What happened on November 8, 2016 ?

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"The economy, as an issue, is one of consensus. All voters want a good economy, no voters want a bad economy. No distribution of opinion occurs. Everyone values prosperity. When they see prosperity, they vote for the ruling party, otherwise not."
- Michael Steven Lewis-Beck and Richard Nadeau (2011)

Abstract

Introduction:

Three main questions: We start by analyzing the question from a party-perspective and then move to a specific candidate, in this case being Donald Trump. . . .

The first question of this paper is: - Do county-level economic conditions influence presidential election results in the US? - effect on incumbent vote-share? effect on specific party vote share.
- Did county-level economic conditions play a role in the victory for the Republican party in 2016 elections (i.e. the victory of Donald Trump)?
- Can these economic conditions be found on individual-level survey data for 2016 to substantiate or repudiate the claims made above?

Outline section-by-section details:

Literature Review:

Economic Voting Theory (Authors, Key Variables, Main Idea):

The effect of economic factors on voteshare of a particular party in democratic countries has been widely accepted by scholars all around the world and makes the basis for economic voting theory. When it comes to the United States, this idea of economic voting has been proven time and again through various types of statistical analysis carried out over the period of multiple election years. Kramer(1971), Fair(1978), Tufte(1978), Rosenstone(1983), Hibbs(1987), Erikson(1989), and Holbrook(1991) all have showed the connection between national macroeconomic conditions and election results in the US (**???**).[1] The macro-economic variables that are widely used to determine election outcomes are economic growth, disposable income, (un)employment, job growth, economic volatility, inflation, etc. (**???**). Even in the area of election forecasting, which deals rather with the future outcome than the past, fundamental statistical model is widely used to determine which party will win the elections. The fundamental model takes a chapter from the economic voting theory in the sense that it uses various political and economic variables to determine the outcome of an election. The economic variables used in forecasting also differ and include a range of measures such as:"GDP growth (Abramowitz

[1] Gerald H. Kramer, 'Short-Term Fluctuations in U.S. Voting Behavior', American Political Science Review, 65 (1971), 131-43; Ray Fair, 'The Effect of Economic Events on Votes for President', Review of Economics and Statistics, 60 (1978), 159-72; Edward Tufte, Political Control of the Economy (Princeton, N.J.: Princeton University Press, 1978); Steve J. Rosenstone, Forecasting Presidential Elections (New Haven, Conn.: Yale University Press, 1983); Douglas A. Hibbs, The American Political Economy (Cambridge, Mass.: Harvard University Press, 1987); Robert S. Erikson, 'Economic Conditions and the Presidential Vote', American Political Science Review, 83 (1989), 567-73; Thomas M. Holbrook, 'Presidential Elections in Space and Time', American Journal of Political Science, 35 (1991), 91-109.

2004; Campbell 2004b); GNP growth (Lewis-Beck and Tien 2004); perception of personal finances (Holbrook 2004); prospective personal finances (Lockerbie 2004); leading economic indicators (Wlezien and Erikson 2004); income growth (ibid.); job growth (Lewis-Beck and Tien 2004)" (**???**). Moreover, the realm of economic voting has expanded rapidly over the years with new variables, definitions and processes attached to it. While classical economic voting theories have viewed economy as a valence issue, Lewis-Beck and Nadeau (2011) examine positional and patrimonial economic voting (**???**). In their examination, they analyze the different preferences voters have on different economic policy issues and also the economic status of the voters (**???**). Similarly, seeing the rise of globalization all over the world and its impact on the economy, Jensen et. al (2016) claim that trade contains information that growth and employment do not explain and hence include macro-economic indicator such as U.S. trade balance as an explanatory variable for national-level voting (**???**). Some scholars see economic voting along-side other non-economic determinants of election outcome and analyze if the effect of the economy still holds true. In one example, Kayser and Wlezien (2011) claim that in the event of strong partisan effects (i.e. voters are strongly tied to a particular party), the effect of the government's performance (which can be seen as its economic performance) has little effect on vote shares (**???**).

