

Wall Street Crisis Should Be for Conservative Economics What Fall of Berlin Wall Was for Communism - Naomi Klein - October 2008

As the world reels from the financial crisis on Wall Street and the taxpayer-funded \$700 billion bailout, we spend the hour with Naomi Klein on the economy, politics and “disaster capitalism.” The *Shock Doctrine* author recently spoke at the University of Chicago to oppose the creation of an economic research center named after the University’s most famous economist, Milton Friedman. Klein says Friedman’s economic philosophy championed the kind of deregulation that led to the current crisis.

The credit crunch is spreading to financial markets around the world. Nearly 160,000 jobs were lost here in the United States in September. That’s not including losses directly resulting from the financial meltdown. Wall Street might be breathing a little easier since Congress passed the more-than-\$700-billion bailout plan Friday, but there are no signs of an easy or quick recovery.

Today we take a look back at the economic philosophy that championed the kind of deregulation that led to this crisis. We spend the hour with investigative journalist and author Naomi Klein, bestselling author of *The Shock Doctrine: The Rise of Disaster Capitalism*.

Naomi Klein spoke at the University of Chicago last week, invited by a group of faculty opposed to the creation of an economic research center called the Milton Friedman Institute. It has a \$200 million endowment and is named after the University’s most famous economist, the leader of the neoliberal Chicago School of Economics:

When Milton Friedman turned ninety, the Bush White House held a birthday party for him to honor him, to honor his legacy, in 2002, and everyone made speeches, including George Bush, but there was a really good speech that was given by Donald Rumsfeld. I have it on my website. My favorite quote in that speech from Rumsfeld is this: he said, “Milton is the embodiment of the truth that ideas have consequences.”

So, what I want to argue here is that, among other things, the economic chaos that we’re seeing right now on Wall Street and on Main Street and in Washington stems from many factors, of course, but among them are the ideas of Milton Friedman and many of his colleagues and students from this school. Ideas have consequences.

More than that, what we are seeing with the crash on Wall Street, I believe, should be for Friedmanism what the fall of the Berlin Wall was for authoritarian communism: an indictment of ideology. It cannot simply be written off as corruption or greed, because what we have been living, since Reagan, is a policy of liberating the forces of greed to discard the idea of the government as regulator,

of protecting citizens and consumers from the detrimental impact of greed, ideas that, of course, gained great currency after the market crash of 1929, but that really what we have been living is a liberation movement, indeed the most successful liberation movement of our time, which is the movement by capital to liberate itself from all constraints on its accumulation.

So, as we say that this ideology is failing, I beg to differ. I actually believe it has been enormously successful, enormously successful, just not on the terms that we learn about in University of Chicago textbooks, that I don't think the project actually has been the development of the world and the elimination of poverty. I think this has been a class war waged by the rich against the poor, and I think that they won. And I think the poor are fighting back. This should be an indictment of an ideology. Ideas have consequences.

Now, people are enormously loyal to Milton Friedman, for a variety of reasons and from a variety of sectors. You know, in my cynical moments, I say Milton Friedman had a knack for thinking profitable thoughts. He did. His thoughts were enormously profitable. And he was rewarded. His work was rewarded. I don't mean personally greedy. I mean that his work was supported at the university, at think tanks, in the production of a ten-part documentary series called *Freedom to Choose*, sponsored by FedEx and Pepsi; that the corporate world has been good to Milton Friedman, because his ideas were good for them.

But he also was clearly a tremendously inspiring teacher, and he had a gift, like all great teachers do, to help his students fall in love with the material. But he also had a gift that many ideologues have, many staunch ideologues have—and I would even use the word “fundamentalists” have—which is the ability to help people fall in love with a perfect imagined system, a system that seems perfect, utopian, in the classroom, in the basement workshop, when all the numbers work out. And he was, of course, a brilliant mathematician, which made that all the more seductive, which made those models all the more seductive, this perfect, elegant, all-encompassing system, the dream of the perfect utopian market.

