

July 27 2012_{r2}

Douglas A Hibbs*

Forthcoming in abridged form in the October 2012 issue of *PS: Political Science and Politics*

Obama's Re-election Prospects Under 'Bread and Peace' Voting in the 2012 US Presidential Election

"I don't think Mitt Romney is the President's opponent. The economy is." –Rahm Emanuel

"We're killing [the enemy] at a ratio of ten to one." –General William Westmoreland, US Commander in Vietnam. *"Westy, the American people don't care about the ten. They care about the one."* –Senator Ernest Hollings, during a visit to his fellow South Carolinian in the field.

A Two-Factor Model Based on Objectively Measured Political-Economic Fundamentals

According to the Bread and Peace model postwar American presidential elections should be interpreted as a sequence of referendums on the incumbent party's record during its four-year mandate period. In fact postwar aggregate votes for president are well explained by just two objectively measured fundamental determinants: (1) Weighted-average growth of per capita real disposable personal income over the term, and (2) Cumulative US military fatalities due to unprovoked, hostile deployments of American armed forces in foreign wars. No other outside variable systematically affects postwar

* Douglas A. Hibbs, retired, has been a professor of both economics and political science and has taught graduate courses in econometrics, macro-political economy and macroeconomic theory. He is the author or co-author of five books and dozens of articles in professional journals in economics, political science and sociology, one of which ranked 2nd on the list of all-time most cited articles published in the American Political Science Review at the time calculations were made for the journal's November 2006 one-hundredth anniversary issue. Nowadays Hibbs is an active consultant and occasional university lecturer and he divides his time, among other places, between Miami Beach, Florida and Stockholm, Sweden. He regards his research on aggregate votes for president as pinning down quantitatively the persistent influence of objectively measured political-economic fundamentals, rather than predicting votes optimally or tracking them statistically after the fact. He can be contacted at douglas@douglas-hibbs.com.

aggregate votes for president.¹

Factor 1: Bread

Economic performance usually is the dominant factor. The incumbent party is rewarded for good real income growth performance and punished for poor performance, with growth rates closer to the election date receiving more weight than outcomes earlier in the term. Voting is retrospective.²

Growth of per capita real disposable personal income is the broadest single aggregate measure of changes in the electorate's economic wellbeing in as much as it includes income from all market sources and transfer payments to persons, is adjusted for inflation, population growth and taxes, and is correlated with changes in central real-economy variables like unemployment and per capita real GDP.³ Accordingly, changes in economic performance are best measured by a weighted-average of (annualized, quarterly) growth rates of per capita real disposable personal income, computed from the election quarter back to the first full quarter of each presidential term.

Factor 2: Peace

The second factor systematically affecting postwar aggregate votes for president is US military fatalities due to unprovoked, hostile deployments of American armed forces in foreign conflicts; namely the military interventions in Korea, Vietnam, Iraq and Afghanistan. My research shows that the electoral penalties exacted by those wars affect the presidential vote of the party initiating the unprovoked commitment of US forces – the

¹ Hibbs (2000) subjected the Bread and Peace model to robustness tests against twenty-two variations in functional form inspired by the extensive literature on determinants of aggregate presidential voting outcomes. Not one of those variations added value to the Bread and Peace model or significantly perturbed its estimated coefficients.

² The concept of retrospective voting of course originated in the work of the political science giant V.O. Key (1966). Hibbs (2006) reviews modern high theory and empirical evidence on retrospective as opposed to prospective political valuation in aggregate models of electoral choice. Fiorina (1981) is the landmark analysis of earlier micro theory and evidence.

³ Disposable personal income growth, however, does not capture benefit flows voters perceive from changes in government supplied goods and services.

Republicans for Iraq, and the Democrats for Korea, Vietnam and most recently Afghanistan – and those vote penalties are proportionate to the cumulative number of American military fatalities per millions of US population over the presidential term (Hibbs 2000; Hibbs 2008). Presidents inheriting unprovoked foreign wars from the opposition party are given a one-term grace period before US fatalities begin to depress the incumbent vote share. Hence Richard Nixon’s vote in 1972 was not affected by US fatalities in Vietnam because the Vietnam War was inherited from Lyndon Johnson. And Barack Obama’s vote in 2012 will not be affected by fatalities in Iraq because the Iraq War was inherited from George W. Bush.

The Bread and Peace model regards American fatalities in Afghanistan under G.W. Bush following “9/11” as owing to a provoked commitment of US forces. Consequently, unlike the Iraq War, fatalities in Afghanistan did not detract from Bush’s vote in 2008. However, US fatalities in Afghanistan beginning with President Obama’s prolonged “war of necessity” against the Taliban more than seven years later are treated as due to an unprovoked foreign war. As a result, under the Bread and Peace model those fatalities will affect negatively the Democrat party’s presidential vote in the 2012 election. Fatalities exert no systematic influence on aggregate congressional election outcomes.

Other Factors

Other factors of course influence presidential voting, potentially so dramatically that the systematic influence of Bread and Peace fundamentals may be overwhelmed. However such events are transitory rather than persistent; they vary randomly from election to election, and they typically defy ex-ante objective measurement. The accounts of Talking Heads, and even analyses of thoughtful journalists and academic experts, are sometimes populated with stories revolving around election-specific idiosyncratic factors and fanciful ad-hoc variables whose true influence can be assessed scientifically only by statistical conditioning on persistent fundamentals.

