

# MASS PREFERENCES FOR FINANCIAL BAILOUT: EVIDENCE FROM THE US BANKING CRISIS

Sydney White

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- ***My aim:*** To understand the social and economic groups that supported the TARP bailout in 2008 using public opinion data

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# Data

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- Following previous literature: I use **income** as one main explanatory variable, **education** as another, and a new third variable unique to this context, **homeownership**.
- I also collect data on gender, race, age, interest in politics, vote choice in 2008 (Obama or McCain), and stock ownership.

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# Descriptive Statistics: Tarp Support | Education

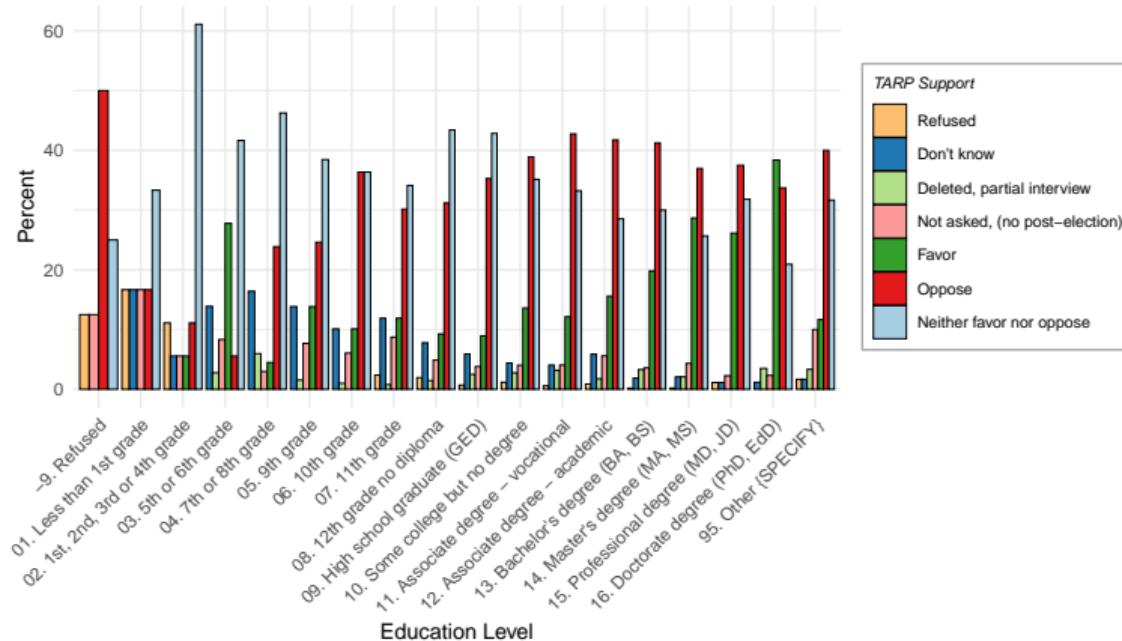


Figure: *Distribution of Support, Conditional on Education*. Conditional on having answered previously that they either opposed to approved of TARP, respondents are asked: “Do you [favor/ oppose] the TARP program strongly or not strongly?”

