The Current Economic and Fiscal Crisis: What Can We Do?

There's a lot of news lately about financial institutions in crisis. Some institutions, say federal policymakers, are too big to fail and need propping up — Fannie Mae, Freddie Mac, and AIG. Others, deemed not so important, are left to go under — Countrywide, Lehman Brothers, and Washington Mutual. Dozens of banks have closed and the Federal Deposit Insurance Corporation is taking them over. On top of all this, states face deficits totaling $52 billion and growing.

How Did We Get Here?

This is the logical, predictable result of aggressive fiscal policies – first devised by Milton Friedman (*Free to Choose*) — bent on privatizing, deregulating, and cutting taxes for a wealthy few. With funding from Wall Street firms like Citigroup (see Naomi Klein's *The Shock Doctrine*), Friedman trained an army of economists who promoted and implemented his privatize-deregulate-cut taxes agenda, especially in Latin America. When Friedman became Reagan's chief economic advisor, his agenda became U.S. economic policy. Since then, many policymakers have toed the line. And everywhere it's been tried it's produced the same results — higher poverty, greater income inequality, more debt for future generations, and ineffective government.

The Bush Administration has been the most aggressive in pursuing Friedman's privatize-deregulate-cut taxes agenda; it's been a free for all since 2001. No barriers between commercial and investment banks, no hedge funds oversight, no rules for credit and subprime lending. That's why we are where we are — the biggest financial crisis in 80 years. Since 2001, 75% of our economic growth has gone to the top 10% of income earners. CEOs of our largest companies made millions while running those companies into the ground. For example, in 2007 Lehman Brothers, Merrill Lynch, and AIG CEOs got $88, $46, and $50 million, respectively.

Such cases aren't isolated. John Bogle (*The Battle for the Soul of Capitalism*) highlights the worsening gap between company performance and CEO pay. Between 1980 and 2004, our economy grew at an average annual rate of 3.1% while American companies' earnings grew at only 2.9%. But CEO pay grew an astounding 1,500%, and the ratio between average worker and CEO pay went from 42:1 to over 300:1.

Like Reagan's Savings and Loan bailout, we might temporarily stave off this crisis by creating another Resolution Trust. But we absolutely must change course. We need to find a proper balance between over-regulation and a no-holds-barred market. We need to distinguish between the roles of government and the private sector: government ensures the common good, the private sector creates wealth. But that doesn't mean we keep nationalizing debt and privatizing profit. Enough is enough.

What Can We Do About It?

NEA is actively lobbying Congress to provide relief for Main Street, not just Wall Street, in the form of an economic stimulus package. Our message centers on the significant impact of this crisis on our schools and on the students we serve, including the dramatic increase in the number of homeless students and those eligible for free school meals, cutbacks to bus services, and staff layoffs. We have urged Congress — through letters, lobbying visits by staff and the NEA Board of Directors, and grassroots advocacy — to pass a stimulus package that provides relief to working families and to states facing budget crises (to help prevent even deeper cuts to education and health care).

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Now that all Reagan-era policies are crumbling before our eyes, this is an opportunity for us to fill the void and take the lead in defining a new vision for the 21st-Century economy. The fundamental premise of NEA's new economic vision is the inseparability of a healthy economy's three key elements:

1. A fair and equitable tax system (T).
2. A level economic development playing field for large *and* small businesses (E).
3. Adequate and equitable funding for public education (F).

Uniting these three key elements is the proven way to create and maintain a civilized, safe, prosperous society. That's because, in the new global knowledge-based economy, investing in public education — in our human capital — provides a greater return than tax cuts and subsidies for so-called "economic development." This economic vision (popularly known as TEF) is an NEA strategic goal. Many of you are at various stages in developing your state's TEF strategies and tactics, which could include using it to screen candidates for public office.

We might be able to stave off the colossal Wall Street meltdown. But, in the long run, the vitality of our housing market and the health of our economy depend on job growth, income growth, and growth in income equality — an economic outcome that relies more on investing in public education than on the liquidity of the credit market or on the restructuring of debt. Now, more than ever, we must unite behind an economic vision that's specifically designed to fulfill the promise of public education. We must organize together to do things we can't do alone. If not us, who? If not now, when?

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