

RS: What's your take on the shift of the political spectrum in the U.S.? When I was growing up, liberals and conservatives made the same accusations at each other that they do now, but if you look at, for example, what Nixon proposed as a health care plan and what Obama actually enacted and what's being called socialist now, I mean, you'd almost think that Nixon was a socialist by today's standards.

JG: Julie Nixon-Eisenhower and her husband David came to the LBJ Library a few weeks ago, and I went, and I sat, well, I didn't sit in the front row, but I came in afterwards and I greeted them. It was Julie Nixon who said that her father was the last liberal president.

RS: I would agree.

JG: What happened in American politics? I think one thing to bear in mind is that during the entire period of the Cold War, it was necessary for the United States and its allies in western Europe to meet certain performance criteria,...

RS: ...socially...

JG: ...socially, because otherwise they were going to lose in a game of comparisons against the East, and that, of course, ceased to be a serious threat in the 1970's, but it went away entirely in the 80's, and, as a result, you had a kind of disempowerment of what was a strong strand of Cold War liberalism.

RS: The liberal shift started actually before that. The Cold War didn't really get going until after World War II, and Roosevelt started the liberal shift with the New Deal, didn't he?

JG: The competition between capitalism and the alternatives was extremely intense in the 1930's, and that's what got Roosevelt going. What we've seen in the last twenty years is the sense that, to coin a phrase, is that there is no alternative, and that has created a great deal of destructive running room for the right, and none whatever on the left, with the result that the old generation of liberals has largely disappeared..

RS: ...died off...

JG: By and large, with a few legacies hanging around, like yours truly. What were historically left parties both in the United States and Europe, equally true of the Democrats and the SPD and the PS in France have adopted what would have been in earlier times considered to be right-wing orthodoxies, particularly with respect to budget deficits, public debt. So they can pretend to be in favor of solidaristic social policies, but unfortunately unable to do anything in the face of the realities they allegedly face.

RS: Did you really think that the neoliberals would bounce back, neoliberal thinking in economics and in government would actually bounce back after the crisis hit?

JG: Yes. In fact I think I wrote that it would. As soon as the first wave of inadequate Keynesian interventions had passed, it was very foreseeable that what would happen is that you would open up the spectrum of discourse in a completely undisciplined way, and essentially everybody with an agenda would come in and say, "do what I've always been pressing to do and the world will be better". The American presidential campaign is entirely of this type, both President Obama and Governor Romney.

RS: That's the sad part about it, that Obama...

JG: The crisis imposed a momentary intellectual discipline and a resurgence, a reassertion of Keynesian principles. But that discipline did not extend into decision-making circles, at least not deeply enough, and it was overridden by, let's say, existing protocols, existing habits of thought and action that had developed in policymaking circles. And those protocols and habits precluded

taking adequate action. What I mean by that specifically is that you had ways of making forecasts which were intrinsically too optimistic, intrinsically assumed that you were going to return to a baseline over a five-year time frame. And that meant that you were not going to get even presented to the president the possibility that the crisis was on the scale of the 1930's.

RS: Well there were some people who did run the numbers and came up with at least twice the size of what Obama eventually ended up doing.

JG: That's true, and it turned out that Christina Romer's number was very much like mine.

RS: Which was about what, 1.2 ...?

JG: I think her number was at 1.8 trillion over two years, and that was roughly where I was. I wasn't running numbers, I was just trying to get a number big enough to make an impression on people. My view was that this was a situation where you had to have an essentially unlimited intervention, and the idea was – and I mean that in a very specific way – my idea was that you would intervene until you saw the consequences, and then you'd scale back rather than setting a target number as the limit of what you would do and hoping it was enough.

RS: Well, that was the whole mistake, that Obama was assuming he could go back and get more. And with the political situation he had then, he maybe could have actually...

JG: No, there was no chance of that. How one could think you could go back and get a second bite of that apple is surreal.

RS: That's exactly what Krugman predicted, that it wouldn't happen, and prove that stimulus doesn't work is essentially what...

JG: That was not hard to foresee, and Paul foresaw it, I foresaw it. And once you open up yourself to that line of criticism, then any argument, "repeal Obamacare", "reduce government regulation", "balance the budget", "reduce uncertainty", whatever that means, becomes as good as any other as far as what a presidential candidate can say on television.

RS: Actually, there's quite a bit of certainty, the certainty that it's not going to get better any time soon.