

# BATTLEGROUND STATES

## **“View From the Battleground States”**

Expert Call with Professor Ken Bickers hosted by Hedgeye Risk Management.







University of Colorado **Boulder**



# Disclaimer

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## Election News: View from the Battleground States

- Kenneth N. Bickers, Professor of Political Science, *University of Colorado Boulder*, for Hedgeye Risk Management, LLC, October 24, 2012.
- A preliminary 2012 presidential election forecast was published in *PS: Political Science and Politics*, vol. 45, no. 4 (Oct. 2012), pp. 669-674.
- Final forecast released by Michael J. Berry and Kenneth N. Bickers, October 3, 2012, and is available from the University of Colorado Office of Media Relations by contacting *Peter.Caughey@Colorado.edu*.



# Electoral College Model

- Presidential elections are determined by the Electoral College, which is itself a product of contests that occur simultaneously in the 50 states plus the District of Columbia.
- We leverage variations in state-level economic and political factors to generate forecasts of election results for 2012 in each of these 51 jurisdictions.
- Premise: Economic fundamentals are the touchstones of voting behavior in presidential contests, driving support for the in-party up or down in a state depending on economic performance in the state, as well as the nation.



# Electoral College Model: Four Types of Variables

- 1) Prior two-party presidential vote percentage in each state
- 2) Where the incumbent's party stands in an election/reelection cycle (e.g., incumbent seeking reelection or incumbent's party seeking White House for 3<sup>rd</sup> or higher term)
- 3) State level factors (e.g., home states of presidential candidates)
- 4) Economic fundamentals in each state



# Electoral College Model: Economic Fundamentals

- 1) Unemployment at the national and state levels
  - Measure used is U3 seasonally adjusted. In the final estimate, we use the August figures. Preliminary model used May figures
- 2) Percentage change in real per capita non-farm income at the state level from Q4 of prior presidential election year to current election year.
  - In the final estimate, we use presidential election year Q2, relative to Q4 of prior presidential election year. Preliminary model used Q1.
  - Income figures are deflated using GDP implicit price deflators for appropriate quarters
  - Capitation of figures uses Census counts of population in each year. Caveat: 2012 figures have yet to be released. As a proxy for 2012, we use 2011 state population counts.

# Electoral College Model: Data

- 1) Baseline model uses eight election cycles, 1980-2008, in the generation of parameter estimates.
- 2) Baseline provides estimates for 408 contests (8 elections x 51 jurisdictions).
- 3) Potential for EC vote splits *within* Nebraska & Maine are *not* modeled.



# Electoral College Model: Ohio 2012 as an Example

Independent Variable	Parameter Estimate	Ohio Values in 2012	Vote Components
State Two-Party Vote Percent of In-Party Lagged	0.99	52.34	51.93
First Term Incumbent	9.15	1.00	9.15
Incumbent Party is Democrat	16.66	1.00	16.66
In-Party Candidate Home State	2.18	0	0
Lagged In-Party Candidate Home State	-3.09	0	0
Out-Party Candidate Home State	-3.54	0	0
Lagged Out-Party Candidate Home State	3.79	0	0
National Unemployment Rate (August), when In-Party=Dem	-3.33 <sup>@</sup>	8.10	-26.97
State Unemployment Rate (August), when In-Party=Dem	0.40 <sup>&amp;</sup>	7.20	2.88
State Personal Income Change (Q4 prior el. yr. to curr. Q2), when In-Party Dem	0.01 <sup>+</sup>	3.19	0.03
Constant	-9.59	1.00	<u>-9.59</u>
Forecast Two-Party Popular Vote for In-Party in Ohio			44.12
<sup>@</sup> Coefficient comprised of two components: 0.071 when in-party=GOP plus -3.396 when in-party=Dems			
<sup>&amp;</sup> Coefficient comprised of two components: 0.297 when in-party=GOP plus 0.103 when in-party=Dems			
<sup>+</sup> Coefficient comprised of two components: 0.254 when in-party=GOP plus -0.245 when in-party=Dems			
Totals subject to rounding error.			



