

POLITICAL PULSE

For What It's Worth... TrendMacro's 2024 Presidential Election Model

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Donald Luskin

The model says the economy says Biden will win. But just as likely Mitt Romney will!

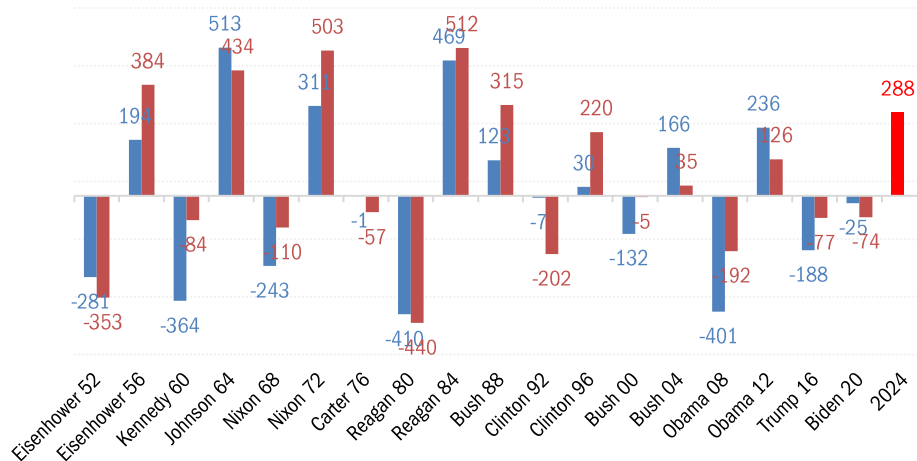
Clients ask us all the time for our views on the upcoming presidential election, and for an update of our quantitative election prediction model.

- Based primarily on historically normed macroeconomic data, we have made the judgment that in the aftermath of the pandemic depression of 2020 – when many variables have become destabilized and decontextualized because of their extreme and rapid fluctuations – the model probably doesn't make a lot of sense right now. Having predicted every post-war election perfectly in back-test, and the 2012 and 2016 elections perfectly in real time, it already malfunctioned for the first time in 2020 in the thick of that period of scrambled data (it predicted Donald J. Trump would win narrowly, but he lost narrowly; margin-of-error stuff, really).
- But we just couldn't resist refreshing the model and running it for 2024. We have now included data post the 2020 election to the present, and recalibrated the regression equation (please see the chart below). Having done so, the model now gets 2020 right. And for what it's worth, it predicts that Joseph R. Biden, Jr., will win by a robust 288 electoral college votes; and if he is not the candidate,

Update to strategic view

US POLITICS: If the election were held under today's economic background, Biden would win by 288 electoral college votes (another Democrat, if Biden doesn't run, would win by 263). As predicted, we are in a boom with no recession in sight – and by historical norms the incumbent should be easily re-elected. But a model based on historically normed economic data is unreliable in the post-pandemic environment in which fluctuations have been so large and rapid, destabilizing voter perceptions of economic conditions. The rate of inflation has moderated, but prices are still sharply higher than they were three years ago – so is inflation “back to normal” or “sticky” in the minds of voters? A third party candidate such as Manchin might win, appealing to moderate voters revulsed by Trump and Biden. Even a moderate electoral vote win by a third party could throw the election to the congress. On a party-line vote the House...

TrendMacro presidential election prediction model
 Electoral college vote margin for incumbent party ■ Predicted ■ Actual ■ 2024 prediction



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Source: Various, TrendMacro calculations

another Democrat will win by 263 (by the way, we consider it more likely with each passing day that Biden will *not* be the Democratic candidate).

