

# Political Economy of Beliefs about the Economy

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# Earlier work

- Predictability of subjective economic evaluations (MA paper)
- Importance of easy issues for vote choice in 2012 and 2016 (QP)
- Learning about candidates' policy positions (MPSA 2019 paper *with Eady, Nagler and Tucker*)

# Themes

- **Attribution.**
  - Is increasing the number of jobs something a president can do a lot about, or is that beyond any president's control?
  - Does the current or the previous president deserve more credit?
- **Taxonomy.** Is the economy a “hard” issue? A valence issue?
- **Persuasion.** How do politicians take ownership of economic results even when they minimally influence economic outcomes (such as a rising stock market)?
- **Attention.** Are voters looking at the most informative economic indicators?
- **Politicization.** Why do some economic outcomes — e.g. destruction of jobs — matter more politically than others?

*Should communication strategy have an economic focus?*

**Weak economy**

**Strong economy**

**Incumbent:  
Republican. Party  
owns national security**

No

Yes (RV argument)

**Challenger: Democrat.  
Party owns jobs**

Yes

No\*

## Strong economy = immunity from criticism?



**Donald J. Trump**  @realDonaldTrump · 23 Apr 19

In the “old days” if you were President and you had a good economy, you were basically immune from criticism. Remember, “It’s the economy stupid.” Today I have, as President, perhaps the greatest economy in history...and to the Mainstream Media, it means NOTHING. But it will!



- But what if the economy is just a part of a broader bundle?
- Landa and Li Bihan (2018): “To assess adequately whether the electorate is effectively exercising accountability levers, we must condition the voter’s response vis-à-vis the economy on the incumbent’s performance in other policy areas as well as on the relative complexities of these areas.”
- If voters start to believe that managing the economy is less complex, they could condition re-election on performance on another issue.

# Economic stewardship

Wise decisions or avoiding mistakes?



The Dow raced higher on Friday after Stephen Moore - Trump's controversial Federal Reserve pick - ditched the president and withdrew from consideration. | Source: REUTERS / Yuri Gripas

Dow Blasts Higher After Controversial  
Fed Pick Ditches Trump

Is increasing the number of jobs something a president can do a lot about, or is that beyond any president's control?

	Total	Party ID		
		Dem	Ind	Rep
Yes, the President can do a lot	54%	47%	47%	73%
No, it is beyond the President's control	24%	31%	24%	16%
Don't know	23%	23%	29%	11%

YouGov poll of 1500 US adults, Sept. 2018. [Link](#)



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- Might have expected denial among Democrats.
- Is it plausible that Democrats will be more forgiving if the unemployment rate increases?
- Close to no evidence on stability of perceptions.

- Egan (2013): Democrats own the many economic issues, including “jobs”

Operationalized as: the share of Americans naming the Republican Party as a percentage of all respondents saying one of the two parties is better able to handle the issue than the other. See Table 3.2, page 67 in Egan (2013).

- The basic tension for the 2019-20 election campaign is that issue ownership and retrospective voting theories lead to different predictions

# Theories and predictions

- **Retrospective voting** (reward-punishment theory) suggests Republicans should emphasize the economy in 2019, and Democrats should try to change the subject.
- According to the **issue-ownership theory**, Trump should drum up security threats or other non-economic issues, whereas Democrats should talk about the economy (because they own the issue).
- According to Vavreck's typology of campaigns, a candidate in Trump's current position should: "[t]alk about economy more than anything else in the campaign"
- Different indicators may point in different directions (stock prices can fall)

# Empirical approach

- Observational evidence: original survey
- Descriptive work (Twitter data)
- Experimental evidence

# Original YouGov poll augmented with behavioral data

- Main survey instrument: *“Who do you think deserves more credit or blame for the current state of the economy: President Trump or President Obama?”*
- Behavioral data
  - Domains / URLs visited
  - Category of website. e.g. "Economy and Finance", "Shopping", "Education".
  - Predecessor and successors URL
  - Search terms

# Hypotheses

- Respondents who read more economic news will be more willing to give credit to Obama, ceteris paribus.
- Respondents who visit more right-wing news domains will be less likely to give credit to Obama.
- Republicans will be less willing to give credit to the former president.

## 7. Responsibility for Economy

Who do you think currently bears more responsibility for the state of the U.S. economy?

