

Obama's flunking economy: the real cause

Ezra Klein observes the people around the US leader

Ron Suskind's *Confidence Men* is not a calm first draft of history. It is not an impartial or unbiased look at the Obama administration's first two years. Rather, it is an investigation. The crime is homicide, and the victim is the promise of Barack Obama's presidency.

But this isn't a suspenseful whodunit. Suskind tips his hand in the first pages. He's describing the press conference in September 2010 where President Obama announced that Elizabeth Warren would help set up the Consumer Financial Protection Bureau. The mystery is why Obama seems to be holding her at arm's length.

It's quickly solved. The villain of this vignette and one of the key villains of the rest of the book is "the boyish man in the too-long jacket at Obama's right hip, bunched cuffs around his shoes, looking more than anything like a teenager who just grabbed a suit out of his dad's closet."

So who is this man-child who can't find a properly sized suit to wear to the Rose Garden? "That's Treasury secretary Tim Geithner," Suskind says, "looking sheepish."

Suskind's book doesn't just have good guys and bad guys. It has good guys who look like good guys, and bad guys who squirm beneath the weight of their badness.

Of Larry Summers, Obama's first director of the National Economic Council, Suskind says that his personality "recalls that of Nixon and Henry Kissinger, or, more recently, Dick Cheney." As for Rahm Emanuel, Obama's first chief of staff, he's "all impulse and action, with very modest organizational skills."

I mentioned this was a murder mystery, so I won't leave you in suspense about the perpetrator: Suskind's investigation leads him right to Obama's senior staff, who he believes took advantage of the young president's inexperience and led a refreshingly unconventional candidate into a depressingly conventional presidency.

Suskind's story goes something like this: In 2008, Obama was presented with an economic crisis of astonishing severity and complexity. In the beginning, he showed himself to be unexpectedly prepared to deal with it, both intellectually and temperamentally.

His self-assurance and personal magnetism attracted a variety of impressive and able advisers, including former Federal Reserve Chairman Paul Volcker, billionaire investor Warren Buffett, UBS America chief Robert Wolf, former Labor Secretary Robert Reich, and former SEC Chairman William Donaldson.

But as "the severity of the crisis bore down on him," Obama found himself leaning toward a different sort of adviser: safer, more predictable. He wanted people who knew Washington, and knew how to get things done.

The "bold visions of the campaign season had meanwhile resolved into the serious, often risk-averse business of actually governing," writes Suskind. "In the midst of a battering economic storm, it no longer seemed like the right time to be making waves."

If you want to know what killed Obamaism,

the answer is the stagnant economy. No president, no matter how politically graceful or personally confident, looks good in the midst of an economic crisis. Americans don't want leaders so much as they want jobs. And that's Obama's problem now, too.

The great counterfactual of Suskind's book is, "What if Obama had chosen a different team of advisers?" But by the end of his book, the counterfactual was coming true. Emanuel was out. Summers, too. Christina Romer, head of the Council of Economic Advisers, had left, and so had Peter Orszag, the first budget director. Even David Axelrod, Obama's longtime political adviser, was decamping back to Chicago. Only Geithner remains.

In his conclusion, Suskind seems appreciative of the replacements Obama chose. "Following the midterms," reports Suskind, "the president seemed to be assembling the team he'd originally wanted."

That was almost a year ago. Today, Obama's poll numbers are weaker than ever. The political betting markets give him a less than 50 percent chance of being reelected in 2012. Why? It's that unemployment is stuck above 9 percent. It's that a double-dip recession is a real possibility.

Obama's fortunes won't rebound until the economy rebounds. And so any account of what he has done wrong, or what he could do right, needs to provide, first and foremost, a persuasive case of how the White House could have done more to promote an economic recovery over the last three years, or could do more to accelerate one now.

Suskind's narrative takes place in the White House. But the economic response really took place elsewhere. Almost anything the White House wanted to do that would cost money had to be authorized by Congress. Tax cuts? State and local aid? Infrastructure spending? Nationalizing the banks? Congress. Giving bankruptcy judges the power to write down mortgage principal? Direct-employment programs? German-style work-sharing programs? In each case, Congress.

