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WHO DO AMERICANS TRUST WITH THE ECONOMY? HOW ECONOMIC PERFORMANCE PREDICTS STATE LEGISLATIVE ELECTION OUTCOMES

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ABSTRACT

The importance of national economic conditions on presidential and congressional voting decisions is well-documented in political science literature; however, comparatively less is known about the importance of these same factors on state legislative elections. Building on previous research, I explore the role of state economies on state legislative election results. I hypothesize that state economic conditions motivate decisions made by voters at the ballot box. Under poor economic conditions, I expect that turnover rates in each chamber will be higher, races will be more competitive, and voters will be more likely to support Democratic candidates. Using data from all fifty states from 1980 through 2010, I examine legislative contests in both upper and lower chambers. My results provide support for most of these expectations. State economic conditions influence state legislative races with voters more likely to seek change in weak economic climates. These results contribute to our understanding of state legislative elections, voting behavior, and the role of the economy in shaping political outcomes.

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Chapter 1

Introduction

During the midst of the 1980 presidential election, Ronald Reagan profoundly linked the struggling economy to his opponent, President Jimmy Carter. “Recession is when your neighbor loses his job,” Reagan begins, “Depression is when you lose yours. And recovery is when Jimmy Carter loses his” (Reagan’s Campaign Stump Speech 1980). Reagan, who would later unseat Carter, humorously highlights the economy’s critical impact on elections. The economic landscape has the power to shake the electoral equation. Voters can either show confidence in incumbents by re-electing them, or they can choose change in the form of a challenger (Niemi and Jennings 1991). While the economy exists as an important reason why citizens vote the way they do, an economy’s impact has yet to be fully observed at the state level.

Research suggests that the economy influences outcomes in a simplistic manner where people either want continuity or change from their candidates. While political strategists salivate at the idea of finding a winning coalition, they cannot always control the numerous factors which shape an election landscape. Traditionally, the economy has served a pivotal role in political strategies but it remains to be seen if it can also create unique election outcomes. As a result, this paper examines the electoral implications of a struggling economy in relation to elections which take place during stronger economic situations. To evaluate economic performance in relation to elections properly, this study looks at prior research in regards to state economies, election operations, and campaign techniques.

This project relies on the foundation set by other studies but charts a previously unstudied course. In context, the existing literature discusses how national and state economies impact voting decisions; however, no study pits the two against one another as a mode for determining election success. Similarly, voting patterns by means of economic conditions have been intensely examined. Still, previous studies look at voting related to either the national economy or an individual state economy. By aggregating states together, this research separates state economic voting from national economic voting and thus creates two distinct measures. Prior research identifies the general practices that campaigns use to elicit votes. Extending further, this project finds the underlying economic narratives that voters associate with candidates and campaigns at the state level.

To the general public, this study has meaningful applications in two areas. First, this study makes a case that a new method could more accurately predict election outcomes. Whether it is predicting the weather or election results, forecasting remains one of the most imperfect sciences. Regardless, election forecasting remains important to voter choice and campaign strategy; therefore, the notion that it can be improved has real consequences. This study essentially asks a simple question: If each state has a unique economy, why do researchers use the national economy to predict what will happen at the state level?

Second, campaigns and candidates use a variety of strategies to win votes. When it comes to the economy, does a certain blueprint help make a difference? This project explores the timeliness of candidate characteristics and partisan narratives. Essentially, given the strength of a state economy, some types of candidates become more electable than others. Moreover, political parties and candidates frame the economy to affect voters. Therefore, a better sense of economic awareness could underscore the types of candidates and campaign narratives which are most

effective during specific financial atmospheres. Perhaps, voters believe that certain economic climates call for particular types of candidates. With this in mind, essential literature pre-empts this project and serves as the bedrock for these questions.

Chapter 2

State Economies

No two states have identical economies. In fact, each one operates distinctly different because they rely on varying industries. States decide how to collect, allocate, trade, and spend on non-competitive goods like roadways and state militaries (Gray, Hanson, Kousser 2012). While confined to some degree by federal oversight, international trade agreements, and intra-national regulations, states still can enact their own economic policies like intra-state trade and industrial oversight (Gray, Hanson, Kousser 2012).

States tend to differ from one another by what they choose to regulate. For instance, federal law does not restrict states from favoring certain industries or sectors. Some states add to federal regulations with their own sets of standards. If a state values a specific industry, it may choose to abide by the federal policy without implementing additional laws. As an example, a state which relies on oil production is less likely to add state restrictions to federal regulation. Conversely, a state which has an economy that is more dependent on renewable energy has an incentive to create additional regulations to the oil industry which exceed the federal minimum. Each state's industrial organization fits its price theory where it will make a less favorable industry more expensive and a more favorable industry cheaper. It achieves this price manipulation through regulation (Daughety 1984). Each state has the autonomy to promote the industries which support its own economic interests.

Lawmakers, along with inherent regional characteristics, influence state economic performance to a degree. However, states often function as rational actors which encourage certain industries to thrive. State governments can support an industry that stabilizes its economy. In Michigan's case for example, the automotive industry heavily adds to gross state product (GSP) and employment. In 1987, when the industry contracted, both the state and local governments incentivized industry funding through corporate tax cuts and subsidies toward human capital investment. Instead of restricting industries, state governments tend to promote the growth of selected sectors (Fasenfest 2003). At the same time, states can allocate spending or funding initiatives for particular sectors as a result of interest group community density and strength of lobbying mobilization (Lowery and Brasher 2011).

Since state economies stray from the national economy, they provide a dynamic perspective on industry dependencies. For instance, the energy sector impacts states differently. North Dakota and Wyoming feel the burden of a changing energy sector. Since their economies rely on natural resources like oil, alternative energy sources and international export competitors have decreased the value of their energy sector economies. In North Dakota and Wyoming, the energy sector continues to contract. Alternatively, states like Maine and Idaho witness growing economies in the energy sector with their commitment to renewable energy manufacturing. According to the United States Department of Energy, these two states see upwards of 80 percent in renewable energy production while their counterparts in North Dakota and Wyoming produce less than 20 percent (U.S. Department of Energy 2016). This instance showcases that one industry can take very different shape from state to state and cannot necessarily be generalized based on region. Moreover, some states naturally rely on more industries than others.

Since it functions as the collection of all states, the national economy appears diversified. With investment in an abundance of industries, the national economy's success, or failure, rarely aligns with a single sector. According to a 2005 study by researchers at the Federal Reserve Bank of St. Louis, "though state level recessions tend to be associated with national recessions, there is still a great deal of state-specific variation in the timing and length of recessions" (Owyang 2005).

The National Bureau of Economic Research, or NBER, defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real gross domestic product, real income, employment, industrial production, and wholesale-retail sales." The NBER does not set exact criteria which constitute a recession but rather look broadly at a variety of factors (National Bureau of Economic Research 2016). However, the NBER's loose definition serves as an applicable roadmap in measuring state economic performance.

Studying economic performance in the states requires a different approach. Since the management of state economies exists outside of the federal government's purview, we lack an institution dedicated to gathering detailed economic data about each of the fifty states. Instead, we are forced to rely on states' own self-reports and those bits of information obtained through administrative records.

The Federal Reserve Bank of Philadelphia's coincident index scores quantify state economic performance much like the NBER does when assessing a recession at the national level. The Federal Reserve Bank of Philadelphia uses this state coincident index to aggregate four state-level economic statistics which include: nonfarm payroll employment, average hours working in manufacturing by production workers, the unemployment rate, and wage and salary

disbursements deflated by the consumer price index. Then, each state's respective index is paired with its gross state product to match long-term growth projections. Using these coincident index scores, the Federal Reserve Bank of Philadelphia identifies that state economies can range from "high performing" to "low performing". As such, this measurement highlights that state economies can, for example, recede based on sluggish performance. (The Federal Reserve Bank of Philadelphia 2017).

Specifically, individual states can switch into or out of recessions long before or long after the nation experiences one. California's economy provides an applicable example. When the national economy experienced a recession from 1990 through 1991, California remained mired in its own recession until March 1994. However, this occurrence was not an outlier. In each of the four previous national recessions, California's state recession lasted longer than the country's economic turmoil (Owyang 2005).

