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# The Perseverance of Neoliberalism: Why Obama Has Not Shifted Trade Policy in Response to the Great Recession

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# **The Perseverance of Neoliberalism:**

## **Why Obama Has Not Shifted Trade Policy in Response to the Great Recession**

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## INTRODUCTION

Throughout the last century, major economic downturns usually caused political parties to revise their policy platforms in significant ways. During the Great Depression of the 1930s, for instance, Franklin D. Roosevelt shifted the economic philosophy of the Democratic Party in favor of a larger governmental role in the management of the economy. From that point forward, this was the approach that characterized economic policy in Washington. Then, with the continuing stagflation of the 1970s and the recession of the early 1980s, Ronald Reagan shifted the economic philosophy of the Republican Party in favor of a school of thought known as neoliberalism. Neoliberalism is characterized by the principles advanced by academics such as Milton Freidman and Friedrich Von Hayek, who favored limited government interaction in the economy and a focus on the free market. This then became the dominate approach that characterized economic policy in Washington for the remainder of the century.

Today we are in the midst of a major economic downturn and the Democratic Party under Barack Obama has recently assumed office. Many have wondered whether Obama will follow the trade liberalization stance of his predecessors or shift his party's position on trade. Some in the media have claimed that Obama will seek change, stating that "US trade strategy will change dramatically" and that the president appears to be "suspicious of trade liberalization." Others are uncertain of what he will do, stating that he "seems to have everyone guessing." According to the *New Zealand Herald* just after the election, it is "part of Obama's genius" that "we don't know what he really wants to do on a lot of things" (Holmes 2008).

Is Obama attempting to shift the Democratic Party's position regarding trade? Although many policy changes have been made, such as healthcare reform, international trade policy appears to have gone largely unchanged. The conventional policy stance on trade within the Democratic Party since the Clinton presidency has been characterized by the pursuit of trade liberalization. The absence of a policy change in this field runs contrary to historical precedent and could signal that neoliberalism may not be doomed as a result of the current recession. Such a finding would undoubtedly be significant for researchers to explore. Explaining why the recession has not caused a shift in Obama's trade policy is central to this study.

Why hasn't Barack Obama shifted the economic policies of the Democratic Party regarding trade? To answer this question, we must consider the underlying forces that are leading Obama to come to the decision that such a shift would not be beneficial. Possible answers may be ideological conviction, public opinion, political opposition, media influence, and interest groups, among others. It is well known, however, that trade policy is often affected most by groups who have vested interests in the outcome of those policies. For this reason, these groups are the focus on this research. Specifically, this study argues that Barack Obama has not shifted the Democratic Party's trade policy because business groups have influenced his trade agenda. These groups are constraining Obama from making any significant shift.

The approach of this study is qualitative rather than quantitative. It compares the Clinton and Obama administrations to understand Obama's economic policy. Since Clinton was the most recent Democratic president prior to Obama, his positions on trade will be used as a benchmark for comparison. The data will include an examination of

government documents, presidential remarks and speeches, media reports, and academic resources. This study will cover the first two years of the Obama presidency from the time he was inaugurated in January of 2009 until just before the midterm elections in November 2010. Two variables will be examined for comparison. The first is the rhetoric of each president and the second is the specific policies pursued by each president. This paper will explore examples from the Clinton administration and then compare them to the Obama administration's actions to see if any significant changes are present. For simplification, policy case studies will be limited to those dealing with Latin America and China. These areas were chosen because both Clinton and Obama have defined positions regarding those regions.

In the next section, a literature review is presented. The scholarly debate surrounding the nature of political decision making and political party change and realignment are highlighted. A discussion of the Clinton presidency and its significance to the contemporary Democratic Party platform is also presented. After this, the main case studies are dealt with. To begin, the rhetoric of the Clintons and Obama administrations are presented followed by an analysis of the two. Then the policy positions of each president are discussed and the case studies of trade policy under each president are presented. They are then analyzed and any significant changes noted. Finally, this study will explain Obama's trade policy by focusing on how the business community is influencing his administration.

## LITERATURE REVIEW

In this section, the academic literature relating to the concepts of political party alignment and the current political environment facing the Obama administration is presented. The literature review is divided into three parts. The first describes the concept of party policy making and discusses how parties make policies in a democratic context. The second discusses how and why political parties alter their policy positions. The third focuses on President Obama and reviews the literature regarding his economic policy decisions.

### *The Basis of Party Policy Making*

According to a large number of scholars, a political party's policy position is a strategic process influenced by electoral factors. Several scholars have written about this aspect of political parties. One of the most notable of these scholars is Anthony Downs (1957), who contends that the ultimate goal of political parties in a democracy is to win elections. With election being its main goal, a political party seeks to strategically set its policies in accordance to the preferences of voters in an attempt to increase the number of votes it receives. As Downs and others explain, party ideology is critical to this strategic process due to the lack of information among voters. Essentially, voters are unaware or cannot realistically determine all of the details and consequences of the specific policies that a political party advances (Downs 1957). Because of this uncertainty, parties develop ideologies as a way to relate their policies to the personal values and interests of the electorate (Downs 1957).

Other scholars have added to this perspective of party behavior. John Roemer (1994) is one notable scholar who captures the strategic role of ideology. Roemer



provides a theoretical example which models the economic theories put forth by two hypothetical political parties in a society with two hypothetical classes. Basically, he contends that each party tailors its own ideology to the personal values and interests of the class it is seeking to capture (Roemer 1994). In his example, one party creates an ideology which caters to the rich class while the other creates an ideology that focuses on the poor class (Roemer 1994). He concludes that in a two party system, an ideological equilibrium exists where each party seeks to align themselves in order to maximize their votes and their chances of winning elections (Roemer 1994). According to Roemer (1994: 327), “what appear as liberal and conservative ideological views emerge as simply good strategies in the electoral game.” A similar analysis about the role of ideology in elections is made by Joseph Harrington (1993). Harrington argues that under certain circumstances, incumbent politicians are more likely to implement economic policies that relate to the values and interests of voters, rather than policies which are designed to maximize income. This is largely done for the ambition of reelection.

### ***The Concept of Party Realignment***

Occasionally, political parties shift or alter their policy positions and develop new ideological approaches and rhetorical dialogue regarding their policy decisions. This is usually done for the purpose of gaining electoral advantages or increasing a party’s level of competitiveness and is often done in response to profound changes within the electorate. There have been several notable scholars who have studied this phenomenon. Some have focused more heavily on the electoral aspect of this realignment phenomenon while others have focused more heavily on the responses of the political parties. Although this study is ultimately concerned with party response rather than electoral

changes in our analysis of Obama, both aspects are part of the same phenomenon and both will be examined here in relation to each other.

### *Electoral Shifts*

The two most notable scholars of electoral shifts are V.O. Key (1955) and Walter Dean Burnham (1970). Key, in particular, introduces the theory that there are “critical elections” that occur throughout history which reflect sharp and long-lasting readjustments of voting behavior within the American electorate. In critical elections, the current partisan and ideological divisions that exist within the electorate are dramatically altered and new divisions and groupings emerge. Key tests his theory by examining voting behavior in the years leading up to the Great Depression and the election of FDR. His findings suggest that a sharp electoral realignment occurred in the late 1920s primarily distinguished by social and economic class cleavages. Burnham adds to Key’s theory. Basically, he advances the notion that political parties are components of an overall political party system. These political party systems maintain a stable equilibrium between voters where both parties provide an even balance between the differing views of the electorate. Occasionally, however, there are critical realigning periods and elections, usually at times of crisis, where each party’s voter base is shifted and a new balance emerges. This marks the end of one party system and the beginning of another.

