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## Country Analysis USA: The End of the American Century?

- The presidential elections reflect changes whose political consequences still cannot be foreseen. On November 4th it was not just two candidates standing for election; the American dilemma of racial discrimination was also at issue.
- In the 1990s the Democrats went through a process of consolidation, brought to an end by the traditional party in-fighting, and the Party committed itself to the social liberalism of the Clinton era. This made it possible for Barack Obama to link his progressive demand for »change« to aspects of value conservatism.
- The Republicans risk becoming the party of old America; ageing, white, rural and lacking leading personalities who could reunite the disparate party base. As far as the political participation of the rapidly growing minorities is concerned the Republicans are back where they were in 1964.
- The as yet incalculable extent of the economic and financial crisis threatens to crowd out three crucial domestic policy issues on which the new administration must make good: health care, energy policy and immigration reform.
- The new administration will provide continuity in foreign policy. Obama will try to persuade the European allies to take on greater geopolitical responsibility.

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## Dawn of a New Era: The Phenomenon of Barack Hussein Obama

The election of Barack Obama as the forty-fourth president will change how America sees itself. Besides the coming political reorientation, of equal importance are the cultural developments and changes in the political party spectrum that his victory expresses. No assessment of what is likely to ensue from the historic election of 2008 is possible without an understanding of the path that brought Barack Obama to the White House.

The shock waves produced by his nomination were as astounding and unexpected for most Americans as they were for political onlookers all over the world. On 3 June 2008 Barack Obama's meteoric rise reached its apogee – for the time being – when he declared himself the Democratic presidential candidate in front of 17,000 ecstatic supporters in Minnesota. After a series of primaries that seemed like they would go on forever, the votes in South Dakota and Montana finally brought a result one Tuesday evening. The candidate spoke of an unimaginable moment that had come at last after a year and a half's campaigning and coined a phrase that perfectly captured the mood of euphoria: »America, this is our moment«. This truly was an »American« moment that went beyond the political events, sensational as they were. With the nomination of a black presidential candidate in June 2008 a historical era going back 389 years to the beginning of slavery on North American soil came full circle. At this moment it became clear to all, whether conservative or progressive, that at the election on November 4<sup>th</sup> they would have the opportunity to make history. Frank Sesno of CNN expressed the mood memorably on primetime television: »We as a society are in a place we've never been before«.

The enormity of Obama's election victory on November 4<sup>th</sup> 2008 can be understood only against this background and goes far beyond his significance as a politician. Obama's election as president changes how we look at American history and at the same time opens up new prospects for the future. For two centuries the »original sin« of slavery and racial discrimination was a flagrant breach of the promise of happiness enshrined in the Declaration of Independence, as well as of the Constitution's requirement of participation. In 1853 Alexis de Tocqueville wrote in his famous *Democracy in America* that the abolition of bondage would not

be sufficient to eliminate racial prejudice because it was »immutable«. Election day in 2008 did not refute all this, but it did qualify it. The outcome signals an advance for which many Americans have long struggled, which they have hoped for and which they have often despaired of ever witnessing. It has unleashed forces which can barely be described in words.

When Barack Obama was declared the winner at eleven o'clock in the evening the dams broke. It was as if the whole country had breathed a collective sigh of relief; the outpourings of emotion displayed across the country were almost unprecedented. Then a party of continental proportions commenced which turned night into day. The next morning, after the celebrations had come to an end, Americans stood in line for the second time in 24 hours, this time not in front of the polling stations but at newspaper kiosks. In a few hours every newspaper in the country was sold out and the presses had to be set in motion once more, turning out hundreds of thousands of new copies. History had been made on November 4<sup>th</sup> and everyone who had participated wanted to have it in black and white.

But matters are more complicated than they seem at first sight because Barack Obama's origins are complex. He was brought up in Kansas, Indonesia and Hawaii as the son of a white mother and a Kenyan father. He belongs to a new type of American. As such, he is far from unusual: at the 2000 Census, six million Americans ticked more than one racial category (White, Black, Hispanic, Asian). This has been made possible to reflect a changing reality. Quizzed about his indefinability by the *New York Times* Obama answered: »I am like a Rorschach test. Even if people find me disappointing ultimately, they might gain something«. He is not only the first black president of the USA, but the forty-fourth white president.

