

The Reckoning — Barack Obama: Between a Rock and a Hard Place

How Will He Transform an Economy In Free-Fall?

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After Barack Obama's inspirational address to the adoring minions in Sweet Home Chicago, the loudspeakers erupted with Bruce Springsteen's prayerful post-911 anthem, "The Rising."

Yes, he had risen, but now he has to steer clear of a potential crucifixion on the cross of an economy in free fall.

The sound track to this next chapter of his meteoric elevation might be called "The Reckoning."

It must be said that both parties had denied the primacy of the financial tsunami. Neither political party's convention or platform took much note of our imploding financial system until it could no longer be ignored.

All the talk of tax cuts was a sideshow to the real elephant in the room—falling markets, growing unemployment, rising inflation, disappearing retirement funds, frozen credit and the crash in consumer demand which is bringing down the auto industry and so many others.

The failures of the Bush Administration, along with, it must be said, both houses of Congress, had enabled this disaster driven by Wall Street greed, regulatory inaction and media avoidance

The crisis gave the Obamacrats the issue they needed to triumph. A campaign that started with a debate over ending the war in Iraq morphed into a referendum on a cataclysmic war on our economic well-being. In the end, once again, it was the economy stupid.

There is no doubt that our next President realizes he must turn this around. There is no doubt that he also recognizes that unless he does, many of his other goals including tax cuts and healthcare reforms (not to mention a second term) will go by the wayside. He said as much in his first post-election press conference.

Coming as he does from the land of Lincoln, his message was initially to be one of healing and hope. Honest Abe may be his spiritual grandfather, but now FDR has to become his practical role model. Aspire as he does to the Tao of change, he now has to confront the Dow of reality.

And he knows what reality he is inheriting, as Former World Bank official turned critic Joe Stiglitz noted in the Washington Post:

“The economy obviously needs a direct shot in the arm, but the 44th president needs to be careful about the design of the stimulus he proposes. That’s because [President Bush](#) will bequeath him a national debt — \$10.5 trillion and rising — that has almost doubled since he took office, even before you factor in the full costs of the financial bailout and the [Medicare](#) prescription benefit, as well as the price tag for providing for the hundreds of thousands of returning Iraq war veterans.”

Please realize that the government has been trying to “fix” what’s wrong, oh, have they ever, with monetary changes, interest rate cuts and massive infusions of capital. However you regard these “stimulus” measures—as sincere or a scam—we know they are not working. Certainly not working for the people who need help the most. Strengthening big banks is not the same as helping the unemployed or millions facing the loss of their homes.

The reckoning that he faces was not one of his making. It is structural, systemic, a product of decades of policies that undermined the social safety net, deepened inequality, kept wages in check and was based on debt. The Economic Policy Institute noted:

“For roughly thirty years, with the exception of the late 1990s expansion, there has been little wage growth for the vast majority and increased economic insecurity, primarily related to health care and retirement security. The last business cycle from 2000 to 2007 failed to generate any growth for middle class working families - on average, they lost over \$2,000 a year in inflation-adjusted income. Our economy has been a huge skimming operation for the well-to-do.”

Reversing this may not be easy especially because much of our growth and prosperity was funded with trillions in debt.

As a website in Australia called the Daily Reckoning explained, “eternal verities still apply; Barack Obama is not going to change them. And that means that a slump caused by too much debt cannot be made to disappear. You can disguise it. You can delay it. You can push the losses onto someone else. But you can’t escape it.”

But that doesn’t mean he won’t try, and try he is, with an elite team of economic advisors, many from the very industry that caused the problem. Sure you need knowledgeable economists and experienced businessmen and financiers on your side, but you need more than that.

On Friday, he met with this high-powered group even as journalist Doug Ireland observed:

“You will note that it is composed entirely of current or former government officials and bureaucrats and corporate types. There is not a single representative of the labor movement, not a single labor economist, not a single representative of progressive or economic watchdog groups, not a single representative of consumers.....guess what kind of economic policies and appointments we’ll get out of this crowd!”

Let’s also not forget that many of these wise men and experts did not foresee the crisis as economist James Galbraith (son of the late/great John Kenneth Galbraith who wrote the Great Crash about the depression of the 1930’s.) revealed in an interview carried on Greg Mankiw’s blog:

“But there are at least 15,000 professional economists in this country, and you’re saying

only two or three of them foresaw the mortgage crisis? Ten or 12 would be closer than two or three. What does that say about the field of economics, which claims to be a science? It's an enormous blot on the reputation of the profession. There are thousands of economists. Most of them teach. And most of them teach a theoretical framework that has been shown to be fundamentally useless."

What will Obama do.? For starters, he's moving in a conventional way. a centrist way, surrounding himself with big names to build a consensus for more engaged government interventionism, especially a new stimulus package.

FORTUNE already calls him a CEO-in chief. (Clearly he's not "paling around with terrorists.) Even McCain's economic advisor says he's impressed. But Fortune wonders, as should we, about this all star big-name team, asking, "Do they have the answers?"

So far the "conventional wisdom" a phrase coined by John F. Galbraith years ago and favored by these hot shots is not working . We need to know how they will they stop foreclosures and create fairness in a lop-sided economy. Is there a plan for debt-relief and a moratorium on excess profiteering and foreclosures? Does he favor wealth distribution? Will his Justice Department prosecute the subprime criminals?

The American people can't trust the business leaders who enabled this crisis. Clearly, if "real change" is to come, there will need to be more grass roots, bottom up activism for economic justice. If you like Obama, if you want him to succeed, make some noise and push him from below because his "advisors" and all the special interests they represent are, shoo' nuff, pushing him from above.

News Dissector Danny Schechter, directed the film IN DEBT WE TRUST and wrote PLUNDER: Investigating Our Economic Calamity (Cosimo Books) and available at online bookstores. Comments to Dissector@mediachannel.org

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