

## Economic Analysis

# Obama's Call for Social and Political Unity in Final SOTU

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- **President acknowledged shortcomings, including failure to curb political brinkmanship**
- **Administration's pending policy goals include trade agreement and education reform**
- **SOTU and Republican rebuttal highlight need to combat extremist rhetoric in 2016 election**

Looking a bit more seasoned during his seventh and final State of the Union address, Obama chose to take an unconventional approach and diverted focus away from his own legacy and agenda. Rather, he focused on broader ideals and his long-term vision for the country.

Surprisingly, Obama admitted at the start of his speech that expectations for his administration and for Congress this year were low given the upcoming elections. Anticipating Congressional members' focus on reelection campaigns and their longer-than-usual summer break this year (July through September), Obama is perhaps justified in narrowing the agenda for his last year in office. The few policy goals he did call Congress to take action on included the Trans-Pacific Partnership trade agreement, criminal justice reforms, college affordability and the closing of the detention facility at Guantanamo Bay. Most of these issues have been on his plate since his first inauguration into office.

Although the main focus of the speech was not on his legacy, Obama did take some time to tout his major accomplishments, including the Affordable Care Act, the climate change agreement and the legalization of gay marriage. He also boasted about economic growth during his term, citing the creation of 14 million new jobs, the halving of the unemployment rate and "the strongest two years of job growth since the '90s." Although the unemployment rate is indeed at pre-recession levels, the recovery has been anything but smooth, with private sector employment hitting bottom in 2010.

Unfairly, economies tend to be personified according to whoever occupies the White House at the given time, giving rise to unending debates over whose economy was better. Although Obama deserves significant credit for the economic impact of his early policies such as the stimulus plan, he took more credit for economic growth than he rightfully deserved in this speech. Other major players such as the Federal Reserve also had a large role in the recovery as well.

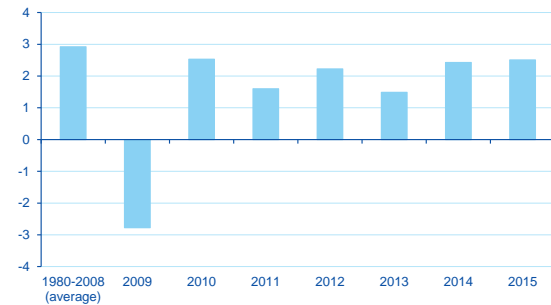
The president acknowledged the shortcomings of his time in office, pointing to the worsening of income inequality and a greater concentration of wealth. Perhaps most remarkably, he apologized for failing to make progress on one his main campaign agendas: pushing for bipartisanship. Obama's acknowledgement of his role in the worsening of partisan rancor was refreshing and unexpected, but his call for greater Congressional unity going forward comes perhaps a bit too late.

However, in a rare show of inter-party agreement, both Obama and Governor Nikki Haley, in her deliverance of the Republican response, took not-so-subtle jabs at the positions of some of the leading Republican candidates. To much applause, Obama pointed to the need to combat the extremism that is currently dominating political discourse and to avoid applying the actions of a few to a whole group. In turn, Governor Haley expressed her

support for welcoming legal immigrants, regardless of race or religion, confirming the Republican establishment's desire to distance itself from the rhetoric of candidates such as Donald Trump.

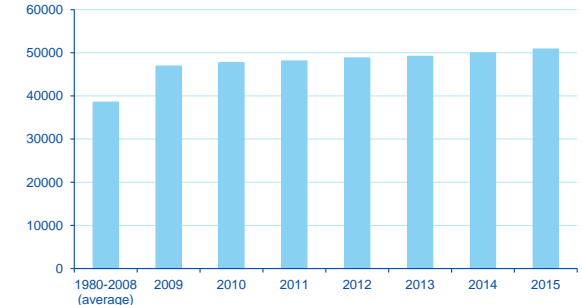
Obama's optimistic economic and social vision for America should act as a springboard for the presidential candidates in defining their own platforms. The ultimate winner of the 2016 election will be the candidate who can effectively convey to the people what will come next and how the nation will get there.

