

# The Present National Crisis and America's Future

Sunday Address, February 1, 2004, Dr. Paul Krugman

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## Prescription-Drug Benefit

Good morning. I'm going to start with something a little prosaic. As I'm sure everybody knows, a few months ago, the White House pushed through—strong-armed through, I think is the right word—a new component of Medicare. A prescription-drug benefit. If you looked at the details, it was not a very good benefit—it is not a very good benefit. You won't see that until 2006, when it kicks in, but remarkably, it will actually leave substantial numbers of people worse off; it will raise rates for people who are poor; it will exclude some use of private insurance and probably lead to abandonment of coverage by some employers. But still, there it is, and it's not very good. It was, however, a very good measure for drug companies. The bill specifically prohibits Medicare from using its position, as what it will become—a very large purchaser of prescription drugs—specifically prohibits it from using that position to negotiate better prices. It was pushed through Congress in a very peculiar way. It actually lost the vote in the House of Representatives, but they refused to call the vote over. They just kept the session open for several hours while corralling people to change their votes. There were fairly credible accusations that there was literal bribery involved.

In any case, it passed, and it had a \$400 billion price tag, and a couple of days ago, we learned that they had made a little mistake, that the administration's own estimates actually say \$537 billion. Well, you know, \$137 billion or so, I guess they didn't know that when they pushed it through. However, that turns out not to be true. They actually did know that; they just didn't tell Congress that their numbers were pretty different. It was clear that the content of the bill didn't matter; the point was to have a Medicare benefit. So it was a cynical political gesture; it was pushed through with strong-arm tactics, and we learned only after the fact that they'd actually been concealing crucial information from Congress. But I guess we should give them a pass on this; after all it's not as if they've done this sort of thing before. Oh, wait...

## The Budget

All right, this is the way it's been for quite awhile in U.S. politics. Certainly on budget. One of the things that amazes me on budgetary issues is that we still get stories written—maybe this is just required—but the newspaper stories still treat the latest set of budget

claims as if they were to be taken seriously, when in fact, the history of everything on the budget involving the current government has been like Charlie Brown when Lucy holds the football for him to kick. Not once, as far as I know, in all of the many decades of “Peanuts” cartoons, has Lucy actually not pulled the football away just at the moment that he’s about to do it, and not once has any significant piece of the budget turned out to be the way they said it would be.

To give you the quick history, in the first administration budget in 2001, they promised to run substantial surpluses all the way through. Then, there was 9/11, you could say. The second budget was in early 2002, post-9/11. They promised that by now, fiscal 2004, the budget would be back in balance. In the third budget, in 2003, they said “Well, actually we’re going to run a deficit of \$300 billion in fiscal 2004, but the budget will be back in balance by 2008.” In the budget that’s coming out tomorrow, they’re going to say, “We’re told that it’ll be a little bit higher than the congressional estimates, so it’ll be a \$500 billion deficit for this fiscal year, or more.” But they’re going to say that they will, however, cut that in half by 2008. So we’ve been sliding about \$250 billion dollars a year in the prediction for a given year, and it just keeps coming. Probably one of these days I will go through, in agonizing detail, why you shouldn’t believe these things, but it’s always the same thing. What’s remarkable is that what you learn about the budget, of course, applies to policies well beyond the budget. So it’s not just dollars and cents; it’s environment; it’s law enforcement; it’s health policy; and, of course, matters of war and peace. It’s everything, and it’s just been consistent.

Now, it’s a little frustrating for those of us who’ve been watching all along, because it takes so long. At this point, I think, even though the straight news stories still almost act as if there were something to believe in the budget numbers, at least on the budget, there’s been some kind of revelation that none of this is to be believed. But it’s taken so long. I sometimes would like to line up my colleagues in the press and say, “What did you know, and when did you know it?” So I have a little list of questions: When did you know that, on budget issues, these people were deeply dishonest and deeply irresponsible? I knew it in February 2000. Yes, that is before they actually came to office—but if you looked at the budget proposals during campaign 2000, looked at what they were saying about Social Security privatization, it was obvious right then. First of all, it wasn’t going to fly; there were going to be huge shortfalls, although I didn’t imagine as big as they’ve turned out to be, and secondly, they were being—had to be being—deliberately dishonest. They had to know more than what they were saying. I had the advantage of being a professional columnist in my day job, knowing things that many journalists here didn’t know, like arithmetic. But it was still very obvious.