The proponents of economic voting agree and disagree with each other on a few aspects. The agreement lies in the idea of analyzing the economic vote through the perspective of an incumbent. The main idea behind economic voting is that voters assess the performance of the incumbent party or candidate and use their vote as a means to determine either to reelect them or to choose the opposition candidate or party. Key's (1970) retrospective model uses bounded rationality theory to claim that voters use their vote as either a reward or a punishment depending on how the incumbent government performed (**???**). One key question that arises here is: which time period do voters have in mind when they decide to reward or punish the incumbent. The answer to this question depends on several factors: theory, availability of data, actual economic performance vs perception of the economy, and media's effect, to name a few. Ebeid and Rodden (2006) claim that relevant academic literature operationalize real per capita income (RPCI) as a one-year growth rate, and unemployment as an absolute level or first difference when constructing economic voting models (**???**). What this means is that voters compare the economic condition of the election year to that of the previous year. Eisenberg and Ketcham (2004) carry out a scientific examination of each of the four years in a presidential term against vote share and conclude that the most recent year explains a vast majority of the impact of economic performance (**???**). A lot of this also depends on the availability of the data. While more recent academic papers have been able to utilize the plethora of data available via various government and private agencies to carry out in-depth analyses, past papers lack such privelege. *This is evident in the fact that XXXX in year XXXX uses the absolute unemployment level while YYYY in year YYYY uses something else, to do the exact same type of analysis.* Another factor that is worth noting is that due to the growing influence of partisan media on voters, there is a possibility that voters may not even base their preference based on actual economic performance but rather on their perception or forced perception of the economy. _ cite something from the article about fox news effect_.Both the candidates and the media put strong emphasis campaigns, advertisements, conventions, debates, controversies, all with the hope of generating a late swing in their favor. This suggests that the absolute or relative, or actual or perceived, economic effects can shape a voter's behavior much nearer to the election date. However, this is a debated topic because Gelman and King (1993) claim that voters cast their votes based on their "enlightened preference." (**???**) They assert that voters do have incomplete information and that their knowledge does get expanded over time through different campaign events leading up to the election day, however, throughout this period they inform themselves with the true values of the fundamental variables and their appropriate weights (**???**). While analyzing whether people vote correctly, Lau and Redlawsk place "correct" voting as a middle ground between individual choice and social choice and therefore define it as the individual choice made under conditions of full information (**???**). They also conclude, through their analysis of US presidential elections, that most of time citizens do vote correctly. Combining Gelman's analysis with Lau and Redlawsk's gives a premise for this paper to analyze the US Presidential elections through the angle of economic voting.

Economic voting theory also brings the question of whether voters reward/punish incumbent parties or incumbent candidates. Tufts's (1978) "election-as-a-referendum-on-the-government" idea and Norpoth's (2010) "cost of ruling" idea showcase that incumbency is seen with skeptic eyeglasses and an unavoidable time-induced bias. *cite Tuft here, although this is taken from Lewis-beck2005* (**???**). However, they don't explain whether the effects fall on the shoulder's of an incumbent party or candidate. While most studies place candidates and parties under the same umbrella, Eisenberg and Ketcham separate the two entities and claim that voters do not hold incumbent candidates “additionally”" accountable although they hold incumbent parties responsible (**???**). This seems contrary to the idea that economic voting is more significant for incumbent candidates than for incumbent parties with new candidates *cite Nadeau and Lewis-Beck 2001 from Eisenberg2004*. It is also important to note that voters may not assign their economic vote for or against the incumbent but assign it for or against a party, regardless of the incumbency. This happens under issue-priority theory, where voters relate certain economic policies with certain parties and vote for the party that is concerned with solving that issue even if the country is not performing so well under that party in that particular issue (**???**). *give example*

Macro-level analysis vs Regional Analysis (States and Counties):

Individual-level analysis (Survey Questions, variables used in the past):

Background:

US Election Peculiarities:

electoral college swing states term limits media debates difficult to incorporate all of them, but in this paper, we will take on a few of them such as swing and non-swing states and other demographic variables that we will discuss later. After looking at the ANES survey data we can decide which of the other peculiarities we can incorporate into our model, for now no need to worry about it, since the main focus is on economic voting and hence economic variables.

Methodology:

Key variables: Data sources, Justification, any manipulation/omission/cutting/merging/procedure

Dependent Variable:

Vote share (Republican Party) or Vote share (Democratic/Incumbent Party) or Difference in vote share between the two parties. In old literature, the second one is used often. However, in the modern literature the third one is used. In the case of this paper, the main question circles around Trump and hence the first variable may work best. *Ask for advice?*

Independent Variable:

-Education (replace this with the data from census API) -Demographic Data from Census (male, female, ethnicity, religion, education) -Unemployment -Per capita income -Employment in industry -Current Transfer Receipts -Adjustment for Residence -Dummy for incumbent party -Rural or urban county

Key Processes: Descriptive summary, inferential statistics(using OLS, fixed effects, etc.)

