Obama success story: Third biggest stock market boom since 1900

E.P. Bannon
31 August 2016

A recent commentary published in the *New York Times* celebrates the boom in share prices under President Barack Obama. The article appeared in the Sunday, August 21 print edition of the *Times* under the headline, "The Great Obama Bull Market," but was initially published online under a headline even more explicit about the beneficiaries of Obama's policies: "The Obama Years: The Best of Times to Be a Stock Investor."

The author, Jeff Sommer, begins by describing the stock market under Obama in glowing terms. He writes: "The facts are inescapable: The Obama years have been among the best of times to be a stock investor, going all the way back to the dawn of the 20th century." He notes that someone who bought a low-cost stock index fund at the beginning of Obama's presidency would have seen the value of the investment triple as of today.

Obama has overseen the third best run for stock market investors since 1900, Sommer writes. The market performed better only under the presidencies of Republican Calvin Coolidge in the 1920s, during the speculative boom that led to the Great Depression, and Democrat Bill Clinton, who presided over the era of "irrational exuberance" on financial markets and the tech bubble. Under Obama, the stock market performed better than under pro-business Republican presidents such as Ronald Reagan, Dwight Eisenhower and George H.W. Bush.

The current bull market is the outcome of deliberate policies undertaken by Obama in the wake of the 2008 financial crash to save the banks at the expense of the vast majority of the population, beginning with the bailout of major financial institutions.

Obama's appointment of Timothy Geithner as treasury secretary was an unambiguous signal to Wall Street that its interests would be protected. Geithner, as president of the Federal Reserve Bank of New York, had played a key role in the inflation of the subprime mortgage bubble that burst in 2007 and 2008, leading to the collapse of Lehman Brothers and the September 2008 financial meltdown. As head of the New York Fed, he was one of the main architects, along with Bush Treasury Secretary Henry Paulson and Fed Chair Bernanke, of the TARP program and the subsequent infusions of public funds into the banking and financial system.

At the same time, Obama opposed any meaningful government-imposed limits on the salaries and bonuses of executives at the banks and corporations that received billions of dollars in federal handouts and guarantees through the Troubled Asset Relief Fund (TARP) and other programs.

The US Federal Reserve lowered its benchmark interest rate to near zero and adopted the policy of "quantitative easing" to pump trillions of dollars into the financial markets. Obama's reappointment of Ben Bernanke in 2009 and his appointment of Janet Yellen as Bernanke's successor in 2013 were decisions to support the continuation of this policy.

This gave rise to a massive boom in speculation that has greatly exacerbated the growth of social inequality. The wealth of the 400 richest individuals in the US skyrocketed from $1.27 trillion in 2009 to $2.34 trillion last year.

Share prices have soared to record heights, but have virtually no correlation with the stagnating real economy outside the world of finance. Economic growth for the remainder of 2016 and next year is estimated to be at 2 percent, far lower than after previous recessions. Meanwhile, median household income has fallen by 7 percent since 2000 and labor's share of total income has dropped from 66 percent to 61 percent.

These days, Obama rarely gloats (at least in public) over the success of the stock market due to the obvious hostility of the majority of the population to Wall Street. But key decisions he took were critical to the explosive rise in stock prices over the past 7 years.

In March of 2009, the Obama administration carried out a number of measures to steady the nerves of America's financial aristocracy and restore confidence on Wall Street. After the House of Representatives passed a bill to tax some bonuses at a handful of companies that had received government bailout money, following an explosion of public anger over the announcement of $165 million in executive bonuses by the bailed-out insurance giant American International Group (AIG), Obama moved to block passage of a similar bill by the Senate.

That same month, the administration announced a "private-public partnership" to offload the banks' bad mortgage assets at public expense. Merely days later, Obama announced plans to "fundamentally restructure" the US auto industry while forcing brutal wage and benefit concessions on auto workers as a condition for any further loans to General Motors and Chrysler. The restructuring of the auto industry signaled a broader assault on the working class as a whole.

It was after the implementation of these policies that the stock market began its record-breaking ascent.