The exact causes of these realigning shifts within the electorate are somewhat disputed among scholars. In general, there are two differing explanations that scholars suggest. They are either viewed as the result of the sudden occurrence of new crosscutting political issues or the product of profound social and cultural changes within the electorate over time. One notable scholar that advocates the former perspective is

James L. Sundquist (1983). According to Sundquist, electoral realignments happen when new issues or circumstances occur that divide the electorate along new cleavages which crosscut traditional political party divisions. After examining three major realignments in U.S. history, Sundquist concludes that all three have occurred due to the rise of new events and issues. In the realignment of the 1850s, the issue was slavery. In the realignment of the 1890s, the issue was the industrial revolution and concerns of income inequality. In the realignment of the 1920s and 1930s, the issue was the Great Depression.

According to the latter perspective, electoral shifts are the result of social and economic changes that take place within the electorate over time. Some notable scholars that advance this perspective are Burnham (1970) and Scott Flanagan and Russell J. Dalton (1984). According to Burnham (1970: 140), “major reorganizations of the American social structure seem to have underlain every era of critical realignment in the past.” He adds that these reorganizations “have produced cumulative strains on social and political consensus” and this leads to realignment (Burnham 1970: 140). He argues that social changes contributed to the realignment of the 1890s and that social changes in the 1960s would most likely contribute to another. In the 1890s, a new and growing urban industrial class had been pitted against a traditional rural class. In the 1960s, a new post-industrial elite, along with minorities and lower class individuals, was pitted against a traditional middle class. Flanagan and Dalton argue a similar case. They argue that increased party volatility and instability among voters in advanced industrial societies throughout the 1970s can be attributed to socioeconomic alterations within the electorate. They argue that things such as rising income, affluence, and education have lessened

class distinctions and, as a result, class-based values and interests have diminished in importance. This, in their opinion, can lead to realignment because the values and interests marked by the old party system no longer apply to this changing social system.

They also advance the possibility of another electoral phenomenon known as electoral dealignment. They argue that social change has decreased the traditional functionality of political parties and increased the role of single-issue interest groups and, as a result, political parties may no longer play the critical role they once did in the political system. Ronald Inglehart (1990) advances a similar view. He argues that economic changes in advanced industrial society has led to the rise of postmaterial values where voters emphasize matters of personal expression and social issues over traditional matters related to the economy. This has fundamentally altered voter behavior and put pressure on political parties to respond to new voter demands.

### ***Party Response***

The literature makes it clear that party leaders themselves are ultimately responsible for realignment. One notable scholar on this aspect of party realignment is Frank L. Wilson (1994). Wilson argues that various types of electoral pressures, such as an economic crisis, influence party decisions when it comes to making adjustments to policy positions. He argues that this pressure is felt by parties and their members when they are no longer electorally successful. He explains that parties under these circumstances often reevaluate their overall electoral position and seek to make major adjustments in their policy positions, campaign tactics, and rhetoric in order to influence new constituency groups and regain competitiveness. He explains that it is party leaders

who are critical in the reorganization process and they are most often the ones who initiate these policy shifts and determine how they will take shape.

There are times, however, when political parties decide not to make alterations despite electoral pressures. This is often due to institutional rigidity, such as the fear of lost credibility among core constituency groups. Both Burnham and Wilson make this point. According to Burnham, political parties have well-defined constituency groups and ideological doctrines and may, therefore, not be able to adapt to a sudden rise in new demands without jeopardizing this structure. According to Wilson, party leaders sometimes decide not to make changes because they fear losing the support of loyalists who identify strongly with the party's established doctrine.

The most recent party realignment took place from the 1960s until the 1980s and represented a conservative shift within the electorate. It is clear from the literature that a variety of factors contributed to this conservative realignment. Most of these explanations are derived from the concepts of party and electoral alterations previously discussed. That is, a combination of socioeconomic changes within the electorate as well as the salience of new crosscutting issues were primarily responsible. As a result, the Republican Party was able to move toward electoral dominance with the election of Ronald Reagan, who was able to respond effectively to new electoral demands.

Scholars cite several factors that contributed to this conservative movement within the electorate. For instance, Inglehart explains that greater economic security and stability fostered by advanced industrial society has caused what he refers to as "diminishing marginal utility of economic determinism." Essentially, advanced industrial societies have achieved a greater level of economic security and, as a result,

they begin to place more emphasis on postmaterialist rather than materialist values. They have begun to place less value on personal and class based economic interests and more emphasis on the pursuit of personal expression and social values. This, in his opinion, decreased the political importance of welfare state expansion, which had been a key component of the New Deal consensus. John Sloan (1999) also explains that the economic crisis of the 1970s worked to discredit much of the economic management tactics of the New Deal. He explains that a decline in productivity along with a combination of stagnate growth and inflation, known as stagflation, discredited the Keynesian economic approach of the New Deal. According to Kevin Phillips (1969), moreover, the conservative realignment within the electorate can largely be attributed to the advent of the civil rights movement and the growing migration of African Americans into industrial urban areas. In his opinion, this placed African Americans firmly into the Democratic camp but spawned a large conservative reaction among Southern and suburban whites away from the New Deal coalition.

In response to this conservative realignment and the electoral dominance that the Republican Party had been able to achieve, the Democratic Party in the 1990s sought to reevaluate its policy positions on a variety of issues. The Democrats eventually shifted many of their policy positions along with their rhetorical dialogue and ideological doctrines in order to regain competitiveness. The realignment of the Democratic Party took place with the election of Bill Clinton, whose rhetoric and policy initiatives characterized what was referred to as a "Third Way." Clinton's "Third Way" sought to provide an alternative to the conservative ideologies while being distinguished from old liberal doctrines. Since Clinton's presidency, this has been the equilibrium position of

the Democratic Party. Many scholars have discussed the nature of Clinton's "Third Way."

Jon F. Hale (1995) is one scholar who discusses how Clinton became the leader of a splinter group within the Democratic Party known as the Democratic Leadership Council (DLC). The DLC sought to reorganize policy proposals and reshape the image of the Democratic Party to make it more electable. The Democratic Leadership Council was created during the Reagan years and sought to provide a forum where party members could discuss modernizing the Democratic Party by appealing as a more centrist party. He also notes that the organization attempted to appeal more to the interests of business rather than organized labor.

Kenneth S. Baer (2000) and Desmond King and Mark Wickman-Jones (1999) discuss Clinton's rhetoric and policy proposals. Baer explains how Clinton shifted his rhetoric away from the traditional liberal position by advocating things such as reductions in the size and scope of government and advocating a reduced welfare state by promising to "end welfare as we know it." Baer also describes how Clinton bypassed liberal party leaders in Congress to propose a budget reduction plan which matched a Republican proposal in size and sought to greatly reduce federal expenditures. This, he argues, placed Clinton firmly in the political center rather than on the political left. Baer also notes that Clinton promoted trade liberalization, particularly through the passage of the North American Free Trade Agreement (NAFTA). King and Wickman-Jones (1999) analyze Clinton's welfare reform agenda and its political implications. They argue that Clinton's centrist position on welfare reform largely targeted middle class voters and sought to reposition the party electorally. They argue that Clinton's proposal of welfare-

to-work was critical to gaining white middle class voters by assuring them that individual taxes would not be raised by overly generous social welfare programs.

Underlying much of the New Democrats' policy initiatives is a new alternative public philosophy often referred to as the "Third Way." Anthony Giddens (1996) describes this philosophy rather well. He explains that the Third Way acts as a middle philosophy that lies between the state-centered view of traditional liberalism and the market-oriented view of the new conservatism. Third Way politics seeks to emphasize the importance of market forces while also allowing government to ensure their soundness and social fairness through some levels of regulation. He explains that the Third Way does not necessarily emphasize either expanding or decreasing the size and scope of government but, instead, emphasizes reforming its functions to operate more efficiently with the ability to adapt to the circumstances of a globalized, post-industrial society.

### ***The Obama Presidency and Realignment Literature***

Since the election of Barack Obama in 2008, there has been much debate about the nature of his political agenda. Some have even called him a "socialist." More serious commentators have speculated on whether his policy initiatives will reflect Clinton's approach or whether he will seek to shift towards a Keynesian model. Overall, scholars have provided mixed views as to whether the Obama administration is attempting to realign his party or merely preserving the status quo.

