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## Niall Ferguson Defends Newsweek Cover: Correct This, Bloggers

Niall Ferguson offers a point-by-point defense of his argument.

by [Niall Ferguson \(/contributors/niall-ferguson.html\)](/contributors/niall-ferguson.html) | August 21, 2012 12:13 PM EDT



The other day, a British friend asked me if there was anything about the United States I disliked. I was happily on vacation and couldn't think of anything. But now I remember. I really can't stand America's liberal bloggers.

"We know no spectacle so ridiculous," Lord Macaulay famously wrote, "as the British public in one of its periodical fits of morality." But the spectacle of the American liberal blogosphere in one of its almost daily fits of righteous indignation is not so much ridiculous as faintly sinister. Why? Because what I have encountered since the publication of [my Newsweek article \(/newsweek/2012/08/19/niall-ferguson-on-why-barack-obama-needs-to-go.html\)](/newsweek/2012/08/19/niall-ferguson-on-why-barack-obama-needs-to-go.html) criticizing President Obama looks suspiciously like an orchestrated attempt to discredit me.



My critics have three things in common. First, they wholly fail to respond to the central arguments of the piece. Second, they claim to be engaged in “fact checking,” whereas in nearly all cases they are merely offering alternative (often silly or skewed) interpretations of the facts. Third, they adopt a tone of outrage that would be appropriate only if I had argued that, say, women’s bodies can somehow prevent pregnancies in case of “legitimate rape.”

Their approach is highly effective, and I must remember it if I ever decide to organize an intellectual witch hunt. What makes it so irksome is that it simultaneously dodges the central thesis of my piece and at the same time seeks to brand me as a liar. The icing on the cake has been the attempt by some bloggers to demand that I be sacked not just by *Newsweek* but also by Harvard University, where I am a tenured professor. It is especially piquant to read these demands from people who would presumably defend academic freedom in the last ditch—provided it is the freedom to publish opinions in line with their own ideology.

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Let me begin by restating my argument. President Obama should be judged on his record in office. In my view, he has not only failed to live up to the high expectations of those who voted for him, but also to the pledges he made in his inaugural address. (In order to be fair, I deliberately did not judge his performance against his campaign pledges.) The economy has performed less well than the White House led us to expect, despite a bigger increase in national debt than it led us to expect (exhibit 1).

#### 1. *FY2010 Budget and Outcomes / Latest Projections*

##### 1. *FY2010 budget and outcomes / latest projections*

	GDP growth (%)		Deficit (% GDP)		Debt held by public		Unemployment	
	2010	Actual	2010	Actual	2010	Actual	2010	Actual
2009	-1.2	-3.1	12.3	10.1	58.7	54.1	8.1	9.3
2010	3.2	2.4	8.0	9.0	64.6	62.8	7.9	9.6
2011	4.0	1.8	5.9	8.7	67.3	67.7	7.1	9.0
2012	4.6	2.0	3.5	8.5	66.7	74.2	6.0	8.2
2013	4.2	2.3	3.0	5.5	65.8	77.4	5.2	

Source

Note, however, that I cut the president some slack on the economy. He inherited a bigger mess than most people appreciated back in November 2008. And forces beyond his control (Europe) have clearly dampened the recovery. Here's what I wrote:

*It was pretty hard to foresee what was going to happen to the economy in the years after 2008. Yet surely we can legitimately blame the president for the political mistakes of the past four years. After all, it's the president's job to run the executive branch effectively—to lead the nation. And here is where his failure has been greatest.*

Notice, then, that my central critique of the president is not that the economy has underperformed, but that he has not been an effective leader of the executive branch. I go on to detail his well-documented difficulties in managing his team of economic advisers and his disastrous decision to leave it to his own party in Congress to define the terms of his stimulus, financial reform, and health-care reform. I also argue that he has consistently failed to address the crucial issue of long-term fiscal balance, with the result that the nation is now hurtling toward a fiscal cliff of tax hikes and drastic spending cuts.

