The 2004 American Election: Econometrics, Economics, Politics, and Culture

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Most Europeans and 48.5% of Americans are Equally Dismayed

- How Could this Bozo Bush win the Election?
- On every ground, he should have lost
  - He started an unnecessary war, with 1500 soldiers killed (so far) and thousands more maimed
  - His homeland security policies have kept away thousands of foreign graduate students while failing to protect our ports and infrastructure
More Reasons . . .

- He appointed a Defense Secretary who
  - Sent an Army to Iraq that was too small
  - Sent an Army that was underequipped
  - Winked his eyes at prison torture in Abu-Grahib and Guantanamo

- He moved the Federal government from surplus to deficit, squandering future trillions on tax cuts for the rich

- He cut taxes on capital gains and dividends while opening the way for higher taxes to pay for Social Security.
But Econometrics is not surprised, Bush should have won by much more!

- Ray Fair is an economist at Yale, and my graduate school classmate
- The Fair election equation says that Bush’s performance was much worse than expected
- The Fair election equation is dismal news for Democrats, guaranteeing the Republicans a free ride to victory for decades to come
Outline of this Talk

- We start with the Fair Election equation
  - Did Bush do much worse than expected?
  - Or did he do as well as expected or even better than expected?
- Then we discuss other interpretations of the election
  - Culture and religion in the red states vs. the blue states
  - Bad campaign by the loser Kerry
Behind the Scenes of This Talk

- JPF says I only speak in green, here we go in dark red!
- This is a co-production between Paris and Pittsburgh
  - Paris, my busy hotel room since Monday
  - Pittsburgh, my Northwestern undergrad RA is home at his parent’s house, apparently with nothing to do (what happened to reading?!)
  - Pittsburgh has been spitting out regression results to Paris all week.
The Red States and the Blue States: More Land in Red States
But People in Blue States are Almost Equal
This Election Outcome has led Americans in Despair to a Novel Political Proposal

- Overturn 1776
- Overturn 1789
- Overturn 1867
- Let’s get the residents of the blue states a universal health care system
- Let’s get dull old Canada some hip California culture
- Let’s redraw the map of North America!
The New Map of North America

United States
of Canada

Jesusland
Outline of Talk: How Did This Happen?

- Econometrics: Repairing Ray Fair
- Economic Issues
  - Why do the Poor and the Middle Vote for the Rich?
    - Bush Tax Cuts
    - The Ownership Society
- Foreign Policy
- Religion and Culture
- Did Kerry Just do a Very Bad Job?
The Ray Fair Regressions, what an incredible insight in 1978!

- Ray Fair, my grad school classmate was the first to notice the incredible correlation between American Presidential election outcomes and economic growth.
- His 1978 first version emphasized the role of growth in the 3 quarters before the election.
  - Inflation, unemployment were insignificant.
- Look at the fit, 1916-2000!
This is a mighty fine regression, but don’t miss 1992 and 2004.
Understanding the Fair Variables

- Dependent = VOTE (incumbent %)
- PARTY = 1 demo, -1 republican
- PERSON = 1 incumbent running re-elect
- DURATION increases with term incumbent
- WAR 1920, 1944, 1948, crazy history
- GROWTH 1\textsuperscript{st} 3 quarters of election year
- INFLATION except 1920, 1944, 1948
- GOODNEWS avg real GDP gr 1\textsuperscript{st} 15 qtrs
Fair’s own regression results, 1916-2000

- VOTE = 49.6 + 0.69 GROWTH - 0.78 INFLATION + 0.84 GOODNEWS + 3.3 PERSON - 3.6 DURATION - 2.7 PARTY + 3.9 WAR

- Keep this for reference:
  - Number of observations = 22
  - SEE = 0.0237
Let’s talk an intuitive story about how this works.
Notice the Achilles Heel

- Big miss in 1992
- Big miss in 2004, Bush underperformed by a big difference
- But also we must not lose sight of the overall implications.
  - This will be a Republican century if the Fair regression is right.
  - Prediction for 2008 is 52.5 (at 3.5 growth, 2.0 inflation).
  - Prediction for re-election in 2012 is 54.9
  - Let’s look more closely to see why this prediction is true
The Republican Century?

