

UNITED STATES - The Conscience of a Liberal: New York Times Columnist Paul Krugman on Healthcare, Tax Cuts, Social Security, the Mortgage Crisis and Alan Greenspan

Paul Krugman, Amy Goodman & Juan Gonzalez, Democracy Now!

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*Wednesday, October 17th, 2007 - [Democracy Now! News Program](#) - New York Times columnist Paul Krugman is author of the new book, *The Conscience of a Liberal*. Krugman teaches economics and international affairs at Princeton University and was recently named Columnist of the Year by Editor & Publisher magazine. He joins us in the firehouse studio to talk about the Bush administration's opposition to child health insurance and why universal healthcare has long been considered politically impossible despite the overwhelming support of a majority of Americans. Krugman also responds to Federal Reserve chair Alan Greenspan on the administration's tax cuts and threats to Social Security.*

- Paul Krugman. Op-Ed columnist for *The New York Times*. He teaches economics and international affairs at Princeton University. His latest book is *The Conscience of a Liberal*.

AMY GOODMAN: Paul Krugman writes in the *New York Times*, "Two weeks ago, the democratic response to President Bush's weekly radio address was delivered by a 12-year-old, Graeme Frost. Graeme, who along with his sister received severe brain injuries in a 2004 car crash and continues to need physical therapy, is a beneficiary of the State Children's Health Insurance Program [known as S-CHIP]. Mr. Bush has vetoed a bipartisan bill that would have expanded that program to cover millions of children who would otherwise have been uninsured. What followed should serve as a teaching moment." Those are the words of *New York Times* columnist Paul Krugman in a recent op-ed.

Paul Krugman was named Columnist of the Year by *Editor & Publisher* magazine. He teaches economics and international affairs at Princeton University — his new book, just published, is *The Conscience of a Liberal* — joining us now in our firehouse studio. Welcome to Democracy Now!, Paul.

PAUL KRUGMAN: Good morning.

AMY GOODMAN: It's good to have you with us. Tomorrow, the House is expected to attempt an override of President Bush's veto of S-CHIP. Explain this whole controversy and the latest role of the Republican leadership.

PAUL KRUGMAN: OK. S-CHIP is a program to pay for health insurance for — essentially for the working poor or near poor, for people who are above the line for Medicaid in most states but can't actually afford health insurance, which is largely becoming unavailable, except for the upper middle class and above. And it's an enormously popular program, very successful. Children are the only group for whom the rate of not having health insurance has actually declined in the last decade, and it's because of S-CHIP.

Bush doesn't want — actually wants to underfund the program, so it would actually have to reduce the

number of people covered. Most people, even in the Republican — you know, substantial numbers of Republicans, as well as virtually all Democrats, want an expansion of the program.

The Democrats put a human face on it by showing Graeme Frost, who's — having him talk, as someone who is a perfect example of what the program is supposed to do. And the slime machine started up, went after the family of the Frosts, made all sorts of claims which turned out to be untrue, that they actually have lots of money, that it's not a real problem. And it wasn't just the bloggers — you know, everyone said, "Oh, those bloggers!" — but it was Rush Limbaugh, and now it turns out that a lot of it was being coordinated from the office of Senator Mitch McConnell, the Senate Minority Leader. So, it's a teaching moment. It's not actually that —

AMY GOODMAN: Who in his office?

PAUL KRUGMAN: Oh, Stewart, an aide to McConnell, sent out an email to assorted reporters saying, you know, this is — look at what the bloggers have found: it's all a fake, this family has plenty of money. And, of course, it was untrue. So —

JUAN GONZALEZ: But the Republicans have been continuing to argue that the changes would allow families making as much as \$83,000 a year to benefit from the program?

PAUL KRUGMAN: You know, we have a real problem here with the "L" word. That's a lie. Just flat, it's a lie. It's not in the bill. I mean, there have been some proposals by some people, mostly Senator — not "Senator," Governor Spitzer in New York, where he's saying, well, possibly because New York is a very expensive place, we might need to do that. But it's not in the bill. So it's just a pure lie, and Bush repeats it over and over again. And no reporter apparently is willing to say this is just not true. Extraordinary. But, again, a teaching moment.

This is all — you know, in *Conscience of a Liberal*, I talk about this. This is really not very different from what's happened for four years-plus. You go back to Ronald Reagan, the 1964 speech that made him a national figure, a speech on behalf of Goldwater, and the same hard-heartedness, the same — you know, he made fun of John F. Kennedy for talking about millions of people going to bed hungry each night. And he said, "Ah, they were probably all on a diet." That's Reagan, 1964. Saint Ronald Reagan. It just hasn't changed.

AMY GOODMAN: I wanted to play a clip of the latest ad — this is from truemajorityaction.org — about another child who benefited from S-CHIP. As Graeme, the twelve-year-old, she was slimed, here is an ad about Bethany.

BETHANY: Hi.

ONSCREEN TEXT: "Bethany looks healthy today...but at 3 months doctors discovered she had a serious heart condition. She needed an operation to save her life. When her parents couldn't pay for it, the government did."