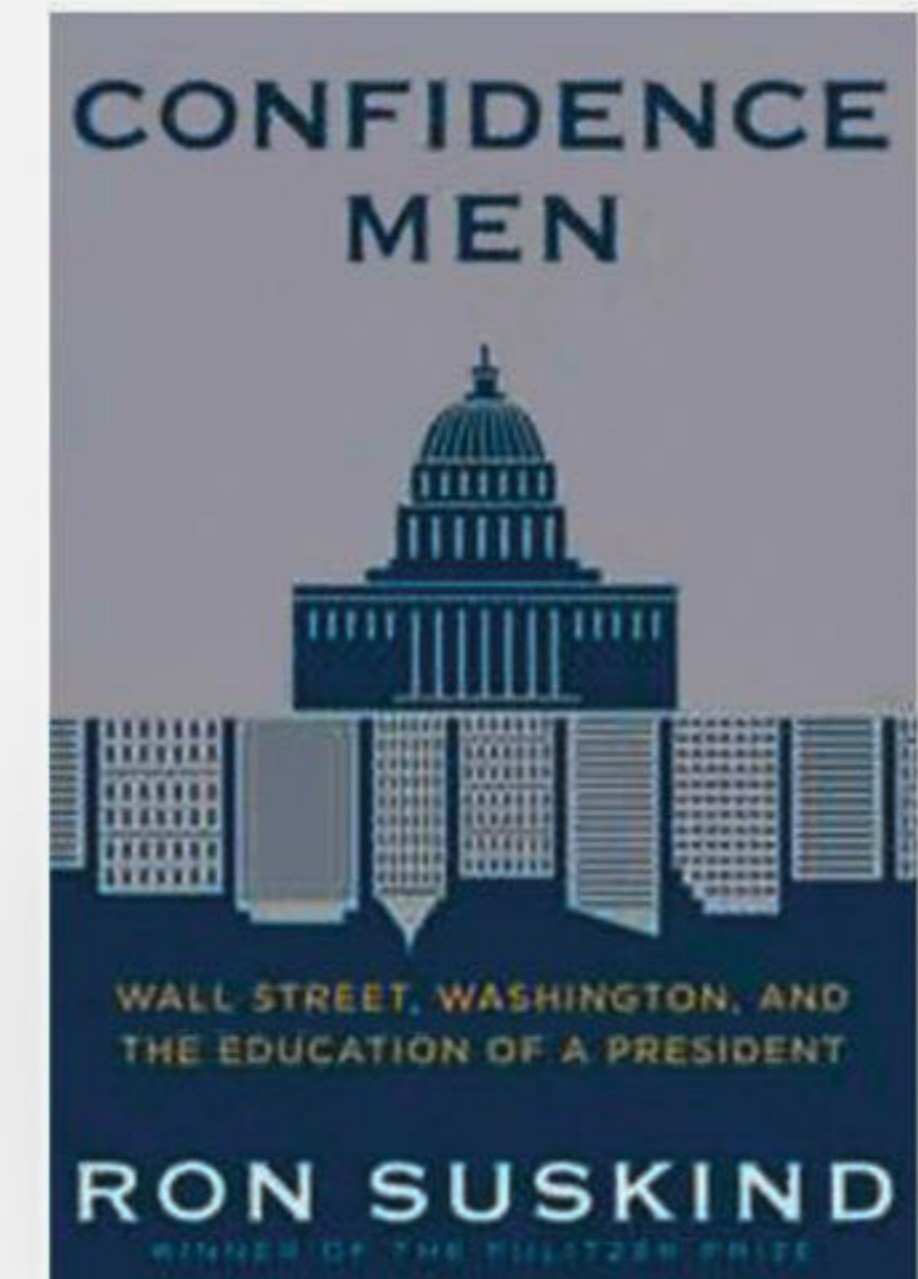
It is easy to tell the story of what the White House did wrong in its response to the financial crisis: It underestimated it. It had good reason to underestimate it, of course. Almost everyone was underestimating it. In the fourth quarter of 2008, when Obama's economic team was meeting in Chicago to map out their policies, the Bureau of Economic Accounts thought the economy was contracting at a rate of 3.8 percent per year. It wouldn't be until this year that we learned the economy was really contracting at a rate of 9 percent.

The observers who got it right were the ones who could tell a story that didn't rely on the early data. Kenneth Rogoff and Carmen Reinhart, who would publish "This Time Is Different: Eight Centuries of Financial Folly," their epic history of financial crises, in late 2009, saw that the recovery would be slow and tough. Economists like Paul Krugman and Joseph Stiglitz, who were more knowledgeable about the struggles over recession in Japan and

had their own Keynesian understanding of financial panics, were also suitably pessimistic.

