Amiel Ungar

Romney's real competition

As Mitt Romney is already being deluged with advice on how to rally his campaign, then – *avec moi le deluge* – here is my suggestion. It will not suffice for Romney to convince voters that Barack Obama is the second coming of Jimmy Carter: He must also convince them that Obama cannot be the second coming of FDR.

This is in no way a rejection of the parallel between Obama and Carter. Both presidents have displayed a self-righteousness that poisoned their relations with Congress, thus encumbering efforts at economic revival. Both Carter and Obama believe that self-abasement in foreign policy vis-a-vis authoritarian regimes and antidemocratic movements (what Patrick Daniel Moynihan called "joining the jackals") is the ticket to an improved American image globally.

For those who forgot what Carterism was like, we just received a reminder, when the former president (1977-1981) praised the recent electoral process in Venezuela as "the finest in the world" – and Hugo Chavez was appropriately appreciative in a 40-minute phone call. In Venezuela's finest process, the state television stations are run Putin-style, at the beck and call of El Comandante, and the Chavistas have prepared Iranian-style paramilitaries to win a civil war should they have to emulate their Iranian allies and steal the election. The Obama administration, aside from an occasional criticism, believes that benign neglect is the best policy toward Chavez, and Chavez has responded graciously by saying that Obama could have been a true pal if he weren't burdened by being president of the empire.

However strong the Carter-Obama parallel may be on the matters of foreign affairs and economic ineptitude, Romney is unfortunately not running against the man from Plains but against the domestic legacy of the man from New Hyde Park: Franklin Delano Roosevelt. Many voters fear that, as president, Romney would preside over the antithesis of the New Deal and the benevolent state, at a time when the weakening of the family and religion in America means that fewer safety nets exist, even as citizens fear impending disaster.

Particularly at a time of economic upheaval, it is tempting to seek solace in the Roosevelt legacy channeled by Obama. Under FDR, unions were empowered. The government became the provider of last resort, shielding citizens from unemployment, foreclosures and the shady practices of some financial institutions. Many people erroneously believe that the policies of the New Deal actually extricated the United States from the Depression and can do so again, when it was really World War II, followed by the postwar boom, that did the trick.

The way to counter this nostalgia is not to dredge up Friedrich Hayek or even Alexis de Tocqueville, and argue that excessive confidence in government paves the way for well-intentioned serfdom and a dependency culture. That is fine for philosophical discussions, but not for a political campaign. Romney has to convince the voters that retro-New Deal economics can't work today.

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In the Roosevelt era, the government started priming the pump with a nonexistent debt burden. The current debt burden and the spiraling costs of entitlements, however, make the assumption of further extensive debt a dangerous proposition, unless the idea is to thoroughly debase the dollar, in the tradition of the old Greenback Party, and inflate one's way out of debt. Without some form of indexing, such a policy effectively discourages savings – a proven motor of economic growth – because people will be making negative interest on their savings by the time inflation is factored in. At worst, this could lead to a Weimar scenario of eradicated savings. Roosevelt, by securing deposits, encouraged a return to savings, whereas the current policy is an effective disincentive to savings.

Even if America were willing to put up with this, foreign creditors will not be so forbearing. When the New Deal amassed debt, the IOUs were held by American creditors. Today, when an anti-Japanese demonstration in Beijing spills over to the nearby American Embassy, U.S. ambassador Gary Locke is told by the demonstrators banging on his car to give back the trillions that America owes the Chinese. Inflation will lead to credit downgrades and the same onerous interest rates that have brought European economies to their knees.

When FDR put money in the pockets of Americans, they were free to spend it primarily on goods made in the U.S.A. Although his administration liberalized trade, tariff walls still existed and Americans in any case preferred to buy domestic products, from textiles to automobiles. American factories were therefore the unquestionable beneficiaries of the Roosevelt stimulus.

In today's world, where many items are no longer domestically manufactured and when free trade has made foreign imports stronger and even dominant competitors, a government stimulus could end up helping factories and workers in Shanghai, Dusseldorf or Osaka more than factories in the American rust belt.