Now, one of the things that comes up again and again in the writings of University of Chicago economists of the Friedman tradition, people like Arnold Harberger, is this appeal to nature, to a state of nature, this idea that economics is not a political science or not a social science, but a hard science on par with physics and chemistry. So, as we look at the University of Chicago tradition, it isn't just about a set of political and economic goals, like privatization, deregulation, free trade, cuts to government spending; it's a transformation of the field of economics from being a hybrid science that was in dialogue with politics, with psychology, and turning it into a hard science that you could not argue with, which is why you would never talk to a journalist, right? Because that's, you know, the messy, imperfect real world. It is beneath those who are appealing to the laws of nature.

Now, these ideas in the 1950s and '60s at this school were largely in the realm of theory. They were academic ideas, and it was easy to fall in love with them, because they hadn't actually been tested in the real world, where mixed economies were the rule.

Now, I admit to being a journalist. I admit to being an investigative journalist, a researcher, and I'm not here to argue theory. I'm here to discuss what happens in the messy real world when Milton Friedman's ideas are put into practice, what happens to freedom, what happens to democracy, what happens to the size of government, what happens to the social structure, what happens to the relationship between politicians and big corporate players, because I think we do see patterns.

Now, the Friedmanites in this room will object to my methodology, I assure you, and I look forward to that. They will tell you, when I speak of Chile under Pinochet, Russia under Yeltsin and the Chicago Boys, China under Deng Xiaoping, or America under George W. Bush, or Iraq under Paul Bremer, that these were all distortions of Milton Friedman's theories, that none of these actually count, when you talk about the repression and the surveillance and the expanding size of government and the intervention in the system, which is really much more like crony capitalism or corporatism than the elegant, perfectly balanced free market that came to life in those basement workshops. We'll hear that Milton Friedman hated government interventions, that he stood up for human rights, that he was against all wars. And some of these claims, though not all of them, will be true.

But here's the thing. Ideas have consequences. And when you leave the safety of academia and start actually issuing policy prescriptions, which was Milton Friedman's other life—he wasn't just an academic. He was a popular writer. He met with world leaders around the world—China, Chile, everywhere, the United States. His memoirs are a “who's who.” So, when you leave that safety and you start issuing policy prescriptions, when you start advising heads of state, you no longer have the luxury of only being judged on how you think your ideas will affect the world. You begin having to contend with how they actually affect the world, even when that reality contradicts all of your utopian theories. So, to quote Friedman's great intellectual nemesis, John Kenneth Galbraith, “Milton Friedman's misfortune is that his policies have been tried.”

This process of measuring an elegant perfect, beautiful, inspiring ideology against a messy reality is a painful process, and it's a process that anyone who has tried to free themselves from the confines of fundamentalist thinking, from ideological constraints, has faced. My grandparents, for instance, were pretty hardcore Marxists. In the '30s and '40s, they believed fervently in the dream of egalitarianism that the Soviet Union represented. They had their illusions shattered by the reality of gulags, of extreme repression, hypocrisy, Stalin's pact with Hitler.

I bring this up, because the left has been held accountable for the crimes committed in the name of its extreme ideologies, and I believe that it's actually been a very healthy process for the left, one that isn't over, that is continuing. But I think that the process of having to examine the unacceptable compromises that were made in the name of hard ideology, that they are paying off in the way the left today is being reborn and re-imagined.

You know, the most left-wing place on the planet at the moment is, interestingly enough, the first place where Chicago School ideology made that leap from the textbook into the real world, and that's Latin America. And that happened for a very specific reason, as you know. This—in the 1950s, there was great concern at the State Department about the fact that Latin America, then as now, as it seems to do, was moving to the left. There was concern about what they called the “pink economists,” the rise of developmentalism, import substitution, and, of course, socialism. And, of course, this was a concern because it greatly affected American and European interests, because the crux of the argument of import substitution was that countries like Chile and Argentina, Guatemala, should stop exporting their raw natural resources to the north and then importing expensive processed goods to the south, that it didn't make economic sense, that they should use the same tools of protectionism, of state supports, that built the economies of Europe and North America. That was that crazy radical idea, and it was unacceptable.

