

Cook's Tour of American Politics and Economics

Published February 13, 2013

Updated June 11, 2013

National Journal Presentation Credits

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When you think economics, think elections;
When you think elections, think economics.

- Edward Tufte, *Political Control of the Economy* (1978)

Roadmap for the Presentation

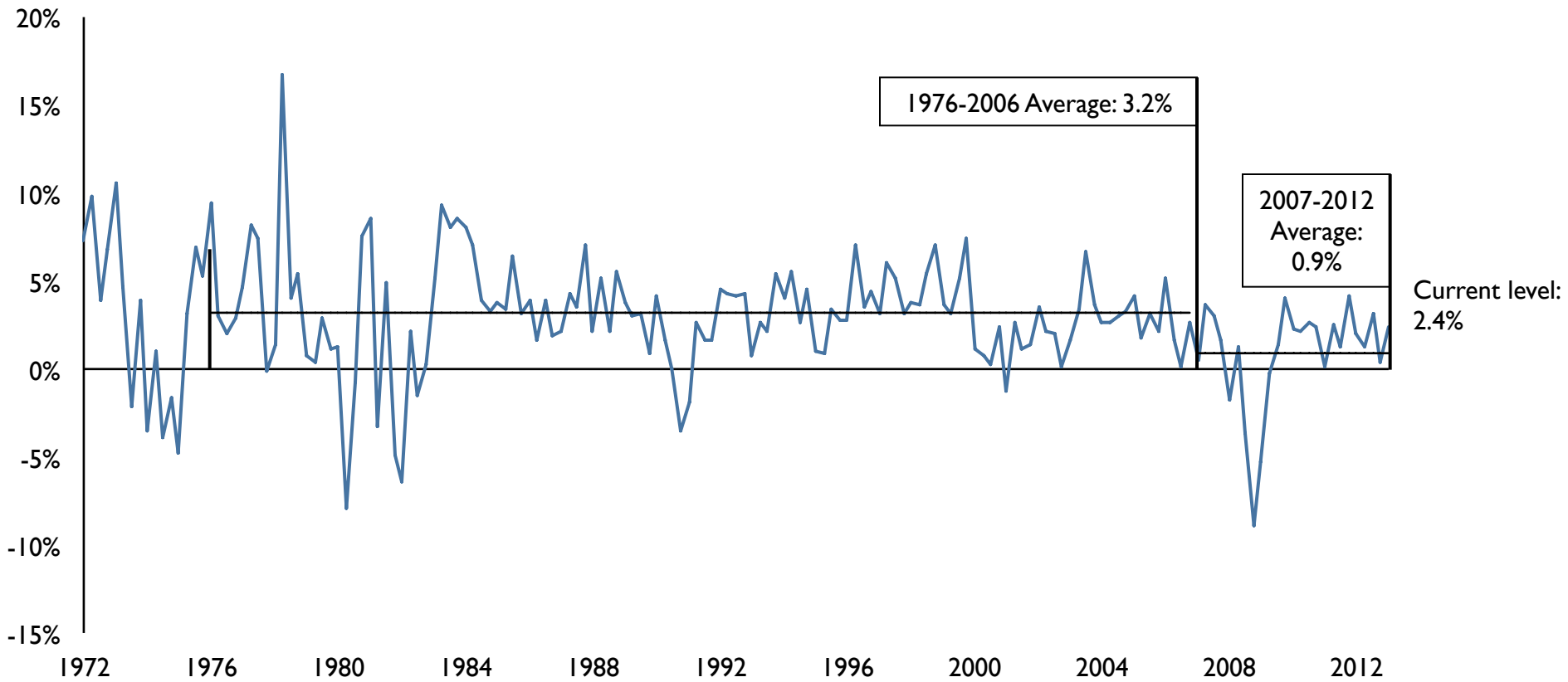
Economic Vital Signs

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American Politics

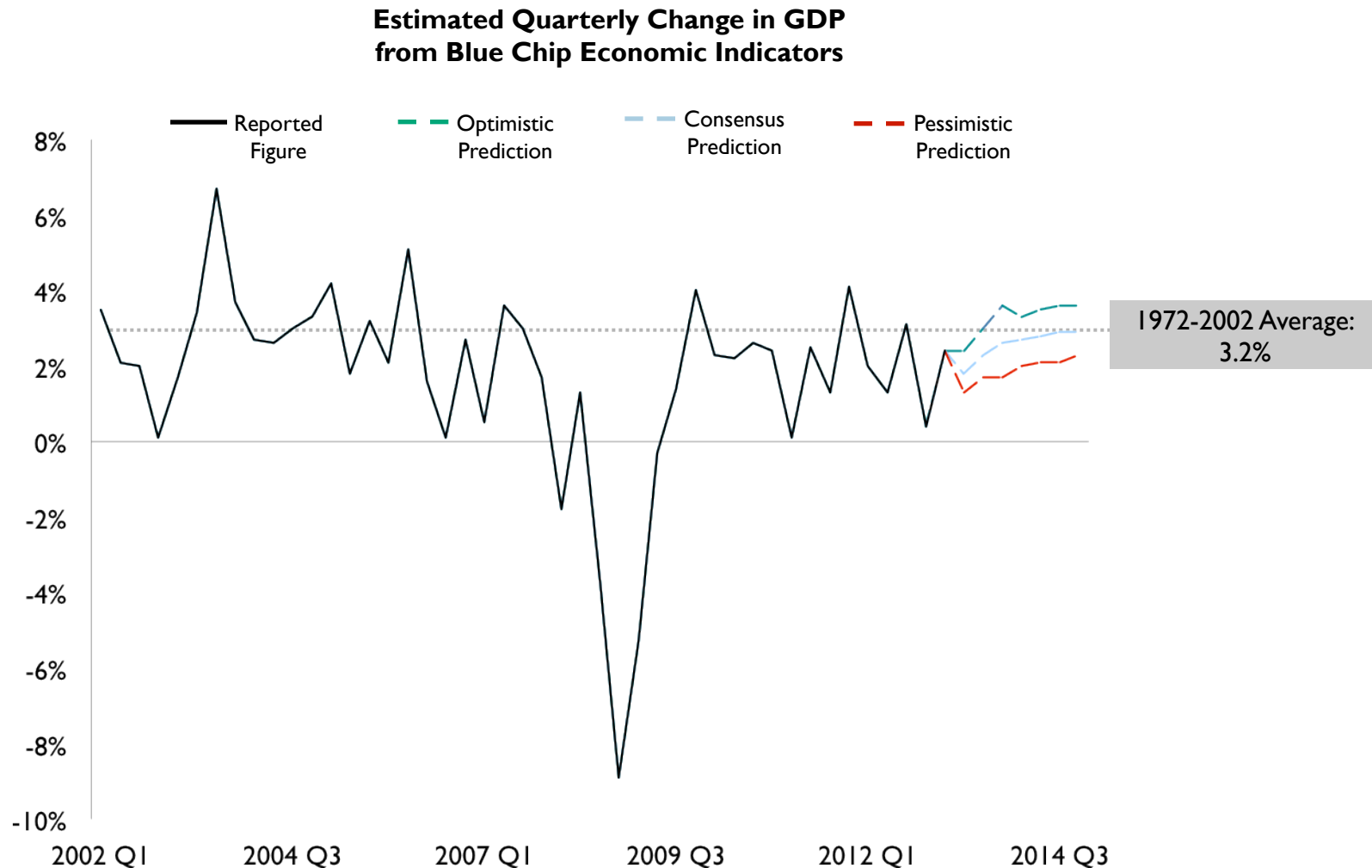
Economic Growth Stunted in Last Five Years

Real GDP
 Percent Change from Prior Quarter at Annual Rate



Source: Bureau of Economic Analysis, May 30, 2013; St. Louis Federal Reserve, 2013.

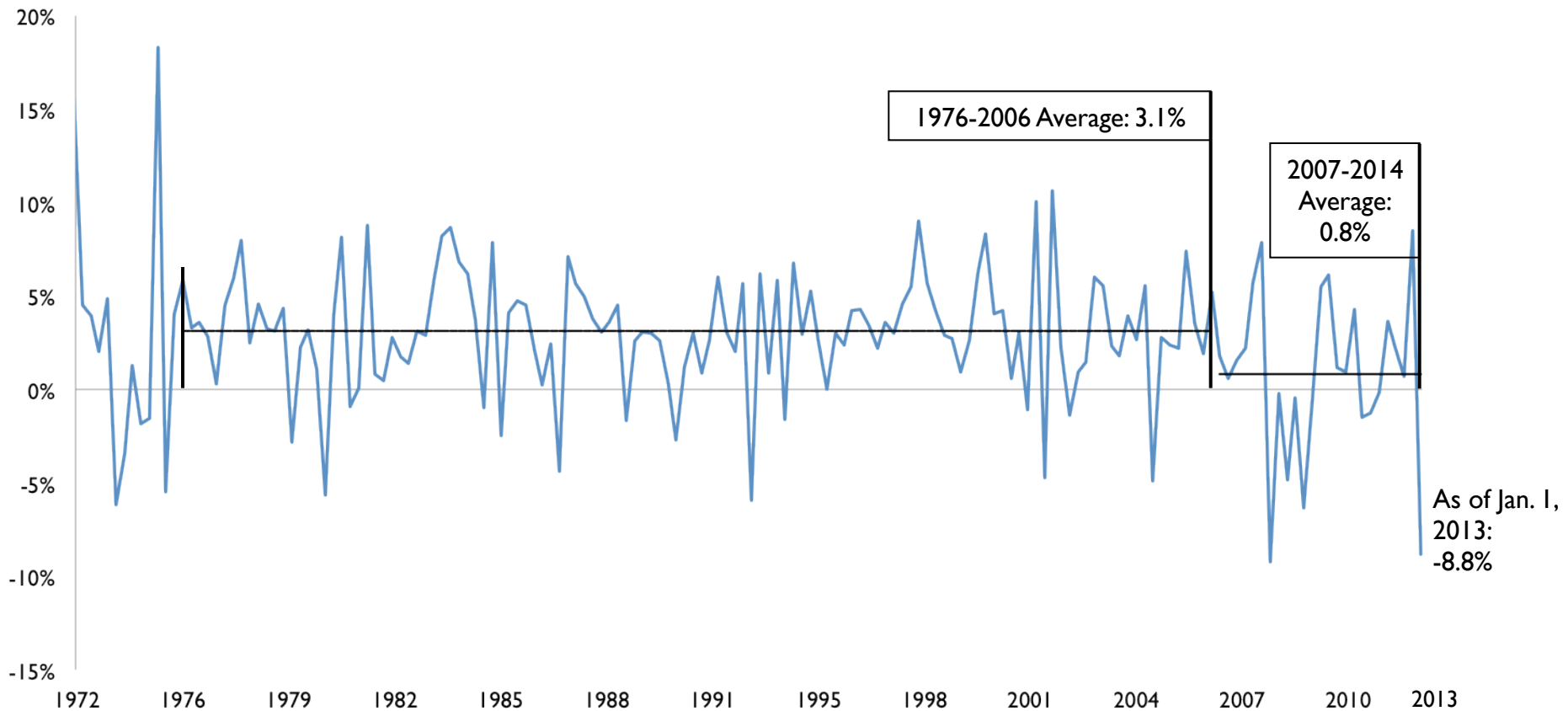
Below-Average Growth Projected for Foreseeable Future



