

Rowbini

Nouriel Roubini

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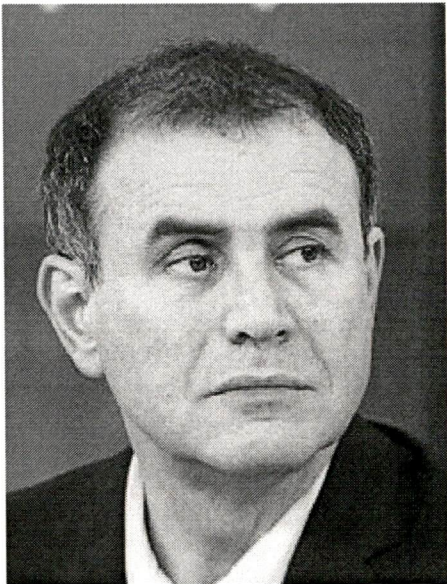
✓ **Nouriel Roubini** (born March 29, 1958) is an American economist.^[1] He anticipated the collapse of the United States housing market and the worldwide recession which started in 2008. He teaches at New York University's Stern School of Business and is the chairman of Roubini Global Economics, an economic consultancy firm.

The child of Iranian Jews, he was born in Turkey and grew up in Italy. After receiving a BA in political economics at Bocconi University, Milan and a doctorate in international economics at Harvard University, he became an academic at Yale and a practising economist at the International Monetary Fund (IMF), the Federal Reserve, World Bank, and Bank of Israel. Much of his early research focused on emerging markets. During the administration of President Bill Clinton, he was a senior economist for the Council of Economic Advisers, later moving to the United States Treasury Department as a senior adviser to Timothy Geithner, who in 2009 became Treasury Secretary.

Roubini's critical and consistently bearish economic views have earned him the nicknames "Dr. Doom" and "permabear" in the media.^[2] In 2008, *Fortune* magazine wrote, "In 2005 Roubini said home prices were riding a speculative wave that would soon sink the economy. Back then the professor was called a Cassandra. Now he's a sage".^[3] The *New York Times* notes that he foresaw "homeowners defaulting on mortgages, trillions of dollars of mortgage-backed securities unraveling worldwide and the global financial system shuddering to a halt".^[2] In September 2006, he warned a skeptical IMF that "the United States was likely to face a once-in-a-lifetime housing bust, an oil shock, sharply declining consumer confidence, and, ultimately, a deep recession". Nobel laureate Paul Krugman adds that his once "seemingly outlandish" predictions have been matched "or even exceeded by reality".^[4]

As Roubini's descriptions of the current economic crisis have proven to be accurate, he is today a major figure in the U.S. and international debate about the economy, and spends much of his time shuttling between meetings with central bank governors and finance ministers in Europe and Asia.^[2] Although he is ranked only 512th in terms of lifetime academic citations,^[5] he was #4 on *Foreign Policy* magazine's list of

Nouriel Roubini



Roubini at the World Economic Forum Annual Meeting, January 27, 2012

Born	March 29, 1958 Istanbul, Turkey
Nationality	American
Institution	New York University
Field	International economics
School/tradition	New Keynesian economics
Alma mater	Bocconi University (B.A. 1982) Harvard University (Ph.D. 1988)
Influences	John Maynard Keynes Hyman Minsky Larry Summers Jeffrey Sachs
Information (http://ideas.repec.org/e/pro145.html) at IDEAS/RePEc	

the "top 100 global thinkers."^[6] In 2011 and 2012, he was named by *Foreign Policy* magazine as one of the Top 100 Global Thinkers.^{[7][8]} In December 2013 Roubini was awarded by Global Thinkers Forum (<http://www.globalthinkersforum.org/>) the honorary GTF 2013 Award for Excellence in Global Thinking. He has appeared before Congress, the Council on Foreign Relations, and the World Economic Forum at Davos.

