

Cook's Tour of American Politics and Economics

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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

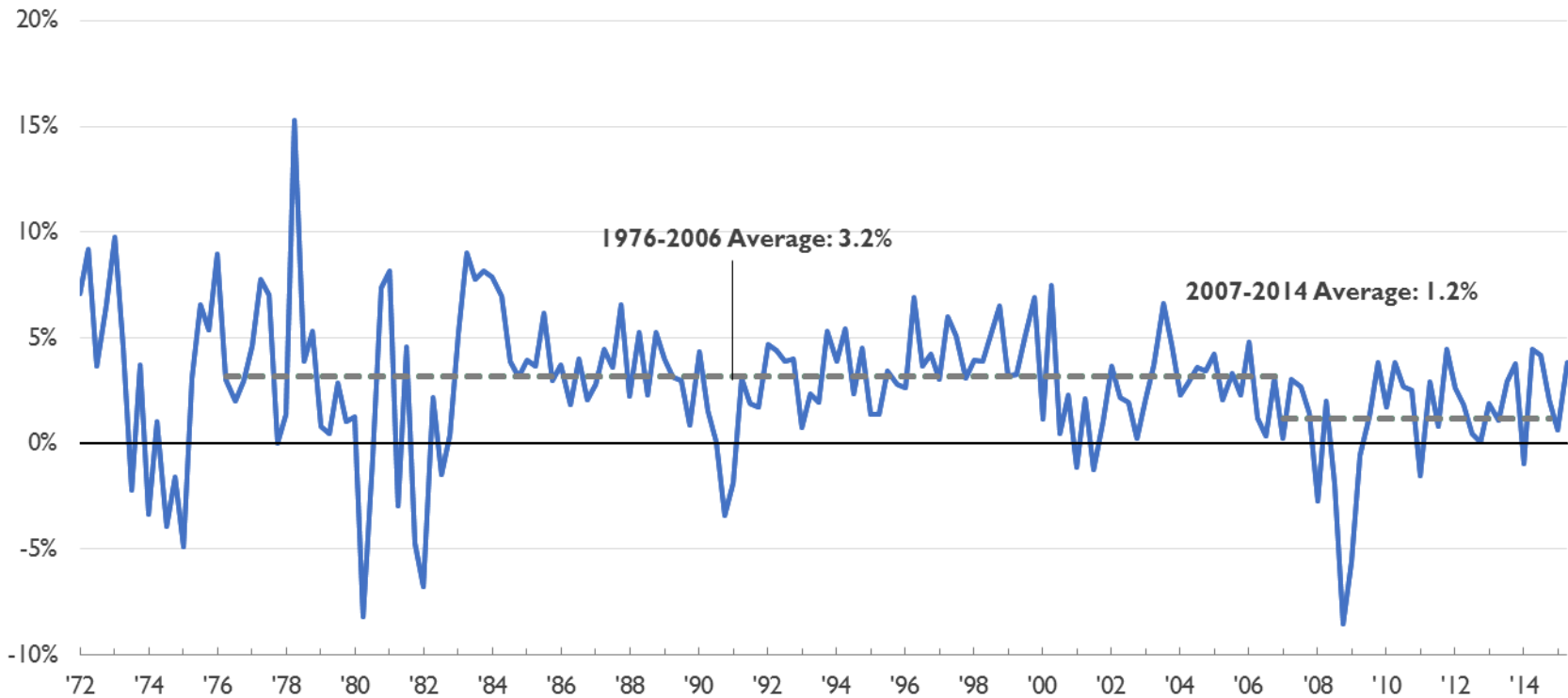
Economic Vital Signs

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American Politics

Economic Growth Just Now Returning to Normal Levels

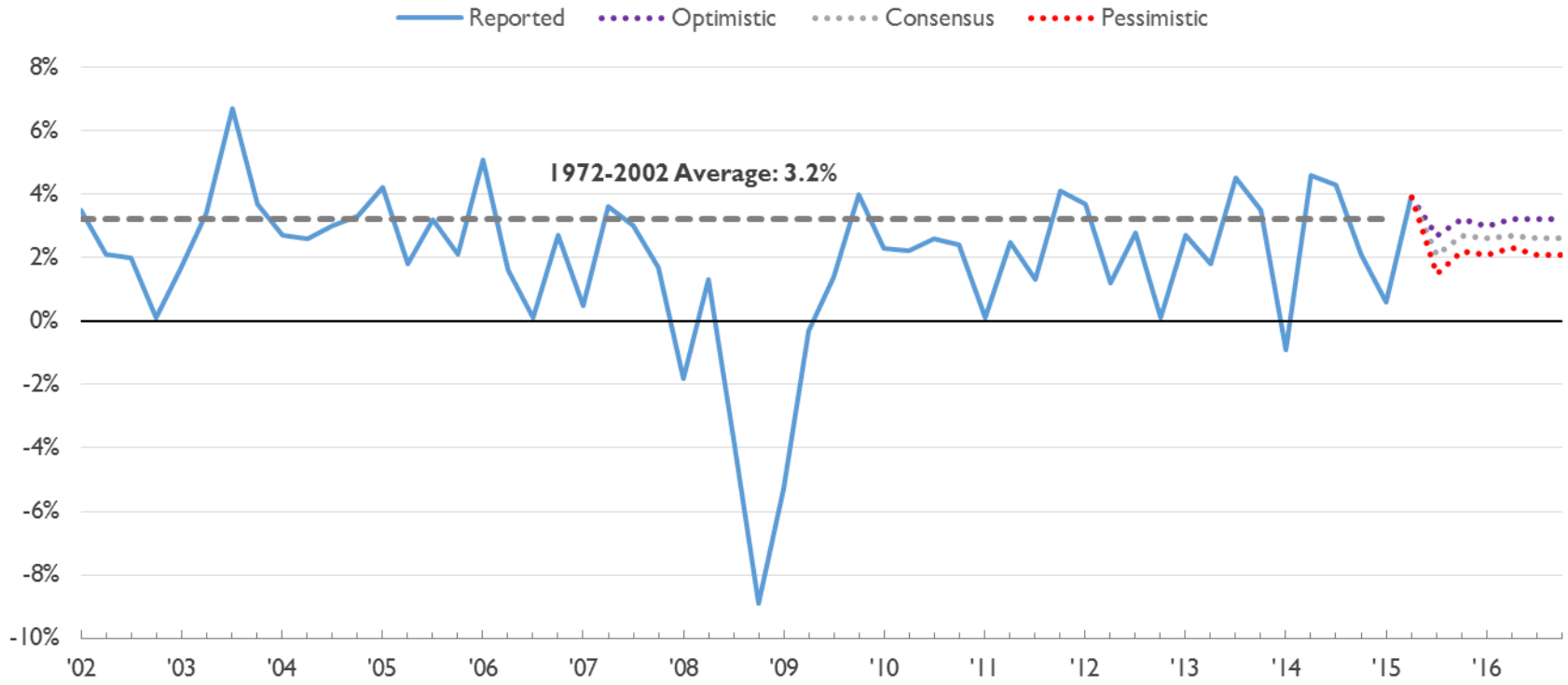
Real GDP
Percent Change from Prior Quarter Annual Rate



Source: St. Louis Federal Reserve, July 30, 2015

Nearly Average Growth Projected for Forseeable Future

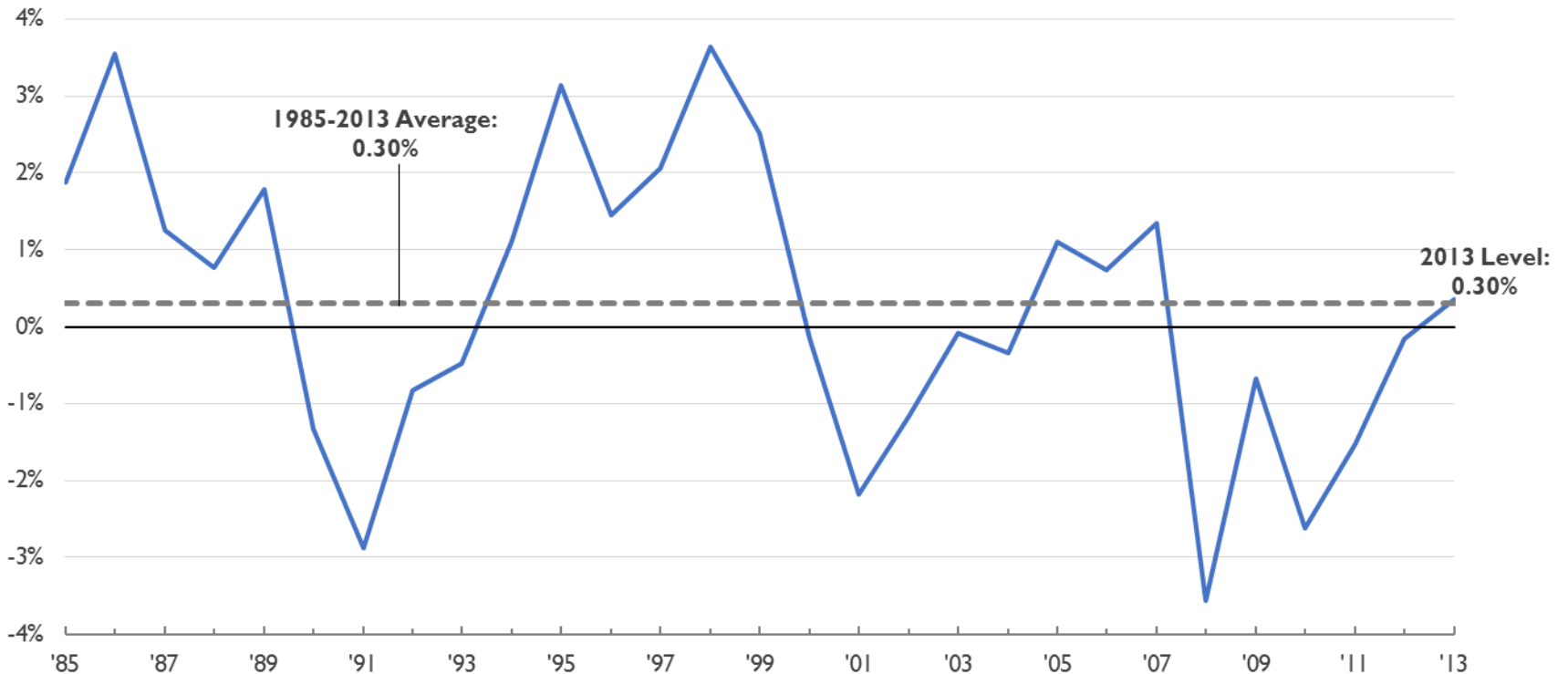
Estimated Quarterly Change in GDP from Blue Chip Economic Indicators



Source: Bureau of Economic Analysis, 2015; Blue Chip Economic Indicators, October 10, 2015

