

## Chapter 7

# Presidential Speech-Making and Leadership Images in Times of Crisis: Bush vs. Obama

*Patrícia Calca*  
*Sebastian Köhler*

### **Abstract**

In times of economic crisis Presidents are expected to take the lead to maneuver the country through it. *Good* crisis management entails two components: one is to take appropriate policy measures; the other is to create an appropriate image to soothe markets and voters, and to brand oneself as a successful leader. The economic crisis, which started to spread in 2007 with the implosion of a real estate bubble in the United States of America (USA / U.S.), provides the opportunity to analyze commonalities and differences between two Presidents: George W. Bush and Barack Obama. In this chapter we will analyze *how they used the State of the Union Addresses (SOTUA) to create an image of political leadership in times of economic crises?* We will apply content analysis to the six SOTUA (2006-2011) to identify their strategies of communicating that image to the public.

### **Introduction**

In June 2007, two hedge funds run by Bear Stearns, got into serious financial troubles. The problems spread quickly to other financial institutes, and it soon became clear that the financial markets in the USA faced severe risks related to sub-prime mortgages. What followed was the onset of the worst financial and economic crisis since the great depression of the 1930s, which had wreaked

havoc in the world economy for almost a decade. In 1932, President Herbert Hoover was voted out of office because of his unsuccessful crisis management. His successor, Franklin D. Roosevelt, was more successful in managing the crisis. His politics of the *New Deal* helped to restore the economy in the U.S., while the measures taken to fight the crisis had been far from being contested, his leadership was important for his success. During the current crisis two Presidents—George W. Bush and Barack Obama—were responsible for leading the nation through the hard times. In this chapter, we analyze how the two Presidents used the *SOTUA* to create an image of leadership during this period as part of their crisis management efforts.

A crisis is usually understood as “a serious threat to the basic structures or the fundamental values and norms of a social system, which—under time pressure and highly uncertain circumstances—necessitates making critical decisions.”<sup>1</sup> The uncertainty caused by a crisis is what Blyth called *Knightian Uncertainty*,<sup>2</sup> i.e., an inherently immeasurable risk. Due to this structural uncertainty, in these times the demand for a leader that reduces this lack of assurance and manages the crisis is particularly high.

Two aspects of this management are especially important in economic crises. The first is to enact adequate policies to end, or at least, mitigate the economic problems and prevent the situation from escalating (in an economic crisis this can be reflected in measures like bailing out a bank, or deciding on government programs that are meant to stabilize the economy). The second aspect is to explain the situation, give a rationale and to communicate what one is doing to end the crisis. Giving a convincing justification is necessary to gain public and political support for the actions and policies promoted to end the crisis.<sup>3</sup> The communication strategies also help to reduce the uncertainty markets face and restore confidence in the political and economic system.

Leadership is an important aspect of the presidency. However, one problem of Presidents is that they have only limited political capacity.<sup>4</sup> Thus, Presidents had to find effective ways to lead. One way to do this is the strategic use of speeches. The discourses of the U.S. *Head of the State* is a central function on the attributes which he has as a President.<sup>5</sup> Every public speech of him reflects the will and readiness to take the lead, or at least, his aims to communicate this image to the public. Hence, speeches are crucial instruments that Presidents use to lead in normal times.<sup>6</sup> In these events it is crucial the existence of media which transmit the ideas and, by that, win the empathy of voters. This creates a symbiotic relationship, as the media are also aware of the newsworthiness of Presidents and their speeches. These speeches are even more important tools of presidential leadership in times of crisis. They allow for the rationalization of the crisis and measures taken to fight it. Therefore, Presidential speeches provide a natural starting point when it comes to study a President’s reaction to a crisis. In this chapter we analyze how Presidents use the media to create an image of effective leadership.

We restrict our empirical analysis to the *State of the Union Addresses* because they are especially influential instruments of *Presidential Leadership*.

Media attention is very high during the days around the addresses. The issues there mentioned at some point or in connection with those speeches reflect the President's core agenda and constitute an important attempt to lead public opinion.<sup>7</sup> Before we analyze the *SOTUA* for the years 2006 to 2011, we discuss the theoretical framework that engages our reasoning.

### **Presidents, Leadership, and the Media**

The spread of mass media in the 20<sup>th</sup> century brought new realities to societies worldwide. Especially in democratic states, media's influence on citizens was evident from the beginning. The developments quickly gave rise to the idea of a *public opinion* in both the scholarly and the societal debate. In the U.S., authors like Lundberg<sup>8</sup> pioneered the study of media effects. He claimed that mass media had a vast influence on public opinion in the United States. Other scholars like Sears followed these ideas and argued that mass media are powerful forces in what concerns influence on societal groups.<sup>9</sup> However, citizens do not always change behavior in response to political messages in the mass media. Rather, it seems that political communication via the mass media reinforces preexisting ideas of citizens.<sup>10</sup> Another important condition for media's influence is that "[a]ctivation of public opinion is more probable when issues have direct effect on large segments of the public."<sup>11</sup> This is especially true in economic crises, as people are directly affected, and sometimes even struggle for their economic survival.

