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Jobless Rate Is Key to Fate of Democrats in 2010

By NEIL KING JR.

WASHINGTON -- Congressional Democrats and the Obama White House have plenty to fret about as they eye the 2010 elections: rising deficits, the Afghan war, public fears over expanding government, the fate of the health-care brawl.

But one item may prove key: the national unemployment rate, which hit a 26-year high last month at 9.8%. On that front, economists and political pundits say, the majority party looks increasingly wobbly.

"Unemployment is the leading economic indicator when it comes to politics," said Democratic pollster Peter Hart.

"Anytime unemployment hits double digits, it's hard to see the party in control having a good election year."

Economists generally predict that the number of people out of work will continue to inch up next year, even if the economy begins to rebound. Most see the jobless rate peaking at around 10.5% in the summer. Former Fed Chairman Alan Greenspan said Sunday that his own hunch was that the economy would turn around over coming months, but that unemployment would "penetrate the 10% barrier and stay there for a while before we start down."

Voters generally turn against a newly elected president and his party in the midterm elections. Even with a booming economy, President Bill Clinton and the Democrats lost 52 House seats in 1994. The Republicans under President Ronald Reagan in 1982 are the only party since World War II to have gone into a midterm election with unemployment over 10%. They lost 26 House seats.

Republicans are already harnessing voter unease over deficit spending and proposed changes to the health-care system. But they see the economy as the Democrats' main vulnerability. "The biggest threat to the president's party is not health care, a climate-change bill, or Afghanistan. It's jobs," said John Feehery, a Republican strategist.

Officials at the National Republican Campaign Committee said they planned to use the weak employment numbers to hammer at 54 Democratic House members that Republicans deem the most vulnerable in 2010. Republicans are particularly targeting the 49 House lawmakers in districts carried last November by Sen. John McCain, the Republican presidential nominee.

"We'll continue to remind Democrats of their failed promises that led to what is now, at best, a jobless recovery," said NRCC spokesman Paul Lindsay.

Rep. Chris Van Hollen of Maryland, who heads the Democratic Congressional Campaign Committee, said he remained confident that the unemployment picture would improve by next fall. At the same time, he said, "the Republicans run a real risk of being seen as the party rooting for economic failure."

President Barack Obama and the Democrats are all the more exposed on the jobs front because they touted the \$787 billion economic-stimulus bill as a way to curb job losses. The Obama team asserted in January that the recovery plan would keep unemployment below 8% and push it down to nearly 7% by the end of 2010. Obama aides have since said that they didn't grasp how sour the economy was at the time.

Economists now generally believe that the stimulus package has cushioned the economic fall. But Republicans argue that it was a waste of money, and it isn't clear whether the Democratic argument -- that things would be worse without the stimulus -- will sway many voters.

"The challenge for Democrats is it's just not that compelling to say, 'Things would be a lot worse if we didn't do X, Y and Z,' " said Stuart Rothenberg, a nonpartisan political analyst.

The Obama administration and Democratic lawmakers are now scouring for ways to boost job creation and help the jobless, without proposing a second stimulus bill. One idea is to extend for another year the enhanced unemployment-insurance benefits set to expire in December, a move that could cost another \$100 billion, by one estimate.

A White House official cautioned, however, that such talk remained preliminary. House Majority Leader Steny Hoyer said Tuesday that Democrats may move ahead on extending some jobless benefits, such as a special subsidy for health insurance, but that any larger stimulus package was off the table for now.

Turning the jobless rate around will require a more robust economic expansion than most predict will happen next year. The U.S. has lost 7.2 million jobs since the recession began at the end of 2007. Economists say U.S. output would have to grow by about 4.5% in 2010 to whittle away just 1% from the unemployment rate. That compares with the 3% to 4% growth many economists predict for next year.

Yale University economist Ray Fair, who has built a fairly reliable economic model to predict presidential and House election outcomes, said that Democrats could still get lucky. If the economy turns around enough to start driving the jobless rate down by the fall of 2010, he said, "then the Democrats won't necessarily do as badly as people think now."

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