I wonder if we are not staring at something so extraordinary that it eludes us, even in this discussion this morning, which is that in the economy and the financial system there is almost near despair and yet somehow there is a kind of sense of turning a page and entering a new period where there might be room for optimism in the political sphere. That is the nature of our political system after elections as significant and seismic as the last one.

I thought I would begin just by sharing a few thoughts about the American electorate now and then move from there in to the Obama phenomenon. The polls are showing some very interesting things about American attitudes toward this downturn. First, it is showing that they are confused. Nearly 50 percent of the electorate in a poll done by the Pew Research Center admits to being confused by the crisis. By the way, that is the number that admits to being confused. They are confused by the causes. They are confused by the complexity of the financial instruments. They are confused about what American policy is, and we all see that that changes so rapidly. We were talking earlier about the Troubled Asset Relief Program changing over night in its purposes.

But when they are asked to explain what it is that caused this problem, the overwhelming majority of Americans say two things caused it. One is that financial institutions lent too much people who they shouldn't have lent it to and the other — equally high, and these are the '70s and '80s range — are that people borrowed money when they shouldn't have.

I find this very interesting because after a campaign in which John McCain, for instance, said we are going to reform the corrupt system in Washington or on Wall Street, it was those guys who were greedy who screwed you. The American electorate is quite sensible about its understanding. And secondly, maybe this is sensible or not, they are patient. They are not giving up. The markets seem to be panicking, but Americans, at least in the opinion surveys, are not. Even as recently as the last week or two, Andy Kohut, who runs the Pew Research Center, is probably the best pollster in America, and used to run the Gallup organization, said that he was stunned that Americans feel that this is going to last a while, a year or two, but we will get through it. And many of them, the majority — I think you said, Ken, it is like 60 some percent — think that Obama is going to make a difference and that things will be better toward the end of his term.
When we look at Obama's challenges, it is useful to see what the context is and how much latitude he is going to have, and I think it gives him a lot of latitude. He is obviously off to a very impressive start with these leaks of his cabinet choices. I think he is impressing everybody including, it appears, a lot of people in this room. There is a lot being made that this is like Abraham Lincoln, as Doris Kearns Goodwin wrote in her book about his cabinet being a team of rivals. I personally think a little bit too much is made of that. If you really look at Lincoln's cabinet, it was totally dysfunctional. They were fighting with each other. Oddly, his secretary of state was the senior senator from New York whose home was not far from where we are in Upstate New York. He was a great Secretary of State. He kept the French and the British out of the Civil War. He also purchased Alaska, which as Sarah Palin would remind us, you can actually see from Canada. There are not too many places you could make that joke besides Canada.

So, are we going to see a new new deal? Let me just offer a few thoughts because it will be much more interesting when we start talking about this and you make some comments. I think we are certainly going to see a large stimulus package, and I think that it will be eclectic. Obama did not give us much of a clue as to what he was going to do as president, and that is not that alarming to take the two presidents who he is now being compared to, Lincoln and Roosevelt — they didn't either. A lot of what they ran on turned out to be inoperative as soon as they were elected: for instance, FDR's balanced budget.

I, with respect to Congressman McCrery, think there is or there might be room in there for a trade initiative because there are, as you point out, Rahm Emanuel and others who are not anti-trade, but they are going to need some political cover to do trade. Colleagues of mine at the Peterson Institute and I think — Carla Hills, you will be talking about this later and you know more about this than I do — that the impasse over trade in Congress has been political in nature and that it could be solved in the context of a stimulus package in which labor felt that it got something and could be made comfortable to support some trade initiative.

Are we going to see a new deal in terms of huge regulation? Certainly initially, as Paul Volcker said a little while ago, we are looking at a financial system very different from the one of the last ten or twenty years but my hunch is that it will be very incremental and pragmatic and cautious, given the shape of the financial advisors, Tim Geithner and Larry Summers. I don't think we are going to see socialism in the way that McCain warned that we would see it, although it was, obviously, ironic for him to call them socialists at a time when the government was intervening in the economy more than it ever had in a generation.

I was going to talk about foreign policy but Joe Nye did such a wonderful job of that. I guess in the spirit of kumbaya, I loved it when you praised President Bush for his legacy of Asia. I guess that should be the companion to Martin Feldstein's comments about spending. I think China, though, will be one of his earliest challenges both financial and political.

I just wanted to end on a personal note because Ken was kind enough to list some of the reporting
assignments I have had. But in the 1970s when I was city hall bureau chief, I was covering the New York City fiscal crisis, and this crisis reminds me a lot of that one. There are two gentlemen in the room, David Rockefeller and Paul Volcker, whom I first met in that period when I was covering that story. One of the lessons I learned that is relevant is that with leadership, the various stakeholders can be brought to sacrifice a measure of the stakes that they invested in the situation, and if they are prepared to go the distance to a better day, solutions can be had. There haven't been many times in our history when that was the case.

I thought that I would just be almost unique and end on an upbeat note in that sense and remind everyone that it is not going to look very pretty. Again, going back to Lincoln and FDR, one of FDR's most famous sayings was “try something and then if it doesn't work, try something else.” That certainly seems to be Paulson's facility in the last couple of weeks.

But even Abraham Lincoln once said, in one of his famous phrases for which he is lionized, “my policy is to have no policy.” At the time, going back to William Seward and the cabinet, everybody in the cabinet thought Lincoln was idiotic. I suppose if Hank Paulson were to come out today and say my policy is to have no policy, the markets wouldn't be very kind to it, and neither would Tom Friedman or David Brooks or political commentators.

But some of your greatest leaders were subtle and pragmatic. We don't always enjoy that quality at the time. We don't always appreciate it but I hope that is the spirit that they will approach it in the next couple of months. Thanks.

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