Next, individual states can be in expansion during the entire time that the nation is in recession. Both in 1980 and 1990-1991, Florida's economy actually grew when the nation fell into recession. Similarly, Missouri did not experience the 1980 or 1981-1982 recessions. Instead, Missouri experienced a single prolonged recession before the start of both national recessions. When the nation followed the state and became sluggish, Missouri's economy witnessed expansion (Owyang 2005).

Lastly, individual states can experience a recession that is not associated with any national recession. In particular, New Mexico's economy seemingly follows a different pattern than the country's business cycles. Since the mid-1990s, New Mexico has experienced three non-national recessions in addition to four recessions which directly aligned with country-wide

recessions. New Mexico, for this reason, appears more volatile and prone to recession than the nation (Owyang 2005).

With fiscal policy, elected officials design unique economies built on a variety of industries. While some states can be beholden to a certain sector, other states choose to have more diversified economies. All the while, state economies see less stability than the national economy because they are less insulated to sector failure. It's unwise to assume that state economies reflect the national economy's strength or weakness. Due to operating differently, states can experience shorter or longer recessions than the country's fiscal stress. If the national economy operates differently than state economies, then their recessions must be dissimilar too. Since state economies are less insulated than the national economy, their elected officials are more directly responsible for policy decisions; and thus, these politicians have a prime position to drive the economy.

Ultimately, prior literature teaches that state economies differ from one another primarily due to the industries which influence their performances. States develop unique business cycles which do not always coincide with the national economy. In some drastic but common instances, states can experience their own recessions even when the national economy is performing at a high level and vice versa. Even though the NBER does not formally declare when state recessions occur, their definition, applied with state coincident index scores, suggests that state economies can recede much like the national economy. Adding to the organic development of state economies, policymakers can control the industries which create this influence by enacting regulation or deciding to simply uphold federal standards. Collectively, natural progression and lawmaker decision-making create unique state economies. Still, citizens can only influence the latter via their votes.

With this in mind, politicians reflect the will of the people and ultimately, voters decide who gets to make these policy decisions through elections. Though it is one of many factors in election outcomes, economic ideology plays a significant role in voter choice. Since elections determine who citizens trust, voters elect candidates who they believe will implement policies which create strong and robust state economies.

Chapter 3

Elections

Voters can demonstrate how they feel about the economy when they elect a government official. While an economy is bigger than any politician, the praise or blame is understandably tied to them. Challengers seek to drive "change" and "government dysfunction" as reasons to unseat office holders during recessions. Meanwhile, incumbents champion stability as a mechanism in righting the ship (Niemi and Jennings 1991).

For example, victorious senate challenger, Mark Warner, articulated his economic platform, which was synonymous to change, during his 2008 acceptance speech:

> You know I think I might have the right experience," Warner starts, "one may recall my first two years as governor, I spent a lot of time trying to dig Virginia out of a fiscal ditch left over by a Republican administration. You know, that may be the best training possible to be a United States Senator come January 2009...But we did dig Virginia out of the ditch and Virginia was named the best managed state in the nation; it was named the best state for business. And, we can do the same thing and make America the most competitive nation in the world, if we do it together…and with all of the recent excesses on Wall Street, and I don't know about you, but it might be time to send a few more Senators up there that can *actually* read a balance sheet (Mark Warner's Acceptance Speech 2008).

In his speech, Warner clearly highlights the reasons why Virginians voted for him: experience, frustration with the previous administration, a sense of compassion for the middle-class, and a new vision to improve both the state and national economies. Warner, like many challengers, hints that "change" will allow his constituents' circumstances to improve.

Mark Warner's fortune lacked uniqueness; instead, it coincided with a Democratic wave of success in the midst of the Great Recession. In that election cycle, eight Senate incumbents

lost their seats, and in each instance, a Democrat unseated a Republican. Undoubtedly, a sweeping decision to unseat Republicans not only affected Virginia, but the entire nation. While difficult to pinpoint any singular reason for the overhaul, some questions must be contemplated. Was it the rapidly climbing national unemployment rate? Was it a desire for change from the Republican-held administrations in the House of Representatives, Senate, and Presidency? Did Democratic congressional candidates coattail Barack Obama's 2008 presidential campaign? Or, was it some other, entirely different reason which prompted Americans to shake the balance of power in their respective states? In the 2008 election, the stars aligned for the Democrats to triumphantly win; however, most years do not exhibit seemingly obvious conclusions. Therefore, before understanding *who* Americans vote for, this study strives to examine *why* they vote the way they do.

Inherently, citizens look at the political atmosphere through a partisan lens. Individuals gain an understanding of their parents' party identification and commonly adopt the same identification as an adult (Niemi and Jennings 1991). Naturally, a young person usually shares one parent's ideology to some degree. Similarly, an individual may learn through exposure to a given community. All the while, an adolescent retains influence related to candidates' personal attributes, the politics of partisan topics, domestic policy, foreign policy, and the traditional stance of the Republican and Democratic parties. The partisan identification between parents and their offspring highly correlate (Campbell, Converse, Miller, and Stokes 1960). Essentially, by the time young people become old enough to vote, they already share their parents' political ideology. Essentially, a voter's actual understanding of policy proposals and issues will automatically be categorically aligned to a specific party.

Despite exposure to partisan environments growing up, individuals can see their political identities drastically shift from the time that they are children to when they enter their twenties as adults. Once they enter their thirties, most people complete their arc by forming a partisan identity that resembles their childhood environment. They predictably support the loyalties shared by their initial influencers. For some others however, they never quite return to the same partisan identity, or become more neutral, as opposed to their parents' identification due to individual experiences, circumstances, or community impacts. To these voters, individual policy preferences outweigh parental partisan values (Niemi and Jennings 1991). Therefore, an ability to sway voters does exist even if it seems relatively minute. The majority of young adults, along with a minority of a relatively larger number of thirty-plus adults, can waver in political support. They remain the vulnerable, primary targets to the many actors working to win support in the political sphere.

With a sizeable population of voters who can be swayed, political actors take aim. Everyone from candidates, campaigns, parties, think tanks, and interest groups can influence the content and context through which citizens decide to conduct issue-based voting. Influencers can frame an issue by giving it a favorable definition or attractive slant (Lowery and Brasher 2011).

At the same time, candidates strengthen the issues in which they have a competency advantage by highlighting their own experiences or the failures of their opponents. At the same time, parties carefully pick candidates with unique specializations which incentivize voters to vote with that affiliation. That way, a voter will be more likely to side with both that particular candidate and the represented party (Krasa and Polborn 2010). Still, candidates can use soft skills to draw a personal connection to the electorate. Many rely on family values, upbringing, religion, and even the intangible qualities like likeability to earn votes. Even after policy discussions and

ideological differences, some individuals vote for the unquantifiable characteristics of a candidate because they simply prefer one over another (Campbell, Converse, Miller, and Stokes 1960). Winnable voters must hear a compelling narrative that a candidate and campaign provide. To decide, many of these voters rely on basic instincts or a message iterated by a campaign which they internalize.

To account for voters' basic instincts, candidates and other election influencers must deal with many circumstances which remain out of their control. More intuitively, a campaign needs to adapt to the current political atmosphere. For example, when a candidate decides to run for office, he cannot control the current economic state, opponents he will face, the experience of his opponents, the public's perception of his party, etc. Therefore, candidates use framing mechanisms to level the playing field. That way, they can pitch a favorable story to the electorate.

From a narrative perspective, some voters latch onto ideas that candidates illuminate. For instance, in the 1980s, President Reagan used tax reform as a key component to garner support for the Republican Party. Reagan framed the reform as a chance to reduce the vastness of the federal government and its stranglehold over the national economy. Meanwhile, Citizens for Tax Justice, or CTJ, a liberal interest group, advertised Reagan's proposals as corporate tax breaks and pandering to private industry. Reagan's presidential influence on voters pressured Republicans and Democrats alike to legislate tax reform. Though he achieved tax reform, President Reagan could not quite get the sharp tax cuts that he proposed. The CTJ's call for "fairness" created a more balanced bipartisan agreement which limited his tax reform to an extent (Fand 1981).

