

The Structural Fetish

By Paul Krugman

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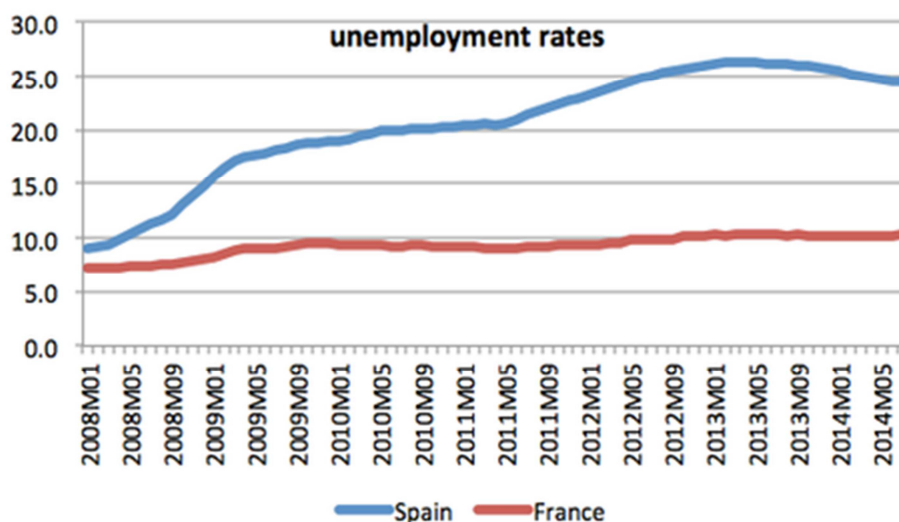


The FT has a [pretty decent article](#) on the emerging doctrine of “Draghinomics”, which looks a lot like Blanchardnomics, which looks a lot like Krugmanomics — hey, we all studied macro at MIT in the mid 1970s. But I was struck by this bit:

One other senior eurozone official attending the Italian forum which gathers together policy makers, business people and academics said: “Structural reforms are key. Those countries that have made these efforts are performing better: Ireland, Spain and Portugal. Italy and France should think a little bit about this.”

Yep, Spain offers a useful lesson for France:

Photo



Credit

For those of us not part of the structural reform cult, the story of Spain is this: the country experienced a full-scale depression when its housing bubble burst; this depression has led to a gradual, painful “internal devaluation” as labor costs come down, making Spain more competitive within Europe; and as a result, Spain is finally starting a slight recovery, with its growth rate in recent quarters (but only in recent quarters) higher than France. To see this as a triumph of structural reform requires preconceptions so strong it’s hard to see why you would even bother looking at data.