the same set of considerations and in similar ways as previous elections. Campaigns matter and many of their effects are common and themselves predictable. Competition, incumbency, and the pre-existing economy structure many predictable campaign effects, while some additional effects are unpredicted, perhaps unpredictable, but fairly minor (a point or so). This later category of effects encompass all the unforeseen gaffes and maneuvering in the campaign. The assumption of a normal campaign is implicit in using past elections to estimate the forecasting equations. The September events of this election season violated the normal election assumption—big time.

The Wall Street meltdown was an unforeseen game changer. It was not even mentioned in either party's nominating conventions, yet it dominated the campaigns within days of the conventions. Commonly acknowledged as the greatest economic crisis that the nation had faced since the Great Depression, the meltdown began on September 7 with the federal government bailout of Fannie Mae and Freddie Mac. A week later, financial giants like Lehman Brothers, Merrill Lynch, AIG, and Washington Mutual were on the brink of or in bankruptcy. A few days later the president asked Congress to pass an emergency economic stabilization bill, what became known as the $700 billion bailout bill. After initially defeating the Senate-passed bill, the House then passed and the president signed a second version. Meanwhile, the stock markets went into a nose dive. In the space of one month, they lost about a quarter of their value (as measured by either the Dow Jones or the Standard and Poor's indexes). In the steady drumbeat of this economic calamity, McCain's poll standing dropped about seven points. President Bush's approval rating, already in the cellar, dropped by a like amount. Unlike any election in modern history, the 2008 presidential campaign had been derailed by an entirely unanticipated and unpredicted external event. As its absence from the wide-ranging agendas of the conventions attests, no one saw it coming.

An Unpredicted and Unpredictable Election

Some of my colleagues may claim that their retrospective-based models were quite accurate in forecasting this election. Under the circumstances, I think that whether a forecast was close to or distant from the vote this year is largely a matter of good or bad luck. Nothing in any of the models would have either directly or indirectly anticipated the effects or the timing of the Wall Street meltdown. Nothing. Retrospective models based largely on late summer approval ratings do not explain why the election was so closely fought in the month before the conventions, nor do they account for why McCain led Obama in the post-convention polls (through September 15 in Gallup and September 17 in the RealClearPolitics' average of polls, and this does not take into consideration the undercount of Republican support because of turnout differences between registered partisans), and they certainly do not explain why the biggest financial crisis to hit the country since the Great Depression amazingly left their forecasts intact.

Presidential approval ratings in midsummer have historically been related to the early September poll standings (explaining why the retrospective models have worked in the past). Since 1948, all nine in-party candidates whose presidents held 46% or higher approval ratings in July were also early September poll frontrunners. Conversely, of the seven in-party candidates whose presidents were sub-46% in July approval ratings, each trailed in the early September polls—with one exception, John McCain this year. Despite President Bush being tied for the lowest July approval rating in an election year since 1948, McCain led Barack Obama in early September (52.7% in Gallup and 51.5% in RealClearPolitics). If the retrospective models were working, Obama should have held large leads both before as well as after the conventions, but he did not.

How was it possible for McCain to have overcome the considerable burden of President Bush's low approval rating and to defy the expectations of the purely retrospective forecasting models and hold the lead in early September? First and most obviously, open-seat elections are less retrospectively oriented than incumbent elections. As McCain continually insisted, he was not George W. Bush and voters understood the difference. Second, most of the loss of President Bush's positive job approval ratings between his reelection in 2004 and July of 2008 was among Republicans. In his second term, Bush's approval dropped only four points among Democrats (from 11% to 7%). Among Republicans, it dropped 26 points (from 93% to 67%). Along with some independents, McCain could draw many of these Republicans disgruntled with President Bush back into the fold. What McCain could not do was to hold these votes with the additional weight imposed by September's Wall Street collapse.

NOTES

1. Gallup's poll of registered voters is used throughout and in the estimation of the models. However, to check on the robustness of the forecast, I also examined RealClearPolitics' poll averages. The two series were substantively similar. Using the RealClearPolitics' poll average in the forecast models produced a forecast of 51.7% for McCain in the main model and 51.3% in the Convention Bump Model.
2. This is based on incomplete and unofficial returns as of November 19, 2008.

THE PRIMARY MODEL IN 2008

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The Primary Model predicted that Barack Obama would win a narrow victory with 50.1% of the major-party vote. Obama surpassed that forecast by just a little more than one standard error (2.5). How come the model came as close as it did with a forecast issued as early as January? What prevented it from coming even closer? And what might be done to improve the model?

To recapitulate, the key predictor of the model is the performance of the candidates in the New Hampshire primary. Obama's showing, by historical standards, was respectable for a candidate of the opposition party, even though he came in second. John McCain's showing, in turn, was below par for a candidate of the White House party, even though he won there. Granted, Obama surpassed his New Hampshire performance in other nomination contests. Had Obama done as well in New Hampshire as he did in the Iowa caucuses, for example,

https://doi.org/10.1017/S104909650922035X Published online by Cambridge University Press

the model would have awarded him a vote share (51.1%) closer to the outcome in November. So it might be wise to use a broader measure of primary performance to predict the vote in November.