Naturally the familiar equation »black plus white equals black« often still applies, but Barack Obama's biography points beyond traditional American patterns of colour and conflict. Former congressman Walter F. Fauntroy called Obama's candidature a »turning point in American history«, which could lead to a new social contract in which race, faith and skin colour play only a subordinate role. Assertions of this kind are to some extent idealistic, but they also reflect a profound transformation in American culture. Barack Obama's young supporters in schools and universities find such

formulations neither surprising nor farfetched. The generation of twenty-year-olds has been brought up in the most heterogeneous society in the history of the world, and is conscious of this very fact. Harvard sociologist Orlando Patterson has aptly dubbed this new age group an »ecumenical culture«, a culture that is unselfconsciously heterogeneous. For this new generation having atypical origins and looking different is not the exception but the norm. In New York, for example, the children of immigrants make up sixty per cent of under-18s and the situation is similar in many other large cities. For the older generation things look different: to people who can remember the civil rights movement and the often violent clashes only half a century ago, it is clear that Barack Obama is poised to redraw the map of America. The knowledge that black and white are not mutually exclusive that Obama symbolises in his very person translates directly into the political realm. The usually reticent Secretary of State Condoleezza Rice declared in the wake of his nomination that »the United States of America is an extraordinary country. It [has taken] a couple of centuries ... to make good on its principles«. Making reference to the Declaration of Independence of 1776 she went on to say that finally the expression »'We the People' is beginning to mean all of us«.

But Barack Obama is not an African American of the old guard. His election campaign distanced itself from the traditional civil rights rhetoric of prominent black activists such as Stokely Carmichael, Al Sharpton and Jesse Jackson. Obama is indefinable, a walking conundrum, because his origins and his appearance seem to contradict one another. When he enters a room few people see a post-ethnic candidate. That reflects his own experience on the south side of Chicago: asked whether he had been regarded as black there he replied ironically »as far as I'm aware, yes«. Otherwise, his family origins on both sides of the colour divide represent American society in the twenty-first century. The journalist James Burnett has drawn attention to an interesting point: if Barack Obama is not regarded as of mixed race it »[takes] away from the historical significance of what he has accomplished. ... There was a time in this country someone who was biracial would not be able to identify themselves as such because they'd be risking their lives the same way an African-American would«. Barack Obama comes from a biographical no-man's-land and his ethnic »statelessness« turns conventional perceptions on their

head – perhaps even more for blacks than for whites. In the opening weeks of the Democratic primaries Hillary Clinton led 60:20 among black Americans; her opponent took some getting used to on the part of those brought up on the notion that black and white were irreconcilable categories.

Against this background it can easily be imagined how high expectations were in March 2008 when Barack Obama properly addressed the race issue for the first time in Philadelphia. Among the more striking phrases we might single out »we may have different stories, but we hold common hopes« and »I have many small pieces of America in me«. Born in August 1961 Barack Obama was not a part but a product of the civil rights movement. He belongs to an age group that can be considered the first universal generation of Americans. Race and skin colour still traced lines of division but these lines were fragile and could be crossed. In his speech Barack Obama tried, falteringly and at times uncertainly, to put this new experience into words. In the space of two months his speech »A More Perfect Union« attracted four and a half million hits on YouTube and more than 85 per cent of Americans had heard about the speech, according to a survey by the Pew Center. The title is borrowed from the famous Preamble of the US Constitution. That document, penned in 1787, has never been more meaningful than on the day of Obama's speech.

The speech's point of departure was Barack Obama's biography, which, in his own words, »hasn't made me the most conventional candidate. But it is a story that has seared into my genetic makeup the idea that this nation is more than the sum of its parts – that out of many, we are truly one«. This configuration harbours a potential for transcendence that can at times appear overwhelming. Barack Obama is in a position to make a connection, due to his experiences, with both whites and blacks and to translate it into political form. This capability makes him a president who symbolises more than merely political standpoints.

### **Consolidation of the Democratic Party in the 1990s**

Barack Obama's dramatic election victory can by no means be attributed solely to his rhetorical and strategic skills and the economic crisis. There is another important element. His success within the

Democratic party was due above all to the fact that there was no ideological conflict of any significance. The nomination race provided striking evidence of how much the Democratic Party has changed in the last 15 years. Since the Second World War many primary campaigns were marked by very public infighting and political upheaval. The Democrats became notorious for becoming embroiled in bitter ideological disputes in the process of nominating their candidate for the most important office in the world. In 2007 and 2008, however, things were very different. The Democratic *New Republic* pointed out, almost wistfully, that there were no discernible political differences between the leading candidates Hillary Clinton, John Edwards and Barack Obama. In every key policy area – health care, the environment, finance, Iraq – rhetoric aside, there was virtually nothing to set one apart from the others.

This unanticipated trinity was not only the result of the candidates' predilection for the political middle ground. It was neither based simply on the fact that, after eight years of extremely controversial government in the White House and self-inflicted defeat in two winnable presidential elections, the Democrats were desperate to get back into the Oval Office. The absence of internal strife had deeper roots; after all, many positional debates about standpoints had been fought and finally settled in the 1990s. The primaries reflected a far-reaching process of consolidation within the Democratic Party that can be traced back to the policies of Bill Clinton. His two terms of office between 1993 and 2000 are remembered not only for the longest period of economic growth (107 months) and the largest budget surplus (2.4 per cent) in the USA since the Second World War. In this prosperous decade over four million immigrants were naturalised, the welfare system was modernised in the teeth of opposition from party traditionalists and the North American Free Trade Agreement (NAFTA) was passed despite the resistance of influential trade unions. The USA also intervened successfully on the international stage, drawing on its full panoply of diplomatic, political and military resources. It stabilised Bosnia and Kosovo, brokered the Good Friday Agreement in Northern Ireland, ushered in a new era of relations with China and elevated climate change to the top of the political agenda.