BETHANY: Yay!

ONSCREEN TEXT: "State Children's Health Insurance (S-CHIP) keeps her healthy today. Bethany's parents know S-CHIP works. Why doesn't George Bush? Healthcare for 800,000 children like Bethany costs...one week in Iraq. Which one do you value more?"

BETHANY: [holding a sign that says, "Don't veto me!"]

AMY GOODMAN: And Bethany holds up a sign that says, "Don't veto me!" And that's the end of the ad. Paul Krugman?

PAUL KRUGMAN: Well, I mean, this is what you need to do. It's, again, another perfect case, and people

who want to expand children's health insurance are using this. And, of course, *National Review* has an article out there saying, well, this is another — you know, that she doesn't deserve it, or rather the family doesn't deserve it because her mother once had a job that had health insurance and she quit it, and then she had a baby — of course, seven years later. And, you know, it's incredible. But this is — you know, but this is actually what's different — these are actually not that different from stories we've seen for decades, the sliming and the whole attacks — this is standard operating procedure. What's new is that you've got an effective progressive movement that is fighting back and is managing to basically catch them in the act and turn it against them.

AMY GOODMAN: Paul Krugman, you write in your book, *Conscience of a Liberal*, about the moment that, well, the US could have adopted single-payer back in Truman's time.

PAUL KRUGMAN: That's right.

AMY GOODMAN: Explain the history.

PAUL KRUGMAN: OK, it's — you know, right at the time just — time of the New Deal, the time when all advanced countries were building a basic set of social insurance programs, the natural thing was to include some kind of healthcare. And actually FDR thought of including health insurance in Social Security, but decided that was one step too far politically, so didn't go that far. And right after World War II, Harry Truman wanted to have national health insurance, which made perfect sense and would have been at that point — that was a good moment. The insurance lobby wasn't the monster it is today. The drug lobby didn't exist. You know, all the things that stand in the way.

But it failed. And it failed because the opposition of the American Medical Association, which has been a constant throughout this. But it failed crucially because Southern whites said, no, this will lead to integrated hospitals, and we won't let it happen, which is — they were probably right. When Medicare came in — and one of the reasons they were bitterly opposed to Medicare was they were afraid it would integrate their hospitals, and it did. But it's — you know, you go through US history, try to understand US political history, and race always comes back, and even the rise of the conservative movement in the Republican Party, the victories. It's almost embarrassing. I talk a lot to political scientists, and you go through the numbers and the polls, and it all boils down — almost everything else goes away, except for five words: Southern whites started voting Republican. The backlash against the Civil Rights Movement explains almost everything that's happened in this country for the past forty-five years.

AMY GOODMAN: But the AMA, as well, can you talk about their role?

PAUL KRUGMAN: Well, the AMA — actually, they were foolish, because it — or maybe they were certainly — they opposed Medicare, as well. I mean, you know, the AMA had Ronald Reagan again making recordings, talking about the dangers of socialized medicine in an attempt to head off Medicare. But, look, at that point, the AMA was the — the health industry at that point was the AMA. Now, unfortunately, there are lots of other powerful players who also oppose reform. But they thought this might lead to some curbing of doctors' incomes, which it might have done. And, yeah, we have a problem, which is the — you know, if you like, the profit motive, individual financial stuff has left us with a grossly unfair and also grossly inefficient healthcare system, where we're the wonder of the advanced world. We're the only country that manages not to insure all of its citizens, and somehow we manage to spend twice as much as other countries in the process of doing that.

JUAN GONZALEZ: Now, in your book, you suggest that this battle over healthcare will become the way to reconstitute or bring back together some kind of a progressive movement in the country. Could you talk about that?

PAUL KRUGMAN: Yeah. I mean, I think we already have the progressive movement. That's a big change of the past ten years. I think we're just different. This is one of the things that makes me optimistic. But healthcare, healthcare is the huge hole in our system. It's the — you know, there are many other things, but if you wanted one single thing which is a tremendous hole in our safety net, it is the absence of

universal healthcare. And it's unique. No other advanced country has large numbers of uninsured people. And our system is wildly inefficient.

So, it's two things. First, we can do an enormous amount of good, improve people's lives. I mean, you know, I know, oh, I think about eight people that I know fairly well who either don't have health insurance or are desperately afraid of losing it. And, you know, realistically, the kind of people I know are sort of upper middle class. You know, I don't spend a lot of time — which just tells you how pervasive this is. If I were talking to a lower-income group, it would be much, much worse. This is crazy. And you can do an enormous amount of good here, and you can actually save money in the process with healthcare reform. It would be a lot cheaper to cover everybody than to have our current system, which spends huge amounts of money basically trying to deny coverage to people. And then, beyond that, it can be a demonstration. We've had all of this anti-government rhetoric, all of this, you know, trying to help people just is destructive. Universal healthcare is a way to prove that you can actually do good things, and thereby set the stage for more, which is, of course, why Republicans are so — actually, the S-CHIP fight comes back to that. The S-CHIP fight is — the reason that Bush and much of the Republican leadership is so hostile to S-CHIP is not because they think it's a bad program, but because they think it's a good program, and that terrifies them. What bothers them so much is the fact that it works.