In 2008, Obama’s race and McCain’s age were prominent idiosyncratic factors, though in the end neither exerted perceptible net effect on the election outcome. Race will never again figure significantly in presidential politics, and that will be Obama’s greatest positive

legacy to democracy in America.⁴ In 2012 the main idiosyncratic issues appear to be gay marriage, immigration policy, Romney’s religion and financial affairs, and the Affordable Care Act upheld on June 28 2012 by the Supreme Court. On the personality dimension we have Romney’s social awkwardness and distance by contrast to Obama’s hip-cool. None of those factors played a role in earlier elections and all will have disappeared by 2016, and maybe even by Election Day 2012.

Bread and Peace Model Mechanics

The Bread and Peace model is written⁵

$$Vote_t = \alpha + \beta_1 \left(\sum_{j=0}^{14} \lambda^j \Delta \ln R_{t-j} \cdot \left(1 / \sum_{j=0}^{14} \lambda^j \right) \right) + \beta_2 Fatalities_t$$

where: *Vote* is the percentage share of the two-party vote received by the incumbent party’s candidate.

R is per capita disposable personal income deflated by the Consumer Price Index and $\Delta \ln R$ is the quarter-to-quarter log-percentage change expressed at annual rates, computed $\Delta \ln R_t = \ln(R_t/R_{t-1}) \cdot 400$.

⁴ And Obama’s greatest negative legacy will be the precedent-setting extrajudicial killing of American citizens operating outside the country in locales where US military personnel were not engaged in armed conflict: Anwar al-Awlaki and Samir Khan (the latter, according to unidentified sources, was a “loudmouth” who happened to be “in the wrong place at the wrong time”) in Yemen on September 30 2011. Two weeks later al-Awlaki’s 16-year old son Abdulrahman al-Awlaki, also a U.S. citizen, was killed in another targeted US drone strike in an open-air restaurant in Yemen along with his 17-year-old Yemeni cousin and five other people. None of those victims had been formally charged with any violation of law, never mind convicted in a judicial proceeding. Not even Bush-Cheney-Rumsfeld-Addington-Yoo and company dared undertake such a criminal affront to American constitutional principles. See, among many accounts and discussions of the issue, American Civil Liberties Union (2012), Reuters (2011) and Washington Post (2011).

⁵ The basic functional form of the economic factor in the Bread and Peace equation was initially proposed in research I undertook more than thirty years ago on the sources of Ronald Reagan’s landslide victory in 1980 (Hibbs 1982) and was used also in my longer treatment of similar issues in Hibbs (1987).

λ is a lag weight ($0 \leq \lambda \leq 1$), and the reciprocal of the sum of the weights, $1/\sum_{j=0}^{14} \lambda^j$, scales the real income growth rate sequence $\Delta \ln R_t + \lambda \Delta \ln R_{t-1} + \lambda^2 \Delta \ln R_{t-2} + \dots + \lambda^{14} \Delta \ln R_{t-14}$ so that the coefficient β_1 represents the effect on the incumbent vote share of each log-percentage point of annualized, quarter-to-quarter real income growth sustained over the presidential term. As the weighting parameter λ approaches a value of 1.0 the incumbent party vote share is affected by a simple average of per capita real income growth rates over the whole term – growth at the beginning of the term has the same electoral impact as growth just before the election. As λ approaches zero only the election quarter growth rate affects votes for president. Values of λ between 0 and 1 reveal the relative effects of real income growth rates just before the election as compared to growth rates earlier in the term.⁶

Fatalities denotes the cumulative number of American military fatalities per millions of US population in Korea, Vietnam, Iraq and Afghanistan during the presidential terms preceding the 1952, 1964, 1968, 1976 and 2004, 2008 and 2012 elections.

Interpretation of Coefficient Estimates

Table 1 reports nonlinear least-squares coefficient estimates and related statistics of the Bread and Peace equation fit to fifteen postwar presidential elections, 1952-2008.⁷

⁶ At the election quarter the lag weight ($j = 0, \lambda^j = 1$) is scaled down to 1/3 because of the within-quarter date of presidential elections (the first Tuesday following the first Monday of November).

⁷ I omit the 1948 election from the postwar sample not so much because quarterly data from the National Income and Product Accounts begin in 1947 (and the Bread and Peace model requires quarterly disposable personal income data over the whole administrative term), but mainly because the transition from a total war economy after the Japan's unconditional surrender on September 2 1945 renders the meaning of the measured economy during demobilization incomparable to the rest of the postwar period.