Andrew Gamble (2009) is one scholar that assesses this situation. As he explains, "the politics of recession often leads to the questioning of current orthodoxies and a ruthless reassessment of former beliefs and assumptions" (Gamble 2009: 98). He argues



that the election of Obama has the potential to become a critical election much like the ones that Key and Burnham described and could be viewed as a mandate to reform the neoliberal order of the past few decades. He argues that the Obama administration appears to desire a fundamental change in domestic policy but has not expressed specific alternatives or a new fundamental view and it is unclear whether he will have the political capacity to do this. He also expresses that several alternative approaches have been formulated in response to the recession and it is still unclear which will prevail and obtain dominance in the eyes of political actors or the general public.

Although this issue is too recent for the existence of an extensive scholarly literature, there have been some political assessments of Obama's economic approach. For instance, Edward Ashbee and Alex Waddan (2010) assess the trade policies and rhetoric of the Obama administration in comparison to those of Clinton. They argue that Obama has generally given mixed signals about his intentions toward the notions of free trade. As a candidate, Obama expressed views that were both critical and accepting of NAFTA. Ashbee and Waddan also argue that his enforcement of trade policy as president has given mixed signals. They argue that he has often rigorously defended the principles of free trade in speeches but has also enacted protectionist policies, such as an import fee on some low-cost Chinese goods.

Scheherazade S. Rehman (2010) is another scholar who explores the Obama presidency. Rehman examines the policies and proposals that Obama has enacted to deal with the financial crisis and attempts to express some potential criticisms concerning the substance of those policies and what they mean politically. He argues that the Obama administration has failed to adequately address the nature of the economic crisis and has

not adequately articulated the administration's understanding of the Great Recession. This has made it difficult to assess the administration's policy position toward the financial crisis and financial reform. He also argues that the regulatory reforms imposed by the administration, such as consumer protection and oversight, have not focused on changing the incentives and assumptions which led to the crisis and that the administration has engaged the regulatory debate from the same perspectives and "groupthink" that laid the foundation for the current regulatory system and its problems. Overall, he argues that the administration has only minimally engaged the regulatory debate and not sought to make fundamental changes to the financial system.

### **PARTY CHANGE OR MORE OF THE SAME?**

In this section, Obama and Clinton's trade policies are compared. This is done in order to determine if Obama has implemented restrictive trade policies or followed the neoliberal route established by President Clinton. First, the rhetoric of Clinton and then Obama is presented. This data is used to determine and explain the primary elements of each president's rhetorical stances on international trade. Second, the trade policies of each president regarding Latin America and China are presented and explained. This will then be analyzed in order to determine each president's level of trade liberalization toward each region.

#### ***Rhetoric***

##### ***Bill Clinton***

Bill Clinton's rhetoric largely embraced the ideas and realities of economic globalization and placed a large emphasis on fostering an economy that could effectively compete within a newly globalized world. Based on the collected data, Clinton's rhetoric

on trade generally consisted of three interconnected elements. These elements are an embracement of economic globalization, an emphasis on promoting America's competitiveness in international markets, and a devotion to the concepts of free trade and trade barrier reduction. These three elements were expressed rather consistently and repetitively throughout the Clinton presidency. Each will be examined here.

Upon taking office, Bill Clinton spoke regularly of the need for America to accept and adapt to the forces of an increasingly globalized economy. Rather than resist economic globalization, Clinton asserted that the United States should embrace these forces and that the results would largely be beneficial. This position can be seen clearly in his first inaugural address in January of 1993. Throughout his address, Clinton addressed economic globalization and outlined his position regarding America's role within a globalized world. Confronting the issue of increasing globalization, he said that there are "profound and powerful forces" that are "shaping and remaking our world"; and he emphasized making globalization "our friend and not our enemy" (Clinton 1993d). By outlining economic globalization as a friend rather than an enemy, he is clearly defining his belief that the United States should seek to embrace rather than resist these changing international forces. Clinton later presented his interpretation of what economic globalization means for the nation and the effects that he believed it would have on the American political environment. In general, he argued that globalization had resulted in an interconnected international community where clear distinctions between foreign and domestic issues can no longer be made. He asserted that "there is no longer a clear division between what is foreign and what is domestic" (Clinton 1993d). According to him, "the world economy, the world environment, the world AIDS crisis, the world arms

race: they affect us all” (Clinton 1993d). To be clear, Clinton was making reference to more than just economics in his rhetoric here. The fall of the Soviet Union, increasing environmental concerns, and significant increases in democratization in many regions around the globe were also major international phenomena at the time of Clinton’s inauguration and he was referring to them as well. It is clear from these passages, however, that Clinton did address the economic aspect of globalization and presented his belief that America should accept and adapt rather than resist.

Clinton also outlined his view of how America should adapt to globalization in his inaugural address. In his view, this adaptation centered primarily on America’s ability to compete within a free international market. This can be seen from the passage already presented. Here, Clinton asserted that America prospers “in peaceful competition with people all across the Earth” (Clinton 1993d). Later in his address, he further asserted that America is now involved “in a world in which we must compete for every opportunity” (Clinton 1993d). Elsewhere in his address, he asserted that many Americans can benefit by taking part in an interconnected economy because, in his words, they are “able to compete and win in it” (Clinton 1993d).

The concepts of accepting globalization and competing globally in international markets were recurring themes throughout the Clinton presidency. In fact, Clinton’s heavy emphasis on the benefits and opportunities of global competition can be seen fairly consistently and repetitively whenever issues of trade and globalization are concerned. This can be seen perhaps most clearly in Clinton’s rhetoric regarding the House of Representatives’ passage of NAFTA in the fall of 1993. He said:

“in an economy where competition is global and change is the only constant, we simply cannot advance the security of American workers by building walls of

protection around our economy or by pretending that global competition isn't there. Our only choice is to take this new world head on, to compete, and to win" (Clinton 1993b).

As in his inaugural address, he asserted that economic globalization is inevitable and that the United States should seek to adapt by accepting this phenomenon. His catch phrase of "compete and win" was a recurring element in his rhetoric both as president and as a candidate. A similar argument can be seen in his presidential economic report in 1994. Again, he explains that the United State had become part of more globally interconnected world and that the United States must adapt and compete:

"America is part of an increasingly integrated world economy and must adapt to this new reality if we are to stay on top. There is simply no way to close our borders and return to the insular days of the 1950s. To try to do so would be an exercise in futility, doomed not only to fail but to lower living standards in the process... to realize our goal of higher living standards for all Americans, we must compete, not retreat" (Clinton 1994c).

Even toward the end of his presidency, Clinton took a rhetorical stance in support of globalization and international competition. In his State of the Union Address in January of 1997, for example, he remarked that "we need not shrink from the challenge of the global economy" and asserted that the United States was the "most competitive nation" and "can out-compete anyone" (Clinton 1997).

The third element of Clinton's trade rhetoric was his emphasis on free trade policies and the concepts of trade liberalization. Clinton often argued that opening markets by expanding free trade and reducing barriers to trade and foreign competition would benefit the United States along with the rest of the world. Nearly all of his trade rhetoric focused on reducing trade barriers and expanding free trade. In remarks regarding the House passage of NAFTA, for example, he asserted that "we must continue the fight to lower foreign trade barriers which slow economic growth here in the United

States and around the world” (Clinton 1993c). Also, in his annual economic report in 1997, he boasted about his administrations role in seeking to “expand the frontiers of free trade” (Clinton 1997c). His position on free trade can also be rather clearly in his 1994 economic report, where he declared that “all of [his] initiatives in international trade share a common purpose” which is to “open markets” (Clinton 1994b). He goes on to explain his desire to increase trade liberalization with many developing countries around the world which, according to him, “will be a major source of new export opportunities” (Clinton 1994b).

