

naked capitalism

Why is Paul Krugman Misrepresenting the Demise of a Wall Street Funded, Right Wing, Entitlement-Bashing Front Group?

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by Yves Smith

Paul Krugman's partisanship has become so shameless that we are giving him the inaugural Eric Schneiderman Decoy Award for his post "[Things Fall Apart](#)". The Schneiderman Decoy Award goes for exceptional achievement in turning one's good name over to particularly rancid Obama Administration initiatives.

Krugman's post didn't merely contain some cringe-making fawning over Obama; it was egregiously incorrect on the development that prompted the post, that of the death of Americans Elect, a shadowy group that had was out to sponsor a Presidential candidate. It's hard to believe that Krugman does not know the orientation and aims of this failed effort.

Tom Ferguson, a political scientist who is widely considered the top expert on money in American politics, called out Americans Elect in March as a group out promote a right-wing, anti-entitlement message as "centrist" (for the record, polls regularly show majority votes in favor of preserving Social [Security](#) and Medicare). He also deemed their effort to be [dead on arrival](#):

Last year a group, Americans Elect, surfaced with a plan that strikingly resembled one of the schemes of 2008. The idea was for an independent [presidential campaign](#) with some characteristically twenty-first century features, notably a primary to be conducted over the internet probably late in the spring, 2012...

Americans Elect's very expensive efforts to get on the ballot in all 50 states, though, sported some very traditional features. Though it staked out a rhetorical claim to the political center, it declined to reveal who was financing it. The few moneybags it acknowledged were hardly from the political center. Peter Ackerman, for example, who

acknowledges helping to finance the start up, was formerly Director of [Capital Markets](#) at Drexel Burnham Lambert, the firm Michael Milken made famous. Together with a long record of involvement in various Republican foreign policy ventures, he has championed Social Security “reform” with organizations such as the Cato Institute. Though Americans Elect has somewhat broadened its board, Ackerman’s son Elliot is the outfit’s Chief Operating Officer. And in public the organization has focused overwhelmingly on one issue: the deficit, and the need to cut government spending.

That Bloomberg would be by far the group’s strongest candidate is no secret...With Bloomberg continuing to discourage speculation about an independent bid, talk recently turned to other candidates who might mount a campaign championing deficit reduction. David Walker, the former U.S. Comptroller General and past CEO of the Peter G. Peterson Foundation, the high aerie of deficit Superhawks, has been prominently mentioned. A recent press account had Walker holding a meeting to discuss Americans Elect with [various tycoons and media moguls](#), including a News Corporation executive and Tina Brown.

A presidential campaign by Walker or anyone besides Bloomberg is basically a Mission Impossible.

Krugman instead, loudly, [treats the centrist claims of the now-defunct Americans Elect as accurate](#):

And the center not only did not hold, it couldn’t seem to get any attention whatsoever. Americans Elect, a lavishly funded “centrist” group that was supposed to provide an alternative to traditional political parties, has been a ridiculous flop. Basically, about seven people were actually excited about the venture — all of them political pundits. Actual voters couldn’t care less...

So why Americans Elect? Because there exists in America a small class of professional centrists, whose stock in trade is denouncing the extremists in both parties and calling for a middle ground....

Americans Elect was created to appeal to this class of professional centrists — which meant that it was doomed to go nowhere.

And why does Krugman want us to believe this “centrist” organization was doomed? Not because it was a vehicle for deficit hawkery that would get traction only if Bloomberg took up its mission, but because all sensible real centrists will of course vote for Obama:

What went wrong? Well, there actually is a large constituency in America for a political leader who is willing to take responsible positions — to call for more investment in the nation’s education and infrastructure, to propose bringing down the long-run deficit through a combination of spending cuts and tax increases. And there is in fact a political leader ready and willing (maybe too willing) to play that role; his name is Barack Obama.

There is another sneaky bit in this. Notice Krugman's endorsement of deficit reduction (at least in part) by spending cuts, rather than via increasing growth? And also keep in mind that when the private sector deleverages, unless the country runs a trade surplus, the government sector has to run a deficit to accommodate the desire of households and businesses to save. Krugman hopefully knows better than this. So why is he now starting to talk what sounds like austerity lite?

The Dems are trying to put together a Grand Bargain once again. There is apparently a push to get a deal done before the election but the folks I consider credible don't see that happening. There is a possibility that we hit the deficit ceiling pre-election, which each party is likely to use to scapegoat the other, but odds favor the Administration coming out the loser. So in addition to the usual Obama hagiography, Krugman is also seeding the idea that a deficit cutting deal would be a good move. It will be interesting to see what contortions Krugman goes through to rationalize unwarranted cuts in Social Security and the beginning of the dismantling of Medicare. Remember, had Obamacare addressed our real Medicare problem, that of escalating [health care](#) costs, we would not need to be talking about "reforming" it.

Krugman has taken some brave stands in the past, but this sort of shameless distortion of facts to make a case for Obama diminishes him, and won't resonate with anyone other than Democrat loyalists. The sooner Krugman recognizes this fact and starts taking up more worthy causes, the better.