# Descriptive Statistics: Tarp Support | Household Income

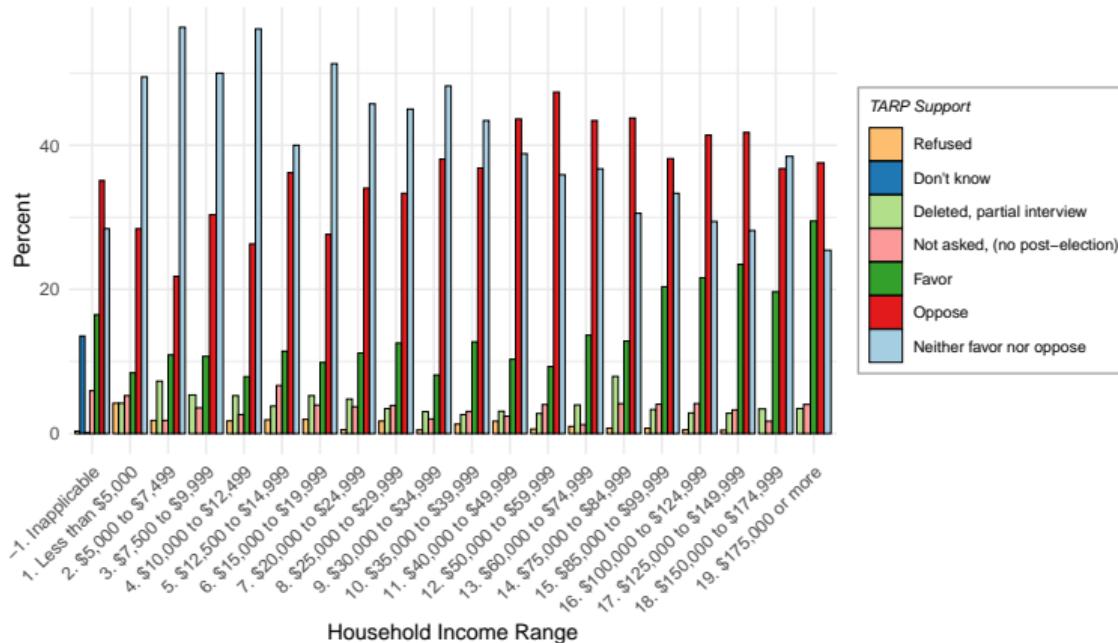


Figure: *Distribution of Support, Conditional on Household Income.*

# Descriptive Statistics: Tarp Support | Homeowner

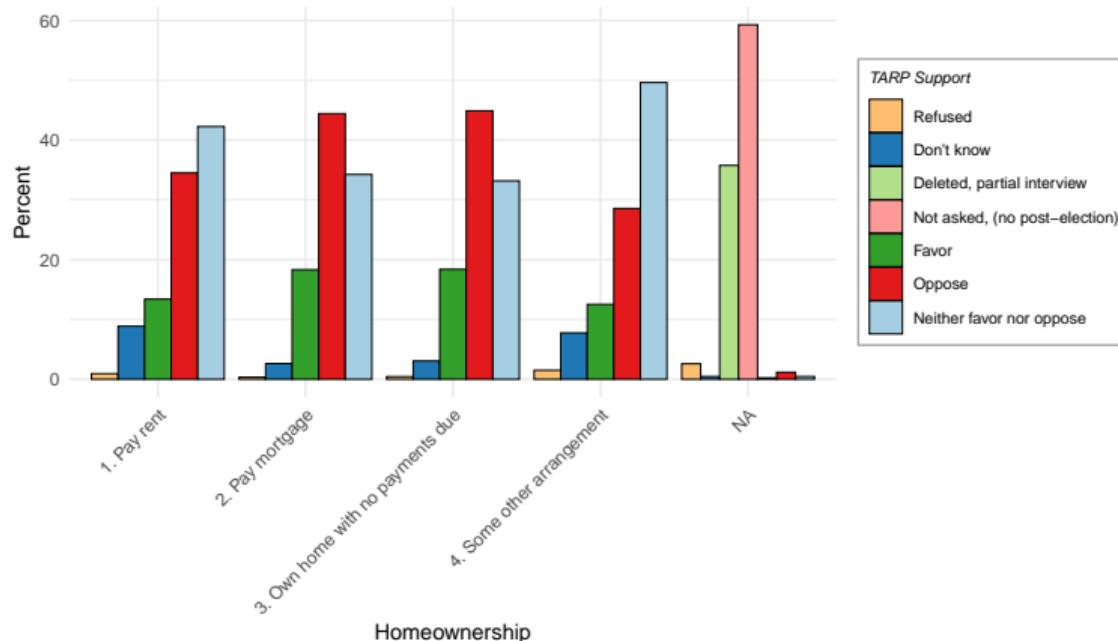


Figure: *Distribution of Support, Conditional on Homeowner Status.*

# Estimation Strategy

I estimate the following logit regression:

$$\Pr(Tarp\ Support_i = 1) = \alpha + \beta_1 Economic\ Channel_i + \gamma \mathbf{X}_i + \epsilon_i \quad (1)$$

where the *Tarp Support* takes the binary variable 0 or 1, the economic channel refers to one of three main economic ideas of impact (education, income, and home ownership) and  $\mathbf{X}_i$  is a vector of all other covariates. Robust standard errors are used for inference.

