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What Does the State of the Economy Imply for the Presidential Election?

Introduction and Summary

It is generally accepted that the state of the economy leading up to a presidential election can have an important bearing on its outcome. Indeed, this point was driven home most famously by Clinton campaign aide James Carville in 1992 with his “It’s the Economy, Stupid!” admonition to stay focused on the key issue in the campaign. In the current election season, virtually every poll has indicated that the economy is by far the number one concern for voters. In 2004 we first reported on a model that does a reasonably good job forecasting the share of the popular vote won by the incumbent party. Our point of departure was a widely known model proposed by Ray Fair, in which voters make their decision based on the state of the economy and a few “political” factors.¹ We improved on that model (in a statistical sense) and spun out its prediction in the 2004 election. This *Macro Focus* explores the implications of the MA and Blue Chip consensus forecasts for the outcome of the 2008 presidential election.

The MA version of the Presidential election model relies upon four political factors — candidate of the incumbent party, approval rating of the incumbent candidate (if running), party, and incumbent party’s term in office — and three economic factors — real income growth, the unemployment rate, and the change in energy prices. Together, these seven factors predict the share of the two-party popular vote garnered by the incumbent party. This model has correctly predicted the winning party 12 out of 14 times in our sample, and predicted the popular vote better than the original model developed by Ray Fair.

Using the current Macroeconomic Advisers’ economic forecast (July 3) as input, this model predicts that the Republican party candidate, Senator John McCain, will capture 45.2% of the two party vote and that the Democratic candidate, Senator Barack Obama, will garner 54.8% of the vote, given economic conditions expected through the fall. This is a margin of victory of 9.6 percentage points (roughly 12 million votes if the same number of people vote as in 2004).

Table 1
Percentage of the 2-party Popular Vote from Alternative Models/Forecasts

		Model			
		MA		Fair	
Forecast	MA	McCain	Obama	McCain	Obama
			45.2	54.8	49.4
Blue Chip		McCain	Obama	McCain	Obama
		45.3	54.7	48.7	51.3

¹ Fair, Ray C. "The Effect of Economic Events on Votes for President: 2004 Update." (2006). <<http://fairmodel.econ.yale.edu/vote2008/index2.htm>>.

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Using projections of the economic terms consistent with the July 10, 2008 Blue Chip consensus forecast suggests a similar wide margin of victory for Senator Obama. Since the standard error of this model is 1.55 percentage points, both forecasts suggest a statistically significant difference in the popular vote received by the two candidates. Table 1 contains the expected vote percentages for both candidates as projected by both the MA model and our re-estimate of Fair's model using both the MA forecast and the Blue Chip Consensus forecast. The weak current state of the economy, and the sharp rise in energy prices pose a significant headwind to the McCain campaign, if voters weigh these factors similarly to how they have in the past. For example, an expected 47% increase in the price of WTI in the three quarters leading up to the election would subtract 2.9 percentage points, while weak real disposable personal income growth over the same period would subtract 3.3 percentage points from McCain's vote tally, according to this model.

Of course this model knows nothing about the war in Iraq, the relative political attractiveness of the candidates themselves or several other non-economic factors that almost certainly will influence the outcome. *We wish to emphasize that this is not Macroeconomic Advisers' prediction of the election outcome; rather it is the prediction from a well-specified and interesting econometric model that emphasizes the potential importance of current economic factors in influencing the outcome of the election and which should be considered when attempting to discern the eventual winner.*

The Modeling Approach

The MA version of the Presidential election model relies upon four political factors and three economic factors, described at length below, to explain the percentage of the two-party popular vote won by the incumbent party. The four political factors are: 1) the incumbent party, which reflects the advantage candidates affiliated with the party in the White House gain relative to the other major party candidate; 2) the number of terms that the incumbent party has been in office, which reflects the extent that voters tire of having the same party control the White House; 3) party bias, which reflects a historical advantage to the Republican Party; and 4) the approval rating of the individual incumbent, if running, as determined by the Gallup Poll.² The MA election model also relies upon three economic variables: 1) the percent change of real disposable personal income over the first three quarters of the election year, 2) the unemployment rate in the quarter just prior to the election, and 3) the percent change of oil prices over the first three quarters of the election year. Together, these seven factors explain and predict the share of the two-party popular vote garnered by the incumbent party. As we will describe in more detail below, this model has correctly predicted the winning party 12 out of 14 times in our sample, and does a better job of forecasting the popular vote outcome than the original model developed by Fair.³

