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Result Wasn't Just About the Economy

CAPITAL ACCOUNT

By Greg Ip

Heading into 2022 midterm elections, the economy and inflation were voters' top concerns. Democrats paid the price: Their margin in the share of the national popular vote dropped six percentage points from the 2020 presidential election, and they lost the House.

This year, the economy and inflation were again the top issue. But President Trump's party paid a far steeper price. Republicans' vote margin plummeted 14 percentage points, and they were swept from power in both chambers.

These outcomes tell us that while the economy was clearly critical, it wasn't the monolithic driver of the election. Much more was at work: Voters appear deeply dismayed about what has happened to their country under Trump, and inflation was a symptom of that.

Exit polls suggest clues as to what, in addition to the economy, was on their minds. The state of democracy was cited as the top issue by 32% of respondents, second only to the economy. Government corruption was crucial or a major factor in how 90% of respondents voted. Immigration raids and conservative civil-rights court rulings might have motivated Hispanic and Black voters.

Democracy, corruption, immigration and the cost of living don't occupy different compartments. They are intertwined in voters' minds, a pattern that appeared in previous elections in the U.S. and around the world.

By the third quarter of 2022, inflation, fueled by Covid-era supply-chain disruptions and Joe Biden's stimulus, had rocketed to 8.3%. On the eve of the midterms, gasoline, kicked higher by Russia's invasion of Ukraine, was up more than $1 a gallon from when Biden took office. The 30-year mortgage rate was around 7%.

Growth was solid and unemployment low, yet in exit polls 76% of respondents described the economy as "not so good" or "poor."

Inflation now is about half what it was then, gasoline prices and mortgage rates are in the same vicinity. Growth is strong and unemployment low.

In exit polls, the mood is much the same: 75% of respondents said the economy was "not so good" or "poor."

So why was the backlash so much more severe?

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The surge in gasoline prices since the U.S. and Israel attacked Iran has without question sapped household spending power and darkened moods. Yet when Christoffer Hentzer Dausgaard, a political scientist at the University of Copenhagen, compared the countylevel effect of gas prices on household incomes to Republican midterm performance, he found no correlation. This, he said, suggests that rising gas prices mattered more for voters' broader perceptions of the national economy than for their own pocketbooks.

In 2024, anxiety about the economy was compounded by discord over illegal immigration, pandemic precautions and the Israeli-Hamas conflict.

This time around, it appears the anxiety is coming from the way Trump has governed, which includes aggressively deploying federal power against his adversaries, the media and immigrants and circumventing courts and Congress. Democrats rated democracy as more important than the economy, independents as second only to the economy.

The questions pollsters ask don't always capture what voters are feeling. What looks like a cost-of-living issue might be more: artificial intelligence and data centers don't just raise the cost of electricity, they also threaten jobs and safety. The conflict in Iran isn't just driving energy prices, it looks like another endless war, too.

Corruption by itself may not topple a government until the public connects it to everyday life.

Viktor Orbán over 20 years eroded the independence of Hungary's courts and media and rewrote the constitution and the electoral system to solidify his party's grip, all while rewarding cronies and punishing opponents.

His downfall this year came at the hands of a savvy opposition leader, Péter Mag--yar. His "Tisza Party exposed state corruption and relentlessly campaigned on pocketbook issues, including high inflation, the deterioration of public services, and the poor state of the country's infrastructure," Lorinc Redei, who teaches at the University of Texas at Austin's LBJ School of Public Affairs, wrote in Foreign Affairs earlier this year.

Democrats repeatedly sought to connect affordability to allegations that Trump and his family have benefited from industries and businesses that need government favors. Trump's spokesmen have denied that transactions between industry and Trump's administration or family have created any conflict of interest.

American democratic institutions have held up better than Hungary's, as Tuesday's resounding victory for the opposition party shows.

There's a cautionary lesson here for Democrats, though. Their victory was less a vindication of their ideological priorities than a mandate to make life affordable and governance honest and effective. If they fail, their majorities won't last.

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