

## Will Obama Be Running Against the Economy?

When the conversation turns to the 2012 presidential race, it usually doesn't take too long before someone suggests that Republicans have little chance of winning next year. Some argue that Republicans don't have a blue-chip candidate who can beat President Obama; others that too many prominent contenders concluded that the incumbent is unbeatable, and as a result, they opted not to run, thinking they might have a better chance of getting elected in 2016. A very different view holds that, if you had to predict today whether President Obama will be re-elected, you would be better off if you knew what the economy will look like in 2012.

Few would make the case that the identity of the Republican nominee is irrelevant, but this whole argument is centered on the view that when an incumbent president of the United States is seeking re-election, that contest is effectively a referendum on that incumbent rather than a basic choice between two candidates. Adherents of this view argue that unlike an election with voters choosing between two non-incumbents, a re-election race is more like deciding whether to renew that president's contract for another four years. Rather than being an even-handed popularity contest, it is a race based on the performance of the incumbent. That kind of decision is based on voters' assessment of the U.S. economy, their own economic well-being, and an assessment of the incumbent's stewardship of the economy. Change (year over year) in U.S. GDP, the unemployment rate, and in real personal disposable income are all key indices that might help ascertain how voters might see the president and whether that incumbent would likely be re-elected.

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Charles E. Cook, Jr. writes weekly columns for *National Journal* and *CongressDaily AM*, published by the National Journal Group. He is a political analyst for NBC News as well as editor and publisher of the *Cook Political Report*, a Washington-based nonpartisan newsletter analyzing U.S. politics and elections.

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It's anybody's guess where the U.S. economy will precisely be on August 27–30, 2012 when Republicans gather in Tampa to formally choose their nominee. But in recent months, economists have been busily revising their GDP forecasts downward for the second half of this year and for all of 2012, while raising their predictions for the unemployment rate for next year as well. Though the Federal Reserve Board's central tendency forecast projects GDP growth to be between 3.3 and 3.7 percent and unemployment to be down to between 7.8 and 8.2 percent by late 2012, private economists are suggesting more sluggish economic growth and a higher jobless rate, perhaps closer to 8.5 percent in the fourth quarter of 2012. This would be a much more problematic re-election challenge for President Obama, and substantially worse than the one faced by President Ronald Reagan in 1984 coming out of the 1982 recession, when unemployment had dropped to 7.2 percent by Election Day 1984.

The rub to the incumbent re-election theory is that it assumes that the Republican nomination will fall to a placebo, an inert figure who will neither attract support to, nor detract from, the GOP ballot. This is where the popular cocktail party conversation may be onto something. There certainly does not appear to be an historic, charismatic, game-changing Republican candidate or potential candidate in this field that can even partially replicate the Reagan experience. Reagan won the 1980 election by 10 percentage points, 51 to 41 percent (with independent John Anderson drawing eight percent). Part of that margin was certainly a thumbs-down on incumbent President Jimmy Carter, but the other part has to be credited to Reagan, who was a once-in-a-generation candidate who clearly struck a responsive chord with voters.

While it may be true that there isn't a Republican challenger who can be better than a placebo, it could be worse for the GOP. The party could nominate a candidate who *underperforms* in a long primary and general election campaign. Some might say that several of the Republican candidates—perhaps former Massachusetts Governor Mitt Romney, or former Utah Governor and former Ambassador to China Jon Huntsman—might well match or outperform what an average Republican would receive against President Obama. But can the same be said for former Alaska Governor Sarah Palin (if she were to run), or Representative Michele Bachmann of Minnesota, or Texas Governor Rick Perry?

There is little question that the Republican Party is at a different place from where it was in 1980 when it gathered in Detroit and nominated Reagan. Today, approximately two-thirds of the party is extremely conservative, either fervent members of the Tea Party movement or at least highly sympathetic and in substantial agreement with it. Those two-thirds are very conservative on social,

cultural, and religious issues. The remaining third is more along the lines of presidents Dwight Eisenhower, Richard Nixon, George H.W. Bush, or Senator Robert Dole. Part of the difference is ideological, with the remaining third simply being less conservative. But part of it is stylistic; the former is more of a burn-down-the-barn/break-the-china personality while the latter is somewhat more reserved. Think of it as the difference between fans of professional hockey and professional golf. One screams, while the other politely claps at the appropriate times.

**The split in the Republican Party is like the difference between hockey and golf fans.**

One should keep an eye on whether Bachmann and Perry get into a prolonged fight for the role as the dominant conservative in the race and try to outflank each other to the right. This Bachmann/Perry out-flanking scenario could possibly be the dynamic that drives the GOP nomination back into the hands of the more moderate/mainstream “golf wing” of the party. If the most conservative candidates competing for the “hockey wing” drive as hard as they possibly can to the right, it could be costly to them in one-on-one poll matchups against President Obama. That may give conservative GOP voters pause about whether they want to go with their hearts (the more strident conservative candidates) or with their heads (a Romney or Huntsman, who might match up evenly with President Obama).

Once the Republican nomination is settled, the key will be to watch that pivotal group of independents who make up between a third and 40 percent of all voters. This group voted by an 18-point margin, 57 to 39 percent, in favor of Democratic candidates for Congress in 2006, tipping the House into Democratic hands. In 2010, they voted again by an 18-point margin, this time 56 to 38 percent in favor of Republican candidates for Congress. In the presidential election year in between those two pivotal midterm elections, those independents voted by an eight-point margin in favor of Democrats for Congress and by the same eight-point margin in favor of then-Senator Obama over Senator John McCain.

These independent voters are generally not particularly conservative or liberal; indeed the characteristic most common among independent voters is that they don't particularly like politics or politicians, Democratic or Republican. They tend to mistrust politicians of both parties, and reserve judgment until late in the process, often to punish whichever party has offended them most recently. In 2006 and 2008, they were angry at Republicans. In 2010, they rebelled against Democrats. At this point, they are deeply mistrustful of President Obama, giving him job approval ratings in the Gallup Poll of between

**Will Bachmann and Perry get into a prolonged race to outflank the other to the right?**

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40 and 45 percent. Obama's overall job approval ratings are running in the mid-40s, below the traditional tipping point of 48 percent. Former presidents whose job approval ratings during the election year were above that point typically won, while those with approval ratings below that level lost. That rule of thumb doesn't really come into play until the election is less than a year off, though.

Almost any speculation about the 2012 presidential campaign should be accompanied by a disclaimer saying something like "this is for entertainment purposes only, and if any of this turns out to be accurate, it's totally coincidental." After all, at this point four years ago, Senator John McCain's bid for the GOP nomination looked pretty bleak and many analysts (including me) were declaring his candidacy dead. Likewise, at this point four years ago, Senator Barack Obama still seemed to have an uphill fight against Senator Hillary Clinton for the Democratic nomination. But scenario-playing is the only thing to do at this point, because both the contests for the GOP nomination and for the general election will be driven by events that have not yet taken place and dynamics that have yet to develop.