

FORECASTING THE 2008 PRESIDENTIAL ELECTION WITH THE
FISCAL MODEL: THE CHALLENGE MET

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The presidential elections forecast made with the fiscal model three months before Election Day put the incumbents' share of the two-party vote (VOTE2) at 48% (Cuzán and Bundrick 2008). As of the time of this writing, it appears that they took a little less than that (around 46.6%). The error is less than 2.3%, which is Campbell's "benchmark" for a "quite accurate" forecast (Campbell 2008, 680). This is the second time in a row that the fiscal model ranks among the best performers (Campbell 2005, 23).

Five predictors of VOTE2 make up the fiscal model: the PARTY of the incumbents (Republicans do better than Democrats); DURATION, an index of their time in the White House (borrowed from Fair 2006), which reduces VOTE2 with every additional term beyond the first; GROWTH in *per capita* gross domestic product in the third quarter of the election year and ALLNEWS, the number of quarters during which GROWTH exceeds 3.2%, both variables (also borrowed from Fair 2006) enhancing the in-party's prospects at the polls; and changes in the ratio of federal outlays to GDP, measured by a binary variable, FISCAL or FPRIME. Generally, incumbents that restrain budget expansion retain control of the White House and those who do not are defeated in their bid for reelection. Almost always, FISCAL and FPRIME agree in their rating of fiscal policy and hence in their forecasts. As explained in the October issue, on account of the Bush presidency's unprecedented fiscal policy, this year they did not: FISCAL forecast reelection and FPRIME defeat. We had to decide which one better fit the case.

For the reasons we gave in October, we concluded that FPRIME did. The election outcome suggests that our choice of spending measure was correct. The challenge to the fiscal model posed by the 2008 election was met.

Incidentally, the original forecast relied on Fair's July 31st projections of GROWTH and ALLNEWS. On October 31st, Fair updated both variables with the latest BEA data. ALLNEWS did not change but GROWTH dropped from 1% to 0.22%. Entering the revised value into the fiscal model with FPRIME brings the forecast even closer to the actual, at 47.6% for the incumbents, only 1% off.

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