AMY GOODMAN: We're going to break. When we come back, I want to ask you about the Democratic candidates and their proposals — Clinton, Obama, Edwards. We're talking to Paul Krugman. He's the op-ed columnist for the *New York Times*, teaches economics and international affairs at Princeton. And he has a new book out; it's called *The Conscience of a Liberal*. Stay with us.

[break]

AMY GOODMAN: Democratic presidential hopeful Hillary Clinton unveiled her new healthcare proposal last month. She explained it improved upon the healthcare plan she had proposed in 1993.

SEN. HILLARY CLINTON: Now, I know my Republican opponents will try to equate healthcare for all Americans with government-run healthcare. Well, don't let them fool us again. My plan does not create a single new government department, agency or bureaucracy. It is not a government takeover of healthcare. It is a public-private partnership that provides more choices. I call my plan the American Health Choices Plan. If you have private insurance you like, you can keep that insurance. If you like the doctor you have, you can keep seeing that doctor. If, however, you don't have health insurance or you don't like the insurance you have, you can choose from the same wide variety of private plans that members of Congress choose from.

AMY GOODMAN: Hillary Clinton. And, Paul Krugman, *New York Times* columnist, your response?

PAUL KRUGMAN: Well, it's a good plan. I mean, the sequence here has been that John Edwards broke the ice in February, and he came out with an actual doable, financeable plan that you can imagine actually passing and that was amazing. And, essentially, the Clinton plan and the Obama plan are — you know, if you're a real health policy wonk, there are some fine points that differ, but they're fundamentally the same plan. I actually have taken to calling it the "Demoplan." It is a route to universal healthcare. It's not exactly the program that I would have gone for in an ideal world without politics. You know, if I could do it — if I didn't have to worry about getting it through Congress and the various — you know, the political maneuvering that will take place, I'd probably just say, "Let's have Medicare for everybody." But this is not bad. This is a — and we can get the principle of universal healthcare established if any of these plans goes through.

I find myself actually sometimes pinching myself to say, "Am I dreaming?" because two-and-a-half years ago, the question was, could we stop Bush from privatizing Social Security? Now we're actually looking at the real possibility of universal healthcare by about 2010.

AMY GOODMAN: Single-payer?

PAUL KRUGMAN: These plans are interesting. They're not single-payer, but they can evolve into single-payer. You know, single-payer would be Medicare for everybody. And there are problems — it's actually — that's the right way to go in terms of the sheer economics. That's the cheapest, most efficient plan. The problem is it requires a fairly large substitution of taxes for healthcare premiums, which would be smeared as, you know, "This is just higher taxes, and you won't actually save any money." And it would also appear to reduce choice, and it probably wouldn't in reality. These plans give you — they build on the existing private insurance system, but crucially they also allow people to buy into a publicly run plan, which would compete and, I believe, actually would in the end kill the private plans in the competition. So it's a route that can lead to single-payer, but the main thing is it gets you universal coverage, and it gets you right away, and it doesn't require any legislation that doesn't look like something you could actually pass if you give me, you know, fifty-five Democrats in the Senate and 240 in the House.

JUAN GONZALEZ: I've been amazed in watching some of the Republican debates how little connection there is between many of the Republican candidates and this real crisis in healthcare, in terms of the kinds of proposals that they're suggesting. Your sense of what's going on with the Republicans?

PAUL KRUGMAN: Yeah, Stephen Colbert had that line — I think something about it will give you a break on the taxes you aren't paying to help you buy the insurance you can't afford. There really are not — look, Giuliani came out with his first big healthcare speech, and he, in the speech, initially, he never mentioned the word "uninsured." There's just no connection. They just don't — and I want to know who — you know, Mitt Romney, the plan he signed in Massachusetts is not what I would like, but it had some good features. But obviously that Mitt Romney got abducted and has been replaced with his evil clone, because the guy who's now running is all, you know, insurance. Actually, you can look at his slideshow, and basically he says the problem with our system is the people have too much insurance, and so they buy too much healthcare. I mean, that's it.

AMY GOODMAN: What does it say about American democracy that most of Americans want government-run, single-payer universal healthcare, and yet no Democrat is proposing it?

PAUL KRUGMAN: Yeah, alright. It's — you know, democracy is limited, but it's also true — let me make an excuse for the Democrats here. If you — it's one thing if people say — to ask people to approve this —

AMY GOODMAN: I shouldn't say "no," by the way. Kucinich is proposing it.

PAUL KRUGMAN: Right. But — you know, and there's a Conyers bill, the Medicare For All bill, and it's a fine piece of legislation, but we know it can't pass, and it can't pass, you know, because interest groups, politics. But also, confronted with an actual plan which substitutes just, not your choice, but actually substitutes a Medicare program for your current health insurance, some people might balk, and something that allows you to sort of glide into that, I think, is just easier to do.

