

WILL OBAMA DELIVER THE MIRACLES THE WORLD HOPES FOR?

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In a speech before the National press Club in Washington in August, Barack Obama quipped, "It is not true that I was born in a manger." Judging from the euphoria surrounding him as he takes office on January 20 as President of the USA, most people either didn't hear him, or believe him. Although his approval rating has dropped after his first couple of weeks in office, he's still expected to work miracles.

What are the chances of his delivering?

In the economic area, particularly, they're not good. His massive bailout plan has many critics.

Throwing money at sick car companies may give them some breathing space, but the longer the economic slump drags on, the more futile this will be.

Throwing money at consumers may have a populist ring to it, but they're jittery and more likely to save the handout than spend it. And as the ranks of jobless keep swelling, so will the savings rate rise.

Throwing money at infrastructure will prepare America for the future. It will also create some jobs, create some business opportunities – and generate welcome feel-good headlines. But very few projects will be "shovel ready"; most will take a long time to get going. And for all the assurances from the Obama team that projects will be carefully evaluated and then monitored to be sure they make the impact that's intended, one certainty is that pork barrel spending is about to take off. And while there's no question that some government intervention is essential to fix the mess, there's no question either that bureaucrats and big government can have a stifling effect on matters economic.

Awash in uncertainties, and with sales plunging, companies are watching the pennies. Barely two months ago, some 14% of the S&P 500 had reported a drop in earnings; now 38% have done so. And every day, the news gets worse and the outlook grows bleaker.

As the big kahuna in the global economy, the US has a powerful impact on what happens everywhere else. On the one hand, it's the biggest buyer of just about everything that other nations export. On the other, it needs customers in Europe and Asia to rev up their spending and buy what it exports. Neither is happening. A vicious cycle has been created that is now immobilizing everyone.

The scope, speed, and intensity of the global downturn is breathtaking. The financial system is in tatters. Equally damaging, though, is the fact that confidence and trust everywhere are at record lows. And without these "soft"

factors firmly in place, no amount of tinkering with the architecture will change things for the better.

Obama has a lot going for him. He also has a lot against him. So while we should hope he'll make a difference, we should not base our plans on that happening. "Seeing is believing" is the wisest approach.