There are plenty of studies on the effects of the communicational persuasion. For instance Lasswell<sup>12</sup> and Hovland *et al.*<sup>13</sup> tried to identify the main conditions for effective communication. They argued that decision-makers react to the demands of organized interests in society. The media play a crucial role in both aggregating demands and communicating decisions to the public. Some decades later, Larry Bartels presented empirical evidence that questioned the strength of media effects. Still, despite his ambiguous empirical results, Bartels defended their existence. He argued that the essential problem was the research design of the studies: in his opinion none was really suited to prove this influence—and we still did not find a way to do it.<sup>14</sup>

*Agenda-Setting Theory* is the theoretical framework that analyzes media influence on public opinion. This approach highlights the importance of saliency, which are the relevant subjects devoted to topics, especially the ones concerning public policies. The theory was developed by McCombs and Shaw in 1972, and incrementally refined by other academics over the last decades.

In an increasingly complex world, citizens learn about the place they live-in relying on media's information. This is particularly important for those aspects of life that are beyond their reach. The influence of mass media on our lives is so visible that the knowledge on topics that are relevant to our day-to-day is transmitted via the media. So, "newspapers, television networks, radio stations,

and news websites, employ hundreds of people to observe and report events that most of us cannot personally attend. What we now know about wars, scientific discoveries, and political campaign is largely based on what these news professionals decide to tell us.<sup>15</sup>

Mass media's agenda-setting role is a central aspect of their societal function. They influence *which issues, which persons* and *which topics* are perceived as being the most relevant for citizens, thereby *structuring* and *organizing* the world. When a certain medium, say a newspaper, chooses its topics, it does so in accordance with its notion of societal relevance. In fact, the mass media seem to determine how individual citizens rank public topics and political realities. Thus, the more attention the media give to a specific subject, the higher is the likelihood that citizens consider it relevant.<sup>16</sup> Nonetheless, the influence of mass media is not deterministic or always efficient. One good example of this is the fiasco of the U.S. media when it tried to establish an agenda referring the Clinton-Lewinsky case.<sup>17</sup>

Presidents also exploit those mechanisms. They can present an idea via the media to increase its saliency. They might try, for example, to increase the saliency of a tax reform by media appearances like a televised speech. In doing so, they seek to change the relative ranking of policy options and gain support for their projects.<sup>18</sup> Their speeches can also be used to impact on public preferences and to create a desired public image. They use an *image-based* approach where they highlight personal features and leadership skills. One of the pioneers of this *technique* was Woodrow Wilson, his practice changed the notions of *public opinion* and *leadership*. He said that if there is a *country voice* it is manifested in the words of the President.<sup>19</sup>

The way Presidents rule and behave with respect to public opinion leadership is a strong focus of study. Presidents pay close attention to mass media and interest groups. Doing so, they catch signals about public opinion, trying to get some clues about inputs and outputs of their policy-making. Peake and Eshbaugh-Soha give us an example of these effects. "[E]conomy in decline may increase public demand for news on the economy, providing profit incentives for the media to attend to the issue."<sup>20</sup> This is particularly true in times of crisis. Presidents react to these demands by strategic communication on a specific issue. Behaving like that, they provide an additional motivation for media coverage. Effectively then, the President is the center of the attention, and because he is the decision-maker on several policies, he is a core object of this chapter.<sup>21</sup> Lipset states that "[t]he President makes opinion, he does not follow it. The polls tell him how good a politician he is."<sup>22</sup> Thus, by strategically communicating on an already salient issue, Presidents try to lead public opinion.

The democracies of our days seem to give space to political leaders to figure in the center of the electoral process.<sup>23</sup> Successful leadership is central for re-election. And therefore, the creation of a good leadership image is beneficial for the President.<sup>24</sup> The political environment and perceived changes therein are due to public images diffused by the media. These images make citizens create synthetic cognitive representations of the environment leading to a common

idea. The psycho-political and social cognitive conceptualization of a public image underlines the communicational aspect of leadership.<sup>25</sup>

According to Powlick and Katz, “the public reacts to the comments and pleas of different segments of the elite in different ways.”<sup>26</sup> Page, Shapiro, and Dempsey<sup>27</sup> analyzed what makes citizens (the public) act. They studied statements originating from different types of political actors. They showed that Presidents are able to exert short-term influence on public opinion by making public statements.

There are several external sources of the media agenda, Valenzuela and McCombs identified, with others, public officials and organized groups. In fact, “when public discussion among elites reveals a basic consensus, public opinion is more likely to be either acquiescent (i.e. latent) or largely supportive of the policy actions taken.”<sup>28</sup> On the other hand, if there is public dissent among elites, and if this disagreement is notorious, the opinion of the citizens could also be polarized and could result in strong opposition to policies.<sup>29</sup>

Additionally, the President is an important source of media agenda. Mass media rate him as highly relevant. He is the *agenda setter number one* in the country. They defend that “[v]irtually everything that a President does, from signing international agreements to reading children’s books to elementary school kids, is considered newsworthy. Being at the center of media attention provides significant opportunities for the President to set media agenda issues.”<sup>30</sup> Also Peake and Eshbaugh-Soha argue in this direction. These authors underline that, by setting a specific agenda, Presidents influence government’s priorities, mass media and the citizens of the country. In other words, “[a]genda setting or the influence over the attention given policy issues by other institutions is perhaps the most important source of Presidential power.”<sup>31</sup>