Take-Home Pay Continues to Languish

People Can't Get Ahead

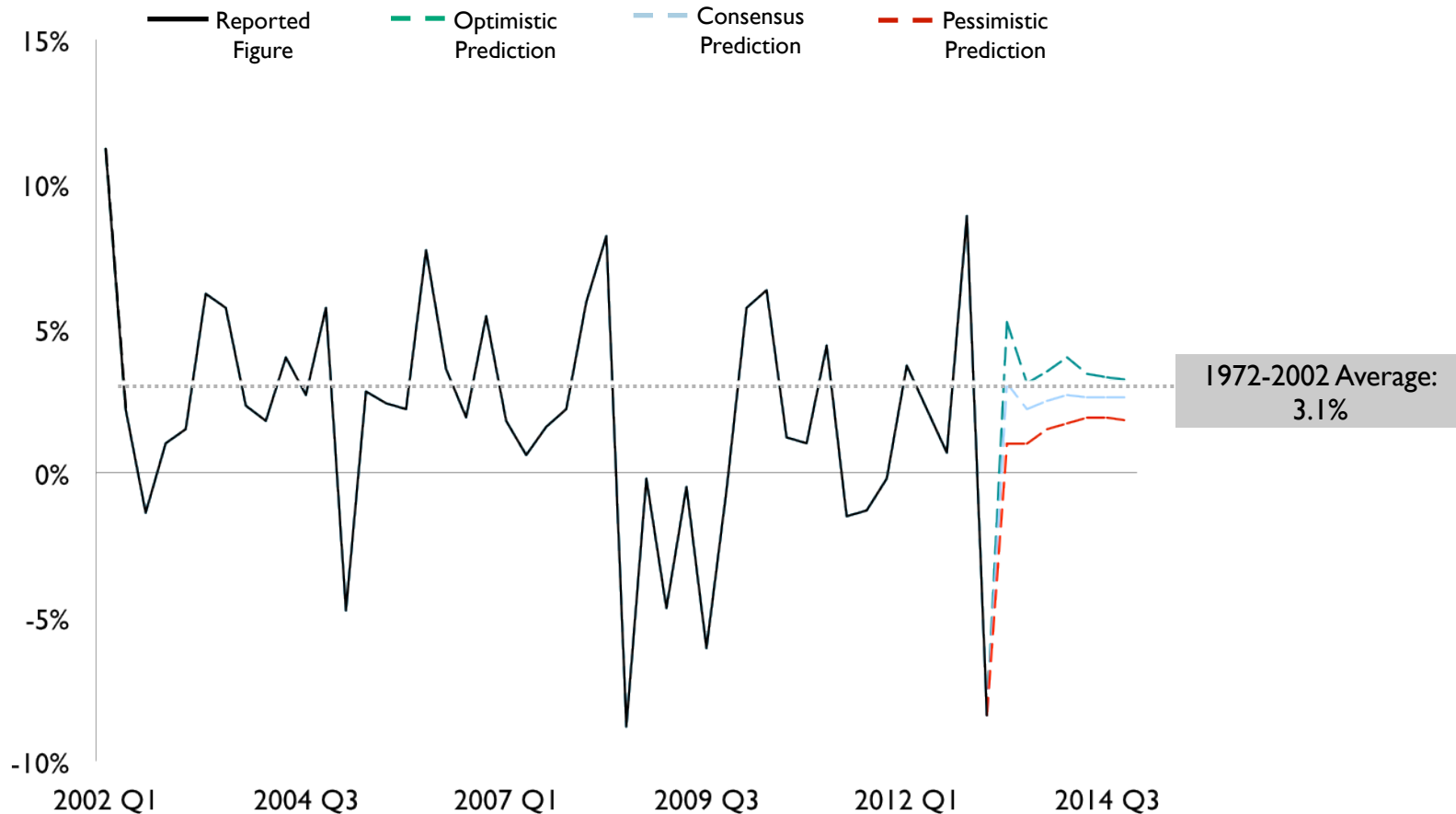
Real Personal Disposable Income
Percent Change from Prior Quarter at Annual Rate



Source: St. Louis Federal Reserve, 2013; BEA, April 26, 2013.

Disposable Income Projected to Remain Below Average

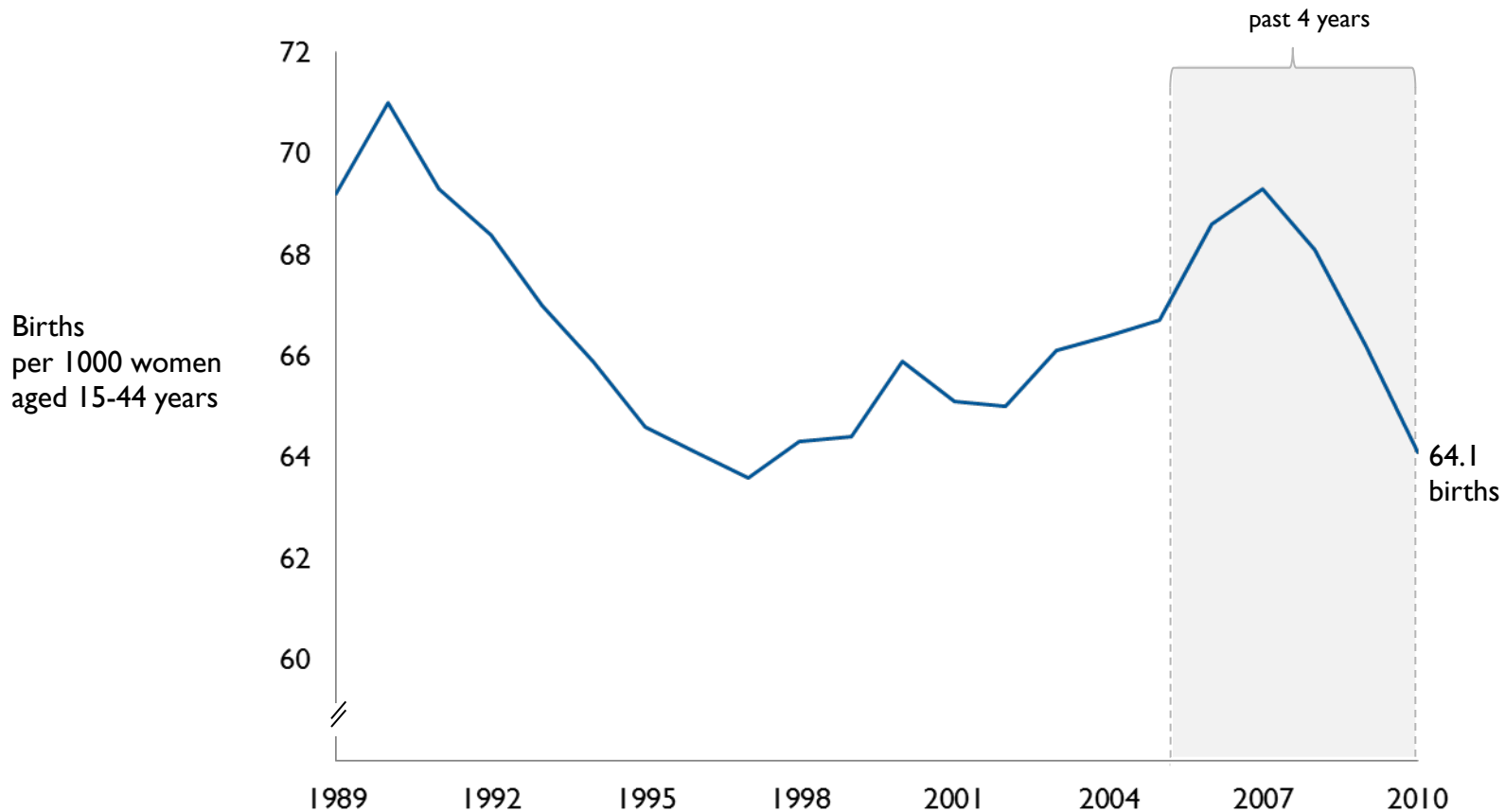
Estimated Quarterly Change in Disposable Personal Income
From Blue Chip Economic Indicators



Ultimate Sign of Pessimism: Birth Rate Down

People Deciding to Defer Starting or Expanding a Family

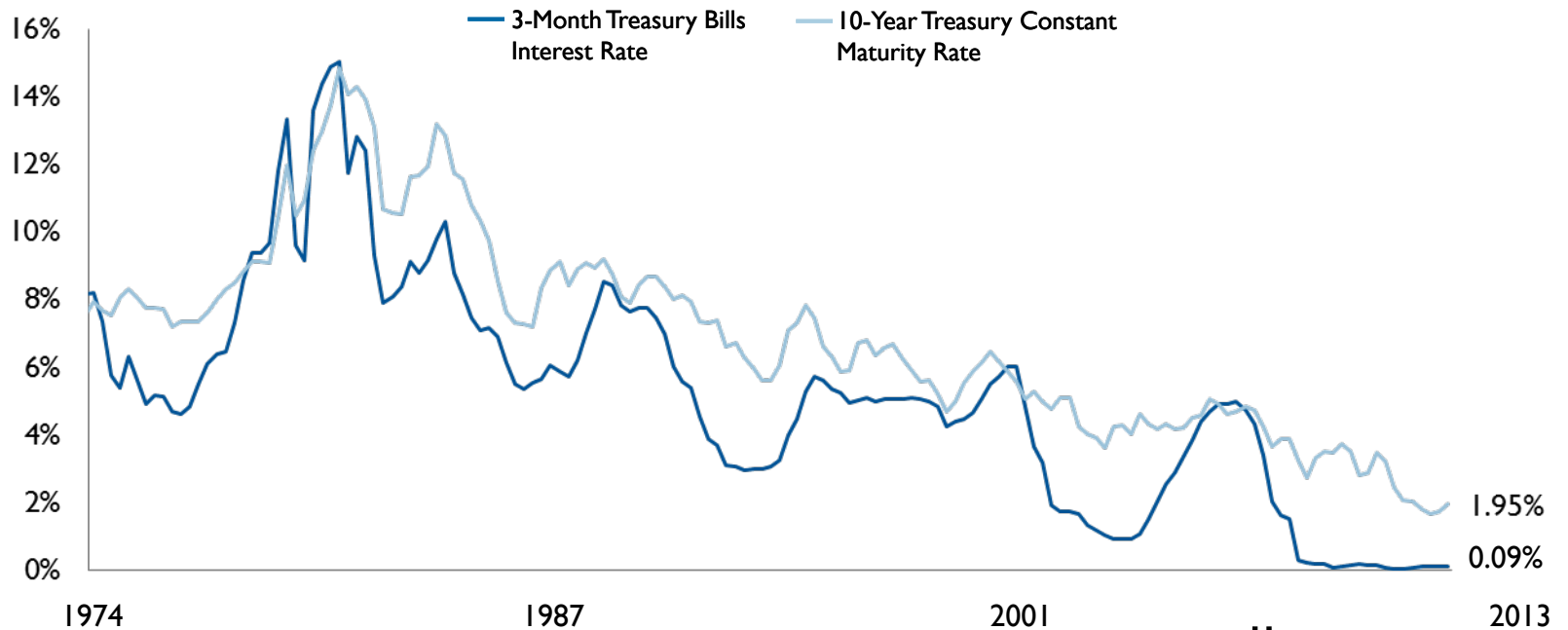
**U.S. General Fertility Rate
(Births to Women Aged 15-44 Years)**



