



## Lessons Learned Oral History Project Interview

<b>Interviewee Name and Crisis Position</b>	Jason Furman <sup>1</sup> Deputy Director, National Economic Council
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### **Introduction:**

The Yale Program on Financial Stability (YPFS) contacted Jason Furman by email to request an interview regarding his time advising the presidential election campaign of Senator Barack Obama and his subsequent role as a top economic advisor to President Obama during and in the aftermath of the financial crisis of 2007-09.<sup>2</sup>

Furman, who had served at both the Council of Economic Advisers and National Economic Council during the Clinton administration, played a key role in most of Obama's major economic policies. He served as Chairman of the Council of Economic Advisers from August 2013 to January 2017, acting as both President Obama's chief economist and a member of the cabinet. He is currently Professor of the Practice of Economic Policy jointly at Harvard Kennedy School (HKS) and the Department of Economics at Harvard University and nonresident senior fellow at the Peterson Institute for International Economics.

***[This transcript of a telephone interview has been edited for accuracy and clarity.]***

### **Transcript:**

**YPFS:** We're recording now. If you have any caveats or disclosures you need to make, this will be a good time before we get started.

**Furman:** These opinions are my own opinions.

**YPFS:** This being an oral history, why don't we start with a little narrative? I understand you were advising the campaign of Barack Obama before he became president. When did you join the Obama team?

**Furman:** I was in touch with and (in) communication with a number of people on the Obama campaign during the primary. In the context of the campaign, I first met then Senator Obama right after he secured the Democratic nomination in June of 2008. I flew out to Chicago. I spent about half an hour talking to him.

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<sup>1</sup> The opinions expressed during this interview are those of Mr. Furman, and not those any of the institutions for which the interview subject is affiliated.

<sup>2</sup> A stylized summary of the key observations and insights gleamed from this interview with Mr. Fuman is available in the Yale Program on Financial Stability's *Journal of Financial Crises*.

He offered me the job of economic policy director for the campaign and I started that job basically right after the interview ended.

**YPFS:** **(Were) the housing bubble and the possible market implosion discussed at all? When did it become clear that this recession was happening, and it might not be just your typical cyclical recession?**

Furman: (Obama) had given a speech in February of 2008 that focused on the financial crisis aspects of what we were going into. He had put out a stimulus plan then and started increasingly to emphasize what needed to be done, both in the short run to deal with the financial crisis, but also in the long run to prevent another financial crisis from happening again.

**YPFS:** **And how did those proposals evolve?**

Furman: [The Obama campaign] had one proposal in January, February. Congress passed something very much like it, came out with another one over the summer, made it bigger in the fall, made bigger again in the (post-election) transition and bigger again when it actually passed Congress. And basically, the scale of the problem kept growing and the scale of what one could imagine as a solution kept growing.

**YPFS:** **September 2008, when the Lehman situation went into crisis mode and the market crashed, what was going on in the Obama camp at the time? Both candidates, Obama and McCain were called in to the White House for briefings. What was that process like when you started to notice this is really affecting a much wider swath of the economy?**

Furman: President Obama, then Senator Obama, had a longstanding daily conference call with his top campaign officials. This happened throughout the campaign. Usually it was for issues like what state did he want to move into, what state did he want to move out? Should he launch a negative ad? How should he respond to what McCain said? I had not been on those calls. Starting in September I got added to that daily call.

Pretty much on the agenda for every call was: what is going on in the financial crisis? What needs to be done about it? What can we do actually to help the economy in the short run, to help support TARP passing, to put out constructive ideas, not to make it more difficult for people like Hank Paulson that were solving it? And then once we were done with that discussion, I would be quiet and they would go on to talk about something like should they run more ads in Arizona, or some question like that.

Obama had several calls with me. I organized groups of outside experts for him to talk to. He himself reached out to a lot of people that he knew and trusted on the topic and spoke regularly to Paulson and somewhat regularly to Bernanke, as well.

**YPFS:** **Obama took office in January mid-crisis. That transition was just another level of difficulty to addressing the crisis. How did he cope with those multiple priorities all coming in the first 100 days, which are so critical to an administration?**

**Furman:** The biggest question was to what degree did we want to stick with one president to the time--President Bush gets to make all the choices until January 20th, and after that Obama makes the choices--and to what degree did Obama and his team want to start being involved in decisions immediately? Because they were decisions that he was elected to make, and that would affect the economy throughout his time as president.

