

Paul Krugman - New York Times Blog

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The Prophecies of Maestrodamus

Oh, my. Brad DeLong recalls to us Alan Greenspan's lamentable 2010 op-ed on US debt and deficits. What's notable about the piece is not just that Greenspan was wrong about everything that would happen over the next three years; he's actually part of a substantial club on that point. Nor, I guess, is it notable that, to all appearances, he has learned nothing at all from his predictive failures — that the fact that he was wrong about everything, while the Keynesians got almost everything right, has made no dent in his faith that he has The Truth. Again, that makes him part of a substantial club.

Nor, even, does his piece gain all that much distinction by being paired with a later piece that contained an instant internet classic:

Today's competitive markets, whether we seek to recognise it or not, are driven by an international version of Adam Smith's "invisible hand" that is unredeemably opaque. With notably rare exceptions (2008, for example), the global "invisible hand" has created relatively stable exchange rates, interest rates, prices, and wage rates.

See the comments section of the linked piece for variations on the "notably rare exceptions" trope; e.g.,

"With notably rare exceptions, Newt Gingrich is a loyal and faithful husband."

No, what really distinguishes Greenspan here are two things. First, his reaction to the fact that even in 2010 it was obvious that markets weren't performing according to his predictions:

This is regrettable, because it is fostering a sense of complacency that can have dire consequences...

My analysis can't be wrong, the markets are just misbehaving!

And, above all, the fact that for many years this guy was regarded as the Maestro, a man of almost supernatural wisdom and judgment.

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