

## Coming down to earth

*The president has had a bumpy ride in his first two months.*



*Illustration by KAL*

Two months after his inauguration, Barack Obama can already point to some impressive achievements. He has passed a \$787 billion stimulus bill—the biggest in American history—and outlined an ambitious agenda for reforming health care and education, tackling entitlements and pushing “green” energy. He has also delighted his admirers at home and abroad by beginning to reverse George Bush’s policies on such controversial subjects as talking to Iran, global warming, the treatment of enemy combatants and stem-cell research.

Unfortunately, Mr Obama’s critics can also point to a striking record of failures. A startling number of his nominees for senior positions have imploded. The upper ranks of the Treasury remain empty in the midst of the most serious recession since the 1930s. Warren Buffett, an early Obama-supporter and a man legendary for holding on to stocks that he has backed, thinks that the president is taking his eye off the ball. Andy Grove, a former head of Intel, describes the administration’s performance as “ineffectual”. Even the commentariat, which swooned over Mr Obama’s campaign, is running out of patience.

Many of Mr Obama’s achievements have a Potemkin quality. He signed a \$410 billion spending bill that contains 8,570 earmarks (directing funds to specific projects), despite his pledge to reduce the practice. His budget rests on unrealistic assumptions about America’s future economic growth and about the cost of his spending programmes. He throws out numbers like confetti: Peter Orszag, his usually impressive budget director, made a dismal job of explaining to Congress where Mr Obama intended to find the \$634 billion “down payment” he promised for health-care reform.

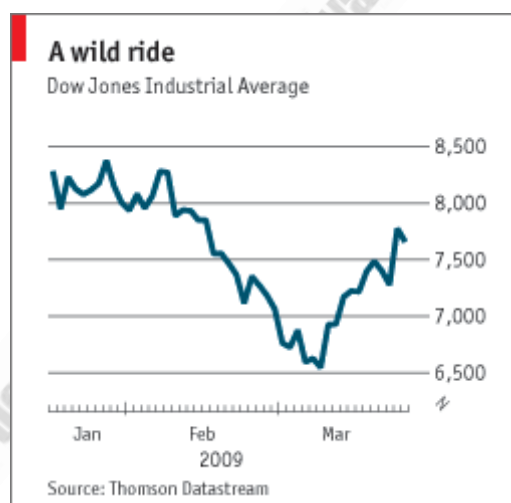
Mr Obama’s erratic performance is partly the result of the rollercoaster world he finds himself in. Few presidents have come to power with as much political capital. Mr Obama beat John McCain by seven points. His party has majorities of 39 seats in the House of Representatives and ten in the Senate. The administration can also draw on the brainpower and political muscle of a powerful network of liberal think-tanks and pressure-groups that were formed during the Bush years. But this understates his strength. His election represented a turning point in America’s bitter racial history. It also possibly coincided with the end of a conservative era that began with Ronald Reagan’s election in 1980.

At the same time Mr Obama confronts an unusually difficult set of challenges. America is in the grip of a recession that is crushing jobs and reducing demand at an alarming rate. Some of America's most famous financial institutions have collapsed. General Motors is on the verge of collapse. The unemployment rate, which is already 8.1%, could hit double figures. The American political system is arguably more dysfunctional than ever, with the parties heavily polarised and the 24-hour-news cycle magnifying bad news.

All this means that Mr Obama's first two months in office are difficult to evaluate. But a few things seem pretty clear. This is a strikingly ambitious president: he wants to be "transformative" in more than just the sense of being the first black president. But so far his presidency has been vitiated by a combination of incompetence and a willingness to fall back on the very tactics that he denounced as a candidate. Indeed, his desire to be "transformative" may be contributing to his problems, distracting him from the economic crisis.

