

Paul Krugman - New York Times Blog

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Another Attack of the 90 Percent Zombie

Mark Thoma points me to a post by Miles Kimball titled What Paul Krugman Got Wrong About Italy's Economy. So I wondered what important features I got wrong — but to my great disappointment all I found was yet another invocation of the Reinhart-Rogoff claim that bad things happen when debt goes about 90 percent of GDP.

Look, this is just not an established result. It's a correlation; but it could just as well reflect a pathway from slow growth to high debt, or from third factors like political and institutional dysfunction to both slow growth and high debt.

This last possibility becomes especially persuasive when you look at the full list of advanced countries that have exceeded the supposed 90 percent threshold in the past 50 years: Japan, Italy, Belgium, Greece. That's it. So yes, Japan and Italy have had high debt and slow growth; do you really want to say that debt was the only reason for slow growth, or that the Japanese slowdown of the 1990s had no role in causing the rise in debt? Do you really want to say that debt is the only reason for Italy's poor performance? If your answer to either question is no, you have just said that you don't believe in Reinhart-Rogoff's results.

So why do people imagine that this is a definitive result? That's obvious. R-R on debt got picked up eagerly by deficit scolds, because it said what they wanted to hear. Then it became orthodoxy through what we might call the Scarborough effect: Very Serious People heard other Very Serious People citing the alleged finding, then repeated it themselves, and it became part of what Everyone Knows — after all, everyone they talked to said it was true.

Is Reinhart-Rogoff itself a zombie? Not quite — it could still be true, although I don't think so. But the idea that the 90 percent threshold is a definite result, established beyond question, is very much a zombie idea, one that has been killed repeatedly but just won't stay down.

And professional economists, at least, should know better.

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