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It's Not the Economy, Stupid

By *Richard Florida*

With the midterm elections only two weeks away and the Democrats in jeopardy, the prevailing wisdom is that the election will be a referendum on the Obama administration's stewardship of the economy. A large fraction of 2008 Obama voters now cite the economy and jobs as the key reason they will vote Republican this year, according to an October 17 [AP poll](#). "The president must zero in on the economy if he wants to help himself and his party," writes [Eleanor Clift](#). The basic notion here, promulgated by pundits and political analysts, is that the current political environment turns on the vagaries of the economy. This amounts to a *cyclical theory* of American politics. And, in fact, several decades ago, the political scientist [Douglas Hibbs](#) advanced his seminal theory of the "[political business cycle](#)," which argues that economic movements have a sizable effect on American elections.

But another line of thinking suggests that American politics turns on deeper *structural* changes in the economy and society. In the influential *Red State, Blue State, Rich State, Poor State*, Columbia University's [Andrew Gelman](#) and his colleagues uncovered a paradox that both confirms and defies the conventional wisdom about American elections. While rich voters trend Republican, rich *states* trend Democratic, he found. The opposite holds as well. Though poor and minority voters overwhelmingly pull the lever for Democrats, poor states consistently end up in the Republican column.

A second version of the structural approach comes from [John Judis](#) and [Ruy Teixeira](#), who argue in *The Emerging Democratic Majority* that the rise of the post-industrial economy has tilted the playing field toward Democrats who gain an advantage in wealthier urban "ideopolises" while holding onto the votes of the poor and minorities.

A third perspective comes from [Ronald Inglehart](#) of the University of Michigan, whose detailed [World Values Surveys](#) identifies a shift in political culture from the more traditional, religious, and materialist orientations of the industrial age to post-materialist values of self-expression, openness to diversity, secularism, and broad public goods like concern for the environment.

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This juxtaposition thus mirrors the debate over the economy: Will shorter-term cyclical factors

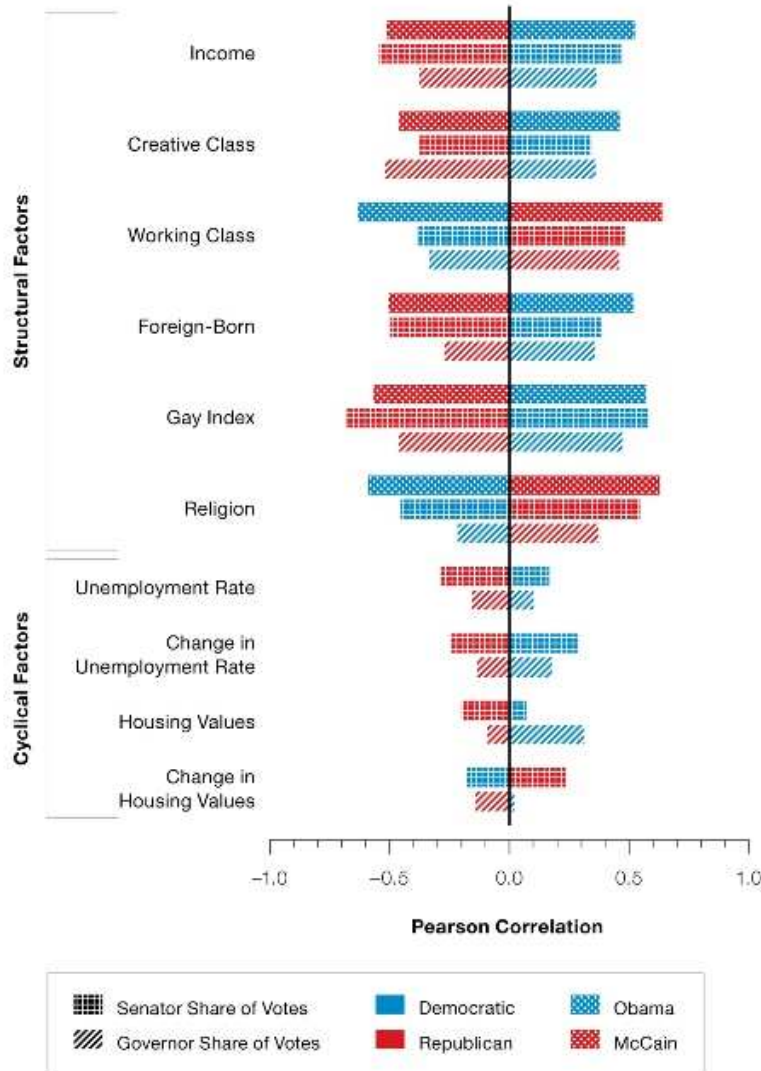
determine the outcomes of the mid-terms or are deeper structural factors at play?

