change, Nader's analysis will be tested in the clearest terms. For the first time in thirty years, the Dems will have nobody left to blame. If Obama does not turn the page as he promised, if a Democratic Congress does not step up forcefully, then we may fairly conclude Nader was right. The decay of democracy will have been proven to be deeper than we wished to believe.

Nader is not optimistic about how the old Democratic coalition will respond to its new situation. "I see a lot of anger around the country, but I don't see it organized," he said. "Anger that's unorganized has no power." The rationale behind his serial campaigns for president was always about this vacuum. His conviction was that third-party campaigns could help mobilize a popular counterforce to leverage the Democrats and break up the two-party monopoly. He failed in this—for many reasons, as he frankly acknowledges.

"The question usually asked," he said, "is, Has there been a pull or a push on either political party? I'm sorry to say there hasn't been any indicator of that—which to me means people's resignation to politics as usual has deepened further." Both major parties are deeply skewed in their allegiances to corporate power, and Nader believes this unnatural condition must be altered to reverse the decline and decay of society. He thinks this will happen sooner or later, but probably not in the way he has approached it. "My personal preference is a grass-roots movement," he said. "But more likely it's going to be some billionaire—a progressive or liberal billionaire who makes it a three-way race. If people get used to voting outside the two parties, then things can change."

So what did his presidential candidacy accomplish? Nader offered a modest list. His presence encouraged others to run independently for public office and showed them ways to do it. He identified the many barriers to ballot access for third-party candidates as an important civil liberties issue. He brought young people into clean politics and helped them develop their skills. What else? "We kept the progressive agenda alive for the future."

WILLIAM GREIDER

We're All Minskyites Now

As the most severe financial crisis since the 1930s Depression has unfolded over the past eighteen months, the ideas of the late economist Hyman Minsky have suddenly come into fashion. In the summer of 2007, the *Wall Street Journal* ran a front-page article describing the emerging crisis as the financial market's "Minsky moment." His ideas have since been featured in the *Financial Times*, *BusinessWeek*

Noted.

PARDONS FOR TURKEYS: As **George W. Bush** makes the transition from a lawless presidency to the redoubt of history, he still has a final round of high crimes and misdemeanors in him. Specifically, count on Bush to try to pardon the unpardonable—like **Karl Rove**, **Harriet Miers** and others with whom he likely conspired to thwart the rule of law. His defenders will say Bush's pardon powers are limitless. In fact, they are not.

The founders of the American experiment were clear on the question of what should be done if a president abuses his privilege to pardon an associate. **James Madison**, "the father of the Constitution," argued, "[If] the President be connected, in any suspicious manner, with any person, and there be grounds to believe he will shelter him, the House of Representatives can impeach him; they can remove him if found guilty." Madison's Virginia compatriot **George Mason** was similarly concerned about misuse of the pardon power. "The father of the Bill of Rights" feared that a future president might attempt to shield himself by preventing the prosecution or jailing of an aide who could testify to the president's involvement in a high crime or misdemeanor. Mason observed that impeachment would surely be in order if a president attempted "to stop inquiry and prevent detection" of wrongdoing within his administration. Mason also believed that impeachment would be in order if a president were to "pardon crimes which were advised by himself."

Should Bush pardon Rove and Miers—the subjects of incomplete Congressional inquiries into gross wrongdoing—the House Judiciary Committee would be duty bound to demand that the president explain himself, as then-President **Gerald Ford** did regarding his 1974 pardon of **Richard Nixon**. If Bush refuses, any self-serving pardons should be challenged as the founders intended—with articles of impeachment.

JOHN NICHOLS

DISHONORABLE CHARGES: On November 10, the day before Veterans Day, ten members of **Iraq Veterans Against the War** (IVAW) will be in court. The vets were arrested and charged with disorderly conduct while demonstrating outside the last presidential debate, held at Hofstra University on October 15. One of them, **Nick Morgan**, was trampled by a police horse and has had to undergo extensive surgery.

Before the debate, IVAW members asked **CBS News** if they could pose two questions to the candidates—on veterans' healthcare and Iraq War resisters. They received no response. In their request and a subsequent meeting with Nassau County police, IVAW members detailed their plans to hold nonviolent demonstrations: a large contingent would march, and a few members willing to risk arrest would attempt to cross police lines. Morgan was among those not baiting arrest when a mounted police officer rushed the sidewalk where he was standing. He was put in handcuffs while still unconscious. Police accompanied him to the hospital and later took him to jail, where they taunted him.

Morgan is pursuing a civil suit against the Nassau County police, and IVAW is demanding charges against him be dropped and an apology issued. Members are also urging supporters to contact both presidential campaigns and demand that the candidates answer the questions left out of the debate.

