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Paul Krugman

by Jason Briggeman³⁰

Paul Krugman (1953–) was raised on Long Island “in a safe middle-class suburb” (Krugman 1995, 30). His career choice grew in part from childhood dreams:

Krugman says he found himself in the science fiction of Isaac Asimov, especially the “Foundation” series—“It was nerds saving civilization, quants who had a theory of society, people writing equations on a blackboard, saying, ‘See, unless you follow this formula, the empire will fail and be followed by a thousand years of barbarism.’” ...

Social science, he says, offered the promise of what he dreamed of in science fiction—“the beauty of pushing a button to solve problems. Sometimes there really are simple solutions: you really can have a grand idea.” (Thomas 2009)

Krugman majored in economics as an undergraduate at Yale, where he became a research assistant to William Nordhaus. He finished in 1974, then in only three years earned a doctorate from MIT; by the fall of 1977, Krugman was back at Yale as an assistant professor. Krugman moved to MIT in 1980, where he would remain for the next two decades, save for two years at Stanford. While at MIT he met his future wife Robin Wells, an economist who has coauthored several textbooks with Krugman (e.g., Krugman and Wells 2006) and often helps to shape his writing (MacFarquhar 2010).³¹ Since 2000, Krugman has been professor of economics at Princeton.

Between 1978 and 1980, Krugman wrote several papers illuminating phenomena in international trade that were not well explained by simple notions of comparative advantage. These successes, Krugman says, effectively assured his place among “the people who get invited to speak at academic conferences, who form a sort of de facto *nomenklatura*” and “constitute a true, and wonderfully unpretentious, elite” (Krugman 1995, 33-34; cf. Galbraith 2001). But in 1982, at the invitation of Martin Feldstein, Krugman took leave from the academic circuit to join President Reagan’s Council of Economic Advisers:

30. Central Texas College, Killeen, TX 76540.

31. “Early on, she edited a lot—she had, they felt, a better sense than he did of how to communicate economics to the layperson. But he’s much better at that now, and these days she focusses on making him less dry, less abstract, angrier” (MacFarquhar 2010).

It was, in a way, strange for me to be part of the Reagan Administration. I was then and still am an unabashed defender of the welfare state, which I regard as the most decent social arrangement yet devised. . . .

Washington was first thrilling, then disillusioning. It is the capital of the world, and for a young person it is wonderful to think that you can really have an effect on decisions of global importance. I can still recite from memory the long list of prohibitions on the front page of each classified document (“Secret/No foreign nationals/No contractors/Proprietary information/Origin controlled”). Some people get addicted to that thrill, and will do anything to stay near the center.

After a little while, however, I began to notice how policy decisions are really made. The fact is that most senior officials have no idea what they are talking about: discussion at high-level meetings is startlingly primitive. (For example, the distinction between nominal and real interest rates tends to be regarded as a complex and useless bit of academic nitpicking.) Furthermore, many powerful people prefer to take advice from those who make them feel comfortable rather than from those who will force them to think hard. That is, those who really manage to influence policy are usually the best courtiers, not the best analysts. I like to think that I am a good analyst, but I am certainly a very bad courtier. And so I was not tempted to stay on in Washington. (Krugman 1995, 34-35)

In the decade following Krugman’s year in Washington, he expanded on his previous research in trade theory (Helpman and Krugman 1987) and wrote papers motivated by current policy debates (e.g., Krugman 1991). He also developed a research agenda in economic geography that complemented his early work. The 2008 Nobel Prize was awarded to Krugman “for his analysis of trade patterns and location of economic activity.”

Over the same period, Krugman began writing books and articles on economics intended for the general public:

[In Washington] I did, however, discover a new talent: that of writing serious economics in seemingly plain English. I got to practice that talent in writing classified memos, and proved good enough at it that I ended up writing most of the 1983 *Economic Report of the President*. Ever since, I have used non-technical writing about economics as the basis for a sort of parallel career, one that keeps me on the fringes of the policy world though rarely at its center. (Krugman 1995, 35)

Krugman's first such efforts were noted (by, e.g., Kuttner 1996) for counseling a Stiglerian acceptance of the status quo on a variety of issues. Krugman titled his first popular book *The Age of Diminished Expectations* (1990); in the next, *Peddling Prosperity*, Krugman mocked "policy entrepreneurs" who offer "unambiguous diagnoses" and "easy answers" in books with brash titles (Krugman 1994, 11).