# Results

	<i>Tarp Support</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Some College	0.487*** (0.092)	0.273*** (0.105)				
HH Income > 100k			0.444*** (0.098)	0.446*** (0.114)		
Homeowner (Binary)					0.041 (0.085)	0.012 (0.102)
Male		0.455*** (0.089)		0.450*** (0.089)		0.457*** (0.089)
Black		0.488*** (0.153)		0.526*** (0.153)		0.465*** (0.153)
Interest in Politics		0.148*** (0.043)		0.163*** (0.043)		0.163*** (0.043)
Support McCain (2008)		-1.685*** (0.091)		-1.705*** (0.091)		-1.704*** (0.091)
Age (Brackets)		0.010 (0.015)		0.004 (0.015)		0.002 (0.015)
Stock Ownership		0.253*** (0.093)		0.212** (0.094)		0.312*** (0.093)
Controls	-	✓	-	✓	-	✓
BIC	3723.920	3223.957	3733.250	3215.535	3753.006	3230.766
AIC	3736.009	3272.234	3745.340	3263.812	3765.096	3279.043
N	3118	3086	3118	3086	3118	3086

Table: *Predictors of Tarp Support in ANES 2012 Survey, logit specifications.*

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4. *Other notes:*
  - Those supportive of McCain in 2008 were significantly *less* likely to support the bailout.

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3. No statistically significant effect when it comes to homeownership.
4. *Other notes:*
  - Those supportive of McCain in 2008 were significantly *less* likely to support the bailout.
  - Those who own stocks were *more* likely to support the bailout (asset account).

# Conclusion

- Supports multiple possible accounts:
  - *Cultural Account*: Highly educated individuals perhaps recognized the necessity of TARP.
  - *Economic Account*: Stock ownership and income predicted support, but homeownership did not.
- Provides a new context for studying financial bailouts beyond the Eurozone.

# Appendix Slides

- ▶ Shows Linear Probability Model
- ▶ Shows Logit Regressions for Face-to-Face ANES Only
- ▶ Shows Logit Regressions for Online ANES Only
- ▶ Shows Logit Regression for Republican Participants Only
- ▶ Show Descriptive Table
- ▶ Distribution of *Tarp Support*
- ▶ Tarp Validation: Tea Party Support
- ▶ Other Descriptives
  - ▶ Gender
  - ▶ Race
  - ▶ Interest in Politics
  - ▶ Partisanship
  - ▶ Age
  - ▶ Stock Ownership

# Linear Probability Model

	Tarp Support					
	(1)	(2)	(3)	(4)	(5)	(6)
Some College	0.095*** (0.018)	0.044** (0.018)				
HH Income > 100k			0.096*** (0.021)	0.081*** (0.020)		
Homeowner (Binary)					0.008 (0.017)	0.003 (0.018)
Male		0.078*** (0.015)		0.076*** (0.015)		0.078*** (0.015)
Black		0.095*** (0.029)		0.102*** (0.029)		0.092*** (0.029)
Interest in Politics		0.024*** (0.007)		0.026*** (0.007)		0.027*** (0.007)
Support McCain (2008)		-0.320*** (0.015)		-0.322*** (0.015)		-0.324*** (0.015)
Age (Brackets)		0.001 (0.002)		0.001 (0.002)		0.000 (0.003)
Stock Ownership		0.043*** (0.016)		0.036** (0.016)		0.053*** (0.016)
Controls	—	✓	—	✓	—	✓
N	3118	3086	3118	3086	3118	3086
R2	0.009	0.154	0.007	0.157	0.000	0.153