The model's other predictor exploits a cyclical dynamic of presidential elections. When a party has controlled the White House for two terms, as Republicans did the last eight years, the opposition party often has a better than even chance to win the next election. For 2008, however, the cyclical component on its own would have predicted a Republican victory. How so? One, the operation of the cycle was muted due to the closeness of the 2000 *and* 2004 elections. What is more, this dynamic was disrupted in 2000, when the winner of the popular vote failed to prevail in the Electoral College. But that is the kind of rare event that must be left to random error.

Even so, and without considering an unpopular president, a faltering economy, and a meltdown on Wall Street during the election campaign, the Primary Model was able to pick the winner of the 2008 election months ahead of time and well within two standard errors.

RACE BLUNTS THE ECONOMIC EFFECT? THE 2008 OBAMA FORECAST

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In summer 2008, our Jobs Model forecast a Democratic presidential candidate two-party popular vote share of 56.6%, which would deliver the incumbent party the biggest defeat of any post-World War II contest (Lewis-Beck and Tien 2008). However, we argued, from our analysis of different experimental and observational evidence, that this unprecedented victory would be prevented by racially intolerant voters. We estimated the net racial cost of being a black candidate and corrected our overall forecast downward to 50.1% for Barack Obama. The unparalleled economic crisis, initiated after the release of our summer forecasts, prompted a reconsideration; the unique shock to the economy was no ordinary campaign perturbation. We calculated that the ensuing boost to anti-incumbent economic voting would add approximately two percentage points to the opposition; therefore, we issued a public revision of our forecast to 52.0 % for Obama (Lewis-Beck 2008). We are pleased that this final forecast fell so close to the actual result of 53.5%. Nevertheless, we contend the actual result should have been much closer to our original forecast. Given the dismal state of the polity and the economy prior to the election, the Obama victory should have been much bigger, as we show below.

Comparing 2008 to Other Bad Years

According to our model indicator of economic growth (GNP percentage change over the first six months of the election year), the worst years in the series are 1952, 1956, and 1980. Suppose we conduct out-of-sample forecasts for each of these contests (estimating the incumbent vote share on the basis of the model observations minus the year forecast). The errors are small (1952 = –0.52; 1956 = 2.67; 1980 = –0.86) when compared to the 2008 error of 3.1 (i.e., forecast = 43.4%; actual = 46.5%). Consider 1980, which may be the election season most comparable to 2008, in terms of political and economic woe under the ruling party. Going into that election, the country faced stagflation, high oil prices, and a dramatic hostage situation abroad. The 1980 incumbent party candidate, Jimmy Carter, got 44.7% of the vote; the 2008 incumbent party candidate, John McCain, got more, 46.5%

Looking at the within-sample residuals, one sees a similar pattern: 1952, 1956, and 1980 are closely predicted by the model (i.e., –0.38, 1.22, and –0.17, respectively). Also, the model generally does well for the worst years according to our other economic variable, job creation. With respect to job creation, the worst years for growth are 1992, 2004, and 2008. The former two yield modest errors, respectively, of –0.94 and –0.67. However, for 2008 the error is 2.33, the biggest residual in the series. In 2008, the economic variables—GNP and job creation—did not deliver with their usual force.

Bailout Effects, Blunted by Race?

Clearly, Obama benefited from the economic voting the bailout engendered. We would like to formally incorporate this effect into the model, suggesting at the same time that economic voting was diminished by the role of race. The model, like most other statistical forecasting models, relies on measures taken in the summer. As long as the subsequent campaign operates within usual bounds, this measurement assumption poses little difficulty. However, when a major shock occurs post-measurement, as happened with the autumn economic and leadership crisis, it behooves the sensible forecaster to consider its impact. Therefore, as an exercise, we use more current estimates for the model's independent variables, namely Jobs (from January 2005 through October 2008) = 4.95; GNP × E (from second quarter data updated October 30) = 0.37; Incumbency Advantage = 0 (as before); presidential approval (for October) = 25. Plugging these independent variable values into the Jobs Model (Lewis-Beck and Tien 2008, 688) yields a McCain forecast of 41.3% and an Obama forecast of 58.7%. This forecast, even more so than our original, bespeaks an Obama landslide. While his victory was comfortable, it was not a landslide. We argue that the expected landslide did not materialize, because a portion of the electorate could not bring itself to vote for a black candidate. What portion? In our paper, we estimated that number, on net, at 11.5%. If we apply that correction to this current Obama forecast, we get 58.7 × 0.885 = 51.9 %. This estimate is very close to the two-party popular vote share that candidate Obama won.

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https://doi.org/10.1017/S104909650922035X Published online by Cambridge University Press