

Have President Obama's Re-Election Prospects Brightened?

Have the 2012 elections reached an inflection point? It's far too soon to say that the trajectory of this election has changed directions, but we are beginning to see enough indicators to suggest that the presidential race may have shifted from uphill for President Obama to something more likely to be a very close fight and a more evenly-balanced contest. Simply put, the political environment for Republicans is not quite as favorable as it appeared three or four months ago.

For the first nine months of last year, many of the metrics suggested that Obama faced a tough, even uphill fight for re-election. The U.S. economy, measured by gross domestic product (GDP), grew at just 0.4 percent for the first quarter of 2011, 1.3 percent for the second, and 1.8 percent for the third quarter, with unemployment at the horrifically high nine percent level for the first nine months of the year. Consumer confidence, as measured by the Conference Board, the Thomson Reuters/University of Michigan Consumer Sentiment, and the Gallup Organization's Economic Confidence Index, was weak. It slumped over the course of the first three-quarters of the year, particularly after the congressional debt ceiling debacle. These numbers were not those of an economy strong enough to re-elect a president.

By October, just 17 percent of Americans told NBC News/*Wall Street Journal* pollsters that the country was headed in the right direction. A whopping 74 percent said the country was on the wrong track. Only 11 percent told Gallup

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pollsters in August and September that they were satisfied with “the way things are going in the United States at this time.” Just like the underlying economic numbers, these are not the kind of poll numbers that an incumbent president’s pollster or campaign strategist would want to see before eating a meal. For incumbent presidents, re-election is a referendum on them. When voters are unhappy to this extent, incumbents usually don’t get their contract extended for another four years.

The state of the economy, consumer confidence, and the feeling about the state and direction of the country intersect with a president’s job approval rating. Not unexpectedly, President Obama’s numbers were too low for an incumbent president to have a good shot at re-election. When incumbent presidents seek re-election, the best single polling indicator is the president’s Gallup job approval rating in the months, weeks, and days leading up to election day. Every post-World War II president with a Gallup job approval rating of 50 percent or higher going into election day won. Conversely, each one with an approval rating of 47 percent or less lost. The incumbent at the tipping point, George W. Bush in 2004, had a Gallup approval of 48 percent; he eked out a scant 51 to 48 percent win. That day will be long remembered, though, for afternoon exit polls that actually pointed toward the victory of his rival, Senator John Kerry (D-MA).

With the 48 or 49 percent approval tipping point in mind, Obama only reached that level in two out of twelve months last year. He received 49 percent for the month of January and 50 percent in May (Osama bin Laden was killed on May 1). From July through December, his monthly Gallup approval rating ranged from 41 percent (three of the six months) to 44 percent. These numbers were hardly a level where a president is likely to get re-elected. Four groups were most central to Obama’s seven-point victory over Senator John McCain (R-AZ) in 2008: independents, voters 18–29 years old, Latinos, and African-Americans. Among African-Americans, Obama’s Gallup approval ratings were at a level suggesting he might replicate the combination of strong support and high turnout levels that provided his victory margin in 2008. But in 2012, will he get the super-charged turnout from independents, younger voters, and Latinos that worked in his favor so much in 2008? His approval numbers were not at a level where he should expect to prevail among this key swing voting bloc.

Finally, last year the odds of Republicans holding their House majority looked very strong, a 75 or 80 percent chance or better. Democrats looked likely to score a net gain of only a handful of seats. This number was far short of the 25-seat

gain necessary to win control of the House. The odds of the GOP picking up a majority in the Senate seemed almost as good as their chance of holding the House.

Is a Shift in Public Opinion Coming?

Not all of these factors have changed but there are growing signs that some have changed or might be changing. They offer, at least, enough evidence to warrant watching very closely. The economy grew at a three percent pace in the fourth quarter of 2011. This rate was hardly a blistering pace but was far better than the GDP growth rate has been. The unemployment rate dropped five months in a row, and held steady in a sixth. While it is still unacceptably high, it's showing a direction that we haven't seen in a while. Over that same period, the mix of positive to negative economic news, from headline numbers to more arcane indicators like railroad car loadings, has created a positive buzz among the public.

The Thomson Reuters/University of Michigan's Index of Consumer Sentiment reported in February that consumer confidence had reached 75.3, the highest since February of 2011 and substantially above the 55.7 last August. The Conference Board's Consumer Confidence Index is similarly up to its highest levels since last February. Its overall rate is the highest since April. The public's assessment of its present situation is the highest in more than a year, and its expectations for the future are also the highest since last May. The Gallup Organization reported that economic confidence in February marked the sixth straight month that public confidence has increased and almost matches the highest monthly levels seen in the last four years, though still in negative territory.

With these better economic numbers and more hopeful consumer confidence ratings, the January NBC News/*Wall Street Journal* poll showed that 33 percent believed the country was heading in the right direction. This percentage was the highest since last May. The wrong track number was down to 58 percent, the lowest since May. These are still troubling numbers but reflect a public that badly wants hopeful news. President Obama's approval rating in the NBC News/*Wall Street Journal* poll had been upside down: 44 percent approved and 48 percent disapproved in both the August and October polls. These numbers have improved a bit to 50 percent approve and 45 percent disapprove. The Gallup Poll's monthly approval averages had been 43 percent or less since August; Gallup's monthly averages for January, February and the first week of March were 45 percent. These are unimpressive numbers and not indicative of an incumbent who is likely to win.

