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OP-ED COLUMNIST

Failure to Rise

By [PAUL KRUGMAN](#)

By any normal political standards, this week's Congressional agreement on an economic stimulus package was a great victory for President Obama. He got more or less what he asked for: almost \$800 billion to rescue the economy, with most of the money allocated to spending rather than tax cuts. Break out the Champagne!

Or maybe not. These aren't normal times, so normal political standards don't apply: Mr. Obama's victory feels more than a bit like defeat. The stimulus bill looks helpful but inadequate, especially when combined with a disappointing plan for rescuing the banks. And the politics of the stimulus fight have made nonsense of Mr. Obama's postpartisan dreams.

Let's start with the politics.

One might have expected Republicans to act at least slightly chastened in these early days of the Obama administration, given both their drubbing in the last two elections and the economic debacle of the past eight years.

But it's now clear that the party's commitment to deep voodoo — enforced, in part, by pressure groups that stand ready to run primary challengers against heretics — is as strong as ever. In both the House and the Senate, the vast majority of Republicans rallied behind the idea that the appropriate response to the abject failure of the Bush administration's tax cuts is more Bush-style tax cuts.

And the rhetorical response of conservatives to the stimulus plan — which will, it's worth bearing in mind, cost substantially less than either the Bush administration's \$2 trillion in tax cuts or the \$1 trillion and counting spent in Iraq — has bordered on the deranged.

It's "generational theft," said Senator John McCain, just a few days after voting for tax cuts that would, over the next decade, have cost about four times as much.

It's "destroying my daughters' future. It is like sitting there watching my house ransacked by a gang of thugs," said Arnold Kling of the Cato Institute.

And the ugliness of the political debate matters because it raises doubts about the Obama administration's ability to come back for more if, as seems likely, the stimulus bill proves inadequate.

For while Mr. Obama got more or less what he asked for, he almost certainly didn't ask for enough. We're probably facing the worst slump since the Great Depression. The Congressional Budget Office, not usually

given to hyperbole, predicts that over the next three years there will be a \$2.9 trillion gap between what the economy could produce and what it will actually produce. And \$800 billion, while it sounds like a lot of money, isn't nearly enough to bridge that chasm.

Officially, the administration insists that the plan is adequate to the economy's need. But few economists agree. And it's widely believed that political considerations led to a plan that was weaker and contains more tax cuts than it should have — that Mr. Obama compromised in advance in the hope of gaining broad bipartisan support. We've just seen how well that worked.

Now, the chances that the fiscal stimulus will prove adequate would be higher if it were accompanied by an effective financial rescue, one that would unfreeze the credit markets and get money moving again. But the long-awaited announcement of the Obama administration's plans on that front, which also came this week, landed with a dull thud.

The plan sketched out by Tim Geithner, the Treasury secretary, wasn't bad, exactly. What it was, instead, was vague. It left everyone trying to figure out where the administration was really going. Will those public-private partnerships end up being a covert way to bail out bankers at taxpayers' expense? Or will the required "stress test" act as a back-door route to temporary bank nationalization (the solution favored by a growing number of economists, myself included)? Nobody knows.

Over all, the effect was to kick the can down the road. And that's not good enough. So far the Obama administration's response to the economic crisis is all too reminiscent of Japan in the 1990s: a fiscal expansion large enough to avert the worst, but not enough to kick-start recovery; support for the banking system, but a reluctance to force banks to face up to their losses. It's early days yet, but we're falling behind the curve.

And I don't know about you, but I've got a sick feeling in the pit of my stomach — a feeling that America just isn't rising to the greatest economic challenge in 70 years. The best may not lack all conviction, but they seem alarmingly willing to settle for half-measures. And the worst are, as ever, full of passionate intensity, oblivious to the grotesque failure of their doctrine in practice.

There's still time to turn this around. But Mr. Obama has to be stronger looking forward. Otherwise, the verdict on this crisis might be that no, we can't.

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