The President, even not being the only public official to be newsworthy, is the one with a bigger stash in terms of news and information management. “His rhetorical weapons include Presidential speeches and addresses.”<sup>32</sup> He is able to “manufacture ‘instant news’ by holding press conferences, news briefings, ‘photo opportunities,’ private interviews, and a variety of official ceremonies. Through careful allocation of these resources, the President can wield considerable influence over what Americans see and hear about the state of their country, and when this information will be covered.”<sup>33</sup>

Closely linked to this is the Weberian idea of a charismatic leader. Although its pure form is surely an exaggeration of today’s leadership conceptualizations, it seems as if in exceptional situations the image of a leader is central to voters’ decisions. In times of crisis, charismatic or communicational aspects of leadership become more important. According to Barisione, “cross-time and cross-national comparisons might easily test the hypothesis that the influence of the leader, along with those of the media and all processes of political communication, are potentially stronger in a conjuncture of political crisis, conflict or dramatic change.”<sup>34</sup> He also defines qualitative aspects, which are significant for shaping the image of the public official, or the candidate. Highlighting those can influence citizens’ opinion about the leader.

Competence, strength, reliability, integrity, ability and warmth appear to be essential parts of a leader's attributes. From this fact stems the need to communicate those aspects of leadership. "We see Presidents talking all the time, but what effect does this rhetoric have on public's policy preferences? All modern Presidents spend time attempting to lead public opinion by speaking to groups, doing Saturday radio addresses, holding press conferences, giving speeches from the Oval Office, and more."<sup>35</sup>

Several times in the U.S. Presidential history, Presidents successfully managed to influence public opinion during a crisis. For instance, Kennedy managed the *Bay of Pigs Invasion*, and Reagan was successful in leading public opinion on economic issues.<sup>36</sup> For having political success, it is central to go public. In consequence, more than have good relations with the Congress, the President should exercise media control—this is essential in his leadership role.<sup>37</sup>

According to Iyengar and McGrady there are different media channels available to the Presidents. They differ in payoffs for him and in the number of people they can reach. One example is televised presidential speeches—they are the occasions where the President can demonstrate his leadership position and capture a larger audience.<sup>38</sup> Like Hart underlines, "[t]he American presidency, arguably the most unique political institution yet devised by any civilized polity, reaches directly into the lives of the American people on a daily basis largely through the efforts of a second great institution—the mass media. . . . Alone, the President and the media are influential. Together, they are invincible."<sup>39</sup>

Economic aspects are always part of the public agenda. The high level of saliency economic policy renders is essential for the presidential action. Presidents have a strong interest in a well working economy, as public approval and electoral success are directly related to the economic performance of the country.<sup>40</sup> In times of crises the charismatic features (communication ability skills) of a leader are decisive. This is especially true for economic crises where confidence in markets is shaken. From studies on voting behavior we know that the state of the economy (growth rate, inflation, unemployment, etc.) is an important determinant of citizen's vote choice. The exact relationship is uncertain, however it seems to be clearer in certain conjunctures like an economic boom or a massive recession.<sup>41</sup> Though the level of presidential popularity is also relevant. But, at a micro-level, it appears perfectly possible that assessments of leaders may outperform economic evaluations.<sup>42</sup>

When there is a group of citizens strongly framing a problem, this matter becomes even more noticeable. "One set of attributes associated with this general topic consists of the specific problems of the moment, their perceived causes, and the proposed solutions to these problems. Another, more narrow set of attributes consists of the pro and con arguments for the proposed solutions to economic problems."<sup>43</sup>

During the crisis, Presidents are expected to give solutions. One of the channels that they can use to transmit their solutions is the *SOTUA*. We analyze the use of the *SOTUA* as a tool of communication in crisis. We focus on *how two different U.S. Presidents—George W. Bush and Barack Obama—, deal with*

*this reality? How did they manage their discourses?, and How did they strategically communicate their position?*

### **Communication Strategy in Times of Crisis: Analysis**

For our empirical analysis we rely on a content analysis of the *SOTUA*.<sup>44</sup> A first indication of the relevance of the crisis for the content of the *SOTUA* is the saliency of economic topics as measured by the percentage of words dedicated to economic aspects. We analyze the *SOTUA* for the years 2006 to 2011 in order to assess whether the saliency was different during the crisis. This selection encompasses three *SOTUA* per President. While the years 2006-2008 embody the last three years of Bush's second term in office, the period between 2009-2011 constitute the first three years of Barack Obama's presidency.

An interesting pattern emerges from Table 1. It shows the word counts of the full speeches, and the paragraphs that were dedicated to economic issues. The percentages of the three Bush's *SOTUA* are nearly constant. This is especially surprising for the last speech in 2008, as this was already in the middle of the financial crisis. George W. Bush did not devote more space to economic topics than the usual. Given the fact that crises are generally hard to ignore, and people expect the President to react to the crisis, this is a remarkable finding. It is a first sign that Bush was not very concerned with his leadership image. In contrast, Barack Obama devoted almost half of his speech in 2009 to economic aspects. Apparently, he used this topic to demonstrate his willingness to guide the country through the hard times. The percentage devoted to economic issues dropped a little bit to 42 percent in his 2010 speech. Interestingly, after the country had gone through the trough and the economy started to recover in 2010, the percentage of words dedicated to the economy in his 2011 *SOTUA* dropped by almost 50 percent when compared to 2010. Therefore, it seems that (a) Barack Obama featured the crisis and possible solutions more prominently than George W. Bush, and (b) as the crisis phased out, this strong reaction was mitigated.

