



**DIW DC**

## **DIWDC Policy Brief**

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Face to Face with the Financial Crisis:

### **The U.S. Presidential Election from a Transnational Perspective\***

By: Amelie F. Constant and Klaus F. Zimmermann

*November 2008*

The future U.S. president faces a dilemma: expectations of his leadership and a brighter political future could not be higher, yet he will enter office with next to no financial leeway. Preventing a worldwide recession while remaining true to his vision will prove a tremendous challenge.

*\*This is a translation of the report “Im Angesicht der Krise: US-Präsidentschaftswahlen in transnationaler Sicht,” which was originally published in DIW Berlin’s Wochenbericht, Nr. 44/2008, Vol. 75, 29 October 2008. Translated by Elsbeth Clay with Christopher Dielmann, both of DIWDC.*

## Face to Face with the Financial Crisis:

### The U.S. Presidential Election from a Transnational Perspective

Amelie F. Constant, DIWDC, IZA and Georgetown University ([constant@diwdc.org](mailto:constant@diwdc.org))

Klaus F. Zimmermann, DIW Berlin, IZA, Bonn University ([president@diw.de](mailto:president@diw.de))

Much work awaits the new U.S. president. The U.S. has been financially depleted by the Iraq war, economic programs and necessary financial system restructuring costs. The current financial crisis requires a government that takes an active hand in economic matters; at the same time, however, the state cannot deny the role that it played in bringing about the current problem: the housing market bubble was abetted by financial politics; economic programs went up in smoke; and the fall of Lehman Brothers portended the beginning of a systemic worldwide crisis.

Empirical data based on internet statistics for accessing searches suggest that the financial crisis is viewed as more significant in Germany than in the United States. Although both countries' interests in the credit crunch have recently decreased, fears of a recession have increased. Americans, moreover, have demonstrated a heightened concern about unemployment. This emphasizes the central challenge of the new U.S. president: to secure more job opportunities for American citizens. If one is to believe the internet statistics for accessing searches in both countries, Obama energized Germany slightly more than he did the United States, though he still dominated McCain in both countries. The McCain-Palin ticket is still quite appealing, however, when viewed in comparison to Obama-Biden.

The entire world will be watching when America votes for its new president on Tuesday, November 4th (See "The American Presidential Election," pp. 3). The election will likely be viewed, and rightfully so, as the most exciting and best-qualified presidential contest in American political history. At first it seemed that Hillary Clinton would profit from the lingering dissatisfaction with the current president, George W. Bush; she was not, however, nominated by the Democratic Party as their presidential candidate. Instead, Barack Obama dueled with Republican John McCain for the presidential office in the United States. From the beginning, the European public was more inclined towards the Democratic candidate, while in the United States this was not necessarily the case. The outcome of the presidential election had much more to do with the prominence of certain themes, such as values, security, the wars in Iraq and Afghanistan, social reforms, and, especially, the economy. While McCain dominated security and military issues, Obama

stood out in social and economic matters. In addition, the question of whether an African-American could become president played an underlying, but not inconsequential role in the election.

In September 2008, the U.S. financial system imploded in a matter of days, threatening the disastrous collapse of politics and economics worldwide. With hints of a recession already coming to a head, economics became the prime focus of the election campaigns overnight. The necessary reactions to the financial crisis and the weakening of the actual economy have crippled the scope of economic activity for years to come, if not for an entire decade. Rarely has a U.S. president had to assume office in such tremendously troublesome economic conditions. The state coffers are empty, the worldwide reputation of the U.S. economic and financial system is strongly damaged, and the international political role of the U.S. appears significantly weakened. More than ever, the world is interested in the decisions of American voters.

### **The American Presidential Election**

Every four years Americans elect their president on the Tuesday following the first Monday in November. This year, Election Day falls on the 4th of November. In addition to selecting the president, elections for the Senate and the House of Representatives also take place that day.<sup>1</sup>

The presidential candidates must be at least 35 years of age and have been U.S. citizens from birth. Furthermore, they must have lived within the United States for at least 14 years. During a complicated primary season, the presidential candidates of both major parties must publicly prove their competence as well as raise necessary capital and voter support. The successful candidates are officially nominated by their respective parties during their party conventions. This is also when a presidential candidate officially announces his/her vice-presidential nominee.<sup>2</sup> Official debates between candidates are organized by the “Commission on Presidential Elections,” which was founded in 1987. The commission was responsible for organizing the three presidential debates between Democratic candidate Barack Obama and Republican candidate John McCain, as well as the vice-presidential debate between Joe Biden and Sarah Palin.

During the presidential election, only the Electoral College is actually elected. This collection of 538 men and women ultimately chose the next President. The size of the Electoral College is determined by the

number of Senators (100), the number of members of the House of Representatives (435) and three votes from the District of Columbia. The number of Electoral votes assigned to individual states differs from state to state: California has 55 Electoral votes while Delaware only has 3. Most states utilize a “winner-take-all” system based on that state’s popular vote. It is possible for the winner of the national popular vote to lose the election, as he or she might have not won the Electoral vote. This was the case in the year 2000 when Al Gore won the national popular vote but was forced to concede the presidency to George W. Bush, the winner of more Electoral College votes. Thus, the Presidential campaign is focused on states with uncertain outcomes, often referred to as “battleground” or “swing” states.<sup>3</sup>

The formal election of the president and vice president is on the first Monday following the second Wednesday in December. This year, the formal election will take place on December 15 - 41 days after the actual election. The Presidential Inauguration will take place on Tuesday the 20th of January, 2009.

<sup>1</sup> Every two years, a third of the Senate as well as the entire House of Representatives are elected.

<sup>2</sup> Beyond the candidates nominated by the Democratic and Republican parties, there are also independent or third-party candidates, although they usually play a very minor roll, if any.

<sup>3</sup> Currently these include states such as Ohio (20 Electoral votes), North Carolina (15), Florida (27), Missouri (11), Colorado (9), and Nevada (5). California (55) is almost certain to vote for Barack Obama, while Texas will almost certainly vote for John McCain.