So, this plan was cooked up—it was between the head of USAID's Chile office and the head of the University of Chicago's Economics Department—to try to change the debate in Latin America, starting in Chile, because that's where developmentalism had gained its deepest roots. And the idea was to bring a group of Chilean students to the University of Chicago to study under a group of economists who were considered so extreme that they were on the margins of the discussion in the United States, which, of course, at the time, in the 1950s, was fully in the grips of Keynesianism. But the idea was that there would be—this would be a battle to the—a counterbalance to the emergence of left-wing ideas in Latin America, that they would go home and counterbalance the pink economists.

And so, the Chicago Boys were born. And it was considered a success, and the Ford Foundation got in on the funding. And hundreds and hundreds of Latin American students, on full scholarships, came to the University of Chicago in the 1950s and '60s to study here to try to engage in what Juan Gabriel Valdes, Chile's foreign minister after the dictatorship finally ended, described as a project of deliberate ideological transfer, taking these extreme-right ideas, that were seen as marginal even in the United States, and transplanting them to Latin America. That was his phrase—that is his phrase.

But today, we see that these ideas are reemerging in Latin America. They were suppressed with force, overthrown with military coups, and then Chile and Argentina, Uruguay and Brazil all became, to varying degrees, laboratories for the

ideas that were taught in the classrooms of the University of Chicago. But now, because there was never a democratic consent for this, the ideas are reemerging.

But one of the things that's interesting about the new left in Latin America is that democracy is at the very center. And, you know, the first thing that Rafael Correa did when he was elected president of Ecuador, for instance—well, the first thing he did was give an interview. They said, “What can we expect of your economic program?” He said, “Well, let's put it this way: I'm no fan of Milton Friedman's.” And then he called a constituent assembly. He created an incredibly open political process to rewrite the country's constitution. And that's what happened in Bolivia, and that's what's happened in many Latin American countries, because democracy is being put at the center of these projects, because there has been a learning process of looking at the mistakes that the left has made in the past, the ends-justify-the-means mistakes.

So, I think all ideologies should be held accountable for the crimes committed in their names. I think it makes us better. Now, of course, there are still those on the far left who will insist that all of those crimes were just an aberration—Mao, Stalin, Pol Pot; reality is annoying—and they retreat into their sacred texts. We all know who I'm talking about.

But lately, particularly just in the past few months, I have noticed something similar happening on the far libertarian right, at places like the Cato Institute and the Reason Foundation. It's a kind of a panic, and it comes from the fact that the Bush administration adapted—adopted so much of their rhetoric, the fusing of free markets and free people, the championing of so many of their pet policies. But, of course, Bush is the worst thing that has ever happened to believers in this ideology, because while parroting the talking points of Friedmanism, he has overseen an explosion of crony capitalism, that they treat governing as a conveyor belt or an ATM machine, where private corporations make withdrawals of the government in the form of no-bid contracts and then pay back government in the form of campaign contributions. And we're seeing this more and more. The Bush administration is a nightmare for these guys—the explosion of the debt and now, of course, these massive bailouts.

So, what we see from the ideologues of the far right—by far right, I mean the far economic right—frantically distancing themselves and retreating to their sacred texts: *The Road to Serfdom*, *Capitalism and Freedom*, *Free to Choose*. So that's why I've taken to calling them right-wing Trotskyists, because they have this—and mostly because it annoys them, but also because they have the same sort of frozen-in-time quality. You know, it's not, you know, 1917, but it's definitely 1982. Now, the left-wing Trots don't have very much money, as you know. They make their money selling newspapers outside of events like this. The right-wing Trots have a lot of money. They build think tanks in Washington, D.C., and they want to build a \$200 million Milton Friedman Institute at the University of Chicago.

Now, this brings up an interesting point. It's an interesting point about the think tanks, in general, which has to do with the fact that it does seem to take so much corporate welfare to keep these ideas alive, which would seem to be a contradiction of the core principle of free market ideology—I mean, and particularly now, in the context of the Milton Friedman Institute. I mean, I could see it in the '90s, but now, is the world really clamoring for this? Is there really a demand that you are supplying here? Really?

