



# OBAMA SET FOR LURCH TO THE POPULIST LEFT

*The President will punish the bankers*

**GEOFFREY GARRETT**

BOSTON'S masterful Democrat legislator Tip O'Neill famously said "all politics is local" in the US

The Democrats' stunning loss of left-wing lion Ted Kennedy's Massachusetts Senate seat in a state that Barack Obama carried by 26 percentage points a year ago turns this well-worn adage — and politics in Obama's America — upside down.

In Obama's worst possible anniversary present, Wednesday's victory by Republican Scott Brown will cast long shadows over issues as diverse as healthcare, the environment, job creation and international trade.

The Obama presidency hangs in the balance.

Paradoxically, given a stinging defeat inflicted by the Republican Right, the best way for Obama to revive his flagging fortunes is to lurch to the populist Left.

Brown's Democrat opponent Martha Coakley was no doubt a bad candidate who ran a worse campaign, but the big story out of Massachusetts is the two loud and clear messages the state's normally diehard Democrat voters sent to Washington.

Americans are sick and tired of the healthcare imbroglio that has gummed up Washington for the better part of a year.

They are also mad as hell at Obama for not doing enough to help lift Main Street out of its dire economic straits while aiding and abetting the egregious excesses of Wall Street's villains.

Obama has only a week to respond to this stunning rebuke before he gives his annual State

of the Union address.

In that speech, the President needs to be able both to celebrate passing the biggest reform of US healthcare since Lyndon Johnson and to launch a 2010 agenda of taxing bankers and the rich and spending the money on creating jobs for regular Americans.

On healthcare, Obama must first quickly convince house Democrats to pass the Senate version of healthcare reform, which they don't like. This is the best way to get the bill into law without giving new senator Brown the chance to block it.

Since defeat could be closer to a mortal wound than a black eye for Obama, the chances that healthcare finally will pass in the coming week must remain good despite all the panic in Washington.

Obama will then try to convince the US public that he shares their anger over the process of healthcare reform but that they will like the substance of the reform.

The new law would add more than 30 million citizens to the healthcare rolls and put tighter controls on how private health insurance companies treat their patients.

These would be laudable accomplishments that proved too hard for Bill Clinton, but most Americans who vote (only half the country after all) currently have healthcare coverage, and they like the coverage they have.

Appealing to their better natures will be a tall order in these tough times.

Irrespective of what happens

on healthcare, Obama's plan for this year will focus on economic populism — punishing the bankers who nearly brought down the economy and helping the average Americans who are suffering the consequences.

US unemployment sits stubbornly at 10 per cent.

Many more Americans either have had to accept part-time jobs or are so disenchanted that they are no longer looking for work.

One quarter of Americans owe more on their mortgages than their houses are worth.

The stockmarket is recovering well, banks are paying back their debts to the government, and bankers are again awarding themselves big bonuses, but average Americans are still hurting badly.

After Massachusetts, the inescapable political logic for Obama dictates a new stimulus package focused squarely on jobs and paid for by new taxes, fines and fees levied on the financiers who got America into this mess.

After the trillions in new debt run up in the past two years, the US government is drowning in red ink.

Obama has no choice but to spend more, and take it out of the hide of Wall Street.

The US focus on jobs will be bad news for Australia and for others around the world looking for American leadership to build big international coalitions on tough challenges such as tackling climate change and reviving trade.

The chances that the US will pass its own emissions trading scheme this year must now be

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considerably less than 50:50, with big knock-on effects for the future of Australia's own program and for the prospects of a meaningful global deal in Mexico at the end of the year.

The likelihood of new US trade deals — from completing the Doha round to finalising the US-Korea Free Trade Agreement to making progress towards an Asia-Pacific free trade agreement — seems just as low. The problem with both climate change and trade is that critics will say doing deals on both will cost American jobs, the most precious political commodity this year.

Warding off these criticisms with a new stimulus package and not doing anything that threatens jobs is the Democrats' best hope of limiting their inevitable losses in the mid-term congressional elections in November.

That is also Obama's best path to re-election in 2012.

But the events of this week and next are likely to underscore the new reality of the Obama era.

Despite all his post-partisan rhetoric, Obama is turning into a traditional left-liberal president.

Whether this was always Obama's real intention may never be known. What is clear is that today's realities leave him no other choice.

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