Real Median Household Income Returning to Normal Levels

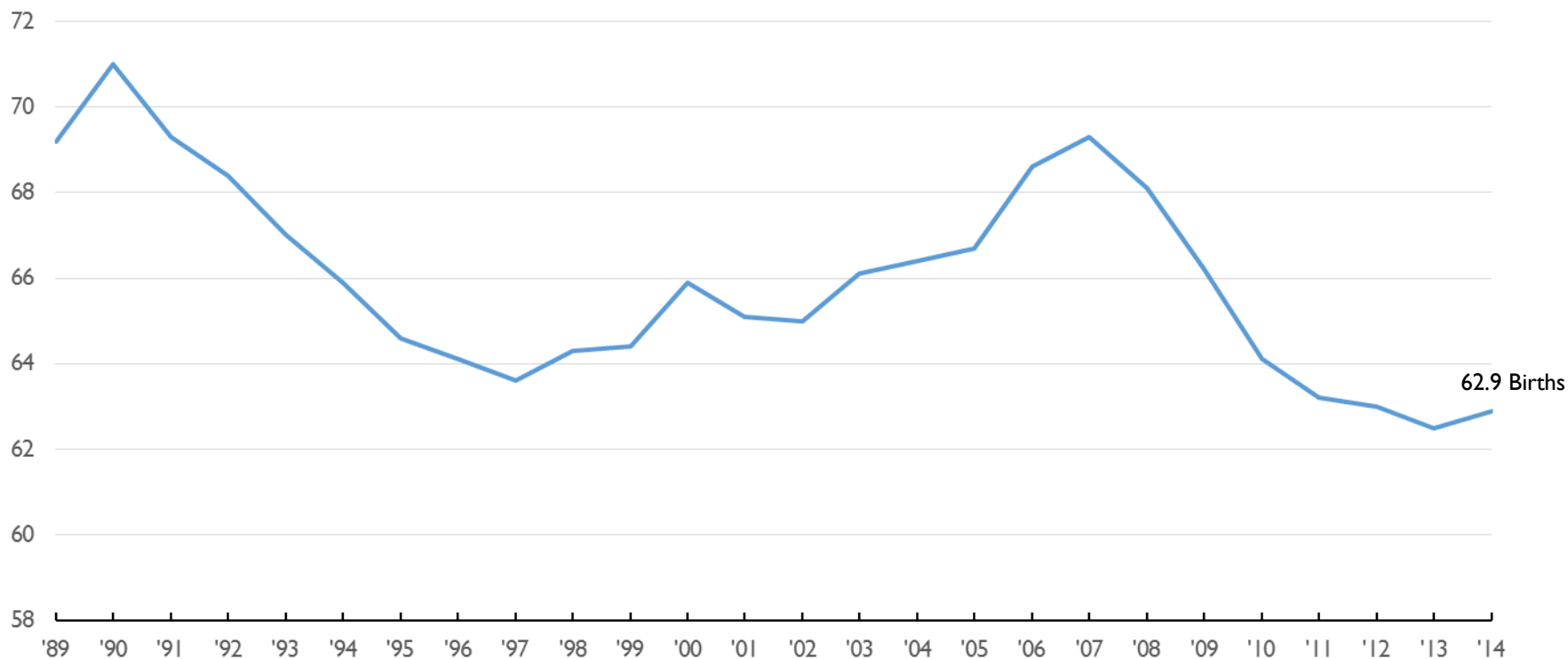
Real Median Household Income in the United States
Annual Percent Change



Ultimate Sign of Pessimism: Birth Rate Down

People Starting to Defer Starting or Expanding a Family

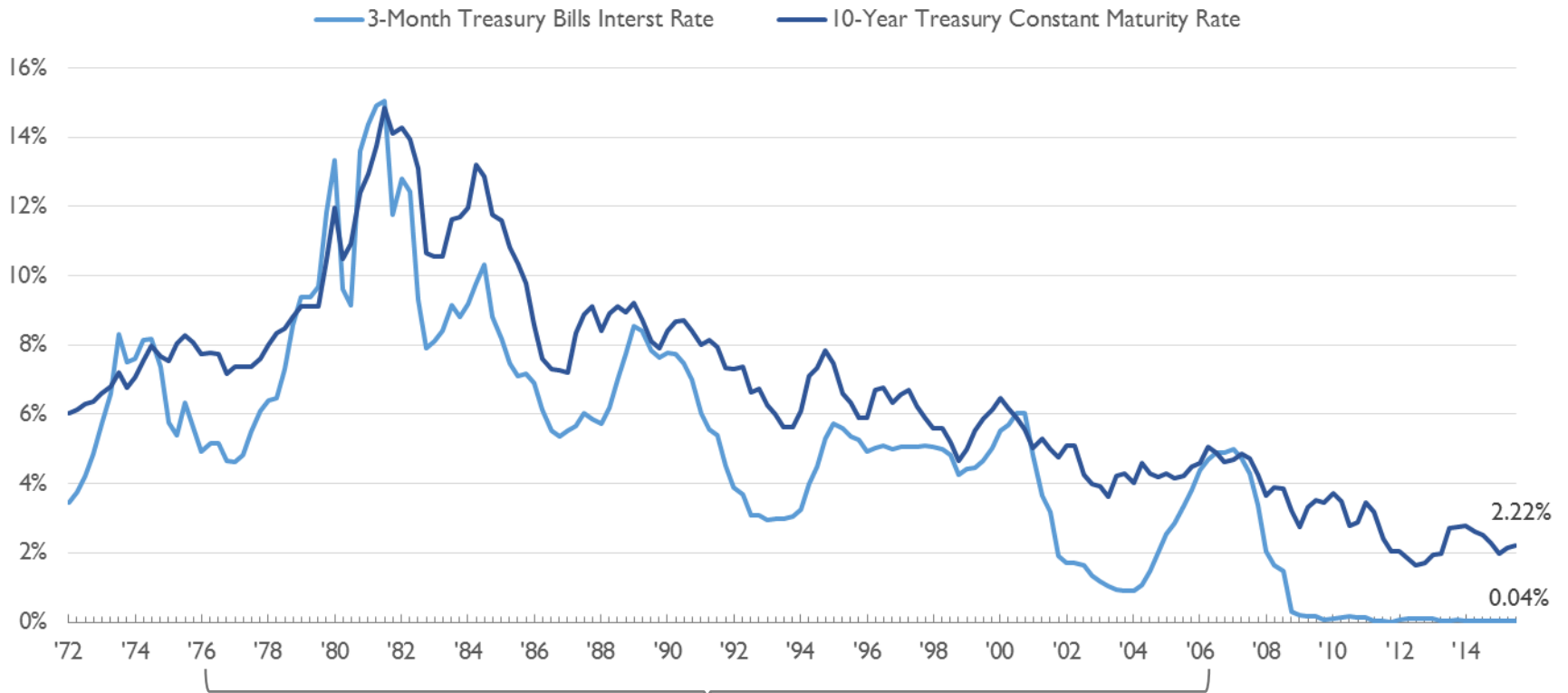
**US General Fertility Rate
(Births to Women Aged 15-44 Years)**



Interest Rates at Historic Lows

Savers Punished and Borrowers Rewarded with Low Returns

**Interest Rates
(Quarterly Percent)**

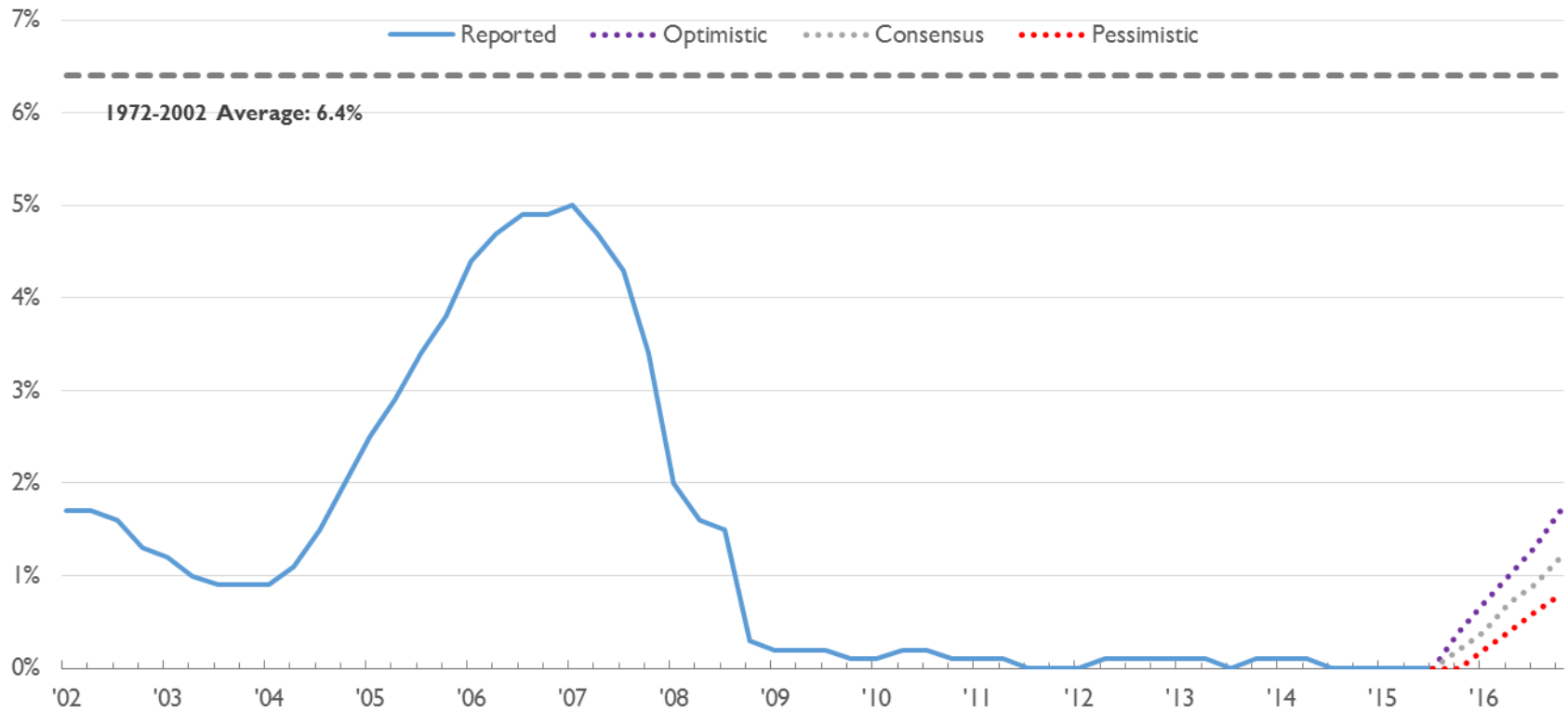


	1976-2006 Average	2007-2015 Average
3-Month T-Bills Interest Rate	6.0%	0.72%
10-Year Treasury Constant Maturity Rate	7.7%	3.0%

Source: St Louis Federal Reserve, October 10, 2015.

