Table 1

Incumbency-Based Forecasting Model for US Presidential Elections

	1952–2008		1952–2012	
	b	t	b	t
National Conditions	0.42	6.63	.39	6.29
Open Seat	17.49	2.47	14.88	2.10
National Conditions* Open Seat	−0.27	−2.92	−.24	−2.58
Constant	21.20	4.22	23.80	4.92
N	15		16	
Adj. R^2	0.81		.78	
R.M.S.E. (sample)	2.54		2.60	
R.M.S.E. (out-of-sample)	3.29		3.66	
Mean Absolute Out-of-Sample Error	**2.39**		**2.49**	

Note: The dependent variable is the percent of the two-party vote won by the incumbent presidential party.

points) is somewhat higher than the average out-of-sample error from 1952 to 2008 (2.4 points). Although the forecast was off the mark, the addition of the 2012 result to the data set does little to change the slope estimates, and the overall fit of the model is only slightly worse (table 1).

The updated model still points to the importance of incumbency as a conditioning variable: incumbents are given more blame or credit for existing national conditions. In 2012, President Obama did not bear the full brunt of tepid approval ratings and generally negative evaluations of personal finances. There are a number of plausible explanations for this—including differences in campaign strategies—and they all may have played some role. From the perspective of a forecasting model, however, the 2012 election represents another useful data point to add to the pool of experiences from which we can generate future predictions.

ECONOMIC EXPECTATIONS AND ELECTION OUTCOMES

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At its most basic level, this forecast of the 2012 presidential election performed successfully. The model forecasted the reelection of President Obama. With 53.8% of the two-party vote; he ended up with 51.8% (as of November 28, 2012), yielding an error of 2.0 percentage points. Prior to 2012 the average out-of-sample forecasting error was 3.34 points. Here, the model does better than the average of the previous years by almost a point. Running the model with the added data point does not change matters appreciably. The economic item increases slightly and the logged time in the White House item weakens slightly. The overall fit of the model is just a bit lower.

The results of the House of Representatives model were not quite as accurate. The model forecast that the Republicans would pick up 10 seats. Instead, they lost nine seats (as of November 13, 2012). The model was off by 19 seats and the average out-of-sample error prior to 2012 was 15 seats. One possibility for this result is that the larger than average error might be the result of the first election after redistricting. An examination of the out-of-sample forecasts does not support that conjecture.

Looking forward to 2016, the incumbent party will be at a disadvantage. Given that the Democrats will be seeking a third term, the nation will have to be less pessimistic than is typical for the incumbent party to emerge victorious. If the electorate is as pessimistic in 2016 as they were this election season, the Democrats will lose handily.

FISCAL MODEL FAILURE: A MEASUREMENT PROBLEM? A PRELIMINARY ASSESSMENT

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The Fiscal Model of presidential elections not only failed to predict that President Obama would win reelection handily, but the error incurred in the forecast of the incumbent share of the two-party vote was such (46.9% *vs.* 51.8% or more) as to warrant a rating of "inaccurate" or "quite inaccurate" in Campbell's table of benchmarks for evaluating forecasts (Campbell 2012, 611). This recap is a preliminary assessment of what went wrong.

Five predictors make up the Fiscal Model. Two measures of the economy, a weighted index of length of party reign and the party of the incumbents are borrowed or adapted from Fair (2012). Finally comes fiscal policy, the variable after which the model is named, categorized as expansionary or contractionary on the basis of quadrennial changes in F, the share of gross domestic product taken up by federal outlays, from one presidential election year to the next (Cuzán 2012).

Fiscal policy is a potent predictor of incumbent victory or defeat in presidential elections. Normally, incumbents under whose administration federal spending relative to GDP falls or decelerates are reelected, while those who pursue an expansionary fiscal policy are not. It is this relationship that prompted me to ask as early as the spring of 2009 whether Barack Obama would turn out to be a one-term president. As I wrote at the time, "The most recent estimate for 2012 is that federal outlays will take up 24.3% of GDP, up 3.5% points since 2008. This is the second-largest peacetime increase from one election year to the next since 1880, edged out only by Franklin D. Roosevelt's first-term surge of 3.6% points" (Cuzán 2009).

The Roosevelt parallel was not lost on President Obama. In his acceptance speech at the Democratic National Convention he invoked FDR's name. Elsewhere he has done so indirectly, by claiming to have "inherited the worst economy since the Great Depression." The electorate appears to agree with this claim: exit polls on Election Day show that a majority blames George W. Bush for the poor economy. If that is the case, there can be little doubt that in 1936, too, most voters held Hoover responsible for the economic problems with which FDR was wrestling.

