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## **Professor Ahab - Paul Krugman's destructive and self-destructive quest for the great white stimulus**

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The occupational hazards of opinion journalism include certain intellectual and moral bad habits: Logical fallacies offer tempting shortcuts through difficult arguments. Blind spots for procedural abuses suddenly afflict us when it's our guys making the rules. Preaching to the converted, though lazy and ultimately self-defeating, is rewarded in the short term by the amen chorus. I agree with my colleague Jason Lee Steorts, who has written about how hard it is to avoid the "shrillness, mean-spiritedness, and insincerity" that characterize so much contemporary opinion writing. I would add that in my experience, the more frequently you write, the harder it is to avoid becoming a caricature of yourself. Those redoubtable few who can manage a prodigious output of consistently high quality (the founder of this magazine comes to mind) are exceptional. More common is the writer who is usually good but occasionally slips.

And then you have a writer like Paul Krugman. Since bursting on the scene as a columnist for the New York Times in January 2000, Krugman has written over 1,000 columns, scores of magazine articles, four books, and hundreds of short posts on his blog, "The Conscience of a Liberal." He has developed a reputation among liberals as one of the Bush administration's most unsparing and effective critics. Conservatives, by contrast, tend to regard him as a crass and occasionally vicious partisan. But Krugman was not always this divisive: Though he never made a secret of his liberal views, most of his early public commentary (which predates his column at the Times) was devoted to cleverly debunking economic tropes dear to both Left and Right. His transformation into a bare-knuckled liberal brawler is a testimony to the perils of life on the high seas of opinion journalism. Let us reconstruct his journey.

Krugman's life as a public intellectual, as distinct from his illustrious career as an academic economist (John Bates Clark Medal, Nobel Prize, tenure at Princeton), is typically dated to the mid-Nineties, when he commenced writing for publications such as Slate and Foreign Affairs. But as early as 1992, Krugman had a semi-regular column in the New York Times -- it just ran under Times reporter Sylvia Nasar's byline. Nasar wrote two stories in the spring of that year about income inequality, using Krugman as a source for the claim that middle-class incomes had stagnated during the Reagan boom while the richest 1 percent reaped a windfall. (Nasar would go on to write *A Beautiful Mind* about another famous Princeton economist, John Forbes Nash Jr.) Presidential candidate Bill Clinton took to citing Krugman's findings on the campaign trail, and Nasar wrote another story about that: Clinton spokeswoman Dee Dee Myers said that Krugman "proved a point [Clinton] had been trying to make for months, so he added the statistic to his repertoire."

There were some problems with Krugman's numbers, as detailed by Alan Reynolds in the Aug. 31, 1992, issue of National Review. But it is true that inequality has gotten steadily worse since the late Seventies. The causes of that inequality are less clear. In his first book, *The Age of Diminished Expectations*, Krugman wrote that "the bulk of the increase in inequality during the 1980s was a growth in the spread of pre-tax, not post-tax income," indicating that Reagan's tax policies probably didn't cause the gap between rich and poor to widen, except to the extent that his tax cuts provided incentives for the already well-off to produce more at the margins.

But Krugman's worldview wouldn't permit him to believe that incentive effects could play that big a role in the economy, and his analysis of the data left him unconvinced by other popular explanations (imports, technology, immigration) for the growing disparity. In his attempts to place the blame on conservatives, where he felt it properly belonged, he came up with some pretty odd theories. In a 1996 piece for *Mother Jones*, Krugman suggested that "right-wing radicals" had contributed to rising inequality by perverting the nation's values: Companies could pay their lower-tier employees better, but thanks to the right-wing ethos of greed, they simply didn't. And although he wasn't a big fan of unions, whose

victories, he wrote, "are often of dubious value to the economy," he argued that liberals should support them anyway, because they serve as "one of the few political counterweights to the power of wealth."

But it was not until he was deep into his career as a critic of conservatism that Krugman came out as a full-fledged subscriber to the "institutions and norms" theory of inequality. To put it bluntly, this theory asserts -- without establishing any empirical link to a policy or group of policies -- that Republicans cause inequality merely by controlling one or more branches of government. The foundation for this theory is Princeton political-science professor Larry Bartels's observation that increases in wealth disparity have coincided with Republican administrations since the end of World War II -- a sample size that in almost any other social-science undertaking would be considered laughably inadequate. Yes, inequality continued to rise during Bill Clinton's presidency, Krugman acknowledged in a column in 2006. "But for six of those years Congress was controlled by hard-line right-wingers." Okay -- but who controlled Congress for the eight years before that?