The older Krugman, remarkably, has become a leading advocate of a "progressive agenda" that is "clear and achievable" (Krugman 2007a, 272). He has been since 2000 a regular op-ed columnist at the *New York Times*, where he also maintains a blog of the same title as his 2007 book *The Conscience of a Liberal*. In 2012, he published a bestseller declaring that Keynesian insights on the business cycle make it possible to *End This Depression Now!* And through this period, Krugman has continued to be held in very high esteem by many economics professors (Klein et al. 2013, 123).³²

Krugman's popular output is vast, rife with pronouncements on policy issues, and yet also often subtle in its analysis and politically astute (Sumner 2010). When one writes with an eye to political impact, one may find it important to play up or play down different matters at different times, even as one's own positions on the underlying issues may remain unchanged. Not surprisingly, there have been shifts in Krugman's discourse that seem driven by the fortunes of the two major U.S. political parties. For instance, in his *New York Times* columns Krugman largely refrained from criticizing Democratic Party politicians during the Republican administration of George W. Bush (Waight 2002; 2007; 2008), but since then he has often been critical of President Obama (Thomas 2009).

There is also, obviously, much reason to think Krugman has changed his method in seeking to have an impact on the course of events. The early Krugman saw that he could make an impact by building standing as a dispassionate academic economist;³³ the later Krugman believes he can contribute by aiding the better of

32. The older Krugman all but has to be interpreted as bravely attempting to surmount this thicket of difficulties anticipated by the younger Krugman: "A professor can try to play [policy] entrepreneur—after all, the rewards in both money and a sense of importance can be huge. Ultimately, however, she is at a disadvantage, because she is too constrained by her obscure professorly ethics. Some professors manage to transcend these limitations, but in so doing they cease to be professors, at least in the minds of their colleagues. And in general it seems that it is easiest to become a policy entrepreneur if your mind has not been clouded by too much knowledge of economic facts or existing economic theories—only then can you be entirely sincere in telling people what they want to hear. As a result, most of our influential economic policy entrepreneurs, right and left, have their professional roots in journalism or law rather than economics" (Krugman 1994, 12).

33. "Surely as a practical matter the devastating criticism of [Bob] Dole's economic plan from conventional economists has been far more effective than the complaints of the interventionist left. To make that kind of criticism effective, however, you need a certain kind of moral authority—a reputation for intellectual honesty that can only be achieved if you are willing to critique bad ideas on the left as well as the right" (Krugman 1996b; see also Krugman 1998a, 9, 41).

America's two political parties to electoral victory. Krugman holds that a blunt form of partisanship is necessary, if only temporarily (Krugman 2007a, 272-273), because the contemporary Republican Party is a menace that must be vanquished; as he says, "the madness of the GOP is the central issue of our time" (Krugman 2013c).³⁴ Americans can't, or don't, have a stable political system upon which a leading intellectual can have much positive effect by criticizing, from a point in a multidimensional ideological space, that which is errant in both parties.³⁵ Rather, responsible criticism of the better party should almost always be made from that party's flank, so that no one can interpret the criticism as an expression of sympathy for the worse party.³⁶ The base of the better party will then be encouraged, or inspired, and comforted in its beliefs.³⁷ A Democratic Presidency and majority in Congress are the most important factors in improvement (Krugman 2007a, 272), and thus the role of cheerleader for the better party is an appropriate role for a leading intellectual to take up and maintain.

Krugman and others date his embrace of a crusading partisanship to the early years of the Bush administration (Confessore 2002; Tomasky 2007), and sometimes Krugman has suggested that shift occurred because of his observation of efforts by the Bush administration to mislead (Krugman 2008; 2009; MacFarquhar 2010). Krugman had, however, claimed on several occasions prior to 2001 that dishonesty is endemic to conservative or Republican thinking. Looking back on his time on the Council of Economic Advisers in the early 1980s, Krugman (1995) wrote: "The Reagan Administration was, of course, full of people who hated the welfare state and had very little interest in the truth." In 1996, speaking generally about policy debates of that time, Krugman wrote: "There is...another way to counter the conservative program: by pointing out that it is based on falsehoods, not only about the effect of tax cuts but about the nature of public spending and the realities of income distribution" (Krugman 1996b).

34. Cf. Krugman (2007a, 272): "The central fact of modern American political life is the control of the Republican Party by movement conservatives."

35. "[M]ost conservatives are not libertarians... there are some real libertarians out there, particularly in the realm of economics bloggers, but they have no real power base. ... [T]here is an interesting debate to be had about the proper extent of the public sphere. But that isn't the debate driving our politics; our left-right split isn't nearly that idealistic, or innocent" (Krugman 2013f).

