

Barack Obama: American conservative

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In his pre-election rumination on American political life, *The Audacity of Hope* (2007), Barack Obama leaves readers in no doubt of his principled commitment to bipartisanship. In a chapter on Republicans and Democrats he argues that his party must abandon “stark partisanship” and that “eking out a bare Democratic majority isn’t good enough.” He seems at pains to emphasise how his own party can be “smug, detached and dogmatic” and instead seeks a politics that “recognize[s] the difference between dogma and common sense, responsibility and irresponsibility.”¹ Therefore Democrats should, wherever possible, seek accommodation with Republicans. The day after Obama’s historic Presidential victory, CNN quoted Nancy Pelosi, the leader of the House and one of the most liberal members of the Democratic Party, saying that the job of the new President was “to bring people together.... [The] new President must govern from the middle.”² A call for bipartisan government from the centre from a liberal like Pelosi was telling. Firstly, it indicated that even the more liberal Democrats would, as far possible, seek accommodation with the Republicans, despite their sweeping victory, their enormous political capital and their mandate for “change we can believe in,” not to mention Obama’s personal appeal.

In a broader sense Pelosi’s conservatism — and Obama’s bipartisanship — indicated that Bill Clinton’s strategy of “triangulation” was embedded within the Democratic Party. After losing control of Congress in the 1994 mid-term elections, Clinton coped with the ultra-conservative legislative onslaught led by House Speaker, Newt Gingrich, not by standing ground on the issues and proposing an alternative social and economic vision, but by acquiescing to the Republicans and offering them “conservatism lite” — essentially more moderate versions of existing Republican policies in order to try to win support from conservative Republicans in Congress and dampen down criticism from right-wing media establishments such as Fox News. Sometimes Clinton’s conservatism was not so “lite,” however; his administration presided over welfare reform modelled on Newt Gingrich’s ideas and the deregulation of the financial sector that facilitated the creation and trading, by commercial banks, of the highly risky financial derivatives products that led to the credit crunch of 2008.

Obama's disinclination to directly challenge the conservative establishment thus signals continuity with the recent Democratic past. A shared vision of national life may be salutary, but Obama's elevation of bipartisanship has all too frequently come at the expense of his own putative liberal convictions. Like Clinton before him, Obama's quest for bipartisanship has reinforced American conservatism by shifting the centre ground further to the right. His unwillingness to offer a genuine alternative vision for social, economic and foreign policy means these debates continue to take place on Republican terms. But because Obama is a Democrat, his proposed solutions to the problems of war, the economy and healthcare are viewed by much of the mainstream press as being liberal, even if, in fact, they differ only in degrees from those of the Republicans. Obama's bipartisanship therefore reinforces the existing tendency for debate to take place on terms prescribed by conservatives.

Obama's conservatism can be seen in three key areas: his response to the economic crisis; his healthcare reforms — the crown jewel of his Presidency thus far; and in his foreign policy.

The Economy: No New Deal

To be sure, the \$787 billion stimulus package passed by the Obama administration in 2009 prevented the recession from being even worse than it was; but it was still way short of what was required for economic recovery. Since the Democrats controlled both the House and the Senate in 2009, this was a political choice.

For starters, the stimulus was too small. As Nobel Prize-winning economist Joseph Stiglitz points out, in order for US unemployment not to increase, GDP has to grow by 3-4% per annum. To reduce unemployment from the levels it reached in 2009 — as high as 10.2% in October that year — the US economy needs to grow faster than that. However, even *with* the stimulus, economic growth in 2010 was predicted to be no more than 1.5%. In fact the US ended the year with 2.8% growth; more impressive but still well off what was required for recovery.³

This was exacerbated by shortfalls in state revenues. States were particularly hard-hit by the credit crunch since they rely entirely on income from taxation. Not enough help was given to states in the stimulus package so that they could avoid laying off workers. The money spent in the first year of the stimulus package (about

\$200b) was barely enough to offset cutbacks in spending at state and local levels. In other words, cuts made by states virtually cancelled out the federal government's stimulus for 2009.⁴

In addition, almost a third of the federal stimulus was in the form of tax cuts — the Republicans' solution to any economic problem. But in an austerity climate with widespread debt, businesses and tax payers are much more likely to save this money than to spend it and stimulate demand. This was the reason that Bush's tax cut of February 2008 was so ineffective. As a result unemployment remains high: 9.8% in January 2011, a figure that, pre-credit crunch, would have been considered catastrophic. Now it is seen an improvement on the October 2009 unemployment rate of 10.2%.⁵

In addition to the stimulus tax cuts, Obama also agreed to an extension of the controversial tax cuts for the highest earners originally passed by George Bush in 2002 and 2003. But historically, tax cuts for the rich do not serve to stimulate the economy because the well-off tend to save these funds and invest them rather than spend them. This not only fails to stimulate the economy; it also deprives the government of much-needed revenue, exacerbating the deficit.

