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How Paul Krugman found politics.

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Krugman and his wife, Robin Wells, at home with their cats, Doris Lessing and Albert Einstein. Photograph by Tina Barney.

When it is cold at home, or he has a couple of weeks with nothing to do but write his *Times* column, or when something unexpectedly stressful happens, like winning the Nobel Prize, the Princeton economist Paul Krugman and his wife, Robin Wells, go to St. Croix. Here it is warm, and the days are longer, and the phone doesn't ring much. Here they live in a one-bedroom condo they bought a few years ago, nothing fancy but right on the beach. The condo's walls are yellow and blue, the furniture is made of wicker, there are pillows and seashells. There are tall, sprawling bougainvillea bushes along the side of the road.

"We first fell in love with St. John," Krugman says. "It was New York lawyers who'd decided to give up on the whole thing and live on a houseboat and wear their gray ponytails."

"But St. John went too upscale," Wells says.

"Our complex is more Midwesterners. Retired car dealers and so on."

The east end of St. Croix is something of a tourist spot, but the west end, where they decided to settle, is where the Crucians live, and it has a Jimmy Buffett feel to it that they like. In Frederiksted, the west end's tiny town, there are a couple of coffee shops, a KFC, a Wendy's, a few churches, a post office, and a promenade by the sea with concrete picnic tables. Not many people about. Farther out along the coast, there are beach bars with plastic chairs and Christmas lights, men with beards and very tanned middle-aged women sitting and smoking in the afternoon.

"The west end is where the whites who've gone native live," Wells says. "They have a couple of beach bars with not very good blues and jazz bands. They were playing Neil Young as we went by the other night, and Paul said, 'Boy, that was an awful rendition.'"

“It was Buffalo Springfield.”

“Yes, Springfield, O.K. I said, ‘Aging boomers, they love any rendition, no matter how bad.’ ”

Here Krugman wears the same shirt for days, a short-sleeved plaid cotton shirt, and bathing trunks. He sits in the room where they eat their breakfast, which has a long window open to the sea. He types at a tiny table that folds out of a closet, which requires him to sit more or less inside the closet, but this is helpful, because the light can be so bright in the room that it becomes blinding. If he turns his head, he can see the sky.

First thing when he wakes up, he checks out a few Web sites, and if he’s not writing his column that day he and Wells will go for a walk on the beach, or they will stroll into Frederiksted and have breakfast at Polly’s, a little coffee shop that serves iced lattes and pretty good egg burritos. If he is writing his column, he will start it on the morning of the day it’s due, and, if the spirit is with him, he will be done soon after lunch. When he has a draft, he gives it to Wells to edit. Early on, she edited a lot—she had, they felt, a better sense than he did of how to communicate economics to the layperson. (She is also an economist—they met when she was a postdoc at M.I.T. and he was teaching there.) But he’s much better at that now, and these days she focusses on making him less dry, less abstract, angrier. Recently, he gave her a draft of an article he’d done for *Rolling Stone*. He had written, “As Obama tries to deal with the crisis, he will get no help from Republican leaders,” and after this she inserted the sentence “Worse yet, he’ll get obstruction and lies.” Where he had written that the stimulus bill would at best “mitigate the slump, not cure it,” she crossed out that phrase and substituted “somewhat soften the economic hardship that we face for the next few years.” Here and there, she suggested things for him to add. “This would be a good place to flesh out the vehement objections from the G.O.P. and bankers to nationalization,” she wrote on page 9. “Show us all their huffing and puffing before you dismiss it as nonsense in the following graf.”

On the rare occasion when they disagree about something, she will be the one urging him to be more outraged or recalcitrant. She pushed him to denounce the filibuster. She wanted him to be more stubborn in holding out for the public option in the health-care bill. He spent a few sleepless nights wrestling with his conscience about that but ultimately decided that a flawed bill was so much better than no bill at all that he had to support it. “You can get beaten down,” he says. “When Robin and I started writing about health care, single payer was clearly the way to go. And then bit by bit you start saying, ‘O.K., you take what you can get.’ There’s a trap I’ve seen some people fall into—you let your vision of what should be get completely taken over by what appears possible right now—and that’s something I’m trying to avoid.”

In the late afternoon, they lie on beach loungers underneath a clump of sea-grape trees, facing the ocean. Krugman sips a piña colada through a straw and reads the galleys of a book about the financial crisis. They were thinking of having dinner at a place in town, but then they discovered that there was to be an Elvis impersonator singing there, so they decided to go to the Sunset Grill, where the stereo is playing Wings. It’s getting buggy on the beach, and Wells hands Krugman a can of Off. The tide is coming in. Krugman puts his book down, eases himself out of his lounger, and, still wearing his hat and sunglasses, wades cautiously into the sea.

In his columns, Krugman is belligerently, obsessively political, but this aspect of his personality is actually a recent development. His parents were New Deal liberals, but they weren’t especially interested in politics. In his academic work, Krugman focussed mostly on subjects with little political salience. During the eighties, he thought that supply-side economics was stupid, but he didn’t think that much about it. Unlike Wells, who was so upset when Reagan was elected that she moved to England, Krugman found Reagan comical rather than evil. “I had very little sense of what was at stake in the tax issues,” he says. “I was into career-building at that point and not that concerned.” He worked for Reagan on the staff of the Council of Economic Advisers for a year, but even that didn’t get him thinking about politics. “I feel now like I was sleepwalking through the twenty years before 2000,” he says. “I knew that there was a right-left division, I had a pretty good sense that people like Dick Arme were not good to have rational discussion with, but I didn’t really have a sense of how deep the divide went.”

For the first twenty years of Krugman’s adult life, his world was divided not into left and right but into smart and stupid. “The great lesson was the low level of discussion,” he says of his time in Washington. “The then Secretary of the Treasury”—Donald Regan—“was not that bright, and you could have angry exchanges where neither side understood the policy.” Krugman was buoyed and protected in his youth by an intellectual snobbery so robust that distractions or snobberies of other sorts didn’t stand a chance. “When I was twenty-eight, I wouldn’t have had the time of day for some senator or other,” he says.

