Back in business
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Even before the worst financial crisis since the 1930s bore down on the US this summer, the country seemed poised for an ideological shift. The administration of President George W. Bush was immensely unpopular. Anti-trade and anti-business sentiment was on the rise and both main political parties, in different ways, were responding.

The technocratic market-friendly liberalism espoused by Bill Clinton and the New Democrats was already much less prominent in Barack Obama's presidential campaign. As the country's economic difficulties have worsened, the pro-market theme has not so much subsided as disappeared. Mr Obama now is far more likely to talk about the bankruptcy of "trickle-down economics" than the need for competition and incentives.

John McCain, the Republican candidate, has yielded nothing to his opponent in the stridency of his recent denunciations of "Wall Street greed". The administration, meanwhile, has been forced to swallow what remained of its rhetorical commitment to market forces and deregulation with a $250bn (€184bn, £143bn) bank recapitalisation - a plan that Hank Paulson, Treasury secretary, described as "objectionable" but necessary.

Where might this lead? Does the present upheaval, as some have speculated, point to the end of a distinctively American capitalism? On the whole, this seems unlikely - though the pressures on "American exceptionalism" have rarely looked so strong.

US finance, it seems safe to predict, will change profoundly as this crisis works itself out, regardless of whom the country chooses as its next president. Weak and failing institutions will be absorbed by the less weak, in a far more tightly regulated system. The structure of oversight will be simpler and more comprehensive - with fewer regulators and clearer mandates.

How much more onerous the rules themselves will be is harder to say. Much as "deregulation" is blamed for the financial breakdown, simply restoring the stringency of some earlier regime is not an option. Nobody appears to be advocating a new regulation Q (which once capped deposit interest rates) or son of Glass-Steagall (which would have stopped Bank of America and JPMorgan Chase acquiring Merrill Lynch and Bear Stearns respectively). Self-evidently, better regulation is needed, but history shows that designing it will be difficult - and not just a matter of saying "the market gets it wrong", true as that may be.

In any case, finance is special: by itself, a new approach to financial regulation would hardly signify the end of American capitalism. For the crisis to lead there, bigger things would have to change: the role of government in the economy at large; levels of public spending and taxation; the commitment to provide a social safety net and to redistribute - in short, a new social contract. Is this even conceivable?

Certainly. A new social contract -the New Deal - was the outcome of the Great Depression and it would be foolish to rule out another such convulsion. The present crisis is adding to demands for new government intervention. Many economists are advocating spending on infrastructure, both for counter-cyclical purposes and to spur longer-term growth. Rising unemployment and falling incomes will highlight gaps in the country's social insurance and will sharpen complaints about social injustice. More than in the past, the nation's mood is likely to favour universal healthcare, for example, and higher taxes on the rich.

These are the sentiments that might transform American capitalism - or even end it as a distinct species. They are also the very sentiments that will most likely put Mr Obama into the White House and strengthen Democratic control of Congress. The tide is running so strongly in that direction that pollsters are talking of a possible landslide; they have begun to contemplate the possibility of a veto-proof Democratic majority in the Senate.

Moreover, the present crisis may be working with the grain of a longer-term shift in US attitudes. According to the Pew Research Centre, a growing proportion of Americans has come to the view that the country is divided into haves and have-nots. In 1988, roughly a quarter said the US was split in that way. In 2007 it was nearly half. No less striking, in 1988 nearly 60 per cent regarded themselves as haves; in 2007, before the crisis began, the figure had fallen to 45 per cent.

The growing perception that US society is divided, and the growing numbers who see themselves as falling on the wrong side of the line, are evident among both Republican and Democratic voters, those with a college education and those without, all age groups, men and women - almost regardless of how you slice the data. Inflation-adjusted incomes have grown comparatively slowly over much of the period for all but the very rich. The soaring costs of healthcare and college education, outlays that loom large for many middle-class families, have added to many Americans' sense that they are failing to get abead.

Meanwhile, astounding increases in the incomes of prominent financiers -private equity partners, hedge fund managers, chief executives of failing banks and so on - are widely reported and arouse incredulous rage. Furious popular resistance to the Treasury's initial financial rescue plan, widely perceived as providing a parachute for Wall Street fat cats, was a striking illustration of the strength of feeling. It seems that many Americans today would willingly vote to suffer a little if they could be sure of seeing the titans of finance suffer a lot - an attitude more readily associated with the old Soviet Union than the US.

