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THE 1992 PRESIDENTIAL ELECTION: Clinton is the Probable Winner, but Only Narrowly, Getting Just over 51 Percent of the Two-Party Vote

Postwar American presidential elections should for the most part be viewed as a sequence of referendums on the White House party's economic record. In fact, aside from the 1952 and 1968 contests, when US military involvement in the Korean and Vietnamese civil wars, respectively, very likely deprived the Democrats of victory, real income growth over each presidential term accounts, all by itself, for about 85 percent of the variation in voting outcomes.

The remarkably robust association is illustrated by the Figure, which shows the percentage share of the major party vote going to the party of the President in relation to a weighted average of per capita real disposable income growth rates over the fifteen quarters prior to each election. (The quarter-to-quarter growth rates are averaged in a way that gives greatest weight to income changes closest to the election date. See the Technical Appendix for details about the data and model that yield the results graphed in the Figure.) The real disposable income variable is quite a broad measure of voters' economic well-being, inasmuch as it includes income from all market sources, is adjusted for inflation, taxes, government transfer payments and population growth, and tends to move with changes in unemployment.

As I noted before, however, the electorate's real income experience under the party holding the White House does not always exert decisive influence over presidential voting decisions. The point is starkly illustrated by the 1952 and 1968 outcomes, when the vote shares received by the Democratic candidates fell well short of what would have been expected from the incumbent party's favorable real income performance alone. The data depicted in the Figure suggest that American intervention in Korea and Vietnam -- which had become extremely unpopular by the time of the 1952 and 1968 elections -- were huge liabilities for the Democrats, depressing the vote for both Adlai Stevenson and Hubert Humphrey by eight to nine percentage points each. Indeed, had Stevenson not been saddled with Korea, he probably would have defeated Dwight Eisenhower handily in 1952. And in 1968 Humphrey almost surely would have trounced Richard Nixon had he not been burdened by the Vietnam War.

The real income model of voting outcomes also implies that the string of Republican victories in 1980, 1984 and 1988 is not the consequence of a broad based, ideological shift to the right among voters, as sometimes has been claimed, but stems mainly from poor economic performance under the Democrats prior to the 1980 election, and favorable performance during the run-ups to the 1980 and 1988 contests under the Republicans. It is doubtful, then, that Clinton will suffer and Bush benefit from any fundamental electoral bias favoring conservative Republicanism.

Up through the first quarter of 1992 (the most recent period for which we have reliable data at the time I write) weighted-average real income growth during Bush's tenure in the White House stood at about 0.3 percent per annum; a comparatively weak record that if unchanged subsequently would yield a two-party vote share of only around 48 percent for the President according to the model graphed in the Figure. Preliminary income data for the second quarter of 1992 and forecasts of income and output for the third quarter, however, suggest that the economy will probably register some improvement prior to the election -- but not enough to produce a victory for Bush. Based on data available to me on 6 October, I make average real income growth to be only around 0.7 percent during the second and third quarters, which gives a four year weighted-average growth rate record of under 0.5 percent per year and, according to the model, translates to **a predicted two-party vote share for President Bush of 48.9 percent.**

Table
How Real Income Growth over the 2nd and 3rd Quarters of 1992 Will Affect the Presidential Election

If Real Income during the 2nd and 3rd quarters of 1992 grows at annual rate:	The likely Vote for Bush is:	And the Probability of Bush winning is
-1%	46.8%	12%
0	48.0	27
best forecast 6 October +0.7	48.9	34
+1	49.2	38
+2	50.4	56
+3	51.6	74

Although the model forecasts that Clinton's victory will be a slender one, the strong historical association between real income performance and election outcomes associates a high probability with it: The likelihood of Bush winning is only about 1 in 3. (The 3 October issue of *The Economist* magazine, at page 50, reports Ladbrokes of London offering bettors essentially the same odds.) The prediction of a narrow, yet highly probable, victory by Clinton naturally assumes that Ross Perot's candidacy exerts only minor influence (as now seems to be likely), and that the economy does not take an unanticipated, big favorable jump in the months just before the election. As the model-based computations in the Table indicate, however, per capita real disposable income growth would have to escalate to the 2-to-3 percent per annum range for the Republicans to have a good chance of hanging on the White House.

Technical Appendix

The election analyses discussed here are based in large part on my 1987 book, *The American Political Economy: Macroeconomics and Electoral Politics in the United States* (Harvard University Press), especially chapters 5 and 6.

The model underlying the relation between real income growth and presidential voting outcomes, depicted in the Figure and used to generate the forecasts in the Table is

$$(1) \text{Vote}_t = \alpha + \beta_1 \left(\sum_{i=0}^{14} \lambda^i \Delta R_{t-1-i} / \left(\sum_i \lambda^i \right) \right) + \beta_2 \text{War}_t$$

where Vote is the two-party Vote share received by the candidate of the party of the President; ΔR is the quarter-on-quarter annualized growth rate $[\log(X/X_{t-1}) * 400]$ of CPI deflated, nominal personal disposable income per capita, adjusted (as described at the bottom of Table 7.3, p. 225 of my 1987 book) for the effects on income of the OPEC energy supply shocks in 1973-74 and 1979-80; War is a binary variable = 1.0 in 1952 and 1968, and 0 otherwise; the lag index i runs from $i = 0, 1, \dots, 14$; and t denotes quarters.

Nonlinear least squares estimates of (1) over 1952 to 1988 (ten presidential elections) yields, with t -ratios in parentheses

$\alpha = 47.1 (31.0)$, $\beta_1 = 3.98 (5.08)$, $\lambda = 0.855 (12.3)$, $\beta_2 = -8.59 (-4.16)$, adjusted $R^2 = .872$, $SEE = 2.35$, and $DW = 2.06$.