

POLITICAL PULSE

How Trump's Red Wave Got Aborted

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The quantitative proof is in. Trump and the SCOTUS Roe decision decided the mid-terms.

Ignore the shoot-from-the-hip punditry about why the Republicans didn't get their red wave in last week's mid-terms. We still don't understand why the polling and the prediction markets were so wrong (see ["Our Hot Take on the Mid-Terms"](#) November 9, 2022), but now with district-by-district vote-counts and exit polls available, we know exactly what happened.

- Candidates endorsed by Donald J. Trump prevailed overall, but not in swing districts where it mattered for House control, nor in swing states where it mattered for Senate control and for governors.
- The Supreme Court's Dodd decision, overturning Roe v. Wade, left Republicans who were focused on the abortion issue with nothing to vote for, and Democrats with much to vote against.

FIRST, THE TRUMP FACTOR The media is so biased against Trump, it's tempting to dismiss [the unhinged accounts of his responsibility](#) for the GOP's disappointing performance last Tuesday. But it happens to be true.

- We'll take it by the numbers. In the House, Trump endorsed 164 candidates in primaries, of whom only 4 lost.



Update to strategic view

US MACRO: District-level voting data and exit polls permit us now to calculate with high certainty that the GOP's poor mid-term performance was due to two issues – Trump and abortion. Trump-endorsed candidates statistically reduced correlation between GOP vote-share and district partisan tilt, suggesting that their seemingly strong win/loss record is more than explained simply by being Republicans. Half the GOP losses in Republican-tilting districts were Trump endorsees; none of the GOP wins in Democratic-tilting districts were. Trump endorsees for Senate and for governors were net losers in swing states critical for presidential victory and congressional control. Abortion rights motivated Democratic voters who hadn't had to vote on them since Roe v. Wade 49 years ago. For GOP voters, it is now a matter of relative indifference. Inflation was a more important issue overall, but didn't affect the results because both GOP and Democratic candidates are opposed to it. As long as the GOP at least narrowly controls the House there is no ...

