The economy favors Obama? Really?

During the 1992 presidential election, Bill Clinton’s adviser James Carville listed one of the campaign’s core themes. One of them was, “the economy, stupid.” He must have been right, given that Clinton won. But the economy is always an important factor in presidential elections, and in some years it’s the single-biggest factor.

Every four years, the company now known as Moody’s Analytics estimates a complex statistical model designed to forecast the presidential election. Like other modelers, Moody’s employs the simple notion that when the economy is strong, the incumbent party tends to win.

Because the election is determined by the Electoral College rather than the popular vote, the Moody’s model looks at state-level economic conditions and predicts the winner of each state and its electoral votes. The model also factors in incumbent fatigue and previous voting patterns. After all, the economy would have to be super-strong this year for Utah to vote for a Democrat.

The model doesn’t factor in foreign policy or individual personalities. If war breaks out three weeks before the election, the model’s prediction would be unaffected even though the political environment would have shifted profoundly. The model captures the economic dimension of voters’ mindset, but no more.

The Moody’s model has predicted each winner since 1992, with the exception of 2000: when a combination of Clinton’s fatigue and George W. Bush’s liability offset a strong economy and allowed a razor-thin victory by Bush.

The weak economy is obviously the big issue this year, so it would be natural to expect the Moody’s model to predict a win by Republican challenger Mitt Romney. However, President Barack Obama is leading in most polls and swing states, and it appears he has the upper hand. Perhaps this will be another year in which a candidate’s likability offsets an economic disadvantage. But not so fast. Moody’s current forecast is that Obama will win 303 electoral votes, well more than the 270 needed for re-election. (North Carolina is characterized as “leaning Republican.”) Does Moody’s expect us to believe that the economy is fine?

My guess is that the unusual nature of our economic circumstances accounts for this forecast. The economy is both very weak and gradually improving. Most of the time, an expanding economy means that people feel pretty good. But if the consumer-confidence data are any indication, the depths to which we’ve sunk outweigh the fact that we’re slowly climbing out of the pit.

Moody’s says that it’s taken the depth of the recession into account, but the model may still be placing more weight on recent changes in key economic indicators than on their relative levels. Given the president’s strong poll numbers as of this writing, it looks like Moody’s forecast will be right again. But will it be right for the wrong reason?

It’s always good to check in with the New York Times’ excellent Nate Silver on such matters. Silver tracks and analyzes polling data to devise forecasts of election outcomes, producing both a forecast and a “nowcast.” The former relies on both polling and economic data while the latter strips out the economic data. As of this writing, Silver’s forecast has Obama winning 320 electoral votes, but the nowcast puts it at 335. In Silver’s model, things look good for Obama, but they look better without factoring in the economy.

There’s still a month to go, and we could still see big changes in the economy, the international scene or something else entirely. But at this point, weak economy or not, things are looking good for the president.

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