## **Political Exploitation**

Let’s get to things a little bit more fraught. When did you know that they were going to use the atrocity on September 11— that they were going to exploit it—ruthlessly and cynically, for political advantage? I knew it on September 13, 2001. It was immediately obvious from.... Now, I don’t cultivate inside sources. I think that’s often a snare, a trap for journalists, and I’m just no good at it; I’m a college professor, so I’m used to relying

on publicly available stuff. But even so, within 48 hours after the fall of the Towers, I was getting deluged with calls from congressional staffers, saying “You won’t believe what these people are up to.”

I assume every other journalist must have been getting the same kinds of calls. It should have been totally obvious, and yet, even now, people get very upset and accuse you of being shrill if you say, “Hey, they exploited this thing for political advantage.” Or they may say, “Well, it’s turned out that they’ve exploited it for political advantage,” but they talk as if it were something that took a long time. People write about the “great mood of national unity” that followed the attack, and as far as I can make out, that “national unity” didn’t last very long. Maybe some people believed in it, but the reality of the national unity—how long did it last? The answer would be, a few minutes, I think. It was an instant move to political exploitation.

And did you know they were hyping the threat from Iraq? Well, it was obvious in September of 2002. I have no expertise on military intelligence, but it was just obvious if you looked at the evasiveness of the way that the case was being made for a nuclear threat. Like everybody else, I’m surprised that we didn’t find at least some old canisters of chemical weapons, but you know, that was one of those great evasions, treating chemical weapons as if they were the same thing as bombs, as nuclear bombs; it’s not the same thing, in any case. But it was clear that they were hyping the threat in the fall of 2002, and it’s amazing that we’re still arguing about whether that happened; it was obvious even then.

And it’s really remarkable to look at the reactions to this; just in the last few days the failure to find weapons of mass destruction by any definition has suddenly become a political issue, which is very weird. When did we know that there was nothing of significance there? We still don’t know that we won’t find a canister left over from 1991 someplace, but when did we know that there really was nothing significant there? The answer is really April of last year. By the end of April, it was already clear that if there had been anything major there, that it would have been found. So, there was nothing there. So it’s been a very, very prolonged, slow process as we tried to get a sense of what’s going on.

## **Right-Wing Conspiracy**

So, the next question would be, what else is totally obvious? One of the things that disturbs me is I really am a fan and reader of George Orwell, and he’s been exploited by everybody in all directions lately. But one of his essays, not one of the best-known ones, was called “In Front of Your Nose.” And it was about how hard it is for people to admit, or to see things that are politically inconvenient that are right in front of their noses.

What is it that we’re not seeing, or that many people are not seeing now? And the answer, I think, the big answer is that “yes, Virginia, there is a vast right-wing conspiracy.” There really is, or just call it “movement conservatism,” though I think conservative is the wrong word for it. There is a tightly knit cluster of institutions and people with radical

right-wing goals who are running policy in the White House, in the Congress, and in substantial other parts of our society. It includes, of course, the administration; it includes the leadership of Congress, especially in the House. It includes the network of think tanks. It includes *Fox News* and *The New York Post*. It includes a bunch of institutions....

One of the things you would ask is whether it's really true that everybody at Fox News gets a memo each morning telling them how to slant the news. The answer is, yeah, that's exactly what happens every morning. Is it true that there's coordination of these messages so that the Republican National Committee and The Drudge Report and *Fox News* all come out with the same slander at the same time? Ah, yeah, that's true, they actually slipped up a bit recently when Ed Gillesky of the Republican National Committee had his quote from The Drudge Report before it had even been posted.. It really does work that way. It's extremely coordinated and it's very radical, as I'll get to in a second. That coordinated network of institutions exists; we're not talking about things that are particularly secret, we're talking about things that are pretty much out in the open. You can look at the institutions, their funding, and their people. There are hundreds of issue-oriented think tanks, organizations on the right; if you look at their funding sources, you discover that there are really only about five. There are five major foundations, all of them pretty much individually created; there are individual families that are the core sponsors of all of these organizations—Scafe, Coor's, and so on. There really is just a small group.

The combination of these things explains one of the great mysteries of recent politics, which is what they can get away with. If you had taken a look—after the 2000 election a lot of people said, “Well, okay. It was narrow; it was disputed; there isn't a mandate. They can't really push through very much. And then, to everyone's amazement—actually, to mine, because I hadn't fully understood it, either—to everyone's amazement, it turned out that the razor-thin edge in Congress, the disputed possession of the White House, was enough to push through an amazingly radical right-wing agenda.