While the percentages give some indication of economic saliency aspects in the Presidents' speeches, the positions that Presidents take there are at least as important as other issues. In order to lead, Presidents communicate strategically to advance their political agenda and influence public opinion. The speeches reflect presidential *attempts* to lead public opinion.<sup>45</sup> While Bush has devoted less space to economic issues overall, he might still have tried to create an image of leadership. In order to assess this aspect, we estimate the latent policy positions the Presidents communicated in their speeches. We assume that the position the speeches reflect was taken deliberately and communicated strategically.

**Table 1. Word Counts for the SOTUA 2006-2011**

	Bush 2006	Bush 2007	Bush 2008	Obama 2009	Obama 2010	Obama 2011
Economic Sections	1512	1787	1829	3051	3208	1595
Total Words	5370	5653	5795	6202	7492	7124
Percentage	28.2	31.6	31.6	49.2	42.8	22.4

Source: Own calculations.

When measuring policy positions, we face the fundamental problem that those positions are not directly observable, i.e., they are latent variables.<sup>46</sup> To map positional movements of the Presidents, we analyze how they position themselves in the *SOTUA* by using *wordfish*.<sup>47</sup> *Wordfish* is a software tool for the statistical analysis of texts. Using this approach, we treat words as data and estimate policy positions, in this case on the basis of the words used by the Presidents.<sup>48</sup> A similar approach has been taken by Proksch and Slapin<sup>49</sup> who analyze how members of the European Parliament position themselves strategically in their speeches given in the Parliament.

*Wordfish* belongs to the class of item-response models. Those models allow us to estimate latent variables and are extensively used in psychometrics.<sup>50</sup> The basic idea behind this procedure is to scale texts according to the relative frequencies of the words used. A crucial assumption behind that logic is that political actors with different latent positions use words differently.<sup>51</sup> For example, a left-wing party is more likely to talk about solidarity or welfare than a right-wing party, and will do so more often. A right-wing party would be expected to talk more about markets or security. The relative usage of such words can be exploited to discriminate between the positions of the Presidents. Consequently, we estimate an answer to the following question: *Given the number of occurrences of a word, how likely does the text reflect a certain position?* The basic assumption used for estimation is that the word frequencies follow a Poisson distribution. Let  $y_{ijt}$  denote the count of word  $j$  in President's speech at time  $t$ . Then,

where the parameter  $\lambda$  is parameterized as,



The *wordfish* function then maximizes the following log-likelihood using the EM-algorithm for latent variables.

Where  $m$  is the number of words and  $n$  is the number of speeches. Table 2 provides an overview of the four parameters. The speech-year fixed-effects parameter  $\alpha_{it}$  captures the effect of unequal length of speeches in different years. The word fixed-effects parameter  $\psi_j$  controls for the fact that some words are more frequently used than others. The main parameters of interest are the  $\beta_j$  and  $\omega_{it}$ . The parameter  $\beta_j$  denotes the word weights. These word weights measure how strongly a word helps to discriminate between speeches. Words that are used frequently do not discriminate much between the speeches. Those frequent words were removed from our analysis. Most interesting for us is the position of President in time, which is given by the  $\omega_{it}$  parameter. This is the estimated position of the latent policy position that the President expresses in a given speech.

To prepare the speeches for analysis some processing was necessary. After converting the speeches to a text file, we removed useless information like editorial notes, punctuation and numbers. We stemmed the words to reduce the number of words with similar meaning which are counted as different words as suggested by Proksch and Slapin.<sup>52</sup> Then, we constructed a word count matrix for the speeches as an input for *wordfish* using the *tm* package for the *R statistical software*.<sup>53</sup>

One important aspect of the *wordfish* scaling procedure is that there is no ex-ante defined underlying dimension on which the speeches are scaled. In order to interpret the dimension in a meaningful way, it is necessary to make sure that the analyzed texts reflect a common latent dimension.<sup>54</sup>

**Table 2. Parameterization of Lambda**

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$\alpha_{it}$	Speech year fixed-effects
$\psi_j$	Word fixed effects
$\beta_j$	Word weight
$\omega_{it}$	Estimated position of President as expressed in speech at year t

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While it is usually assumed that a party manifesto reflects an underlying left-right dimension,<sup>55</sup> this is less clear for the *SOTUA*. All six *SOTUA* we analyze can broadly be divided into three parts: (a) Economic topics, including

competitiveness, energy, taxes, and the financial system, (b) Foreign policy and security topics, including the war on terrorism, poverty, and the fight against diseases and corruption, (c) Other aspects of domestic policies and society, like education, healthcare, the legal system or development. This range of topics is sufficient to scale the speeches on a meaningful dimension, which comes close to the ideological range of a left-right dimension.<sup>56</sup>