### ***Barack Obama***

Much like Clinton, Obama’s rhetoric regarding international trade is generally very supportive of economic globalization and emphasizes promoting and harnessing American competitiveness. In fact, Barack Obama’s rhetoric generally focused on three primary concepts. These three main rhetorical focal points consist of accepting and adapting to the forces of globalization, boosting American competitiveness through exports, and pursuing what he refers to as a level playing field by promoting fair trade practices among nations. Of course, the observations presented regarding Obama’s rhetoric are limited in the sense that he has only been in office for two years. Throughout our observations of Obama’s trade rhetoric during his presidency thus far, however, these three concepts tend to recur fairly consistently and repetitively.

It is clear that Barack Obama is generally accepting of the realities of economic globalization. Obama often makes the case that the rest of the world is expanding its reach economically by engaging in trade agreements with other nations. The United States, in his view, should confront this international reality by doing the same in order to

keep pace with the global community and maintain a competitive advantage. This view can be seen very clearly in a speech he gave regarding the national economy in April of 2009. Here Obama states frankly that “America's success depends on whether other nations have the ability to buy what we sell” (Obama 2009b). During a speech at the annual conference at the Export-Import Bank, Obama stated that “the world's fastest growing markets are outside our borders” (Obama 2010e). Therefore, according to him, the United States “needs to compete for those customers because other nations are competing for them” (Obama 2010e). He later adds that if the U.S chooses to “stand on the sidelines” then “we’ll lose” (Obama 2010e). This phrase has been a recurring element in Obama’s trade rhetoric. In his State of the Union address in January of 2010, for example, he said, “If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores” (Obama 2010d).

Perhaps the most defining example of Obama’s pro-globalization stance comes from a question and answer session with Congressional Democrats in February of 2010. Here, Senator Arlen Specter posed the following question to the president: “Would you support an effort to revise, perhaps even revoke...that bilateral treaty, which gives China such an unfair trade advantage?” (Obama 2010f). Obama responded by frankly denying Senator Specter’s proposal. He asserted, “...our future is going to be tied up with our ability to sell products all around the world, and China is going to be one of our biggest markets” (Obama 2010f). It clear from his response here that Obama does, in rhetoric, support trade with China as well the rest of the world.

In his rhetoric, Obama places a great deal of emphasis on American exports. He often spoke of seeking to boost American exports in order to assist with economic

recovery. Moreover, his talk of American competitiveness and boosting American exports often coincide with one another. In his State of the Union address, for instance, Obama argued for the “need to export more of our goods (Obama 2010d). According to him, “the more products we make and sell to other countries, the more jobs we support right here in America” (Obama 2010d). In his opinion, America’s competitiveness depends on its ability to export goods and services internationally. This link between American competitiveness and exports can be seen in several observations. In a Business Roundtable speech in February of 2010, for example, Obama argued for the need to invest in new industries that would, in his words, “help America compete on the world stage” (Obama 2010g). In a meeting with the Export Council in September of 2010, Obama pushed for the need “to increase America’s competitiveness in a global economy (Obama 2010c). To do this, he argued that that the United States must foster an economy where, in his words, “America’s businesses and American workers once again do what they do best, which is build great products and sell them around the world” (Obama 2010c).

The third primary concept that can be seen in President Obama’s rhetoric regarding trade is his emphasis on pursuing fair trade policies among nations and ensuring that the United States maintains a level playing with other nations. His emphasis on fair trade can be seen perhaps most clearly in his response to Arlen Specter’s question regarding China’s unfair trade practices at the question and answer session with Congressional Democrats previously presented. Although Obama asserted that he supported free trade with China, he also that the world needed a “level playing field” regarding international trade and that America’s trading partners should not manipulate



trade agreements to their advantage (Obama 2010f). He then goes on to describe the nature of unfair trade policies. According to Obama:

“It’s got to be reciprocal. So if we have established agreements in which both sides are supposed to open up their markets, we do so and then the other side is imposing a whole set of nontariff barriers in place, that’s a problem. And it has to be squarely confronted” (Obama 2010f).

Obama makes reference to his position regarding fair trade practices in several other cases throughout his two years in office thus far. In his State of the Union address, for instance, he made the case that the United States needed to participate in international trade in order to create American prosperity but then promptly asserted that benefiting from trade necessarily requires “enforcing those agreements so our trading partners play by the rules” (Obama 2010d). Furthermore, during a town hall meeting in Ottumwa, Iowa, Obama asserted that “we’ve got to make sure that our trade arrangements with other countries are fair” (Obama 2010h). When later addressing trade with China he added that “their trade policies” must be fair which, according to him, implies that they “reciprocate what ours do” (Obama 2010h). Moreover, at the Export-Import Bank conference previously mentioned, Obama asserted that “those who would once support every free trade agreement now see that other countries have to play fair and the agreements have to be enforced” (Obama 2010e).

### ***Rhetorical Analysis***

The academic debate surrounding the rhetoric of President Clinton is often contested. Many scholars often suggest that, by examining his rhetoric, Bill Clinton had no specific agenda or ideological vision throughout his presidency. John Harris (2000), for example, explains that Clinton rigorously monitored public polling data and media scrutiny more so than most other presidents. He argues that Clinton sought to constantly

manipulate his rhetoric in an attempt to reconcile with public perceptions. This, in his view, generated a rhetorical tone that aimed to satisfy both the political left and right. Robert Durant (2006), however, provides a unique analysis of Clinton's presidential rhetoric and finds that, on many issues, there was a great deal of consistency. He finds that, throughout Clinton's presidency, his rhetoric greatly reflected the New Democrat philosophy. His rhetoric often sought to advocate the New Democrat agenda and neoliberalism.

It can be established that Clinton's rhetoric on trade reflects a preference for trade liberalization. Throughout his presidency, Clinton spoke of embracing the inevitability of globalization and the need for the United States to increase productivity and standards of living through free trade. In fact, in the data presented, Clinton's rhetoric reflects three general concepts that are consistent with the views of the neoliberal philosophy. These concepts, as mentioned before, are an acceptance of economic globalization, an emphasis on American competition in international markets, and a reduction of trade barriers. Within his rhetoric, Clinton uses the same phrases and key words regarding trade throughout his presidency. Phrases such as "compete and win" can be seen repeatedly from his first inaugural address in 1993, to his addresses concerning NAFTA and the GATT, to his state of the union address in 1997. Other key words or phrases such as "open markets" and "global economy" can be seen regularly throughout his speeches, addresses, and statements. All of these are consistent with neoliberal views of encouraging free trade and promoting competitive markets. Some researchers, such as James Petras and Steve Vieux (1995), argue that Clinton's adoption of globalization and free trade goes beyond Reagan's neoliberal agenda.

President Obama has followed the same path as his Democratic predecessor. As mentioned, three general concepts can be observed when examining Obama's rhetoric. Two of those concepts are identical to those advanced by Clinton: an outright acceptance of globalization and an emphasis on expanding American competitiveness through trade. Like Clinton, Obama spoke of accepting the realities of globalization. He made several references of the need to expand America's economic reach in global markets in order to keep pace with the economic changes and advancements of the world. Although Obama did not speak of globalization with the same enthusiasm or frequency as Clinton, he does support globalization nonetheless. Like Clinton, there is also a great level of consistency in his rhetoric on globalization. He often used the same phrases, such as "sitting on the sidelines," when referring to the need for the United States to engage in international markets. Like Clinton, Obama also emphasized expanding American competitiveness in international markets. Obama used the phrase "compete and win" in a several of his speeches. By his acceptance of globalization and his emphasis on international competition, Obama is firmly in line with Clinton's commitment to neoliberalism.

