WONKS AND ACTIVISTS

Marcy took on the excellent Jonathan Cohn's piece on wonks vs. activists here, but I want to pile on. Wonks only get heard if politicians want to hear them, and even then, they aren't always right.

Paul Krugman has written many laudatory pieces about Obamacare in both his blog and his column, but it is not working to the level the policy wonks promised. Enrollment levels are turning up lower than anticipated. Insurance company profits are up, leading to mergers and a loss of competition. And, of course, there are too many who have policies under Obamacare who can't use them because of the costs.

In other posts I wrote about how Paul Krugman, a genuine expert, was completely wrong about the impact of trade treaties, especially NAFTA. Larry Summers, a genuine expert with a lot of real-world experience, has been disastrously wrong on a number of occasions, not least of which was his loud endorsement of financial deregulation, even after the Long Term Capital Management debacle. Summers was one of the people who quashed the efforts of Brooksley Born to regulate derivatives.

In each of these cases, there were plenty of people warning of disaster ahead. In each case, the liberal experts rejected the warnings. Krugman insulted the trade union leaders and the economists who supported them. Many people think the attacks on Brooksley Born were personal, or even sexist, but she had a proven track record of being right, while her opponents, who included Alan Greenspan and Robert Rubin along with Summers, don't.

It's important to note that unlike their conservative counterparts, who are always wrong, liberal experts are frequently right. For example, Krugman has been the loudest voice calling for use of fiscal policy to confront the current economic situation. From the outset of the crisis in 2008, he called for a bigger stimulus, and has done so steadily ever with increasing vigor and with some signs of anger. He is one of the few prominent economists to look at the failures of the discipline in the wake of the Great Crash.

Even so, the fact remains that wonks don't have the greatest batting average. And there are several reasons for this.

1. Economists and most wonks use models for the bulk of their work, but the models are inherently limited. All models are based on data from the past, and operate on the principle that the past is reasonably predictive. The point of activism is to change the future so that it isn't like the past. Activists can see the past clearly, and many leftish activists can see that the past was dominated by the rich who arranged things solely in their own interest. The work of the activist is directed at changing things so that the future doesn't look like the past.

2. Models are inherently utopian. Krugman has written extensively about his views of the importance of models. there are inherent problems with models, as Krugman said himself:

> Few economists saw our current crisis coming, but this predictive failure was the least of the field's problems. More important was the profession's blindness to the very possibility of catastrophic failures in a market economy. During the golden years, financial economists came to believe that markets were inherently stable — indeed, that stocks and other assets were always priced just right. There was nothing in the prevailing models suggesting the possibility of the kind of collapse that happened last year.

To make a model, you make assumptions about the economy, and what can safely be left out of the unending complexity of the real world so that the math and piles of data can be run through a computer. Most of the real world is left out of models and we can assume that important things are missing. For example, as Joseph Stiglitz says here, there are banks in the real world, but not in the models. The linked article gives a great example of the problems created by this choice.

But it's actually worse. Markets are assumed to be stable, and people are assumed to be rational agents. That means that the models also do not incorporate fraud, which is a real problem in the US. They also don't include corruption, in the form of legislative favors, regulatory capture, a politicized judiciary, and wimpy to non-existent criminal and civil law enforcement. It also means that markets are assumed to be competitive, which they aren't. In other words, these models are utopian, and the people who rely on them to inform their punditry are bound to be wrong.

3. Obamacare rests on the idea that the solution had to be based on markets. Health insurance markets are primitive, so we have to make better ones. The competitors in these new markets are health insurance companies. But these new markets required insurance companies to compete, and that's not the goal of insurance companies. Their sole interest is their profits. Competition drives down profits. They want to merge and eliminate competition so they can make all the profits possible market by market. How could the healthcare wonks fix that problem? They had to assume that other parts of government would enforce antitrust laws. That didn't happen. So Aetna merged with Cigna and there will be more.

Here's the ugly reality. If politicians like the liberal argument, the liberals get to be heard, to the exact extent the politicians like. The health policy wonks didn't get to do anything beyond what Obama wanted. Krugman was heard on trade, because Bill Clinton wanted to hear NAFTA would be fine. If politicians don't like the argument, they get new wonks who agree with them. Liberal wonks don’t get to argue for the public option or single payer because politicians don’t want to hear it. Krugman doesn’t get to be heard on fiscal stimulus, because politicians don’t want to hear it.

The point of activism is to exchange one set of politicians for others who agree with the activists. Then liberal wonks can get to work and do something useful.