

Tanya Domi:

Hi, this is Tanya Domi. Welcome to The Thought Project, recorded at The Graduate Center of the City University of New York, fostering groundbreaking research and scholarship in the arts, social sciences, and sciences. In this space, we talk with faculty and doctoral students about the big thinking and big ideas generating cutting-edge research, informing New Yorkers and the world.

Tanya Domi:

Paul Krugman is a distinguished professor at The City University of New York's Graduate Center, a core faculty member of the Stone Center on Socio-Economic Inequality, a LIS senior scholar, and an op-ed columnist for The New York Times. He previously taught at MIT, Stanford, and Princeton. He is the author or coauthor of many academic papers and numerous books aimed at both professional and general audiences, including *Market Structure and Foreign Trade*, *Geography and Trade*, *The Return of Depression Economics*, and *Arguing with Zombies: Economics, Politics, and the Fight for a Better Future*. In recognition of his work on international trade and economic geography, Krugman received the John Bates Clark Award of the American Economic Association in 1991, the Prince of Asturias Award for Social Sciences in 2004, and the Nobel Memorial Prize in Economic Sciences in 2008.

Tanya Domi:

He is best known to the general public as an op-ed columnist and blogger for *The New York Times*. In 2011, his blog, "The Conscience of a Liberal," was ranked number one of the 25 best financial blogs by *Time Magazine*. His most recent book, *Arguing with Zombies: Economics, Politics, and the Fight for a Better Future*, was recently released in paperback format. *Arguing with Zombies* is Paul Krugman's accessible guide to basic economics and the ideas that basically animate public policy in the United States. Likewise, there is no greater foe of zombie economics, the misunderstandings that just won't die. There is little doubt that Paul Krugman is the most visible public intellectual in the world today. From his columnist platform at *The New York Times*, where he also blogs prolifically, he has also emerged as an effective political polemicist for the ideas of forward leaning, a generous America that embraces reality, trusts science, and relies on the data.

Tanya Domi:

It is such a pleasure and honor to welcome Paul Krugman to The Thought Project as our guest today. Thank you for joining with us today, Paul.

Paul Krugman:

Yeah. Hi.

Tanya Domi:

You wrote in *Arguing with Zombies* that punditry was never part of your plan, and yet you are one of the most prolific public intellectuals in the world today. I have reviewed the history of American punditry, and you remind me the most of H.L. Mencken, the Baltimore newsman who was at his peak of influence during the early 20th century and opined through the roaring '20s. While you are quite different in your expertise from him, both of you have commanded the public stage, and you continue to do so, which is quite remarkable. You also write that in the 21st-century America, everything is political. Is this one of the reasons why you decided to stake out a public intellectual platform?

Paul Krugman:

Well, yeah. I almost backed into it accidentally, because I was known as being a good writer for an economist, which is one of those backhanded compliments, and was invited to write for various public forums and broader-interest platforms. It turned out I was pretty decent at it, and then, wow, the invitation to right for the Times came out of the blue. I was doing periodic columns for Slate and for Fortune, but then the Times, the best journalistic job in the world, came out of the blue. I had intended it to be mostly about business and economics, but it turned out that, while I try to keep the focus there, as I said, everything is political. You can't talk about business, economics, economic policy without bringing the hyper-partisanship and the sheer craziness of the American political scene into the story.

Tanya Domi:

Exactly. What I liked about your four rules of punditry, "Stay with the easy stuff. Write in English. Be honest about dishonesty, and don't be afraid to talk about the motives," that's a very interesting lineup there.

Paul Krugman:

Yeah. Some of it is obvious, but I think people, even in the pundit world, and also in the economics profession, have been slowly coming around to accepting some of this. But there was a norm, which made sense in a different time, which was to grant... Even if you suspected that the people making certain arguments were not arguing in good faith, that they were not being honest about the facts, and also that they were not being honest about their motives, that they were, in fact, being driven by various kinds of political and worse motives, you pretended that we were having a genteel debate. And those still happen. There's been a really interesting debate about the appropriate size of the economic relief package. There are two sides. I'm right, they're wrong, but both sides are, in fact, serious people. We agree on the facts. We're willing to take each... It feels like a vacation. We're managing to visit briefly the land from which we've been exiled. But the fact of the matter is very few important public policy debates are like that these days.

