

Political Science

Political Science Publications

University of Iowa

1-2009

Race Blunts The Economic Effect? The
2008 Obama Forecast

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the model would have awarded him a vote share (51.1%) closer to the outcome in November. So it might be wise to use a broader measure of primary performance to predict the vote in November.

The model's other predictor exploits a cyclical dynamic of presidential elections. When a party has controlled the White House for two terms, as Republicans did the last eight years, the opposition party often has a better than even chance to win the next election. For 2008, however, the cyclical component on its own would have predicted a Republican victory. How so? One, the operation of the cycle was muted due to the closeness of the 2000 and 2004 elections. What is more, this dynamic was disrupted in 2000, when the winner of the popular vote failed to prevail in the Electoral College. But that is the kind of rare event that must be left to random error.

Even so, and without considering an unpopular president, a faltering economy, and a meltdown on Wall Street during the election campaign, the Primary Model was able to pick the winner of the 2008 election months ahead of time and well within two standard errors.

RACE BLUNTS THE ECONOMIC EFFECT? THE 2008 OBAMA FORECAST

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In summer 2008, our Jobs Model forecast a Democratic presidential candidate two-party popular vote share of 56.6%, which would deliver the incumbent party the biggest defeat of any post-World War II contest (Lewis-Beck and Tien 2008). However, we argued, from our analysis of different experimental and observational evidence, that this unprecedented victory would be prevented by racially intolerant voters. We estimated the net racial cost of being a black candidate and corrected our overall forecast downward to 50.1% for Barack Obama. The unparalleled economic crisis, initiated after the release of our summer forecasts, prompted a reconsideration; the unique shock to the economy was no ordinary campaign perturbation. We calculated that the ensuing boost to anti-incumbent economic voting would add approximately two percentage points to the opposition; therefore, we issued a public revision of our forecast to 52.0% for Obama (Lewis-Beck 2008). We are pleased that this final forecast fell so close to the actual result of 53.5%. Nevertheless, we contend the actual result should have been much closer to our original forecast. Given the dismal state of the polity and the economy prior to the election, the Obama victory should have been much bigger, as we show below.

Comparing 2008 to Other Bad Years

According to our model indicator of economic growth (GNP percentage change over the first six months of the election year), the worst years in the series are 1952, 1956, and 1980. Suppose we conduct out-of-sample forecasts for each of these contests (estimating the incumbent vote share on the basis of

the model observations minus the year forecast). The errors are small (1952 = -0.52; 1956 = 2.67; 1980 = -0.86) when compared to the 2008 error of 3.1 (i.e., forecast = 43.4%; actual = 46.5%). Consider 1980, which may be the election season most comparable to 2008, in terms of political and economic woe under the ruling party. Going into that election, the country faced stagflation, high oil prices, and a dramatic hostage situation abroad. The 1980 incumbent party candidate, Jimmy Carter, got 44.7% of the vote; the 2008 incumbent party candidate, John McCain, got more, 46.5%

Looking at the within-sample residuals, one sees a similar pattern: 1952, 1956, and 1980 are closely predicted by the model (i.e., -0.38, 1.22, and -0.17, respectively). Also, the model generally does well for the worst years according to our other economic variable, job creation. With respect to job creation, the worst years for growth are 1992, 2004, and 2008. The former two yield modest errors, respectively, of -0.94 and -0.67. However, for 2008 the error is 2.33, the biggest residual in the series. In 2008, the economic variables—GNP and job creation—did not deliver with their usual force.

Bailout Effects, Blunted by Race?

Clearly, Obama benefited from the economic voting the bailout engendered. We would like to formally incorporate this effect into the model, suggesting at the same time that economic voting was diminished by the role of race. The model, like most other statistical forecasting models, relies on measures taken in the summer. As long as the subsequent campaign operates within usual bounds, this measurement assumption poses little difficulty. However, when a major shock occurs post-measurement, as happened with the autumn economic and leadership crisis, it behooves the sensible forecaster to consider its impact. Therefore, as an exercise, we use more current estimates for the model's independent variables, namely Jobs (from January 2005 through October 2008) = 4.95; GNP × E (from second quarter data updated October 30) = 0.37; Incumbency Advantage = 0 (as before); presidential approval (for October) = 25. Plugging these independent variable values into the Jobs Model (Lewis-Beck and Tien 2008, 688) yields a McCain forecast of 41.3% and an Obama forecast of 58.7%. This forecast, even more so than our original, bespeaks an Obama landslide. While his victory was comfortable, it was not a landslide. We argue that the expected landslide did not materialize, because a portion of the electorate could not bring itself to vote for a black candidate. What portion? In our paper, we estimated that number, on net, at 11.5%. If we apply that correction to this current Obama forecast, we get $58.7 \times 0.885 = 51.9\%$. This estimate is very close to the two-party popular vote share that candidate Obama won.

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