

Masters of Universe in hopeless bind

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Washington

In the end, the financial markets didn't stand a chance against voter antipathy, partisanship and election-year politics.

The defeat of the extraordinary \$US700 billion (\$A866 billion) financial rescue package represented a perfect collision of the forces of modern politics - a fast-moving internet campaign, vulnerable incumbents, a weakened and unpopular president and a roiling presidential campaign - all working against the so-called Masters of the Universe.

Polls showed widespread public opposition to the plan - the biggest federal intervention in financial markets since the Great Depression of the 1930s - and many Republicans saw such an enormous set-aside of taxpayer money as an unnecessary intrusion into free markets. Of the 19 most endangered House incumbents, 13 voted no.

House Republican Whip Roy Blunt, of Missouri, who played a leading role in the final negotiations, said, "This is one of those scenarios where nobody really wanted to do it."

Such a roaring confluence of opposition could only have been overcome with strong party discipline and presidential power. But a weakened and unpopular President George W. Bush, combined with legislators forced to weigh the vote against their political careers, conspired against success.

Outside Congress, furious pressure built up against the Bill in email campaigns and on internet websites. The Club for Growth, a conservative free-market-oriented group, warned lawmakers that it would count a vote for the legislation as a vote against those politicians courting the group's support.

Long-time conservative activist Richard Viguerie warned that legislators who voted for the rescue package would be targeted for defeat.

"Republicans and Democrats alike who support this monstrosity will face the wrath of the voters if they stand side by side with predatory politicians and bureaucrats and their greedy friends who got us in this mess."

Opposition on the House floor came



LAME DUCK: A grim George W. Bush.

from an unlikely coalition of conservatives and liberals. The progressive group MoveOn.org aired an ad blaming the financial crisis on John McCain and his allies.

All those forces worked against powerful special interests. The US Chamber of Commerce and a diverse group of industry lobbying organisations, ranging from the National Association of Realtors to the American Hotel and Lodging Association, pressed Congress to back the Bill, pointedly noting that they would also consider this a key vote when ranking members.

The vote also represented an extraordinary rejection of Mr Bush, who personally called wavering lawmakers and delivered a last-ditch public appeal yesterday morning, as well as of Treasury Secretary Henry Paulson and the chairman of the Federal Reserve, Ben Bernanke.

Representative Mike Rogers, a Michigan Republican, said, "Despite days of negotiating, this is still the same bail-out Bill, written by a Wall Street guy with a Wall Street solution to a problem created on Wall Street. 'This Bill was still a blank cheque to Henry Paulson.'"

The vote also did nothing for the presidential contenders, Democrat Barack Obama and Republican Senator McCain. Both stepped into the fray last week and boasted of exercising leadership in the negotiations.

Not only did most of Senator McCain's Republican colleagues vote against it, so did all his fellow legislators from Arizona. Senator Obama could not sway many House liberals, not even a majority of the Congressional Black Caucus. **AP**

Australians ringside at death of a superpower

RUNNING SCARED

By Lynne Minion

It's being called a financial Armageddon and has created such alarm that some Americans are reportedly stockpiling guns, ammunition, tinned food and Treasury bonds, while in Australia experts warn we could be witnessing the death of a superpower.

The world, it seems, is turning on its axis. Whether or not this is the end of the world as we know it, the capital crash has evoked a re-evaluation of the balance of global pecuniary and political power.

Professor of public ethics at Charles Sturt University, Clive Hamilton, said the once apparently formidable Western powerhouse had shown its weakness.

"It certainly signals the sharp decline and expected future decline in the economic and political influence of the United States around the world," Professor Hamilton said.

"Apart from anything else it's a sort of massive humiliation to the US that its financial system is going into meltdown and has to be bailed out."

The German Finance Minister, Peer Steinbrueck, might have been prophetic last week when he told his Parliament, "The long-term consequences of the crisis are not yet clear. But one thing seems likely to me: the USA will lose its superpower status in the global financial system."

Wall Street may never be the same again and the perception of the US's invincibility is also unlikely to recover.

For those living in Australia, a country that has aligned itself closely with the US, the short-term consequences of a shifting international cashscape can be fear.

After all, many of those outside the fields of finance or diplomacy have no real idea of what the ramifications of a crisis such as this will be, according to Professor Michael Smithson of the School of Psychology at the Australian National University and co-author of *Uncertainty and Risk*.

"It would be more a fearful sort of thing for people who are thinking that instability might have bad outcomes for them or bad consequences for them," he said.

"The more that it is referred to in terms like melt down or catastrophe, the more think that something bad has really happened."

But those are fears that are perhaps reserved for the well-off in Western countries, with those in non-aligned nations more likely to see this crisis as recompense for the US's hubris.

"The way that the US is perceived around the world, not everybody is going to think that it is necessarily a horrific thing that the US loses power."

In Australia, there are no signs of celebration with many Australians concerned about the impact of the crisis on their retirement plans, mortgage repayments or credit card debts.

Author John Birmingham's new novel *Without Warning*, issued yesterday, is based on the premise that the US disappears, taking



READ IT AND WEEP: A trader on the New York Stock Exchange watches nervously as the numbers board reflects the market's plummet yesterday. Photo: AFP

a somewhat prescient look at the implications for the world.

He conjectures there are reasons to worry because the worst-case scenario could be dire.

"Putting on my most pessimistic face, it will be the 1930s all over again; soup kitchens, millions of people on the breadline, interstate conflict, wars, horror, four horsemen of the apocalypse, that's as bad as it will possibly get," Birmingham said.

And while that scenario is unlikely to occur, the failure of the US Congress to approve a

bail-out of that nation's banks is "very disturbing" because it adds to the overall uncertainty.

Inaction by legislators, reports of China's substantial investment in US banks, collapsing institutions and Wall Street suffering its worst single-day decline have fuelled concerns. Which is no surprise given that financial failure has led to dramatic world change in the recent past - when the Soviet Union collapsed and the US emerged as the uncontested superpower. Professor Hamilton believes China won't replace the

US in that role but will be one of a number of powers presiding over a multi-polar world, together with a reduced US, Europe and possibly Russia. And the US will be politically humbled too. "In terms of the prestige of the US, [it] has already taken a severe battering as a result of the ineptitude of the Bush Administration," Professor Hamilton said. "Now the economic might which has traditionally backed the US's political influence is seen to be extremely fragile and so people will be saying, 'Well why should we take so much notice of the United States?'"

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