To help ensure the wide appeal of these narratives, the ability to raise money can be pivotal. Additionally, fundraising mechanizes a way for voters to choose a particular candidate. For these reasons, interest groups can recruit candidates to run for office by offering to donate to a campaign contribution, provide training, or offering the support of an impactful segment of its voting base. To highlight this, the National Rifle Association (NRA) often recruits congressional candidates who oppose gun control legislation. As a result, the NRA can offer contributions to help finance a campaign long before a party will throw its support behind a candidate during the primary process. At the same time the interest group can extend an NRA-friendly rating to the candidate as a way of enticing support from those who support gun rights. Thus, a candidate will gain more access and exposure ahead of the nomination, which will only be intensified when pitted against a partisan opponent. Similar tactics can be taken by political action committees which have the resources to help a candidate win (Kenny, McBurnett, and Bordua 2004).

Finally, a party's narrative may coincide with the message championed at the national level. As applied to state elections, the public's perception of the executive branch acts as a key element. The president's approval rating has a "down ballot" effect where voters attribute his success to other candidates from the state party. Most notably, presidential election results can be especially pivotal where the party that wins the White House brings in an accompanying wave of "down ballot" candidates. Obviously, the public's negative perceptions of a party or candidate can be just as damaging. When the economy struggles, the party in power receives the blame while trust in change soars. A systematic generalization occurs where all candidates associated with that party tend to lose votes. At the same time, controversial events and unfavorable circumstances can mightily hurt a candidate's chances (Campbell 2000).

As witnessed, voters inherently look at the political landscape with some partisan bias. However, a sizable amount of individuals can still be swayed by the economic atmosphere and by the many political actors vying for their support. In order to gain a winning coalition, campaigns intervene. They strive to reaffirm loyalty from party members while bringing in new supporters too. A campaign must pitch that its candidate's values will strengthen a weakened economy and accomplishes this by creating a favorable narrative. Winnable voters, whose choices are not predetermined by political identification, often value their basic instincts and key messages propelled in the political atmosphere. Therefore, candidates and campaigns try to align their narratives accordingly. If a voter believes that a candidate will bolster the financial situation, or at least that the opponent cannot, then the campaign has leveraged the economy effectively.

Chapter 4

Campaigns

Numerous studies over the last two decades reveal the slight but relevant effectiveness of television advertisements, news coverage, campaign events, candidate endorsements, and personal canvassing. Primarily, campaigns function to teach, prime, and mobilize an electorate. Distinctly, modern campaigns focus on issue awareness to draw firm contrasts between a candidate and the opponents. Similarly, they use polling insights and database intelligence to effectively strategize. That way, campaigns motivate loyal supporters to turn out and attempt to sway winnable voters (Hillygus 2010).

Ultimately, campaigns want to educate voters through a specific lens which yields votes (Druckman 2004). To first win their base, "campaigns remind Democrats why they are Democrats rather than Republicans and remind Republicans why they are Republicans rather than Democrats" (Campbell 2000). Then, they frame an election to persuade both undecided and winnable voters. Rather than manipulating a voter to change any predispositions, campaigns help voters sort through the diverse political landscape. That way, campaigns can illustrate the qualifications of their candidate as opposed to a competitor. Campaigns want to shape a situation into a favorable context for their candidate (Hillygus and Shields 2008).

When the atmosphere already seems agreeable, a campaign will typically link its candidate to the positive atmosphere (Holbrook 1996). For example, if a party has congressional power, it will take credit for a strong economy. At the same time, candidates from that party will

appeal to the party's tenants, policy, and success as reasons to earn votes. Why not vote for the party that produced a strong economy? Does America want to continue its economic growth? These questions demonstrate a rational plea for political continuity.

Campaigns cannot control many election factors, so they illuminate the favorable aspects for their candidate and the unfavorable conditions for any opponents. At the same time, if a specific condition seems particularly damaging, campaigns focus on unrelated issues to shift the political conversation. Unsurprisingly, they sometimes spin opponents' strengths into perceived weaknesses. Candidates, who do not have favorable circumstances, try to shift the focus (Krosnick 1990).

For example, Massachusetts held a special election in 2010 following Senator Ted Kennedy's death. The Massachusetts Democrat had served as senator dating back to 1962. Given Massachusetts' strong Democratic identity and the death of a widely beloved government official, Massachusetts seemed likely to fill the empty seat with another Democrat. However, Scott Brown, a Republican senator who appealed to many moderates, won the seat by framing the election.

Brown's campaign focused on Massachusetts' sluggish recovery from the Great Recession, the public's economic concerns related to the Affordable Care Act, and painting himself as a more relatable person than his opponent, Martha Coakley. After Democrats were handed a surprising defeat, critics partly attributed Coakley's failure to her lackluster campaign, over-confidence in winning Ted Kennedy's seat, and tendency for gaffes. Still, Brown's campaign strategy of switching the conversation away from Ted Kennedy and toward other factors played a pivotal role in winning the special election (Cooper 2010).

Much of Scott Brown's 2010 success can be attributed to his campaign's understanding of his electorate's distrust in the economic climate. Like Brown's team, campaigns utilize public opinion as a roadmap in identifying the issues which matter most. While pre-election polls can sometimes be scrutinized over sample and variation, public opinion polling greatly aids campaign strategy. Campaigns want to capitalize on the most polarizing issues which *directly* cause voter choice (Jacobs and Shapiro 2005).

For instance, the 2006 Tennessee senate election pitted Harold Ford Jr. (D) against Tom Corker (R). While both men vied to hold a senate seat for the first time, Ford held state-wide and even national notoriety. Many Democrats viewed him as a rising star in the party who could take a seat in a traditionally red state. Meanwhile, Corker primarily possessed little notoriety outside of his mayor's office in Chattanooga. Corker's campaign however primarily focused on the issue which Tennessee public opinion polls indicated mattered most: the Iraq War (Leibovich 2006).

Corker repeatedly highlighted that Ford, as a member of Congress, authorized the war. He also highlighted the need to correct tactical mistakes in Iraq while devising a plan to bring the soldiers home. Ford, who tried to distance himself from his voting record, attempted to shift the conversation to other issues like the Tennessee state economy, social issues like abortion, climate change, and accusing Corker's attack ads as possessing racial undertones. Even though statistical significance indicates that the Iraq War actually negatively affected Republicans in the 2006 midterm election, Corker bucked the trend (Kriner and Shen 2007). By constructing his campaign around a vision to responsibly handle the war and highlighting his opponent's connection to starting it, Corker won one of the nation's tightest races. He inherited a favorable situation where Tennesseans cared most about the Iraq War and capitalized by tying his opponent's voting record to the issue. Conversely, Ford's campaign strategy to build a winning

coalition around less pertinent issues, in the eyes of Tennessee voters, failed. When it comes to issue framing, campaigns view fundraising as the mechanism for casting a wide net.

To campaigns, fundraising acts as a vehicle which spreads a candidate's narrative; however, its effectiveness appears debatable. In particular, money totals act as a significant resource for non-incumbents (Nice 1984). Candidates often try to raise as much money as possible because political actors often view outspending as a key component in defeating an adversary. However, this isn't always the case. Incumbents who are in more narrow contests, especially if their term involved a scandal, tend to spend more money but see counterintuitive results. Research shows that incumbents who spend more in tight elections, receive little to no effect; in some cases, it creates a negative effect. Conversely, challenger spending has a modest but positive effect on vote share where more money yields more support. Without name recognition and a voting record from previously holding a specific office, campaign funds can be critical for challengers (Abramowitz 1988). Still, campaign donations and funding during times of recession remains widely untested. It's unclear whether individuals and interest groups give more, less, or the same amount when the economy struggles.

In sum, researchers have traditionally looked to the national economy or an individual state's economy to predict voting behavior. Looking broadly at states, their collective economies perhaps influence more elections than the national economy because they are more numerous in frequency and type. Even though states have differentiated economies, they all hold their respective elections. Through these elections, voters voice their opinion and identify which elected officials they trust to create fiscal policies that steer an economy forward.

During an election cycle, citizens must determine how their representative has handled his responsibility. A voter's perception of the fiscal situation will impact his economic voting

choice. However, many voters do not decide without prior influence. Of course, most voters look at the economic climate through a partisan lens which has been shaped from an upbringing, community, or general experiences. Therefore, campaigns seek to win voters who aren't mired in partisanship. Whether the economy has left them disillusioned, frustrated, or privy to persuasion, these voters can be decisive in electoral outcomes, and campaigns act accordingly. Ultimately, campaigns want to design a voting choice which makes a strong economy synonymous with their candidate. Using their resources, campaigns tell an economic story designed to attract their targeted voters.

