
From: Sultan Bin Sulayem <[REDACTED]>
Sent: Saturday, April 10, 2010 1:29 PM
To: Jefftey Epstein
Subject: Why 'Obamanomics' is working

Why 'Obamanomics' is working

Ignore polls, watch the markets: Economy is perking up

http://msnbcmedia1.msn.com/j/MSNBC/Components/Photo/_new/biz-100409-obama.hmedium.jpg "If Obama was a Republican, we would hear a never-ending drumbeat of news stories about markets voting in favor of the President," says one economic strategist.

Saul Loeb / AFP - Getty Images

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By Mike Dorning

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updated 12:58 p.m. ET April 9, 2010

It's never easy to separate politics from policy, and the past 18 months have only increased the degree of difficulty. The U.S. has been through a historic financial crisis followed by a historic election and a series of historic federal gambles — from bailing out AIG and GM to passing a \$787 billion stimulus and a \$940 billion health-care reform bill. All that risk has made policy more complicated and politics more fraught ("You lie," "Baby killer").

A Bloomberg national poll in March found that Americans, by an almost 2-to-1 margin, believe the economy has gotten worse rather than better during the past year. The Market begs to differ. While President Obama's overall job approval rating has fallen to a new low of 44 percent, according to a CBS News Poll, down five points from late March, the judgment of the financial indexes has turned resoundingly positive. The Standard & Poor's 500-stock index is up more than 74 percent from its recessionary low in March 2009. Corporate bonds have been rallying for a year. Commodity prices have surged. International currency markets have been bullish on the dollar for months, raising it by almost 10 percent since Nov. 25 against a basket of six major currencies. Housing prices have stabilized. Mortgage rates are low. "We've had a phenomenal run in asset classes across the board," says Dan Greenhaus, chief economic strategist for Miller Tabak + Co., an institutional trading firm in New York. "If Obama was a Republican, we would hear a never-ending drumbeat of news stories about markets voting in favor of the President."

Little more than a year ago, financial markets were in turmoil, major auto companies were on the verge of collapse and economists such as Paul Krugman were worried about the U.S. slumbering through a Japan-like Lost Decade. While no one would claim that all the pain is past or the danger gone, the economy is growing again, jumping to a 5.6 percent annualized growth rate in the fourth quarter of 2009 as businesses finally restocked their inventories. The consensus view now calls for 3 percent growth this year, significantly higher than the 2.1 percent estimate for 2010 that economists surveyed by Bloomberg News saw coming when Obama first moved into the Oval Office.

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The U.S. manufacturing sector has expanded for eight straight months, the Business Roundtable's measure of CEO optimism reached its highest level since early 2006, and in March the economy added 162,000 jobs — more than it had during any month in the past three years. "There is more business confidence out there," says Boeing CEO Jim McNerney. "This Administration deserves significant credit."

It is worth stepping back to consider, in cool-headed policy terms, how all of this came to be — and whether the Obama team's approach amounts to a set of successful emergency measures or a new economic philosophy: Obamanomics.

For most of the past two decades, the reigning economic approach in Democratic circles has been Rubinomics, a set of priorities fashioned in the 1990s by Bill Clinton's Treasury Secretary, Robert E. Rubin, the former co-chairman of Goldman Sachs. Broadly, Rubinomics was a three-legged stool consisting of restrained government spending, lower budget deficits, and open trade, which were meant in combination to reassure financial markets, keep capital flowing, and thus put the country on a path to prosperity.

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On the surface, Obamanomics couldn't be more different. The Administration racked up record deficits as it pursued a \$787 billion fiscal stimulus on top of the \$700 billion bailout fund for banks and carmakers. Obama has done close to nothing to expand free trade. And while Clinton pleased the markets with a moderate, probusiness image, Obama has riled Wall Street with occasional bursts of populist rhetoric, such as his slamming of "fat cat bankers" on 60 Minutes last December.

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