

AS OBAMA IS INAUGURATED, SO IS OPTIMISM AND PRAGMATISM

But, Even as Republicans Struggle to Find Their Way, There Are Clear Warning Signs for the President and His Fellow Democrats

SUMMARY

The American public clearly place enormous optimism and confidence in newly inaugurated President Obama. And, at the same time, they also display an intensely pragmatic desire to get the country back on track economically.

In fact, according to our January Diageo/Hotline poll of 800 registered voters – the first taken during the Obama administration – half of the country doesn't care who's in power as long as things get done. So, while President Obama may have the wind at his back, public optimism and confidence is driven more by a desire for results than by an appetite for policies from one ideology or another.

Right now, that means that anything with the word "stimulus" would have majority public support – even if it increases the deficit – as long as the focus is on programs that voters believe will benefit them and produce jobs.

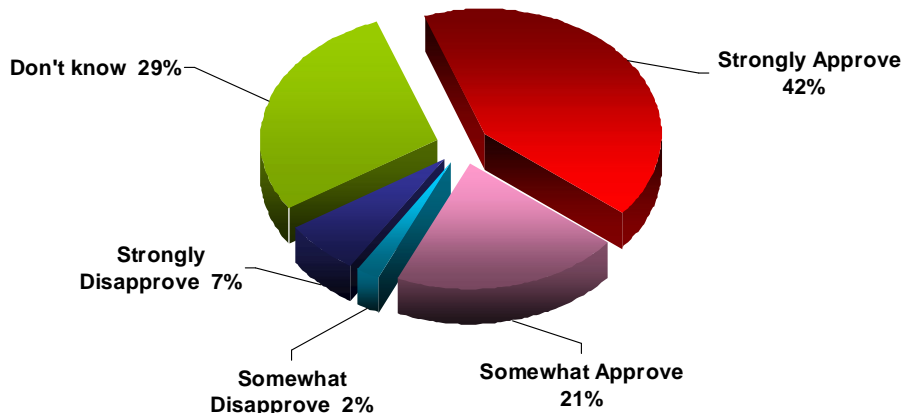
Our poll, taken just after Inauguration Day shows that 54% of voters support a stimulus plan and that the support level rose to 66% when voters were informed of the specifics. While other polls in recent days have shown that similar majorities of voters support a stimulus plan, they also show that support for Obama's stimulus plan has waned, now that the public is focusing on those specifics and alternatives. So, while details matter, the public is bent on "getting it right", no matter who proposes it. To that end, public confidence in Obama spills over into confidence in any stimulus plan that both Congress and the President pass; specifically, voters are confident any stimulus money will be effective and spent wisely.

That said, the public is not entirely rosy. They are not happy with and do not understand how TARP has been handled (half of voters don't know it is **not** part of the stimulus package being debated). This is likely because they don't understand it and don't see it working for them. Nor do voters think the economy will be turned around in the next 2 years. That expectation, plus confidence in Obama likely means that the new President has a lot of running room before voters are likely to hold him accountable for the economy's performance.

THE WINDS OF OPTIMISM IN OBAMA'S SAILS

What a difference a couple of months can make. President Obama starts his administration with very high job approval ratings (63% approve, 9% disapprove). In fact, the percentage of the electorate who strongly approves of the job he's doing is 13-points higher than former President Bush's TOTAL job approval score (29%) from our November Diageo/ Hotline poll!

Do you approve or disapprove of the way Barack Obama is handling his job as president?



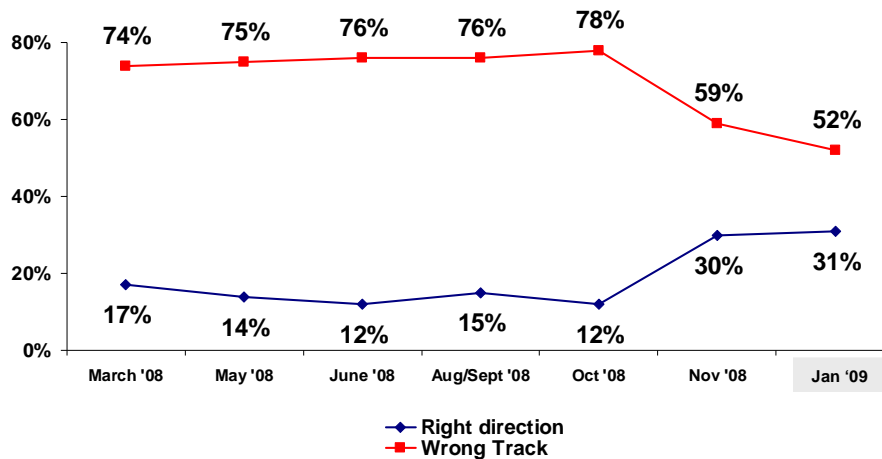
| | |
|--------------------------|------------|
| TOTAL APPROVE: | 63% |
| TOTAL DISAPPROVE: | 9% |

And, Obama's personal image ratings have only increased since November, rising 11-points from a 65% favorable rating in our November poll to a 76% favorable rating in our January poll. Even Republican voters view President Obama positively (44% fav/40% unfav).