**Figure 1. Dotplot of *Wordfish* Estimation Results of Presidents' Position as Expressed in the *SOTUA***

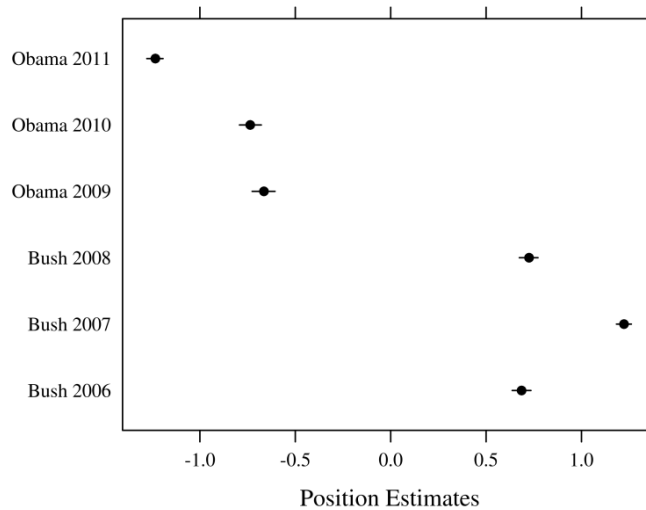


Figure 1 shows the results of this estimation. The points indicate the estimated policy positions the Presidents assumed in their speeches. The horizontal bars show the 95 percent confidence interval for the point estimates. Those confidence intervals were derived using a parametric bootstrap with 1000 simulations. The first observation is that the three speeches of George W. Bush are located on the opposite side of the dimension as compared to the speeches of Barack Obama. This is what would be expected in light of their partisanship. While this is a first indication of the procedure's validity, a more substantial interpretation is needed.

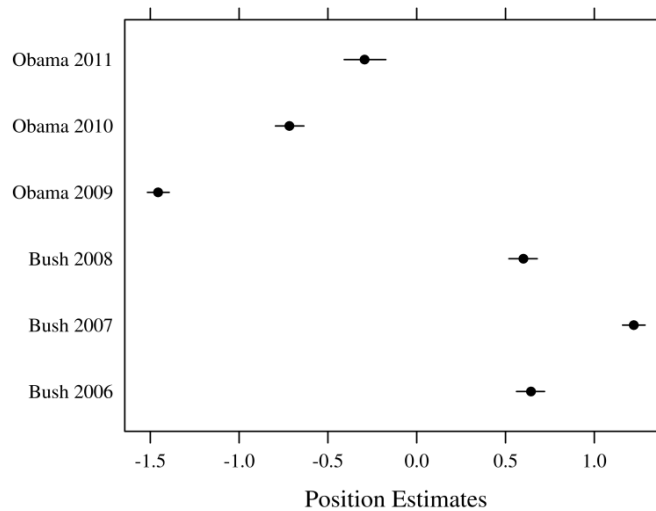
So far we have estimated the strategic position that the Presidents assumed in their speeches. On the other hand, we are interested in a specific reaction to

economic problems caused by the crisis. We thus need to derive a better measure for the reaction to the crisis and leadership in economic terms. For each of the speeches we have identified those passages that are related to economic policies.<sup>57</sup> Then we ran *wordfish* on this subset of the speeches to scale them on an economic dimension. Benoit and Laver<sup>58</sup> call this the *a priori* definition of a policy dimension. This happens because we define the range of the scale for the *wordfish* estimation by choosing thematically connected pieces of text. We interpret the results of this estimation as the position Presidents' communicate in economic policies. Clearly, it is this economic dimension the most relevant for the analysis of leadership in times of economic crisis.

The results of the estimation of policy positions that the Presidents assumed the economic scale are shown in Figure 2. It shows the point estimates of the positions on an economic policy scale and the confidence intervals. Note that the underlying dimensions for the estimates are different in the two *wordfish* analyses. The positions shown in the two graphs are not directly comparable. What we can compare, however, is the pattern of movements on the scale over the years.

As in the overall speeches, we observe a partisan pattern of assumed positions on the economic dimension. The economic parts of George W. Bush's speeches are very similar in placement to the overall speeches. Particularly interesting is the placement of his 2008 speech that is very close to the position in 2006. This is very surprising as the crisis started to emerge in early 2007 with the problems of Bear Stearns, and spread quickly throughout the market. In mid 2007 many major banks and investment companies were facing severe financial problems due to insufficient liquidity in the markets.<sup>59</sup> In December 2007, a group of central banks coordinated in an attempt to stabilize markets. The political reaction to the problems in the financial markets by George W. Bush's administration had initially been pretty much *laissez-faire* politics. Towards the end of the year, it became clear that the financial problems threatened to hamper growth and lead to a recession in 2008. *The National Leadership Index*<sup>60</sup> shows a steady decline in confidence related with the executive branch throughout 2007 that reflects a growing demand for leadership. Responding to public pressure, the President became more open to intervention, and proposed a stimulus package in the beginning of January 2008. However, as far as his positioning in the *SOTUA* is concerned, this move towards more intervention is not reflected. While there is a clear shift towards more interventionist positions compared to his speech in 2007, he only moved back to a position comparable to the one he had taken in 2006. This again shows that Bush did not use the speeches to communicate an image of leadership. It is also consistent with the comparably little efforts he undertook to actively manage the crisis.