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Early life and education

Nouriel Roubini was born in Istanbul, Turkey, to Iranian Jewish parents.^[2] When he was an infant, his family lived briefly in Iran and Israel. From 1962 to 1983 he resided in Italy, especially in Milan, where he attended the local Jewish school and then the Bocconi University, earning a B.A., *summa cum laude*, in economics. He received his Ph.D. in international economics from Harvard University in 1988, where his adviser was Jeffrey Sachs.^[2] He is a U.S. citizen and speaks English, Persian, Italian, Hebrew, and conversational French.^[9] He is a cousin of leading technology expert and former PC Magazine lead technology analyst Jonathan Roubini.^[10]

Career

For much of the 1990s, Roubini combined academic research with policy making by teaching at Yale and then in New York, while also being employed at the International Monetary Fund, the Federal Reserve, World Bank, and Bank of Israel. Currently, he is a professor at the Stern School of Business at New York University. Long study of emerging market blowouts in Asia and Latin America helped him spot the looming disaster in the U.S. "I've been studying emerging markets for 20 years, and saw the same signs in the U.S. that I saw in them, which was that we were in a massive credit bubble," he said.^[11]



Roubini at the Global Governance event of the Monterrey Institute of Technology and Higher Education, Mexico City

By 1998, he joined the Clinton administration first as a senior economist in the White House Council of Economic Advisers and then moved to the Treasury department as a senior adviser to Timothy Geithner, then the undersecretary for international affairs, who in 2009 became Treasury secretary in the Obama administration.^[11]

Roubini returned to the IMF in 2001 as a visiting scholar while it battled a financial meltdown in Argentina. He cowrote a book on saving bankrupt economies entitled, *Bailouts or Bail-ins?* and launched his own consulting firm.

Role models

He credits a number of economists for his understanding of economics. He said,

One person who has had a great impact on me intellectually was my adviser at Harvard, Jeffrey Sachs. For me he's the model of a great intellectual. He is both a rigorous academic and very human, involved in big picture issues such as poverty, AIDS, and Africa. He's someone with a great mind that is also very engaged with the world. Another intellectual hero is Larry Summers, the former President of Harvard, an amazing intellectual and academic, who is very deeply involved with the policy world. I worked for him for many years in the US Treasury during the Clinton Administration.^[12]

Global nomad

Roubini likes to refer to himself as a "global nomad", and says, "You can be sitting still surfing the Internet, and experience other worlds, ideas and societies. But I've found that there is nothing better than visiting a different country, even if for three days. ... [Y]ou can't only be a virtual Global Nomad, with goggles on, in a virtual reality. You have to be there. You have to see it, smell it and live it. You have to see people, travel, and interact."^[12]

Partly to fulfill this need, he formed Roubini Global Economics, an economic consultancy for financial analysis. In describing the purpose of RGE Monitor, he said, "the world is my home, so everything about society and culture—no matter how miniscule [*sic*—is worth knowing. I am an information junkie and created RGE Monitor to collect information about what's happening around the world."^[12]

Speaking of his early influences, Roubini said, "I was born into a relatively orthodox Jewish family in Iran, lived in Israel and Turkey, and then moved to Italy as a child. By the age of six, instead of going to a yeshiva, I went to a secular Jewish school where I interacted with kids from all sorts of different backgrounds. Had I gone to an orthodox Jewish school, I would perhaps be orthodox now and may have never become a Global Nomad."^[12]

Roubini announced on Twitter in early 2014 his new practice of Transcendental Meditation.^[13]

Personal investments

During an interview in June 2009, he was asked about his personal lifestyle expenses and other investments. He said, "I regularly save about 30% of my income. Apart from my mortgage, I don't have any other debts. The credit crunch hasn't affected me much. . . . I've always lived within my means and, luckily, have never been out of work. I would say I'm a frugal person—I don't have very expensive tastes. . . . You don't need to spend a lot to enjoy things."^[9]