Krugman’s tribe was academic economists, and insofar as he paid any attention to people outside that tribe, his enemy was stupid pseudo-economists who didn’t understand what they were talking about but who, with attention-grabbing titles and simplistic ideas, persuaded lots of powerful people to listen to them. He called these types

“policy entrepreneurs”—a term that, by differentiating them from the academic economists he respected, was meant to be horribly biting. He was driven mad by Lester Thurow and Robert Reich in particular, both of whom had written books touting a theory that he believed to be nonsense: that America was competing in a global marketplace with other countries in much the same way that corporations competed with one another. In fact, Krugman argued, in a series of contemptuous articles in *Foreign Affairs* and elsewhere, countries were not at all like corporations. While another country’s success might injure our pride, it would not likely injure our wallets. Quite the opposite: it would be more likely to provide us with a bigger market for our products and send our consumers cheaper, better-made goods to buy. A trade surplus might be a sign of weakness, a trade deficit a sign of strength. And, anyway, a nation’s standard of living was determined almost entirely by its productivity—trade was just not that important.

When Krugman first began writing articles for popular publications, in the mid-nineties, Bill Clinton was in office, and Krugman thought of the left and the right as more or less equal in power. Thus, there was no pressing need for him to take sides—he would shoot down idiocy wherever it presented itself, which was, in his opinion, all over the place. He thought of himself as a liberal, but he was a liberal *economist*, which wasn’t quite the same thing as a regular liberal. Until the late nineties, when he became absorbed by what was going wrong with Japan, he believed that monetary policy, rather than government spending, was all that was needed to avoid recessions: he agreed with Milton Friedman that if only the Fed had done its job better the Great Depression would never have happened. He thought that people who wanted to boycott Nike and other companies that ran sweatshops abroad were sentimental and stupid. Yes, of course, those foreign workers weren’t earning American wages and didn’t have American protections, but working in a sweatshop was still much better than their alternatives—that’s why they chose to work there. Moreover, sweatshops really weren’t the threat to American workers that the left claimed they were. “A back-of-the-envelope calculation . . . suggests that capital flows to the Third World since 1990 . . . have reduced real wages in the advanced world by about 0.15%,” he wrote in 1994. That was not nothing, but it certainly wasn’t anything to get paranoid about. The world needed *more* sweatshops, not fewer. Free trade was good for everyone. He felt that there was a market hatred on the left that was as dogmatic and irrational as government hatred on the right.

In writing his first popular book, “The Age of Diminished Expectations,” he became preoccupied by the way that inequality had vastly increased in the Reagan years. (Interestingly for an economist, Krugman believes that the political often determines the economic, rather than the other way around; he believes that the increase in inequality in the U.S. since the sixties is a product less of economic factors—the development of technology, say, leading to the greater importance of skills and education—than of political decisions about taxation and unions.) After the book was published, in 1990, various people denied that inequality had increased, and this really annoyed him. He began to get into fights. He was taken aback by the 1994 midterm elections, and during the impeachment hearings he began to think that the Republicans were getting pretty radical, but he still wasn’t *angry* about it. “Some of my friends tell me that I should spend more time attacking right-wingers,” he wrote in 1998. “The problem is finding things to say. Supply-siders never tire of proclaiming that taxes are the root of all evil, but reasonable people do get tired of explaining, over and over again, that they aren’t.”

Certainly until the Enron scandal, Krugman had no sense that there was any kind of problem in American corporate governance. (He consulted briefly for Enron before he went to the *Times*.) Occasionally, he received letters from people claiming that corporations were cooking the books, but he thought this sounded so implausible that he dismissed them. “I believed that the market was enforcing,” he says. “I believed in the S.E.C. I just never really thought about it. It seemed like a pretty sunny world in 1999, and, for all of my cynicism, I shared a lot of that. The extent of corporate fraud, the financial malfeasance, the sheer viciousness of the political scene—those are all things that, ten years ago, I didn’t see.”

When the *Times* approached him about writing a column, he was torn. “His friends said, ‘This is a waste of your time,’ ” Wells says. “We economists thought that we were doing substantive work and the rest of the world was dross.” Krugman cared about his academic reputation more than anything else. If he started writing for a newspaper, would his colleagues think he’d become a pseudo-economist, a *former* economist, a vapid policy entrepreneur like Lester Thurow? Lester Thurow had become known in certain circles as Less Than Thorough. It was hard to imagine what mean nickname could be made out of Paul Krugman, but what if someone came up with one? Could he take it?

It was the 2000 election campaign that finally radicalized him. He’d begun writing his column the year before, and although his mandate at the outset was economic and business matters, he began paying more attention to the world in general. During the campaign, he perceived the Bush people telling outright lies, and this shocked him.

Reagan's people had at least tried to justify their policies with economic models and rationalizations. Krugman hadn't believed the models would work, but at least they were there.

After the election, he began to attack Bush's policies in his column, and, as his outrage escalated, his attacks grew more venomous. Krugman felt that liberals were unwilling to confront or even to acknowledge the anger on the right with some of their own, so he was going to have to do it. "He saw that it had been very, very painful during the nineties to get American fiscal policy in order, and he saw all of that being thrown away callously and with very little thought," Brad DeLong, a professor of economics at Berkeley, says. "And it turned out to be true that Alan Greenspan was going to meetings at the White House saying we're going to regret this. Paul was simply six years behind those of us who had worked in the Clinton Administration, who found the collapse of reality-based Republicanism coming much earlier." Krugman attacked Bush for trying to bankrupt Social Security, for promoting an economically and environmentally disastrous energy policy, for increasing inequality by cutting taxes for the rich and corporations, for using the war on terrorism to conceal his fiscal misdeeds, and for insider trading before he became President. He wrote a brave column on September 16, 2001, arguing that the catastrophe of September 11th was partly self-inflicted, because the government had abandoned airport security—which should be a public service—to be paid for by the airlines, who naturally did it on the cheap.