Knowing that state economies better reflect policymakers' decisions and have less insulation than the national economy, it seems like their elections can more directly lead to an economy's fate. As a result, elections that take place during economic hardships may provide an intriguing story. During state recessions, more voters become seemingly winnable to the party that is not in power. A challenger can highlight an obvious platform based on "change" while analyzing the work done by an incumbent.

One study highlights an alternative perspective on the idea of "change". While often associated with the idea of ousting an inept elected official, it can also highlight the notion that a better pool of candidates decides to run for office. For instance, when the economic climate staggers, someone might see this as a perfect opportunity to launch a campaign. A favorable atmosphere may discourage new candidates from running but poor conditions may encourage an exemplary candidate to seek office (Jacobson 2005). All the while, "change" occurs when either voters remove the dissatisfactory incumbent or actively vote for a candidate who they think is better.

When trying to remain in office, an incumbent must rely on his experience and call for stability to stay in power. All candidates try to frame an economy to fit a specific, targeted story which will help them win. Therefore, this study finds enough evidence to believe that state elections may produce a more complete picture of what voters identify with when an economy is either strong or weak. During a particularly bleak economic landscape, both voters and campaigns see an opportunity to hold elected officials responsible.

Chapter 5

Theory

Economic voting has yet to be formally studied at the state level; however, existing research provides a roadmap for what might be uncovered. A summary of the prior literature illuminates that state economies differ from one another, yet their impacts on voter decision-making is widely unknown. As a result, this project aims to show that through their differences, state economies can tell a more complete story than the national economy. Since the national economy does not accurately reflect the performance of each state, it may have further limitations when predicting state legislative outcomes. State economies may demonstrate that citizens' votes do not merely reflect their attitudes about the national economy. Voters may make their decisions based on a more local economic scope than previously thought.

After examining various economic conditions, this project expects to find that state elections will yield uniquely unfavorable electoral outcomes for incumbents during economic hardships. As a result, this study theorizes that an empirical analysis will highlight citizens' frustrations during a state recession. They will blame incumbents for economic turmoil and vote them out of office in favor of someone better or, at least, new. Therefore, incumbents inherit greater risk when trying to win re-election.

During such dire economic atmospheres such as recessions, voters demand "change" and an incumbent's narrative becomes more difficult to validate for a variety of reasons. Incumbents, whether directly at fault or not, receive voter scrutiny for not ensuring sector success. Pointing to government inefficiency, policymakers receive the blame for higher unemployment, less

production, and inflated prices. This effect becomes magnified with smaller economies because their lack of diversification creates a higher risk for experiencing a recession and, in turn, jeopardizes an incumbent's election success. Thus, as a state's economy increases in strength, I anticipate that its legislative turnover (as a basis for incumbency) will decrease. Furthermore, as an economy improves, they will see less competitive races and win by larger margins of victory.

State economies may also create partisan advantages. As shown in the literature review, campaigns try to frame issues in a favorable light. The economy is no exception. I believe that certain messages appeal to voters given an economy's performance. Since Republican campaigns traditionally preach deregulation and tax cuts, I believe that they are more successful when voters want a "good" economy to become "great". However, I believe that Democrats find success in a very different atmosphere. Much like the Great Recession, I believe that Democrats will see their electoral chances improve during periods of weak economies. Their campaigns tend to perpetuate economic narratives related to income equality and regulating corporate excess. For these reasons, I assert that voters will support Democrats when they want the economy to get back on track.

Hypotheses

H_1: As a state's economy increases in strength, its legislative turnover (as a basis for incumbency) will decrease.

H_2: As a state's economy increases in strength, the resulting decrease in competition results in larger margins of success for incumbent.

H_3: As an economy increases in strength, Republicans will see an increase in their probability of winning office.

H_4: As an economy decreases in strength, Democrats will see an increase in their probability of winning office.

Chapter 6

Data

From the literature and theory, I propose to examine four dependent variables: legislative turnover, average margin of victory, the success of Republicans, and the success of Democrats. Ultimately, the goal remains to measure the electoral impact of state economic strength. The unit of analysis is each respective legislative chamber's membership makeup in a given election year and in a given state. Each state's upper and lower chambers yield their own results in relation to economic performance.

Diving into the dependent variables, this project uses legislative turnover to judge how incumbents perform based on the strength of an economy. At the state level, turnover serves as a better indicator than incumbency because the latter has a few statistical limitations (The Council of State Governments Knowledge Center 1980-2011). Primarily, incumbency fails to account for legislators who decide against running for re-election. Legislators may see the writing on the wall based on their district's economic performance. As a result, unfavorable legislators decide to forego running for re-election or choose to retire. In these instances, incumbents do not technically lose races. Thus, turnover simply looks at the number of new legislators that win election while depicting a clear story about incumbents' fates.

My first hypothesis asserts that economic improvement will help incumbents win re-election. Since many voters care about the economy, they will decide to entrust a lawmaker who has a proven track record. However, they will do the opposite when an incumbent's term is

marked by economic peril. This hypothesis highlights that when an economy struggles, turnover will rise.

My second hypothesis compares state economic performance to a legislator's margin of victory. Intuitively, this relationship depicts the economy's impact on the competitiveness of races. Since strong economic performance should help incumbents win re-election, I assert that it will help them win by wider margins too.

My third and fourth hypotheses deal with the relationships between partisan advantage and state business cycles. Does one party find more success during recessions than the other party? Does one party find more success during economic expansion? I hypothesize that specific campaign narratives resonate within voters given the state of the economy. I believe that Republicans, who traditionally champion deregulation and tax cuts, will become more successful when economies are growing. Conversely, I hypothesize that Democrats, who traditionally champion income equality and corporate regulation, will find success when state economies recede.

Focusing on the chief independent variable, state economy strength will detail these hypothesized claims. It will demonstrate any, and all, effects on turnover, margin of victory, the percent of Republicans elected, and the percent of Democrats elected. To map state economy strength, I use state coincident index scores which rate each state's economic performance. As previously mentioned, the Federal Reserve Bank of Philadelphia releases this monthly aggregate statistic of four state-level economic indicators: nonfarm payroll-employment, average hours worked in manufacturing by production workers, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (in relation to the national city average).

Cumulatively, these statistics form a state coincident index paired with the state's trend in gross domestic product.

The Federal Reserve Bank of Philadelphia models its economic indexes uniformly across each state. Therefore, state indexes are comparable to one another and do not err in mathematically representing larger state economies as "higher performing" than states with naturally smaller economies (Federal Reserve Bank of Philadelphia 2017). Using these state coincident indexes, this project maps state economic performance in relation to the national economy and from state to state.

To assess the veracity of my hypotheses, this project will initially show state economic variance to show the magnitude of their differing business cycles. Once achieved, I will then look at expected bivariate relationships between state economic performance and election outcomes. I will finally run a series of fixed and random regressions to look for relationships between my chief independent variable, state economic strength, and each respective dependent variable while holding an array of other variables constant. These relationships should illustrate any directions of effect and statistical significances between variables.

Still, many factors potentially play a role in election outcomes besides state economic performance. Therefore, this project controls for presidential voting, the professionalization of the legislative body through salary, the national economy, and the economic overlap between the state and national economies (when the state economy mimics the national economy).

Important to note, the independent variable related to presidential voting has been broken into three categories. Presidential margin of victory is applied to turnover and legislative margin of victory because it focuses on turnout and one-sided voting based on voters' party identifications. However, the modeling applies Republican presidential vote share to the percent

of Republicans elected in state legislatures to account for down ballot voting. The same modeling concept has thus been applied to Democrats.