I mean, I'm big for single-payer, if we could do it. But people get confused. There's the famous story everybody in the healthcare — all the healthcare guys talk about, about Senator John Breaux being confronted by one of his constituents, who says, "Senator, don't let the government get its hands on Medicare." Right? So we have people — you know, you have to — the perfect can be the enemy of the good here. I want to get universal healthcare — basic principle, every American is entitled — and once we've got that, then we can probably work towards what is the most efficient way to do that.

AMY GOODMAN: Paul Krugman, I interviewed Alan Greenspan, the former chair of the Federal Reserve, last month, and I asked him about your criticism of the claims that he makes about the housing bubble in his recently published memoir called *The Age of Turbulence*. I want to play an excerpt of the exchange with Alan Greenspan on this question. I began by reading from your article on Greenspan called "Sad Alan's Lament."

AMY GOODMAN: In his piece, Paul Krugman says, "Mr. Greenspan has just published a book in which he castigates the Bush administration for its fiscal irresponsibility.

“Well, I’m sorry,” says Paul Krugman, “but that criticism comes six years late and a trillion dollars short.”

He says that “Mr. Greenspan now says that he didn’t mean to give the Bush tax cuts a green light, [and] that he was surprised at the political reaction to his remarks. “

He goes on to say the first big chance you had to clarify yourself came a few weeks after your initial testimony in 2001, when you appeared before the Senate Committee on Banking, Housing and Urban Affairs.

He says that, again and again you were offered the opportunity to say something that would help rein in runaway tax-cutting; each time evading the question, often replying by reading from your own previous testimony.

He said, “If anyone had doubts about Mr. Greenspan’s determination not to inconvenience the Bush administration, those doubts were resolved two years later, when the administration proposed another round of tax cuts, even though the budget was now deep in deficit. And guess what? The former high priest of fiscal responsibility did not object.”

And he goes on from there. He says in 2004, you “expressed support for making the Bush tax cuts permanent — remember, these are the tax cuts he now says he didn’t endorse — and argued that the budget should be balanced with cuts in entitlement spending, including Social Security benefits, instead. Of course, back in 2001 he specifically assured Congress that cutting taxes would not threaten Social Security.”

Your response, Alan Greenspan?

ALAN GREENSPAN: Well, I find it very unfortunate. Paul is a good economist. I have known him for years. He is wrong as fundamentally in many of the facts — in fact probably all of the ones you’ve just cited.

First of all, I was in favor of tax cuts of any type when it looked as though, according to all the technical experts, we were confronted with very large potential increases in surpluses. If we allowed those surpluses to run when the debt of the United States essentially went to zero, we would find that the federal government was beginning to accumulate huge amounts of assets of corporate business. There was to be no alternative to that. And if you look at the possibilities of what Lyndon Johnson or Richard Nixon would have done under those circumstances, it becomes extremely scary. It was only when it appeared that the forecasts were false that, indeed, we were not running in — or not likely to run into these large surpluses, and, indeed, they disappeared.

At that point, I reverted to my older position: namely, I was in favor of tax cuts, but only if they are matched by cuts in spending. And I therefore reverted to that position in congressional testimony in 2002 and 2003, in fact, to the point where I recall a number of congressmen asked me, “Do I understand you correctly? You’re saying that you are in favor of the tax cuts, but only if spending is cut. If spending is not cut, were we to read from you that you are not supporting the tax cuts?” And I said, “That is correct.” So Paul Krugman’s view that somehow I didn’t change my mind until after I got out of office is factually false. And, indeed, I did change my mind. I changed my mind in 2002 and 2003, largely because the whole notion of which fundamentally got me in favor of significant tax cuts without offsetting expenditures was a very special event which probably had not occurred in the United States for 150 years — namely, division of our total federal debt effectively going to zero.

AMY GOODMAN: That’s the former head of the Federal Reserve, Alan Greenspan. Paul Krugman, your response?

PAUL KRUGMAN: What can you say? Did he ever say, “Gee, those tax cuts that I advocated were a mistake”? Never said that, as far as I know, and I looked at a lot of it. Did he ever — did he object when Bush proposed another round of tax cuts in 2003? No, he didn’t. So, you know, it’s essentially for it.

I mean, Greenspan played essentially a game of Three-Card Monte. In fact, it’s a twenty-five-year-long card game of Three-Card Monte. In 1982, there was the Greenspan Commission on Social Security, which raised payroll taxes, which is the tax that falls most heavily on ordinary working Americans, to generate a surplus in Social Security to pay for future payments. Then, in 2001 he comes out in favor of tax cuts to eliminate a surplus, which is primarily, even at that point, the surplus generated by his previous tax increase on Social Security, but he doesn’t propose cutting that tax. He proposes cutting income taxes on high-income people. And then, when the surplus goes away, which it did almost instantly — and, of course, he’s lying when he says that everybody believed we had these huge surpluses. I wrote a book right at the time called *Fuzzy Math* saying — explaining all the reasons why you shouldn’t actually believe in those surpluses, those surplus projections. As soon as the surpluses went away, he said, “Oh, well, we’ve got to cut Social Security benefits.” So it was really raise taxes to protect Social Security, use the resulting surplus to cut taxes for rich people, let’s cut Social Security. An amazing story.