**Figure 2. Dotplot of *Wordfish* Estimation Results of Presidents' Position on Economic Issues as Expressed in the *SOTUA***



The pattern of Barack Obama's position taking is also very revealing. Obama gave his first *State of the Union Address* in January 2009 shortly after his inauguration. The year 2008 had seen a dramatic economic downturn in the U.S. and worldwide. Several banks had to be sold to secure their survival. After rescuing Fannie Mae and Freddie Mac, the U.S. government refused to bail out Lehmann Brothers. In consequence, Lehmann Brothers filed for bankruptcy in September 2008. In October, the Congress passed a heavily contested \$700bn rescue package to stabilize the financial system. The problems in the financial sector had more and more affected the real economy, and many people had lost their homes due to the plummeting house prices. Unemployment grew steadily and had reached 7.8 percent in January 2009.<sup>61</sup> Clearly, the crisis was developing into a recession. While the economic situation worsened, the trust in the leadership by the executive branch grew throughout 2008, probably in response to the policy measures taken. In this situation Obama was inaugurated and gave his first *State of the Union Address*. In his speech he assumed a much clearer leadership role than Bush. This fact is reflected by the much more reinstating and aggressive wording. But also the *wordfish* estimates reflect this fact. The comparably large distance between Obama's 2009 position and Bush's 2008 position indicates that Obama assumed a more interventionist policy

position. This strategic positioning might have been reinforced by the need to generally show resolve and leadership qualities as Obama had yet to find his way into office. Interestingly, during the course of the crisis Obama's positioning on the economic dimension is steadily moving in the middle of the scale direction. This indicates a movement towards a less interventionist position. This pattern is consistent with his strong political reaction to the crisis.

Again, the *wordfish* estimates need to be substantiated. Therefore, we analyze the speeches further, and try to connect them to the positional estimate, paying more attention to the content and formulations particularly of the economic topics covered in the speeches. The economic sections of Bush's 2006 *SOTUA* have to be interpreted in light of the good economic development prevailing back then. Bush starts his remarks on economic policy by stressing the strength of the U.S. economy, claiming that "[o]ur economy is healthy and vigorous and growing faster than other major industrialized nations."<sup>62</sup> However, he quickly demands efforts to maintain and increase the competitiveness of the U.S. economy. This analysis of the economic situation is clearly driven by ideas of economic liberalism and indicates a rather conservative political position. In other major aspect of economic policy Bush highlights the topic of renewable energies. His framing of the topic is based on issues of security of energy supply. He stresses the importance to reduce U.S. dependency on oil imports from the Middle East. This again indicates a rather conservative position, which connects foreign policy and economic policies.

Bush gave the 2007 *SOTUA* a couple of weeks before the problematic developments in the financial markets became evident for the first time. His view of the economy is still of a strong and prosperous economy. Major topics of his economic sections are the balancing of the federal budget, and reducing the use of earmarks, classical topics in economic liberalism. Further points include tax cuts and, again, energy supply and security. He mainly justifies this in geostrategic terms "and this dependence leaves us more vulnerable to hostile regimes and terrorists who could cause huge disruptions of oil shipments and raise the price of oil and do great harm to our economy."<sup>63</sup>

George Bush's 2008 *SOTUA* has a surprising tone. Instead of claiming the lead or political actions to deal with the crisis, Bush stresses individual responsibilities. "To build a prosperous future, we must trust people with their own money and empower them to grow our economy."<sup>64</sup>

Bush then commences with the announcement of a growth package to stimulate growth in the short run. However, after dealing with this topic in one paragraph (104 words), he starts to elaborate on taxes and the reduction of government spending for five paragraphs (373 words). Then Bush talks another paragraph about assistance for the struggling homeowners that were hit by the crisis (111 words). Afterwards he continues to talk about general economic aspects for another 15 paragraphs (1075 words). This means that Bush used only 12.9 percent of the economic section to elaborate on the crisis and how to deal with it. This is amazing even when considering that Bush's first approach to tackle the crisis politically was dominated by a *laissez-faire* approach. Given the

importance that the crisis had for both the stability of financial markets and the well-being of millions of homeowners in the USA, this is even more striking.

Since 2007, Bush faced a Congress dominated by the Democratic Party. Divided government generally limits the ability of Presidents to lead the public opinion.<sup>65</sup> Yet, given the limitations imposed by divided government we would expect even stronger attempts to lead the public opinion in those circumstances where it is most likely successful. Major presidential speeches usually are good opportunities for Presidents.<sup>66</sup> One possible explanation for this apparent failure to lead is in line with Mian *et al.*<sup>67</sup> They argue that conservative politicians were less responsive to the pressure of constituents and special interests groups during the crisis. They attribute this to the fact that politicians use ideology to commit against political intervention into markets even during severe economic crises. This effect could possibly have been reinforced by the fact that George W. Bush was in the end of his second term and could not run for reelection.

