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U.S. ECONOMIC WOES

He who pays the piper can call for silence

By DAVID CAPLOE
FOR THE STRAITS TIMES

A KEY question that haunts the United States presidential race - but is barely discussed amid the frenzy over Sarah Palin - is how the US economic situation could have become so bad. The latest symbol of both the mess as well as the inability to talk seriously about it is the Bush administration's bailout of the "private/public" mortgage giants, Fannie Mae and Freddie Mac.

Leaving aside the many grave economic and political issues raised by the move, what is most bizarre is that both the John McCain and Barack Obama camps have been silent about what may well turn out to be the most massive taxpayer-funded bailout in US history.

The reason for their silence is that both campaigns rely on individuals and fund-raising networks associated with Fannie and Freddie and the mortgage and banking industries in general.

This dependence by Democrats and Republicans alike on major corporate players for their campaign financing explains not just the mortgage mess but also the staggering state of the US economy in general.

The extensive connections between Fannie and Freddie and the two campaigns have been reported, if not commented upon, extensively. On Sept 9, for example, The New York Times' Jackie Calmes reported: "Each man and his party have ties to the fallen giants that will complicate the next president's job of reshaping the mortgage finance companies that have been essential to the economy."

The two firms, she added, "have long been careful to hire from and contribute to both parties", with Fannie Mae favouring Democrats and Freddie Mac the Republicans.

Despite Mr McCain's call since July for a ban on lobbying by the two firms, his close circle is full of current and former directors and lobbyists of the companies.

Similarly, despite having been in the Senate for less than four years, Mr Obama ranks second among members of Congress in the amount of donations he has received from the two firms' employees and political action committees.

The mortgage giants are not the only ones to have had a corrupting influence on the American political system. Another example is the extent to which the major pharmaceutical companies - known as "Big Pharma" - have dominated public discourse about, and legislative action on, the catastrophic US health care system.

No less significant are the massive campaign donations of media companies - the most direct beneficiaries of the endless and expensive election cycles, due to the centrality of television advertising in political campaigns. Their campaign contributions are a major reason the US has not mandated either a shorter electoral cycle, such as in Canada or Britain, or free TV time for political parties, such as in Israel and some European countries.

It is impossible to avoid the following conclusions: The deeply dysfunctional US campaign finance system is a major cause of the structural economic difficulties that America faces today. Precisely because both major parties have been equally corrupted by the system, neither wishes to raise it as a subject of serious public discussion. He who pays the piper can not only call the tune but also demand silence on certain troubling subjects.

Until something is done about both the length of US election cycles and the way these marathons are financed, we can expect little in the way of meaningful discussion of America's many problems. Given the centrality of the US economy to the global economy, this is a problem not just for Americans but the entire world.

And the world can do nothing about it.

The writer is president and CEO of the Singapore-incorporated American Center for Applied Liberal Arts and Humanities in Asia.