t work...” Says a lot of what we’re focusing on creating with policy could make the US economy look like Europe – slow growth, higher unemployment. “They put a lot of pressure on politicians to act... but the overall objective should be long-term economic growth.”

5. **John Geanakoplos** – “the occupy wall street movement will be a prelude to bigger riots”... Yale campus was in riots in 1970-1971, “when I was here in 1975, we missed the revolution... but we may have another chance!”

Levin summarized the panel’s ideas as follows: A) short term problem = full employment B) short term problem = housing C) long-term problem = economic growth. And we can solve for all of these with MORE of what didn’t work! Short-term, focus on infrastructure and “double down.” Short-term, focus on mortgage forgiveness. Long-term we need a balanced budget (which you cannot do if you do A and B) and raise taxes.

The Challenge:

We think the last 2 major Growth Slowdowns (2008 and 2011) serve as ample repudiation of Keynesian Economics. Our professors wrongfully argue that the reasons for the slowdowns were rather “not enough” Big Government Intervention, as opposed to “too much” – which the data supports. That said, we think the most transparent and accountable way to have a rebuttal to all of the aforementioned academic dogmas gone bad is to have an open public debate.

Contrary to the partisan method in which you’re being educated, there are multiple schools of thought when it comes to economic policy. Many of them wholeheartedly disagree with the current policies being pursued in New York, Washington D.C. and Brussels.

There are 9 Yale grads on our team who would love an opportunity to explain how some of our undergrad “economics” teachings have failed our country in the real world. We can call the debate “**Practitioners versus Professors**” and we think anyone who’d like to find room to occupy a bi-partisan debate in their thought process will come out smarter having heard both sides.

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