Twilight of the Economics Elites

Daniel W. Drezner

Wednesday, October 9, 2013

There's a pretty strong consensus among economists that any difficulties created by not raising the debt ceiling would be, to use the technical term, "really bad." That's the same consensus that foreign leaders have when looking at the United States. Financial markets are starting to freak out as well. At the same time, there's a raft of recent articles about the large number of GOP congressmen who don't think that going past the October 17th drop-dead date would be such a bad thing. See the *Financial Times*, *New York Times*, *Politico*, *New York Times* **again**, and *Washington Post*, just for starters.

What's particularly surprising about this is that one would have expected some learning from the last time the "debt kamikazes" emerged during the 2011 debt ceiling showdown. Even though there was a deal., the brinksmanship alone cost the U.S. government close to $19 billion. And yet, this time around, the debt denialist caucus seems to have grown even louder.

This raises an interesting and disturbing question for social scientists: why is there such resistance to the expertise offered by economists? Why does an ever larger group of Republican politicians pooh-pooh expert warnings?

I'd offer the following mélange of reasons:

1) The overall expertise of economists has been devalued. As Christopher Hayes pointed out in *Twilight of the Elites*, this hasn't been a good decade for those in traditional positions of authority. That applies to traditional experts as well. The same profession that seemed mostly copacetic with financial deregulation a decade ago and mostly sanguine about the implications of the subprime mortgage crisis before Lehman Brothers collapsed has lost a fair amount of its luster. So it doesn't matter what they're saying now.

2) GOP politicians are listening to their *own* experts. Someone from Brookings or the Peterson Institute for Inteernational Economics or a lesser Ivy League school won't get much rhythm from Republicans. They have their own experts ensconced in think tanks across DC. Mike Konczal conducted a little experiment and contacted conservative think tanks to get their experts' opinion of what will happen if the debt ceiling is breached. His finding:

The Heritage Foundation immediately responded with a quote from this post, stating, “Congress still has some time and options. Even if the debt limit is not raised by mid-October, Boccia writes, ‘the Treasury would not necessarily default on debt obligations,’ as it can ‘reasonably be expected to prioritize principal and interest payments on the national debt, protecting the full faith and credit of the United States above all other spending.’”

They added, “In other words, risk of a default is practically nil—unless the President and Treasury choose to default, an unprecedented and almost inconceivable course of action.”....

The Cato Institute put me in touch with their senior fellow Dan Mitchell, who said, “I think the likelihood of an actual default is zero, or as close to zero as you can possibly get, for the simple reason that the Treasury Department has plenty of competent people who would somehow figure out how to prioritize payments.”

3) Wolf has been cried too often. Economists warned about bad macroeconomic effects when the sequester kicked in... and GDP growth accelerated. Economists warned about the bad macroeconomic effects of a government shutdown... and the most prominent news story became the fact that some World War II veterans got blocked from visiting a monument. So they've heavily discounted warnings about a failure on the debt ceiling -- and since it's never happened before, even the economic experts can't say *for sure* that the apocalypse will happen.

4) **It's why they ran for office**. For the record, I think U.S. representative Ted Yoho (R, FL) is an ignorant jackass when it comes to what will happen if there's no debt ceiling increase. But he's not wrong when he says, "I ran on not raising the debt ceiling." And *Politico*'s Ben White and Seung Min Kim ain't wrong when they point out that, "Other members say they based entire campaigns on not boosting the borrowing limit." They're acting like Millian representatives. Crazy as it sounds, it's democratic.

5) Barack Obama wants to raise the debt ceiling. And whatever Obama wants must, by definition, be bad. I'll just close with this quote from Tim Huelskamp in the *Financial Times*:

Mr Huelskamp is not nervous that a default is on the horizon, and he says neither are his constituents back in Kansas. “They don’t trust this administration. This is the same administration that on one hand tells them what’s going to happen on October 17 and on the other hand they’re saying Obamacare is a wonderful thing for businesses. They have no credibility,” he says.

The bitter irony of all of this is that if the debt ceiling is breached, the only way for economists to regain their credibility is if something really calamitous happens.

Am I missing anything?