Tanya Domi:

That's true. I want to get into that in a little bit, your differences with Larry Summers. But let me just also follow up here and say, when reading your book, I hasten to bring in political scientists, but I'm going to, I was reminded of the work of political scientist Robert Putnam's *Bowling Alone* book, published in 2000, and Thomas Frank, who published *What's the Matter with Kansas?*, which revealed people voting against their self-interest. The second book was published in 2004. It seems ideology, the truth and facts, and the adoption of zero-sum policies by Republican administrations, and the growing polarity in Congress, really began to fragment and seems to have fully manifested in the Donald Trump administration, embracing failure at both ends of Pennsylvania Avenue, while lying about it every day.

Paul Krugman:

Yeah. It started a long time before Trump. If you really wanted, it really goes back at least to the 1970s. But the moment when I realized that we were... I was about to say we're not in Kansas anymore, but actually we are. We're in Thomas Frank's Kansas.

Tanya Domi:

We are indeed.

Paul Krugman:

That was really with the rise of Newt Gingrich and the extreme ideologues within Congress. Then Bush the second, Bush the younger was already quite a ways down there, but then, of course, where we are now-

Tanya Domi:

Makes him look good in retrospect.

Paul Krugman:

A political remark, but it's an amazing thing that the Republican Party has achieved, which is that each successive Republican president manages to make his awful predecessor look good in comparison.

Tanya Domi:

Indeed. I think that you're absolutely right. When you look at the legacy of Reaganomics and the legacies of Regan, have actually been even upended in the most recent iteration of government under Trump. It is absolutely remarkable what we have witnessed and painfully watched over the last four years and into this very moment. You actually wrote in your book that the biggest threat to Social Security is political. How can the Biden administration strengthen Social Security? I want to hear your thoughts about that.

Paul Krugman:

Oh, I think the main thing about strengthening Social Security is to just not worry about it. The financial situation, there's probably a shortfall in the Social Security budget. Even then, it's not entirely certain. When you're making projections 75 years out, lots of stuff can happen. But we do have an aging population, so there are fewer people of working age per retiree. Since we have a system which is basically one that taxes people during their working years to pay benefits to people after they've retired, that creates a financial problem, but it's not a big problem. It's certainly well within the resources of the United States to deal with it. It's a problem that would require fairly simple legislation to add to the resources of the system.

Tanya Domi:

To the balance. Yeah.

Paul Krugman:

Yeah. It's not all that much money involved. Of course, it's trillions of dollars, but we're talking about the U.S. economy here, so it's really not that much money. There's actually, in fact, a case for making benefits more generous because the Social Security system is... It's not bad. By international standards, our retirement system is actually relatively robust and relatively decent in terms of the incentives it creates, but it is pretty thin living for those who rely primarily on Social Security, and that's actually most people. But there's just not a crisis there. It's a made-up crisis.

Tanya Domi:

This is also a segue into the Biden package, but we have two CUNY faculty policy experts, Mimi Abramovitz and Deepak Bhargava, and they are proposing universal Social Security, delinking it from work, that could bring millions out of poverty. Indeed, Canada, Australia, and most European Union

nations already have a child allowance, a universal direct cash payment that is delinked from employment. Also, they point out that, ironically, Mitt Romney has proposed a child allowance through Social Security that in some respects is more generous than Biden's, although our colleagues disagree with the plan to pay for it by cutting other anti-poverty programs. But more importantly, Romney's plan builds on existing Social Security system that delivers monthly payments more effectively than the tax system. What do you think about that?

Paul Krugman:

Yeah, a lot of that is a fairly technical issue. Basically, everybody who works pays into Social Security. Everybody has a Social Security, whereas a lot of people don't actually file income taxes because we do have exemptions and there are quite a few people who are not making enough money to need to file a return, which means at one level the administration looks easier if you do it through Social Security. I'm told by people who do study this stuff that it's not as simple as that, because when you file income taxes you also provide other information that makes it a little easier to target benefits on people who need them. I don't have a view on that. The idea of a universal allowance that is delinked from-

Tanya Domi:

Work.

Paul Krugman:

... from work, for children, definitely. There's actually no reason not to do that. It's crazy to think that... Do we even want to be forcing parents of young children to work to make ends meet? The thing about improving children's lives is it's cheap. It doesn't take a lot of money.

Tanya Domi:

And it's a big payoff. It has a big payoff, right?