- Take that with about a billion grains of salt, whether it is good news to you or bad news.
- The model is based on how macroeconomic variables have related to every election since 1948. They are:
 - Year-over-year percentage change in the oil price
 - Year-over-year change in the Consumer Price Index inflation rate
 - Year-over-year change in the real Gross Domestic Product growth rate
 - Year-over-year percentage change in nominal personal income per capita
 - Year-over-year percentage change in nonfarm payrolls
 - Four-year-over-four-year change in the tax burden
- We've been saying ever since the worst of the pandemic depression that, in its aftermath, we would experience a productivity-led boom, and we are – so it is no surprise that this the model's suite of economic variables would favor the incumbent.
- But in the post-pandemic world, who is to say that these variables mean the same thing they did to voters in the past? Economic fluctuations have been the largest since the Great Depression but compressed into timeframes shorter than the shortest previous recession – this is an economic environment totally unlike any in history.
- Consider inflation. After about 40 years in which inflation was so low and stable that most ordinary people didn't have to think about it, just since the pandemic the Consumer Price Index has leapt about 20%. So even though CPI inflation has fallen to 3.2% from 7.7% a year ago – a big relief in terms of moderating rate of change – how do we know that voters aren't angrily comparing today's still-rising prices to those of three years ago? Indeed, we believe such thinking is why people instinctively seem to regard rapidly falling inflation rates as nevertheless “sticky.”
- The statistics look great, but do voters perceive them that way? Perhaps no.
- Of course it must be said that even in normal times, the configuration of economic variables can change considerably by the election, still the better part of a year away (remember how suddenly the variables changed, and changed again, in 2020). We are not forecasting a recession for 2024, but it is certainly possible, and that would change everything.
- Beyond the economic variables, the model uses a dummy variable that awards 25 electoral college votes to an incumbent candidate, and another that penalizes 130 if the incumbent party has held the White House for two terms or more. The latter isn't important, because the Democrats have held the White House for only one term. But is the former important? If so, might not incumbency operate in reverse this time considering that Biden is among the most unpopular in modern history (see our historically

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... would likely be “hung,” but a bipartisan vote could select a moderate third party candidate. The Senate will have a GOP majority that might pick Trump's vice presidential candidate, but if he is not moderate enough it could pick a third party candidate such as Romney. If the House is hung, Romney would be president until and unless the House “bumps” him by eventually selecting a president. This would put America effectively on a parliamentary system in which the chief executive serves at the pleasure of the House, to be replaced at any time through inauguration day in 2029 by Biden, the third party candidate, or yes, Donald Trump.

[Strategy dashboard]

contextualized approval voting data in the [“Weekly Investment Strategy Summary”](#))?

Another critical element that could strip the gears of our model is the strong potential for a meaningful third party effort in 2024.

- Arguably it doesn’t matter to the model, because it is structured to predict the electoral college vote haul for the incumbent, and it doesn’t really “know” whether the non-incumbent competition is one party or more than one.
- But a strong third party candidate, such as Robert F. Kennedy running as an independent (see [“Video: TrendMacro conversation with Robert F. Kennedy, Jr.”](#) July 31, 2023), or someone like Joseph Manchin (R WV) running on the [“Unity Ticket”](#) sponsored by the [No Labels advocacy group](#) could make a difference (we cannot link to the video replay of our Zoom call with No Labels two years ago, because at that time Unity Ticket hadn’t been otherwise publicly announced, and they would not let us record it).
- The only third party candidate to earn any electoral college votes at all within the model’s 1952-to-present purview was [George Wallace in 1968](#) (he won 45 electoral votes from five southern states, plus one vote from a [“faithless elector”](#)). [John Anderson \(R IL-16\) in 1980](#) and [H. Ross Perot in 1992](#) were arguably spoilers, but won no electoral college votes.
- [Recent polling](#) points to Kennedy and the Unity Ticket taking votes from Biden, not Trump (though [No Labels disputes this](#)). In narrative terms our model is blind to that, but the potential success of a third party candidate in drawing votes from an incumbent standing for reelection could be well-reflected in the economic performance that to a large part represents the incumbent’s report card. But again, we have no great faith that the economic variables are properly calibrated for the unique post-pandemic environment.
- Furthermore, we urge you to not limit your thinking about a third party’s role to mere spoiler. *It’s not at all inconceivable that the Unity Ticket, mounting a well-funded campaign featuring a bi-partisan pair of candidates – say Manchin for president and Mitt Romney (R UT) or Susan Collins (R ME) for vice president – could find a path to 270 electoral college votes to the extent voters are revulsed by both Trump and Biden. Remember, almost all states award their electors on a winner-take-all basis, with no majority requirement – so the Unity Ticket could win any state in which disaffected moderates gave it a mere 34% vote-share, provided that Biden and Trump split the rest at 33% and 33% respectively.*
- And even if you relegate a third party to spoiler, that could have very real consequences beyond putting a thumb on the scale for one of the major party candidates. *A third party doesn’t necessarily have to get all that many more electoral college votes than Wallace did in 1968 to deprive both major party candidates of the 270 required to win.*
- [In that situation](#), under [Article II](#) of the Constitution and the [12th](#) and [20th amendments](#), *the president is selected in the House of*

