

A Four-More-Years Mandate for Barack Obama: A New Opportunity?

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“Behind the ostensible government sits enthroned an invisible government owing no allegiance and acknowledging no responsibility to the people.” Theodore Roosevelt (1858-1919) 26th President of the United States (1901-1909)

“We have used our taxpayer dollars not only to subsidize these banks but also to subsidize the creditors of those banks.” Elizabeth Warren, Democratic senatorial candidate in Massachusetts and Harvard professor

“We’re not very far from the level where the economy is not self sustaining.” Ben Bernanke, Fed Governor, Sunday, December 5, 2010, (on CBS 60 Minutes),

[U.S. officials have relayed to a] “very senior Israeli figure (that) in the eyes of the Democratic administration, Netanyahu is perceived as campaigning on behalf of Mitt Romney.” Yossi Verter, September 2012, (Israeli journalist writing in Haaretz)

American voters must be congratulated for their democratic decision in this 2012 election for giving President Barack Obama a second chance, even if it was done within a close margin.

Indeed, President Barack Obama not only defeated his republican opponent, but he overcame a concerted effort to defeat him by right wing billionaires, buttressed by the U.S. Supreme Court’s decision of January 19, 2010 to open the gate for unlimited corporate money in U.S. elections. A majority of Americans have decided not give more power to the super wealthy in the U.S. government as compared to the huge influence that they already have.

During this campaign, President Obama was also subjected to some not-so-subtle racist attacks that he had to sidestep.

Similarly, Barack Obama overcame the efforts by a powerful foreign politician, i.e. Israeli Prime Minister Binyamin Netanyahu, to replace him. Indeed, Netanyahu shamelessly and openly campaigned against the incumbent American president and he enrolled the powerful pro-Israel lobby and its neocon cohort in the media in that endeavor. His incendiary war statements also had the effect of pushing up oil prices, thus weakening the U.S. economy at a crucial political time for the President. A Romney win could easily have been viewed as a Netanyahu electoral victory in the U.S.

More immediately, President Obama has overcome the serious political set-back he suffered when he staged a poor performance during the first Obama-Romney debate, on October 3rd. Luckily for him, he was better prepared for the two subsequent debates and he

somewhat succeeded in regaining a badly needed momentum.

Generally speaking, it is always a challenge for a president to be re-elected during tough economic times. For instance, in 1932, Herbert Hoover faced a devastating economic depression and he could not propose economic policies bold enough to fight it. In 1976, appointed Gerald Ford had the misfortune to run for re-election after the first oil shock and in the aftermath of the 1974-79 recession. In 1980, Jimmy Carter saw the U.S. economy hit by a second oil shock and inflation seemed then out of control. In every case, the American electorate went for a change.

President Obama's re-election in 2012, with the U.S. economy still reeling after the worst financial crisis in half a century is quite an accomplishment and it deserves congratulations.

However, let us keep in mind that candidate Barack Obama was elected in 2008 with a mandate to change things, not superficially but fundamentally, after eight disastrous years under George W. Bush. The fact remains that he did not do that in any appreciable way and he did not meet the challenges facing him, nor did he meet his supporters' expectations. In a few words, Barack Obama was not a reincarnation of Franklin D. Roosevelt.

Maybe this was unavoidable, considering that Mr. Obama lacked both experience and some basic training in economics and finance. This was going to be a problem for a junior senator who had not run any complex organization in his life, before being thrown into the high profile and extremely demanding occupation of president of the United States. With this squeaker of a victory, the fact remains that Barack Obama may still show a reluctance to take bold actions in times of crisis.

Aside from his half-baked health care reform (along the line of an original Republican proposal!) and his even more half-baked financial reform, Barack Obama did not accomplish much during his first term, domestically speaking. He even bent to those who wanted to extend the disastrous George W. Bush's tax cuts for the very rich, and he let the federal deficit and the public debt explode!

