

# Paying Attention to the Economy

Former title: What Voters Want from the Economy

Jan Zilinsky, NYU

MPSA (April 2018)

# Questions

- ① Can we trust what people say about the economy? Or is data on economic sentiment hopelessly contaminated?
- ② When are citizens satisfied with the state of the economy?

# Answers

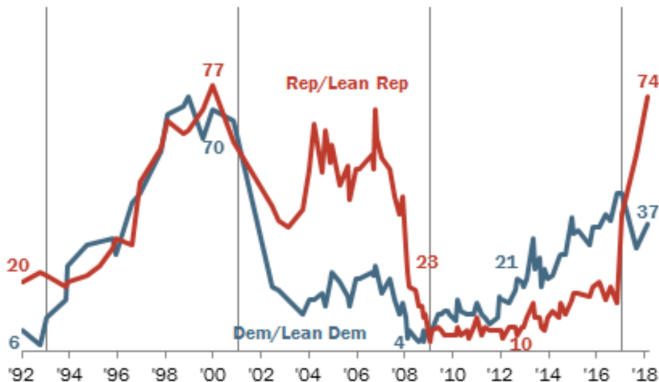
- ① Can we trust what people say about the economy? Or is data on economic sentiment hopelessly contaminated?
  - Yes - despite partisan biases.
- ② When are citizens are satisfied with the state of the economy?

# Answers

- ① Can we trust what people say about the economy? Or is data on economic sentiment hopelessly contaminated?
  - Yes - despite partisan biases.
- ② When are citizens are satisfied with the state of the economy?
  - When the labor market is strong

# Ratings of the economy look self-serving

- Responses consistent with partisan cheer-leading.
- But aggregate patterns can mislead.



Note: Data before February 2004 from Gallup.

Source: Survey of U.S. adults conducted March 7-14, 2018.

## Possible lessons from aggregate post-election shifts

- ① Economic evaluations are really measuring political opinions
- ② Only some citizens (non-partisans) are actually evaluating the economy
- ③ Only in some (non-polarized) countries can we gather meaningful data on economic sentiment.

Wrong conclusions.

# Possible lessons from aggregate post-election shifts

- ❶ Economic evaluations are really measuring political opinions
- ❷ Only some citizens (non-partisans) are actually evaluating the economy
- ❸ Only in some (non-polarized) countries can we gather meaningful data on economic sentiment.

Wrong conclusions.

## Research design

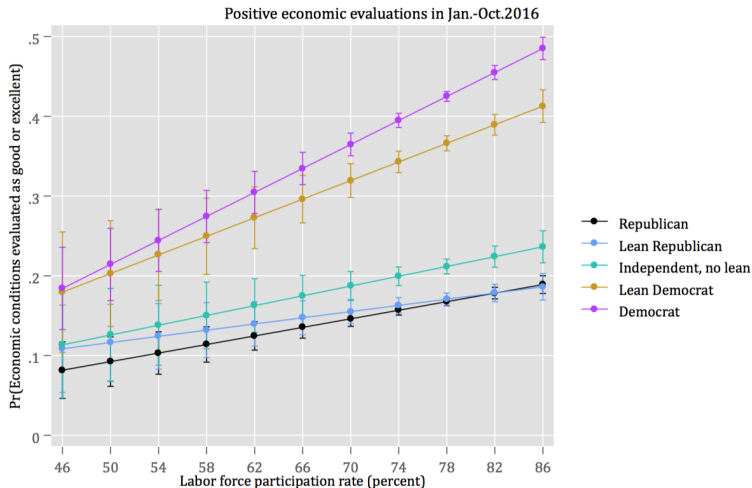
- Compare Republicans to other Republicans (while Obama was President)
- Reported economic sentiment if a respondent lives in an area where the economy is weak/strong.

## Data: Individual-level (Gallup)

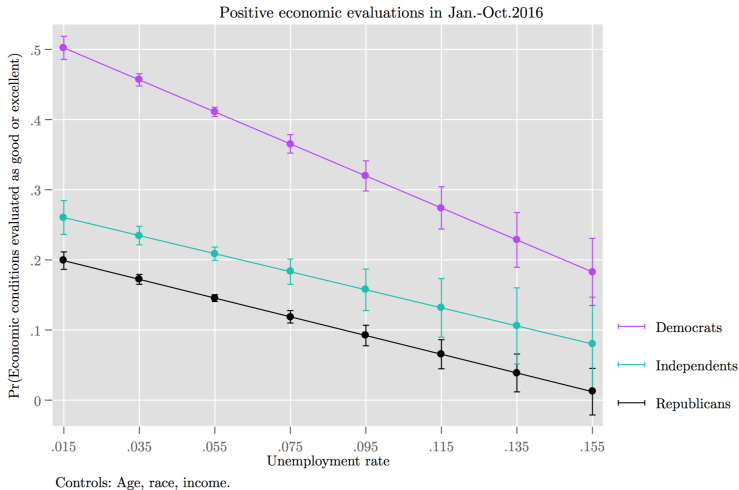
- Challenge: Most surveys of consumers confidence do not ask about party ID. (Mian, Sufi and Khoshkhoh (2017) on partisan bias and economic expectations *estimates party ID*)
- Gallup: 350,000 Americans evaluate the state of the economy and 321,833 provide their party ID in 2015 & 2016.
- Outcome: positive evaluations of the economy
- Independent variable: local economy (unemployment rate and LFP in the county where the respondent lives)