Paul Krugman:

Huge reduction in poverty and misery, more importantly, for relatively modest amounts of money. At the opposite extreme, a universal basic income for everybody is either going to be vastly inadequate to live on or impossibly expensive. Maybe if there's a future where robots are doing all the work, we can get there, but we're not there.

Tanya Domi:

We're not there yet.

Paul Krugman:

We're nowhere close to there yet.

Paul Krugman:

Now, the question about retirement, it's a political economy question more than an economics question. The genius of the Social Security system is that because it looks like a pension fund, it looks like you work and then you receive your rewards afterwards, that makes it very broadly popular. It makes people feel that it's a fair and appropriate system. Now, in some ways, that's a bit of an illusion because the fact of the matter is that the relationship between what you pay in and what you get out is

very nonlinear. It's 90% income replacement for low incomes, and it falls off a lot as it goes up. The system is, in fact, substantially redistributive. It's less redistributive than it used to be because it turns out that we now have growing divergence in life expectancy, so that low-income people also die off sooner. That's another issue we ought to be dealing with on its own terms.

Paul Krugman:

If you were to say, "Let's replace that with a system that is just everybody is entitled to a basic income when they retire," I fear that the political support for the program would be badly hurt. It's an old line that poverty programs are poor programs. Something that doesn't have that kind of easy political legitimacy would end up being shortchanged.

Tanya Domi:

Right, especially in this climate.

Paul Krugman:

So I would not meddle with it, I guess, at this point.

Tanya Domi:

What you're seeing. Okay.

Paul Krugman:

It's still something that's good.

Tanya Domi:

Speaking of people who are staying home to take care of children, anecdotal reports indicate that women workers have become one of the biggest casualties during the pandemic economy, with millions leaving the workplace to stay at home, helping care for the family and support children who are learning from home. Perhaps they will return to the workplace post-pandemic, but again, the pandemic reveals weaknesses in our system. The lack of access to affordable childcare because of high cost is probably the biggest obstacle for women to work, and the existence of actual childcare deserts, especially for newborns in New York City. We have a graduate student who's researching this in New York City right now, a student of Janet Gornick's.

Tanya Domi:

We are one of the few Western developed countries that does not provide subsidized childcare, except that we do, for in the military, we do have childcare centers 24/7. They operate on a 24/7 basis, especially for very much married military in the 21st century. I actually worked on that issue when I was a congressional aide. What are your thoughts about this? This is a really big issue in people's everyday lives.

Paul Krugman:

Yeah. First of all, the story about how the military does it. America is a big and complicated country. It turns out that we have examples of everything. People say, "Americans will never accept single-payer healthcare," except everybody over 65 has Medicare. People say that Americans will never accept socialized medicine, but the Veterans Health Administration has exactly that. The Veterans Health

Administration is a large, completely publicly run health system. Actually, New York City has quite a lot of that itself.

Paul Krugman:

In terms of the childcare issue, yeah, this is one of those areas where... It's not just about the money. It's partly about making it affordable, but it's also about a strictly publicly regulated, maybe publicly run system would be reliable in a way that ad hoc arrangements are not. The fact of the matter is-

Tanya Domi:

Are not. Exactly.

Paul Krugman:

... you have no really good way, particularly if you're a lower-income person, how do you know that your children are being properly looked after? The assurance of knowing that there were standards, there was enforcement, that the workers were decently paid would be a huge thing.

Paul Krugman:

The funny thing is we have all of this constant claim from the right side of the political spectrum that various kinds of things, tax cuts for corporations, tax cuts for wealthy individuals, will largely or totally pay for themselves, almost all of which is nonsense. In fact, childcare, by freeing women to enter the paid workforce, it probably wouldn't pay for itself completely, but a significant part of it would come back in the form of revenue. It would actually be a pro-economic growth, pro-tax-

Tanya Domi:

That would make sense because-

Paul Krugman:

This is one of those things where the whole way we treat children is completely shameful.

Tanya Domi:

In America. Yes, agreed. It's a real issue in New York City. For example, you have these childcare deserts. There aren't any caring facilities. They just don't even exist. And this is New York, where, like America, we have a little bit of everything here, but we apparently don't have enough childcare providers.

Paul Krugman:

Finally, there's some big expansion of pre-K, but that's not enough. Just imagine, if you're in some rural area-

Tanya Domi:

It would be really terrible, I'm sure. Yeah, very difficult for quality of life in every way.

