Unser Kollege **Roger Strassburg** hatte die Gelegenheit, sich am Rande des IG-Metall-Kongresses "Kurswechsel für ein gutes Leben" ausführlich mit dem Ökonomen **James Galbraith** zu unterhalten. Wir freuen uns, Ihnen das umfangreiche Gespräch in mehreren Teilen präsentieren zu dürfen. Nachdem wir gestern den ersten Teil in englischer Sprache veröffentlicht haben, folgt heute der zweite Teil, in dem es vor allem um den Wahlsieg Obamas, die amerikanische Wirtschafts- und Finanzpolitik und die vielzitierte Fiskalklippe geht.
In der Weihnachtswoche werden wir Ihnen das komplette Interview in deutscher Sprache nachreichen. Die Rede, die James Galbraith in Berlin gehalten hat, ist sowohl als Videoaufzeichnung als auch als Transkript verfügbar [PDF – 95.7 KB].

NachDenkSeiten: In the U.S., ever since the firing of the air traffic control folks, unions have really gone down in the U.S. Do you see any possibility that that could ever change?

Galbraith: Well, a couple of things about that. I think that the role of the firing of the Professional Air Traffic Controllers is exaggerated in this story. PATCO was one of two unions that actually endorsed Reagan in the 1980 election, the other one being the Teamsters. PATCO then turned around and challenged him in a way that was very ill-advised, and suffered, of course, catastrophic consequences.

But that wasn't the reason why the rest of the labor union went into decline at that time. And the fact that Reagan appointed anti-labor people to the National Labor Relations Board also wasn't decisive. What was decisive was the recession, the huge hit to industrial jobs in the Midwest in '81, '82. You had a massive collapse of heavy industry in the U.S., bankruptcies all over the spectrum. I can remember the names of a lot of firms that aren't with us anymore as a result of that period. And that's when the American equivalent of IG-Metall suffered its severe reverses. Since that time, there is at least one part of the union sector which has grown quite rapidly and that's the Service Employees International Union, the public employees union. You can see the politics of this in the West, where in 2010, if it had not been for the unions in the West, the debacle in the midterm elections would have been complete, and the Democrats would have lost the Senate as well as the House. They were the firewall, and that's what brought Jerry Brown back to the governership in California. And the consequence of that is Proposition 30 this year, which basically ends the era of no tax increases in California.

NachDenkSeiten: That kills Prop 13.

Galbraith: Prop 13. And you have a Democratic super-majority in the legislature, and California is a place of enormous political significance. So I'm not prepared to say the tide is

turned, but the tide that was running against unions in the United States at least ran up against that strong position, which held. What's happening now is – I could end up next week disillusioned – one of the most quietly hopeful moments I have experienced in American politics in a long time.

Three things of significance.

First of all, the banks went for Romney after having been exceptionally generously treated by the President, by the Treasury Department. They turned around, and the bastards went for Romney. It showed what kind of character they actually have. It's not true of every single banker, but it was the sector as a whole.

And guess what? They lost. They lost, and if the President has any moxie, and I think he does, I don't think he will forget that. So that's point number one. And certainly any normal human being, and I think the President is a normal human being, will hold that card in reserve.

Point number two is that the Senate was supposed to go Republican…

NachDenkSeiten: I would have surprised if that had happened, but yeah…

Galbraith: But anyway, the Democrats were supposed to lose ground, and they didn't, they gained ground. They gained ground, and the situation is such that – yes, they have exposure in two years – but their position at the moment is one where you have a sense of the high tide of the Republican party's past.

Why? Because as it becomes more and more extreme it becomes more and more regional, and as it becomes more and more regional it becomes more and more extreme. It's hard to reverse that dynamic, and they don't have a good way of doing it.

Number three: To get reelected as President of the United States, your place in history is basically secure, unless you, well, misbehave with an intern or get caught with burglars in the White House. Those kinds of things can unseat you. Or arms for hostages, etc. etc.: Iran-Contra.

Presidents can discredit themselves in their second term, but none of those are likely to happen to Barack Obama. So we're looking at a president who's got four years – and certainly two – where everybody understands he's got a lot of authority, much more authority than your standard lame duck.

And he has actually used that authority already with sending Tim Geithner to the Republicans with his bid on the fiscal cliff. What was the significance of that? The significance of sending Geithner was saying, “look, this is the deal we’re offering, and there isn’t a back-channel that’s going to give you a better one”. If he’d sent Jack Lew, if he’d sent Gene Sperling, people on the other end would say, “you’re not the real emissary, I’ve got to see what Tim Geithner has to say”. Well, he sent Tim Geithner. He didn’t give them another channel. I think this was a significant fact.