Table: *Predictors of Tarp Support in ANES 2012 Survey, OLS specifications.*

# Logit Face-to-Face

	TARP Support			
	(1)	(2)	(3)	(4)
Some College	0.300** (0.141)	0.120 (0.165)		
Homeowner (Binary)			0.160 (0.134)	0.065 (0.159)
Male		0.397*** (0.147)		0.390*** (0.146)
Black		0.386** (0.172)		0.384** (0.172)
Interest in Politics		0.164** (0.069)		0.174** (0.068)
Support McCain (2008)		-1.312*** (0.154)		-1.320*** (0.153)
Age (Brackets)		0.022 (0.024)		0.017 (0.024)
Stock Ownership		0.194 (0.159)		0.205 (0.160)
Controls	—	✓	—	✓
BIC	1328.078	1170.395	1331.230	1170.762
AIC	1338.010	1209.878	1341.162	1210.245
N	1060	1028	1060	1028

Table: *Predictors of TARP Support in ANES 2012 Survey, face to face, logit specifications.*

# Logit Online-Only

	<i>TARP Support</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Some College	0.665*** (0.124)	0.409*** (0.139)				
HH Income > 100k			0.624*** (0.106)	0.598*** (0.125)		
Homeowner (Binary)					0.024 (0.113)	0.020 (0.133)
Male		0.490*** (0.113)		0.507*** (0.114)		0.507*** (0.113)
Interest in Politics		0.151*** (0.056)		0.165*** (0.056)		0.165*** (0.056)
Support McCain (2008)		-1.903*** (0.115)		-1.939*** (0.116)		-1.925*** (0.115)
Age (Brackets)		0.011 (0.019)		0.007 (0.019)		0.001 (0.019)
Stock Ownership		0.330*** (0.116)		0.236** (0.119)		0.408*** (0.117)
Controls	—	✓	—	✓	—	✓
BIC	2385.902	2048.357	2383.492	2034.420	2417.160	2057.153
AIC	2397.161	2087.763	2394.751	2073.827	2428.419	2096.560
N	2058	2058	2058	2058	2058	2058

Table: *Predictors of TARP Support in ANES 2012 Survey, online, logit specifications.*

# Logit Republican-Only

	<i>TARP Support</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Some College	0.230 (0.152)	0.198 (0.164)				
HH Income > 100k			0.223 (0.173)	0.251 (0.182)		
Homeowner (Binary)					-0.128 (0.148)	0.099 (0.174)
Male		0.456*** (0.149)		0.447*** (0.149)		0.457*** (0.149)
Black		1.102*** (0.297)		1.105*** (0.297)		1.114*** (0.303)
Interest in Politics		-0.058 (0.068)		-0.049 (0.068)		-0.048 (0.068)
Age (Brackets)		-0.047** (0.022)		-0.051** (0.022)		-0.055** (0.023)
Stock Ownership		0.154 (0.155)		0.155 (0.155)		0.180 (0.155)
Controls	-	✓	-	✓	-	✓
BIC	1401.200	1360.879	1401.927	1360.503	1402.808	1362.023
AIC	1412.108	1398.988	1412.835	1398.613	1413.716	1400.132
N	1727	1710	1727	1710	1727	1710

Table: *Predictors of TARP Support in ANES 2012 Survey, Republican only, logit specifications.*

# Descriptive Statistics

Table: Shows descriptive statistics for dataset.

Statistic	N	Mean	St. Dev.	Min	Max
tarp_support	3,118	0.289	0.453	0	1
some_college	5,914	0.639	0.480	0	1
above_100k_hh	5,914	0.150	0.357	0	1
own_home	5,914	0.573	0.495	0	1
mortgage_only	5,914	0.386	0.487	0	1
male_indicator	5,914	0.481	0.500	0	1
labor_force_status	5,914	0.609	0.488	0	1
black_indicator	5,914	0.094	0.291	0	1
interest_politics_cont	5,911	3.369	1.118	1	5
mccain_vote_2008	5,914	0.543	0.498	0	1
own_stock	5,914	0.402	0.490	0	1
age_group_1_13	5,854	7.434	3.329	1	13