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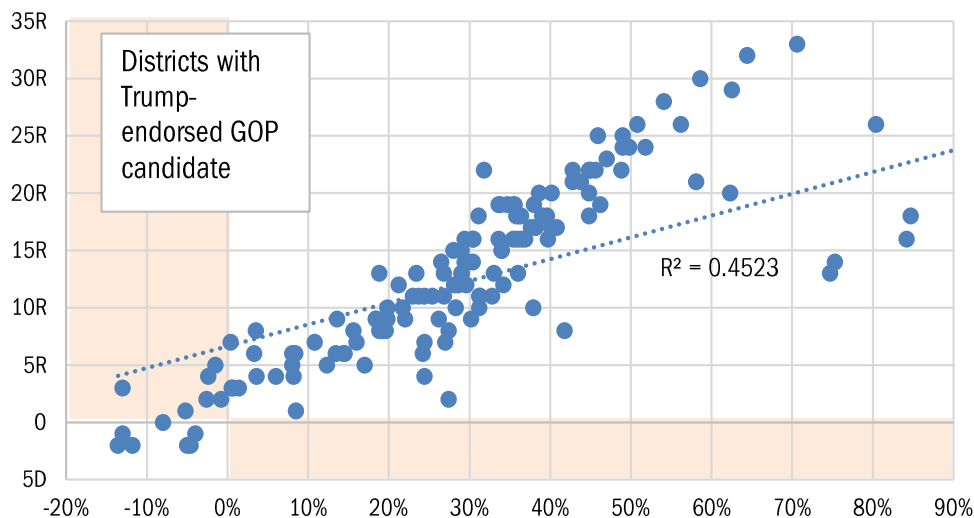
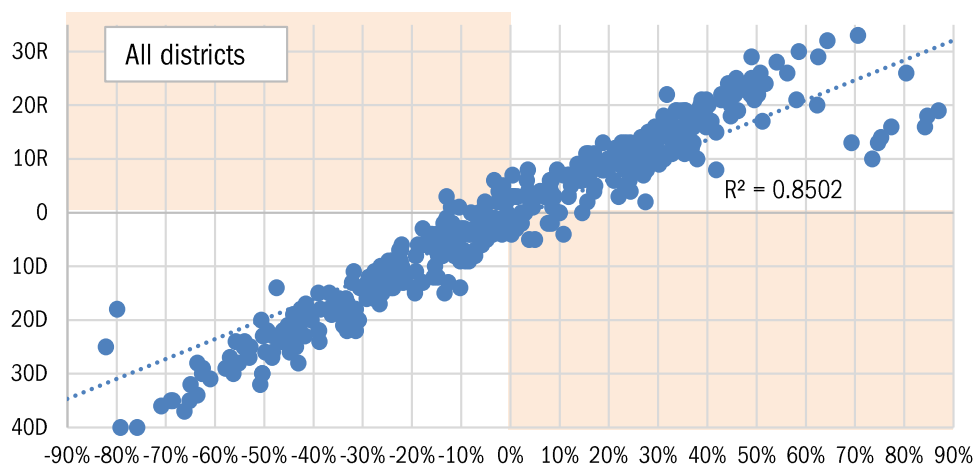
- In the general election, he endorsed 154 candidates, of whom only 14 have lost, with two remaining undecided but leaning toward the GOP. So far so good.
- *But more than all that seeming success comes from endorsing GOP candidates in heavily GOP-leaning districts.*
- The degree of partisan tilt by district (which can be measured by the [Partisan Voting Index](#) calculated by the Cook Political Report) very strongly explains the partisan tilt of vote-share, with an r-squared of 0.85 (please see the top chart below).
- But looking at only districts in which Trump made endorsements, the r-squared falls to 0.45 (please see the bottom chart below). It's not dispositive, but this strongly suggests that Trump's endorsement actually reduced the underlying partisan bias that could have otherwise helped GOP candidates.
- The strongest evidence that Trump's endorsement was unhelpful: among the 435 congressional districts, *there were 14 GOP-tilted districts where Republicans lost, and half of those were Trump endorsees. There were 13 Democrat-tilted districts in which GOP*

[Continued from first page]

... important economic or market impact from the election. 2024 presents a significant opportunity for GOP gains in the Senate, which could unlock important pro-growth legislation. But the party must somehow take Trump off the board. For Democrats, the game is to keep Trump on the board (while still vilifying him), and to be effective on abortion rights but not so effective as to remove it as a motivating issue.

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House GOP vote share (horizontal) versus GOP Cook PVI bias (vertical) Anomalies



Source: [Cook Political Report](#), TrendMacro calculations

candidates won, and none of them were Trump endorsees (please see the shaded quadrants in the two charts on the previous page).

- In the Senate, Trump endorsed 24 candidates in primaries and they all won.
- In the general election, 16 won, 6 lost, and 2 (Herschel Walker in Georgia, and Kelly Tshibaka in Alaska) remain undecided.
- However, all 16 wins were GOP incumbents, or new candidates running for open seats previously held by Republicans in Republican-tilting states.
- 3 of the 6 losses – Nevada, Arizona and Pennsylvania – and it might be 4 if Walker loses the December 6 run-off in Georgia – are swing states that are absolutely critical for any GOP presidential candidate to carry in 2024.
- For governors, Trump endorsed 19 candidates in primaries of whom only 3 lost.
- In the general election, 5 won and 11 lost (we assume Kari Lake loses in Arizona, but as of this writing the election has not been called). 3 of the winners were GOP incumbents in solidly GOP-tilting states, and 1 was running for an open seat previously held by a Republican, also in a Republican-tilting state.
- Only Joe Lombardo in Nevada prevailed against a Democratic incumbent, and in a swing state.
- 2 of the losers (Dan Cox in Maryland and Geoff Diehl in Massachusetts) were running in strongly Democratic-tilting states, but they were contesting open seats previously held by Republicans.
- The devastating indictments of Trump’s endorsement begin in Kansas, where Derek Schmitt lost to a Democratic incumbent, but in a strongly Republican-tilting state.
- What’s worse, Trump’s endorsees lost in Pennsylvania, Michigan,