The second part of my argument is that these failures of domestic leadership have fed into a failure of foreign policy. As commander in chief, President Obama has earned a relatively strong public reputation mainly thanks to a campaign of assassination that liberal bloggers would have excoriated if it had been conducted by his predecessor. His withdrawal of U.S. forces from Iraq and Afghanistan will, in my view, prove to have been premature. More importantly, he has been indecisive in his responses to the revolutionary wave that has swept the Middle East since the Iranian “green” revolution of 2009. And, finally, he has been inconsistent and ineffective in his handling of the major strategic challenge of our times, the rise of China. (By the way, I base these judgments on a great many off-the-record conversations with influential policy-makers here and abroad. When a very senior military man asks you: “Have we any global strategy beyond just trying to hang on?,” you have a right to wonder if the answer might be “No.”)

I concluded by arguing that, for all these reasons, voters would be better advised to vote for Mitt Romney, especially now that he has picked Paul Ryan as his running mate. (Repeat disclosure: I made it clear in the piece that I was a John McCain supporter four years ago and am a friend of Ryan's.)

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So much for my argument, which *not one* of my critics has addressed. Instead, they have unleashed a storm of nit-picking and vilification. Well, let's start with the nits.

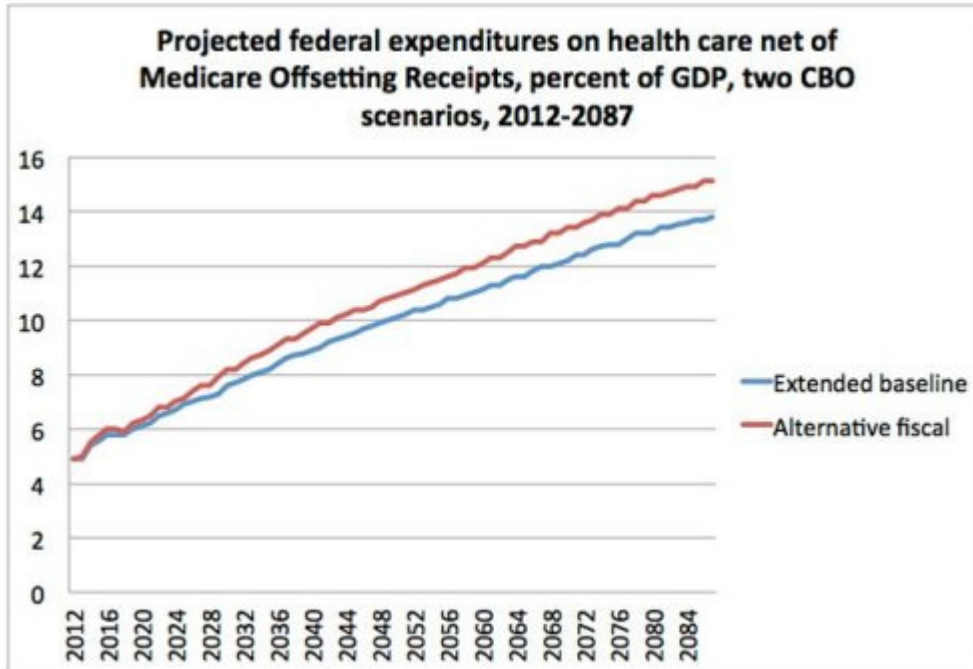
I have already dealt with [Paul Krugman's opening salvo](http://krugman.blogs.nytimes.com/2012/08/19/unethical-commentary-newsweek-edition/) (<http://krugman.blogs.nytimes.com/2012/08/19/unethical-commentary-newsweek-edition/>) on the effects of the Affordable Care Act on the deficit. The point (still [not grasped by Andrew Sullivan](http://andrewsullivan.thedailybeast.com/2012/08/the-blogsphere-makes-its-case-against-ferguson.html) (<http://andrewsullivan.thedailybeast.com/2012/08/the-blogsphere-makes-its-case-against-ferguson.html>), who thinks I was just talking about the gross costs) is that the [net effect of ACA](http://articles.2012/08/20/newsweek-cover-rebuttal-paul-krugman-is-wrong.html) ([/articles/2012/08/20/newsweek-cover-rebuttal-paul-krugman-is-wrong.html](http://articles.2012/08/20/newsweek-cover-rebuttal-paul-krugman-is-wrong.html)) on the deficit is not positive if you look at the likely costs and the likely revenues from the tax hikes that will finance it. To get to the Congressional Budget Office's conclusion that, over 10 years, the ACA will reduce the deficit, you need to believe that the act will half the rate of growth of Medicare costs. I am not inclined to be optimistic about that.

