

THAT WE ARE IN THE MIDST OF CRISIS IS NOW WELL UNDERSTOOD

No. It was not about an attempt to “bury bad news.” Just coincidence that Bank Governor Mervyn King’s gloomy outlook for the UK economy hit the Press on the same day as the Obama speech. His predictions about “a difficult year for us all” had been underlined by the announcement that the Royal Bank of Scotland had made the biggest corporate loss in British history. So could it be that we are about to be rescued by the US 7th Cavalry, also known as the Federal Reserve Bank? The pound, which has fallen in value by 25% since mid-2007, could certainly do with some support.

Obama’s address has been variously described as “not enough like Lincoln at Gettysburg” or “in the great traditions of Paul Revere and the call to arms” (against, you recall, the British invader). So whilst opinion remains divided on the rhetoric, what is clear is that he firmly placed crisis at the top of the agenda. According to one US TV commentator on Pennsylvania Avenue, “he was, in American parlance, telling it like it is.”

The speech highlighted the indicators of crisis as a nation at war, the economy badly weakened and the collective failure to make hard choices. So how did it stack up in terms of crisis analysis, crisis management and planning for the recovery?

If an assessment of the address from a crisis and reputational perspective is conducted what would be the outcome and has the President identified a route out of this economic mess?

Well some of the underlying fundamentals were positive. There was a clear messaging that the person in charge is well aware that the crisis has hit and that things have to change.

Perhaps even better than the recognition and commitment is the realization that the worst may not yet be over; “The oath is taken amidst gathering clouds and raging storms” indicates a darker and more imperfect future. Whilst UK Government is attempting a recovery plan without seemingly understanding the crisis, at least the President appears to be grappling with the impacts, if not the root causes.

“Homes have been lost, jobs shed, businesses shuttered. Our health care is too costly, our schools fail too many, and each day brings further evidence that the ways we use energy strengthen our adversaries and threaten our planet.”

And he goes further to highlight that in a crisis there are emergent properties which need to be addressed. The use of the phrase “Less measurable, but no less profound, is a sapping of confidence across our land” indicates that his administration has, to some degree, thought through the implications and impacts.

A good start which indicates many positives but one which unfortunately does not go quite far enough to indicate that the way forward is understood.

Yes, there are those who need to be blamed; “a consequence of greed and irresponsibility on the part of some but also our collective failure to make hard choices and prepare the nation for a new age.” A theme echoed this week by our own Prime Minister and Chancellor. But there is no indication just yet how these faults are to be rectified. Key to much of this, though, is how Obama has raised the bar in his speech; and how these heightened expectations can be managed in the critical first 100 Days.

Hard work and spending on infrastructure is offered but, surely, can only be seen as a short-term palliative; “We will build the roads and bridges, the electric grids and digital lines that feed our commerce and bind us together.” Coupled with science and environmental visions...a Green New Deal has already been talked about... it appears the cracks can be papered over. But with cross-Atlantic echoes of Gordon Brown’s “spend, spend, spend” solution are we to see similar weaknesses or is there more substance behind America taking the lead in crisis management? Watch this space... and the foreign exchanges.

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