

Research

US: The 2012 election season

- **The main political event by far in the year to come is the presidential election on 6 November. We expect this to set the tone for politics throughout the year.**
- **The presidential election coincides with the congressional election, where 33 out of 100 Senate seats and all 435 seats in the House of Representatives are up for election.**
- **Over the coming year, the US economy faces major challenges, which are likely to demand political solutions. The first major issue coming up is the vote on the extension of the payroll tax cut, as the temporary extension expires at the end of February.**

Despite the US presidential election being 10 months away, the race is growing more intense by the day. The last few months have clearly shown that the election season has set in, as the debates on both the debt ceiling and the extension of the payroll tax holiday have highlighted. The split Congress, with a Republican majority in the House and Democrats controlling the Senate, means we are not likely to see any major decisions on the budget this side of the election.

The primary elections

As President Obama faces no major challenges in the Democratic primary his nomination is set in stone, implying that all the attention has turned to the Republican primary race, running from early January to late June. There are two major contenders remaining in the running to receive the Republican nomination, Mitt Romney and Newt Gingrich. There are 46 states still to vote before the nomination is finally locked in at the Republican convention in the week beginning 27 August.

With three different candidates having one or more wins under their belt in the four different primaries completed so far, the race remains open, although most polls predict the former Massachusetts governor Mitt Romney will win the overall nomination, after winning the Florida primary by a convincing margin. However, only about 5% of the total 2,286 delegates have been distributed so far. The largest bulk of votes will take place on so-called *Super Tuesday* on 6 March, when 10 states are due to vote. This should lock down the candidate, in case it is not set in stone by then.

On economic issues, we see no major differences between the two republican candidates. They both support the extension of the payroll tax holiday and making the Bush tax cuts permanent. They both focus on funding from non-defence spending cuts in order to finance the tax breaks and are both vocally against tax hikes, including the Democratic proposal to fund the payroll tax cut by taxing the wealthiest Americans more heavily. Additionally, they both support lowering corporate taxes dramatically and either repealing or significantly loosening the Dodd-Frank banking regulation reform.

Key dates for the election year

- GOP primary: 3 Jan–26 Jun
 - Super Tuesday: 6 Mar
- GOP national convention: 27–30 Aug
- DNC national convention: 3–7 Sep
- Presidential/congressional election: 6 Nov

Source: Danske Markets

Recent poll results

The primary race:

- Romney	27%
- Gingrich	28%
- Santorum	16%
- Paul	13%

The presidential election:

- Obama vs Romney: tie
- Obama vs Gingrich: +12 Obama

Source: Gallup, 25–29 January

Useful links for tracking polls

<http://fivethirtyeight.com/>
<http://realclearpolitics.com/>
<http://gallup.com/>

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The presidential election – “it’s the economy, stupid”

The all dominant issue of the 2012 election will be the economy. It is hard to overestimate the impact of the economic conditions on President Obama’s chances of getting re-elected. Historically, no president has been re-elected facing an unemployment rate of more than 7.2%. Though this is by no means a statistical predictor for the outcome of the election, it serves as a reminder of the significant challenges facing Obama moving into the election season. Therefore, we will be looking closely at the trend in unemployment and payroll figures over the months to come. It is likely to prove essential for the president whether the voters feel the country is starting to move in the right direction.

As mentioned above, there are significant differences in the approach to economic policies between the Republican candidates and President Obama, notably on funding of tax cuts and deficit reduction, health care and financial regulation. Furthermore, all Republican candidates have come out against last year’s stimulus packages, arguing that these types of spending programme provide no long-term support for the economy.

In a climate of dwindling confidence in lawmakers’ ability to tackle fiscal challenges on both sides of the Atlantic, it is likely to prove central that the coming president together with Congress manages to make a considerable dent in the deficit, without strangling the upswing.

Another topic that might prove interesting under the coming presidency could be relations with Iran, as the Republican candidates in particular have had a very unforgiving rhetoric towards the rulers in Tehran on nuclear weapons. If a potential Republican president starts rattling sabres even more, we might move closer to a standoff between Iran and the international community, implying a rising geopolitical premium, driving up oil prices.

The elections for Congress

As the voters go to the polls on 6 November, they will not only be electing a president but also members of both chambers of Congress. The Democratic party (including two senators who caucus with them) hold a narrow majority of 53 seats against the Republicans’ 47 seats. However, the majority of seats being contested in the November election are Democratic (23 against 10 Republican), which increases the likelihood of a Republican takeover of the Senate, if they manage to pick up the three seats they need for a senate majority. In the other chamber of Congress, the House, the Republicans hold a solid majority of 242 against 191 Democrats. Most polls indicate that the Republicans will remain in control of the House after November.

However, with a job approval rate somewhere around 10-15%, the public seems far from satisfied with the recent performance of Congress. In particular, the deadlock on raising the debt ceiling over the summer and the payroll tax cut debacle around Christmas, proved that Congress has a very hard time getting things done. This could prove dangerous, as the pressure on particularly public finances is not expected to dwindle notably over the coming years, unless decisive action is taken.

If the Democrats lose both the House of Representatives and the Senate but manage to hang onto the presidency (widely viewed as the most likely outcome at the moment), it might not get any easier to get much-needed economic reforms adopted.

The primaries

- Each state holds a primary election or a caucus determining how convention delegates will vote
- The candidate with most delegates in support takes the official nomination at the party convention
- The states distribute number of delegates either proportionally to the number of votes or by winner-takes-all principle

The presidential election

- Takes place on the first Tuesday after the first Monday in November
- Voters in all 50 states and the District of Columbia determine who gets the states’ allocated electoral votes
- The 538 electoral votes are distributed according to the most recent census population numbers
- On 20 January, the President elect is sworn in, serving for the following four years

The election for Congress

- All 435 seats in the House of Representatives up for election
- One-third of the 100 Senate seats are up for election
- Each senator serves six years with one-third up for election every two years

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