**TERM PAPER ON PAUL KRUGMAN**

**Introduction**

American economist Paul Krugman has made significant contributions to the field of economics. He is a professor, an author, a New York Times columnist, and one of the world’s best known and most acclaimed economists. He won the 2008 Nobel Memorial Prize in Economic Sciences, the 1991 John Bates Clark Medal from the American Economic Association, and the 2004 Prince of Asturias Award in Social Sciences. Paul was chosen as one of Bloomberg’s 10 Most Influential Thinkers in 2013 and named Bloomberg’s 50 Most Influential People in Global Finance on four occasions. He is the author or editor of 27 books and more than 200 papers in professional journals and edited volumes.

Paul has served as a staff member of the Council of Economic Advisers under Ronald Reagan’s administration, as a research associate at the National Bureau of Economic Research. The prolific economist has also worked as a professor of economics and international affairs at many institutions, including Yale University (where he earned his BA), MIT (where he earned his MA and Ph.D.), Princeton University, Stanford University, the Graduate Center of the City University of New York, and the London School of Economics.

**Influence in the Field of Economics**

* **Currency crisis models**: In international finance, Paul made significant contributions to the theory of currency crises, applying the principles of speculative attacks to the foreign exchange market. In this model, Paul theorized that regimes with misaligned fixed exchange rates were most likely to end in speculative attack (when speculators attack foreign currency to profit off its devaluation). The canonical currency crisis model, then, explains such crises as the result of a fundamental inconsistency between domestic policies - typically the persistence of money-financed budget deficits - and the attempt to maintain a fixed exchange rate. This inconsistency can be temporarily papered over if the central bank has sufficiently large reserves, but when these reserves become inadequate speculators force the issue with a wave of selling.
* **Liquidity traps**: Liquidity traps are a principle of economics put forth by John Maynard Keynes. A liquidity trap occurs when banks lower [interest rates](https://www.masterclass.com/articles/what-are-interest-rates) to increase spending during an economic crisis, but citizens opt to hold onto their liquid assets (cash). Paul revived the conversation on Keynesian economics’ liquidity traps with his discussion of Japan’s “lost decade” in the 1990s.The horizontal portion of the liquidity preference curve is referred to as the liquidity trap. In this portion of the curve, the demand for money is infinitely elastic with respect to the interest rate. Reductions in the interest rate, in this portion only, increases people's desire to hold cash balances.
* **New Economic Geography (NEG)**: Paul’s work has yielded a major new field in economics, called the New Economic Geography, which studies the spatial increases in economic activity driven by [globalization](https://www.masterclass.com/articles/how-globalization-works-pros-and-cons-of-globalization), geography and trade patterns, technology, market structure, and goods. However ,a new trend in economic geography is the behavioral focus, i.e., more attention now has been given to behavioral pattern, in which the emphasis is placed on how locational decisions are actually made.
* **New Trade Theory (NTT)**: Paul’s biggest contribution to economics is his theory on trade, which eventually became known as New Trade Theory. This concept rejects the theory of competitive advantage (in which international trade happens due to different production strengths between countries). The NTT has two main hypotheses: consumers enjoy having many brand options, and production favors [economies of scale](https://www.masterclass.com/articles/economies-of-scale-explained) (the cost advantages that companies receive in the long run, once their production becomes efficient). Paul’s work in NTT earned him the Nobel Prize in Economics.

**Notable Works By Paul Krugman**

To date, Nobel laureate Paul Krugman has published 27 books and over 200 scholarly articles, including:

