

Two Races, Both Alike in Instability

Obama and Huckabee Make Strong Plays Not Only in Iowa, But Nationally As Well

As the Iowa caucuses loom large over the next three weeks, Iowans are witnessing a spectacle not seen in their state for 20 years: competitive caucuses for both Democrats and Republicans. In the recent Diageo/Hotline poll of 1,015 likely Iowa caucus voters, Barack Obama and Hillary Clinton are running in a dead heat, with John Edwards close behind. The Republican race has boiled down to Mitt Romney and Mike Huckabee, with the latter opening up an impressive double point lead over his Massachusetts rival. Who ultimately emerges victorious in the showdown on January 3rd will be determined by how well the campaigns of these five candidates handle the final stretch and caucus night itself.

On the Republican side, we see a race in a great state of flux, though it may be solidifying soon. For the first time in many months, a Republican candidate has emerged who not only has a serious claim on the top spot nationally but also in the crucial opening contest of Iowa. And that candidate is...Mike Huckabee? This was not supposed to happen. Before the race got under way, the early conventional wisdom was that with the frontloading of the primaries only someone with a big enough name (Rudy Giuliani, John McCain, Fred Thompson) or a big enough bank account (Mitt Romney) would matter in the nomination contest. But now, with just 17 days left until the first real contest of this election cycle, a once unknown, small state governor, who's struggled to raise enough funds his entire run, is not only in a statistical tie for first place nationally but holding an impressive double digit lead in Iowa. Somewhat ironically, the frontloading could now end up *helping* the lesser known, poorly funded Huckabee if he's truly able to build up a big head of steam.

In fact, digging deeper into Huckabee's numbers demonstrates how formidable of a candidate he truly is at this point. In Iowa, he's either in a statistical tie for first or leading in all five traits the poll tested. Moreover, his "strongly favorable" rating is the best among all the Republican candidates (38%), and he appears to have consolidated the vital evangelical support in Iowa, enjoying a massive 42 point lead among this huge section of the Republican electorate. All of this puts the former double digit leader, and now second place, Romney in an extraordinarily difficult position. The Romney campaign now has the unappealing prospect of heading off Huckabee with direct attacks in Iowa, where playing 'nice' is prized, or hoping for a sudden implosion by Huckabee's campaign.

In fact, it's difficult to see how Iowa is anything else but do-or-die for Romney. Given the extraordinary amount of time and money that he's spent in the state, along with the fact that virtually every other chief competitor has ceded Iowa, a second place finish would be a severe blow. He has long based his campaign on a strong opening in the early primaries, predicated on Iowa and New Hampshire. While no one ever doubted his ability to compete in New Hampshire due its next door status to Romney's base in Massachusetts, winning Iowa was supposed to demonstrate his capacity to appeal to the religious conservatives who dominate Iowa's GOP caucus and many other important primaries. With that vital part of his campaign now looking increasingly remote, a win in New Hampshire, even a decisive one, may prove cold comfort if it comes on the heels of an Iowa loss.

Another aspect of the race, as evidenced by the data, that bears mentioning is how the Huckabee vs. Romney contest in Iowa, and between Huckabee and Giuliani nationally, has exposed a clear divide in the Republican ranks that hasn't been seen for some time. Since the dawn of Reagan an alliance has existed between economic conservatives concerned with lower taxes, less regulations, and smaller government and the more 'values'-oriented conservative segment of the party, interested far more in social issues such as abortion, marriage, and the place of religion in American culture. Candidate George W. Bush was able to bring these two sides together with his positioning and rhetoric of compassionate conservatism, and by his own personal qualities and background. Voters are likely to see Huckabee as perhaps the purest social conservative in the race, while his rivals have begun to seize on parts of his record as governor of Arkansas, especially on taxes, to call into question his economic bona fides. Romney and Giuliani, on the other hand, have records that have left them far more open to attacks than Huckabee on

their commitment to the cultural aspect of the Republican Party platform. Especially in Iowa we clearly find this divide. While Republican caucus voters who say economic issues are the most important facing the country are in a virtual dead heat between Huckabee and Romney (Huckabee, 30%; Romney 27%), caucus voters who are more concerned with social issues strongly back Huckabee (Huckabee, 38%; Romney 25%). The fight for the nomination will largely be based on who can successfully consolidate their base, while winning enough supporters away from the other side to ensure victory. Moving forward, this candidate must then be able to bridge the divide especially as the primaries move into the larger, and more diverse, states.

