

**Paul Krugman - New York Times Blog**

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**Domo Arigato, Mr. Roboto — I Mean, Mr. Smith**

Noah Smith says I'm Voltron the Invincible. Pardon me while I blush.

But he says that my track record doesn't come from knowing IS-LM, it comes from knowing about Japan. I think he has a point, but it's not quite right.

First of all, many of the evil robots economic commentators I've sparred with clearly don't understand IS-LM at all; in particular, they don't understand that the effects of monetary expansion and budget deficits are different at the zero lower bound. Japan figures in this difference only to the extent that the Japanese experience demonstrated that the liquidity trap is real (pdf).

Now, it's true that my predictions have generally rested on the proposition not just that we were at the ZLB, but that we were likely to stay there for a long time. That doesn't come out of the model. Where does it come from? Partly, indeed, from the Japanese experience; you had to be pretty dense not to see how much 2008 looked like the beginning of the lost decade. But it also came from looking at the US experience, and noticing that recessions had changed character.

Still, Smith is right that there's a big divide between people who paid attention to Japan in the 1990s and those who didn't.

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