

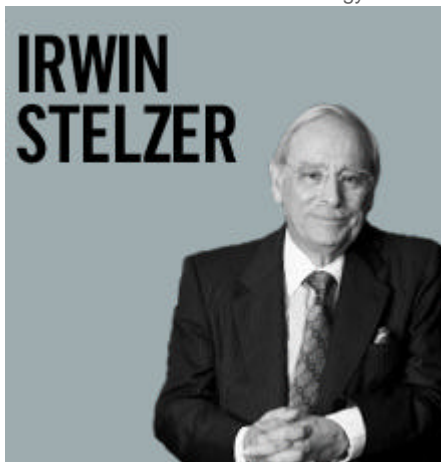
American Account: Will Obama's fairer and greener nation flourish?

You don't have to read between the lines of the president's second inaugural address to know where we are headed

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Barack Obama: his economic strategy has a clear direction (Chip Somodevilla)



Elections matter. And they matter most when a party on one side of the political and ideological spectrum succeeds a rival on the other side of the spectrum. Any doubt that just such a shift occurred in America in 2008 was dispelled when the Obamas put their fashion stamp on the Bush's Texas-style White House. Barack Obama

promised at his first inauguration to transform America to a society more in line with liberal (in the American sense) policies, and made huge progress during his first term, converting the healthcare system to a government-run operation, reviving Keynesian anti-recession nostrums and expanding the welfare state.

Always, however, he kept in mind the need to seek re-election in a country more or less evenly divided between left and right. That moderation-inducing restraint now behind him, Obama last week made clear where he plans to take the nation's economy. And by forcing the Republican opposition to back down in the battle of the fiscal cliff, and again in the battle over the debt ceiling, the president has demonstrated, to his own satisfaction and that of his supporters, that he is astride the political field, if not quite like a colossus, at least like a man who can finish the job of transforming the economy into one more to his liking.

Those who have been complaining about uncertainty, and its negative effects on economic growth, need complain no more. You don't have to read between the lines of the president's second inaugural address, or consult your favourite pundit, to know where we are headed: you need only to have listened to or read the address itself.

Times have changed: our "founding principles" must meet "new challenges". That means a greater reliance on "collective action" — government — to ensure "a shrinking few" do not claim a disproportionate share of the nation's wealth at the expense of a struggling middle class and the poor. What the president's inaugural address lacked in the grandeur of many of his predecessors it amply made up for with candour.

Top of the agenda is reducing income and wealth inequality by raising taxes on upper income families and eliminating some of the deductions from which they benefit. Obama believes what economists of the left have been telling him, that inequality is not only unfair, it also stifles economic growth by denying middle class and poor families incomes they would spend and the richer would not. Never mind whether this makes sense: it is a position increasingly trumpeted by respected academic and activist economists, and is attractive in an era of frozen middle-class incomes.

Then comes restructuring the energy sector as part of a fight to prevent climate change, the existence of which the president believes is beyond question. This will require more subsidies for solar energy and wind farms, both of which have proved wildly uneconomic, and the creation of barriers to the development of the nation's abundant fossil fuel resources. All to be achieved by administrative regulations rather than congressional approval.

As for the deficit, worry not. We can afford existing programmes that protect children and the elderly without over-borrowing and defaulting on our mounting debts. Which is certainly true, since if investors decide that they are no longer willing to lend us \$40 for every \$100 we spend, we can run the printing presses, and pay off our debts with a depreciated currency. That would continue the huge wealth transfer now under way from creditors — savers and investors, victims of the zero-interest policy being pursued by the Federal Reserve Board — to debtors who will repay creditors with cheap money.

Before you view this as an attack on the president, let me assure you it is not. The president's plan to transform the economy is coherent, and its goal of increasing the role of government clearly stated. It is attractive to a majority of voters, some pursuing self-interest, others believing that Obama's America will be a kinder, gentler place.

Conservatives have no equally coherent vision on offer, at least not one likely to attract huge voter support. Conservatives of an earlier day could not accept Franklin Roosevelt's New Deal, and wandered the political wilderness predicting the end of the world, at least as they knew it, rather than attempting to see how the liberal reforms of FDR could be made to work more efficiently in a capitalist system. So, too, many of today's rightish politicians, with the honourable exceptions of such as Mitt Romney's running mate, Paul Ryan.

Rather than recognising that some of the transformations proposed by Obama might make the banking system more responsive to the needs of consumers and the economy, most conservatives speak wildly of repealing the Dodd-Frank reform law. Rather than recognising that there are aspects of Obamacare a decent society might find acceptable, some conservatives plot its repeal. Rather than recognising rising income inequality is indeed a problem, and suggesting solutions other than redistributive taxes, conservative politicians shout "no, never" to tax increases they do not have the political power to prevent.

So we can see the shape of the America Obama will leave to his successor. Americans who believe that incomes are now unfairly distributed to favour the rich, will see a fairer America. Americans who believe the globe is warming, will see a greener America, with lower carbon emissions. Americans who believe government does not spend, but "invests", will view with equanimity the \$20trillion debt that Obama will leave to his children and theirs.

On the other hand, Americans who believe that taxing high earners stifles innovation and hard work; that forced use of inefficient energy sources will drive up costs and make the nation less competitive; that printing money will lead to inflation; and that governments allocate resources less efficiently than profit-seeking individuals, will spend the next four years figuring out how to elect a president who shares their worries and can stop the liberal drift, even if unable to reverse it.

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