

Looting the Future

By Paul Krugman

One thing you have to say about George W. Bush: he's got a great sense of humor. At a recent fund-raiser, according to The Associated Press, he described eliminating weapons of mass destruction from Iraq and ensuring the solvency of Medicare as some of his administration's accomplishments.

Then came the punch line: "I came to this office to solve problems and not pass them on to future presidents and future generations." He must have had them rolling in the aisles.

In the early months of the Bush administration, one often heard that "the grown-ups are back in charge." But if being a grown-up means planning for the future—in fact, if it means anything beyond marital fidelity—then this is the least grown-up administration in American history. It governs like there's no tomorrow.

Nothing in our national experience prepared us for the spectacle of a government launching a war, increasing farm subsidies and establishing an expensive new Medicare entitlement—and not only failing to come up with a plan to pay for all this spending in the face of budget deficits, but cutting taxes at the same time.

Recent good economic news doesn't change the verdict. These aren't temporary measures aimed at getting the economy back on its feet; they're permanent drains on the budget. Serious estimates show a long-term budget gap, even with a recovery, of at least 25 percent of federal spending. That is, the federal government—including Medicare, which Mr. Bush has given new responsibilities without new resources—is nowhere near solvent.

Then there's international trade policy. Here's how the steel story looks from Europe: the administration imposed an illegal tariff for domestic political reasons, then changed its mind when threatened with retaliatory tariffs focused on likely swing states. So the U.S. has squandered its credibility: it is now seen as a nation that honors promises only when it's politically convenient.

What really makes me wonder whether this republic can be saved, however, is the downward spiral in governance, the hijacking of public policy by private interests.

The new Medicare bill is a huge subsidy for drug and insurance companies, coupled with a small benefit for retirees. In comparison, the energy bill—which stalled last month, but will come back—has a sort of purity: it barely even pretends to be anything other than corporate welfare. Did you hear about the subsidy that will help Shreveport get its first Hooters restaurant?

And it's not just legislation: hardly a day goes by without an administrative decision that just happens to confer huge benefits on favored corporations, at the public's expense. For example, last month the Internal Revenue Service dropped its efforts to crack down on the synfuel tax break—a famously abused measure that was supposed to encourage the production of alternative fuels, but has ended up giving companies billions in tax credits for spraying coal with a bit of diesel oil. The I.R.S. denies charges by Bill Henck, one of its own lawyers, that it buckled under political pressure. Coincidentally, according to The Wall Street Journal, Mr. Henck has suddenly found himself among the tiny minority of taxpayers facing an I.R.S. audit.

Awhile back, George Akerlof, the Nobel laureate in economics, described what's happening to public policy as "a form of looting." Some scoffed at the time, but now even publications like The Economist, which has consistently made excuses for the administration, are sounding the alarm.

To be fair, the looting is a partly bipartisan affair. More than a few Democrats threw their support behind the Medicare bill, the energy bill or both. But the Bush adminis-

tration and the Republican leadership in Congress are leading the looting party. What are they thinking?

The prevailing theory among grown-up Republicans—yes, they still exist—seems to be that Mr. Bush is simply doing whatever it takes to win the next election. After that, he'll put the political operatives in their place, bring in the policy experts and finally get down to the business of running the country.

But I think they're in denial. Everything we know suggests that Mr. Bush's people have given as little thought to running America after the election as they gave to running Iraq after the fall of Baghdad. And they will have no idea what to do when things fall apart.