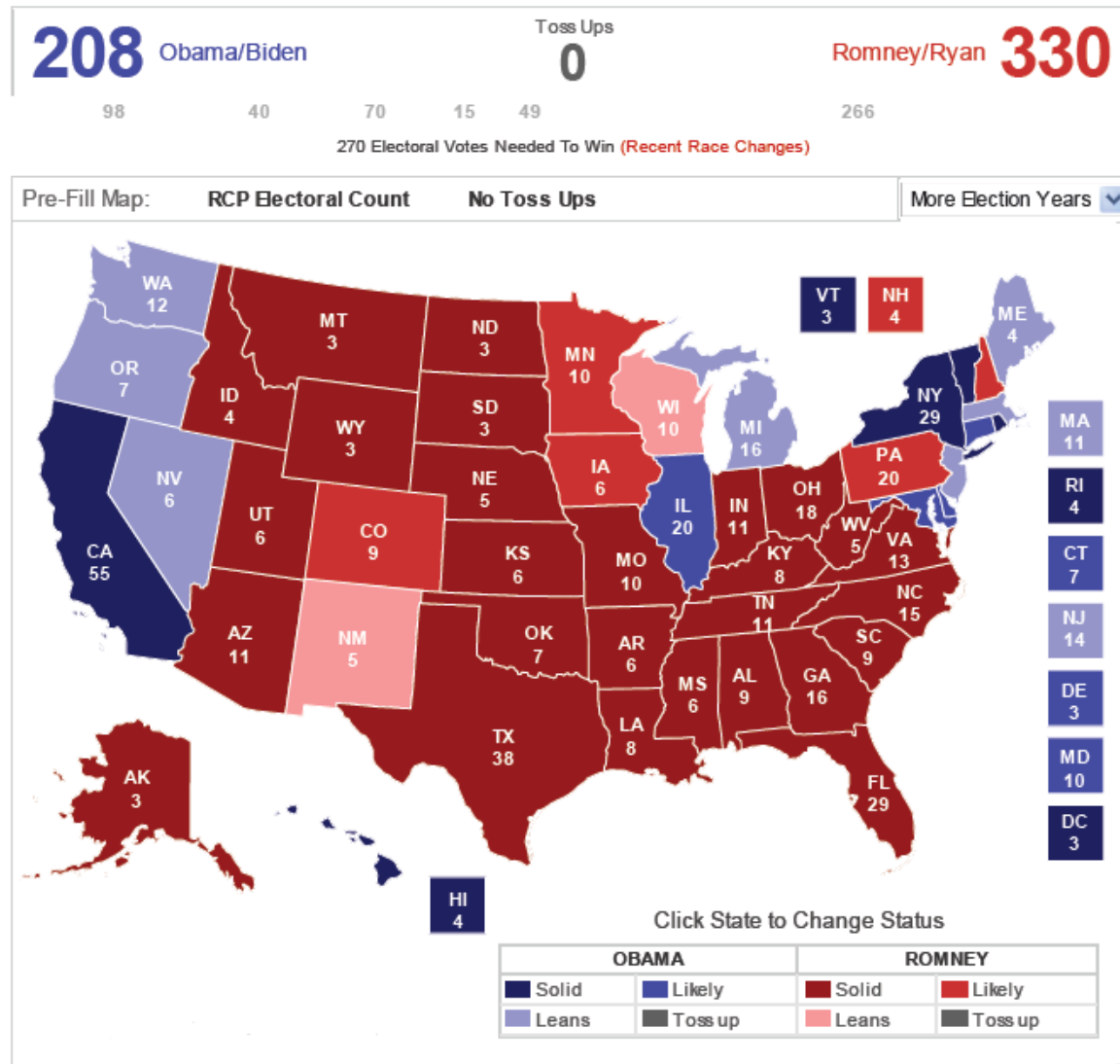
**Table 2. State-Level Economic Forecasting Model Diagnostics: 1980–2008**

Year	States Correctly Classified	Democrat States		Democrat Electoral College Votes		Outcome Correctly Classified
		Estimated	Actual	Estimated	Actual	
2008	48	30	29	370	365	Yes
2004	47	16	20	221	251	Yes
2000	44	20	21	245	266	Yes
1996	46	37	32	449	379	Yes
1992	42	28	33	341	370	Yes
1988	45	11	11	171	111	Yes
1984	50	3	2	17	13	Yes
1980	43	7	7	60	49	Yes

Correctly Classified: 365 (89.5%)  
Incorrectly Classified: 5.4 states/election

Average Error:  
28.75 ECVs

# Berry-Bickers Final Electoral College Forecast



# Real Clear Politics State Match Ups (October 21, 2012)

## BATTLE FOR WHITE HOUSE STATE CHANGES

RCP ELECTORAL MAP NO TOSS UPS MAP RCP SENATE MAP SENATE NO TOSS UPS RCP HOUSE MAP  
STATE CHANGES STATE CHANGES RACE CHANGES RACE CHANGES

