

A good win for Hillary is not so good for the Democrats

Clinton's recent primary victory means trouble for her party, **GEOFFREY GARRETT** writes

Hillary Clinton's 10-point win in last week's Pennsylvania primary breathed renewed life into the Democratic race. But as much as it was a very good one for Clinton, it was a bad one for the Democratic party. Its leaders should be very worried that the ultimate Democratic nominee, which still looks like Barack Obama, might actually lose to John McCain in November.

Snatching defeat from the jaws of victory is well known to Democrats. Al Gore could not cash in on Bill Clinton's popularity in 2000. John Kerry could not ride the unpopular Iraq war to victory in 2004.

But 2008 was supposed to be different. The US economy is in shambles. The Iraq war is more unpopular than ever, but not quite as unpopular as its architect, President George W. Bush. McCain did not win the nomination by acclaim among the party faithful. Rather he only survived because his party's frenetic attempts failed to find a better candidate.

McCain is widely viewed as a grumpy old white man who strongly supports the two most unpopular planks of the Bush legacy-making – permanent tax cuts for the rich and staying in Iraq for as long as it takes.

Despite all this, McCain today is running neck and neck with both Clinton and Obama in notional general election polls. Why? The reason is the near fratricide that is playing out in excruciating detail and at agonising length in the Democratic primaries.

The disturbing reality for Democrats is that both their proto candidates are much weaker today than they were back in the heady January days of Iowa and New Hampshire. Perhaps the most eye-opening figures to come out of CNN's exit polls in Pennsylvania were that 25 per cent of Clinton voters said they would not vote for Obama in the general election if he is

McCain's opponent and 17 per cent of Obama supporters said they would not vote for Clinton against McCain.

But the antipathy between the candidates extends well beyond their primary voters.

Hillary Clinton's always-high negatives are now in the stratosphere nationally. Following the exposure of her Bosnia-sniper-fire-that-wasn't "mis-speaking" and her merciless attacks on Obama, the national electorate deeply questions her trustworthiness and leadership.

Despite her Pennsylvania win, Clinton's best hope of getting the nomination rests with a monumental gaffe by or a disastrous revelation about Obama, or a breathtaking event in the real world that plays completely into Clinton's hands.

Absent that, the Clinton case rests on the fact that she was won essentially all the swing states the Democrats will need to win back the

White House, led by the big three of Florida, Ohio and Pennsylvania.

But will this convince the Democrats' super-delegates to overturn the will of the party's voters, who have given Obama an unassailable lead in pledged delegates? To do so they would not only risk the party's implosion; they would also jeopardise their own future electoral fortunes. One clear signal that they won't do this is that Clinton's early 2:1 lead in super delegate commitments has been wiped out in the past couple of months as Obama's primary and caucus victories have piled up.

As a result of all this, Obama is still the long-odds-on favorite to win the Democratic nomination.

The problem for Democrats is that the magic, excitement and breathless anticipation that surrounded Obama's post partisan and multiracial campaign a couple of

months ago are gone. He is now a conventional candidate, with typical flaws, and a profile that is very vulnerable to attack from the right.

The future over his "elitism" in the run-up to Pennsylvania exemplifies Obama's fall from grace. The lustre of the transcendent leader has been sheered away to reveal the kind of Democrat Republicans have been beating since Ronald Reagan.

Early in the campaign, no one seemed to care about Obama's two Ivy League degrees but everyone marvelled at his walking away from big corporate law job offers to work on the inner city streets of Chicago.

But two weeks ago, Obama uttered a very defensible, in analytic terms, analysis of the plight of Middle America. He said he understood their bitterness about being left behind economically, and why as a result they turned to religion and guns and against immigrants and trade.

Clinton, McCain and the media came down on him like a ton of bricks, and Obama's many efforts to put out the fire have been viewed as grumpy rather than magisterial.

All this has been a Godsend for Republicans. Clinton is doing much of the spadework McCain will need to beat Obama, beginning with the now infamous taunt that, while McCain is ready to be Commander in Chief, Obama is not.

The Republican strategy against Obama has long been clear. Don't be fooled by his flashy oratory. Obama is nothing more than a foreign policy neophyte and traditional left-wing Democrat who is out of touch with the concerns of regular Americans.

The longer the Democratic nomination fight continues, the more effective this Republican campaign against Obama will be, and the more losable the presidential election in November will become for the Democrats.

■ Professor Garrett is CEO of the United States Studies Centre at Sydney University.