The President's sky-high ratings are tied directly to the public's impression of his ability to deliver on the major theme of his campaign: "change." Specifically, three-out-of-four voters are confident that Obama will bring real change to the way things are done in Washington, D.C. And, much like his favorability ratings, this confidence metric has increased 10 points from 66% in our November poll.

And in his first official debut as President, Obama delivered a speech that inspired optimism and service. Namely, 83% of voters said his inaugural speech made them more optimistic the U.S. will meet its challenges, and 67% said it inspired them to become more personally involved in helping the country meet its challenges. The big question is whether and how this public optimism and enthusiasm will manifest itself in public policy. Does Obama's Inauguration hail the beginning of an unusually engaged public who keeps a watchful eye on Washington and advocates on a grassroots level on issues? Or is this a public that is inspired to act locally and leave the big problem to Obama?

Either way, it's clear the era of Obama halted what was an unbelievable decline in public mood and has begun to turn the public's mood around. In our October poll, only 12% of voters said the country was headed in the "right direction." Now, 31% say the country is heading in the right direction.



In this context, it might seem that Republicans have little choice then to avoid big fights with a popular President and take what they're given and go along to get along.

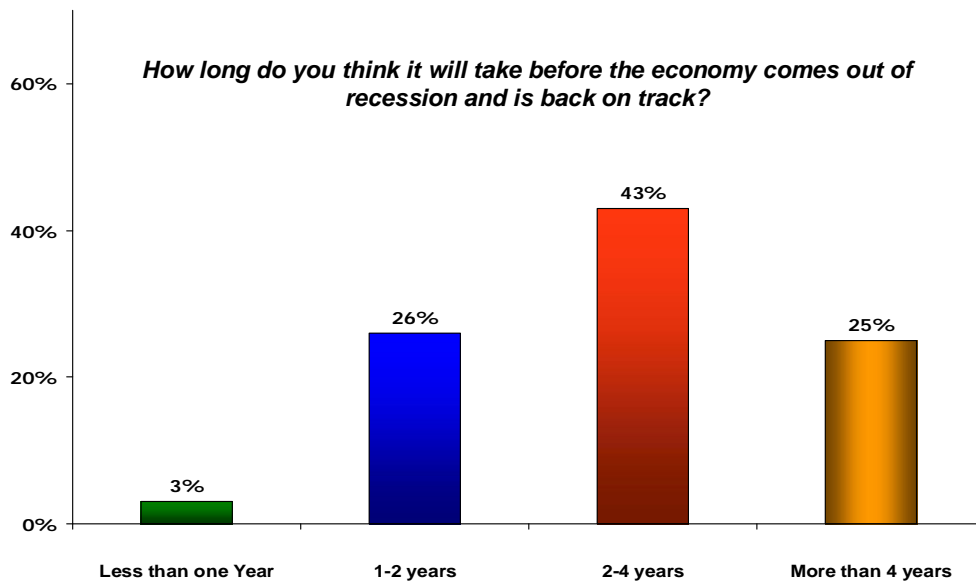
However, consider that the 178 GOP House members in Congress represent the base of the party, as they are situated in solid Republican districts. Specifically, only 6 of these GOP members represent districts that BOTH Kerry and Obama won.

As a result, these GOP House members are more likely to consider who their 2010 GOP Primary opposition is than which Democrat they might face in 2010. That dynamic, plus what seems to be a GOP desire to reconnect with its "brand", is apt to drive a Republican caucus more likely to fight with Obama on what it sees as principled grounds. That said, the 2010 congressional general elections can't be overlooked – right now, our early ballot tests show Democrats leading Republicans in a generic congressional election 46%-22%.

THE ECONOMY & THE STIMULUS

Obama begins his Presidency with voters focused primarily on one major issue: the economy. Over three-quarters of voters say it's the number one priority facing the country.

That said, the public appears to display an uncharacteristic patience with economic recovery. When asked, 43% of voters said they thought the U.S. would pull out of the recession in 2-4 years and 25% said it would take longer than 4 years. Put another way, 68% think it will take more than 2 years to recover. This clearly gives the President a bit of time to show results before he's held accountable. In the meantime, President Obama will have to show he is making an effort to lead on the economy.



But, in which direction does the public think Obama should lead? On one hand, it would seem logical that the public favors more liberal, progressive economic policies. After all, our poll found that 55% of voters say more government involvement in the economy is a “good idea” while only 37% say it is a “bad idea.”