Incidentally, while we are on the subject of [the CBO's projections](http://www.forbes.com/fdc/welcome_mjx.shtml) ([http://www.forbes.com/fdc/welcome\\_mjx.shtml](http://www.forbes.com/fdc/welcome_mjx.shtml)), since March 2010 it has already increased its estimate of the gross costs over 10 years from \$944 billion to \$1,856 billion, its estimate of total revenue from

\$631 billion to \$1,221 billion, and its estimate of total Medicare cuts from \$454 billion to \$743 billion. This really is a fast-moving target.

But the clincher is the [CBO's latest long-run budget forecast \(http://www.cbo.gov/publication/43288\)](http://www.cbo.gov/publication/43288), according to which total federal government expenditure on health care is projected to rise from 4.9 percent of GDP this year to between 13.8 and 15.1 percent in 75 years' time (see exhibit 2). The two scenarios the CBO presents imply either a massive tax hike, taking federal revenues from 15.8 to 29.8 percent of GDP, or a massive rise in the debt, to above 250 percent of GDP.

## 2. Health-Care Spending Projections



Source (<http://www.cbo.gov/publication/43288>)

Matthew O'Brien followed up Krugman with "A Full Fact-Check." Actually, this isn't actually a fact check because O'Brien doesn't successfully identify a single error. He just offers his own opinions.

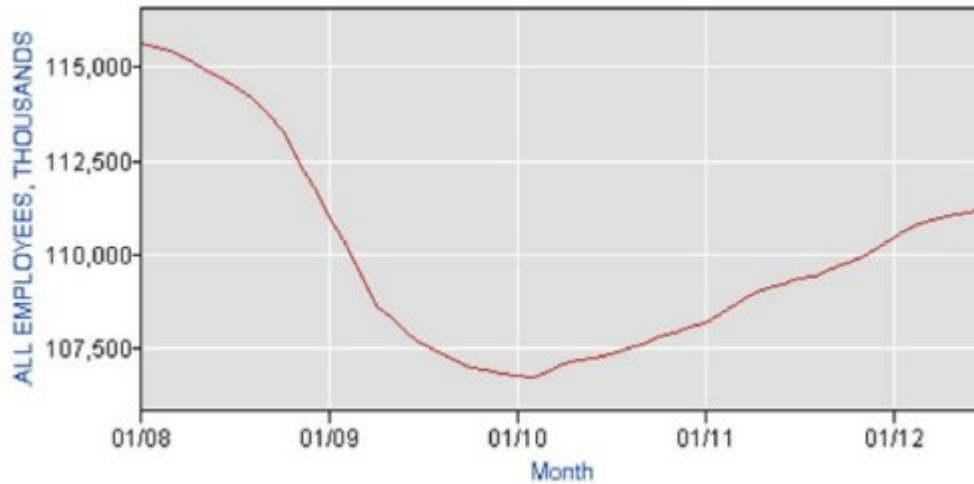
Let's take all 11 of them one by one. (It's boring, I know, but necessary.)

### 1. NF: The total number of private-sector jobs is still 4.3 million below the January 2008 peak.

MO'B: The private sector has actually added jobs since Obama was sworn in.

Both these statements are true. I picked the high point of January 2008 because it seems to me reasonable to ask how much of the ground lost in the crisis have we actually made up under Obama. The answer is not much. You may not like that, but it's a fact (exhibit 3).

