

BROOKINGS

How We're Doing: A Composite Index of Global and National Trends

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As the Obama administration completes its first six months in office, a team of Brookings scholars is tracking data for various dimensions of national and international well-being. This first “How We’re Doing” Index serves two purposes: it compares the state of the nation and the world with conditions that prevailed at about the same time in the last five presidents, and it establishes a baseline for future indexes. Our starting point is the American Constitution’s mandate that the government “provide for the common defense, promote the general welfare, and secure the blessings of liberty.”

In dealing with a complex world, Obama inherited—but now owns—wars in Iraq and Afghanistan. During his first six months, the U.S. has suffered more combat casualties than his five predecessors at the outset of their terms. The armed services also have grown considerably in cost, eating into the post-Cold War “peace dividend.” Still, there is no rival superpower; none of the major nations are at war or on the brink of war with each other; and the world as a whole is afflicted by fewer armed conflicts than in the recent past, with fewer civilian casualties.

However, the nuclear nonproliferation regime—anchored by the 1968 Non-Proliferation Treaty—is weakening. India, Pakistan, and North Korea have tested the Bomb; Israel is presumed to have it as well; Iran’s ambitions are one of the world’s worst kept—and most dangerous—secrets; and other countries, including U.S. allies, are reconsidering their non-nuclear status. On top of all that, “loose nukes” could end up in the hands of non-state actors like al-Qaeda.

Peace and security depends not just on common defense but on the political and economic stability of individual countries. Conversely, abject poverty is a security challenge as well as a humanitarian one. There has been progress on that front. Despite steady growth in the world’s population, the number and percentage of desperately poor people have declined dramatically, especially in China and India. Yet the economic crisis jeopardizes that favorable trend.

Then there is the ultimate mega-threat of climate change: the concentration of

greenhouse gases is creeping upward toward a level that scientists believe will cause the increase in the mean temperature of the planet to trigger a perfect storm of irreversible and catastrophic consequences unless somehow checked or countered.







America's ability to lead in addressing this daunting global agenda depends on a strong U.S. economy. Like Obama, earlier presidents were handicapped in that regard at the outset of their terms: Jimmy Carter, Ronald Reagan and Bill Clinton faced high unemployment; Carter, Reagan and Bush41 were confronted with high inflation and interest rates; Clinton had to cope with anemic growth and a staggering debt burden; Bush43 took office amidst a recession brought on by the bursting of the dot-com bubble.

Barack Obama can take comfort from low inflation, and low interest rates. Still, his task is unprecedented. The fall-off in productive output, spending, and employment is the worst – by far – since the Depression. Most experts believe the unemployment rate will continue to rise for the rest 2009. Unlike previous recent downturns, virtually no region of the U.S. has avoided job losses. Nearly all American homeowners have experienced significant declines in the value of their homes. Public debt as a percentage of GDP has now exceeded even Reagan-era levels, thanks to recent years of high debt and the massive spending of the stimulus package. The prospect of future deficits looms large, as does the cost of the Federal Reserve's "pump-priming" which has put nearly three times as much cash into the economy as at any point in the last four decades. Paradoxically, excessive borrowing and spending caused the crisis, but that crisis has led Americans to start saving. Policymakers now believe that the best way out of the crisis is for citizens to borrow and spend again.

Confronted with such ironies, dilemmas, and stresses, how does the public feel its government is doing? Remarkably, so far, so good. Obama's first six-month job approval numbers are impressive. But he should note that several of predecessors also got the benefit of the doubt—for a while. Moreover, the country remains deeply polarized, and public confidence in Congress—Obama's same-party partner in governing—is at an all time low. Republican opponents and Democratic skeptics can be counted on to jump on evidence, real or perceived, of government waste, fraud, abuse and stupidity – from banker bonuses to pork-barrel stimulus projects to error-filled tax returns by administration nominees.