² Overall Job Rating. Gallup. 2008. <<http://www.gallup.com/>>

³ In 2000 our model predicted that the challenger (Bush) would win the election, but missed that the incumbent party would win the popular vote.

The Original Fair Model

Fair's Presidential election model attempts to explain the percentage of the two-party popular vote won by the incumbent party. The original model was proposed by Fair in 1978 using data beginning with the presidential election of 1916. Voters in that model weigh their future expected utility under the incumbent party based on the state of the economy in the year of the election. Their vote goes to the party that provides the highest expected utility: incumbent or non-incumbent. The past performance of the non-incumbent party does not enter the equation; and, for that matter, the expected utility of voters is not influenced by any event that occurred prior to the election year.

Seven more elections have occurred since Fair's first model was created, and in November 1994 Fair updated his model to reflect insight gained from more recent observations; namely, that voters look back over the entire 15-quarter period of the incumbent administration while placing more importance on the events that occur in the year of the election. Fair has continued to re-estimate his model since then, sometimes with small changes to the specification.

The model, according to its most recent re-estimation in November 2006, includes as explanatory variables two measures of economic performance that take into consideration the 15-quarter period leading up to the election: inflation, as measured by the GDP price index, and a dummy variable, "good news," which equals the number of quarters with per-capita GDP growth above 3.2%. An additional measure of economic performance, growth of real per-capita GDP in the first three quarters of the election year, captures the effects of the improvement in the financial well-being of voters in the period immediately prior to the election.

A set of "political" variables are also included in the Fair election model. The first political variable, "person," captures the effect that an incumbent candidate has on the outcome of the election. It is equal to one if the incumbent is running for office and zero otherwise, operating under the assumption that voters perceive higher future utility from re-electing the incumbent president. The second political variable (captured by the constant term in the equation) reflects the advantage candidates affiliated with the party in the White House gain relative to the other major party candidate. For example, an estimated constant term above 50% implies that the candidate of the incumbent party has an inherent vote advantage. The "duration" variable gauges the degree to which voters eventually tire of a political party if it has been in office for too long, so its value increases with the number of terms that the incumbent party has been in office. The "party" variable reveals whether or not there is a bias towards a particular political party. It is set to 1 if the Democratic Party is in office at the time of the election and -1 if the Republican Party is in office.

Using his own forecasts for GDP and inflation, and his 1994 model, Fair's prediction for the 2008 election is a narrow win for the Democratic candidate. Neither candidate has the advantage of being an incumbent, but Senator McCain does get a boost from being a member of the incumbent party. However, he has the disadvantage of his political party being in office for "too long" (two consecutive terms or more).

Nevertheless, he does get a boost from being a Republican, since, over history, the party variable has revealed a negative bias towards Democrats. When Fair published his first estimate for the 2008 election in November of 2006, he used what he thought was a more pessimistic view of the economy than the consensus and finds that the Republican candidate would get only 46.5% of the two-party vote. Since then, Fair has published five updated predictions, all of which anticipate a small advantage for the Democrats. His forecasts have ranged between 46.5% and 48.1% of the vote for the Republican candidate. His last three predictions were higher than his previous three because they take into account a more recent revision to the data that added an additional “good news” quarter (quarters of real per-capita GDP growth exceeding 3.2%).