Tanya Domi:

In the aftermath of adopting Obamacare, try as they might, the Republicans could not end this popular program. The pandemic certainly has revealed, however, the structural inequality of access to

healthcare that has resulted in the disproportionate mortality experienced in the Black and brown communities, and with respect to poorer people in general, who are probably those who have jobs in essential workplaces and are more exposed to COVID. We've seen mass closings of rural hospitals around America because governors chose not to take the Medicaid benefit, for example, in South Carolina and Georgia, just two examples.

Tanya Domi:

Do you think that Biden will have political clout... I've heard you speak about this, and of course I know that there's only maybe the first 18 months that you have a shot to really get your agenda up and running. Do you think he will have enough political clout to further advance healthcare access to all Americans?

Paul Krugman:

Well, if this American Rescue Plan, the big Biden bill, goes through, it contains significant enhancements to Obamacare. There's a significant increase in the subsidies. There are some additional enhancements for the states that have not done the Medicaid expansion to do that. Medicaid itself will be made through administrative... A lot of-

Tanya Domi:

Okay. I haven't looked at the details, so-

Paul Krugman:

... the restrictive work requirements will be disallowed again, as they should never have been allowed in the first place. I don't think we're going to be able to force South Carolina to adopt Medicaid expansion, and that's not going to be in the cards. The bill is not going to provide a permanent enhancement of the funding for Obamacare, but it's one of those things where clearly the goal is to create vaxes, as we sometimes say.

Paul Krugman:

Just as Obamacare was in place... Actually, that required a vote to repeal it, which came close, but didn't happen. But there are other things. Look at that Trump tax cut. A lot of the tax provisions in it were set to expire after a few years, obviously no intention that they actually would expire. The idea was that it would be impossible, that Congress would roll over and just extend them. In this case, it's a force for good. The idea is that once people become accustomed to having affordable healthcare-

Tanya Domi:

And the services, right?

Paul Krugman:

Yeah. It's going to be a long way short. If you wanted a full European-style universal health coverage system, it's unlikely we'll get that in the next four years, but we can get a significant improvement. Making significant progress is really all we can ask for.

Tanya Domi:

Given that these new revenue lines and sourcing are in this Biden American Rescue package, and I've heard you speak about it, it's a very big bill. There has been some critics of this. I've heard you speak about some of the things that you didn't think were as targeted as they could be, but there's political support for the \$1,400 checks, as you've mentioned. I'd like to hear your thoughts on this, but it does seem that Biden did learn from the Obama experience of not going big enough. Obama tried to negotiate with the Republicans, and leaving him really without much effort to be able to really bolster the economy. It ebbed and flowed, but it didn't really get a big, big boost like this bill potentially can give it.

Paul Krugman:

Yeah. At least according to reporting, in the Obama White House, there were certainly economists who did the same math that I was doing and said, "This is likely to fall well short." They were told, "Well, that's okay. If it looks like it's not enough, we can come back for more." That turned out to be a complete pipe dream.

Tanya Domi:

Because it didn't have the political support.

Paul Krugman:

Right. Republicans were much more concerned with trying to make Obama a failure than they were with what would happen to the economy, and that was a Republican Party that was a much gentler, kinder entity than the Republican Party we have now. So if there's something you want to see happen, it better be in this bill. It's a big bill. It's a lot of money. It's 8.6% of GDP, which is-

Tanya Domi:

Which is significant.

Paul Krugman:

That's a big thing. I'm actually doing some historical comparisons. That's basically the Korean War, is the size of it.

Tanya Domi:

Is it?

Paul Krugman:

Yeah.

Tanya Domi:

It's the size of the Korean War.

Paul Krugman:

And it is kind of like a war, because we have an emergency and we need to spend money. As I've been saying, when you have a war to fight, you don't ask, "Is this a big-enough stimulus to close the output gap?" You say, "What do we need to win this war?" But it's big enough that it's not unreasonable to

think that we might have an economy that's running very hot a year from now, hot enough that maybe inflation picks up a bit-

Tanya Domi:

That you might have to increase the Federal Reserve-

Paul Krugman:

Well, with interest rates... Yeah. If you thought that the relevant question was, "Are we making the best use of a limited amount of money?" then there are things you might want to scale back. The \$1,400 checks, many of them will go to people who probably are not in urgent need. Even the aid to state and local governments, although desperately needed by some states, and other states are doing better in terms of revenue than they expected, as I've been saying, or been debating with people like Larry Summers, I've been saying that they're making a category error. They're thinking of this as a question of how to spend a given amount of money, but it isn't. The constraint is political. Even if there are other things you want to spend on, the question of what will make it possible to do these other things we should be doing is a question of politics. A successful pandemic rescue makes it more likely, not less likely, that we'll be able to do things like spend on-

Tanya Domi:

Be able to do more.

