



## National Council on Economic Education

### Lesson 8 - To What Extent Do Economic Conditions Determine the Outcome of Presidential Elections?

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***Note: This lesson is currently undergoing field testing. If you purchase the “Focus: Understanding Economics in Civics and Government” book in the spring of 2009 (and we hope you will), there may be slight changes between this lesson and the final version.***

# LESSON 8

## TO WHAT EXTENT DO ECONOMIC CONDITIONS DETERMINE THE OUTCOME OF PRESIDENTIAL ELECTIONS?

### INTRODUCTION

Many different factors influence a person’s decision as to which candidate to vote for in a presidential election. Party affiliation plays a key long-term role in shaping voter behavior, but the past successes of the Republican party (which represents a minority of registered voters), and the strong showing of third party candidates (George Wallace in 1968, John Anderson in 1980, and Ross Perot in 1992) seem to indicate that in the short run a candidate’s style and charisma, a candidate’s stand on the issues, and an incumbent’s record while in office also play important roles. Of all the factors that influence the way a person votes, a strong case can be made that economic conditions play the most important role. An old political adage states that “people tend to vote their pocketbooks.” A strong economy almost guarantees an incumbent’s reelection, and a weak economy spells almost certain defeat.

### CONCEPTS

Real Disposable Personal Income  
 Unemployment  
 Inflation  
 Misery Index

### OBJECTIVES

◆ Identify some of the major indicators of macroeconomic performance: the unemployment rate, the inflation rate, the misery index, and the growth rate of real income

◆ Determine the relationships between changes in these indicators and the outcomes of U.S. presidential elections from 1960 to 1992

### LESSON DESCRIPTION

Students consider how economic performance is evaluated and are introduced to four major indicators of macroeconomic performance: growth rate of real income, unemployment rate, inflation rate, misery index. They complete a worksheet comparing changes in these indicators with the outcomes of U.S. presidential elections from 1960 to 1992 and examine the influence of economic conditions on the likelihood of the incumbent party winning an election.

### TIME REQUIRED

One class period

### MATERIALS

- One copy for each student of Activity 1, “Elections and the Economy”
- ★ One copy for each student of Activities 2 and 2A, “Winning and Losing Presidential Elections: The Economic Rules”

### PROCEDURE

1. A day or two before beginning the lesson have the students ask family members who have voted in presidential elections (or the students themselves if they have voted) what factors influenced their decisions. Make a list on the chalkboard to illustrate that many different factors influence a person’s decision about whom to vote for in a presidential election.

2. Ask students which domestic policy issues can influence voter behavior (education, the environment, crime, agriculture, economic conditions, etc.). Make a second list of their responses on the chalkboard. Explain that they will now examine the relationship between economic conditions and the outcomes of presidential elections. Of all the factors that influence the way a person votes, a strong case can be made that economic conditions are often the most important. An old political adage states that “people tend to vote their pocketbooks.”

3. Ask students if they think the national

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economy is in good shape, and why. (No, because there's too much unemployment, inflation, poverty, etc. Yes, because unemployment is low, inflation is low, income is growing, etc.) Distribute Activity 1 and explain that it contains data on four of the major indicators of economic performance. The unemployment rate is the percent of the labor force looking for work. The inflation rate is the percent change in the general level of prices of consumer goods. Because the unemployment rate and the inflation rate each measure different economic problems, they are often added together to create what is known as the misery index. The growth of real income is the percent change in per capita after-tax income adjusted for inflation. Review the data on all four indicators, finding the highest and lowest values of each.

4. Have students underline the name of the incumbent party's candidate in each of the presidential elections and then fill in the remaining blanks on Activity 1. To determine the relationship between economic performance and the outcomes of presidential elections, ask: In how many of the past nine presidential elections...

- a. has the change in the misery index correctly predicted the outcome of the election (incumbent party reelected if index fell during the election year; incumbent party defeated if index rose)? (7 out of 9: 1960, 1964, 1968, 1972, 1980, 1984, and 1988)
- b. has the growth of real income correctly predicted the outcome of the election (incumbent party reelected if growth rate > 3%; incumbent party defeated if growth rate < 3%)? (7 out of 9: 1960, 1964, 1972, 1976, 1980, 1984, and 1992)
- c. has the incumbent party been defeated when either the misery index or the growth of real income were unfavorable? (5 out of 6: 1960, 1968, 1976, 1980, 1992)
- d. has the incumbent party been defeated when both the misery index and the growth of real income were unfavorable? (2 out of 2: 1960, 1980)
- e. has the incumbent party been reelected when both the misery index and the growth of real income were favorable? (3 out of 3: 1964, 1972, 1984)

5. Distribute Activities 2 and 2A and review

the economic “rules” for determining the outcome of presidential elections.

### CLOSURE

Given the current economic conditions (growth, inflation, and unemployment rates) as reported in the media, ask students to predict the results of a presidential election if it were held today.