For the Democrats, the current state of the race in Iowa has some strong parallels with the 2004 caucuses. A four way race for first place was fought out across the state, much like the three way race we are seeing now. Then, as now, the Iowa Democratic Party's peculiar caucus rules could come heavily into play. First, virtually any Iowan can vote in the caucus, as the requirement for being a registered Democrat can be fulfilled at the caucus itself. People can show up and participate who are unregistered or not even Democrats, thus making it extremely hard to gauge the outcome. Second, for Democrats in Iowa, 'close' counts not only in horseshoes and hand grenades, but caucus night as well. The rule that if a caucus voter's first choice candidate fails to get 15% of the vote, he or she must then caucus for a candidate who surpassed this number immediately gives extraordinary importance to the second choice tally of Iowa Democratic caucus voters. In the Diageo/*Hotline* poll of likely Iowa caucus voters, we see John Edwards performing the best of all the candidates on this important measure. He is the 'top' second choice for both Obama and Hillary supporters, and for all the second and third tier candidates combined. For those whose first choice is Edwards, 40% pick Obama for their second choice, while just 27% say their back up is Clinton. This bodes very well for the junior senator from Illinois as it indicates a possible anti-Hillary sentiment that could coalesce behind Obama or Edwards and prove decisive for them. As a result Clinton will have to tread lightly during the closing arguments so as to not add any energy to the anti-Hillary sentiments. If this is the case then Clinton could well benefit as her two chief rivals split this segment of Democratic voters allowing her to maintain her sizeable support through to the end.

Some argue that early state primary polls should always take precedence over national primary polls as repeatedly we've seen candidates who've lagged nationally get catapulted to the front with strong showings in the early primaries. However, national polls can still give us a good understanding of the current mood of a party's base. As such, it is fascinating to see Obama exactly tied with Clinton in Iowa, while a small gap separates the two nationally according to the latest national Diageo/*Hotline* poll of 812 registered voters. Obviously his success in Iowa and other early primary states have driven Obama's national numbers up in the past months. However there are notable differences in the way voters view Clinton and Obama in Iowa vs. the rest of the country. While both Iowa Democratic voters and national Democratic voters place the highest priority on having a candidate who "will lead the country in a new direction," there is sharp difference in Iowa and nationally. Likely Democratic caucus voters in Iowa place Obama in the top spot on this question by double digits: 38% to Hillary's 27%. However, nationally, Clinton is tied with Barack on this score at 37% each. Also, Clinton is dominating Obama on the traits concerning electability and experience, pulling 53% to Barack's 22% on the former, and 52% to Obama's 11% on the latter trait.

What's driving these numbers? One of the main questions for this election has always been what does the fierce Democratic desire for change mean? Is it simply the change of seeing the White House back safely in Democratic hands, something only an experienced Democrat has the best chance of accomplishing? Or is it something deeper, a need for a clean break with the "politics of the past"? If it's the former, nostalgia for the Clinton-dominated '90s and the overwhelming belief that Hillary Clinton is the most electable Democrat due to her long national experience should provide her with the nomination. However, if the Democratic base is searching for a fundamental shift beyond Bush-Clinton, it makes sense that Obama would be the primary beneficiary of this. Looking at the numbers, for the sample of Democratic primary voters nationally Hillary Clinton is the candidate with the knowledge and know-how to deliver them the White House from the hands of Bush and that's what matters. However, in Iowa, likely Democratic caucus voters are more apt to see Barack Obama as the inspirational and transformative leader that can truly change things in this country. Who winds up clinching the nomination at this point depends largely on whether or not the dominant drive of voters is to find the voice of experience or the voice of change in the end.