By and large, we took the stance that it was one president at a time. That the Bush people had access to all the resources. That he was constitutionally, the president, and they were his decisions to make. We did have increasingly collaborative discussions with the outgoing Bush team. They were outstanding in that regard. We certainly communicated closely on things like the auto rescue and the like. But really, we were preparing what we would do after January 20th, as opposed to trying to tell the Bush team what they should do when they were still legally and constitutionally in office.

**YPFS:** **So, was there continuity in policy, or did you push forward with your own proposals that were different from the ones that Bush had been advocating before?**

**Furman:** It was a combination of continuity and change. When it came to the Recovery Act and fiscal policy, which I worked most closely on, that was in some sense a complete change. I am not saying he would have been against fiscal policy, (but) President Bush, because he was leaving office, did not have a fiscal policy proposal. So, there was nothing there that we were continuing. It was something brand new. The financial rescue had Tim Geithner, who was one of the key people under Bush at the New York Fed and became one of the key people for Obama at the treasury. So, on the financial rescue, there was more continuity. But even there, just so many things where new problems (that) needed new solutions, new policies, that there was an awful lot that was new, that happened after Obama came in.

**YPFS:** **You mentioned the Recovery Act [ that Obama] signed in mid-February. Was some of that done during that transition period? And did the Recovery Act that Bush had pushed through a year earlier inform any of the discussions on the Recovery Act that Obama signed?**

**Furman:** The one earlier I thought was the right one at the time, based on what was known at the time. I think President Bush acted very quickly and very well in that fiscal plan, but the problem was much bigger than people understood at

the time. And as a result, it did not provide that much guidance or help, when we were trying to do something five to 10 times the size a year later.

We started working on stimulus plans right after the election. We met with President-elect Obama multiple times. The most important meeting was on December 16th in Chicago with the full economic and political teams. And we started meeting with congressional staff and members of Congress immediately after that meeting to draft the legislation. The new Congress, which was overwhelmingly Democratic, was sworn in before the president was, in early January, so the transition team worked closely with them on the legislation. It was already decently far along by the time Obama was inaugurated on January 20th.

**YPFS: The Recovery Act was originally envisioned as something of a bigger effort, including healthcare and measures to help homeowners and energy. Then the initial crisis seemed to abate and programs like the Affordable Care Act eventually went to Congress and the cooperation did not come quite so easily. How did the administration adapt then? Was there an effort to piece the Recovery Act into smaller portions that could be more easily sold to Congress and to the public?**

Furman: After the Recovery Act, in terms of fiscal policy, cutting taxes or raising spending, we took an opportunistic approach. Which is to say any opportunity we had for more fiscal stimulus; we took it. We proposed a few other large measures. We proposed one in September of 2009. We included one in our budget in February 2010. We had another big announcement in September 2011. That one was called the American Jobs Act. None of those big pieces of legislation passed.

But what did happen is, for example: There was a federal aviation authority reauthorization. We attached more money. My memory might be wrong, but I think that we attached money to help relieve state budgets when it came to teachers and healthcare. There was a defense reauthorization bill. We attached to that, I do not remember for sure, I think it might have been the Cash for Clunkers program. There was a tax debate the next year, we put more stimulus measures in that, in that case, a payroll tax cut.

So, we basically tried to add stimulus wherever we could and spread it out. We would have loved to have done one bigger bill or multiple more big bills. Congress would not do that. So, we did what we could and that worked out to be spreading it out.

**YPFS: It sounds like you had to confront the realities of politics versus policy in dealing with the public and the Congress.**

Furman: We certainly had a lot of reality of politics, throughout our eight years.

**YPFS:** Although it sounds also like there was some continuity in the appointment of people like Tim Geithner to Treasury, that may have been useful in terms of the fiscal policy and the monetary policy working with the politics.

**Furman:** Yes. There was both continuity and change. It also just depended, because in addition to dealing with the crisis, President Obama continued to move forward on the agenda that he was elected to do: Healthcare, climate change and the like. So, we were simultaneously moving as fast as we could and as aggressively as we could in those areas, while dealing with the crisis. And many of those areas were very different from the policies pursued in the previous administration.

**YPFS:** The politics had another aspect as well, which was the public response to things like the auto bailout, like the TARP, everything that got tagged as a bailout. Was there any concern about the optics of efforts like TARP?