The reorientation that took place during these eight years changed the Democratic Party profoundly. Many activists were suspicious of Bill Clin-

ton's market economic stance. Even today he is occasionally reproached for paving the way for George W. Bush's business friendly policies. Bill Clinton, on the other hand, has chastised the eight years of the Bush administration as a »radical experiment in extremism in domestic policy«. The truth lies somewhere in between. No one doubts, however, that in the 1990s the Democratic Party regained a strength that it had not known for forty years.

Until the Second World War the Democrats were almost unbeatable, especially in the big cities, but also in many rural areas. The first shift became apparent in 1972 when Richard Nixon was re-elected against the left-wing Democrat George McGovern. In 1980 Jimmy Carter had to relinquish the White House to Ronald Reagan after only four years, despite the enormous damage done to the Republican Party by the Watergate Scandal and the Vietnam War. The candidature of Jimmy Carter's former Vice President Walter Mondale against Reagan in 1984 dealt the Democrats the most horrendous electoral defeat in their history and showed that the Party could not compete with Reagan's popularity among middle class voters.

Bill Clinton forced the Democrats to consider alternatives to their traditional policies and developed – with Tony Blair and, for a while, Gerhard Schröder – the strategy of the »third way«. As a result, he was able to transform political positions many of which were based on the New Deal, the Antiwar Opposition and the civil rights movement of the 1950s. Many activists have never forgiven the former president for opening up to the worries and concerns of the modern middle class in this way: »Clintonism« is their name for what they consider to be the selling of the soul of the Democratic Party. Those on the other side of the debate argue, not without reason, that Bill Clinton saved the Party from slipping into oblivion and enjoyed a very successful time in the White House. No trace of these conflicts was detectable among the three Democratic candidates in 2007; they were all followers of Clintonism, even if none of them would admit it. On top of that, particularly in the international sphere there is little room to manoeuvre and global politics is increasingly shaped by factors that can no longer be directly influenced by the USA.

The fact that Barack Obama was able to win through against Hillary Clinton, who as late as autumn 2007 led him by between twenty and thirty per cent, was sensational enough. But the exacting

contest with an established and politically experienced opponent toughened him up for the nationwide election campaign against John McCain. The symbolism of his person and his candidature multiplied the strengths of the campaign and his victory boosted the standing of the Democratic Party in almost every population group and region. Barack Obama won a majority of conservative Catholics, a large majority of women voted for him and he attracted ninety per cent of black voters. Two thirds of Latinos opted for Obama and he even conquered such conservative strongholds as North Carolina, Indiana and Nevada. His success was due to a whole range of new strategies, a faultless nationwide campaign lasting almost two years and astronomic donations of over 750 million dollars. Barack Obama was not only a new »unlikely« candidate, but he managed to perfect the political arts of voter mobilisation to an unprecedented degree.

### **Election Campaign 2.0 – Minorities and First-time Voters**

Obama's campaign team broke new ground in terms of communication channels in order to involve young activists in the campaign, to arouse people's interest, to appeal to donors and, finally, to achieve massive mobilisation on election day. The USA has a long history of media savvy and successful presidents. Abraham Lincoln, a man of striking appearance but with a rather shrill speaking voice, won nationwide recognition when his speeches were published in newspapers; Franklin D. Roosevelt was the master of »fireside chats« broadcast on the radio; and John F. Kennedy made his opponent Richard Nixon look old in the first televised debates in US history. Barack Obama has turned the social dimension of interactive Internet applications to his advantage like no one before him. It began when he announced his candidature on his own YouTube channel, on which eventually 1,200 video clips were made available and received up to 45 million hits each day. In an age in which half of all American voters get their political news via the Internet, mobile telephone and e-mail his campaign set new standards. His team understood that with the Internet what matters is not quantity and omnipresence, as in traditional media, but rather interactivity. The Internet community of twenty year-olds was targeted and addressed directly: Obama supporters were called on to give articles a positive rating so

that they would be more prominent in search engines than those of the opposition; and Obama's supporters were active on interactive platforms from Facebook and MySpace to the messaging and microblogging service Twitter, ensuring up-to-the-minute word-of-mouth publicity.