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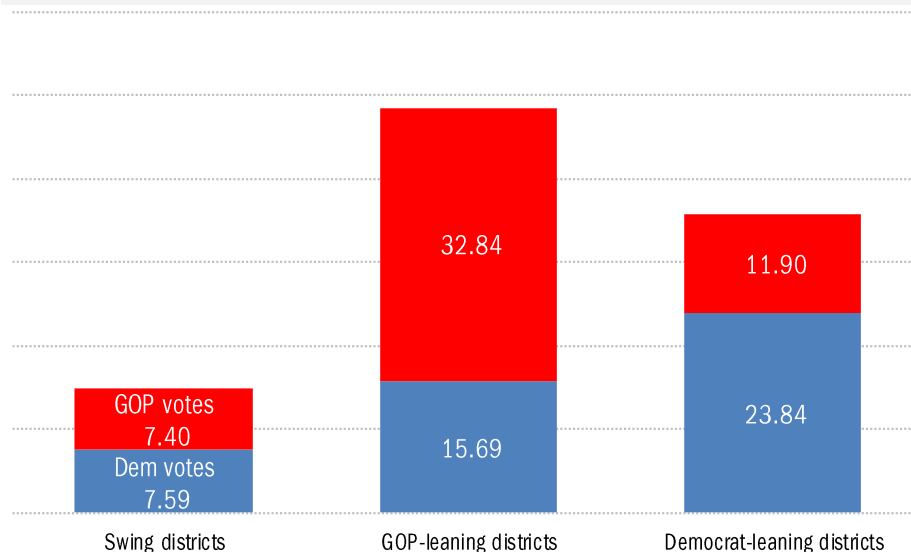
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Votes in 2022 mid-terms by party (millions)



Source: [AP VoteCast](#) TrendMacro calculations

Wisconsin and (presumably) Arizona – again, the swing states that are absolutely critical for any GOP presidential candidate to carry in 2024.

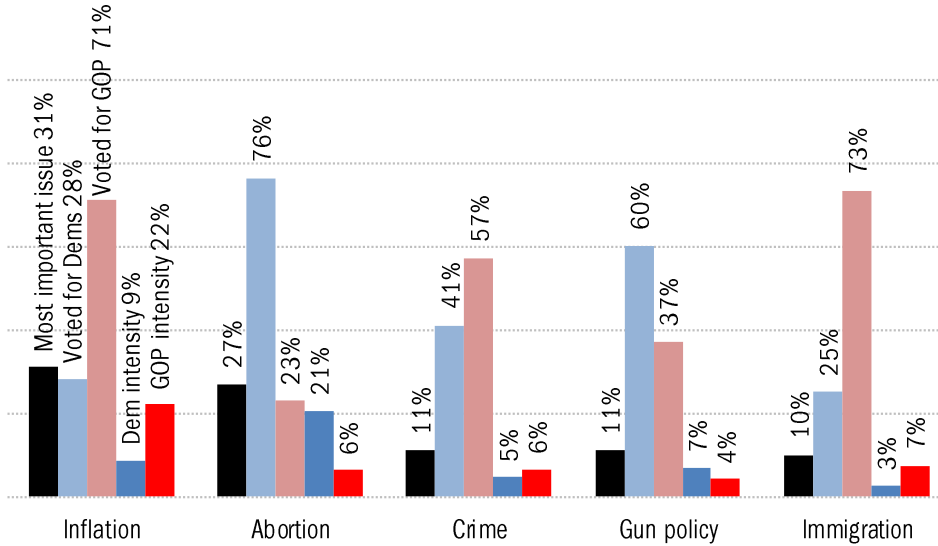
- It's not that Republican voters didn't turn out. They did. Indeed, overall, last week there were 52.1 million votes cast for GOP candidates, compared to only 47.12 million for Democratic candidates.
- They just turned out in the wrong places. That preponderance of GOP votes all occurred in safely GOP-leaning districts, where they represented 67% of the vote (please see the chart on the previous page). Most Democratic votes, though fewer overall, were similarly concentrated in heavily Democratic-leaning districts, where they represented a larger 68% of the vote.
- But the difference-maker was that Democrats out-voted Republicans by 51% to 49% in the small number of critical swing districts.
- And you can't say that instead of expressing disapproval of Trump it expresses approval of President Joseph R. Biden, Jr. Biden is the least-approved president in the history of approval polling (see our weekly ["Investment Strategy Summary"](#) every Monday morning).

