

Looming Economic Crisis: What Can We Do?

“A crisis is a terrible thing to waste,” said Michigan Governor Jennifer Granholm, commenting on how the current economic crisis provides an opportunity to draw attention to the underlying structural problems in our economy and fiscal systems. Historically, all actions positively and profoundly impacting our economy were undertaken during crises. Some examples include:

Morrill Act

In 1862, the second year of the American Civil War, President Lincoln, a Republican, signed into law the first Morrill Act, named for Vermont Republican Senator Justin Smith Morrill. That Act and subsequent related legislation created the nation’s land grant college system, expanding colleges and universities into rural America and, for the first time, making higher education available to the “sons and daughters of farmers and mechanics.” That 1862 Act ultimately created most of the nation’s black colleges and universities and the 29 Native American colleges. It is doubtful that any single action has done more to expand the opportunities and improve the quality of life for rural, poor, and minority Americans than the Morrill Act. The Agriculture Extension Service that became part of the Morrill Act revolutionized America’s agricultural economy and transformed its rural communities. The land grant colleges continue to produce top-notch students and world-class research.

G.I. Bill of Rights

While World War II was still underway, on June 22, 1944, Democratic President Franklin D. Roosevelt signed the G.I. Bill of Rights, officially known as The Servicemen’s Readjustment Act of 1944. The G.I. Bill enabled eight million returning veterans to expand their educations. In 1940, a total of about 160,000 people in the United States earned college degrees. Thanks almost exclusively to the G.I. Bill, the graduating class of 1950 jumped to nearly 500,000. Veterans quickly acquired knowledge and skills that changed their lives and propelled the U.S. to the pinnacle of knowledge and economic growth. Professor Martin Feldstein, Ronald Reagan’s chief economic advisor, estimated that taxpayers received back seven dollars in additional revenue for each dollar they invested in the G.I. Bill.

National Defense Education Act

Just over 50 years ago, on October 4, 1957, the Soviet Union launched Sputnik 1, the first man-made object to break out of Earth’s atmosphere into space. This jarred American’s complacency and shattered confidence in our scientific prowess. In less than a year, on September 2, 1958, Republican President Dwight Eisenhower signed into law the National Defense Education Act. The Act’s \$10 billion price tag was serious money in 1958. It greatly expanded our efforts in science and math, but also in languages (especially Russian), social studies, business, and the liberal arts. The direct result was a great expansion in the number of highly trained physicists, engineers, biologists, economists, educators, and others, many of whom went on to become inventors, innovators, venture capitalists, and civic leaders. The impact of the NDEA on the nation was dramatic and profound.

Other Examples

In the 1930s, not only the United States but the entire world faced economic crisis. Franklin Roosevelt led us out of the Great Depression, not by cutting taxes but by implementing public programs such as Social Security, Unemployment Compensation, and Any Willing Worker Pools. These and others provided the stimulus the economy needed to pull itself out of recession.

If President Bush had responded to the 9/11 crisis in the big-picture Republican tradition of Lincoln or Eisenhower instead of invading another country, he might have built up our strength and capacity both at home and abroad. Such a response would have profoundly transformed our nation. Using the money spent on the Iraq War we could, with very little imagination, have re-implemented a G.I. Bill for the modern age, one providing everyone who engages in any broadly defined national service program a guaranteed, fully funded education. (The original G.I. Bill required a minimum of only 90 days of service

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and was available to all, whether frontline combat infantry or state-side clerk, four-star general or buck private.) We could easily have funded a massive increase in the national investment in public education — our human capital — and infrastructure.

Unlike the Iraq War, which we'll be paying for for generations to come, expanded efforts directed toward investing in public education and infrastructure would have paid significant dividends to both current *and* future generations while making America stronger, freer, and more secure.

Who Else Proposed Taking Advantage of a Crisis?

Michigan Governor Jennifer Granholm is not the first person to say “a crisis is a terrible thing to waste.” Milton Friedman, in *Free to Choose*, underscored that the best time to advance his economic agenda — privatize, deregulate, and cut taxes (PDT) to minimize the role of government — would be during a crisis. Naomi Klein, in *The Shock Doctrine*, writes that Friedman and his colleagues went as far as creating artificial crises to move their agenda. She reveals various CIA and government documents showing how Friedman's agenda was moved in Latin American countries, starting with the overthrow of the Chilean government. In the U.S., Friedman's PDT agenda began being implemented during the Reagan years. Indeed Friedman's PDT agenda was a radical departure from historic American (and global) economic policy, regardless of which side of the aisle it came from. Unfortunately, the results have been pretty consistent — higher poverty, greater economic inequality, more debt for future generations, ineffective government, and diminished human and civil rights.

Together, the current White House and congressional Republicans have promoted and followed Friedman's agenda pretty much verbatim. We had three major tax cuts in the name of so-called “economic growth.” We deregulated financial and energy industries. We privatized military services. The results of this radical “economic” agenda here at home are even worse than what we might have expected from the experience in Latin America. We not only have higher poverty, greater income disparities, and vastly more debt for future generations, we have crises on Wall Street (Bear Stearns and sub-prime mortgages), we have more highly-paid private contractors in Iraq than soldiers (Blackwater and Halliburton), and soaring gas and energy prices, to cite only a few examples.

How can one say with a straight face that tax cuts are the best way to grow the economy when, after three major tax cuts, what we have is looming recession and economic crisis? It's the first time in American history we've had two recessions under the same president.

We Can Do Better

Our economy has changed. We now live in a global knowledge-and-information economy. The economic promise of a democratic society is for everyone to share the fruits of national economic prosperity. The best way to fulfill this promise is by investing in public education — in America's human capital — through a fair, equitable, and stable system of taxation and through a level economic development playing field for all businesses, large and small. This is the TEF agenda.

For more information contact TEF@nea.org.

