

Macro Roundup Article

Headline: [It's No Longer The Economy, Stupid](#)

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Tweet: The historic relationship between consumer sentiment and government approval has broken down in the US but remains strong in Western Europe suggesting US political polarization has driven the decoupling. @jburnmurdoch

Summary: The new rule — that “It’s no longer the economy, stupid” — has since reasserted itself. What makes this apparent shift all the more notable is that it appears to be an exclusively American phenomenon. The age-old relationship between economic sentiment and a government’s popularity has evaporated in the US, but it remains almost as strong as ever in Western Europe, with the favourability of French and German governments still closely linked to economic fortunes. The same is true in the UK, albeit to a lesser extent. This contrast between continents supports the theory that the hyper-partisan nature of US politics is behind the decoupling. The US electorate is now cleanly divided into Democrat and Republican factions, more hostile to one another than ever before, making it harder for economic trends to move people between political camps. If anything, voters’ politics are now shaping their economic perceptions, not the other way around. Related: The Cost of Money is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly and Digesting Inflation and Asymmetric Amplification and the Consumer Sentiment Gap

Primary Topic: Politics

Topics: Op-Ed/Blog Post, Politics

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