It is admittedly easier to run against Carter than against the Roosevelt legend, but one cannot pick one's rivals. Romney must make the case that even if Barack Obama were a latter-day Roosevelt (and he isn't), one can no longer indiscriminately spend one's way out of recession and bring happy days here again.

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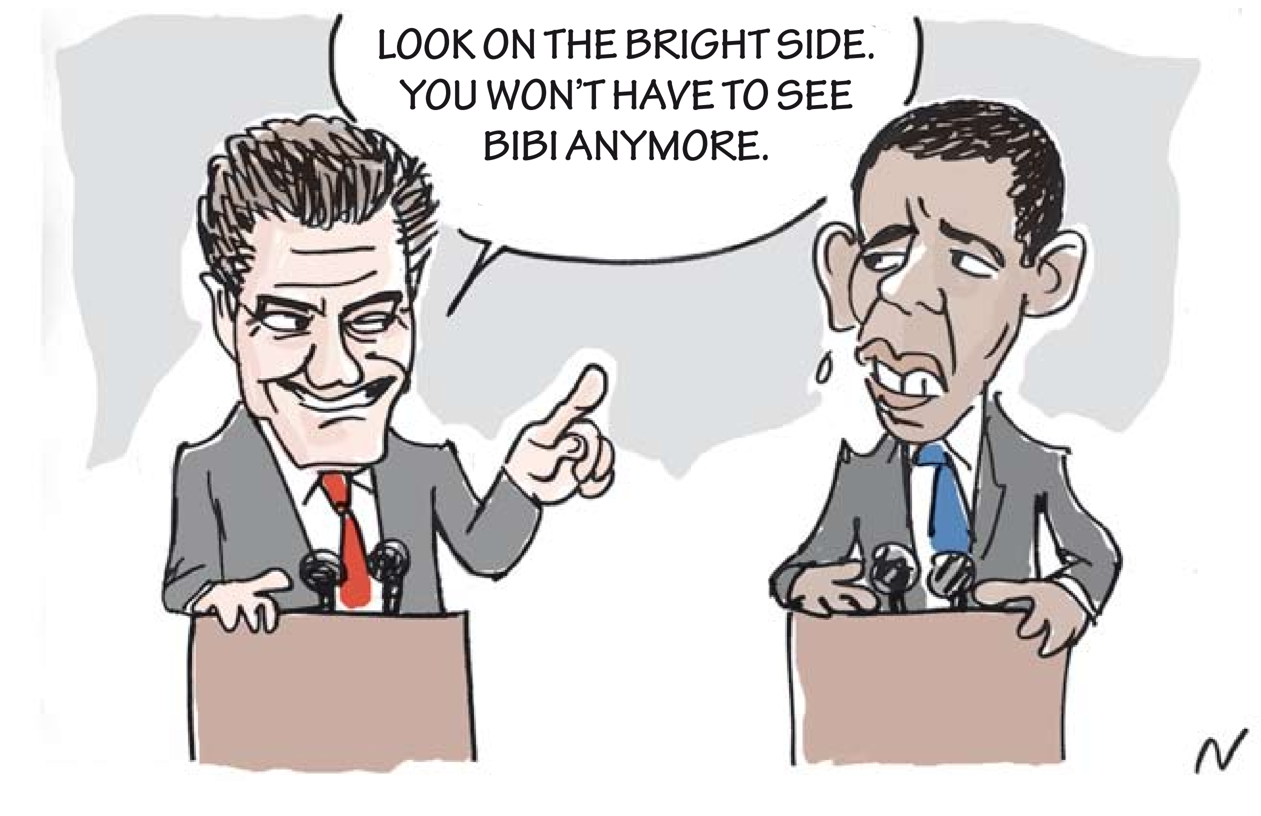

Eran Wolkowski

Raymond Barrett

Don't count your chickens on an Iranian collapse

The Islamic Republic of Iran and Mark Twain have at least one thing in common: rumors of their demise, at various times, have both fallen victim to exaggeration.