Asked whether he invests in stocks, he replied, "Not as much these days. I used to have a lot in equities—about 75%—but over the past three years, I've had about 95% in cash and 5% in equities. You're not getting much from savings these days but earning 0% is better than losing 50%. . . . I don't believe in picking individual stocks or assets. . . . Never invest your money as though you are gambling at the casino. Buying and selling individual stocks is a waste of time."^[9]

Economic forecast

U.S. economy

In the 1990s, Roubini studied the collapse of emerging economies. He used an intuitive, historical approach backed up by an understanding of theoretical models to analyze these countries and came to the conclusion that a common denominator was the large current account deficits financed by loans from abroad. Roubini theorized that the United States might be the next to suffer, and as early as 2004 began writing about a possible future collapse.^[2] *Business Week* magazine writer Michael Mandel, however, noted in 2006 that Roubini and other economists often make general predictions which could happen over multiyear periods.^[14]

In September 2006, he foresaw the end of the real estate bubble: "When supply increases, prices fall: that's been the trend for 110 years, since 1890. But since 1997, real home prices have increased by about 90 percent. There is no economic fundamental—real income, migration, interest rates, demographics—that can explain this. It means there was a speculative bubble. And now that bubble is bursting." In the Spring 2006 issue of *International Finance*, he wrote an article titled "Why Central Banks Should Burst Bubbles"^[15] in which he argued that central banks should take action against asset bubbles. When asked whether the real estate ride was over, he said, "Not only is it over, it's going to be a nasty fall."^[16]

By May 2009, he felt that analysts expecting the U.S. economy to rebound in the third and fourth quarter were "too optimistic".^[17] He expected the full recession to last 24 or 36 months, and believed in the possibility of an "L-shaped" slow recovery that Japan went through in The Lost Decade.^[18]

In his opinion, much of the current recession's cause is due to "boom-and-bust cycles," and he feels the U.S. economy needs to find a different growth path in the future. "We've been growing through a period of time of repeated big bubbles," he said. "We've had a model of 'growth' based on overconsumption and lack of savings. And now that model has broken down because we borrowed too much." He feels that too much human capital went into financing the "most unproductive form of capital, meaning housing" and would like to see America create a model of growth in more-productive activities. He feels that "sustainable growth may mean investing slowly in infrastructures for the future, and rebuilding our human capital," by investing in renewable resources. "We don't know what it's going to be," he says, "but it's going to be a challenge to find a new growth model. It's not going to be simple."^[19]

Recovery from recession

In August 2009, Roubini predicted that the global economy would begin recovering near the end of 2009, but the U.S. economy is likely to grow only about one percent annually during the next two years, which is less than the three percent normal "trend."^[20] He noted that the Fed is "now embarked on a policy in which they are in effect directly monetizing about half of the budget deficit," but that now "monetization is not inflationary," as banks were holding much of the money themselves and not relending it. When these attitudes reverse at the end of the recession, that would be time for an "exit strategy, of mopping up that liquidity" and taking some of the money back out of circulation, "so it doesn't just bid up house prices and stock values in a new bubble. And that will be 'very, very tricky indeed,'" he stated.^[19]

Also, in late July, he warned that if no clear exit strategy is outlined and implemented, there was the potential of a perfect storm: fiscal deficits, rising bond yields, higher oil prices, weak profits, and a stagnant labor market, which combined could "blow the recovering world economy back into a double-dip recession."^[20]

Global economy

2006

In the summer of 2006, Roubini wrote that the U.S. was headed into a long and "protracted" recession due to the "collapse" of house prices, which he noted were already in freefall.^[21]

With regards to Europe, Roubini predicted that Italy, and possibly a series of other eurozone countries (Portugal, Spain, Greece) might have to exit the eurozone if they did not implement "serious economic reforms." "[It] is not a foregone conclusion but, if Italy does not reform, an exit from EMU within 5 years is not totally unlikely. Indeed, like Argentina, Italy faces a growing competitiveness loss given an increasingly overvalued currency and the risk of falling exports and growing current account deficit. The growth slowdown will make the public deficit and debt worse and potentially unsustainable over time. And if a devaluation cannot be used to reduce real wages, the real exchange rate overvaluation will be undone via a slow and painful process of wage and price deflation."^[22]