The pragmatic liberal

Mr Obama has already outlined the most ambitious agenda for transforming America since the Reagan revolution: proposing universal health care, expanding the role of the federal government in education, tackling global warming and reducing America's growing inequalities. This has ignited a fierce debate about his ideology. Is he an unreconstructed liberal who will provide the left's answer to Ronald Reagan? Or is he a New Democrat, as he himself claims? The answer is probably a mixture of the two. Mr Obama is a pragmatic liberal, more confident about big government than Bill Clinton's New Democrats, but less wedded to liberal solutions than many of the old lions in his party.



He has spent his career, apart from a year or so in business consultancy, in the non-profit sector, first as a community organiser and later as a rising politician. In his memoirs he often speaks disparagingly about the private sector. He draws some of his keenest support from trade unions and liberal pressure-groups. The most influential think-tank in Mr Obama's Washington, the training ground for many of his top appointees, is the Centre for American Progress, funded by liberal billionaires such as George Soros and Peter Lewis.

But the president also has a pragmatist's suspicion of ideology. Some of the most prominent figures in his administration are centrists. Kathleen Sebelius, his prospective health secretary, was a popular governor of Kansas, one of the country's most conservative states. Larry Summers, his chief economic adviser, is a famous gorer of liberal ones. Cass Sunstein, his regulation tsar, argues that the government should use market incentives to "nudge" people rather than bludgeoning them directly.

Mr Obama certainly plans to increase taxes on the rich—but only to their level during Mr Clinton's administration, which presided over the high-tech boom and a surge in the small-business sector. Mr Obama wants to reform the health-care sector. But he prefers to supplement the private system rather than replace it with a "single-payer" national health service; many of his supporters are business people crushed by the cost of health care. He wants to increase the role of the federal government in education. But he also speaks eloquently about introducing more merit pay and creating more charter schools. "The resources come with a bow tied around them that says 'reform'," argues his chief of staff, Rahm Emanuel. The administration's nervousness about old-fashioned liberalism has contributed to its hesitancy in dealing with the banking crisis. Rather than simply "nationalising" the weakest banks and taking over their bad debt, it has preferred to create an elaborate system of incentives for private investors.

If his domestic policy is a mix of pragmatism and liberal ambition, his foreign policy is a mixture of pragmatism and liberal caution. He has revised the legal regime governing al-Qaeda terrorists, put an end to brutal interrogations and promised to close down Guantánamo Bay, to the delight of the anti-war left. But otherwise his policy is characterised by a combination of realism and caution. Realism when dealing with other powers: he has signalled to the Chinese that he will not make a fuss over human rights, and to Arab rulers that he will take a more balanced approach to the Middle East. Caution when it comes to unwinding the "war on terror": he has rethought his campaign promise to withdraw America's troops from Iraq in 16 months, is increasing America's military presence in Afghanistan and is stepping up strikes into Pakistani territory.

#### Obamateur

The biggest surprise of Mr Obama's first two months has not been his policy preferences (most of which he advertised), but a certain lack of competence. The man who earned the sobriquet "No Drama Obama" for running such a disciplined campaign has, since coming to office, slipped on one banana skin after another.

He has lost a remarkable number of nominees: two potential commerce secretaries, Bill Richardson and Judd Gregg; a health secretary-cum-health-reform tsar, Tom Daschle; a chief performance officer, Nancy Killefer; and a head of the National Intelligence Council, Charles Freeman. This has clouded his administration's claims to ethical purity, not least because two of the nominees, Mr Daschle and Mr Killefer, had tax problems. It has also contributed to the sense of chaos.