36. Daniel Klein and Harika Anna Barlett (2008) show that, in his *New York Times* columns, Krugman has only rarely criticized existing government interventions.

37. "Krugman was not, and is not, the only person in America who believes that the Bush administration is in cahoots with interests out to bilk Americans and pervert the political process. But as a *Times* columnist, closely read by the political elite and syndicated to papers across the country, he has been able to validate the anger of a whole class of angry, frustrated Democrats who feel that he's the only one prepared to describe the world as it really is" (Confessore 2002).

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While Krugman has changed much in how he writes and what subjects he tackles, there are also a few definite shifts in his policy views, though probably not as many as a cursory examination would suggest.

In a 1987 article for the *Journal of Economic Perspectives*, Krugman expressed the view that “the national interest” should take precedence over any hard-and-fast principle of free international trade. He interpreted new trade theory as having revealed that free trade is not “the policy that economic theory tells us is always right” (Krugman 1987, 132), but said that free trade could still “serve as a focal point on which countries can agree to avoid trade wars” (*ibid.*, 143). Krugman wrote:

Strategic trade policy aimed at securing excess returns for domestic firms and support for industries that are believed to yield national benefits are both beggar-thy-neighbor policies that raise income at the expense of other countries. A country that attempts to use such policies will probably provoke retaliation. In many (though not all) cases, a trade war between two interventionist governments will leave both countries worse off than if a hands-off approach were adopted by both. (Krugman 1987, 141-142)

Krugman said, however: “If the potential gains from interventionist trade policies were large, it would be hard to argue against making some effort to realize these gains” (1987, 143).

It seems to me that if Krugman’s views on trade have changed, the change is small. In 2010, the *New York Times* published an editorial criticizing the Chinese government’s “economic strategy based on cheap exports.” In a blog post later that day, Krugman (2010) praised the editorial and urged the U.S. to threaten sanctions against China. I interpret Krugman as hoping that such a threat would lead to China dropping its interventionist trade policies. Krugman concluded by telling his readers to “bear in mind” that if the threat were instead to set off a trade conflict, large losses could befall China but that the U.S. “may well end up gaining,” adding “right now we’re in a world in which mercantilism works” (Krugman 2010).

Krugman (2013b) recently endorsed “stricter safety and working conditions standards in third-world apparel producers.” He said, “I don’t think that’s a contradiction of my earlier views,” explaining:

At this point...there really isn’t any competition between apparel production in poor countries and rich countries; the whole industry has moved to the third world. The relevant competition is instead among poor countries...

If we do this for Bangladesh, and only for Bangladesh, it could backfire: the business could move to China or Cambodia. But if we demand higher standards for all countries—modestly higher standards, so that we’re not talking about driving the business back to advanced countries—we can achieve an improvement in workers’ lives (and fewer horrible workers’ deaths), without undermining the export industries these countries so desperately need. (Krugman 2013b)

Krugman (2013b) cites an essay from 1997 to represent his earlier views. But in the cited essay (Krugman 1997) he had justified his opposition to “international labor standards” on two grounds, only the second of which was that such standards might stop or “even reverse” industrial growth in developing countries. His other justification was:

First of all, even if we could assure the workers in Third World export industries of higher wages and better working conditions, this would do nothing for the peasants, day laborers, scavengers, and so on who make up the bulk of these countries’ populations. At best, forcing developing countries to adhere to our labor standards would create a privileged labor aristocracy, leaving the poor majority no better off. (Krugman 1997; cf. Yglesias 2013b)

Another issue that Krugman has addressed is minimum wage legislation. In a 1998 book review, Krugman criticized “the ‘living wage’ movement,” dismissing its proponents as “basically opposed to the idea that wages are a market price” and asserting that “the broader political movement of which the demand for a living wage is the leading edge is ultimately doomed to failure.” In support of his position against *much* higher minimum wages, Krugman (1998b) brought forth arguments that could also be used against mildly higher minimum wages, or, indeed, against the existence of a minimum-wage policy—but while the overall thrust of the piece seems to run against minimum wages, it does not argue that the minimum wage should be kept at the same level, decreased, or eliminated. Today, Krugman is simply open in his support of a mild increase in the minimum wage (Krugman 2006; 2007a, 261-262; 2013a; see also Briggeman 2013, 8-11; Yglesias 2013a).

