

President Ob

Australia's interest in the 2008 United States presidential election was by all reports unprecedented. It certainly seemed that way to me on my return to Australia in the heat of the campaign to head up the US Studies Centre. From Hillary Clinton's New Hampshire tears, to Sarah Palin's "pitbull with lipstick" coming out party at the Republican convention, to October's wooing of "Joe the plumber", Australians were riveted by events in America.

Things reached a crescendo on America's first Tuesday in November – a day later in Australia thanks to the International Date Line. Fifteen hundred students, staff, journalists and people from all over Sydney crammed into the campus Manning Bar for the Centre's Election Watch, the biggest event of its kind in Australia, and one of the largest in the world.

The relentless turning of "red" Republican states into Democrat "blue" for President-elect Barack Obama was greeted by ever louder cheers, consistent with the Centre's recent poll that found Australians favoured Obama over his Republican opponent John McCain by more than four to one.

Just one week earlier, I suggested to a more sceptical but also packed house that America was in the midst of a fierce period of self-reflection, self-criticism, and self-correction in response to the excesses at home and abroad of the Bush administration.

The landslide victory of President Barack Hussein Obama, Africa's son with a Muslim sounding middle name, has put an exclamation mark on America's process of self-correction.

Obama arguably embodies change more than any elected leader in history. His race is apparent every time you see him. When he was born African Americans did not have full civil rights. Yet Obama never campaigned as a "black man" fighting America's history. He knows full well all his race and country have been through. But Obama is very much a 21st century man with his gaze firmly focused on the future.

Obama will enter the Oval Office with extraordinary political capital: once in a generation JFK-meets-MLK political skills bolstered by a truly national presidential mandate, increased majorities in both houses of Congress, and great global goodwill.

Obama's victory is certainly historic. But how much will his and the world's hopes for transformation be dampened by the undeniably grim realities he inherits? The earliest news was not good for the President-elect.

The US stock market reacted to Obama's election with a 10 per cent nose dive in two days. The following day, it was announced that half a million Americans lost their jobs in the final two months of the presidential campaign. Russia's President Medvedev ignored Obama's victory but lambasted the US for causing all the world's economic problems, and then announced that he would aim new

cover story

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Members of the audience at Manning Bar watch as results come in on CNN

ama's new American history





The breadth and depth of Obama's victory was stunning



missiles at America and its allies. So much for the halo effect of Obama's win.

Obama's first days as President-elect only served to underscore the challenges before him: the worst economic downturn in decades compounding gaping inequality in America, coupled with international security challenges beginning but not ending with Islamic extremism that are likely to expand rather than contract on his watch.

What's worse, Obama will have to fight these challenges with one arm tied behind his back. Red ink is hemorrhaging from America's balance sheet with the budget deficit climbing towards an unthinkable one trillion (US) dollars and a public debt mountain almost as big as the entire American economy.

It is a cliché that extraordinary leadership can emerge in extraordinary times. These are certainly extraordinary times. Obama, with his rock star charisma, languid grace under the most intense pressure, and intelligent problem solving instincts, may well prove an extraordinary leader. What is clear is that America and the world are barracking for him.

A national mandate for change

Ronald Reagan swept to power in 1980 against the backdrop of twin economic and foreign policy crises. Telling the country it was "morning in America", Reagan won over Democrats, brought the hostages home from Iran, ended stagflation, and defeated communism. He told Americans that government was the problem, not the solution, and proceeded to cut taxes and deregulate the economy in ways that have shaped America ever since.

Obama has said he admires Reagan for his transformative power. Now Obama has the chance to emulate him, taking aim at the shibboleths of the Reagan revolution.

The breadth and depth of Obama's victory was stunning. In addition to winning every state John Kerry carried in 2004, Obama won Ohio – which undid John Kerry in 2004 – and took Florida, responsible for Al Gore's

demise in 2000. But Obama coloured a lot more of the map blue on his march to the White House, winning back for the Democrats states that Reagan took from them three decades ago: North Carolina and Virginia in the south, Colorado, Nevada and New Mexico in the mountain west.

Obama's truly national coalition also transcended deep demographic divides in American society. As record numbers of Americans went to the polls, Obama won every age group except those over 65 and turned the usually apathetic under-30s into the platform for his victory.