But early mistakes can be corrected. If the initial stimulus is too small, you make it bigger. If your housing policies are too modest, you toughen them up. If the private sector sheds jobs and long-term unemployment becomes a problem, you begin hiring workers directly.

Or so goes the theory. The reality is more troubling. The initial stimulus was too small, but there's no plausible case that Congress would have been willing to make it much bigger just because the Obama administration had a theory that the financial crisis would lead to a worse recession than most forecasters expected. The trouble was that attacking a financial crisis with a too-small stimulus was a bit like attacking pneumonia with too-few antibiotics: You feel better for awhile, and then



Confidence Men: Wall Street, Washington, and the Education of a President
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Harper

it comes back. And this time, it's harder to kill.

The problem is political. Having very publicly passed a very big policy that you promised would revive the economy, the country blames you when the economy does not, in fact, revive. Your policies are discredited and your opponents are emboldened. You lose seats in the next election and your leverage over lawmakers. So you can't, with any prospect of success, go back to the well and ask for a bigger stimulus or more money to buy up bad mortgages. And then, when the economy gets worse, you're simultaneously in charge and out of options. You came to Washington promising change and now you're begging for patience. It's a crummy situation, and there's no combination of policy proposals or speeches that can get you out of it. But this is the vise that has tightened around Barack Obama's presidency.

The fundamental constraints on the administration's leaders have not been economic or conceptual, but political. They know they need to act. But they can't act, or at least they can't act at the scale necessary to really change the economic situation. Republicans won't let them. Between 2009 and 2011, Democrats had 60 votes for a short period of time, but with Sens. Ben Nelson and Joe Lieberman included in that total, they never had easy control of the Senate, whose minority leader, Mitch McConnell, said in October 2010, "The single most important thing we want to achieve is for President Obama to be a one-term president."

The question, then, is whether the administration could have done more to plan for its inevitable political weakness when it was at the height of its powers. One oft-promoted possibility would have been to abandon health care reform and focus solely on jobs. But it's not clear what, exactly, that would have meant doing. Health care reform took up most of 2009. The stimulus didn't really begin spending its money until 2010, and the recovery didn't flag until later that year.

There is little reason to believe that in 2009, before the stimulus had actually begun doing its work, the Obama administration could have gone back to Congress asking for more. And if the White House, which commanded the largest Democratic majority since the 1970s, had spent the year sitting on its hands waiting to see how the stimulus turned out rather than taking on health care reform or energy or financial regulation, its base would never have forgiven it.

If the White House couldn't go through Congress, perhaps it could have done a better job going around it. A major omission in Suskind's book is that it makes little mention of the Federal Reserve. But the Fed is arguably more powerful than Congress when it comes to setting economic policy, and it is certainly more powerful than the president.

The White House made two major mistakes here. One was leaving two seats on the Fed's Board of Governors unfilled. Congress certainly deserves some of the blame for this Senate Republicans filibustered Peter Diamond, a Nobel laureate economist whom the Obama administration nominated to fill one of the open slots but the truth is that the White House was slow to nominate Diamond, passive once it did nominate him, and seemingly lost once his nomination failed.

At the moment, the two seats on the Fed's Board of Governors remain open, and the White House has not put forward any new candidates. Those seats matter because the Federal Reserve is a cautious institution that is more comfortable fighting inflation than pursuing full employment, and if you want it to act with more vigor, you need to bring that energy in from the outside.

Of course, the most straightforward path to energizing the Fed isn't adding two new members to its Board of Governors, but

replacing its chairman. And the White House had an opportunity to do so in 2010, when Ben Bernanke's term expired. Instead, Obama chose to renominate Bernanke. The thinking was that Bernanke had pursued an extraordinary set of activist policies during the worst of the crisis he probably deserves more credit than any single person for preventing a second Great Depression and he was respected in the institution and by the markets.

But Bernanke has been much more cautious in accelerating the recovery than he was in combating the initial crisis. When the financial markets were collapsing, he went far beyond the traditional limits of the Fed to support the financial markets, purchase depressed assets, and inject liquidity directly into the banking system. But he has not been nearly as aggressive in his efforts to support the recovery.

