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Lost in the Middle

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By E. J. Dionne Jr.
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The Obama administration keeps having to learn that bland centrism is not pragmatic, that it's not helpful in resolving a big crisis and that it certainly doesn't buy you any love.

Oddly this week, both the good news for the president -- in yesterday's agreement on a stimulus package -- and the bad news teach the same lesson.

The bad news came in the almost uniformly negative early reviews of Treasury Secretary Tim Geithner's bank rescue plan. It didn't constitute change we can believe in. It was change nobody could understand. For all we know, the plan is, as was once said of Wagner's music, better than it sounds. Who could be sure, given the vagueness of Geithner's pronouncements?

This is the cost of bland centrism: The plan seemed to be defined more by what it didn't want to be than by what it actually was, inspired more by a concern with how things look than what actually works.

Geithner did not want the administration to seem leftist, so he rejected the temporary nationalization of the bad banks. Yet the advantage of nationalization is that it's straightforward: The government would take over the bad banks -- as opposed to throwing endless sums of money at them -- clean them up, and sell them off.

Temporary nationalization is far from a perfect solution. But it's a better idea than having taxpayers take on bad assets while letting the banks keep the good ones. Socializing losses and privatizing profits is a recipe for ripping off taxpayers. It's still not clear, to me at least, how Geithner's proposal will protect the interests of taxpayers.

Oh, yes, and Geithner absolutely didn't want to look like -- God forbid! -- a populist. He cast aside the advice of David Axelrod, President Obama's senior adviser, to put genuinely tough restrictions on the incomes of the financial geniuses to whom the taxpayers are throwing life preservers.

As a result, Geithner invited further skepticism of a necessary government program from those legitimately outraged by the arrogance of Wall Streeters.

Again, perhaps this is unfair to the Treasury secretary. Maybe his plan, once it is fully revealed, will be seen as reflecting not the complexity of confusion but the intricacy of brilliance. I certainly hope Geithner is right that he can get the financial system moving more quickly by combining carrots for the private sector with regulatory sticks. Still, it's hard to see pragmatism in the administration's decision to take the focus off its stimulus bill by announcing an incomplete banking plan at the same time.

But the stimulus victory was indeed good news for Obama, even if the final \$789 billion package is smaller than it should be and lost some of the president's useful spending programs. He got things moving only after he stopped allowing his happy talk about bipartisanship (a close cousin to bland centrism) to drown out his substantive case for large-scale government spending to spur the economy.

The Senate's compromise bill was the essence of preferring the illusion of moderation over substance. By stripping out of the House bill significant amounts of fiscal help to the states, school construction money and other forms of spending, those so-called moderate senators who provided the key votes made the proposal far less stimulative.

Mark Zandi of Moody's Economy.com estimated that the Senate proposal would have created about 625,000 fewer jobs than the House bill. Surely "moderation" should not mean more moderate job creation.

The final agreement got some of that spending back by paring down a few of the questionable tax cuts the Senate had added to the bill, but it still fell short, notably on assistance to the states and on money for health coverage. Sen. Olympia Snowe of Maine cast one of the three crucial Republican votes for the bill and set the right test in an interview on Tuesday. "The whole issue is," she said, "what is the job creation value of each provision?" The final agreement did not fully live up to that standard, but it is still a significant achievement.

There is nothing wrong with a sensible centrism that tries to balance competing goods. But Washington has become too concerned with appearances and with calculating the distance from some arbitrary midpoint in any given debate. The sensible center should be defined by what works, even if that means discovering that the true middle ground isn't where we thought it was.

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