Possibly of greater importance, both are in a position to avoid the fates suffered by two other past candidates who used strong performances in Iowa to seriously compete for the Democratic nomination. Gary Hart took advantage of a surprise second place showing in 1984 to nearly snatch the nomination away from Walter Mondale. However, back

then primaries were spread out over many months, giving Mondale ample time to devise and execute the strategy that eventually finished off the resource-starved Hart campaign. With the unprecedented frontloading of the primaries this cycle (over half of all delegates will be determined by February 6th), momentum may be all that matters. Clinton and Obama can also avoid the fate suffered by Dick Gephardt in 1988 who, despite winning Iowa, lacked the financial resources to seriously compete with his better-funded rivals later on. The tens of millions Obama and Clinton have raised guarantees that they'll quickly be able to exploit and sustain any momentum gained from an early win.

As for John Edwards, Iowa is clearly a must win situation for him. With how badly he is trailing the two frontrunners nationally, he is in desperate need of the kind of boost Iowa can provide. His numbers in the Hawkeye state indicate that this is a definite possibility. Not only is he easily within striking distance of Clinton and Obama for the caucus vote and leads on the second choice question, he also competes well with Obama on the question of experience (14% to Obama's 11%) and is statistically tied with Clinton on the question of being an inspirational leader (17% to Clinton's 20%). Given his greater number of years in the Senate over Obama, previous experience running nationally, and current outside the Beltway status, this leaves him the option of positioning himself as the "Have Your Cake and Eat it Too" candidate, the only one on the Democratic side who can bridge the divide of change vs. experience.

This is a very good time to be a presidential candidate by the name of Obama or Huckabee. Both have sky high favorability ratings nationally and regionally, and both have a great deal of momentum heading into the final stretch of the campaign. After dominating in national polls for so long, Clinton and Giuliani are both finding it difficult to avoid the dreaded I-word, "implosion," in the face of missteps by their respective campaigns and the late surges of their chief competitors. Clinton's double digit lead has been whittled down significantly, and Giuliani is facing the very real prospect of an entire month of primaries being won by people not named Giuliani.

In the face of all this, it will be the job of both national frontrunners to shore up their support, win back those they've lost and prove to the national media their current downturn is just part of the natural ebb and flow of any campaign. Ultimately, this is an election that will be decided on both sides deep in the trenches of political warfare, a battleground both Clinton and Giuliani have proven themselves capable of navigating brilliantly time and time again. This simple fact should give pause to anyone eager to write a political obituary for either Clinton or Giuliani. After all, as Huckabee himself has shown, even in this era of carefully scripted campaigns and painstaking control of the candidates' time and words, surprises are still possible and, perhaps, inevitable.

~~

Ed Reilly is the President of FD, a leading business communications and consulting firm. He has conducted the Diageo/Hotline poll since 2005.

About FD: One of the most highly regarded consultancies in the communications industry, FD employs more than 660 staff and advises more than 900 clients worldwide through its hub offices in London and New York, as well as its network of wholly-owned offices in Bahrain, Beijing, Bogota, Boston, Cape Town, Chicago, Dubai, Dublin, Frankfurt, Hong Kong, Johannesburg Los Angeles, Manchester, Moscow, Panama City, Paris, San Francisco, Shanghai, Sydney and Washington, DC. With a 20 year history of advising clients in both the private and public sectors, FD's services include financial public relations, capital markets communications, public affairs, crisis and issues management and corporate, business-to-business and business-to consumer communications. FD is also a market leader in M&A advisory work. FD is structured around specialist sector teams operating on an international basis, covering consumer industries, financial services, basic industries, business services, life sciences & healthcare, media, real estate, technology and telecommunications. FD is a division of FTI Consulting Inc. (NYSE: FCN), the global business advisory firm. For more information, please visit www.fd.com.