

Suddenly McCain is on dangerous ground

If John McCain ever doubted that a week is a long time in politics, he no longer does – not since last week saw foreign-policy concerns take a back seat to economics. McCain has never made a secret of his lack of economic nous, but has tried to avoid confessing his complete lack of interest in those economic issues. His is not a campaign informed by a close reading of the debate between supporters of John Maynard Keynes and Milton Friedman. His candidacy is based on intuition, on the notion that he is a man of honour who will do the honourable thing, whatever that might turn out to be.

This is fine when it comes to issues of war and peace, the defence of the realm, the fight to preserve Western values from Islamic fundamentalism. McCain knows that is his strength, which is why he insisted that Friday night's debate at the University of Mississippi, the first in a series of three with Barack Obama, be devoted to foreign policy, the area in which he has the greatest advantage over his inexperienced and gaffe-prone opponent.

After all, the Republican supported the surge in Iraq when it was so unpopular it was thought it would doom his campaign, and when Obama, believing the war lost, was willing to bring the troops home.

But unfortunately for McCain, the problems of the financial sector, in which his understanding is, er, limited, now overshadow the foreign-policy issues in which he excels. Which is why his incoherent response to the credit crunch, with the resultant failure of Lehman Brothers and the forced sale of Merrill Lynch, was so damaging. And why his populist search for villains – Wall Street bankers, short-sellers, the chairman of the Securities and Exchange Commission – was no substitute for analytically solid suggestions.

Not that Obama was a model of hard analysis. His solution is to “fire the whole trickle-down, on-your-own, look-the-other-way crowd”. But he had two advantages over McCain. First, he was able to tap some of the weightier economic and policy people in the country for advice, while McCain's team, with the possible exception of his chief economic adviser, Douglas Holtz-Eakin, lacks expertise, consisting of two former CEOs who are not economists, and former Senator Phil Gramm, famous for calling American voters “whiners” for complaining about their financial circumstances.

Second, Obama was able to turn the nation's attention to economic issues, in which he and



The Republican presidential candidate is being forced to face up to his limited grasp of economics, says
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his staff believe he has a major advantage over McCain, if for no other reason than that McCain is a quasi-incumbent who felt it necessary to support President Bush's tax cuts in order to win his party's nomination. Remember: Americans have already started voting, so even if economic issues recede into the background in the 40 days remaining before official election day, many voters will have cast their ballots with McCain's recent lack of lucidity in mind.

Some 30 states now allow early voting, by mail or in person, and one in three voters will avail

themselves of that opportunity. By the time you read this, citizens in Kentucky, South Carolina (solid McCain states) and Virginia (a toss-up) will have voted in significant numbers, soon to be joined by some 40 to 50 per cent of the voters in the key swing states of Nevada and Colorado. These early voters will not have the chance to learn how the current economic crisis will affect the ability of the two candidates to keep their promises.

McCain has been promising not only to retain the Bush tax cuts, but to cut other taxes – most notably corporate tax – further. The new burdens on the national budget created by the various bail-outs will make it difficult for him to keep that promise. Never mind that a cut in the US corporate tax rate just might increase, rather than reduce, revenues. A gift to corporate “fat cats” following hard on the heels of a bail-out of “greedy bankers” is simply not on the political cards.

Obama is not in much better shape. He has been promising, first, to raise taxes on “rich” Americans, the very people whose investments will be needed if the economy is to skirt a serious recession. He has also promised to send every family with income of less than \$250,000 a year a cheque for \$1,000, to spend \$150 billion

over 10 years to buy “energy independence”, and to spend even more billions on roads and bridges. The hard fact is that he will be unable to add billions to the federal deficit without causing a run on the dollar.

But those are problems for another day – the day after Friday's debate.

Yesterday, Obama went into “debate camp” in Florida, where he will remain more or less secluded, studying foreign-policy issues with rotating teams of advisers. McCain feels more comfortable with these issues, and anyhow relies more on intuition than Obama, and so has not started a systematic study programme, which he probably needs far less than does his opponent.

Unfortunately, such is not the case with economic issues, the subject of the second debate and most likely the third. McCain is counting on the fact that the first debate draws the biggest audiences, Obama on the hope that it will be long forgotten by election day – at which time he hopes his obvious deficiencies as a potential commander-in-chief will pale next to McCain's obvious deficiencies as the nation's top economic policymaker.

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