

# PERSPECTIVE PRESIDENT UNDER STRAIN

## OBAMA ADMITS TO FEET OF CLAY

In his first weeks, the president has quickly admitted mistakes but still faces a giant task.

Story Tony Walker  
WASHINGTON

**L**ate in the week, Barack Obama appeared in the Capitol Rotunda to pay his respects to America's 16th and – in the view of some – greatest president.

George Washington may have been the father of the nation, but Abraham Lincoln was its saviour.

"I can say that I feel a special gratitude to this singular figure who in so many ways made my own story possible, and who in so many ways made America's story possible," Obama told a brief, dignified gathering.

The Lincoln bicentenary and the infant Obama presidency are coincidental, but history seems to have conspired to draw them together. Obama has nurtured the comparisons for political advantage, but his attachment to Lincoln's memory seems sincere.

At the end of his first three weeks in office, Obama will have had cause to reflect on the challenges his predecessors faced, not least of them Lincoln.

Historians may question the comparison, but just as Lincoln was involved in a struggle to save the union, Obama finds himself engaged in a battle to salvage an American economic system that was once the envy of the world.

Nothing less is at stake than the future of American capitalism.

In these circumstances, it is hardly surprising he is falling back on some of the heroic imagery Lincoln used to summon a nation to a common purpose and shared sacrifice.

"Despite all that divided us – north and south, black and white – he had an unyielding belief that we were, at heart, one nation and one people," Obama said in a speech at the Ford Theatre in Washington, where Lincoln was assassinated.

But those who witnessed the appearance during the week of America's eight most powerful bankers before a congressional committee might have believed otherwise. Accusations of perfidy levelled by irate politicians suggest the new president has a way to go before he restores the US to what he persistently describes, in the language of Lincoln, as a "more perfect union".

As he travelled to Springfield, Illinois (Obama and Lincoln served in the state legislature a century and a half apart) for a banquet honouring Lincoln's memory, Obama would have had reason to be satisfied that he had passed the first big test of his presidency – the passage of the \$US789 billion (\$1.2 trillion) economic recovery plan – but he would not need to be told this is just the beginning.

America's 44th president has an

extremely ambitious legislative agenda, including health-care reform that is at the heart of his aspirations to be regarded as heir to Franklin Delano Roosevelt and Lyndon Johnson, whose New Deal and Great Society legislation, respectively, transformed the United States.

But Obama's immediate challenge is to stabilise an economy that is shedding jobs at an alarming rate. The speed with which the labour market has deteriorated is shocking. Scarcely a day passes without news of more mass lay-offs.

Inevitably, Obama will need to lower his sights, not least because budget deficits will limit his options. The Office of Management and Budget was projecting a \$US1.2 trillion deficit for fiscal 2009 before the passage of the stimulus package.

William Galston, a Clinton era adviser, told *The New York Times*: "He has been very consistent, really since the night of his election victory, that it took a long time to get into this and it will take a long time to get out of it."

But Galston also wonders if Obama has fully absorbed the constraints that will be put on his ambitious plans for health care, energy independence and measures to alleviate global warming.

The Obama presidency remains a work in progress, bedevilled by high expectations and a truly dreadful economic outlook. America is far from entering calmer economic waters.

Obama has channelled Lincoln more than once in his first weeks in the Oval Office, saying that his illustrious predecessor made mistakes and learned on the job.

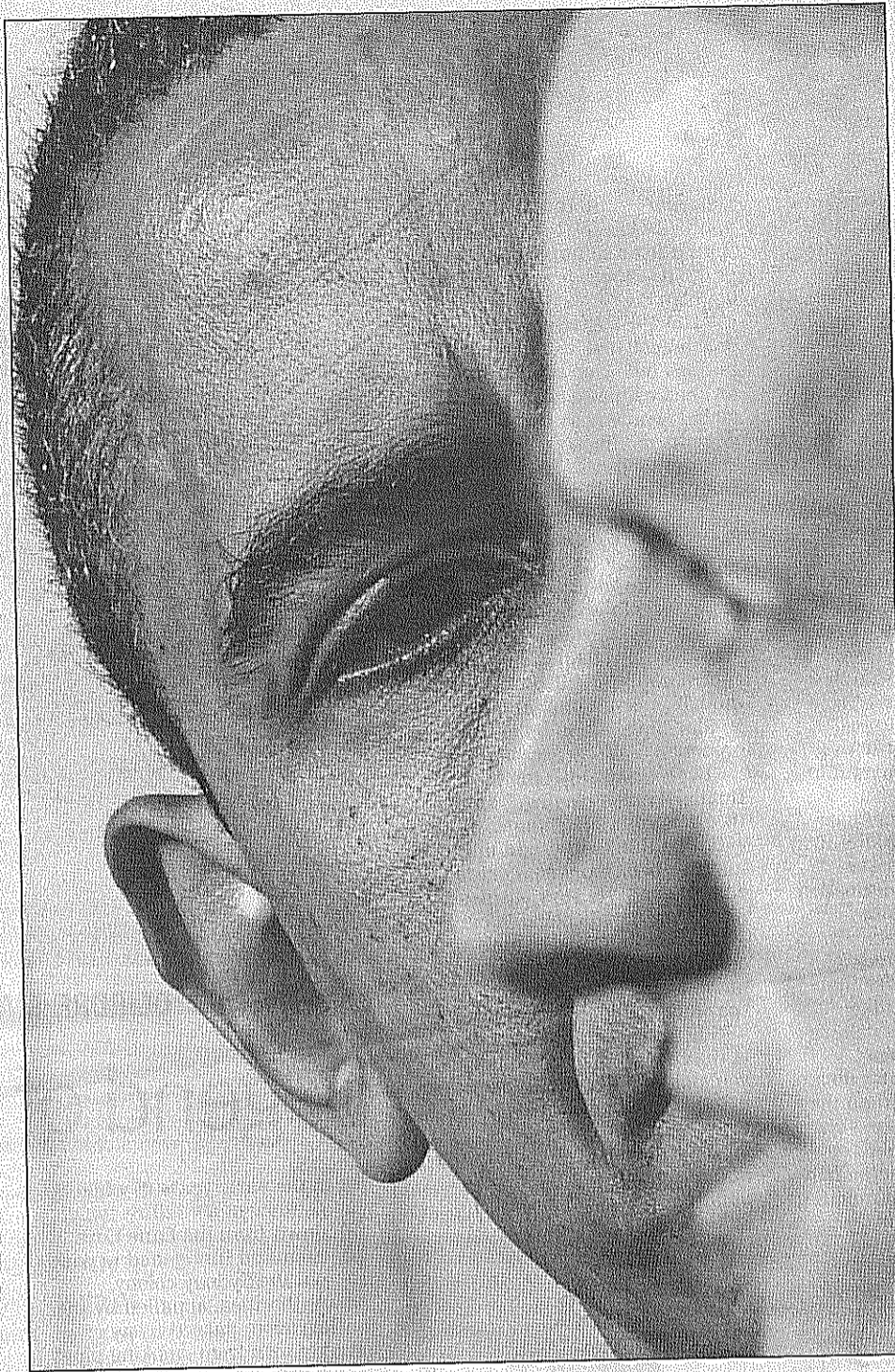
Obama himself acknowledged making mistakes in the initial stages, including the "outsourcing" of the stimulus bill to the House leadership, with the result that a wish list of Democratic spending priorities emerged that provided demoralised Republicans with an opening.