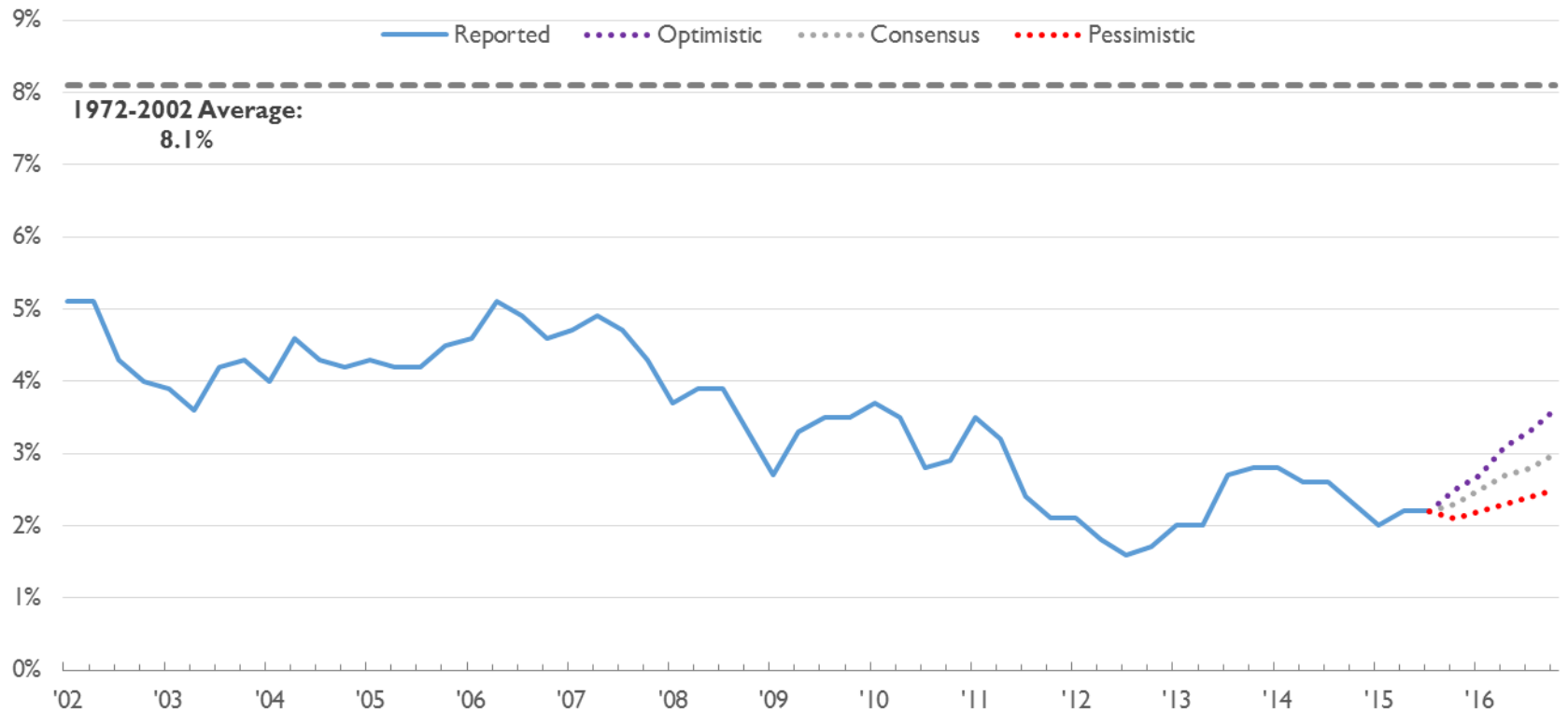
Higher Expectations for Interest Rates Reflect Improved Growth Expectations

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



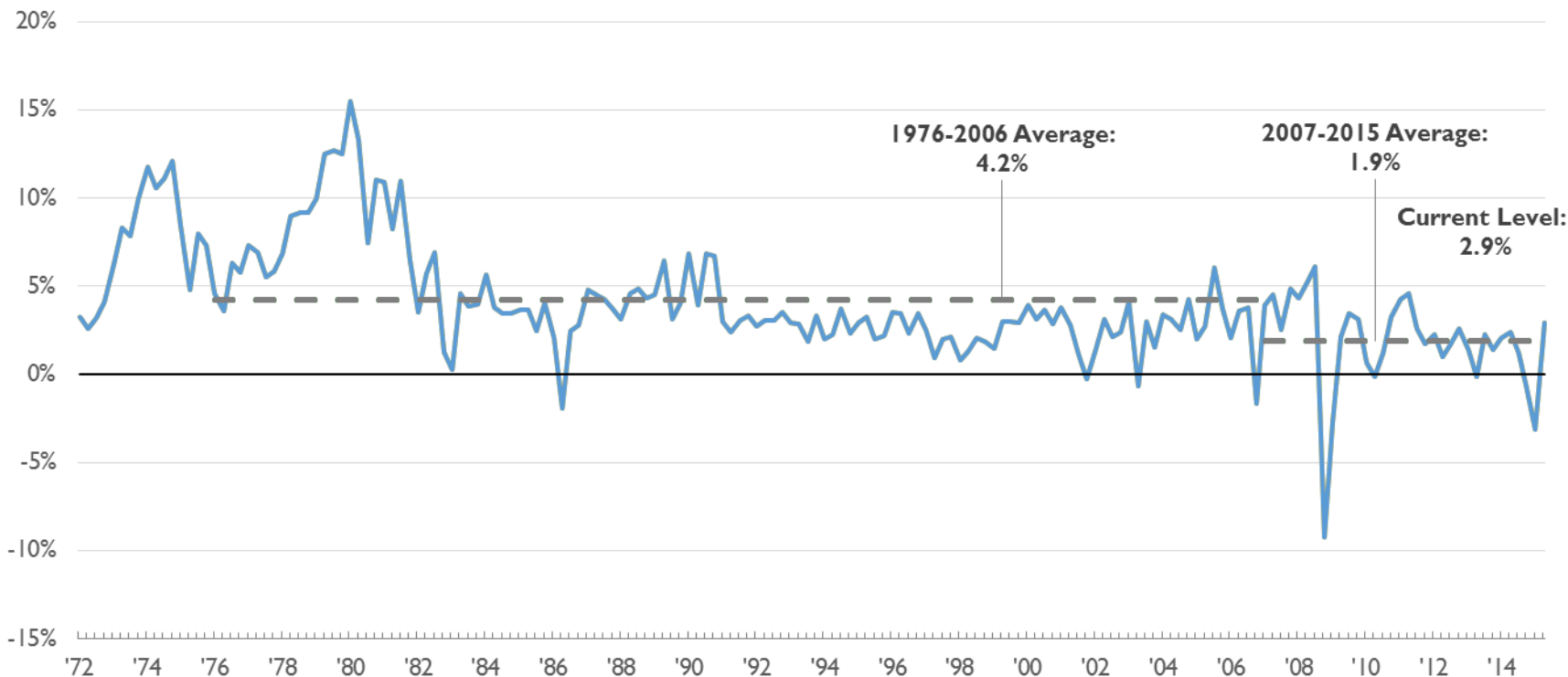
Higher Expectations for Interest Rates

Estimated 10-year Treasury Constant Maturity Rate,
From Blue Chip Economic Indicators



So Far Inflation Stays Very Low

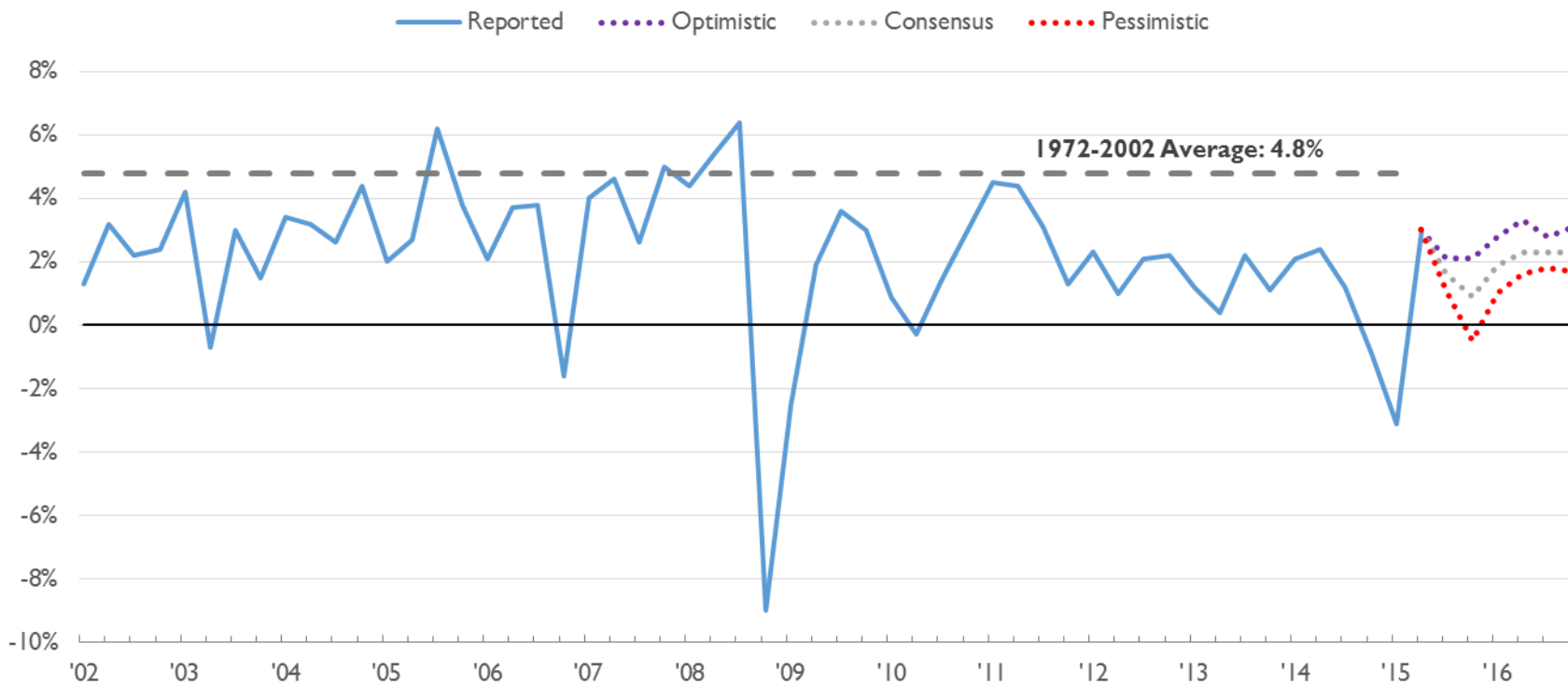
Quarterly Percent Change in Consumer Price Index (CPI) for All Urban Consumers



Source: St Louis Federal Reserve, October 15, 2015.