I think this points to a larger issue, and this comes up—has come up for me again and again in talking about this ideology, this ideological campaign. You know, is it—is it really fueled by true belief, and—or is it just fueled by greed? Because it's not—the thoughts are so very profitable. So they are distinctive in that way, distinctive from other ideologies. And, of course, you know, certainly we know that religion has been a great economic partner in imperialism. I mean, this isn't an entirely new phenomenon. But this is a question that comes up a lot. And I think it's very difficult to answer, and it's clear, certainly at this school, that much of it is fueled by belief, by true belief, by falling in love with those elegant systems.

But I think we also need to look particularly at this moment, who this ideology benefits directly economically, keeping it alive in this moment, and how, even in this moment, when everybody is saying, you know, this is the end of market fundamentalism, because we're seeing this betrayal of the basic tenets of the non-interventionist government by the Bush administration—you know, I believe this is a myth and that the ideology has just gone dormant, because it's ceased to be useful. But it will come roaring back, and I'll talk a little bit more about that.

But, you know, I was interested that yesterday the Heritage Foundation, which has always been a staunch Friedmanite think tank, that they came out in favor of the bailout. They came out in favor of the bailout; they said it was vital. And what's interesting about that is, of course, the bailout is creating a crisis in the economic—in the public sphere. It's taking a private crisis, a crisis on Wall Street, which of course isn't restricted to Wall Street, and it will affect everyone, but it is moving it, moving those bad debts, onto the public books.

And now the Bush administration has already left the next administration, whoever it is, with an economic crisis on their hands, but with this proposed transfer, they're dramatically increasing that crisis. So, we can count, I would argue, on the Heritage Foundation refinding their faith, refinding their faith when it becomes necessary and useful to once again argue that the way to revive the American economy is to cut taxes, cut regulation, to stimulate the economy—and, by the way, we can't afford Social Security; we're going to have to privatize it, because we've got this terrible debt and deficit on our hands. So, the ideology is far from dead, and what we are, I think, seeing with this proposed monument to Friedmanism is really a way of entrenching it and making sure that it is always available to come back, to come roaring back.

So, I said I would talk a little bit about Friedmanism and the links to the current crisis. And, you know, it's pretty direct. Milton Friedman is pretty much accepted as the godfather of deregulation. And this was—this ideology was the rationale for turning the financial sector into the casino that we see today. You know, Milton Friedman was clear about this. He believed that “history took a wrong turn,” and that's a quote; it's a quote from a letter he wrote to Augusto Pinochet. He said, “History took a wrong turn in your country, as well as mine.” And he was referring to the responses to the Great Depression. In Chile, it was the rise of import substitution and developmentalism. But in the United States, he was of course referring to the New Deal.

And I think that the Chicago School of Economics is properly understood as a counterrevolution against the New Deal, against regulations like Glass-Steagall, that was put in place in 1934 after having seen people lose their life savings to the market crash, and it was a firewall, a very simple, sensible law that said if you want to be an investment bank, if you want to gamble, gamble with your investors' money, but the government isn't going to help you because it's your own risk. You can fail. And if you want to be a commercial bank, then we will help you. We will offer insurance to make sure that those savings are safe, but you have to restrict the risks that you take. You cannot gamble. You cannot be an investment bank. And a firewall was put up between investment banks and consumer banks.

And now we look at the way in which this crisis is supposedly being solved, and what we see, actually, is a wave of mergers in the banking sector, a wave of mergers with the banks getting bigger and bigger until ultimately—you know, the *Financial Times* was predicting today that eventually the United States will have three big banks, just like Japan does. That's where it's heading. And, of course, all of those banks will be too big to fail. So they all have this implicit guarantee; it's not just Fannie and Freddie. It's any function that is too important to fail has this implicit guarantee.