# Results: Economic evaluations versus county labor force participation



# Results: Economic evaluations versus county unemployment rate



## Other evidence: Country-level

- 3 sources of economic evaluations: Eurobarometer, Gallup World Poll, Pew Global Attitudes
- Global coverage. 2002-16 (with some gaps)
- Is GDP growth a “sufficient statistic”?
- Does the unemployment rate tell the full story?

# Results

	Econ. conditions: good (Gallup data)			Econ. situation: good (Pew data)
	EU only	OECD only	All	All
	(1)	(2)	(3)	(4)
GDP growth rate	1.10** (0.33)	1.16* (0.47)	0.92*** (0.16)	2.18*** (0.39)
Unemployment rate	-2.17*** (0.26)	-2.14*** (0.33)	-0.96*** (0.12)	-0.85** (0.26)
Men's LFP	1.35*** (0.32)	0.41 (0.29)	0.10 (0.08)	0.17 (0.22)
Constant	-43.98* (21.70)	18.47 (21.18)	25.36*** (6.49)	26.49 (16.44)
N	175	210	878	206
R <sup>2</sup>	0.47	0.28	0.16	0.25

\*p < .05; \*\*p < .01; \*\*\*p < .001

Standard errors in parentheses.

# Take-away

- Around the world, public opinion reflects objective economic conditions
- Partisan bias is real (shifts in evaluations)
- Evaluations correlate with the local economy for both Democrats and Republicans

Conclusion: Co-partisans are relatively forgiving (when their party is in power) but the typical voter pays attention to the economy

# Supplementary material

# Background

Economy & election outcomes: Fair (1978), Lewis-Beck and Stegmaier (2000), Linn, Nagler and Morales (2010), Lewis-Beck, Martini and Kiewiet (2013), Healy and Lenz, (2017). Natural interpretation: **retrospective voting**.

~ Assumption: Citizens possess economic facts

*But are they willing to report what they know about the economy?*

# Gallup regressions: basic

Table 5: Economic evaluations at the individual level in the United States between 2015 and 2016 with county-level economic covariates

	Outcome: Economic conditions are good/excellent				
	All	All	Democrats	Republicans	Independents
	(1)	(2)	(3)	(4)	(5)
Unemployment rate	-2.14*** (0.05)	-1.03*** (0.08)	-2.23*** (0.18)	-0.73*** (0.15)	-1.05** (0.32)
Labor force participation rate		0.58*** (0.02)	0.48*** (0.06)	0.39*** (0.04)	0.36*** (0.10)
Constant	0.37*** (0.003)	-0.13*** (0.02)	0.13* (0.05)	-0.08* (0.04)	-0.01 (0.09)
N	347,980	282,412	62,409	57,522	13,701
R <sup>2</sup>	0.01	0.01	0.01	0.004	0.004

\*p < .05; \*\*p < .01; \*\*\*p < .001

Standard errors in parentheses.



# Gallup regressions with controls

Economic evaluations at the individual level in the United States between 2015 and 2016

	Outcome: Economic conditions are good/excellent			
	All	Democrats	Republicans	Independents
	(1)	(2)	(3)	(4)
Unemployment rate	-1.14*** (0.08)	-1.78*** (0.19)	-0.78*** (0.16)	-1.04** (0.36)
Labor force participation rate	0.40*** (0.03)	0.21*** (0.06)	0.27*** (0.05)	0.15 (0.11)
Constant	-0.05* (0.02)	0.18** (0.06)	0.09* (0.04)	0.07 (0.10)
Gender	Yes	Yes	Yes	Yes
Income	Yes	Yes	Yes	Yes
Age	Yes	Yes	Yes	Yes
Race	Yes	Yes	Yes	Yes
N	237,017	55,455	49,582	11,035
R <sup>2</sup>	0.02	0.05	0.02	0.03

\*p < .05; \*\*p < .01; \*\*\*p < .001

Standard errors in parentheses.