### 3. Total Private Employment From the Current Employment Statistics Survey (National)



Source (<http://data.bls.gov/timeseries/CES0500000001>)

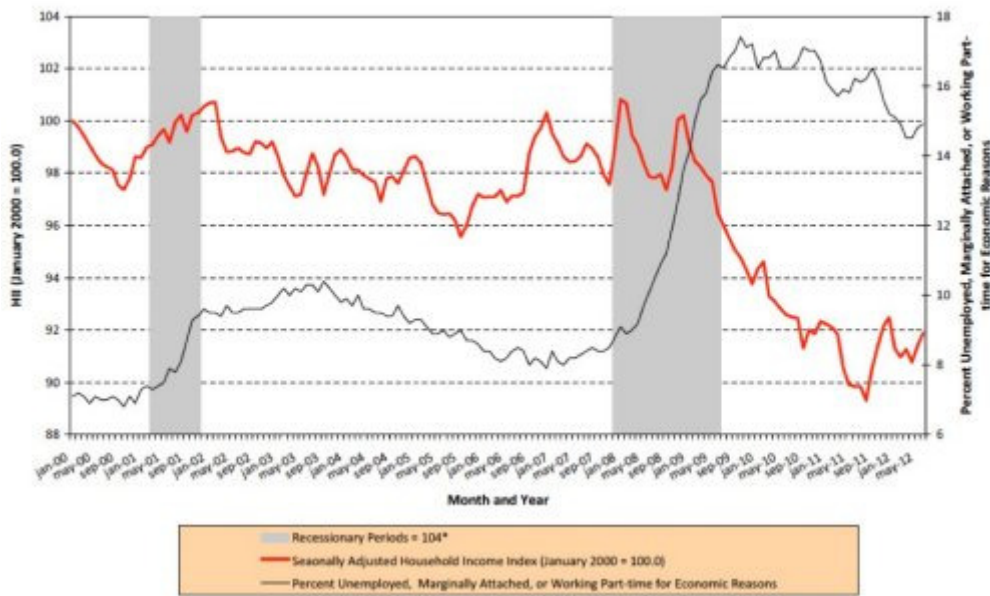
## 2. NF: Meanwhile real median annual household income has dropped more than 5 percent since June 2009.

MO'B: I can't replicate this result. It's difficult, because Ferguson does not cite his source.

Well, either *Newsweek* starts publishing footnotes or Matthew O'Brien reads a little more widely than just official statistics, which generally lag months behind. The monthly data for [Median Household Income Index \(HII\)](https://webmail.iac.com/owa/redir.aspx?C=xAleJBuWf0Sw51LVcmBGnudINC49U88IWyIs--mbx-WnTWV9C4QbDLro8yBLkWkvHtU2VuNAR5Q.&URL=http%3a%2f%2fwww.sentierresearch.com%2freports%2fSentier_Household_Income_Trends_Report_June2012_07_24_12.pdf) ([https://webmail.iac.com/owa/redir.aspx?C=xAleJBuWf0Sw51LVcmBGnudINC49U88IWyIs--mbx-WnTWV9C4QbDLro8yBLkWkvHtU2VuNAR5Q.&URL=http%3a%2f%2fwww.sentierresearch.com%2freports%2fSentier\\_Household\\_Income\\_Trends\\_Report\\_June2012\\_07\\_24\\_12.pdf](https://webmail.iac.com/owa/redir.aspx?C=xAleJBuWf0Sw51LVcmBGnudINC49U88IWyIs--mbx-WnTWV9C4QbDLro8yBLkWkvHtU2VuNAR5Q.&URL=http%3a%2f%2fwww.sentierresearch.com%2freports%2fSentier_Household_Income_Trends_Report_June2012_07_24_12.pdf)) is produced by Sentier (exhibit 4).

## 4. Real Median Household Income, 2000–2012

Median Household Income Index (HII) and Percent Unemployed, Marginally Attached, or Working Part-time for Economic Reasons by Month, January 2000 to June 2012



Source

[http://www.sentierresearch.com/reports/Sentier\\_Household\\_Income\\_Trends\\_Report\\_June2012\\_07\\_24\\_12.pdf](http://www.sentierresearch.com/reports/Sentier_Household_Income_Trends_Report_June2012_07_24_12.pdf)

**3. NF: Nearly half the population is not represented on a taxable return—almost exactly the same proportion that lives in a household where at least one member receives some type of government benefit.**

MO'B: It is true that 46 percent of households did not pay *federal income tax* in 2011.

