



## It's the Economic Confidence Index, Stupid

In 1992, Democratic strategist James Carville devised the winning campaign slogan "It's the economy, stupid" which effectively tapped into voter discontent about the overall health and direction of the economy at the time. Twenty-five years later and despite going about it in a totally different way, Donald Trump accomplished the very same thing, proving once again that history repeats itself.

While Hillary Clinton invested vast amounts of capital in [predictive data analytics](#) during the 2016 presidential campaign, Trump struck electoral gold by tapping into the deep-seated economic unrest on display in [Gallup's Economic Confidence Index](#). That simple strategy overwhelmed Clinton's reams of complex quantitative analytics, leading to one of the greatest political upsets of the modern era. In chess parlance: Pawn takes Queen.

When the epitaphs on the presidential election are written, one of the questions that will be asked is why the Clinton campaign believed hitching its wagon to former president Barack Obama's legacy made more sense than listening to the voters themselves. Whether or not Trump used the Economic Confidence Index as an actual source, its findings nevertheless gave him more than enough information to devise and execute a winning strategy.

What is the Economic Confidence Index and how did it predict a decisive Electoral College victory for the brash Republican?

### The Economic Confidence Index

Per [Gallup's website](#), the definition of the Economic Confidence Index is explained as follows:

Gallup's Economic Confidence Index is based on the combined responses to two questions, the first asking Americans to rate economic conditions in this country today, and second, whether they think economic conditions in the country as a whole are getting better or getting worse. Results are based on telephone interviews with approximately 3,500 national adults; margin of error is  $\pm 2$  percentage points.

Gallup cited the following example of how the score was calculated [back in 2014](#):

Gallup's Economic Confidence Index is the average of two components: Americans' views on the current economic situation and their perceptions of whether the economy is getting better or worse. Last week, 19 percent of Americans said the economy is "excellent" or "good," while 35 percent said it is "poor," resulting in a current conditions score of -16 — a three-point dip from the



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previous week.

While 38 percent of Americans said the economy is “getting better,” 56 percent stated it is “getting worse,” resulting in an economic outlook score of -18. This is one point lower than the prior week.

The final score is the average of the results of each question, which 30 months ago was -17. In short, a substantially higher number of respondents were negative about the economy than were positive.

## **Fast Forward to the Present**

Nationally, the index has improved in recent years. After bottoming out at -66 following the shock of the financial crisis in 2008, it hovered in the -20 to -30 range for the next two years. It fell back to -54 in August, 2011 after Standard & Poor’s [downgraded the credit rating](#) of the United States, but has trended generally upward since then. The index has been in positive territory for 13 straight weeks and currently sits at +6.

If the index has been moving upward, how did it effectively predict a Trump victory? The answer lies within two critical benchmarks of our Republic: the states and the Constitution.

## **State-by-State Economic Confidence Looks Eerily Like the Electoral College Map**

Much like the national polls being largely irrelevant in a presidential election, so is the national Economic Confidence Index. Although serving as a barometer of the mood of the country as a whole, the overall index does little to highlight disparate sentiments within regions of the country. That’s where the state-by-state results tell the tale.

For 2016, the states with the most favorable Economic Confidence Index Scores were the following: Massachusetts, California, Hawaii, Maryland, Washington, Minnesota, Rhode Island, Colorado, and Virginia.

Hillary Clinton won every single one of these states. And now, the list of states with the *lowest* ECI scores: West Virginia, Wyoming, Oklahoma, Mississippi, Louisiana, Alabama, Arkansas, Kentucky, and Alaska.

Donald Trump scored victories in all these states. Further, he defeated Clinton in 18 of the 22 states registering the lowest ECI results. In point of fact, [when ranking each state](#), the map looks very similar to — with few exceptions, and taking into account the differences in color — the final [2016 electoral college map](#).

## **What Lesson Was Learned?**

While the national polling data were ultimately [statistically accurate](#), the president and vice president of the United States are not elected by the popular vote. Rather the Constitution puts in place an Electoral College System, one which places great importance on individual states and regions of the country in lieu of individuals.

Trump did a better job of recognizing the economic angst within the states that had low Economic Confidence Index scores and using that information to his advantage. Bombast, bluster, and braggadocio notwithstanding, he was perceived to connect with those voters far better than his stiff, policy-wonk opponent.

So what lesson was learned? The 14th-century logician and Franciscan friar William of Ockham created the philosophical principle now known as “Occam’s Razor,” which postulated that given two competing



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options, the simplest solution was typically the preferred one. Trump's simple focus on rust belt and other disaffected voters was the superior strategy to Clinton's millions of dollars of complex analytics.

Checkmate.



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