

Paul Krugman - New York Times Blog

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Varieties of Academic Temptation

These aren't good times for austere economics; and, to be honest, they aren't too good for economics in general. Even if some economists have come out of the Reinhart/Rogoff/Alesina/Ardagna business looking pretty good, the reputation of the intellectual enterprise as a whole has clearly suffered.

But what did go wrong? I've been seeing a lot of comments along the lines of "They're all just tools of Pete Peterson"; so I guess I should say that this is, in these cases, way too crude an interpretation.

Notice that I say "in these cases". There are indeed plenty of economists who are essentially hired guns for interest groups, and they don't all work at right-wing think tanks. But the temptations that led to the current affair are, I'd argue, nowhere near that crude.

Start with R-R. The fact is that Carmen and Ken are fine economists. Carmen has been doing terrific empirical work on banking crises for a long time. Ken is arguably the world's leading international macroeconomic theorist. In fact, the main reason I knew that the case for fiscal policy remained strong even in the context of New Keynesian models was that I carefully read the canonical text by Obstfeld and Rogoff.

So what happened here? My interpretation is that after writing a very good book, R-R dashed off a careless paper on debt and growth that was so much what the VSPs wanted to hear that it made them instant celebrities in a way they hadn't been before — and they didn't know how to say stop the merry-go-round, we want to think about this a bit harder. The temptation involved was one of fame and becoming a part of the alleged real world, not some crude mercenary consideration.

I don't know Alesina as well, and the expansionary austerity thing has deeper roots than the 90 percent thing, but again I doubt that a crude self-interest story is appropriate.

Let me also say that even some things that are in part Peterson-funded are not part of the octopus. The Peterson Institute for International Economics sometimes pops up in conversation, and people assume that it's part of the Committee for a Responsible Federal Budget/Concord Coalition/Fix the Debt nexus. But it isn't — it used to be the good old Institute for International Economics, a boutique think tank doing very good work on international trade and finance issues, and the grant it got from Peterson hasn't changed its character at all.

Again, I'm not saying that crude flacks are absent from the scene. But the temptations that led people astray in these cases were subtler and sadder than that.