Barack Obama—in contrast to Bush—gave a much more resolute and forceful statement in his 2009 speech. After a short introduction he started his speech with the words “[b]ut while our economy may be weakened and our confidence shaken, though we are living through difficult and uncertain times, tonight I want every American to know this: We will rebuild, we will recover, and the United States of America will emerge stronger than before.”<sup>68</sup> This rhetoric was clearly supposed to indicate his resolve. He signaled to voters and markets alike that from now on he would do everything necessary to end the crisis. While Bush in 2008 stressed the responsibility of individuals, Obama now stressed the need for political action at the highest level. Obama announced intervention into the current political and market order. This reflects not only a much stronger reaction to the crisis, but also a much more interventionist one. These reactions aimed as much at soothing the struggling financial markets as it was supposed to create the image of a President taking the lead. This is also reflected by the word weights ( $\beta_j$ ) estimated by *wordfish*. These word weights indicate the discriminatory power of the words. The higher the weight, the more important is it to discriminate positions, i.e. the more important it is to define the extreme points on the underlying scale. The word *action* is the most discriminating word on the left side of the dimension. Among the 20 most discriminating words on the left are also the words *quick*, *restart*, *assur*, *manag*, and *restor*. Note that these words have been stemmed. Thus the word *manag* potentially encompasses words with the word stem *manag*, like *manage* and *management*. All those words indicate a strong focus on getting things done and actively reacting to the crisis. As American citizens usually prefer low government involvement, this would be a very unlikely position communicated in normal times. During the crisis, however, people needed a figure to guide them, a sort of charismatic leader in the Weberian sense. With his speech, Obama did appeal to this need of leadership and the reduction of uncertainty that the crisis had caused.

In the beginning of 2010, the economy was still affected by the crisis but slowly recovering. The main tenor of the speech was held much more general than in the year before. Obama nevertheless was showing more resolve than

Bush in his last speeches. For example, when talking about imposition of a fee on banks, this with the purpose to repay parts of the money that had been spent on their rescue. While Obama then also talked about tax cuts, a topic usually associated with economic liberalism, his overarching frame for the remainder of the economic section was job creation. He stressed the success of the *Recovery Act* and made clear reference to his active role in mitigating the effects of the crisis. Maybe the most important aspect of the speech in what concerns leadership is Obama's assertion to lead the USA into a better future and deal with the larger problems at hand. Overall, his message regarding economic issues is now more mixed. This is reflected in the shift towards a more conservative position as compared to the 2009 speech.

In 2011, Obama used the *SOTUA* to claim the merits for successfully navigating the U.S. through the crisis. He then pointed out the importance of prosperity and the need for successful innovation to maintain prosperity in an increasingly competitive world. The innovation frame is the major frame he used to talk about renewable energies. The speech gave a clear reference to the *American Dream*. While Obama is no longer talking about the crisis, he is very clearly communicating his leadership position. This was surely to strengthen his strategic position *vis-à-vis* the new Republican majority in the House of Representatives. On the other hand, Obama avoided topics that could be considered too liberal by this Republican majority. This is probably the reason for the relative restraint that is reflected by the even more conservative position on economic issues. However, compared to Bush's speeches, Obama tried more clearly to create an image of leadership in economic terms even in the relatively stable situation in 2011.

## Conclusions

When the subprime crisis hit the U.S. economy in 2007-2009, two Presidents were responsible for leading the country through these hard times. Parts of their efforts were of a communicational nature, as good crisis management consists of two important actions: to adopt political measures to end the crisis and to create an image of successful leadership.<sup>69</sup> In this chapter, we have analyzed how George W. Bush and Barack Obama have used the *SOTUA* to create an image of leadership during the crisis. The *State of the Union Addresses* are particularly important communication platforms for Presidents, which makes them perfect instruments to create an image as crisis manager. To get leverage on actual crisis, related communication patterns, we analyzed the *SOTUA* from 2006 through 2011. This allowed us to assess cross and within variation.

We focused on both the saliency of economic issues and the latent positions, which the speeches reflect. Bush was heavily criticized for his *laissez-faire* reaction to the crisis and his poor crisis management efforts. We find that George W. Bush also did not use the *State of the Union Address* to

create an image of a crisis leader. Barack Obama, in contrast, reacted much stronger to the crisis, both in terms of political action and in trying to create an image of political leadership. The latter is reflected in two ways. Firstly, the saliency of economic issues in Obama's speeches is much higher during the crisis years and declines as the crisis phases out. Secondly, the positions we have estimated show that Bush barely changed his position during the crisis. Otherwise, Obama assumed a much more interventionist position on economic issues. This position also shifts to a less interventionist position as the crisis phases out. These estimations are backed-up by interpretive evidence from the speeches. Taken together, the evidence clearly shows that Bush did not react to the crisis at all, while Obama used the *SOTUA* to create an image of leadership during the crisis.