- Predicted Bush vote 2004 = 58.0, actual 51.2, residual -6.8
- Why predicted Bush vote so high,
  - Incumbent party has no advantage, but he gets:
  - \( VOTE = 49.6 + 0.69 \text{ GROWTH} - 0.78 \text{ INFLATION} + 0.84 \text{ GOODNEWS} + 3.3 \text{ PERSON} - 3.6 \text{ DURATION} - 2.7 \text{ PARTY} \)
Anecdotally, the Repubs look Invulnerable

- They won five of six straight elections, 1968-72 / 76 / 1980-84-88, then 00-04
- Compare to the great New Deal tradition 1932-36-40-44-48
Aim of this new research is to find out how to crack the Republican advantage.

- Looking back at history, we were impressed at the time about the magnetism of personality and eras:
  - The champs, Ike and RR
  - What about FDR?
  - Was the republican advantage a relic of the 1920s?
  - Maybe Nixon wasn’t magnetic, but McGovern was surely a negative
  - Did Bill Clinton have a special appeal, pre-Monica?
First, let’s fix a Fair mistake

- The advantage to the incumbent should be deviations of growth and inflation from HISTORICAL AVERAGES, not raw numbers.
- By failing to subtract historical means, Fair skews the constant term of the regression.
Fair amazingly sensitive to “demeaning” of economic variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Fair</th>
<th>Demeaned</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>50</td>
<td>56.0</td>
</tr>
<tr>
<td>GROWTH</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>PARTY</td>
<td>-2.7</td>
<td>-2.4</td>
</tr>
<tr>
<td>PERSON</td>
<td>3.3</td>
<td>0.70</td>
</tr>
<tr>
<td>DURATION</td>
<td>-3.6</td>
<td>-5.6</td>
</tr>
<tr>
<td>GOODNEWS</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>WAR</td>
<td>3.8</td>
<td>7.6</td>
</tr>
<tr>
<td>INFLATION</td>
<td>-0.8</td>
<td>-0.4</td>
</tr>
</tbody>
</table>
This is Promising, Can we Make a big change in future predictions?

- Fair is “dry as a bone”. Whatever happened to the much-lauded personalities of the great American hero presidents?
- Did Ray Fair watch Reagan’s funeral on TV?
- American elections have been heavily influenced by a perception of personality of the person
- Hoover vs. FDR, LBJ vs. Goldwater, Nixon vs. McGovern, Reagan, Clinton
- How do the results change with a bunch of “personality variables” for two-term presidents?
Add to Fair Regression the following variables

- Here are the coefficients and the t-stats (1% = **, 5% = *)
  - ROARING 20S 6.32*
  - FDR 1.07
  - IKE 5.86*
  - LBJ 4.97
  - RMN 5.57*
  - RR 4.32
  - WJC 2.40
Too many variables for 22 observations!

- Start cutting them out, omit anything with t-stat <1.7
- On the next page you’ll see the comparison of equations
Fair’s Best vs. My Best

- CONSTANT: 49.6** vs. 54.8**
- GROWTH: 0.69** vs. 0.65**
- PARTY: -2.71**
- PERSON: 3.25*
- DURATION: -3.63**
- GOODNEWS: 0.84** vs. 0.48*
- WAR: 3.85
- INFLATION: -0.78*
- ROARING 20s: 5.78**
- IKE: 5.08**
- RMN: 5.08**
- RR: 3.64**
- SEE: 2.37 vs. 2.18
Interpretation

- Better Fit
- Bigger advantage of an incumbent party
- No duration effect
- No person effect except for the four named big deal personalities
- MOST IMPORTANT – NO PERMANENT REPUBLICAN ADVANTAGE!!
How’s the Fit and the 2004 Prediction?
Further Deconstruction, Economic vs. Political Variables in RJG Equation

- Economic Variables Only
- All Variables
- Actual

Enough Econometrics, let’s get back to the basics of the 2004 election

- My most uncontroversial statement of all comes first!
  - Without Clinton ⇔ Monica, Gore would have won handily
  - Gore would have had the high growth, the incumbent advantage, and won a big reelection victory
  - Just think of it, no Iraq war, 1500 brave young Americans still alive, 9000 maimed Americans with full bodies

- No question, if Bush is guilty of the war, Clinton is the next most guilty
Secular Europeans increasingly find that Americans are on a Different Planet

