

# Obama's Economic Agenda



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# Today We Will Discuss:

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1. How do items get on the President's Agenda?
2. What agenda items did President Obama inherit?
3. What agenda items did President Obama add?
4. What is the President's political condition as we approach the mid-term?
5. What will President Obama's Economic Agenda look like 1 year from now?

# 1. How do items get on the President's agenda?

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- What issues get the President's attention?
  - Conflict: If a conflict is unimportant, it remains private and government is not involved
  - If a conflict is important, it is socialized and subject for government action
  - When a conflict is socialized, the “losers” consider it so important that they seek to get others involved to increase the odds that they can change the power equation and win.
  - The economic meltdown created a conflict over the role of government involvement in restoring economic well being and growth
    - ✦ Many American conservatives at the end of the Bush Administration opposed government intervention

# 1. How do items get on the President's agenda? (cont.)

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- There are two types of political agendas:

**Systemic:** The concerns considered legitimate enough to warrant discussion throughout society



**Institutional:** The actual items under consideration by institutions of government

- Agenda items generally move from the systemic agenda to the institutional agenda
- The system's stability depends on its ability to move items from the systemic to the institutional agenda and act to address these issues
- In the fall of 2008 massive government intervention in the economy entered the systemic agenda
  - And rapidly made its way to the institutional agenda due to the economic crisis

# 1. How do items get on the President's agenda?(cont.)

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- Non-decision making (Bachrach and Baratz)
  - The act of keeping items off the agenda so decisions do not need to be made
  - A subtle expression of real power in society is the power to keep items **off** the political agenda.
  - Items that do not achieve agenda status allow the scope of conflict to be narrowed and more easily controlled by private power

# 1. How do items get on the President's agenda?(cont.)

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- Government can set the political agenda by legitimizing issues and socializing private conflict.
- The agenda also defines the parameters of the issue: Is it an economic stimulus or a “bailout”?
- Obama has favored additional stimulus but conservatives have de-legitimized them and kept them off the institutional agenda.



# 1. How do items get on the President's agenda? (cont.)

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- Successful Political Management requires that government officials take care in bringing items to the agenda.
  - You can over-reach and find yourself in conflict with powerful economic and political interests.
- Political Management requires that you understand the balance of power when keeping an item off the institutional agenda and when granting an issue agenda status.
  - Some economic elites favored stimulus, others opposed.
  - Obama's political opponents have attempted to portray the stimulus as a failure.

## 2. What agenda items did President Obama inherit?

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- President Obama entered office at the onset of the “Great Recession.”
  - Subprime Mortgage Crisis
    - ✦ The rate of subprime mortgage defaults and foreclosures increased dramatically and caused more than 100 subprime mortgage lenders to fail or file for bankruptcy.
  - Credit Interest Rates
    - ✦ From 2004 to 2006, the Federal Reserve significantly increased rates, heightening the rate of default. Interest rates had been reduced between 2000 and 2003 to encourage borrowing.
  - Unemployment
    - ✦ The National Unemployment Rate was 6.5% when Obama was elected in November 2008 and 8.5% when he took office in January 2009 (currently it is 9.6%).



## 2. What agenda items did President Obama inherit?

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- President Obama continued the Troubled Asset Relief Program (TARP):
  - TARP was designed to off-set the subprime mortgage crisis by allowing the government to purchase assets and equity from financial institutions to strengthen the financial sector.
  - President Bush signed it into law in October 2008, and President Obama has continued the program.
    - ✦ Obama supported the program during the Presidential transition
  - Of the \$245 billion invested in U.S. banks since 2008, over \$169 billion has been paid back as of April 2010.
  - Used TARP funds to refinance the American auto industry

### 3. What Agenda Items Did President Obama Add?

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- President Obama crafted his economic agenda to prevent “The Great Recession” from becoming the 21<sup>st</sup> Century’s Great Depression.
- FDR faced a far worse economic crisis in March of 1933.



### 3. What Agenda Items Did President Obama Add?

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- Once the New Deal was underway, he faced some of the same problems that President Obama has in truly re-starting the economy.
  - The American economy did not completely recover until World War II.
  - At the peak of World War II, government spent almost 50% of the national Gross Domestic Product (GDP)



### 3. What Agenda Items Did President Obama Add? (Cont.)

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- FDR was able to convince the average American that he was on their side.
- President Obama understands that it is not simply policy and law that matter, but results on the ground and symbols that must be communicated.
  - He has lost control of the national message
- The modern global economy is more complicated to fix than the one that FDR confronted.
- State and local governments have become more professionalized and established over the past seven decades.
  - State government cutbacks have stalled recovery