1. **The Age of Diminished Expectations: U.S. Economic Policy in the 1990s (1990)**: One of Paul’s earliest books, The Age of Diminished Expectations, served as a prediction of the US economy in the 1990s and outlined the major policy decisions the country would face.
2. **Peddling Prosperity (1995)**: Peddling Prosperity serves as a brief history lesson on economic affairs thanks to Paul’s accessible breakdown of topics such as [supply-side economics](https://www.masterclass.com/articles/learn-about-supply-side-economics-history-policy-effects), liberal strategic policy, productivity growth, and supply and demand.
3. **Pop Internationalism (1996)**: Pop Internationalism is a collection of Paul’s essays on international trade from such publications as Foreign Affairs, Scientific American, the Economist, Washington Monthly, and the Harvard Business Review.
4. **Fuzzy Math: The Essential Guide to the Bush Tax Plan (2001)**: Fuzzy Math is Paul’s critique of the Bush administration’s proposed tax cuts and his criticism of the alternatives to the tax plan proposed by the Democratic party.
5. **The Great Unraveling: Losing Our Way in the New Century (2003)**: The Great Unraveling is a collection of Paul’s columns from the New York Times. This best-seller includes coverage of the early 2000s and the George W. Bush administration.
6. **Microeconomics (2004)**: Paul has published several economics textbooks, including Microeconomics, written with Robin Wells, which discusses economic principles on a small scale.
7. **International Economics: Theory and Policy (2006)**: International Economics is a textbook that Paul co-wrote with Maurice Obstfeld, detailing the principles and theories associated with the economic interaction of individual countries and foreign policy.
8. **The Conscience of a Liberal (2007)**: The Conscience of a Liberal covers the most recent 80 years of American history, following the threads of economic and [income inequality](https://www.masterclass.com/articles/what-is-income-inequality) between lower- and middle-class Americans and the wealthy elite.
9. **The Return of Depression Economics and the Crisis of 2008 (2008)**: In this updated version of 1999’s The Return of Depression Economics, Paul details the similarities between the Great Depression that began in 1929, and the 2008 financial crisis that occurred due to the housing bubble and risky investments by global banks.

10. **End This Depression Now! (2012)**: End This Depression Now! is Paul’s response to the economic recession in the United States that began in 2008. In the book, he details how a renewed period of government spending and expansionary policy would end the financial crisis.

11. **Arguing with Zombies: Economics, Politics, and the Fight for a Better Future (2020)**: Arguing with Zombies serves as an introduction to contemporary policy issues in American economics, and features work from his New York Times column. The book tackles various topics, including the 2008 financial crisis, Brexit, and the purposeful misunderstandings (zombie arguments) that adversely affect public policy.

**Few Wrong Assessments**

Krugman was convinced the euro was not sustainable and he said back in 2011 the following :

"Now, I don’t expect anything that bad [like a euro-fueled depression] to happen in 21st-century Europe. But there is a very wide gap between what the euro needs to survive and what European leaders are willing to do, or even talk about doing. And given that gap, it’s hard to find reasons for optimism."

But As it stands now, the euro still exists and has value, despite the inflation that Europe is currently undergoing.

Krugman thought Argentina as an economic “success story”

Way back in 2012, Argentina was suffering through a crisis, one that saw inflation and low economic growth — and Krugman was all for it. He wrote: “[Argentina is] a remarkable success story, one that arguably holds lessons for the euro zone” and “press coverage of Argentina is another one of those examples of how conventional wisdom can apparently make it impossible to get basic facts right.”

Only a few short months later, the Spanish newspaper La Nacion reported that Argentina’s GDP growth barely broke 1 percent and its inflation rate had broken 20 percent.

Krugman thought this internet thing isn’t going anywhere

Krugman wrote in 1998 the following:

The growth of the Internet will slow drastically… By 2005 or so, it will become clear that the Internet’s impact on the economy has been no greater than the fax machine’s.

**Recent in News**

Paul has been in the news for his latest article related to Fed’s action being taken against inflation. Article heading starts with

“Is the Fed Braking Too Hard? “ It gives a good analogy with respect to driving in stop-and-go traffic situation.

If you’ve ever found yourself driving in stop-and-go traffic, you know that there’s a strong temptation to overreact to changes in the flow. When the cars in front of you finally start moving, you floor the gas pedal, then you slam on the brakes when traffic slows down again, and if you’re a normal human being, you probably do this over and over.

Overreacting to traffic conditions wastes fuel and annoys your passengers. More important, it creates real dangers: Accelerate too fast and you may rear-end the car in front of you; brake too hard and you may be hit by the car behind you.

Well, setting economic policy in difficult times can be a lot like driving on a congested road. And I’m hearing growing buzz, both from [economists](https://fortune.com/2022/09/28/fed-oversteering-inflation-signal-suggests-cooling-powell-dollar-economy-sonnenfeld-tian/) and from businesspeople, to the effect that the Federal Reserve — which clearly kept its foot on the gas too long last year — is now braking too hard in compensation. And the risks of an accident are growing.

Conclusion:

From reading through some articles of Paul Krugman his philosophy for the true economist was to abide by following four things (below from *Arguing with Zombies* )-:

Stay with Easy Stuff

Write in English

Be honest about dishonesty

Don’t be afraid to talk about motives.

**Disclaimer: Above articles from different web links and some books from Paul Krugman.**