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**Op-Ed Columnist**

## **All the President's Zombies**

By **PAUL KRUGMAN**

The debate over the “public option” in health care has been dismaying in many ways. Perhaps the most depressing aspect for progressives, however, has been the extent to which opponents of greater choice in health care have gained traction — in Congress, if not with the broader public — simply by repeating, over and over again, that the public option would be, horrors, a government program.

Washington, it seems, is still ruled by Reaganism — by an ideology that says government intervention is always bad, and leaving the private sector to its own devices is always good.

Call me naïve, but I actually hoped that the failure of Reaganism in practice would kill it. It turns out, however, to be a zombie doctrine: even though it should be dead, it keeps on coming.

Let's talk for a moment about why the age of Reagan should be over.

First of all, even before the current crisis Reaganomics had failed to deliver what it promised. Remember how lower taxes on high incomes and deregulation that unleashed the “magic of the marketplace” were supposed to lead to dramatically better outcomes for everyone? Well, it didn't happen.

To be sure, the wealthy benefited enormously: the real incomes of the top .01 percent of Americans rose sevenfold between 1980 and 2007. But the real income of the median family rose only 22 percent, less than a third its growth over the previous 27 years.

Moreover, most of whatever gains ordinary Americans achieved came during the Clinton years. President George W. Bush, who had the distinction of being the first Reaganite president to also have a fully Republican Congress, also had the distinction of presiding over the first administration since Herbert Hoover in which the typical family failed to see any significant income gains.

And then there's the small matter of the worst recession since the 1930s.

There's a lot to be said about the financial disaster of the last two years, but the short version is simple: politicians in the thrall of Reaganite ideology dismantled the New Deal regulations that had prevented banking crises for half a century, believing that financial markets could take care of themselves. The effect was to make the financial system vulnerable to a 1930s-style crisis — and the crisis came.

“We have always known that heedless self-interest was bad morals,” said Franklin Delano Roosevelt in 1937. “We know now that it is bad economics.” And last year we learned that lesson all over again.

Or did we? The astonishing thing about the current political scene is the extent to which nothing has changed.

The debate over the public option has, as I said, been depressing in its inanity. Opponents of the option — not just Republicans, but Democrats like Senator Kent Conrad and Senator Ben

Nelson — have offered no coherent arguments against it. Mr. Nelson has warned ominously that if the option were available, Americans would choose it over private insurance — which he treats as a self-evidently bad thing, rather than as what should happen if the government plan was, in fact, better than what private insurers offer.

But it's much the same on other fronts. Efforts to strengthen bank regulation appear to be losing steam, as opponents of reform declare that more regulation would lead to less financial innovation — this just months after the wonders of innovation brought our financial system to the edge of collapse, a collapse that was averted only with huge infusions of taxpayer funds.

So why won't these zombie ideas die?

Part of the answer is that there's a lot of money behind them. "It is difficult to get a man to understand something," said Upton Sinclair, "when his salary" — or, I would add, his campaign contributions — "depend upon his not understanding it." In particular, vast amounts of insurance industry money have been flowing to obstructionist Democrats like Mr. Nelson and Senator Max Baucus, whose Gang of Six negotiations have been a crucial roadblock to legislation.

But some of the blame also must rest with President Obama, who famously praised Reagan during the Democratic primary, and hasn't used the bully pulpit to confront government-is-bad fundamentalism. That's ironic, in a way, since a large part of what made Reagan so effective, for better or for worse, was the fact that he sought to change America's thinking as well as its tax code.

How will this all work out? I don't know. But it's hard to avoid the sense that a crucial opportunity is being missed, that we're at what should be a turning point but are failing to

**make the turn.**

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**In my column last Monday, I made a joke about the Swiss that fell flat with some readers. Also, the Swiss don't wear lederhosen.**

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