

## SPEECH IN HONOR OF HARVEY ROSEN FOR RECEIVING THE DAN HOLLAND MEDAL

*Ted Gayer, Department of the Treasury and Georgetown University*

**B**ILLGENTRY THOUGHT I WOULD BE WELL SUITED to talk about Harvey's experience at the Council of Economic Advisers (CEA) and about Harvey as a textbook author. I worked with Harvey as a senior economist at CEA when he was a Member, and I coauthored the most recent edition of his *Public Finance* textbook.

When I think about both of these roles for Harvey, what's striking to me is that Harvey is first and foremost a teacher. This isn't surprising in the context of a textbook author, because textbook writing is a form of teaching, so you would expect a strong correlation between teaching ability and success in the textbook market.

The more surprising point is that Harvey was an effective, highly respected policy advisor at CEA *because* he is a terrific teacher. I've now spent a few years on leave in government – first at CEA and now at Treasury. In order to justify each leave of absence to my Dean, I make the standard – yet truthful – pitch that working in government will make me a more effective teacher, especially for my public policy students. But what I've noticed about Harvey – and that at one point I would not have believed to be true – is that it works the other way around: being a good teacher makes one much more effective in the policy world.

My guess is that every one of us can think of one or two teachers who made a strong positive contribution to our lives. I would bet that there are many Princeton graduates who place Harvey on this short list of their most influential teachers. This really struck me when I noticed how students who long ago graduated from Princeton would meet with Harvey when he was in D.C. I was humbled by the thought that I would be hard-pressed to think of former students of mine who would look me up in a different city many years after taking my class.

For me, the real source of my fondness for Harvey is that he is on my short list of teachers that have positively influenced me, which is even more remarkable because I never took a class with him and because I met him for the first time when I was in my 30s. (I should point out, however, that I

had been learning from Harvey for years because I had studied from and taught from his textbook for nearly a decade before meeting him.)

I'd like to share some lessons I learned from Harvey while working with him at CEA:

### **Lesson #1: BE APPROACHABLE**

My first interaction with Harvey was when I accepted the CEA position and had just learned that he would be the new CEA Member. We exchanged introductory e-mails and talked about real estate options for him in D.C. Our e-mails quickly turned into exchanging jokes about setting him up in the parts of town known for partying and youthful indiscretions. I have, unfortunately, lost the e-mails, but I recall self-effacing jokes by Harvey about the comic image of him as a partying tax economist. This is lesson #1 about Harvey as teacher: I was familiar with (and intimidated by) his impressive vita, but my first personal impression of him was that he is eminently approachable. I should point out that this character trait makes him a great coauthor. We must have shared hundreds of e-mails while working on the textbook. These e-mails were on substantive issues both big and small, and they regularly included personal updates on weather, family, classes, and life in general – amounting to just the right combination of work and socializing.

### **Lesson #2: BEING APPROACHABLE DOESN'T MEAN YOU'RE A PUSHOVER**

My second interaction with Harvey was in person when we both first arrived at CEA. We continued our friendly banter and he took time to just chat with me. I remember talking to my wife after my first day, saying that Harvey was a terrific guy and would be great to work under; however, I thought his amiable demeanor would mean he would be eaten alive in interagency policy debates. Even though I had been involved in government for only a day at that point, I just assumed that nice people get ignored. I quickly realized that I was mistaken.

This really is an empty lesson, because it doesn't address how one can be nice and not get rolled over. I spent the rest of the year (and ever since) trying to figure this out. In the aggressive world of high-level policy making, how can someone be effective when some others are eager to bloody their knuckles to get what they want? I'm still not sure, but the remaining lessons might shed some light.

### **Lesson #3: Never Forget First Principles**

It's remarkable how many policy discussions really come down to the first principles of economics. Economics is easy in the sense that most of what one needs to know is captured with a few conceptual tools. However, it's clearly a difficult subject that many fail to grasp. Greg Mankiw captured this same point when he wrote years ago about Harvey as his first economics mentor. Greg wrote about Harvey's principles of microeconomics class: "Harvey was an excellent teacher. I remember finding the material easy and, at the same time, feeling that I was learning a tremendous amount. Each lecture was filled with insights that were novel, profound, and so stunningly obvious that it seemed I should have known them all my life. But, of course, I didn't." Incidentally, Greg also says of his time working as Harvey's research assistant, that "To this day, I have never learned so much in so short a period of time."