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## Appendixes

### Timeline of the Financial Crisis and State of the Union Addresses

- 31 Jan. 2006 *State of the Union Address* (George W. Bush)
- 23 Jan. 2007 *State of the Union Address* (George W. Bush)
- 05 Mar. 2007 Swiss bank HSBC announces losses associated with U.S. subprime mortgages
- 22 April 2007 New Century Financial-second largest subprime lender-files for bankruptcy
- 22 June 2007 Bear Stearns pledges a collateralized loan to one of its hedge funds but does not support another
- 09 Aug. 2007 BNP Paribas suspends calculation of asset values on three money market funds exposed to sub-prime and halts redemptions
- 09 Aug. 2007 European Central Bank injects €95 billion overnight. Other central banks also use injections in an attempt to improve liquidity
- Oct. 2007 Citi, Merrill Lynch and UBS report significant write downs
- 20 Nov. 2007 Freddie Mac announces 2007 Q3 losses
- 10 Dec. 2007 UBS announces measures to deal with capital concerns following further write-downs
- 12 Dec. 2007 Joint Bank of England, Federal Reserve, ECB, Swiss National Bank (SNB) and Bank of Canada announcement of measure designed to deal with pressures in short term funding markets
- 20 Dec. 2007 Bear Stearns announces expected 2007 Q4 write-downs
- Jan. 2008 Announcement of significant 2007 Q4 losses, by Citi and Merrill Lynch, among others

- 15 Jan. 2008 Citi announces it is to raise U.S.\$ 14.5 billion in new capital
- 28 Jan. 2008 *State of the Union Address* (George W. Bush)
- 11 Mar. 2008 Federal Reserve announces the introduction of a Term Securities Lending Facility
- 16 Mar. 2008 JPMorgan Chase & Co. agrees to buy Bear Stearns. Federal Reserve Provides U.S.\$30 billion non-recourse funding
- 02 May 2008 Co-ordinated announcement from the Federal Reserve, ECB and SNB regarding further liquidity measures.
- 16 June 2008 Lehman Brothers confirms a net loss of U.S.\$2.8 billion in Q2.
- 11 July 2008 Closure of U.S. mortgage lender IndyMac
- 13 July 2008 U.S. Treasury announces a rescue plan for Fannie Mae and Freddie Mac
- 15 Sep. 2008 Lehman Brothers files for bankruptcy. Bank of America announces purchase of Merrill Lynch
- 18 Sep. 2008 Announcement of co-ordinate central bank measures to deal with continued elevated pressures in U.S. dollar short-term funding markets.
- 29 Sep. 2008 Federal Reserve increases swap lines to foreign central banks
- 03 Oct. 2008 U.S. House of Representatives passes U.S.\$700 billion TARP, a government plan to rescue the U.S. financial sector (having voted against an earlier version of the plan on 29 September 2008)
- 14 Oct. 2008 U.S. Government announces Capital Purchase Program (CPP) of up to U.S.\$250 billion
- 26 Nov. 2008 Federal Reserve announces approval of the notice of Bank of America Corporation to acquire Merrill Lynch
- 01 Dec. 2008 National Bureau of Economic Research announces that a peak in U.S. economic activity occurred in December 2007 and that the economy has since been in a recession

- 10 Feb. 2009 U.S. Treasury announces a Financial Stability Plan, involving 'stress tests' to inform the need for capital injections, the creation of a Public-Private Investment Fund to acquire troubled loans and other assets from financial institutions, expansion of the TALF, and new initiatives to stem residential mortgage foreclosures and to support small business lending
- 17 Feb. 2009 President Obama signs into law the 'American Recovery and Reinvestment Act of 2009' which includes a variety of spending measures and tax cuts intended to promote economic recovery
- 24 Feb. 2009 *State of the Union Address* (Barack Obama)
- 07 May 2009 Federal Reserve releases the results of the 'stress test' of the 19 largest U.S. bank holding companies. The assessment finds that losses at the 19 firms during 2009 and 2010 could be U.S.\$600 billion and ten firms would need to add, in aggregate, U.S.\$185 billion to their capital to maintain adequate buffers if the economy were to track the more adverse scenario considered in the programme
- 01 June 2009 General Motors Corporation and three domestic subsidiaries announce that they have filed for relief under Chapter 11 of the U.S. Bankruptcy Code
- 17 June 2009 President Obama announces a comprehensive plan for regulatory reform. The plan would give the Federal Reserve new responsibilities for consolidated supervision of systemically important banks among other changes
- 06 Aug. 2009 Fannie Mae reports a loss of U.S.\$14.8 billion in 2009 Q2
- 14 Oct. 2009 The Dow Jones Industrial Average closes above 10,000 for the first time since October 3, 2008
- 01 Nov. 2009 CIT Group, Inc., files for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code
- 05 Nov. 2009 Fannie Mae reports a loss of U.S.\$18.9 billion in 2009 Q3

- 02 Dec. 2009 Bank of America announces that it will repurchase the entire \$45 billion of cumulative preferred stock issued to the U.S. Treasury under the Troubled Asset Relief Program (TARP) after the completion of a securities offering
- 21 Jan. 2010 President Obama proposes new restrictions on the trading activities and market shares of commercial banks. Specifically, he calls for prohibiting banks from owning, investing in or sponsoring hedge funds, private equity funds, or proprietary trading operations for their own profit. He also calls for broader market share limits on commercial banks
- 27 Jan. 2010 *State of the Union Address* (Barack Obama)
- 25 Jan. 2011 *State of the Union Address* (Barack Obama)

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Sources: Bank of England, Financial Stability Report 2009, and Timeline of the Financial Crisis provided by the Federal Reserve of St. Louis.