



## Unemployment looms over Obama

By: [Ben White](#)

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For the White House, it was another decidedly mixed picture.

In the latest jobs report, payrolls increased by only 36,000 in January, far fewer than the expected 145,000. But the overall unemployment rate, based on interviews with actual workers, dropped from 9.4 percent to 9 percent, a much deeper decline than expected and an encouraging note, since the household survey tends to count those who are self-employed or work at very small companies and do not always show up in the survey of larger employers that produces the payroll figure.

While the drop in the unemployment rate seems to line up better with increased personal spending, manufacturing growth and other economic indicators that have been modestly positive in recent months, January's brutal weather in many parts of the country undoubtedly held down the payroll number as employers held off hiring for construction and other projects.

Essentially, the financial markets dismissed last Friday's jobs report for January as too confusing. But that won't keep happening, and the numbers are soon going to have serious political implications for President Barack Obama as he mounts his reelection campaign.

White House advisers know that an unemployment rate above 8 percent in November 2012 probably spells doom.

History bears out that fear, and the dreaded number is actually closer to 7 percent.

According to a recent study by Matt McDonald of Hamilton Place Strategies, there have been four presidential elections since 1960 in which the unemployment rate was above 7 percent: 1976, 1980, 1984 and 1992. In three of these four elections, the incumbent party lost. Ronald Reagan won in 1984, at a time of 7.2 percent unemployment.

To get below 8 percent, the economy has to create about 215,000 jobs per month by Election Day 2012, according to McDonald, which seems highly unlikely. Still, the trend matters.

Reagan won in 1984 in part because unemployment, while still high, had dropped 1.3 percentage points in the year before the election.

So even if Obama cannot get below 8 percent, he could still win. The president "would see an improved political position from a significant drop in the unemployment rate," McDonald said.

"Current economic forecasting projects a fourth-quarter 2012 unemployment rate of approximately 8 percent," he added. "If the unemployment rate can break this 8 percent level, President Obama can credibly argue that he is making progress on jobs, even

though the unemployment rate will still be historically high.”

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