

The democrats did very well in the recent elections, winning governorships in Virginia and New Jersey by wider than normal margins. The democrats hope that these recent election results foreshadow a big win in the 2018 mid-term elections — when elections will be held for all of the seats in the House of Representatives and for about a 1/3 of the seats in the Senate. If history is a reliable guide, then the democrats should do well in the next mid-term elections since the president's party loses House seats in almost every mid-term election.

Political Scientists, and even Economists, have offered several explanations for why the president's party does so poorly in mid-term elections. However, I am convinced that these existing stories need to incorporate a theory from psychology to accurately explain this pattern in the election results. I think the proper explanation has two parts.

First, as political scientists readily recognize, votes are myopic. That is, they only consider current economic and social conditions and give almost no weight to previous or even to expected future outcomes. Most likely, a myopic voter will process current events in a way that is dependent upon her party affiliation. Democrats will look at current events and see a series of costs emanating from the Trump administration. They will dislike his judicial appointments, his roll back of many regulations – especially the environmental regulations, his attempts to repeal Obama Care, and the list goes on. Many republicans will view these same events and proposals and see benefits. The cost, or the benefit, is truly in the eye of the beholder and very rarely is a policy objectively good or bad in a way that produces a consensus.

The next part of the explanation requires us to draw on the psychology literature. Psychologists believe people have loss aversion. Richard Thaler, the most recent Nobel Laureate in economics and a scholar who uses quite a bit of psychology in his work, can provide some insight. Thaler explains loss aversion by noting that a person will not accept a bet if he gains \$1,000 when a coin flip turns up heads if he must pay \$1,000 when the coin turns up tails. People do not like even bets. Instead, Thaler contends that a person will only bet on the coin flip if his gain from winning is twice as large as his cost from losing. The key insight here is that people care a lot more about avoiding losses than they do about achieving gains.

With this in mind, consider a political mid-term election when the incumbent president is a republican. Further, consider the case where the republican voter sees the administration producing policies that provide him with a \$20 benefit and the typical democratic voter sees policies that impose a \$20 cost on him. Of the two voters, the democratic voter will work harder to elect a democratic candidate simply to avoid incurring the loss. Likewise, the republican voters will not work as hard as the democrats work because gaining a benefit is not as motivating as avoiding a loss of the same amount.

Therefore, if the Trump administration benefits republicans at the same level that it imposes a cost a

democrats, the republicans will fare poorly at the election polls. Democrats will work hard to avoid taking further losses that they see coming from a republican government. On the other hand, if the republicans see a small benefit and the democrats see a huge cost, the election results will be lopsided in a way that benefits the democrats.

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