Re: Memo: Shaun Woodward/N. Ireland meeting Monday. Sid

From: Sidney Blumenthal [redacted]

RELEASE IN PART B6

To: hdr22@clintonemail.com

Subject: Re: Memo: Shaun Woodward/N. Ireland meeting Monday. Sid

B6

Hillary: FYI. See article below, on Merkel's utterly predictable rejection of intl stimulus and rebuff of Brown, joined by French. This is bad on many levels and reflects a series of missteps. It is the result of political ineptitude by Treasury, NEC and NSC. There has not been such a breach in the Western alliance since Thatcher initially opposed German reunification and that was hardly a consequence of a vacuum created by the US, like this one. G-20 heads toward potential train wreck. Right now, this can't be dealt with by redoubled efforts at process--deputies and policy people acting as though attending ministerial and deputies' meetings and pushing paper upward offers solution. Best and brightest syndrome redux, brilliance of high level operators claiming technical authority but without political understanding. Off top of my head: 1. Demote expectations of G-20 as panacea; 2. Work out some agreement on international financial regulation, major part of Brown agenda, to claim victory at conference. 3. Downplay talk about international stimulus as demand from US/UK; understand different situations of Germany/France (they have social safety nets, sound infrastructure; histories of deep fear of debt, etc.); and talk about stimulus as project of augmenting IMF, esp in E. Europe; talk about recovery plans as crafted to unify post-Communist Europe, to lift Europe east and west, and to stop centrifugal forces. Use this line: Europe whole and prosperous is essential for global economic recovery. That may help ease way for negotiating additional stimulus now rejected in future. 4. Most importantly, US must announce its financial policy asap. I say no more here on that, though there's plenty to say about the egregious mishandling so far. (Brown should have been praised for what he did on RBS and Lloyd's, which leaves that door open here if necessary, just one of the omissions in policy toward Brown.) 5. Another idea: You should lead on US/Russia economic recovery package as part of restored relations; very important for Germany; that would "reset" in the right language. I also include (below the article on Merkel/Brown) some other pieces on the current state of play here you might not have seen because you're so busy. Howard Fineman and David Broder, of course, reflect the conventional wisdom, which is the point of reading their articles and why they are noteworthy and disturbing. Doug Schoen is not the conventional wisdom, making his article even more alarming. I note that Brown's poll ratings reflect public dissatisfaction with perceived slowness of his response to economy, though he has not been slow, especially in comparison to US. The point is that regardless of the administration's early advantages they can be squandered quickly in this environment. Failure at G-20 can coalesce inchoate public feelings about lack of economic progress and slowness of having a financial policy. Sid

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Germany and France reject Brown's global economic recovery plan

Angela Merkel insists any further short-term fiscal stimulus should be up to individual governments, not the G20

Toby Helm and Heather Stewart

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Gordon Brown's hopes of uniting the world's most powerful economies behind a massive new package of tax cuts and public spending increases suffered a serious blow yesterday when he failed to persuade France and Germany to back his plan to revive the world economy.

After talks at Chequers to prepare the way for next month's G20 summit in London, Angela Merkel, the German chancellor, ruled out ordering another "fiscal stimulus" in the short term, and made it clear that if more action were to prove necessary in Germany it would be for Berlin to decide, not the G20.

Her comments were echoed by the French finance minister, Christine Lagarde, who was attending a meeting of G20 finance ministers in Horsham, West Sussex. As ministers tried to agree a way forward, Lagarde said she was optimistic the meeting could make progress, but added that nations needed to "evaluate the remedies already put in place by each of us" before ordering huge extra spending on top of that already sanctioned.

The remarks effectively killed off proposals being pushed jointly by Brown – who will chair the G20 summit on 3 April – and US president Barack Obama, whose administration believes that more co-ordinated fiscal action by the world's biggest economies is essential to revive global demand.

Standing alongside Brown at a Downing Street press conference, Merkel said she was sure the G20 – made up of the world's biggest industrial and developing countries, which account for 85% of the global economy – would yield "concrete results". But when asked if she would back further tax cuts and spending increases, she insisted Germany had agreed its own stimulus package worth 4.2% of the country's GDP – far higher than that ordered by the UK – and she wanted to see what the effects would be before doing any more.

