



PERMANENT LINK | OCTOBER 13, 2011

The Legacy of Sargent and Sims

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Some thoughts, beyond my reaction of "eh."

1. Since their work became widely circulated, one can argue plausibly that 99 percent of all macroeconomics papers published, dissertations completed, and tenure decisions awarded have been in the mold of Sargent, Sims, or both. Has anyone other than Samuelson had so much impact on what constitutes acceptable academic work in economics?
2. On the other hand, it would be hard for me to argue convincingly that the average citizen feels the impact of all of the resulting research. It has settled nothing important. For example, on monetary policy, John Taylor and Scott Sumner are poles apart, even though each claims fealty to Sargent.
3. As economic advisers, neither Greg Mankiw nor Christina Romer could do without the approach to policy evaluation that Sargent and Sims supposedly displaced.
4. What can be said for Sargent and Sims is that they provide guidance on producing models that embody rational expectations. Whether that is a worthwhile goal depends on the trade-offs relative to other considerations. Imposing rational expectations may or may not be a necessary condition for a creating a useful model. It is certainly not a sufficient condition.
5. Rational expectations in the Sargent-Sims tradition treats everyone as having the same model with which to form expectations. As Frydman and Goldberg point out in *Imperfect Knowledge Economics*, this assumes away the local knowledge and tacit knowledge that Hayek correctly identified as being very important in the economy.
6. Indeed, if Sargent and Sims represent a slap in the face to Keynes, they must be regarded as a knee to the groin of Hayek. Hayek coined the term "scientism" to describe the pretentious pose that economists strike when they equate mathematics with rigor. If scientism is a germ that infects economics, then Sargent and Sims were responsible for unleashing some of the most virulent strains.
7. Ultimately, your view of Sargent and Sims has to correlate with your view on the current state of macro. If you agree with Blanchard's August 2008 assessment ("the state of macro is good"), then you should be grateful for Sargent and Sims. If you harbor serious doubts about the value of what passes for

cutting-edge macro, then you should regret that the profession closed ranks so tightly around Sargent and Sims in the three decades that followed their original work.