All of this brings to mind one of Krugman's early columns for the Times, written in 2000, titled "How to Be a Hack." As mentioned above, Krugman wasn't always the partisan he is now, and in those early days he was still devoting every third or fourth column to exploding one of the Left's favorite economic myths; "How to Be a Hack" was a response to the hate mail he had received after writing a column criticizing the anti-globalization movement. Krugman denied being a shill for big corporations and offered some advice for spotting a real hack: Watch to see "if a person, or especially an organization, always sings the same tune. . . . [It's] still a good idea to tune out supposed experts whose minds are made up in advance."

It's good advice: For instance, Bill Clinton made up his mind that the Republicans were to blame for income inequality before he read Sylvia Nasar's article on inequality. He "added the statistic to his repertoire" in order to bolster a claim that he had already decided was true. That's okay -- politicians are supposed to be hacks. But writers and economists aren't. Krugman once was careful not to make the same leap Clinton did, writing in the early Nineties that "we don't fully understand why inequality soared." But as his celebrity as a political commentator grew, he added the "institutions and norms" theory to his repertoire, not because it was especially robust, but because it proved a point he'd been trying to make for years: Voting for Republicans causes the rich to get richer and the poor to get poorer. It just feels true, doesn't it?

What happened to Paul Krugman that turned him into an example of the kind of writer and thinker he once lampooned? One explanation, according to a recent New Yorker profile, is that the 2000 presidential campaign "radicalized him," because "he perceived the Bush people telling outright lies" about their plans to cut taxes, "and this shocked him." I know the feeling: Who doesn't remember coming to the end of Bill Clinton's presidency, that golden age of innocence, only to discover the shocking truth that politicians sometimes lie? But let's take Krugman at his word. It is true, as Krugman alleged in his column at the time, that Bush used unrealistic surplus projections from the Congressional Budget Office to reassure the nation that his tax cuts wouldn't plunge the nation into deficit. Krugman accurately noted that the CBO's projections were based on highly unrealistic assumptions about how the economy was likely to perform (the air was already leaking from the tech bubble) and about how Congress was likely to behave (the projections depended on fiscal continence, but the GOP had already lost its way on spending). And Krugman argued that if the CBO's projections turned out to be wrong, the nation would experience chronic deficits, insolvent entitlement programs, and, possibly, a sovereign-debt crisis.

If any of this sounds familiar, it's because these are the things about Obama's recently passed health-care-reform bill that radicalized the Tea Party. The CBO's estimates of how much the bill is likely to cost were based on questionable assumptions about how the economy is likely to perform (the recovery is already faltering) and about how Congress is likely to behave (the "Doc Fix," once included in the bill, was stripped out and passed as a separate bill; an excise tax that hammers union health-care plans isn't likely to be enacted on schedule, if at all; and the bill was structured so that its ten-year CBO estimate would show ten years of revenue against only six years of costs). If the CBO's projections turn out to be wrong, the nation could experience all of the things that Krugman was rightly worried about when the policy at issue was cutting tax rates. Yet he took the CBO's estimates as gospel truth and wrote that "there would be no overall effect on the federal deficit."

There is an obvious difference between the Bush tax cuts and Obama's health-care bill that explains why Krugman judged their estimated budgetary impacts by two completely different standards: He was opposed to one and supported the other. He was, in fact, one of the health-care bill's most vocal supporters, writing column after column urging its passage. He was also remarkably forbearing of political dishonesty. Obama told many lies to sell his health-care bill: Among other things, he promised Americans that they could keep their health-care plans if they liked them, knowing that the legislation would end Medicare Advantage, outlaw certain low-cost, high-deductible plans, and create incentives for some businesses to discontinue coverage. So it is unlikely that Bush's "outright lies" about his tax cuts are actually

responsible for radicalizing Krugman. There must be something else.

There are pedestrian explanations: One could, if one were feeling uncharitable, turn Krugman's writing about hacks and hackish behavior around on him. In "How to Be a Hack," he wrote that "love of money is only the root of some evil. Love of the limelight, love of the feeling of being part of a Movement, even love of the idea of oneself as a bold rebel against the Evil Empire can be equally corrupting of one's intellectual integrity." One could certainly paint a picture of Paul Krugman as a man enchanted and corrupted by all of those things, if one wished. His harsh criticism of George W. Bush in the New York Times broadened his fame to the point that, as reported in *The New Yorker*, he got a dinner invitation from Paul Newman. (He declined, but one need not accept such invitations to be enchanted by them.) He branded himself a leader of the progressive movement by naming a book and his blog after the 1960 Barry Goldwater book that became a foundational text for conservatives. As for that "bold rebel" stuff, Krugman's first column after the 2004 election opened: "President Bush isn't a conservative. He's a radical -- the leader of a coalition that deeply dislikes America as it is." That's bold enough to get you branded a racist if you say it about our current president in public.