With the help of my colleague [Charlotta Mellander](#), I decided to take an empirical look at this question. On the one hand, we considered a series of key cyclical variables such as the unemployment rate and its change since the economic crisis began, and also housing prices and their change since the bubble burst. And, on the other hand, we considered key structural factors, such as income a la Gelman, post-industrialism a la Judis and Teixeira (measuring the prevalence of creative class jobs versus working class jobs), and post-materialist political values a la Inglehart, including the prevalence of religion and openness to both immigrants and gays and lesbians.

We confined our analysis to the state level, using pooled polling data for both [Senate](#) and [governor](#) races across the country, which we drew from Nate Silver's *FiveThirtyEight* election forecasts at *The New York Times*. We conducted a basic correlation analysis and compared the results for the current midterm to those for Obama and McCain in the 2008 presidential race. (The graph below summarizes the key findings.)

This kind of analysis can only point to associations between factors and does not identify any causal pattern, and of course other factors may come into play. Polling data covers a much smaller number of observations than election returns and suffers from other problems. For these reasons, we caution against drawing overly broad conclusions from this exercise. Still, the patterns it points to are quite interesting.

2010 Senate and Governor Correlations



Despite all the "it's the economy, stupid" hubbub among the chattering classes, our analysis finds little empirical support for the cyclical view. There was no statistical association at all between the share of voters leaning Democrat or Republican for either Senate and governor races and our key cyclical factors -- the unemployment rate, the change in the unemployment rate, housing values, or change in housing values. This is not to say that these factors do not matter at the margin, as polling data clearly tell us that many individuals are shifting their 2008 Democratic vote to a Republican vote in these midterms.

But it's structural factors on which this election is much more likely to turn. We find significant statistical associations between most of the structural variables in our analysis and the share of voters leaning Democrat or Republican in both Senate and governor races, as detailed below.

Income: Higher income states went for Obama in 2008 while lower income states went for McCain. The trend continues, even in light of the ongoing economic malaise. Income is positively associated

with Democratic share for Senate (.4) and governor (.36) races. And it is negatively associated with Republican share for Senate (-.54) and governor races (-.38). These associations have weakened more on the Democratic side (.52 for Obama) than for the Republicans (-.51 for McCain).

Class: Class played a role in the 2008 presidential election and it continues to do so in the midterms. Creative class states went for Obama in 2008 and working class states went for McCain, and this holds up for the midterms as well. The creative class is positively associated with Democratic share in both Senate (.34) and governor (.36) races, and negatively associated with Republican share in each (-.38 for Senate and -.52 for governor). These associations have again weakened more for the Democrats (.52 for Obama) than for the GOP (-.46 for McCain) in 2008.

Working class states voted overwhelmingly for McCain in 2008 and this remains the pattern today. The working class is positively associated with both Republican share for governor (.46) and Senate (.48) and negatively associated with Democratic share for both (-.34 for governor and -.38 for Senate). The results are slightly weaker than for the 2008 contest (.64 for McCain, -.64 for Obama). While many creative class members vote Republican and many working class members vote for Democrats, the state-level patterns show the continuing salience of class for American politics.

