December 09, 2011
Anzalone Liszt Research
National Polling Summary

Friends,

Below you will find the weekly Anzalone Liszt Research National Polling Summary, which provides a pollster's take on data and trends that affect political campaigns.

This week, with the all-important economic month of December upon us, we take a look the American economy (reality and perception) and its effect on Obama's reelection chances.

Following our analysis are additional news items and data we thought you'd enjoy.

John Anzalone and Jeff Liszt

STORY THIS WEEK: Trying to Make A Dollar Out of 15 Cents

Americans' Perceptions of the Economy

There isn't a lot of economic optimism around the country—an ABC/Washington Post poll finds only 36% of Americans believe the economy has begun to recover. Of those who believe the economy is recovering, only 19% believe the recovery has been a strong one (6% of the overall US population) while 77% believe the recovery has been weak. Further, only 25% of Americans think the economy will get better over the next year, while 47% think it will stay the same and 28% think it will get worse, according to the Wall Street Journal.

When put to more a forced choice, the WSJ finds 49% of Americans think the worst is behind us while 44% think the worst is ahead of us with regards to this recession. Americans are even less optimistic when it comes to our longer-term future: 54% think this is "the start of a longer-term decline where the US is no longer the leading country in the world", while 40% feel we are only "experiencing the tough times the country faces from time to time". Fully 67% of people tell the Washington Post and ABC they are very or somewhat worried about being able to maintain

their current standard of living, and only 43% of people say they feel very or somewhat confident they will retire with enough money to last them the rest of their life.

Measuring the Economy

In one sense, the economy has picked up where it left off in 2007. GDP (the value of everything the US does economically, combined) has been growing for nine consecutive quarters and grew last year at a 2.9% annual rate, nowhere near Clinton-era levels but better than all but 2 years of the Bush presidency (2004 and 2005).

However, the economy's growth as a whole is helping the bottom line of corporations but not workers. Freakonomics (via Northeastern University) reports that 92% of the growth in "real national income" in in the first eight quarters after the recession officially ended was in corporate profits, while salaries actually declined $22 billion per quarter over the same time period (more than $500 per person in the labor force per year). With numbers like this, it's no surprise that 36% of Americans tell the Wall Street Journal that things have gotten worse for them economically over the last twelve months while only 16% say things have gotten better (48% say things have stayed about the same).
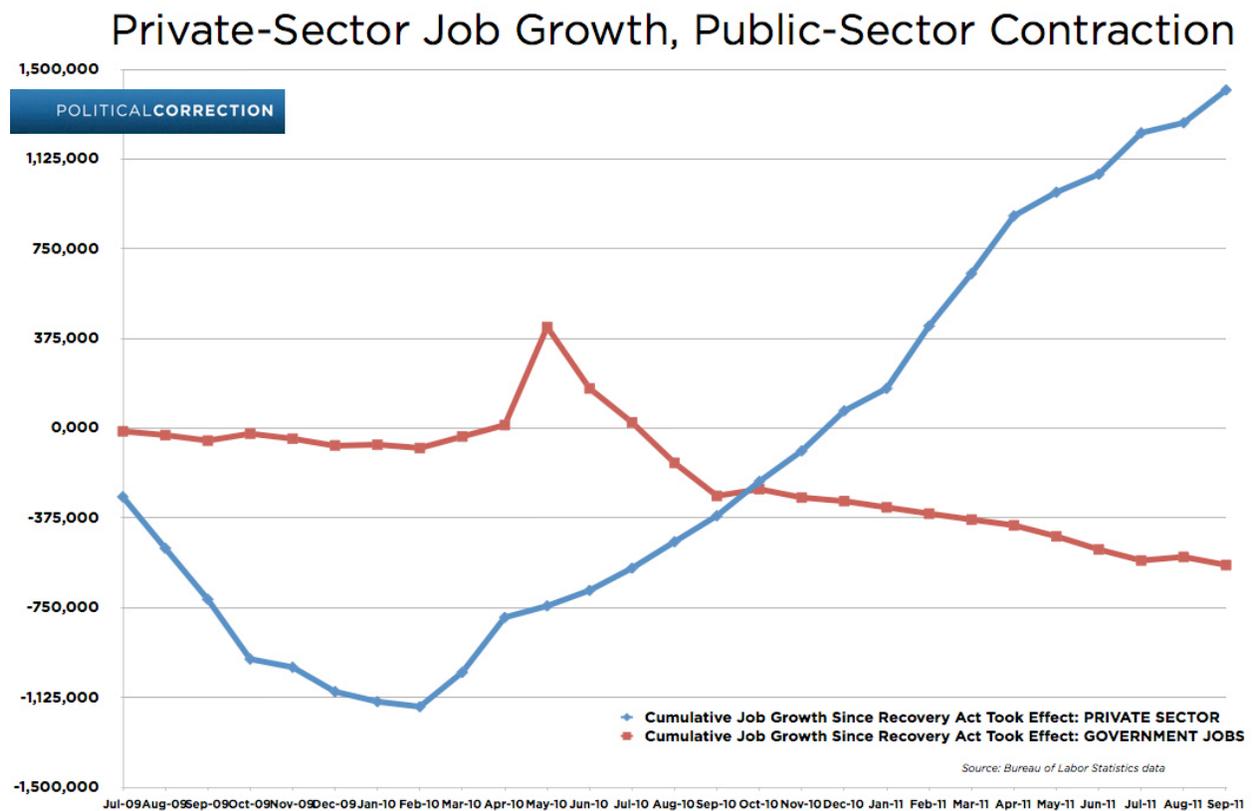
For job loss and job creation stats, the Bureau of Labor Statistics conducts monthly polls of households and businesses to determine the unemployment rate and the amount of jobs the economy is gaining or losing, which is where much of the economic data we see comes from. The federal government doesn't count every job and every worker in the country once a month, so these numbers are survey data of tens of thousands of interviews.