Inflation Projected to Stay Low

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

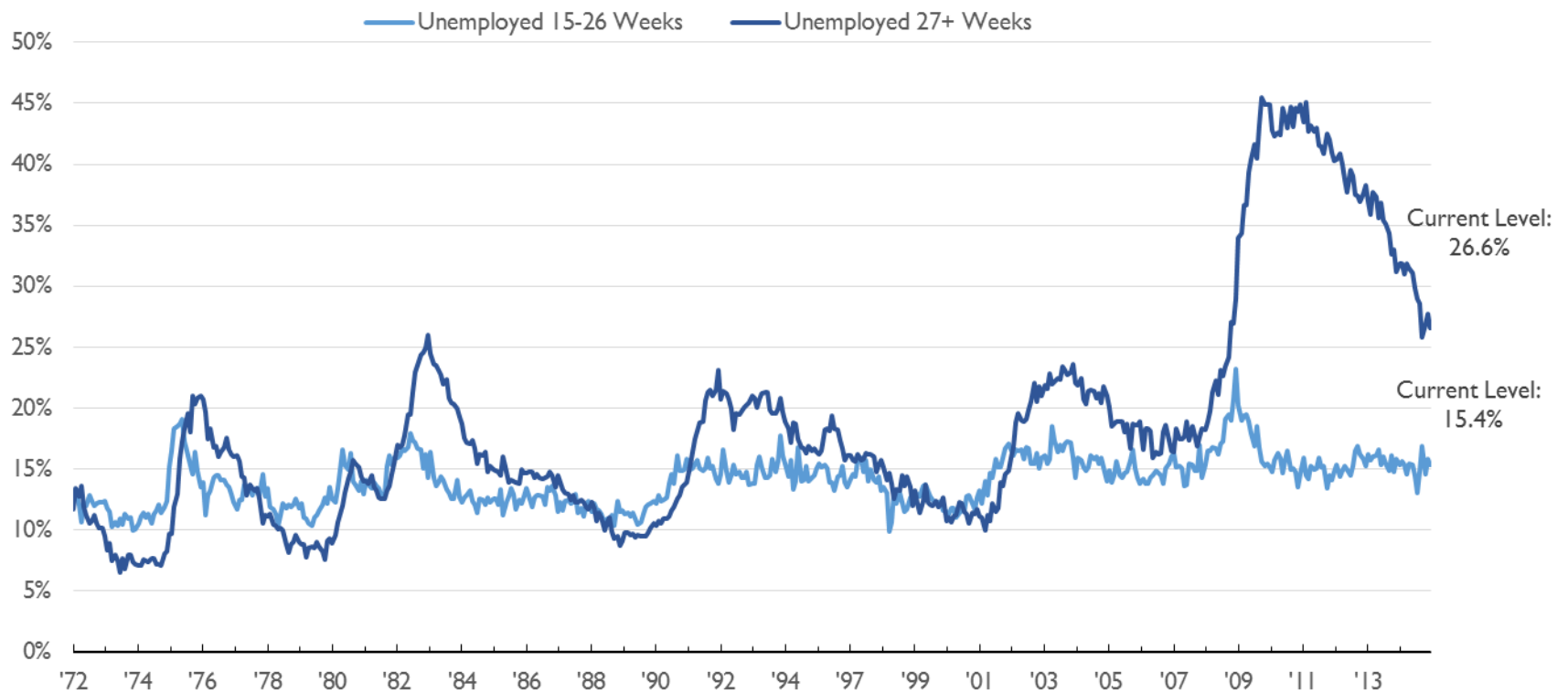


Source: Blue Chip Economic Indicators, October 10, 2015.

Long-Term Unemployment Rate Gradually Declines

Almost Half of Unemployed Endure 15+ Weeks Out of Job

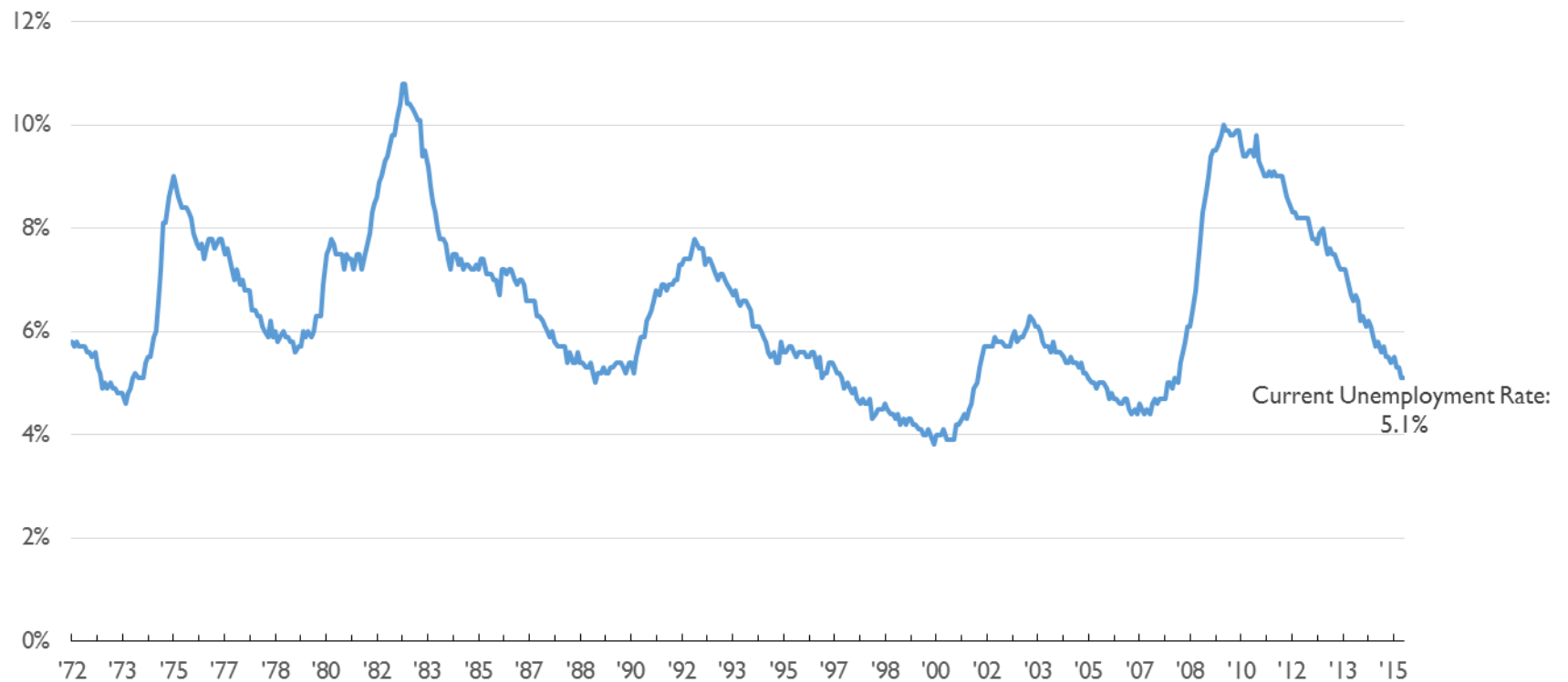
Percentage of Unemployed Population by Duration of Unemployment



