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American Economic Policy in the 1980s



National
Bureau of
Economic
Research

Edited and with an Introductory Essay by
Martin Feldstein

Martin Feldstein

Michael Mussa

Paul A. Volcker □ **James Tobin**

Don Fullerton

Charls E. Walker □ **Russell B. Long**

James M. Poterba

David Stockman □ **Charles Schultze**

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Paul Krugman

Thomas O. Enders □ **William R. Rhodes**

David A. Wise □ **Richard G. Woodbury**

Rudolph Penner

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American Economic Policy in the 1980s



**A National Bureau
of Economic Research
Conference Report**

American Economic Policy in the 1980s

Edited and with an Introductory Essay by

Martin Feldstein



The University of Chicago Press

Chicago and London

MARTIN FELDSTEIN is George F. Baker Professor of Economics at Harvard University and president and chief executive officer of the National Bureau of Economic Research. He was chairman of the Council of Economic Advisers from 1982 to 1984.

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Preface

This book examines the broad range of American economic policy in the 1980s. The eleven scholarly background studies presented trace the evolution of domestic and international policies, including developments in regulation and antitrust as well as monetary, trade, tax, and budget policies. These background papers are complemented by twenty-two personal essays by individuals who held key economic policy positions during those years or, in a few cases, in earlier administrations. I have written a long personal essay that discusses my own perceptions about those areas of economic policy with which I was most actively involved while I was in Washington and as an academic researcher.

The authors of the background papers and the policy officials met together to discuss these issues in Williamsburg, Virginia. A summary of the discussion at the conference also appears in this volume.

My goal in organizing this NBER project was to improve our understanding of how and why economic policy developed as it did in the 1980s and to create an authoritative record that others who study this period will want to consult. Like any study of history, this book discusses a combination of specific facts and general tendencies: the individual events, the personalities, and the critical moments that constitute the historic record as well as the broad evolving trends and intellectual forces that shaped those developments. As part of the analysis, I asked the authors of the background papers to consider explicitly the role that economists and economic ideas played in the policy developments that they studied. I also asked them specifically not to try to assess the effects of those policies or to prescribe directions for future policy.

The personal essays and the discussion remarks of the individuals who held senior policy positions during the 1980s provide an unusual and valuable source of information. They must, however, be read with caution. There is, of course, a natural tendency not to be too critical of one's own record or of the record of one's administration colleagues. But I was also struck by the exces-

sive modesty of several of the participants, who appeared determined to avoid claiming the credit that they deserve for major intellectual and policy changes in the 1980s. Moreover, all the authors who look back in these chapters and essays to the 1980s have the advantage of knowing what followed, and that knowledge no doubt colors our interpretations of the events of the past.

I want to thank the authors of the eleven background papers for their efforts in combining economic analysis with an examination of the historic record that involved venturing beyond the usual methods of economic research to interview officials and former officials about the events of the 1980s. We are all grateful to those officials for their time and candor in contributing to this study.

Those former officials who prepared personal essays and who participated in the Williamsburg conference make this book a unique historic record and made the project an exceptionally interesting one for all the participants.

I am particularly indebted to my colleague Douglas Elmendorf for his help with this volume. He prepared the excellent record of the conference discussion in a way that captures both the substance of the issues and the very lively style of the meeting. He was assisted in this by Sheri Bittenbender, Karen Dynan, and Gina Raimondo. He was also responsible for all aspects of the preparation of the book itself.

My thanks go also to several people who provided helpful comments on my own essay: Geoffrey Carliner, Douglas Elmendorf, Kathleen Feldstein, Larry Lindsey, and James Poterba.

The Mellon Foundation provided financial support for this project. I am grateful to Jack Sawyer, former president of the Mellon Foundation, for encouraging and funding a series of NBER projects that have brought together academic economists and individuals who have played leading roles in government and business. The first of those projects, published in 1980 by the University of Chicago Press as *The American Economy in Transition*, established a style of research that has been repeated successfully in a number of areas since then.

As part of the current project on the political economy of the 1980s, I asked Alberto Alesina to organize an NBER project in which political scientists examined the forces influencing economic policy during that decade. The papers prepared in that project have been published in *Politics and Economics in the Eighties*, edited by Alberto Alesina and Geoffrey Carliner (University of Chicago Press, 1991).

I am also pleased to thank several members of the NBER staff for their assistance in the planning and execution of the meetings and in the preparation of these volumes, in particular Kirsten Foss Davis, Ilana Hardesty, Mark FitzPatrick, Norma MacKenzie, and Carolyn Terry.

This project has been particularly important to me both intellectually and personally. I am grateful to all those who participated and who helped bring it to a successful completion.

Martin Feldstein