## UNIT III: LESSON 8

# ACTIVITY 1 ELECTIONS AND THE ECONOMY

Year	Unem- ployment + Rate	Infla- tion = Rate	Misery Index	Misery Index Down? (yes or no)	Growth of Real Income Per Capita	Growth Rate >3% ? (yes or no)	Candidates	Winner	Incumbent Party Wins? (yes or no)
1959	5.5%	0.7%	6.2						
1960	5.5	1.7	7.2	_____	0.1%	_____	Kennedy/Nixon	_____	_____
1961	6.7	1.0	7.7		1.6				
1962	5.5	1.0	6.5		2.7				
1963	5.7	1.3	7.0		1.8				
1964	5.2	1.3	6.5	_____	5.5	_____	Johnson/Goldwater	_____	_____
1965	4.5	1.6	6.1		4.5				
1966	3.8	2.9	6.7		3.7				
1967	3.8	3.1	6.9		3.3				
1968	3.6	4.2	7.8	_____	3.1	_____	Humphrey/Nixon/Wallace	_____	_____
1969	3.5	5.5	9.0		2.2				
1970	4.9	5.7	10.6		2.8				
1971	5.9	4.4	10.3		2.4				
1972	5.6	3.2	8.8	_____	3.0	_____	McGovern/Nixon	_____	_____
1973	4.9	6.2	11.1		5.8				
1974	5.6	11.0	16.6		-1.6				
1975	8.5	9.1	17.6		0.7				
1976	7.7	5.8	13.5	_____	2.6	_____	Carter/Ford	_____	_____
1977	7.1	6.5	13.6		1.9				
1978	6.1	7.6	13.7		3.9				
1979	5.8	11.3	17.1		1.6				
1980	7.1	13.5	20.6	_____	-0.3	_____	Carter/Reagan/Anderson	_____	_____
1981	7.6	10.3	17.9		1.3				
1982	9.7	6.2	15.9		-0.1				
1983	9.6	3.2	12.8		1.7				
1984	7.5	4.3	11.8	_____	5.5	_____	Mondale/Reagan	_____	_____
1985	7.2	3.6	10.8		1.8				
1986	7.0	1.9	8.9		2.2				
1987	6.2	3.6	9.8		-0.1				
1988	5.5	4.1	9.6	_____	2.5	_____	Dukakis/Bush	_____	_____
1989	5.3	4.8	10.1		0.8				
1990	5.5	5.4	10.9		0.7				
1991	6.7	4.2	10.9		-0.1				
1992	7.4	3.0	10.4	_____	1.8	_____	Clinton/Bush/Perot	_____	_____

Source: *Economic Report of the President*, February 1994.

**UNIT III: LESSON 8**

**ACTIVITY 1**  
**ELECTIONS AND THE ECONOMY**

Year	Unem- ployment + Rate	Infla- tion = Rate	Misery Index	Misery Index Down? (yes or no)	Growth of Real Income Per Capita	Growth Rate >3% ? (yes or no)	Candidates	Winner	Incumbent Party Wins? (yes or no)
1993	6.3%	3.9%	9.9		1.8%				
1994	6.0	2.6	8.6		2.5				
1995	5.8	2.8	8.6		1.3				
1996	5.4	2.9	8.3	_____	2.6	_____	Clinton/Dole	_____	_____
1997	5.0	2.3	7.3		3.2				
1998	4.5	1.6	6.1		2.9				
1999	4.2	2.2	6.4		3.0				
2000	4.0	3.4	7.4	_____	2.0	_____	G.W.Bush/Gore	_____	_____
2001	4.7	2.8	7.5		-.9				
2002	5.8	1.6	7.4		.9				
2003	6.0	2.3	8.3		1.8				
2004	5.5	2.7	8.2	_____	2.3	_____	G.W.Bush/Kerry	_____	_____
2005	5.1	3.4	8.5		.9				
2006	4.6	3.2	7.8		2.9				
2007	5.0	2.9	7.9		2.4				
2008	6.4	4.6	11.0	_____	2.2	_____	Obama/McCain	_____	_____

ACTIVITY 2

**WINNING AND LOSING PRESIDENTIAL ELECTIONS:  
THE ECONOMIC "RULES"**

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The incumbent party will *usually* be reelected if:

The growth rate of real income per capita is greater than 3% or the misery index decreases during the year preceding the election.

Since 1960, the incumbent party has *always* been reelected when the growth rate of real income per capita has been greater than 3% *and* the misery index has decreased during the year preceding the election.

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ACTIVITY 2A

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The incumbent party will *usually* lose the election if:

The growth rate of real income per capita is less than 3% or the misery index increases during the year preceding the election.

Since 1960, the incumbent party has *always* lost the election when the growth rate of real income per capita has been less than 3% *and* the misery index has increased during the year preceding the election.