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The Strategy of Staying Angry

By [Adriel Bettelheim](#), CQ Staff

A little well-directed anger can go a long way toward helping voters weather an economic crisis.

Or so hopes President Obama, who this week fairly urged Americans to direct their frustration over the \$165 million in bonuses collected by American International Group Inc. employees at Wall Street executives and the Washington regulators and lawmakers who let them run amok.

It was the president's parting advice as he left town for a two-day swing through southern California following a turbulent week during which his administration struggled to respond to a political tempest over the AIG affair.

After issuing conflicting signals about the government's ability to recover the money, administration officials settled on a crisis containment strategy built around provoking popular outrage over corporate excesses and reinforcing Obama's calls for shared sacrifice in the face of the crisis.

"I don't want to quell anger," Obama said Wednesday before boarding his helicopter for a quick trip to Andrews Air Force Base and his flight to Long Beach, Calif. "I think people are right to be angry. I'm angry. What I want us to do, though, is channel our anger in a constructive way."

The White House strategy is designed to show Obama understands that Wall Street elites shouldn't can't get preferential treatment when millions of Americans are worried about keeping their jobs, paying their mortgages and preserving their life savings, according to strategists familiar with the administration's thinking.

The administration is wagering Americans outside the Beltway are more eager to hear Obama take responsibility for addressing the mess than sort out when officials found out about the bonuses, or how the controversy reflects on Treasury Secretary [Timothy F. Geithner](#), the administration's point man on the taxpayer-funded bailout of the financial industry and the object of intensifying criticism in Congress.

But regardless how well the strategy works, the AIG flap will make it more difficult for the administration to sell future relief packages aimed at stabilizing the financial system or helping other ailing sectors of the economy, including the auto industry. And, critics say, it is further undermining independent voters' confidence in the administration's handling of the crisis.

In one sign of eroding support, [Quinnipiac University poll](#) of Ohio voters released on Wednesday showed Obama's approval ratings among independents in the strategically important swing state has fallen 10 percent since early February.

A national telephone survey by [Rasmussen Reports](#) released Thursday showed half of the respondents believe the government will overreact to the nation's economic problems — a 7 percent increase over a month ago.

"Republicans have done a good job harping on out-of-control spending and this fits nicely into that category," GOP strategist Scott Reed said of the AIG bonuses. "The president now owns the AIG issue and the problem lays at the White House, because they approved these bonuses and it's an issue everyone can understand."

Helio Fred Garcia, a crisis management consultant and adjunct professor of management at New York University, said it's essential that Obama continue to give voice to public outrage over excesses like the AIG bonuses in order to maintain voters' confidence in his budget and major initiatives in health care, education and the environment.

"The buildup of minor missteps can over time become a drag on public trust," Garcia said. "But it's incremental, because Americans most of the time aren't paying attention to legislative or regulatory processes or that level of detail. They're really looking for tone, some comfort that their leader gets it."

The administration's muddled response to the bonuses underscored the fact that while the government now holds an 80 percent stake in AIG, it still depends on the company's executives to account for how the money is being spent. Obama on Wednesday spoke about the need for a "resolution authority" similar to the Federal Deposit Insurance Corporation that could oversee institutions that receive bailouts.

Timeline of a Tumult

Geithner learned about the bonuses on March 10 and quickly conveyed his displeasure to AIG Chief Executive Officer Edward M. Liddy. But he only informed the White House two days later, and word didn't trickle up to Obama until senior aides told him the afternoon of March 12, according to a timeline of events provided by administration officials.

Aides familiar with the events say Obama was taken aback and upset by the news, which came after the government pledged another \$30 billion of taxpayer-funded aid to the company earlier this month.

Administration officials in the ensuing days expressed intensifying outrage over the bonuses, but initially said they had little recourse to recover the money. National Economic Council Director [Lawrence H. Summers](#), appearing on ABC's "This Week" on March 15, warned about the consequences of breaking contracts.

However, by next day, the president's advisers concluded the White House had not expressed sufficient concern. Obama on March 16 instructed Geithner and Treasury Department lawyers to pursue every option to recover the money. But later that day, press secretary Robert Gibbs reversed course again and said the administration concluded the legal cost of canceling funding agreements would be excessive.

By midweek, Congress had joined in the controversy, mounting a [legislative effort](#) (HR 1586) to impose a 90 percent tax on bonuses given to highly paid employees not only of AIG, but of all recipients of more than \$5 billion in federal bailout funds.

AIG executives say the firm could recover the millions of bonuses by voluntary means.

Experts are categorizing the week's tumult as more than an annoyance but less than full-fledged crisis for the administration. Few expect Obama to reprimand Geithner or any other officials, because it would send more confusing signals to the public, by raising questions about why Obama selected questionable candidates for key positions in the first place.

But they believe beyond harsh condemnations of AIG, Obama must be especially careful not to leave the perception his administration has a double standard in its dealings with players hurt by the financial crisis.

"The thing they have to avoid is a sense they're quick to bail out Wall Street, but not Main Street," said Barbara Kellerman, a lecturer in public leadership at Harvard University's Kennedy School of Government. "It will be a problem if they say they can't rip up the contracts with AIG that provided the bonuses, but then ask for revisions of union contracts and concessions from workers when they do another bailout of auto companies."

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