And he knew what he was doing in 2001. You can’t — this is Greenspan. He was a Washington operator par excellence dating back to the Ford administration. When he said in his Greenspanspeak all this stuff about, you know, glide path to zero debt and all that, he understood that he was giving a full-speed-ahead for the Bush tax cuts, and then he danced around any attempt to hold him accountable for it.

JUAN GONZALEZ: And the current crisis continuing to explode, the housing crisis and especially the subprime situation, how do you see his role in that developing crisis?

PAUL KRUGMAN: Well, it’s a mixture. I mean, I don’t exactly say it was Greenspan’s fault, because that would be too far. But he gave bad advice. He actually urged people to take adjustable-rate mortgages, you know, just at exactly the wrong moment. And he did a lot — he did a pretty good ostrich act on it. You know, the signs that there was something really going wrong were already there several years before the bust occurred, and Greenspan was a major denialist.

AMY GOODMAN: We asked him about it on *Democracy Now!*, Alan Greenspan, the former chair of the Federal Reserve, about the subprime lending crisis and his role in engendering the crisis by keeping interest rates low. This is what he said.

AMY GOODMAN: The subprime crisis that we are seeing today, many saying that you seriously contributed to this, laid the foundation with keeping the interest rates low.

ALAN GREENSPAN: Well, the subprime crisis did occur as a result of lower interest rates. The lower interest rates, however, are, if one takes a look at the whole context of rising home prices throughout the world, is clearly a global issue. It is the result of fundamental changes that occurred as a consequence of the end of the Cold War, and that housing bubbles appear in more than two dozen countries around the world, which screams for an explanation that is global, not individual. [...]

We in the United States basically try to get mortgage interest rates up and slow the bubble. And remember, it’s the bubble which created a goodly part of the problem which we have had in the subprime market. And we failed. And that tells us, basically, that it’s the global forces that are at play here.

But just going — taking a step back, I think it would be a terrible mistake if we look at the subprime market and decide it should be eliminated, because I think it’s been a very successful market to allow many people in this country to have homes, which wouldn’t otherwise be able to have them. The subprime market has a lot of technical problems wrong with it, and there are many issues that are involved with financial securitization alike, which created difficulties. I hope in the process we don’t eliminate the subprime market.

AMY GOODMAN: That's Alan Greenspan. Paul Krugman, your response?

PAUL KRUGMAN: Actually, I hadn't heard that one. He's saying that we did a lot to try and stop the bubble. Boy, well into this, he kept on denying that there was a bubble. And even when — you know, there's the famous remark about froth: there might be a little bit of froth in the market. This is the point when it was clear — to me, at least — that we had a full-blown, you know, out-of-control bubble.

So, no, I don't blame him for the low interest rates. I think that was — the low interest rates were necessary. We had, as we say among my economist friends, a near-Japan experience in the US. We almost slid into a point where — a tailspin that you couldn't get out of. So the low interest rates were appropriate.

What was not right was the failure of the Fed to do any regulatory oversight. As we know, the late Ned Gramlich, member of the Federal Reserve Board, was warning, you know, plaintively, we've got a problem here in the subprime market. And Greenspan wouldn't listen. And more broadly, there was just this kind of runaway, as he says, securitization, fancy financial engineering that was clearly out of control, and no one was paying attention.

JUAN GONZALEZ: Well, that's what I wanted to ask you about, because I think that when I did some series of articles in February this year in the *Daily News* on this subprime explosion, one of the — the crisis, one of the things that came up was that many of these banks that were organizing the securitization of these loans were aware, that they had their own internal analysts. Emails showed up where analysts were saying, "Hey, this house is not worth this amount of money. Why are we buying these loans?" So that there was obviously a lot of knowledge within the financial industry of how precarious the situation was, yet they continue to market these securities and these mortgages.

PAUL KRUGMAN: Yeah. And we should point out also that there was a — Greenspan's right, you want some subprime lending. But there was a lot of predatory lending. There was clearly a lot of less-educated, lower-income people being deliberately steered into expensive, ultimately unpayable loans. And this was — and there has been no penalty. There was no oversight, and there's been no penalty for the banks that did that. And then the securitization, yeah, there's all this junk, these collateralized debt oblig— I get too technical, but, you know, basically there was — it was Enron redux, except much bigger than Enron. A lot of essentially phony accounting, phony labeling that pushed all this stuff into the portfolios of investors and allowed this thing to run out of control. And stuff will happen, things will happen. You can't prevent all of it. But it was clear that this is largely the Fed's area. This is — the Fed isn't just supposed to move interest rates up and down. It's also supposed to oversee the financial system and try to police these kinds of excesses. And under Greenspan, it didn't do any of that.

