



Wall Street's turmoil tests McCain

Obama goes on the attack with a new ad, while the GOP candidate calls for an investigation.

By [Linda Feldmann](#) / Staff Writer
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With Wall Street embroiled in crisis, both major presidential candidates have jumped to the fore with proposals.

John McCain, the Republican, faces the tougher challenge. Fairly or not, as the nominee of the party controlling the White House, Senator McCain faces the prospect of guilt by association. McCain spoke on seven morning talk shows Tuesday, proposing a 9/11-commission-like investigation into what has led to the string of collapses of major financial institutions.

“This is a result of excess and greed and corruption,” McCain said on MSNBC. “And that’s exactly what is plaguing Americans today. And we got to fix it and we’ve got to update our regulatory system. We have to have a 9/11 commission to find out what went wrong and to fix what’s going to happen in the future so this never, ever happens again.”

Barack Obama, the Democrat, planned a speech in Golden, Colo., Tuesday, in which he would “talk about his plans to revamp our regulatory framework, push back against special interests, and grow the American economy,” his campaign said.

At the very least, the collapse of Wall Street giant Lehman Brothers and the shotgun sale of Merrill Lynch over the weekend, followed Monday by the largest one-day drop in the Dow Jones Industrial Average since the 9/11 attacks, have abruptly ended the campaign’s “lipstick on a pig” detour and dampened the all-Sarah-Palin-all-the-time media frenzy.

Senator Obama clearly senses an opening. His campaign jumped on McCain’s comment Monday that “the fundamentals of our economy are strong” and produced an ad around that statement. The ad repeats the clip three times, and skips the rest of the sentence – “but these are very, very difficult times.”

Obama has typically scored better with voters than McCain on his ability to handle the economy – but not by much, and he does not do as well as generic Democrats vs. generic Republicans on the economy.

This is where Obama’s youth and relatively short résumé may be holding him back. Thus the effort to



put out a little more detail Tuesday on what he would do as steward of the economy and of a financial system in turmoil.

In general, the two candidates take different philosophical approaches toward regulation of financial institutions, with Obama favoring more regulation and McCain consistently favoring deregulation during his 25 years in Congress. In the wake of recent developments, however, both McCain and his running mate, Alaska Governor Palin, have talked about tighter regulation. Obama and McCain agree that the federal government was correct not to bail out the bankrupt Lehman Brothers investment bank.

For Obama, there may be a danger in putting out a detailed plan to address the crisis.

“One thing you learn in presidential campaigns is that specifics don't win you elections,” says Stan Collender, a budget expert at Qorvis Communications, a Washington, corporate communications firm. “In fact, it probably loses you votes in many cases. I would think that what he's going to try to do is talk about this as the excesses of the Bush years come to light.”

McCain, as the GOP nominee, faces the greater challenge as he tries to distance himself from President Bush.

“He's got the most incentive to come up with some new ideas as to what should be done,” says Campbell Harvey, a business professor at Duke University in Durham, N.C.

McCain could also be weighted down by his own admitted lack of expertise on economics, and the fact that one of his top economic advisers is Phil Gramm, former chair of the Senate Banking Committee. Democrats and their allies, such as AFL-CIO union president John Sweeney, note that former Senator Gramm cosponsored a 1999 law that allowed for the consolidation of commercial and investment banks.

The long-term impact of Wall Street's crisis on the campaign has not yet played out.

“If this turns out to be a phenomenon with no immediate and direct impact on millions of Americans, it won't necessarily have a big impact on the election,” says John Pitney, a political scientist at Claremont McKenna College in Claremont, Calif. “If all of a sudden everyone in the housing market suddenly finds out mortgages are unavailable, at that point it becomes a much bigger deal.”

Mr. Pitney also does not see McCain as trapped in a no-win situation. In calling for tightened regulation of Wall Street – a position that does not please free marketeers in the GOP – “McCain can say this is very much in the tradition of Theodore Roosevelt,” says Pitney. “He can say, just because he's a limited government conservative doesn't mean he's an antigovernment conservative.”

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