Krugman has, perhaps, become more sanguine about government budget deficits and debt (cf. Barkley 2010, 123-128). In *The Age of Diminished Expectations*, Krugman fantasized about “a day of reckoning” on budget matters:

If there were any justice in the world, there would be a dramatic end to the deficit story: The adverse consequences of the deficit would

become spectacularly apparent in an economic crisis, and the public would rise up and throw the rascals out. But of course there isn't any justice in the world. While there are possibilities of disaster, they don't have to materialize. It is not only possible but probable that budget deficits at more or less the current level will continue for the rest of the century. There will be costs to these deficits, but they may never reach the crisis stage.

Why can America apparently be so irresponsible fiscally yet avoid drastic punishment? At least part of the answer is that even as short-term politics has come to rule the budget, apolitical professionals have placed themselves firmly back in control of monetary policy. (Krugman 1990, 77-78)

In the mid-1990s, Krugman criticized certain politicians for being insufficiently concerned about deficits and debt:

True believers [in supply-side economics] like Steve Forbes live in a never-never land in which there are no hard choices or painful tradeoffs, budget deficits will be cured by growth and poverty will vanish as the rising tide lifts all boats. ...

[T]he Republican nominee, whoever he is, will probably run not on the theme of fiscal responsibility but on a Reaganesque program of tax cuts. Such a program would promise growth, but it would deliver new and bigger deficits. ...

[U]nlike Mr. Reagan in 1980, a newly elected President... would find a Government already deeply in debt. Worse yet, the day is approaching when the baby boomers will start to retire and claim the trillions of dollars in Social Security and Medicare benefits they have been promised. (Krugman 1996a)

But in recent years Krugman has often said that politicians are overly concerned with deficits and debt, as here:

Deficit-worriers portray a future in which we're impoverished by the need to pay back money we've been borrowing. ...

Governments don't [have to pay back their debt]—all they need to do is ensure that debt grows more slowly than their tax base. The debt from World War II was never repaid; it just became increasingly irrelevant as the U.S. economy grew, and with it the income subject to taxation. ...

When Keynes was writing about the need to spend your way out of a depression, Britain was deeper in debt than any advanced nation today, with the exception of Japan. . . .

[D]ebt matters. But right now, other things matter more. We need more, not less, government spending to get us out of our unemployment trap. (Krugman 2012b)

Krugman says the policy response to the recession of 2007–2009 was ineffective, causing him to lose confidence in markets generally:

[W]e need “macroprudential” policies—regulations and taxes designed to limit the risk of crisis—even during good years, because we now know that we can’t count on an effective cleanup when crisis strikes. And I don’t just mean banking regulation; as [Emmanuel Farhi and Iván Werning (2013)] say, the logic of this argument calls for policies that discourage leverage in general, capital controls to limit foreign borrowing, and more.

What’s more, you have to ask why, if markets are imperfect enough to generate the massive waste we’ve seen since 2008, we should believe that they get everything else right. I’ve always considered myself a free-market Keynesian—basically, a believer in Samuelson’s synthesis. But I’m far less sure of that position than I used to be. (Krugman 2013e; see also Quiggin 2013)

It has been said that Krugman is more or less a present-day version of Milton Friedman, though possessed of an ideological stance opposed to Friedman’s (Cowen 2013, 173-174; Medema 2013, 197).³⁸ Krugman himself has offered much praise for Friedman (Krugman 2007b; 2013d), whom he sees as having adopted an effective political persona that was, for a time, salutary:

In the aftermath of the Great Depression, there were many people saying that markets can never work. Friedman had the intellectual courage to say that markets can too work, and his showman’s flair combined with his ability to marshal evidence made him the best spokesman for the virtues of free markets since Adam Smith. . . .

Milton Friedman the great economist could and did acknowledge ambiguity. But Milton Friedman the great champion of

38. Cf. DeLong (2010): “He is the closest thing to an heir to John Maynard Keynes we have today.”

free markets was expected to preach the true faith, not give voice to doubts. And he ended up playing the role his followers expected. ...

In the long run, great men are remembered for their strengths, not their weaknesses, and Milton Friedman was a very great man indeed—a man of intellectual courage who was one of the most important economic thinkers of all time, and possibly the most brilliant communicator of economic ideas to the general public that ever lived. ... When Friedman was beginning his career as a public intellectual, the times were ripe for a counterreformation against Keynesianism and all that went with it. But what the world needs now, I'd argue, is a counter-counterreformation. (Krugman 2007b)

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