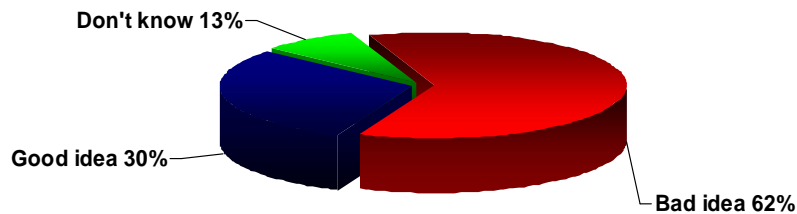
However, the public seems to be in a more pragmatic mood. Specifically, 28% of voters say they are “excited” about Democrats controlling both the White House and the Congress, 20% say they are “concerned” and 51% say it “doesn’t matter as long as there are results.” Translation: the public is not in the mood for partisan posturing. Nor should Democrats overplay their hand by taking President Obama’s election to be carte blanche mandate for traditionally Democratic policies.

To that end, the stage is set for epic wrangling, negotiating and battling over the stimulus bill. Our Diageo/ *Hotline* finds good evidence that, given the public’s pragmatic mood and their focus on the economy as a priority, that anything with the word “stimulus” attached to it would pass easily. However, now that the details of the stimulus package passed by the House are becoming better known, it’s clear that voters can be swayed over the debate as to how best to stimulate the economy.

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Political events and issues never take place in a vacuum. Part of what is shaping current perceptions on debates over stimulus spending is the \$700 billion in spending on the so-called Troubled Asset Relief Program (TARP). Perceptions of TARP have left a bad taste in voters' mouths. In our poll, 62% of voters think the second \$350 billion in TARP was a "bad idea." This is likely related to the same reason they appeared to support any stimulus package. When the public sees spending that is not going to help create jobs or ease consumer burdens they oppose it, but if they think spending is going to help ease their burdens, they support it.

In your opinion, was the approval of \$350 billion to aid the financial sector a GOOD or a BAD idea?



POTENTIAL WARNING SIGNS FOR OBAMA & THE DEMOCRATS

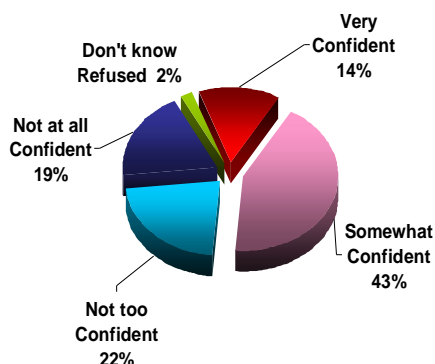
Politically, there is not much that isn't good news for President Obama and Democrats: they enjoy high ratings, a public that will give them the benefit of the doubt as they try to fix the economy, and an opposition party that is still finding its way.

However, there are a couple of potential warning signs the President and his fellow Democrats should heed.

First, while a majority of voters think that any stimulus package that is passed will be spent wisely and will be effective in turning around the economy, these numbers are the "softest" numbers in the poll. Namely, 57% said they were confident money would be spent wisely (but only 14% said they were "very confident" and 43% said they were "somewhat confident"). Likewise, 65% said they were confident the stimulus would be effective (12% said "very confident" and 53% said "somewhat confident"). These "soft" numbers mean the public is marginally confident money will be spent wisely and effectively.

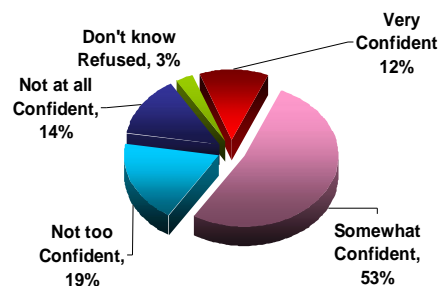
Stimulus Package Money Will Be SPENT & MANAGED WISELY

| | |
|-----------------------------|------------|
| TOTAL CONFIDENT: | 57% |
| TOTAL NOT CONFIDENT: | 41% |



Stimulus Package will be EFFECTIVE IN TURNING ECONOMY AROUND

| | |
|-----------------------------|------------|
| TOTAL CONFIDENT: | 65% |
| TOTAL NOT CONFIDENT: | 32% |



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If, like TARP, the stimulus isn't perceived as being spent well, the public may shorten their time horizon on when they expect their investment in Obama and Democrats to pay off, and may, in turn, hold Democrats accountable for the economy earlier.

The second warning sign is that President Obama's high ratings, while impressive, are based more on "hope" than on actual performance. How else to explain a President who registers a 63% approval rating his first few days in office? President Obama owes his high ratings to the fact that people WANT to believe, more than anything else. All bets are being placed on the economy. If voters lose faith in his ability to change D.C. and stimulus becomes a GOP piñata, Obama and Democrats will see their positive numbers evaporate quickly.

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