Obama's third concept of leveling the playing field by promoting fair trade is somewhat different than Clinton's approach. While Clinton placed much more of an emphasis on expanding free trade regardless of the conditions, Obama placed an emphasis on ensuring that those agreements are what he refers to as "reciprocal," meaning that they must be mutually beneficial with both countries engaging in "fair" trade practices. Some have argued that this is simply an excuse for protectionist measures in an attempt to preserve American industries. Other scholars, such as Edward Ashbee and Alex Waddan, have argued that this move is an attempt to create ambiguity

over the policy intentions of his administration. In their view, the Obama administration is engaging in such a move to satisfy dueling constituencies where some are in favor of trade liberalization and others are opposed to such measures. In terms of his rhetoric, however, it seems clear that his emphasis on fair trade still largely embraces trade liberalization. In most of the speeches and statements presented, Obama couples his rhetoric on fair trade or leveling the playing field with remarks regarding the benefits of free trade and expanding international market opportunities. He does not speak of the need to protect American industries or preserve American products or anything else that would normally be associated with protectionist views. For example, when looking at his town hall speech in April of 2010, he speaks of the need to ensure that China's trade policies are "fair and "reciprocating (Obama 2010h). He then followed by stating, "I don't want to close off trade with other countries" (Obama 2010h). He then went on to explain that countries like China provide good trade opportunities for the United States that would ultimately be beneficial rather than harmful. At least in rhetoric, Obama does not appear to be straying from trade liberalization by placing an emphasis on fair trade.

### ***Policy***

#### ***Bill Clinton***

When examining President Clinton's trade agenda regarding Latin America, there are two policies worth noting. The first is NAFTA, or the North American Free Trade Agreement, and the second is FTAA, or the Free Trade Area of the Americas. These represent Clinton's major international trade initiatives. These policies will be expanded below.

The overall purpose of the NAFTA treaty was to promote trade liberalization between Canada, the United States, and Mexico. It did so by effectively establishing a free trade area among these three countries. The extent of this trade liberalization can be seen by examining the text of the treaty itself. Within the preamble, for instance, fifteen general goals are outlined, all of which seek to enhance trade and economic cooperation between the member nations. Among these goals are to “reduce distortions to trade, create an expanded and secure market for the goods and service produced” and “contribute to the harmonious development and expansion of world trade” (NAFTA 1993). Other significant goals are to “enhance the competitiveness of their firms in global markets” and to “establish clear and mutually advantageous rules to governing their trade” (NAFTA 1993). More specifically, the treaty contains six specific objectives. The first two objectives alone clearly portray the intentions of the treaty. The first is to “eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the parties” (NAFTA 1993). The second is to “promote conditions of fair competition in the free trade area” (NAFTA 1993).

The initial treaty was actually negotiated in 1992 under the leadership of President George H.W. Bush, but the final text of the treaty was later passed by Congress in December of 1993 during the first year of the Clinton administration. Upon taking office, Clinton became an adamant supporter of NAFTA and sought to ensure its final passage, stating that he wanted “to see [the deal] wrapped up in a timely fashion” (Friedman 1993). Clinton’s commitment to NAFTA was undeniable as he spent a great deal of time leading up to the final Congressional vote rigorously campaigning for its passage. Much of the media noted how Clinton remained committed to its passage and often attempted to

persuade and dispatch reservations among Congressional democrats (Ifill 1993a). They discussed how Clinton offered “to defend any Republican incumbent against Democratic challengers” if those attacks were centered on NAFTA (Ifill 1993a). Furthermore, *The New York Times* noted how Clinton sought to sway skeptical union members by assuring them it would not cost jobs (Ifill 1993b).

The second important policy of the Clinton administration was Clinton’s proposal of the FTAA. The FTAA was pushed by Clinton following the passage of NAFTA and was essentially intended to act as an extension of NAFTA to the countries of Central and South America. Clinton first sought to campaign for the FTAA by staging a Summit of the Americas in December of 1994. The Summit was organized by the Clinton administration in order to push for three general policy goals with the establishment of a Western hemisphere free trade area being the primary theme (Clinton 1994a). During his opening speech at the Summit, Clinton stated that his first goal for the Americas was “to open new markets and create a free trade area throughout [the] Western hemisphere” (Clinton 1994a). This free trade area, according to him, would extend the concepts of NAFTA to all American countries “stretching from Alaska to Argentina” (Clinton 1994a).

Clinton continued his push for the FTAA into the later years of his administration. He traveled to various Latin American nations throughout 1997 in an effort to build support for the idea. In Mexico, he spoke of the benefits of NAFTA and explained that the two nations must seek to “include more nations in [the] partnership so that [they] can achieve the goal...of a free trade area of the Americas” (Clinton 1997a). Later that year, he appealed to Brazilian business leaders, stating the case for “hemispheric integration”

and the desire to “build momentum toward [the] common goal of a free-trade area of the Americas” (Clinton 1997a). He also traveled to Argentina as a part of that foreign relations tour where he made similar statements seeking cooperation for the FTAA. His plan was to promote the establishment of the FTAA by 2005. Although this did not materialize, it shows Clinton’s commitment to trade liberalization in Latin America.

President Clinton’s hallmark policy regarding trade with China was his pursuit of establishing permanent Normal Trade Relations with China. Throughout the second term of his presidency, Clinton sought to assist China in entry into the World Trade Organization (WTO) as well as establish normal trade relations and most favored nation status. In October 2000, Congress passed the U.S-China Relations Act, which effectively established normal trade relations with China and allowed Clinton to grant most favored nation status to China permanently. The previous year, Clinton had signed a bilateral agreement with China that sought to facilitate China’s entry into the WTO. The US-China Relations Act would allow the United States to establish normal trade relations with China under the WTO in the event that China was finally admitted. According to the law, its purpose was to “authorize extension of nondiscriminatory treatment (normal trade relations) to the People’s Republic of China” (U.S-China Relations Act 2000). Under the agreement, the provisions would take place under the supervision of the WTO when China was admitted entry.

Clinton campaigned rigorously for his China agenda. Clinton declared it to be a “top priority” and argued that the act would “open a growing market to American workers, farmers and businesses” (Clinton 2000b). In March of 2000, he announced during a speech at the Paul H. Nitze School that “a vote against PNTR will cost

American jobs” and that facilitating China’s entry into the WTO would “move China in the right direction” (Clinton 2000b). *The New York Times* also noted how Clinton campaigned nearly every day in the month of May, traveling to the Midwest to gain support from the agricultural community and increasing lobbying efforts (Kahn 2000). Clinton did have concerns about the potential for China to employ unfair advantageous and this was a concern of his political opposition as well. In a letter to the House Speaker in January, he attempted to mitigate this opposition by arguing that WTO supervision would ensure that the United States could retaliate against any Chinese violations (Clinton 2000a). He also argued that the United States had protective provisions within the agreement that allowed it counteract “dumping” in the event that China should attempt such measures (Clinton 2000a).

### ***Barack Obama***

The primary policy regarding trade in Latin America under the Obama administration is the CFTA, or the Colombia Free Trade Agreement. The CFTA effectively establishes a free trade area between Colombia and the United States. The specific policy goals and objectives can be identified by examining the actual text of the treaty. The preamble states several general goals, such as to “establish clear and mutually advantageous rules governing . . . trade” and “avoid distortions to . . . reciprocal trade” (CFTA 2006). Other important goals mentioned in the preamble are to “promote regional economic integration” and “contribute to hemispheric integration and provide an impetus toward establishing the Free Trade Area of the Americas” (CFTA 2006). Further within the text, the rules of trade are outlined. The two most important of which seek to



eliminate trade barriers by establishing that “no party may increase any existing customs duty” and “each party shall progressively eliminate its customs duties” (CFTA 2006).

The Colombia Free Trade Agreement was actually negotiated and signed by the Bush administration on November 22, 2006, but Congress failed to ratify the treaty due largely to resistance from Congressional Democrats. Since taking office, Obama has picked up the fight to ratify the agreement. During a press conference with Colombian President Alvaro Uribe, Obama expressed his support for the agreement, stating that the “interest of both countries” rests “in moving forward in the trade agreement” (Obama 2009c). When asked about his position by reporters, however, he expressed that he does not “have a strict timetable” for ratification (Obama 2009c). He asserted that he would “have to consult with Congress” and the final ratification “is a matter of getting both countries to a place where their legislatures feel confident” (Obama 2009c). He also made note of the Democratic opposition’s primary concern “that the human rights issues in Colombia get resolved” (Obama 2009c). Later, however, many signs began to appear within his administration that the Colombia deal was becoming a higher priority. During a press conference with President Uribe, Hillary Clinton expressed that the Obama administration had a firm “commitment to the Free trade Agreement” (Clinton 2010). She then vowed to “begin a very intensive effort to try to obtain the votes” needed (Clinton 2010). Secretary Gates made a similar claim in April. When asked about Obama’s position on the agreement, he responded that the deal was “a good deal for Colombia” and “a very good deal for the United States” (Gates 2010).