The MA Version of the Presidential Election Model

In 2004 we made several improvements to Fair’s model including employing revised data on GDP and inflation from the National Income and Product accounts and specification changes that improved the fit and predictive ability of the model. First, using chained data and a smaller sample (1952-2000) than Fair did in his 2002 update; the economic performance variable measuring the number of “good news” quarters during the incumbent’s term became insignificant. The person dummy variable that captures the positive effect that incumbency had on the percentage of votes received also became insignificant. Both of those variables were eliminated in the MA version of the model. We were able to reintroduce the “person” dummy, however, as part of our presidential approval variable (more on this below). Second, we added two economic performance variables that had greater explanatory power in terms of voter perception of the state of the economy. Instead of using a measure of GDP, we used the percent change of real disposable personal income over the three quarters immediately prior to the election quarter. This is intuitively more appealing as it relates more directly to voters’ well-being, and it was statistically more significant than per capita GDP growth. We also tested the effectiveness of housing starts as a summary measure of how voters viewed the economy and it turned out to be statistically significant. Interestingly, measures of consumer confidence were insignificant when added to a specification that included real disposable income growth and housing starts.

Our review of the model in 2008 brought some further changes in the specification. Using the latest available data and re-estimating our model, we found that both the level of housing starts and the inflation measure used had become insignificant. Both of these variables have been dropped from the updated version of the MA model. Two new economic variables have been added, the unemployment rate in the third quarter of the election year and the percent change in the price of West Texas Intermediate (WTI) crude oil over the first three quarters of the election year. Other specifications for the WTI variable were considered, but the percent change over this period was the most robust. This series likely works better than an overall inflation measure because of the close correlation to gasoline, natural gas and heating oil prices and the fact that, in combination, expenditures on these items are a large, frequently sampled, and therefore highly visible part of household budgets. Finally, as mentioned above, the person (incumbent) variable became insignificant in the new

sample. Intuitively, what should matter is how voters perceive the incumbent, not simply that they are an incumbent. We would expect that a candidate would receive a positive boost from incumbency if the electorate approved of his first term in office. Conversely, we would expect that a low approval rating would have a negative effect on the incumbent's reelection bid. Therefore, we introduced an additional political variable, which captures the change in the current president's approval rating from his first month in office until the September (end of third quarter) before the next election. Furthermore, we multiplied this variable by the person dummy so that it only plays a role when an incumbent is running for re-election.

Comparing the Two Models

Table 2 contains the estimation results from the two alternative presidential election model specifications. Both models were estimated using ordinary least squares. The updated Fair model equation uses the same explanatory variables as Fair's latest specification, but uses the smaller sample size limited to elections from 1952 – 2004 so that the regression results would be comparable to the estimates in MA's model. The economic terms in both models are all highly significant. Over this period the MA version has a higher (adjusted) R-squared and a significantly lower standard error. The economic terms in MA's model, in addition to being more intuitively appealing because of their closer relation to the financial well-being of voters rather than the more general metrics employed in Fair's model, are also statistically more significant.

Importantly, it is primarily the difference in the economic terms that gives Senator Obama a wider margin of victory in MA's model than in Fair's model.

In estimating both models, we specified each of the economic explanatory variables as the series less its sample mean so that the intercept can be interpreted as the incumbent party's share of the two-party vote if the other variables remain neutral.

Overall, a key finding is that both models find a statistically significant and sometimes decisive role for the economy in determining

Table 2
Presidential Election Model Estimation Results
Sample: Elections 1952 - 2004

	<u>Updated Fair Equation</u>		<u>MA Equation</u>
Growth	0.71 <i>2.39</i>		
Inflation (P15)	-0.82 <i>-2.28</i>		
Goodnews	0.95 <i>2.34</i>		
		Disp. Personal Income	1.40 <i>3.89</i>
		Unemployment Rate	-0.73 <i>-2.48</i>
		% change in WTI	-0.08 <i>-2.94</i>
Person	-0.45 <i>-0.17</i>	Δ Approval (Incumbent)	0.20 <i>2.26</i>
Duration	-6.44 <i>-3.11</i>	Duration	-6.29 <i>-10.29</i>
Party	-2.38 <i>-2.58</i>	Party	-1.58 <i>-4.24</i>
Intercept	56.06 <i>21.25</i>	Intercept	56.11 <i>93.33</i>
Standard error	2.68	Standard error	1.55
R-squared (adj.)	0.79	R-squared (Adj.)	0.93
No. obs.	14	No. obs.	14