Post-materialism: The shift from traditional, religious values to more secular ones is a hallmark of post-materialist political culture. In 2008, more religious states went for McCain (.63) and less religious states went for Obama (-.59), and this patterns continues to hold. (Our religion variable is from Gallup polls that ask individuals if religion is an important part of their everyday life.) Religion is positively associated with both Republican share for governor (.37) and Senate (.55), and negatively associated with Democrat share for Senate (-.46), though the correlation for Democrat share for Senate (-.22) is not significant. The patterns are also weaker than in the 2008 presidential election, especially on the Democratic side (.63 for McCain and -.59 for Obama.)

From Tom Tancredo in Colorado to Carl Paladino in New York, we're constantly reminded that immigration and gay rights remain significant wedge issues in American politics. We employ openness to immigrants and gays and lesbians (based on share of adult population) as proxy measures for openness -- another key marker of post-materialism. States with higher percentages of gays and lesbians and higher percentages of immigrants went for Obama in 2008 while those with lower percentages went for McCain, and these trends also continue to hold. The percentage of foreign-born residents is positively associated with Democratic share in both Senate (.38) and governor (.36) races, and negatively associated with the Republican share in each (-.27 governor, -.5 Senate). These associations have weakened more on the Democratic side (.52 for Obama) than for the Republicans (-.51 for McCain).

The percentage of gay and lesbian residents is positively associated with the Democratic share in both Senate (.58) and gubernatorial (.47) races, and negatively associated with Republican share (-.68 for Senate, -.46 for governor). These associations are comparable for 2008 (.57 for Obama, -.57 for McCain) and among the strongest of any in our analysis. Clearly, openness remains a key factor in state-level politics.

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Despite all the attention that has been paid to the effect of current economic conditions on the upcoming midterm elections, structural factors remain the central axis upon which American politics turns. Yes, richer states are more likely to be Democratic and poorer ones Republican. But it's more than money. States that have transitioned to more knowledge-driven creative class economies are more likely to be blue, while working class states are more likely to be red, echoing former Republican Congressman Tom Davis's blunt statement: "Economic development works" -- meaning that it tends to turn places to more open-minded, liberal bastions. In line with this and with Inglehart's notion of the shift toward post-materialist values and cultures, states with higher percentages of immigrants and especially gays and lesbians continue to tack Democratic.

Cyclical factors do play a role in elections and this one is no exception. If Obama benefited from the enthusiasm of creative class voters in 2008, economic conditions have undoubtedly tempered this somewhat this time around. Gays and lesbians have been vocally disappointed with Obama's failure to act on "Don't Ask, Don't Tell" -- a frustration that may well turn out to be discernible in lower turnouts. And, of course, anti-incumbent sentiment is at an all-time high. And "throw the bums out" inevitably takes a greater toll on the party in power.

American politics is periodically recast by "critical realignments" long ago identified by [Walter Dean Burnham](#), like the elections of 1896 and 1932. These political realignments shift the power balance between the parties and, in doing so, provide the political underpinnings for major public policy change which helps the nation better adjust to structural economic change. Though our economy is currently in the midst of a similar [great reset](#) today, whether or not our politics realigns remains an open question.

The connection between creative class states and the Democrats, and working class states with the Republicans is a clear break from the old pattern of the New Deal and post World War II. But it's equally clear that both parties are constrained by their connections to long-held special interests. By paying excessive deference to the social conservatism and extreme anti-statism of its right fringe, the Republicans are unable to attract the creative class broadly, even though many of its members are drawn to its individualist ethos and fiscal conservatism.

Democrats, meanwhile, remain captive to the housing-finance-auto industrial complex which literally defined the old order. As the Cato Institute's Brink Lindsey [quipped](#) some years ago, "Here, in the first decade of the 21st century, the rival ideologies of left and right are both pining for the '50s. The only difference is that liberals want to work there, while conservatives want to go home there." A sustained political realignment will only come about when one or the other of the two major parties is able to shuck off the interests that tie it to the past and develop an agenda that is in line with the future.

Unless and until that happens, the United States is likely to remain stalled at its current impasse, lurching between economic and political cycles while failing to address the deep structural challenges it faces -- and unable to develop the much-needed reforms, new economic policies, and broad

infrastructure investments required for a new round of sustained prosperity.

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