Paul Krugman:

... the environment.

Tanya Domi:

Exactly.

Paul Krugman:

So it's a huge bill, no question. It's a remarkable-

Tanya Domi:

As you point-

Paul Krugman:

... bill.

Tanya Domi:

Yeah. I'm sorry.

Paul Krugman:

But it's worth doing.

Tanya Domi:

Yeah. As you pointed out, the \$1,400 checks is approved in the 70 percentile of the American public. It's very popular, and it's something that Biden promised. He wants to deliver on it, and this will bode well, without question, I think, from the politics side of the question.

Paul Krugman:

Yeah. Democrats won those two seats in Georgia, which make all the difference. If they hadn't taken both those seats, none of this would be happening. Both candidates were running on checks for everybody. So how can they not do it?

Tanya Domi:

They were. Given that, I'd just like to hear your thoughts. We're really talking about America, and we're going to come back to America. But I'd like to hear your thoughts about when you look at the global economy. Looking at Europe, it does seem that Germany learned from the austerity times after the 2008 global recession, but UK seems to keep relearning their mistakes. What do you think about the state of the global economy and our closest allies and friends in one of the richest parts of the world in Europe, and then also the role of China, which I want to get into a little bit more?

Paul Krugman:

Yeah. The Germans are sounding less German than they did last time around, but they're still not doing a whole lot.

Tanya Domi:

As much.

Paul Krugman:

Europe as a whole is not doing as much economic support as we are. They have less open unemployment because they've gone more the route of subsidizing people in jobs, but it's still falling pretty far short. The European economy looks like it's going to underperform. We're looking like we're going to have, once the pandemic subsides, which is now looking pretty hopeful right now, that we're going to have a year of really good growth, and Europe probably not. That's a policy failure. It's a mixture of not having shaken off the austerity fever, that's a zombie that is still shambling along eating European brains, and also just disunity. There is no federal government in Europe. That is a real problem in a situation like this. Europe is problematic. If we want to talk about Britain, they're doing less fiscal austerity than they did in the past, but they're still cutting social programs. One of the things-

Tanya Domi:

They've cut public universities, too, quite a bit. Yeah.

Paul Krugman:

Of course. Austerity, a lot of it was really about trying to undermine the welfare state in the name of fiscal responsibility. What's happening right now with the current British government, it's managing to keep on underfunding the welfare state, even without using as much fiscal responsibility rhetoric.

Tanya Domi:

Of course, they lost a lot of EU money, too, because of Brexit.

Paul Krugman:

Well, yeah, it's complicated. Brexit, yeah, it's disruptive. There was a lot of excessive fearmongering about it. In the end, Britain will be a bit poorer, a few percent poorer than it'd otherwise have been, but it's not catastrophe. It's a catastrophe in the short run for some businesses. But Britain, it's interesting because their right wing is not as openly rabid as ours, but it does continue to try to really undermine the foundations of their social compact.

Tanya Domi:

Absolutely. As you said, maybe Europe isn't doing as well economically, but there is a global trend on illiberalism with respect to democracy and performance and governance of these alleged-to-be democratic states. You really have a problem in Poland and Hungary as the example of really right-wing governments. It's really interesting how Germany is addressing it, or not. They basically have been ignoring Orban, or they've even been dealing with Orban. That's very interesting.

Paul Krugman:

Well, the Hungarian thing, I was an early adopter of Hungarian fears because my next-door office mate when I was at Princeton was Kim Scheppele, who is an expert on this stuff, and was blogging on my site. We've watched a collapse of a democracy in Hungary, and pretty close there in Poland as well. That's pretty scary, even scarier if you use these various metrics that some of the international comparative political people do, and you ask, which parties really are in that illiberal authoritarian space? It would be Fidesz in Hungary, the Polish ruling party, the AfD in Germany, and the Republican Party in the United States. The Republican Party in the United States is practically in the same place as AfD in Germany, which is effectively a neo-Nazi party. It's scary stuff.