Interest Rates at Historic Lows

Savers Punished with Low Returns

Interest Rate
Quarterly Percent



3-Month T-Bills Interest Rate

6.0%

1.0%

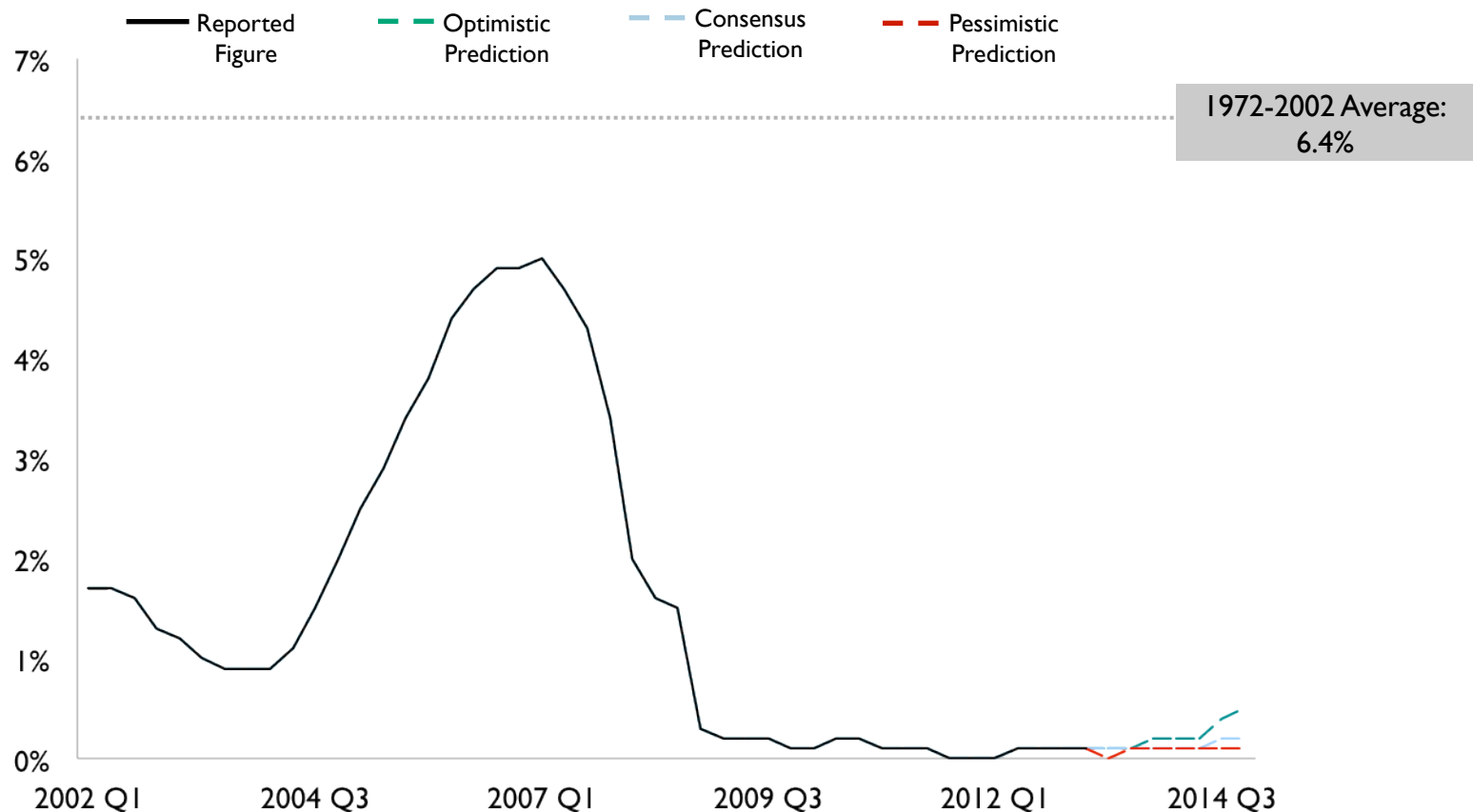
10-Year Treasury Constant Maturity Rate

7.7%

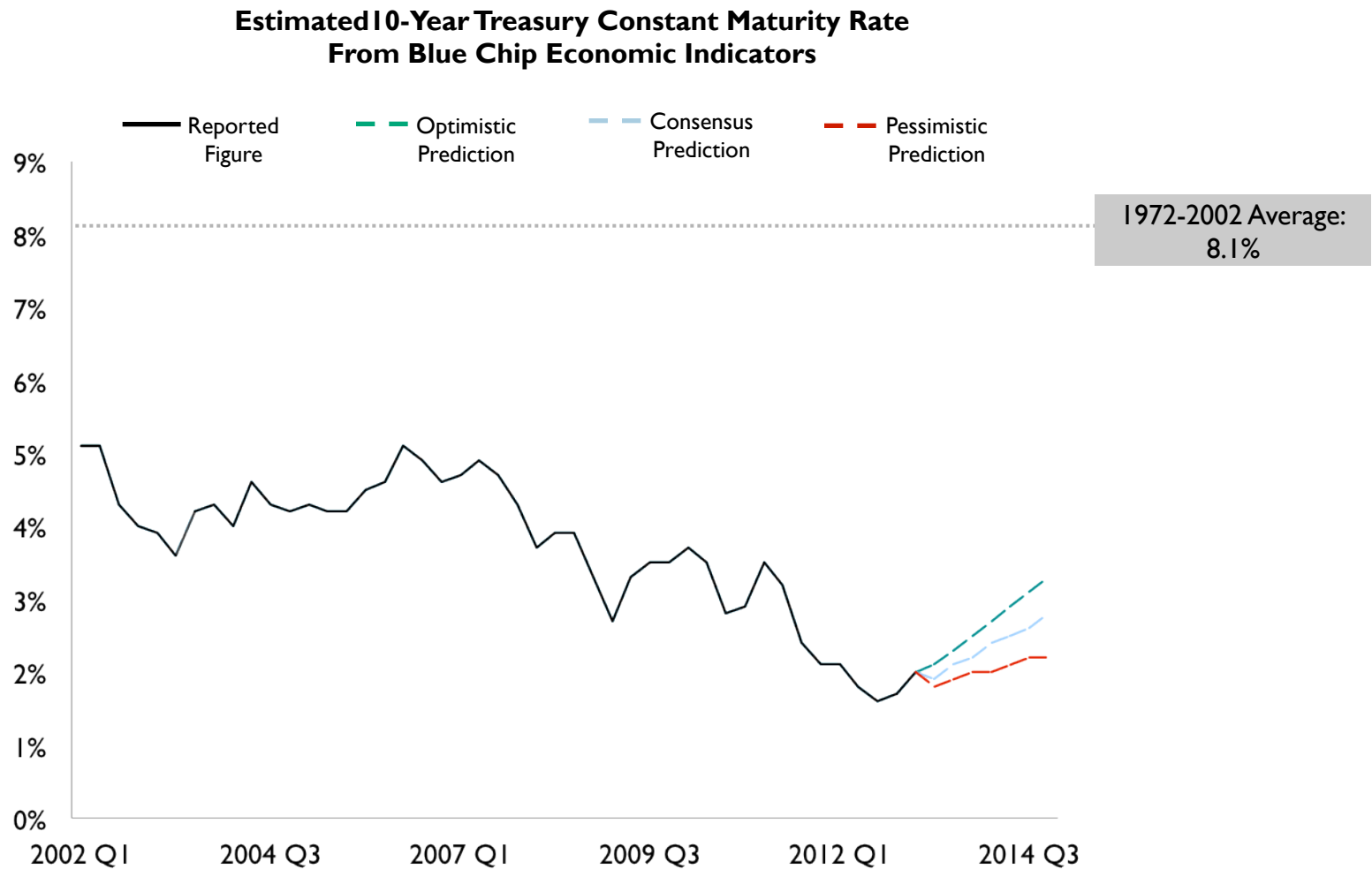
3.2%

Lackluster Expectations for Interest Rates Reflect Weak Growth Expectations

Estimated Quarterly Interest of Three-Month Treasury Bills
From Blue Chip Economic Indicators