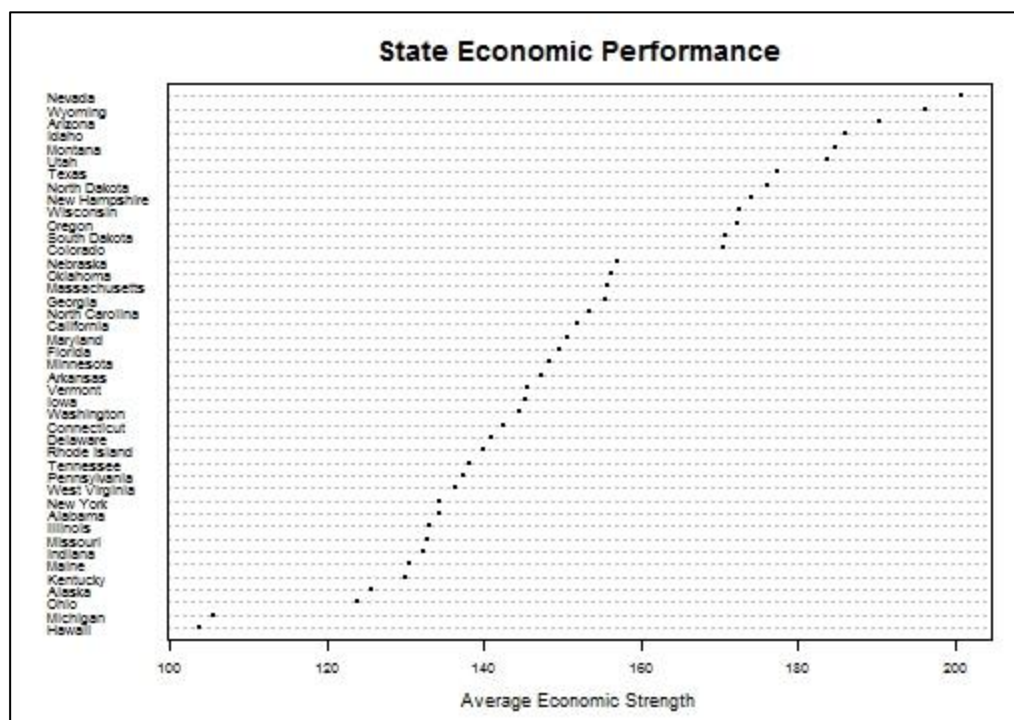
Finally, my data spans from 1980 to 2010. This timeframe serves as a modern scope for elections during recessions. This thirty-year period witnesses five separate national recessions and numerous individual state recessions. All the while, each state held elections during varying intervals. Using election returns from each state, I can see which type of candidate and party won while simultaneously observing by how much (Klarner Politics 2015).

Chapter 7

Results & Analysis

I first present each state's economy based on their average coincident index scores from 1980 to 2010. This way, I can assess the amount of variation among state economies. As seen in Figure 1, Nevada existed as the strongest economy during this time period while Hawaii's economy was the weakest on average. More importantly, Nevada nearly doubles Hawaii's score which explains that its economy was twice as robust and insulated from an economic shock. Accounting for their distribution, the states exhibit a vast range. For this reason, a measure of national economic performance only shows the average between states. As a result, it fails to capture the many states which both outperform and underperform the nation.

Figure 1: State Economy Variation 1980-2010

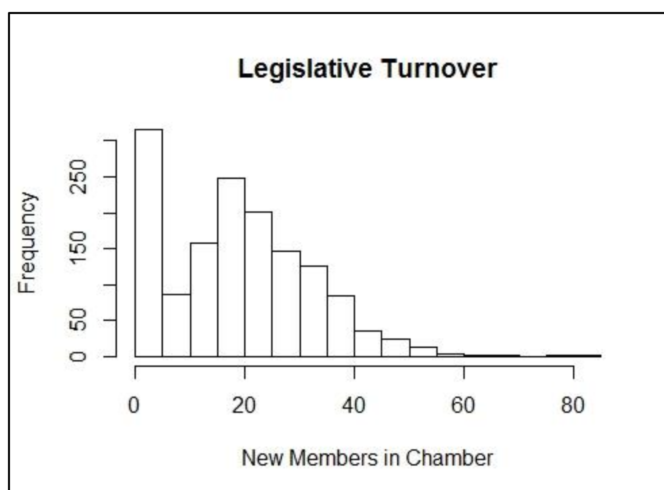


For instance, Nevada does not experience every national recession that takes place during this time frame; whereas, Hawaii has its own recessions in addition to ones suffered by the national economy on average.

Similarly, Figure 1 identifies three groupings of state economies. As seen, the “low end” states post a score less than 120 and averages additional state recessions in addition to the national economy; the “middle” constitutes states between 120 and 160 and are relatively on par with national recessions, while the “high end” states post scores greater than 160 and average some insulation from some national recessions. Based on these groupings, states naturally vary by being stronger, around average, or weaker than the national economy and in relation to one another. The variation between states explains that their economies perform differently, but how do they impact election outcomes?

I next examine the dependent variables which highlight elective expectations. In Figure 2, legislative turnover shows the de facto fate of incumbents. As legislative turnover increases, more incumbents either lose races or decide not to run for re-election. Across, both legislative bodies, 19 new members, on average, win office each election. This illustrates a sizable portion of policymaker turnover considering that not all members are up for re-election during each state election.

Figure 2: Incumbency Vulnerability



Next in Figure 3, state elections tend to have wide margins of victory. On average, state elected officials win by a staggering 45%. This suggests that these races often fail to be competitively contested.

Figure 3: Competitiveness

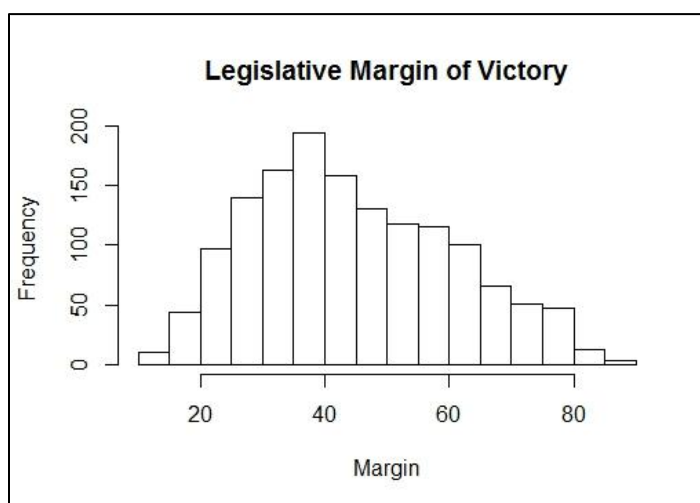
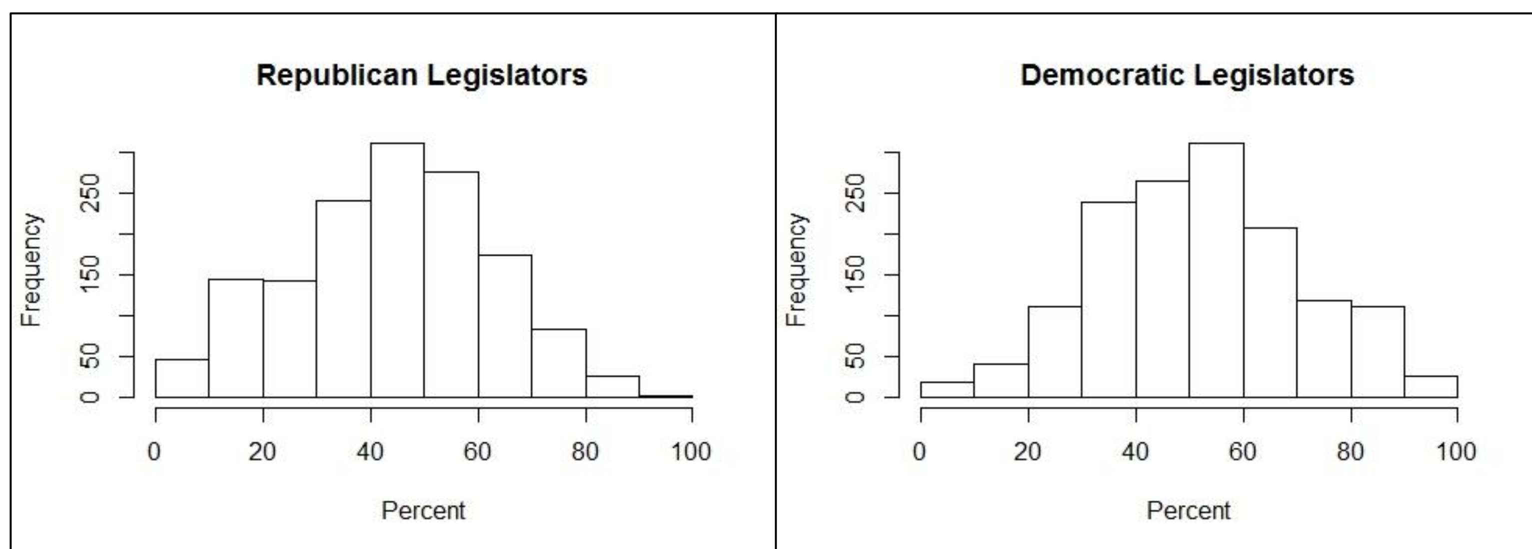


Figure 4: Partisan Distribution



Third, the partisan balance of state legislatures, as seen in Figure 4, favors Democrats during this timeframe. Democrats accounted for about 52% of state legislature membership while Republicans held 45%. While not included graphically, a miniscule number of "other" party candidates held office as well.