Obama's use of funds from the Troubled Assets Relief Program (TARP) — originally established in 2008 to begin buying out toxic assets in the banking sector — has essentially been the same as Bush's: the bailouts continued on terms very favourable to the banks. If the value of the toxic assets increased, the banks would profit; if they fell, investors could walk away and tax payers would take the hit. The banks, which had caused the crisis, couldn't lose. Moreover, as Paul Krugman points out, toxic assets were purchased, under both Bush and Obama, at inflated ideal prices, not market prices, so that banks were fully protected from the consequences of their bad investment decisions.⁶

In an ostensible effort to prevent another credit crunch, the Obama administration passed new regulation of the financial services industry in the form of the Dodd-Frank Act of July 2010. However, this failed to outlaw many of the practices which had caused the credit crunch; practices which were illegal until the Clinton deregulation in the late 1990s. Most importantly, the Dodd-Frank Act permits commercial banks to continue using some (though no longer all) of the savings deposited by ordinary working citizens to engage in high risk investment and speculation, including derivatives, hedge funds and private equity funds.⁷

After this kind of speculation resulted in the Wall Street Crash of 1929, the Franklin D. Roosevelt administration passed the Glass-Steagall Banking Act of 1933, which split commercial banks from investment banks and prevented the former from engaging in speculative financial activities with their depositors' funds. Glass-Steagall remained in force until the Clinton administration removed the barriers between commercial and investment banking in 1999 and also ensured that the emerging derivatives market would not be regulated through the Commodity Futures Modernisation Act of 2000. This process was overseen by Lawrence Summers, then Clinton's Treasury Secretary, now the director of Obama's National Economic Council.

Nor does Dodd-Frank do anything to curb the bonus culture that rewards excessive risk-taking and thus encourages the kind of speculation that caused the crash. Neither does it enforce a ban on derivatives; banks will be able to keep 70% of their investments in the unstable derivatives markets.⁸

Ultimately, Obamanomics differs only in degrees from its predecessors: for the sake of bipartisanship it reflects the conservative interests of the banking sector championed most vociferously by the Republican Party. It fails to offer an alternative economic vision that is substantively different from that of the Republican Party.

Health care: the private market approach

The same is true of the health care reforms. Obama has presided over the expansion and reinforcement of the private market approach to healthcare. On the positive side, health insurance coverage will expand as a result of the legislation to cover an additional 32 million people with a gross income of up to 133% of the federal poverty level. There will be subsidies for low income families who wish to take out private insurance and insurance companies will no longer be able to deny coverage on the basis of serious pre-existing conditions — a welcome and long overdue development. Those not covered by Medicare or Medicaid must now be insured or face a fine.⁹

Yet there are many loopholes in the legislation. It does not quite cover everyone; 95% of those eligible will be covered (up from 83% under the old system). The primary drawback, however, is still the cost of insurance premiums. Insurance companies can no longer deny coverage to patients with pre-existing conditions, but

they can charge as much as they like for that coverage. Inability to pay health costs is still the primary cause of family bankruptcy in the United States — and most of these families *have* health insurance.¹⁰ So while preventing insurers from discriminating against those with pre-existing conditions is a necessary step, it does not solve the problem of soaring health premiums for those with serious illnesses who are not eligible for Medicare and/or Medicaid.

It is not just individuals who continue to face burdensome health care costs under Obama's plans; the private market system costs the government dearly too. The US spends 17.4% of GDP (\$2.1 trillion) on Medicare and Medicaid. This is more than double what is spent per capita in the UK.¹¹ This money goes to big pharmaceutical companies to pay the cost of drugs prescribed through Medicare and Medicaid. The power of the pharmaceutical lobby in Congress is such that drug costs remain high in the US, leaving the government with a healthcare bill that dwarfs those paid by European governments which subsidise full socialized healthcare.¹² The United States could fund a socialised health system if the political will existed; money is not the problem. The problem is the channels through which that money is managed and spent. It is the private market approach that costs the United States so much and results in a programme in which, still, not everyone is covered and insurance premiums are, for some, impossibly high. When a Democrat supports and bolsters such an approach to healthcare, it narrows the boundaries of what is politically possible and what is acceptable in mainstream political discourse.