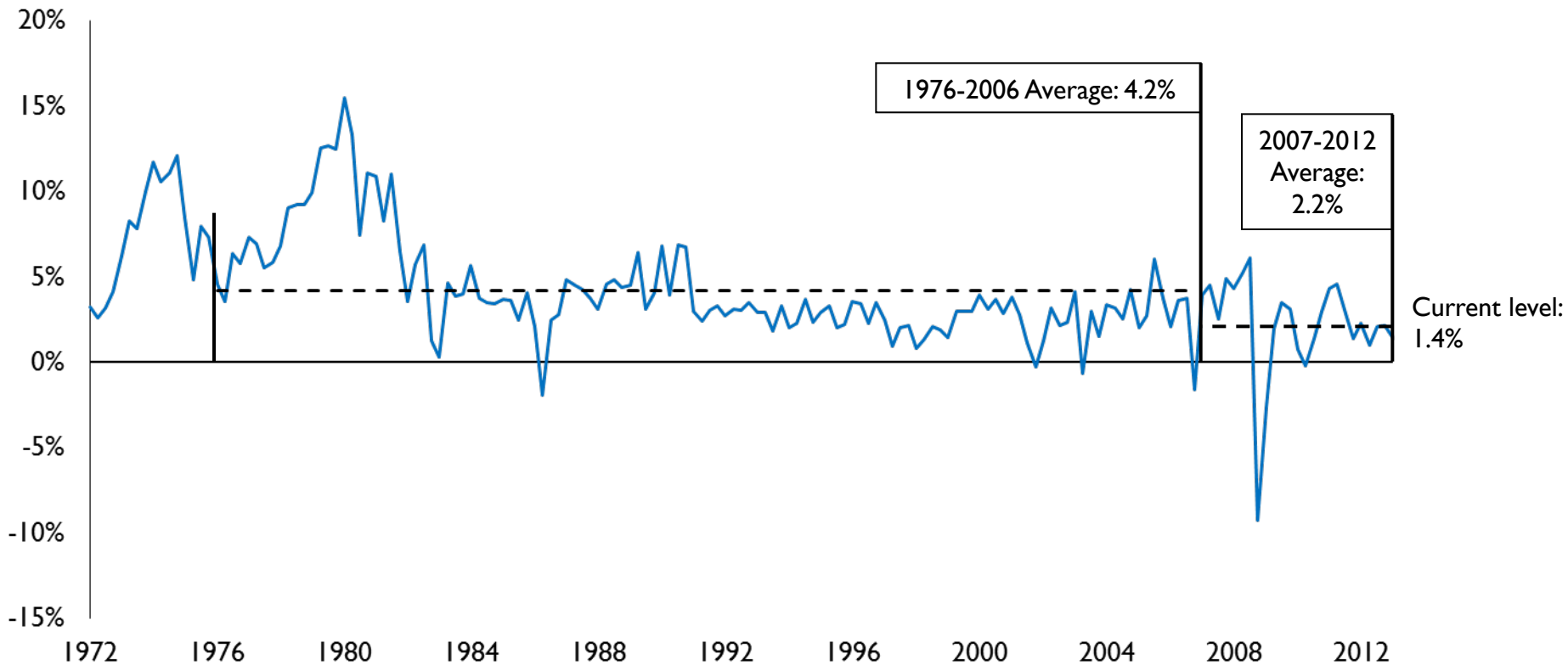


More Lackluster Expectations for Interest Rates



Inflation Low as Economy Recovers

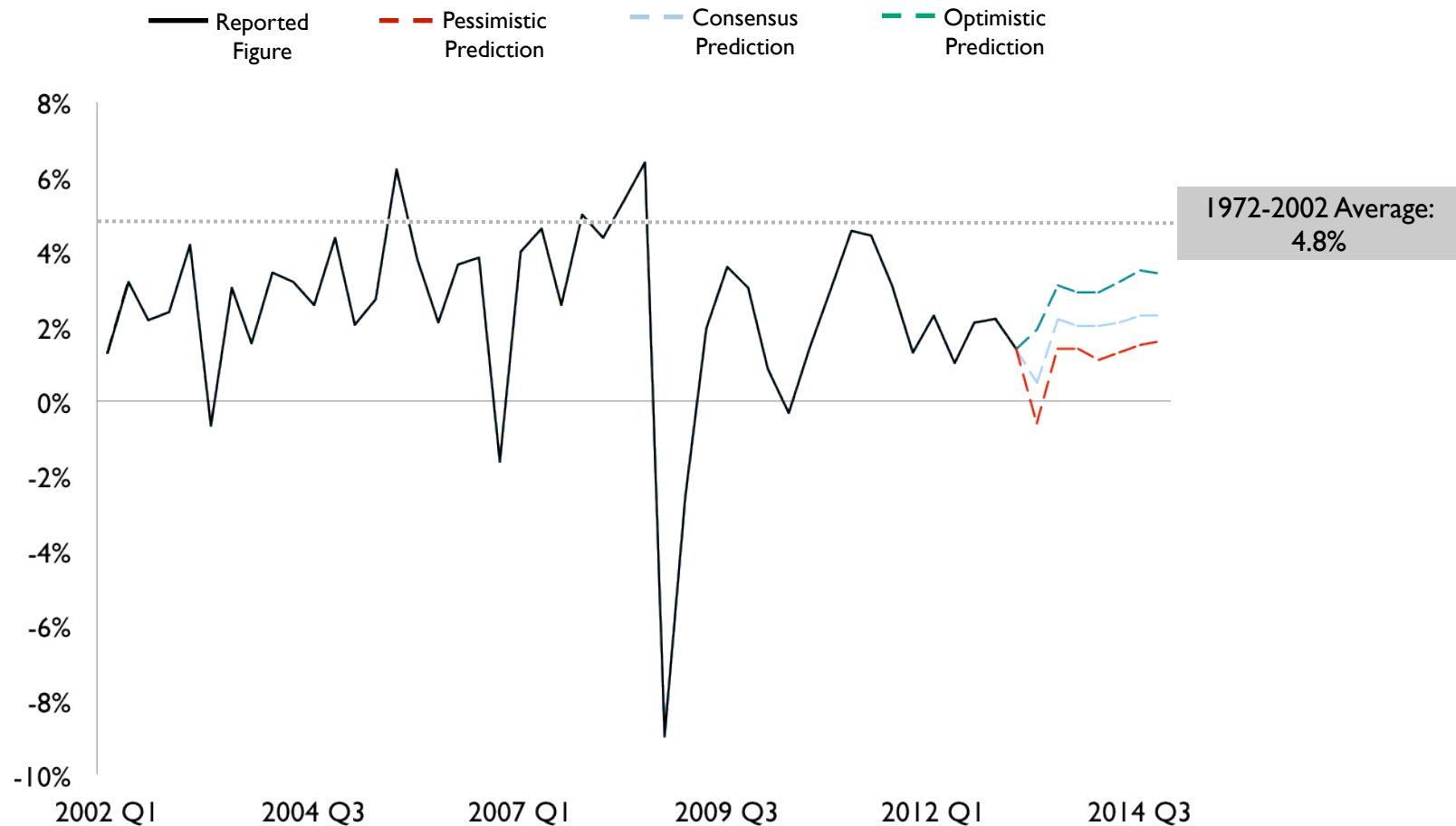
Quarterly Percent Change in Consumer Price Index (CPI) for All Urban Consumers



Inflation Projected to Stay Low

No Signs of Reaching Higher Levels

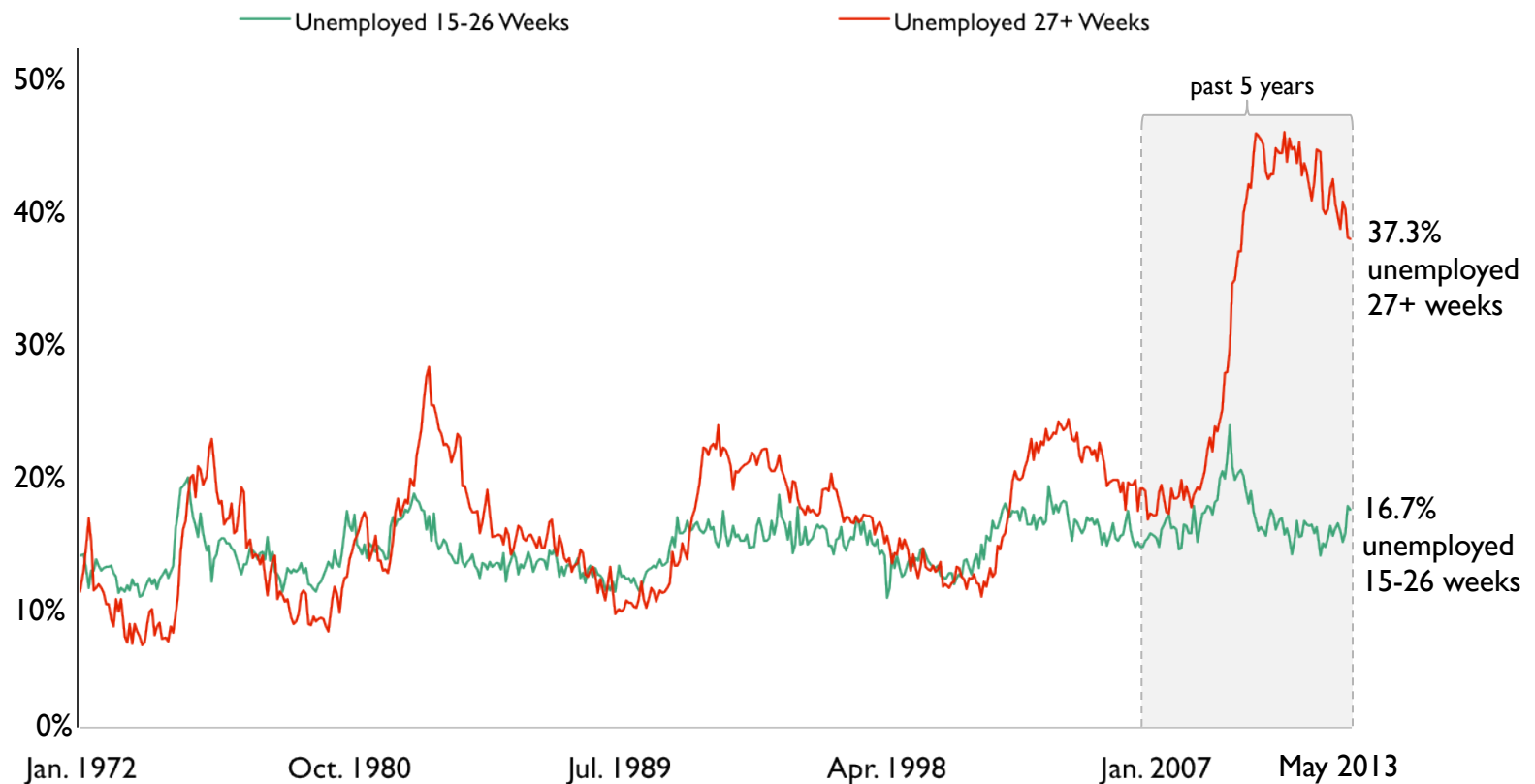
**Estimated Quarterly CPI for All Urban Consumers
From Blue Chip Economic Indicators**



Larger Share of Unemployed Out of Work for Longer

Majority of Unemployed Endure 15+ Weeks Out of Job

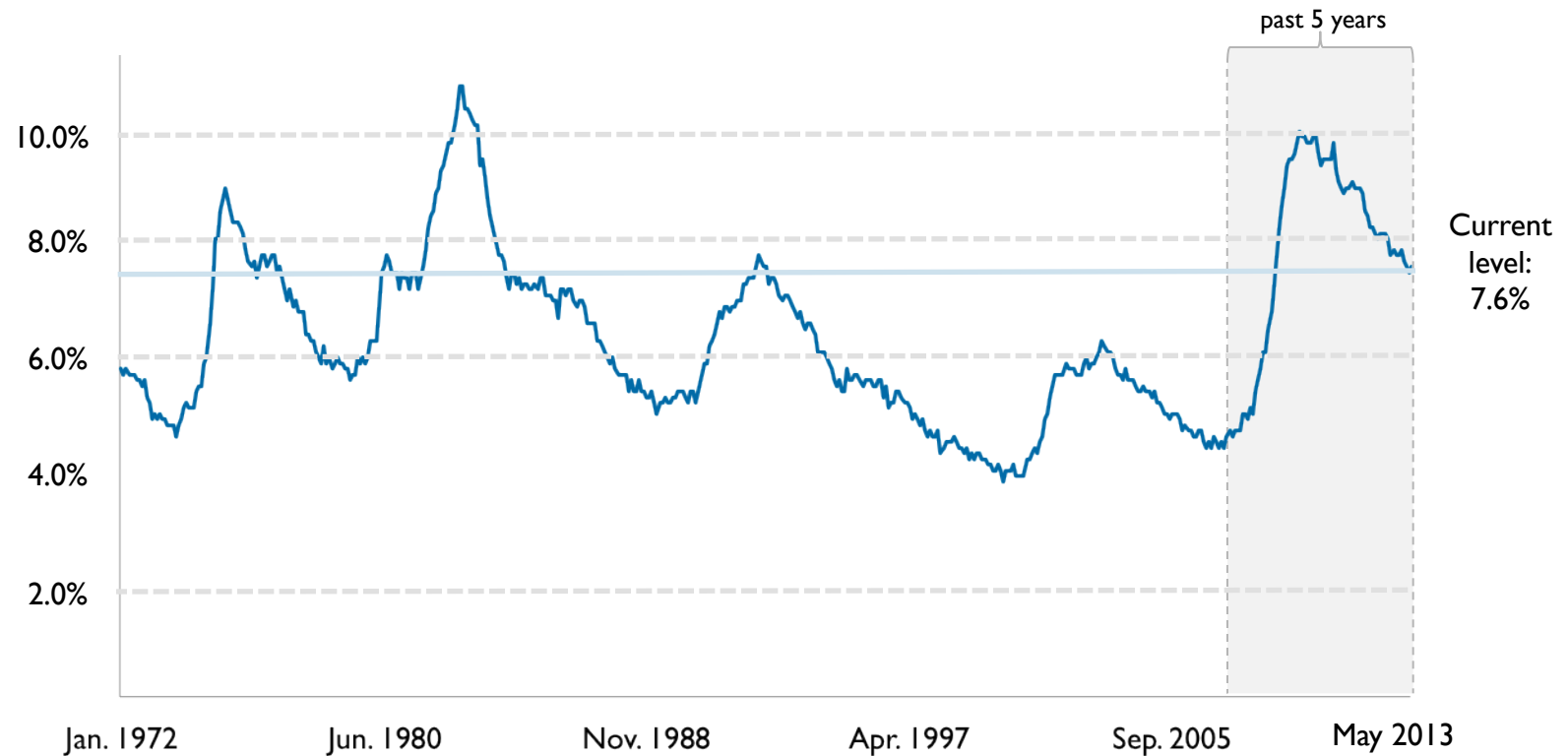
Percentage of Unemployed Population by Duration of Unemployment



Unemployment Dropping But Still At High Rate

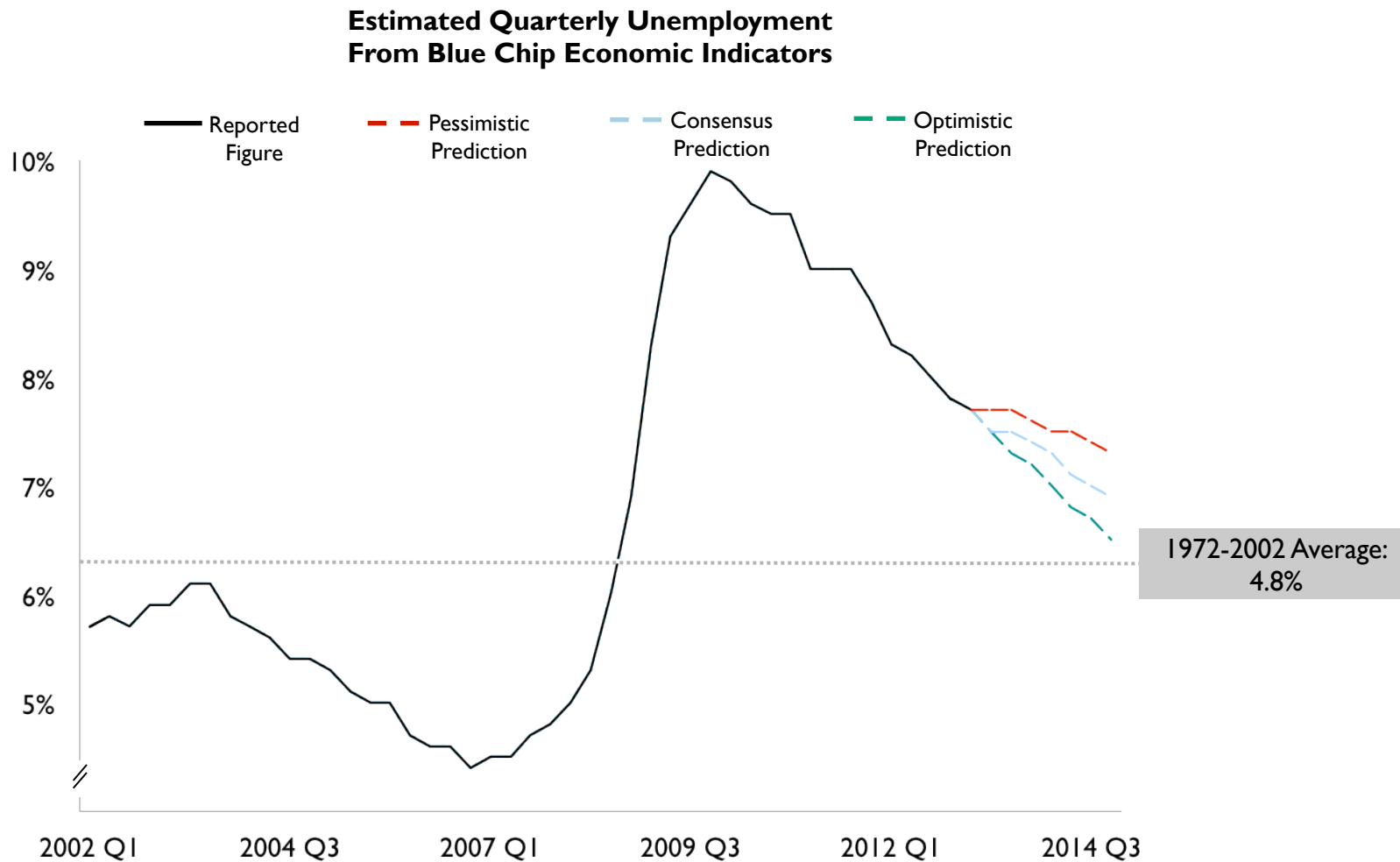
Small Drop in Unemployment Puts Nation in Positive Direction