In return, he received great piles of hate mail. "He'd get threats," Wells says. "The *Times* was constantly barraged with complaints. One time on book tour, he was filmed by this crazy right-winger with a video camera. They were getting hold of his student evaluations to find out if he was indoctrinating Princeton's youth. At one point, I wanted them to put a panic button in Paul's office. Our garage doors were egged." Even some people who agreed with him felt that he was too relentlessly partisan for a columnist in a mainstream paper. But on the left he was revered. "The book tour for 'The Great Unravelling' was like revival meetings, because so few people were speaking out then," Krugman says. "There was a great event—it was in Berkeley, which devalues it a bit—but there was this event with a joint appearance by Al Franken, Kevin Phillips, and me, with three thousand people in the audience, and when we walked onstage we got a standing ovation. That would have been 2004." "I remember one woman saying, 'I thought I was going crazy until I read you,'" Wells says. "He gave a talk for a small bookstore in Marin County, and the town was so small they didn't have a place big enough to hold it, so they held it in a local church, and they had to open the windows, because people were outside listening." All of this—the hate and the love—was exciting, and made Krugman realize that what he was doing was important, even though it was only journalism. Wells tried to prevent it from going to his head. "I said to him, 'You know, life after Bush is going to be different; you won't be everybody's darling, because it will be a more sane time.'"

In fact, the change came faster than either of them had anticipated, because during the primary campaign Krugman was very critical of Barack Obama. He was critical chiefly because, of the three main candidates, Obama seemed to him the most conservative (his health plan, for instance, didn't mandate universal coverage), but it wasn't just his policies that Krugman objected to. He couldn't stand all the feel-good stuff about hope and dialogue and reconciliation. He hated that Obama was out there saying nice things about Reagan when what Democrats needed to do most was debunk the persistent myth that Reaganomics had been good for America. He thought Obama was completely wrong to believe that the country's problems were due largely to partisan nastiness, and ridiculously naïve to imagine that he could bring together Republicans and insurance companies to reform health care. "Anyone who thinks that the next president can achieve real change without bitter confrontation is living in a fantasy world," he wrote in 2007. Krugman supported John Edwards, for his emphasis on poverty, for his ambitious health-care plan, and for his rough talk about attacking the interests of the wealthy. After Edwards dropped out, he supported Hillary Clinton. She wasn't as left as Edwards was, but at least she was a fighter, and she obviously had no illusions about bipartisan harmony.

But most people didn't see Obama the way Krugman did; they thought he was the savior of the left, and the passions of the campaign were such that when Krugman wrote columns deriding Obama he was lacerated—scathing comments on the progressive blogs, more hate mail, and not the fun kind. "I won't try for fake evenhandedness here," Krugman wrote. "The Obama campaign seems dangerously close to becoming a cult of personality." "OK, you did it," one commenter wrote in response. "You lost me. I've defended you on local blogs but you've sunk into low territory." "You're devolving into a caricature with your gross misrepresentations and strident, ignorant defense of the Clinton campaign," another wrote. "Paul, you're killing a little bit of your readers' souls," a third wrote, "or at least those of us who used to love your column." "The primary was terrible, it was awful," Krugman says.

"Paul was getting attacked by people we thought of as on our side," Wells says. "I thought to myself, Well, I knew things were going to change, but this is quick and hard enough to give you whiplash. One of our friends said,

‘You’d better be careful, because Obama supporters might put rattlesnakes in your mailbox.’ People said, ‘Oh, Paul’s son works in Hillary’s campaign.’” (Krugman has no children.) “People were so upset and angry after Bush, they had taken leave of their senses. They wanted to give themselves over, and they resented people like Paul who said, ‘No, don’t give yourselves over, think about what’s going on.’ They wanted to feel that they were being redeemed, and this is what Obama was offering, but he doesn’t have the right or the ability to redeem people; that’s not appropriate.”

Once Obama won the primary, Krugman supported him. Obviously, any Democrat was better than John McCain.

“I was nervous until they finally called it on Election Night,” Krugman says. “We had an Election Night party at our house, thirty or forty people.”

“The econ department, the finance department, the Woodrow Wilson school,” Wells says. “They were all very nervous, so they were grateful we were having the party, because they didn’t want to be alone. We had two or three TVs set up and we had a little portable outside fire pit and we let people throw in an effigy or whatever they wanted to get rid of for the past eight years.”

“One of our Italian colleagues threw in an effigy of Berlusconi.”

“I put out some coloring paper and markers so that people could write stuff on it and throw it into the fire. People really felt like there was stuff they wanted to shed! I had little hats and party whistles.”

In the first few months of the new Administration, Krugman tried to be sympathetic. It was not in his nature to be hopeful or understanding of human frailty, but he tried to be both. Finally, he had a chance to sway people in power. All over Washington, people read his columns and brought up his arguments in meetings. He met the President. He spoke on the phone to Lawrence Summers, the director of the National Economic Council, every month or so. Peter Orszag, the director of the Office of Management and Budget, read his blog every morning. Senators phoned him, to thank him for a column, or to discuss a policy.

People in the Administration were sometimes frustrated by his criticisms. “Paul’s great strength is his pellucid clarity,” Summers says delicately. “The other side of it is that there’s a degree of complexity in the world that a President has to deal with that he sometimes misses in his search for clarity.” But Krugman could also be useful: if he supported something that the left was dubious about—the Senate health-care bill, for instance—he could bring a lot of people around. On the other hand, when, as was more often the case, it was conservatives who were holding out, he had no influence at all. “I was actually in the room when many of the final negotiations”—over the stimulus package—“were done, and there was no way that a larger package would have gotten sixty votes,” an Administration official says. “Regardless of whether he is academically correct, it just wasn’t in the cards.”

“Now that we have people whose goals I share in power, I’ve seen what it actually takes to make policy change happen,” Krugman says. “It’s pretty revelatory. It’s one thing to do opinion pieces about the way things ought to be; it’s another thing to think about, O.K., given the makeup of the U.S. Senate, given the difficulties of getting people on board and of communicating stuff to the public, what can you actually *do*?”

But by the anniversary of Obama’s Inauguration Krugman felt unhappily vindicated. Obama’s hands-off, conciliatory style drove him crazy, especially when it became clear that his attempts to win over the Republicans had failed. Why wasn’t he more aggressive, more of a leader on health care, rather than leaving the details to endless committees? Krugman wondered. How could he be so passive about it? Why didn’t he *fight*? “I have to say,” he wrote on his blog a year after the Inauguration, “I’m pretty close to giving up on Mr. Obama.”

These days when Krugman criticizes Obama, commenters on his blog tend to agree with him. He has regained his credibility with the left. There are even some songs about him on YouTube. “Hey, Paul Krugman,” a young guy with closed eyes and an ironically furrowed brow sings, “why aren’t you in the Administration? Is it some kind of politicking that I don’t understand? I mean, Timothy Geithner is like some little weasel. . . . Hey, Paul Krugman, where the hell are you, man?”