Tanya Domi:

It is scary. You're right.

Tanya Domi:

Yesterday, Secretary of State Tony Blinken gave an interview to Andrea Mitchell at MSNBC, and they discussed the U.S.-China policy. He said, "No doubt that China poses the most significant challenge to us of any other country, but it is a complicated one. There are adversarial aspects to the relationship, there are certainly competitive ones, and there are still some cooperative ones too. But whether we're dealing with any of those aspects of the relationship, we have to be able to approach China from a position of strength, not weakness, and that strength, I think, comes from having strong alliances, something that China doesn't have."

Tanya Domi:

I'd really like to hear your thoughts on how the Biden administration is likely to approach China on economic matters. As you know, they have a practice of engaging in patent theft and espionage to advance their economic interests, and Trump used a tariff policy to punish China, which really actually hurt U.S. farmers. He propped them up with tax money so that they would vote for him. It seems that Blinken is going to review the tariff policy, and they're going to be reviewing that in the very near future. I'd like to hear your thoughts on China.

Tanya Domi:

Also, a lot of people in the United States, if they're not watching, China has got this Belt and Road Initiative, and it's huge. It's referred to as the new Silk Road, very ambitious, and it goes all the way from China down to Europe. It's in the Balkans, which is my research area. They're building bridges and highways, and it's very cheap money upfront. There's no democratic requirements to adhere to rule of law, etc. So this is very new world, and they are a rising power. What are your thoughts, Paul?

Paul Krugman:

Two things to appreciate about China economically is that they are huge. The fact of the matter is that, depending on which measure you use, China is either the second-biggest or the biggest economy in the world. At market prices, they're the second biggest, but not a distant second. By current purchasing power, they are the biggest. You can't treat them as a... They're not a minor player. Obviously, we can't bully them, not in the way we could possibly bully a small player in the system.

Paul Krugman:

But they're also not good actors. Their intellectual property, which is what you were talking about, is part of it. Industrial policy, clearly favoring industries in an attempt to basically lock in permanent advantage in strategic sectors, is also a big-

Tanya Domi:

Like rare earth metals. That's one of the big-

Paul Krugman:

Rare earth is a particular case where... That's very scary because rare earth, it's one of those seemingly small things that's actually critical. But other things. They've been pushing technology industries. They're no longer a... They're a middle-income country, but they have a lot of advanced economic stuff.

Paul Krugman:

The United States needs to not be naïve, not say, "Okay, everything will work out fine." We need to be able to confront that, but we need to confront it, first of all, intelligently. The Trump policy was just incoherent. What was the problem with China? It was, "Well, everything." The bilateral trade imbalances were just not the issue.

Paul Krugman:

Then, all of a sudden, it was a deal where the Chinese were going to buy more of our soybeans. First of all, they didn't actually deliver. In any case, this was supposed to be about the future, and now we're talking about soybeans? Sorry. Apologies to the soybean farmers, but that's not... That's an important industry, but it's not the industry that will rule the future. So you need to have an intelligent policy. The other thing you need is, because China is so big, the United States cannot be a unilateralist policy.

Tanya Domi:

Right. It's got to be-

Paul Krugman:

We need allies. Of course, the thing is, the great advantage that we ought to have over the Chinese is that we have shared values. It's still the case, although the United States doesn't dominate the world

economy, democratic systems that believe in human rights and have shared values do dominate, are still most of the world economy. It's still the case that Europe and Japan and some smaller players-

Tanya Domi:

BRIC countries.

Paul Krugman:

... collectively are a really big force. Now, there are a couple of problems with trying to form an alliance. The point is not to crush China. We're not going to do that, and we don't want to do that. The point is to actually make it clear to China that they need to be a better actor in the world system or face penalties. There are a couple of-

Tanya Domi:

Do you do that in institutions like the World Trade Organization and-

Paul Krugman:

Certainly, to some extent.

Tanya Domi:

... the UN and some places, these multilateral organizations?

Paul Krugman:

The WTO, which was really crippled under Trump, restoring that, the WTO is a place where you can do stuff, and there are some issues. If we ever get serious now about climate change, there are some questions about whether things like carbon tariffs will be WTO legal. They should be, but there's a possibility that the WTO would rule that they're not illegal. If that happens, then the answer is there are things that are more important than the trading system rules.

Tanya Domi:

Interesting.

