IS THE UNITED STATES GOING BANKRUPT?

—by Lawrence B. Krause
Professor Emeritus, Graduate School of International Relations and Pacific Studies

Bankruptcy is usually a voluntary action taken by an entity when its balance sheet shows such a high level of debt to assets that the burdens of servicing the debt (interest payments and refinance costs) become intolerable and legal protection is sought. Individuals can seek bankruptcy protection, as well as business firms and some levels of government — some observers are even recommending that San Diego go Chapter 9.

The Federal Government is in a different position. It has the sovereign power to issue money to pay its debts and thus can keep the printing presses going to satisfy creditors. Nevertheless, a profligate U.S. Government can get itself into trouble and cause a crisis. The crisis can arise from either or both too much debt owed to Americans and/or too much owed to foreigners. There is a lively debate going on between those who think a crisis is on the horizon (George Soros and Warren Buffett) and those who are less concerned (David Levey and Stuart Brown). All agree that current trends are not sustainable, and as the saying goes, that which cannot keep going will eventually stop.

The worrisome crisis can take several forms. Even if the debt is all held domestically (we owe it to ourselves), excessive government borrowing causes inflation. As investors demand higher and higher interest rates to compensate for the inflation, and the government tries to minimize the rise to avoid an economic downturn by issuing shorter and shorter dated securities, the country eventually finds itself awash with greenbacks and — in the extreme — inflation accelerates to hyper-inflation. Historical episodes of hyper-inflation include Imperial China, Weimar Germany, and Indonesia in the 1950’s. Long before that would occur in the United States, the Federal Reserve would push up short-term interest rates sufficiently to induce a serious recession — with tumbling stock prices, falling real estate prices, and rising unemployment.

If a large share of the public debt is owed to foreigners, then the crisis occurs when foreigners refuse to lend any more and try to unload their holdings. For countries such as Argentina and Thailand which have borrowed abroad in foreign currencies (usually dollars), the crisis occurs when they run out of reserves to service their debts and they are forced to default and/or let their exchange rate depreciate uncontrollably. Again, the United States is different because our external debt is denominated in US dollars and we cannot run out of them. However, we cannot prevent the dollar from depreciating or being un-responsive when foreigners demandurious levels of interest rates to continue to finance us.

To assess the probability of a crisis, we need to examine the numbers. The accompanying table is the sorry record of the fiscal deficits of the Federal Government in recent years. Now at over $400 billion per year (3.5% of GDP), we are in record territory. The total debt of the Federal Government is $7.6 trillion or about 70% of GDP. The Bush Administration has promised to reduce the deficit by half in five years, but neutral observers (like Goldman Sachs) doubt this prediction. If the Congress were to legislate personal accounts for the Social Security system, then the budget would take an additional sizeable hit.

The data for our foreign borrowing comes from the balance of payments. The figure for the current account measures the total borrowing from abroad — both private and government. As the table shows, U.S.
borrowing from abroad has been huge in recent years and is estimated to exceed $700 billion this year (close to 6% of GDP). Particular importance is contained in two aspects of the current account deficit. It is considerably larger than the Federal budget deficit, and our borrowing is now mainly in debt instruments (previously it was through direct equity investment in U.S. business, which added to U.S. productivity). Up until the mid 1980’s, the U.S. was a net lender/investor in the rest of the world. However, now we are the borrowers and our net liabilities total $2.7 trillion (about 25% of our GDP).

Will foreigners be willing to invest in the United States when there are greater rewards promised in places like China and India? Will foreign central banks be willing to buy our government bonds if they disapprove of our policies (both domestic and foreign)? As foreign appetite for U.S. assets cools, the dollar will depreciate (it has been going down since February 2002), which makes investing in U.S. dollar assets even less appealing.

Does this add up to an immediate crisis? Probably not. U.S. economic strength is still great. Our productivity level may well be the highest in the world and we continue to grow at a satisfactory rate. However, we cannot continue to have rising budget and current account deficits. The Bush Administration may be able to fend off serious problems with promises—even if not realized. The next administration, however, will have to face the music.