Contact TrendMacro

On the web at
trendmacro.com

Follow us on Twitter at
twitter.com/TweetMacro

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

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Representatives from among the top three electoral college vote-getters, and the vice president is selected in the Senate.

- In the House, the vote is by state delegation, with a majority of 26 required for a decision. If the House membership seated in 2024 preserves the GOP's current majority in 26 delegations (22 are Democratic, 2 are tied), it is not clear they would unanimously vote for Trump just because he is a Republican, considering how loathed he is by some within his own party. Surely they would not vote for Biden. But given the unanimity requirement, it is unlikely they would elect a conservative Democrat on the Unity Ticket such as Manchin.
- But who's to say that the House state delegations would have to divide along party lines? A conservative Democrat may well be able to get 26 delegations drawn from both parties – that would be “unity,” after all. Absent that, though, on a party-line basis the House vote for the president would likely be “hung” – that is, not able to select a president under the Constitutional requirement for majority.
- Meanwhile, in the Senate, it is nearly a sure thing the GOP will win the majority in 2024. All the Republicans have to do for a majority is flip two seats. Of the 34 seats up for grabs, three Democratic-held seats are toss-ups, and four are only “leaners,” while no GOP seats at all are at any degree of risk.
- The new GOP majority would surely never select Kamala Harris or any other Democrat for vice president. If Trump picks a reasonably mainstream running mate, he or she would be the likely choice; if not, the Republican vice presidential candidate at the bottom of the Unity Ticket would be the default. This strikes us as a weirdly feasible path by which the Unity Ticket could get put into office without having even come in second in the electoral college.
- But an even weirder path would if the House vote is hung. With no president selected by the House by inauguration day, the vice president selected by the Senate would be the acting president – Mitt Romney, or some other GOP moderate picked by No Labels in a smoky room – running as a third party candidate – and not even for president – and not necessarily with even a plurality of electoral college votes – would nevertheless be president.
- At least until and unless the House, in subsequent voting, manages to select a president and “bump” the acting president.
- The potential to bump would effectively reproduce a parliamentary system, where the chief executive serves at the pleasure of the lower house of the legislature. Without impeachment, for any reason or no reason, the House – without any involvement of the Senate – could replace the acting president – Romney in our example, or whomever else – at any time through inauguration day in 2029 simply by choosing among Biden, Manchin in our example, or... yes, for better or worse... Donald Trump.

Model that! You see why we didn't really want to run our quantitative model this year?

Bottom line

If the election were held under today's economic background, Biden would win by 288 electoral college votes (another Democrat, if Biden doesn't run, would win by 263). As predicted, we are in a boom with no recession in sight – and by historical norms the incumbent should be easily re-elected. But a model based on historically normed economic data is unreliable in the post-pandemic environment in which fluctuations have been so large and rapid, destabilizing voter perceptions of economic conditions. The rate of inflation has moderated, but prices are still sharply higher than they were three years ago – so is inflation “back to normal” or “sticky” in the minds of voters? A third party candidate such as Manchin might win, appealing to moderate voters revulsed by Trump and Biden. Even a moderate electoral vote win by a third party could throw the election to the congress. On a party-line vote, the House would likely be “hung,” but a bipartisan vote could select a moderate third party candidate. The Senate will have a GOP majority that might pick Trump's vice presidential candidate, but if he is not moderate enough it could pick a third party candidate such as Romney. If the House is hung, Romney would be president until and unless the House “bumps” him by eventually selecting a president. This would put America effectively on a parliamentary system in which the chief executive serves at the pleasure of the House, to be replaced at any time through inauguration day in 2029 by Biden, the third party candidate, or yes, Donald Trump. ▶