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Good economy, bad economy: Both candidates are right

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U.S. Republican presidential candidate Mitt Romney speaks at a town hall meeting at Central High School in Grand Junction, Colo., on July 10, 2012. President Obama and Mitt Romney have different takes on the economy. Commentator Justin Wolfers says they're both right.

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by Justin Wolfers

Marketplace for Tuesday, July 10, 2012

STORY

With the presidential election race underway, we've been hearing conflicting stories about the economy. When Mitt Romney speaks, you hear the U.S. economy is in terrible shape. By contrast, when the president speaks, you hear a message that's positively reassuring. Both are citing real data and usually, hard facts. So what explains the competing narratives?

It's not just that they're cherry-picking their favorite statistics -- though there is a bit of that - - it's actually that they're talking about different things. But you have to listen closely to hear it. The difference is that Romney is talking about how bad things are, while Obama is talking about how things are getting better. That is, Romney talks about levels, while Obama talks about changes.

For example, you hear Romney hammer away that the current unemployment rate is at a distressingly high level, 8.2 percent. He points out the number of jobs, which remains a depressing five million below its earlier levels. And bemoans how the economy is generating levels of income far below what it could.

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Obama talks about the same statistics, but emphasizes instead how much they've changed for the better. He'll note that the unemployment rate has fallen by 2 percentage points since he assumed office. He'll mention that private sector employment has been growing for the past few years, creating 4.3 million jobs. He'll talk up the fact that income is growing today, while it was falling when he took over.

So in a direct sense, Obama's sunny optimism, and Romney's dark pessimism are both right.

As a voter, you'll have to decide which set of metrics you care more about. Should you punish the president because the economy is weak, or should you reward him with a second term, because it's been improving?

I don't know what you'll choose, but I do know that studies of voting patterns find that voters are more responsive to changing economic conditions than concerns about its level.

The implication is that, once again, Obama may do well running on a message of change.

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