These four dependent variables display sizable variation. For example, during an average election, a state legislature would have had 19 new members with each member winning by about 45%. While relatively balanced between parties, it was more likely for a Democrat to win office than a Republican. Collectively, these averages serve as a baseline for the election conditions during this thirty year span.

I next look at state economies and the natural relationships that form with the dependent variable. Using bivariate plots on the next page, Figure 5 and Figure 6 illustrate that as a state's economy gets stronger, legislative turnover decreases and margin of victory increases. Though these relationships may appear to be incremental by their flat slopes, extreme economic situations, like a recession, could have a more profound impact. Meanwhile, as seen in Figure 7 and Figure 8, Democratic win percentage decreases and Republican win percentage increases with economic strength. The data indicates that these relationships appear quite strong and give Republicans an edge in elections when economies perform at a high level.

Putting these relationships together, when a state economy posts a weaker coincident index score, and likely experiences a recession, the data suggests that incumbents lose more often, margin of victory narrows, and Democrats have an advantage winning office. Conversely, when economies expand and become strong, incumbents have a greater chance to be re-elected, races are less competitive, and see Republicans elected more often than Democrats.

Figure 5: Relationship Between State Economies and Incumbency

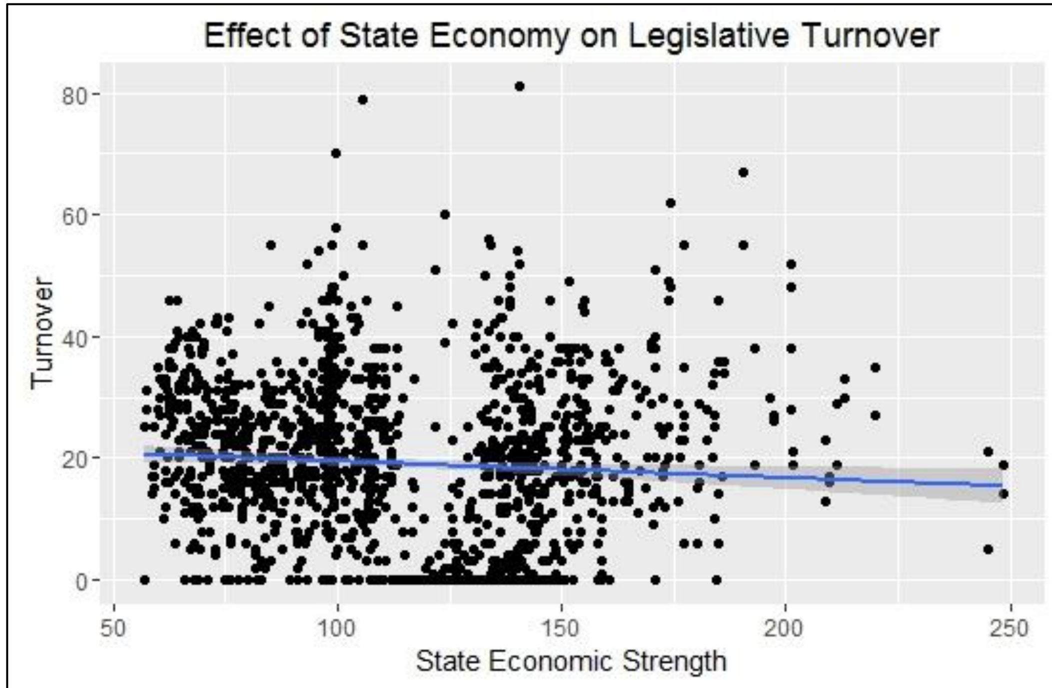


Figure 6: Relationship Between State Economies and Competitiveness

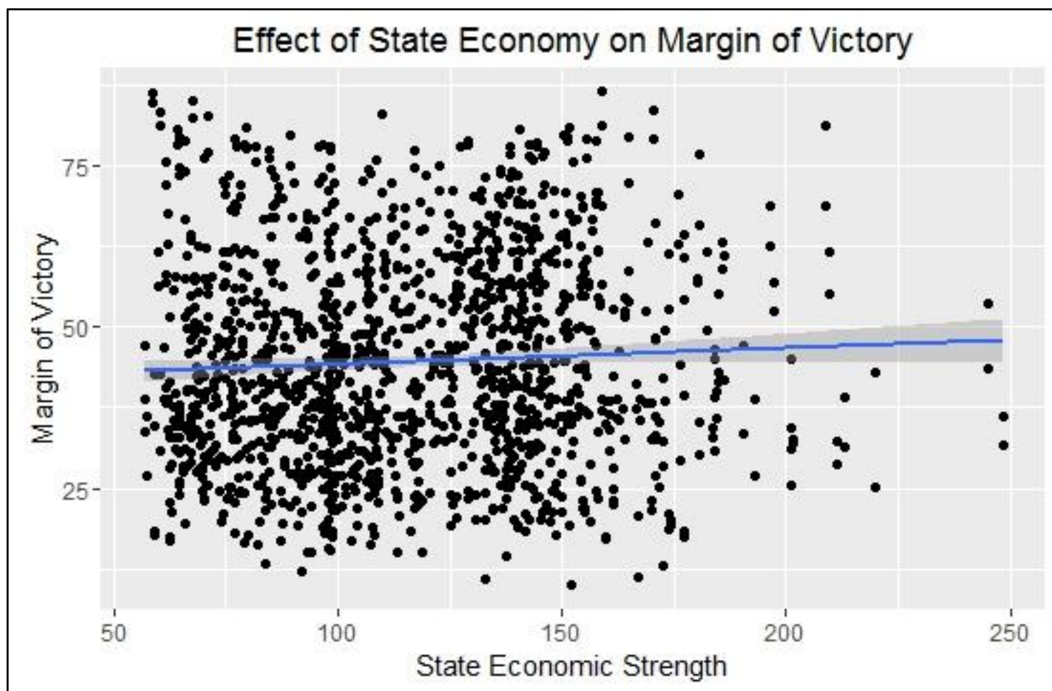


Figure 7: Relationship Between State Economies and G.O.P. Success

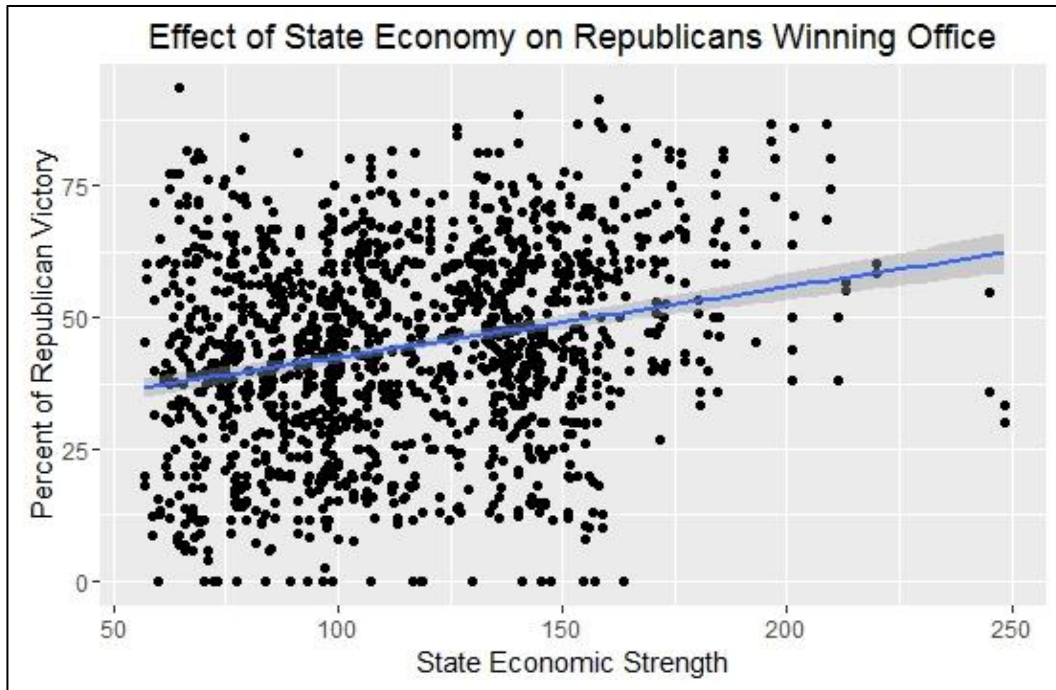
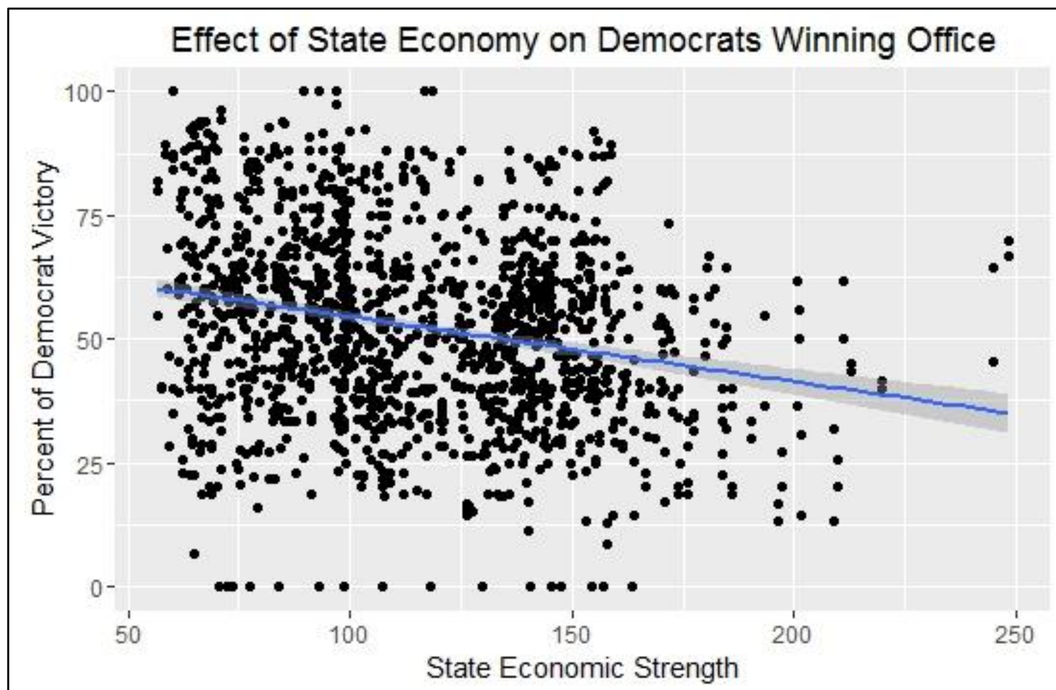


Figure 8: Relationship Between State Economies and Democratic Success



Given these basic relationships, this project now turns to modeling as seen in Table 1. The following regression table aims to focus on state economies and their electoral impacts. Each regression distinguishes upper and lower chambers while holding constant other potentially impactful conditions like presidential voting, the professionalization of legislatures, the national economy, and atmospheres when state economies mimic the national economy.

Before examining these results however, it should first be known that all four models appear statistically significant as seen by their F-statistics. In addition, my data includes repeated observations over time. To account for the panel structure, I employ fixed and random effects models to determine the best fit for each dependent variable. Depending on the data, some variables call of fixed effects models because they see a distribution in sampling error. In these instances, the only variance considered is the role of chance. Meanwhile, other variables call for random effects models because they witness a distribution of study results. As a result, these models consider variance by chance *and* the heterogeneity between panels.

By using fixed and random models, the data best highlights statistical significance and direction of effect. Unlike OLS linear regressions, the coefficient values do not serve as the best barometer for what effect takes place. Rather, a simple positive or negative relationship serves as a more accurate conclusion. For this reason, I will discuss *what* relationships occur but not by *how much*.

For reference, the variable “No National Recession” refers to national economic performance while “Economic Overlap” signifies an interaction term between “No National Recession” and “State Economy Strength”. As such, this variable accounts for periods when a state economy mimics the national economy.

Table 1: Regression Analysis 1980-2010

	Legislative Turnover		Margin of Victory		Percent of Republicans		Percent of Democrats	
	Upper Chamber	Lower Chamber	Upper Chamber	Lower Chamber	Upper Chamber	Lower Chamber	Upper Chamber	Lower Chamber