Last August, Krugman decided that before he and Wells departed for a bicycle tour of Scotland he would take a couple of days to speak at the sixty-seventh world science-fiction convention, to be held in Montreal. (Krugman has been a science-fiction fan since he was a boy.) At the convention, there was a lot of extremely long hair, a lot of blue hair, and a lot of capes. There was a woman dressed as a cat, there was a woman with a green brain attached to her head with wire, there was a person in a green face mask, there was a young woman spinning wool. There was a Jedi and a Storm Trooper. Those participants who were not dressed as cats were wearing T-shirts with something written on them: “I don’t understand—and I’m a rocket scientist,” “I see dead pixels,” “Math is delicious.” Krugman has always had a nerdy obsession with puns. (He is very proud of a line in one of his

textbooks: “Efforts to negotiate a resolution to Europe’s banana split had proved fruitless.”) He also likes costumes. Once, he and Wells gave a Halloween party where the theme was economics topics—two guests came as Asian tigers, several came as hedge funds, one woman came as capital, dressed as a column. Sitting up onstage at the science-fiction convention, Krugman looked happy to be there. It seemed that these were, in some worrying sense, his people.

“Hi, everyone!” he called out.

“Hi!” everyone called back.

Krugman explained that he’d become an economist because of science fiction. When he was a boy, he’d read Isaac Asimov’s “Foundation” trilogy and become obsessed with the central character, Hari Seldon. Seldon was a “psychohistorian”—a scientist with such a precise understanding of the mechanics of society that he could predict the course of events thousands of years into the future and save mankind from centuries of barbarism. He couldn’t predict individual behavior—that was too hard—but it didn’t matter, because history was determined not by individuals but by laws and hidden forces. “If you read other genres of fiction, you can learn about the way people are and the way society is,” Krugman said to the audience, “but you don’t get very much thinking about *why* are things the way they are, or what might make them different. What would happen *if*?”

With Hari Seldon in mind, Krugman went to Yale, in 1970, intending to study history, but he felt that history was too much about what and not enough about why, so he ended up in economics. Economics, he found, examined the same infinitely complicated social reality that history did but, instead of elucidating its complexity, looked for patterns and rules that made the complexity seem simple. Why did some societies have serfs or slaves and others not? You could talk about culture and national character and climate and changing mores and heroes and revolts and the history of agriculture and the Romans and the Christians and the Middle Ages and all the rest of it; or, like Krugman’s economics teacher Evsey Domar, you could argue that if peasants are barely surviving there’s no point in enslaving them, because they have nothing to give you, but if good new land becomes available it makes sense to enslave them, because you can skim off the difference between their output and what it takes to keep them alive. Suddenly, a simple story made sense of a huge and baffling swath of reality, and Krugman found that enormously satisfying.

This was, he discovered later, a development that Keynes had helped to bring about. In the nineteen-twenties and thirties, economics had been more like history: institutional economics was dominant, and, in opposition to neoclassical economics, emphasized the complicated interactions between political, social, and economic institutions and the complicated motives that drove human economic behavior. Then came the Depression, and the one question that people wanted economists to answer was “What should we do?” “The institutionalists said, ‘Well, it’s very deep, it’s complex, I mean, you just talk about what happened in 1890,’ ” Krugman says. “Keynesian economics, which was coming out of the model-based tradition, even if it was pretty loose-jointed by modern standards, basically said, ‘Push this button.’ ” Push this button—print more money, spend more money—and the button-pushing worked. Push-button economics was not only satisfying to someone of Krugman’s intellectual temperament; it was also, he realized later, politically important. Thinking about economic situations as infinitely complex, with any number of causes going back into the distant past, tended to induce a kind of fatalism: if the origins of a crisis were deeply entangled in a country’s culture, then maybe the crisis was inevitable, perhaps insoluble—even deserved.

“What does it mean to do economics?” Krugman asked on the stage in Montreal. “Economics is really about two stories. One is the story of the old economist and younger economist walking down the street, and the younger economist says, ‘Look, there’s a hundred-dollar bill,’ and the older one says, ‘Nonsense, if it was there somebody would have picked it up already.’ So sometimes you do find hundred-dollar bills lying on the street, but not often—generally people respond to opportunities. The other is the Yogi Berra line ‘Nobody goes to Coney Island anymore; it’s too crowded.’ That’s the idea that things tend to settle into some kind of equilibrium where what people expect is in line with what they actually encounter.”

After Yale, Krugman went to graduate school at M.I.T. “M.I.T. in the mid-seventies was a sort of Athens of economics—everybody was there,” he says. “And it was a golden age for clever little models.” Krugman took a class with Rudiger Dornbusch and became interested in international macroeconomics. Bretton Woods—the international system of monetary control established by the Allies during the Second World War—had just collapsed a few years earlier, floating exchange rates had turned out to be much more volatile than anybody expected, and figuring out why turned out to be a fantastically interesting puzzle.

Krugman wrote his thesis on exchange rates, but another class, on international trade, inspired him. “There was this kind of platonic beauty to the whole thing,” he says. “I remember going through the two-by-two-by-two

model—two goods, two countries, two factors of production. The way all these pieces fitted together into a Swiss-watch-like mechanism was beautiful. I loved it.” The traditional theory of international trade, first formulated by the British economist David Ricardo, two hundred years ago, explained trade by comparative advantage: a country exported the goods that it could produce most cheaply, owing to whatever advantages it possessed—cheap labor, climate, technological expertise, and so on. It followed from this theory that countries that were the most dissimilar should do the most trade—countries in the Third World dispatching labor-intensive goods to the First World, the First World selling technology- or capital-intensive goods in return. In the years following the Second World War, however, economists had noticed that much international trade didn’t follow this pattern at all. There was a large amount of trade between countries whose economies were extremely similar, and these countries traded goods that were virtually identical: Germany sold BMWs to Sweden and Sweden sold Volvos to Germany. People had speculated about why this should be so, but nobody had come up with a model that explained it in a rigorous manner.

