The Golden Path to the White House

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Can McCain Surf a Stronger Dollar?

All sorts of economic models scour the data and seek to forecast who will win the presidential race. But such models are generally poor predictors in close races – which explains why Al Gore isn't sitting in the White House today.

One of the best economic predictors of election outcomes turns out to be the dollar. A strong dollar is good for the incumbent party. A weak dollar usually means voters are receptive to an Obama-style chant of "change." John Tammy of RealClearMarkets.com looked at the numbers and found a clear pattern of voter behavior. "Weak dollars mean weak presidents," he says.

Using the price of gold as a proxy for dollar strength, he found that Presidents Reagan and Clinton rallied the dollar and were rewarded at the polls – gold fell 28% during the Gipper's administration and 19% during Mr. Clinton's. In contrast, Presidents Nixon, Ford and Carter all pursued weak dollar strategies. During the Nixon/Ford years, the price of gold was up 276% and during the Carter years it was up 316%. The dollar also weakened against gold during George H. W. Bush's presidency, though only by 4%, but his tax hikes and a recession also saddled him with a reputation as a bad economic manager by time Election Day rolled around.

Pundits today blame George W. Bush's lousy poll numbers on the War in Iraq, but the dollar collapse, rising gas prices and loss of economic confidence hit closer to home for most voters. The dollar price of gold is up 236% since Mr. Bush

entered office, rising from $300 to nearly $1000 earlier this year.

All of this may mean, however, that the recent dollar rally is good news for John McCain – if it hasn’t come too late. As one McCain adviser recently put it: “Go greenback.”