From a German perspective, the short and middle-term developments in the United States, as well as the economic pragmatism of the presidential candidates, are of significant importance. The German and American economies are tightly interwoven. A well-documented example of this is the exchange of goods between the two countries. Table 1 shows the percentage changes in merchandise trade between 2004 and 2008. In 2008, U.S. imports to Germany decreased, while Germany’s exports to the United States increased. A January-July 2008 ranking by Germany’s Federal Statistical Office names the United States as the second-largest recipient of German exports, and fifth-place in countries Germany imports from (Table 2). In addition to these examples, the international relationship of business cycles between the U.S. and Germany is derived from trade relationships through third states, through the cooperation of

international finance markets, and lastly, through the transference of attitudes regarding expectations for households and corporations, a cause which affects both consumer and investment plans in both countries.

**Table 1:** German Trade with the USA

	Imports		Exports	
	Millions Euros	Year-Over-Year changes in Percentage	Millions Euros	Year-Over-Year changes in Percentage
2004	40 709	+ 3.8	64 860	+ 5.2
2005	41 798	+ 2.7	69 299	+ 6.8
2006	49 197	+ 17.7	77 991	+ 12.5
2007	45 626	- 7.3	73 356	+ 5.9
2008*	22 646	- 3.2	36806	+ 2.5

\* January to July 2009

Source: Statistisches Bundesamt

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### The Economic Situation “in the Eye of the Storm”

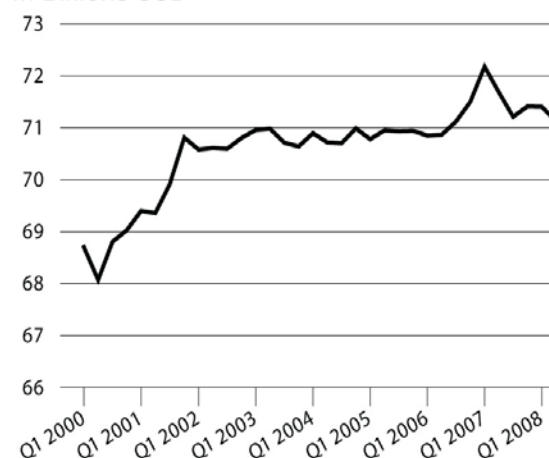
Economic research has been signaling the decline of worldwide macroeconomic framework and a clear slowing of the economy (especially in the United States and Europe) since last year. Some optimism remains, however, as evidenced by the fall predictions of DIW Berlin in Table 3.<sup>i</sup> Although the massive disturbances of the financial system are expected to result in a rise in American unemployment and a 50% reduction of growth in both Germany and the United States in 2009, a reduction in inflation and a continued slight decline in German unemployment are also expected. If, as is widely feared, however, it is impossible to stop the real economic repercussions of the financial crisis, there will be massive losses in growth and employment.<sup>ii</sup>

Unfortunately, the magnitude of such potential losses is extremely difficult to scientifically calculate at this time.

Figure 1

### Private Consumption in the USA

In Billions USD



<sup>1</sup> Seasonally adjusted chain-weighted index.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Statistisches Bundesamt; Calculations by DIW Berlin.

**Table 2: \*Germany's Top 10 Trade Partners (In Million Euro's)**

Import		Export	
The Netherlands	41 440.3	France	58 481.8
France	40 523.3	USA	42 704.2
China	31 948.9	Great Britain	41 363.8
Italy	27 898.7	Italy	39 379.2
USA	26 724.1	The Netherlands	30 152.6
Great Britain	25 992.8	Austria	31 866.8
Belgium	23 939.3	Belgium	31 177.6
Russia	20 439.5	Spain	28 438.5
Austria	19 787.5	Poland	23 707.3
Switzerland	18 549.2	Switzerland	22 838.3

\*January to July 2008

Source: Statistisches Bundesamt

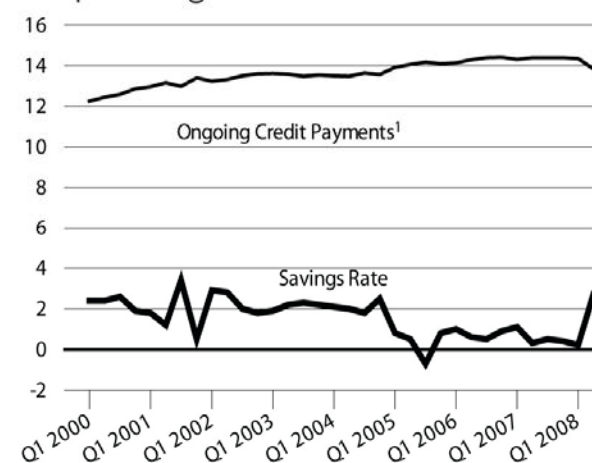
DIW Berlin 2008

Looking back, the share of private consumption in the United States' gross domestic product has distinctly increased in recent years (Figure 1). The savings rate returned to almost zero, while the ongoing credit payments from private households simultaneously expanded (Figure 2). The import of goods also experienced significantly stronger growth than that of exports, so that the United States' notorious trade deficit also increased (Figure 3), a development that was only recently able to stabilize. Although the gross fixed capital formation strongly increased in recent years (not counting the residential construction sector) and the gross domestic product grew slightly in percentage, investments in residential construction experienced a massive downturn (Figure 4). This downturn followed a great expansion in residential construction investments up until early 2006.

Figure 2

### **Savings Rate and Ongoing Credit Payments of Private American Households**

As a percentage of income



**1** Based on mortgage and consumer credit payments.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Federal Reserve Board.

**Table 3:** Forecast of Economic Indicator Data for the USA and Germany

	2007	2008	2009
<b>USA</b>			
Gross Domestic Product, real*	2	1.8	1
Consumer Prices*	2.9	4.6	2.5
Unemployment Rate	4.6	5.4	6.1
<b>Germany</b>			
Gross Domestic Product, real*	2.5	1.9	1
Consumer Prices*	2.3	2.9	2.2
Unemployment Rate	8.7	7.5	7.1

\* Year-Over-Year changes in Percent

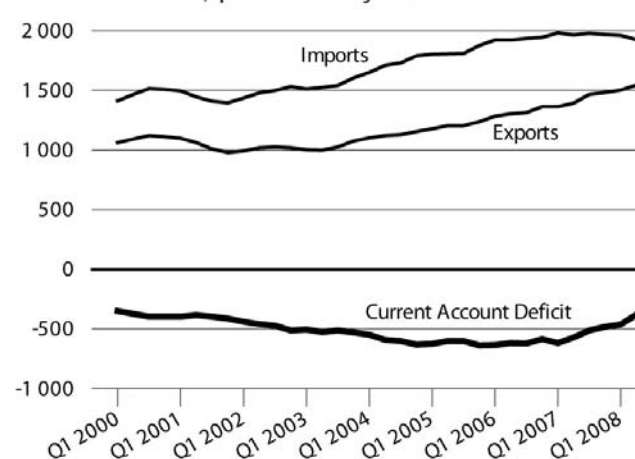
Source: Statistisches Bundesamt; Bundesagentur fuer Arbeit; Global Inside; Calculations by DIW Berlin  
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Despite all appearances of a crisis, the economic expansion in the United States from the year 2000 until today has been more dynamic than it was in Germany (Figure 5). Although Germany's gross domestic product levels occasionally caught up to those of the U.S., the gap has widened between the two since mid-year. According to OECD statistics (Figure 6), Germany's unemployment rates still exceed those of the United States, despite massive improvements following labor market reforms by the Schröder government. This is also observed in the timeline in Figure 7, which uses current national statistics from the United States' Bureau of Labor Statistics and Germany's Bundesagentur für Arbeit.