YouGov®

	Total	Gender	
		Male	Female
Barack Obama	40%	42%	37%
Donald Trump	34%	36%	31%
Not sure	27%	22%	31%
Totals	100%	100%	100%
Unweighted N	997	445	552

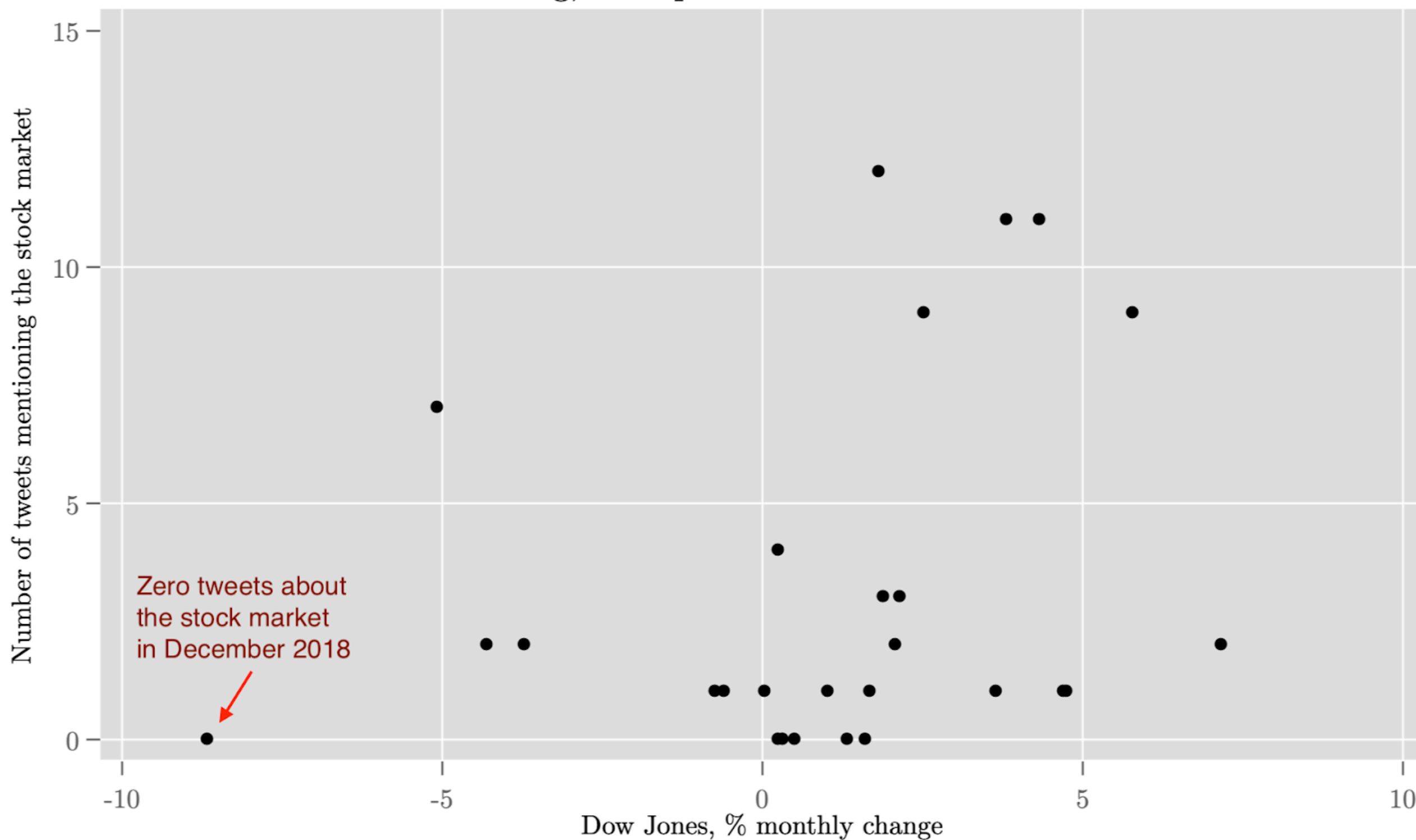
	Total	Party ID		
		Dem	Ind	Rep
Barack Obama	40%	44%	41%	32%
Donald Trump	34%	32%	25%	51%
Not sure	27%	24%	34%	17%
Totals	100%	100%	100%	100%
Unweighted N	997	357	400	240

# Descriptive work

- Twitter data
- Document communication strategies of politicians
- Organic measure of salience (news media)
  - If the president is president chooses to be silent about an economic indicator, news can still enter people's timelines via other sources



When stocks are rising, Trump tweets about the financial market more



Each dot corresponds to one month. Time period: January 2017 - April 2019.