Bring on the right biofuel crops

ROGER COHEN

Fads come fast and furious in our viral age, and the reactions to them can be equally ferocious. That's what we're seeing right now with biofuels, which everyone loved until everyone decided they were the worst thing since the Black Death.

Where fuel distilled from plant matter was once hailed as an answer to everything from global warming to the geo-strategic power balance, it's now a scam and part of the problem, according to *Time* magazine. Ethanol has turned awful.

The supposed crimes of biofuels are manifold. They're behind soaring global commodity prices, the destruction of the Amazon rainforest, increased rather than diminished greenhouse gases, food riots in Haiti and Indonesian deforestation.

Most of this, to borrow a farm image, is hogwash and bilge.

I'll grant that the fashion for biofuels led to excess, and that some farm-to-fuel-plant conversion, particularly in subsidised US and European markets, makes no economic or environmental sense. But biofuels remain very much part of the solution. It just depends which biofuels.

Before I get to that, some myths need dispelling. If Asian rice prices are soaring, along with the global prices of wheat and maize, it's not principally because John Doe in Iowa or Jean Dupont in Picardy has decided to turn yummy corn and beet into ethanol feedstock.

Much larger trends are at work which dwarf the \$US40 billion biofuel industry. I refer to the rise of more than one-third of humanity in China and India, the disintegrating dollar and soaring oil prices.

Hundreds of millions of people have moved from poverty into the global economy over the past decade in Asia. Their demand for food staples and once unthinkable luxuries like meat is pushing up prices.

At the same time, the rising price of commodities over the past year has largely tracked the declining parity of the beleaguered dollar. Rice prices have shot up in dollar terms, far less against the euro. Countries like China are offloading depreciating dollar reserves to hoard stores of value like commodities.

Food price increases are also tied to oil being nearly \$120 a barrel. Fossil fuels are an important input in everything from fertiliser to diesel for tractors.

Another myth that needs nuking is that the Amazon rainforest is being destroyed to make way for Brazilian sugar-cane ethanol. Almost all viable cane-growing areas lie hundreds of miles from the rainforest. Brazil has enough savannah to multiply its 3.5 million hectares of cane-for-ethanol production by 10 without going near the Amazon ecosystem.

Brazilian rainforest is burning, as it long has, for a complex mix of economic reasons. Brazil's successful ethanol industry – 80 per cent of new cars run on ethanol or gasoline and all gasoline comprises 25 per cent biofuel – is not one of them.

The danger in all this anti-biofuel hysteria is that we'll throw out the baby with the bathwater.

Those hundreds of millions of Chinese and Indians now eating more will be driving cars within the next quarter-century. What that will do to oil prices is anybody's guess, but what's clear is that ethanol presents the only technically and economically viable alternative for large-scale substitution of petroleum fuels for transport in the next 15 to 20 years. It's not a panacea, but it's a necessary bridge to the next technological breakthrough.

The question is: which ethanol? Right now, the biofuel market is being grossly distorted by subsidies and trade barriers in the United States and the European Union. These make it rewarding to produce ethanol from corn or grains that are far less productive than sugar cane ethanol, divert land from food production (unlike sugar cane), and have dubious environmental credentials.

What sense does it make to have a surplus of environmentally friendly Brazilian sugar-based ethanol with a yield eight times higher than US corn ethanol and zero impact on food prices being kept from an American market by a tariff of 54c a gallon while low-carbon ethanol gets a subsidy?

It would make a lot more sense to drop the tariff, drop the subsidy, and allow Brazilian ethanol into the US, said Philippe Reichstul, the chief executive of a biofuel company in Sao Paulo. Pressure on US land will be slashed.

The United States and Europe should maintain their biofuel targets. Pressure to scrap a European plan for renewable fuels to supply a tenth of all vehicle fuel by 2020 must be resisted while rethinking the policies that favour the wrong biofuels.

The real scam lies in developed world protectionism and skewed subsidies.

■ Roger Cohen is a columnist with the *New York Times*.

Budget to make rich richer

First Home Saver Accounts will benefit those who can already afford to buy houses. It's a deliverable take on an undeliverable election promise



PETER MARTIN

By all accounts Wayne Swan's first budget, due in a fortnight, will be a shocker.

And not only for people from the ACT.

But there will be generosity amid its meanness – a surprising amount of it reserved for those of us who are already very well off.

Want evidence?

Consider Labor's plan for First Home Saver Accounts, cobbled together a few weeks before the election and so poorly designed that after the election the Treasury told Labor it was unworkable.

The redesigned scheme, due to come into effect on July 1, works like this:

Every dollar that first home savers put into an account – up to a maximum of \$5000 – will be matched by a government contribution of 15c.