Model Specification and Hypothesis:

-Hypothesis -Regression Equation -Discussion of Different Biases and ways to resolve them -Robustness Discussion

Analysis:

First Question:

Second Question:

Third Question:

Conclusion:

Appendix:

(Test results of all the tests, graphs, tables, plots, etc. that don't go in the main body of the paper.)

The voteshare of an incumbent presidential candidate in a state is regressed against the general economic conditions of the state, which can be measured by the change in a state's unemployment rate and the percentage changes in real per capita personal income (Abrams 1980). Previous vote share for the incumbent party is also introduced as an independent variable (Abrams 1980). He claims that voters hold presidents accountable for changes in state-level economic conditions therefore cutting certain programs in strongly dominated states and moving them to closely contested states may improve the chances of reelection for the incumbent (Abrams 1980). He also claims that abolishing the electoral college and permitting popular votes to determine presidential outcomes can outweigh the efforts of such state-level redistributive policy (Abrams 1980). The fact that Donald Trump's victory was highly dependent on the electoral college, since he lost the popular vote by almost XXXXXXXXX votes, and driven by a few contested states in the Rust Belt, show with even more significance the effect of regional economic conditions on vote share. *can this model be applied at a county level, since it is simply a smaller geographical setting and more representative since it is closer to the individual level a dummy for Southern States was taken* (Abrams 1980).

Curry (**???**) suggests that a lagged dependent variable would not be appropriate in this case since the relationship between the economy and the vote for president is not theorized as dynamic. He writes, "the data points are four years apart so it is unlikely that the performance of the economy at time t would be strong enough to significantly influence the vote for president four years in the future at time t + 1 or eight years in the future at time t + 2" (**???**).

In economic voting, incumbents are given utmost importance because people often relate economic performance with the incumbent party or candidate. Hence, if the economy is doing well, it helps the incumbent party or candidate and if it is doing bad it hurts them. *it would be interesting to see how people assign blame for their economic conditions on the President even if their regional governor or majority representation in the house may be from the non-incumbent's party.* Moreover, Curry (**???**) writes that economic influence on the vote for president has been continuous and is not necessarily dependent on federal government control over the economy.

Three main inferences made by Bartels(Bartels 2005) are: - The white working class has not abandoned the Democratic Party. - The white working class has not become more conservative. - Working class moral values do not trump economics.

Bartels (Bartels 2005) uses family income levels to categorize voters in terms of their economic status. He places families with incomes in the bottom third of the income distribution under "low income" or "working class" thus differentiating them from the middle and upper class families. *how do we operationalize this is terms of county-level economic data.*

Bartels (Bartels 2005) illustrates the Democratic share of the two-party presidential vote among white voters in the bottom third of the income distribution and in the top third of the income distribution. He attributes the loss of support from white voters to Democratic candidates to the middle and upper income groups, while claiming that support for Democratic candidates has increased among low-income white voters. *see what happens when we see the actual county-level economic data on family income alongside Democratic or Republican voteshare see what happens when we see the actual county-level economic data on family income, in areas with majority whites vs majority non-white, and see what happens see what happens when we see the actual county-level economic data on family income, in areas with majority whites, in rural vs urban counties, and see what happens*

While survey data is useful in forecasting, the actual data we use can give a better picture of voter behavior since it captures the reality of after the election has taken place. However, based on the actual data, we are not able to measure party identification, since there is no way to know the individual preferences of voters. Nevertheless, based on how the result in a certain county turned out, we can get an idea about the actual preference of the majority of voters of that county.

Bartels (Bartels 2005) argues that "Democratic identification declined by 18% among low-income whites (from 22% in 1952 to 4% in 2004) and by 29% among high-income whites (from 11% to ???18%)." But he mentions that "However, it seems odd to attribute the Democrats' problems to the white working class when the corresponding decline among more affluent whites is so much larger."

Although one individual has one vote, the value of that vote may be different. *can we see if the 18 percent decline among low-income whites (and seeing where they are concentrated) has more impact on the electoral outcome than the 29 percent decline among high-income whites who may be concentrated in bigger cities and urban areas and democratic states.*

Bibliography:

Abrams, Burton A. 1980. "The Influence of State-Level Economic Conditions on Presidential Elections." *Public Choice* 35 (5): 623–31.

Bartels, Larry M. 2005. "What's the Matter with What's the Matter with Kansas ?"