

# The Philadelphia Inquirer

philly.com

## Zandi: Some reflections on Obama's economy

By : Mark Zandi

Updated: December 23, 2016 — 6:00 AM EST



In the years since President Obama gave his first inaugural address in '09 to an audience that included those watching on a giant screen outside Independence Hall, the economy has made strides.

While you sip eggnog or watch the kids play with their latest electronic gadgets, take a few minutes to reflect on Christmases past, present, and yet to come. Not in *A Christmas Carol* sort of way, but from the prism of your wallet or pocketbook.

Think back to your worst Christmas, financially speaking. That could well have been Christmas 2008, right? It certainly was for many of us, as it fell at the height of the global financial crisis.

The nation's largest financial institutions seemed to be evaporating, and the economy was in free fall. Hard to fathom, but a stunning 800,000 jobs were lost in December 2008 alone. The economy went on to lose almost nine million jobs during that dark time, and the unemployment rate topped out at 10 percent.

There are many other statistics documenting the severe financial pain many of us suffered during that period. At their lows, stock prices were cut in half, and house prices by one-third. Millions lost their homes in foreclosure.

Now consider Christmas present. For very many of us, it is a prosperous one. We are enjoying one of the longest periods of consistent job growth in the nation's history. Well over 15 million jobs have been created. Unemployment is well below 5 percent, about as low as it ever gets, and consistent with full employment. Those who are unemployed are likely simply between jobs.

Even more encouraging, there are plenty of opportunities if you want a better-paying and rewarding job. There have never been as many job openings, and that's the case in nearly every region of the country, industry, and occupation. Millennials, in particular, are taking advantage, quitting their current jobs at a high rate.

The stock market is at an all-time high, and so are home prices. And this Christmas, unlike many a Christmas past, wasn't paid for by a credit card or home-equity line. The percentage of our incomes going to make debt payments has never been as low.

How did we go from arguably the worst Christmas to one of the better ones in just eight years? The Federal Reserve deserves lots of credit. It was already on high alert by Christmas 2008, inventing new ways to prop up the financial system and taking the unprecedented step of pushing interest rates to zero and buying long-term bonds.

We also owe President Obama a huge thank you. At Christmas 2008, he was still president-elect, but just weeks after his inauguration he cajoled a reluctant Congress to pass the biggest fiscal-stimulus plan in history. The temporary tax cuts and government-spending increases — mostly on more unemployment insurance and infrastructure — quickly stanching the job losses.

Think of it: Obama's inauguration was in January 2009; the stimulus became law in February; the Great Recession ended in June; and just a few months later, job growth resumed in earnest. And businesses having been adding to their payrolls ever since. Christmas present wouldn't be nearly as well-to-do without Obama's aggressive response to the crisis.

What does Christmas yet to come look like? As in *A Christmas Carol*, it is up to us, or, more specifically, to our next president. The economic policies that President Trump pursues early next year will be critical to our finances for many Christmases to come.

Judging from the rally in the stock market since Election Day, investors are optimistic. They expect Trump to focus on reforming the corporate tax code. That means reducing tax rates for corporations and making it easier for U.S.-based multinational firms to bring home the money they make overseas.

Investors are also betting on deregulation. After the crisis, the Obama administration passed the Dodd-Frank reforms of the financial system, to forestall a future crisis. Candidate Trump said he was going to repeal Dodd-Frank. He also said he would repeal the Affordable Care Act, Obama's health-care plan, and regulations on the energy sector and environment.

Tax reform is much needed, as are some changes to regulation, although killing Dodd-Frank and Obamacare would be overkill. If Trump focuses on these policies, then investors will be right and there will be more gifts under future Christmas trees.

However, if the new president channels his anti-globalization campaign rhetoric into law, Christmas future will look a lot different, and investors will be sorely disappointed. Kyboshing trade deals such as the Trans-Pacific Partnership, which he has been unequivocal about, is one thing, but imposing higher tariffs on China and Mexico, which he has repeatedly threatened, is something altogether different.

Restricting foreign immigration and requiring all undocumented immigrants to leave the country were also key to his campaign. Following through on this bombast would be a very bad idea. Finding qualified workers would soon be businesses' biggest problem and the most serious fetter on economic growth. Fewer immigrants would mean fewer workers and a diminished economy.

Hopefully, Trump will ultimately embrace the world, or at least not push it away. If he does, then our own Christmas carol may also have a happy ending.

*Mark Zandi is chief economist at Moody's Analytics.*  
[Help@economy.com](mailto:Help@economy.com)