The President's initial accomplishment has been to reestablish public trust and optimism in the U.S. For the first time in six years, there is positive turnaround in the percentage of Americans who think the country is headed in the right direction. That line-item in the Index—the most subjective but among the most important—marks a turnaround that is nearly as high as what Ronald Reagan was able to effect in his first half-year. Obama's ability to sustain that optimism and trust will depend on his ability to nudge the more objective indicators in the right direction.

"Common Defense"

	 Jimmy Carter (1977)	 Ronald Reagan (1981)	 George HW Bush (1989)	 Bill Clinton (1993)	 George W. Bush (2001)	 Barack Obama (2009)
U.S. defense budget (billions of constant fiscal 2009 dollars)	\$383	\$428	\$502	\$416	\$395	\$697
Number of U.S. military personnel stationed abroad	459,000	502,000	510,000	308,000	255,000	476,000
U.S. defense budget as a percentage of GDP	4.8%	5.7%	5.5%	4.2%	2.9%	4.2%
Number of U.S. military combat fatalities	0	0	23	29	3	212
Number of nations that have tested a nuclear weapon	5	5	5	5	7	8
Armed conflicts worldwide	23	30	34	32	28	26
Civilian casualties due to armed conflicts worldwide	64,000	207,000	97,000	103,000	42,000	25,000
World population (in millions)	4,134	4,438	5,108	5,456	6,115	6,747
Share of global population living on less than \$1 a day	NA	41.4%	29.8%	27.0%	20.3%	16.1%
Greenhouse gas concentrations in atmosphere (CO2 and equivalents; 470 parts per million is considered dangerous)	361	375	392	400	420	439

"General Welfare"

	Jimmy Carter (1977)	Ronald Reagan (1981)	George HW Bush (1989)	Bill Clinton (1993)	George W. Bush (2001)	Barack Obama (2009)
Real GDP growth (annualized for first quarter of presidency)	4.9%	8.4%	4.1%	0.5%	-0.5%	-5.5%
Unemployment rate	7.2%	7.5%	5.3%	7.0%	4.5%	9.5%
Consumer confidence (Conference Board consumer confidence index in June)	98.2	83.0	117.2	58.6	118.9	49.3
Inflation (six-month change in Consumer Price Index, annualized)	7.3%	9.7%	5.7%	2.8%	3.6%	2.7%
Interest rate on 30-year fixed mortgage	8.86%	16.70%	10.20%	7.42%	7.16%	5.42%
Public debt as a percentage of GDP	27.8%	25.8%	40.6%	49.4%	33.0%	54.8%
Oil imports (as a percentage of U.S. oil consumption)	48.0%	46.2%	50.3%	55.9%	70.6%	78.4%
Percentage of large metropolitan areas with employment declines	11%	20%	7%	13%	37%	97%

Percent of large metro areas with house price declines	NA	78%	59%	69%	1%	61%
Federal Reserve balance sheet as a percentage of GDP	7.04%	5.69%	5.69%	6.20%	6.29%	14.51%
Personal savings rate	8.0%	9.8%	7.9%	5.7%	1.9%	4.3%
Life expectancy for people born in year of election	72.6	73.7	74.9	75.8	77.0	77.8 (est.)
Percentage of non-elderly Americans lacking health insurance in year of election	14.1%	12.0%	15.6%	16.8%	16.8%	16.6%

"Blessings of Liberty"

	Jimmy Carter (1977)	Ronald Reagan (1981)	George HW Bush (1989)	Bill Clinton (1993)	George W. Bush (2001)	Barack Obama (2009)
Approval rating of the president, as of July 15	62%	60%	49%	45%	57%	60%
Approval rating of Congress, as of July 15	34%	38%	28%	24%	49%	33%
"Satisfied with the way things are," as of July 15	NA	33%	44%	24%	51%	31%
Satisfaction improvement over six months	NA	+16%	-1%	-5%	-5%	+14%
Approval rating of the president by independent voters, as of July 15	59%	60%	48%	41%	52%	54%
Gap between Republican and Democratic presidential approval ratings	30	44	50	58	59	65

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