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## Remember That Capitalism Is More Than a Spectator Sport

By ALAN S. BLINDER

AMONG the daunting set of tasks ahead for the president-elect, perhaps the most basic is to restore a sense of fairness to and faith in our economic system - much as Franklin D. Roosevelt <[http://topics.nytimes.com/top/reference/timestopics/people/r/franklin\\_d\\_elano\\_roosevelt/index.html?inline=nyt-per](http://topics.nytimes.com/top/reference/timestopics/people/r/franklin_d_elano_roosevelt/index.html?inline=nyt-per)> did in the 1930s.

For too many years, too many Americans watched helplessly as the economic world passed them by, the top dogs prospered, and their national government either sat by passively or intervened to help the "haves." No wonder trust in the system plummeted. It was hanging by a thread when the financial crisis <[http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit\\_c\\_risis/index.html?inline=nyt-classifier](http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit_c_risis/index.html?inline=nyt-classifier)> erupted. Now, it has been destroyed.

An economy isn't supposed to work that way. Our celebrated capitalist democracy is designed to be a participation sport - not a spectator sport - and one in which the average American can still win. So the new president's most fundamental job is to restore the people's confidence that the economy will perform - for them.

While any new president would prefer a loftier starting point, Barack Obama <[http://topics.nytimes.com/top/reference/timestopics/people/o/barack\\_oba\\_ma/index.html?inline=nyt-per](http://topics.nytimes.com/top/reference/timestopics/people/o/barack_oba_ma/index.html?inline=nyt-per)> will have to begin with the troubled Troubled Asset Relief Program. The way the Bush administration started it has left the \$700 billion bank bailout <[http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit\\_c\\_risis/bailout\\_plan/index.html?inline=nyt-classifier](http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit_c_risis/bailout_plan/index.html?inline=nyt-classifier)> in danger of becoming the most unpopular use of public money in the history of the republic - unless something is done fast.

If it's not already too late, the new president must convince Americans that the bailout is being managed for their benefit, not for Wall Street's. Because the first \$250 billion or so is being doled out to banks without asking anything in return, this will be no easy task. Quick changes in the bailout program - and I mean changes that ordinary people can understand - are necessary.

I'd start by sending a large dollop of that bailout money to Main Street - literally. That means devoting substantial sums to refinancing home mortgages that might otherwise go into foreclosure, which is what the head of the Federal Deposit Insurance Corporation <[http://topics.nytimes.com/top/reference/timestopics/organizations/f/federal\\_deposit\\_insurance\\_corp/index.html?inline=nyt-org](http://topics.nytimes.com/top/reference/timestopics/organizations/f/federal_deposit_insurance_corp/index.html?inline=nyt-org)>, Sheila Bair (bless her heart!), has been urging for months. The president-elect can be a powerful ally for Ms. Bair.

There are a number of ways to mitigate the impending wave of foreclosures. To those who object that refinancing mortgages one at a time is too slow, Mr. Obama should have two replies. First, let's end the delays and get started. Second, the Home Owners' Loan Corporation took on a much larger task - relative to the economy's size - in the New Deal, and succeeded admirably. Can't we match the speed of the 1930s? Yes, we can.

Next up, after reforming the bailout plan, is the Economic Recovery Act of 2009. Given the likely severity of the economic slide, a large dose of fiscal stimulus - amounting to perhaps 2 percent of G.D.P. <[http://topics.nytimes.com/top/reference/timestopics/subjects/u/united\\_states\\_economy/gross\\_domestic\\_product/index.html?inline=nyt-classifier](http://topics.nytimes.com/top/reference/timestopics/subjects/u/united_states_economy/gross_domestic_product/index.html?inline=nyt-classifier)>, or roughly \$280 billion - is needed either in the lame-duck Congressional session this month or soon after Inauguration Day. The new president must guide Congress away from passing an unprincipled hodgepodge of members' favorite projects that would just remind the public of what's wrong with Washington. Instead, we need a bill that has clear objectives, is well designed to achieve them, does not do long-term harm in the name of short-run help - and can be explained to the body politic.

Regarding objectives, I'd suggest sticking to two: creating jobs by creating new spending, and alleviating the misery that accompanies deep recessions.

The first criterion points toward such items as more generous unemployment insurance and food-stamp benefits, because that money will be spent quickly. It also points toward grants and loans to hard-pressed state and local governments, so they don't cut their spending or raise taxes. Because this recession will likely be lengthy, not fleeting, a large-scale public infrastructure program - with vigorous anti-pork provisions - also makes sense.

Again, the New Deal offers examples. Temporary institutions like the Civilian Conservation Corps and the Works Progress Administration <[http://topics.nytimes.com/top/reference/timestopics/organizations/w/works\\_progress\\_administration/index.html?inline=nyt-org](http://topics.nytimes.com/top/reference/timestopics/organizations/w/works_progress_administration/index.html?inline=nyt-org)> provided much-needed jobs but also left a legacy of new public infrastructure - the people's capital, if you will.

The second criterion again points toward more generous unemployment insurance and food-stamp benefits, but also toward policies like these: expanded trade adjustment assistance for displaced workers, more home heating assistance for low-income households, broader health insurance coverage - a step toward universal coverage - and a plan that gets serious about job retraining. (Here, tiny Denmark may be a good model.)

These and related programs are often referred to as the "social safety net," and America's is in tatters. But we need both repairs and a new metaphor. Lyndon B. Johnson [http://topics.nytimes.com/top/reference/timestopics/people/l/lyndon\\_baines\\_johnson/index.html?inline=nyt-per](http://topics.nytimes.com/top/reference/timestopics/people/l/lyndon_baines_johnson/index.html?inline=nyt-per) had it right when he called upon the government to provide a "hand up, not a handout." The Obama administration should seek to create a new "social trampoline" that not only catches people when they fall, but also propels them back into productive employment. If properly designed, such a social trampoline would both ease the short-run pain of recession and facilitate the long-run adjustment to globalization.

And at every step along the way, Mr. Obama should make abundant use of the presidential bully pulpit to explain, to cajole and to bring along not just the Congress, but also the people - just as Roosevelt did. Americans need to feel, once again, that it's their economy, and that the government is working on their behalf. Here, a little eloquence can go a long way. Fortunately, we just elected a man who has a lot.