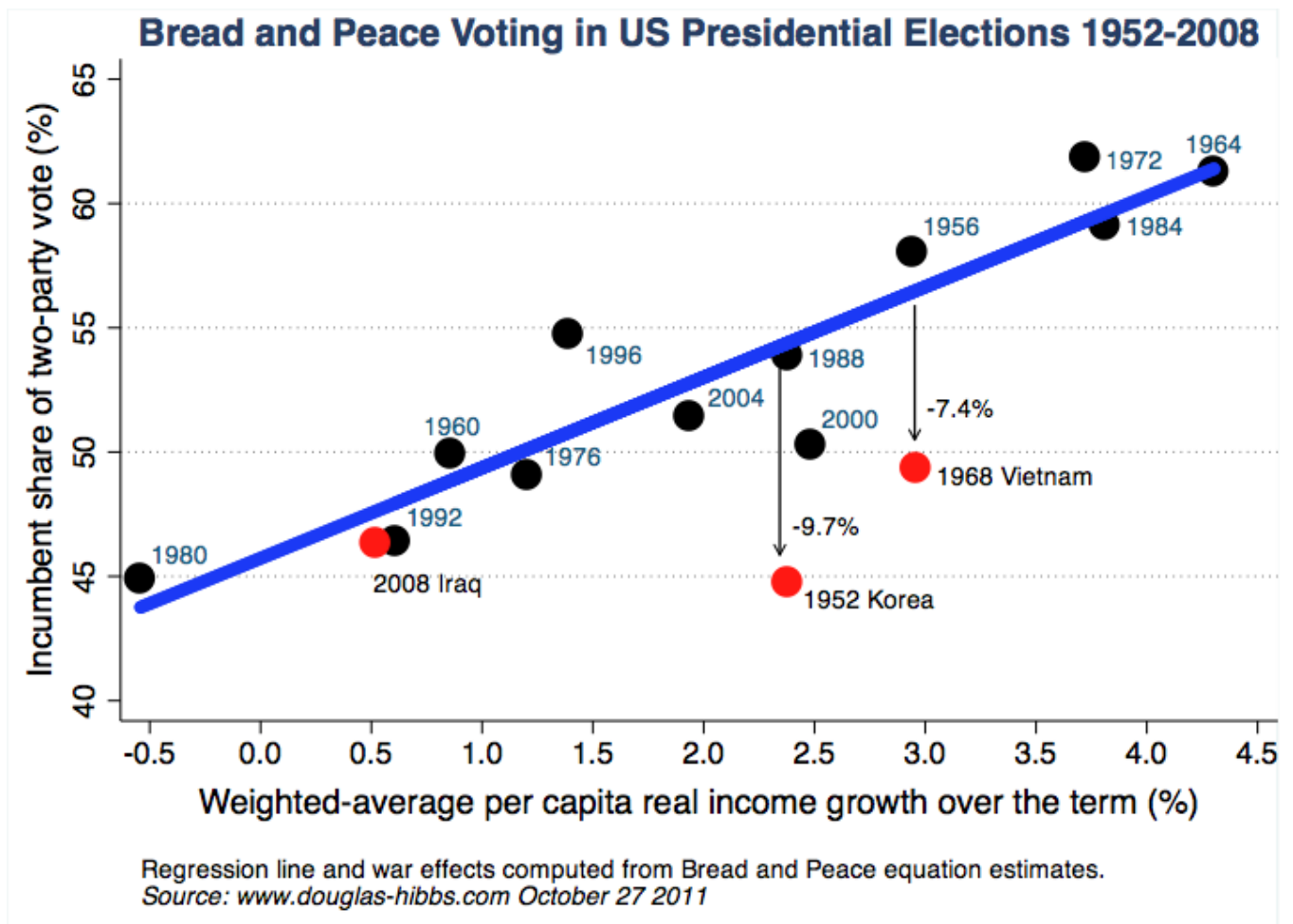
Table 1
Bread and Peace Equation Estimates

Dependent variable: incumbent two-party vote share (%)	N=15 elections 1952-2008
R ² = .89 Adjusted R ² = .85 Root MSE = 2.2	
	Coefficient estimate (std. error p-value)
Constant (α)	45.7 (1.1 .00)
Weighted-average per capita real income growth rate, % (β_1)	3.64 (0.56 .00)
Lag weight (λ)	0.90 (0.05 .00)
US military fatalities per millions of population (β_2)	-0.05 (0.01 .00)

The parameter estimate for weighted-average per capita real disposable personal income growth, $\widehat{\beta}_1 = 3.6$, means that each log-percentage point of real income growth sustained over a presidential term boosts the in-party candidate's vote share by about 3.6 percentage points above a benchmark constant, $\widehat{\alpha}$, of approximately 46%. The lag weight parameter estimate, $\widehat{\lambda}=0.9$, implies that the per capita real income growth rate in the last full quarter before an election (q3 of election years) has almost four times the electoral impact of income growth in the first full quarter of the term (q2 of inauguration years): $.9/.9^{14} = 3.9$. And the fatalities coefficient, $\widehat{\beta}_2 = -0.05$, means that each 100 US military fatalities per millions of population owing to hostile deployments of US armed forces in unprovoked wars depresses the incumbent vote by 5 percentage points.

Figure 1 graphs the remarkably close connection of major-party vote shares received by incumbent party candidates to weighted-average per capita real income growth rates at postwar presidential elections 1952-2008. Notice that the two elections regarded as the most “ideological” in postwar American presidential politics – 1964 and 1980 – are explained almost perfectly by real income growth over the presidential term.

Figure 1



In 1964 the Democratic Party incumbent Lyndon Johnson, the most important agent of American welfare-state liberalism since Franklin Roosevelt, faced Barry Goldwater, the

godfather of modern American conservatism. Johnson won with 61.3% of the vote, one of the biggest margins in US presidential election history. The result was widely viewed as a popular rejection of Goldwater's alleged right-wing views on the Federal Government's proper role in society and economy and his bellicose posture on America's Cold War rivalry with the Soviet Bloc. Yet one need not appeal to such grand ideological themes to explain the 1964 election result. Johnson's landslide victory conforms exactly to the historical connection between presidential voting outcomes and weighted-average real income growth over the term.

In 1980 the incumbent Jimmy Carter faced Ronald Reagan, Goldwater's successor as the icon of the Republican Party's conservative wing. Unlike the Johnson-Goldwater contest in 1964, this time the arch conservative Reagan trounced the liberal Democrat Carter. The election was commonly interpreted in the media as signaling a fundamental "shift to right" among American voters (Hibbs 1982). Yet, again, one need not appeal to grand ideological themes. As shown by figure 1, Carter's big loss (he received only 44.8% of the vote – tied for the worst election showing by an incumbent party presidential candidate during the postwar era) was the predictable consequence of poor weighted-average real income growth over the 1977-80 term.