But we can't really know whether Krugman has hidden motives for writing the way he does. Chalking it up to personal vanity would be unfair, even though that's the kind of thing he does routinely. Besides, he has offered plenty of other clues that explain why he adopted such a partisan style. Along with a lot of other liberals in the last decade, Krugman decided that the progressive movement just wasn't brutal and unscrupulous enough to fight the Right on its own terms. These liberals hated Karl Rove, but they deeply envied his political savvy. They hated conservative think tanks, but they longed for some of their own. Fox News? A despised source of GOP propaganda -- but if only the Democrats had one! Krugman frequently bashes the Heritage Foundation and the Cato Institute, but he has cited their left-wing equivalents (not including Brookings) in at least 50 of his columns over the last ten years. He wrote columns in praise of David Brock for exposing the right-wing noise machine, and of Michael Moore for making the innuendo-laden election-year film *Fahrenheit 9/11*, which "tells essential truths about leaders who exploited a national tragedy for political gain."

"Krugman felt that liberals were unwilling to confront or even to acknowledge the anger on the right with some of their own, so he was going to have to do it," reported Larissa MacFarquhar in *The New Yorker*. That sounds right: Krugman's decision to ramp up the partisan rhetoric after Republican victories in 2000, 2002, and 2004 partially explains why his columns grew increasingly shrill, mean-spirited, and insincere. But antipathy toward the Right only partially explains how Krugman became the kind of columnist he is today, because his enemies are no longer primarily right-wingers. These days the target of his ire is much more likely to be Barack Obama or mild-mannered Fed chairman Ben Bernanke. The former has angered Krugman because he refused to push for a larger fiscal stimulus package in his first months in office -- the \$800 billion we spent, according to Krugman, was far too small. The latter has found himself on Krugman's bad side because he refuses to raise the Fed's inflation target, which Krugman thinks would do much to alleviate unemployment.

In his campaign for more and ever-larger rounds of monetary and fiscal stimulus, Krugman has engaged in the bad habits that attended most of his writing during the Bush years. For one thing, he has always been just as monomaniacal about the virtues of fiscal stimulus as he accuses the Right of being about tax cuts. His first column after the 9/11 attacks found a silver lining in the "classic Keynesian response to economic slowdown" that would soon be forthcoming: "a temporary burst of public spending." In the subsequent weeks and months he would continue to argue for "extended unemployment benefits, temporary aid to state and local governments, and rebates for low- and middle-income workers," as an alternative to the Bush administration's proposed capital-gains and dividend tax cuts. That is why no one who reads Krugman was surprised when his response to the financial crisis was to urge Congress to enact a massive fiscal-stimulus package immediately.

Then there is his bald inconsistency. In 2002, the disappearance of the projected surplus and the sudden appearance of chronic deficits led him to wonder, quite sensibly, "What happens [when foreign creditors] lose their enthusiasm" for financing our deficits? But these days, when policymakers tremble at the truly staggering size of the deficit, Krugman mocks them for worrying about "invisible bond vigilantes." The bond vigilantes were also invisible in 2002, when Krugman feared them. All that has changed is the size of the deficit: It has gotten much, much larger. Krugman's justification for his inconsistency is that things are different now: Interest rates will stay low because creditors will continue to view U.S. Treasuries as a safe haven in uncertain times. But that's an awfully big assumption for policymakers to rely upon. They have responsibility for the solvency of the U.S. government. Krugman has a newspaper column.

Policymakers should be even more hesitant to take Krugman's advice after reviewing his track record. On one hand, Krugman is recognized as one of the first commentators to understand, as early as 2005, that the housing market had entered bubble territory and things would not end well. But the reason he knew about the bubble makes his prescience seem less impressive: He spent the early part of the decade urging then-Fed chairman Alan Greenspan to create it. Krugman wrote a number of columns in 2001 and 2002 about the need for Greenspan to cut interest rates to fight the

recession that had followed the bursting of the tech bubble, and in a now-infamous 2002 column, he declared: "Alan Greenspan needs to create a housing bubble to replace the NASDAQ bubble."