Obama's trans-racial appeal was equally striking, putting together the "rainbow coalition" that Jesse Jackson could only dream of 20 years ago. More than 90 per cent of African Americans voted for Obama. But so did two thirds of America's biggest minority group, Latinos, despite their historical antipathy towards blacks. More than 60 per cent of Asian Americans, typically conservative and almost apolitical, voted for Obama as well.

The campaign machine that made possible these electoral successes was revolutionary. In raising a mind boggling \$600 million-plus for his White House bid, Obama received unprecedented amounts in very small chunks via the internet. Tens of millions of people were greeted daily with cheery emails from Team Obama, raising a new issue, and asking for a donation of five or ten dollars – a far cry from the traditional rubber chicken meals for high roller donors giving thousands for the privilege of some face time with the candidate.

But his "ground game" had opponents green with envy too. Obama registered literally millions of new voters via Facebook. He paid professional staffers to organise armies of enthusiastic volunteers to get voters to the polls in virtually every state. Obama outspent McCain more than four-to-one in TV advertising during the last month of the campaign. McCain had to pick and choose where and how to campaign. Obama could campaign wherever and however he chose.

Above left: Barack Obama, aura visible; above right: the author opines for ABC TV; far right: ecstatic students at Manning bar



It's the economy, stupid

With so many “firsts” in Obama’s victory, perhaps the greatest irony of 2008 is that he won the election the old fashioned way. After the fall of Wall Street icon Lehman Brothers on September 15, just hours after McCain assured voters that the fundamentals of the American economy were “sound”, Obama’s winning mantra emerged: the financial crisis was “the final verdict on eight years of failed economic policies, promoted by George Bush, supported by Senator McCain”.

Obama rose from obscurity to beat Hillary Clinton for the Democrats’ nomination because of his pristine anti-Iraq credentials. But it wasn’t going to be enough to defeat McCain. Obama opposed the troop surge in Iraq; McCain was its champion. Over the last half of 2008, all the evidence said the surge was working, blunting Obama’s first line of attack against McCain.

Obama had another problem: himself. He could fill stadiums at home and abroad with adoring, mostly young and progressive, supporters. But it proved heavy going for Obama to convince a Middle America just too anxious about the future to take the risk of putting a young untested black man in the Oval Office.

McCain was actually leading Obama in the polls when Lehman Brothers collapsed. A couple of weeks later, Obama’s lead was close to 10 percentage points. For all intents and purposes, the election was over. Americans still saw risks in Obama, but they were now willing to give him the chance to fix the mess they blamed the Republicans for creating.

Bill Clinton won the presidency in 1992 by reminding himself every day “it’s the economy, stupid”. It is a pithy epitaph for 2008, too.

Obama and the Democrats

Clinton campaigned on an ambitious social democratic domestic agenda and globalisation scepticism. But he proved a very different President once in office. He

watched his health care reform collapse, “ended welfare as we know it”, signed NAFTA (the North American Free Trade Agreement), backed the Asia-Pacific Economic Cooperation (APEC) forum and championed China’s entry into the World Trade Organisation.

Will Obama follow Clinton’s march to the internationalist centre when he sits in the Oval Office? Or will he be more inward looking and deliver on the pent-up grievances among average working Americans to “spread the wealth”, as Obama told “Joe the plumber” he would do?

The answer is probably a little of both. For more than a year, Obama’s core economic policies have been: ending the Bush tax cuts for the rich, making health care cheaper, and investing in alternative energy. With respect to globalisation, he has said that trade deals cannot trample on workers’ rights or the environment.

Obama’s domestic agenda will now get wrapped up in the language of “a rescue plan for the middle class”, the name he has given to the looming fiscal stimulus package designed to reduce the length and depth of America’s inevitable recession. Even conservative economists think reviving the American economy will require a large injection of government cash. Look for an early bailout – in the name of “green collar” job creation – of the teetering Detroit auto giants, weighed down by poor sales and unsustainable health care and pension liabilities.