So the Republicans as far as I can tell are reacting with shock and bluster, indicating they understand they’ve seen they don’t command the same fear that they did before.

You have two possibilities: One is that this is not that serious, that it’s all posturing and the the President will fold and I will say, “fooled me once, fooled me twice”. It’s possible. And the other possibility is that we’ll go past January 1st, and the President will come back with his strengthened hand in the Senate, and it will be the Republicans who will have to basically decide if they want to take the blame for the tax increases and the spending cuts and everything else that’s going to happen. And, you know, I can’t look into the Republican mind, certainly people I talk to say, “they’ve caved, actually when you look at it, Republicans have caved every time and they’ll cave again”.

NachDenkSeiten: When have they actually caved in the past?

Galbraith: Oh, on quite a few things. At the end the bluster didn’t hold up the debt ceiling, for example. They got it through.

So there’s a test of wills going on at the moment, and there’s at least the possibility that the President was right in saying that during his first term his way to political success was basically “rope-a-dope” strategy, was to take everything that was coming at him and to continue to offer conciliation and compromise. And if that’s the case, of course, which I hope, it was a purely tactical, successful tactical decision, then the situation now is very different. No longer does it prevail.

And the other possibility is that the President was actually doing what he wanted to do in the first term, and he’ll figure out a way to do it again in the second term. And that would be, of course, a great shame.

But still, three reasons why things might still be a little better in the U.S. Now.

NachDenkSeiten: But Obama is not really that liberal.

Galbraith: No, but it doesn't matter. The underlying preferences of the President are really a secondary consideration. I mean, a very nice example is Lyndon Johnson. Johnson had a lifelong visceral commitment to civil rights and to the New Deal. But during his entire political rise, he voted against civil rights bills. He didn't bring one to the floor when he was majority leader.

He wasn't going to commit political suicide. He had right-wing supporters in Texas who thought he was a good old white boy just like them. And they were astonished. He was Richard Russell's "golden boy". Russell made Johnson, and when Johnson had the power he turned around and he told Russell, "I'm going to defeat you on this", and he did. He didn't ask for Russell's support, he just said, "I'm going to defeat you", and he did. So, the politics of the matter govern.

And what happened in this case, I mean, I'm not saying this is a universal rule, but what happened in the case, was that you had the financial sector on one side saying, "you've got to cut Social Security and Medicare and Medicaid". And guess what?

Well, so far, the President has said Social Security is not on the table. Senator Reid has said Social Security is not on the table, we're not going to do that. And on Medicare – Medicaid so far as I know hasn't been discussed much, either, but there may be something – what the President has said, is, well we'll get you some savings, here's the number, 400 billion, and my proposal is that it's too complicated, we'll work it out next year. Right? And when the President was asked, are you prepared to cut beneficiaries, he said, "oh, no. We're going to, you know, cut the cost of some procedures, cut the cost of some pharmaceuticals and so on". And there are lots of things you can do.

There's no question you have to work on the cost of health procedures, but so long as you're not cutting the services that people actually get, Medicare is there. And if that's the Democratic position, then Social Security and Medicare and Medicaid will continue to serve their function no matter what. And the Republican position is increase the eligibility age for Medicare, which is privatization, or change the cost of living formula for Social Security, which is a cut. I can fight that battle til the cows come home, and I'm not worried for a minute which way the public's going to come down. I would love to have that on every billboard in the country in two years.

NachDenkSeiten: To do that it would require legislation, that's where the Democrats are in a little bit better position there.

Galbraith: If the Democrats cave and give the Republicans what they want, then the

battle's lost. If the Democrats say, we are not going to cave on these issues, you're right – the Republicans can't do this by fiat, they have to have legislation. And they can't get legislation past Harry Reid. If they can't get it past Harry Reid, they're not going to get it.

NachDenkSeiten: You've said not to worry about the fiscal cliff.

Galbraith: Of course the cliff is an artificial deadline. It was self-imposed.

The point there is that while if everything were stretched out for a year and the taxes went up and spending went down by three or four percent of GDP, that would probably have an effect. It would be hard to maintain private spending in the face of a higher withholding and so on. But six weeks wouldn't matter. First of all, withholding rates wouldn't even be adjusted, so people's incomes would be the same. And they're not going to change their spending habits because they know that Congress is going to come in and fix it. Even if they're uncertain about it, they're not going to preemptively adjust their spending very much. And anyway, this is January. This is not the time when people are engaged in discretionary Christmas shopping.

