

# US poll could be circuit-breaker for world's worsening troubles

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Rationality is in such short supply on financial markets at the moment it makes you think that if we took happy pills tonight, half the world's economic problems would be solved by the morning.

Unfortunately for the various economies, consumer confidence is not an across-the-counter commodity. Lack of confidence is a disease that starts slowly but then spreads quickly. It affects our spending habits, makes us depressed about our prospects, nervous about jobs security, our savings and our kids' futures.

Consumer confidence, that ethereal concept most of us ignored for the many years all was good, now has much greater interest. The Westpac/Melbourne Institute measure of confidence fell by a whacking 11 per cent in October and is now 29 per cent down on this time last year.

Government and regulator antidotes are either horribly expensive or slow acting. Kevin Rudd's stimulus package has blown half the surplus and the Reserve Bank's slashing of official interest rates will take six to nine months to take full effect.

In the meantime, gloom merchants like anti-debt campaigner and University of Western Sydney economics Associate Professor Steve Keen thrive in this environment like weeds in compost.

When the world's markets fail, their frighteningly pessimistic predictions of depression and mass unemployment gain nasty traction. Fear begets fear and no matter how the assumptions of folk like Dr Keen ignore governments' capacity to intervene, they prosper.

Here's the pessimists' chance to be proved right and the longer we listen to them the more likely they will be right. Pessimists are never disappointed, it's said, but if they win the argument we all end up losing.

It's no wonder people are looking at next week's US presidential election in the hope of some kind of circuit-breaker. Perhaps with a new president we can all get on with our business, at least assured that we're on a new track.

Disillusionment with the Bush administration has pervaded the world so much that it is being blamed for all the globe's ills, regardless of how much Alan Greenspan's loose monetary policy and the greed on Wall Street are to blame.

It's hard to see how John McCain can overcome his attachment to the damaged Republican brand. George Bush's dead hand has been kept at a distance from the Republicans' campaign and Senator McCain has been incessantly presenting himself as the maverick.

The selection of Sarah Palin as his running mate looks more and more like a last desperate act to appeal to some of the party's base — a sort of girl-done-good candidate who appeals (they hope) to moms, the anti-abortionists, the religious and the millions of insulated small town Americans.

But the global financial crisis has only aided Barack Obama's campaign for change. Though US polls suggest the contest is narrowing ahead of the November 4 election, it seems any latent American resistance to voting for a black man is going to be subsumed by a desire for a fresh start.

Certainly, if the rest of the world had a say, the next leader of the Free World would be Senator Obama by a country mile. Opinion polling by the Sydney-based US Studies Centre shows Australians back the Democrat by a four-to-one margin. A BBC World Service poll of 22,000 people in 22 countries found a very similarly skewed opposition to Senator McCain.



So if the US vote follows the world view, the new president Obama will be burdened by enormous expectation put the problems that confronted Franklin Roosevelt, John Kennedy or Ronald Reagan in the shade. 

The US economy is likely to be officially in recession when he takes control in late January. Unfortunately, much of the rest of the developed world will also be in this territory.

Millions of Americans will be living in homes worth less than the mortgages on them. Unemployment will be approaching levels not seen since the 1990-91 recession, business will still be curled up in a ball in the corner and confidence will be as rare as a "Palin in 2012" badge.

At least he'll know that he can't make the economy any worse, not that this will be a huge comfort.

More problematic, he'll be inheriting a budget deficit approaching a mind-boggling \$US1 trillion — that's a one with 12 zeros. The Federal Reserve may have official interest rates down around the 0.5 per cent mark.

And that's just the economy.

Guantanamo will still be open, US troops will still be in Iraq and Afghanistan and as Joe Biden has said, everyone will want to test the new young president pretty quickly.

The rest of the world, short-changed in policy making by the Bush-Cheney years, will be demanding Senator Obama reinvigorate US leadership on multilateralism in security, diplomacy and trade. The US resistance against climate change action will be called into question.

On trade alone, Democrat control of the House of Representatives, Senate and White House could prove a difficulty for the free traders.

Democrats have not proved to be great friends of free trade.

Kevin Rudd may find more of a philosophical ally in Senator Obama but the PM and other world leaders won't find it easy to wrest the US focus too much from its own dire domestic challenges.


The stockmarket will probably lift on Wednesday — in relief, if anything, at the end of this seemingly endless presidential campaign — but the US election won't be the happy pill we all require.

But it might be the spark, that little sign, that things are changing.

And after all the gloom and doom over the past year, this might not be such a bad thing.

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