But Democrats will also be clamouring for a new round of domestic financial regulation, beefing up the Sarbanes-Oxley rules created after the dotcom bust earlier this decade, rather than the new multilateral Bretton Woods II regime Europe wants. Some new regulation is surely called for. But Obama will be reminded that Alan Greenspan’s too low interest rates for too long had a lot to do with America’s housing bubble. So too did the fact that existing regulations on financial institutions and mortgage brokers were simply not enforced.

Some new regulation is surely called for

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Murray Harris

When it comes to free trade, the US-South Korea deal negotiated by President Bush, but opposed in its present form by his successor, will be an early indicator of where Obama stands. The deal is the most important for the US since NAFTA in the early 1990s. Moreover, the US has not been party to Asia's regional economic and political dynamism over the past decade.

The incentives are high for Obama to find a deal with South Korea he can sign. If Obama cannot make this bilateral deal a reality, bigger agreements such as the WTO's Doha round or an APEC free trade agreement would quickly become pipedreams.

The other special relationship

When Americans look to Obama for "change", they are mainly thinking about breathing economic life back into the middle class at home. But for the world, change means a return to the global mainstream on the big issues on the international agenda. With Iraq now very much America's war, attention will turn to Afghanistan and climate change.

Both issues are very important to Australia and will be central to the next phase of its relationship with the US – the "other special relationship" as many Australians, and not a small number of Americans, call it.

Much has been made of the personal bond between John Howard and George W Bush. There is every reason to think that President Barack Obama and Prime Minister Kevin Rudd will also get on well. Both men rose quickly to the highest office, both are problem-solvers rather than ideologues, and both revel in the nitty-gritty of policy detail.

Obama and Rudd have said that Afghanistan is "the right war". Australia's Prime Minister was no doubt pleasantly surprised when President elect Obama injected "a planet in peril" into his victory speech alongside the economy and Islamic extremism as a holy trinity of major challenges facing America.

But this confluence of big picture views does not mean all will be plain sailing for the US and Australia in 2009. Obama's 'less Iraq-more Afghanistan' strategic pivot made great sense on the campaign trail. But it is unlikely a war-weary America is really ready for a much bigger commitment to a war in Afghanistan that many regard as unwinnable.

Obama will call on NATO and other allies to do more. But Europe's Obama lovefest probably won't be enough to get more European troops into Afghanistan. Either way, Obama is likely to ask Rudd to increase Australia's commitment as well. That will pose a big and early question for Rudd in his relationship with Obama: does his commitment to increasing Australia's involvement in Afghanistan extend to adding more front line combat troops to the fight?

For his own part and potentially as part of an implicit quid pro quo on Afghanistan, Rudd will want Obama quickly to become the anti-Bush on climate change. In particular, Rudd will look to Obama to take the lead in forging a global consensus on reducing carbon emissions in the run up to the Copenhagen Summit at the end of 2009.

Afghanistan and climate change are big issues



Obama's climate change commitment is real. But it will be uphill sledding to carry America with him on something akin to Australia's proposed emissions trading scheme. Average Americans are much more concerned about energy independence than climate change. As the economic picture darkens, America will have even less stomach for any environmental regulations that might slow growth and cost jobs. That is why Obama has been focusing on creating green collar jobs in the US in new cleaner energy sources and hybrid cars as the way forward.

American support for a serious global climate change regime is unlikely unless China and India can be convinced to come to the table. This position cost Brendan Nelson his job in Australia, but it is the path of least resistance in America.

Afghanistan and climate change are big issues of vital importance to Australia. There should be no surprise if addressing them creates some challenges, even if Rudd and Obama get on famously. Australians should be comforted, however, by the fact that the Australia-US relationship is strong. The players will be very different in 2009 than they were in 2001, but the relationship's foundation in common interest and shared values remains rock solid.

History and Transformation

As my quick walk through the policy thicket shows, the more you stare at the challenges President Obama will face, the easier it is to forget all the fresh energy, enthusiasm and promise he has brought to the table, and that in return America and the world have invested in him.

There are tough times ahead. But even in the darkest moments, everyone – including the President himself – should remember the power generated by Obama's "audacity of hope" and "yes, we can" vision to transform America and the world. No matter how hard the journey and whatever our political differences, we should all work with him to realise our shared vision for the best of our common humanity. **SAM**

Information and further study:
www.sydney.edu.au/us-studies/