Figure 3

### U.S. Current Account Balance

In billions USD, price base-year 2000

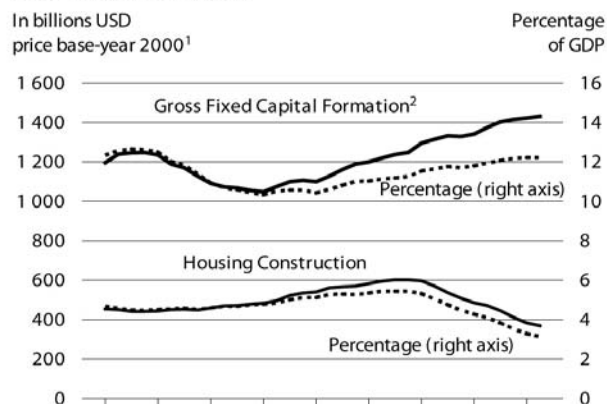


1 Seasonally adjusted chain-weighted index.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Statistisches Bundesamt; Calculations by DIW Berlin.



Figure 4

**Private Gross Fixed Capital Formation in the U.S.**

**1** Seasonally adjusted chain-weighted index.

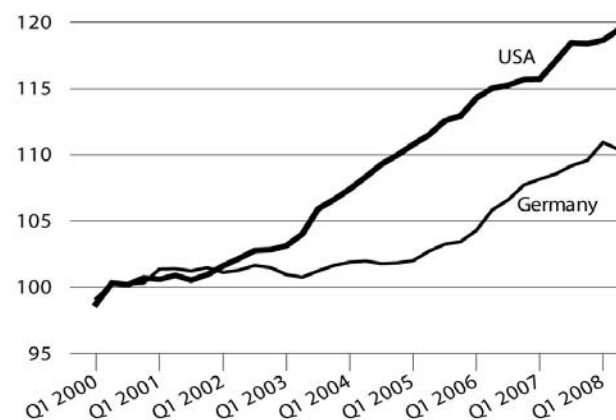
**2** Without housing construction sector.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Statistisches Bundesamt; Calculations by DIW Berlin.

Figure 5

**U.S. and German GDP<sup>1</sup>**

Index 2000 = 100



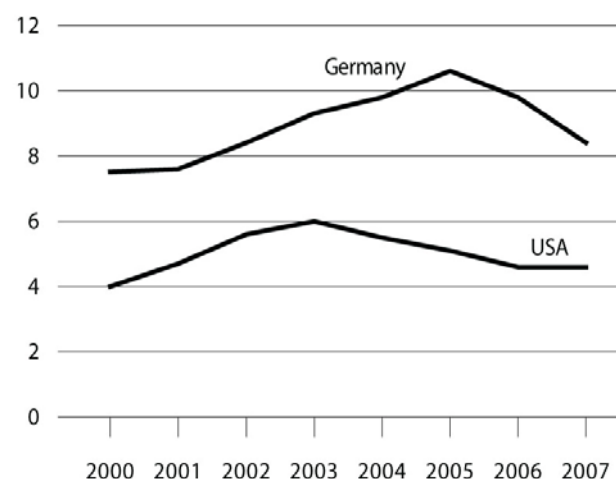
**1** Seasonally adjusted chain-weighted index.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Statistisches Bundesamt; Calculations by DIW Berlin.

Figure 6

**Unemployment Rates in the U.S. and Germany**

By percent



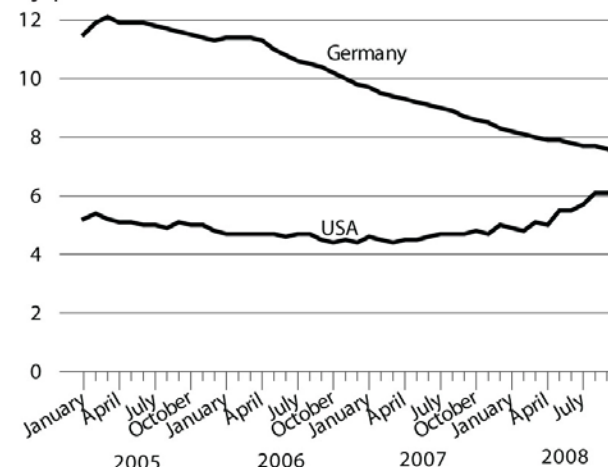
**1** OECD-standardized.

Source: OECD.

Figure 7

**U.S. and German Unemployment Rates According to National Statistics**

By percent



**1** Seasonally adjusted.

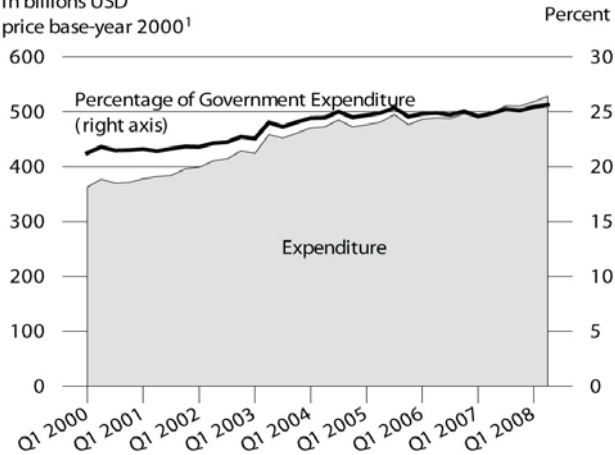
Sources: Bureau of Labor Statistics, Bundesagentur für Arbeit.