# A survey experiment

*Can Trump make people see the stock market as a good gauge of the overall state of the economy?*

- Subjects are treated with tweets
- Manipulation of the source

# What is the “best” economic indicator?

For you personally, which of the following do you consider the best measure of how the national economy is doing?

	Party ID				Family Income (3 category)			
	Total	Dem	Ind	Rep	< \$50K	\$50-100K	\$100K+	Prefer not to say
The stock market index	7%	8%	7%	9%	7%	6%	11%	8%
The unemployment rate and job reports	33%	26%	32%	44%	27%	40%	43%	32%
The prices of goods and services you buy	24%	32%	24%	17%	29%	25%	17%	16%
Your personal finances	17%	16%	14%	21%	15%	17%	22%	15%
Don't know	18%	18%	23%	10%	22%	12%	7%	29%
Totals	99%	100%	100%	101%	100%	100%	100%	100%
Unweighted N	(1,498)	(492)	(620)	(386)	(688)	(394)	(231)	(185)

The Economist/YouGov Poll, Sept. 2018, [Link](#)



**Donald J. Trump** ✓  
@realDonaldTrump

Gallup Poll: 56% of Americans rate their financial situation as excellent or good. This is the highest number since 2002, and up 10 points since 2016.

7:01 AM · May 1, 2019 · [Twitter for iPhone](#)

**17.3K** Retweets **75.4K** Likes

Here are some comments Donald Trump made on Wednesday, May 1, 2019. Please rate them.

	Total	Registered voters	Gender		Age (4 category)			
		Yes	Male	Female	18-29	30-44	45-64	65+
Great	21%	25%	23%	18%	12%	14%	27%	28%
Good	13%	14%	15%	12%	14%	9%	14%	16%
OK	32%	27%	30%	34%	38%	38%	28%	28%
Bad	14%	16%	14%	15%	16%	16%	13%	14%
Terrible	19%	18%	18%	21%	20%	24%	18%	15%
Totals	99%	100%	100%	100%	100%	101%	100%	101%
Unweighted N	(976)	(711)	(479)	(497)	(224)	(190)	(358)	(204)

YouGov Daily Survey, May 1-2, 2019. [Link](#)

# Imagine this statement, repackaged



**Donald J. Trump**  @realDonaldTrump · 25 Feb 19

Since my election as President the Dow Jones is up 43% and the NASDAQ Composite almost 50%. Great news for your 401(k)s as they continue to grow. We are bringing back America faster than anyone thought possible!



# Next steps

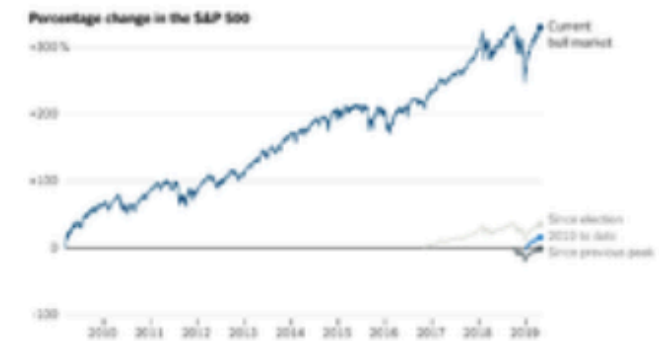
- Code Trump's tweets.
- Code Dem. candidates' tweets.
- Pilot experiment.

**Feedback welcomed**

# Stocks Just Hit a Record. Thank the Fed.

The bull market lives, thanks to the Federal Reserve's new, more relaxed approach to interest rates.

By Matt Phillips



**Donald J. Trump**  @realDonaldTrump · 29 Mar 19

Had the Fed not mistakenly raised interest rates, especially since there is very little inflation, and had they not done the ridiculously timed quantitative tightening, the 3.0% GDP, & Stock Market, would have both been much higher & World Markets would be in a better place!





# Literature

- People with higher income & education are more optimistic about future macroeconomic developments, (business conditions, the unemployment rate, and stock market returns)
- The beliefs wedge “reflects excessive pessimism on the part of low-SES individuals” (Das, Kuhnen and Nagel, 2019)
- Do personal experiences matter?
  - Evidence from administrative data (e.g. Healy, Persson and Snoweberg, 2017)
  - Various types of economic hardships negatively affected government approval of the 2008 financial crisis (Singer, 2018)
  - Linn and Nagler (2005): “voters should look for economic indicators that provide them with information about growth and about how growth will be distributed. However, we demonstrate that voters fail to do this in evaluating presidential performance.”

It's been **about 8 hours** since Trump last tweeted about the markets and the economy...