

## Remarks at The Dalton School's Commencement Ceremony for the Class of 2015

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*As prepared for delivery*

Congratulations Class of 2015! Head of School Stein, Director Waller, thank you for the honor of addressing Dalton's latest graduates, their teachers, their families and friends.

Graduates, you certainly are an amazing group. Your number includes a Presidential scholar, students who excel in the arts and sciences, future participants in Division I and III athletics, and more. You launched weather balloons, wrote your own novellas and albums, invented your own languages, and hiked the Appalachian Trail. You engaged with your community on everything from advancing diversity to reforming our criminal justice system. All of which is humbling compared to my main memory of senior year—convincing the school to let me out of gym so that I could pursue an independent study in juggling.

But soon-to-be fellow alumni, I have bad news for you: it does not get much better than this. No educational institution may exceed the learning and growing experiences you have had with teachers and friends at Dalton. I still use mathematical concepts that Mr. Sturm taught me in tenth grade. I still love authors that Mr. Bender introduced me to in eleventh grade. And I still ponder some of the deepest questions that I had a chance to discuss with Dr. de Zengotita as a senior.

And I know that Dalton has been transformed for the better in the years since I left. When I graduated, to the best of my recollection only one other member of my class lived below 14<sup>th</sup> Street. Virtually the only people who came to Dalton from Brooklyn and Queens were grandparents on graduation day. Today, Dalton does a much better job of drawing students from all over New York, from all walks of life, and from all backgrounds.

I am afraid that my role today is to offer to the class of 2015 something you might have an overabundance of: advice. As Chairman of the President's Council of Economic Advisers, my core responsibility is providing advice to the President on a wide range of topics—from tax reform to the minimum wage to patent policies to the situation in Greece. In considering what advice I would offer you today, I thought about what kind of guidance I was seeking when I sat in your seat 27 years ago. And the answer to that question is no guidance at all.

I knew, way back then that I would go to college, study physics, and become a professor in that field. As you know, economists' powers of prediction are notoriously imperfect.

My life took a different direction. My interest in math and science combined with the instinct that Dalton bred in me—to “go forth unafraid” and find ways to contribute as a citizen— led me

to a career in policy-oriented economics. But the line was not at all straight, and in retrospect, much of my life path has been marked by my own failure to predict what came next.

To give a particularly mundane example—and impart some concrete advice in the process—if you are only planning to live somewhere for two years, you are generally better off renting than buying. When my family moved to Washington in 2007, we were planning to be there for two years, so we rented. Just after I finish giving this address and have a third child, my family will be moving into our fourth rental. Had I known that I would be on track to becoming one of the people who would be turning over the White House keys in 2017, we would have bought a house and been better off. But life is like that.

So why listen to advice from an economist who makes such elementary mistakes? Part of the answer is that I just admitted this error. Perhaps the least interesting part of economics is being asked to predict what will happen to the stock market over the next week or the economy over the next year. The best economic forecasters do have better track records on many of these questions than purely uninformed guesses, but they too are more often wrong than right. And good economists admit and understand this.

I was not one of the handful of economists who predicted the financial crisis in 2007-2009. And it may be impolitic to admit it, but I do not view that as a huge failing for me or the profession, and certainly not one to be rectified by predicting ten of the next four crises. But I did support fiscal expansion to combat the weakening economy in early 2008 and have been a long-time advocate of policies that automatically help to counteract the inevitable ups and downs of the economy. We do not fault doctors for failing to predict car accidents, but we expect them to know how to treat the casualties. And we cannot prevent all car accidents either, but we can minimize the chances that they happen.

Recognizing and coming to terms with uncertainty is essential. Economists have studied decision-making with incomplete information for over a century and, more recently, have focused on how we can make the best choices often in the face of biases and psychological shortcuts that frequently shape our decision-making.

One lesson from economics is that uncertainty can be mitigated—and education is one of the best ways to do that. I still use math I learned at Dalton and write papers in the style I developed at Dalton.

But what I think is most important about school is the way in which it can challenge our preconceptions, shake our confidence, and help us to better appreciate our own uncertainty.

In school you are assigned a paper topic or a problem set and then you have to go explore. In the course of this exploration, your teachers may question your methodology and other students may challenge the premises of your work. This process can be painful, but if taken in stride it sharpens your thinking and helps you develop constructive answers to real problems.

Too often in life we start out with the answer and go off to find reasons that it must be true. Public policy especially risks falling into the trap of a poorly-coached team sport, where you may

be called on to advance the ball for your team without understanding whether or not it truly advances your team's broader objectives.

Benjamin Franklin wrote, "Our critics are our friends, for they show us our flaws." In Washington, it turns out, we have lots of friends!

This can be a challenge. Any White House is subjected to incessant and often baseless criticisms. The instinct, correctly, is to rebut false arguments and get the truth out—it would be a waste of time to take seriously the claims that the President was born in Kenya.

But sometimes the critics are right. I try to take them seriously, whether their criticism is coming from the left, the right, or the center. Sometimes they change our minds; sometimes they change theirs; and sometimes neither happens. But in any circumstance, engaging with our critics helps us understand the scope of our uncertainty, refine our thinking, and advance the process of truth seeking.

This does not mean that both sides are equally right, that a plague should fall on both houses, or that the truth is found at the carefully measured mid-point between two extremes. It means we should all stay smart by keeping our minds and our eyes open. Avoid the traps of orthodoxies and unthinking assumptions. Do not outsource your thinking to one side, the other extreme, or some algorithm that combines the two.

Not every question is resolvable by more data or a better theory. Many of our strongest beliefs stem from more fundamental values: values which, while also worth subjecting to self-criticism, are not amenable to the same types of evidence.

For example, if you support marriage equality, it is probably not because you were convinced by an academic study about its effects on the economy, crime rates, or global warming. Nor would you change your mind if someone (bizarrely and implausibly) found convincing evidence of negative consequences in any of these dimensions.

But most questions are tougher than marriage equality, or at least they feel much tougher to me. We certainly bring our values to economic debates. For example, some people believe that significant earnings disparities are inherently unfair, while others believe that taking away what people earned for themselves is unfair. But these values rarely provide specific guidance to any particular policy questions we have. For example, when thinking about a change in the top tax rate, we need not just our values, but also the answers to empirically testable questions like how much top earners respond to higher tax rates and what the consequences are for middle-class families.

Economists are divided on many of these empirical questions but at least largely agree on the way in which they can be solved and hopefully that process will lead to better understandings over time.

I wish this was all that it took. But when the President makes a decision, he needs to know not only what economics would recommend, but he needs to know the vote count as well. The best

policy proposal will not create any jobs if it does not pass Congress. The President also needs to know how best to communicate the benefits of a policy and to work with different groups to advance it to completion.

Economics—or any discipline—is much messier in the real world than in the textbooks you have studied and will study. If you want to combat climate change, a pure economic approach would suggest one policy and a pure political approach would suggest another. The challenge is to find the best policy that can actually be implemented. This is where the real world gets interesting and potentially even harder than your classes.

My work—both in government and in economics more broadly—is based on the premise that better understanding will help make a better world. And it is no coincidence that the Dalton School is built around the same premise. So graduates, as you go forth make sure that you are always seeking to better understand the world and notwithstanding our motto, go forth at least a bit afraid that you may be wrong.

Best wishes to all of you, the families who supported you, and the faculty who made your education and mine so invaluable.

Congratulations again to you all!