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The Time-for-Change Model and the 2004 Presidential Election: A Post-Mortem and a Look Ahead

Based on George Bush's net approval rating of -1 percent in the final Gallup Poll in June, a 3.7 percent growth rate for real GDP during the first two quarters of 2004, and the fact that the Republican Party had controlled the White House for only one term, the time-for-change model predicted that Mr. Bush would win reelection with 53.7 percent of the major party vote. This forecast was made in late July, before the Republican National Convention and more than three months before Election Day.

In fact, George Bush was reelected with 51.4 percent of the major party vote. The forecast error of 2.3 percentage points was slightly larger than the previous average out-of-sample error of 1.7 percentage points for the time-for-change model. Nevertheless, the model maintained its record of correctly predicting the winner of the popular vote in every presidential election since 1988 and the 2.3 percent forecast error only slightly exceeded the average error of 1.9 percent for 14 national polls that were released in the last four days before the election.

George Bush's net approval rating (approval – disapproval) of -1 percent in late June was well below the average net approval rating of +11.7 percent for all incumbent presidents who have run for reelection since World War II. In addition, the 3.7 percent growth rate of the U.S. economy during the first half of 2004 was below the average growth rate of 4.5 percent for all presidential election years since World War II. So why did George Bush defeat John Kerry and win a second term in the White House?

George Bush did not win because he ran a brilliant campaign, because John Kerry ran a poor campaign, or because millions of evangelicals turned out to express their opposition to abortion, gay marriage, and Janet Jackson's wardrobe malfunction. He won because he was an incumbent whose party had controlled the White House for only one term. In the past century there have been 11 elections involving such first-term incumbent presidents. Ten of these 11 incumbents were reelected. George W. Bush's 51.4 percent share of the major party vote was actually the second worst showing for a first-term incumbent in the past century: only Jimmy Carter in 1980 received a smaller share of the major party vote than George Bush.

The good news for Democrats is that 2008, unlike 2004, will be a time-for-change election—one in which the president's party has controlled the White House for two or more terms. There have been 16 such elections in the past century, with the incumbent

party winning 7 times and losing 9 times. Since World War II, the track record of the incumbent party is even worse: 2 wins and 6 losses.

Reestimating the time-for-change model based on the results of all presidential elections since World War II, we obtain the following estimates:

$$V = 50.3 + .81*GDP + .113*NETAPP - 4.7*TFC,$$

where V is the predicted share of the major party vote for the incumbent party, GDP is the growth rate of real gross domestic product during the first two quarters of the year, NETAPP is the incumbent president's net approval rating in the final Gallup Poll in June, and TFC is the time-for-change dummy variable. TFC takes on the value of 0 if the president's party has controlled the White House for one term and 1 if the president's party has controlled the White House for two or more terms.

The estimated coefficient of -4.7 for the time-for-change variable means that once a party has controlled the White House for 8 years or longer, it is penalized by almost five percentage points. This obviously makes it much more difficult for the incumbent party to win another term. For example, if real GDP grows at an annual rate of 3.7 percent during the first two quarters of 2008, as it did during the first two quarters of 2004, and if President Bush's net approval rating in late June of 2008 stands at -1, as it did in late June of 2004, the Republican presidential candidate would be predicted to receive only 48.5 percent of the major party vote in the 2008 presidential election.