So it's not as though you have to make a decision by January 1st – you don't.

The second piece of that particular bit of blackmail was that it was thought that this would be the last hurrah of a Democratic Senate, and maybe the last hurrah of President Obama, and that these guys with their backs to the wall would cut a deal that would be bad, but better than would happen in the next Congress.

Well, didn't happen, so the whole incentive to be panicked because of what the next Congress might do has gone. It's just gone.

NachDenkSeiten: The next Congress could go the other way.

Galbraith: The next Congress will certainly be better. than this one. The House is still Republican, but I actually think that Speaker Boehner's position is a little stronger because of the thrashing administered to the Tea Party. But how stable it is is anybody's guess at this point.

NachDenkSeiten: Speaking of the Tea Party, how do you think they're going to end up? Are they quietly going to go away, or they going to continue?

Galbraith: I think it's finished. Of course the people are there, but of course one of the key movers, Dick Armey, just quit Freedom Works. We don't know what that's about, but it

suggests organizational disarray.

NachDenkSeiten: Yeah, it's like a personality problem.

Galbraith: Whatever the reason, sinking ship and certain small rodents jump to mind.

But in any event, the thing about the Tea Party was that it was ginned up to be a backlash to Obama and to provide a kind of quasi populist cover media talking point for the 2010 election. By 2012, first of all, it had been disciplined internally. The Tea Party types all voted for the debt ceiling, most of them voted for the debt ceiling increase because they were told they had to. So it was clear that they weren't really an independent force. They were on a leash, and when the leash chain was jerked, they had to cooperate.

And secondly, their existence, the people they had dredged up from God-knows-where to run for Senate

In Missouri and in Indiana, these were remarkable specimens, I mean really scraping off of the murky end of the pool.

NachDenkSeiten: Michele Bachmann made it back into the House, I'm beginning to worry about Minnesota here…

Galbraith: Well, I don't want to speak anything unnecessarily favorable about her, but in comparison to a guy like Akin, she's at least a tested political figure…

NachDenkSeiten: Yeah, that's very faint praise.

Galbraith: Hey, were you expecting more than that?

With Akin these guys had offered up a poster child for discouraging sane voters from empowering these people.

NachDenkSeiten: Well, it's actually a good sign, because, I mean, Republicans get a lot of votes. It's not like people in general have figured out that these guys are nuts.

Galbraith: Right, but you know, most people vote on the basis of long-standing party loyalty. Most of the time, there's a margin in there. I don't think the independents are a very large force…

NachDenkSeiten: …a lot of people say they are…

Galbraith: Yeah, but what you observe is that the electoral divides are really close one year after the next, and they didn't change all that much. So what's happened in '08 was the needle shifted just enough so that Indiana and North Carolina went for Obama. And in 2012 it shifted just enough back so that those two states stayed with Romney.

NachDenkSeiten: That's not terribly surprising, though.

Galbraith: Every other state that Obama won in 2008 he won in 2012. Decisive electoral college. And then you ask, are there any states where the Republicans are moving toward a majority? I think the one place that I would say is a possibility is Iowa.

NachDenkSeiten: I worry about Minnesota. It's not as strongly Democratic as it was when I was there.

Galbraith: Yep, that's certainly true, but Minnesota was not in play this year. Pennsylvania was not in play…

NachDenkSeiten: No, but some people tried to make it seem like it.

Galbraith: Yeah, there was a little bluffing and so on. But I would say that the you need to ask, are there any states headed in the other direction? North Carolina.

NachDenkSeiten: That was a surprise, although I guess that the fact that there's a lot of business down there, a lot of people have moved in from out of state.

Galbraith: Correct, and the next one is going to be Arizona.

NachDenkSeiten: That I'll believe when I see it.

Galbraith: Well, there are two things happening in Arizona, and they are a very rapid rise in the Hispanic population, and secondly, influx from California. Arizona was in some polls barely Democratic, barely Republican this year.

Romney won it. One of the things that held up Arizona in the Republican column, in a way, was, of course, McCain. Anyway, there you are, you've got a country where, you know, how many national elections' popular votes have the Republicans won? The answer is, one since 1988, and that was 2004. And in 2004 they scraped through in the electoral college on one state, which was also true in 2000. So it's a party which is actually in many ways barely competitive at the national level.

