

# Opinion: It's neither Obama's nor Trump's economy

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This is a Fed-engineered economy, driven by choices of Bernanke and Yellen



Neither Trump nor Obama deserves much credit for this economy

There's no question that the U.S. economy has shifted into a higher gear in 2017. Business optimism is up. [Consumer confidence is up](#). The holidays are looking solid for retailers. [Unemployment stands at 4.1%](#), and the S&P 500 [SPX, +0.18%](#) has jumped 17% since Donald Trump was sworn in as president. There's hope that 2018 will be more of the same.

Supporters of President Trump say it's all because of him. "Can't make it up," White House press secretary Sarah Huckabee Sanders tweeted over the weekend, "Obama now wants credit for the booming Trump economy. At least we can all agree the economy is better under

President Trump.” Detractors snicker, saying Trump’s just riding the coattails of Obama’s seven-year recovery. Who’s right? Is it the Trump economy or still the Obama economy? The country’s so damn divided that people reflexively are supposed to pick one or the other.

Actually, this is a trick question, because the real answer is that it’s the Ben Bernanke-Janet Yellen economy. More on that in a minute. But if you’re so binary that you still insist on an answer to the “Is it Trump’s economy or still Obama’s,” let’s delve into that.

In the six months before Barack Obama took office in 2009, the U.S. economy was not only losing jobs, but losing them at a dangerously accelerating pace. July, 2008: -213,000. August: -267,000. September: -450,000. October: -474,000. November: -766,000, December: -694,000. In January 2009: -793,000. The carnage peaked in March, when a staggering 823,000 jobs went poof.

By this point—spring 2009—the unemployment rate reached 9.0% and Obama opponents began saying what a terrible president he was. The fact that it had doubled from just 4.5% in the prior two years when he was just a junior senator from Illinois, well, so what? On top of that, the deficit was \$1.4 trillion and the S&P 500 had cratered to 666. Opponents, choosing to ignore the fact that he had been in the White House for just a few weeks and inherited this disaster, sneered that it was all his fault. To all but the most blindly partisan hater, this was silly, of course.

The question, then: When did it become Obama’s economy? And when did (or when will) it become Trump’s? This is all subjective of course, depending on your partisan bias and whether the data is favorable to your chosen narrative. It’s also subjective because market cycles and presidential terms don’t necessarily overlap. The fact is, presidents inherit, for better or worse, the economy left by their predecessor, its momentum and direction. George W. Bush inherited a budget surplus—but also a collapsing stock market—from Bill Clinton. Obama inherited a housing, job and stock market collapse—and the above mentioned deficit that was 9.8% of GDP—from Bush. Trump inherited a deficit that fallen 55% to 3.4% of GDP, a stock market that had tripled off its March 2009 low, and a jobs machine that added 14.6 million jobs in the 76 months before he was even elected. These are stone-cold facts. Yet in typical Trump fashion, he complains and says he inherited a mess.

But the stock market surge that began in 2009 and the job growth that began a year later both remain impressive today. For all his complaining, Trump has latched onto the economic momentum provided by his predecessor and is milking it for all it’s worth. I don’t blame him; that’s politics. But for him to claim that we’ve gone from a mess just a few months ago to “happy days are here again”—without signing one major piece of economic legislation—doesn’t pass the smell test. But again, that’s politics.

In economic terms, my own view is that the first year or so of any administration is just a carryover from the previous one. Trump’s first full fiscal year as president didn’t begin until Oct. 1. But he still doesn’t even have a budget—a pathetic fact that nearly led last week to a government shutdown. Trump agreed to kick the can down the road by signing a two-week spending bill, but all this means is that another shutdown could occur three days before Christmas.

It's also still Obama's economy by virtue of the fact that after nearly a year in office, Trump, as mentioned, still hasn't signed one major economic bill. This is likely to change soon with tax reform, but it's not over the finish line yet. If and when Trump signs it—a huge achievement for better or worse—it will then be his economy.

But this doesn't mean Trump gets no credit for what's happened this year. He has cut a lot of red tape by using the one thing he criticized Obama for: using his executive powers. "Trump did sign a record number of laws rolling back regulations under the Congressional Review Act," [the nonpartisan Politifact notes](#), "but that's not the only way to count deregulatory action."

While hard to quantify, the reduction of regulatory uncertainty is a big deal and helps explain why business confidence is up. Trump has helped release animal spirits that can help an economy grow. Just as Obama deserves credit for helping to right the economy in 2009-10 and putting it on the path to recovery, Trump also deserves credit for nudging it along this year.

But all this aside, and more than any president, this is still, above all, the Bernanke-Yellen economy. For nearly a decade now, these back-to-back Federal Reserve chairs have kept short-term rates low, while driving longer-term rates down by scooping up \$4.5 trillion worth of government bonds and mortgage-backed securities. This has pushed investors into risky assets (i.e. stocks), a rocket fuel for the incredible stock market run that began in March 2009 and continues today. It's the biggest reason why corporate profits have soared, and the housing market came roaring back.

This didn't stop Obama from taking credit for the S&P's 241% gain off the March 2009 low, or Trump from bragging about its 17% run since he took over. But it's Bernanke and Yellen who engineered it.

Frankly, you can credit George W. Bush for nominating Bernanke for Fed chair in 2006 and Obama for naming Yellen in 2014. We can also credit Trump for nominating Jerome Powell, a solid choice who has strongly supported the monetary and regulatory policies of both since joining the Fed's board of governors in 2012—after being nominated by Obama, incidentally.

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