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The election victors inherit a solid economy, if they can keep it.

The Job Market Message for Democrats

REVIEW & OUTLOOK

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If Thursday's stock-market correction was a warning, Friday's modest market rebound and solid jobs report constitute a reprieve. Newly elected Democrats are inheriting a growing economy. If they can keep it.

Net job gains totaled 165,000 in October, according to the Labor Department, far more than economists had expected. The August and September data were revised upward by a total of 84,000, reinforcing the story of 3.4% GDP growth in the third quarter that ended Sept. 30.

Labor-force participation rose while the unemployment rate dropped to 4.1% from 4.2%. The Labor Department's September Jolts report, published Tuesday, detected a modest uptick in voluntary job quits—a sign of labor mobility. Taken together, this indicates a modest improvement in workers' sense of optimism about the job market. And there's some hope this will in turn filter through to improved consumer sentiment and spending.

Job creation also is broader than it has been. Healthcare employment long has dominated these reports and this month it accounted for nearly 42,000 of the new jobs. But other business and professional services saw employment rise by 70,000, with particular strength in scientific and technical consulting and architecture and engineering. Manufacturing added 19,000 jobs, for a total of 101,000 since the recent low in December 2025.

Memo to Democratic governors: Much of this is related to artificial intelligence—as is the wave of nearly 8,000 new jobs in "nonresidential specialty trade contractors." That's government- ese for the skilled laborers who build data centers. Yes, the data centers many politicians want to block.

The soft spot here is wages. Despite a healthy month-to-month increase in average hourly earnings in October, over the prior 12 months wage growth of 3.1% lagged inflation. Having a job and feeling secure economically are two different things, and that distinction has swung the last two elections.

The bigger concern for newly elected Democrats is that this is all in the past. The most important forward- looking economic indicator— the stock market—still is signaling reservations. Tech stocks rebounded somewhat on Friday after Thursday's rout wiped out $2.5 trillion in share values on the Nasdaq, but remain off their peaks. Other shares that took a hit on Thursday remained flat.

Some of this is a direct consequence of investors' worries about Democratic economic plans especially at the state level. The party's widespread antipathy to data-center construction is a good example but not the only one. Tech investors also need to reckon with a regulatory environment likely to be more hostile to artificial intelligence and its entrepreneurs.

And there's a more subtle phenomenon in operation. Tech investment has become frothier as AI enthusiasm has grown, and also fueled to a greater extent by credit. Part of Thursday's selloff may have been driven by an unwinding of some leveraged positions. Investors are casting a warier eye on some conspicuous leveraged bets on AI. See Japan's SoftBank, which has borrowed heavily to invest in other AI firms and is now seeing its own shares drop in Tokyo. Credit spreads have widened in recent weeks.

Markets in such a state are particularly vulnerable to what politicians say and not only what they eventually do. An ill-considered regulatory threat can cause a market wobble that then triggers a credit cascade before the politicians come to their senses. Now would be a good time for Democrats to signal early and often— and let's hope even sincerely—that they don't view business as the enemy.

None of this is a counsel of despair, for markets or for Democrats. Our advice to incoming government officials: You've inherited the building blocks for a solid economic boom. But think "Lego set" instead of "Jenga."

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