Actual Year-to-Date Unemployment Rates



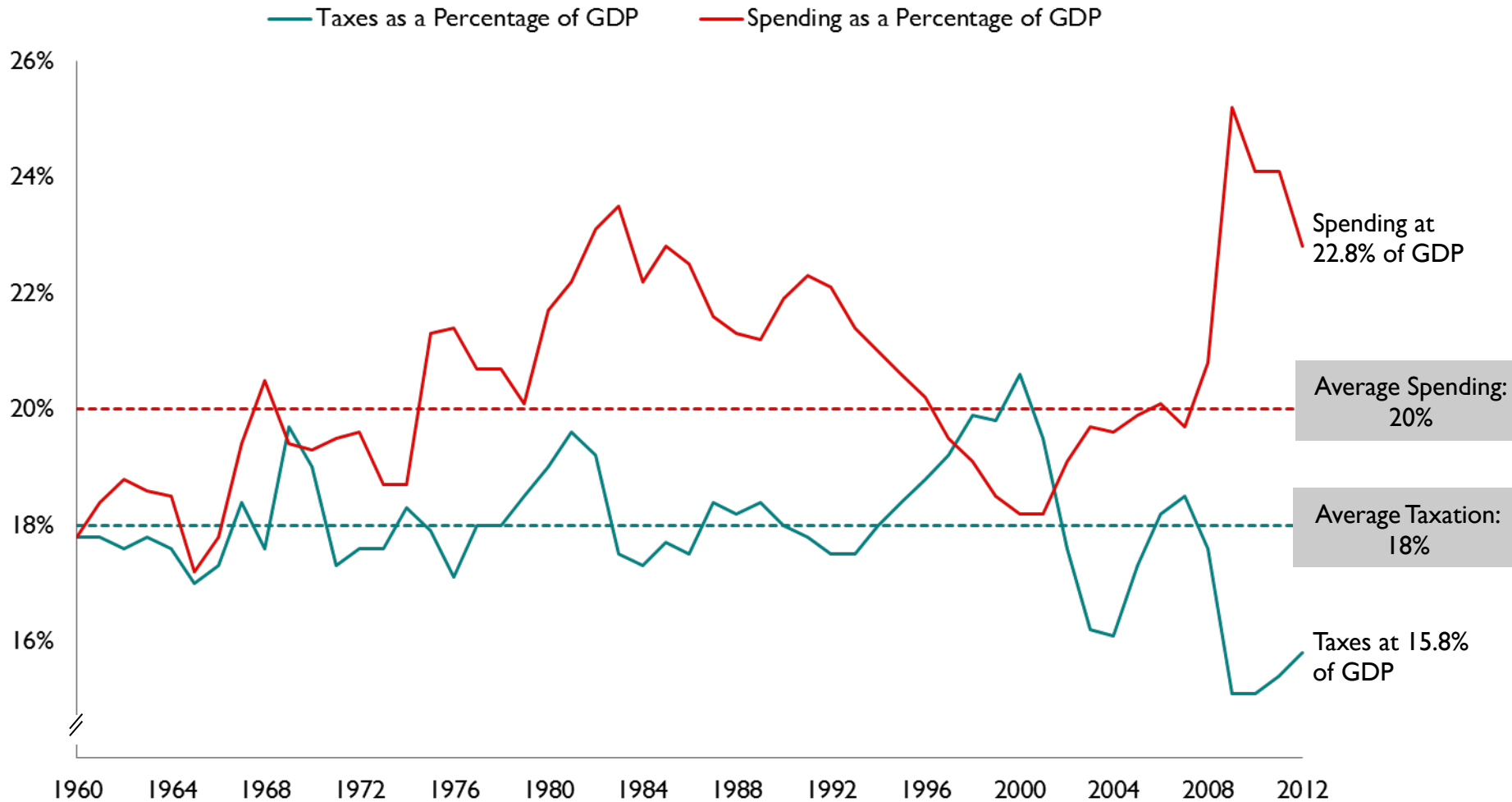
Forecasts Predict Gradual Decrease in Unemployment

Forecasted Quarterly Rate Consistently Hovers Around 7%



Deficit Problem Stems from Both Increased Spending and Decreased Taxing

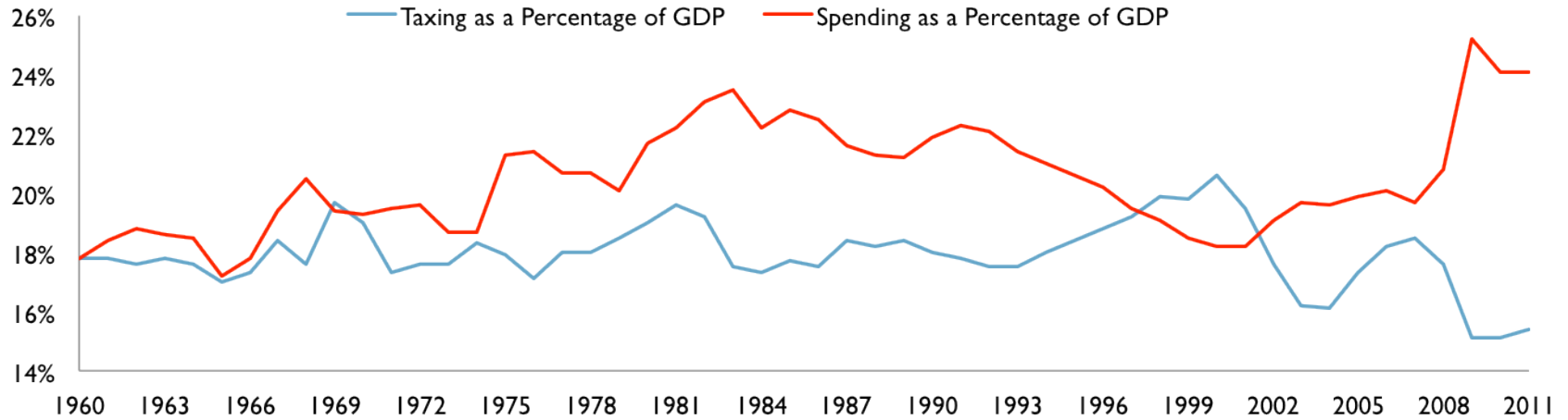
Taxes and Spending as Percentage of GDP



Source: White House Office of Management and Budget, Historical Tables, 2013.

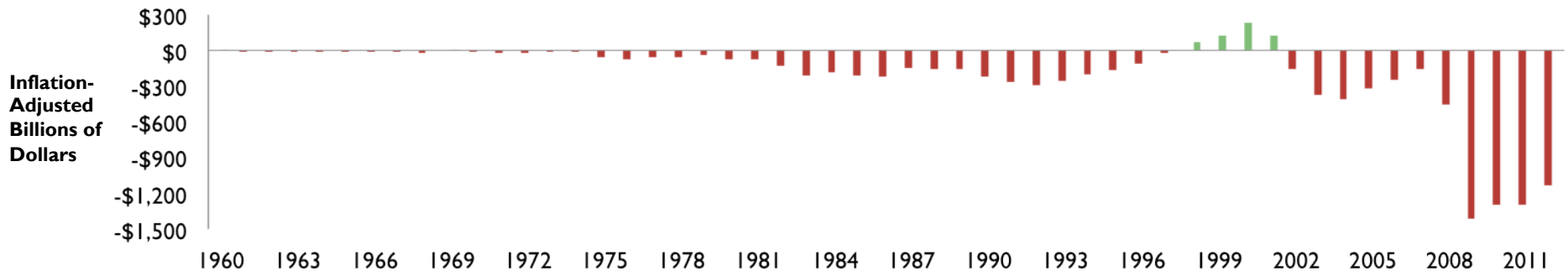
Gap Between Taxing and Spending Creates Deficit or Surplus

U.S. Taxing and Spending as Percentage of GDP



U.S. Deficit and Surplus

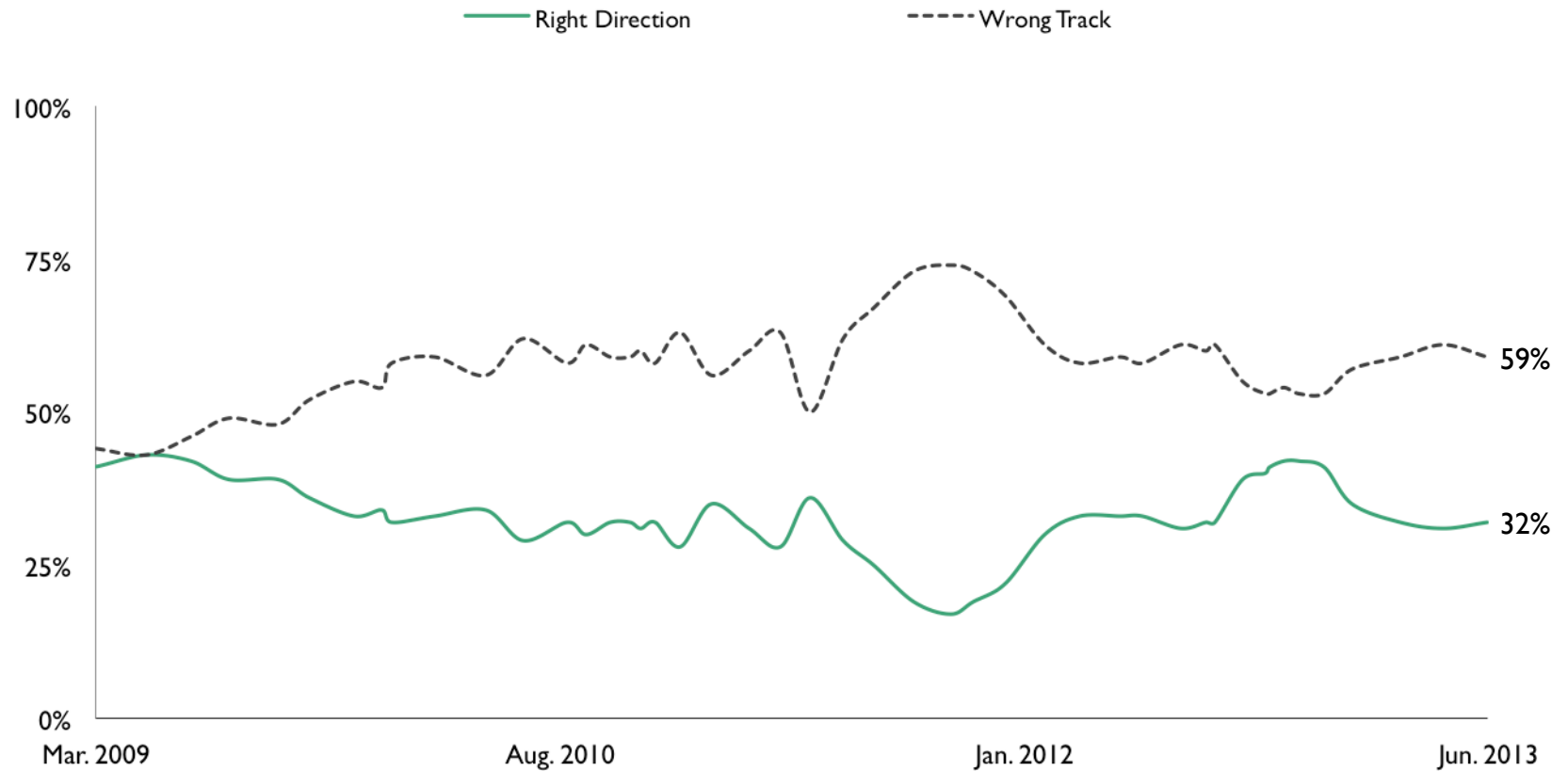
■ Deficit ■ Surplus



Source: White House Office of Management and Budget, Historical Tables, 2012.