Four groups were central to Obama's 2008 victory. Will he get enough turnout from three of them?

What happens to Real Personal Disposable Income (RPDI) is worth watching.

The pattern, though, is different and more favorable to the president than what we saw during the last half of 2011. It is worth keeping track of.

It is important to note that not all indicators are improving. One economic yardstick that is worth watching is Real Personal Disposable Income (RPDI)—that is, how much money are people making after taxes and inflation. Whether looking at RPDI on a per capita basis or overall change

from a year earlier, it's leveled off. It has improved ever so slightly, but Americans have lost a lot of ground over the last year. Things haven't turned around on that important measurement. Historically, this is the best economic predictor of an incumbent president's performance. If that number improves in a meaningful way, it would be an important marker that Obama has turned a corner.

However, many top economists are not convinced that this is a real economic turnaround. If it is real, they wonder how durable it is, given the likelihood of Europe sliding into a recession. There are also prospects of an even greater financial crisis across the Atlantic and slowing economic growth around the world. The interconnectedness of the U.S. economy makes economic developments elsewhere more relevant than ever before. International headwinds are potentially strong enough to offset such a fragile economic turnaround. At the same time, we've seen nominal upward movement in the economic data.

The State of the Race

We've seen Republicans go through 21 debates with increasingly over-heated rhetoric and positions on key issues often taken to curry favor with the conservative base of the Republican Party. It's hardly shocking that the GOP presidential contenders are chasing after Tea Party voters through the primary process. However, independent voters might find it off-putting: those non-aligned voters who are neither conservative nor liberal had turned against Obama because the economy was doing so badly. They could plausibly be turning back with better economic news.

At this juncture, it once again appears clear that fundamentals—such as campaign organization and money, advanced planning, and groundwork—still matter. The laws of gravity still apply. That is a roundabout way of saying that the factors that made Mitt Romney the favorite for the Republican nomination early last fall are still in place. Clearly Romney is encountering substantial difficulty within the GOP, but at this point it is a battle over delegates and it is

increasingly unlikely that Senator Rick Santorum or the former speaker Newt Gingrich will be able to over take him. When you get into mid-March and have accumulated more delegates than the rest of the field combined, as Romney has, and in place after place, your rivals are not on the ballot in whole states or file delegate slates in Congressional districts, forfeiting the chance to win delegates there, the race is coming to an effective close.

More importantly however, while Romney's favorable-unfavorable ratings among Republican voters are still strong, there is more of a preference for a more ideologically pure and stylistically bombastic nominee than Romney. The key is preference not opposition. Republicans want something bolder and angrier than Romney but his rivals are not sufficiently strong to tap into those preferences on a consistent basis.

More problematic for Romney is that his negatives among independent voters have skyrocketed, as a fundamentally centrist candidate has had to reposition himself as someone far more conservative than his nature to win the nomination, but alienating less ideological independents in the process. This will require substantial repair work over the summer. This also comes at a time when the Republican Party's "brand" has taken a beating, the cumulative effect of a party that has become obsessed with its conservative base and the Tea Party movement without any regard toward the alienation among moderates and less ideologically inclined independents, many of whom are disappointed by President Obama's performance in office but are growing increasingly skeptical about the GOP.

At best one can describe Romney's debate performances as uneven. They are sometimes disappointing to his supporters. They give rise to concerns among Republican strategists, who concede that he has had difficulty meeting expectations that existed a few months ago. Republicans hope that this trial by fire will result in Romney being a stronger and tougher general election candidate than he would have been had the nomination been handed to him on a silver platter. This idea recalls Obama's vast improvement as a candidate, having fought Hillary Clinton to the final round.

Overall circumstances in individual Senate and House races have shown a little movement as a result of nominal economic improvements and the slight upward drift in President Obama's numbers. If it continued, it would be just cause for Republicans to worry and for Democratic hopes to rise. There has been some recent national polling data giving Democrats reason to claim that the winds have turned decisively in their direction. But the data is more episodic. At this point, this data may be due to outlier numbers and not be indicative of a sea change in the election. There is no clear evidence that all of this has appreciably altered the outlook for the congressional elections. It's not too strong to say that the stronger Obama is, the less of a problem he will be for down-ballot

Democrats, who had worried that they could have a presidential millstone around their necks in November. If presidential rhetoric is perceived to have pulled the GOP too far to the right to effectively recover by the time of the November election, that would be relevant too.

It would be too easy to jump to conclusions now that much has changed. There appear to be some shifts. They are worth keeping an eye on as new economic and public opinion data come in. For most of last year, my own instincts were that President Obama's chances of getting re-election were distinctly less than 50–50. They were certainly not hopeless, but were unlikely. At this stage, it is less clear that is the case. There is enough evidence to pull back a little until we see more economic and polling data. We will need to see how the year unfolds, primarily in regard to how the Republican nomination settles and what the impact will be of developments in European and other international economies, specifically gasoline prices, the situation between Iran and Israel and the sovereign debt crisis in southern Europe.