The mass media rarely mentions that, but nor do most presidents. Indeed, the greatest confidence man of the last few years, at least going by Suskind's definition, was not Larry Summers or Timothy Geithner, but Barack Obama. Being a confidence man is almost in the job description of the insurgent presidential candidate. Having not been president before, you must, by definition, ask the American people for a trust you have not earned.

And Obama was better at this than most. He gave America hope. He made America believe he could deliver change. And, by the standards of Washington, he has probably done more than anyone could rightly have expected. Stimulus, health care reform, the end of "don't ask, don't tell," the creation of the Consumer Financial Protection Bureau, the Lily Ledbetter Fair Pay Act, the payroll tax cut, new tobacco regulation this is much more than your average first-term president achieves. But by the standards of the speeches and spirit that animated Obama's campaign, he has not done nearly enough.

At the end of the book, Suskind is sitting in the White House with Obama. "Leadership in this office is not a matter of you being confident," the president reflects. "Leadership in this office is a matter of helping the American people feel confident."

But the president needs to do more than lead. He needs to govern. And when he has so convinced the American people of his leadership that their expectations for his term far exceed his or anyone's capacity to govern, disappointment results. That's when they go looking for another confidence man one whose promises aren't sullied by the compromises and concession made in the effort to deliver results and the cycle begins anew. (Slightly abridged).

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Faith, in the life of a poet

Tusar Talukder goes into Tagore's religious views

Rabindranath invariably believed in a religious view which is directly related to the greater welfare of humanity as well as human beings. He was neither an atheist nor a great believer of conventional religions. In one of his poems he asserted that he was not interested in leaving any view because he was complete through consuming all the beliefs into himself. Tagore philosophizes that truth always merges into a unified whole. While writing the book Rabindranath: Dharmabhabna (Tagore: Thoughts on Religion) Professor Kajal Banerjee, an influential Bangladeshi essayist and poet, portrays Rabindranath would perhaps believe in a God of humanity. He brings out multifarious perceptions of Tagore regarding religion through a number of quotations from different sources. He has also added his own comments to clarify Tagore's points of view, thus adding a new dimension to this literary piece.

Kajal Banerjee has proved his capability of integrating Tagore's transitional views in only eighty pages. He has gone through Tagore's works with much devotion to postulate what he thinks of Tagore's religious standpoint. It is true that Tagore was not in the same position throughout his lifetime in terms of beliefs and visions. His perceptions have been transformed with the passage of time. If we consider Tagore's philosophy, we find a good deal of revisions in it. He loved to revise and renew his views and opinions because he believed in self growth and understanding further. However, there was no iota of doubt that the basic arenas of humanity and equality among people, regardless of caste and creed, were the same from the very beginning of Tagore's poetic career to the very end.

If one were to look at Tagore's thoughts about atheism, one would notice that Tagore clarified his earlier standpoint regarding atheism later in life. Banerjee comments that Tagore did not solely throw away atheism, which is a modern idea and reveals the natural

tendency of a poet or artist. To make this point stronger, Banerjee exemplifies an instance from Tagore's famous short story, Robibar (Sunday), in which the protagonist Avik measures everything based on his atheistic views. Furthermore, Professor Banerjee refers to the letters which Tagore shared with Hemantabala and that are full of his conflicting comments regarding religion.

Banerjee also discusses Professor Jatin Sarker's comment, which notes that Tagore's belief in the theory of evolution is conspicuous in many of his poems. Rabindranath was influenced by the thoughts, views and theories of Lalon Shah and Hason Raja. Their religious

views possessed greater value, which was passionately felt by Tagore because he believed that humanity is deeply rooted in those theories. Consequently, when we go through his Hibert speeches we observe that humanity is considered as the supreme aspect of religion.

To make his religious standpoint much more conspicuous, Tagore indicated the emptiness was intensely rooted in the conventional religious rituals. The religious motif of Tagore was clearly reflected in Achalayatan in which he projects a protestant group among the followers of the Hindu faith, individuals who are rebellious against every kind of orthodoxy, superstition and fundamentalism. Broadly enough, Tagore reflects his own religious views through this drama.

The point that comes through most clearly in the analysis by Professor Banarjee on Tagore's religious thoughts is that Tagore's religious viewpoints were geared to saving humanity from all kinds of ills in society. As Kajal Banerjee would have us know, Tagore realized the root causes of conventional religious hypocrisies and consequently he attempted to come out from this confinement.