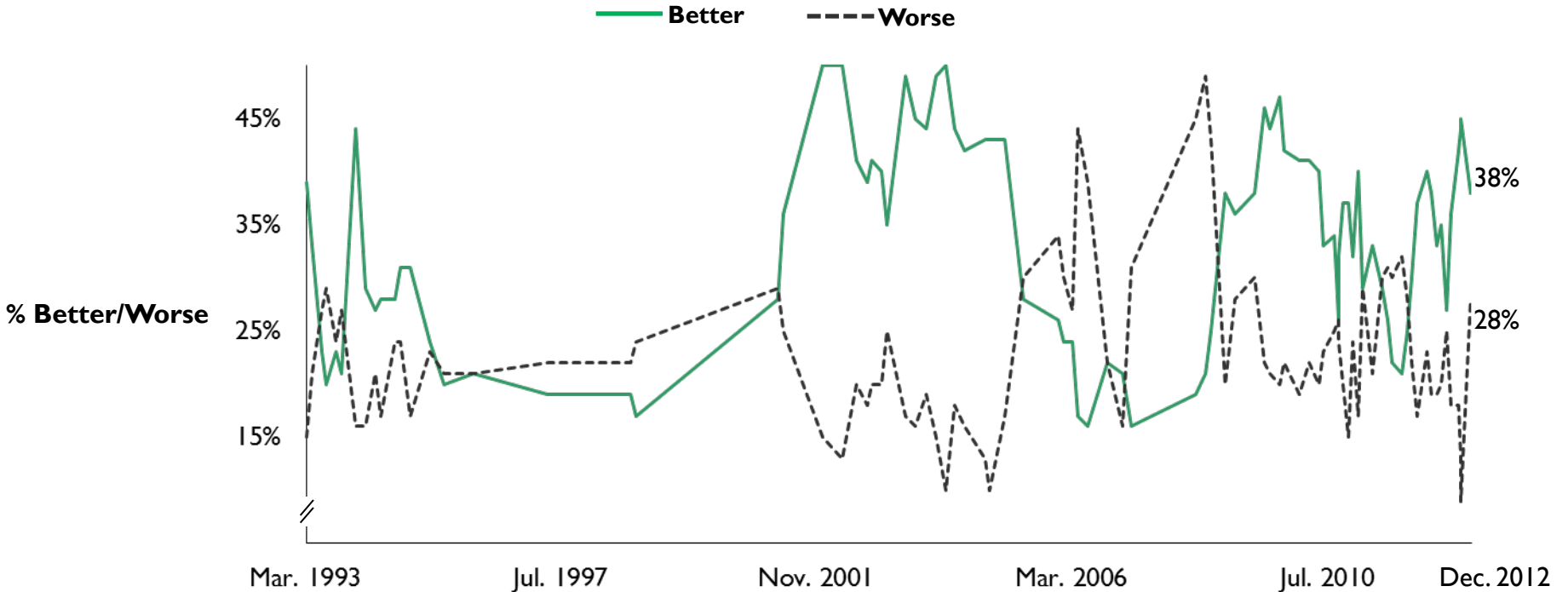
Public Skeptical On National Outlook

Percentage Responding to Question:
“All in all, do you think things in the nation are generally headed
in the right direction, or do you feel things are off on the wrong track?”



Public Outlook for Economy Growing Worse

Percentage Responding to Question:
 “During the next twelve months, do you think that the nation’s economy will get better or worse?”*

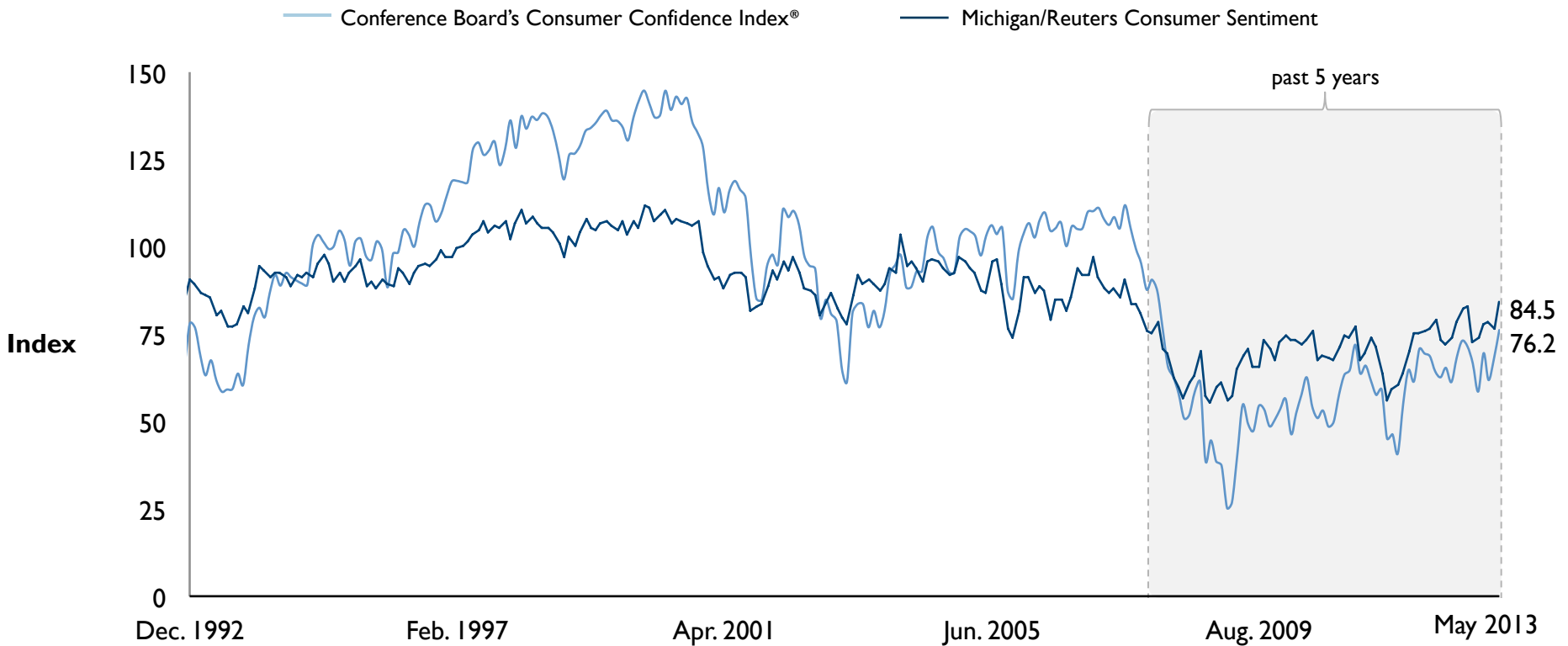


*N.B.: Prior to April 2001, the question was phrased, “Over the past year...”

Source: NBC/WSJ Poll, Jan. 8, 2013.

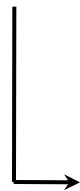
Consumers Pessimistic About Economy, Personal Finances