Through the website My.BarackObama.com – known among insiders as »MyBo« – set up especially for the campaign, young activists could join local Obama groups, plan their own events, register on mailing lists and even organise broadcasts. They could also set up personal donation sites modelled on philanthropic initiatives popular in the USA: you set a target figure, donate a small amount each month and look for supporters among friends and family to boost the »fund raising thermometer«.

Already by summer 2008 there were over 8,000 Internet-based supporters' groups and more than 750,000 people had registered as volunteer campaigners. Those who wanted to could go out onto the streets, while others clicked on the »Make a Call« button on the screen (or smartphone) to receive a list of telephone numbers of registered voters in their neighbourhood whom they had to try to win over. Political news were sent out via text message and e-mail lists to millions of people every day; and for mobile telephones there were as many as twelve Obama-ringtones so that undecided parents could be bombarded by the slogan »Yes we can«. Over three million donors were brought together this way: an astounding 750 million dollars were raised from individual contributions averaging 68 dollars, a kind of political participation without parallel. The Obama campaign's Internet activities were organised by 24-year-old Chris Hughes, an online guru and co-founder of Facebook. Members of the younger generation like him generate ideas that would simply never occur to those who grew up in the age of the typewriter. Joe Biden's selection as candidate for vice president was announced on 23 August 2008 at three o'clock in the morning by text message, and Obama's election poster was even to be seen on a virtual billboard in a high-speed driving game on Microsoft's Xbox 360: »The medium is the message« – how the message is put across has itself become a political argument.

Perhaps the most creative – but also the most alarming – variant of this virtual chess game was provided by Obama's team in the week before the election. In 2008 a particularly high number of voters had registered for postal voting, and in a number of states it was possible to cast one's vote

at the polling station one or two weeks before November 4<sup>th</sup>, in order to alleviate the expected rush. Information on which registered Democrat and unaffiliated voters had already voted was gathered in the Obama team's data bases. The campaign used a software program for the Apple iPhone and newer mobile telephones that sorted address books on the basis of particularly hard fought states, logged into the campaign databases and generated information on which of the friends and acquaintances in the Contacts List had still not voted and should be called immediately.

### **Strategic Challenges for the Republican Party**

In straightforward numerical terms the Republican Party's defeat appears less dramatic than the electoral college votes for individual states might indicate. A little more than 52 per cent of Americans voted for Barack Obama and around 46 per cent for John McCain. Most other indicators are disastrous, however. The Republicans were able to win barely a third of staunch Catholic voters and despite John McCain's progressive stance on immigration reform support among Latinos fell sharply. Particularly in the rapidly growing Southwest, the USA's region of the future, Barack Obama chalked up significant and unexpected victories. In New Mexico, the state with the highest proportion of Latinos, George W. Bush had won with a wafer-thin majority in 2004; in 2008 John McCain lost to his Democrat opponent by 16 percentage points. Nevada, the fastest growing state, fell to Obama by a sensational 13 per cent margin. The same phenomenon could be seen in Colorado. Even in McCain's home state of Arizona the race was closer than expected.

This result reflects a dramatic decline of the Republican Party among the major minority groups. This is a problem because by 2040 there will no longer be a white majority in the USA. A simple glance at the Party convention gave the impression of a party of the old America: in St Paul, Minnesota, there were only sixty black Republicans among the 3,000 or so delegates. In the last six years no black Republican has been elected to the Senate, the House of Representatives or as governor. As far as the active participation of minorities is concerned the Republican Party in 2008 found itself at the same level as in 1964. These monumental demographic challenges are not the only ones, however.

After John McCain's defeat the party is without a leader and there are visible political breaking points along the three most important fault lines: the remnants of the neocons, the weakened evangelicals and the realists, marginalised for the last eight years, in the middle.

The difference between 2004 and 2008 is astounding: in 2004, George W. Bush had won a decisive victory in Florida with an enormous mobilisation of voters and solid support among Latinos. Against all expectations the high voter turnout did not favour the Democrats. George Bush won in five out of six states that had registered their highest voter turnout in history. Nor had anyone expected that almost half of the Latinos would vote conservative.

The Republicans knew that, thanks to education and social advancement, Latinos could no longer be considered a homogenous group. Half of them defined themselves as white in the last census – they no longer wanted to be perceived and treated as members of a disadvantaged minority. The Democrats made the mistake of sticking to the minority model established in the 1970s: black, brown and yellow Americans were considered primarily as socially disadvantaged and therefore receptive to Democratic welfare policies. But that had long ceased to be the case. In the meantime many Latinos had become regular Americans and were as amenable to conservative policies as 52 million of their fellow citizens. This development meant that minority groups, including blacks, no longer voted as a bloc. The future prospects of the Republicans did not seem all that bad.