The elections of 1952 and 1968 exhibit the biggest deviations from the statistical prediction line based on real income growth performance. Those deviations are explained by the second fundamental determinant of votes for president: American military fatalities in unprovoked foreign wars. High cumulative US military fatalities in Korea at the time of the 1952 election (29,260 or 190 per millions of population), and in Vietnam at the 1968 election (28,900 or 146 per millions of population), most likely caused Adlai Stevenson's loss to Dwight Eisenhower in 1952 by depressing the incumbent party's presidential vote by almost 10 percentage points, and almost certainly caused Hubert Humphrey's loss to Richard Nixon in 1968 by depressing the incumbent party's vote by more than 7 percentage points. Absent America's interventions in the Korean and Vietnamese civil wars, the strong real income growth record prior to those elections (particularly in 1968) should easily have kept the Democrats in the White House.

In the Bread and Peace model presidents get a one-term grace period when unprovoked foreign wars are inherited from the opposition party. Hence the 1956 vote for Dwight Eisenhower (who inherited American involvement in the Korean civil war from Harry Truman) was unaffected by the relatively small number of US military fatalities in Korea after Eisenhower assumed office in 1953. In like fashion, the 1972 vote for Richard Nixon (who inherited American involvement in the Vietnamese civil war from Lyndon Johnson) was unaffected by the large (but declining) number of US fatalities accumulated in Vietnam after Nixon assumed office in 1969. In principle, military fatalities due to discretionary American involvement in foreign conflicts might have affected the 1964, 1976, 2004 and 2008 elections, but the impact on aggregate votes was negligible because the fatality numbers were (politically) small.⁸

The only postwar presidential election results not well explained by the Bread and Peace model are 1996 and 2000. In 1996 the vote received by the incumbent Democrat Clinton was 4% higher than expected from political-economic fundamentals, whereas in 2000 the vote for the incumbent Democratic Party candidate Gore was 4.5% less than expected from fundamentals. I am tempted to argue that idiosyncratic influence of candidate personalities took especially strong form in those elections, with the ever charming Bill Clinton looking especially attractive when pitted against the darkly foreboding Bob Dole in 1996, and the unfailingly wooden Al Gore paling by comparison to an affable George W. Bush in 2000. Alas, this line of reasoning is entirely ad hoc and without scientific merit.

⁸ Among those elections, cumulative US fatalities in Iraq preceding the 2008 election were biggest (4,200 or 14 per million population), which according to the Bread and Peace model depressed the Republican two-party vote by around seven-tenths of a percentage point.

Trends and Sentiments

The Bread and Peace model aims to pin down quantitatively the persistent influence of objectively measured political-economic fundamentals on aggregate votes for president, rather than to predict votes optimally or to track them statistically after the fact. For those reasons the model includes no arbitrarily coded dummy, count, trend and related time-coded variables, which are not objective measurements of policies and performance affecting voters. Likewise the Bread and Peace model makes no use of pre-election poll readings of voter sentiments, preferences and opinions. Attitudinal variables are endogenous: They are affected causally by objective fundamentals and consequently supply no insight into the root causes of voting behavior, no matter how much they may enhance accuracy of prediction.