The primary policy goal of the Obama administration regarding trade in China entails the ongoing controversy over the value of the Chinese currency. The Obama

administration contends that China is seeking to intentionally undervalue its currency relative to the U.S. dollar for the purpose of undercutting American manufacturers and gaining export advantages in the US market. The Obama administration contends that China's undervalued currency has caused damage to the United States and has consistently sought to pressure the Chinese government into currency revaluation. Addressing the issue at a G20 meeting in Toronto in June of 2010, President Obama contended that "market-driven exchange rates are essential to global economic activity" and are "necessary to support a strong and balanced global economy" (Obama 2010b). In another G20 meeting later in November, Obama stated that "exchange rates must reflect economic realities" and that he had spoken with the Chinese president to address this view (Obama 2010i).

Thus far, Obama has attempted to deal with the China currency issue in two ways. First, the Obama administration has sought to issue the threat of countervailing duties or tariffs against Chinese imports if those imports are deemed to be undervalued. To do this, Congress currently has a bill pending in the Senate that addresses China's currency issue and possible retaliatory measures. The bill, entitled the "Currency Reform for Fair Trade Act," amends the Tariff Act of 1930 to allow the Obama administration to determine "whether the exchange rate of the currency of an exporting country is fundamentally and actionably undervalued or overvalued" (CRS Summary 2010). It then allows for "a countervailing duty or anti-dumping duty" to be instituted (CRS Summary 2010). Essentially, the passage of this act would allow the Obama administration to pressure the Chinese government into revaluation by the threat or use of retaliatory tariffs and other trade barriers.

Second, the Obama administration has sought to handle the China currency issue is by appealing to the international community to create pressure on China to revalue. As previously mentioned, Barack Obama has appealed to prominent world leaders at G20 meetings regarding the importance of market exchange rates, stating that “market-driven exchange rates are essential” and that “exchange rates must reflect economic realities” (Obama 2010i). During the G20 summit in Seoul in November, Obama pressed that world leaders get tougher on currency manipulation. As a result, in the official Summit Declaration, the G20 announced the “Seoul Action Plan,” which consisted of “enhancing exchange rate flexibility” by “moving toward more market-determined exchange rate systems” and “refraining from competitive devaluation” (G20 2010i).

### *Policy Analysis*

#### *Bill Clinton*

It is clear from the data that Clinton sought to promote trade liberalization both in Latin America and in China. In Latin America, he did this through both the NAFTA and the FTAA. In China, Clinton advocated for trade liberalization through pursuing normal trade relations with China and their entry into the WTO. The question remains: what factors led Clinton to take this supportive view free trade? In examining the debate surrounding NAFTA, it is clear that constituency elements played a major role in shaping the nature of the debate and the attitudes of policy-makers, including President Clinton. Corporate interests, in particular, played a large role in leading the national debate surrounding NAFTA. Michael Dreiling (2000) argues that corporate political action was effective in the policy debate around NAFTA. Organizations such as the Business Roundtable helped get the policy passed. They used political action committees (PACs)

to help influence the policy debate around NAFTA (Dreiling 2000). It is also clear that constituency elements played a dominant role in affecting whether senators and representatives in Congress voted for the eventual legislation. Two separate studies have examined constituency elements, such as organized labor, business interests, and the ethnic make-up of the population, to determine whether any of these had an effect on Congressional voting (Kang and Greene 1999; Kahne 1996). Both studies concluded that all of these factors contributed to the likelihood of an affirmative vote. Districts with businesses that were likely to lose employment opportunities were more likely to vote against the treaty, while districts with businesses that were likely to gain employment opportunities were more likely to vote for the Treaty. Also, the presence and degree of organized labor in a particular district decreased the likelihood of an affirmative vote, while the districts with sizable Hispanic populations saw an increased likelihood of an affirmative vote (Kang and Greene 1999). In all, several constituency factors played a role in the NAFTA debate and policy makers and legislators appeared responsive to their views.

### ***Barack Obama***

Overall, it appears that Obama has not shifted his policy positions away from those set by Clinton in any significant way. There are some differences, however. Obama certainly supports the concept of trade liberalization, just as Clinton did in both Latin America and China. But Obama's approach is not as solid or accommodating as Clinton's. Originally, the Obama administration hesitated to take a definitive position on the Colombian Free trade Agreement but then appeared to be much more supportive. It is clear, at least in rhetoric, that Obama supports the CFTA, but Congressional Democrats

have been much less willing to move on the issue. When it comes to the issue of China, Obama has taken a controversial and somewhat confusing approach. As shown from the data, Obama has asserted in rhetoric that he supports trade liberalization in China. What is also shown, however, is that he is willing to consider blatantly protectionist retaliatory policies in order to ensure that those free trade agreements are fair and adequately enforced. It appears that in each case, Obama desires free trade with conditions. He seeks to ensure that those agreements encompass interests other than simply establishing free trade. In particular, Obama places an emphasis on fair trade. In explaining Obama's stance on trade liberalization, we must look at the elements of his constituency in each case.

During the debate surrounding the CFTA, there was a great deal of opposition from Congressional Democrats. Much of this opposition stemmed from union interests who expressed concerns regarding Colombia's treatment of union workers. The AFL-CIO, in particular, expressed a great deal of opposition to the free trade agreement from the beginning. During Congressional debate in 2008, the organization stated that "The AFL-CIO is strongly opposed to the Colombia FTA and will mobilize resources of the federation to defeat it" (AFL-CIO 2008). They expressed concerns of violent actions taken against union workers in Colombia as the primary reason for opposition. They stated that they "stand in solidarity . . . in opposition to violence against trade unionist" (AFL-CIO 2008). Other interests such as the Business Roundtable have expressed a great interest in ensuring that the CFTA is successful. According to their organization, the agreement "promotes essential U.S. economic, foreign policy and national security objectives" (Business Roundtable 2008).

In examining the issue surrounding China's currency value, labor interests have also expressed concern over China's undervalued currency. During the 2008 election, the AFL-CIO sent messages to 50,000 undecided voters in the states of Ohio, Michigan, and Pennsylvania expressing their view regarding trade with China (Ellis 2008). They criticized free trade with China arguing that it cost American jobs and they contended that China's undervalued currency creates unfair trade advantages for China (Ellis 2008). When examining business interests, such as the Business Roundtable, they too expressed concerns over China's lack of adherence to trade regulations. Although they certainly would not advocate protectionism, they expressed that "when China or any other major trading partner does not abide by its WTO obligations, the United States should pursue the non-compliance aggressively" (Business Roundtable 2009).

Judging by the data collected regarding Obama's position on China and CFTA, it appears as though he is pro-trade along with the business interests but makes a great attempt to appease the left as well by expressing many of their concerns. Essentially, Obama has taken a pragmatic stance in attempt to appease both constituencies. Ashbee and Waddan (2010) explain his behavior when they state that he is "pulled between contending constituencies" (Ashbee and Wadden 2010). In their analysis, these constituencies consist of "labor unions, lower income groups, ethnic and racial minorities, women, the most affluent groups of voters and business interests" (Asbee and Wadden 2010). In the cases presented in this study, Obama is employing a similar tactic. In the case of CFTA, Obama has expressed support for Colombian free trade and has advocated for the passage of the treaty while also acknowledging the legitimacy of the human rights concerns of the labor interests. In the case of China, Obama has taken a

pro-trade stance in line with many of the business interests but has also expressed concern over China's unfair trade advantages in line with many labor interests. Overall, Obama is supportive of trade liberalization. The business element within his constituency is preventing him from abandoning the free trade position that Clinton established, but his left-wing base is also penetrating his policy agenda and has had some noticeable influence.

