

January 23, 2009

OP-ED COLUMNIST

## Stuck in the Muddle

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Like anyone who pays attention to business and financial news, I am in a state of high economic anxiety. Like everyone of good will, I hoped that President Obama's Inaugural Address would offer some reassurance, that it would suggest that the new administration has this thing covered.

But it was not to be. I ended Tuesday less confident about the direction of economic policy than I was in the morning.

Just to be clear, there wasn't anything glaringly wrong with the address — although for those still hoping that Mr. Obama will lead the way to universal health care, it was disappointing that he spoke only of health care's excessive cost, never once mentioning the plight of the uninsured and underinsured.

Also, one wishes that the speechwriters had come up with something more inspiring than a call for an "era of responsibility" — which, not to put too fine a point on it, was the same thing former President George W. Bush called for eight years ago.

But my real problem with the speech, on matters economic, was its conventionality. In response to an unprecedented economic crisis — or, more accurately, a crisis whose only real precedent is the Great Depression — Mr. Obama did what people in Washington do when they want to sound serious: he spoke, more or less in the abstract, of the need to make hard choices and stand up to special interests.

That's not enough. In fact, it's not even right.

Thus, in his speech Mr. Obama attributed the economic crisis in part to "our collective failure to make hard choices and prepare the nation for a new age" — but I have no idea what he meant. This is, first and foremost, a crisis brought on by a runaway financial industry. And if we failed to rein in that industry, it wasn't because Americans "collectively" refused to make hard choices; the American public had no idea what was going on, and the people who did know what was going on mostly thought deregulation was a great idea.

Or consider this statement from Mr. Obama: "Our workers are no less productive than when this crisis began. Our minds are no less inventive, our goods and services no less needed than they were last week or last month or last year. Our capacity remains undiminished. But our time of standing pat, of protecting narrow interests and putting off unpleasant decisions — that time has surely passed."

The first part of this passage was almost surely intended as a paraphrase of words that John Maynard Keynes wrote as the world was plunging into the Great Depression — and it was a great relief, after decades

of knee-jerk denunciations of government, to hear a new president giving a shout-out to Keynes. “The resources of nature and men’s devices,” Keynes wrote, “are just as fertile and productive as they were. The rate of our progress towards solving the material problems of life is not less rapid. We are as capable as before of affording for everyone a high standard of life. ... But today we have involved ourselves in a colossal muddle, having blundered in the control of a delicate machine, the working of which we do not understand.”

But something was lost in translation. Mr. Obama and Keynes both assert that we’re failing to make use of our economic capacity. But Keynes’s insight — that we’re in a “muddle” that needs to be fixed — somehow was replaced with standard we’re-all-at-fault, let’s-get-tough-on-ourselves boilerplate.

Remember, Herbert Hoover didn’t have a problem making unpleasant decisions: he had the courage and toughness to slash spending and raise taxes in the face of the Great Depression. Unfortunately, that just made things worse.

Still, a speech is just a speech. The members of Mr. Obama’s economic team certainly understand the extraordinary nature of the mess we’re in. So the tone of Tuesday’s address may signify nothing about the Obama administration’s future policy.

On the other hand, Mr. Obama is, as his predecessor put it, the decider. And he’s going to have to make some big decisions very soon. In particular, he’s going to have to decide how bold to be in his moves to sustain the financial system, where the outlook has deteriorated so drastically that a surprising number of economists, not all of them especially liberal, now argue that resolving the crisis will require the temporary nationalization of some major banks.

So is Mr. Obama ready for that? Or were the platitudes in his Inaugural Address a sign that he’ll wait for the conventional wisdom to catch up with events? If so, his administration will find itself dangerously behind the curve.

And that’s not a place that we want the new team to be. The economic crisis grows worse, and harder to resolve, with each passing week. If we don’t get drastic action soon, we may find ourselves stuck in the muddle for a very long time.

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