In 2007 and 2008, however, the Party found itself riven with dissension and had lost the support of many Latinos because it had blocked immigration reform. On top of that the government's amateurish and ignorant reaction to the devastation wrought in Louisiana by Hurricane Katrina turned a whole generation of black voters against the Republican Party. The disaster in New Orleans is perhaps the most apposite metaphor for the Republican Party, whose political foundations have been undermined over the last eight years by neoconservative and corporate tendencies. The lack of leadership was evident during the primaries: the candidates on the right of the Party, Mitt Romney from Massachusetts and former governor of Arkansas Mike Huckabee competed with one another for votes, and Rudy Giuliani, former mayor of New York, never really got going; in the end John



McCain prevailed, an awkward outsider who did not win a decisive victory but rather blundered into the nomination.

In the election campaign against Barack Obama John McCain was unable, try as he might, to detach himself fully from the politically radioactive White House. The character of »maverick« that he had adopted in 2000 in an attempt to profit from accumulated resentment towards Washington had become passé. In the meantime George W. Bush had received the worst poll ratings ever recorded and had overtaken his father as the most unpopular president in recent US history. Less than a third of Americans had a positive view of the Republican Party in spring 2008 and their unloved candidate found himself in a hopeless plight: lacking sufficient support from the Party's base and eyed with suspicion by the traditionalist establishment. John McCain sought a way out by adopting bold political positions, surprising everyone by selecting Sarah Palin of Alaska as running mate and posing as an ultraconservative to the party right, which he is not.

In a key speech on foreign policy John McCain portrayed himself as a »realistic idealist« and called for the establishment of an organisation of 100 leading democracies, from which Russia and China would be excluded, as a rival body to the United Nations. On the hotly debated immigration question he initially garnered considerable respect for standing up to right-wing activists and backing a reform bill that would provide an opportunity for immigrants without residence documents to legalise their status. Later McCain tried to regain lost conservative terrain and distanced himself from his own draft bill. But his embracing of the immigrants' cause had already lost him a great deal of support on the right. His eclectic and non-partisan reform activities in the Senate similarly brought odium upon him. James Dobson, a spokesperson for the evangelical right, even denied that he was a conservative at all. He touched a raw nerve: John McCain cannot be identified unambiguously with any of the traditional Republican tendencies that are so important in building coalitions for voter mobilisation and carrying on the intellectual debate.

Ari Berman wrote in the liberal journal *The Nation* that »John McCain's ideology resembles an exotic cocktail of Teddy Roosevelt, Barry Goldwater and Ronald Reagan«, and described him as a conservative from an era »before conservatism was bankrupted by fundamentalism and corporatism«. The splintering of the Party was plain in the Repub-

licans' extremely entertaining but politically bizarre field of candidates. The Party is at risk of once more becoming a ragbag movement whose core comprises a coalition of anti-tax activists, arms lobbyists, national security ideologues, and people who want to educate their children at home. The slogan of »compassionate conservatism« in the first Bush campaign was directed towards expanding this meagre party base to encompass discontented middle class voters. This worked in 2000, but the political coordinates shifted so fundamentally after September 11<sup>th</sup> the following year that every attempt to conduct the Republican Party to the centre ground was stifled by the alliance of neoconservative revolutionaries and Cold Warriors around Dick Cheney and Donald Rumsfeld. The elections in 2004 were won only because the Republicans managed to instrumentalise fear. Anxiety prolonged the general mood of uncertainty after the attacks of September 11<sup>th</sup> and marshalled the resultant emotions in opposition to gay marriage, abortion clinics and progressive morals.

There was no chance for John McCain to unite the divided Republicans; the centrifugal forces were simply too powerful. Internal conflicts, as well as political and demographic aging have put the Party in a difficult position – at the beginning of the twenty-first century it urgently needs to decide its future direction. David Frum, former speech writer for George W. Bush, in a recently published book *Comeback: Conservatism that Can Win Again* called on the Party to break away from the political leadership of the last three decades and seek pragmatic solutions. At a debate at the conservative American Enterprise Institute last winter he proposed that the Party should consider paying more attention to such topical issues as climate change and put »culture wars«, immigration, gay marriage and abortion on the back burner.

It is doubtful whether this can succeed, however, because Barack Obama has transformed the political map in America and forged a new Democratic coalition that will give the Republicans considerable cause for concern. The Democrats were victorious not only in traditional liberal strongholds but also in areas that formed the basis of George W. Bush's victories and to which Republican election strategists had devoted a great deal of attention and resources. The outlying districts of Cincinnati in Ohio are one such area. Another is the legendary corridor of Interstate 4 in Florida, that links Tampa with Orlando and Daytona Beach, where

there are many white middle class people with below average incomes and above average concerns about change. They responded eagerly to the Republican fear campaign in 2004, but this time around many of them voted for the Democratic bearer of hope. Both Ohio and Florida fell to Barack Obama. After this, the race was over.