What would I recommend? I think it is time for the U.S. to shift from relying on income taxes and move to a value-added tax. In the process, revenues would rise, and the value-added tax has the additional virtue of falling on imports and exempting exports, which would help our international trade imbalance. It can be made quite simple, progressive, and enforceable. Alternatively, it can be made complex enough to satisfy accountants and tax lawyers. Alan Greenspan has begun the public debate on this issue and it should be seriously considered by the public.

### UNITED STATES GOVERNMENT FISCAL POSITION

<table>
<thead>
<tr>
<th>Date</th>
<th>US Federal Budget Deficit</th>
<th>Current Account</th>
<th>Int. Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Bil</td>
<td>% of GDP</td>
<td>$ Bil</td>
</tr>
<tr>
<td>1990</td>
<td>-221.20</td>
<td>-3.81</td>
<td>-79.00</td>
</tr>
<tr>
<td>1991</td>
<td>-269.30</td>
<td>-4.49</td>
<td>3.80</td>
</tr>
<tr>
<td>1992</td>
<td>-290.40</td>
<td>-4.58</td>
<td>-48.00</td>
</tr>
<tr>
<td>1993</td>
<td>-255.10</td>
<td>-3.83</td>
<td>-82.00</td>
</tr>
<tr>
<td>1994</td>
<td>-203.30</td>
<td>-2.87</td>
<td>-118.00</td>
</tr>
<tr>
<td>1995</td>
<td>-164.00</td>
<td>-2.22</td>
<td>-109.50</td>
</tr>
<tr>
<td>1996</td>
<td>-107.50</td>
<td>-1.38</td>
<td>-120.20</td>
</tr>
<tr>
<td>1997</td>
<td>-22.00</td>
<td>-0.26</td>
<td>-136.00</td>
</tr>
<tr>
<td>1998</td>
<td>69.20</td>
<td>0.79</td>
<td>-209.60</td>
</tr>
<tr>
<td>1999</td>
<td>125.60</td>
<td>1.36</td>
<td>-296.80</td>
</tr>
<tr>
<td>2000</td>
<td>236.40</td>
<td>2.41</td>
<td>-413.40</td>
</tr>
<tr>
<td>2001</td>
<td>127.40</td>
<td>1.26</td>
<td>-385.70</td>
</tr>
<tr>
<td>2002</td>
<td>-157.80</td>
<td>-1.50</td>
<td>-473.90</td>
</tr>
<tr>
<td>2003</td>
<td>-377.60</td>
<td>-3.43</td>
<td>-530.70</td>
</tr>
<tr>
<td>2004</td>
<td>-412.10</td>
<td>-3.51</td>
<td>-641.30</td>
</tr>
</tbody>
</table>
In the past, when neurosurgeons were preparing to remove a small tumor from the brain which had been diagnosed by clinical signs or visualized by X-Ray or Magnetic Resonance Imaging (MRI), they determined the best location for the skin incision by “dead reckoning” (using landmarks such as the eyes, ears, nose, or back of the patient’s head). Because this was not always accurate, the next step was to put a marker on the patient’s scalp during diagnostic testing. Currently we use a much more accurate technique referred to as “Image Guided Surgery” which is akin to Global Positioning but is not based on satellites.

Image Guided Surgery was developed in the 1990’s and utilizes computerized technology to transfer the pre-operative MRI scan to the Operating Room (OR) and relate it to the actual anatomy of the patient’s scalp, skull, and brain. There are different ways of doing this, but here is how the system we use at UCSD works:

When the patient arrives in the operating room, the MRI images are transferred to the OR computer by direct line or optical disc. Once the patient is asleep (or under local anesthesia if desired) a special wand is rigidly fixed to the patient’s skull so that it can transmit head position or any future movement. The wand has three reflective balls 1cm in diameter arranged in a triangle. A light-emitting and receiving device is placed above the patient’s head and out of the way of the operating team and connected to the computer and a TV Monitor. Once the patient is registered into the computer by scanning his/her facial features with a laser beam, the computer reconstructs the three-dimensional anatomy of the patient’s scalp, skull, and brain based on the prior MRI scan. It is therefore possible for the surgeon to visualize the location of a tumor or any other anatomical structure inside the head before making a skin incision. A second wand can be used as a pointer. When it is placed directly over the tumor, the surgeon can see exactly where to make the skin incision and craniotomy. The usual accuracy of this system is 1mm or less. Even if it is necessary to move the patient’s head, since the wand is rigidly attached it will move accordingly, and the computer will adjust the image on the TV monitor to reflect the change.