"Nothing has actually taken effect on the ground yet," she said. "If we want to make real impact, you really must implement the package first before you talk about the next step."

Brown insisted that G20 countries had already agreed the "biggest fiscal stimulus in history" and said the need for more action would be kept under "review". He and the German chancellor had agreed on the need for tougher regulatory control of the financial markets and hedge funds – moves he was confident Washington would also back.

"I believe the Americans are ready to support us in this change," he said.

The Conservatives said the remarks from Merkel and Lagarde showed Brown was failing to unite the G20 behind his ideas.

"Central to Gordon Brown's attempt to draw a political dividing line with the Conservatives in the run-up to the budget has been his claim that the whole world is signed up to yet more debt-funded fiscal stimulus. That plan, which he hoped the G20 summit would provide cover for, is falling apart," said shadow chancellor George Osborne.

There was much greater consensus over a series of measures to more strictly regulate the flow of international capital. Finance ministers and central bankers agreed to strengthen monitoring of the financial sector to prevent a recurrence of the credit crunch. They called for all financial institutions, including hedge funds and the ratings agencies that gave a clean bill of health to many of the toxic assets now infecting the world's banks, to be brought under the wing of regulators.

They also said that complex financial assets, such as the derivatives at the heart of the crisis, should be better monitored, and promised to require banks to "build buffers of resources during the good times" to prevent risky lending amplifying booms and busts and endangering the stability of the world economy. Secretive tax havens, many of which have already succumbed to intense international pressure and announced new concessions to openness in recent days, can also expect to face a new "toolbox of effective countermeasures", the ministers said.

The detail of the new rules has been left for Brown and his fellow heads of state to tackle in London next month; but Tim Geithner, Obama's treasury secretary, insisted there was considerable consensus among the governments represented at the talks. "We are seeing the world move together on a scale and at a speed unprecedented in recent times," he said.The G20 countries also agreed that the International Monetary Fund's resources should be increased "substantially" to prevent developing countries suffering disproportionately from the worldwide credit squeeze, but there was no commitment to provide new funds immediately. "We did not seek to reach agreement on a number," the chancellor said. The G20 also called for radical reforms of the IMF, to rein in the dominance of the US and Europe and give poor countries a bigger voice at the Washington-based lender – but set a deadline of 2011, which campaigners said would make the process too slow.

Jesse Griffiths, co-ordinator of the Bretton Woods Project, an NGO that monitors the IMF, said: "They've left themselves a big hill to climb between now and the London summit."

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A Turning Tide?

Obama still has the approval of the people, but the establishment is beginning to mumble that the president may not have what it takes.

Howard Fineman

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Surfer that he is, President Obama should know a riptide when he's in one. The center usually is the safest, most productive place in politics, but perhaps not now, not in a once-in-a-century economic crisis.

Swimming in the middle, he's denounced as a socialist by conservatives, criticized as a polite accommodationist by government-is-the-answer liberals, and increasingly, dismissed as being in over his head by technocrats.

Luckily for Obama, the public still likes and trusts him, at least judging by the latest polls, including NEWSWEEK's. But, in ways both large and small, what's left of the American establishment is taking his measure and, with surprising swiftness, they are finding him lacking.

They have some reasons to be concerned. I trace them to a central trait of the president's character: he's not really an in-your-face guy. By recent standards—and that includes Bill Clinton as well as George Bush—Obama for the most part is seeking to govern from the left, looking to solidify and rely on his own party more than woo Republicans. And yet he is by temperament judicious, even judicial. He'd have made a fine judge. But we don't need a judge. We need a blunt-spoken coach.

Obama may be mistaking motion for progress, calling signals for a game plan. A busy, industrious overachiever, he likes to check off boxes on a long to-do list. A genial, amenable guy, he likes to appeal to every constituency, or at least not write off any. A beau ideal of Harvard Law, he can't wait to tackle extra-credit answers on the exam.

But there is only one question on this great test of American fate: can he lead us away from plunging into another Depression?