Presidential Margin of Victory	-.129*** (.045)	-.141*** (.048)	.121*** (.042)	.054* (.031)				
Vote Share: Republican Presidential Candidate					.438*** (.072)	.347*** (.052)		
Vote Share: Democratic Presidential Candidate							.320*** (.074)	.327*** (.052)
Professionalization (Salary)	.00003 (.00004)	.0002*** (.0001)	.00004 (.0004)	.0001** (.00003)	-.0001* (.00005)	-.00001** (.00004)	.0001* (.0001)	.00004 (.00004)
No National Recession	-.024 (.059)	-.064 (.054)	.041 (.050)	.027 (.035)	.129** (.054)	.055 (.037)	-.130** (.054)	-.057 (.038)
State Economy Strength	.078* (.042)	.029 (.040)	.023 (.036)	.004 (.026)	.203*** (.039)	.125*** (.027)	-.204*** (.039)	-.118*** (.028)
Economic Overlap	-.001*** (.001)	-.001** (.0005)	-.0001 (.0004)	.0001 (.0003)	-.001 (.0005)	.00003 (.0003)	.001 (.0005)	.00002 (.0003)
Constant	26.310*** (4.731)		36.074*** (4.319)	39.263*** (3.503)	-.5615 (6.615)			
N	706	743	706	743	706	743	706	743
F-Statistic	20.820*** (df = 5; 700)	25.767*** (df = 5; 689)	6.329*** (df = 5; 700)	8.584*** (df = 5; 737)	25.929*** (df = 5; 700)	34.716*** (df = 5; 689)	23.012*** (df = 5; 689)	30.924*** (df = 5; 689)
Model	Random	Fixed	Random	Random	Random	Fixed	Fixed	Fixed

Note: P < .1*, .05**, .001***

Table 1 first focuses on legislative turnover as a basis for the fates of incumbents. We see statistically significant negative relationships for presidential voting and economic overlap in the upper chamber. Meanwhile, state economy strength has a positive relationship with turnover. We notice that incumbents fare better when presidential races are closer, state economies are strong, or when there is less economic overlap.

In the lower chamber, presidential margin of victory and economic overlap possess negative relationships while legislative salary has a positive effect. This means that incumbents fare better when presidential races are more competitive, legislators earn higher wages, or there is less economic overlap.

Table 1 then shows us the dynamics that effect legislative competitiveness in the form of margin of victory. Unlike turnover, the data suggests that the economic landscape does not affect win margin. Instead, presidential win margin improves legislative win margin in the upper

chamber. A president's margin of victory similarly improves win margin in the lower chamber while salary does as well.

Additionally, Table 1 illustrates that economic landscape affects Republican win percentage. In the upper chamber, positive statistical significance can be witnessed for Republican presidential voting, stronger national economies, and state economic strength; however, legislative salary has a negative effect. Putting these relationships together, Republicans have a greater chance of winning when a Republican presidential candidate receives more vote share, a state does not fall into recession, the national economy is not in a recession, or when legislators earn lower salaries.

The lower chamber sees similar relationships with one exception. Unlike in the upper chamber, lower chamber elections are not statistically significantly affected by the national economy. Instead, state economic strength indicates the only economic indicator of a Republican's fate. Combining both chambers, we see that Republicans tend to win more often when the economy is performing at a high level.

Lastly, the data in Table 1 shows us the independent variables that affect the percent of Democratic legislators in state chambers. In the upper chamber, Democrats have a greater statistically significant chance of winning when a Democratic presidential candidate receives more vote share or when the upper chamber earns a higher salary. However unlike Republicans, Democrats see their chances of winning upper chamber races when either a state falls into a recession or when the nation's economy recedes.

Lower chamber Democrats see similar trends to upper chamber Democrats with one exception. Once again, the national economy does not appear to affect election outcomes while

state economic performance has a negative effect. When states fall into recessions, Democrats see their odds of winning lower chamber elections improve.