The current perceived wisdom is that the Obama administration, in getting the European Union on board with tougher sanctions targeting both oil exports and Iran's access to the global financial system, is bringing Tehran to its knees. This week it was the vertiginous drop in the value of the Iranian currency that had critics of the clerical regime in a tizzy, salivating at the prospect of an imminent economic collapse. As the exchange rate for dollars skyrocketed from 29,000 Iranian rials to nearly 35,000, police used tear gas and batons to disperse money changers and traders outside the Central Bank demonstrating against president Mahmoud Ahmadinejad's mishandling of the economy.

Prophets of doom in the West were quick to portray an economy and a president teetering on the edge of an abyss, like Louis XVI in the summer of 1789, oblivious to the seething, suffering masses who would eventually arise in popular revolt.

After all, the overthrow of Hosni Mubarak was caused in part by his failure to control rising food prices, which has been noted as a major factor in emboldening the Egyptian people to revolt. When the Nile regent broke the unwritten social contract that submissiveness was offered in exchange for sustenance, he had to go. Surely the same could happen in Iran?

Despite the glee felt in some circles, nobody can kill a party like an economist: Enter Virginia Tech Prof. Djavad Salehi-Isfahani. In a devastatingly low-key presentation at the Woodrow Wilson Center in Washington, D.C., on Wednesday, the former visiting lecturer at Harvard and Oxford calmly dismantled the argument that Iran's economy is ready for its winding-sheet.

Along with pointing out that the fall in the rial over the last few days was nothing like the huge devaluations that rocked the Asian tiger economies in 1997, he also conducted an illuminating tutorial on the byzantine Iranian exchange-rate regime.

The Central Bank in Tehran sets different exchange rates for different commodities, depending on the priority the government attaches to the sectors involved. Thus, the price of essential imported items such as food and medicine are kept artificially low with the use of an exchange rate of about 12,000 rials to $1, while less essential items are traded at a higher rate. Iranians looking to purchase dollars for personal use have to pay a higher price again in "free" markets.

Salehi-Isfahani described how the Iranian government recently opened a special centralized exchange where licensed importers and exporters could trade with each other. A rate of around 15,000 rials to the dollar was expected to be the norm. The "free" market was also included in this central exchange. Between impatient industrialists not wanting to wait for preferential rates from the Iranian Central Bank and individual speculators banking on a total collapse, a short-term "perfect storm" sent these secondary exchange rates for non-essentials to the historic highs seen this week.

But while criticized by some Iranians for a lack of economic smarts, Ahmadinejad has insulated large swathes of the Iranian population – particularly the rural poor, from whom he derives his most support – from the worst effects of these currency shocks through a combination of price controls, subsidies and monthly payments of around $45 to every citizen.

"If this were the exchange rate for everything, there would be riots everywhere – because the price of bread, the price of chicken, everything would go up. Nothing like that has happened," Salehi-Isfahani said. In fact, it seems that the Iranian government has learned from the mistakes of Mubarak as it quickly responded to protests last July in the city of Nishapur over the rising prices of basic foodstuffs. "Between the dollar market and the chicken market they need to pay ... attention to the chicken market," Salehi-Isfahani added, insisting this is the more important priority for Tehran.

As such, it is well-off Iranians in northern Tehran, unlikely revolutionaries who are in need of dollars for their holidays in Turkey or Dubai, who will likely be most affected by this current crisis.

Along with these domestic issues, there are also international factors inoculating both those governing and the governed from the more virulent effects of economic sanctions. Despite the fact that sanctions have reduced oil exports, rising petroleum prices have resulted in average per capita income from oil increasing in recent years. Also, Iran is not Qatar, Saudi Arabia or the United Arab Emirates, where petroleum is the only game in town. And even as Europe has turned its nose up at Iranian crude, China and India have stepped in to vacuum up surplus supply. While the Indian ambassador to the United States has insisted that Delhi is "on board" with sanctions, nearly half of its oil imports from Iran are now paid for in rupees and new financial sanctions are circumvented by routing payments through India's state-owned UCO Bank.

As such, any foreigners making bold predictions about the future of Iran as a result of the tumult of the last few days had best be reminded of another aphorism of Twain's: "The gentle reader will never, never know what a consummate ass he can become until he goes abroad."