2009

As of January 2009, he remained pessimistic about the U.S. and global economy. He said in September, 2008, "we have a subprime financial system, not a subprime mortgage market".^[23] "As the U.S. economy shrinks, the entire global economy will go into recession. In Europe, Canada, Japan, and the other

advanced economies, it will be severe. Nor will emerging market economies—linked to the developed world by trade in goods, finance, and currency—escape real pain."^[24] He was quoted in South Africa's 2009 budget speech for his role in predicting the current financial crisis in the developed markets.

Roubini notes that the subprime issues are a global, and not just a U.S. problem. In an interview with author James Fallows in late spring of 2009, he stated, "People talk about the American subprime problem, but there were housing bubbles in the U.K., in Spain, in Ireland, in Iceland, in a large part of emerging Europe, like the Baltics all the way to Hungary and the Balkans. It was not just the U.S., and not just 'subprime.' It was excesses that led to the risk of a tipping point in many different economies."^[19]

His pessimism is focused on the short-run rather than the medium or long-run.^[2] In *Foreign Policy* (Jan/Feb 2009), he writes, "Last year's worst-case scenarios came true. The global financial pandemic that I and others had warned about is now upon us. But we are still only in the early stages of this crisis. My predictions for the coming year, unfortunately, are even more dire: The bubbles, and there were many, have only begun to burst".^[24]

At a conference in Dubai in January, 2009, he said, the U.S. banking system was "effectively insolvent." He added that the "systemic banking crisis.... The problems of Citi, Bank of America and others suggest the system is bankrupt. In Europe, it's the same thing."^[25] To deal with this problem, he recommends that the U.S. government "do triage between banks that are illiquid and undercapitalized but solvent, and those that are insolvent. The insolvent ones you have to shut down." He adds, "We're in a war economy. You need command-economy allocation of credit to the real economy. Not enough is being done," he felt at the time.^[26]

2010

In 2010, he again warned that despite an improved economy with rising stock markets, the crisis was not over and new bubbles were on the horizon:

We are just at the next stage. This is where we move from a private to a public debt problem . . . We socialised part of the private losses by bailing out financial institutions and providing fiscal stimulus to avoid the great recession from turning into a depression. But rising public debt is never a free lunch, eventually you have to pay for it.^[27]

In late May 2010, markets around the world began dropping due partly to problems in Greece and the Eurozone. "Roubini believes Greece will prove to be just the first of a series of countries standing on the brink," writes the *Telegraph*.^[27] Roubini explains the new issues governments must deal with:

We have to start to worry about the solvency of governments. What is happening today in Greece is the tip of the iceberg of rising sovereign debt problems in the eurozone, in the UK, in Japan and in the US. This ... is going to be the next issue in the global financial crisis.^[27]

China

Roubini met officials in China during spring 2009, and pointed out that many Chinese commentators blame

American "overborrowing and excess" for dragging them into a recession. However, he stated that "even they realize that the very excess of American demand has created a market for Chinese exports." He adds that although Chinese leaders "would love to be less dependent on American customers and hate having so many of their nation's foreign assets tied up in U.S. dollars," they're now "more worried about keeping Chinese exporters in business. . . . I don't think even the Chinese authorities have fully internalized the contradictions of their position."^[19]

2011

Roubini and political scientist Ian Bremmer have described the 21st century world as fragmenting economically and politically, where the "old models of understanding global dynamics are struggling" to keep up with rapid changes. In an article in *Foreign Affairs* magazine, they describe what they call a "G-Zero world," where the United States no longer has the resources to continue as the primary provider of global public goods. As a result, there is likely to be more conflict than cooperation between countries, creating a "zero sum game," a "game in which my win is your loss." They explain their rationale:

Europe is fully occupied for the moment with saving the eurozone. Japan is likewise tied down with complex political and economic problems at home. None of these powers' governments has the time, resources, or domestic political capital needed for a new bout of international heavy lifting. Meanwhile, there are no credible answers to transnational challenges without the direct involvement of emerging powers such as Brazil, China, and India. Yet these countries are far too focused on domestic development to welcome the burdens that come with new responsibilities abroad.

