

Paul Krugman - New York Times Blog

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Alan Simpson and Bernie Madoff

As I've written on previous occasions, the Bernie Madoff phenomenon helped me understand a lot about the persistence of bad economics. Madoff flourished through "affinity fraud"; his investors thought he was their kind of guy, so they didn't look hard at how he was allegedly making money. And I realized that a similar phenomenon explains the enduring popularity of goldbugs and fiscal doomsayers — including, say, the Wall Street Journal editorial page — despite years of being wrong about everything; their devotees, who consist in large part of cranky old white men, see kindred spirits and can't see past that to the consistently terrible analysis.

But it's not just the goldbugs who benefit from affinity fraud, a point driven home by Ezra Klein's piece on Alan Simpson. Simpson is, demonstrably, grossly ignorant on precisely the subjects on which he is treated as a guru, not understanding the finances of Social Security, the truth about life expectancy, and much more. He is also a reliably terrible forecaster, having predicted an imminent fiscal crisis — within two years — um, two years ago. Yet he remains not only respectable among the Beltway crowd; as Ezra says, he's lionized in a way that looks from the outside like a clear violation of journalistic norms:

For reasons I've never quite understood, the rules of reportorial neutrality don't apply when it comes to the deficit. On this one issue, reporters are permitted to openly cheer a particular set of highly controversial policy solutions. At Tuesday's Playbook breakfast, for instance, Mike Allen, as a straightforward and fair a reporter as you'll find, asked Simpson and Bowles whether they believed Obama would do "the right thing" on entitlements — with "the right thing" clearly meaning "cut entitlements."

So what is it that makes Simpson the figure he is? Clearly, it's an affinity thing: never mind his obvious lack of knowledge, his ludicrous track record, reporters trust and idolize Simpson because he's their kind of guy.

And think about what it says about them that their kind of guy is this cantankerous, potty-mouthed individual, who evidently feels not a bit of empathy for those less fortunate.

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