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Leon Hadar

The Americans aren't interested

Imagine that after Boris Yeltsin had been elected president of post-communist Russia in 1991, voters in Poland, a former protectorate of the Soviet Union, had elected that country's veteran Communist Party boss Edward Gierek as their prime minister. Then imagine that, after taking office, Gierek had called on the new leader in Moscow to prepare for a renewed state of confrontation with the United States and the West.

A similar scenario played itself out in 2009 when Benjamin Netanyahu was elected prime minister of Israel only a few months after Barack Obama entered the White House. One of the major reasons for Obama's victory in the presidential election was his strong opposition to the war in Iraq and a campaign promise to end that war. The American public was exhausted by the military adventures of George W. Bush, and was unwilling to continue paying the high costs involved in implementing the grandiose plans, concocted by Bush's neoconservative advisors, to impose American hegemony and the so-called freedom agenda on the Arab world.

Moreover, the recession of 2008 and the huge increase in the federal deficit created in the United States a political environment in which it was becoming difficult to sell – both to the public and to politicians – plans for additional acts of U.S. military intervention in the Middle East. Americans were fed up with their government's failed and costly attempts to pursue regime change and nation building in both Iraq and Afghanistan. The American voter wanted a president who would focus on economic and social problems at home, and Obama responded to their challenge.

And then Netanyahu, an ally of the neoconservative intellectuals and a circle of Republican hawks, begins showing up in Washington insisting that the Americans produce a sequel of sorts to the disastrous Iraq movie still unreeling. After all, one did not have to be a great strategic thinker to recognize that the strategy that Netanyahu was proposing for dealing with the Iranian nuclear threat would lead sooner or later to a major U.S. military intervention in the Persian Gulf.

But the strategy being pursued by Obama has been based on activist diplomacy and cooperation with global and regional powers, coupled with the use of military pressure, to advance American interests in the Middle East. These policies have focused on the need both to respond to the dramatic political changes in the Arab world and to prevent Iran from acquiring nuclear military capability. At the same time, however, the Obama administration has also stressed its commitment to increasing U.S. engagement in East Asia as part of an effort to contain China's rising power.

The criticism of the administration's policies in the Middle East by such Republican spokesmen as presidential candidate Mitt Romney and Senator John McCain do not reflect the views of the American public. According to a recent study of public attitudes on foreign policy, undertaken by the Chicago Council on Global Affairs, a majority of Americans both oppose a unilateral American military attack on Iran's nuclear sites (70 percent) and U.S. intervention in a war between Israel and Iran (59 percent).

Indeed, most public opinion polls point to wide public support for Obama's Middle East policies (as opposed to disapproval of his economic policies), and to skepticism regarding the idea of U.S. military intervention even in Syria, which many Republicans support, not to mention in Iran. The foreign policy zeitgeist in the United States seems to reflect the Obama approach, and not the ideas being promoted by Netanyahu and his Republican friends.

That does not mean that if he gets reelected, Obama would refrain from increasing the threat of military action against Iran during his second terms. In fact, it is quite possible that the White House would eventually decide to strike against Iranian nuclear sites. But Obama wants to demonstrate to the American public, a public that is tired of fighting, that any decision to go to war would be adopted only after all other diplomatic options intended to bring about change in Tehran's position had been pursued. And he is not going to allow Prime Minister Netanyahu to impose a veto on his foreign policy decisions.

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From that perspective – and contrary to the views of some Israeli analysts – the main obstacle facing Netanyahu as he tries to impose his Iran policy on the White House, is not a lack of personal chemistry with Obama. Netanyahu's main problem is that the American public is not interested in buying his policies.

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Alon Tal

Living under a cloud

Oxfam, the international organization that specializes in humanitarian food assistance, recently published a report entitled "Extreme Weather, Extreme Prices." It presents research assessing the influence of global climate change on the price of food around the world. According to the study, the ongoing protracted drought in the United States, considered the worst in 60 years, is one of the central drivers of rising food prices worldwide. The dry conditions are especially detrimental in the American corn belt, and have sent the cost of many key commodities skyward.