T-statistics in italics

the outcome of presidential elections. An F-test shows that the economic variables are jointly significant at the 5% level in both models, with the economic terms in the MA model significant at the 1% level. Moreover, in three of the fourteen elections in our sample the contribution from the economic terms was enough to sway the outcome of the election, according to the MA model. These include the elections of 1960, 1976, and 1980. And, as we explain below, if the predictions for the current election from the MA model hold up, the state of the economy will once again be critical in determining the outcome.

Model Results

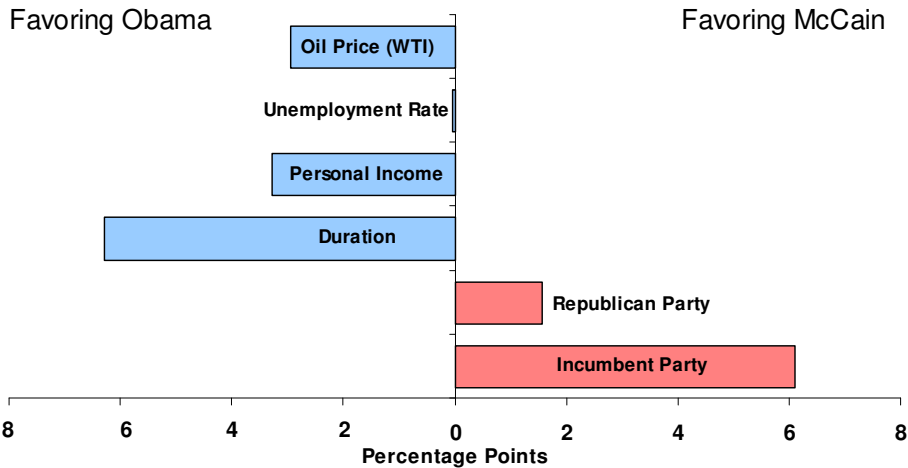
Fair's specification of the model (as shown above) fed with MA's economic forecast made on July 3rd, and a more recently updated projection of the change in oil prices, predicts that Senator McCain will receive about 49½% of the two-party vote (see Table 3). Our version of this model predicts that Senator McCain will receive 45.2% of the vote. In other words, both models show Senator Obama as the favorite in terms of the popular vote, but our preferred specification shows a much wider margin of victory. Table 3 contains the actual popular vote outcome and the prediction residuals from both models over the historical sample.

Table 3
Percent of Popular Vote for Incumbent Party

Election Year	Candidate of		Vote Received By Incumbent Party	Updated Fair Equation		MA Equation	
	Incumbent Party	Challenger		Predicted	Error	Predicted	Error
1952	Stevenson (D)	Eisenhower (R)	44.6	43.7	0.9	45.7	-1.1
1956	Eisenhower (R)	Stevenson (D)	57.8	56.1	1.6	58.3	-0.5
1960	Nixon (R)	Kennedy (D)	49.9	51.9	-1.9	49.9	0.1
1964	Johnson (D)	Goldwater (R)	61.3	61.4	-0.1	60.2	1.1
1968	Humphrey (D)	Nixon (R)	49.6	51.0	-1.4	50.9	-1.3
1972	Nixon (R)	McGovern (D)	61.8	58.0	3.8	60.3	1.5
1976	Ford (R)	Carter (D)	48.9	49.2	-0.3	49.2	-0.3
1980	Carter (D)	Reagan (R)	44.7	45.1	-0.4	45.3	-0.6
1984	Reagan (R)	Mondale (D)	59.2	61.2	-2.0	61.5	-2.3
1988	Bush (R)	Dukakis (D)	53.9	51.0	2.9	53.2	0.7
1992	Bush (R)	Clinton (D)	46.5	47.1	-0.5	45.2	1.4
1996	Clinton (D)	Dole (R)	54.7	53.6	1.1	53.9	0.9
2000	Gore (D)	Bush (R)	50.3	50.4	-0.1	49.2	1.1
2004	Bush (R)	Kerry (D)	51.2	54.8	-3.6	51.7	-0.5
2008	McCain (R)	Obama (D)	?	49.4		45.2	
Winners are shown in bold type.				Standard Error	2.7	Standard Error	1.6

