Paul Krugman - New York Times Blog

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Political Inflationistas

Continuing the ongoing attempt to characterize the economists and economist wannabes who keep warning about inflation from the Fed's efforts to do something about a weak economy, Noah Smith suggests that none of the inflationistas really believe what they're saying. Instead, he writes, they're either trying to defend economic models that defined their careers, but failed; lashing out because they personally have been made to look like fools; or playing to a lucrative audience of grumpy old rich white men, who are natural goldbugs:

> So to sum up, there are three main reasons for predicting inflation, in defiance of both market expectations and recent past experience. These are 1. Commitment to a research paradigm, 2. Emotive expressions of political and personal anger, and 3. Cynical affinity manipulation.

I'd go along with most of this, with two caveats.

One is that my guess is that even the worst of these guys probably aren't as self-consciously cynical as Smith seems to suggest. Snidely Whiplash types, twirling their mustaches and smirking over their evilness, do exist, but they're rare. For the most part, people have an amazing ability to rationalize their actions: objectively, they're cynically exploiting the rubes, but in their own minds they're honest warriors for Truth, Justice, and the Austrian Way.

More important, I think Smith has missed an important category. Look at the 23-economist letter warning Bernanke against QE, and you'll see several people who really don't fit his typology. Michael Boskin, Douglas Holtz-Eakin, John Taylor, and several others have not, historically, been equilibrium-macro types, devoting their careers to the proposition that monetary policy can do nothing but cause inflation. On the contrary, their analytical models have always, whether they admit it or not, been more or less Keynesian. The same is true for a few other monetary hawks who didn't sign this letter, e.g. Allan Meltzer and Martin Feldstein. (Way back, one colleague described Meltzer's work with Karl Brunner as "Just Tobin with some original errors")

So what is it that makes these guys — whose analytical framework, when you come down to it, doesn't seem very different from Bernanke's, or mine — so hostile to expansionary monetary policy? What do they have in common? The obvious answer is that they're all very committed Republicans. And it's hard to escape the suspicion that what's really going on is that they're bitterly opposed to expansionary policy when a Democrat is in the White House.

We could have tested that proposition if Mitt Romney had won. But doing that test would have been a clear case of unethical human experimentation.