

## Polarizing Opinions Among US Economists: Book Review

Takahiro Miyao, Adjunct Professor of Economics, USC; Emeritus Professor, University of Tsukuba, Visiting Professor, Akita International University

1. John B. Taylor, *First Principles: Five Keys to Restoring America's Prosperity*, Norton, 2012.
2. Jeffrey D. Sachs, *The Price of Civilization: Reawakening American Virtue and Prosperity*, Random House, 2011.

Two of the most prominent economists of our time, one conservative and one liberal, recently published easy-to-read books with catchy titles, which look somewhat similar, but are actually very different and even diametrically opposed to each other in content. As one can easily figure out, John Taylor at Stanford's Hoover Institution, a member of the Council of Economic Advisers under the George W. Bush Administration, argues for restoration of the basic principles for economic freedom including limited roles for government, whereas Jeffrey Sachs at Columbia University, a special adviser to the UN Secretary General, severely criticizes what might be called free-market fundamentalism and insists that "a combination of market force and government actions is needed to achieve three simultaneous goals [efficiency, fairness, and sustainability]"

There is no coincidence that these two books are published almost simultaneously at this time, as each of them looks like a kind of "bible" for one of the two most celebrated social and political movements in today's America, namely, the Tea Party and the Occupy Wall Street movements. The former blames the government for all the problems that the US is facing, while the latter deplores the lack of "social responsibility of the rich, roughly the top 1 percent of American households." These fundamentally different views seem to be reflective of the current polarizing tendency of the political right and left, especially in this presidential election year.

It is kind of amusing to contrast the extreme positions of the two economists in explaining economic stagnation including the Great Depression by too much government regulation, according to John Taylor, and too skewed

income distribution, according to Jeffrey Sachs. No wonder Ronald Reagan receives completely different grades, A and F, by these two professors, respectively.

Although their positions are just opposite to each other, they clearly share grave concerns over the current state and trend of the US economy, which in their views seems to be going in the wrong direction. Then, the reader might ask; if that is the case, why has the US economy been improving steadily, however slowly, since the Lehman shock in 2008, while other advanced economies such as the EU and Japan have been struggling up to date? From the standpoint of those countries, the US seems to be definitely moving in the right direction.

This is a legitimate and relevant question to be posed to the two economists who, at least in these books, lack the approach of international comparisons and focus only on the US to find possible causes for economic difficulties and stagnation. They should be reminded of the report of the Financial Crisis Inquiry Commission (<http://fcic.law.stanford.edu/report/conclusions>), where at least the “dissenting” view articulates the global nature of the financial crisis with greater real estate bubbles observed in some European countries than in the US, implying that the real causes for the crisis might well be found somewhere out in global markets, rather than domestically made in the US. This view is more consistent with the fact that the EU was affected more severely than the US by the financial crisis and is still suffering more than the US economy. It is interesting to note that neither of the two authors takes up Europe or Japan from the viewpoint of international comparisons in these books. This domestic bias, which is so commonly observed among US economists, is problematic and possibly fatal in attempting to obtain correct diagnosis and prescriptions for economic illnesses in the US or in any other country for that matter in this age of globalization.

Until they write next books with more international perspectives after the fever of the presidential elections is over, the reader should not take their extreme views too seriously and just enjoy reading how far two economists could possibly differ from each other in dealing with the economic crisis in the US.