We are now living in a G-Zero world, one in which no single country or bloc of countries has the political and economic leverage—or the will—to drive a truly international agenda. The result will be intensified conflict on the international stage over vitally important issues, such as international macroeconomic coordination, financial regulatory reform, trade policy, and climate change. This new order has far-reaching implications for the global economy, as companies around the world sit on enormous stockpiles of cash, waiting for the current era of political and economic uncertainty to pass. Many of them can expect an extended wait.^{[28][29]}

2014

By May 2014 Roubini had become bullish, arguing many of the risks to the global economy had receded. He pointed to an improving European economy and stronger euro, steady of the economy in Japan, and a marked improvement in the United States. He praised the Federal Reserve for its unconventional monetary policy which he forecast would last for a few more years, supporting equity markets.^[30]

Writings

Roubini is the author of several books, including:

- *Crisis Economics: A Crash Course in the Future of Finance*
- *Bailouts or Bail-ins? Responding to Financial Crises in Emerging Economies*^[31]
- *Political Cycles and the Macroeconomy*^[32]
- *New International Financial Architecture*^[33]

Other writings include:

- *Europe's Short Vacation*^[34]

Research

Roubini's research interests include:

- international macroeconomics and international finance;
- macroeconomics and fiscal policy;
- political economy;
- growth theory;
- European monetary issues.

Current appointments

- Research Fellow, National Bureau of Economic Research
- Research Fellow, Centre for Economic Policy Research, London, UK
- Member, Bretton Woods Committee
- Member, Council on Foreign Relations Roundtable on the International Economy
- Member, Academic Advisory Committee, Fiscal Affairs Department, International Monetary Fund

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External links

- Nouriel Roubini (<http://www.roubini.com/>) official website
 - Global EconoMonitor (<http://www.roubini.com/roubini-monitor>)
- Economic Doom blog (<http://drnourielroubini.blogspot.com/>)
- Nouriel Roubini (<https://twitter.com/Nouriel>) on Twitter
- Nouriel Roubini (<http://pages.stern.nyu.edu/~nroubini/>) at Stern School of Business, New York University
- Column archive (<http://www.project-syndicate.org/contributor/1095>) at Project Syndicate
- Nouriel Roubini's predictions: true or false? (<http://hedgejournals.com/2012/10/15/id/495/nouriel-roubinis-predictions-true-or-false.html>)
- Roubini and Ian Bremmer discuss outlook for 2013 (<http://www.youtube.com>)



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/watch?feature=player_embedded&v=k0qNDOMeqFQ#!) *Reuters TV*, January 14, 2013, video, 1 hr. and 11 min.

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Version 2, Notes and thoughts by M.G. on Nouriel Roubini, August 17, 2014, after doing some homework.

These are scattered and preliminary, to be outlined and organized.

A. Positive contributions of Roubini

1. Anticipated collapse of housing and housing lenders from 2008 (although vague about when)
2. A "global nomad", came to U.S. with experience in other nations. Sees parallels among cycles in different nations and cultures – by observation, like a good investigative reporter.
3. Takes an "historical, intuitive" approach. Not the slave of doctrines like Rand, Sargent, Friedman, Alan Greenspan, et al. Has more room in his thinking for cultures, events, "madness of crowds", mob psychology. Major shift away from overdependence on a priori reasoning.
4. Has observed crashes in "emerging" nations preceded by trade deficits. Thus, would not fall for "rational expectations of Sargent, as endorsed by Friedman editorial on why the twin deficits are good for us.
5. Need to find a new "growth model", not based on overconsumption and lack of savings. "That model broke down." Thus he would not follow Krugman and Reich and Obama into curing the deficit finance of Bush Jr. with more of the same. (Cf. Pete Peterson)
6. Need to redirect investing away from "housing" into "more productive" forms of capital. (if he attributes pro-housing bias to tax bias, as he should, I have not seen evidence of it.)
7. Would shut down insolvent banks – not bail them out.
8. Would not increase public debts. We are moving from insolvency of private banks to insolvency of nations.