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Extraordinary, like Zorba the Greek

Charles R. Larson is intrigued by a story of lust

In Mehrdad Baladi's disturbing novel, *Houri*, there's a brief moment at the beginning that is emblematic of much of the subsequent story. As the narrator returns to his native Iran and the airplane enters Iranian airspace, "Flight attendants hurried to remove wine and whisky from trays. Men rushed to rinse the stink of alcohol from their breath. Women donned dark hejabs to hide their hair and curves, scrubbed makeup from their faces. Passengers were bracing for an inquisition, or something worse. Even from thousands of feet above, and an hour before the plane landed, I caught a sense of the intolerant terrain waiting below."

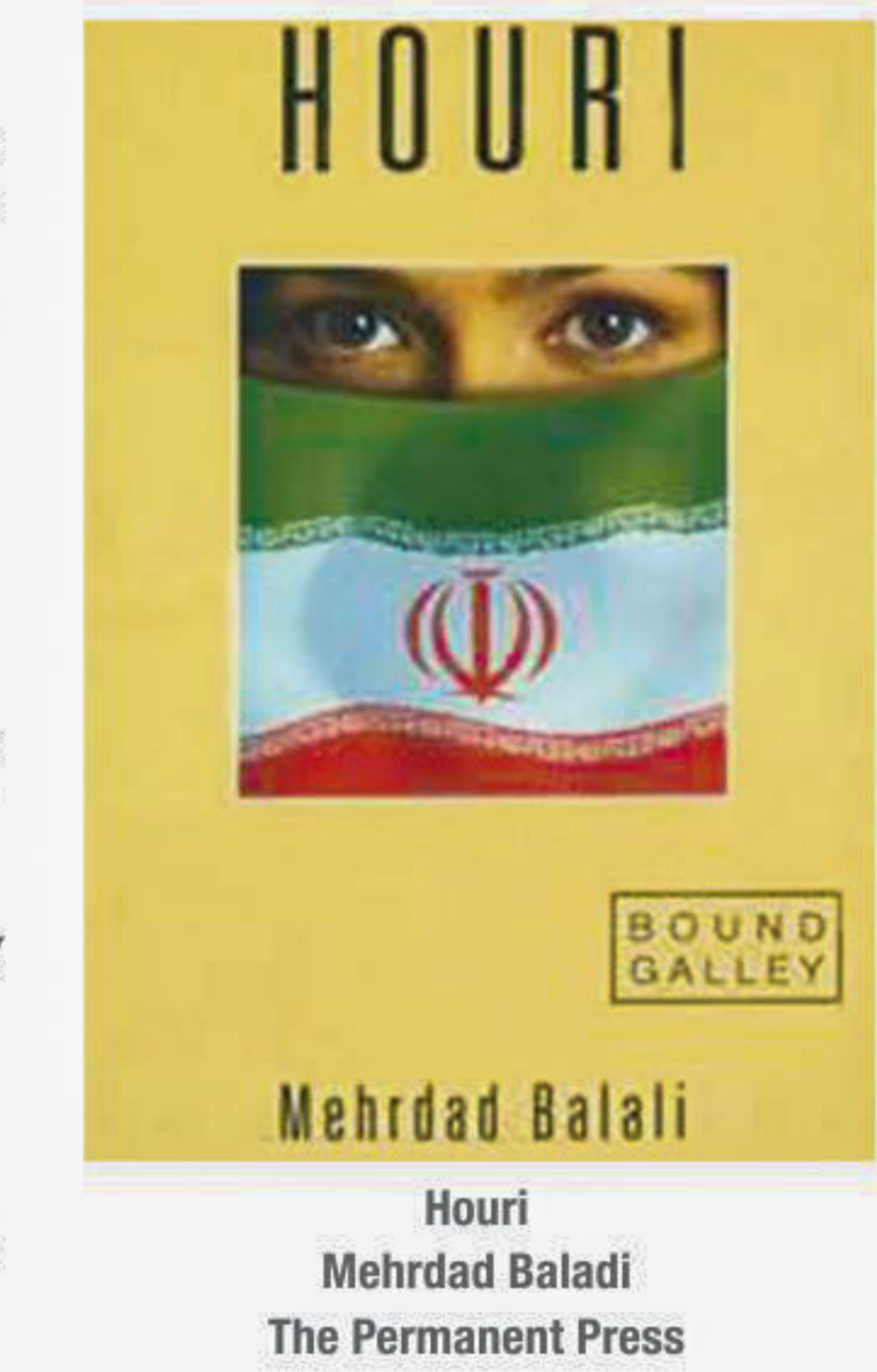
To a certain extent, that passage tells it all. It's just a few years after the beginning of the Iranian revolution, and Shahed, who has lived in the United States for many years, returns to Tehran for his father's funeral. It isn't long before we learn that his father, whom he calls Baba, spent his entire life skirting the harsher restrictions of Islam. He drank excessively, squandered his money, and lived a flashy life, cheating on his wife and chasing every woman he could find. Even his obsessionhis American Buick, which he called "The Bride"became his excuse to pick up and seduce women. Among the negative memories Shahed has retained of him was his duty to wash his father's car almost every day in order to keep it looking like the perfect example of Western ostentation.