The major drawback of this system is that once the cranium is opened, and particularly when a portion of the tumor has been removed, the intracranial contents can shift, destroying its accuracy because the computer continues to use the pre-operative MRI Images as its reference. Therefore, it is not reliable for removing the last portion of a tumor, which does not have a clearly defined anatomical border. It can be used for brain biopsy or insertion of deep brain electrodes, however, if great care is taken to minimize the size of the opening and loss of spinal fluid.

INTRA-OPERATIVE MRI

The next step in improving neurosurgical accuracy and insuring the completeness on intracranial tumor removal is to install an MRI scanner in the OR. This is not a simple task, however, because in addition to being expensive, large, and heavy, high-resolution MRI scanners generate a strong magnetic field, which makes it impossible to use standard surgical instruments or anesthetic equipment, and requires a shielded environment to avoid image distortion by extraneous electromagnetic signals such as radio waves. Nevertheless, there are a number of systems in operation, and we are in the process of installing one at UCSD.

The simplest solution would be to install a commercially available, low field-strength magnet, but the field of view is small, the resolution is poor, and it still requires a shielded OR. Another option is to install an MRI scanner in a shielded room adjacent to an OR so that the patient can be moved into the scanner when the surgeon desires to visualize an image. This solves the problems of the surgical instruments and the shielding of the OR, but moving a patient even a short distance under general anesthesia and maintaining sterile conditions is problematic. We have, therefore, decided to build a shielded OR with a high field-strength magnet, and purchase non-ferromagnetic surgical instruments and anesthesia equipment. This should be operational in one to two years.
Strolls In Rome

—by Avrum Stroll

A few years ago I had the idea of co-authoring with my wife, Mary, a small book, a kind of travelogue, to be entitled Strolls in Rome. Since Mary is a medieval historian who specializes in 12th Century papal politics and does her research mostly at the Biblioteca Apostolica Vaticana (more popularly known as the Vatican Library), I thought she would write a chapter or two on what it is like to be able to get access to the Library (a non-trivial endeavor) and its Secret Archives, and I would describe the character of Rome as I wandered through some of its minuscule streets and alleys. But both of us have since been diverted by other research projects, so we have never written the book — and probably never will. But having just returned from a three-month stay in Rome, I am in a pretty good position to give readers some sense of what it is like to be in “The Eternal City.” The name is indeed appropriate. We have been going to Rome now for about thirty years and in that time it has hardly changed. It is still impossible to park anywhere, still almost impossible to drive in the city because of its narrow streets and dense traffic, and almost impossible to walk anywhere because of a profusion of motorini and other pestiferous vehicles. In our experience, the look of Rome has not changed. Seen from the Piazza Garibaldi, which is located on the Gianicolo, one of the seven Roman hills, it glows. Unlike Paris, there is no La Defense with its towering skyscrapers. The city fathers have imposed strict regulations on the size, shapes, and colors of buildings. It looks very much as it did thirty years ago and as it must have looked at the turn of the century.

The American Academy in Rome is also located on the Gianicolo. It is an institution dedicated to the Arts and to research in the Humanities. We were able to rent an apartment there and thus to interact with its fellows, and to use its excellent library. Of the thirty Academies in Rome, such as the Hungarian Academy, the Norwegian Academy, and the Austrian Academy, it is the only Academy not supported by or somehow affiliated with its eponymous government. It thus has no financial or political ties to the United States and operates in a wholly independent way. There are thirty Fellows at the Academy at any given time. Each has won the Rome prize, which entitles him or her to accommodation, two free meals a day, and about $30,000 in cash per year. It is estimated that the Prize is worth about $75,000 per year. The fellowships are usually for one year but in a few cases they are extended to two. Besides the Fellows, there are two other categories of persons that abide in the Academy: Residents, who are usually senior practitioners, and Visiting Scholars, a category into which Mary and I fall. The range of disciplines represented is huge. It includes classicists, medievalists, architects, composers, painters, sculptors, novelists, poets, playwrights, pianists, and even (as in my case) philosophers. The dinner hour begins at 8:00 PM and is observed by communal dining. There are two tables that seat about twenty persons, and several tables one can reserve that accommodate six or fewer. In general, the seating is random. We often find ourselves talking to a visiting artist, a violinist, or an historian of ancient Rome. It is interesting to discover how diverse perspectives on the world can be.