Figure 8

### U.S. Defense Spending

In billions USD  
price base-year 2000<sup>1</sup>

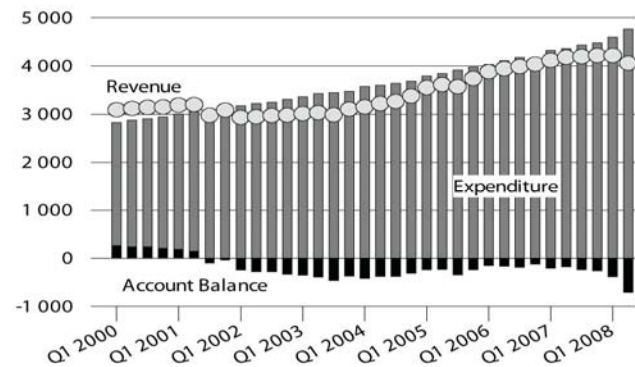


**1** Seasonally adjusted chain-weighted index.  
Sources: U.S. Department of Commerce,  
Bureau of Economic Analysis; Statistisches  
Bundesamt; Calculations by DIW Berlin.

Figure 9

### U.S. Government Revenue and Expenditure

In billions USD

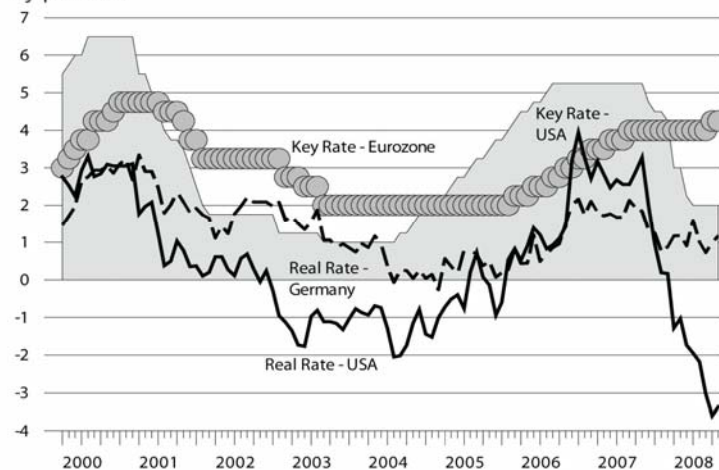


**1** Seasonally adjusted chain-weighted index.  
Sources: U.S. Department of Commerce, Bureau  
of Economic Analysis; Statistisches Bundesamt;  
Calculations by DIW Berlin.

Figure 10

### Key vs. Real Interest Rates<sup>1</sup> in the U.S., Europe and Germany

By percent



**1** Measured by the increase in consumer prices.  
Sources: ECB, Federal Reserve Board, Statistisches Bundesamt;  
Bureau of Labor Statistics, Calculations by DIW Berlin.

**Political Failure and its Economic Consequences**

Insufficient regulations in the financial sector are responsible for the current economic situation of the United States, which has been heavily affected by the financial crisis. Three significant political errors served as additional catalysts: the Iraq war, low interest rates policy and the abandonment of the investment bank Lehman Brothers.

Financing the Iraq war has required increasingly larger portions of the federal budget (Figure 8), which steadily increased the state budget deficit (Figure 9). In just a few years, the balanced budget and surpluses seen under President Clinton were reversed. The U.S. Federal Reserve's policy of low interest rates, in place since 2002, can also be viewed as a political error. Over an extended period of time, the Federal Reserve allowed negative real interest rates for the purpose of stabilizing the economy, which meant that it costed almost nothing to be in debt. This led to the development of the real estate market bubble and to overconfidence in the financial market (Figure 10). Even today, real interest rates are kept negative in order to avoid an even greater recession. It remains to be seen whether this modern monetary policy with its Keynesian components was not just as great of an instigator in today's crisis as the shortage in gold was in 1929. The final catalyst in today's financial crisis was the decision of the U.S. government to not bail out Lehman Brothers, a systemically relevant bank.

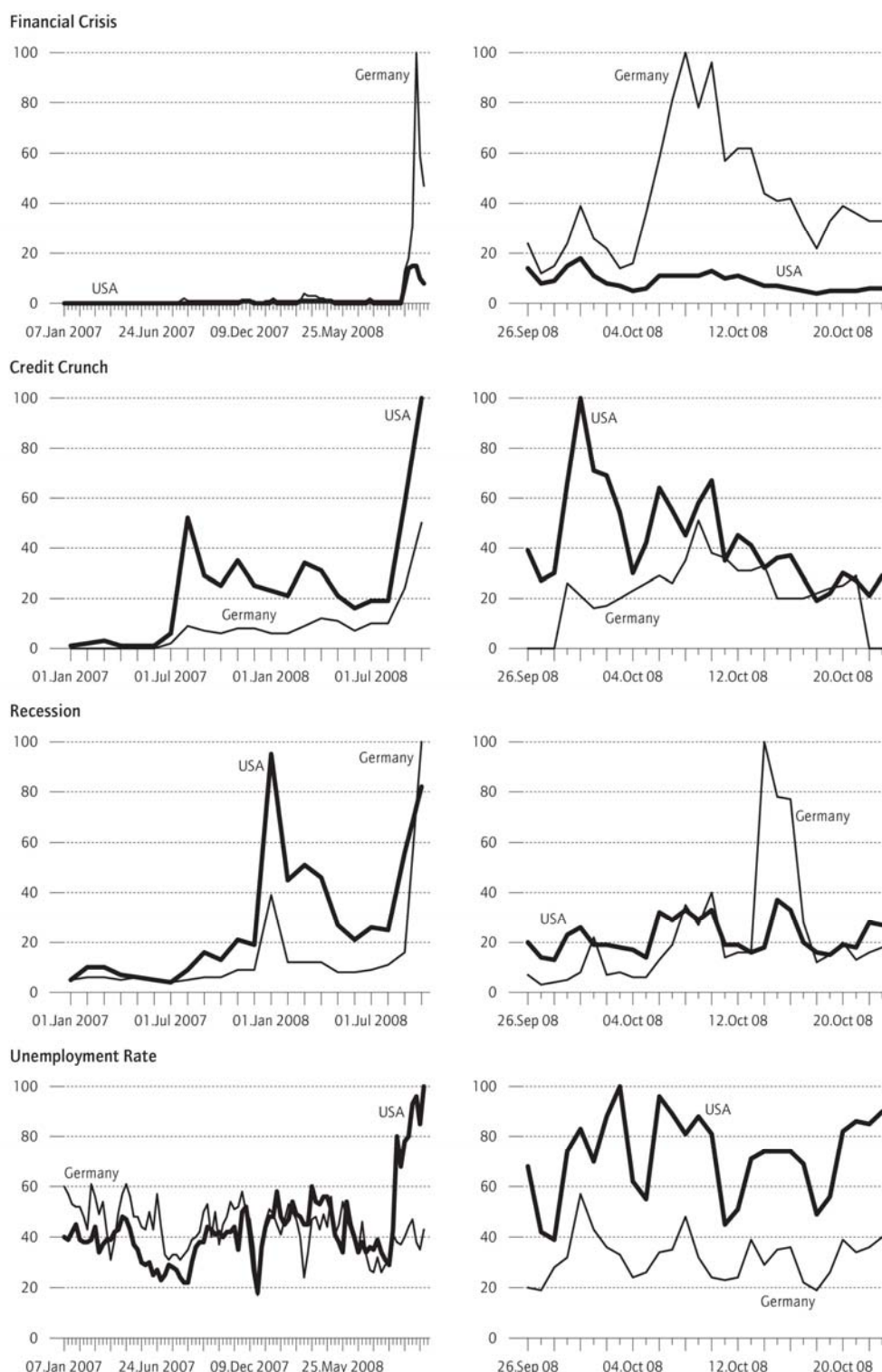
Tax credits, housing market assistance and lowered taxes for the middle class (to the tune of 168 billion U.S. dollars) were not enough to avoid escalation on the financial markets or weakening of the economy. Germany would do well to remember this finding when reviewing its own economic programs in light of the national election in 2009.