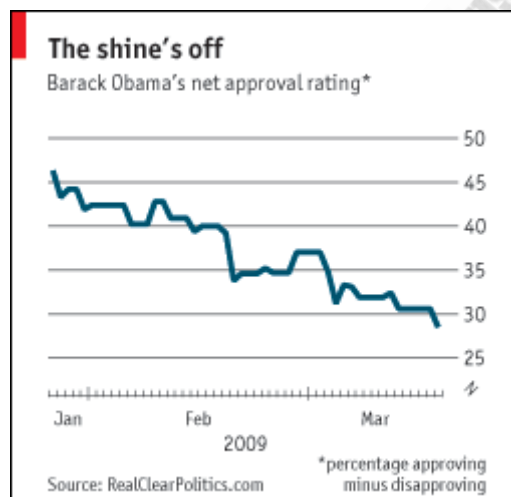
Mr Obama is paying a heavy price for securing the nomination of his treasury secretary, Tim Geithner. Mr Geithner's tax problems meant that the White House had to be super-scrupulous in vetting other Treasury figures. He was uncertain in his early public appearances and slow to produce a plan for sorting out America's banks. Mr Obama's confidence in him may at last be paying off; his plan for buying "toxic assets", released this week, sent the markets soaring, he gave a confident performance before Congress, and the senior ranks of his department are now beginning to fill up. But it would have been nice not to have waited so long for the Treasury to start firing on all cylinders.

The Obama administration has also made a long list of smaller mistakes. Gordon Brown, the British prime minister, ought to be one of Mr Obama's closest allies in fixing the global financial system, for both ideological and historical reasons. But Mr Obama badly mishandled his meeting with Mr Brown, giving him no more than half an hour and presenting him with a gift of a job lot of DVDs which do not even work in Britain. The G20 meeting in London is the first

get-together of all the big industrial countries since Mr Obama came to office. But the administration's preparations have been cursory.

Many of Mr Obama's mistakes stem from a single strategic miscalculation: he is trying to do too much too quickly. The financial crisis would overwhelm any administration, let alone one that is still trying to fill key jobs. But Mr Obama has chosen this moment to tackle a collection of problems, such as health care and environmental regulation, that have defeated much less overburdened administrations.

The administration advances two justifications for this, one substantive (you can't fix America's economy without also dealing with its long-term problems) and one political ("Never waste a good crisis"). The American economy will certainly be stronger if the country can tame its health-care costs. But health-care inflation has nothing to do with the financial crisis. The problem with never wasting a good crisis is that you alienate potential supporters, particularly Republicans, and risk overloading the system. "Mr Obama likes to say that presidents can do more than one thing at a time," remarks Peggy Noonan, a Reagan speech writer, "but in fact modern presidents are lucky to do one thing at a time, never mind two." It is worth remembering that Mr Obama's idol, Franklin Roosevelt, introduced a broad reform agenda only after he had gained credit for tackling the banking crisis.



There is plenty of evidence that the administration is much too thinly stretched. David Smick, a consultant, argues that Mr Obama has a three-pronged approach to the crisis—"delay, delay, delay". He announces grand plans only to stint on the details. He promises budgetary discipline only to put off the hard decisions until later. The president pops up with a speech excoriating AIG bonuses ("I am angry") but fails to explain the thinking behind his economic programme. Mr Buffett has given voice to widespread worries about the administration's failure to prioritise. "Job one is to win the war, the economic war. Job two is to win the economic war—and job three. And you can't expect people to unite behind you if you're trying to jam a whole bunch of things down their throat."

Mr Obama's decision to announce a big-spending budget just when he is spending billions to rescue the financial system has also reinforced worries about America's fiscal situation. The Congressional Budget Office estimates that some of Mr Obama's social policies will be more expensive than the White House claims, and that the economy will grow more slowly. The deficit will be \$9.3 trillion over the next decade, averaging 5.3% of GDP a year. Mr Orszag concedes that such a number would be unsustainable.

Politics-as-usual

Almost as striking as the contrast between Mr Obama's soaring ambition and his frequent incompetence is that between his promise to elevate politics and his willingness to continue with politics-as-usual. All presidents run for office promising to change Washington and end up becoming its captives. But few have reversed themselves as quickly as the Hope-meister.

Take bipartisanship. It is true that Mr Obama has made some bipartisan appointments, keeping Robert Gates at the Pentagon and giving transport to Ray LaHood. He made concessions in stimulus negotiations, and has invited a few Republicans over for cocktails. But his bipartisanship has been mostly of the George Bush variety: he is quite happy for his opponents to endorse his policies.