Except for Australians earning more than \$80,000 a year. They will get a government co-contribution of 25c for every dollar they invest.

Really.

Unless they earn more than \$180,000 a year, in which case they will be blessed with a government contribution of 30c per dollar they invest.

That's right.

The Labor government has come up with a scheme that would grant Lachlan Murdoch, the richest young person at last week's 2020 Summit, twice as much as the ACT's Sid Chakrabarti, one of the poorest.

Swan's announcement, in February this year included a table to make the disparity clear.

It says that a low- to middle-income earner putting aside \$5000 each year would get \$750 from the Government, a high-income earner \$1500.

The Treasurer put the design up for discussion on the Treasury website and received more than 100 submissions.

But curiously the Treasury hasn't made them public, although it said that it would and although it would be required to if asked under the Freedom of Information Act.

Its website now says it will issue the submissions "following the Government's announcement of its final policy decisions", which probably means on budget night when they will be beside the point.

Here's how the consumer organisation Choice delicately phrased its criticism in its submission: "We cannot see a clear policy rationale for the proposal to



provide higher contributions to higher income earners."

It added, either with tongue in cheek or to spell it out in case the Treasury officers were really dumb, "We are unaware of any evidence to suggest that sufficient savings are more difficult to achieve for higher income earners."

What on earth could have possessed the Treasurer to come up with such an obviously bad policy, and why on earth did the cabinet endorse it for delivery in the May budget?

It is fairly clear why the cabinet endorsed it.

It is a deliverable version of an undeliverable election promise.

And Prime Minister Kevin Rudd believes in delivering his election promises.

As Rudd said last just week, "We went to the election committed to implementing this."

"We intend to proceed."

Asked whether he agreed that the

scheme gave the most money to the applicants on the highest incomes, the Prime Minister replied, "There would be some people who would argue that, but the reason we've called for submissions is to get the public's input into this."

What possessed the Treasurer to come up with it?

The consultation paper issued by the Treasury in February gives the game away.

"First Home Saver Accounts will reflect the arrangements for superannuation," it says.

"The government contributions will vary from 15 per cent to 30 per cent depending on the account holder's marginal income tax rate."

That is indeed how support for superannuation contributions works.

The government taxes those contributions at 15 per cent instead of the taxpayer's marginal income tax rate.

That gives low-income earners

already paying 15 per cent no benefit, middle-income earners paying 30 per cent a 15 per cent benefit, and high-income earners paying 45 per cent a big 30 per cent benefit.

It isn't fair, and it was Labor that introduced it when it was last in office.

But the unfairness of that superannuation concession was disguised by the way in which it was presented as a 15 per cent flat tax.

The tax was flat, but the benefit was skewed to high-income earners.

Swan attempted the same presentational trick when he announced his plan for First Home Saver Accounts just weeks before the November election.

He said savers using the accounts would be eligible for a low tax rate of 15 per cent "rather than the ordinary tax rate they would pay".

But by telling Swan after the election that his plan wouldn't work in that form, and that he could achieve an identical result by paying

money directly into the accounts of savers, the Treasury has made plain the ridiculous nature of what Swan proposed.

It is said by those who still defend the scheme that it won't favour the rich that much in practice, because they don't need to save to buy houses.

The counter argument, undeniably true, is that it won't favour the really poor at all because they can't afford to save to buy houses.

There's a chance that the design of the scheme will be modified before budget night, and newspaper articles like this one will help, along with the torrent of (presumably negative) submissions to the Treasury.

That the idea got as far as it did says a lot about Labor's attention to detail as it was drawing up its election policies, and the paucity of advice available to treasurers in opposition.

It's not the only dud policy about to be inflicted on us with the budget.

The Government has promised to lend up to \$10,000 at a zero real rate of interest on a first-come first-served basis to a limited number of families who install solar panels on their roofs.

The millionaires will get in first. As Rudd predicted when announcing the policy, it will "increase the value of their homes".

And parents in receipt of Family Tax Benefits who spend money on books or computers in their home will get a tax refund of up to \$750 a child to help with the expense.

But not those parents who can't afford computers or books for their children.

They'll miss out.

We will learn a lot about Swan and the Rudd Labor Government on budget night by examining exactly who they are generous to.

It'll be instructive.

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Why it's hard to hold state of Israel in good odour

Prospect of Palestinian return reopens some murky historical issues, **JOHANN HARI** writes

When you hit your 60th birthday, most of you will guzzle down your hormone replacement therapy with a glass of champagne and wonder if you have become everything you dreamed of in your youth. In a few weeks, the state of Israel is going to have that hangover.