**The Situation of the Economy before the Election: An Internet-Based Evaluation**

Given the financial crisis and an imminent recession in the United States, the economy assumed center stage in the late phase of the election. What significance was attributed to the economic situation and how did this interest develop following the escalation of the financial crisis in the previous weeks? We seek to answer this question by examining how frequently economic key words were queried on the internet. For this, we use Google Insights, which measures how often terms are searched for over a certain period of time. We limited our research to searches that were conducted (i) between the months of January 2007 and October 2008 and (ii) in the 30 days between 26 September and 23 October 2008. Despite the limitations of such analysis, it nevertheless offers an impression of which topics influenced the election. For better

classification, we also compared search queries in the United States and Germany. In Figure 11 we show the share that search queries for four key economic terms (financial crisis, credit crunch, recession and unemployment rate) had in relationship to total search queries in the respective country between January 2007 and October 2008.

Figure 11  
**Internet-Based  
Evaluation<sup>1</sup>  
of Economic  
Conditions**  
By percent



**1** Figures based on the total internet searches in given country pertaining to given key term. Figures normalized based on country.  
Sources: Google Insights, Calculations by DIW Berlin.

The prominence of a term relative to total national internet searches demonstrates how relevant the term is to the population at that point in time. Although the financial crisis has long been a topic of open discussion, it did not become a dominant search term until October 2008. In any case, it is noticeable that the term captured more attention in Germany than in the country where the crisis originated. This, however, is in contrast to the second search phrase, “credit crunch,” which has received more hits in the United States than in Germany since interest in the topic started escalating in July 2007. Admittedly, however, this interest was not a steady incline; after gaining prominence in the U.S. in July 2007, American interest in a “credit crunch” decreased until summer 2008. German interest in the term has also increased in the past two months, but less forcefully. Current analysis shows that American interest has reached its peak and the phrase’s relevance in both countries is on the decline. Attached to the financial crisis is also the fear that the downswing of the economy could become even worse, also raising fears of a recession. Queries for the term “recession” show that Americans were already quite fearful of a recession in January 2008 (with an echo effect in Germany), but these fears were reduced by early summer due to a massive distribution of temporary tax credits. Indeed the prominence of the term “recession” in the U.S. has only recently experienced a moderate increase to levels resembling the beginning of 2008. In contrast, the level of hits in Germany for “recession” experienced a dramatic increase in October, though except for these few days the prominence of the term was similar to that in the U.S. The German government’s explanations of the crisis were apparently reassuring in this phase.

For a long time, interest in “unemployment” was at similar, steady levels in both countries. Only in September and October did American interest in the topic wax significantly, rising to its current levels above those of Germany. Out of the inertness of the German data one can speculate that the theme is not yet considered relevant there, despite already being speculated about publicly. Although the credit crunch and the financial crisis have generally decreased in significance, themes of recession have grown in magnitude, especially unemployment. This highlights the political importance of maintaining and increasing jobs.

### **Election Objectives and Supporters**

Given these macroeconomic developments, economic objectives have come to play a central role in the presidential election, as seen in the candidates’ convention speeches, the selection of their advisers and in the strong emphasis placed on economics in their party’s election programs. <sup>iii</sup>

## DIWDC Policy Brief

**Table 4 Total Revenue from the top 20 Contributors (in Thousands USD)**

Barack Obama		John McCain	
University of California	777	Merrill Lynch	349
Goldman Sachs	743	Citigroup Inc	290
Harvard University	505	Morgan Stanley	249
Citigroup Inc	499	Goldman Sachs	220
Google Inc	493	JPMorgan Chase & Co	210
JPMorgan Chase & Co	478	AT&T Inc	181
National Amusements Inc	437	Credit Suisse Group	175
Microsoft Corp	434	PricewaterhouseCoopers	163
UBS AG	419	Blank Rome LLP	161
Lehman Brothers	391	US Army	150
Time Warner	388	Wachovia Corp	150
Wilmerhale LLP	383	US Government	149
Sidley Austin LLP	371	Bank of America	142
Skadden, Arps et al.	361	UBS AG	141
Morgan Stanley	344	Greenberg Traurig LLP	141
Stanford University	342	US Dept of Defense	127
Latham & Watkins	328	FedEx Corp	123
Jones Day	314	Gibson, Dunn & Crutcher	122
General Electric	299	Lehman Brothers	115
University of Chicago	294	Bear Stearns	108
Total Revenue*	603 000		358 000
Expenditures	470 000		262 000

Note: Money does not come directly from the named organizations; instead, individual members, employees, and owners pool money and make a group contribution in organizations' name (a PAC).