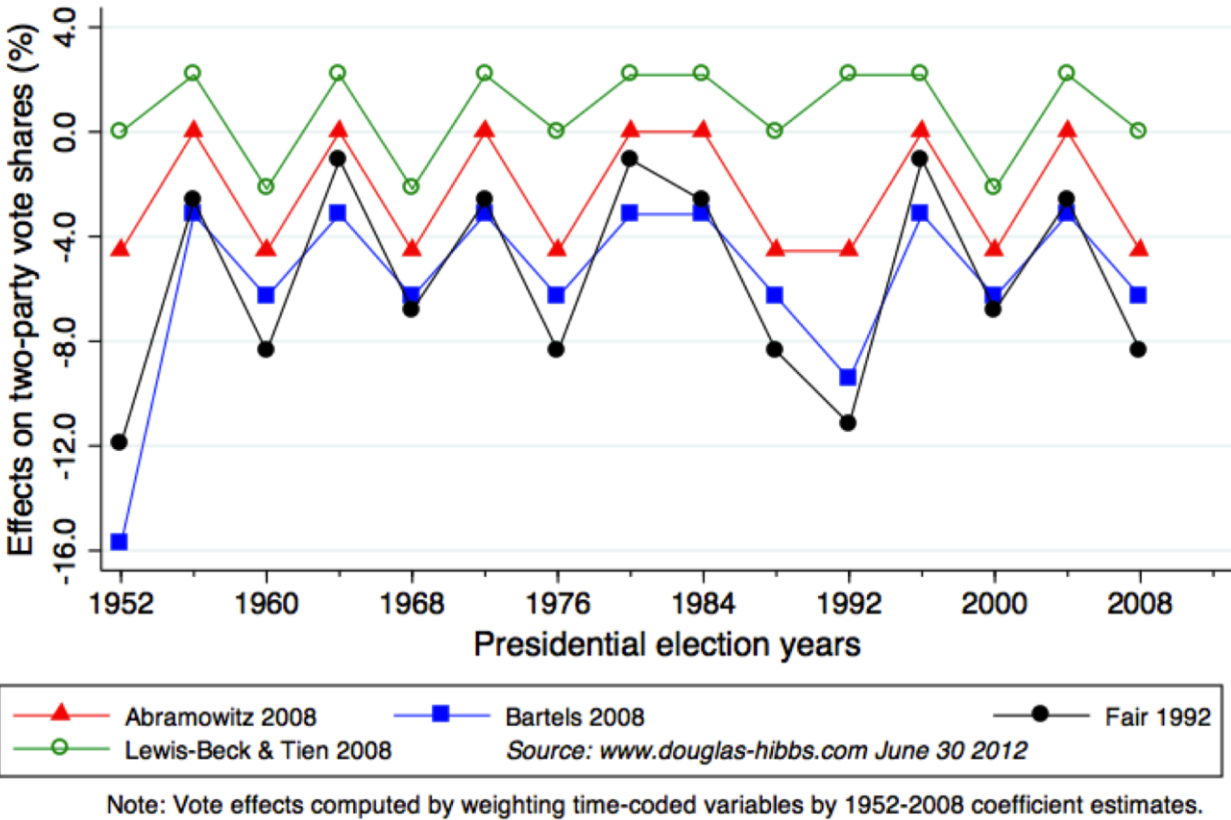
Time-coded Variables

Trend and related time-coded variables appear in most models of aggregate presidential voting outcomes, and they play a big role. Figure 2 illustrates just how big in four prominent equations for the incumbent party's vote share: Abramowitz (2008), Bartels (2008 chapter 4), Fair (1992)⁹ and Lewis-Beck and Tien (2008).

⁹ Fair is the all-time champion of time-coded variables, with substantially different setups appearing in his 1976, 1988 and 1992 equations for presidential voting. (See the history mapped out in Hibbs 2007.) Only vote effects implied by Fair's last major model re-specification in 1992 (described in Fair 2009, among other places) are graphed in figure 2.

Figure 2

Effects of Time-coded Variables in Models of Votes for President



The time-coded effects range from such big hits as -15.8% and -11.9% to Truman's vote share in 1952 in the setups of Bartels and Fair, respectively (which register the big vote penalty exacted by American fatalities in the Korean War), to the +2.2% vote share enhancement going automatically to any sitting president running (except Ford in 1976) in Lewis-Beck and Tien's Jobs Model. By my lights, such time-coded variables defy scientific justification and are just ad-hoc ways of picking up fillips to vote shares not explained by objectively measured substantive variables.¹⁰ Moreover, when stripped of time-coded

¹⁰ I regard the following rationalizations of the time-coded variables whose effects are graphed in figure 2 as fanciful and ad-hoc. Abramowitz's (2008, 693) motivation of his 'time-for-change' dummy, which is

terms and endogenous Gallup poll presidential approval rates, every one of the models featured in figure 2 yields a poor overall fit to postwar vote share data.¹¹

Endogenous Presidential Approval

The President's approval rating in Gallup polls – usually polls taken in June (as in Abramowitz 2008) or early July (as in Lewis-Beck and Tien 2008) – commonly appear along with time-coded variables and economic performance measures in forecasting-oriented models of aggregate votes for president. Although approval ratings enhance the

coded “on” when a party has controlled the White House for two or more terms, reads: “... voters attach a positive value to periodic alternation in power by the two major parties ... regardless of the state of the economy and the popularity of the current president....” Bartels’ (2008, 103) explanation of his ‘tenure in office’ trend variable reads: “There is a fairly strong tendency for the incumbent party’s electoral fortunes to decline with each additional year that it has held the White House. Presumably this pattern reflects the cumulative effect of exhausted policy agendas, personnel turnover, and accumulating scandals on voters’ desire for a change in leadership.” Fair (2009, 57) motivates the two time-coded terms (which have opposite signs) in his 1992 equation with the assertions: “The duration variable says that expected future utility under an incumbent party is lower ... the longer the party has been in power. The person variable says that expected future utility under an incumbent party is higher ... if the president ... is running again. In the first case a lack of variety decreases utility ... and in the second case it increases it.” The motivations offered by Lewis-Beck and Tien (2008, 688) for two incumbency advantage time-coded variables in their Jobs Model are definitional: An incumbent-party-advantage term is “... scored 1 if the incumbent party candidate is the elected president (1956, 1972, 1980, 1984, 1992, 1996, 2004) or following a president who died in office (1948, 1964), scored 0 if the incumbent party candidate has a tolerable relationship with the previous president (1952, 1976, 1988), scored –1 if the incumbent party candidate and the president are not united (1960, 1968, 2000).” An incumbent-president-advantage term (interacted with the percentage change of real GNP over the first half of election years) is “elected president running (scored 1) or not (scored 0.5).”

¹¹ The changes in Adjusted R² from initial specifications to equations stripped of time-coded variables and endogenous presidential approval rates are: Abramowitz (2008) .88 → .31; Bartels (2008) .75 → .39; Fair (1992) .82 → .19; and Lewis-Beck and Tien (2008) .93 → .43. None of the three economic variables in Fair’s 1992-updated equation achieves statistical significance when the model is stripped of its time-coded terms. And in the stripped Lewis-Beck and Tien Jobs Model, the featured Jobs variable (the percentage change in employment over the term) is insignificant because it has nearly zero bivariate correlation with vote shares. Documentation of the foregoing is supplied in an addendum to this paper posted at www.douglas-hibbs.com.

statistical significance and predictive power of various equations (whether or not a sitting president is running), they are endogenous to Bread and Peace fundamentals and they make no contribution to explaining election outcomes when conditioned on those fundamentals. Three regression experiments supporting these assertions are reported in table 2.