That data shows, of course, that there just aren't enough jobs being created. There is some good economic news from the BLS: the BLS' monthly employers survey finds the economy has added 430,000 jobs in the last three months, an average of just under 160,000 jobs per month. 33% of Americans tell Gallup their company is hiring while 18% say theirs is letting workers go; this +15 difference is far better than Gallup's low on this measure (-11, Apr 2009) but worse than on the eve of the recession (+30, early 2008).

With that said, we aren't adding jobs fast enough to significantly effect the unemployment rate in the medium term (and, as we discuss later, the rate of change has more bearing on Obama's reelection changes than the actual unemployment number). While the 120,000 jobs we have been adding per month over that period are welcome, they are not much higher than the job-growth rate we need to keep up with population growth—a complicated measure, but with the current trend, close to 100,000 jobs are needed per month to keep up. The unemployment rate

(according to the BLS's monthly household survey) has dipped from 9.7% to 8.6% over that 21-month period; at that rate, it will take almost five years for the unemployment rate to reach the pre-recession unemployment level of 5%.

Part of the problem is the economy is fighting with one hand tied behind its back due to massive budget cuts and layoffs of government workers. Job creation numbers would be much better if not for these cuts at federal, state, and local levels: the economy has added about 3 million private-sector jobs since February 2010 but slashed almost half a million federal, state, and local government jobs as governments have slashed spending. The following chart from Media Matters illustrates the disparity:

Private-Sector Job Growth, Public-Sector Contraction

POLITICAL**CORRECTION**

◆ Cumulative Job Growth Since Recovery Act Took Effect: PRIVATE SECTOR
■ Cumulative Job Growth Since Recovery Act Took Effect: GOVERNMENT JOBS

Source: Bureau of Labor Statistics data

Additionally, the unemployment number doesn't tell the whole story. The unemployment number leaves out two key groups who are struggling in the job market:

1) Discouraged workers, who have given up looking for work

2) People who want full-time jobs but can only find part-time work

A much-larger 15.6% of people are included when those two groups are added to the unemployed, sometimes called the "real unemployment number". This is a better measure of true economic pain, and it is down from its 17.4% peak in October 2009 but is nowhere near its pre-recession 8% level.

