

VISUAL 8.1

SOME KEY ECONOMIC INDICATORS

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- **Unemployment Rate:** The percentage of people in the labor force who are unemployed.
- **Inflation Rate:** The percentage increase in the overall price level.
- **Real GDP:** the value of all final goods and services produced in a country in a year, expressed in terms of constant dollars.

TWO STATISTICS BASED ON THESE INDICATORS

- **Misery Index:** The sum of the unemployment rate and the inflation rate.
- **Growth rate in real GDP per capita:** The percentage change in real GDP per person.

VISUAL 8.2

AN ECONOMIC RULE THAT DOES NOT WORK WELL

A Real GDP per capita growth rule:

The incumbent party usually wins if . . .

The growth rate of real GDP per capita is greater than 0% during the year of the election.

VISUAL 8.3

SOME ECONOMIC RULES THAT WORK WELL

A Real GDP per capita growth rule:

The incumbent party usually wins if . . .

The growth rate of real GDP per capita is greater than or equal to 2.5% during the year of the election.

A Misery Index rule:

The incumbent party usually wins if . . .

The Misery Index has not increased from the year prior to the election.

A Guaranteed Loss Rule:

The incumbent party has always lost if

(1) the real GDP per capita growth is less than 2.5%

AND

(2) the misery index has increased from the year prior to the election to the year of the election.