If you ask, “How can that happen?” the answer is, it's because of the coordination, because a Republican senator is not like a Democratic senator. He's not somebody who runs his own campaigns and gets to make his own decisions; he's part of a movement, part of a machine, and I have reasonably attested information that when someone is thinking of balking, he's basically told, “You know, after you leave the Senate, you don't really think you're going to get any consulting jobs if you balk here.”

If you ask why it is that the media are so controlled, again, it's organized; and that doesn't mean that there's a star chamber of people sitting and puffing, but it does mean that we're talking about a tightly knit group of people, of organizations and institutions that all have common goals.

Who is in this right wing conspiracy? It's actually several different groups that have made an alliance. There's the corporate elite; some of my best friends are wealthy corporate executives, but there's clearly a group that wants more privileges than they now have. There's the religious right; they are the people who scare me most. It's the anti-

environmentalist corporate groups, and so on. You can go down the list, but it's a clear coalition that works very well.

## **Inspectors General**

What kinds of things can they get away with? Some of it you know. Obviously, you've seen the big stories, but the smaller stories are more interesting. I wrote briefly, in my last column, about the undermining of the process of the internal watchdogs over government agencies. Every government agency has what is usually called an inspector general, who may have a different title in some places; there is an office inside that is supposed to investigate possible misuse of funds. So you have an inspector general and it has always been the case that the appointments to those positions are rigorously non-partisan and the offices are very independent. You're supposed to be very afraid of your own inspector general if you're bending the rules a little.

Well two things have happened. Bear in mind Iraq has a lot of money and a lot of questions are being raised about how that money is being spent. Even if you are of the firm belief that there is nothing wrong and those people at Halliburton and Bechtel are the finest, most upstanding people, you have to admit that it's a very controversial area. So what happens in September, which is just after the sticker shock about the \$87 billion, there's another \$40 billion coming but they'll try to hide that till after budget. But after the sticker shock of the \$87 billion, the Chief of Staff position at the Pentagon Inspector General's office was given to a woman named Elgine Lewis, who was a major figure in the Whitewater investigation, an extremely partisan figure, the sort of person who, under ordinary circumstances, you would never consider letting anywhere near an Inspector General's office. Even if you think that she's actually qualified and she really won't be partisan, the record will just say on the face of it, it is not appropriate that someone like this be in that position. There was a little bit of flutter in the press, which then disappeared.

Then in September the Defense Department announced that they were creating an Inspector General's office in Iraq for operations there, but it would be under unique rules. The normal rule is that the Inspector General's office can investigate just about anything and it requires an explicit and public declaration from the Secretary to cordon off an area. The office in Iraq has, instead, large areas that are just off limits, essentially because the wording seems to mean that they basically can't investigate anything. The office also reports directly to Paul Bremer. It's as toothless a watchdog as you could possibly imagine, and it was announced at the very time that big questions were being raised about Halliburton contracts.

## **A Radical Movement**

It's amazing, the stuff that they get away with. I could go on, just to say that the effectiveness of this cohesive movement allows them to get away with things that I think under previous administrations, including Nixon's, would have been unthinkable.

What does the movement want? The goals are very radical and if you look at the quotations, look at what people say, not official Whitehouse spokesmen, but the people behind them, they are really amazing! It's worth noticing that, as you know, there has been an enormous effort to discredit, to remove any allowance for criticism of the administration because some people, very marginal figures, have done Bush/Hitler comparisons, and that's supposed to taint the whole movement.

There's a man named Grover Nordquist, I've written about him a couple of times, who's sort of the center of the anti-tax lobby. He's been very essential to it; he's in a very powerful position in Washington now. He coordinates a lot of stuff; he meets weekly with Republican leadership in Congress to vet appointments, and so on. This is not a marginal guy, this is very much the center of the movement. On "Fresh Air" a few months ago, the question of the estate tax came up and he was asked "Isn't it true that only a small percent of the population ends up paying an estate tax?" He responded, "The Nazis only killed a small percent of the population." Now you might think that was a slip and that he would back off it but he's just continued with that. He said to people who wish to shift the burden of taxes off the wealthy and on to people down the scale, "Well, the Nazis had progressive taxation, they had gun control."

This is very progressive stuff and it turns out that this kind of rhetoric is very widespread. Just the other day, Paul Craig Roberts, who was Assistant Secretary of the Treasury in the Reagan administration, who has been part of that movement for some time, wrote an editorial saying that "having to pay the income tax is worse than being a slave."

