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## **The Economy Grows and with it Obama's Approval Rating**

Happy days are here again, to cite the song favored by Franklin Roosevelt in his successful 1932 campaign for the presidency and ever since the unofficial theme song of the Democratic Party. At least, they seem to be here again for President Barack Obama, whose approval ratings have climbed to or above the 50% mark deemed essential for any president seeking re-election. It's not that his restructuring of the health care sector -- Obamacare -- has suddenly become popular; indeed, new regulations that force Catholic organizations to choose

between their consciences, fines or shutting down have increased the fear and loathing of this transformation of the health care sector.

And it's not that Americans have suddenly been taken with a fondness for big government of the sort that the President favors. Rather, it's that the economy seems to have avoided a double-dip recession and to be edging upwards, perhaps even at an accelerating rate.

The president was careful not to take a victory lap when last week's jobs report showed that the private sector had

added 257,000 jobs in January, and that the unemployment rate had fallen to 8.3%, not too far from the 8% he once claimed would be the result of his first \$747 billion stimulus package. He noted that these monthly figures go up and down, but permitted himself the observation that “The economy is growing stronger. The recovery is speeding up.” Thanks to guess who.

That’s not what many forecasters think: they see a slowdown in the first quarter of this year, with the annual growth rate falling below 2%, and worse, according to Federal Reserve Board chairman Ben Bernanke, it there is a big, immediate push to cut the deficit. Score one for Obama.

But the forecasters have been wrong before, and the accumulating evidence seems to favor the president’s wish over the forecasters’ models. Share prices and most measures of consumer confidence are up, so much so in the latter case that consumers are willing to make greater use of their credit cards and borrow money for new cars and for school costs. New orders poured in to US manufacturers last month, driving the sector’s growth rate

to its highest level in seven months, and continuing a 30-month run of expansion. Order backlogs are at a 9-month high, which suggests that the day is approaching when manufacturers will have to expand capacity. With labor costs rising in China, and American manufacturers having pared costs during the recession, the idea that manufacturing jobs will come home to America, what the president calls “insourcing”, no longer seems improbable. Bernanke told congress this week that “U.S. manufacturers have become increasingly competitive on the global stage”.

He is supported by several examples. Carlisle, a small tire manufacturer, decided to bring production back from China, and after its workers refused concessions Caterpillar closed a Canadian plant and diverted production to a locomotive plant in Muncie, Indiana, where it is hiring some 450 workers at half the US\$35 hourly rate it paid in London, Ontario. In the politically charged debate about the economy, anecdote often trumps complicated data. The Caterpillar story, and reports in a single Wall Street Journal story that United Rental, the

world's largest equipment renter is increasing capital spending by one-third, to \$1 billion; that engine-maker Cummins is doubling its capital spending over levels of two years ago; and that Union Pacific is doubling its order for locomotives, have Democrats chortling and Republicans discomfited.

The news from the construction sector is also on the cheery side. Spending on construction projects rose in December for the fifth consecutive month, to the highest level in almost two years. Even the laggard home market seems to be showing a bit of strength, or at least diminishing weakness: construction of single-family homes rose in every month of the last quarter of 2010.

The good news for the president continued when reports on exports came in. Recall that Obama had promised to double exports in five years, a goal considered laughably unrealistic. Well, exporters are on track to make a successful seer of the president. Even the emerging recession in Europe has not slowed the US export machine. The 39 companies that are included in the Standard & Poor's index of 500 stocks and

also report sales to Europe say they sold 11.4% more goods and services to that region in the final quarter of last year than they did in the last quarter of 2010.

Of course, the president can't take credit for all of these developments. And in his heart of hearts he probably wishes that some of the growth were not coming from a resurgent oil and gas industry, producing more of the fossil fuels he would so like to scrub from the American economy. But Republicans, who during darker days emphasized that Obama "has taken ownership of the economy", are in no position to argue credibly that these bits of good news come despite Obama's policies rather than as a result of them. They are, however, responding by pointing out that over 15% of Americans are still out of work or involuntarily working shorter hours. If the economy continues to improve, and if that 15% number and the number of long-term unemployed start to come down, Mitt Romney, who has based his campaign on the idea that he is a better economic manager/job creator than Obama, might be forced to come up with the over-arching

theme that has so far been absent from his campaign.

A more fertile field for criticism of the newly buoyant president than one based solely on the latest month's economic statistics lies in the area of fiscal policy. In addition to telling and re-telling the tale of presidential policies that have the nation head-over-heels in debt, with no credible plan to reduce deficits that are due to swell as the population ages, there will be the Obama budget as a handy target.

On Monday the President will release his budget plan for fiscal 2013, which starts on October 1. Or, more precisely, a plan that will provide the talking points for his re-election campaign. Obama knows that most of the features of his budget have no chance of being accepted by congress, but believes that his call for \$1.5 trillion in new taxes, half on families earning more than \$250,000 per year, the other half by mandating a minimum effective tax rate of 30% on families earning more than \$1 million, will both solidify his base and attract independents unhappy with the growing disparity between their incomes and the 1% of top earners, so reviled by the Occupiers. He would also eliminate some of

the special treatment of corporate jets and the oil and gas industry, but not the subsidies to the greener sources of energy that so far have proved so wildly uneconomic that subsidies could not forestall bankruptcies such as the collapse of Solyndra, or offset the troubles of several battery manufacturers.

The president also proposes to reduce spending on government health care programs by more than \$300 billion, but not by reforming the system. Rather, the cuts are to come out of reimbursements to hospitals and doctors, already at levels that threaten the supply of quality health care services. Indeed, reimbursements are already so low that many doctors are refusing to take on patients who rely on government programs for payment.

It is customary for congress to announce on receipt of presidential budgets that they are dead on arrival, D.O.A., and then settle down to serious negotiations to shape an acceptable budget. Not this time, in this election year. This is a dead budget, definitely deceased. It just will not fly.

