Paul Krugman - New York Times Blog

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Sharing Abuse Fairly

Jeff Frankel sorta-kinda defends Reinhart-Rogoff, and says that Alberto Alesina is the bigger austerity villain, having failed to receive his “fair share of abuse”. Brad DeLong weighs in to say that R-R continue to have a lot to answer for.

Brad is right about that. In particular, Reinhart-Rogoff continue, to this day, to insinuate that the statement that “countries with debt above 90 percent of GDP tend to have slower growth than those with debt below 90 percent of GDP” — which is true, somewhat — is equivalent to the statement that there is a threshold at 90 percent at which bad things happen. This just isn’t true; it wouldn’t be true even if the causality weren’t largely from slow growth to high debt rather than the other way around.

The class of countries with debt>90 includes countries with debt a LOT more than 90; the policy question is whether there is a large dropoff as you go from a bit below 90 to a bit above. R-R keep implying that there is; the data say, very clearly, that there isn’t.

That said, Frankel is right about the need to abuse Alesina too. And I’ve been doing it! (That’s largely what the “confidence fairy” was about!) A fair bit in the recent NYBooks piece, many times on this blog. Mark Blyth’s Austerity focuses on Alesina a lot; Mike Konczal and colleagues at the Roosevelt Institute, and many more, have weighed in.

True, A-A hasn’t made it to Colbert. But their role in this disaster has not been forgotten.