**Furman:** No one thanked Obama for rescuing the economy. Much of what he did was not popular. He knew that going into it. His focus was on doing what was right, not what was popular. In some cases, it was popular to place more constraints on bailout funds, but also it meant they would be less useful in rescuing the economy. And so, there was a tension between those two.

Could we have done more popular things? Housing wasn't that popular. A lot of people reacted very negatively to helping homeowners, because they thought it was helping undeserving homeowners and people whose fault it was. So, for many people, we did too much for homeowners. For some people, we did too little.

I do not think there was any winning a popularity contest. I do not think that is what he should have tried to do. I do not think that is what he was trying to do. I think you are doing what was right and seeing how it shakes out. That was the approach, appropriately so.

**YPFS:** Some other people have said when the bank bill went to the Hill, they knew nobody was going to like it and everyone's going to have to vote for it anyway, because otherwise the economy would collapse. And then we had a recovery that felt like a grind and a slog getting out of a recession. Did it have to be that way? Or again in hindsight, could there have been some other policies or other stimulus?

**Furman:** First of all, there should have been more stimulus. We pushed for more stimulus. We tried hard to get more stimulus and Congress would not pass it. So, no disagreements at all, that more should have happened, that more could have happened. We got through as much as we could.

Even with the insufficient fiscal stimulus, which we fully understand where that stood at the time, it was the case that the recovery from that financial crisis was faster than the recovery from most previous financial crises. It was faster than what many other countries experienced. So, I think we did well, even with the imperfect hand that Congress dealt us.

**YPFS:** **Well, speaking of that imperfect hand, it seems like there was a bit of a dialogue between fiscal stimulus versus consumer stimulus, tax cuts versus stimulus payments. Was there a winner in that debate? Were the tax cuts unnecessary?**

**Furman:** I think there's been pretty good academic evidence on some of the aspects of stimulus, including unemployment insurance and Making Work Pay tax credit, the tax incentives for businesses and some of the assistance to states. I think all of those have done well in the evidence. I think as a general matter, having a broader portfolio in your approach--partly because you're uncertain, partly because you have different needs--makes sense, rather than deciding any one policy is the one right answer. Going forward, I do not think economists unfortunately have a great answer as to what is the very best fiscal stimulus and what has the highest bang for the buck. But I think we know that there is a lot of different things to do, and it is probably worth doing a lot of the different ones.

**YPFS:** **Were there any policies or any stimulus that was left on the table, did not get passed, that you particularly regret not seeing done?**

**Furman:** The biggest thing I regret is not doing more of what we did already, especially things at the state and local level. My second biggest regret was that we did not make them permanent automatic stabilizers. I wish we had done something like as long as the unemployment rate is above 8%, we are automatically going to continue to have these various fiscal measures. Instead they all expired. So, those are my two biggest regrets.

In terms of the specifics, we had some interesting ideas that ended up on the cutting room table, that I think are worth considering in the future. Perhaps my favorite was giving states money to pay for them to cut their sales taxes to zero for temporary period of time. The idea being to encourage consumption and spending.

**YPFS:** **A lot of the debates that we heard in 2008, 2009 are getting a new life again in light of the COVID pandemic. What is your take on the government's response to COVID-19 so far?**

**Furman:** I thought the CARES Act was very large, very timely. It showed that the most important lessons from 2009, that many of the important lessons from 2009, were learned. It was not perfect. I would have done things a bit differently.

But there, two incredibly important lessons were not learned, unfortunately, and as a result, the responses suffered. The first is that if you do things at the federal level and you do not help states, that states will contract and undo some of what you did on the federal level. We have seen that happening. And the second is that it's really important to make sure that you don't just do the right thing up front, but you continue, and you stay at it as long as necessary. The policy response, the CARES Act, is now over and it has not been replaced and that hole is very costly.

**YPFS:**      **You mentioned before the desire to make some of the measures permanent in 200[9?]. Had they been made permanent, could they have either prevented or cushioned the blow of this pandemic?**

Furman:      I think it would have helped. I do not think there is anything we could have pre-specified or envisioned in 2008 that could possibly have dealt with the massive, massive shock that we saw in COVID. But I think it would have helped had it been in place.

**YPFS:**      **So, rounding out things, if you were to write a memo to your younger self to read before you joined the Obama campaign, what would be your top line points about the crisis?**

Furman:      Be as big and bold as you can be. You are not going to regret having done too much.

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