Internationally, President Barack Obama turned out to be probably less worse than would have been the 2008 Republican presidential candidate, senator John McCain, and he should be credited with trying to extricate the U.S. from George W. Bush's Iraqi war mess. However, he showed a lack of moral character when he let American generals intensify the use of killing drones in Afghanistan and in Pakistan, thus killing thousands of people, many of them innocent civilians. He has surprisingly demonstrated a lack of respect for civil liberties, going as far as claiming for his administration the right to target even American citizens for extrajudicial assassinations.

But, what about the future? Is it not an opportunity for President Obama now to be his own man and deliver on his previous promises to change things, not superficially but fundamentally, and meet his supporters' expectations by rising to the challenges of the times? For example, can second-term President Obama distance himself from the very reactionary Chicago political machine that played such an important role in his first term?

Of course, facing a still split Congress, the task will not be easy, but while the position of president of the United States conveys responsibilities, it also gives the means to fulfill them.

After the 2008 election, Barack Obama gave the impression that he wanted to be all things to all people. He wishfully hoped that republicans in Congress would put aside partisanship and help him to govern by consensus. That did not happen, and it was very naive idea on his part.

In the same conciliatory mood, he named to key economic posts persons who had been identified with the previous catastrophic George W. Bush administration.

For instance, he was persuaded by his advisors to name as Treasury secretary Timothy Geithner (a large banks' spokesman from the New York Fed), and he reappointed Ben Bernanke as Fed chairman, even after it had been demonstrated that Alan Greenspan and Ben Bernanke had heavily contributed in creating the 2001-2005 housing bubble and the subsequent financial debacle that followed. And, for good measure, he chose Rahm Emanuel, a former employee of Goldman Sachs, as his Chief of staff. Surrounded by economic people who would have easily fit into a Republican George W. Bush administration, the Obama administration did not move appreciably from the policies put in place by the previous administration.

It is well known that some of Obama's advisors argued in favor of bold economic actions to be taken early on. Thus, in early 2009, Harvard economist Larry Summers, President Obama's first director of the National Economic Council, and former Fed chairman Paul Volcker, among others, advised the new president that he needed to take drastic action toward the largest insolvent banks, lest these failed banks drag the entire U.S. economy down. —Such advice went unheeded. For millions of Americans, the housing crisis lasted much longer than it should have and millions of them lost their homes through foreclosures, while the large super-banks received trillions of dollars in bail-outs to remain afloat. Their CEOs hardly suffered any hardship or retribution, since they were allowed to keep their huge salaries and bonuses.

To prevent large insolvent banks from dragging down the U.S. economy with them, the first-term Obama administration rejected suggestions to use a Resolution Trust similar to what President Ronald Reagan and President George H. Bush created to manage the Savings and Loans crisis of the late 1980s. Another financial shock, if it happens, could give President Obama a second chance to revisit that problem.

Indeed, the Bank of Canada has estimated recently that one trillion dollars is missing from the U.S. economy. That pretty much explains why American economic output is still about 6 per cent lower than its potential and why unemployment is nearly double of what it should be.

That money has gone to some banking black holes and it never got back totally into the economic stream. First and foremost, that money went from the public to the so-called "too big to fail" large banks under the guise of recapitalizing them. Secondly, while the Bernanke Fed artificially pushed real short-term interest rates to negative territory for the same purpose (it has announced that it will pursue this policy for three more years, i.e. until mid-2015), this has decimated the income of millions of retirees, money that was not spent. It also created a bond bubble which, when it comes crashing down three or four years hence, will be most destabilizing to the economy. In other words, the short-term gain will be paid with long-run pain. Thirdly, consider also that American corporations have been piling up cash, both at home and abroad in order to avoid paying taxes, and you can begin to understand why the U.S. economy is starving for investment funds.

These lingering problems will have to be tackled if the U.S. economy is going to get out of the current doldrums. Maybe the most immediate task is to avoid the January 1st fiscal cliff. If not, an arbitrary over-the-board rise in all kind of taxes and a cut in all kinds of public expenses are likely to bring forth a new economic recession in 2013-14.

In conclusion, reelected President Barack Obama should learn to be his own man during this second mandate and begin acting accordingly. Especially, large “too big to fail” banks should be better regulated and supervised. Similarly, American fiscal and monetary policies should be better managed if economic conditions are to improve on a more permanent basis.

— The best of luck.

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