In other words, my fact is true. Because I specifically said “taxable return.” You don't tend to record your sales tax payments on those.

**4. NF: By the end of this year, according to the Congressional Budget Office (CBO), [debt-to-GDP ratio] will reach 70 percent of GDP. These figures significantly understate the debt problem, however. The ratio that matters is debt to revenue. That number has leapt upward from 165 percent in 2008 to 262 percent this year, according to figures from the International Monetary Fund.**

MO'B: This is incorrect. Ferguson had it right the first time—the number that matters is debt-to-GDP, not debt-to-revenue. The former reflects our capacity to pay; the latter our willingness to pay right now.

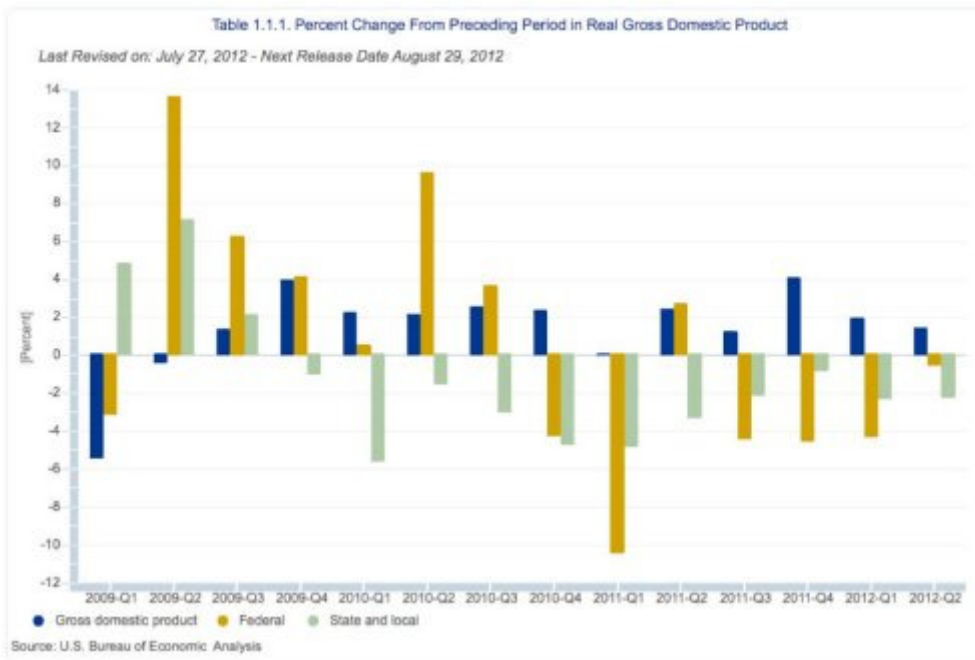
Again, O'Brien is offering here an opinion as a fact. He should read my book *The Cash Nexus* (2001) to understand why he doesn't know what he is talking about. Governments don't pay interest and redemption with GDP but with tax revenues. If it were easy to increase the tax share of GDP, we wouldn't be heading for a fiscal cliff. My numbers are correct and can be checked using the [IMF's World Economic Outlook online database](http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx).

**5. NF: Not only did the initial fiscal stimulus fade after the sugar rush of 2009, but the president has done absolutely nothing to close the long-term gap between spending and revenue.**

MO'B: Ferguson wasn't always a critic of the stimulus. [Back in August 2009](#)

([http://www.ft.com/cms/s/c24385ce-85ef-11de-98de-00144feabdc0,Authorised=false.html?i\\_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2Fc24385ce-85ef-11de-98de-00144feabdc0.html&i\\_referer=#axzz24CTiQ88g](http://www.ft.com/cms/s/c24385ce-85ef-11de-98de-00144feabdc0,Authorised=false.html?i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2Fc24385ce-85ef-11de-98de-00144feabdc0.html&i_referer=#axzz24CTiQ88g)), he wrote that "the stimulus clearly made a significant contribution to stabilizing the U.S. economy."