She will look in the mirror and think, "I have a sore back, rickety knees and a gun at my waist, but I'm still standing." Yet somewhere, she will know she is suppressing an old secret she has to face. I would love to be able to crash the birthday party with words of reassurance.

But I can't do it. Whenever I try to mouth these words, a remembered smell fills my nostrils. It is the smell of shit. Across the occupied West Bank, raw untreated sewage is pumped every day out of the Jewish settlements, along large metal pipes, straight on to Palestinian land.

Standing near one of these long, stinking brown-and-yellow rivers of waste recently, the local chief medical officer, Dr Bassam Said Nadi, explained to me: "Recently

there were very heavy rains, and the shit started to flow into the reservoir that provides water for this whole area. I knew that if we didn't act, people would die. We had to alert everyone not to drink the water for over a week, and distribute bottles. We were lucky it was spotted. Next time..." He shook his head in fear.

This is no freak: a 2004 report by Friends of the Earth found that only 6 per cent of Israeli settlements adequately treat their sewage.

Meanwhile, in order to punish the population of Gaza for voting "the wrong way", the Israeli army are not allowing past the checkpoints any replacements for the pipes and cement needed to keep the sewage system working. The result? Vast stagnant pools of waste are being held within fragile dykes across the strip. Last March, one of them burst, drowning a nine-month-old baby and his elderly grandmother in a tsunami of human waste. The Centre on Housing Rights warns that one

heavy rainfall could send 1.5 million cubic metres of faeces flowing all over Gaza, causing "a humanitarian and environmental disaster of epic proportions".

So how did it come to this? The beginnings of an answer lie in the secret Israel has known, and suppressed, all these years. The Jews who arrived in Palestine throughout the 20th century did not come because they were cruel people who wanted to snuff out Arabs to persecute. No: they came because they were running for their lives from a genocidal European anti-Semitism.

They convinced themselves that Palestine was "a land without people for a people without land". You can see traces of what might have been in Tel Aviv, a city that really was built on empty sand dunes. But most of Palestine was not empty. It was already inhabited by people who loved the land, and saw it as theirs. They were completely innocent of the hellish crimes against the Jews.

When it became clear that these Palestinians would not welcome becoming a minority in somebody else's country, darker plans were drawn up. Israel's first Prime Minister, David Ben-Gurion, wrote in 1937: "The Arabs will have to go, but one needs an opportune moment for making it happen, such as a war."

So he helped draw up Plan Dalit. It was – as Israeli historian Ilan Pappé puts it – "a detailed description of the methods to be used to forcibly evict the people: large-scale intimidation; and laying siege to and bombarding population centres". In 1948, before the Arab armies invaded, this began to be implemented: some 800,000 people were ethnically cleansed, and Israel was built on the ruins.

The people who ask angrily why the Palestinians keep longing for their old land should imagine an English version of this story. How would we react if the 30 million stateless, persecuted Kurds in the world sent armies and settlers into

this country to seize everything in England below Leeds, and swiftly established a free Kurdistan from which we were expelled? Would it take us only 40 years to compromise and offer to settle for just 22 per cent of what we had had?

If we are not going to be endlessly banging our heads against history, the Middle East needs to excavate 1948, and seek a solution. Any peace deal – even one where Israel agreed to return to the 1967 borders – tends to crumple on this issue. The Israelis say: if we let all three million come back, we will be outnumbered by Palestinians even within the 1967 borders, so Israel would be voted out of existence. But the Palestinians reply: if we don't have an acknowledgment of the Naqba (catastrophe), and our right under international law to the land our grandfathers fled, how can we move on?

It seemed like an intractable problem – until, two years ago, the Palestinian Center for Policy and

Survey Research conducted the first study of the Palestinian Diaspora's desires. They found that only 10 per cent – around 300,000 people – want to return to Israel proper. Israel can accept that many (and compensate the rest) without even enduring much pain. But there has always been a strain of Israeli society that preferred violently settling its own borders, on its own terms, to talk and compromise. This weekend, the elected Hamas Government offered a six-month truce that could have led to talks. The Israeli Government responded within hours by blowing up a senior Hamas leader and killing a 14-year-old girl.

Perhaps Hamas' proposals are a con; perhaps all the Arab states are lying to when they offer Israel full recognition in exchange for a roll-back to the 1967 borders; but isn't it a good idea to find out? Israel, as she gazes at her grey hairs and discreetly ignores the smell of her own stale shit pumped across Palestine, needs to ask what kind of country she wants to be in the next 60 years.

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