B. Bad ideas from Roubini

1. Too consistently bearish. He is like the economist who "successfully predicted 7 of the last 3 depressions". It may be a gloomy personality trait rather than a reasoned forecast. Thus he was "Dr. Doom" during the recovery of the 1990s, and the boom 2001-07, and bound to be right some day. The reasoning model behind his forecasts is not 100% clear – except for A-4 and A-6 above.
2. He gets lots of media attention because he has been a contrarian, and reporters usually balance and hedge their works by finding someone who disagrees with the headline and the weight of their quotations.
3. While we need to find a new growth model, "We do not know what the new model is to be – it won't be simple." That is vague and useless and perhaps intentionally exclusionary, "Only the experts and pros can figure this out, call in the Roubini Consulting Group."
4. He does not distinguish land from capital.
5. He does not define two of his central terms, consuming and investing (you can't, without distinguishing land from capital).
6. He favors currency devaluation in order to lower real wages in a politically easy way (this much is from Keynes). He writes this in respect to Italy, but obviously not EVERY nation can do that. So does he favor universal inflation? That is where it seems to lead, but he does not say so.
7. B-6, above, presumes that wages are the only cost of production, with the corollary that inflation is just a "wage-price spiral" and the panacea is to suppress labor and lower wage rates.

8. He does, however, endorse Fed policy of lending at very low interest rates, even though he sees that leading after several years to a burst of inflation. Thus he seems to be endorsing the very kind of policy that would lead to a calamity – one he will have forecast. This leads back to the very kind of "Futilitarian" economics of Stagflation, 1971-83, that led to Reaganomics. More of his doomsaying personality at work.
 9. Foresees and deplores a "G-zero" world, as U.S. can no longer subsidize the world's governments. (No mention of their militaries, that I have seen.) And no other Santa Claus will replace us. This will lead to calamity, but he gives no specifics or reasons, that I have seen.
 10. Says nothing (that I have seen) on quality of credit, which is the obvious link between the real economy (including land prices) and the paper economy (including demand deposits and other electronic money). Nothing on "Reverberations" between deposit expansion and land prices.
 11. Says nothing (that I have seen) on regulation and deregulation.
 12. Says nothing about kinds of taxes, excess burdens, etc.
 13. Shows no concern about the high levels of VAT now dominating and crippling most nations
 14. Says little or nothing about growing inequality of wealth and income – leaving vacuum for Piketty to fill
- C. Misc. ideas characteristic of Roubini, mixed good, bad, and contradictory
1. "Companies" (i.e. the private sector) are sitting on cash, much of it borrowed from governments. They are waiting for a new hegemon to bring order and safety to the world, at which time there will be a rush of private spending
 2. In 2014 he seems to have turned bullish, at least regarding the Eurozone, the U.S., and Japan. In my view both Europe and Japan are in steady, if slow, decline, because of their reliance on VAT. Roubini seems to have a blind spot about taxation.
- D. Other thoughts on Roubini
1. He got off to a flying start in the profession. A major patron was Jeffrey Sachs, his thesis chair at Harvard. People seem to have forgotten that Sachs invented the "shock therapy" that was such a flop in Poland, and had to leave Harvard in connection with the maladministration of a Federal program in Russia that was farmed out to Sachs' Inst for International Development, which lost its federal funding in 1997 after some awful scandals.
 2. Another patron was Lawrence Summers, also involved in the Russian scandal. But who never seems to have to pay a very high price for his fiascos.
 3. Roubini also names Hyman Minsky as a role model. Minsky was a noted pessimist, who blamed "financial fragility" for recurring crashes, and has quite a cult, although at lower power levels than Sachs and Summers. Like most economists, however, Minsky is vague on specifics.
 4. Roubini also names Keynes as a major influence. This is a bit odd, since Keynes promoted deficit finance.
 5. At any rate he entered the profession at a very high level, thanks also to Timothy Geithner. The reasons for his steep trajectory are not clear – he has not published much, nor does he have many citations.