This earlier statement does not contradict my article. As anyone who looks at the data knows, the stimulus had a positive but very short-run impact and failed to achieve self-sustaining growth in the way Keynesians hoped (exhibit 5).



**6. NF: The most recent estimate for the difference between the net present value of federal government liabilities and the net present value of future federal revenues—what economist Larry Kotlikoff calls the true "fiscal gap"—is \$222 trillion.**

MO'B: That's a lot of trillions! But if our fiscal gap is "really" this many trillions, why can we borrow for 30 years for a [real rate of 0.64 percent](#) (<http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield>)? It's because this number is meaningless.

Well, O'Brien is welcome to share his opinion with [Larry Kotlikoff](#) (<http://www.kotlikoff.net/>), the world's leading authority on generational accounting and long-term fiscal stability. What he can't claim is that my statement is [factually inaccurate](#) (<http://www.bloomberg.com/news/2012-08-08/blink-u-s-debt-just-grew-by-11-trillion.html>). As for the argument that current low borrowing costs mean we don't need to worry about the debt—which is like saying that mortgage default rates in 2006 meant we didn't need to worry about subprime—that has been comprehensively demolished in a [new paper by Carmen and Vincent Reinhart and Ken Rogoff](#) (<http://www.nber.org/papers/w18015>).

**7. NF: The country's largest banks are at least \$50 billion short of meeting new capital requirements under the new 'Basel III' accords governing bank capital adequacy.**

MO'B: This would be damning if we had already fully implemented the Basel III bank rules. We have not.

But I didn't say that we had already implemented Basel III. So that's another fact "checked" and found to be ... correct.

**8. NF: The Patient Protection and Affordable Care Act (ACA) of 2010 did nothing to address the core defects of the system: the long-run explosion of Medicare costs as the baby boomers retire, the "fee for service" model that drives health-care inflation, the link from employment to insurance that explains why so many Americans lack coverage, and the excessive costs of the liability insurance that our doctors need to protect them from our lawyers.**

MO'B: There are reasons to think the ACA will fail to address the core defects of the health care system. But it's wrong to say it does nothing to address them. Here's a partial list of the things Obamacare does. It tackles the long-run explosion of Medicare costs. It tries to move away from the fee-for-service model that drives healthcare inflation. And it cuts the link between employment and insurance.

Now let's check O'Brien's facts. So the ACA "tackles the long-run explosion of Medicare costs." Right. That's why the net cost of Medicare is still [projected by the CBO](http://www.cbo.gov/publication/43288) (<http://www.cbo.gov/publication/43288>) to treble from 3.2 percent of GDP to between 9 and 10 percent by 2087.

**9. NF: Having set up a bipartisan National Commission on Fiscal Responsibility and Reform, headed by retired Wyoming Republican senator Alan Simpson and former Clinton chief of staff Erskine Bowles, Obama effectively sidelined its recommendations of approximately \$3 trillion in cuts and \$1 trillion in added revenues over the coming decade. As a result there was no "grand bargain" with the House Republicans—which means that, barring some miracle, the country will hit a fiscal cliff on Jan. 1 ...**

MO'B: Now, Obama did not push Congress to adopt Simpson-Bowles, but neither did Congress adopt it.

So that's another fact "checked" and found to be correct. And if you want to gauge the president's share of the responsibility for the failure of a fiscal grand bargain, read [Matt Bai](http://www.nytimes.com/2012/04/01/magazine/obama-vs-boehner-who-killed-the-debt-deal.html?_r=2&ref=mattbai) ([http://www.nytimes.com/2012/04/01/magazine/obama-vs-boehner-who-killed-the-debt-deal.html?\\_r=2&ref=mattbai](http://www.nytimes.com/2012/04/01/magazine/obama-vs-boehner-who-killed-the-debt-deal.html?_r=2&ref=mattbai)) in *The New York Times*.

**10. NF: The World Bank expects the U.S. to grow by just 2 percent in 2012. China will grow four times faster than that; India three times faster. By 2017 the International Monetary Fund predicts, the GDP of China will overtake that of the United States.**

MO'B: China has 1.3 billion people. The United States has 300 million people. China's GDP will pass ours when they are only four times poorer than us. That might happen in 2017; it might happen later ... It doesn't really matter if and when this happens. There's nothing Obama can do to prevent China from catching up—nor should Obama want to!