Figure 1 shows the contribution from each of the explanatory variables to the popular vote prediction from the MA model, relative to a 50/50 split. The vote advantage for Senator McCain implied by the Republicans being the incumbent party (as suggested by the incumbent and party variables) is largely offset by the fact that the Republican party has controlled the White House for two terms (as captured in the duration term). This leaves the economic variables to sharply reduce the percentage of the vote Senator McCain could expect and swing the results quite heavily in favor of Senator Obama. An expected 47% increase in the price of WTI will subtract 2.9 percentage points, while weak real disposable personal income growth will subtract 3.3 percentage points from Senator McCain's vote tally, according to this model. The unemployment rate is very near its sample mean and so is neutral in this election. The

Figure 1
Contributions to 2008 Popular Vote



net effect is that Senator McCain would be expected to receive only 45.2% of the two-party popular vote. Further details on the contribution of each of the models' variables to the margin of victory for all the elections in our sample are shown in Tables 4a and 4b in the appendix to this report.

Concluding Thoughts

While there are many factors that determine the outcome of a presidential election, the above analysis suggests that the overall state of the U.S. economy can importantly influence the vote, and at times can prove critical in determining the winner. In the case of the 2008 election, where the influence of the "political" factors are largely offsetting, the poor performance of the economy as measured by income, unemployment, and rising oil prices would be expected to swing the popular vote significantly in the direction of Senator Obama. Indeed, without the contribution of these economic variables, Senator McCain would be slightly ahead, according to this model. It is evident from this analysis that the relatively weak state of the economy constitutes a significant headwind for Senator McCain.

APPENDIX

Tables 4a and 4b contain the contributions of each model variable to the vote *margin* of the incumbent party. Since a one-point swing toward one candidate is a one point swing against the other, these contributions to the *margin* are two times the simple contribution of each term to the vote total of the incumbent party. For example, the constant term or intercept in both models is 56.1. That is, the incumbent party, other things equal, would receive 56.1% of the two party popular vote, implying a 12.2 percentage point margin of victory.

Table 4a
Contributions to Margin of Victory for Incumbent Party
Updated Fair Equation
(percentage points)

Year	Contribution to Margin for Incumbent Party from:							Margin for Incumbent Party	Total Predicted % of Vote
	Incumbent Party	Person	Party	Duration	Growth	Inflation	Good News Quarters		
1952	12.2	0.0	-4.8	-22.5	-2.3	1.8	3.1	-12.4	43.7
1956	12.2	-0.9	4.8	0.0	-5.5	2.5	-0.7	12.4	56.1
1960	12.2	0.0	4.8	-12.9	-2.0	2.4	-0.7	3.8	51.9
1964	12.2	-0.9	-4.8	0.0	3.9	3.6	8.8	22.9	61.4
1968	12.2	0.0	-4.8	-12.9	3.8	0.5	3.1	2.0	51.0
1972	12.2	-0.9	4.8	0.0	4.8	-2.2	-2.6	16.1	58.0
1976	12.2	0.0	4.8	-12.9	1.9	-6.8	-0.7	-1.5	49.2
1980	12.2	-0.9	-4.8	0.0	-8.5	-7.2	-0.7	-9.8	45.1
1984	12.2	-0.9	4.8	0.0	4.4	-2.9	5.0	22.5	61.2
1988	12.2	0.0	4.8	-12.9	-0.3	0.9	-2.6	2.1	51.0
1992	12.2	-0.9	4.8	-16.1	0.3	0.3	-6.4	-5.8	47.1
1996	12.2	-0.9	-4.8	0.0	1.1	2.3	-2.6	7.3	53.6
2000	12.2	0.0	-4.8	-12.9	-1.7	3.0	5.0	0.9	50.4
2004	12.2	-0.9	4.8	0.0	0.1	1.8	-8.3	9.6	54.8
2008*	12.2	0.0	4.8	-12.9	-2.0	1.2	-4.5	-1.2	49.4
2008**	12.2	0.0	4.8	-12.8	-3.0	1.0	-4.4	-2.2	48.9

