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Wall Street melts down, Obama the big winner?

By Geoffrey Garrett

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While the world waits with bated breath to see whether the US Congress will enact the Bush administration's \$US700 billion Wall Street bailout, a national interest ceasefire seems to have broken out in America's partisan warfare.

President Bush made a confession of a nation in peril that would have been inconceivable even a week ago. "Our entire economy is in danger," the grim President said in a hastily organised national prime time TV address.

On their way to Washington to huddle with the President over the crisis, Barack Obama and John McCain ceased campaign hostilities to issue a joint statement calling for "cooperation for the sake of the American people".

But don't be fooled by this rallying around the financial flag. The crisis is having a profound impact on the race to the White House. After several weeks of pro-McCain, Sarah Palin-induced momentum, Obama is back making all the running in the polls.

This is not because of anything Obama has done or said regarding the crisis. Rather the Wall Street meltdown has exposed McCain's pair of Achilles heels. He is much less knowledgeable and comfortable talking about economic issues than he is foreign policy questions. Choosing a former CEO like Mitt Romney or Carly Fiorina would have shored up his economic credentials, but McCain instead pulled the neophyte's neophyte Palin out of the hat and into the global spotlight.

But even more importantly, the crisis is making it very hard for McCain to pull off what he must do if he is to win the White House. McCain must put enough distance between himself and the profoundly unpopular incumbent administration to be able to say that electing him would not amount to a third Bush term.

Up until the implosion of Wall Street's long revered investment banks, McCain was at least holding his own with Obama in the battle to be the authentic "outsider" and agent of "change".

But in the white heat of Wall Street's collapse, the tide began to turn against McCain.

Cool heads may be right to counsel that the underlying fundamentals of the large and diverse American economy are good, that the administration's bailout plan is a necessary evil to stabilise the financial markets, and that there will be ample time to consider new financial regulations when things finally calm down.



All Obama needs to do is feel America's pain and stand by as the Bush administration and McCain twist in the wind. (AFP: Saul Loeb, file photo)

But this won't do for regular Americans overwhelmed by anxiety about their jobs, incomes, houses, health and retirements. They are mad as hell at the notion that every American citizen should give \$2,000 in what they see as nothing more than obscene corporate welfare.

America is charging the Bush administration with aiding and abetting the gargantuan excesses of mega millionaires lining their own pockets while gambling away the country's hard earned money on the Wall Street casino.

No matter how hard he tries, McCain seems unable to create a political firewall between himself and the Bush administration on the economy. One reason is that McCain's core economic policy proposal has been to make permanent the Bush tax cuts that regular Americans feel gave money to the super rich. McCain didn't help his own cause by uttering the out of touch homily "the fundamentals of our economy remain strong" in the middle of the chaos.

The Obama campaign is more than happy to remind voters of the fighting pro-market words of McCain's former economic adviser Phil Gramm, who a couple of months ago dismissed the economic travails of regular Americans as a "mental recession" and those who complained about it as a "nation of whiners".

What regular folks see happening is their American dream of prosperity built on home ownership being wiped out - with an estimated \$2 trillion decline in the value of America's housing stock since the subprime mess began a little over a year ago.

This body blow to Middle America could not come at a worse time. Inequality is at its highest level in nearly a century. Job security is eroding. Wages are stagnant. Health care is unaffordable and public pensions are on shaky ground.

Amid this economic carnage, Obama no longer needs to spend his time responding to McCain attacks that he is a political neophyte whose celebrity is a mile wide and an inch deep. All he needs to do is feel America's pain and stand by as the Bush administration and McCain twist in the wind.

Political science models say that presidential elections are inevitably referendums on the state of the economy. "It's the economy, stupid" was the mantra of the last Democrat to win the White House, Bill Clinton in 1992. Obama hopes and McCain fears that it will be the epitaph of 2008 as well.

In this year of apparently endless twists and turns in the road to November 4, when Americans will finally vote, Wall Street's meltdown, not the Iraq war and not his rock star charisma, is emerging as Barack Obama's ultimate weapon in his bid for the White House.

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