### **CORPORATE INFLUENCE AND THE OBAMA ADMINISTRATION**

Why hasn't Barack Obama shifted the party's agenda on trade? The answer is that there is a great deal of corporate influence over the president's policy agenda regarding trade. All of his policies relating to international commerce have received considerable support from the business community, including prominent business interest groups, such as the U.S. Chamber of Commerce and the Business Roundtable, as well as many individual corporate leaders. Also, there has been a great deal of corporate access to the Obama White House on trade issues. This section will explore the literature regarding interest groups and the presidency and then the link between Obama and the corporate world with respect to trade will be presented.

#### ***Interest Groups and the Presidency***

Many scholars note how organized interests have become increasingly involved in the presidency over the past few decades (Pika 1999; Kumar and Grossman 1984; Davis 1995). One explanation is that increasing executive power and centralization of the policy-making process has made the executive branch more attractive to lobbyists and other groups who have vested interests in policy outcomes (Pika 1999). Also, interest groups have become a more powerful political force in recent decades than they once

were. Kumar and Grossman (1984) explain how the number of interest groups, especially political action committees, and the level of campaign funding they give grew rapidly in the 1970s and 1980s. Moreover, Joseph Pika (1999) points out that organized interests have gained better leverage opportunities with the rise of ongoing national media coverage and less stringent campaign finance laws. All of this has made it hard for presidents to ignore organized interests.

Scholars point out that presidents increasingly seek to include organized interests in the policy-making process because they have found that organized interests can provide effective electoral and legislative support for their policy agendas (Kumar and Grossman 1984; Davis 1995). Because of this, Joseph Pika (1999) has characterized the relationship between presidents and interests groups as an “exchange” that is “doubly dynamic” where both players seek to influence and collaborate with one another through a variety of means. The president seeks political support and cooperation while the interest groups seek to influence the policy agenda in their favor.

There have been many examples of interest group interaction and influence in the White House over recent decades. One considerable example of interest group influence is the Cuban American National Foundation (CANF). Patrick Haney and Walt Vanderbush (2000) discuss the significance of the CANF in shaping US foreign policy regarding Cuba during the 1980s. Haney and Vanderbush note how the CANF was able to gain considerable access to the executive branch under the Reagan administration and obtained influence within major initiatives, such as Reagan’s Presidential Commission on Broadcasting to Cuba and the National Endowment for Democracy (NED).



Perhaps the prime example of interest group influence in the presidency, at least in the field of foreign policy, is the role of the American Israel Public Affairs Committee (AIPAC). AIPAC is a pro-Israeli interest group that seeks to ensure that the United States maintains support for Israel. Edward Tivnan (1987) explains how AIPAC has played a central role in ensuring that the United States maintains strong support for Israel. He explains that throughout the 1980s, with AIPAC's influence, the United States supplied military funds which amounted to about half of the Israeli military budget and, overall, the United States provided enough total foreign aid to Israel to amount to \$1,500 per Israeli (Tivnan 1987: 218).

### ***Corporate Interests***

Several scholars have documented how corporate leaders and broader business community interests have been able to exert a significant level of influence on presidential policy through a variety of means. One such scholar that has studied corporate influence extensively is Michael Parenti (1995; 1998). Parenti notes how corporate interests and presidential administrations are often "institutionally" and "socially" linked (Parenti 1995). According to Parenti, "presidents have drawn their top advisers and administrators primarily from industry and banking" (Parenti 1998: 17). Parenti also notes that presidents often rely "heavily on the judgment of corporate leaders" even when they are not directly connected with the administration (Parenti 1998: 17). This is usually done through policy advisory groups. Parenti explains that these groups are often "made up of corporate and political notables" and can have a very "influential role in shaping U.S. policies" (Parenti 1995: 205). One group in particular that Parenti addresses is the Council on Foreign Relations (CFR). According to Parenti,

their members come from prominent businesses such as Citibank, Morgan Guaranty Trust, and IBM. He notes that the CFR has played a key role in US foreign policy decisions taken by past presidents. Parenti explains that the CFR has played key roles in the formulation of policies, such as the Marshall Plan, the International Monetary Fund, and the World Bank, and has also contributed greatly to Cold War decisions such as South Vietnamese escalation and the arms race.

### ***Corporate Influence in the Obama White House***

#### ***U.S. Chamber of Commerce***

One example of corporate cooperation in the White House regarding trade can be seen from the US Chamber of Commerce. Recently, US Chamber of Commerce President Tom Donohue delivered the State of American Business address where he expressed considerable support for the president's trade agenda. He endorsed Obama's export initiative, stating that "a pro-American trade agenda that doubles exports in five years" was a "key priority for the Chamber" (Donohue 2011). Donohue also expressed considerable support for Obama's free trade agreements in Colombia, Korea, and Panama, stating that he "will pull out all the stops to help get the votes" in Congress (Donohue 2011). He even made reference to Obama's fair trade agenda regarding China, stating that they need to "open their markets and create a level playing field" (Donohue 2011). In a press conference after the speech, Donohue said the Chamber and the White House will "work vigorously together" and that "they are ready to move on trade" (Donohue 2011).

Many commentators in the media have pointed to recent feuding between Donohue and Obama and have characterized Donohue's recent praise for the Obama

administration as a sudden change of pace. Market Watch (2010) notes how Donohue “aggressively campaigned against Obama” during the midterm elections. Michael Crowley (2010) also highlights Donohue’s opposition to Obama’s agenda on domestic issues, such as healthcare and financial reform. Although there has been conflict between the Chamber and the Obama administration regarding many domestic issues, when trade is concerned, there has been a clear pattern of support and cooperation between the two since Obama was elected to office. The Chamber actually pledged support for Obama’s economic agenda back in November of 2009. In a letter to President Obama, Donohue stated that “the Chamber stands ready to help” and said that he believed Obama should adopt several policies including a pledge to “double U.S. exports in five years” (Donohue 2009). This became Obama’s National Export Initiative just one month later.

It appears as though the Obama administration has pledged support and cooperation on trade in an attempt to gain support from the Chamber for his domestic policies, such as health care and financial reform. This can be seen in the interaction between Trade Representative Ron Kirk and the Chamber. After the 2008 election, Donohue officially endorsed Ron Kirk as Obama’s chosen trade representative stating that “he demonstrated a keen understanding of the benefits of trade” (Donohue 2008). Kirk has since visited the Chamber several times, each time, pledging support for free trade while asking that the Chamber relax opposition to the president’s domestic agenda in return. In one visit in 2009, for example, Kirk said that Obama remains committed to “a robust, progressive trade agenda” that “many [Chamber members] envision” (Kirk 2009). He then proceeded to plead for the Chamber’s support on domestic programs

such as health care and tax reform and added that international trade would be unsuccessful “if squabbles at home just bog it down” (Kirk 2009).

