

## **Triumph of the Wrong?**

**By PAUL KRUGMAN**

**Published: October 11, 2012 393 Comments**

In these closing weeks of the campaign, each side wants you to believe that it has the right ideas to fix a still-ailing economy. So here's what you need to know: If you look at the track record, the Obama administration has been wrong about some things, mainly because it was too optimistic about the prospects for a quick recovery. But Republicans have been wrong about everything.

About that misplaced optimism: In a now-notorious January 2009 forecast, economists working for the incoming administration predicted that by now most of the effects of the 2008 financial crisis would be behind us, and the unemployment rate would be below 6 percent. Obviously, that didn't happen.

Why did the administration get it wrong? It wasn't exaggerated faith in the power of its stimulus plan; the report predicted a fairly rapid recovery even without stimulus. Instead, President Obama's people failed to appreciate something that is now common wisdom among economic analysts: severe financial crises inflict sustained economic damage, and it takes a long time to recover.

This same observation, of course, offers a partial excuse for the economy's lingering weakness. And the question we should ask given this unpleasant reality is what policies would offer the best prospects for healing the damage. Mr. Obama's camp argues for an active government role; his last major economic proposal, the American Jobs Act, would have tried to accelerate recovery by sustaining public spending and putting money in the hands of people likely to use it. Republicans, on the other hand, insist that the path to prosperity involves sharp cuts in government spending.

And Republicans are dead wrong.

The latest devastating demonstration of that wrongness comes from the International Monetary Fund, which has just released its World Economic Outlook, a report combining short-term prediction with insightful economic analysis. This report is a grim and disturbing document, telling us that the world economy is doing significantly worse than expected, with rising risks of global recession. But the report isn't just downbeat; it contains a careful analysis of the reasons things are going so badly. And what this analysis concludes is that a disproportionate share of the bad news is coming from countries pursuing the kind of austerity policies Republicans want to impose on America.

O.K., it doesn't say that in so many words. What the report actually says is: "Activity over the past few years has disappointed more in economies with more aggressive fiscal consolidation plans." But that amounts to the same thing.

For leading Republicans have very much tied themselves to the view that slashing spending in a depressed economy — "fiscal consolidation," in I.M.F.-speak — is good, not bad, for job creation. Soon after the midterm elections, the new Republican majority in the House of Representatives issued a manifesto on economic policy — titled, "Spend less, owe less, grow the economy" — that called for deep spending cuts right away and pooh-poohed the whole notion that fiscal consolidation (yes, it used the same term) might deepen the economy's slump. "Non-Keynesian effects," the manifesto declared, would make everything all right.

Well, that turns out not to be remotely true. What the monetary fund shows is that the countries pursuing the biggest spending cuts are also the countries that have experienced the deepest economic slumps. Indeed, the evidence suggests that in brushing aside the standard view that spending cuts hurt the economy in the short run, the G.O.P. got it exactly wrong. Recent spending cuts appear to have done even more harm than most analysts — including those at the I.M.F. itself — expected.

Which brings us to the question of what form economic policies will take after the election.

If Mr. Obama wins, he'll presumably go back to pushing for modest stimulus, aiming to convert the gradual recovery that seems to be under way into a more rapid return to full employment.

Republicans, however, are committed to an economic doctrine that has proved false, indeed disastrous, in other countries. Nor are they likely to change their views in the light of experience. After all, facts haven't gotten in the way of Republican orthodoxy on any other aspect of economic policy. The party remains opposed to effective financial regulation despite the catastrophe of 2008; it remains obsessed with the dangers of inflation despite years of false alarms. So it's not likely to give up its politically convenient views about job creation.

And here's the thing: if Mitt Romney wins the election, the G.O.P. will surely consider its economic ideas vindicated. In other words, politically good things may be about to happen to very bad ideas. And if that's how it plays out, the American people will pay the price.

**A version of this op-ed appeared in print on October 12, 2012, on page A27 of the New York edition with the headline: Triumph Of The Wrong?.**