Table 2
Presidential Approval Ratings and Bread and Peace Voting in Election Years 1952-2008

Dependent variables:	June average approval rating %	Incumbent party vote share %	Incumbent party vote share %
	(1)	(2)	(3)
	Coefficient estimates (std. error p-value)		
Constant (α)	39.9 (5.1 .00)	42.8 (14.2 .00)	45.8 (1.1 .00)
Weighted-average per capita real income growth rate, % (β_1)	6.39 (2.6 .03)	3.0 (0.8 .00)	3.62 (0.54 .00)
Lag weight (λ)	0.95 (0.1 .00)	0.89 (0.06 .00)	.91 (0.05 .00)
US military fatalities per millions of population (β_2)	-0.14 (0.06 .03)	-0.04 (0.01 .02)	-0.05 (0.01 .00)
June average approval rating, %		0.78 (0.07 0.32)	
Innovations to June approval ratings, % (residuals from regression 1)			0.09 (0.07 .22)
Adjusted R ²	.46	.86	.86
Root Mean Square Error	10.1	2.2	2.2
N	15	15	15

Regression (1) establishes the endogeneity of approval ratings. It applies the Bread and Peace model setup – the same simple, two-factor nonlinear equation described earlier – to June election-year presidential approval data in the 1952-2008 postwar sample regime.¹² The Bread and Peace fundamentals are significant and account statistically for 46 percent of the variance in Gallup poll approval ratings. In regression (2) the June approval rating variable is just added to the Bread and Peace model of votes for president. The results show that approval ratings contribute nothing to explanation of incumbent vote shares when conditioned on Bread and Peace fundamentals.¹³ Regression (3) adds the residuals from regression (1) – which I label “innovations” to presidential approval – to the Bread and Peace model of presidential voting. Approval innovations seem best suited to evaluating Abramowitz’s reasoning about why a president’s Gallup poll approval rating ought to influence the incumbent party’s vote.¹⁴ The results show that innovations, that is, variations in approval rates orthogonal to Bread and Peace fundamentals, do not significantly influence aggregate votes for president.¹⁵ Insofar as presidential elections are

¹² The approval ratings are percentages approving the President’s job performance among respondents approving or disapproving. Alternative calculations of approval rates don’t affect results. Since the approval data are for polls taken during the last month of the second quarter of election years, the Bread and Peace evaluation function runs from the second quarter back to the first full quarter of each term, giving a 13 period evaluation function rather than a 15 period function as in the model applied to votes:

$$Approval_t = \alpha + \beta_1 \left(\sum_{j=0}^{12} \lambda^j \Delta \ln R_{t-j} \cdot \left(1 / \sum_{j=0}^{12} \lambda^j \right) \right) + \beta_2 Fatalities_t.$$

Hibbs (2000, 172) estimated the Bread and Peace equation for Gallup Poll Approval rates averaged over the entire third quarter of election years, which as one would expect yielded better fits to the data.

¹³ The bivariate correlation of June election-year approval ratings and vote shares is .8.

¹⁴ “... *economic conditions are only one of the factors that influence voters’ evaluations of the incumbent president’s performance. Presidents are also judged on the basis of their conduct of foreign affairs, their personal style and communication skills, their honesty and integrity, and their domestic policy agenda. In order to capture some of the other factors ... the time-for-change model includes the incumbent president’s approval rating in the Gallup Poll at mid-year [regardless of whether there is an incumbent in the race] as another predictor of voter decision making.*” (Abramowitz 2008, 691, 692)

¹⁵ Because the innovations variable is a generated regressor its estimated standard error is understated which biases regression (3) against the null hypothesis.

concerned, fluctuations in Gallup approval rates not driven by Bread and Peace fundamentals are polling noise.¹⁶

The 2012 Presidential Election

George Stephanopoulos of ABC News: *“Are you the underdog now?”*

President Obama: *“Absolutely, given the economy.”* –October 3 2011.¹⁷

But how much of an underdog? And might Obama’s fortunes turn around?

The Situation So Far

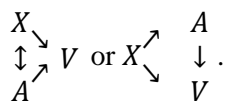
During the first thirteen full quarters of President Obama’s term, 2009:q2 through 2012:q2, which at time of this writing (July 27 2012) covers the most recent quarter for which we have BEA data on the National Income and Product Accounts, the annualized, weighted-average quarterly growth rate of per capita real disposable personal income was only 0.1%; way below the post-1948 average of 1.8%. Over the same period US Fatalities in Afghanistan totaled 1355, amounting to 4.4 per millions of population. Poor real income growth performance all by itself means that Obama is in deep trouble: the Bread and Peace equation estimates in table 1 imply that over-the-term weighted-average real growth must be at least 1.2% for the incumbent’s expected two-party vote share to cross 50%.¹⁸

Election Day Projections

To project Obama’s 2012 vote I’ll make the plausible assumption that American military fatalities in Afghanistan continue running at the (politically relatively low) average

¹⁶ Letting X denote Bread and Peace fundamentals, A denote Gallup poll approval rates, V denote vote shares, single-headed arrows represent causal relations and double-headed arrows represent non-causal

correlations, the correct structural form model in simple graph format is therefore $X \begin{matrix} \nearrow \\ \searrow \end{matrix} \begin{matrix} A \\ V \end{matrix}$ as opposed to



¹⁷ Eight months later, on June 14 2012, in the wake of an economy still struggling and as Mitt Romney emerged as the presumptive Republican challenger, the President attempted to shift the basis of political valuation away from a retrospective calculus: *“The campaign is about a choice not a referendum.”*