*Row contains MA forecast values; **Row contains Blue Chip forecast values

Table 4b
Contributions to Margin of Victory for Incumbent Party
MA Equation
(percentage points)

Year	Contribution to Margin for Incumbent Party from:							Margin for Incumbent Party	Total Predicted % of Vote
	Incumbent Party	Party	Duration	Δ Approval if Incumbent Running	Disposable Personal Income	Unemployment Rate	WTI		
1952	12.2	-3.2	-22.0	0.0	-0.1	3.4	1.0	-8.7	45.7
1956	12.2	3.2	0.0	0.0	-2.1	2.1	1.3	16.6	58.3
1960	12.2	3.2	-12.6	0.0	-4.2	0.0	1.1	-0.3	49.9
1964	12.2	-3.2	0.0	0.8	8.4	0.8	1.4	20.4	60.2
1968	12.2	-3.2	-12.6	0.0	1.2	2.9	1.2	1.8	50.9
1972	12.2	3.2	0.0	2.9	1.2	0.0	1.2	20.5	60.3
1976	12.2	3.2	-12.6	0.0	-0.1	-3.2	-1.0	-1.5	49.2
1980	12.2	-3.2	0.0	-3.7	-9.2	-3.1	-2.5	-9.4	45.3
1984	12.2	3.2	0.0	1.2	7.6	-2.8	1.5	22.9	61.5
1988	12.2	3.2	-12.6	0.0	-0.5	0.1	4.0	6.4	53.2
1992	12.2	3.2	-15.7	-6.1	-1.3	-3.1	1.2	-9.7	45.2
1996	12.2	-3.2	0.0	1.6	-1.0	0.4	-2.4	7.7	53.9
2000	12.2	-3.2	-12.6	0.0	2.9	2.3	-3.1	-1.5	49.2
2004	12.2	3.2	0.0	-4.5	-2.7	0.2	-4.9	3.4	51.7
2008*	12.2	3.2	-12.6	0.0	-6.6	-0.1	-5.9	-9.7	45.1
2008**	12.2	3.2	-12.6	0.0	-4.5	-0.1	-7.5	-9.3	45.3

*Row contains MA forecast values; **Row contains Blue Chip forecast values

Table 5
Data Used in the Regressions and Projections

Year	Vote	Person	Party	Duration	Δ Approval if Incumbent Running	Growth	Inflation	Good News Quarters	Disposable Personal Income	Unemployment Rate	WTI
1952	44.595	0	1	1.75	0	0.81	2.36	7	3.15	3.23	0.79
1956	57.764	1	-1	0.00	0	-1.47	1.94	5	2.44	4.13	-0.73
1960	49.913	0	-1	1.00	0	0.96	1.97	5	1.71	5.53	0.55
1964	61.344	1	1	0.00	2	5.13	1.26	10	6.19	5.00	-1.64
1968	49.596	0	1	1.00	0	5.09	3.14	7	3.63	3.53	-0.25
1972	61.789	1	-1	0.00	7	5.81	4.81	4	3.62	5.57	-0.06
1976	48.948	0	-1	1.00	0	3.75	7.63	5	3.17	7.73	14.50
1980	44.697	1	1	0.00	-9	-3.59	7.83	5	-0.07	7.67	24.26
1984	59.17	1	-1	0.00	3	5.46	5.26	8	5.91	7.43	-2.31
1988	53.902	0	-1	1.00	0	2.19	2.91	4	3.01	5.47	-19.01
1992	46.545	1	-1	1.25	-15	2.63	3.28	2	2.75	7.63	-0.24
1996	54.736	1	1	0.00	4	3.14	2.06	4	2.83	5.27	23.46
2000	50.265	0	1	1.00	0	1.20	1.60	8	4.22	4.00	28.52
2004	51.233	1	-1	0.00	-11	2.44	2.34	1	2.23	5.43	40.21
2008		0	-1	1.00	0	0.99	2.70	3	0.86	5.59	46.80
Mean						2.40	3.46	5	3.20	5.55	7.72