Interestingly when it comes to partisanship, the national economy seems to project what happens in state upper chamber elections but not lower chamber elections. State economic performance indicates how political parties should fare in both chambers while the national economy has some limitations. Therefore, the data hints that state economic performance has a greater impact on elections than perhaps the national economy.

Summarizing the four dependent variables, we notice some interesting trends related to the theory. The data supports my first hypothesis that strong economic climates should help incumbents. Conversely, the data does not support my second hypothesis which details that incumbents should win by wider margins as well. The metrics illustrate that incumbents win re-election more often during strong economies; however, they do not necessarily compete in less competitive races.

My third and fourth hypotheses deal with partisan advantage. I assert that Republicans have an advantage when economies grow, but Democrats have an advantage when they recede. In response, the data supports both of these claims and suggests that parties play significant roles given the state of the economy.

In addition, other factors outside of economics matter too. Presidential voting affects all four dependent variables across both chambers. Intuitively, this may shed light on voter rationale. Obviously, a voter may not know specifically when their state is in a recession. However, the national economy's performance appears more visible. Therefore, they attribute much of their voting behavior to the president's national economic policies. For instance, if the national economy struggles, a candidate who shares the president's party has a greater risk of

losing an election. Even if a state's economy exhibits more relative strength than the national economy, a candidate who shares the president's party becomes particularly vulnerable. Ultimately, it can be surmised that the voter's misinformation about state economic performance causes this situation.

Finally, the professionalization of legislatures matters too. For many of the dependent variables, legislative salary appears statistically significant. While this study characterizes professionalization strictly by salary, this measure shows us that in some instances salary determines election success. While difficult to hypothesize the reasoning, one interpretation promotes the harm of raising legislative wages in regards to public optics.

For example, when legislative salary increases, turnover becomes higher in the lower chamber; margin of victory becomes higher in the lower chamber; it hurts Republicans in both chambers, and helps Democrats in the upper chamber. One could make the case that voters do not appreciate legislative wage increases. The data shows that incumbents lose more often and by wider margins as their wages rise. Similarly, Republicans lose more often which could trace back to voter psychology. Why would Republican legislators pay themselves more if they promote smaller government? Clearly, this is just one possible explanation but further testing would be needed to explore this relationship. Nevertheless, legislative salary is significant and matters to voters.

Chapter 8

Conclusion

This project asks two simple questions. Who do Americans trust given specific economic conditions, and which economic factors impact voting the most? Since the data suggests that state economies perhaps have fewer limitations than the national economy, they may act as better electoral predictors. The national economy predicts state upper chamber results but cannot adequately predict lower chamber outcomes. As seen using state economies, voters are more likely to support challengers and Democrats, on average, during downturns in business cycles. Conversely, incumbents and Republicans witness greater odds of victory, on average, when a state's economic performance grows. However, state economic performance does not seem to impact the competitiveness of races.

Expanding on these findings, presidential voting, legislative salary, and economic overlap between the national economy and a state economy, all have impacts too. First, citizens often vote for candidates who share the party of their most recent choice for president. Since they potentially err in equating national economic policy to reflect local policy, voters often select candidates in a down ballot fashion. They stick to one party rather than split their ballot with bipartisan choices.

Second, the professionalization of legislatures impacts election outcomes. While difficult to provide a definitive reason, a change in policymakers' wages affects who voters select. One

explanation details that voters punish incumbents who raise their wages in office; however, further testing is needed to adequately explore this claim.

Third, under conditions when a state's economy mimics the national economy, turnover rises. Creating a so-called "perfect storm", incumbents become particularly vulnerable as their states' economies recede concurrently with the national economy. Essentially, the data suggests that challengers have a greater chance, on average, of winning when there are simultaneous recessions.

These findings support much of the literature that precedes this project. Building off of prior research, state economies operate uniquely from one another and do not always align with the national economy. For reasons such as industry diversification and different dependencies, states can outperform the national economy and vice versa. Likewise, elections often serve as beacons of change. Voters hold legislators responsible for poor economic performance. At the same time, campaigns matter and act as a mechanism for framing the economic atmosphere. In addition to aiding challengers, waning business cycles seem to help Democrats win office. Perhaps Democratic campaigns create a better narrative than Republican campaigns during economic hardship. Whether it is a message of fiscal responsibility or economic equality, Democrats seem to convince voters that they are better equipped to bolster a spiraling economy.

While the data seems to support some interesting claims, there are a few changes which could have improved the results. For example, more data would improve the accuracy of the results. The availability of electoral data and state economic performance was somewhat limited. It's difficult to compare state economies to the national economy because they lack certain common metrics. For instance, state recessions can occur but are not formally declared like they are for the national economy.

Next, by noting which kinds of states perform better than other states, we could improve this project. While only showing that they are different from one another, this project does not explore diversified economies and whether or not they perform better than less diversified economies. At the same time, certain geographical regions could be more insulated to turnover than others. While plenty of literature exists to support these claims, this project aggregates state economic performance and election returns rather than comparing states to one another. Finally, it would be interesting to look at economic narratives as portrayed by campaigns. Essentially, what messages resonate with voters and cause them to support Republicans when economies grow but Democrats when economies recede? Looking into these partisan narratives, one could further examine voters' decision-making processes.

To conclude, the data supports some intriguing storylines which should be further explored. For instance, does state economic performance, in fact, have a greater impact on elections than the national economy? Also, how does legislative salary factor into voter choice? Lastly, to what extent do we see state recessions, national recessions, and concurrent recessions, impact election outcomes? All of these questions organically arise from this project's findings and examine election outcomes like never before. For now, we can make a claim that both state economies and state elections vastly differ from one another. As a consequence, economic performance creates winners and losers in the eyes of voters. Even though they exist as fluctuating entities, economies have one consistent element: they shape the political arena.

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RELEVANT EXPERIENCE

IBM Corporation **Washington D.C.**
Global Business Services Consultant *Incoming August 2017*

- Hired into the Consulting By Degrees program to work within the Strategy & Transformation service line
- Will work with other IBM professionals to optimize government operations via large scale public sector projects

Comcast Corporation **Philadelphia, PA**
Product Management Services - Data & Communication Intern *June 2016 – August 2016*

- Managed assigned strategic initiatives and customer experience activities in relation to $9 million business unit budget
- Represented the business unit when interacting with cross-functional teams (finance, marketing, care, engineering, IS)
- Supported business case development, reporting and service delivery, launch of new features, and functionality
- Prepared and briefed department on various competitive analyses, operational playbooks, and work flows

Penn State Athletic Department **University Park, PA**
Peer-to-Peer Tutor *June 2015 – December 2017*

- Led both group and individual tutoring sessions for 20 students per semester in Economics and Spanish
- Facilitated lessons with concentrations in macroeconomics, microeconomics, and econometrics
- Designed review activities related to Spanish grammar, vocabulary, and conversational skills

Penn State Political Science Department **University Park, PA**
Undergraduate Research Assistant *June 2015 – August 2015*

- Analyzed electoral data at the federal and state levels to determine regional trends
- Utilized the statistical program “R”, Excel, and various databases to conduct research for an intended published work

LEADERSHIP

Liberal Arts Envoys **University Park, PA**
President *December 2013 – May 2017*

- Arranged organizational and promotional efforts which included leading weekly executive board meetings, scheduling events, and engaging prospective students and alumni through various outreach programs
- Acted as a student liaison on behalf of The College of the Liberal Arts in meetings with the Dean’s Office, the Career Enrichment Network, and the Faculty Senate

Liberal Arts Undergraduate Council **University Park, PA**
Treasurer *December 2013 – May 2017*

- Managed a budget of $3,000 for the student council of the College of the Liberal Arts
- Interacted with the Finance Office for all purchase orders, check requests, and transaction reports

IFC/Panhellenic Dance Marathon **University Park, PA**
Dancer Relations Committee Member *October 2014 – May 2017*

- Acted as a liaison between the participants in THON and the organization’s executive board
- Collected donations for pediatric cancer treatment and research for the Penn State Hershey Hospital

SKILLS

Mathematics: Proficient in single variable calculus and elementary calculus-based statistics
Computer Analytics: Trained to use the statistical software “R”, STATA, and C++ programming; Additional exposure to Tableau
Language: Conversational skills in Spanish; Competent in reading and writing Spanish