¹⁸ $45.7 + 3.64 \cdot \overline{\Delta \ln R} > 50$ at $\overline{\Delta \ln R} > 1.2$, where $\overline{\Delta \ln R}$ denotes $\sum_{j=0}^{14} 0.9^j \Delta \ln R_{t-j} \cdot (1 / \sum_{j=0}^{14} 0.9^j)$.

quarterly rate of the past year: 95 or 0.3 per millions of population. At Election Day cumulative *Fatalities* then would amount to approximately 1500 or 4.8 per millions of population, which would depress Obama's expected two-party vote share by less than a quarter of a percentage point ($-0.5 \cdot 4.8 = -0.24\%$). Barring a really big escalation in the aggressiveness of fighters resisting US military presence in Afghanistan, plausible alternative assumptions about the flow of American body bags during the next four months would only negligibly affect my projections of Obama's re-election prospects. Consequently, growth rates of per capita real disposable personal income over the remainder of the term will be the decisive as yet unrealized fundamental factor in the 2012 presidential election.

Calculations in the table 3 show that according to the Bread and Peace model per capita real income growth rates must average out at nearly 6 percent after 2012:q2 for Obama to have a decent chance of re-election. If the US economy experiences an unanticipated reversal of fortune with growth surging to rates not uncommon in the initial robust phase of recoveries from deep contractions, Obama could squeak out a win, as implied by the last column of table 3. However the pace of recovery from the 2008 Great Recession remains sluggish, and the famous 2009 book *This Time Is Different: Eight Centuries of Financial Folly* by Carmen Reinhart and Kenneth Rogoff documents how recoveries from contractions originating with the bursting of speculative financial bubbles are not V-shaped as in garden-variety recessions, but instead are typically prolonged U-shaped affairs lasting 5 to 6 years. The univariate statistical properties of postwar per capita real disposable personal incomes indicate that the chances of weighted-average growth on the order of 6% over the one and one-third quarters remaining until Election Day 2012 are no better than 1/10.

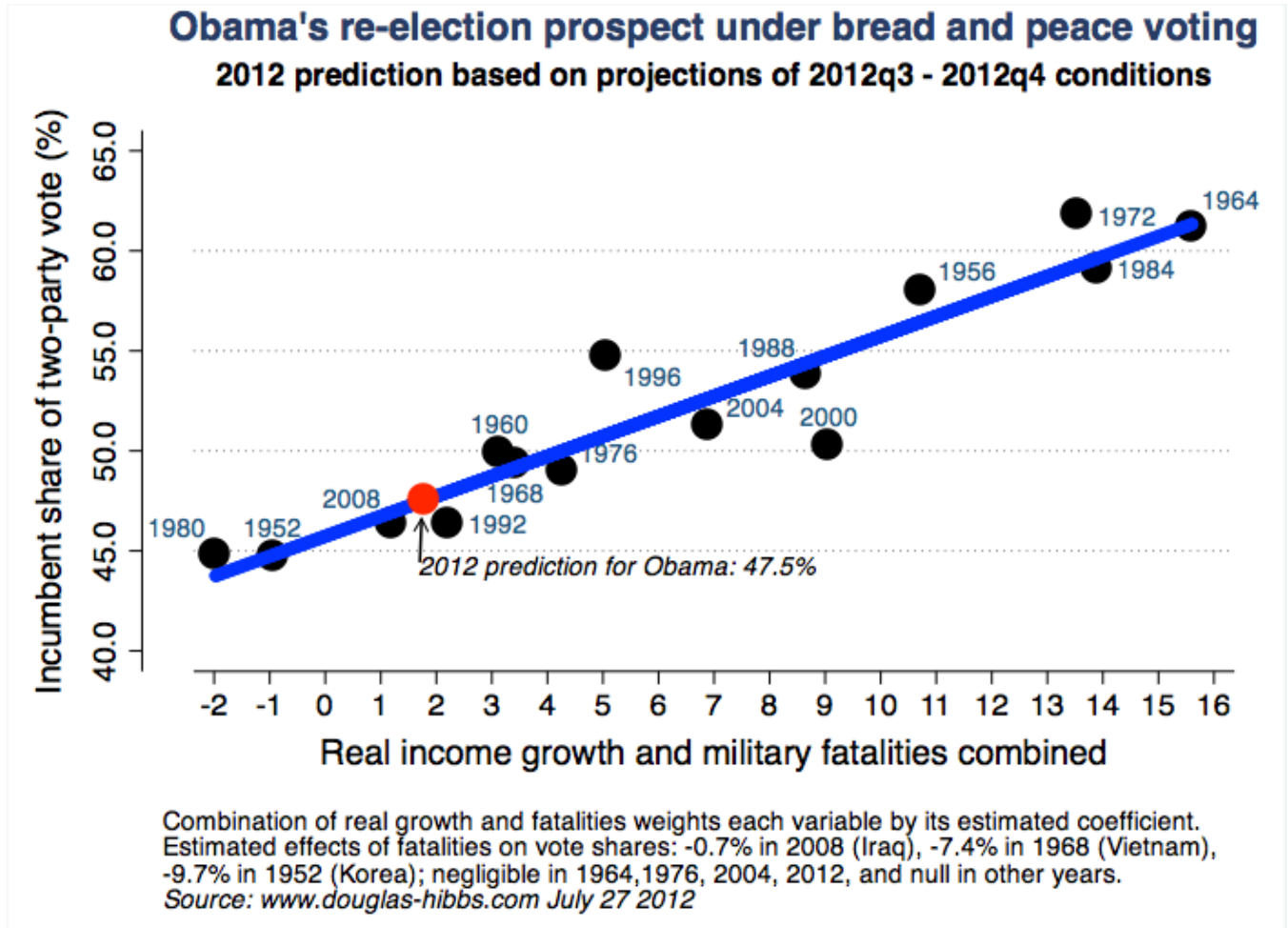
Table 3
Obama's Expected Two-Party Vote Share at Hypothetical Real Income Growth Rates
2012:q3 - 2012:q4