Unemployment Dropping

Unemployment Direction is Positive

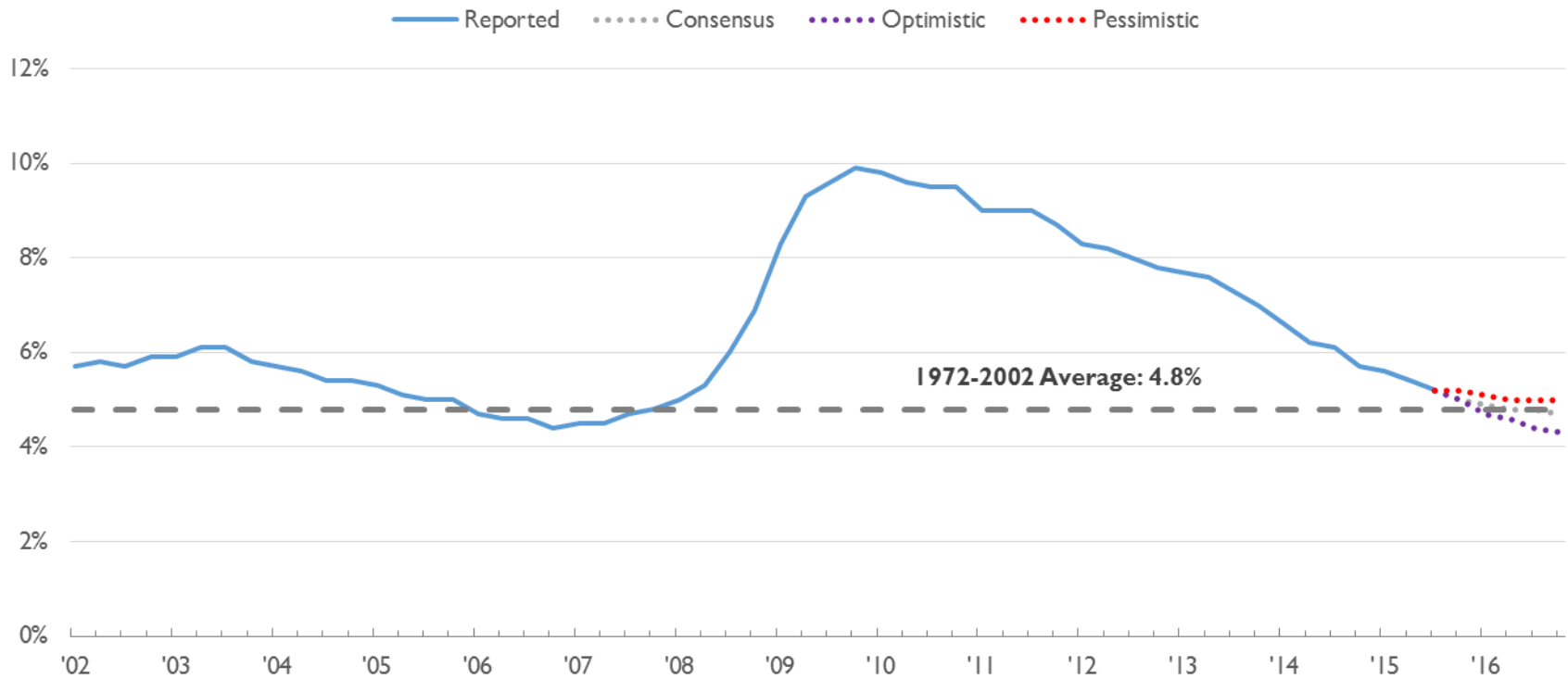
Actual Year-to-Date Unemployment Rates



Forecasts Predict Continual Decrease in Unemployment

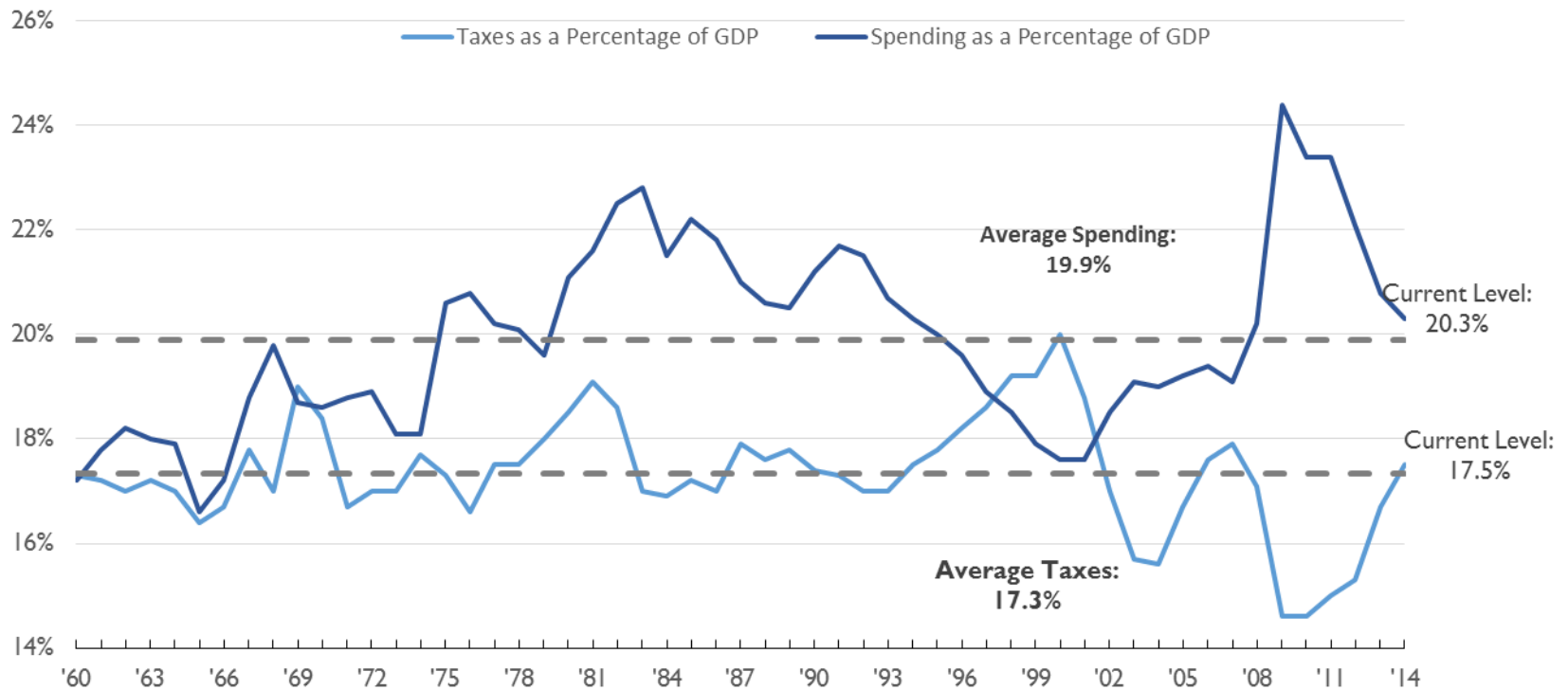
Forecasted Quarterly Rate Nearing 5%

**Estimated Quarterly Unemployment,
From Blue Chip Economic Indicators**



Deficit Problem Stems from Both Increased Spending and Decreased Taxing

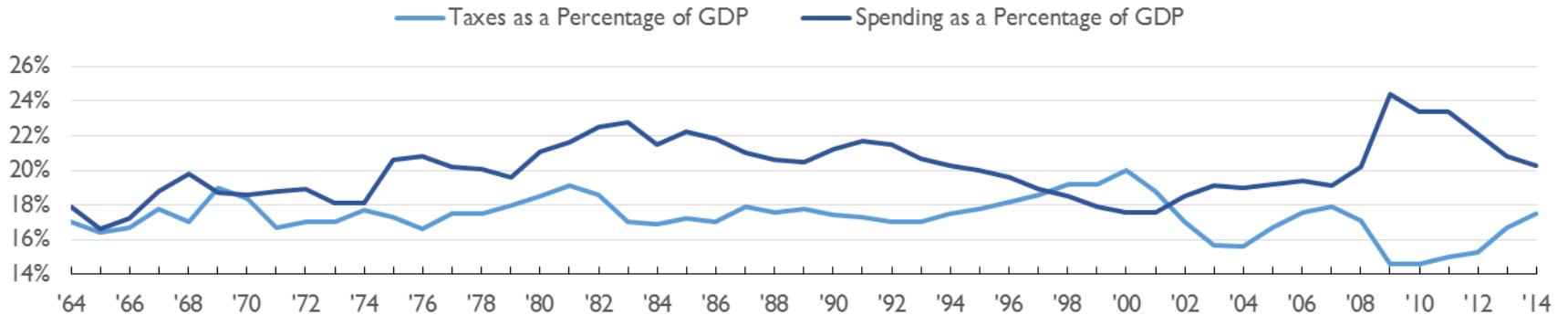
Taxes and Spending as Percentage of GDP



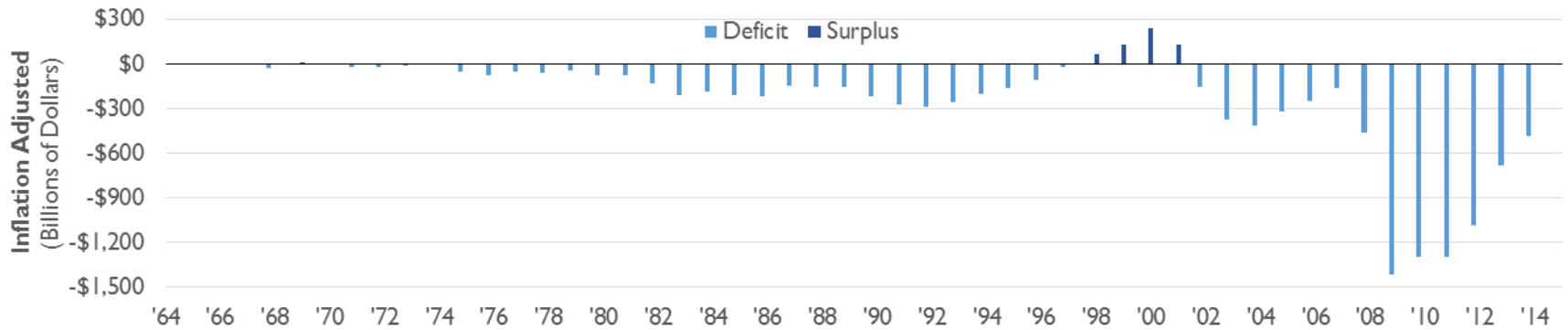
Source: White house Office of Management and Budget, Historical Tables, 2015.

Gap Between Taxing and Spending Creates Deficit or Surplus

U.S. Taxing and Spending as Percentage of GDP



U.S. Deficits and Surplus

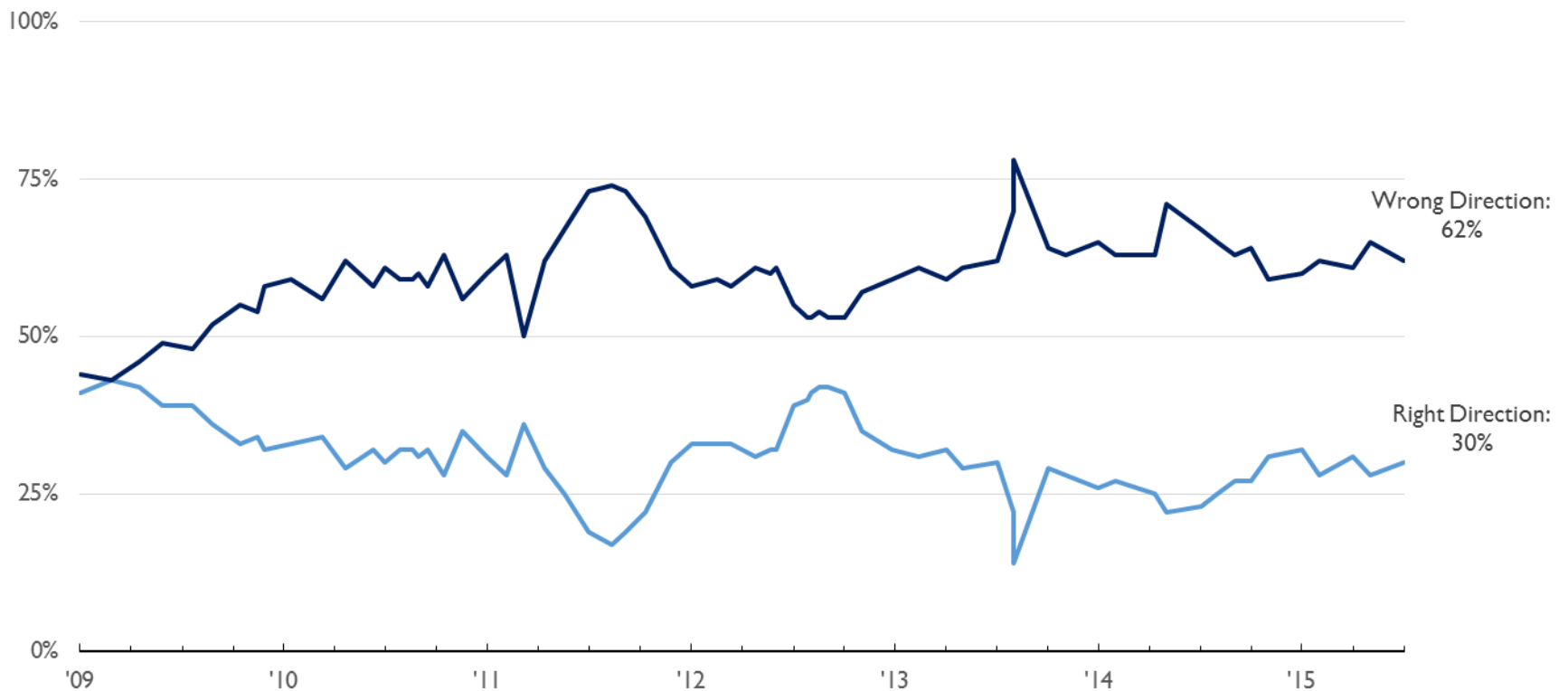


Source: White House Office of Management and Budget, Historical Tables, 2015.

