



## **THE POLITICAL LANDSCAPE:**

### **FIRST THOUGHTS**

#### **In short:**

While the “toss-up” states for 2008 will probably be Colorado, Iowa, Michigan, Nevada, Ohio and Pennsylvania the “battleground” will probably be Florida and Ohio.

But local economies are soft in those states, especially in Florida and Nevada (from housing) and Michigan (manufacturing). Media companies are warning about lower earnings expectations from Radio and TV stations in those markets. Within those companies managers do not expect Political spending to bump up their numbers this year. Instead, they expect the money that does get spent to bring their results up to last years numbers.

Especially if the strategy the Obama campaign executes is the one that got them where they are. Their “ground game” was most effective when spending (proportionality) less money on paid media. Their fund-raising advantages may not extend to spending on Radio or TV ads.

So we believe conditions are in place for mixed impact on local media markets. As before, broadcasters will move to establish rate floors before the Primary and General election windows but those floors will be slightly lower than in previous years and, outside of isolated races, upwards pressure will not be as sharp.

#### **The Bank Accounts**

To paraphrase somebody: “it takes a lot of money these days to loose an election.” So far this year, reports filed with the Federal Election Commission show that candidates and nominees for President have raised and have spent more money (\$833.8 million) than was raised and spent during the total 2004 election cycle (\$717.9 million).

McCain opted for public financing. That limits his expenditures, by law, to \$85 million between the Republican National Convention on September 1 and the election. According to the May campaign disclosures released by the FEC <sup>1</sup> he trails Obama, \$35.9 million cash-on-hand to \$43.1 million. The Obama campaign did not opt for public

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<sup>1</sup> June forms were due on the 20th of the month but those results have yet to be released.

financing which means what they can spend will only be limited by what they can raise. And they have proven they can raise a “prodigious pile of cash.”<sup>2</sup>

So there’s no doubt this will be the most expensive election in history. Also, it will also be one of the few times when a Democrat will have ability to outspend a Republican.

### **Electoral Math**

Over the past 16 years, the Cook Political Reports have become a reputable source for identifying defining the political landscape. Their current summary of electoral math has Obama with 183 votes from Solid/Likely Democratic states v. McCain’s 179 from Solid/Likely Republican<sup>3</sup>. But add Lean Democrat or Lean Republican states to those totals and McCain leads Obama 240 to 219<sup>4</sup>.

That leaves 79 votes available from Colorado, Iowa, Michigan, Nevada, Ohio and Pennsylvania – states which Cook rates as “Toss-Up” for 2008<sup>5</sup>. Within those states McCain gets his best chance in Colorado and Nevada (14 EV) but those two will only will get him to 254. Obama is most likely to take Michigan and Pennsylvania (38 EV) which, combined with Democratic Solid, Likely and Lean states, gives him 257. 270 Electoral Votes are required to win the election.

McCain is most likely to focus on Ohio. Going back to 1968, Republican candidates have carried the state six times while losing only three races (twice to President Clinton and the other to President Carter). Plus, no President from any party has ever been elected to office without taking Ohio since that state joined the union.

Obama is most-likely to look outside the toss-up list to Florida (27 votes). In case you haven’t noticed, Democrats are still bitter from the events after the 2000 vote and would dearly love to get even. By taking Florida along with Michigan and Pennsylvania Obama presents the McCain campaign with a math problem that cannot add to 270.

### **What we Think**

Its tempting to predict that the Obama campaign will use its fund-raising advantage as a blunt instrument and bludgeon McCain with it. Some foresee the campaign mounting impressive Radio and TV campaigns to meet the Republicans head-on in Republican strongholds. That would force McCain to divert scarce resources to defend markets they typically carry by wide margins, which would prevent McCain from spending those dollars to contest other key markets.

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2 George Will, appearing on ABC Television’s This Week, June 22, 2008

3 This is Cook’s way of analyzing the vulnerability of election races. “Solid” are states where races are not considered competitive and are not likely to become closely contested. “Likely” are states that are not competitive at this time but have the potential to become contested.

4 “Lean” are states where the races are competitive but one party has a definite advantage.

5 “Toss Up” are states where either party has a good chance of winning.

But that runs counter to lessons learned by the Obama campaign during the primary elections. Obama's strength is the "ground game." In every case where his campaign emphasized paid media advertising over his favored method of organizing, personal appearances and get-out-the-vote efforts they lost to the Clinton campaign.

So, its more reasonable to assume the Obama campaign will follow that model through to the General Elections. McCain will have to divert funds to counter those efforts but paid media can effectively counter an organizational advantage. And, as long as McCain can hold his own this way he can minimize the advantage in resources held by Obama.

### **What we Know we Don't Know**

There are 125 days until the 2008 General Election on November 4, 2008. While there is no shortage of predictions we'd like to remind you, that over the past 24 years, at this point of the campaign, the general consensus on the election's outcome has been wrong four out of five times (the only exception was the Clinton re-election in '96.) In fact, four years ago, certain polls had John Kerry beating the incumbent President Bush by double-digits. Which is our way of saying that we're at probably at a stage we could call the "silly season."

We call it that because, on one hand, neither of the presumptive candidates have announced their picks for Vice President, and neither party has convened their national convention and confirmed those nominees. Also, because the campaigns, national parties and media consultants are all advising media reps to expect campaign dollars to be released on a week-by-week basis.

Then, on the other hand, we hear that both Obama and McCain are still running TV ads in Nevada and that the Democratic Congressional Campaign Committee has just "reserved" \$1.3 million in TV time in Portland to support the incumbent candidate for the Oregon 5<sup>th</sup> district.

What's silly is that we're well outside the political rate windows; Obama and McCain would be paying market rates, not political rates, to contest a state worth five electoral votes. And its silly to believe the DCCC feels it necessary defend a district that has voted more than 50% Democratic every for election since 1996; At that rate they'd be spending \$565 million for the entire House of Representatives!

As in past years, we expect many events to unfold that will alter the Political landscape in subtle and not-so-subtle ways. As those events unfold we will update this Point of View.