Krugman realized that trade took place not only because countries were different but also because there were advantages to specialization. If one country was the first to begin manufacturing airplanes, say, it might accumulate an advantage in economies of scale so large that it would be difficult for another country to break into the industry later on, even though there might not be anything about the first country that made it particularly well suited to airplane-making. But why would countries trade goods that were almost the same? Because consumers like to have a choice, and, as Avinash Dixit and Joseph Stiglitz had pointed out a few years earlier, the same logic of increasing returns to scale that Krugman had identified as an essential dynamic in trade could apply to a single brand as well as to a whole industry. Krugman presented his theory to the world in the form of a paper at the National Bureau of Economic Research in July, 1979. “The hour and a half in which I presented that paper was the best ninety minutes of my life,” he wrote later. “There’s a corny scene in the movie ‘Coal Miner’s Daughter,’ in which the young Loretta Lynn performs for the first time in a noisy bar, and little by little everyone gets quiet and starts to listen to her singing. Well, that’s what it felt like: I had, all at once, made it.”

One implication of Krugman’s theory was that, contrary to economic orthodoxy, industrial policy might have its benefits. If the location of a new industry was essentially arbitrary, then a government, by subsidizing and protecting its emergence, could enable it to gain such a lasting advantage that other countries would find it difficult to catch up. But Krugman tried to discourage industrial strategists who cited him. For, while in principle industrial policy could be helpful, in practice, he believed, it was so difficult to determine which industry should receive government help, at the expense of all the others—so difficult to predict an industry’s future, and so difficult to determine merit when powerful interests would be trying to influence that determination—that in the end industrial policy would be likely to benefit mostly the owners of a few businesses and hurt everybody else. (Industrial strategists were not convinced. “You have the cases of Japan, Korea, Brazil, China, and, to some extent, France, and the counterfactual—let’s imagine that they didn’t have an industrial policy, would they have produced the same amount of growth?—is unimaginable,” Robert Kuttner, the co-founder and co-editor of *The American Prospect*, says. “But to be a conventional academic economist you almost have to swear an oath that governments can’t outguess markets in the allocation of capital.”)

Later on, Krugman became interested in economic geography, in the related question of why there were regional specialties—why, in the United States, for instance, were cars produced in Detroit, carpets in Dalton, Georgia, jewelry in Providence, and chips in Silicon Valley? Again, the answer turned out to be history and accident. Once an industry started up in one place, for whatever reason (the carpet industry in Dalton appears to have its origin in a local teen-ager who in 1895 made a tufted bedspread as a wedding present), local workers became trained in its methods, skilled workers from elsewhere moved there, and related businesses sprang up close by. Then, as more skilled labor became available, the industry could grow and benefit from economies of scale. Soon, as long as it didn’t cost too much to transport the industry’s products, the advantages of the place would be such that it would be impractical for someone to open up a similar business anywhere else. Many economists found the idea that economic geography could be so arbitrary “deeply disturbing and troubling,” Krugman wrote, but he found it exciting.

Again, as in his trade theory, it was not so much his idea that was significant as the translation of the idea into mathematical language. “I explained this basic idea”—of economic geography—“to a non-economist friend,” Krugman wrote, “who replied in some dismay, ‘Isn’t that pretty obvious?’ And of course it is.” Yet, because it had not been well modelled, the idea had been disregarded by economists for years. Krugman began to realize that in the previous few decades economic knowledge that had not been translated into models had been effectively lost, because economists didn’t know what to do with it. His friend Craig Murphy, a political scientist at Wellesley, had

a collection of antique maps of Africa, and he told Krugman that a similar thing had happened in cartography. Sixteenth-century maps of Africa were misleading in all kinds of ways, but they contained quite a bit of information about the continent's interior—the River Niger, Timbuktu. Two centuries later, mapmaking had become much more accurate, but the interior of Africa had become a blank. As standards for what counted as a mappable fact rose, knowledge that didn't meet those standards—secondhand travellers' reports, guesses hazarded without compasses or sextants—was discarded and lost. Eventually, the higher standards paid off—by the nineteenth century the maps were filled in again—but for a while the sharpening of technique caused loss as well as gain.

Translating unmappable facts into economic discourse, it turned out, was what Krugman was better at than anyone else: he could take an intriguing notion that had come up in real-world discussions, pare away the details (knowing just what to take out and what was essential), and refine what was left into a clean, clever, “cute” (as he liked to put it), and *simple* model. “It’s poetry,” Kenneth Rogoff, an economist at Harvard, says. “I mean, you go back to his first book and there was this beautiful chart about what the Volcker contraction did to output that swept aside so much—he just drew this little graph which really cleared the air. I’ve heard economists use the word ‘poet’ in describing him for decades.”

Krugman’s theories of trade and economic geography are still taught everywhere. “I think there’s a pretty good case to be made that the stuff that I stressed in the models is a less important story than the things that I left out because I couldn’t model them, like spillovers of information and social networks,” he says. But failure to represent reality accurately is rarely a fatal flaw in an economics model—what’s valued is the model’s usefulness as an analytic tool. The most successful paper Krugman ever wrote was about target zones, and it was completely wrong. In the years before Europe adopted the euro, it was thought that establishing something between floating exchange rates and fixed ones—a “target zone” within which a currency would be allowed to float—might reap some of the advantages of each. He estimates that by the time the paper was officially published, in 1991, some hundred and fifty derivative papers had already appeared. “Empirically, it doesn’t work at all,” Krugman says. “People loved it as an academic thing, but it had some very strong predictions about interest rates inside target zones. Those predictions all turned out to be wrong. But nobody attacked me for that. I was showing that if target zones worked the way that people say they’re supposed to work, then this is how it would play out.”

When they’re not in St. Croix, Krugman and Wells live in a large house on a quiet country road in Princeton with their two cats, Doris Lessing and Albert Einstein. They built the house a few years ago, in a kind of Japanese modern style, with pale wood and horizontal lines and few walls. Next to the living-room area, there is a large empty space where Wells teaches yoga. On Saturday mornings, she teaches a class for, Krugman says, alter kakers (old farts), which he attends; he avoids the classes for somewhat younger and mostly female people that she teaches during the week. In the front of the house is an orderly garden, and in the back the land slopes downhill toward a stream and woods.

“We have a resident fox, and from my office while working I can look out and see the fox trotting across behind the house,” Krugman says.

“We have—what do we call him? Wally? What did we name the blue heron?”