Rome also has a profusion of libraries, such as the Gregoriana (belonging to the Jesuit order), the Hertziana (specializing in the history of art), the Deutsches Historisches Institut, and of course the Biblioteca Apostolica Vaticana. Also, the University of Rome (which is divided into three separate campuses) has its own collections, most of them first rate in the fields that they tend to concentrate on. In the past Mary mostly used the Vatican
Library for her research, which has issued in four books. Her latest (E.J. Brill, 2004) is an analytical study of the career of Pope Calixtus II (1119-1124). In the Concordat of Worms, Calixtus and the emperor, Henry V, reached a compromise over episcopal investitures, their main point of contention. This was a nodal event that changed the course of Western history, and it is the centerpiece of Mary’s study. This year, for various reasons, the Vatican Library opened a month late, and during that period Mary began a new research project on 11th C. Anti-Popes, materials for which were fortunately available at the Deutsches Historisches Institut.

My own project was to write a companion volume to a book I published in 2000: Twentieth-Century Analytic Philosophy (Columbia U. Press). The new work will deal with the question: Who was the originator of analytic philosophy? In the past decade, there have been a spate of answers, each favoring a different progenitor. My own idea, following Russell, is that an Italian mathematician/logician, Giuseppe Peano, was the creator of this important branch of philosophy. Although I am now convinced that it is impossible to produce a decisive proof to this effect, I still believe the notion is correct and in my study will defend such a construal.

The libraries and most academic institutions close on weekends, so Mary and I were able to wander around the city during those interludes. On Saturdays we strolled through the so-called “historical center,” i.e., the area that is bounded by an encompassing stretch of enormous walls. The center is not very large. One can easily walk through most of it in a morning. It consists of a stunning collection of buildings. The architecture belongs to divergent periods and each structure has its own character. One can find every style in this small enclosure from early Roman influences such as the Forum and the Colosseum, through the medieval period (represented by innumerable wonderful basilicas, among them Santa Maria in Trastevere, which possesses a façade of golden mosaics), a variety of renaissance piazzas and parks (such as Piazza St. Ignazio and the lovely Doria Pamphili, with its gravel walkways and its beautiful lake). On Sundays we often drove into the countryside, into northern Lazio and Tuscany, to walk in verdant, unspoiled valleys on tiny roads often leading to Etruscan tombs, and to have lunch in magical villages like Scansano, Sovana (the putative birthplace of Gregory VII), Blera, and Barbarano Romano.

Unlike Paris, Rome is not a modern city. It belongs to the past. Its “modern” painters include Caravaggio and Raffaello whose works are prominently displayed in churches and museums. Among world cities, Rome is unsurpassed for its complex layers of culture. As the Michelin Guide says, it is well worth a detour.

In response to all those who would have requested the words to Ralph Lewin’s great anthem for UCSD—had they only known of its existence — here are his immortal lyrics (set to music from the finale of Act I of The Mikado) as first sung at the original La Jollywood Revue in 1986:

**Our School Song — Sort Of**

Some places have an acronym
Like suny, cal, and mit.
They’re good to shout: you spell them out —
The letters seem to fit.
But by some sad perversity,
We’re really out of luckst,
Our noble university
Abbreviates to ucsd!

We come to study chemistry
Or do phys. ed or bio.
Or even oceanography
Here by the sea at sio.
But it looks silly on our cars
And sillier on truckst
If we without particulars,
Inscribe them simply “ucsd.”

We’d like a neat appellative
Like nasa, say, or bart,
To stand for where we work and live,
In science and in art;
But now with feelings somewhat mixed,
We think that we are stuckst:
Our acronym’s been firmly fixed:
Our institution’s ucsd.

