



Obama Picks Krueger as Economic Council Chairman

President Obama has nominated Princeton University's Alan Krueger (left) for Chairman of the White House Council of Economic Advisers (CEA), and if approved by the Senate, Krueger, a labor economist and the Treasury Department's former chief economist, will replace Austan Goolsbee. "I am very pleased to appoint Alan and I look forward to working with him," Obama stated, shifting his eyes between two flat-screen teleprompters during a statement on Monday. "I have nothing but confidence in Alan as he takes on this important role as one of the leaders of my economic team."



Supporters of the Presidents appointment regard Krueger as one of the nations leading labor economists, an "expert" who has studied every facet of the economic landscape, with unparalleled expertise in the fields of education, unemployment, and the minimum wage. "With 25 million people unemployed, its fitting and appropriate that one of the countrys preeminent labor economists heads the CEA," [asserted](#) Robert Reich, a Labor Secretary in the Clinton administration.

Conservative congressional Republicans will likely protest the nomination, as Kreugers record suggests a government-intensive approach to economic recovery an approach they believe will inevitably lead to another fiscal stimulus. But liberal economists such as Reich praise the Presidents appointment, while emphasizing that swift government action must trump political stature and appeasement. "This is the worst labor market since the Great Depression. Its time for bold action, and the president needs to know what must be done regardless of political feasibility," Reich advised.

The Presidents announcement comes at a delicate time for the economy, as Obama prepares to launch a new economic program intended to tame the 9.1-percent unemployment rate. "As one of this country's leading economists, Alan has been a key voice on a vast array of economic issues for more than two decades," Obama said in a statement. "Alan understands the difficult challenges our country faces, and I have confidence that he will help us meet those challenges as one of the leaders on my economic team."

The *Wall Street Journal* [offered](#) a brief outline of Kreugers economic background:

The work he has done in academia ranges from attempts to explain why job growth wasn't stronger during the 2000s, to findings that increases in the minimum wage don't depress employment, to a work showing that terrorists often come from middle-class and often college-educated backgrounds.

While at Treasury, Mr. Krueger worked on analyses of a variety of programs, including tax incentives to encourage employers to hire the employed, the "cash for clunkers" initiative to jump-start auto purchases and Build America taxable municipal bonds.

Treasury Secretary Timothy Geithner praised Kruegers academic stature, saying, "Given his expertise



Written by [Brian Koenig](#) on August 30, 2011

in labor economics, he is precisely the right choice to lead the CEA at this moment in history.” Martin Feldstein, CEA Chairman during the Reagan administration, echoed Geithners remarks: “His experience at the Treasury will give him a running start in his new job. Alan is an expert in labor-market problems, taxation and the economics of terrorism. I hope the president listens to him.”

But Alan Kruegers economic ideology may cause some concern from both sides of the political aisle though much more from conservatives two items in particular being his contrarian stance on minimum wage and questionable views on unemployment benefits. His views on minimum wage, where he claims his most notable achievement, are fairly conclusive, as he [co-authored](#) a paper and book, *Myth and Measurement: The New Economics of Minimum Wage*, which in his view “debunked” the conventional economic wisdom that increasing the minimum wage decreases employment. In this area of the U.S. economy, his views are undoubtedly of a liberal-leaning nature.

However, Kruegers perception of unemployment benefits could lean more to the conservative side of the political spectrum, and may create friction with Obamas ambition to extend unemployment benefits, an issue which will likely be integral to the President’s new jobs initiative he plans to introduce early next month.

According to Lachlan Markay, in a provocative piece on The Heritage Foundations blog, Kreuger co-authored a paper for the *Handbook of Public Economics* in 2002 which concluded that unemployment benefits tend to increase the length of unemployment, as they prevent people who are unemployed from searching for a new job. Kreugers analysis found that job seekers who were ineligible for benefits searched harder for a job and therefore found employment more quickly than individuals receiving unemployment benefits.

“The empirical work on unemployment insurance (UI) and workers compensation (WC) insurance finds that the programs tend to increase the length of time employees spend out of work,” the paper states. Further, Kreugers examination of others work on the subject deduced that “the main labor supply effect of UI is to lengthen unemployment spells.”

If Kreuger does indeed still accredit his research, his view on this particular subject is certain to clash with those of most members of the Obama administration. Markay continued,

The president and his political allies have called for an unemployment benefit extension as a form of economic stimulus. Obama recently claimed that such an extension will “put money in peoples pockets and more customers in stores.” White House Press Secretary Jay Carney claimed that an extension of unemployment benefits could create up to a million jobs.

Liberal economic theory holds that additional government handouts will stimulate consumer demand, create economic activity, and therefore lead to greater employment as businesses take in more revenue. While Krueger did not examine the direct effect of unemployment benefits on economic growth, the 2002 NBER paper did conclude that such benefits do not alleviate, and may very well exacerbate unemployment.

Markays findings are provocative and they breed some profound questions: Did Obama slack on his research for his CEA nomination or has Krueger assured the President he will not meddle in this area of the economy? Or is Kreugers overall pro-government ideology enough for Obama to discount this rift in economic policy?

After all, the issue of unemployment benefits is dear to the Presidents economic vision.



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