AMY GOODMAN: We're talking to Paul Krugman, op-ed columnist for the *New York Times*, voted best columnist by *Editor & Publisher* magazine, teaches economics and international affairs at Princeton University, and has a book called *The Conscience of a Liberal*. Were you surprised in watching Alan Greenspan interviewed throughout the country how rarely he was challenged by anyone?

PAUL KRUGMAN: No, that's a familiar — you know, given the enormous deference that was displayed towards the Bush administration for all these years. And Greenspan has a lot of influence. Nobody really wants to cross him. I mean, it's — hey, you know, I've been blackballed from the Fed summer conference at Jackson Hole, which I used to be a regular at, ever since I criticized him.

AMY GOODMAN: What is that?

PAUL KRUGMAN: Oh, it's a big — there's a big annual meeting to discuss, you know, policy and economic results. And two years ago, the conference was devoted to a field, new economic geography, that I invented, and I wasn't invited. So, you know, I mean, no, I don't care. It's just —

AMY GOODMAN: When did you last personally speak to Greenspan?

PAUL KRUGMAN: In 2001, he called me after that article that was quoted about him refusing again and again. He called to complain, and we had a long and very unpleasant conversation. And that was my last time I spoke to him. Look, alright, you know, somebody said this is the way the world works. But I have been amazed, actually, at just how few probing interviews have been given. And this is a guy who has the disaster of the Bush tax cuts, which he played a big role in, and who certainly — there are now at least some questions about his tenure, because he's come out with his book in the middle of this catastrophic housing bust. And it's — most of the interviews have been, "O great man, tell us how great you were." And that is kind of funny.

AMY GOODMAN: I encourage people to go to our website at democracynow.org for our, well, almost hour with Alan Greenspan and Naomi Klein, author of *The Shock Doctrine: The Rise of Disaster Capitalism*. It was an interesting rare conversation with the former head of the Fed.

You wrote an interesting piece recently about Al Gore. What was it called? "Gore Derangement Syndrome"?

PAUL KRUGMAN: Yeah.

AMY GOODMAN: He won the Nobel Peace Prize last week.

PAUL KRUGMAN: That's right. Yeah, this was, of course, a take. There was a — you know, five years ago, four years ago, when people who pointed out that Bush was actually a pretty bad guy were accused of Bush derangement syndrome, it's amazing now how people who five years ago or four years ago said what now everybody says were not only considered crazy leftists, were considered crazy. So I was making a joke now.

And Gore — OK, obviously the American people tried to choose Gore as president in 2000 — funny, the other guy ended up in the White House. And this denigration of Gore, 2000, also the press was — the Heathers of the press, as people said, went after him in the 2000 campaign, but afterwards even more so, because it was a guilty conscience. It was trying to smear Gore to, you know, take the stain of illegitimacy off the Bush administration. And it hasn't worked. Here's Gore, more respected, more credible than ever. He's just won the Nobel Peace Prize. Bush, around whom they tried to build a personality cult, is now in the doghouse, and it drives them crazy. People — and the rightwing response to the peace prize is incredible, I mean, saying, well, you know, Osama bin Laden once mentioned global warming, so we can lump Gore in with Osama bin Laden.

AMY GOODMAN: *Wall Street Journal*?

PAUL KRUGMAN: The *Wall Street Journal* had an editorial. They never mentioned Gore's name. And they instead listed, you know, a couple of dozen people they think should have gotten the prize instead. It's just been wild to watch the — it drives them crazy. But this is, you know — in *Conscience of a Liberal*, I talk — this kind of craziness, everybody who isn't part of our gang must be smeared, must be totally discredited, this has been standard operating procedure for forty-plus years.

JUAN GONZALEZ: I'd like to ask you about immigration, obviously another major issue, and it's going to continue to be in the campaign, in the presidential campaign. Back in March of '06 — you've written a couple of accounts, but this one in particular I remember, where you said that "immigration is becoming a major political issue. What are we going to do about it? Realistically, we'll need to reduce the inflow of low-skill immigrants. Mainly that means better controls on illegal immigration." And then you go on to criticize the Bush administration — not the Bush administration, Congress's harsh anti-immigration legislation from that year. But you do seem to raise questions that even a guest worker program that had a route to citizenship has problems. What is your sense of the immigration problem and how it should be resolved?

PAUL KRUGMAN: OK. It can't be resolved. It can only be managed. Immigration is an incredibly difficult issue for a liberal like myself, because, on the one hand, the immigrants themselves are people, and often

by coming to the United States they're achieving an enormous improvement in their lives, and, you know, very few of us don't have immigrant parents or grandparents or great grandparents for whom the opportunity to come to this country was, you know, everything; on the other hand, it is in fact difficult to maintain a good welfare state — social insurance programs, Social Security, all of these things — if you don't have some ability to limit, especially low-skilled immigration. So there's a conflict, and you try and manage it as best you can.