# 3. What Agenda Items Did President Obama Add? (Cont.)

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- **The Stimulus Package:**

- The American Recovery and Reinvestment Act signed into law by President Obama on February 17, 2009.
- If you spend nearly 800 billion dollars to get the economy moving again, you can be sure of three things:
  1. Some of the money will be wasted and/or stolen
  2. Some of the money will do some good
  3. Some federal agencies will get the money out the door faster than others.
- Much of it was spent by state and local governments to avoid layoffs
- In the fall of 2010, state and local government started to shed employees

# 3. What Agenda Items Did President Obama Add? (Cont.)

- **The Stimulus Package**

- The \$787 billion package spent nearly \$500 billion for programs and allocated about \$288 billion to tax relief.
- The spending or non-tax portion of the bill breaks down into seven broad categories:
  1. State and local fiscal relief: \$144 billion
  2. Infrastructure and Science: \$111 billion
  3. Welfare Programs: \$81 billion
  4. Health Care: \$59 billion
  5. Education: \$53 billion
  6. Energy: \$43 billion
  7. Other: \$8 billion

### 3. What Agenda Items Did President Obama Add? (Cont.)

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- For the stimulus to work it needed to be decisive, dramatic, coherent and quick.
  - In the complex modern economy this proved difficult
- The psychology of recovery is that people have to believe that if they don't jump back into the economy, it could take off without them.
- An incremental, slowly releasing, partial and incoherent stimulus won't stimulate.





### 3. What Agenda Items Did President Obama Add? (Cont.)

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- Two years later, the stimulus prevented a depression, but the slow speed of recovery has led to constant political attacks.
  - Obama has lost the battle of the air waves, most people believe the stimulus failed-- even though it has largely succeeded.





### 3. What Agenda Items Did President Obama Add? (Cont.)

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- Economic Agenda Items that resulted in law:
  - February 2009: “Making Home Affordable” Plan
  - May 2009: Credit Card Accountability, Responsibility and Disclosure Act (CARD)
  - May 2009: Helping Families Save Their Homes Act
  - May 2009: Fraud Enforcement and Recovery Act

# 3. What Agenda Items Did President Obama Add? (Cont.)

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- Economic Agenda Items that resulted in law:
  - March 2010: HIRE Act
    - ✦ Hiring Incentives to Restore Employment (HIRE) Act, enacted March 18, 2010, gives two new tax benefits to employers who hire previously unemployed workers
  - March 2010: National Export Initiative (Executive Order to promote exports)
  - July 2010: Wall Street Reform Act
  - September 2010: Small Business Job Act (loans and tax incentives to create jobs)



### 3. What Agenda Items Did President Obama Add? (Cont.)

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- **Additional Economic Agenda Items remaining:**
  - Create new job training programs for clean technologies
  - Boost the renewable energy sector and create new jobs
  - Create a National Infrastructure Reinvestment Bank
  - Invest in the sciences
  - Make the Research and Development tax credit permanent
  - Immediate investments to rebuild America's roads and bridges and repair our schools
  - Invest in our next generation innovators and job creators
  - Invest in a clean energy economy and create 5 million new green jobs

### 3. What Agenda Items Did President Obama Add? (Cont.)

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The President should remake his public image as  
**“Job Creator-in-Chief”**

### 3. What Agenda Items Did President Obama Add? (Cont.)

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- **President Obama on Job Creation:**

- “Over the past twenty months, we’ve been fighting not just to create more jobs today, but to rebuild our economy on a stronger foundation. Our future as a nation depends on making sure that the jobs and industries of the 21st century take root here in America.” *October 2, 2010*

### 3. What Agenda Items Did President Obama Add? (Cont.)

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- **Skills for America's Future.**
  - A new, industry-led initiative to dramatically improve industry partnerships with community colleges and build a nation-wide network to maximize workforce development strategies, job training programs, and job placement.
  - Building on the success and example of the “Educate to Innovate” campaign to increase science, technology, engineering, and math (STEM) learning.





### 3. What Agenda Items Did President Obama Add? (Cont.)

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- The Small Business Jobs Act will give our nation's small businesses support and incentives to help them grow and hire.
  - If you are a small business and you buy new equipment, you can immediately write off the first \$500,000 of your investments
  - If you are one of over one million eligible small businesses, key long-term investments in your company will be subject to zero capital gains taxes
  - If you are an entrepreneur and take a chance on a new idea, you can deduct the first \$10,000 of your start-up costs
  - And if you are self employed you can deduct 100 percent of the cost of health insurance for you and your family from your self-employment taxes

### 3. What Agenda Items Did President Obama Add? (Cont.)

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#### Remarks of President Obama on Green Jobs:

- “And there is perhaps no industry with more potential to create jobs now – and growth in the coming years – than clean energy...That’s what’s at stake in this debate. We can go back to the failed energy policies that profited the oil companies but weakened our country. We can go back to the days when promising industries got set up overseas. Or we can go after new jobs in growing industries. And we can spur innovation and help make our economy more competitive. We know the choice that’s right for America.” **October 2, 2010**





# 3. What Agenda Items Did President Obama Add? (Cont.)

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- **Transition to Green Energy**
  - The President should make the green energy transition a major theme of his Presidency.
  - Like John F. Kennedy's famous space race speech, President Obama should announce a ten year goal to move the nation from fossil fuels to alternative energy sources. By 2020, less than 50% of America's energy would come from fossil fuels.
  - This May is the 50th anniversary of Kennedy's speech. President Obama could reignite that sense of national purpose by timing his speech for May 25, 2011.



