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Quo Vadis: Playing For Keeps

Patrick C. Doherty**December 02, 2004**

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When the chief economist at Morgan Stanley says we have a one-in-10 chance of avoiding economic Armageddon, one tends to take notice. When America's second-largest creditor tells us to get our economic house in order the same week, two points begin to determine a line. But the Bush administration has not so much as flinched. In the latest installment of *Quo Vadis?*, Patrick Doherty says that when GOP strategists ask, "Where do we go from here?" they answer, "toward an economic 9/11."

Patrick C. Doherty is associate editor at TomPaine.com. Previously, he spent a decade working on conflicts and economic development in the Middle East, Africa, the Balkans and the Caucasus. His column, Quo Vadis, means "Where do we go from here?" and focuses on America's strategic dysfunction and how to transform it.

"Democrats play for lunch. We play for keeps." —Grover Norquist

Last week, America received two pieces of monstrously bad news. First, the chief economist of Morgan Stanley (along with Robert Reich, Larry Summers, Paul Krugman, China and the currency markets) warned us that the U.S. economy is about to collapse. Second, we learned that the Bush administration is willing to ignore the likelihood of collapse and will push ahead aggressively with tax and Social Security reform. Put these two pieces of information together and you get a nightmare scenario.

Movement conservatives are willing to tank the economy while they control the federal government in order to remake it according to their liking.

Impending Economic Collapse

You know things aren't looking good when the chief economist of Morgan Stanley uses the word *Armageddon* in a briefing to the world's largest equity investing house.

In an article published last Tuesday, [Stephen Roach reportedly](#) told his colleagues at Fidelity that America has a one in 10 chance of avoiding economic Armageddon. His comments came toward the end of a string of bad economic omens. China's central banker told America to get our own house in order, European and Asian central bankers began talk of buying Euro-based securities, and OPEC felt enough pressure to announce that it had no intention, for the moment, of pricing oil in euros instead of dollars.

Three days later, Roach [revised and extended his remarks](#) in an op-ed in *The New York Times* :

"The day could come when foreign investors demand better terms for financing America's spending spree (and savings shortfall). That is the day the dollar will collapse, interest rates will soar and the stock market will plunge. In such a crisis, a United States recession would be a near certainty. And the rest of an America-centric world would be quick to follow."

Rather than focus on the downside risks on Black Friday, Roach reframed his NYT analysis on

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what it would take to secure that one-in-10 chance of avoiding the reckoning. In short, he says the world's central banks must arrange the world's accounts such that Americans spend less and save more while everyone else spends more and saves less.

It's easy to see why Roach is so cynical. Such a solution would entail reversing the flow of the global economy. China, Japan and Europe would have to voluntarily reduce their companies' exports, profits, and shareholder return. Not to mention that to most world leaders, such a deal would reward George W. Bush and the GOP-dominated Congress for their reckless fiscal and military policies that both created the economic crisis and increased global insecurity.

So foreign rescue is not likely. But it doesn't matter. The Bush administration is not interested in rescuing the economy.

Shock Therapy, Norquist-Style

In the 1980s, Reagan's chief budget adviser, David Stockman, admitted that it was White House policy to expand the federal deficits in order to squeeze out social entitlement spending. The Bush administration has taken that tactic one step further, explained by the pre-eminent Republican operative Grover Norquist's famous goal, "to get government down to the size where we can drown it in the bathtub."

And they have already declared their intentions to do just that. The Bush administration has identified its top three legislative priorities in the next term, and none of them involves reducing American consumption and increasing American savings. Instead, their priorities represent the final operations of the battle started in 1964: tort reform, Social Security reform and tax reform. Tort reform to curtail consumer protections. Social Security reform to force every working American to buy risk-filled investment accounts. Tax reform to make taxation fully regressive, placing the highest burden on the lowest earners through either a flat tax or a value-added tax.

Given our severe account imbalances, this second-term agenda of the Bush administration will signal to our global creditors that we are not serious about our debts. That will make dollar-denominated securities worthless and the dollar will cease to be the global currency, as America will no longer be the mass market of last resort. At some point, OPEC will have to switch to a new currency—probably Euros—and the price of oil for Americans will rise significantly as the dollar continues to fall. As Roach's collapsing stock market ushers in a recession, the inevitable job losses will pop the housing bubble across the country. Americans, with trillions of dollars of consumer debt leveraged on the value of their homes, will find that their futures will have disappeared. Hard-earned home equity will be gutted and stock values will have crashed. Unemployment will be widespread.

With a full four years in the White House, two years of hegemony in Congress, and an escalating, multi-fronted war, the far right has plenty of time and cover to push their agenda through. With no interim accountability, they can ignore reality and continue to spin wildly to the American public. Indeed, this administration has already shown that it can use a national crisis to advance goals that in fact reinforce the causes of the crisis. It happened with 9/11, and it can happen again.

Too Crazy To Believe

The movement conservatives leading the GOP have decided that the way to get what they want is to throw out all the rules—whether that means speaking truthfully to American citizens, [comity](#) in the Senate, [stare decisis](#) in the Supreme Court or fiscal discipline in the budget. These concepts once defined the American form of government and placed the republic above partisanship. But to operatives like Karl Rove and Grover Norquist, they represent Democratic blind spots to be exploited. Bipartisanship, as Norquist once said, is merely another word for date rape.

Destroying the economy in order to remake it is just the kind of gambit that Democrats would believe so unlikely that it is not worth considering. It defies logic and credibility. Just like the possibility that Christian Zionists could take over Congress or that Bush might invade Iraq with no real evidence of a threat.

It's hard to write such a depressing analysis. It feels overly cynical. But then I remembered Ron

Suskind's profile of George W. Bush in the NYT Sunday Magazine. In it, a senior adviser to Bush told Suskind: "We're an empire now, and when we act, we create our own reality. And while you're studying that reality—judiciously, as you will—we'll act again, creating other new realities, which you can study too, and that's how things will sort out. We're history's actors...and you, all of you, will be left to just study what we do."

And then I think I might just be right.