Krugman’s office is a smallish room on the top floor which is usually extremely messy. On the wall over his desk, he has hung a few framed photographs: F.D.R. when young; his parents when young; himself at the White House at a table with Obama, Larry Summers, Timothy Geithner, Jeffrey Sachs, and Joseph Stiglitz; two photographs of himself with congressmen whose identities he has forgotten; Joe Trippi, Howard Dean’s campaign manager, speaking on the phone with a copy of “The Great Unravelling” visible behind his left ear.

Krugman and Wells moved to Princeton from M.I.T. a few years ago, mostly to be closer to their parents. Krugman’s parents were born into families from Belarus and grew up in Brooklyn, pretty poor. Krugman’s father worked at Equitable Life Insurance on Long Island. “I still get a frisson in Penn Station when I hear them announcing the Babylon-line trains,” Krugman says. “It’s like ad jingles from your childhood, you remember it always.” Krugman’s parents now live in a retirement community in New Jersey, Exit 8A.

“Obviously, they’re kvelling, as they would say,” Krugman says. “Somebody from the retirement community actually accosted my father in the supermarket, bitterly saying, ‘Why has your son turned out the way he has and my son turned out the way he has?’ ”

“Your mother used to complain that every time she’d go to the doctor the doctor wanted to talk about you instead of her,” Wells says.

“I think I have actually been getting faster doctor appointments because of this. On the other hand, it’s not

always working. My E.N.T. person is actually—I'm gathering, just from stray remarks—pretty conservative.”

Wells's mother lives even closer than Krugman's parents, five minutes away. Wells grew up in Dallas. She is African-American, and her older sister went to a segregated school; Wells, who was born in 1959, did not, but her school was bad enough so that college at the University of Chicago was a shock. Thinking about their parents' old age and their own, Krugman and Wells have also bought an apartment in New York.

“We figured eventually we'll retire there,” Wells says. “My hairdresser said she's lost three clients in the past couple of years; they get older and sell everything and move into the city. Maybe that's what I'll have to do when my mother finally can't drive.”

“Oh, gosh.”

“My mother is very independent.”

“Very independent.”

Their apartment in New York is in the same neighborhood as both Jeffrey Sachs's and Joseph Stiglitz's, but since they bought it, a few years ago, they haven't seen either of them. Krugman doesn't get out much, socially. But he travels constantly, speaking at conferences, speaking for pay, promoting his books. “I'm not a very easygoing person one on one, but put me in front of five hundred people and I get very relaxed and conversational,” he says. Years ago, when he was just an economist, he did a lot of speaking at corporate events. “I wasn't enjoying those so much,” he says. “One of them was held at a golf course, and I gave the luncheon talk and I was thinking to myself, I could just as well have been a magician. And then, at dinner, they *did* have a magician!” These days, the *Times* forbids him to do gigs like that, to avoid conflicts of interest, but his book publisher sends him all over the place. “I don't sell as many books as Tom Friedman does,” Krugman says. “That's O.K. Tom gives you this, you know, ‘I was talking to somebody in Bangalore and this is what I saw.’ That's a skill I don't have.” Perhaps this is fortunate, because he finds book tours exhausting.

“Twenty-five cities in forty days,” he says. “The mechanics of washing up in hotel sinks because you're not in any hotel long enough to use their laundry.”

It's not so much the washing as the drying that presents a problem. Years of experiments have failed to yield a satisfactory solution. Krugman has discovered that it is slow and quite risky to use a hair dryer with any item that involves elastic. Long ago, in Tel Aviv, his roommates found him attempting to dry his underwear in a frying pan.

“The trick with underwear is to wring it out and then press down—”

“I learned this from yoga workshops,” Wells says. “You get out as much excess water as you can, then you lay a dry towel flat on the floor, you lay the article of clothing on the towel, and roll it up like this—”

“And then it's only slightly damp in the morning when you have to put it on.”

“No, it's usually dry. We also do that on bike trips.”

“Because you can't take forty pairs of underwear.”

“Not in carry-on.”

Krugman is not a keen traveller. After the fall of the Berlin Wall, many of his contemporaries set off for Eastern Europe—every economist wanted his own personal country to transition. Jeffrey Sachs, in particular, was all over the place, but Krugman was never tempted. “I know what Jeff does and I couldn't do it,” he says. “Taking transport planes, living on yak meat for days—no. But I do write faster than anybody. You've got to figure out what you should be doing.”

“Paul is very good at protecting his sense of who and what he is,” Wells says. “I think that's why he married me. He has a sense of what he's good at and he sticks with that.” For this reason, even in the unlikely event that he were to be offered Larry Summers's job, Krugman says he would turn it down. “I mean, I'd have to think really, really hard, because you don't turn something like that down lightly, but I think I'm actually more effective doing what I'm doing,” he says. “You have to be an inside fighter, all of the negotiations, making sure you're keeping the ear of the guy in charge. I don't think I'm very good at that. Larry maybe has his shirttails hanging out, but he gets stuff done in an orderly fashion. I can organize my thoughts, but I can't organize my office and I certainly can't organize other people.”

Unlike most well-known academics, Krugman has never had many graduate students. He is unsure why this is so. Is it that his style of thinking, intuitive rather than methodological, is too difficult to imitate? he wonders. Is he too distracted? Too busy? Too short? Whatever the reason, it has become clear that his legacy will not be perpetuated in the usual way by a diaspora of little Krugmans, so, if his name is to survive, it is up to him. His papers and books, of course, are the main thing, but in recent years Krugman has also spent a great deal of time distilling his views into an undergraduate textbook. When he first signed the contract to write it, in 1994, he did it

mostly for the money. Then he did no work on it for years. Finally, his publisher told him that he had to get moving, that he should work with a co-author who was better organized and more highly motivated than he was, and suggested his wife. It took them five years of intense work to write the first edition.

“It’s excruciatingly hard,” Wells says.

“You have to put yourself back in the mind of an eighteen-year-old,” Krugman says. “And it has to be impeccable. If you’re writing an academic paper, if you have some stuff that’s blurrily written, that won’t do too much harm. If you write a newspaper article and a third of the readers don’t get it, that’s a success. But a textbook has to be perfect.”

Even though they were doing it mostly for the money, they knew that, for the students who read it, their textbook might be the only time in their lives that they were exposed to proper economic thinking, which of course would have an influence on their political thinking.