### 3. What Agenda Items Did President Obama Add? (Cont.)

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- The Administration's focus on sustainability is sound economics.
- According to the Pew Charitable Trust's green jobs study:
  - The number of jobs in America's emerging clean energy economy grew nearly two and a half times faster than overall jobs between 1998 and 2007.
  - The clean energy economy grew at a national rate of 9.1 percent, while traditional jobs grew by only 3.7 percent between 1998 and 2007.

## 4. What is the President's political condition as we approach the mid-term?

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- His opponents have succeeded in defining him, and will do whatever it takes to defeat him.
- If President Obama is going to regain his political currency, he needs to focus his message: Jobs, green jobs and more green jobs.
  - Job creation should be his constant theme until unemployment gets to 5% or lower.



## 4. What is the President's political condition as we approach the mid-term?

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- The Administration's ability to obtain additional stimulus funding is limited.
- If the Republicans win either house of Congress, after January, the only stimulus available will be tax cuts.



## 4. What is the President's political condition as we approach the mid-term? (Cont.)

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- Real Clear Politics Poll Averages Obama's Approval
  - 10/7/10: 45.2% Approve 49.0% Disapprove
  - 10/7/09: 52.0 % Approve 42% Disapprove
  - 1/28/09: 63.3% Approve 20% Disapprove
- Real Clear Politics: Race for the Senate (Currently 59 Democrats-41 Republicans)
  - 48 Democrats; 6 Toss Ups; 46 Republicans
- Real Clear Politics: Race for the House (Currently 255 Democrats- 278 Republicans, 2 vacancies)
  - 186 Democrats; 39 Toss Ups; 210 Republicans
  - <http://www.realclearpolitics.com/>

## 4. What is the President's political condition as we approach the mid-term? (Cont.)

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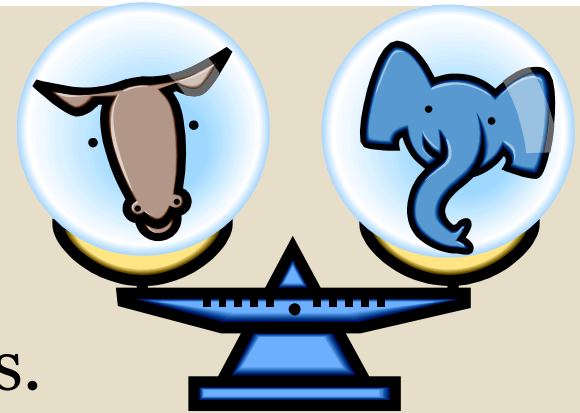
- While the mid-term elections are not likely to go well for the President and his party, in all likelihood, the cycle will start to change once the focus returns to the President's own re-election.
- The modern political media likes nothing better than a good come back story. Nothing beats the drama of the champ coming off the mat to knock out the challenger.
  - Bill Clinton's rise from the political death in 1994 to victory in 1996 is a case in point and may become typical in the 24/7 web-based media world.



## 4. What is the President's political condition as we approach the mid-term? (Cont.)

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- There is typically a tightening of election races in late October.
- It is possible that the Democrats will exceed current low expectations.
- In about a month this will be settled and we will know the shape of the political challenges faced by the President
- Economic revival will remain the central issue and probably the primary factor contributing to his success or failure in 2012





## 5. What will President Obama's Economic Agenda look like 1 year from now?

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- The Treasury Department expects to lose \$29 billion on the federal bailouts
  - Most of the losses will come from the housing finance program and the auto rescue.
  - Treasury officials have declared the bailout a success.
- The cost will be far below the \$350 billion estimated by the Congressional Budget Office.
- The \$787 billion package probably prevented a Depression - economic growth has resumed
  - But high unemployment continues.



## 5. What will President Obama's Economic Agenda look like 1 year from now? (Cont.)

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- If economic expansion picks up momentum, his economic agenda may become less aggressive.
- If he loses one or more houses of Congress, his ability to influence economic policy will be limited.
  - The likely result will be a stalemate
- An unknown factor is what might be accomplished in a Lame Duck session of Congress in November and December, 2010.