# Distribution of *Tarp Support*

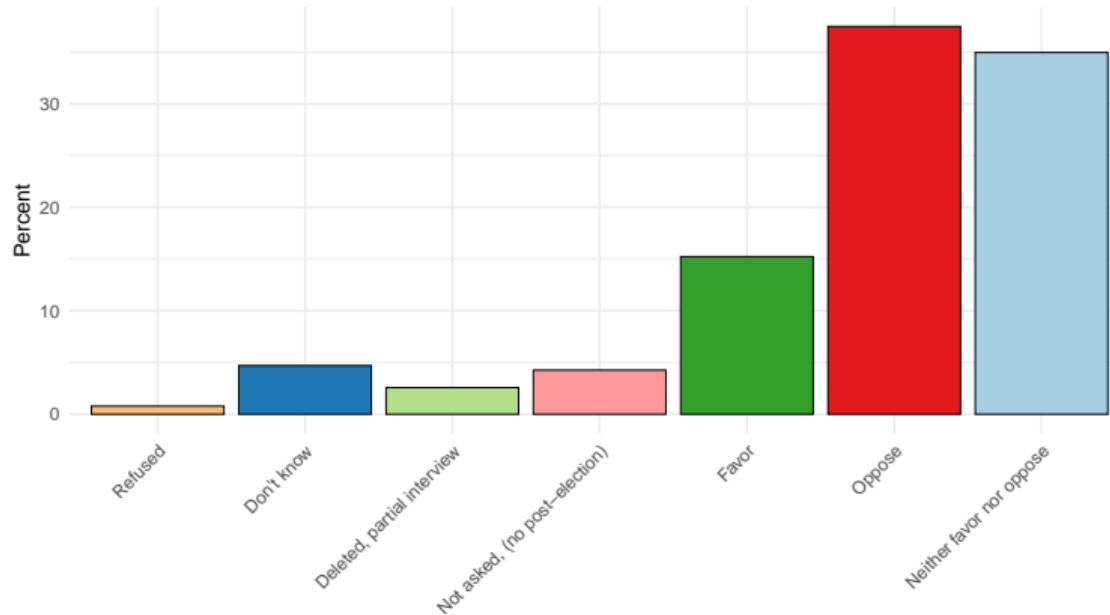


Figure: *Distribution of Tarp Support.*

# Covariate Descriptives: Gender

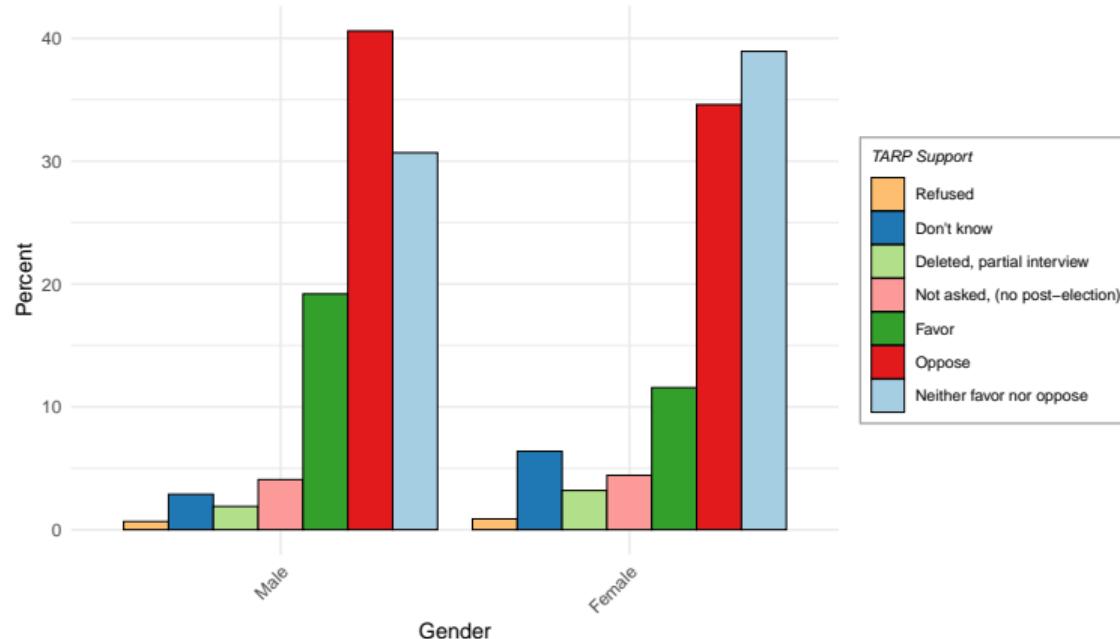


Figure: *Distribution of Support, Conditional on Gender.*

# Covariate Descriptives: Race

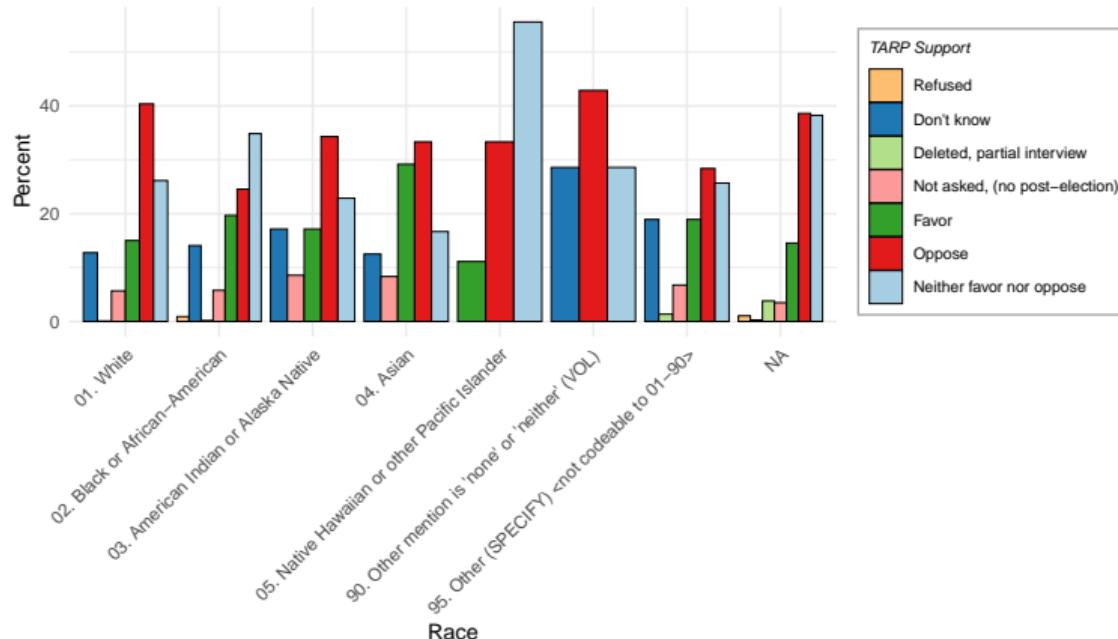


