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NEWS ANALYSIS

Five questions candidates need to address

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Sens. John McCain and [Barack Obama](#) debate for the third and final time Wednesday night, and you can expect both presidential candidates to talk a lot about their plans for the nation's struggling economy—with special attention to the crisis roiling financial markets. But key components of the crisis and its aftermath demand more detail than the candidates have offered so far. Here are five key questions the candidates should address. *How would each rebuild confidence, now and down the road?*

How would the candidates calm topsy-turvy markets, persuade financial institutions to lend freely to one another and reassure consumers that the American economy is back on track? With that in mind, how would they direct the Treasury Department to spend the \$700 billion-plus Congress authorized in its recent bailout package?

How would the candidate manage the deficit—and inflation?

Even with the high cost of the bailout, neither candidate has said he'll drop plans for tax cuts or spending increases—which could balloon the federal budget deficit and national debt even further. High debt, a large deficit and the cash infusion from the bailout could be a recipe for rapidly increasing consumer prices. Are the candidates willing to accept inflation as the cost of their agendas, or would they scale back to guard against it?

How would the candidate get government out of the banking business?

Federal officials said this week they'll spend \$250 billion to buy stakes in American banks. Few experts expect the banks to stay seminationalized for the long term. But they expect any withdrawal strategy to be tricky. "How does the government extricate itself from this without significant costs to the taxpayer?" asked Eswar Prasad, a Cornell University economics professor and senior fellow at the Brookings Institution.

How would the candidate keep people in their homes, and keep up home-buying?

Voters need to hear more detailed plans to stem a nationwide tide of foreclosures—and to help homeowners who are in over their heads but making good-faith efforts to pay their mortgages. They also want to know how the candidates plan to ensure those efforts won't discourage new mortgages and slow the housing market, which would send home prices tumbling even further. "There needs to be lending so that people can buy homes," said Merritt Fox, a Columbia University law professor who

specializes in markets and securities law. "And if the terms [of mortgages] get more difficult, that may help people who already own homes but hurt the market."

How would the candidate keep this from happening again?

The next president will tackle the question of how to reshape government regulation to prevent another meltdown. "What is clear," said Harvey Goldschmid, a Columbia law professor and former member of the Securities and Exchange Commission, "is we need the most fundamental rethinking of the regulatory scheme for financial markets since the New Deal." He and other experts agree that neither Obama nor McCain has offered any details on how they'd remake those rules as president. Here are some starter questions: What oversight would they give to hedge funds, credit-rating agencies and the next generation of complex financial products?

—*Jim Tankersley*

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