

Paul Krugman: War and non remembrance

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As I've already pointed out, the prospect of a Keynesian stimulus is having a weird effect on conservative economists, as first-rate economists keep making truly boneheaded arguments against the effort.

The latest entry: Robert Barro argues that the multiplier on government spending is low because real GDP during World War II rose by less than military spending.

Actually, I've already taken that one on. But just to say it again: there was a war on. Consumer goods were rationed; people were urged to restrain their spending to make resources available for the war effort.

Oh, and the economy was at full employment — and then some. Rosie the Riveter, anyone?

I can't quite imagine the mindset that leads someone to forget all this, and think that you can use World War II to estimate the multiplier that might prevail in an underemployed, rationing-free economy.

Update: I should also point out this, in Barro's article:

John Maynard Keynes thought that the problem lay with wages and prices that were stuck at excessive levels. But this problem could be readily fixed by expansionary monetary policy, enough of which will mean that wages and prices do not have to fall.

Is it too much to ask that someone criticizing Keynes actually, you know, read Keynes — at least enough to know that he devoted a whole chapter to explaining why a fall in wages would not expand employment? Or that someone commenting on contemporary policy at least be aware that the whole reason we're talking about fiscal expansion is that monetary policy has run out of room?