But Obama, in a characteristic that was apparent during the presidential campaign, regained his footing quickly, and by the time a compromise had been struck, his Republican opponents were in retreat.

An early valuable lesson for the new President was how to balance being, well, presidential and the more prosaic requirement of cajoling any legislation through Congress.

Ken Duberstein, Ronald Reagan's chief-of-staff, told *US Today*: "I think he is learning the ups and downs of Washington deal-making. It is impressive that he was able to deliver this [stimulus package] quickly."

Obama wasted no time in



Learning on the job ... Barack Obama, left, and his Treasury Secretary, Timothy Geithner. Photo Reuters

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#### TAKING A BACK SEAT

The Group of Seven, whose finance chiefs convene this weekend in Rome, is ceding its traditional power to build the world economy to the Group of 20, which occupies the vanguard in responding to the financial crisis. "The [global economic] crisis has escalated the awareness of how irrelevant the G7 is," said Jim O'Neill, chief economist at Goldman Sachs in London. "It's in the back seat and the focus on the G20 is growing." China overtook Germany in 2007 to become the world's third-largest economy and in September passed Japan as the biggest foreign investor in US government debt. China, Russia, Brazil and India together hold about 41 per cent of global foreign exchange reserves. Leaders from the G20 group met for the first time in November in Washington and will meet in April in London. Bloomberg

shifting the tone of his administration, including demonstrating a willingness to admit mistakes.

"I screwed up," he told TV interviewers after his choice for Health and Human Services Secretary self-destructed on a delinquent tax issue.

By contrast, George Bush could not bring to mind any mistakes when he was asked to do so three years into a presidency that included the debacle of the Iraq war. Errors of policy or judgement would not have been included in presidential talking points.

Obama's popularity has continued to climb since his inauguration. A CNN poll recorded an astonishing 76 per cent favourability rating.

This level of public support represents a powerful weapon in the hands of the new President, but he would know that, given the harsh economic times, these numbers will fluctuate.

Obama is not a miracle worker. His economic advisers, if they are doing their jobs, will not have minimised the challenges, including the likely implosion of commercial loan portfolios whose rank condition has yet to be fully exposed.

A new round of threatened bank failures cannot be excluded.

In Obama's mind, there will almost certainly be a nagging concern that his choice for Treasury Secretary may have missed the mark.

On the face of it, the rationale for Timothy Geithner's selection is questionable, based as it was on his undistinguished tenure as

president of the New York Federal Reserve. It remains to be seen whether Geithner is capable of rising to the occasion, but his unsteady performance during the week when unveiling new proposals to bail out the banking system did not instil confidence.

The last thing Obama needs in the midst of a full-blown economic crisis is to be carrying passengers in key administration posts. It will be a test of his presidential resolve – and willingness to admit to himself he has "screwed up" – whether he has the requisite toughness to get rid of those who do not measure up.

Bush's unwillingness to acknowledge mistakes, notably his decision to persist with Defence Secretary Donald Rumsfeld after the latter had patently lost the confidence of senior military commanders, let alone the public, cost him dearly.

Obama, like Lincoln, has sought to construct a "team of rivals" by drawing into his cabinet people such as Hillary Clinton and a smattering of Republicans. Clearly, he wants the comparison to be made, but as Mark Salter, the top adviser to Republican presidential candidate John McCain, told *The New York Times*: "If he adopts a governing style like Lincoln's, maybe it will improve the chances of his presidency succeeding. But if the economy stays bad, it doesn't matter if he grows a beard and puts on a top hat."

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► Optimism evaporates, page 63