Figure: *Distribution of Support, Conditional on Race.*

# Covariate Descriptives: Interest in Politics

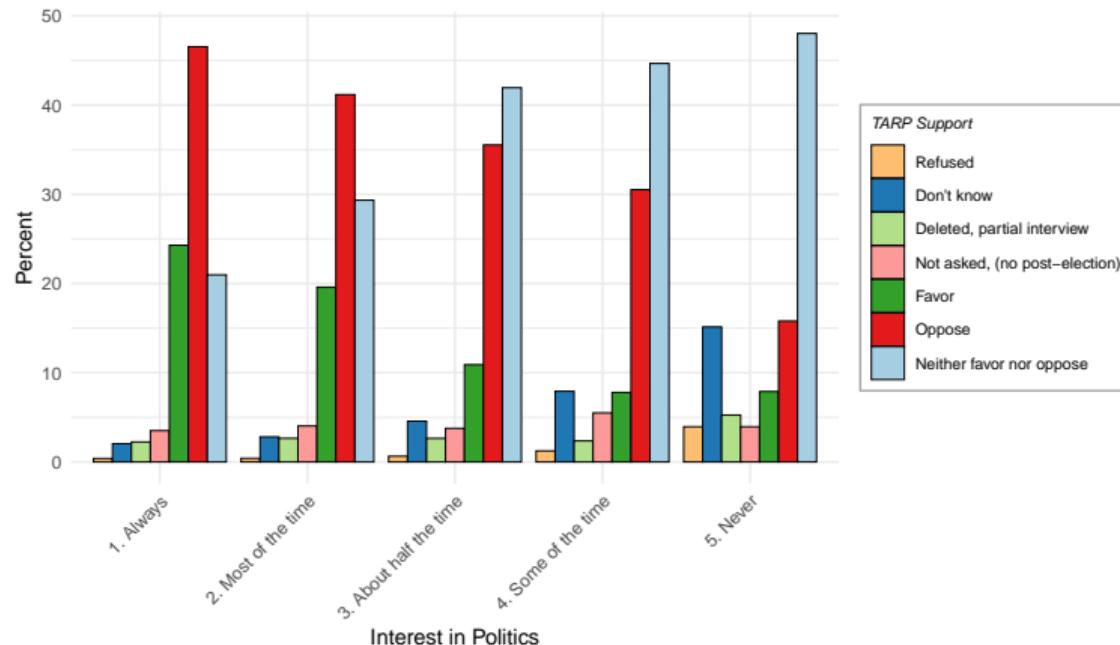


Figure: *Distribution of Support, Conditional on Interest in Politics.*

# Covariate Descriptives: Partisanship

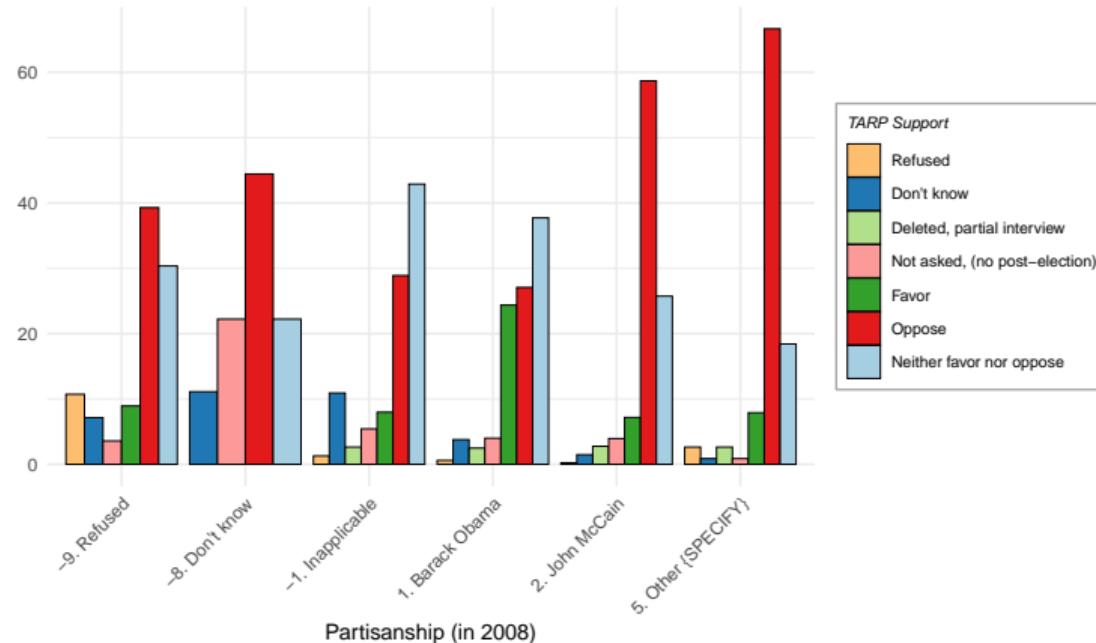


Figure: *Distribution of Support, Conditional on Partisanship.*