It doesn't take a great kingmaker to endorse GOP winners in heavily GOP-tilting districts or states. It takes one to endorse GOP winners in competitive jurisdictions where the presidency and congressional control is determined at the margin. The quantitative evidence is clear that Trump's endorsees fail that test.

- How different it would have been if the polls had been accurate, and Trump had run the table in the Arizona, Georgia, Nevada and Pennsylvania Senate races (see ["Video: What you're not hearing about the mid-term elections and Trump 2024"](#) October 31, 2022).
- But he didn't, and presumably Trump realizes that this pattern is not one with which he can win the presidency in 2024. Presumably he doesn't want to lose – again – and so will decide not to run.
- Presumably.
- [But people don't always make rational decisions](#), or they have objectives other than winning. Or for that matter, Trump may conclude that he can change his approach in some dimension over the next two years and get a better outcome.
- But as a normative baseline at least, we have to assume that Trump will not choose to run – or that if he does, he will lose and drag the Republican party down with him.
- Dear readers, you know our views on Trump. You know that we have approved of most of his economic policies, especially in taxation and energy, judging them to be growth-positive and market-friendly. And we think he has gotten a raw deal from the press that unfairly poisoned his administration. But as a purely pragmatic matter, we would have to judge it to be a market-unfriendly development if he were to decide to run again.

THE ABORTION FACTOR There is no question in our minds that the Supreme Court's June decision in [Dobbs v. Jackson](#), overturning its 1973 [Roe v. Wade](#) decision on abortion, was also important in suppressing GOP performance in the mid-terms.

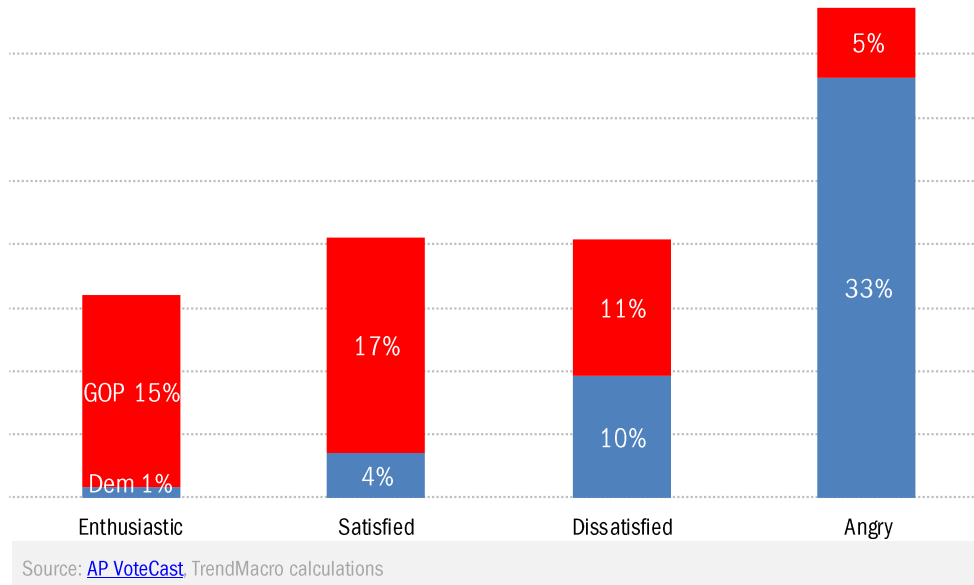
Top five issues for voters in 2022 mid-terms