### ***The President’s Export Council***

Another example of corporate influence in the White House is the President’s Export Council (PEC). In July of 2010, Obama created the PEC to act as the primary advisory committee to assist him in implementing his export initiative along with other free trade policies. The council includes twenty private sector members and 19 of these are current or former presidents and CEOs of major American corporations. The vast majority of these business executives have a very significant level of power within the business community. The Chairman of the council is James McNerney, whose standing within the business community cannot be overstated. He currently serves as the president and CEO of Boeing and has formerly served as the presidents of 3M, Proctor and Gamble, and General Electric (NNDB 2011). In 2007, McNerney was ranked to be among the twenty-five most powerful business leaders by *Fortune* magazine. He is also a member of several business interest groups and PACs that seek to represent business interests in politics. His memberships include the Business Roundtable, the Business Council, U.S.-China Business Council, New Leadership for America PAC, and Northstar Leadership PAC (NNDB 2011). The Vice Chair is Ursula Burns, who currently serves as the CEO of Xerox. She is also a sitting board member of American Express and CQ Company. Other prominent council members include Ivan Seidenberg, Andrew N. Liveris, and Alan Mulally. Ivan Seidenberg is the current CEO of Verizon and serves as a board member to Wyeth and NYNEX. He is also involved with prominent business interest groups, including the Business Council and the Council on Competitiveness

(NNDB 2011). Andrew Liveris is the CEO of Dow Chemical and serves as a board member to Citigroup. He is also involved with prominent business interest groups, such as the Business Council and the Business Roundtable (NNDB 2011). Alan Mulally is the current CEO of Ford Motor Company and the former CEO of Boeing and, like Liveris and McNerney, is involved with the Business Roundtable (NNDB 2011). Other council members include the chief executives of UPS, MetLife, Walt Disney, Magno International, Earnst and Young, and others. Many of these members are also current members of prominent business interest groups, such as the Business Roundtable, the International Business Council, the Business Council, and the U.S.-India Business Council.

Placing these influential corporate leaders into the PEC has given them considerable access to the president's administration. Since its creation, the PEC has held two meetings and several key members of the Obama administration have participated in both of these. Some of these individuals include Gary Locke, the secretary of Commerce, Ron Kirk, US trade representative, Francisco Sanchez, undersecretary for International Trade, Leocadia Zak, acting director of the US Trade and Development Agency, Austin Goolsbee, Chairman of the Council of Economic Advisors, and Larry Summers, director of the National Economic Council (PEC Transcript 2010). In both meetings, the PEC members discussed ways to strengthen American export and trading opportunities. They gave their input to these administrators; and by the end of the second meeting, the council and the administrators agreed upon a set of policy recommendations for President Obama to follow. This is significant because it shows that the PEC members and several of America's most significant corporate leaders and

business interest advocates were able to engage key Obama officials and eventually sway them to adopt a set of policy objectives including free trade opportunities.

What recommendations were adopted? During the first meeting of the PEC in September of 2010, several issues were discussed. On the issue of trade, many of the members expressed support for Obama's trade agenda and urged the United States to expand its access to international markets and do more to accomplish free trade agreements. Many of the members expressed considerable interest in moving forward with the free trade agreement in South Korea. According to the words of Andrew Liveris, "Korea is an ally. Korea is on our side. Korea wants this, we want it. So we need to be responsive to that" (PEC Transcript 2010). After the second meeting, four general policy recommendations were adopted, one of which was to pursue an expansion of free trade. In their recommendation letter, they advocated that Obama immediately move to resolve and implement the Korea FTA (McNerney 2010). This would then be followed by pursuing the Colombia and Panama deals and seeking to protect fair trade rights. Since these recommendations were submitted, President Obama sought to resolve the South Korea trade agenda and, within months, the deal was closed. It cannot be proven for certain that the PEC is what drove Obama to conclude the deal, but it can certainly be stated that they added further support for his agenda.

### *Administration Officials*

Another way to grasp the level of corporate influence within the Obama White House is to look within his administration. Many key members of his administration have strong ties to the business community and have the ability to significantly influence his trade agenda. One of these key members is Michael Froman. Michael Froman was

the Managing Director at Citigroup for an entire decade, from 1999 until 2009. Froman and Obama became close friends during college while working for the *Harvard Law Review* and Froman has been assisting Obama politically and financially since his campaign for US Senate (Kantor 2008). After Obama was elected to the presidency, Froman was appointed to two simultaneous positions within the administration. He became deputy assistant to the president as well as the deputy national security advisor for International Economic Affairs. This latter position is held within both the National Security Council and the National Economic Council and provides him with the ability to have considerable influence on issues concerning international economics. Froman has been directly involved in some of the trade negotiations that the Obama administration has sought to pursue. According to President Obama in December of 2010, Froman was a “lead negotiator” in the South Korea trade deal (Obama 2010). Froman is not the only key official within the Obama administration from Citigroup. Another key Citigroup employee, Lewis Alexander, has also played a significant role in the Obama administration. Lewis Alexander was the Chief Economist for Citigroup from 1999 until 2009 when he was appointed by Obama to serve as counselor to Timothy Geithner at the Department of Treasury.

Another key official in the Obama administration with strong corporate ties is Diana Farrell, the former deputy director of the National Economic Council. She was a key financial analyst at Golden Sachs during the 1980s and then worked for a management consulting firm, McKinsey & Company, where she directed economic research efforts. Not only does he have corporate ties, but Farrell is also a well-known free trade advocate. While at McKinsey & Company, for example, she published several

books and papers discussing international economics and often touched on issues concerning trade. In one book in particular, *Driving Growth: Breaking Down Barriers to Global Prosperity* (2006), she and the authors defended principles of free trade, arguing that free trade is not a significant factor in job loss like many others argue. Instead they insist that free trade is largely beneficial for the United States. After working at McKinsey & Company, she was appointed by Obama to serve as the deputy director of the National Economic Council. This is a position that allows her to have a significant amount of influence within Obama's economic agenda, including trade.

Rahm Emanuel, who no longer works for Obama, has strong ties to the corporate community. Emanuel was the managing director for the investment banking firm Dresdner Kleinwort from 1999 until 2002 (NNDB 2011). He was also an appointed member to the Board of Directors of the Federal Home Loan Mortgage Corporation (Freddie Mac) for nearly two years (Sorkin 2008). Due to his involvement in these two financial institutions, Rahm Emanuel has achieved a high status within the business community. In fact, during his congressional election in 2008, Emanuel received more campaign donations from the financial industry than any other candidate running for the House of Representatives that year (Mayer 2008). This is a clear indicator that he represents the business community in Washington, or at least that his political views reflect the interests of the business community. As the White House chief of staff for the first two years of Obama's presidency, Rahm Emanuel undoubtedly influenced the administration's policies and priorities across the board on many issues, including international economics.



## CONCLUSION

Throughout the past few decades, neoliberalism has been the dominant school of thought that presidents have followed regarding international economics. Economic crises, however, can often lead presidents to realign their policies away from conventional wisdoms. This brings us to ask whether Obama has sought to modify the Democratic Party's platform as a result of the Great Recession. Specifically, this research has sought to assess why Obama has not shifted the party platform away from the neoliberal view as a result of the Great Recession, especially in the area of trade.

It has been shown that Obama took a similar stance to that of his most recent Democratic predecessor, Bill Clinton, when it comes to trade. He has largely pursued an agenda of increasing trade liberalization with an added emphasis on promoting and enforcing fair trade practices. This research also attempted to determine whether the business community was a prominent factor in Obama's decision making process regarding trade. It was hypothesized that corporate interests and the business community influenced the Obama administration regarding trade and were, in fact, a prominent reason why Obama did not shift away from neoliberalism. It was discovered that the US Chamber of Commerce maintained a steady relationship with the Obama administration and sought to push a free trade agenda. It was also discovered that one of Obama's primary policy advisory groups regarding trade, the President's Export Council, contained a large number of current and former business leaders who sought to advance a free trade agenda. Lastly, it was found that many key members within the Obama administration over the past two years have strong ties to the corporate world and many of them have either actively participated in Obama's trade negotiations or have been in

positions where they maintain great influence over international economic policy. These findings help explain why President Obama has not abandoned neoliberalism when it comes to global trade. While his critics might call him a “socialist” or a Keynesian, these labels do not fit when it comes to his international economic agenda.

In November, the Republican Party took control of the House of Representatives. This will undoubtedly place pressure on Obama to adjust his policies or at least change his strategy for pursuing them. Will the Republicans move Obama further toward neoliberalism? There is reason to believe that the Republican victory gives Obama an incentive to move farther to the right or cooperate even more closely and openly with the business community as he seeks to gain moderate and conservative votes. Future research should focus on whether the Republican Party will be able to shift Obama to the right on other policies and how the business community plays a role in this process.

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