Phil Gramm is the person, you know, on the legislative side who did the most to create the legislative context for what we're seeing right now in the financial sector. You know, I think everyone knows that Phil Gramm, most famously, recently is the one who said that America was in a mental recession and a bunch of whiners and all of that. And so, he's not officially an adviser to McCain, but there is talk that if he were to win the elections, he would be Treasury Secretary. You know, I point—I bring him up because Phil Gramm was a Milton Friedman fanatic. I think you know this. In 1999, the same year that he led the charge to strike down Glass-Steagall, he also—Phil Gramm—pressed Congress to get the Medal of Honor for Friedman. When he ran in the—when he made his 1996 presidential run, McCain was the co-chair of his campaign. Phil Gramm was asked, “If you had to rely on a single person as your foremost economic policy adviser, who would it be?” And he replied, “Dr. Milton Friedman.” So we see the connections between deregulation and Friedmanism.

I also think there's something else at play in the kind of politicians that are attracted to this particular ideology. You know, Reagan was the first really to embrace it, and Nixon was the great disappointment to Friedman. I'm sure you all know that. You know, he writes in his memoir that when Nixon was elected, he was euphoric. I mean, he couldn't imagine an American president more closely aligned ideologically than Richard Nixon. But Richard Nixon insisted on governing, and he wanted to win elections, and he imposed wage and price controls. And Milton Friedman sort of had a bit of a temper tantrum and declared him the most socialist president in modern American history. But, you know, it was—so it was really Reagan who campaigned, you know, with his copy of *Capitalism and Freedom* on the campaign trail, who was the first person to really put Friedmanism into practice.

And I raise this because, you know, one of the things that we hear about McCain is that he doesn't really know about economics, and so I think that makes us inclined not to take his economic ideas seriously, not to think he would be a really serious economic force. I think just the opposite. And I think if you look at his campaign platform, you see just the opposite. He wants to privatize Social Security. He is saying that in the first 100 days they'll look at every single government program, and they will either reform it or shut it down if it is not serving taxpayers. I mean, they are talking about a sort of hundred-day economic shock therapy period. And I think it's the fact that he doesn't know about economics, and that Sarah Palin, I suspect, knows a little less, that actually makes them so dangerous.

And I don't—you know, I don't think it is—not to be too flippant—I'm sure that I've, you know, offended everyone, so I may as well just say bad things about Ronald Reagan—but I do think that, you know, that it isn't a coincidence that, you know, a movie star president champions these ideas, or a body-builder governor, you know, who says, "Dr. Friedman changed my life"—I don't know if you've seen Arnold Schwarzenegger's introductions to *Freedom to Choose*, but they're good. You should. YouTube them. But the appeal of these ideas, I think, to politicians who are actually in over their head on economics—and, by the way, this goes for military dictators, too, like Pinochet—who get control over a country and are totally clueless about how to run an economy, is that it lets them off the hook completely. It says government is the problem, not the solution. Leave it to the market. *Laissez-faire*. Don't do anything. Just undo. Get out of the way. Leave it to us.

This crisis moment, of course, is going to play out in a lot of different ways. And, you know, the other major contribution—another major contribution of Friedmanism to the policy framework is not just deregulation, but privatization, of everything. And, you know, in *Capitalism and Freedom*, he lays out his wish list, everything from the post office to national parks. So I think it's interesting to think about how this crisis will effect future plans for privatization.

And, in fact, it already is, because the next big bubble—and, by the way, this idea of bubbles is intimately connected to the idea of governments who think that their role is simply to create the context for maximum profit seeking—I mean, that you just get out of the way; anything that makes money is good, even if, you know, it's entirely divorced from the real economy, if it inflates—your GDP is still going up. And the next big bubble—they went from dotcom to housing—is projected to be infrastructure.

The crisis, you know—and this is where Friedmanism becomes a kind of a self-fulfilling prophecy, because you neglect the public sphere and—because you have tax cuts and because you've derided the public sphere, and we certainly saw this in New Orleans during Hurricane Katrina, which was not a natural disaster; it was a disaster borne of a collision between heavy weather and a weak infrastructure. But then, that was used to rationalize really just erasing the public sphere altogether, closing Charity Hospital, the only hospital that treats the uninsured in New Orleans, closing down the public housing projects. Richard Baker, Republican congressman, said, "We couldn't clean out the housing projects, but God did."