\* For Obama, 90% are individual contributions. For McCain, 54% are individual contributions.

Sources: <http://www.opensecrets.org/pres08/contrib.php?cid=N00009638&cycle=2008>

<http://www.opensecrets.org/pres08/contrib.php?cid=N00006424&cycle=2008>

<http://www.opensecrets.org/pres08/index.php?cycle=2008>

Accessed: 27 October 2008

### The Economic Programs of the Candidates

To fight the financial crisis, both candidates want to forcefully implement the over 700 billion dollar financial sector rescue plan. Taming the escalating crisis and its large, long-term absorption of public funds, however, necessitates the short-term adoption of government programming. This is why Obama announced a 60 billion dollar economic program on October 13th and McCain announced an over 52.5 billion dollar package on October 14th, both without making specific statements as to how their programs would be financed. Both candidates would like better oversight in the financial sector and support the measures being taken by the U.S. government and the Federal Reserve. Obama views providing the banks with liquidity and net equity as the primary goal, while McCain has called for removing objects of risk from the financial system and recycling them. McCain is trying to distance himself from the current president by critiquing the Bush administration and blaming Wall Street greed. In the past, the Republican Senator has stood more for deregulating the economy than Obama.



Regarding taxes, Obama would like to terminate the tax break enacted by the Bush administration for top earners. McCain, on the other hand, would like to keep the tax break. He is for smaller government, whereas the Democrat Senator has argued for stronger government involvement. Both would like to relieve the middle class.

As regards climate change, both candidates support emissions trading. McCain, however, opposes joining the Kyoto protocol to reduce greenhouse gases. If China and India should join, however, McCain would consider taking special steps for the U.S. Obama favors setting a realistic, binding goal towards the global reduction of dangerous emissions - one that would include China and India.

Regarding energy, the candidates favor the use of nuclear power. Obama is also open to discussion about off-shore drilling. McCain would like to re-allow off-shore drilling, massively expand nuclear power, and to promote the development of new technologies in order to end the era of fossil fuels.

As to health care, Obama would like to establish a national health program that would give all citizens access to insurance. His program would be mandatory for children. McCain would also like to make it easier to get health insurance; his focus, however, places greater emphasis on competition and reducing health care costs. Pharmaceutical corporations and insurance companies should be brought under stronger control.

Regarding illegal immigration, Obama favors a regulated course to legal residency, which would be linked to a language acquisition requirement. He would increase the punishment for illegal work and favors establishing a fence at the Mexican border. In 2006, McCain co-authored the Kennedy-McCain comprehensive immigration bill containing similar stipulations (a bill that failed to pass the House of Representatives and eventually the Congress), but McCain says he would no longer support such a bill today.

McCain stands for free trade and for the international free trade agreements of the Bush administration. Obama, on the other hand, would like to re-negotiate the North American Free Trade Agreement to better protect U.S. interests. One can expect a stronger tendency towards protectionism with Obama.

Both candidates would like to work for stronger transatlantic relationships. Obama views the countries of Europe, especially Germany, as important allies. By emphasizing the necessity of multinational conflict solutions, McCain has set himself apart from Bush. Obama has also stressed that greater participation by NATO and Germany is needed in settings like Afghanistan.

### **The Supporters: Money, Ethnicity, Media, Advisers**

At the heart of American elections is fundraising. Complete armies of fundraisers support the candidates, each of whom also provides a considerable personal contribution. The combined budgets of McCain and Obama total over a billion U.S. dollars. Obama (Table 4) has the lion's share of the sum: over 600 million dollars, despite being the first candidate in U.S. history to reject public funds. Ninety percent of Obama's funds are from individual donations; for McCain, this category comprises only 54 percent of his funds. As of October 27th, Obama had raised 603 million dollars, while McCain had raised 358 million.

The list of the top 20 biggest donors for both candidates is littered with names from the financial branch. Lehman Brothers, which has figured prominently in

Table 5  
U.S. 3rd Quarter Unemployment Rate by Age and Race Affiliation  
By percent

	Caucasian	African-American	Asian-American	Hispanic
<20	17.2	32.3	16.4	25.1
20 to 24	9.1	19.7	6.4	11.3
25 To 34	5.0	10.8	4.5	6.5
35 to 54	4.6	7.4	2.8	6.2
45 to 54	3.5	8.0	3.4	6.0
>55	3.9	6.9	3.8	4.9
All Age Groups	5.3	10.9	4.1	7.7

Source: Bureau of Labor Statistics.

the financial crisis, is but one example of a company that gave to both candidates. Obama's top list also features four elite universities (University of California, Harvard, Stanford and Chicago), while McCain's also includes the U.S. Army and the U.S. Department of Defense. These organizations do not make donations directly, however; instead, their "political action committee" (PAC) collects funds from individual members, employees and owners. This generates an impression of which parts of society carry a respective campaign.