Well, there you have it. It "doesn't really matter" that for the first time since the 1880s the United States is about to cease being the world's largest economy. Fact checked, found to be correct, and countered with an utterly naive opinion.

**11. NF: In his notorious "you didn't build that" speech, Obama listed what he considers the greatest achievements of big government: the Internet, the GI Bill, the Golden Gate Bridge, the Hoover Dam, the Apollo moon landing, and even (bizarrely) the creation of the middle class. Sadly, he couldn't mention anything comparable that his administration has achieved.**



MO'B: It's bizarre that Ferguson thinks government policies didn't help create America's middle class. America was the first country to make high school compulsory.

Fact checked and—oh no! I really did get that wrong. It was the government that created the middle class, as well as the Golden Gate Bridge! Remind me to tell Karl Marx about this. It will come as news to him that, contrary to his life's work, the superstructure in fact created the base. (Come to think of it, this is going to come as shock to a lot of American liberals too. Imagine! The state actually created the bourgeoisie! Who knew?)

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Now, we come to the third part of the strategy. First, duck the argument. Second, nitpick. Third, vilify.

First prize goes to Berkeley professor [Brad DeLong \(http://delong.typepad.com/sdj/2012/08/more-lies-from-niall-ferguson.html\)](http://delong.typepad.com/sdj/2012/08/more-lies-from-niall-ferguson.html), whose blog opened with the headline “Fire-His-Ass-Now.” “He lied,” rants DeLong. “Convene a committee at Harvard to examine whether he has the moral character to teach at a university.” My own counter-suggestion would be to convene a committee at Berkeley to examine whether or not Professor DeLong is spending too much of his time blogging when he really should be conducting serious research or teaching his students. For example, why hasn't Professor DeLong published that economic history of the 20th century he's been promising for the past six years? It can't be writer's block, that's for sure.

Runner up is [James Fallows of \*The Atlantic\* \(http://www.theatlantic.com/politics/archive/2012/08/as-a-harvard-alum-i-apologize/261308/\)](http://www.theatlantic.com/politics/archive/2012/08/as-a-harvard-alum-i-apologize/261308/) for his hilariously pompous post “As a Harvard Alum, I Apologize.” Well, as an Oxford alum, I laugh.

In third place comes Krugman with his charge of “unethical commentary ... a plain misrepresentation of the facts” requiring “an abject correction.” The idea of getting a lesson from Paul Krugman about the ethics of commentary is almost as funny as Fallows's apologizing on behalf of Harvard. Both these paragons of the commentariat, by the way, shamelessly accused me of racism three years ago when I drew an innocent parallel between President Obama and “Felix the Cat.” I don't know of many more unethical tricks than to brand someone who criticizes the president a racist.

And, finally, a consolation prize for righteous indignation goes to [Dylan Byers \(http://www.politico.com/blogs/media/2012/08/niall-fergusons-ridiculous-misleading-defense-132551.html\)](http://www.politico.com/blogs/media/2012/08/niall-fergusons-ridiculous-misleading-defense-132551.html) of Politico (“ridiculous, misleading, ethically questionable”).

I could, of course, go on. By tonight there will doubtless be more. The art of the modern witch hunt is to get as many like-minded bloggers as possible to repeat and preferably exaggerate the claims until finally it becomes received opinion that you are on the brink of being fired and indeed deported in chains.

I don't usually waste time on this kind of thing. In the Internet age, you can spend one week writing a piece and the next three responding to criticism, most of it (as we have seen) worthless.

But there comes a point when you have to ask yourself: has the American public sphere so degenerated that it is now impossible to make the case for a change of president without being set upon in cyberspace by a suspiciously well-organized gang of the current incumbent's most ideologically committed supporters?

Now that really would be something to dislike about this country.

**Tags:**

- [U.S. Politics, \(/election.html\)](#)
- [Barack Obama \(/topics/barack-obama.html\)](#)

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