
Will Obama pull a Clinton?

The new president may move to the center

Jason Clemens

MANY conservative pundits have predicted a radical shift in US economic policy and serious, prolonged economic stagnation under the incoming Barack Obama administration. In many ways their analysis is correct, but things could turn out quite differently if President Obama pulls a Clinton—meaning he shifts quickly to pragmatic, workable policies.

There is little doubt about the harmful effects of Obama's proposed economic policies, particularly given the current state of the economy. Raising capital gains and dividend taxes will surely hurt capital markets at a time when they are already in dire straits, and will reduce overall savings and investment. Raising personal income taxes will certainly stifle work effort and entrepreneurship.

Implementing card check union certification, which allows unions to be certified without a vote by secret ballot, will lead to a marked power shift away from workers and employers to unions. That will mean higher unemployment rates, lower job creation, and lower investment. Rescinding or renegotiating major trade agreements—that is, greater protectionism—will absolutely lead to reduced economic prosperity.

The list goes on. It is, however, a debatable assumption that President Obama will actually implement candidate Obama's promises. There are a couple of key factors to consider when trying to discern how much of the candidate's plan will actually become reality.

Obama's voting record, both in the Illinois Senate and more recently in the US Senate, indicates that he is fairly liberal. However, he also has a long track record of calculating his rise through politics with great purpose, going all the way back to Chicago. Contrary to the rhetoric of change, candidate Obama, like all politicians, has been interested in getting elected. We witnessed see-saw-like changes in focus and even policy content as he moved from the primaries, to the general election, to the White House. Political pragmatism can overwhelm ideology.

It is entirely possible that President-elect Obama has already begun worrying about his second term and his legacy rather than how to implement his changes. Becoming the first African-American president is an enormous accomplishment, but a successful legacy would have to surpass that. Imposing significant economic pain on citizens and the economy in order to implement sweeping ideological reforms is not the way for a new president to ingratiate himself to the country or his party.

One sign already emerging that Obama will alter his economic plan is the proximity of President Bill Clinton's economic team. Before the election victory, the Obama campaign held meetings with key members of Clinton's team, including former Treasury Secretaries Robert Rubin and Lawrence Summers as well as Laura Tyson, former chair of Clinton's Council of Economic Advisors. In addition, former Chairman of the Federal Reserve Paul Volcker has been a prominent adviser to Obama since the September

financial crisis. None of these experts are seen or considered to be extremists.

The ascendancy of this economic team could indicate the pursuit of economic policies that are much different than those promised by candidate Obama. This is a good sign for Americans who are worried about the state of the economy since it is far more likely that a program of fiscal discipline aimed at balancing the budget coupled with targeted (i.e., limited) tax relief will emerge if President Clinton's economic team holds sway.

The second factor is how receptive the congressional Democrats will be to implementing the Obama plan. Both likely remember 1994 when Democrats lost both houses in Congress after President Clinton over-reached during his first two years as president. In addition, many of the Democratic gains in the House and Senate come in the form of conservative Democrats (referred to commonly as Blue Dog Democrats) who will likely resist many of the more radical aspects of candidate Obama's economic plan.

The X-factor is how committed Obama is to implementing his agenda and to what extent he will compromise it in order to promote economic prosperity and, in so doing, secure a second term. A key sign in the coming days will be the composition of his economic team. If President-elect Obama leans on Clinton economists, then look for a fairly different economic agenda. If the team is composed of the economists who delivered Obama's election platform, the nation could be in for serious and lasting problems. ■