Chart 1  
**Real GDP\* (% change)**



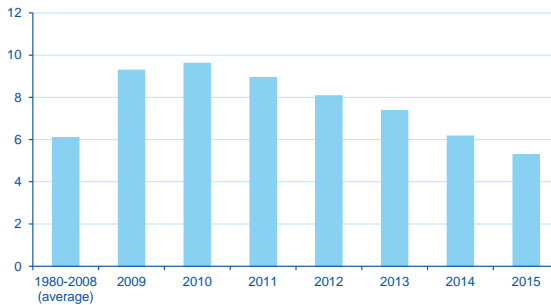
Source: Haver Analytics & BBVA Research \*2015 estimate

Chart 2  
**Real GDP per Capita\* (\$)**



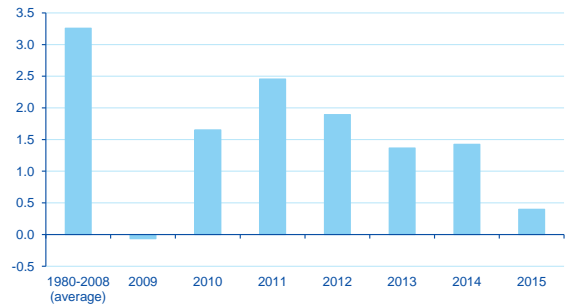
Source: FRED & BBVA Research \*2015 estimate

Chart 3  
**Unemployment Rate (%)**



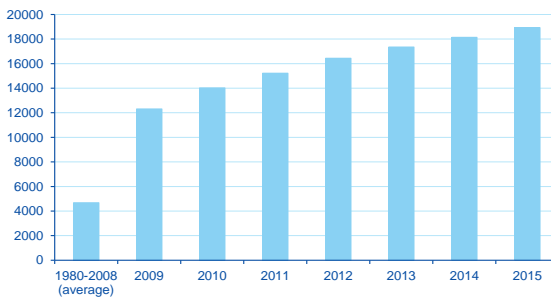
Source: Haver Analytics & BBVA Research

Chart 4  
**PCE: Chain Price Index (% change)\***



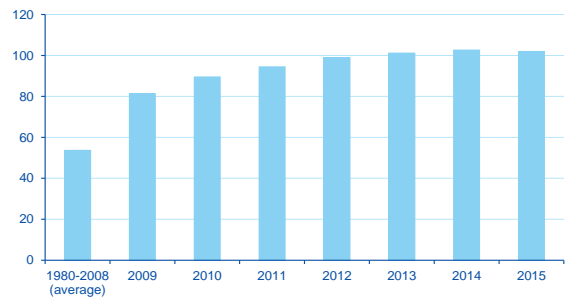
Source: Haver Analytics & BBVA Research \*2015 estimate

Chart 5  
**Total Public Debt (billion \$)**



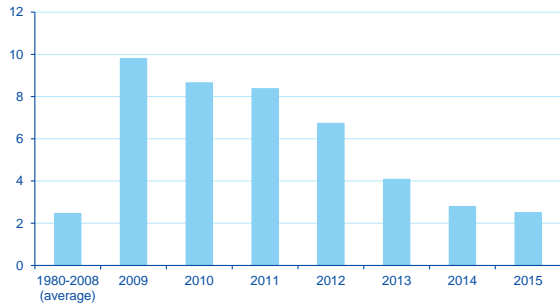
Source: Haver Analytics & BBVA Research \*includes intragovernmental holdings and debt held by the public

Chart 6  
**Total Public Debt (% of GDP)\***



Source: FRED & BBVA Research \*2015 estimate, includes intragovernmental holdings and debt held by the public

Chart 7  
Federal Deficit (% of GDP)



Source: FRED, CBO & BBVA Research

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