# Covariate Descriptives: Age

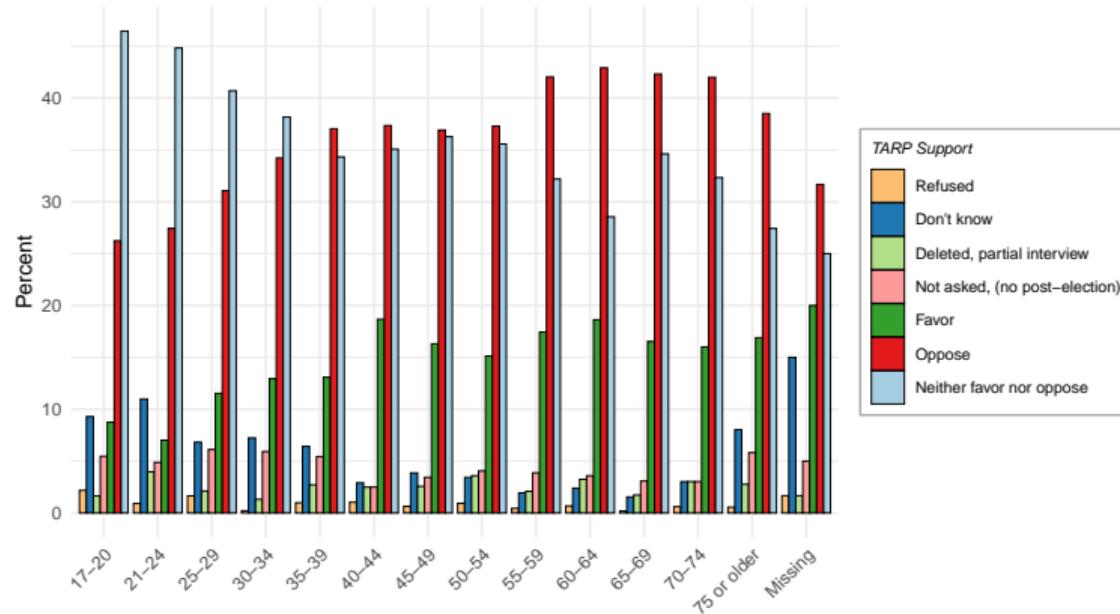


Figure: *Distribution of Support, Conditional on Age.*

# Covariate Descriptives: Stock Ownership

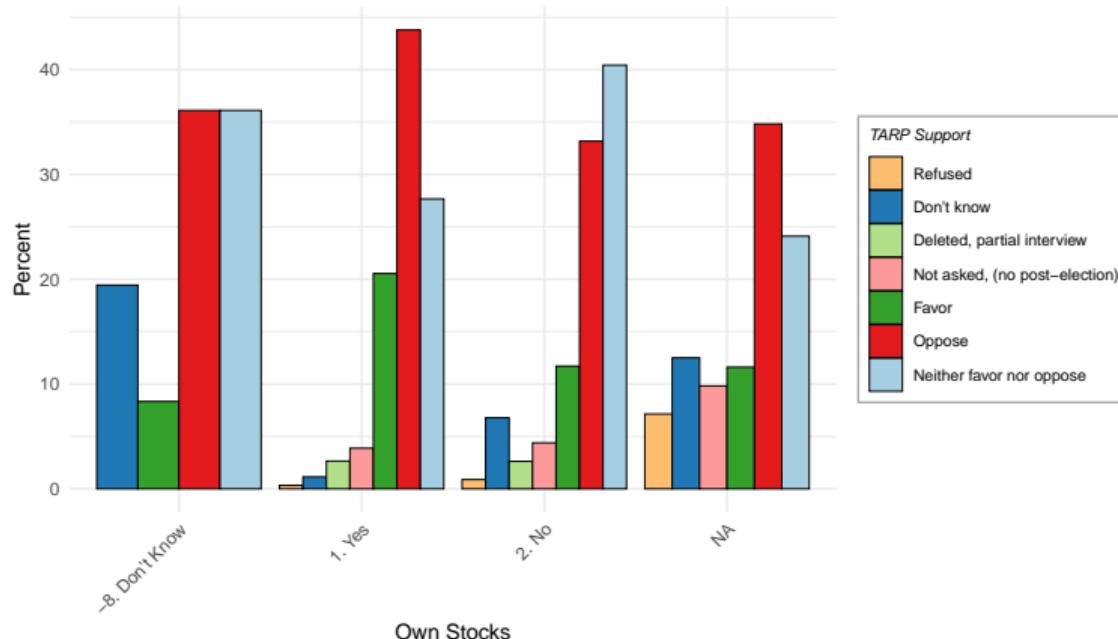


Figure: *Distribution of Support, Conditional on Stock Ownership.*

# Validation of TARP Measure

- One potential concern may be that survey participants were not aware of what TARP was.
- But support for TARP should be *inversely* related to support for the conservative Tea Party movement, which was outwardly hostile to the program.
- This holds in the data.

## Distribution of Support, Conditional on Tea Party Support

