PAUL KRUGMAN: THE WICKED ECONOMIST?

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On August 17, New York Times columnist Paul Krugman and Brazilian President Fernando Enrique Cardoso will share the closing plenary of the 2004 ASA conference. In what promises to be a particularly exciting session, one of this century’s most influential and public economists will debate “the future of neoliberalism” with one of its most influential and public sociologists.

“An Indian born economist once explained his personal theory of reincarnation to his graduate economics class,” Paul Krugman writes in the opening paragraph of his Preface to Peddling Prosperity. “‘If you are a good economist, a virtuous economist,’ he said, ‘you are reborn as a physicist. But if you are an evil, wicked economist, you are reborn as a sociologist.’” Krugman then continues: “A sociologist might say that this quote shows what is wrong with economists: they want a subject that is fundamentally about human beings to have the mathematical certainty of the hard sciences. (…) But good economists know that the speaker was talking about something else entirely: the sheer difficulty of the subject. Economics is harder than physics; luckily it is not quite as hard as sociology.” (1994:xii)

Let’s pause and enjoy the quote. It is not often that a prominent economist, winner of the Clark medal,1 gives out praise for sociology. But this is not the important point here. What makes economics and sociology “harder” than physics is that “it involves human beings,” whose behavior is elusive to observe, difficult to understand, and impossible to predict. And being practiced and implemented by human beings, economics is subject to contention, political manipulation, and prejudice. Krugman’s life as a scientist is about the former—producing a better understanding of the real world by means of economic metaphor. His life as a popular writer and journalist is about the latter—debunking what is wrong with the way people use economics to act on the real world. The two projects, of course, are intimately linked. Although a columnist for the New York Times since 1999, and a best-selling writer since 1989,2 Krugman remains the economics professor he has always been—rarely leaving the Princeton University campus, and writing a much-awaited textbook on economics principles.3 And while his virulent attacks at the Bush administration may suggest—as his critics would have it—pure political partisanship, re-reading some of his earlier debates with the Reagan supply-siders, the Clinton “pop internationalists,” or the industrialists à la Robert Reich shows that the picture is much more complex. Over the years Krugman has argued with virtually everyone, and especially with the “policy entrepreneurs” he learned to dislike during his stay at the Council of Economic Advisers in the early 1980s. He has done so because he

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1 Awarded every two years to “that American economist under forty who is adjudged to have made a significant contribution to economic thought and knowledge.”
2 Date of the publication of first edition of The Age of Diminished Expectations, Krugman’s first book aimed at a non-technical audience. Shortly after, Krugman began writing columns for Fortune and Slate.
3 Before coming to Princeton University, Krugman taught at Yale University, the Massachusetts Institute of Technology and at Stanford University. The forthcoming textbook is Paul Krugman and Robin Wells, Economics (Worth Publishers).
is an economist’s economist, and that gives him some authority to dismiss the ideas of
“literary intellectuals and policy wonks.”

Still, even within the scientific domain of economics, Krugman started out as a
trouble-maker. His adviser at MIT, Rudiger Dornbusch, had “a classification system for
economists, depending on their research style. "Goldsmiths" were careful, meticulous
workers -which Rudi admired. "Pigs" just sort of jumped into an issue and wallowed
around. But that was OK too, if it was done with sufficient vigor and originality. Rudi
described Larry Summers as a "fearful pig" - and it was a compliment. On the other hand,
"plumbers" were economists who devised intricate contraptions with no clear purpose.”

And so Krugman found himself on the pig side of economic science –somewhat of an
iconoclast, both topically and stylistically. By his own admission, his models exemplify a
happy match of crispness and minimalism, sometimes to the point of silliness. Reflecting
on his intellectual trajectory, Krugman observes that he has developed over the years a
truly personal style, which consists in “using assumptions that are unfamiliar and doing
very simple things with them,” specifically by relying heavily on special empirical cases.

Krugman’s first set of academic papers, published in the late seventies, was the
most important departure to date from the Ricardian theory of comparative advantage,
which had ruled the field of international trade since the nineteenth century. Krugman’s
research pointed out that the theory, which predicted that international trade occurs when
countries have different endowments, was at odds with the data. He then proceeded to
show that economies of scale could be an independent cause of international trade, even
in the absence of comparative advantage. Thus countries that are very similar might end
up trading a lot, even within the same industry. The consequences of this argument for
trade policy were powerful (and rapidly picked on by critics of free trade): Krugman
suggested that under the right circumstances, trade policies such as tariffs, quotas, or
strategic investment in infant industries could be beneficial. Following this “big bang,”
Krugman then made seminal contributions to the understanding of currency crises and the
behavior of exchange rates, which lead him to cautiously favor greater fixity. When the
Asian crisis hit, Krugman found himself advocating capital controls, a position that put
him somewhat at odds with the rest of the economics profession. Still, in spite of these
positions on specific cases, he has remained by and large faithful to the principles of trade
liberalism, which has often frustrated those who tried to use his writings to advocate for
government protection.

It is a somewhat bitter irony that the man who has become a popular hero for
educating the nation about the Bush administration’s economic strategy (he refuses to use

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Prospect, 7(29). November 1 – December 1 1996.
5 Paul Krugman, “Remembering Rudi Dornbusch” (July 28, 2002) available at the
Unofficial Paul Krugman archive http://www.pkarchive.org/
6 Paul Krugman, “How I work” (1993) and “Incidents from my career” (1995) available
at the Unofficial Paul Krugman archive http://www.pkarchive.org/
7 This paragraph relies heavily on the excellent exposé of Krugman’s works in Advinash
8 See for instance Krugman’s debates with Robert Kuttner in The American Prospect
(cited note 4).
the word “economic policy”, arguing there is none) has personally trained relatively few disciples. Yet the legacy of his writings, both academic and public, is remarkable. His scientific work has dominated the research done in international economics for the past 20 years, while his New York Times columns stand out in today’s public space. As another journalist recently wrote: “What makes Krugman interesting is not just why he writes what he writes. It's why nobody else does.”

Krugman accomplishes his task as a journalist and national public figure with a ferocious, almost missionary zeal. And he justifies this calling by the urgency of the task at hand—the necessity to stand up against what he calls a “revolutionary power,” whose main objective is to starve the federal government of resources to the point where it is unable to sustain the social programs adopted since the New Deal. The outrage, however, is not simply economic. Over the last few years, it has grown to embrace political issues—corruption, dishonesty—and international ones—the misuse of American military power. In the process of becoming a journalist, Krugman the economist has been slowly giving way to Krugman the bold political columnist; his expansion into new intellectual terrains such as the Iraq war, political affairs, environmental or distributional issues, and the remarkable outspokenness of his writings have made him more popular than ever, both positively and negatively—he probably has as many enemies as he has fans.

It is not absolutely clear yet how taking on this broader role of political critic will affect Krugman’s legacy as an economist. In fact, Krugman once scorned John Kenneth Galbraith for the same kind of public involvement he has now been pursuing assiduously for over fifteen years, disparaging Galbraith’s desertion of scholarly pursuits and lack of continued involvement with the academic world. Still, similar behavior did not prevent Milton Friedman or Joseph Stiglitz from receiving the Nobel Prize in economic science—and nobody in the field can deny that Krugman has proved his superior scientific skill. So why should he not—before the ultimate consecration comes, in due time—use his intellectual standing to sustain such public engagement—even if in the process he has to be reborn as a sociologist?

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