“The books we’re competing with tend to be much more rah-rah about the market,” Wells says. “That’s partly because that reflects the views of the author, but also because it’s easy to do it that way—you just find where the lines cross and everybody’s happy. It’s more difficult to talk about how markets fail.”

“The trend when we were putting the latest edition together was to have less and less about the business cycle, and we said, ‘No, this is wrong, the business-cycle sections are still important,’ ” Krugman says. “That turns out to have been a really good bet.”

“We were the only textbook that incorporated the financial crisis, as we were chronically late. We were supposed to have the manuscript delivered in August or September, and by October we were still working, and we just said, ‘We can’t send it out like this, too much is going on.’ We were really in nail-biting territory, because you have to get it to the printers by a certain date or you miss the academic year.”

“We were right in the middle of that when the Nobel Prize committee called, and Robin’s reaction was ‘We don’t have time for this!’ The stress of the week or so after the announcement was crazy, so we actually went off to St. Croix. We were working frantically.”

“Even in Sweden, I was working on pages.”

When they wrote the first edition, they divided the labor according to their specialties, Krugman writing all the macro chapters, Wells writing some of the micro material.

“I’m more micro,” Wells says. “Micro people tend to be wannabe mathematicians, whereas macroeconomists tend to be more policy and real-world oriented. You have to be tolerant of a lot more ambiguity in macro than in micro.”

“In micro, the rules of the game are clear,” Krugman says. “Of course, you can do stuff that involves people not being fully rational, but the bulk of it is the full neoclassical thing, rational individuals interacting with markets that are either perfectly competitive or imperfectly competitive in well-defined ways, whereas macro tends to be a lot of ad-hoc stuff. You say, ‘I have to make this assumption about what’s going on, which I can’t fully justify in terms of the micro foundations, but I’ll make it anyway, because it seems to fit what happens.’ ”

To some extent, this difference also maps onto the divide between the “freshwater” and “saltwater” schools of thought in macroeconomics. Freshwater economists—who live near lakes, particularly at the University of Chicago, but also in Rochester and Minneapolis—are more likely to insist that macroeconomics be based on microeconomic foundations, which is to say that one should study large phenomena like recessions and inflation as functions of the behavior of many perfectly rational individuals. A freshwater economist might argue, for instance, that debt-financed government spending to stimulate the economy won’t have a significant effect, because people will realize that they will have to pay off that debt with higher taxes in the future, and so will save more in anticipation, leaving net spending essentially unchanged. Saltwater economists—who are to be found in coastal areas, especially at M.I.T., Harvard, and Berkeley—are more likely to allow that, at this stage of our understanding, it is excusable to study some macro phenomena without giving a complete account of their causal logic. Saltwater types are also more likely to include irrationality or other market imperfections in their models: they believe, for instance, that since it is clearly the case that prices do not fall immediately following a decline in demand but tend to be “sticky,” you should incorporate this fact, even if you haven’t yet got an account of why it should be so. It isn’t that freshwater types believe that actual people are perfectly rational—they just believe that making that assumption enables a more rigorous economics than is possible without it. After all, while there is only one way to be perfectly rational, there are an infinite number of ways to be irrational, and how do you choose? It all begins to look awfully arbitrary.

Last fall, Krugman wrote an article for the *Times Magazine*, “How Did Economists Get It So Wrong?,” about the profession’s failure to anticipate the financial crisis, and what that revealed about its failings in general. He

accused his colleagues of mistaking beauty for truth. They were so enamored of the elegance of their models and the consistency of their logic, he wrote, that they had come to believe that assumptions that were originally adopted merely as tools (perfectly rational individuals, efficient markets) by Milton Friedman's generation were so sacrosanct that economics wasn't economics without them. Freshwater types, in particular, had forgotten the Depression, forgotten what Keynes had said about the resemblance of financial markets to casinos. So attached were they to the idea that markets always got things right that some actually suggested that unemployment must be a consequence of workers' choosing not to work. Saltwater economists were less blinkered in their view of markets and the rationality of investors, Krugman wrote (Larry Summers, a saltwater type, once began a paper on finance by declaring "THERE ARE IDIOTS. Look around"), and had retained a Keynesian view of recessions as crises of insufficient demand. But even saltwater models had no room for such wild imperfections as bubbles and banking-system collapse. "Economists will have to learn to live with messiness," Krugman concluded.

Reactions to his article were quick and outraged. "Who are these economists who got it so wrong?" a Washington University economist, David Levine, wrote. "Speak for yourself kemo sabe. . . . It makes me feel physically ill that a distinguished economist could be so ignorant of his own profession." "How sad," John Cochrane, of the University of Chicago, wrote. "Don't argue with them, swift-boat them. Find some embarrassing quote from an old interview. Well, good luck, Paul. Let's just not pretend that this has anything to do with economics." Levine and Cochrane maintained that the fact that freshwater economists had failed to predict the financial crisis was not an embarrassment to their theories but a confirmation of them: "The central empirical prediction of the efficient markets hypothesis is precisely that nobody can tell where markets are going—neither benevolent government bureaucrats, nor crafty hedge-fund managers, nor ivory-tower academics," Cochrane wrote. If professional economists failed to predict or understand the crisis, how could it make sense for Krugman to argue that bureaucrats would do a good job of curing it?

Krugman was bemused by the reactions. True, he had accused Chicago economists of espousing ridiculous ideas in part because of financial incentives—sabbaticals at the Hoover Institution, job opportunities on Wall Street. But when those economists responded with anger he was surprised. "There was no personal invective in what I wrote," he says. "I never insulted anybody's personality. It was always at the level of ideas." Krugman has a peculiar blind spot when it comes to scorn. Even as he delights in the scorn of others (a recent blog post was titled "Today in Exquisite Insults"), he imagines himself to be a rather dry, abstract writer who takes little interest in individuals. There is, it's true, an understanding in some parts of academia that calling a colleague's ideas stupid is not supposed to be taken personally, but Krugman goes well beyond this.

Insults may have done some damage to his career over the years. Shortly after Clinton was elected President, Krugman attended an economic summit in Little Rock and then went on "Larry King Live" and called it "useless." This, along with his relentless criticisms of Robert Reich, may have been what kept him from the chairmanship of Clinton's Council of Economic Advisers. Although Krugman doesn't always appreciate the effects of his mockery, he does realize that he is not a sugar-tongued, diplomatic sort of guy, and he has incorporated this fact into his self-image. "Paul is really averse to being drawn into a social network, to being groomed," Wells says. "He doesn't go to Washington because he doesn't want to fall into that. As a spouse, you have your little list of things that you jokingly won't forgive your spouse for. Right after he started writing for the *Times* and attacking George Bush, we got an invitation to have dinner with Paul Newman and his wife, but he wouldn't go. And now he's dead."