If the Democrats are smart and continue to nominate strong, appealing, candidates – I'm not saying liberals, I'm not saying conservatives, but people who capture the essence of the Democratic message and manage to convey it.

NachDenkSeiten: That's pretty much in the center at this point, isn't it?

Galbraith: Whatever it is.

The Obama quality here is – which I think Romney also had, by the way – is that I'm not ashamed to have the guy as President. There's not something deeply embarrassing about him, you know, crime, sex, senility, whatever things repel you, none of those traits. This is a guy who gets up in the morning and does his job, and everybody can see that. So the Democrats continue to nominate people who are good at what they do. I have the feeling that things are moving their way.

NachDenkSeiten: Well, this is the first time in a long time that we've had no scandals whatsoever from the White House…

Galbraith: Just a second on that. I'm not conscious of there having been, I may be misremembering, a White House scandal in the George W. Bush administration. Nothing particularly on the personal side.

NachDenkSeiten: Not at all there. It was more about financial dealings, I mean, Bush's involvement with Enron…

Galbraith: Yeah, back history, Bush's back financial history certainly had some issues. But I was thinking that the major White House scandal of that period was probably the Valery Plame matter, and so you really have a problem of Cheney and Scooter Libby and whatever involvement Karl Rove had. But personal scandals were not Bush's problem.

NachDenkSeiten: But who do you think really is a potential star of the Democratic party?

Galbraith: I think the interesting question is what will be the public reaction to Hillary Clinton in four years?

NachDenkSeiten: Is she going to run?

Galbraith: I would assume. And I think that when you're dealing with someone who's been on the scene for as long as she has, it's risky, I don't think it's a sure thing.

NachDenkSeiten: I don't think she polarizes as much when she ran as I expected she would.

Galbraith: Good reputation as Secretary of State. Unquestionably this is a significant figure, but I think that there will be a tough challenge from somebody. Who it would be, I don't know yet.

NachDenkSeiten: I don't see anybody yet.

Galbraith: There's Andrew Cuomo, you know, there are people out there. Unfortunately, it in general would be better if it's not a dynastic figure.

NachDenkSeiten: Who do you think the Republicans are likely to dig up? They've got a lot of nut cases that didn't get through this time.

Galbraith: They have a lot of people that didn't run last time. They have quite an amazingly open field, and unfortunately, well, fortunately, what happens there is that somebody who is not well known makes a big impression and turns out to be non-viable. That was the Sarah Palin problem, and, well, just go through the whole list of the front-runner du jour, the Rick Perry problem. I think the Republicans have been in a state of complete disarray.

NachDenkSeiten: Do you think that there's any chance whatsoever of getting stimulus in this term?

Galbraith: Of Obama getting it? Well, it was in the ask for the fiscal cliff, along with an extension of the payroll holiday, which surprised me, plus unemployment insurance.

I guess the short answer is, not very likely, because the President committed himself to very strict spending limits. What do I think might happen here? The first thing that has to happen is an ongoing reassessment of what the underlying economic conditions actually are. And people need to be disabused even further of the notion that we're on the cusp of some kind of recovery, that this is being taken care of by itself. To me that's the project of the next coupled of years. I don't expect much to develop, I don't expect there to be a great disaster, although if the fiscal cliff stalemate occurs you could have…

NachDenkSeiten: It's a little bit like what Gingrich did in '94, isn't it?

Galbraith: Yeah, but that was just a few-day wonder, when the effect of closing federal offices was so dramatic that Republicans gave up on that. Anyway, I anticipate hammering over the next couple of years the need to change ideas. I don't think that in the bad situation

in which there is a stalemate and the economy reacts badly to it, I don't think that's necessarily bad for the President politically. It's very clear who's responsible, and then you look at the last two years of his term. It's not obvious that the next midterm election is going to go against him.

NachDenkSeiten: Not at all.

Galbraith: You have the 1998 precedent where the voters just get fed up, and just give the President a couple of productive final years, and then we'll see. So, I've been saying things for a number of days that I feel may be too optimistic. I have a certain optimistic streak in me at the moment that I'm having a hard time repressing because it's so rare.

NachDenkSeiten: Don't bother repressing it. If you're too optimistic, that'll happen all by itself.

I'm rather pessimistic at the moment, actually. But that has a lot to do with what I'm seeing in Europe. I don't see any change there.

Galbraith: I don't see anything, either. And I think the European situation remains locked into a dynamic of divergence.