MS for Cliff, 7-6-14

NOTE: THIS IS NOT A COMPLETE MS, BUT A TAG-END FOR SOMETHING CLIFF IS WRITING ON THE GREAT CRASH, 2008-14

There was a huge economic crash from 2007, continuing on. Measured recovery has been slow and uncertain. Real recovery is even slower, even according to Robert Hall's NBER Committee on Dating Business Cycles, headed by Robert Hall of Stanford and The Hoover Institution. Hall and his Committee measure "recovery" giving less weight to employment and wage rates than NBER Founding Fathers Veblen and Mitchell would have. They have introduced the term "jobless recovery" into economeses. They have even gotten their peers to refer routinely to NBER findings as "official", although to my knowledge there is no warrant for that usage.

There was a cluster of scares during recovery from a major real estate drop after 1990, including the Mexican bailout, the LTCM collapse, the dot.com collapse, and of course the 9/11 bombing. You'd think that that cluster of scares would have led economists into more study of history, institutions, mass psychology, madness and delusions of crowds, and history, but no: it was not to be. None of these shook the politicized triangulation of Clinton's second term, however, and then the incredibly doctrinaire complacency of the G.W. Bush years. Ben Bernanke calmly called it all "The Great Moderation". In academe, courses in a priori reasoning from imaginary postulates crowded out more and more courses featuring something like high quality investigative journalism – works like George's *Our Land and Land Policy*, McWilliams' *Factories in the Fields*, the *TNEC Reports* of FDR, or Robert Montgomery's *The Brimstone Game*. Deregulation came into fashion, and dismantling prudential reforms from the FDR and LBJ years. Keynes' acute observations about speculative markets were discarded, and replaced by "Rational Expectations": not only were commodity markets perfect, but so were speculative markets in land and common stocks.

You'd think that banking seers would, from the crash of 1990, look more deeply into the quality of credit, but no, Friedmanian dogmatism ruled that out, it would be "intervention" in the infallible market mechanism. You'd think that the effect of toxic mortgages on mortgage-backed securities would weaken the faith in rational expectations, but no, toxicity was made out to be all the fault of FNMA and GNMA. Calamaris speaking for the AEI and the WSJ, and Downs for Brookings, developed the thesis, and dozens of libertarians echoed their thoughts. You'd have thought that SCOTUS might bring the miscreants to heel, but no, SCOTUS was preoccupied with protecting the 1% from the envy of the rabble and easing the pathway of their high % of all wealth into bending politics their way.

After 2008, and to the present, you'd think that new schools of thought would have arisen to discredit and replace avatars of the old order. There have indeed been rumblings of discontent, like "Occupy Wall Street", and "Anti-autistic Economics". However you can't beat something with nothing, and so far no coherent philosopher has emerged to focus the rebels: no Francis Townsend with social security; no Fr. Charles Coughlin with his neo-Thomism; no Walter Reuther or John L. Lewis with their hard-nosed unionism; no Huey Long with his *Every Man a King!* and *My First Days in the White House*. Many modern enviros talk a radical game about displacing "growth" with "sustainability", but so far it's mostly sentiment and platitudes, lacking a specific program and specific definitions of their central terms. Donald Shoup with parking meters and Peter Barnes with his Sky Trust have specific programs, but limited to one kind of resource each. There are several "new" think tanks, but most of them stop with melioristic pieties and fund appeals. We are flat-lining at a new unequal distribution of income among factors: more for property, less for labor; and a new maldistribution of market power, with fewer and

bigger firms in every industry. No one with money or power or influence is doing anything about it. At the grass roots, more and more voters are turning to "Tea Party" politicians who seem either to believe in, or to be controlled by, the orthodoxies of Rutherford B. Hayes and William McKinley, leaders of an earlier gilded age (who notably failed to equalize distributions of wealth and income, in spite of having an empty continent at their disposal).

