

## **Obama misses a historic opportunity**

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President Barack Obama's historic domestic challenge was to construct a strategy that was the antithesis of the "southern strategy".

This became the mainstay of Republican Party electoral dominance in the US from the late 1960s. Shifting the white working class from the Democratic Party was the mission of every successful Republican presidential candidate since Richard Nixon.

The natural majority favouring the Democrats had to be broken, and in the wake of the Civil Rights Act of 1964 and the Voting Rights Act of 1965, it was working-class whites from the south aggrieved by desegregation who were the most susceptible breakaway group. Race was the wedge that would divide white and black Democrats from the south, culminating in the electoral shift that came to be known as Reagan Democrats.

The manifest electoral grievances of the working white poor in the US were, and are, ultimately economic, but their animation and coalescence was, and is, cultural. Race, gender, sexuality, abortion, guns, religion and the flag organised the anxieties and resentments about economic change, particularly following the decline of the post-war heyday of working-class progress and prosperity.

This analysis is so familiar as to almost be trite. Obama's articulation of those "clinging to guns or religion or antipathy to people who aren't like them, or anti-immigrant sentiment or anti-trade sentiment" at a 2008 fundraiser in San Francisco, although condescending, was not untrue. There was insight in Obama's account, but not empathy.

The most intimate and sympathetic account of the process by which poor whites whose native allegiances were to the Democratic Party became Reagan and Bush Democrats is Joe Bageant's hilarious and tragicomic 2007 book, *Deer Hunting with Jesus*. Unlike Obama, Bageant is a member of the tribe under examination and although he is from the Left, he laments the failure of cosmopolitan liberals to understand his mob and to take them seriously. Bageant knows and understands their views on guns and religion, and his defences and criticisms of their position give pause to the reflexive contempt of urban elites.

When Nixon accepted Pat Buchanan's 1972 advice that if they "cut the Democratic Party and country in half, my view is that we would have by far the larger half", the Republicans launched a strategy of channelling economic anxieties into cultural priorities that would define American politics for decades.

The dialectic of the culture wars in the US became entrenched as much because of the ineptitude and moral vanity of liberals as the diabolism and ruthlessness of the Republicans. That the basis for division between blue and red, black and white, cosmopolitan and hometown America, is cultural rather than economic has been the underlying narrative of power contests in the US for four decades.

It is a powerful narrative undercurrent that lies just under the surface of the vast ocean of American society and politics, and one that may be impossible to transcend.

Obama probably stood the best chance of displacing this old narrative and creating a new American synthesis.

My thought here is that a reverse southern strategy was needed, combining a "better angels of our natures" post-racial leadership with a serious policy and political program that would work for the estranged working classes.

The economics of such a strategy would have to be more persuasive than the rhetoric and would need to speak for itself. Obama had to reach as far as possible into the heartland of so-called redneck white America to demonstrate the common ground.

To do this he needed a convincing policy agenda that answered the economic predicament of the working poor and the lower middle classes.

He had to find a solution to America's most fundamental challenge: how to ensure that every American who works hard and takes personal responsibility does not have to live in poverty.

What this economic policy agenda should be is not easily discerned. But looking back two years after his chief of staff, Rahm Emanuel, first said that one "should never let a serious crisis go to waste ... it's

an opportunity to do things you think you could not do before”, the overwhelming conclusion seems to be that President Obama has wasted the crisis.

First, under the sway of Treasury Secretary Timothy Geithner and the director of the National Economic Council, Larry Summers, Obama made fatal miscalculations in his dealings with Wall Street. When too-big-to-fail firms were on their knees begging for a transfusion of taxpayer funds, Obama should have obliged them to sign up to financial reform. He did not. Instead he gave them carte blanche. The surviving firms have emerged mightier than before and immediately dispatched thousands of lobbyists to congress to resist meaningful financial reform.

Second, Obama is caught in the pincers of two perceptions. One is that he did too much to bail out Wall Street at huge cost to taxpayers. These villainous bankers were faceless to ordinary Americans. The other is that he intended to bail out irresponsible borrowers from Back Street. These villainous borrowers were from ordinary Americans’ own neighbourhoods; they were not faceless and were too often assumed to be black or immigrant, and invariably clients of Freddie Mac or Fannie Mae.

While Obama bailed out Wall Street, it was thanks to the CNBC television finance journalist Rick Santelli that Obama’s socialist intentions to bail out Back Street were exposed and thwarted.

The egregious Santelli raised the alarm about the prospect of ordinary borrowers getting bailed out rather than Wall Street being the sole beneficiary of federal socialism, and thus was the Tea Party movement born.

The Tea Party movement’s rise represents the confluence of these two perceptions of Obama’s response to the financial crisis.

The President’s decision to fight for healthcare reform ahead of financial reform was decisive. Health reform was by definition a liberal agenda. It consumed the greatest part of Obama’s attention and political capital. Financial reform suffered as a consequence; the whole arena was left to Wall Street’s champions in the administration, Geithner and Summers.

The intensity of loathing for Obama’s presidency and the palpable undercurrent of racism that pervades the Tea Party movement is appalling. The vehemence and virulence of the right-wing campaign may have been avoided if Obama had made fixing the conditions for working Americans his central policy goal.

By fixing the broken idea that those who work hard and take personal responsibility in the US should not be living on the bones of their backsides, Obama could then have moved to fix areas where social provisioning was broken. By moving on health care first, Obama sent the wrong signals about his presidency.

The fundamental economic policy question facing America, and particularly the Americans who are the focus of this discussion, can be traced to the effects of globalisation on the decline of manufacturing in the US and the steep trade imbalance with net export nations, principally China.

Despite the widespread view that China’s currency manipulation has driven the trade imbalance between the two countries, all appeals from the US government during the past decade for the Chinese to do the right thing and properly value the renminbi have routinely fallen on deaf ears.

Last week’s most recent Reuters story on the impasse has the following headline: “Geithner signals US patience waning on China currency”.

Assuming that expectations are correct that American manufacturing and exports will be boosted if the problem of China’s currency manipulation is confronted, it raises questions about the limits of free trade in the modern globalised economy.

When a leading player on the field manages its currency, what does it avail those who leave it to the market?

An Obama economic policy that sought to reconstruct a working America that manufactured things again would, among many other things, presumably ask such questions of the conventional economic policy view that has long been known as the Washington Consensus.

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