



Washington may be depressing consumers

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By Emily Kaiser

WASHINGTON (Reuters) – The sudden, steep drop in consumer confidence that caught Wall Street off guard may carry a message for Washington.

The Conference Board's consumer confidence index released on Tuesday dropped to a 10-month low after three months of advances, far weaker than economists had predicted, sending stock markets skidding lower.

There are plenty of reasons for consumers to feel downbeat. Unemployment at 9.7 percent is near a 26-year high. The stock market has stumbled in recent weeks. Many of those who live along the East Coast got pounded by snowstorms this month.

Some economists pointed to one more possible source of angst: Congress.

"We suspect the absolute gridlock in Washington also depressed consumers," said **Bernard Baumohl**, chief economist at the Economic Outlook Group in Princeton, New Jersey.

"Rather than seek some common ground on health care and financial reforms, both political parties demonstrated legislative incompetence and ideological rigidity. The constant bickering and lack of progress in the nation's capital doesn't engender much optimism among households."

That voters are unhappy with Congress is well documented. The latest monthly Gallup poll showed just 18 percent of Americans approved of how Congress was doing its job, down from 24 percent in January and the lowest reading in the 13 months since President Barack Obama took office. ([here](#))

Since the \$787 billion stimulus bill enacted a year ago, Congress has struggled to pass any of the major legislation Obama had put on his priority list, including health care and regulatory reform.

SNOWBALLS AND SAUSAGES

Tuesday's confidence survey, which is based on a sample of 5,000 U.S. households, showed people intensely worried about their jobs and finances, a bad omen for the consumer spending that drives the U.S. economy.

Obama has made job creation his top legislative priority for 2010, and has proposed a variety of programs including tax breaks to encourage hiring and government support for small-business lending.

The Senate passed a \$15 billion package of tax cuts and highway spending on Monday aimed at boosting hiring, but with 8.4 million jobs lost since the start of the recession in December 2007, it will take years to bring down unemployment.

“There has been a lot of sizzle on job stimulus proposals, but no meat is coming out of the sausage factory,” said Brian Bethune, an economist at IHS Global Insight in Lexington, Massachusetts, adding that the “vicissitudes of the political situation in Washington” were not helping the public’s mood.

Weather may have played at least some role in the decline in confidence. The snowstorms that covered much of the mid-Atlantic region earlier this month made it hard for those out of work to look for jobs, and figures released last Thursday showed an unexpectedly large spike in the number of people filing for jobless benefits.

However, a closer look at the confidence data shows the drop was most severe in central and western parts of the country, not in regions that were in the eye of the storms.

Another oddity that puzzled economists was that other consumer surveys showed a less pronounced drop in confidence.

Regardless of the reason for the worsening mood, it points to another month of job losses when the government reports February employment figures next week. A preliminary Reuters poll showed economists were expecting a decline of 20,000 jobs, the same as in January.

Perhaps most worrisome for lawmakers looking ahead to November congressional elections, the confidence survey showed expectations about the coming months fell sharply too.