The geographical shifts are enormous: in 2008 the Republicans declined and became a party of the South, the suburbs and the hinterland – in Congress not a single urban electoral district is represented by a Republican. Democratic president Lyndon B. Johnson said in 1964, when he signed the progressive civil rights legislation, that »the South is lost for a generation«. That proved too optimistic, however, as Southern hostility dragged on for two generations. Thanks to demographic changes and Barack Obama, however, some of the southern states are once more within reach. Whether and how the Republicans will be able to recapture the North, however, remains totally obscure, at least in the foreseeable future. After the election, former Secretary of State Colin Powell declared that the Republican Party needed to undertake a »serious self-examination«, and many moderate Republicans agree with him. But they have insufficient influence in the fragmented party. The only group that can claim to have nationally known personalities – in Sarah Palin and Mike Huckabee – is the party right. Its mood can be summarised as »more right than ever« and it believes that the same conservative slogans should be repeated in four years' time, only louder.

### **Key Domestic Policy Issues: The Economy, Health Care, Energy Policy and Immigration**

The euphoria of the election victory soon subsided in the face of problems whose extent can barely be grasped. Barack Obama was careful to set the right tone even in his victory speech in Chicago, making reference to the hardships ahead. His success will be measured primarily by how he handles the financial and property market crises, where the need for action is most urgent. But there are three other burning domestic policy issues: the lack of health insurance for over forty million Americans, immigration reform, including the legalisation of twelve million illegals, and a fundamental change of direction in energy production and consumption.

Hillary Clinton, as First Lady, took up the cause of restoring the ailing health insurance system in 1993 and failed monumentally. Over the last 15 years the situation has deteriorated even further, with a growing number of uninsured and soaring treatment costs. Combined with an economic crisis the full scope of which remains unforeseeable and the signal rise in unemployment these political tasks will make disproportionate demands on the Obama administration – with little guarantee of success.

As regards immigration reform and legalisation of illegal aliens Barack Obama trod very carefully during the election campaign. Although increasing the number of well-educated immigrants was part of his electoral platform – strongly supported in particular by the IT industry – he also hinted that legislative reform would open the way to rights of residence for illegals. When liberal senator Ted Kennedy and John McCain jointly introduced a bill in the Senate which envisaged precisely these measures Barack Obama kept his distance. A number of his advisers take the view that immigration reform is a »second term issue«. The immigration issue will show the confidence of the new administration and how willing it is to take risks.

A week before the election energy expert John Podesta praised Germany for its pioneering role on environmental issues and said that the USA should take it as an example. He was addressing a policy area in which Barack Obama has expressed progressive views. Also, in recent years a broad consensus has developed in the USA for a new energy policy. The coalition of green politicians encompasses neoconservatives, who detest Saudi Arabia and the political influence of oil revenues, as well as Democratic environmentalists.

A great deal of investment capital has flowed into the solar industry in New Mexico and Arizona, and firms such as Google, with its influential Clean Energy 2030 project, are driving hi-tech development. Strict environmental legislation in Oregon and California has set standards that many other states have come to emulate and the population appears to be going along with it. Cars with hybrid propulsion systems already account for two per cent of the market; in May 2008 Toyota sold its one millionth Prius in the USA. The economic crisis represents a real opportunity to address the monumental task of shaking up the energy system as a whole and adjusting it to the conditions of the twenty first century. The Obama administration envisages massive job creation in modern energy production and

resource utilisation. The plan is to launch government work programmes similar to those under Franklin D. Roosevelt with the Tennessee Valley Authority during the Depression in the 1930s. At that time it was all about the development and electrification of the South, helping it to catch up. In the coming years, to paraphrase Barack Obama, it will be about coming to the aid of a stricken planet. These domestic policy challenges will consume a great deal of the energies of the new government. On top of that, in the USA, in contrast to Germany, where only ministers and their closest staff members are replaced when a new administration comes in, an incoming president means a real change of government. A total of 6,000 political posts have to be filled, around ten per cent of which must be confirmed by the Senate in rather ostentatious public proceedings. Bill Clinton was poorly prepared when he moved into the White House: even a year later, some of his nominees had still not taken up their posts. Barack Obama will make sure that he does not make the same mistake and as early as September last year quietly assembled a transitional team under John Podesta. The chief of staff in Clinton's second term is one of the best and most intelligent Democratic activists in Washington and runs a tight ship, which will ensure that the Obama team is up and running in the shortest time possible.

### **The End of the Era of Free Trade: The Economy and International Policy**

The current debate in the USA on how to react to the crisis suggests that the era of free trade, characterised by cheap money and dependable returns, that goes back to 1981 and shaped US politics from Ronald Reagan through George Bush senior and Bill Clinton up to the last administration, is a thing of the past. The counter proposals are being expressed ever more vehemently: demands for investment protectionism on account of the excessive influence of foreign and private interests, stronger capital market controls and a reduction of volatility, as well as a common agenda on the part of the international community in the management of capital flows, but also improved coordination with international organisations such as the IMF and the World Bank. These debates are addressed above all to political decision-makers. It simply cannot be calculated how this economic uncertainty will work itself out in social terms. It is very possible that the ex-

pected social upheavals will radically change the political landscape in a relatively short time.