Milton Friedman—and I start the book with this story—wrote a piece; it was one of his last pieces of writing, his last major policy recommendation. He wrote a piece for the *Wall Street Journal*, saying that it was an opportunity, the fact that parents and teachers and children were scattered across the United States after Hurricane Katrina, an opportunity to radically remake the education system. Now, that—and, of course, turned into a voucher system.

Now, that neglect of public sphere that we saw in New Orleans is, of course, a national crisis. The American Society of Civil Engineers estimates that there is a deficit, an infrastructure deficit of between \$1.5 trillion and \$2 trillion, just to bring the roads and bridges up to safety standards. And the solution, up until very recently, that was being held up, was public-private partnerships, was privatization of essential infrastructure. You know this in Chicago, because the airport is one of the ones on the block.

But one interesting thing that happened today is that the biggest—the biggest test case for infrastructure privatization is the Pennsylvania Turnpike, which was on the verge of being handed over to a consortium of private companies on a seventy-five-year lease, and that deal fell through today. And I think part of the reason why it fell through is because one of the companies leading the consortium was Citigroup. And the idea of putting more essential services, more things that are far too important to fail, in the hands of the same people that have made such a mess of the financial sector suddenly seems like insanity. But on the other hand, the economic pressures on states, on the federal government, is only going to increase, right? Because it seems inevitable that those private debts are going to be transferred onto the public books. So, nothing can be taken for granted in this moment.

The other way where we—the other place where I think we see the legacy of Friedmanism in this moment is in the backlash to the Wall Street bailout, the backlash that essentially killed the bill in Congress, although it's clear that it's going to be revived. People got very, very frightened yesterday when the stock market had its worst day, and they called their Congress people with another message. And I just want to say, on that front, that it's easy to conclude from that that people are just untrustworthy, and they shouldn't really have a say in the economy, which is, I think, probably what Milton Friedman would say. And this was part of the impulse toward specialization and treating everything economic as hard science, because that means, you know that it's out of reach of democracy. It's not subject to any debate; these are hard rules.

Now, I think that the sort of volatility we've seen on the—in the markets the past few days is at least partially the result of the incredible recklessness of the Bush administration in dangling a \$700 billion bailout, just free money, saying we're going to do this, before they had any guarantee that they were going to be able to do it. So, of course, the stock market rallies at the prospect of free money. Why wouldn't it? And then, when it falls through, of course, it dips. And I'm not saying this is all planned, but this sort of rollercoaster we've been on has just been part of this pattern of incredibly poor management, poor government, that infuses every aspect of this crisis.

And this, of course, is also part of the ideology, because the Bush administration, far from being an aberration, is really the culmination of the idea that government is the problem, not the solution. I think they really believe that and totally abdicate it, their responsibility to manage, to govern. The popping of the housing bubble was a surprise to no one. But the only preparation was a two-and-a-half-page plan presented by Henry Paulson that said, "Give me \$700 billion, and don't ask any questions." That is not preparing, right? This was *laissez-faire* in action, a really scary kind of *laissez-faire*.

But the anger is, of course—the anger at Wall Street, this sort of—you know, there was a vindictive quality to a lot of what the Congress people heard from their constituents: "Why should we bail *them* out? Look at what they've done to us." And it was Main Street versus Wall Street. And this is—you know, this is another failure of Friedmanism, because the idea of the ownership society was that class-consciousness was supposed to disappear, right? Because union members were not going to think of themselves as workers, because everybody owned a piece of the stock market, and everybody was going to have a mortgage, so they would think like owners, they would think like bosses, they would think like landlords, not like tenants, not like workers. Class is suddenly back in America, with a vengeance, and it is the result of this class war that was waged from this school.