Hypothetical annualized, quarterly per capita real income growth rates 2012:q3 - 2012:q4:	-4	-2	0	+1	+2	+4	+6
→ Resulting weighted-average real income growth rate over the presidential term:	-0.4	-0.0	-0.3	0.5	0.6	1.0	1.3
→ Expected two-party vote share (assuming cumulative fatalities ≈ 1500 or 4.8 per millions population):	44.1%	45.3%	46.6%	47.2%	47.8%	49.1%	50.4%

The protocol of the *PS* Election Forecast Symposium obliges me to make a specific prediction of the 2012 aggregate voting result. My reading of the tea leaves (statistical forecasts of income and output growth from formal econometric models have proven to be useless) leads me to posit that quarterly, annualized per capita real income growth rates will fall in the interval [1,2%] during the remainder of President Obama's term. That supposition, along with my assumption that fatalities in Afghanistan will not escalate dramatically, yields a projected Obama two-party vote share centered at 47.5%, as indicated by boldface entries in table 3.¹⁹ Figure 3, which combines the Bread and Peace factors to one dimension, illustrates the same prediction in perspective of actual and fitted values of incumbent vote shares at all postwar presidential elections 1952-2008.

¹⁹ The same assumption about per capita real income growth during the last full quarter of Obama's term yields a prediction of 186 House seats going to the Democrats in 2012 in my *Bread and Incumbency* model of Congressional elections (Hibbs 2012).

Figure 3



Yet remember that transitory, idiosyncratic issues and events potentially can overcome the persistent impact of Bread and Peace fundamentals. The standard error (Root Mean Square Error) of the Bread and Peace model is 2.2%. A positive aggregate idiosyncratic “shock” of just two standard errors (a 2 sigma event), which hardly is of Black Swan magnitude, would push Obama’s vote share to almost 52%, even if my guess of a 1-2 percent average per capita real income growth over the last 4 months of the term turns out to be accurate and even if the functional form of the Bread and Peace model is spot on.

I am aware that my forecast of a fairly big loss by President Obama deviates substantially from prevailing views – particularly those in which I generally put greatest stock: betting price data at the Iowa Electronic Market and Intrade. During the last week of July 2012 betting data implied that President Obama’s chances for re-election were above 58%.

References

- American Civil Liberties Union. 2012. “Al-Aulaqi v. Panetta.” July 18. <http://www.aclu.org/national-security/al-aulaqui-v-panetta>.
- Abramowitz, Alan I. 2008. “Forecasting the 2008 Presidential Election with the Time-for-Change Model.” *PS: Political Science & Politics* 41: 691-695.
- Bartels, Larry M. 2008. *Unequal Democracy: The Political Economy of the New Gilded Age*. Princeton: Princeton University Press.
- Fair, Ray C. 2009. “Presidential and Congressional Vote-Share Equations.” *American Journal of Political Science* 53 (1): 55-72.
- Fiorina, Morris P. 1981. *Retrospective Voting in American National Elections*. New Haven: Yale University Press.
- Hibbs, Douglas A. 1982. “President Reagan's Mandate from the 1980 Elections: A Shift to the Right?” *American Politics Quarterly* 10 (4): 387-420.
- . 1987. *The American Political Economy: Macroeconomics and Electoral Politics*. Cambridge, MA: Harvard University Press.
- . 2000. “Bread and Peace Voting in U.S. Presidential Elections.” *Public Choice* 104 (1-2): 149-180.
- . 2006. “Voting and the Macroeconomy.” In *The Oxford Handbook of Political Economy*, ed. Donald Wittman and Barry Weingast, 565–86. Oxford: Oxford University Press.
- . 2007. “The Economy, the War in Iraq and the 2004 Presidential Election.” Unpublished manuscript, April 18. http://www.douglas-hibbs.com/HibbsArticles/QJPS_2007.pdf.
- . 2008. “Implications of the ‘Bread and Peace’ Model for the 2008 US Presidential Election.” *Public Choice* 137 (1): 1-10
- . 2012. “The Partisan Division of House Seats in 2012: Implications of the ‘Bread and Incumbency’ Model.” July 27. <http://www.douglas-hibbs.com/Election2012/2012Election->

[MainPageHouseElection.htm](#).

Key, V.O. 1966. *The Responsible Electorate: Rationality in Presidential Voting, 1936–1960*. Cambridge, MA: Harvard University Press.

Lewis-Beck, Michael and Charles Tien. 2008. “The Job of President and the Jobs Model Forecast: Obama for '08?” *PS: Political Science & Politics* 41: 687-90.

Reinhart, Carmen M. and Kenneth S. Rogoff. 2009. *This Time Is Different: Eight Centuries of Financial Folly*. Princeton: Princeton University Press.

Reuters (Mark Hosenball). 2011. “Secret panel can put Americans on ‘kill list.’” October 5. <http://www.reuters.com/article/2011/10/05/us-cia-killlist-idUSTRE79475C20111005>.

Washington Post (Greg Miller). 2011. “Under Obama, an emerging global apparatus for drone killing.” December 27. http://www.washingtonpost.com/national/national-security/under-obama-an-emerging-global-apparatus-for-drone-killing/2011/12/13/gIQANPdILP_story.html.