



## Turning Point in American Political History

**January 4, 2008**

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In a remarkable turn of events, Senator Barack Obama of Illinois pulled off a rousing victory at the Iowa caucuses last night, leaving John Edwards, and most surprisingly, Hillary Clinton in the dust. Much ink has already been spilled regarding this upset. In my mind, this could well be one of the very rare turning points in American political history. In the modern era, we have seen only two such decisive events, the 1932 election of Franklin D. Roosevelt and the 1980 election of Ronald Reagan, both of which ushered in an era of dominance for their respective political parties. While these are very early days, and a big mistake in the near future could derail Obama's campaign, the record Democratic turnout and the dominance of Obama in the Independent vote might portend a real sea change in American politics.

Senator Clinton's once overwhelming lead in New Hampshire has been disappearing, even before last night's vote. Unless Obama makes a terrible mistake in this weekend's debate in New Hampshire, he will be a strong favourite to win the Granite State where there is a large proportion of Independent voters. That leaves only 18 days until the South Carolina primary. With half of South Carolina's Democrats being African-American, Clinton's chances won't be good. Many blacks have been waiting to see if Obama is for real and a win in overwhelmingly white Iowa (and New Hampshire) would likely shift their support overwhelmingly from Clinton to Obama, who represents not only a change from the current Bush Administration, but a change period. Obama is 46 and Clinton is 60; Obama's mother is only two years older than Clinton. This would truly be a generational shift.

*Newsweek's* Jonathan Alter is reporting that sources within John Edwards's campaign tell him that if Edwards drops out (unlikely before New Hampshire), he will throw his support to Obama. Should Obama win New Hampshire and South Carolina, it will be next to impossible to prevent him from becoming the nominee on February 5, Super Tuesday—keeping in mind, however, that Bill Clinton been the comeback kid many times. But does Hillary have that capability? We will see in New Hampshire where, in the past, the Bill Clinton ticket has always done well. The former President was also able to pick up key Southern states, unlike his successors, Al Gore or John Kerry. With Hillary running from New York and with her running against an African American, her prospects of conquering the South are less than what faced her husband in 1992 and 1996.

So what does this mean for U.S. economic policy? (You notice I haven't mentioned Mike Huckabee's win on the Republican side. The former governor of Arkansas has wounded

Mitt Romney, former Massachusetts governor who spent big in Iowa, pressuring him to win in New Hampshire or all but call it quits. But Governor Huckabee, a Baptist minister, with support from the evangelical 'values'-voter core of the Republican Party, would have a tough time beating Senator Obama, himself a religious man with strong family values.)

Obama's economic platform is basically pro-middle class, anti-tax benefits-for-the-rich and big on government spending for social programs. He is pro-jobs and proposes to renegotiate NAFTA: Obama believes that NAFTA and its potential were "oversold to the American people. Obama will work with the leaders of Canada and Mexico to fix NAFTA so that it works for American workers," according to his website. The Senator is an economic populist with a 21<sup>st</sup> Century bent towards protecting the openness of the Internet, deploying next-generation broadband and boosting renewable energy. While he has consistently opposed the war in Iraq, he proposes a phased withdrawal with a remaining peace-keeping contingent. He is pro-labour and pro-family, but decidedly not anti-business, as his overflowing coffers and considerable business support attests.

Obama's current economic advisors are Austan Goolsbee<sup>1</sup> of the University of Chicago and Jeffrey Liebman<sup>2</sup> of Harvard University. Goolsbee has been an advisor to Obama since his Senate campaign and is the lead economic advisor to his presidential campaign. He is a known centrist and his research focuses on the Internet, the new economy, government policy and taxes. Liebman is an economics professor at the JFK School of Government and is also a Research Associate at the NBER, the official judge of American economic cycles. Liebman's research includes tax and budget policy, social insurance, poverty, and income inequality. Recently he has examined the impacts of government programs such as Social Security, the Earned Income Tax Credit and housing vouchers. From 1998 to 1999, he worked for the Clinton Administration, serving as Special Assistant to the President for economic policy and coordinated Bill Clinton's Social Security reform technical working group.

In a recent speech, Obama called for "a renewed trust in the market and a renewed spirit of obligation and cooperation between business and workers... employees at companies like Google don't mind the vast success of their CEOs—because they share in that success." The full text of the speech can be found at:

[http://www.barackobama.com/2007/09/17/remarks\\_of\\_senator\\_barack\\_obam\\_24.php](http://www.barackobama.com/2007/09/17/remarks_of_senator_barack_obam_24.php).

Any President's power over economic policy is controlled and limited by the Congress and the Federal Reserve. A Democratic sweep of both Houses of Congress would strengthen any Democratic President's hand. November 4, 2008 is still a long way away and the race will no doubt remain exciting until after the votes have been tallied.

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<sup>1</sup> [http://en.wikipedia.org/wiki/Austan\\_Goolsbee](http://en.wikipedia.org/wiki/Austan_Goolsbee)

<sup>2</sup> [http://en.wikipedia.org/wiki/Jeffrey\\_Liebman](http://en.wikipedia.org/wiki/Jeffrey_Liebman)

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