Seminal Economic Paper Draws Fire

BY BRENDA CROWN

A graduate student and his two professors—in a paper that began as a homework assignment and only gradually transformed into a critique—ignited a digital firestorm among academics Tuesday by challenging a scholarly study seen by many as a bedrock of post-crisis economic thought.

The new paper, by University of Massachusetts Amherst economics doctoral student Thomas Herron and professors Michael Ash and Robert Pollin, says Harvard University scholars Carmen Reinhart and Kenneth Rogoff were wrong in concluding in their 2010 study that a high level of public debt hinders an economy's ability to grow.

The Reinhart-Rogoff paper, "Growth in a Time of Debt," found that countries with ratios of public debt to gross domestic product above 90% tend to grow more slowly than countries with lower debt-to-GDP ratios.

"It's certainly a very different picture from stagnation or decline once you cross the wall at or around 90% of public debt," Mr. Ash said. He says his paper "reopens the conversation about what happens at high public debt levels."

Mr. Rogoff, an economics professor and Ms. Reinhart, a professor at the John F. Kennedy School of Government, defended their work Tuesday. In a statement, the authors said, "the weight of the evidence to date—including this latest comment—seems entirely consistent with our original interpretation of the data" in the 2010 paper.

Mr. Rogoff and Ms. Reinhart noted that their conclusions for growth in individual countries—rather than the overall findings—were similar to those found by the Amherst researchers. However, they noted, "these strong similarities are not what these authors choose to emphasize."

The critique got its start in an econometrics course taught by Messrs. Ash and Pollin. Mr. Herron was required to replicate the calculations in a significant work in economic literature to demonstrate his facility with empirical economics. He chose the Reinhart-Rogoff paper, which Mr. Ash praised as "really appealing in its straightforward approach."

Mr. Herron, using publicly available data, worked on the assignment throughout the fall semester. However, he was unable to "square the results he kept getting with the results in the published work," Mr. Ash said.

The Amherst group calculated the Harvard authors and others April received their "working spreadsheet," for the 2010 paper. Their calculations continued to show 2.3% growth rather than a 0.1% contraction. The differences, the Amherst authors conclude, stem from three areas: how Ms. Reinhart and Mr. Rogoff weighted the summary statistics, which years of data they included—and what appears to be a glitch in spreadsheet coding.

Mr. Reinhart's and Mr. Rogoff's other findings have been assailed. Last year, Michael Bordo, an economic historian at Rutgers University, and Cleveland Fed economist Joseph Haubrich challenged the conclusion in their 2009 book "This Time Is Different," saying that the U.S. tends to recover swiftly, and not always from financial shocks.

One of Reinhart and Mr. Rogoff's key statements is the work in the book.