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BY ERIC BATES

For an economist who has spent the past seven years telling us what the Bush administration is doing wrong, your new book, "The Conscience of a Liberal," is surprisingly optimistic about the future.

I'm a little surprised myself at how upbeat I am. Part of it comes out of my diagnosis of how the bad guys got away with it for so long. It turns out to be embarrassingly simple: Race is at the core of it. The history of U.S. politics for the past thirty years can be summed up in five words: Southern whites started voting Republican. But we're becoming a different country now. In crude terms, we're becoming a less white country. And the better news is, we're becoming a more tolerant, more open society. The old Republican tactic of using race as a wedge doesn't work anymore, which means we have a real chance of a political process that responds to people's real needs rather than just prejudice. There are a lot of things we can do right if we put our minds to it.

Such as?

The government's role has turned into one of, in effect, promoting inequality, promoting the interest of an elite against everyone else. What liberals like myself want is for the government to go back to the principles of the New Deal – to trying to make society more decent on a broad scale. And if you're going to do that, universal health care is where you start. It now seems perfectly easy to imagine that we would have universal health care in active legislation by the end of 2009. If that works, then you have the possibility of people saying, "Hey, if the government can do that, maybe they can do a few other things right, too."

What are the most profound economic issues the country needs to face over the next twenty years?

Inequality. We have to find a way to get the fruits of economic progress shared broadly. There is a lot we can do about inequality, but it's harder than fixing health care. Some things are technically easy – providing more generous tax support to families, doing more to ensure a decent education for people who are not in the top half of the income distribution. All of these are things that other advanced countries do; Canada spends twice as much as we do on social programs other than health care. But other stuff is harder. We don't really know, for example, why the pretax distribution of income got so unequal. We don't know why hedge-fund managers are earning a billion dollars a year while the wages of typical workers have stagnated. The collapse of the union movement is a big part of it – but rebuilding unions won't be easy.

It's strange to think that our future depends on something many people consider as antiquated as labor unions. It's like saying we need to develop a really good cotton gin to make this country great again.

Well, that's a uniquely U.S. perception. Other countries, including Canada, have the kind of robust unions we used to have, and they enjoy far better income distribution than we do. Unions are not antiquated. Let's take another example: Social Security. Sure, it's seventy-two years old. People are always saying, "In this Information Age, we need to change it." That drives me crazy, because they never really explain how the Internet makes Social Security obsolete. In fact, it turns out that Social Security, which is a portable guarantee of retirement income regardless of where you worked, is actually more important than ever. You want government programs like that precisely because you don't know if technology will erase your job and make your stocks worthless.

When you look at the past seven years of the Bush administration, what policies do you think will have the most lasting effect, for good or ill?

The dismantling of the government as an effective institution – that will take a huge effort to reverse. What they did is turn the government back to the spoils system of the nineteenth century, so that throughout every agency you've got a lot of unqualified

cronies displacing people who actually knew what they were doing. Reconstructing that is going to be a really big deal.

America's status in the world has also been severely damaged. If Bush had lost in 2004, the world probably would have said, "That was a brief aberration." As it is, it's going to take several administrations before people start to regard the U.S. as a fully sane country. Let's be blunt: They see us as the crazy uncle who has too much money to be ignored, but you really don't know what he's going to do next. We're going to be paying for what Bush did for a very long time.

Did the administration do anything good?

I'll tell you one gift that Bush didn't realize he was giving us: To get his tax cuts passed, they were all written to expire on the last day of 2010. Unless Congress acts to extend them, the estate tax and all the other taxes that were cut come back in full force the first day of 2011. That means Congress doesn't have to repeal them – all it has to do is to fail to renew them. This is Bush's great gift to us all – doing nothing will release a lot of revenue that we can use to do good stuff.

Do you see any key leader for the times ahead?

Al Gore will go down in history as someone who really did a lot to alert us to the climate issue. But one thing that's been striking to me is how much we have a broad movement for change that isn't built around personalities. You look at something like health-care reform and you ask, "Who's the godfather of this new movement?" John Edwards broke the ice with his plan, and various other people argued for universal health care during the years before. But there is no single person who's responsible – it just welled up from the base. It's pretty amazing. There's no Barry Goldwater of the progressive movement, no Ronald Reagan. It's much more of a broad-based, grass-roots phenomenon.

But won't that make it difficult for progressives to lead the country? It's one thing to be united against Bush, but it's another thing to lack a leader who can keep a majority from splintering into factions.