"It was inconvenient," Krugman says. "I just don't get any joy out of thinking, Oh, here I am with the movers and shakers. It would have required really discombobulating my schedule just to be able to say I'd had dinner with Paul Newman, and it's not worth it."

“Dimon was really stupid this morning,” Krugman said. He was thinking about writing his column the next day about the Financial Crisis Inquiry Commission. He had read an account of the congressional hearings in the newspaper which quoted Jamie Dimon, the C.E.O. of JPMorgan Chase, and Lloyd Blankfein, the C.E.O. of Goldman Sachs, saying things so clueless, so insensitive, and so comprehensively boneheaded that even he, not inclined to think well of them, could hardly believe it, and so he had spent that morning vainly hunting for the transcript to see if there was something mitigating about the context that the article had missed. Dimon had commented that financial crises were just things that happened every few years; Blankfein had compared the crisis to an act of God, like a hurricane. Krugman was curious to know whether these giants of Wall Street understood what they'd done wrong. There was a callousness coming through, he felt. Still, in the end, the spectacle wasn't that satisfying, because this wasn't the Pecora Commission, of the thirties, which led to the passing of the Glass-Steagall Act. It was probably just a bit of Kabuki that would end in not much.

Why was it so politically difficult to reregulate the banks? he wondered. Why couldn't the Administration harness the populist outrage? What good had Wall Street ever done for America? "There must be something useful in there, but it is really hard to see what," he says. "That's everybody's challenge: come up with a clearly beneficial example of financial innovation without mentioning A.T.M.s, and no one can do it. If there are arbitrage opportunities and you're able to spot them a few seconds before anybody else, you can make a lot of money, but there's no actual social gain from doing that. We've tried talking to our friends in finance, and they say, 'Liquidity, liquidity, liquidity.' Well, there is some social loss if people are hanging on to a lot of idle cash, so the financial system, by providing liquid assets that provide a pretty good yield, is supposed to deal with that. But it turns out that, just when you need it most, that liquidity froze."

Krugman and Wells pulled out of the stock market ten years ago and never went back.

"It just takes a lot of work to think about it," Krugman says, "and at no point—except maybe early 2009, if I'd been really feeling daring, stocks really did look cheap—"

"We bought a couple of things," Wells says. "We bought muni bonds and some Ford Motor bonds. The thing is, if you look at it on a historical basis, even back in the two-thousands, stocks are not cheap."

"They were a good deal when the average price-earnings ratio for stocks was thirteen or fourteen, but now, except at the very bottoms of recent swings, it's been over twenty, which means that historical rules probably don't apply anymore. Stocks used to be undervalued."

"I made some money and lost some in the Internet bubble," Wells says. "You told me to sell and I didn't sell, and I should have sold, and I never want to go through that feeling again."

"Let's put it this way. I can have fairly high confidence—it's a personality thing—that a market is overvalued. Somehow I never have the same confidence in saying that it's undervalued."

The crisis should have been a lesson to people not to rush into investments that they didn't understand, but Krugman suspects that it wasn't. "It hasn't been the searing experience," he says. "A lot of people got burned, but I'm not sure that they'll remember. You really have to have a Depression mentality to say, 'I'd rather have cash or Treasury bills that yield almost nothing, rather than this product that my banker assures me is perfectly safe and yields two per cent.' So, unless there's a lot more regulation, we could do this again." Krugman had been getting more and more pessimistic about the possibilities for recovery. Already, incredibly, people seemed to be forgetting that America's economy had nearly collapsed, and the usual critics of deficit spending and those who did not share his sanguine attitude toward inflation were speaking up again. He'd been reading a book that amassed data from eight hundred years of economic history, and the lesson he took from it was that, in a financial crisis, being an advanced country was no protection. He'd thought that it was only in the Third World that crises dragged on and on, but it turned out that Finland and Sweden had suffered slumps as long as Indonesia's.

"Did Blankfein say anything?" Wells asked.

"He was really guarded."

"He probably figured the pitchforks were waiting for him."

"I was reading his prepared testimony just now and it is mind-numbingly dull. I couldn't find a thing to quote in it."

"Well, that's the point."

"That's the point, I know."

Krugman doesn't know how long he'll be writing his column. Maybe he'll get tired of it, maybe the *Times* will kick him out, who knows. But, after the column, then what? He's checked off pretty much all the career boxes, he reckons. There are some big questions in development that he'd like to think seriously about. "How is it that most of the world remains so poor?" he says. "That was the old mystery. The new mystery is 'Why is it that every once in a while it's as if somebody turned on a switch and some previously hapless country suddenly goes soaring?'"

But it's been a long time—years now—since he did any serious research. Could he, still? "I'd like to get back to it," he says. "I'm craving the chance to do some deep thinking, and I haven't been doing a lot of that. I guess doing the really creative academic work does require a state of mind that's hard to maintain throughout your whole life. Even Paul Samuelson—the bulk of the stuff you read from him is before he was fifty. There was an intensity of focus that I had when I was twenty-six that I won't be able to recapture at fifty-six. You develop your habits of mind, and to a point that's a good thing, because you learn ways to work, but it does mean that you're less likely to come up with something really innovative. Even if I weren't doing all this other stuff, I don't think I'd be producing a lot of breakthrough papers. There's crude stuff: if I do have some brilliant academic insight, what are they going to do, give me a Nobel Prize? . . . When I was younger, when I figured something out there was this sense of the heavens parting and the choirs singing that I don't get now. And that's life."

For someone else, this loss might be a devastation, but even though for thirty years thinking deeply about economics was all Krugman really cared about, he has let it pass out of his life without regret. “I think he’s happy,” his friend Craig Murphy says. “A much happier person now than when we first met him. He feels like he’s done good things, and they’re greater than what he expected when he was young. If there is sadness in him at all, I think it is a tiny core of profound sadness of the kind that the Buddha understood—that we probably can’t use human rationality to make the world all better, and it would be really nice if we were able to.” ♦

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