But if the electorate rationally parcels out blame for a depressed or recessionary economy between a Democratic

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president and his Republican predecessor, might it not do the same with fiscal policy? After all, during a president's first year in the White House spending is largely a function of the previous administration. It was in the fall of 2008 that the bank and auto bail-outs were enacted into law. So neither Mr. Obama nor his party is accountable for any but a relatively small portion of the enormous spike in outlays, from 20.8% of GPD in 2008 to 25.2% in 2009. Actually, as economists Paul Krugman and Mark Thoma pointed out, from 2010 to 2012 spending under Obama was relatively restrained. Indeed, after peaking in 2009, F drifted down a bit, settling at 24.3% this year.

To test this idea systematically, I proceeded as follows. In cases of a president in the first term of a new party reign, fiscal policy was measured not between presidential election years, but between the current year and his first year in the White House. Starting with the 1916 election which, following Fair, is the first in the series for estimating the Fiscal Model for forecasting purposes, this includes the first or only reelection bids of Wilson, Coolidge, F. D. Roosevelt, Eisenhower, Johnson, Nixon, Carter, Reagan, Clinton, G.W. Bush, and Obama. In the remaining 14 cases, the original fiscal policy value was retained. This resulted in two coding changes, both from an expansionary to a contractionary fiscal policy: Reagan and Obama.

The estimate of the model with the revised values for fiscal policy is similar to that published in the October issue (Cuzán 2012, 649). The coefficients undergo marginal changes. Also, in out-of-sample forecasting the mean absolute error of the model with either the traditional or the revised values of fiscal policy is less than 2%. But the difference in the forecast for 2012 is dramatic: whereas with the unrevised measure Obama was predicted to lose with 46.9% of the two-party vote, now it shows him winning with 51.1%.[1]

Conclusion

A preliminary assessment of this year's Fiscal Model failure suggests that the problem lay in the miscoding of Obama's fiscal policy, a measurement error caused by the spill-over in spending from the last year of the Bush administration into his own term. By recalculating the change in spending from the first to the fourth year of all presidents in the first term of a new party reign, including Obama, the Fiscal Model yields an accurate forecast for 2012.

NOTE

1. Space limitations do not allow display of model estimates, data, or a full list of references. By the time this article is published, all this will be available in an expanded version of this essay, available on my publications page (http://uwf.edu/govt/CuzanPublications.htm) and at ssrn.com.

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AGGREGATION AND ENSEMBLES: PRINCIPLED COMBINATIONS OF DATA

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Perhaps *the* major story in forecasting the 2012 election is the growing awareness of the benefits of aggregating multiple sources of data for improving prediction. Most prominently, polling analysts including Simon Jackman, Drew Linzer, and Nate Silver made the strong case, ultimately validated by the election results, that combining information from multiple polls gives a better picture of the electorate than any poll analyzed in isolation.

Our approach, ensemble Bayesian model averaging (EBMA), draws on this same basic intuition, even if the specifics differ considerably from the poll aggregation methods referenced earlier. Instead of creating the single "best" forecasting model, EBMA aims to "combine the intuition, theories, and concepts implicit in all of the forecasting models presented in this symposium to make an accurate out-of-sample prediction" (Montgomery, Hollenbach, and Ward 2012a, 651).

Although no single election can validate the ensemble approach, the performance of EBMA in 2012 was encouraging. The final outcome, 51.8% of the vote for President Obama, was well within our 95% predictive credible interval [46.4%, 52.5%] . Our point prediction, the median of the predictive posterior, was 50.3%. Thus, our prediction was off by about 1.5%. Of the ten forecasts included in the ensemble, only the Abramowitz, Erikson and Wlezien, and Campbell (Trial-Heat) models offered a more accurate prediction with absolute errors of 1.2%, 0.8%, and 0.2% respectively. Indeed, we especially give credit to these authors, whose accurate forecasts of the 2012 outcome contributed so much to the ensemble's performance. The Trial-Heat Model and especially Abramowitz's Time for Change Model were among the most heavily weighted in the ensemble. EBMA's reliance on them was based, in part, on their previous accuracy, which they repeated this cycle.

EBMA's strong performance provides additional support for the notion that more information is better. Yet, note that EBMA does not simply aggregate forecasts without respect to their past performance. For the purposes of this symposium, we weighted forecasts based on the accuracy of each model's pseudo-forecasts (their in-sample predictive ability). Elsewhere, we took the more stringent approach of evaluating forecasting teams based on their true out-of-sample forecast made in advance of elections (Montgomery, Hollenbach, and Ward 2012b). In either case, models that provided less accurate forecasts received less weight. This discrimination is why EBMA, in general, outperforms more naïve approaches to aggregating forecasts. The mean prediction of the models included in our ensemble was 50.0 and the median was 49.4; the EBMA aggregation performed considerably better than

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