And, of course, unemployment isn't hitting everyone equally. College graduates, after having peaked just above 5% unemployment, are at 4.4% unemployment while people without a high-school degree are unemployed at a 13.2% rate. African Americans (15.5%) and Hispanics (11.4%) have much higher unemployment rates than whites (7.6%). Men (8.3%) remain more affected than women (7.8%) as they have throughout the recession, and teenagers (23.7%) are consistently highly-unemployed (this is only 16-19 year olds who are actively searching for work, not the entire 16-19 year old population).

By job type, some of the worst-affected sectors include construction (which has lost 28% of its jobs since Jan 2007), manufacturing (down 16% since Jan 2007 and down 31% since Jan 2001), and the financial sector (down 8.6% since Jan 2007). The major outlier: healthcare and education, two sectors combined by the BLS, are up 11.5% since Jan 2007 and 31% since January 2001. Health care is the lion's share of this growth, which certainly has implications for health care costs. Both these two are also female dominated, while manufacturing and construction are male- and non-college dominated, which helps explain the education and gender gaps in employment.

Impact on Obama's Reelection

Nate Silver has an interesting analysis that bears reading in full of the effect of 43 different economic variables on a President's reelection chances. We won't reproduce the whole chart, but some of it is reproduced below (the R^2 is roughly the accuracy of the variable in predicting election results):

| Rank (out of 43)	Measurement	538 R^2
1	ISM manufacturing index	.46

2	Change in nonfarm payrolls (jobs created)	.44
3	Change in unemployment rate	.40
4	Real personal income excluding transfers (income growth)	.34
6	Real GDP	.33
20	Consumer price index – energy (energy costs)	.20
25	Real retail sales	.15
30	Housing prices	.07
32	Dow Jones percentage gain	.06
40	Unemployment rate	.00

Our key takeaways are:

1) As Silver points out, the <u>change</u> in the unemployment rate is much more important than the actual rate itself, which has <u>no predictive effect on Presidential elections</u>. While a lot of people have pulled a number out of thin air that unemployment above it means Obama is doomed and below it means he is a shoo-in, we think that it's more important for the economy to be going in the right direction next Summer and Fall than for it to be at some specific point by Election Day.