Paul Krugman:

You have to be prepared to do whatever is necessary to bring China into... rule based as far as we can, but make sure that the rules themselves make sense.

Paul Krugman:

The problems we have are, first of all, that we've squandered... I talked about shared values, but for the last four years, we haven't looked like a country that shared those values. We need to rebuild our reputation as an upholder of democratic values.

Tanya Domi:

I completely agree. I completely agree with that.

Paul Krugman:

Yeah. Then on top of that, some of the places we should be allied with are not actually... They need stiffer spines. The Europeans are not actually doing... They've been way too craven in their own dealings with China. Now, that may be in part because that we squandered our credibility, and if we get it back, maybe we could get to-

Tanya Domi:

Maybe we'll have some leverage there.

Paul Krugman:

Yeah, but we need to do that. Finally, the whole COVID thing, it did not do great things for our soft power, that we mishandled the pandemic so badly, and that the Chinese did what it took to bring it under control. Our lack of self-discipline, our lack of competence also hurt our ability.

Paul Krugman:

To the whole idea of rebuilding, I think maybe what it comes down to is, yeah, we need... Biden needs to be intelligently tough on China, but it's only going to be effective if we manage to rebuild our own reputation as a country that upholds values and that knows what it's doing.

Tanya Domi:

I'm really glad that you're bringing up soft power because I don't think that average people don't think about U.S. soft power in the world, but Trump did so much damage to our soft power. He just absolutely gutted it. I completely agree with you. The fact that the United States is preparing to rejoin the Human Rights Council and Geneva, the UN is a really good sign. They can't do it immediately because of the rotation in the council, but they've already indicated to the UN that they're going to do that.

Tanya Domi:

Speaking out on Alexei Navalny is really important. You saw that just as the Biden administration was beginning to take control. They hadn't been sworn in yet, and they were already speaking out. That's really important.

Tanya Domi:

I agree with you about the failure, the incompetence in managing the COVID pandemic. The fact that we just reached 500,000 dead is just absolutely unbelievable, how terrible the consequences are for this incompetence. Biden is working, I think, 24/7 in trying to turn that around. That will be important to our external role in the world, I agree.

Paul Krugman:

Let's imagine a year from now what I think is a fairly reasonable scenario, which is that we're pretty much back to normal life. The pandemic is no longer vastly constraining. The economy has grown 7% or 8% over the past year. We're back to something close to full employment. We've reentered the world global organizations. That will be not just the direct payoff in terms of our lives being better, but America will be a much more credible, much stronger player in the world because we turned it around. We want to do all those things anyway, but it will also help on the international relations front.

Tanya Domi:

Well, I want to ask you a really quick question because it's been readdressed recently in the news, and that's the SolarWinds hack, allegedly by the Russians. During the last administration, Congress actually created an office for a cyber czar that this administration is now setting up. That actually reveals our vulnerabilities, which is mostly in the private sector, including utilities. Of course, the irony here is that the SolarWinds company is in Texas, and we've all witnessed what happened in Texas this past week, which you've written about. What are your thoughts on that as a threat, and actually a financial or an economic threat, to the United States?

Paul Krugman:

It's really hard to know, and not my expertise, but obviously everything is networked. Here we are talking together while not being at all in the same place. We're a society that basically depends now on the network. If the network has poor security, God knows what the possible havoc is. That's one whole area. I have no expertise except that, obviously, you need to be willing to do this. The very first step is to have an administration that is willing to actually point the finger at the people responsible as opposed to trying to invent imaginary villains and always excusing the Putin government.

Paul Krugman:

I thought you were going to say something different about what happened in Texas because the wind power and all of that, which is-

Tanya Domi:

Well, we can talk about that, because when you talk about the deregulation, what happened-

Paul Krugman:

Yeah. The whole thing, we've seen a massive failure of deregulation, but we've also seen what's up the line of my book. We're getting to witness the birth of a zombie.

Tanya Domi:

Of course. Well, you're connecting it for me. Thank you. Yes.

Paul Krugman:

Yeah. Here we are. We had a power failure which was the result of a freeze that probably would've wreaked some havoc no matter what, but Texas notably did not impose any requirements that would've ensured stability of the system in the event of a natural disaster. The locus of the freeze was primarily... It affected everything, but was primarily gas-fired power plants. The plants froze. The pipelines froze. The wellheads froze.

Tanya Domi:

It was a perfect storm.

