



# The Science Fiction Behind Paul Krugman's Economics, Part One

By Ralph Benko

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Paul Krugman, a few years ago, wrote at length to extol the magnum opus of science fiction grandmaster, Isaac Asimov, the Foundation Trilogy. Prof. Krugman's reflections thereon are of keen interest.

I met Asimov once, 40+ years ago, at a world science fiction convention. I even got him to autograph my Science Fiction Book Club copy of "The Foundation Trilogy." This compilation of three novels is an SF classic. I, then and since, found it too dull to read in full. (Asimov's *I, Robot* then was much more engaging to this long-ago SF geek. But nothing Asimov wrote really rivaled Heinlein's early, nor Arthur C. Clarke's best, novels.)

Prof. Paul Krugman, galactically more influential than me, declares that he found the the Foundation Trilogy his formative inspiration. Therein hangs a tale: one of technocracy, which he exalts, versus mere common sense.

Prof. Krugman's reflections were published in the UK Guardian at the end of 2012: Paul Krugman: Asimov's Foundation novels grounded my economics (apparently, a reprint of Prof. Krugman's introduction to the Folio Society edition of the same). Prof. Krugman there wrote, "I grew up wanting to be Hari Seldon, using my understanding of the mathematics of human behaviour to save civilisation."

There is an unsubtle irony to Prof. Krugman's opening observation that:

There are certain novels that can shape a teenage boy's life. For some, it's Ayn Rand's *Atlas Shrugged*; for others it's Tolkien's *The Lord of the Rings*. As a widely quoted internet meme says, the unrealistic fantasy world portrayed in one of those books can warp a young man's character forever; the other book is about orcs. But for me, of course, it was neither. My Book – the one that has stayed with me for four-and-a-half decades – is Isaac Asimov's *Foundation Trilogy*, written when Asimov was barely out of his teens himself. I didn't grow up wanting to be a square-jawed individualist or join a heroic quest; I grew up wanting to be Hari Seldon, using my understanding of the mathematics of human behaviour to save civilisation.

Prof. Krugman commonly makes a whipping boy of the pulp works, and of some who have dared to recommend them, of the politically insignificant, and always tendentious, Ayn Rand. Meanwhile the pulp fiction of Isaac Asimov here is ... exalted. Krugman writes:

So how do the Foundation novels look to me now that I have, as my immigrant grandmother used to say, grown to mature adultery? Better than ever. The trilogy really is a unique masterpiece; there has never been anything quite like it.

[T]he way Asimov's invented societies recapitulate historical models ... goes right along with his underlying conceit: the possibility of a rigorous, mathematical social science that understands society, can predict how it changes, and can be used to shape those changes.

Underlying conceit?

F.A. Hayek, like Krugman, won — in 1974 — the Nobel Prize in Economics. John Cassidy, one of our era's premier economic journalists, wrote, in the February 7, 2000 *The New Yorker* that “on the biggest issue of all, the vitality of capitalism, [Hayek] was vindicated to such an extent that it is hardly an exaggeration to refer to the twentieth century as the Hayek century.”

Contrasting Krugman with Hayek does not represent a meaningless exercise in sound and fury. Krugman vs. Hayek is a battle of the centuries.

Hayek's Nobel lecture, *The Pretence of Knowledge*, contains perhaps the best refutation of Prof. Krugman's pretensions of using “the mathematics of human behaviour to save civilisation.”  
Hayek:

We have indeed at the moment little cause for pride: as a profession we have made a mess of things.

It seems to me that this failure of the economists to guide policy more successfully is closely connected with their propensity to imitate as closely as possible the procedures of the brilliantly successful physical sciences — an attempt which in our field may lead to outright error. It is an approach which has come to be described as the “scientistic” attitude — an attitude which, as I defined it some thirty years ago, “is decidedly unscientific in the true sense of the word, since it involves a mechanical and uncritical application of habits of thought to fields different from those in which they have been formed.” I want today to begin by explaining how some of the gravest errors of recent economic policy are a direct consequence of this scientistic error.

Hayek goes on:

If we are to safeguard the reputation of science, and to prevent the arrogation of knowledge based on a superficial similarity of procedure with that of the physical sciences, much effort will have to be directed toward debunking such arrogations, some of which have by now become the vested interests of established university departments. We cannot be grateful enough to such

modern philosophers of science as Sir Karl Popper for giving us a test by which we can distinguish between what we may accept as scientific and what not — a test which I am sure some doctrines now widely accepted as scientific would not pass. There are some special problems, however, in connection with those essentially complex phenomena of which social structures are so important an instance, which make me wish to restate in conclusion in more general terms the reasons why in these fields not only are there only absolute obstacles to the prediction of specific events, but why to act as if we possessed scientific knowledge enabling us to transcend them may itself become a serious obstacle to the advance of the human intellect.

Although rarely cast as such this is a “War of the Worldviews” in the political and policy sector. This war is about the nature of reality. This war, not mere partisanship, is an underlying cause of political gridlock, at least for economic policy. Prof. Krugman, notwithstanding all his delightful bombast, does the world a great service in helping to make this long war transparent rather than occult.

One side in this war — let us, for the sake of taxonomic convenience, arbitrarily call them the “Axis Powers”— dominates federal agencies, academe, and the elite news media. To pick one example at random: the Board of Governors of the Federal Reserve has a reported 300 PhD economists in its headquarters staff alone. That really is exemplary of the Axis perspective. The Axis believes, as a matter of faith, in mathematical modeling. Krugman might well be the “Lord Haw-Haw” of these contemporary Axis powers. Bring it on, Paul.

The other side — let us, arbitrarily, call them the “Allies” — roughly speaking is represented by certain thought leaders in the Congress such as Joint Economic Committee Chairman Kevin Brady, and center right policy institutes such as Heritage Foundation, Cato Institute, Atlas Network, and, of course, American Principles in Action (which I professionally advise). Let us also praise a few maverick academics such as Profs. Lawrence White and Brian Domitrovic. These professors, shamelessly, wallow in mere data and rigorous analysis rather than hewing to prevailing fashion.

The Allies are more interested in the correlations between policy, job creation, and equitable prosperity (or the erosion thereof) than in the correct pronunciation of Shibboleth. The Allies tend to align with Hayek.

Let it be noted in passing that the great Canadian public intellectual John Ralston Saul, in *Voltaire’s Bastards: The Dictatorship of Reason in the West*, effectively stripped the bark from the pretensions of the social engineers. As noted at the Library of Economics and Liberty,

Saul argues that the illegitimate offspring of the champions of reason have led to serious problems in the modern world. Reason, while powerful and useful, says Saul, should not be put on a pedestal above other values including morality and common-sense. Saul argues that the worship of reason has corrupted public policy and education while empowering technocrats and the elites in dangerous and unhealthy ways.

Krugman gives “common sense” — toward which the Allies incline — short shrift, lumping it in with popular prejudice: “I’ve been struck these past several years by just how much power good economics has to make correct predictions that are very much at odds with popular prejudices and ‘common sense’.” No hobgoblins of foolish — or any other — consistency haunt the capacious mind of Prof. Krugman who, earlier in his Foundation Trilogy introduction, observes how “the actual management of the economy has been a total disaster.”

Paul Krugman long ago left the twilight zone of Neo-Keynesianism to boldly go where no man has gone before. There isn’t a better “sciencefictionomist” than Prof. Krugman. That said, a coin has two sides. Sciencefictionomics has far from won its war on common sense.

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