For a hypothetical comparison, we have graphed unemployment under Ronald Reagan approaching his reelection (and the year preceding his Presidency) with the same measure for Obama's Presidency. Unemployment remained much higher when Reagan was reelected than when he took office in 1981—voters were clearly <u>not</u> better off than they were four years earlier—but voters did not use that metric to reelect him. Unemployment's downward trajectory helped convince voters the country was going in the right direction and convinced them to reelect Reagan with 59% of the popular vote and a 525-13 Electoral College win.
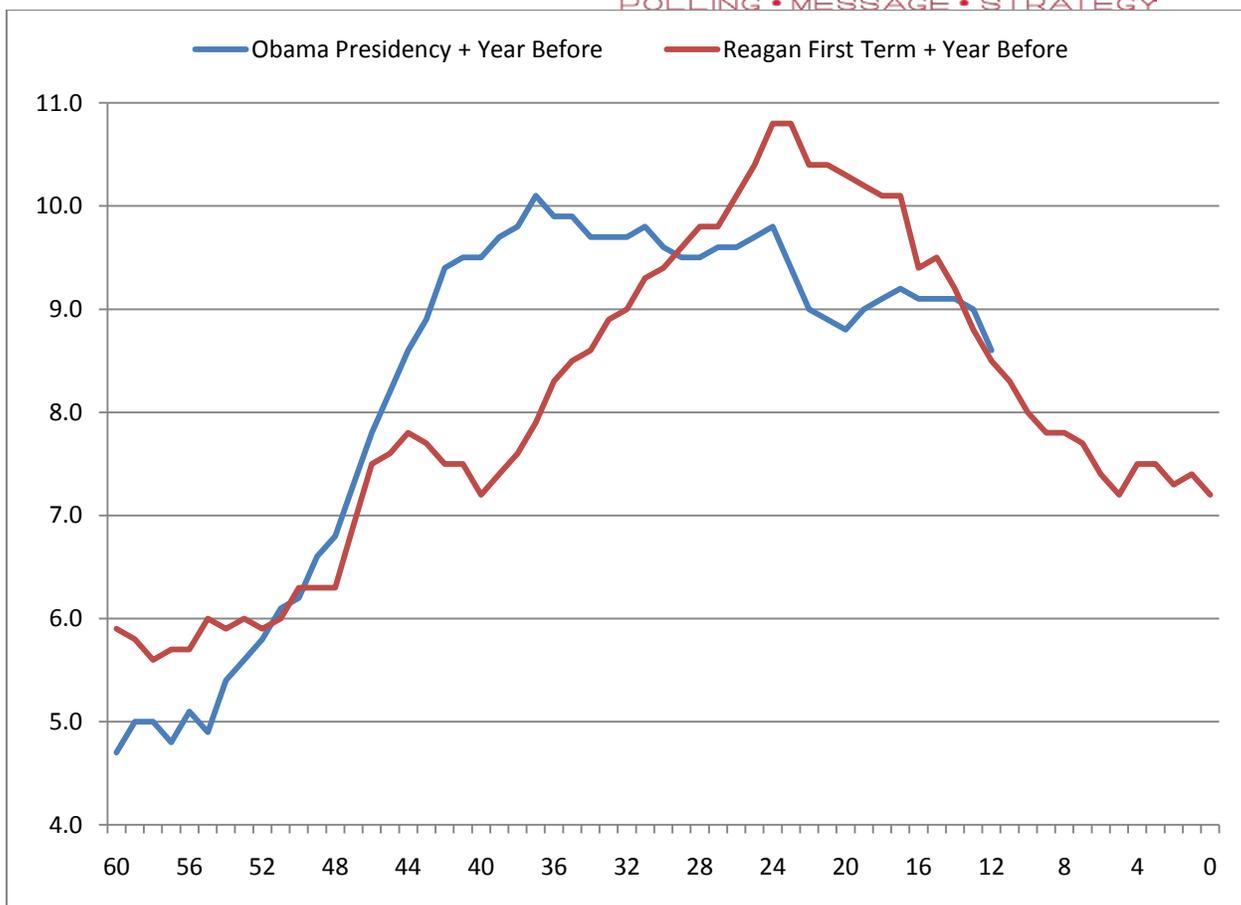
2) It is a slight oversimplification to say the "R squared" is how much of a President's vote each economic indicator accurately predicts, but the relatively low values (under 50%) for every variable means that there are a lot of factors in play in a Presidential election besides the economy. As an illustration, ALR submits that the America's economy could disintegrate to post-apocalyptic *Mad Max* levels and President Obama would still edge out Michele Bachmann were she to win the nomination.

3) Silver finds the ISM manufacturing index to be the most predictive economic variable in his model, but we expect this to be less predictive in 2012 when manufacturing is a smaller portion of the US' economy than during his the elections he used on a whole (1948-2008).

Will Holiday Season Spending Save Us?

The news coming out post Black Friday about the holiday season looks promising so far. The International Council of Shopping Centers (which tracks chain-store sales) finds that year over year sales are up 4.0% over last year and expects November sales to be up between 3.5% and 4.0% over November 2010. Cyber Monday (the Monday after Thanksgiving) provided further good news, as sales were up 33% over 2010.

It's unknown if shoppers are just taking advantage of deep Black Friday discounts to spend less money overall this holiday season or if they are actually spending more over the bulk of the season. Gallup data suggests the latter: they find the average consumer expects to spend $764 on gifts this year. That amount is $50 more than they said they'd spend last year and $150 more than they said they'd spend in the 2008 holiday season. While people don't report these numbers accurately, historically a trend up or down in the amount people think they will spend over the holidays precedes actual spending moving in the same direction.

OTHER NEWS FROM AROUND THE POLLING WORLD

China in Trouble? Bloomberg's poll of global investors finds a plurality of investors think China's economy is deteriorating (46% deteriorating / 40% stable / 12% improving). This is much better than the EU (87% deteriorating / 9% stable / 4% improving), but far worse than the US (27% deteriorating / 35% stable / 38% improving). Only 32% of respondents think China will continue on a steady pace of growth, while 35% think it will slow below 5% growth and 31% think it will encounter serious instability that stalls growth. A 61% majority of investors also think China's banking system will face a crisis in the next five years.