The Daily Mirror Headlined

HOW COULD 59,054,087 PEOPLE BE SO DUMB!!??
Why Americans don’t resent the rich and don’t resent Bush tax cuts

- Many of America’s rich are visible sports and entertainment stars, culturally they are the gods of everyday TV
- Poor don’t sit around thinking of what they lack, income and wealth
  - They make the best of their lives, and the heart of their lives are family and church. Their low incomes may be the negatives in their lives, but the positives are family, friends, and church
    - Whites in the bible belt
    - Blacks in the gospel belt
- Cheney got it right – Americans don’t enter their voting booth with a calculator
In my stacks of clippings, nobody talks about it. Why?

Kerry was the wrong nominee. He had voted to authorize the war. It proves:
- Senators can’t get elected President
  - (None since JFK in 1960)
- Where are the Democratic Governors when we need them?

Kerry’s many mistakes included being Kerry, ambiguous voting record, he never could sell that he’d do something different about Iraq.
Culture and Religion

- Let’s Joke for a Moment about France and its Disconnect between Religion and the State
  - All These Catholics
  - The Lowest Birth Rate in Europe in the 19th Century
  - Obsessed with Military Manpower Needs
  - Child Allowances
Democratic Despair Led to This Set of Comments

- 22% of voters cited “values” as the most important reason for their vote, and they went 80-18 for GWB.
- “The good are with God, the bad are without God”
- “The winners are with God, I will not be God-whipped”
- “The faith-fetish, the belief in belief, is an insult to the soul”
Why Clinton won, even though he doesn’t have a significant coefficient

- What Kerry missed was his own chance to do a Sister Souljah by denouncing France!
- Clinton’s mantra allegedly was “If you’re not making liberals uncomfortable, you’re not going to win”
- Since 1960, no Demo has been elected who was not a southerner (LBJ, JC, WJC)
Could the Explanation be This Simple? Kerry Ran an Inept Campaign!

- In retrospect Kerry was doomed from the start:
  - He voted to authorize the Iraq war
  - He did his much publicized (by himself) flip-flop on “First I voted for the $87 billion, then I voted against it”

- His “recreational complexity”
  - In designer ski-jacket, off to Sun Valley to ski
  - The famous wind-surfing video (go left, go right)
  - Going hunting at the last minute without knowing how to pull the trigger

- How can such a candidate articulate the unfairness of the US economic system?
The most scathing comments come from the Democrats!

- Kerry was a “stiff and dour” nominee
- He put Al Sharpton in a prominent convention spot but kept Barrack Obama off network TV
- He underperformed in every traditional Democratic group
- Startling thinking – wouldn’t Al Gore have been a better candidate, Al Gore never endorsed the war and could have dramatized those battle casualties
Kerry Never Delivered a Compelling Messages

- Even his campaign workers were depressed
- His adviser Bob Shrum created a acronym for their message, but never explained it
  - “JHOS” stands for jobs, health, oil, and security
- Refusal to attack on basic issues
My analysis: Kerry really never explained how he would differ on “JHOS”

- Jobs?
  - Monetary policy, no the Fed is independent
  - Fiscal policy, Kerry wanted to raise taxes, not lower them
- Oil? What effect could Kerry have on OPEC?
- Security? What difference? A few more troops at the ports?
My own take on this

- You need to deliver a coherent Teddy Roosevelt message about the scandals of the rich.
  - Not just the tax cuts for the owners of capital
  - It needs to include Enron, Tyco, all the scandals
  - It needs to include drug companies lobbying in Washington to avoid Canada/French-type single-payer downward pressure on drug costs
  - Why didn’t any democrat discover that dynamite French chart about the DECLINING relative price of drugs in France compared to the INCREASING relative price of drugs in U. S.
Conclusion: Who is the New Bright Light for the Democrats in 2008?

- Not Hillary, she is tainted by everything wrong with Mondale and Dukakis, and her own failure on medical care.
- The great shining lights of the Democratic party must, by history, be those who have never been a senator
  - Sorry, Barack Obama, you ran for the wrong office
  - Hello, Elliot Spitzer, you are the guy these days with the coherent message. Can a guy with those narrow slitty eyes from a Northeastern state every be elected president
  - Does he even go to Church??