Public Still Skeptical on National Outlook

Percentage Responding to Question:

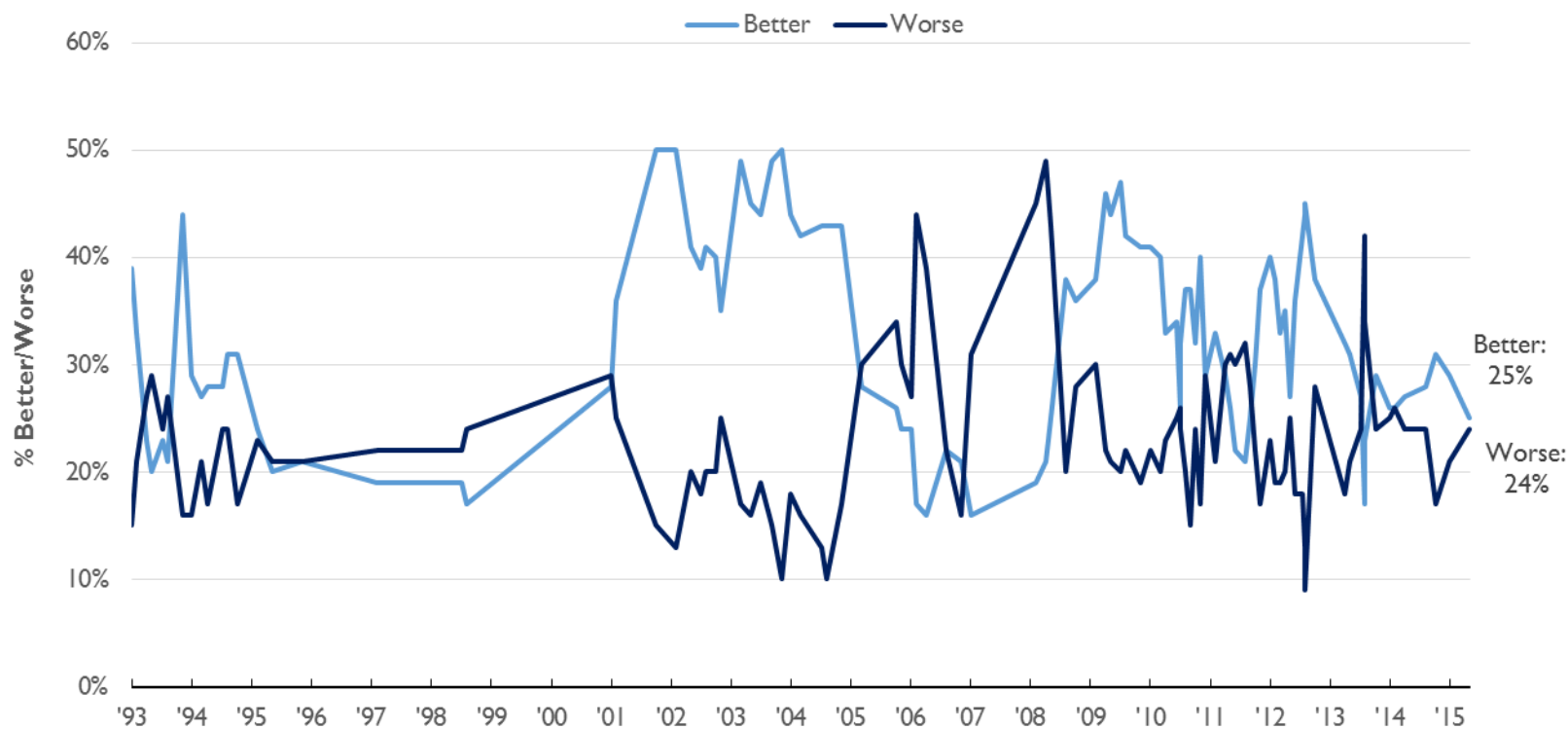
“All in all, do you think things in the nation are generally headed in the right direction, or do you feel things are off on the wrong track?”



Public Outlook for Economy Gradually Improving

Percentage Responding to Question:

“During the next twelve months, do you think that the nation’s economy will get better or worse?”

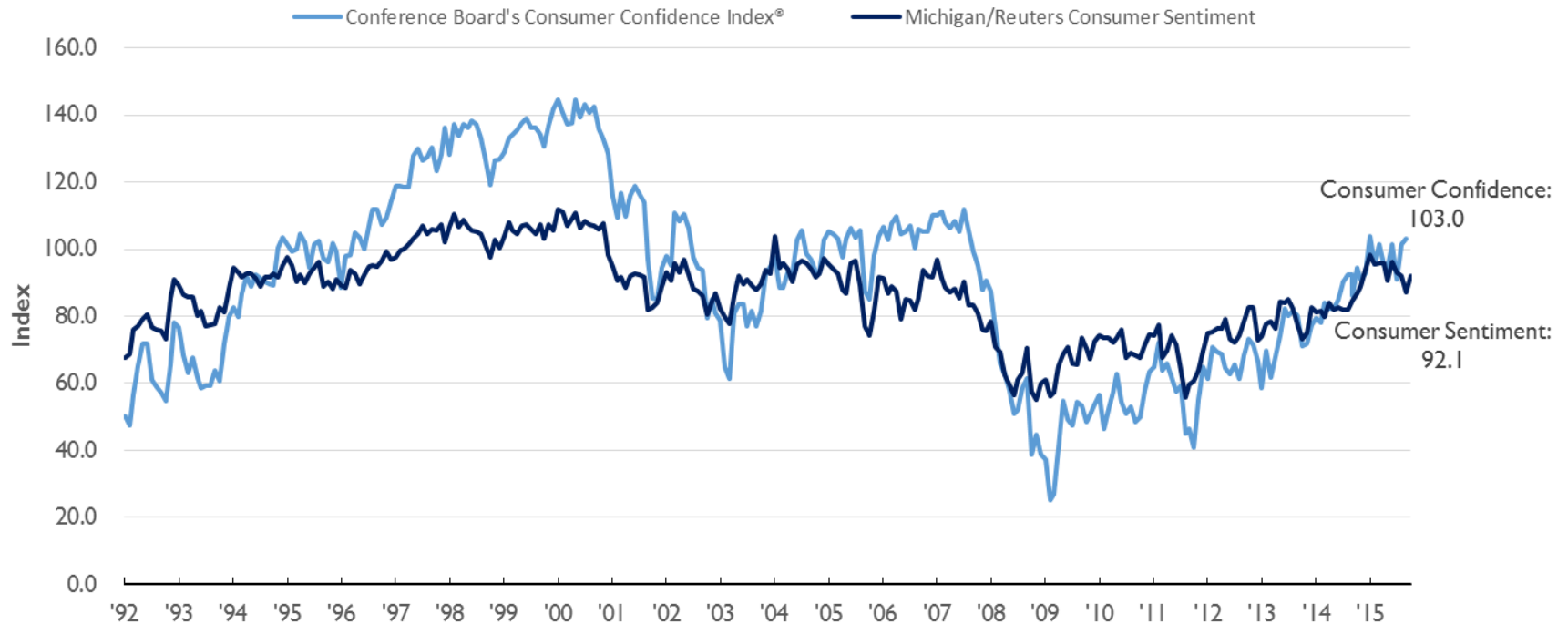


*N.B.: Prior to April 2001, the question was phrased, “Over the past year...”

Source: NBC/WSJ Poll, July 26-30, 2015.

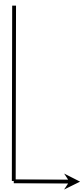
Consumers Optimism Improving But Still Low by Historical Measures