Although Barack Obama can rely upon a much higher level of trust than his predecessor, it is questionable whether he will be able to meet the expectations of the voters and the demands of the solid Democratic majorities in both Houses. The momentum of the crisis is enormous because the looming collapse of the automobile industry touches the very core of the American workers' and trade union movement. It even threatens profitable manufacturers because of the extreme centralisation in the suppliers market. The first wave of migration to the suburbs of large cities in the USA dates back to the 1940s and this development has continued. As a result, distances to city centres and to workplaces are often huge. In many parts of the country one cannot survive without a car. The property market crisis likewise will hit the USA harder than Europe because the proportion of home owners there is double that in, for example, Germany. With a low savings rate home ownership is often the main component of old age provision, which, due to the debt crisis and rising unemployment, is under pressure as it is.

Most economic experts take the view that inexpensive imports kept down inflation in the USA and that exports protected the economy from falling into recession. Consequently, the commitment to multilateralism should be greater, not less. For example, the establishment of a free trade zone in the western hemisphere would be in the interests of the USA. But current domestic political upheaval could undermine this agenda; important Democratic politicians have still not made their positions clear. While making sympathetic noises concerning multilateralism, both Hillary Clinton and Barack Obama signed up, for example, to populist demands for the renegotiation of the NAFTA free trade agreement with Mexico. The almost unresolvable tension between domestic policy expectations and economic policy requirements will dog Barack Obama throughout his first term.

In the most optimistic scenario the social liberal internationalists will prevail and the new administration's economic policy energies will be concentrated on China, Latin America, India and Russia. Issues such as energy cooperation, economic integration and environmental protection will be given the importance they deserve. The Democrats also have advanced positions on poverty reduction; indeed, they are not dissimilar to the development policy

consensus in Germany. The administration can also count on considerable public goodwill: individual expenditure in this area amounts to around 26 billion US dollars (19.25 billion euros) a year, and more than 50,000 Americans annually engage in voluntary service overseas. Having said that, it is clear to all that no international conflict can be solved any longer by development aid alone.

These foreign policy exigencies notwithstanding, Barack Obama's weekly radio broadcasts at the beginning of January, in which he outlined an economic recovery and reinvestment plan estimated at between 675 and 775 billion US dollars, concentrated exclusively on domestic policy needs. He promised:

- a doubling of production of renewable energies and greater energy efficiency for buildings;
- modernisation of roads, bridges and state schools;
- digitalisation of the health care system;
- modernisation of high schools, laboratories and libraries;
- tax breaks for American workers.

On top of all this, the financial, property market and growth crisis is hitting the USA and the other Western industrialised states at the very time a whole set of new powers are taking their place on the international stage, including China, India, Russia and the Gulf States. The Brookings Institution in Washington estimates that by 2030 the so-called BRIC states (Brazil, Russia, India and China) will have caught up with the G-7 countries and the two groups will converge towards parity at around one third of world output each. In the Cold War era the respective figures were around 65 per cent and seven per cent. The international context is important not just because of the close economic integration, but also signals the need for a qualitatively new approach to politics and the economy. Today foreign policy and world economic questions are much less separable than, for example, during the Cold War. Financial crises, energy bottlenecks and pandemics have direct effects on domestic policy debates – given its prominent international role this applies to the USA more than to other states.

Yet another new dimension is furnished by the fact that since 1989 a serious rivalry between political and economic systems has re-established itself, if still not fully formed. The rise of China, with its authoritarian economic growth model and remarkable successes in poverty reduction, has changed the political frontlines. After the implosion of »real

socialism« the West is once more confronted by a rival model of development in which individual rights and democratic participation play only a subordinate role. The Western democracies have no strategic response to this dilemma, and political demands directed towards Russia or China to open up their markets and improve democracy will ring hollow against the background of de facto nationalisation of banks and large enterprises in the USA. On the contrary, such intervention serves only to encourage encroachments by the state in other areas. These developments are important because they delegitimise a model of political modernisation that has been a fixed component of the foreign policy of the Western industrialised countries since the 1980s.

Apart from this, all new economic policy plans must be set against the biggest credit infusion in US history and its barely foreseeable consequences in the medium term. In the past year alone the US government has directly invested hundreds of millions of dollars and has underwritten investments, credits and assets amounting to more than eight trillion US dollars.