The usefulness of economic first principles might not surprise anyone here when thinking about issues such as price controls in energy markets or the difference between statutory and economic tax incidence. I think most any economist sitting at CEA can recognize the textbook cases when they come across his or her desk. But it gets real interesting when you're asked to form opinions on more eclectic topics, such as the role of government sponsored enterprises, or even better the optimal regulatory approach to mad cow disease – two of the many issues that Harvey dealt with while at CEA. Harvey is able to bring seemingly complex or esoteric issues down to first principles. Doing so brings a clear approach to the issue at hand and serves as a powerful force when discussing policy options with other advisors or with elected officials. This lessons ties in with lesson #4.

### **Lesson #4: Use Simple Language**

The principles of economics can and should be expressed clearly, both when debating policy and when writing a textbook. I suspect that many

economists and non-economists use obscure language in order to disguise that they're not really saying much. Harvey can engage in a policy debate by clearly explaining how the topic fits within economic first principles. Economists and non-economists alike can follow the power of the reasoning, rather than dismissing his opinion as the musings of an opaque academic. A corollary to the "use simple language" lesson is the "less is more" lesson. An effective teacher – whether in the classroom, or as a textbook writer, or serving as an advisor – is able to shepherd the listener to the point of discovery without directly providing the answer.

### **Lesson #5: "When Bad Things Happen to Good People"<sup>1</sup>**

Most people in government fight fairly. That is, they welcome opposing views and welcome a reasoned debate to resolve differences. Unfortunately, some people don't fight fairly, and instead undermine the policy review process in order to exclude opposing opinions. (I can name names, but I won't.) Now, I tend to have an excitable disposition. So the few times that I suspected a process foul, I would get very worked up to the point of distraction. This is probably what I admired most about Harvey. I would approach him in a semi-frantic state about one of these problems and would leave his office a few minutes later feeling very calm and with a simple plan to resolve the situation. Perhaps for this lesson Harvey is not such a great teacher (or, more likely, I'm a lousy student), because I can't clearly describe what he does to diffuse tense situations. I think his approach is to bring transparency to the situation, and to do so in a gentle, fair, and respectful enough way that the transgressor feels humbled without feeling accused. I'm definitely still working on this lesson.

One miscellaneous characteristic that isn't really a lesson: I think Harvey has a subversive streak, which made working for him at CEA quite enjoyable. Every economist in this room has probably been in a discussion with a non-economist (in my case this tends to be my wife), where you find yourself trying to convince the other person that adopting the economists' view doesn't make you a heartless bastard. For example, I've tried to explain to my wife why scalping tickets is welfare improving or why recycling glass is bad for the environment. I've even tried arguing that a market for organs can save more lives. (I should point

out that I have learned *not* to use an opportunity cost argument to get out of household chores.) Of course, within the policy world, many of the non-economists (especially the elected ones) take a jaundiced view of these heartless economic arguments, so we economists are sometimes limited in what we can actively promote. But Harvey can use his calm delivery to effectively advocate for these causes, even if they are frequently lost causes. I suspect that his subversive streak relishes getting the point across. I admit I'm being deliberately vague, but to take just one example, the Economic Report of the President in 2004 has a nice energy policy textbox innocuously called "Market Responses to Unexpected Shortages." It's subversive, hidden title is really "the virtues of price gouging." I'll withhold other examples.

My final word is one of gratitude to Harvey. As I said before, it's very rare for someone to gain an influential teacher in one's adult life. So I feel very fortunate for the opportunity I've had to work with Harvey at CEA and on the textbook. Thanks, Harvey, and congratulations on winning the Dan Holland Medal.

**Note**

<sup>1</sup> In reference to the book by Kushner (1981).

**Reference**

Kushner, Harold S. *When Bad Things Happen to Good People*. New York: Avon Books, 1981.