Consumers Confidence Index® and Consumer Sentiment



Roadmap for the Presentation

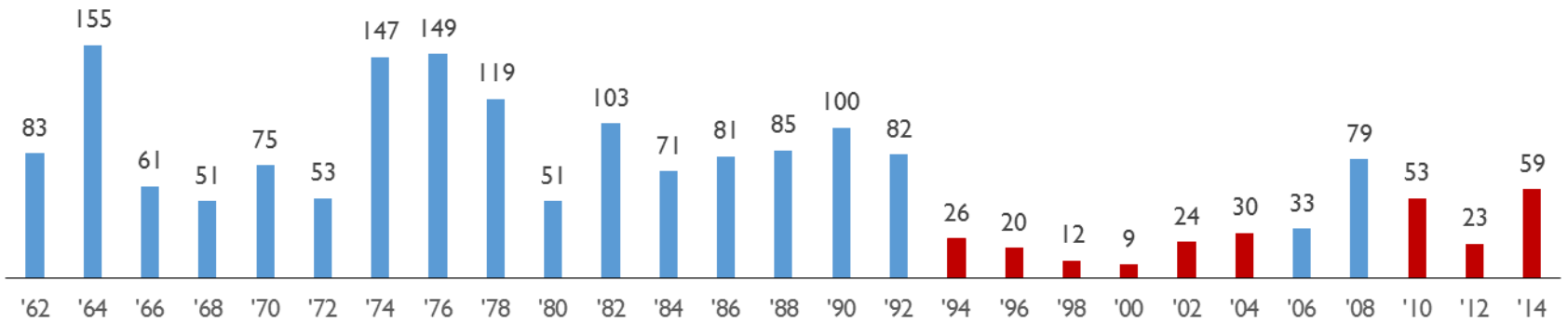
Economic Vital Signs



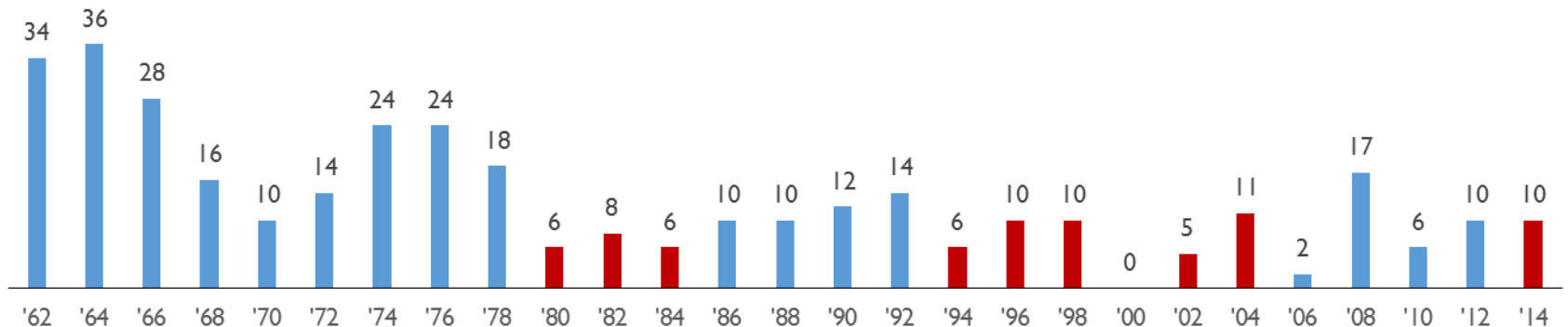
American Politics

Congressional Partisanship Frames Fiscal Fights

Margin of House Control After Election
88th - 114th Congress



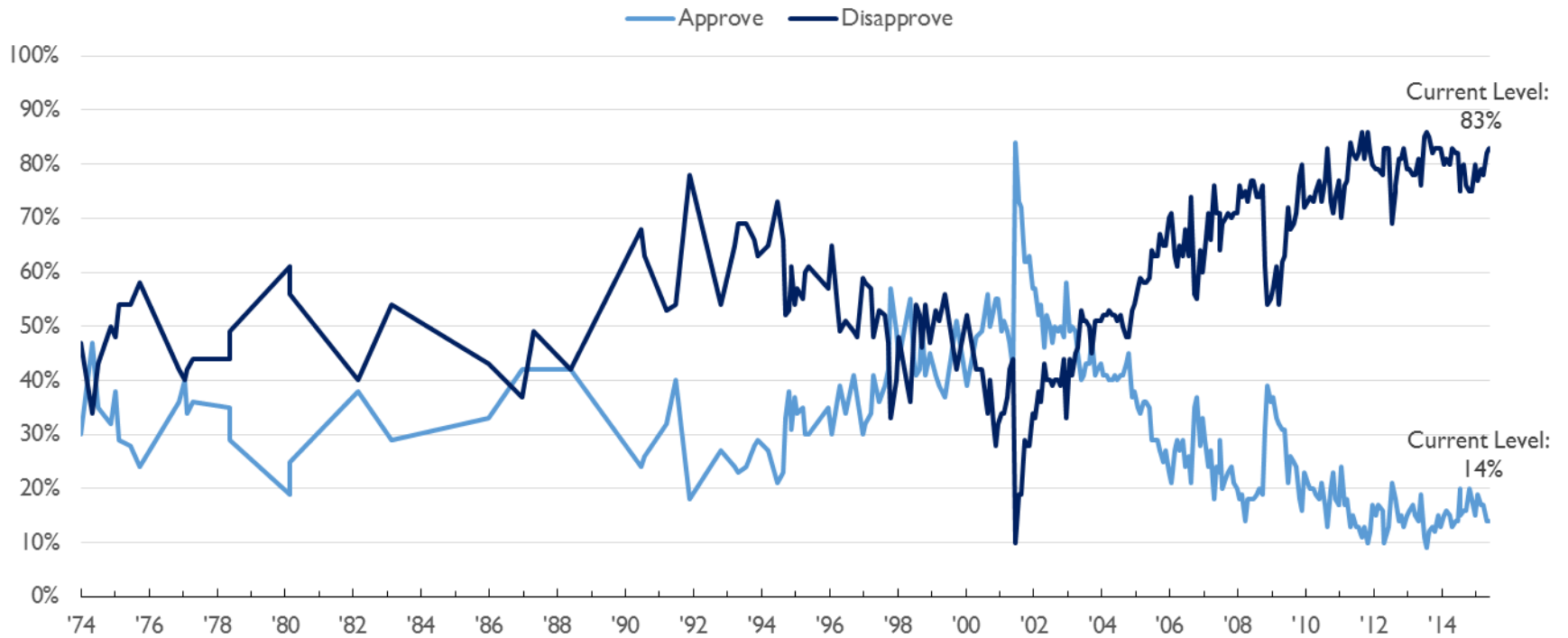
Margin of Senate Control After Election
88th - 114th Congress



Source: Senate.gov, 2015; Office of the Clerk of the House of Representatives; CNN, 2014.

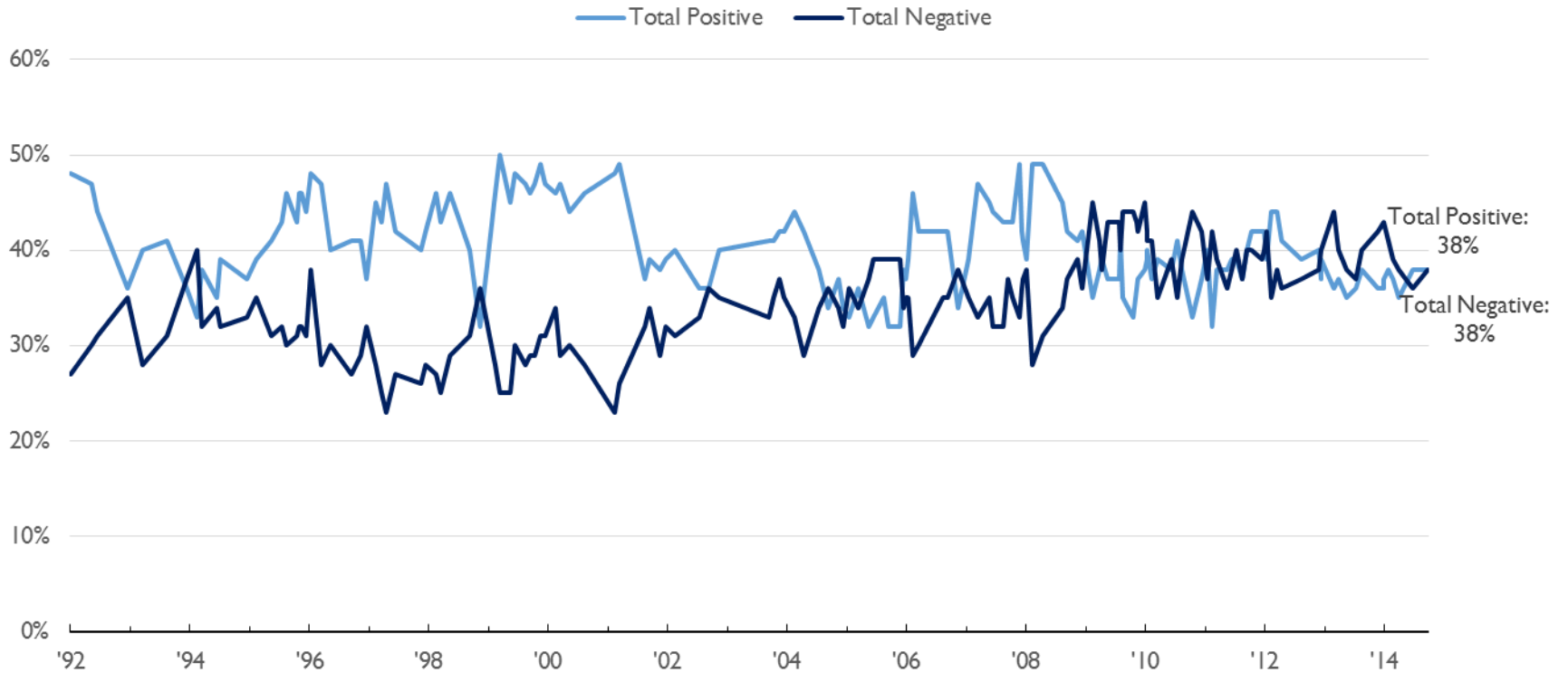
Congressional Approval Hovers Near Three-Decade Low

Congressional Approval Rating



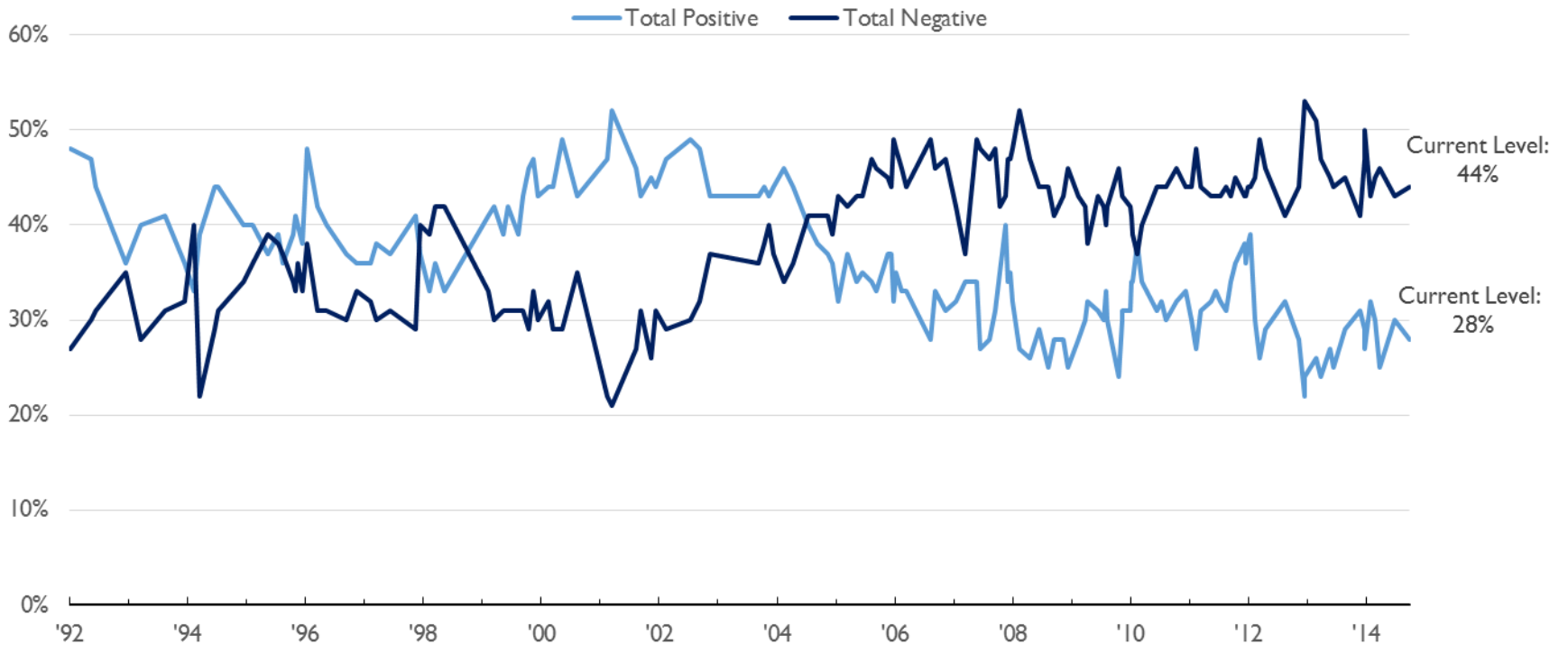
Public Opinion Split on Democratic Party