So we ask, where is salvation? Who might be our new Messiah? There are a few candidates.

1. Hyman Minsky and his entourage. Minsky, a charming and lovable schmoozer, died in 1996, but the melody lingers on. Two centers of his enduring influence are the Levy Institute of Bard College, NY; and UMKC. There is no new Keynes to lend academic class flavor to the ideas, but there are Dimitri Papadimitriou at Levy, and peripatetic Randall Wray. Robert Reich and Paul Krugman, quondam scholars and now pop journalists may also be Minskyites, or perhaps just unreconstructed pre-Keynesian underconsumptionists, it is hard to tell. At any rate, Minsky's message is one of "financial instability", an ongoing rebuke to Chicago's preferred model of "rational expectations". Minskyites refer to major Wall Street crashes as "Minsky Moments", although it is hard to see why Minsky should get his name on a phenomenon that has been with us for centuries, documented by dozens of others.

Minsky's name serves to remind us that instability is the norm, and "rational expectations" a ridiculous excrescence of false pride in a priori musings in ivory towers. Beyond that, we seek in vain for workable policy guidance from modern Minskyites, who have shrunk themselves into a mainly self-referential cult.

2. Modern enviros. Enviro have power in numbers and popular sympathy and the self-confidence of righteousness. "Hard" enviros scorn mere meliorism, and want to reorganize society and the economy around their values taught in courses in Biology, Botany, Zoology, Ecology, Organic Chemistry, and so on, with Theology thrown in. Economics, based on consumer sovereignty and tradeoffs measured in money, is spited as a "soft science" and a tool of anthropocentric egoism. Discounting future values, as bankers and investors do, is the ultimate sin. Sacrificing food crops for other land uses is a foolish invitation to human extinction: Malthus was right, man is vile.

Thus they are positioned, intellectually and spiritually, to throw out the entire market mechanism, and perhaps much of the human race. Their problem, of course, is devising a system for making hard choices, if they ever gained power. Simply negating market choices is not a positive rule. Shall we reforest this cutover land, or raise barley? We need a rule to determine the highest and best use.

3. Thomas Piketty. Piketty is capping a busy career in documenting "inequality" with his latest, *Capital in the 21st Century*. The book has made a huge splash. This may be more from its hitting an empty sea than from its long-term merits. Piketty claims to be giving us "a new theoretical framework that affords a deeper understanding of the underlying mechanisms" – whatever that means. It turns out to mean some highly simplified algebra featuring undefined terms and implausible assumptions.
4. Finally my quest climaxes in Joseph E. Stiglitz. I have followed his career for many years as he dropped more and more hints that he was connecting the dots and seeing the Georgist cat in its

wholeness. Now as we go to press he has just published *Reforming Taxation to Promote Growth and Equity*, that makes this long-frustrated reader swoon with delight. He picks up from Piketty the problem of inequality and goes right to solving it through tax reform. He does not shy from all taxation in the Ayn Rand – Tea Party – Austerity model, but picks up the Pigovian model to "Tax Bads, not Goods". He lays out a tax policy that would grow the economy, but not, obviously, in the bad sense of growth so deplored by enviros, for "taxing bads" means following Pigou, and treating the environment as common property. Have we not seen that expression before as the quintessence of Henry George's ideas in *Progress and Poverty*? Fate has delivered unto us a new leader for the 21st Century. Let us receive and acclaim him.

Rationalizers -

Efficient mkt, & Libertarians

Rational expectation,

Reinhart & Rogoff

Oppose equality, &/or redistrib. tax

Threat of relocation

~~Downs - Brookings; Calomiris - AEI, WSJ, for the FHA~~

Black & Scholes

Sununuers

Gt. Moderation Fed.

Aimless ^{or vague} radicals

Dynuski Need govt-led initiatives

Wray

Minsky

~~Shiller - Irrational Exuberance~~