Baba was a scoundrel. He borrowed money from everyone and his creditors were always shadowing him. He had no job, but lived mostly by selling off parcels of land his father left him. Almost every day, Baba ran off to expensive restaurants, while leaving his wife and two children to fend for themselves. He's an extraordinary character, full of life, a little like Zorba the Greek. But he's darker than Nikos Kazantzakis' memorable rogue, because Baba is also a con-man, a trickster, a shyster, who would even take the food from his children's plates if they ate too slowly. He flounced orthodox Islam and, because most of his life was lived before the Revolution, he was able to get by with his flamboyant and duplicitous lifestyle.

There's very little plot to Baladi's novel. Instead, the story is largely the tension between father and son--no equal playing field because Shahed was still a boy when he fled Iran. It was impossible for him to fight

back. The anger that his father engendered in him resulted in part in his son's exile, with little or no intent of returning home and encountering his father again. It was Shahed's mother who gave him the money for his flight from Iran in order that he could escape his father's negative influence.

The plan didn't exactly work. In the United States, Shahed never completed the degree his mother hoped would restore the family name. He dropped out of the university, found it difficult to hold down jobs, and by the time his mother asks him to return for the funeral, Shahed is pumping gas. Worse, like his father,



Houri
Mehrdad Baladi
The Permanent Press

he has difficulty committing to one woman, though the attraction to all women is a constant reminder of his father's philandering.

The title juxtaposes the obsession both men had for beautiful women, the houri promised in heaven, "Nymphs of Paradise." There's an actual woman in Tehran whom Baba chases, and whom everyone calls Houri, though she is married. Before Shahed departs for America, he also lusts after the same woman. In the United States, the one woman

Shahed has an on-going relationship with he treats shabbilymaking the "like father, like son" cliché accurate. Scoundrels both.

The scenes in the story that take place in the United States are rendered mostly as flashbacks, sometimes awkwardly placed in the narrative. Perhaps it is no surprise that both countries take a beating in Shahed's always lively account of his father's and his own shenanigans. As one of Shahed's Iranian friends observes of America, it's a "strange country. Everything costs money here except sex and matches." The remark is ironic, since there's more smoking than sex in the story. The author might best be described as a cultural historian. The details he provides throughout the story describe Iran vividly, even memorably, andwhen necessaryfrighteningly. The cultural vigilantes are everywhere on the streets of Tehran, yet there goes Baba again, slipping past them in pursuit of another loose woman.

The ending of *Houri* is a little predictable, perhaps fated to be so. The publisher states of the writer that the story is "based largely on the personal experiences of an Iranian-American...." After coming to the United States as a young man, Baladi himself returned to Iran and worked as a journalist for various international news services until he was banned from working there. During that time, he apparently came to grips with his father's negligence of wife and children.

We observe the movement toward that understanding as the narrative progresses. After a particularly nasty incident, Shahed understands that his father always put himself first, before anyone elseeven if that meant betrayal of others. The son astutely remarks, "Yet, as much an indication of his deceit and manipulation, this episode reveals his lusty drive to live, unhampered by scruples and fears of being judged. These two are at the root of my ambivalence toward him. How should I really judge my father...based on which trait: his dishonesty or his obstinate zest for life? Should I curse him forever for pulling a fast one on me, or worship him as an earthly prophet?"

I doubt whether this novel will be translated into Farsi. (Reprint).

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