Yet, though our rhyme’s peculiar
And sounds a trifle loony,
Our scholarship is better far
Than mit or cal or suny.
We can’t see where we go from here,
So now we’ll pass the buckst
To people in some future sphere,
At sio or at ucsd.
The opossum
—by Ralph Lewin

Her looks appear nervous and puzzled
(Who knows what goes on in her mind?)
Her profile is narrowly muzzled,
With many more teeth than mankind.

This feature—essential dental—
Distinguishes 'possum from man.
It shows that she’s not placental,
But of the marsupial clan.

Her tail is extremely prehensile:
It curls with remarkable grace.
Its tip is as slim as the pencil;
The rest broadens out at the base.

Her eyes are small, beady and crossable.
(Who knows what perspective she sees?)
To catch her is almost impossible
So long as she stays in the trees;

But when on the ground she’s less agile:
Her gait is a sort of a slouch.
Her babies are tiny and fragile,
And spend many weeks in her pouch.

A 'possum, in pink of condition,
Is proud of the fur of her coat.
(She may lean towards opposition—
But no-one knows how she will vote.)

--

Culture Wars and American Politics
—by Joe Gusfield

In the late 1970’s I saw a television interview with Lindsay Wagner, a TV actress and minor celebrity at the time. It sticks in my mind for what it revealed about the changing American public culture. She was asked about her domestic life at the time and answered that she was living with a man whom she named. The interviewer challenged Miss Wagner, asking her if this arrangement was right. The actress replied that whatever makes you happy is right.

I thought at the time, and still do, that even less than two decades before that interview, the admission that a man and woman were living together and not married to each other would not have been made public so readily. Not that many Americans never had such domestic arrangements or a similar sense of morality. What had changed was the public acceptability of it. What would not have been admitted in public could now be admissible. What was unthinkable had become thinkable.

I was especially struck by this episode, because since the 1950’s when I studied the Temperance and Prohibition movements, I have been trying to understand what I called moral politics. The movements I had studied had been a major factor in American politics for more than a century and had led to an amendment to the Constitution. They were difficult to explain in the then dominant perspective of American political science. Such issues as Sunday blue laws, censorship of literature and entertainment, and a possible constitutional amendment banning polygamous marriage were among them.

What such issues have in common is that they involve controversies that are not primarily about economic or other tangible interests, but about deeply held moral and religious beliefs and standards of decency. Movements to ban the use of alcohol reflected the tensions between the moral orientations to drinking among Catholic and Jewish immigrants and the standards governing rural, nativist Protestants whose moral rules dominated schools and other public institutions.

The politically significant aspect of the changes that have occurred in American sexual, familial, and religious behavior is not that they occur but that they appear as acceptable in the public contexts of mass media, law and political contest. Issues of premarital sex, homosexuality, divorce, and birth out of wedlock have lost the stigmas that had ruled public life. (Where have all the illegitimate children gone?) Abortion is no longer illegal and even public language admits contents once clearly tabooed. The love that dare not speak its name is now the source of television drama, movies, and public interviews.

Mark Your Calendar!
UCSD Emeriti Association Meeting
Wednesday, April 13
4:00-5:00 pm
Price Center
San Francisco/Santa Cruz Room
Doris Alvarez, Principal,
The Preuss School
(Topic to be announced)

Chronicles, April 2005
Issues of religion versus secularism have also emerged as sources of intense conflict. Teaching of evolution has once again become a visible issue. Governmental display of the Ten Commandments is now a matter of legal and political conflict. Close to home, the maintenance of the Cross on Mt. Soledad is a political issue in San Diego. A movement to change La Jolla’s annual Christmas parade to the annual Holiday parade recently emerged. The moralities and religious symbols that traditionally did not need public defense are now in danger of being displaced and in need of the defenses of law and politics. They can be seen as efforts to reverse the long-run decline of the Protestant domination of public life.

Taken as a division of feeling and thought, these issues are not, by themselves, the deep conflicts of politics and public institutions that the phrase culture wars suggests. The term was made a part of American politics by Pat Buchanan at the 1992 Republican convention. He spoke of a religious and cultural war under way for the soul of the country. On the other side were the proponents of radical feminism, abortion on demand, and homosexual rights.

Even further back, the attack on the TV character Murphy Brown by Vice-President Dan Quayle, and the passage in 1954 of legislation placing “under God” in the Pledge of Allegiance were only two instances of the religious defense of tradition against the introduction into public space of secular and modernist culture.