Consumer Confidence Index® and Consumer Sentiment



Roadmap for the Presentation

Economic Vital Signs

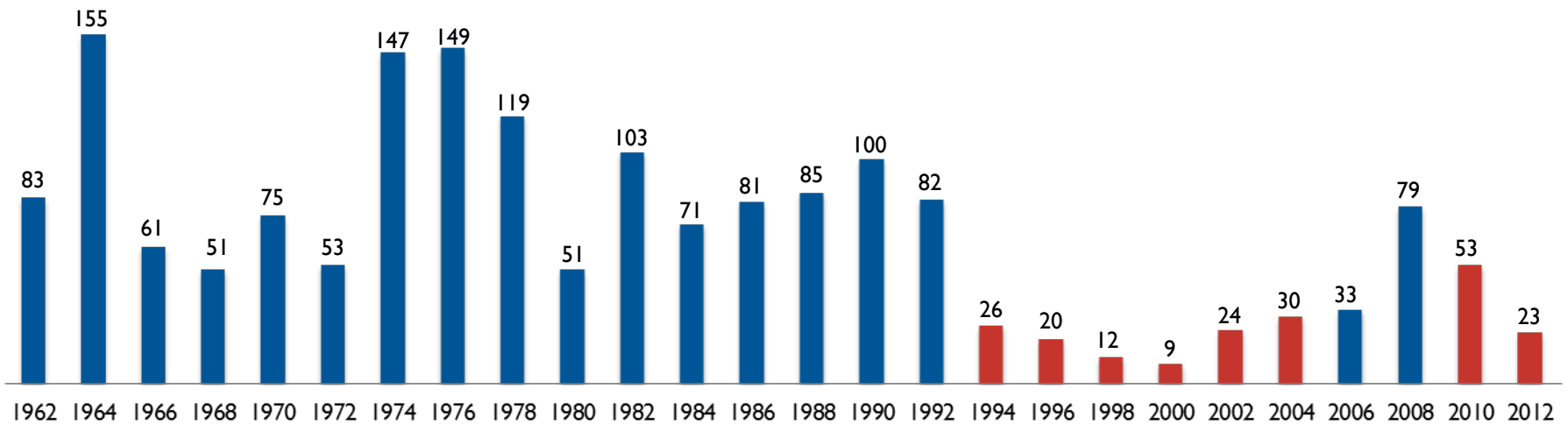


American Politics

Congressional Partisanship Frames Fiscal Fights

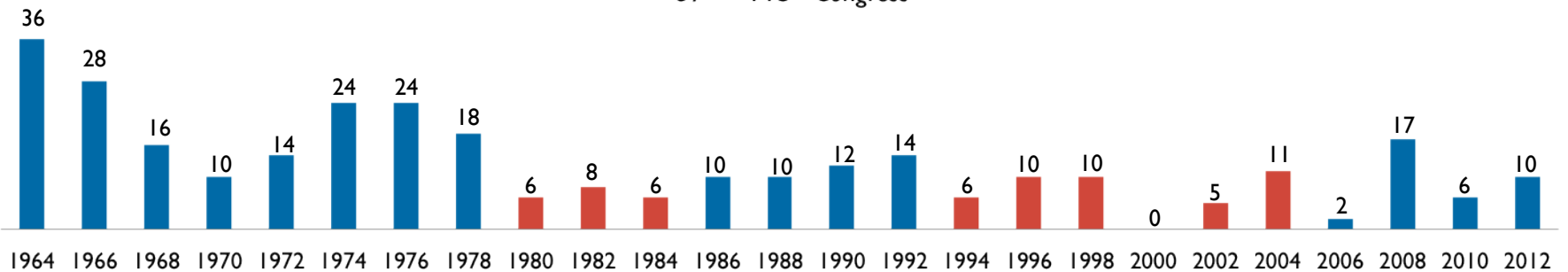
Margin of House Control After Election

87th – 113th Congress

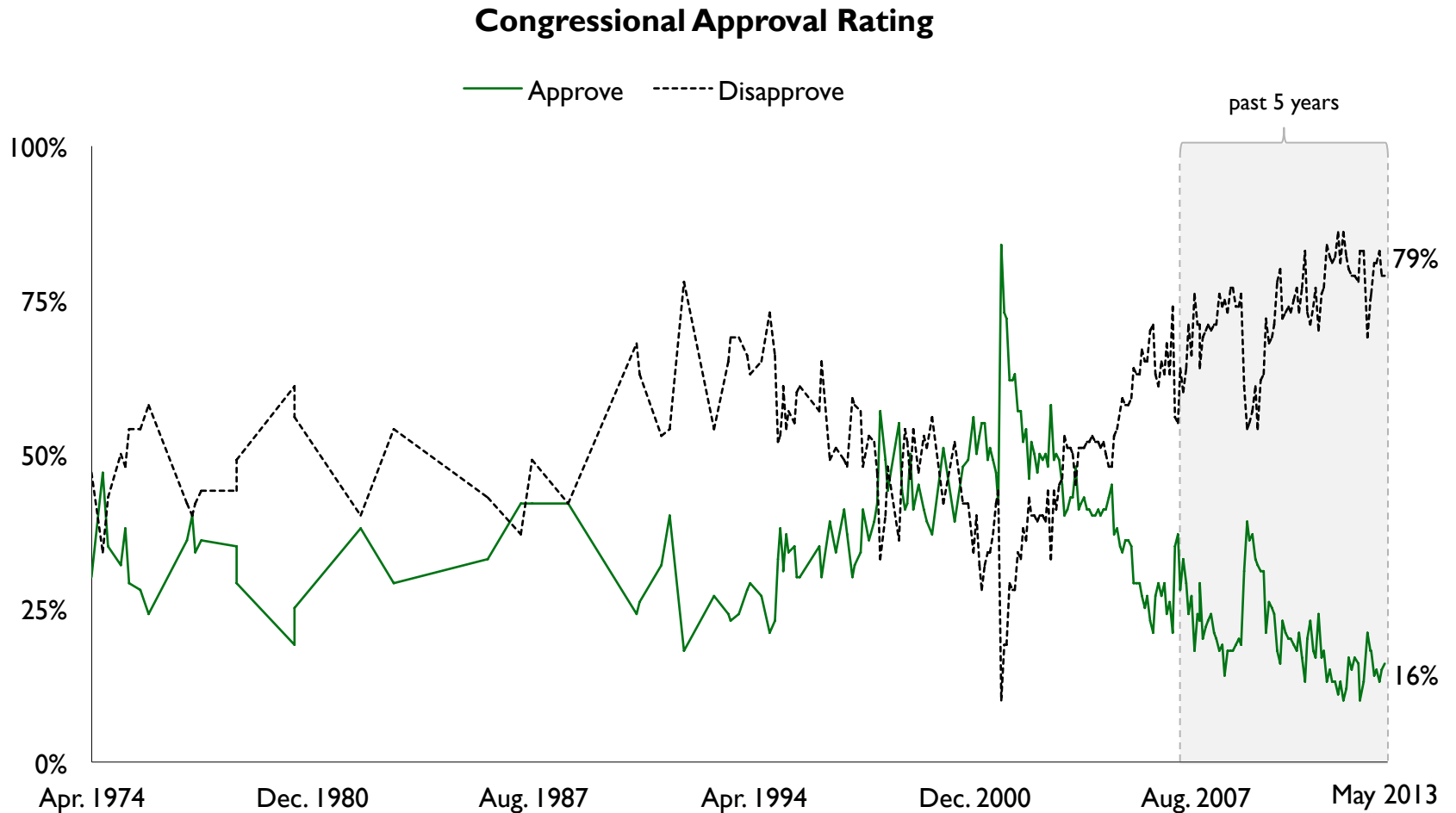


Margin of Senate Control After Election

87th – 113th Congress

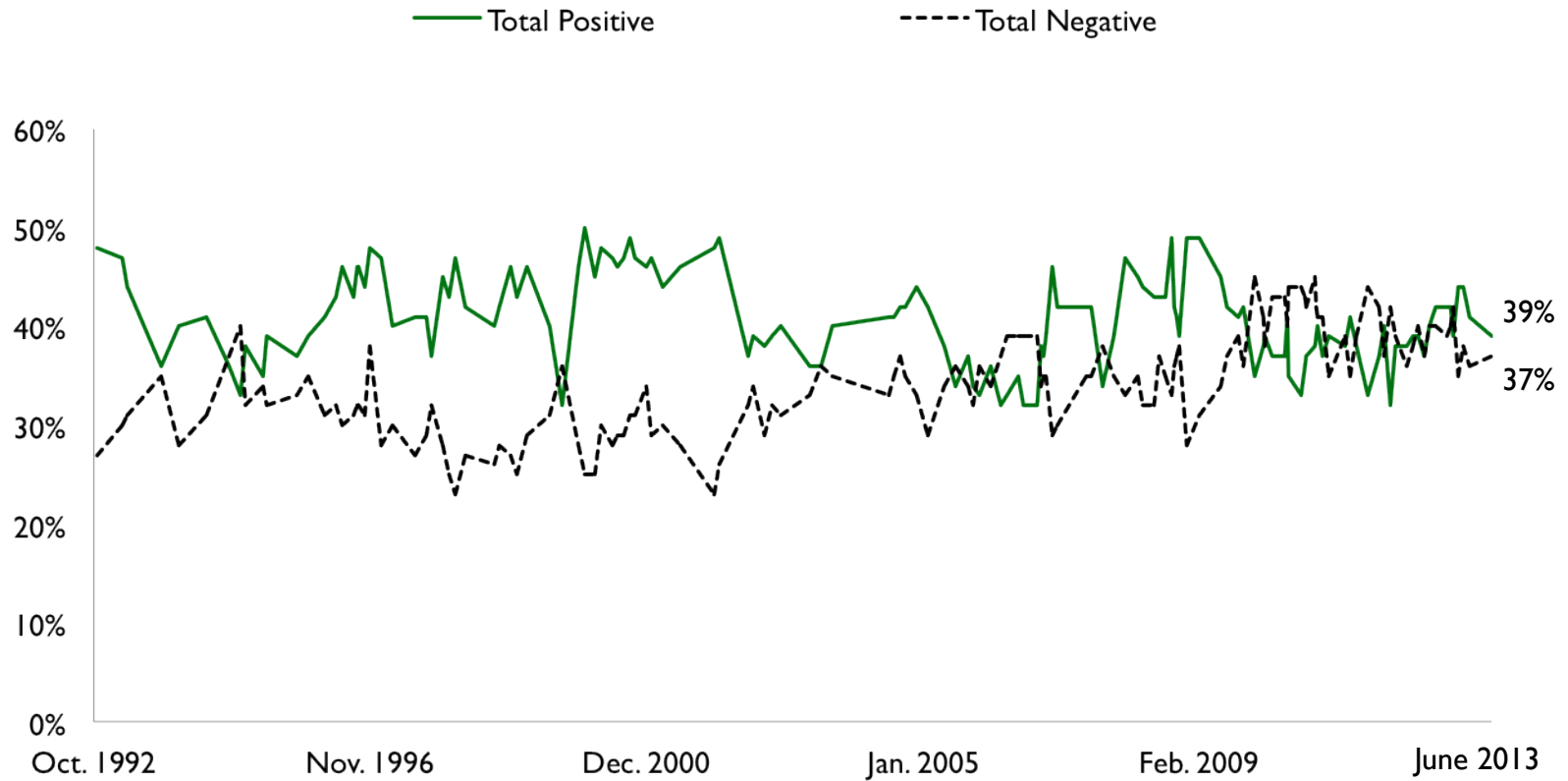


Congressional Approval Hovers Near Three-Decade Low



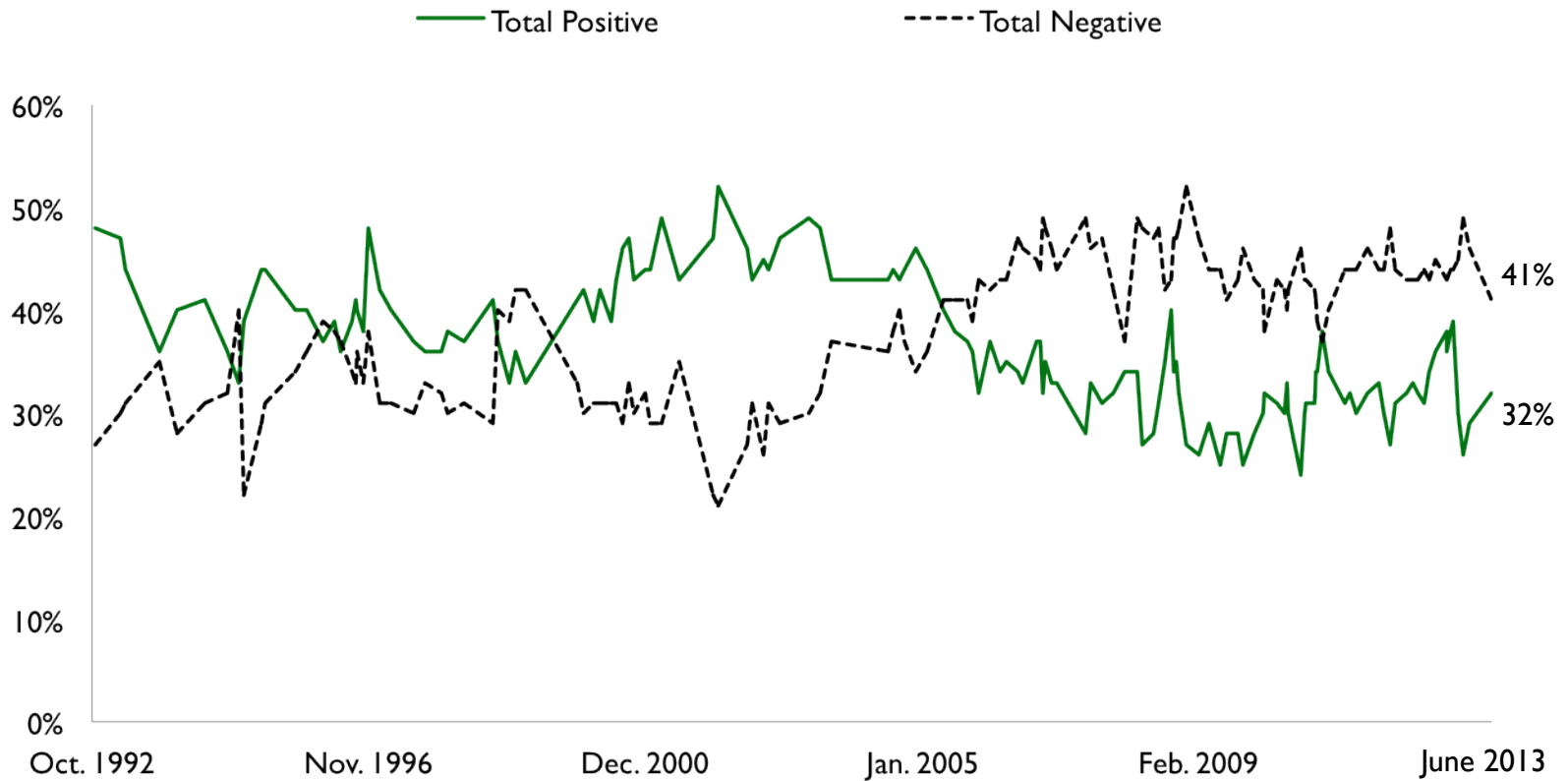
Public Opinion Split on Democratic Party