IA Immigration Poll from Selzer and Company: The conductors of the best-respected Iowa caucus polling have done a poll on immigration that is worth reading in full. Good questions on legal and illegal immigration, high-skill and low-skill workers, and immigrant entrepreneurship.

Southern Baptists poll on their branding: The Southern Baptist Convention has conducted polling to help them determine, among other things, whether a name change is in order to broaden their appeal outside the South. Among the findings: Americans are split on Southern Baptists (53% favorable / 40% unfavorable), similar to Catholics (59% favorable / 38%

unfavorable) and better than Mormons (37% favorable / 52% unfavorable) or Muslims (29% favorable / 63% unfavorable) but much worse than Methodists (62% favorable / 23% unfavorable).

Americans Split on In-State Tuition for Illegal Immigrants: Pew finds that Americans are split on whether illegal immigrants should be eligible for in-state college tuition (48% should / 46% should not). Many demographics are more predictive of support than party identification: support is strongest among Hispanics (77 %), African-Americans (66%), 18-29 year olds (61%), those earning under $30,000 per year (58%), and Democrats (56%).

Heisman Too Close To Call: Polling of a small group of writers shows Baylor QB Robert Griffin III (40 points) edging out Stanford QB Andrew Luck (38 points), with a virtual tie for third between Alabama RB Trent Richardson, Wisconsin RB Montee Ball, and LSU CB Tyrann Mathieu.

PUBLIC POLLS

PRESIDENT OBAMA'S JOB RATING

Polling Firm	Date	Sample	Approve	Disapprove
Farleigh Dickinson University	Nov. 29-Dec. 5	Registered Voters	45%	46%
CNN/ORC	Nov. 18-20	Adults	44%	54%
Quinnipiac	Nov. 14-20	Registered Voters	44%	50%
Fox	Nov.13-15	Registered Voters	42%	48%
Pew	Nov. 9-14	Adults	46%	46%
CNN/ORC	Nov. 11-13	Adults	46%	52%

PARTY SELF ID

Polling Firm	Date	Sample	Dem	Rep	Ind / other
Pollster.com Trend	Dec. 8	Adults	31.4%	24.5%	39.5%

GOP NATIONWIDE PRIMARY

Polling Firm	Date	Sample
Farleigh Dickinson University	Nov. 29-Dec. 5	Republican and Republican-leaning registered voters
Gingrich	36%	
Romney	23%	
Cain	8%	
Perry	6%	
Bachmann	4%	
Paul	4%	
Santorum	3%	
Huntsman	2%	

GOP CAUCUSES AND PRIMARIES

	Iowa	New Hampshire	South Carolina
Polling Firm	*CNN/Time*	*CNN/Time*	*CNN/Time*
Date	*Nov. 29-Dec. 6*	*Nov. 29-Dec. 6*	*Nov. 29-Dec. 6*
Sample	*Likely Caucus-goers*	*Likely Voters*	*Likely Voters*
Gingrich	33%	26%	43%
Romney	20%	35%	20%
Paul	17%	17%	6%
Perry	9%	2%	8%
Bachmann	7%	3%	6%
Santorum	5%	2%	4%
Huntsman	1%	8%	1%

DIRECTION OF THE COUNTRY

Polling Firm	Date	Sample	Right Direction	Wrong Track
YouGov/Polimetrix	Dec. 3-6	Adults	16%	73%
Farleigh Dickinson	Nov. 29-Dec. 5	Registered Voters	20%	70%
Marist-McClatchy	Nov. 8-10	Adults	25%	70%
GWU/Politico	Nov. 6-9	Likely	18%	75%

Voters

GENERIC HOUSE BALLOT

Polling Firm	Date	Sample	Dem	Rep	Unsure
Quinnipiac	Nov. 14-20	Registered Voters	40%	36%	20%
GWU/Politico	Nov. 6-9	Likely Voters	44%	43%	13%

OBAMA POPULAR VOTE SHARE

Polling Firm	Date	Polly Vote	Polls	Iowa Electronic Markets	Econometric Models	Index Models
PollyVote	Dec. 8	50.8%	49.4%	49.7%	49.5%	54.4%