Although I have stated these issues as ideological, it is important to remember that it is people who bear cultures. (These typologies overstate the uniformity of the divisions. There is diversity and overlap within and between groups.) The existence of their culture as the public culture helps them identify themselves as the defenders of the official morals and thus the culturally hegemonic group. When its dominance is threatened, it is often necessary to resort to law and government. The symbolic act confers recognition of cultural hegemony. I doubt if putting “under God” in the Pledge has created more patriotic or religious people, or that the impeachment of an adulterous President has lessened adultery in America.

These moral and religious issues take on the animosities and intense hostility as institutions, mass media, and politicians exacerbate them. The role of the Evangelical churches in promoting conservative views has been widely noted, but the mostly secular universities have played a similar role in promoting opposite views. Institutions produce an atmosphere and a resource of information that strengthens ideological homogeneity. (Ask yourself if you and your friends are regular listeners to both Rush Limbaugh and Bill Moyers.) Attachment to institutions and media commentators can insulate groups on all sides from a realistic awareness of just how the official culture of the country is in flux. Encapsulated in networks of like-minded people, it is easy to see us as the moral majority despite the actual diversity that prevails. The very homogeneity of ideological groups is insulation against a sense of being in a minority. As one pro-life person, astounded by the Roe v. Wade decision, put it to an interviewer, “I’ve never met anyone who favored legalizing abortions.”

The development of national mass media and the changed content of movies and TV have weakened the insularity that prevented wide recognition of changes in American behavior. It has created a greater exposure at the same time that it has also created a wider sense of opposition and defensiveness against that very culture through talk shows and religious programs.

The polarization of cultural groups becomes accentuated and significant when they are drawn into the public arenas through law and legislation and political leadership. It is in the mobilization of people into movements that they gain attention, political power, and the ability to shape the public agenda. Movements often call out counter-movements; change often produces resistance to change. As cultural changes become publicly acceptable, they move opposition to legal and political measures. The Feminist movement led the fight for the E.R.A. and abortion, ending in Roe v. Wade. Resistance to both produced the Pro-Life and the Moral Majority. The Christian Right has emerged out of these movements of the 1970’s.

The relation of the culture wars to the two political parties has intensified and accentuated the polarization of American public life. It owes much to the impact of the Civil Rights movement on American politics. In signing the Civil Rights Act Lyndon Johnson is said to have remarked presciently, “Now we have given the South to the Republicans.” For decades the Democrats had retained much legislative power at the national level by a tacit agreement between Southern Democrats and Northern Democrats. The North did not try to change race relations and the South remained with the Democratic Party. With the passage of the Civil Rights Act this treaty came apart. The parties were, so to speak, freed to seek new congenial bases. The current sharp separation of the two parties is an important element in the sharp division of cultural opponents. It breeds loyalties and animosities.

The moral and religious issues now being debated are not likely to be readily compromised, because they are not about the distribution of resources but about ways of life that touch passionately held beliefs. To lessen the impact of the current cultural polarization in America will probably require political leaders who will resist the temptation to exploit the differences for political gain and who will instead appeal to the civic unities of a common American culture. Until such leadership emerges, wars over the issues of culture are likely to persist.
April 2005

Necrology

We note with sadness the deaths of the following emeriti, not acknowledged in previous issues of Chronicles. We ask our readers to call to our attention (LDNEWMARK@ucsd.edu) corrections, names, and/or dates missing from this list, for inclusion in a later issue.

James Enright 11/2002
John Faulkner 11/2002
Morris Enton Friedkin 11/2002
Jules A. Fejer 11/2002
Stanley Middleman 3/7/2005
John Silber 3/7/2005

Chronicles

Newsletter of the UCSD Emeriti Association

Editorial Board
Sanford Lakoff Editor
Marvin Goldberger President of the Association
Robert Hamburger Medical Sciences
Donald Helinski Biological Sciences
George Backus Physical Sciences
Leonard Newmark Compositor
Ruth Newmark Co-Compositor

Please report all address changes to our Academic Senate Assistant: Ashley Stevens
astevens@ucsd.edu, (858) 534-3640, mail code 0002