Robustness Check

One of the obstacles in estimating a Presidential election model is the limited sample. When estimating a model over a mere 14 observations, one must be aware of the fact that regressors can achieve statistical significance from just one or two observations in the sample. We encountered this same issue in our recession probability models, in which certain regressors were deemed significant over a sample of six recessions when in reality they were only a causal factor for one of them. To test the robustness of the model and stability of the coefficients in such instances, we employ a technique that we call “odd one out,” where we successively remove one observation from the sample, and then re-estimate the model. The purpose of this is to verify that the coefficients are reasonably stable and remain significant in each reduced sample. If, for example, a coefficient loses significance, dramatically changes in magnitude, or even changes sign, this would indicate that a single observation (the one which was removed in that particular iteration) was driving the results for the whole sample. Table 6 shows the coefficient, t-scores, contributions, and the 2008 prediction and confidence intervals of each reduced sample estimate.

The odd-election-out test reveals that the coefficient estimates remain reasonably stable and significant across the successive samples with one observation removed. Two exceptions are the party variable and disposable income, which both turn marginally insignificant at the 5% significance level in the sample which excludes the 1980 election. This suggests that the 1980 election is driving the results for those regressors, opening the possibility that they may have been one-time events and not worthy of inclusion in the model. This occurrence might be a cause for concern. However, the last two panels of the table shows that while some of the coefficients may vary in our odd-election-out analysis, the 2008 contributions and predictions do not. For each estimate, the political variables add between 1-2% to the incumbent’s vote total, while the economic variables take away about 6-7%. Furthermore, all

models predict with 95% probability that Senator Obama will receive more than 50% of the vote. Based on the totality of this analysis we believe the disposable income variable belongs in the model. Nevertheless, re-estimating the model without this term still would leave Senator McCain with only 47% of the two-party popular vote.

