A little disorder is a good thing

Nobel Prize-winner Edmund Phelps tells Ralph Atkins why Europe is doomed to lag behind America economically

As befits a combat-creeping, septuagenarian American economics professor known for his distinctly cynical view on Europe’s growth prospects, Edmund Phelps is conservative in his choice of New York restaurant for lunch. Isabella’s, at the base of a red-brick Upper West Side building with metal fire escapes, is filled with parents and children enjoying its American cuisine. The bright dining room overlooks the school opposite.

Last year’s economics Nobel Prize winner arrives exactly on time. Born in 1930, Phelps is tall and lanky with a big smile. He is wearing a pale green checked summer jacket and brown tie; his white hair is neatly trimmed. After much international travel recently – he is back from São Paulo: “It’s kind of nice to re-establish contacts with my roots,” he says, referring to the menu. At his request, the waitress’s proposal to start with a glass of California white wine, my hopes rise that this will be a convivial rather than intellectually challenging lunch. I have been worried: his 20-page outline on the American economy’s role in the global economy was left in a struggling coffee shop, he says. Phelps lives in the East Side, and before he leaves town, he plans to pick up his Nobel Prize – which would take the M4 bus across the street and then north to Columbia University. So, in fact, Isabella’s, 30 blocks south of Columbia, is a radical departure. “This is out of my bag,” he says. “But I’m a venture-sea person. I’ve often gone out of my bag.”

Traditionally, the Nobel Prize for economics recognizes work that was carried out many decades ago but still has relevance today. Phelps won his work in the late 1960s that overrode the then-consensual view that a stable relationship existed between inflation and unemployment. This idea that politicians could pick an acceptable length for joblessness by expanding the resources to adopt this or that new good or technique, he says. “I just think the Europeans are depriving themselves of a high-employment economy and they are depriving themselves of intellectual stimulation in the workplace and personal growth – by sticking to the stuffy, rigid system that I call corporatism.”

Phelps says Italian friends tell him that things have changed, that they are “a very different Italy now.” But notwithstanding Europe’s impressive growth rebound lately, he sees too much backsliding. “In Germany, for example, many companies invite union representatives to sit on supervisory boards and give advice on investment decisions – hardly unadulterated corporatism.”

“Of course, corporations in Germany found a way out. You know what they did? They started bribing the union officials to go along with it. It’s true that they did it at the Volkswagen scandal, a fact that the US government had to bribe gives the lie to those who say, ‘Oh, it doesn’t matter. These unions are toothless, this is just all show.’ Well, if it is all show, how come the union leaders are receiving such large payments?”

He concesses that comparisons with the US have to be made with due caution. In Germany, even if people expect them to do so, they are not as good at growing and wealth creation. “My God, don’t they have any one who likes to accumulate their wealth more than the Europeans? I used to live near the Palazzo Farnese [in Rome] with my wife. Looking for a parking space, I’d be totally exhausted at 10 minutes to 7pm. And there would be the Italian artisans still working away, as they had been since 8am. Europeans like to work. They like to be wealthy. But they have all these other attitudes that get in the way of an effective economic system.”

Might his distinct view on capitalism and the necessity of embracing change result from his having been born during the Great Depression, in which both his parents lost their jobs? This father was in advertising, his mother a nutritionist. Phelps is emphatic. “I was a little kid at the time. It wasn’t formative at all.” He tells me about an interview on Swedish television after winning the Nobel Prize: “They interviewed so many people and I said that I had been so affected by the unemployment of the Great Depression years. It was very difficult to make him understand that I was just a kid.”

“More important for him, he explained, was his time at Amherst college. He found the spirit behind cheesecake gelato or strawberry ‘creamy’ ice cream. ‘I’m going to be conservative. He reflects, is his time at Amherst college. In the early 1960s, a time when he read拤orally the Greek heresies, Cervantes’s Don Quixote and Ralph Waldo Emerson on self-reliance. ‘With out being aware, I think I was being indoctrinated into the idea that what makes life worth living, the good life, consists of accepting challenges, solving problems, discovering, personal growth, personal character.’ His reading of philosophers David Hume taught him

“the importance of imagination in understanding things”, while Henry Bergson’s Creative Evolution argued for free will against determinism. By comparison, Isabella’s dessert menu baffles Phelps. He adds, “It’s pretty weird.” he admires, although given what he has said about Europe’s resistance to innovation, he does not doubt the spirit behind cheesecake gelato or strawberry ‘creamy’ ice cream. “I’m going to be conservative. He reflects, is his time at Amherst college. In the early 1960s, a time when he read樽orally the Greek heresies, Cervantes’s Don Quixote and Ralph Waldo Emerson on self-reliance. ‘With out being aware, I think I was being indoctrinated into the idea that what makes life worth living, the good life, consists of accepting challenges, solving problems, discovering, personal growth, personal character.’ His reading of philosophers David Hume taught him

Isabella’s, Columbus Avenue, New York

2 x corn chowder
1 x crab-cake sandwich
1 x Creek salad
1 x capuccino crème brûlée
1 x dark chocolate bag
2 x glass Californian white wine
2 x double espresso
1 x small still water

Total: $100.25

his seminal work relatively late in his career – he was in his mid-50s. Robert Mundell, a Columbia University colleague, received his Nobel for work published when he was in his 30s. "It took a long time for me to mature and have anything to say that was of any originality," he says.

I pay the bill, as we leave the restaurant, Phelps wants to linger. After hesitating, he asks if I would like to visit a few yards north to the American Museum of Natural History. In the park outside, there is a pink stone monument inscribed with the names of all American Nobel Prize winners since Theodore Roosevelt won the peace prize in 1906. The price in 1906. As the bottom of the second side of Phelps’s name, added only a few days previously, Phelps points to some of his contemporaries. He is touchingly proud.

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