He has surrounded himself with hardened Democratic "pols" such as Rahm Emanuel, his chief of staff, and David Axelrod, his campaign strategist-turned-senior adviser. He has filled the top levels of his administration almost exclusively with people from the world of government: a former senator (at State), two former government officials (Treasury and Defence), two former governors (Health and Homeland Security). David Ignatius of the Washington Post points out that this administration is "as thin on business experience as a Hyde Park book club". This not only limits the range of advice he can hear and the experience he can draw on. It also makes it even more difficult to prevent panic on Wall Street or Main Street.



*Illustration by KAL*

Mr Obama is now enthusiastically engaged in something that he foreswore as a candidate: the art of the permanent campaign. Senior White House advisers meet every Wednesday night to plot political strategy. Mr Obama's former campaign manager, David Plouffe, is e-mailing millions of Obama supporters to encourage them to put pressure on their congressional representatives to pass the budget. Mr Obama gives a striking share of his set piece speeches in swing states. The Obama team has repeatedly suggested that the Republicans are a party of "no" who owe fealty to Rush Limbaugh, a polarising talk-radio host. In other words, Mr Obama is squandering his political capital doing exactly what Mr Clinton did so often in his presidency: justifying his mistakes, trying to get the better of the 24-hour news cycle, and demonising opponents.

Mr Obama's decision to restart the campaign engine is a sign of his administration's troubles. It is desperate to distract attention from the fact that it has broken some of its promises. It is determined to manage the anger stirred up by the huge bonuses paid to various AIG honchos. It is also desperate to make sure that the Republican Party cannot make too much political capital from the chaos at 1600 Pennsylvania Avenue. The result is a downward spiral: the more Mr Obama fails, the more he resorts to the permanent campaign, and the more he resorts to the permanent campaign, the more he becomes just like any other president.

To add to the impression of business as usual, Mr Obama is continuing the long-standing trend of amassing ever more power in the White House. He has appointed a clutch of powerful White

House-based tsars to oversee Cabinet offices. These tsars have no accountability to anybody but Mr Obama. They have every incentive to engage in empire building and turf wars. For example, Jim Jones, the national security adviser, is redefining the role of the NSC to oversee everything from traditional foreign policy to climate change. American liberals complained bitterly about the Bush administration's politicisation of intelligence. But Mr Obama has arguably taken this politicisation to new heights by appointing Leon Panetta, a Democratic loyalist with no roots in the intelligence world, to oversee the CIA.

The president cannot yet be described as a failure. It is still early days. America's political system, unlike Britain's elective dictatorship, is designed to be frustrating. Power is divided. Congress uses its position to inject bloat into legislation. Presidents ricochet between success and failure. At this point in the election cycle Mr Clinton was embroiled in the gays-in-the-military fiasco and John Kennedy was heading towards the Bay of Pigs.

The confirmation process has been getting ever longer and more traumatic. Every recent president has seen presidential nominees flame out in disgrace. Polarisation has intensified. The recession raises questions that go to the heart of the ideological division between the parties: should you resort to Keynesian stimulus or Schumpeterian creative destruction? Should you bail out people who have borrowed too much money or let them sink? Even a president who had worked hard at bipartisanship might have been undone by these divisions. Mr Obama's approval ratings remain in the 60s, despite the pressure of a global crisis, and the Republicans remain unpopular and rudderless.

During the election campaign Mr Obama was frequently slow to respond to crises. Then, just when his supporters began to despair and his opponents began to smell blood, he would pull himself together and rise to the occasion. Mr Obama has been slow to get the full measure of the presidency. He has failed to establish firm priorities, and has all too often let events dictate his agenda. All in all, his performance has looked shaky. But at last this week there were signs, when he revealed his bank bail-out plan, that he is starting to do what he did so often during the campaign: justifying the enormous faith that has been put in him.

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