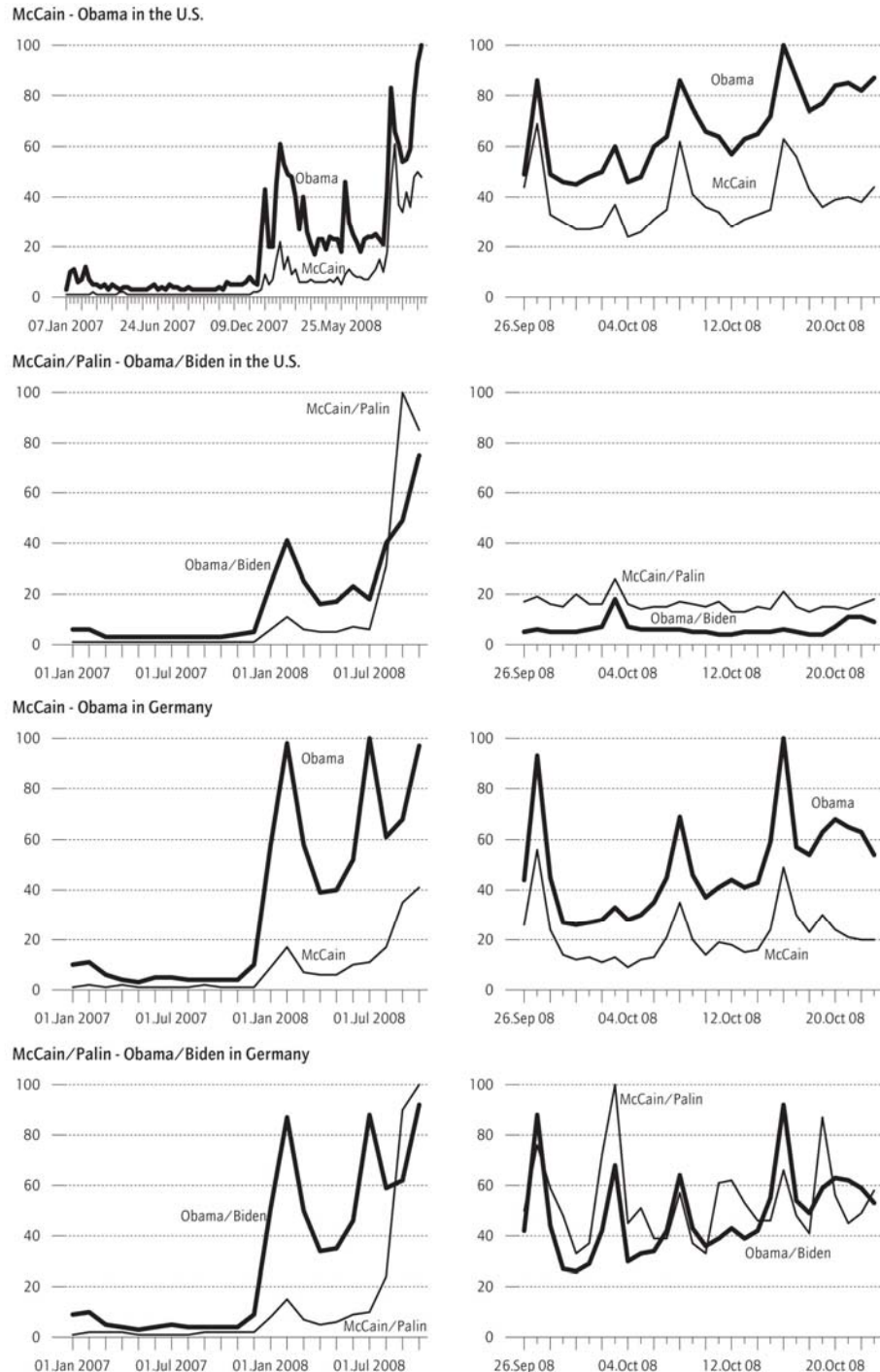
The American electorate has a clearly ethnic differentiation.<sup>iv</sup> The majority of American voters belong to a political party; among this group, white voters are frequently Republican, while black, Hispanic and Asian voters are often Democrats. Asian and Hispanic voters comprise a large portion of those who do not have a party affiliation. Table 5 shows that black and Hispanic citizens are currently suffering the greatest



unemployment, especially young people. Current polls suggest that Obama is attracting almost the entire black vote and 2/3 of the Hispanic vote. A clear relative majority of the white vote, on the other hand,

favors McCain. Asian voters are leaning towards Obama, except for Vietnamese-Americans, who favor McCain. Although Obama is currently leading in the polls, the Electoral College could still influence the outcome of the election (See “The American Presidential Election,” pp. 3).

Figure 12  
**Internet-Based  
Evaluation<sup>1</sup> of  
Presidential  
Candidates**  
By percent



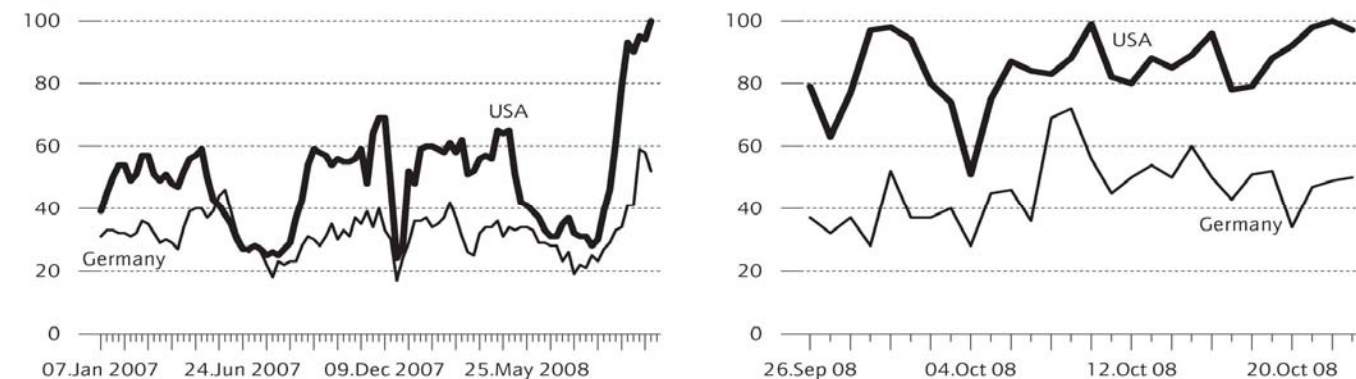
**1** Figures based on the total internet searches in given country pertaining to given key term. Figures normalized based on country. Sources: Google Insights, Calculations by DIW Berlin.

Figure 13

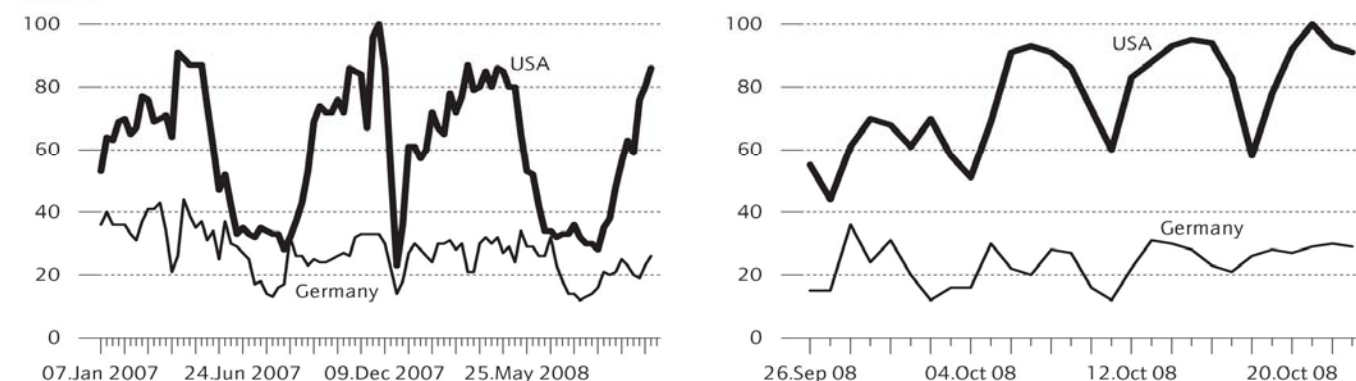
**Internet-Based Interest in “Racism” and “Capitalism”**

By percent

Capitalism



Racism



**1** Figures based on the total internet searches in given country pertaining to given key term.

Figures normalized based on country.