Paul Krugman:

But the immediate reaction was to say, "Oh, it was the wind turbines," some of which also froze.

Tanya Domi:

That's true. You're right.

Paul Krugman:

And it was the Green New Deal, which hasn't even happened, but somehow or another, AOC was responsible for the lights going out in Texas. It's all been shown to be false, and we know that that's not going to matter, that this will become the legend that everybody on the right believes from now on. It will be a zombie belief that wind power, renewable energy is why Texas went dark and froze.

Tanya Domi:

And froze to death.

Paul Krugman:

There are interest groups behind it. Obviously, if you're in the fossil fuel sector, you want people to believe that. And there's ideology behind it. Watch it five years from now. We'll still be hearing politicians saying that that's what happened.

Tanya Domi:

I still remain curious, though, why a party and its leaders would buy in and embrace failure repeatedly. Now, that's the zombie element, isn't it, part of it?

Paul Krugman:

Well, part of the answer is because they can.

Tanya Domi:

That's true. That's very true.

Paul Krugman:

The Republican Party remains very competitive politically. The 2020 election, yeah, the Democrats' control of the Senate and the White House, but not by a big margin.

Tanya Domi:

Very slim.

Paul Krugman:

If I can say, there is something... I sit in the Stone Center. We study inequality. One of the reasons we study inequality is not just because of the enormous damage that high inequality does, but also because we think that politically, high inequality is a problem, that it undermines democratic values. There's a lot of talk about the plutocratic aspects of American politics-

Tanya Domi:

Right, the upper 1% or 3%, depending. Yes.

Paul Krugman:

But that's not the only thing that's going on. What's really clear now, and this is what you're seeing, actually, not just in the U.S., but in these right-wing European parties, is that there's a lot of other stuff. There's a lot of, well, racial inequality, but also just racial hostility, authoritarian impulses. There's just a lot of stuff. In a way, the story-

Tanya Domi:

Attacks on women, attacks on LGBT people, this is common now.

Paul Krugman:

Yeah. In a way, the story of American politics is that the plutocrats took over a party, wanted it in order to win elections, exploited all of this illiberalism, all of this hostility, racism, sexism, and then discovered that they were not in control, that it was actually that the people they thought they were using were using them instead. Now we have all of this worse stuff. It's a minority of the American public, but it's not that small a minority. The vagaries of politics plus the fact that we have a non-representative system in some ways-

Tanya Domi:

Electoral system. Right.

Paul Krugman:

Yeah. It would be great if policy failures doomed the bad guys. It certainly makes it easier to-

Tanya Domi:

To make the case against them, right?

Paul Krugman:

Yeah. As we started out this conversation, the Biden economic plan has incredibly high approval. The right is barely even trying to make a case against it, just rolling out some of their canned phrases, but they're barely even trying. Yet if we reran the presidential election today, it would still be close.

Tanya Domi:

Agreed. On that note, what are the issues you're most concerned about right now? What are your big worries?

Paul Krugman:

I'll give you them in temporal order. The most immediate thing is, look, looking really good on COVID, but after this horrific year, not feeling safe about that. There's a scenario which is that we relax too soon, we allow it to spread, and then the variants come along and the thing mutates ahead of the vaccines, and we plunge fully back to the nightmare. That's my big worry for the next year. A little bit further on, well, the U.S. political system is still hanging on by its fingernails.

Tanya Domi:

A thread.

Paul Krugman:

If we had the midterm elections six months from now, not maybe now but six months from now, there's enough voter suppression stuff underway that it would probably mean Democrats would lose Congress and the Biden administration would be completely paralyzed. So there's an immediate political threat. Then the chance of Donald Trump becoming president again is not negligible. That's the thing. Then beyond all of that, environment.

Tanya Domi:

Climate change.

Paul Krugman:

Climate change is still marching on, and that's existential. It's the biggest thing, of course, by far.

Tanya Domi:

Well, I want to thank you for taking the time to talk to us about all these issues and about your book, Paul. Thank you again.

Paul Krugman:

Okay. Take care.

Tanya Domi:

Thanks for tuning in to The Thought Project. Thanks to our guest, distinguished professor Paul Krugman of the Stone Center for Socio-Economic Inequality at The Graduate Center at CUNY.

Tanya Domi:

The Thought Project is brought to you with production, engineering, and technical assistance by Kevin Wolfe of CUNY TV. I'm Tanya Domi. Tune in next week.