Source: [Edison](#), TrendMacro calculations

- [Exit polls show](#) 27% of voters identifying abortion as the most important issue, a close second to inflation at 31% (please see the chart above).
- *It was always a pipe dream to think that inflation would help the GOP, because both parties represent themselves as opposing it.* Indeed, in mid-August, the Democratic congress passed [The Inflation Reduction Act](#) on a party-line vote (never mind that that the bill, in reality, [would not reduce inflation](#)).
- *On the other hand, abortion is a sharply distinguishing issue. Opposition to it has been predominantly an exclusively Republican mission ever since Roe.*
- Democratic support for abortion rights has always been highly emotional, but it's been conventional wisdom among mainstream Republican strategists that it doesn't matter because [Democrats nevertheless don't vote on it](#). Indeed, why should they have? As long as Roe was in force, Democrats pretty much already had their way. Abortion didn't show up at all as an issue [in 2020 exit polls](#).
- But the Dodd decision overturning Roe also overturned that conventional wisdom. *It made the restoration of abortion rights an issue about which Democrats could make highly motivating campaign promises. For the first time in 49 years, Democrats had a reason to vote on it.*
- *33% of those who voted Democratic last week say they were "angry" about the Supreme Court's decision, and another 10% say they were "dissatisfied."* By contrast, a mere 15% of those who voted Republican were "enthusiastic, and just 17% "satisfied"

Voters in 2022 mid-terms: "Feelings about Supreme Court overturning Roe v Wade"



(please see the chart above). Democrats are turned on, Republicans have moved on.

None of this is immediately important for markets, at least so long as the GOP ekes out [at least narrow control of the House](#), as it seems they will do (even if Walker ends up losing the Georgia run-off, giving the Democrats a majority in the Senate of 51 to 49). The grid is locked – that configuration rules out legislation affecting economic growth for good or for ill.

- What's important is what this portends for 2024.
- The Senate terrain in 2024 is strongly tilted toward the GOP (again, see ["Our Hot Take on the Mid-Terms"](#)), suggesting the tantalizing prospect of a filibuster-proof GOP majority that could move significant pro-growth legislation in taxation, regulation and energy.
- As the next two years unfold, the GOP's objective must be to take Trump off the board – for the risk he represents both to their presidential and Senate prospects.
- For the Democrats, the objective will be to deliver on abortion rights to just the right degree – that is, to satisfy their constituency that they are effectively delivering on promises, but not so effectively as to remove abortion as an issue in 2024.

Bottom line

District-level voting data and exit polls permit us now to calculate with high certainty that the GOP's poor mid-term performance was due to two issues – Trump and abortion. Trump-endorsed candidates statistically reduced correlation between GOP vote-share and district partisan tilt, suggesting that their seemingly strong win/loss record is more than explained simply by being Republicans. Half the GOP losses in Republican-tilting districts were Trump endorsees; none of the GOP wins in Democratic-tilting districts were. Trump endorsees for Senate and for governors were net

losers in swing states critical for presidential victory and congressional control. Abortion rights motivated Democratic voters who hadn't had to vote on them since Roe v. Wade 49 years ago. For GOP voters, it is now a matter of relative indifference. Inflation was a more important issue overall, but didn't affect the results because both GOP and Democratic candidates are opposed to it. As long as the GOP at least narrowly controls the House, there is no important economic or market impact from the election. 2024 presents a significant opportunity for GOP gains in the Senate, which could unlock important pro-growth legislation. But the party must somehow take Trump off the board. For Democrats, the game is to keep Trump on the board (while still vilifying him), and to be effective on abortion rights but not so effective as to remove it as a motivating issue. ▶