

30 August 2000

## The Economy and the Year 2000 U.S. Presidential Election

### The Bread and Peace Model

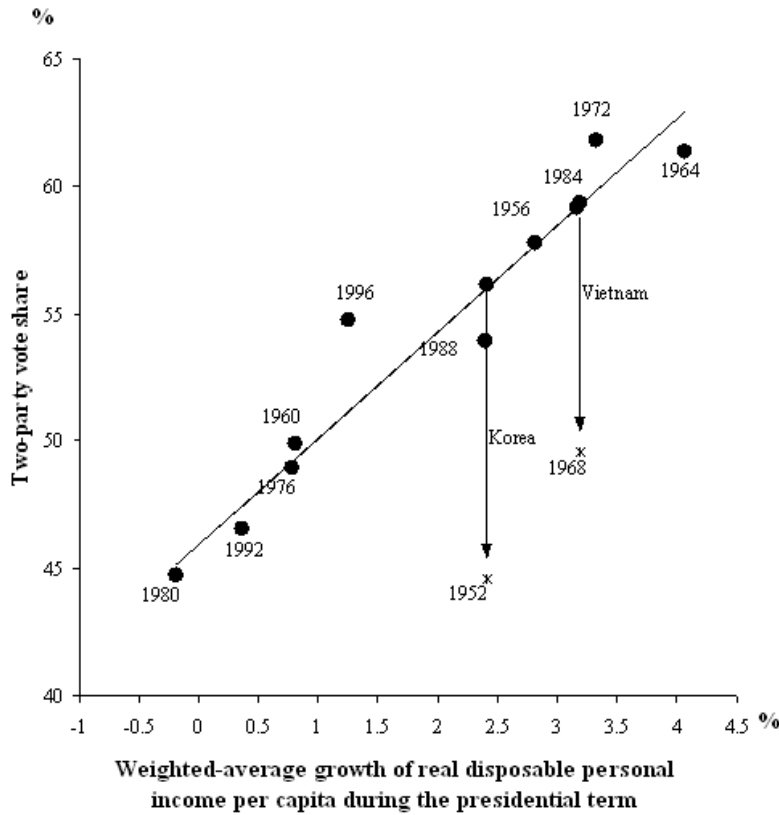
Postwar American presidential elections should for the most part be viewed as a sequence of referendums on the White House party's economic record. In fact, aside from the 1952 and 1968 contests when U.S. military intervention in the Korean and Vietnamese civil wars, respectively, most likely deprived the Democrats of victory, growth of real disposable personal income per capita during the presidential term accounts, all by itself, for about 90 percent of the variation in aggregate voting outcomes.

Growth of real disposable personal income per capita is probably the broadest single aggregate measure of changes in voters' economic well-being, in as much 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. Its remarkably robust association to election outcomes is illustrated by the Figure below, which graphs the percentage share of the two-party vote received by candidates of the incumbent party in relation to weighted-average growth of real disposable personal income per capita, computed from the election quarter back to the first full quarter of each presidential term.

Real disposable personal income growth under the party holding the White House has not always, however, exerted decisive influence over presidential voting outcomes. As already mentioned, the important exceptions are the 1952 and 1968 elections, when the wars in Korea and Vietnam proved to be huge liabilities for the incumbent Democrats, depressing the vote for Adlai Stevenson and Hubert Humphrey by almost eleven percentage points apiece. I show in my paper [Bread and Peace Voting in US Presidential Elections](#) that the electoral penalties exacted by Korea and Vietnam fell almost wholly on the party initiating the commitment of US forces (the "war party", in both cases the Democrats) and were proportionate to the cumulative numbers of American military personnel killed-in-action. In the Figure the war-induced vote losses are illustrated by the vertical arrows running from the incumbent party vote shares expected in 1952 and 1968 from economic performance alone to the vote shares actually received by the Democratic candidates.