NBC/WSJ Thermometer: Democratic Party



Public Holds Negative Opinion of GOP

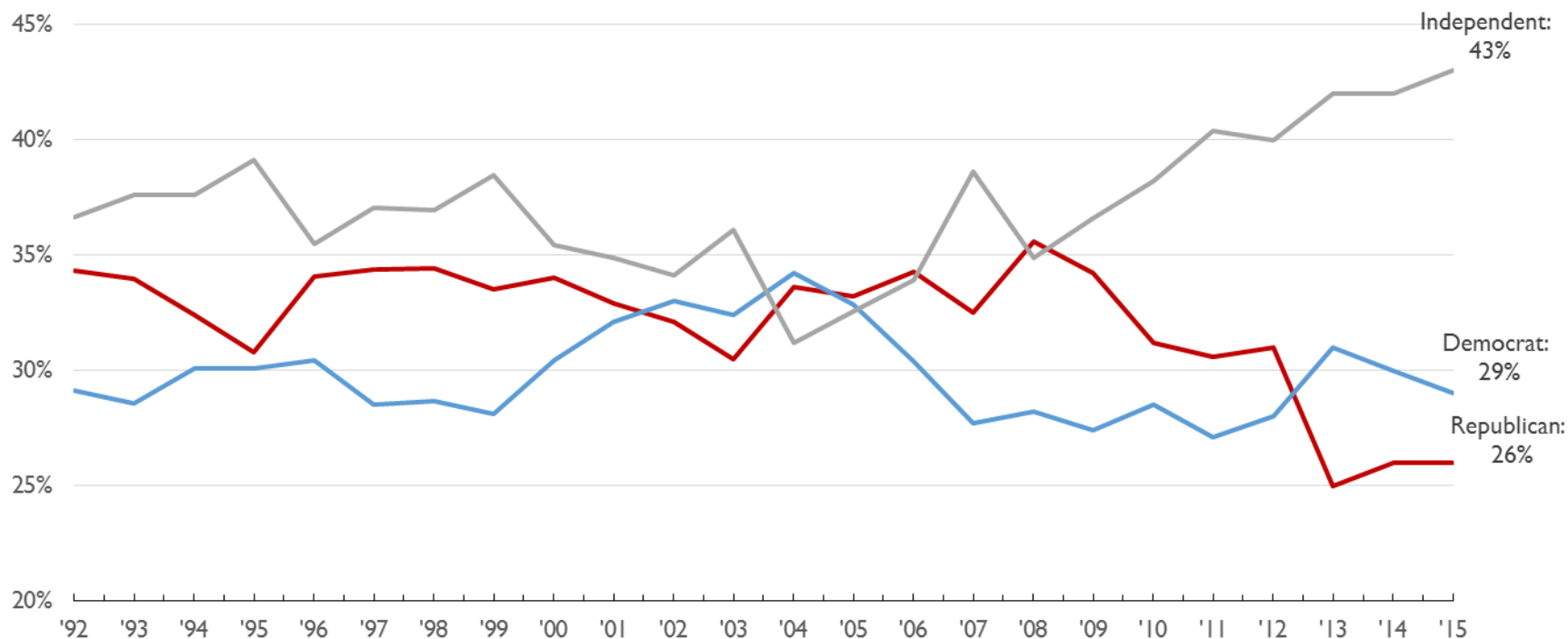
NBC/WSJ Thermometer: Republican Party



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

Gallup's Party Affiliation Survey

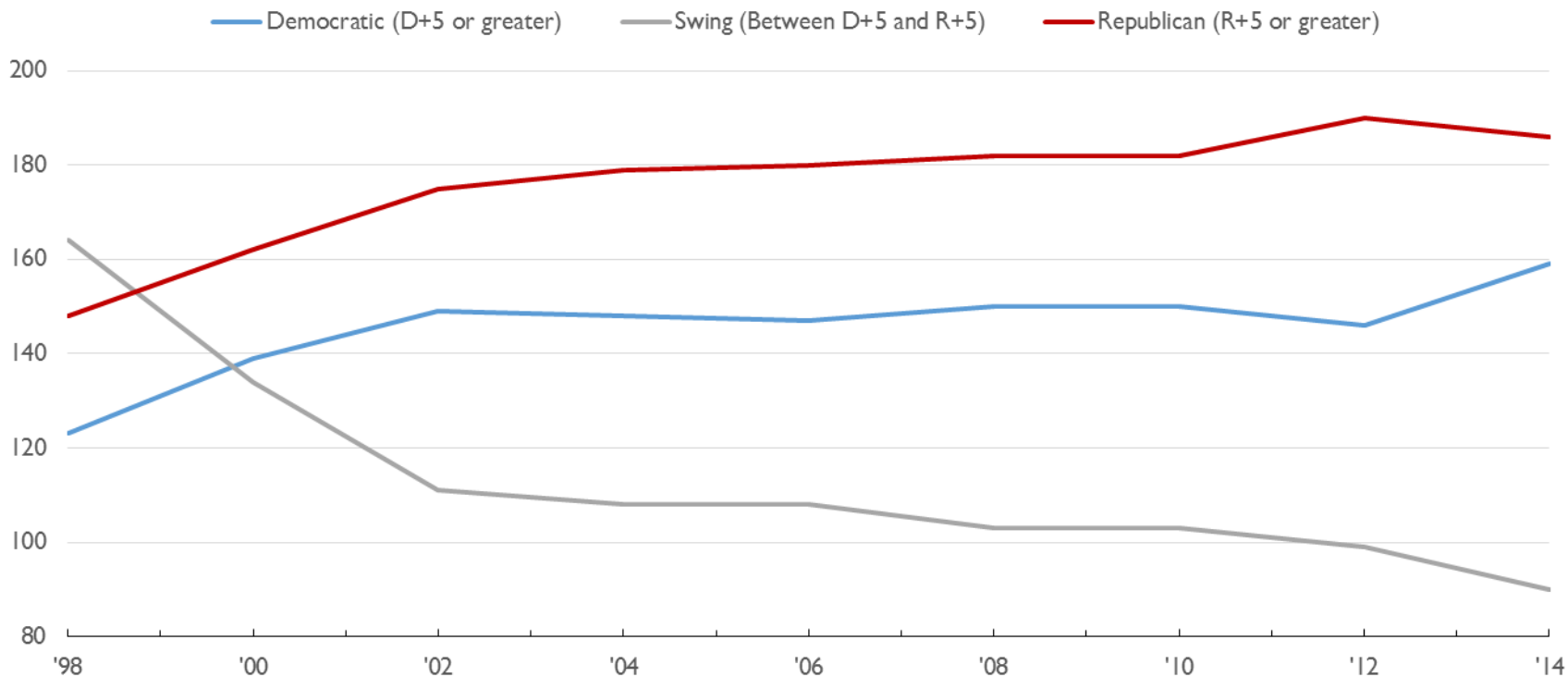
Responding to question: "In politics, as of today, do you consider yourself a Republican, a Democrat, or an independent?"



In House, Fewer “Swing” Seats, More Polarization

Cook Political Report Rates the Districts

House Makeup by Cook Partisan Vote Index

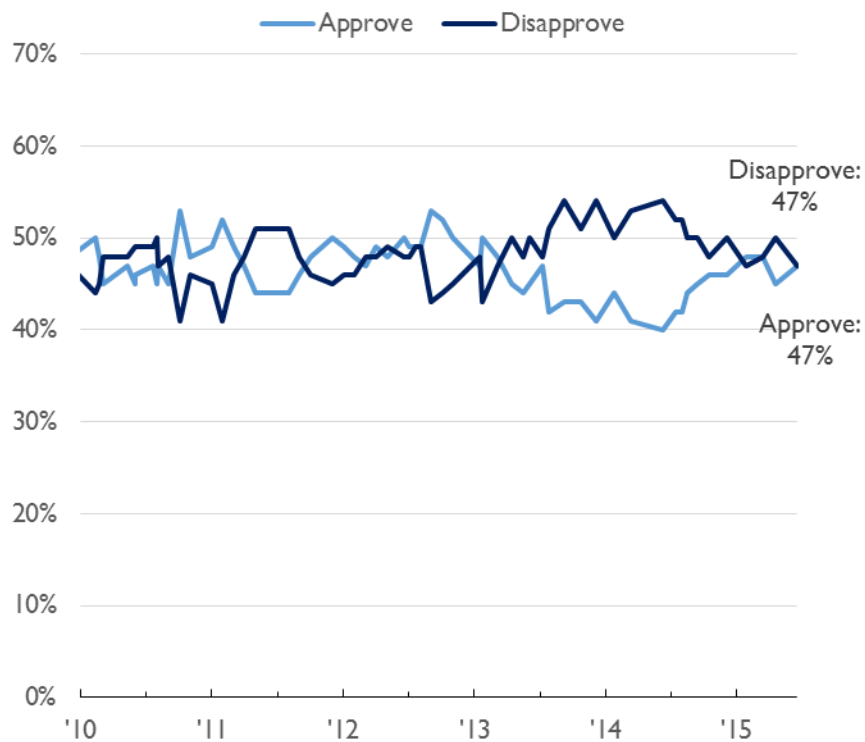


Analysis

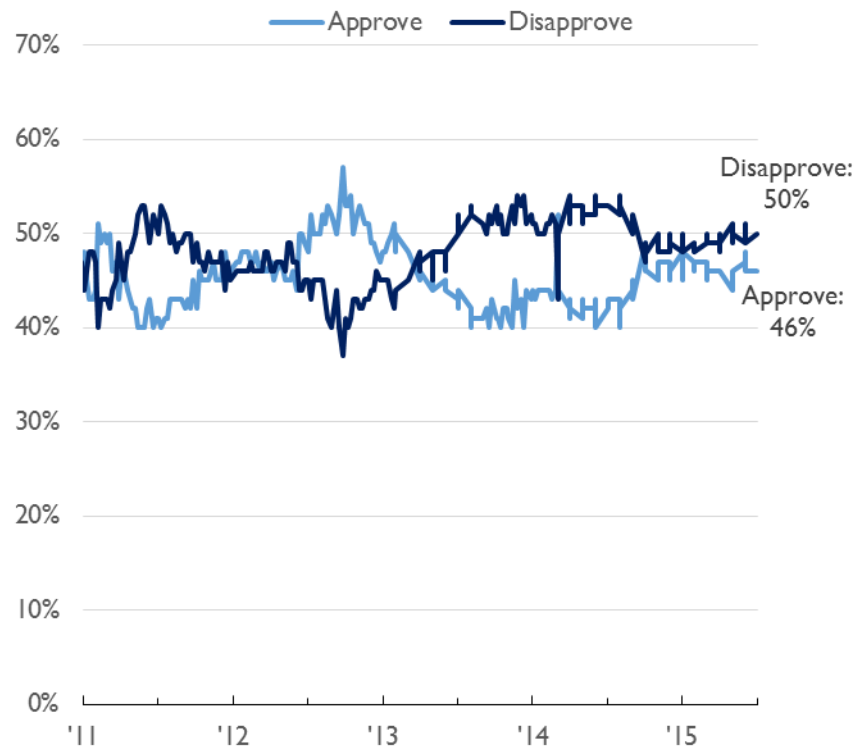
- According to the Cook Partisan Vote Index, the number of swing seats in the House has dropped 45%, from 164 in 1998 to 90 in 2014
- Fewer swing seats means more polarization in Congress
- As district populations grow increasingly liberal or conservative, incumbents fear radical primary challengers

Public Nearly Split on Obama's Job Approval

NBC/WSJ's Presidential Job Approval



Gallup's Presidential Job Approval



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