He has defended himself by arguing that this was not "policy advocacy, it was just economic analysis." But there were other columns, plenty of them, in which Krugman argued that this was exactly what Greenspan should do. As Greenspan cut rates through the recession, Krugman complained that he wasn't cutting fast enough, and once rates neared rock bottom, in May 2003, Krugman suggested that the Fed "still has some tricks up its sleeve. Now would be a very good time to announce an inflation target." Greenspan didn't take Krugman's advice then, just as Bernanke has decided, for now, not to run the printing presses at full speed in order to inflate away our present woes. That's a good thing: Greenspan's policy was bad enough as it was. Holding interest rates below the rate of inflation sent investors scrambling into housing, creating the bubble and setting the stage for the financial crisis.

Krugman now claims that the Fed's interest-rate policy in the early part of the last decade had little to do with the inflation of the housing bubble. Economists Raghuram Rajan and John Taylor have provided convincing rebuttals. But it is also true that Krugman's positions on this subject have changed. In 2005, Krugman argued that "interest rate cuts led to soaring home prices, which led in turn not just to a construction boom but to high consumer spending. . . . All of this created jobs to make up for those lost when the stock bubble burst. Now the question is what can replace the housing bubble." His old view of the problem was that Greenspan had failed to know exactly when and how to extricate the country from the housing bubble. In 2006, Krugman wrote, "If anyone is to blame for the current situation, it's Mr. Greenspan, who pooh-poohed warnings about an emerging bubble and did nothing to crack down on irresponsible lending."

One might think it pretty unreasonable to expect one man to manage, with intricate precision, the workings of an entire economy, but two things in particular about Krugman have instilled in him the view that if only brilliant economists like Paul Krugman were in charge instead of hacks like Greenspan, fighting recessions and avoiding bubbles would be as simple as pushing buttons on a calculator. The first is his worshipful attitude toward the occasionally defunct economist John Maynard Keynes. "Vulgar Keynesians" sounds like an epithet a tea partier might be expected to hurl at Krugman these days, but in fact it was the title of an early piece that Krugman wrote for Slate in 1997, back when he was still fond of attacking the Left now and then. In it, Krugman gently took a pair of liberal writers to task for misunderstanding the "brilliant" Keynes, mainly by failing to appreciate the role of the Federal Reserve in Keynesian thinking: "Indeed, if you want a simple model for predicting the unemployment rate in the United States over the next few years," Krugman wrote, "here it is: It will be what Greenspan wants it to be, plus or minus a random error reflecting the fact that he is not quite God."

Not quite. The other thing that gives him the mistaken impression that men can bend the economy to their whims is his odd fascination with Prof. Hari Seldon, a character from Isaac Asimov's Foundation trilogy. As Ramesh Ponnuru noted in these pages in 2001, Asimov's vision "was based on the premise that a sufficiently sophisticated science -- Asimov dubbed it 'psychohistory' -- could predict the course of empires half a millennium into the future. 'Someday there will exist a unified social science of the kind that Asimov imagined,' Krugman wrote, 'but for the time being economics is as close to psychohistory as you can get.'" It seems pretty clear that "psychohistorian" is the kind of role Krugman aspires to.

Krugman's claim that the stimulus should have been bigger is consistent with his view that for every macroeconomic problem there is a correct answer that it is within the power of one man to calculate. Not only is such a claim unfalsifiable, but our experience with fiscal stimulus indicates that this particular form of voodoo economics simply steals demand from the future and leaves us worse off in the long run. Krugman urges us to ignore that history: He argues that real fiscal stimulus has been tried only once in recent memory, when massive government borrowing during World War II pulled America out of the Depression. But there are many competing explanations for the post-war boom -- too many to allow us to gamble our prosperity on a World War II-sized stimulus on the chance that the Keynesian view is right this time.

Krugman has undoubtedly grown more partisan over the years, and that is one explanation for the course his writing has taken. But he is also a man caught in the grip of a powerful ideology he believes in his heart to be true -- an ideology that came back into vogue for an all-too-brief spell before losing favor again for reasons Krugman believes to be unjust. His preferred monetary and fiscal policies appear in practice to have horrible unintended consequences and costs that are far out of proportion to the good they do, but he insists that this is because we've put the wrong people in charge. Krugman thinks he's had the misfortune to be born a Professor Seldon in a world that does not give real power to such types. But he is more like Captain Ahab, leading his diminishing crew of followers on a doomed quest in search of the great white stimulus package that will redeem us or destroy us, but either way will finally silence all those doubting voices.