The data show that had Adlai Stevenson not been saddled by Harry Truman's decision to commit American troops to the defense of South Korea, which at the time of the 1952 election had yielded more than 29,000 Americans killed-in-action, he probably would have defeated Dwight Eisenhower handily. And Hubert Humphrey almost surely would have trounced Richard Nixon had he not been burdened by the decisions of John Kennedy and, especially, Lyndon Johnson to commit American troops to the defense of South Vietnam, which at the time of the 1968 election had led to cumulative American battle fatalities of nearly 29,000. These historical precedents help explain why the Clinton Administration was so reluctant to put the lives of American military personnel at significant risk during NATO's intervention in the Serbia-Kosovo conflict.

**Real Income Growth and the Two-Party Vote Share of the Incumbent Party's Presidential Candidate**



**Forecasting the 2000 Presidential Election**

The *Bread and Peace* equation yielding the relationship depicted in the *Figure* is:

$$Vote_t = \beta_0 + \beta_1 \left( \sum_{j=0}^{14} \lambda^j \Delta \ln R_{t-j} \left( \frac{1}{\sum_{j=0}^{14} \lambda^j} \right) \right) + \beta_2 CUM KIA_t$$

where

- *Vote* is the incumbent party's percentage share of the two-party presidential vote
- $\beta_0 = 46.1$ ,  $\beta_1 = 4.1$ ,  $\lambda = 0.95$ ,  $\beta_2 = -0.37$
- *R* is per capita disposable personal income (seasonally adjusted at annual rates) deflated by the Consumer Price Index, and  $\Delta \ln R_t$  is the annualized quarter on quarter percentage rate of growth,  $\Delta \ln R_t = \ln \left( \frac{R_t}{R_{t-1}} \right) \cdot 400$
- $\left( \frac{1}{\sum_{j=0}^{14} \lambda^j} \right)$  is just a normalizing constant, so that  $\beta_1$  registers the response of *Vote* to the weighted average of real income growth rates,  $\Delta \ln R_{t-j}$
- *CUM KIA* is the cumulative number of American military personnel killed-in-action (in 1000s) in the Korean and Vietnam wars during the presidential terms preceding the elections of 1952, 1964, 1968 and 1976.

Because the Serbia-Kosovo conflict has been settled without American military personnel suffering battle fatalities, the Bread and Peace equation for predicting the (incumbent) Democratic party's vote share in the 2000 presidential election simplifies to:

$$Vote = 46.1 + 4.47 \left( \sum_{j=0}^{14} 0.95^j \Delta \ln R_{2000Q4-j} \right),$$

where 4.47 is the normalized coefficient for real income growth rates  $\left( \beta_1 / \sum_{j=0}^{14} \lambda^j \right)$ , which takes account of the fact that annualized growth rate for the election quarter itself (2000:Q4) receives a weight of 1/3 because votes are cast on the first Tuesday of November.

During the first thirteen full quarters of President Clinton's second term, 1997:Q2 to 2000:Q2, weighted-average growth of real per capita disposable personal income was about 2.1 percent per annum. Based on forecasts of economic growth available to me on 30 August 2000, I assume that per capita real disposable personal income will grow at rates of about 2.1 percent in 2000:Q3 and 1.6 percent in 2000:Q4. Calculating the Vote equation with these growth rates yields a forecast of 54.8% for Gore's share of the Two-Party Vote. This forecast has a standard error of about 2.1 percentage points, which means that the probability of a Gore victory is nearly .99. Bush has only a remote chance of winning the election.

Calculations in the Table below show vote forecasts under some other assumptions about real income growth rates during the last two quarters of 2000. Unless there is a severe recession this autumn, the Republicans have little chance of capturing the White House in the Year 2000 presidential election.

### Some Predictions for the 2000 Presidential Election

If During the 3rd and 4th Quarters of 2000 the Annual Growth Rate of Per Capita Real Personal Disposable Income Is:	The Predicted Two-Party Vote for Gore Is:	And the Probability of Gore Winning Is:
-3.0%	52.3%	.86
-1.5%	53.0%	.93
0.0%	53.8%	.97
1.5%	54.6%	.99
3.0%	55.3%	.99