SARAH H. ARNOLD

and *The New Yorker*, among many other outlets. Minsky, who spent most of his academic career at Washington University in St. Louis and remained professionally active until his death, in 1996, deserves the recognition. He was his generation's most insightful analyst of financial markets and the causes of financial crises.

COMMENT

Even so, most mainstream economists have shunned his work because it emerged out of a dissident left Keynesian tradition known in economists' circles as post-Keynesianism. Minsky's writings, and the post-Keynesian tradition more generally, are highly critical of free-market capitalism and its defenders in the economics profession—among them Milton Friedman and other Nobel Prize–winning economists who for a generation have claimed to "prove," usually through elaborate mathematical models, that unregulated markets are inherently rational, stable and fair. For Friedmanites, regulations are harmful most of the time.

Minsky, by contrast, explained throughout his voluminous writings that unregulated markets will always produce instability and crises. He alternately termed his approach "the financial instability hypothesis" and "the Wall Street paradigm."

For Minsky, the key to understanding financial instability is to trace the shifts that occur in investors' psychology as the economy moves out of a period of crisis and recession (or depression) and into a phase of rising profits and growth. Coming out of a crisis, investors will tend to be cautious, since many of them will have been clobbered during the just-ended recession. For example, they will hold large cash reserves as a cushion to protect against future crises.

But as the economy emerges from its slump and profits rise, investors' expectations become increasingly positive. They become eager to pursue risky ideas such as securitized subprime mortgage loans. They also become more willing to let their cash reserves dwindle, since idle cash earns no profits, while purchasing speculative vehicles like subprime mortgage securities that can produce returns of 10 percent or higher.

But these moves also mean that investors are weakening their defenses against the next downturn. This is why, in Minsky's view, economic upswings, proceeding without regulations, inevitably encourage speculative excesses in which financial bubbles emerge. Minsky explained that in an unregulated environment, the only way to stop bubbles is to let them burst. Financial markets then fall into a crisis, and a recession or depression ensues.

Here we reach one of Minsky's crucial insights—that financial crises and recessions actually serve a purpose in the operations of a free-market economy, even while they wreak havoc with people's lives, including those of tens of millions of innocents who never invest a dime on Wall Street. Minsky's point is that without crises, a free-market economy has no way of discouraging investors' natural proclivities toward ever greater risks in pursuit of ever higher profits.

However, in the wake of the calamitous Great Depression, Keynesian economists tried to design measures that could supplant financial crises as the system's "natural" regulator. This was the context in which the post–World War II system of big-government capitalism was created. The package included two basic elements: regulations designed to limit speculation and channel financial resources into socially useful investments, such as single-family housing; and government bailout operations to prevent 1930s-style depressions when crises broke out anyway.

Minsky argues that the system of regulations and the bailout operations were largely successful. That is why from the end of World War II to the mid-1970s, markets here and abroad were much more stable than in any previous historical period. But even during the New Deal years, financial market titans were fighting vehemently to eliminate, or at least defang, the regulations. By the 1970s, almost all politicians—Democrats and Republicans alike—had become compliant. The regulations were initially weakened, then abolished altogether, under the strong guidance of, among others, Federal Reserve chair Alan Greenspan, Republican Senator Phil Gramm and Clinton Treasury Secretary Robert Rubin.

For Minsky, the consequences were predictable. Consider the scorecard over the twenty years before the current disaster: a stock market crash in 1987; the savings-and-loan crisis and bailout in 1989-90; the "emerging markets" crisis of 1997-98—which brought down, among others, Long-Term Capital Management, the super–hedge fund led by two Nobel laureates specializing in finance—and the bursting of the dot-com market bubble in 2001. Each of these crises could easily have produced a 1930s-style collapse in the absence of full-scale government bailout operations.

Here we come to another of Minsky's major insights—that in the absence of a complementary regulatory system, the effectiveness of bailouts will diminish over time. This is because bailouts, just like financial crises, are double-edged. They prevent depressions, but they also limit the costs to speculators of their financial excesses. As soon as the next economic expansion begins gathering strength, speculators will therefore pursue

Calvin Trillin, Deadline Poet

Sarah Palin's Bubble Deflates Just as Her Clothing Bills Arrive

A first it seemed daring—a bold McCain stroke.
His choice of Ms. Palin proved he'd go for broke.
Conservatives loved her. She held them in thrall.
They thought, "This McCain's not so bad after all."
Because of that start it's now hard to believe a
McCain camp lieutenant would call her a diva.
That's politics, which isn't beanbag or cricket.
And now there's no doubt she's a drag on the ticket.
They dressed her all up. They could dress her in Prada,
But what she can say that's of substance is nada.
Folks say it was reckless, considering oldness,
For John to pick Sarah. Well, so much for boldness.

profit opportunities more or less as they had during the previous cycle. This is the pattern that has brought us to our current situation—a massive global crisis, being countered by an equally massive bailout of thus far limited effectiveness.