There are certainly problems with cohesion. One hopes that if we do have a new administration with a solid Democratic majority in Congress, it will stick to its principles and goals. But what if there are disputes? Will it all fracture? Suppose one of the three leading Democrats ends up in office and then wimps out on one of the goals. Who will rally the rank and file and say, "This is not what you were elected for"?

Who do you think the next president will be?

I can read the polls and come up with what economists call a "maximum likelihood estimate," but it's still crazily early. Hillary may be the front-runner, but if John Edwards comes out of Iowa with a solid win, he could end up with the nomination. I do have the sense that the Barack Obama wave has crested, and that those odds have gone way down. Beyond that, I complain about everybody, but these are all intelligent, reasonable people. You watch the Democratic debates and you say to yourself, "You know, I don't have much trouble imagining any of these people actually in office." You watch the Republican debates and you say, "That can't be for real!"

Let's talk about technology. How will new innovations affect the economy in the next decade or two?

If you look around the world and try to guess where the next wave of information technology will occur, it's not the U.S. Look at broadband – the U.S. is now ranked at number twelve in both penetration and speed. The Europeans, especially the French, are pulling ahead, and the Japanese have surged way ahead. Really high-speed Internet – seven times faster than what we think of as broadband – is common in Japan. The stuff that comes next requires huge bandwidth – robot doctors and all the other applications that we can't even think of yet. We aren't well positioned for the next wave of innovation.

What about China? Isn't it going to replace us as the next superpower?

That's interesting, because it's completely uncharted territory. China is quickly approaching the point at which its economy will be bigger than ours. What's different is that, until now, the world's economic superpowers have also been rich countries. China has turned into a superpower while still being a relatively poor country. That means they're not going to share our priorities. We used to think we ran the world's economy as a sort of club of rich nations, with the U.S. as the first among equals. Now you have a country that's saying, "You guys were burning coal freely when you were developing, and now you expect us to bear the burden after you've gotten rich." That's going to make it much more difficult to get an agreement on global warming. For the first time ever, the world's great economic power will not be a democratic country in any way, shape or form.

So if you were entering college today, would you learn Mandarin?

That's a good question. We have a problem in the United States, which China will try and fix: We don't believe that the rest of the world exists, and we don't know how to talk to it. It's possible to see a future where the United States is the world's third economic power. The first one speaks Mandarin, and the second one, in terms of business, speaks English, because the Indians are coming up very fast also. So maybe English isn't such a bad language to be speaking.

Did the future turn out the way you imagined it when you were growing up?

By and large, I'm disappointed. We talk about all this technological progress and all this wonderful stuff that's happened, but compare the world we're living in to 2001: A Space Odyssey. Where's my Hilton hotel in outer space? We're getting all excited that videoconferencing is just starting to work, but we still don't have picture phones, and artificial intelligence has been one of the great busts of the past fifty years.

I actually sat down once with a book from 1968 about what the twenty-first century was going to look like and reviewed the predictions. There are no major technologies today that they did not anticipate.

They had something that's recognizable as the Internet, something that's recognizable as cell phones. But there were a whole bunch of things they predicted, like undersea cities, that we never got. In some cases, of course, it's good we never got them. I still remember the exhibits at the 1964 World's Fair that showed the wonders you could do with modern technology – horrible things like hovercrafts with lasers that cut down the rain forests.

The most interesting thing I never saw coming is the pooling of human and machine intelligence. Google is amazing. People don't usually think of it in this way, but Google uses information technology to pool human judgment. It's not the computer making decisions for us, but it's not the computer working in a mechanical way, either – it's computer-enhanced intelligence. In an odd way, I guess you can say we're all becoming cyborgs.

How do you think this time will be remembered forty years from now?

When we get the full story of what happened during the Bush years, it's going to be much worse than what we know now. We're going to find even greater horrors and betrayals. It will be looked back upon as a cross between the McCarthy era and the Nixon era. It'll be "My God, who were these people and why did they have so much power?"

On the other hand, we might look back at this time as a turning point. In my book, I talk about the 1920s. At the time, it seemed like it was the worst of America triumphant: the Gilded Age come back, the KKK on the rampage. But if you look at it in retrospect, the germs of a better society were there. In the 1928 campaign, there were the beginnings of real reform and greater tolerance. It reminds me of 2004: Even though there was a lot of nasty propaganda that year, and a lot of people were in despair after Herbert Hoover won, the fact was that a Catholic had been nominated for president for the first time.

It's like Halloween. In the late 1970s, you could buy Richard Nixon fright masks. We'll probably have George Bush on fright night for a while. But in the end, we'll look back on these days and say, "It was a time of testing, but America came through."