International affairs

Historically, there is little difference between the Republicans and the Democrats when it comes to foreign policy. Since the end of the Cold War, there has been a remarkable bipartisan consensus that the United States should remain the world's dominant superpower. Despite winding down the war in Iraq, Obama's foreign policy has been marked by continuity with the past rather than change.

With Iraq now a political liability, the administration is intent on withdrawing US troops before the end of Obama's first term. (Although this does not mean that the country has been stabilised: the *New York Times* reported in June 2011 that US monthly combat deaths were at a three-year high.¹³) However, operations in

Afghanistan, Yemen, the Horn of Africa and, especially, Pakistan have intensified. In western Pakistan, the Obama administration is fighting an undeclared war against what it claims are Islamic extremists responsible for terrorist attacks in both Pakistan and Afghanistan. In December 2009, the *New York Times* reported that since Obama had come to office ten months previously, the CIA had mounted more drone attacks in Pakistan than in the whole of Bush's eight years in office.¹⁴ (Readers should note that the drone programme was always separate to the covert pursuit of Osama bin Laden.) Although Obama has dropped the name "war on terror" in favour of the more anodyne Overseas Contingency Operations, much of what the Bush administration initiated remains. Extraordinary rendition continues. The detention centre at Guantanamo Bay remains open, despite Obama's commitment to closing it within one year of taking office. Military tribunals — deemed illegal by the US Supreme Court — were re-started there again in March 2011. In May 2011, Human Rights First issued a report about the US detention centre at Bagram Air Base in Afghanistan, where—just like the more well known case of Guantanamo Bay — inmates have no legal representation and no right to see evidence being used against them. Obama has tripled the number of inmates at Bagram (from 600 to over 1,700) since taking office.¹⁵

Bipartisanship over the basic objectives of foreign policy is the norm in the United States. Traditionally, the Republicans are the more overtly militaristic, while Democrats use softer language but present similar objectives and are often unwilling to be too critical of Republicans lest they be seen as weak on national security. In this case, the Obama administration has co-opted the Bush administration's war on terrorism, modified the rhetoric but kept many of the same policies.

So with a Democratic President, conservatism (with a small c) prevails. This is partly down to the strength of the Republican Party and its machinery across the heartlands of the United States, but also down to the Democratic Party's strategy of triangulation on so many important issues. With no robust alternative to the Republicans, the mainstream political centre ground becomes ever more consolidated on the right. American conservatism reigns still.

Endnotes

¹ Barack Obama, *The Audacity of Hope: Thoughts on Reclaiming the American Dream* (Edinburgh: Canongate, 2007), 40, 10, 42.

² “Pelosi: Obama should govern from the middle,” CNN.com, 5 November 2008, http://articles.cnn.com/2008-11-05/politics/house.election_1_democrats-seats-election-day?_s=PM:POLITICS [Accessed 26 August 2011]

³ Joseph Stiglitz, *Freefall: Free Markets and the Sinking of the Global Economy* (London: Penguin Books, 2010), 63.

⁴ Stiglitz, *Freefall*, 67.

⁵ Ibid., 69-70 and 61.

⁶ Paul Krugman, “Financial Policy Despair,” *New York Times*, 22 March 2009.

⁷ “Dodd-Frank is no Glass-Steagall,” *Financial Times*, 27 June 2010.

⁸ Stiglitz, *Freefall*, 338.

⁹ “US House passes key healthcare reform bill,” BBC News, 22 March 2010, <http://news.bbc.co.uk/1/hi/8579322.stm>

¹⁰ Vicente Navarro, “What We Mean By Social Determinants of Health,” *International Journal of Health Services* Vol. 39, 2009, 423-41.

¹¹ See Appendix 3, “Per Capita Total Current Health Care Expenditures, US and Selected Countries, 2007,” in Tariq Ali, *The Obama Syndrome: Surrender at Home, War Abroad* (London: Verso, 2010), 147.

¹² On the power of the pharmaceutical lobbies, see Ali, *Obama Syndrome*, 99-100.

¹³ “June Was Deadliest Month for U.S. in Iraq Since 2008,” *New York Times*, 30 June 2011.

¹⁴ “C.I.A. to Expand Use of Drones in Pakistan,” *New York Times*, 3 December 2009.

¹⁵ “Obama creates indefinite detention system for prisoners at Guantanamo Bay,” *Washington Post*, 8 March 2011. *Detained and Denied in Afghanistan: How to Make U.S. Detention Comply With the Law*, May 2011, Human Rights First, <http://www.humanrightsfirst.org/wp-content/uploads/pdf/Detained-Denied-in-Afghanistan.pdf> [Accessed 26 August 2011]