

October 31, 2011 9:57 pm

Transatlantic threat to Obama

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This time next year, Americans will be voting in the 2012 presidential election. The Republican party's effort to choose a candidate to take on Barack Obama increasingly resembles speed-dating – with party loyalists giving swift consideration to candidate after candidate, before getting restless and moving onto the next prospect.

There have been short flirtations with Congresswoman Michelle Bachmann and Governor Rick Perry – as well as with two candidates who coyly refused even to confirm their availability, Sarah Palin and Chris Christie. The latest speed-date is Herman Cain, who used to run a pizza-chain and has a certain offbeat charm. But it looks increasingly as if the Republicans will end up going back to the first potential beau to present himself – the glossy, good-looking but strangely unappealing Mitt Romney.

Unlike Mr Obama – or even George W. Bush – Mr Romney does not inspire devotion in his followers. Nobody lies awake at night dreaming of a Mitt Romney presidency – with the possible exception of the man himself. The fact that Mr Romney is a multi-millionaire who made much of his money in private equity will make it hard for him to suggest that he feels the voters' economic pain. Nonetheless, of all the potential Republican candidates, it is Mr Romney that the Obama administration most fears. Unlike the other main candidates, he cannot be convincingly painted as an extremist or an idiot. He would make a plausible president. And if the economy is really rocky in 2012, then that might be enough.

Mr Obama has to overcome a daunting historical precedent. For the past 80 years, no US president has ever been re-elected when the unemployment rate was over 7.2 per cent. But the

jobless rate in America now stands at 9.1 per cent. A broader measure – which includes those who cannot find full-time work or have given up looking – puts the rate at close to 17 per cent.

Last week, however, it was announced that the US economy is now growing at an annualised rate of 2.5 per cent. During October the S&P 500 stock index staged its biggest monthly rally since 1974. If growth is sustained, markets rally and unemployment is clearly heading down in a year's time, it is still possible that Mr Obama could win re-election quite easily.

The biggest danger that the president faces is that a black economic cloud will drift across the Atlantic over the next year and explode like a thunder-clap over the US. The current American recovery is so fragile that Mr Obama's advisers fear a sharp turn for the worse in Europe could quickly plunge the US economy back into trouble. It is hard enough for Mr Obama to win re-election with unemployment over 9 per cent. But if more than one in ten Americans were officially out of work, he would be really struggling.

Despite the cries of triumph emanating from Brussels after last week's debt summit, it seems probable that the crisis will flare up again. The fact that Italy was unable to borrow on more favourable terms, even after the new deal, was a clear sign that market scepticism about Europe's ability to pay its debts has not dissipated. Europe's future – like its recent past – is likely to be about debt, bail-outs, fear and austerity.

Chronic economic weakness inside the European Union would depress demand and confidence in America. And if Europe's debt problems really escalated, to the stage where they provoked a new banking crisis and a double-dip recession, the odds could turn decisively against Mr Obama.

The haunted demeanour of Tim Geithner, the US Treasury secretary, when discussing Europe – as well as the president's own signed piece for the FT last week – suggest that the Obama administration is keenly aware of the economic and political threat that Europe poses.

Mr Obama could plausibly argue that a renewed crisis with its roots in Europe is hardly his fault. But such an argument would make him sound like he was weak, or searching for excuses. His Republican opponent could simply pose the old question – are you better off now, then you were four years ago? – and Hoover up the votes of the majority of Americans who would reply, emphatically, No.

In fact, the Republicans are likely to go further than that. The party's leaders have long suggested, in various ways, that there is something un-American about President Obama. Mr Romney, in particular, seems determined to portray the president as the standard bearer of an alien and unsuccessful European way of doing things. He recently argued that Mr Obama's "answer is to borrow money we can't afford ... Just like Europe. President Obama's European answers are not the right solution to America's challenges."

The effort to link the president to the struggling old continent across the Atlantic has enough truth in it to be potentially troublesome. When Mr Obama first emerged on the scene, he was hailed as a saviour in Europe. Remember those cheering crowds in Berlin during the 2008

campaign – and the strange Norwegian decision to award the newly-elected president the Nobel Peace Prize? The president's signature social reform – the provision of universal health-care – also moved the US closer to a European social model.

Europeans like to portray the US as a deeply insular country that is barely aware of the rest of the world. The next presidential election could challenge that prejudice. For better or worse, "Europe" will loom large, as the candidates battle for the White House.

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