The Oxfam report primarily focuses on the impact in developing countries, where typically some 75 percent of a household's earnings must be used to put food on the table. Yet the message goes beyond the Third World and needs to be heard in developed countries like Israel as well.

The extreme swings in precipitation that are now so frequently experienced around the planet affect the price of food for all of us. Locally, farmers attribute the steep prices of autumn agricultural produce – vegetables in particular – to the extremely hot summer months, which left Israelis sweating while decimating yields. The association between climate and food prices highlights yet another connection between environmental and social challenges.

As in years past, the public was asked during Rosh Hashanah to help support the sundry local charities that distribute food to citizens in need. Israelis showed particular generosity in helping the newly indigent, whose numbers have swelled to unprecedented dimensions; recent data reported by the Israel National Insurance Institute's annual poverty report show that one in every three children lives below the poverty line, and that the country's proportion of impoverished children is the highest in the western world.

Given the mounting crisis, perhaps it is prudent to stop and consider the underlying causes of the reduced "food security" for many families in Israel. On the one hand, the phenomenon is a function of the government's economic policies, which exacerbate the widening gaps between "haves" and "have-nots." Yet many of us forget that it is also a symptom of inclement weather in a global climatic system that is changing as a result of human activities and the spiraling greenhouse gases emitted from the burning of fossil fuels.

The State of Israel made a solemn international commitment to do its part in the worldwide effort to prevent global warming. President Shimon Peres stood at the head of the government delegation to the UN Climate Change Conference in Copenhagen in 2009 and declared Israel's willingness to reduce CO2 emissions 20 percent by the year 2020. In retrospect, it would seem that there has not yet been a promise to the international community that Israel has so insouciantly flouted. In practice, the government delegation had hardly boarded the plane back home before it forgot its zeal for global solidarity and the meaning of delivering on the diplomatic lip service it had disingenuously spouted.

Since then, a marginal government initiative to conserve energy in homes has crawled forward. The program is surely welcome, but is an extreme case of "too little, too late."

Since the president's pledge, greenhouse emissions have only risen faster. (Indeed this summer saw electricity demand increase by more than 10 percent relative to previous years.) At the same time, the issue has quietly disappeared from the public agenda. It is possible at times to dupe the international community. It is harder to deceive nature, which reflects only actual atmospheric conditions. According to present statistics, 2012 is set to be the hottest year on the planet since measurements began – breaking the previous record, set in 2010. While Israeli farmers show remarkable resourcefulness and do what they can to adapt to the new climatic reality, the exigencies are daunting. Even highly skilled kibbutz and moshav members cannot transplant mature fruit trees overnight.

Clearly, a more compassionate and socially equitable social policy could soften the burden for the economically weaker segments of society through increased subsidies or price controls for essential staples – such as bread. At the same time, it should be clear that even when Israel begins to adopt a globally responsible policy of reducing greenhouse gas emissions (as it has obligated itself to do), there won't be any noticeable change in the atmospheric concentrations of these gases.

The problem is global: Extreme weather events will continue for the foreseeable future. Naturally, this is an international problem that Israel can't solve unilaterally. Nonetheless, it is time to start taking the necessary steps at the national level to adjust to the shifting reality.

Among other measures that need to be initiated are raising building standards in order to address the hotter temperatures and more violent weather anticipated. This includes preparing urban infrastructure to withstand floods and other natural disasters; improving urban shading, and reinforcing bridges along with other roads and buildings to withstand extreme weather conditions. The coastal infrastructure needs to be prepared for the dangers associated with rising sea levels. New crops must be grown and developed that are more drought- and salt-resistant. Local firefighting capacity will need to be improved as future blazes will be more ferocious and frequent.

At the end of the day, the issue is not just a social-economic matter, but rather an ethical one. For the scores of unfortunate people across the planet living on islands who are expected to be deluged by a surging sea, climate change constitutes an existential threat. The same is true for the rice farmers of Bangladesh – and that country's tenuous food supply. For them, climate change means far more than simply a more obnoxious grocery bill. Israel will not be spared these "inconveniences" during the coming decades. So its government needs to decide whether it wants to part of the solution or remain part of the problem.

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