Now, interestingly, there is another Chicago boy, and Barack Obama is responding to the market crisis by turning his campaign really into a referendum;

though he wouldn't call it a referendum on Friedmanism, he seems to be turning it into a referendum on Friedmanism. He's saying that essentially what we're seeing on Wall Street is the culmination of an ideology of deregulation and trickle-down economics—give a lot at the top and wait for it to trickle down to the people at the bottom—and that is precisely what has failed. And what's interesting is that the more he says that, the higher his ratings go in the polls.

So I think we can see a couple of scenarios for the future. One, McCain wins, and it's economic shock therapy. You know, the thesis of *The Shock Doctrine* is that we've been sold a fairy tale about how these radical policies have swept the globe, that they haven't swept the globe on the backs of freedom and democracy, but they have needed shocks, they have needed crises, they have needed states of emergencies. It doesn't necessarily have to be an outright military coup, which are the conditions in which this ideology had its first laboratories. It can just be a bad-enough economic crisis, a bad-enough hyperinflation crisis, in an electoral democracy that allows politicians to say, "Sorry about everything we said during the campaign. Sorry about the usual ways in which we make decisions, debate discussion. We're going to have to haul up, form an emergency economic team and impose shock therapy," usually with the help of the International Monetary Fund and the World Bank.

Milton Friedman understood the utility of crisis. And this is a quote—you know, I use it a lot, but I'll use it now again, because I think it's important—which he has at the beginning of the 1982 edition of *Capitalism and Freedom*: "Only a crisis, actual or perceived, produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable."

Now, because I've been studying the utility of crisis for this free market project, which I consider to be very anti-democratic, it's really attuned me to looking for the ideas that are lying around. And I've been paying really close attention to people like Grover Norquist, Newt Gingrich, the Republican Study Committee, these past few weeks. And I have an "ideas lying around" file, which are the ideas that they are floating right now in the midst of this economic crisis. And a lot of them are familiar, but the point is is that they're being repackaged now as the way out of this economic crisis. So, it's suspending the capital gains tax, getting rid of the post-Enron regulations, getting rid of mark-to-market accounting. In other words, more deregulation and less money in the public coffers. And it is interesting that the way in which this bill—the way the senators were trying to get the bailout bill through the Senate, after it had failed to go through Congress, was by adding tax cuts, a package of \$118 billion worth of tax cuts. Some of them are good, some of them are not. But it's a deepening of this crisis.

So, we know that the crisis is coming, and the question is, how are we going to respond? I think there needs to be better ideas lying around. I think the Milton

Friedman Institute is about keeping the same old ideas that have been recycled so many times, that actually make these public crises worse, making sure that they are the ones that are ready and available whenever the next crisis hits. I think that is what—at its core, that's what so many of the right-wing think tanks are for, and that's what the Institute is for. And I think that is a waste of the fine minds at this university. I think it is a waste of your minds, your creativity, because all of these crises—climate change, the casino that is contemporary capitalism—all of these crises do demand answers, do demand actions. They are messages, telling us that the system is broken. And instead of actual solutions, we're throwing ideology, very profitable ideology, at these problems. So we need better ideas lying around.

We need better ideas responding to what a Barack Obama presidency would absolutely face. As soon as he comes to office, "Yes, you can" turns into "No, you can't; we're broke." No green jobs, no alternative energy, no healthcare for everyone. You know, his plan for—to give healthcare to every child in America costs \$80 billion. Bailing out AIG cost \$85 billion. They're spending that money. They're spending those promises. So, the people who are going to say, "No, you can't," who are going to use this crisis to shut down hope, to shut down possibility, are ready.

And I think it would be so wonderful to have the brilliant young economists of the University of Chicago—I don't know if any of them bothered to come out tonight—but to have your minds at work meeting this crisis. We need you. We need open minds. We need flexible minds, as creative as possible. The Milton Friedman Institute, in its name and essence, is about trying to recapture a moment of ideological certainty that has long passed. It has long passed because reality has intervened. It was fun when it was all abstract. It was fun when it was all in the realm of promise and possibility. But we are well past that. Please, don't retreat into your sacred texts. Join us in the real world.