Twitter Thread by Reed Hundt

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1/Zach has the history right (again). I doubt the current political leadership read the book where Summers et al explained what they did, unless they look at borrowed copies. Here it is: https://t.co/4gyFiagaj3

2/ But the summary is that Summers, Geithner, Orszag, Emanuel agreed on telling Obama and Biden in December 2008 that about $800b was an adequate stimulus. Would lower unemployment just below 8% by late 2010. Romer thought $2.1T or $1.7T was needed to achieve full employment.

3/ They wouldn't let her make the case in writing for $1.2T because her number could leak. The reasons for $800b were: they wanted the bill passed by February, so they could move on to health care reform and cap and trade; they had no ways to spend more;

4/ spending more might kick off inflation or cause markets to fall for fear of inflation; that might lead to more bank runs; more bank runs might require a second TARP so they couldn't ask Congress for too much for recovery; Pelosi would give them whatever they asked

5/ for but they didn't think they could get the needed 1 or 2 R Senators quickly if they asked for more; they wanted 60 but had only 58 D Senators; popular "moonshots" or signature items in the package would take too long (Biden asked for that);

6/ building big (infrastructure) was mostly ruled out on grounds economy would have recovered before projects could get underway; if $800 was not enough they could always go back to Congress to get more; there couldn't be tax cuts to attract Rs; Emanuel lowered

7/ the number to $675-$775 because Senate would drive it up (that didn't happen); to get more money they would have tell American people how bad things were but they didn't want to harm confidence.

8/ But their assumptions about the economy in the future were wrong; not the long term future but actually December 08 - February 09 data showed that $800b would not drop unemployment rate below 8% by the

9/ midterms in 2010. In early January the data gave a chance to rethink stimulus size; not taken. Rate hit 10%. The Ds lost majority in House in 2010, effectively crippling Obama legislative agenda for next six years. Thanks to Geithner's real

cunning, banks quickly recovered.

10/ But private sector investment fell far below savings for the decade. Krugman in 2017 calculated that the investment shortfall for Obama era was $7 trillion. For example, a $1 trillion infrastructure bill causing $6 trillion in private spending by now would have

11/USA leading world in carbon to clean transition, robust affordable broadband and public health, etc. Historian F. W. Maitland wrote: "We should always be aware that what now lies in the past once lay in the future."

12/ The reason I did four dozen interviews of the actors in winter of 2008-9 was not to blame them with benefit of hindsight. In fact, when I did the interviews the worst of the results was far from imaginable, that being Trump. My goal was to record what was decided and why

13/ so one could examine record for learnings about what to do in next crisis. That is where we are. Joe Biden and his team appear to have learned what needed learning from the past. Especially Jared Bernstein has clearly decided things should be done differently now. Godspeed!