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## The 2004 Election

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## The 2004 Election Variables and Predictions

By Patrick Anderson

How do pocketbook issues affect the elections? There is a clear connection between economic variables and votes for the incumbent party.... Generally, there are some variables that consistently predict how voters are going to behave. We must recognize that there are some things that we can't explain, but here are five variables that do predict behavior:

1. **Income growth.** This is the pure pocketbook issue. As a matter of fact, people don't use the term pocketbook much anymore, but if they did, probably the purest pocketbook measure is how much money is in your pocketbook, how much earnings you have, how much money you carry around. The pure economic measure is real disposable income, money after taxes and after you take inflation into account, and it clearly affects elections.
2. **Employment.** Growing unemployment unnerves voters. There's an old one armed economist definition. What's a recession? What's a depression? What are good times? Good times are when you have a job and your neighbors have a job. A recession is when your neighbor loses his job. A depression is when you lose your job. Growing unemployment unnerves voters -- less jobs, less votes.
3. **War.** Pretty consistently in a war, especially a full mobilization war like World War I, World War II, and Korea, voters tend to rally around a Commander-In-Chief. They do view wartimes as different times and they have different expectations. And you can see, especially in World War II, consistent and strong support for the Commander-In-Chief. Now, it's interesting that in a limited war this isn't necessarily the case, and there is a whole inconclusive area of research about what a limited war is. What happens in a war like we have right now doesn't seem as clear cut as World War II did. It doesn't mean it's less important, but we don't have the same kind of declaration and conclusion that seem very clear.
4. **Voter fatigue.** After two terms, voters tend to get tired of the same party in office or, perhaps, the elected officials tend to get complacent; there is a statistically significant two term preference for voters. This is very interesting. There is a statistically significant effect that after two terms people are less likely to re-elect the incumbent or the incumbent party.
5. **Third party candidates.** They often affect the election even though they rarely win major states. When I say rarely, that doesn't mean never, it just means rarely. They often affect the election even more, I think, than most people give them credit. In the last election, Ralph Nader didn't win a single state; he got about 2% of the vote nationwide. But he also got about 2% of Florida and the margin in Florida was razor-thin as we all know. The Nader vote in Florida very clearly affected the outcome in that state. The Buchanan votes had almost nothing to do with Florida, but the Nader votes did. The 1992 election is one of the most difficult elections to explain, but Ross Perot had a huge impact. This is a difficult variable to model. The question is what's an important third party candidate? When you have an important one with lots of ballot access and with lots of visibility, it affects the election....

Let's look at 2004 and see where we are. Here are our assumptions for 2004 because we need to make a prediction for this year. Income: income is growing significantly. Now, again, we're using hard numbers here. If you look at income gains across the country there is no question that people's income is growing. In fact, we've had some of the fastest GDP growth since the 1980's and you know how that guy did on the pocketbook issues recently, so income is growing significantly.

Unemployment is dropping. In Michigan our unemployment is higher so maybe the news, locally, has not been as good, but unemployment is clearly dropping fast. If you look at recent good news, we try to figure out not just how George Bush has done on his whole watch but how has he done this year, for the last four quarters. The last four quarters have been the best four quarters for George Bush, so that's all good. So on income, unemployment, and looking at it from a good news perspective, no question, it's very positive for the incumbent.

A limited war. There's a very painful limited war going on. I don't have to tell anybody here about that. I don't pretend to have more specific information than anyone else. Just note that this is a factor that affects, negatively, voter perceptions of the Commander-in-Chief.

Voter fatigue. There's a new party in office so there's little fatigue. If you think back to George Bush the first, it was the third Republican incumbency, and that is one of the factors that can explain that election.

Third party candidates. There's no significant third party candidate of the incumbent's philosophy, but the Nader candidacy could be significant. How significant? I don't know. This will acknowledge we had to make a subjective judgment about whether there's an important third party candidate or not. We said we think there probably will be. So, those are our assumptions for 2004. Now we have to do the prediction.

Our model says income and employment gains for the last two years are without question very strong. The first term for the Republicans means there is little voter fatigue. The Nader candidacy will likely negatively affect John Kerry's vote. The one overriding negative for President Bush is the painful, limited war. Our prediction is that Bush will win reelection by a 1-3% margin nationally.