If the establishment still has power, it is a three-sided force, churning from inside the Beltway, from Manhattan-based media and from what remains of corporate America. Much of what they are saying is contradictory, but all of it is focused on the president:

The $787 billion stimulus, gargantuan as it was, was in fact too small and not aimed clearly enough at only immediate job-creation.

The $275 billion home-mortgage-refinancing plan, assembled by Treasury Secretary Tim Geithner, is too complex and indirect.

The president gave up the moral high ground on spending not so much with the "stim" but with the $400 billion supplemental spending bill, larded as it was with 9,000 earmarks.

The administration is throwing good money after bad in at least two cases—the sinkhole that is Citigroup (there are many healthy banks) and General Motors (they deserve what they get).

The failure to call for genuine sacrifice on the part of all Americans, despite the rhetorical claim that everyone would have to "give up" something.

A willingness to give too much leeway to Congress to handle crucial details, from the stim to the vague promise to "reform" medical care without stating what costs could be cut.

A 2010 budget that tries to do far too much, with way too rosy predictions on future revenues and growth of the economy. This led those who fear we are about to go over Niagara Falls to deride Obama as a paddler who'd rather redesign the canoe.

A treasury secretary who has been ridiculed on "Saturday Night Live" and compared to Doogie Howser, Barney Fife and Macaulay Culkin in "Home Alone"—and those are the nice ones.

A seeming paralysis in the face of the banking crisis: unwilling to nationalize banks, yet unable to figure out how to handle toxic assets in another way—by, say, setting up a "bad bank" catch basin.

A seeming reluctance to seek punishing prosecutions of the malefactors of the last 15 years—and even considering a plea bargain for Bernie Madoff, the poster thief who stole from charities and Nobel laureates and all the grandparents of Boca. Yes, prosecutors are in charge, but the president is entitled—some would say required—to demand harsh justice.

The president, known for his eloquence and attention to detail, seemingly unwilling or unable to patiently, carefully explain how the world works—or more important, how it failed. Using FDR's fireside chats as a model, Obama needs to explain the banking system in laymen's terms. An ongoing seminar would be great.

Obama is no socialist, but critics argue that now is not the time for costly, upfront spending on social engineering in health care, energy or education.

Other than all that, in the eyes of the big shots, he is doing fine. The American people remain on his side, but he has to be careful that the gathering judgment of the Bigs doesn't trickle down to the rest of us.

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OPINION

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Obama's Poll Numbers Are Falling to Earth

By DOUGLAS E. SCHOEN and SCOTT RASMUSSEN

It is simply wrong for commentators to continue to focus on President Barack Obama's high levels of popularity, and to conclude that these are indicative of high levels of public confidence in the work of his administration. Indeed, a detailed look at recent survey data shows that the opposite is most likely true. The American people are coming to express increasingly significant doubts about his initiatives, and most likely support a different agenda and different policies from those that the Obama administration has advanced.

Polling data show that Mr. Obama's approval rating is dropping and is below where George W. Bush was in an analogous period in 2001. Rasmussen Reports data shows that Mr. Obama's net presidential approval rating -- which is calculated by subtracting the number who strongly disapprove from the number who strongly approve -- is just six, his lowest rating to date.

Overall, Rasmussen Reports shows a 56%-43% approval, with a third strongly disapproving of the president's performance. This is a substantial degree of polarization so early in the administration. Mr. Obama has lost virtually all of his Republican support and a good part of his Independent support, and the trend is decidedly negative.

A detailed examination of presidential popularity after 50 days on the job similarly demonstrates a substantial drop in presidential approval relative to other elected presidents in the 20th and 21st centuries. The reason for this decline most likely has to do with doubts about the administration's policies and their impact on peoples' lives.

There is also a clear sense in the polling that taxes will increase for all Americans because of the stimulus, notwithstanding what the president has said about taxes going down for 95% of Americans. Close to three-quarters expect that government spending will grow under this administration.

Recent Gallup data echo these concerns. That polling shows that there are deep-seated, underlying economic concerns. Eighty-three percent say they are worried that the steps Mr. Obama is taking to fix the economy may not work and the economy will get worse. Eighty-two percent say they are worried about the amount of money being added to the deficit. Seventy-eight percent are worri