Table 6
Results of Odd-Election-Out Analysis

Coefficients															
If Remove:	1952	1956	1960	1964	1968	1972	1976	1980	1984	1988	1992	1996	2000	2004	FULL
Intercept	55.87	56.23	56.23	55.32	56.01	55.72	56.23	57.23	56.22	55.93	56.34	56.04	56.11	56.52	56.11
Duration	-5.89	-6.52	-6.30	-5.81	-6.28	-6.12	-6.12	-6.86	-6.54	-6.31	-6.61	-6.22	-6.62	-6.53	-6.29
Party	-1.48	-1.68	-1.57	-1.89	-1.45	-1.41	-1.62	-0.87	-1.69	-1.55	-1.57	-1.69	-1.59	-1.92	-1.58
Δ Approve if incumbent running	0.21	0.20	0.20	0.25	0.19	0.16	0.22	0.19	0.22	0.21	0.35	0.18	0.19	0.15	0.20
Disposable Personal Income	1.38	1.35	1.41	1.15	1.41	1.46	1.41	0.99	1.80	1.44	1.22	1.45	1.29	1.48	1.40
Unemployment Rate	-0.81	-0.84	-0.73	-0.73	-0.82	-0.73	-0.66	-0.39	-0.41	-0.72	-0.88	-0.77	-0.69	-0.94	-0.73
WTI	-0.08	-0.08	-0.08	-0.06	-0.08	-0.07	-0.07	-0.09	-0.08	-0.07	-0.05	-0.08	-0.10	-0.05	-0.08
T-stats															
If Remove:	1952	1956	1960	1964	1968	1972	1976	1980	1984	1988	1992	1996	2000	2004	FULL
Intercept	89.01	80.30	88.08	79.84	95.99	86.84	96.38	98.01	190.94	89.20	110.45	78.04	81.09	76.93	93.33
Duration	-8.21	-8.52	-9.45	-7.43	-9.14	-9.59	-7.21	-8.70	-11.47	-10.52	-11.60	-9.43	-11.02	-8.70	-10.29
Party	-3.31	-3.91	-3.77	-4.44	-3.68	-3.54	-3.49	-1.23	-6.98	-3.86	-4.90	-4.64	-3.81	-2.96	-4.24
Δ Approve if incumbent running	2.33	2.12	2.03	2.22	2.16	1.86	1.85	2.25	2.95	1.98	4.18	1.81	2.11	1.34	2.26
Disposable Personal Income	4.17	3.48	3.39	2.76	4.13	4.49	3.52	1.82	10.24	3.95	3.40	4.02	3.25	4.00	3.89
Unemployment Rate	-2.40	-2.26	-2.38	-2.74	-2.54	-2.79	-1.28	-1.28	-1.34	-2.45	-3.23	-2.73	-2.22	-2.07	-2.48
WTI	-3.45	-2.72	-2.83	-1.82	-3.91	-2.81	-2.00	-2.43	-2.95	-2.15	-1.69	-2.80	-4.04	-1.38	-2.94
2008 Contributions to the Percentage of the Popular Vote Won by the Incumbent Party															
If Remove:	1952	1956	1960	1964	1968	1972	1976	1980	1984	1988	1992	1996	2000	2004	FULL
Intercept	55.87	56.23	56.23	55.32	56.01	55.72	56.23	57.23	56.22	55.93	56.34	56.04	56.11	56.52	56.11
Duration	-5.89	-6.52	-6.30	-5.81	-6.28	-6.12	-6.12	-6.86	-6.54	-6.31	-6.61	-6.22	-6.62	-6.53	-6.29
Party	1.48	1.68	1.57	1.89	1.45	1.41	1.62	0.87	1.69	1.55	1.57	1.69	1.59	1.92	1.58
Δ Approve if incumbent running	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disposable Personal Income	-2.82	-2.77	-2.88	-2.36	-2.88	-2.99	-2.88	-2.02	-3.69	-2.94	-2.49	-2.97	-2.64	-3.04	-2.87
Unemployment Rate	-0.12	-0.13	-0.11	-0.11	-0.13	-0.11	-0.10	-0.06	-0.06	-0.11	-0.14	-0.12	-0.11	-0.14	-0.11
WTI	-3.47	-3.67	-3.43	-2.70	-3.77	-3.42	-3.17	-4.20	-3.53	-3.03	-2.52	-3.68	-4.38	-2.37	-3.43
<i>Political Variables</i>	1.46	1.38	1.50	1.40	1.18	1.01	1.73	1.23	1.37	1.17	1.30	1.51	1.09	1.91	1.40
<i>Economic Variables</i>	-6.42	-6.57	-6.42	-5.17	-6.77	-6.53	-6.15	-6.28	-7.29	-6.07	-5.14	-6.77	-7.13	-5.55	-6.41
2008 Prediction															
If Remove:	1952	1956	1960	1964	1968	1972	1976	1980	1984	1988	1992	1996	2000	2004	FULL
McCain share of popular vote:	45.40	45.11	45.12	46.70	44.85	44.72	45.55	44.89	44.49	45.31	46.10	44.81	44.32	46.13	45.15
S.E. of regression	1.57	1.65	1.68	1.52	1.55	1.50	1.67	1.55	1.01	1.64	1.36	1.61	1.57	1.62	1.55
plus 2 S.E.	48.53	48.40	48.47	49.74	47.95	47.71	48.88	47.98	46.50	48.58	48.83	48.03	47.47	49.37	48.25
minus 2 S.E.	42.27	41.81	41.77	43.66	41.75	41.73	42.22	41.79	42.47	42.03	43.38	41.58	41.17	42.90	42.05