I thought that was very interesting, an extremely radical movement in power, which has taken a long time. Yet, even now, when I try to talk about it, people still say, "You're overstating the case, these people aren't really that far out—but they are! My favorite example: once I wrote a column about the extreme positions of Tom Delay in the House of Representatives, who has said his political purpose is to promote a biblical world view! He called a press conference after the Columbine School shootings to say that the reason things like that happen is because we teach the theory of evolution in high school. I got a lot of mail from people saying, "You've gone off the deep-end; what do we care what some crazy guy in Congress has to say?" But, this is the House Majority Leader, this guy runs Congress, and that's where we are.

## **The Media**

How can all this be happening? A large part of the reason is that the media goes very easy on all of this. The situation is better than it was a year ago, but it's still very difficult. Part of media is just a part of the large machine. And the rest are very cautious about pointing out things that are dead obvious. One reason is the curse of even-handedness. We are supposed to be objective in our reporting, but objective is hard and dangerous, because if the objective truth is the President just lied, you can get into a lot of trouble by saying that. So, it's much safer to be even-handed, whatever the issue. You present two sides and you give an exactly equal number of column inches to the people on both sides. For example, if Bush said that the earth was flat, the headline in major newspapers would say,

“Yes it is flat and anyone who says different hates America.” But the headline in major mainstream allegedly liberal publications would say, “Shape of the Earth, Views Differ.”

It is important to note that there is a lot of intimidation of the media and of individual journalists. It doesn't take the form “We're going to come and kill your cat,” not yet anyway; there's not physical intimidation. But, first, you get pretty amazing mail if you say anything critical, and it comes in very large quantities. If Rush Limbaugh says, “Write to that guy and tell him what a (\*&^%%) he is,” that means 1,000 letters next week, all of them brimming with hate. There's also all of the scandal machinery out there, all of the scandal machinery that tried constantly to find wrong-doing during the Clinton years and finally caught a little bit of illicit sex, but none of the rest; there was nothing there on any of the rest of it.

It has now turned not against the people in power but those who criticize the people in power. It's an ongoing thing; if you're critical you'd better have an impeccable private life, and even so they'll try to find something. It's not fun to be in that position. I can't understand how any real journalist, and there are some, can stand up to it, how they have the nerve. I'm not a real journalist, I have another job. I can always go back to being a college professor in England, if necessary. Although actually after the Hutton Report I'm not sure, maybe in New Zealand.

## **An Awakening**

OK, is there going to be a turn? Those of you who have read my book know that the introduction, which is dated April 10th of last year, says much of what I am saying now. At that time the kinds of things I'm saying now, which I thought were obvious, were actually way-out-there, and nobody wanted to hear about it. The publisher even said, “Is this going to be OK?”

The very good news is that this has changed a lot. There has been a lot of awakening taking place in this country, and things that were simply unsayable or almost unsayable and out of the accepted discourse are now very much what people are saying, although not yet on the talk shows on TV. If you look at The New York Times best seller list on the web, you'll see that, of the top five fiction books, the ranking one is now, I believe, Ron Suskind's *The Price of Loyalty*, written with Paul O'Neal. Kevin Phillips' *American Dynasty* is there; somehow there's a book by Pete Rose, followed by Al Frank and Michael Moore. I don't agree with these guys on everything, but the point is, they are clearly showing that people are interested in hearing a take on events that is not the official one.

I thought, if we emerge from this tunnel, the moment that really catches our attention is during the State of the Union Address. I don't know if you watched or read about it, but it was an odd address. No mention of Osama but a lot about steroids....but there was a moment when Bush called for renewal of the Patriot Act. He said parts of the Patriot Act will expire in 2005 and part of Congress burst into applause. Two things about that: first, that's amazing, we actually had some backbone there; and second, the fact that clearly the

speech writers hadn't even considered the possibility. They hadn't realized how much things have changed since a year ago, and that was a very good sign.

I don't think the public supports what's going on here. If you look at the polls and what people value, I don't think they support it. If the public's disapproval is focused, and if there's a political change, even then it's going to be one heck of a time. It's hard to think of a worse job than that of the next president if it isn't Bush. There's a tremendous amount of repair work that needs to be done and there are still going to be intense political divisions. But we are, I think, at least at a point where substantial numbers of people no longer are falling for all of this. And I'm feeling more hopeful than I have for a number of months. I think we may actually be in a position maybe to rescue ourselves from this place we've fallen into. I wouldn't exactly say that I'm confident about it but I am hopeful. Thanks.