NBC/WSJ Thermometer: Democratic Party



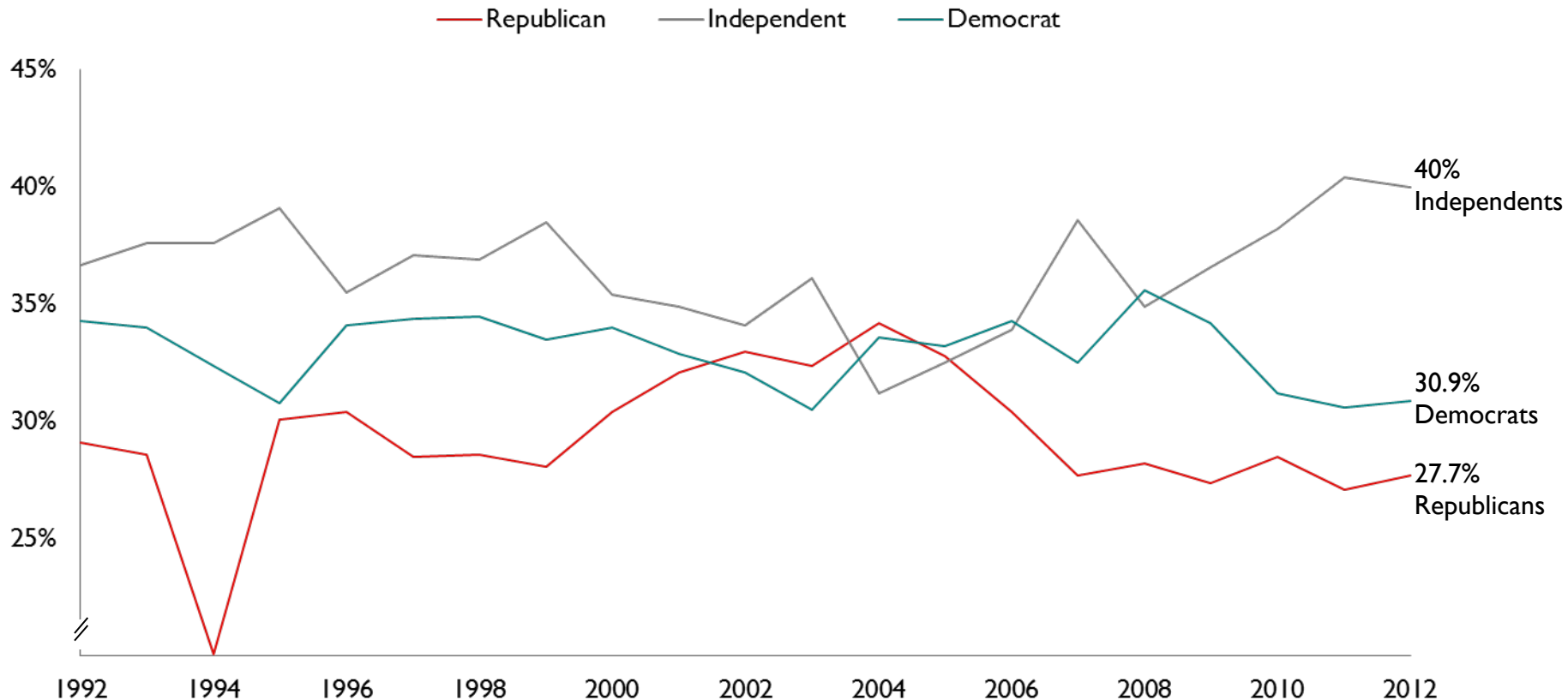
Public Holds Negative Opinion of GOP

NBC/WSJ Thermometer: Republican Party



Share of Self-Described Independents Grows at Expense of Both Parties

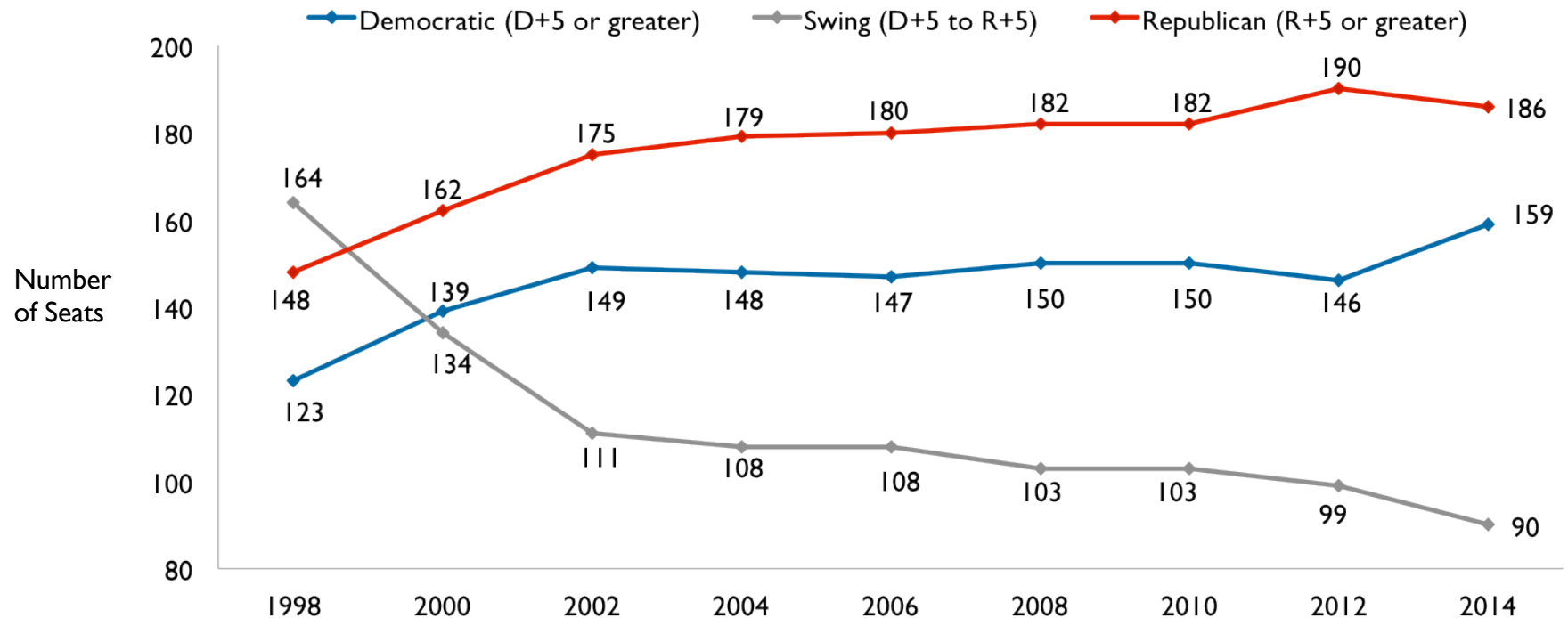
Gallup's Party Affiliation Survey
Responding to question: "In politics, as of today, do you consider yourself a Republican, a Democrat, or an independent?"



In House, Fewer “Swing” Seats, More Polarization

Charlie Cook Rates the Districts

House Makeup by Cook Partisan Vote Index

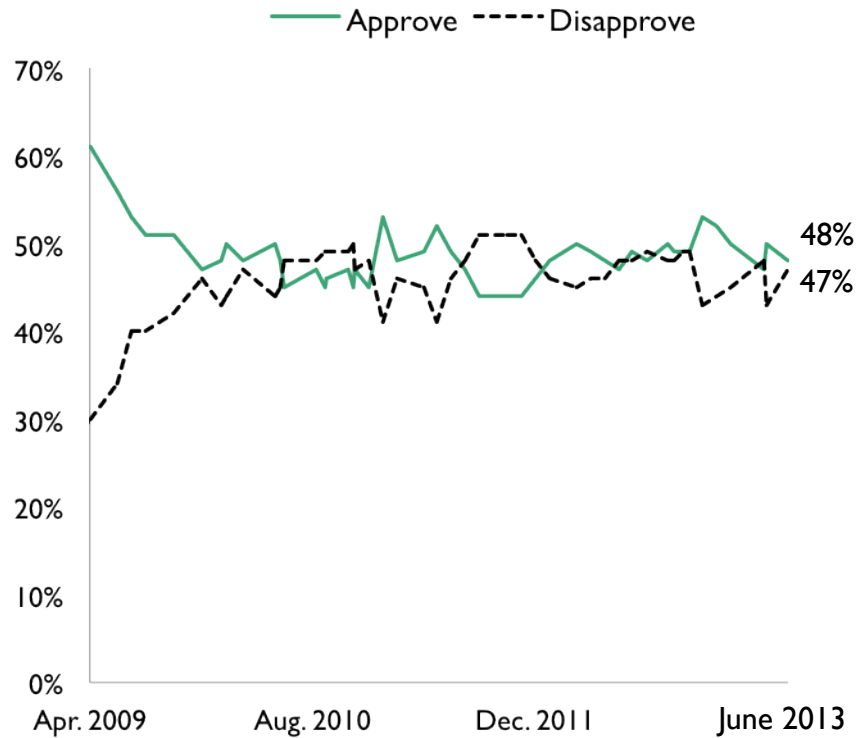


Analysis

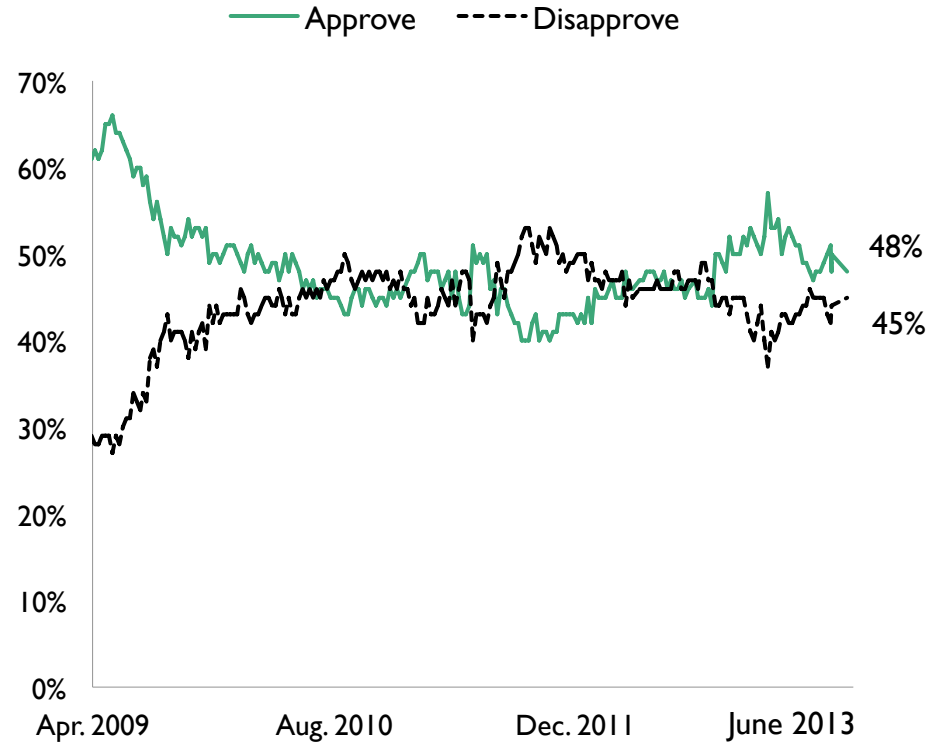
- According to the Cook Partisan Vote Index, the number of swing seats in the House has dropped 45%, from 164 in 1998 to 90 in 2014
- Fewer swing seats means more polarization in Congress
- As district populations grow increasingly liberal or conservative, incumbents fear radical primary challengers

Public Nearly Split on Obama's Job Approval

NBC/WSJ's Presidential Job Approval



Gallup's Presidential Job Approval



Source: NBC/WSJ Poll, June 6, 2013; Gallup.com, June 12, 2013.