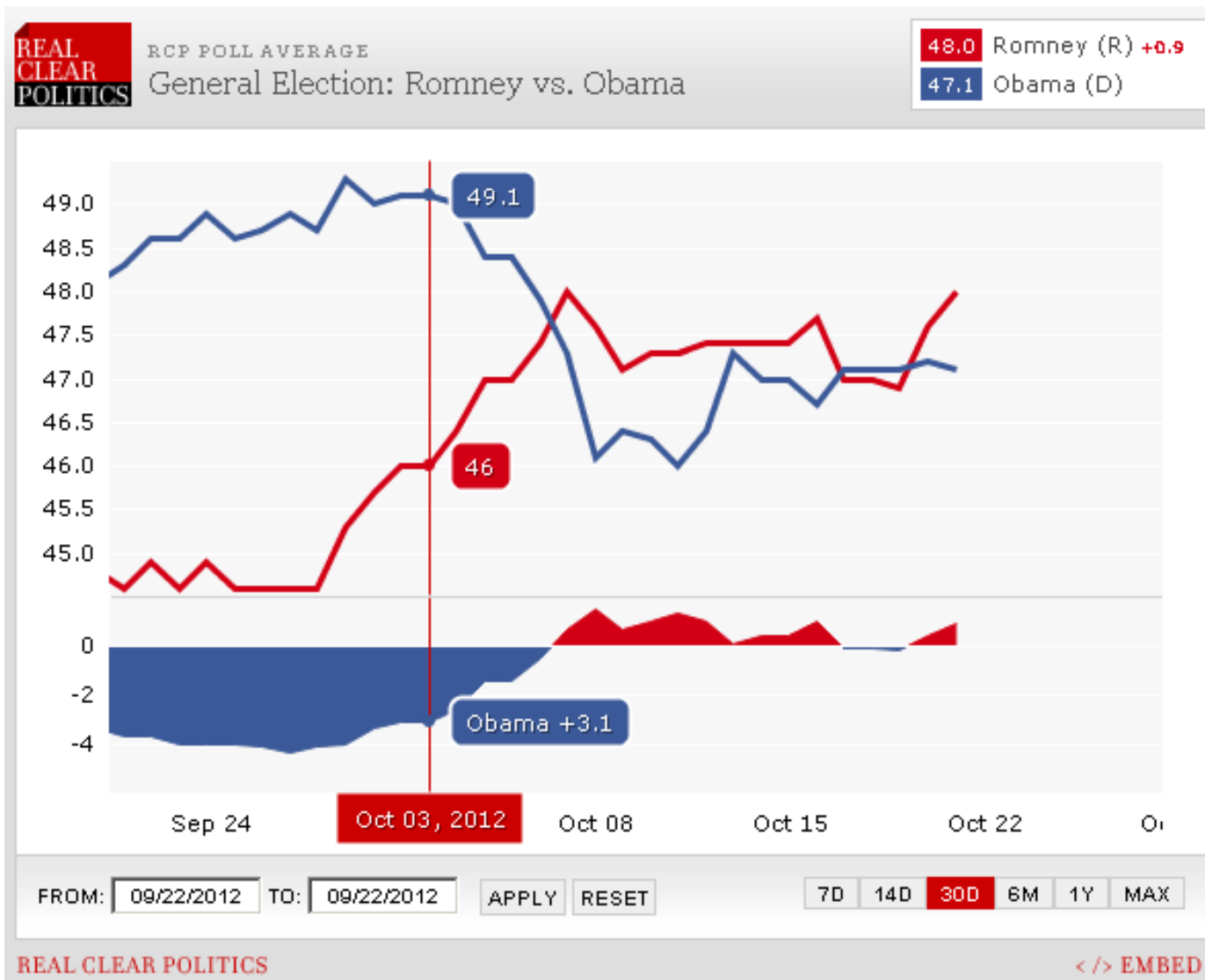


270 Electoral Votes Needed To Win (Recent Race Changes)

Solid (142)		Likely (42)		Leans (17)		Toss Up (131)		Leans (29)		Likely (101)		Solid (76)	
CA (55)	DE (3)	CT (7)	ME (4)	MN (10)	OR (7)	CO (9)	FL (29)	AZ (11)	MT (3)	GA (16)	IN (11)	AL (9)	AK (3)
DC (3)	HI (4)	NJ (14)	NM (5)			IA (6)	MI (16)	NC (15)		MO (10)	ND (3)	AR (6)	ID (4)
IL (20)	MD (10)	WA (12)				NV (6)	NH (4)			SC (9)	SD (3)	KS (6)	KY (8)
MA (11)	NY (29)					OH (18)	PA (20)			TN (11)	TX (38)	LA (8)	MS (6)
RI (4)	VT (3)					VA (13)	WI (10)					NE (5)	OK (7)
												UT (6)	WV (5)
												WY (3)	