This sum is greater than the combined cost of the Louisiana Purchase (in 1803 the USA bought almost a quarter of its current territory from France), the New Deal, the Marshall Plan, the Korean War, the Vietnam War and the savings and loans crisis at the end of the 1980s. At the same time, the USA's competitive advantage in infrastructure and research and development is diminishing. Estimates of the unemployment rate lie between eight and twelve per cent, while the budget deficit will amount to between six and nine per cent in the coming years. Add to that the poor financial condition of many states and administrative districts, which have been particularly hard hit by falling tax revenues and the squeeze in the bond market. The crisis is affecting economic and working life on so many levels that the new administration will have to take action in several different areas at once. It remains to be seen how the balance will be struck between urgent but unpopular reforms and populist concessions. The voters will next go to the polls at the mid-term elections in autumn 2011 for the House of Representatives and the Senate.

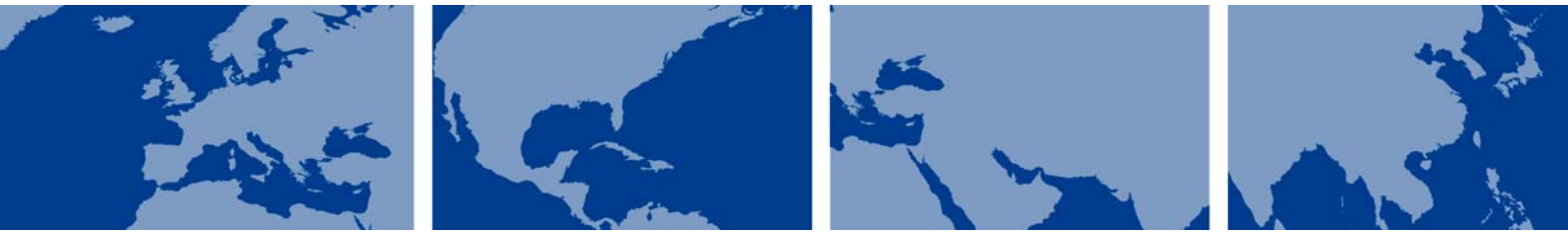
## A Re-orientation in Foreign Policy and the Transatlantic Outlook

In the current situation any attempt to discuss or aspiration to solve foreign and economic policy questions separately is delusory. The USA's loss of political credibility, as well as the replacement of the dollar as an international reserve currency have a greater mutual influence than could have been foreseen during the Cold War era of stability. Responses to the USA's crisis of credibility also include the shift in terms of development dynamics and power from the Atlantic to the Pacific, a development that Zbigniew Brzezinski recently described as a »global political awakening«. For Europe, whose economic and energy interests are by no means identical with those of the USA, this development is of fundamental significance. There is every indication that the twenty first century will be the Pacific century. On top of that, the USA for the foreseeable future will be penned in, militarily and geostrategically, to the region between the Suez Canal and India. One possible consequence of the factors we have mentioned will be that Europe will be pushed geographically and politically from the centre to the margin in terms of global importance if a conscious effort is not made to establish a balance between Atlantic and Pacific together with the USA.

America needs Europe's support because strategic attention as regards foreign policy trouble spots has shifted: the wars in Iraq and Afghanistan, the threat of a collapsing Pakistan, the medium-term challenge of Iran's nuclear power programme, the strategic reorientation required in relation to Russia and the need to establish robust working relations with China. Because the USA cannot cope with these challenges alone, its expectations of Europe are high. Democratic foreign policy experts know that George W. Bush was a convenient partner for many Europeans: he was a useful bogeyman for the purposes of domestic politics and made few demands. These comforts are no longer there; Barack Obama's first visit to Europe could take place in the first week of April on the occasion of the Franco-German NATO summit. He will be under considerable pressure to persuade the European allies to undertake more geopolitical responsibility at all levels. Should he fail, Barack Obama will be weakened at home. Bill Clinton took office with similar promises concerning US relations with the rest of

the world. When after two years he had nothing to show for his efforts, dozens of isolationist Republicans were elected to Congress in the mid-term elections.

Two imperatives arise from this conflict situation: Europe must assert itself globally in order to keep pace with developments and also settle the question of its strategic orientation towards the USA and Russia. Western Europe's stance towards Russia could be resolved in global terms, for example, by developing its own policy towards China and the Mediterranean – and indeed in areas in which the new Russian oligarchs, reliant upon raw materials shortages and borrowed money, cannot interfere. The new US administration needs European support in order to bring order to a disordered world. Despite all appearances of fatigue the USA remains central to the maintenance of the current world order, although, to be sure, new non-Western actors have to be integrated and participate in the system. Barack Obama will therefore seek to establish a global management system that is more open and inclusive than in the past. This is a matter of some urgency because the USA's political options are limited to an extent almost unprecedented since the end of the Second World War. Whether this weakness will lead to America's rejuvenation remains to be seen – the answer will partly depend on decisions made in Europe.



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