One of the reasons that the New Deal turned out not to have laid the foundations for European-style socialism in the US, scholars have argued, is that the postwar economy provided remarkable upward mobility for so many Americans. Surging productivity, with the benefits widely shared, and the rapid expansion of higher education and the skilled workforce that goes with it combined to sustain the American dream: in a word, opportunity. Most people saw their living standards on the rise and were confident, with reason, that their children would do far better than they had.

Those days are over. Living standards are stagnating. Over the next decade, more people with graduate degrees will exit the workforce than join it. American economic mobility is now lower than in many European countries.

All this was true even before the housing slump and the subsequent financial crisis jeopardised the savings (in many cases, largely in the form of home equity) of most middle-class Americans - and before the call went out for a $700bn lifeline to be cast to the "greed is good" merchants of Wall Street. Is a new social contract conceivable? You bet.

Nonetheless, powerful forces are pushing the other way. Over the years surveys have consistently found, as the Pew opinion researchers put it, "that Americans are far more likely than Europeans to believe that individuals, not society, are responsible for their own failures, economic and otherwise". This still seems to be true. Even as the American dream of economic opportunity has faded, the insistence on individual responsibility remains strong. In fact, this further helps to explain the feelings aroused by the bail-out plan. Many Americans direct their anger not just at the undeserving of Wall Street, but at the undeserving of Mam Street as well ("I took out a mortgage I could afford; why should I help people who borrowed too much?").

The other great constraint on any drive towards a social democratic US is fiscal. The legacy of the Bush administration includes a structural budget deficit. The longer-term pressures on fiscal policy - notably, the cost of the Social Security retirement scheme and Medicare - are daunting. In the short term, the recession will shrink the tax base and worsen the excess of spending over revenues. Then conies the cost of the bail-out.

The eventual bill for the current rescue package is likely to be less than $700bn, since some value will be recovered from the assets and equity that the Treasury acquires. But it may still be a big number; the whole outlay has to be financed in the meantime; and the current proposal is only a first instalment. A second fiscal stimulus is likely by early next year and

more than is currently envisaged may need to be spent on bank recapitalisation and other crisis control measures.

In addition, an Obama administration would come into office with big plans for additional public spending on a long list of expensive programmes: affordable college; more spending on schools; new infrastructure, including a modernised electricity grid; support for alternative fuels; and near-universal healthcare. In the first presidential debate, Mr Obama was repeatedly asked which of his plans might have to give way in view of the financial crisis. He would not say: he simply reaffirmed his aims. (Joe Biden, his running mate, was subsequently a little more forthright: he said foreign aid might be cut.) Mr Obama still pledges to cut taxes for 95 per cent of working families.

Many economists argue that 11 of these plans should go head, alongside a new short-term stimulus too. The need to boost demand, in then' view, makes the case for a new New Deal - with a focus on investment in infrastructure - all the stronger.

Infrastructure projects can take years to plan and execute, so they are rarely advocated as an effective counter-cyclical measure, but this time is different, many say. Good cost-effective projects have been held up because the states are short of money. An injection from the federal government could bring a lot of well-planned investment quickly on stream. Also, if the US faces a prolonged slowdown, projects that disburse their funds, and keep people employed, over one or more years may be quite appropriate.

The new administration, however, will worry that the global capital markets might baulk at financing so large a borrowing requirement. Next year's budget deficit is likely far to exceed $1,000bn. It would be surprising if the new president were unconcerned about this and made no effort to impress the markets with his commitment to restoring long-term fiscal balance, even if long delayed. He will surely be forced to curb his spending ambitions.

In the end, though, history's verdict may turn on the fate of just one programme: reform of healthcare. Despite their echoes of the first New Deal and the merits of such investments in their own right, projects such as building a modern electricity grid might signify little for the nature of US capitalism. But suppose Mr Obama is elected and, despite the fiscal pressures and other demands on his attention, he perseveres with his plan for near-universal healthcare. Further suppose that this then evolves, as he intends it should, into a fully universal system.

That would be as momentous a change as the creation of Social Security. It would close much of the gap between US and European social provision - and its long-term cost to the public purse might, in the end, close much of the gap between US and European tax rates.

American capitalism would surely retain its distinctive vitality, which springs from a zeal for competition, innovation and sheer hard work that seems bred in the bone. But if the consequence of the crisis is an emboldened Obama administration, a strongly Democratic Congress and a suspension of the usual political constraints - leading in turn to far-reaching healthcare reform - recent events will indeed have caused a great and lasting change. The US would have devised a new social contract and the country would look a lot less exceptional.

Fonte: Financial Times, London, October 16 2008, Primeiro Caderno, p. 9.