Sources: Google Insights, Calculations by DIW Berlin.

Meanwhile, several famous newspapers have expressed their support of Obama, including the Financial Times, the New York Times, the Anchorage Daily News (from Alaska, the home state of Sarah Palin), the Los Angeles Times and the Washington Post.

When it comes to economics, both sides are supported by renowned economists. McCain's chief economic adviser is Douglas Holtz-Eakin, the former director of the Congressional Budget Office. His economic plans are supported by Nobel Prize winner Gary Becker (University of Chicago), Michael Boskin (Stanford University), Kenneth Rogoff (Harvard University), Harvey Rosen (Princeton University) and John Taylor (Stanford University). Obama's chief economic adviser is Austan Goolsbee of the University of Chicago. Furthermore, he can rely on the support of economists like David Cuttler, Jeffrey Liebman,

Lawrence Summers (all of Harvard University) and Nobel Prize winner Joseph Stiglitz (Columbia University). A survey of the fellows of the United States' renowned National Bureau of Economic Research (NBER) revealed that economic experts prefer Obama's plans, believe him to possess greater economic competence and expect him to enlist the better advisers.

### **The Election: The Internet as an Indicator of the Attraction of the Candidates**

Searches for information about the presidential candidates on the internet also indicate levels of public interest in the Obama-Biden and McCain-Palin teams. Figure 12 summarizes the number of searches by month in 2007 and 2008 and again in the 30 days leading up almost to the election. In the U.S., the number of hits since the beginning of 2008 (and the start of the primary elections) have markedly increased, especially for Obama. It was not until August that McCain was able to catch up, though he returned to being behind his rival in the final weeks preceding the election. McCain's temporary increase in popularity may be attributed to the nomination of the candidates for the vice presidency, when Senator Biden was perceived as dull in comparison to Governor Palin. This caused interest in the McCain-Palin ticket to grow, so that both tickets were experiencing a similar number of hits. Whether this also has anything to do with Palin's weak public appearances is open to interpretation. Interest in both presidential candidates rose around the times of the three public debates. The increasing harmonization of the internet searches for both candidates leads one to believe that the election could be closer than is made out in many polls.

In Germany, interest is concentrated around Obama; there has been only a slowly increasing interest in McCain. In the past few weeks, in fact, the difference between the two increased markedly in Obama's favor. This is not true, however, when it comes to the tickets; since September, McCain-Palin has seemed poised to overtake Obama-Biden and in recent weeks the tickets hovered around similar levels.

Figure 13 illustrates internet searches for the term "capitalism." The possible root crisis of capitalism is apparently more occupying to the U.S. than it is to Germany. German searches for the topic did not experience unusual attention until the escalation of the financial crisis, but even then the levels in Germany were not as strong as in the U.S. It appears that Americans are reflecting on capitalism more than Germans.

Latent racism is a theme of the American election that cannot be ignored. While McCain has not contributed any problems here, racism could be a factor that evades polling. A comparison of the numbers of searches for the term "racism" shows that interest in the term in the U.S. experiences cyclical

fluctuation, while German interest is much more stagnant. A long-term upwards movement after the beginning of the primaries or after the nomination of Obama cannot be determined. Daily measures from the last weeks before the election show that American hits for “racism” clearly decreased after each of the three presidential debates, if only temporarily.

## Conclusions

The current financial crisis, in conjunction with the ever increasing economic influence of Asia and Eastern Europe, has weakened the might of the United States. In light of these historic economic challenges, Americans need to call upon their problem-solving abilities, confidence, optimism and economy. As international cooperation increases in necessity, transatlantic relationships will continue to play an important role. This relationship will last long into this century; however, it will prove more costly for Germany, as well as Europe, going forward.

International financial hierarchy has been revamped in the hope of preventing a global recession. Such reforms augment the challenges of global warming, energy shortages, demographic changes, food supply, international financial liberalization, job security, job creation and changes in social welfare (especially in regards to health and housing).

The financial leeway of the American president is limited by the expenses of the Iraq war, domestic economic programs and financial restructuring to rescue the economy. Both candidates are qualified to tackle these problems and are less different than they may appear from a European perspective. Construction will be less important than conservation, as financial leeway will be tight regardless of who the president will be. The solution does not lie in a strong government that arranges everything, even if this is what is demanded. As much as “change” is required, it remains difficult. It will be interesting to see who the American people chose to handle the responsibilities of its highest office.

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- i. Cf. Dreger, C., Kooths, S., Weber, S., Zinsmeister, F., Herbstgrundlinien: Realwirtschaftliche Auswirkungen der Finanzkrise beherrschbar, DIW Wochenbericht, Volume 75, Nr. 41, 2008, 612-634.
  - ii. Cf. Alesina, A., Baldwin, R., Boeri, T., Buiter, W., Giavazzi, F., Gros, D., Micossi, S., Tabellini, G., Wyplosz, C., Zimmermann, K.F., Europas Bankenkrise: Ein Aufruf zum Handeln, DIW Wochenbericht, Volume 75, Nr. 41, 2008, 640-641.
  - iii. Information on the candidates’ plans may be found online:

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McCain: The Republican election platform may be found at “<http://platform.gop.com/2008Platform.pdf>,” the text of his 4 September 2008 nomination speech at “<http://portal.gopconvention2008.com/speech/details.aspx?id=84>” and his economic program at “<http://www.johnmccain.com/issues/JobsforAmerica>”

Obama: The Democratic election platform may be found at “<http://www.demconvention.com/assets/downloads/2008-Democratic-Platform-by-Cmte-08-13-08.pdf>,” the text of his 28 August 2008 nomination speech at “<http://www.demconvention.com/barack-obama/>” and his economic program at “<http://www.barackobama.com/issues/economy>.”

iv Frey, W.H., Race, Immigration and America’s Changing Electorate, The Brookings Institution, mimeo., 2008.