And what you don't want — the reason that guest worker programs are such a terrible idea, from my point of view, is that they create a permanently disenfranchised class of low-status workers, or the hewers of wood and drawers of water are ending up not having a vote. In *Conscience of a Liberal*, I talk a lot about the politics of the Gilded Age, and one of the things that made it possible to have such dominance by the plutocracy in the late nineteenth, early twentieth century was the fact that a very large part of the workforce was non-naturalized workers. The lowest-paid workers didn't have a vote, in practice, in that period, which made — which helped to tilt the political balance to the right. And to some extent, we've been in that position in recent decades, as well. So I don't want the permanent guest worker program. I want the people who are already here, who came here for the best of reasons. People say, "Oh, they broke the law!" You know, they came here trying to get a better life. I want them to have a path to citizenship, but I don't want a permanent rotating class of low-skill workers who don't have a vote, which is what Bush wants.

JUAN GONZALEZ: But doesn't that also sort of evade the — as you were saying before, when you look throughout American history, race has played a much bigger part than we acknowledge in many of these issues. There's a racial component to the immigration movement, and also there's the issue of empire. As long as the United States has this dominant position in the world, more and more people are going to be coming here. What do you do about that?

PAUL KRUGMAN: Well, any advanced country. You know, the world is —

JUAN GONZALEZ: Any advanced, right. All the advanced countries have the same problem.

PAUL KRUGMAN: Yeah, people want to come. But, look, no, there's an interesting — look, if you're on the moderate left, which is where I guess I am these days, you are internally conflicted about immigration, because you like the — you admire what the immigrants are trying to achieve, you don't have any personal animosity, but you worry about some of the consequences. If you're on the right, there's a tremendous division within the right between the business interest, who like cheap labor, and the voting base, which is essentially motivated by race and for whom Latinos and blacks and Asians are all in the same boat. And they just hate the immigrants. And that is splitting their party apart.

Now, in my book, I actually find all of this kind of encouraging, because it really means the growing Latino vote and, to a lesser extent, the growing Asian vote in the United States is a bloc that the right can't get, because ultimately their base won't let them reach out to these people. And it's actually one of the things that's shifting us in a more progressive direction in this country. It's — yeah, I mean, it is — the profile, and the political scientists have done — the profile of the anti-immigrant voter, of the people who are violently anti-immigrant, is the same as the profile of the people who are violently anti-black. It's the same people. It's the same motivations. It's the same psychology.

AMY GOODMAN: And what about African Americans and immigrants being pitted against each other?

PAUL KRUGMAN: There's some attempt to do that, but, you know, it's not actually playing out that way mostly. It happens now and then. It happens in places, you know, and the — yeah, I mean, I don't want to minimize it, but ultimately the economic interests are really quite similar. Yes, there are some competition in labor markets, but things like S-CHIP is going to reach out to both the families of immigrants and the families of African Americans. These things are ultimately — you know, economic class is the most important thing, not race.

AMY GOODMAN: And we're going to talk about the growing gap between rich and poor. We're talking

with Paul Krugman. He has a new book; it's called *The Conscience of a Liberal*. Back in a minute.

[break]

AMY GOODMAN: Our guest for the hour is Paul Krugman, op-ed columnist for the *New York Times*, has a new book out. It's called *The Conscience of a Liberal*. He's a Princeton University economist. Juan?

JUAN GONZALEZ: I wanted to ask you about this phenomenon of private equity groups. They've mushroomed over the last few years. Many of them are now bigger than some of the biggest corporations in the country. And yet, the Democrats don't seem like they are even as willing to deal with this enormous tax dodge —

PAUL KRUGMAN: Right.

JUAN GONZALEZ: — that these private equity groups have with the federal tax system.

PAUL KRUGMAN: Yeah, there's — it's funny. Nobody can figure out who made the decision, but somehow or other this tax loophole was created so that these people making a billion dollars a year are mostly paying of 15% tax rate on it as if it was capital gains, although it isn't. They haven't actually risked their own money in the process. Amazing stuff. And the Democrats are reluctant to take it on, which is —

JUAN GONZALEZ: Why?

PAUL KRUGMAN: Because these people make a lot of campaign contributions. Look, this is — I think we're heading for a Democratic — solid Democratic majority, probably a Democratic White House. But the question is, who exactly are we going to be getting? Are we going to be getting the reincarnation of FDR, or are we going to be getting the reincarnation of Grover Cleveland? You know, this is a question. Are we going to get what in the Gilded Age — I talk about in *Conscience of a Liberal* — what they called a Bourbon Democrat, who was basically, you know, maybe a little bit less corrupt than the Republicans at the time, but not much, or are we actually going to get real reform? And this is an issue.

Chuck Schumer is essentially dragging his heels on doing something about closing this loophole. And he's doing it — I don't believe — he's personally, as far as I can tell, squeaky clean. But these guys are big campaign contributors, and he wants their millions for the 2008 campaign. That's — this is a problem. You know, we're not to — the Golden Age is not necessarily upon us.

JUAN GONZALEZ: Is it one of the reasons why the Democrats are doing so well financially in fundraising?