Minsky's Wall Street paradigm did not address all the afflictions of free-market capitalism. In particular, his model neglects the problems that arise from the vast disparities of income, wealth and power that are just as endemic to free-market capitalism as are its tendencies toward financial instability, even though he fully recognized that these problems exist.

Yet Minsky's approach still provides the most powerful lens for understanding the roots of financial instability and developing an effective regulatory system.

Minsky understood that his advocacy of comprehensive financial regulations made no sense whatsoever within the prevailing professional orthodoxy of free-market cheerleading. In his 1986 magnum opus, *Stabilizing an Unstable Economy*, he concluded that "the policy failures since the mid-1960s are related to the banality of orthodox economic analysis.... Only an economics that is critical of capitalism can be a guide to successful policy for capitalism." ROBERT POLLIN

Robert Pollin is a professor of economics and co-director of the Political Economy Research Institute at the University of Massachusetts. His books include New Perspectives in Monetary Macroeconomics: Explorations in the Tradition of Hyman P. Minsky, *which he co-edited.*

Wanted: A Climate Bailout

COMMENT

What a difference an emergency makes. Scare people enough and $700 billion can materialize almost overnight. The White House can repudiate its core economic philosophy—government should leave markets alone—within hours. Congress, where spending bills sometimes wait years to reach the floor, can pass one of the costliest laws in its history within days. Even the endlessly fickle media can provide 24/7 news coverage, making the emergency the topic on everyone's mind.

When will we see this same sense of urgency devoted to the greatest emergency of our time? You wouldn't know it from our politicians or TV shows, but the climate crisis is even more serious than the financial crisis. The financial crisis, while painful and severe, can be resolved, given time and wise policies. The climate crisis, not so. The earth's climate system has tipping points beyond which no return is possible. Yet there is a very real danger right now that sliding oil prices will lull the public into an even deeper complacency.

The system passed the first major tipping point twenty years ago, when, according to 1988 Congressional testimony from James Hansen, the chief climate scientist at NASA, man-made global warming began. A second tipping point was passed a few years ago, when global warming began triggering climate change: abnormal droughts, storms and other extreme weather. The problem is, once climate change begins, it cannot simply be turned off. The inertia of the climate system ensures that even if every country in the world went green as quickly as possible, the earth would still be locked into fifty more years of rising temperatures and the impacts they unleash. Thus, by 2050 European summer temperatures will routinely reach the record highs experienced in 2003, when an estimated 70,000 people died. The snowpacks atop many of the world's mountains—a source of drinking and irrigation water for more than a billion people—will have melted and shrunk. Sea levels will be rising significantly.

We are now in danger of passing a third tipping point—the descent into cataclysmic, irreversible climate change. Hansen returned to Capitol Hill in June, on the twentieth anniversary of his 1988 testimony, to warn that the earth is on the verge of "disastrous climate changes that spiral dynamically out of humanity's control," causing "mass extinction, ecosystem collapse and dramatic sea level rises." To avert this catastrophe, Hansen continued, "is, barely, still possible. It requires a transformative change of direction in Washington in the next year"—that is, by the end of 2009, when the world's governments will meet in Copenhagen to negotiate new reductions in the greenhouse gas emissions that cause global warming.

Every candidate running for election, and every journalist covering them, should be required to spend the twenty minutes it takes to read Hansen's latest testimony, because they obviously still don't get it. We face a code-red emergency. At stake is the survival of human civilization. Yet the candidates and media treat global warming as just another issue. Even Barack Obama, who takes the problem seriously, seems not to grasp the urgency of the moment. (The same is true in Europe, where governments have invoked the economic downturn as grounds for delaying emissions cuts.)

The United States and the world need to launch a climate rescue plan that is at least as ambitious as the financial rescue plan. We need a massive shift of government incentives and funds away from fossil fuels and toward energy efficiency, solar and wind power, and other low-carbon alternatives. We must also end rampant deforestation, which causes 20 percent of global greenhouse gas emissions while imposing enormous economic costs. (A new study by the European Union found that deforestation costs far more every year than the financial crisis, because when forests disappear humans must pay for ecosystem services—storage of water, neutralization of carbon dioxide—that previously were free.)

The good news is that a massive green jobs and investment program is economically appealing and politically plausible. The program would pay for itself over time by generating additional income, profits, innovation and market opportunities, which doubtless accounts for the support it has gained from such mainstream sources as *New York Times* columnist Thomas Friedman, not to mention the Democratic presidential nominee. A green jobs and investment program is the core of Obama's proposed energy policy as president, but he is still thinking too small: he proposes spending $15 billion a year for the next ten years, when the crisis calls for spending much more, much faster.

Friends of the Earth was the first environmental group to oppose the $700 billion bailout, warning that it would put the next president "in a fiscal straitjacket." But a straitjacketed Obama should still spend big to go green, says Friends of the