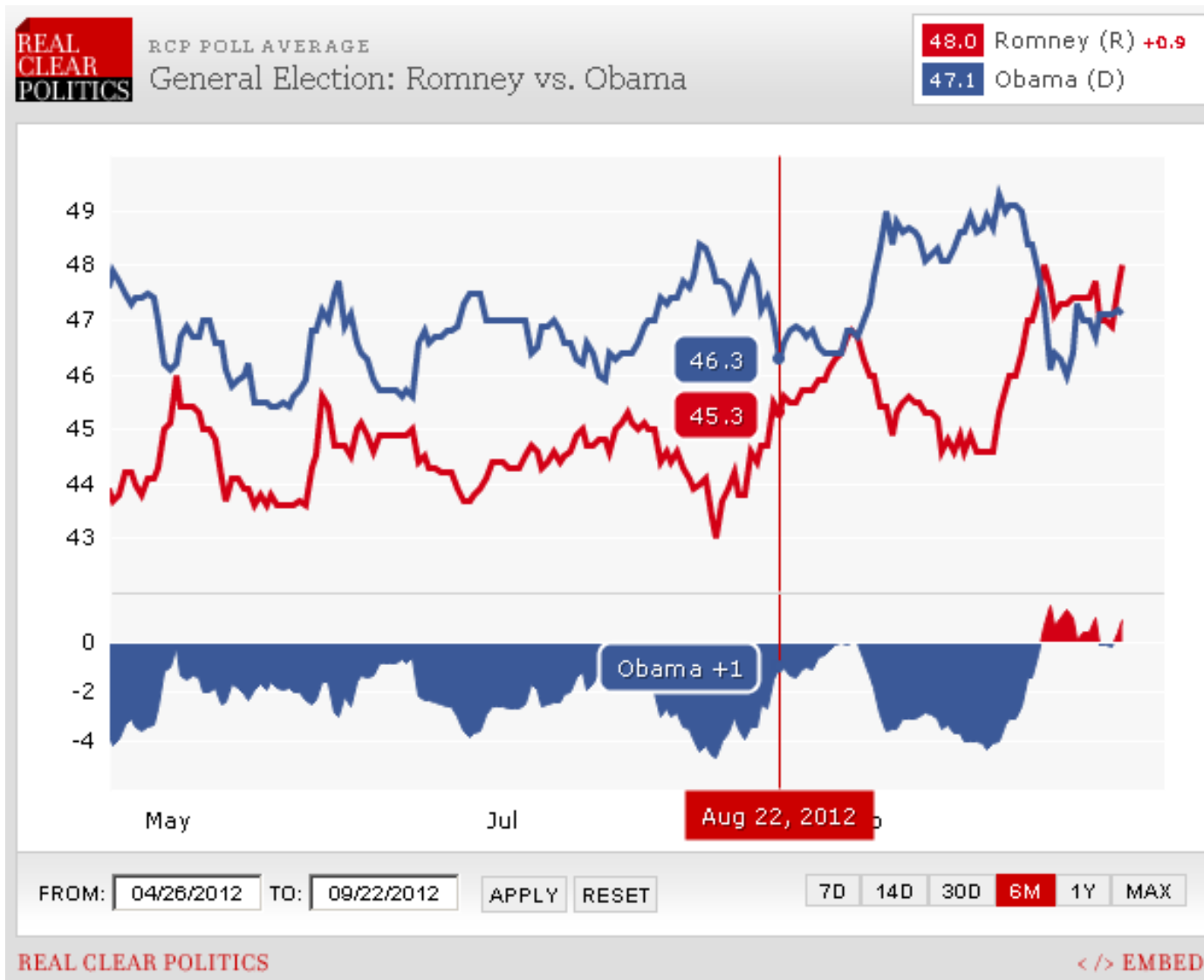


# Real Clear Politics Average of Polls (October 23, 2012): Showing Date of First Debate





# Real Clear Politics Average of Polls (October 23, 2012): Showing Date of Preliminary Model Release



## Electoral College Model: Implications

- Landslide unlikely. Historical average win over past 8 election cycles has been with approx. 370 Electoral College votes
- Continuation of gridlock in Washington is likely, especially if there is a split in party control of the House and Senate
  - Policy areas at the center of the presidential campaigns likely to be especially subject to gridlock
  - Policy areas in which consensus is possible are likely to seem peripheral to the key issues in the Presidential contest.



Thank you to Bob Brooke, especially, and to all of you on the call

Questions/Comments



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If you would like to receive more information about this call or our research please email us at [sales@hedgeye.com](mailto:sales@hedgeye.com) or visit us at [hedgeye.com](http://hedgeye.com).