PAUL KRUGMAN: There's a lot of reasons. They actually have a lot of small contributors, a lot of big base. But, yeah, you know, you've got to say, the investment banking industry more broadly is one of the few industries that was somewhat Democratic-leaning, even during the high tide of the Republicans. And it's a problem. You know, I understand. I can sympathize at some level with the Democratic Senatorial Campaign Committee, but they really should take a stand.

AMY GOODMAN: Groups like Fortress, that John Edwards got in trouble with, because —

PAUL KRUGMAN: Didn't actually. I mean, that's terribly unfair. You know, he did some work for them, but that doesn't mean that he was in any way corrupt. If anytime you do some work for somebody — as people have pointed out, I once gave a speech at Enron, not knowing that there was anything wrong, you know. So, what the hell. No, that's — but anyway, no, there is a —

AMY GOODMAN: But ultimately, because he had invested with them also, he — and they had been involved with foreclosures —

PAUL KRUGMAN: So he pulled out.

AMY GOODMAN: — in New Orleans, he pulled out and set up another fund to help people who —

PAUL KRUGMAN: Right, right. But it wasn't any wrongdoing or even, you know, even poor management on his part. This stuff happens. But the — no, look, there is — there has been — and this even goes back to the New Deal. There has tended to be a — the one part of the business community that has tended to be relatively sympathetic to Democrats has tended to be the high finance. And the trouble is, right now high finance is also the epicenter of the new Gilded Age. It's where the enormous amounts of money are being made. And nobody wants — at least I don't want — I don't hate these guys. I don't want to punish them. There's no envy. I just want them to pay taxes like the rest of us.

AMY GOODMAN: And do you think it's going to change?

PAUL KRUGMAN: I think it will. I think in the end it's going to be just too glaring. If they go after — if we try to do a rollback of the Bush tax cuts, we try to have higher taxes on the wealthy to pay for healthcare for everybody, and we just happen to exempt the one group that happens to be large Democratic campaign contributors, that's going to be a real problem. That's going to be too big of an eyesore. And I don't think — that's the kind of hypocrisy that the GOP can get away with, because of its message machine, but I don't think the Democrats can.

AMY GOODMAN: Paul Krugman, can you talk — I mean, in your book, *The Conscience of a Liberal*, you're talking about the growth of the whole neoconservative movement over the years. Give us some historical context here and in parallel with the growth of the economic disparity between rich and poor.

PAUL KRUGMAN: Yeah. A big discovery I made in doing the research for *Conscience of a Liberal* is that politics has actually led the economics. It's not that we evolved into a new Gilded Age and we developed a right wing to support that. It's that we developed a right wing that wanted a new Gilded Age, and they got it. Really, you know, a lot of this goes back — there was always a back — there were always people who hated FDR, who hated the New Deal, hated Social Security, but in the '50s, they couldn't get anywhere. Eisenhower once wrote a letter to his brother saying that this is a tiny minority and they are stupid.

But in the '60s, they found their feet. Goldwater is actually less of a — I mean, he seized the Republican nomination, but much more important is first Reagan is the first central figure, because he found a way to exploit, found a rhetoric to exploit the white backlash against civil rights without actually being explicitly racist. So he talked about welfare queens driving Cadillacs. He talked about welfare cheats. He talked about — but he became governor of California largely by campaigning against the fair housing law. Nixon found the tactics. Nixon — you know, the dirty tricks, and it's amazing how many, not just the sort of legacy, but actually the people of the Bush administration are coming from the Nixon years. I mean, Roger Ailes of Fox News was Nixon's media adviser, right? They found these tactics. They found the moneyed interests wanted — supported the takeover of the Republican Party by people who really wanted to roll back as much of the New Deal as they could, but they were able to win elections by exploiting other issues, primarily race. And they were able to achieve about twenty-five years of political dominance in this country, largely by flipping the South and, to a certain extent, winning over, you know, the sort of Reagan Democrats in the North who were really upset about what amounts to the backlash against the Civil Rights Movement. It's an extraordinary story.

And they were able to transform the way — look, my favorite example is just how much politics has mattered. We think of the decline of the union movement, which has all kinds of consequences, as being something — well, you know, the world economy changed and unions just didn't have a place anymore. But that's actually not true. Every place else in the advanced world, unions are still a powerful force. In the 1960s, Canada and the United States had the same rate of unionization. Canada still has about the same rate of unionization that it had in the 1960s. In the United States, the movement has been — you know, is a shadow of its former self, and that's because of union busting, which was made possible by a permissive political environment, Ronald Reagan firing the air traffic controllers. The National Labor Relations Board turning hostile toward union organizers creates the possibility for massive union busting, and that, not the global economy, is why we are what we are.

AMY GOODMAN: Paul Krugman, I want to thank you for being with us, his book, *The Conscience of a Liberal*. If you'd like to get a copy of today's show, you can go to our website at democracynow.org. Paul Krugman is an op-ed columnist for the *New York Times* and is an economist, an economics professor at Princeton University.

This interview was broadcasted during Democracy Now! TV News Program. The text published here is a rush transcript.

<http://www.democracynow.org/article.pl?sid=07/10/17/1352236>