What Voters Want from the Economy

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Roadmap

① Theoretical and empirical motivation
② Research questions
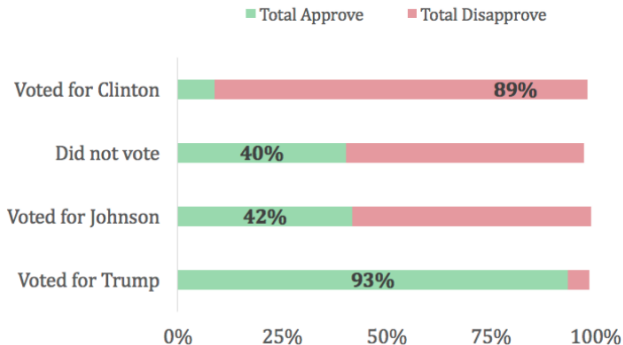③ Data / Research design
④ Results

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**.

Underlying assumption: citizens possess economic facts.

Concern about public opinion data

Responses consistent with partisan cheer-leading.

Do you approve or disapprove the way Donald Trump is handling the economy?

■ Total Approve   ■ Total Disapprove

Voted for Clinton	89%
Did not vote	40%
Voted for Johnson	42%
Voted for Trump	93%

0%   25%   50%   75%   100%

Data: FiveThirtyEight; Chart: JZ.

Motivating questions

Ability to evaluate

Are citizens paying attention to the state of the economy?

Willingness to tell pollsters what they observe

- Are citizens willing to be impartial?
- Or partisan biases $\Rightarrow$ judgments about the economy?

What can we conclude (from aggregate data)?

Possible conclusions:

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.
❹ None of the above.

Research Questions

- **Question**: Does economic sentiment data capture what people think about the economy?

  Answer: More than one might think.

Data: Country-level

3 sources of economic evaluations

- Eurobarometer: "How would you judge the current situation in each of the following?" Option: "The situation in the (national) economy" (Very good / Rather good / Rather bad / Very bad / DK).
- Gallup: "How would you rate economic conditions in this country today – as excellent, good, only fair, or poor?".
- Pew Global Attitudes: "Now thinking about our economic situation, how would you describe the current economic situation in (survey country) — is it very good, somewhat good, somewhat bad or very bad?"

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**	1.16*	0.92***	2.18***
	(0.33)	(0.47)	(0.16)	(0.39)
Unemployment rate	−2.17***	−2.14***	−0.96***	−0.85**
	(0.26)	(0.33)	(0.12)	(0.26)
Men's LFP	1.35***	0.41	0.10	0.17
	(0.32)	(0.29)	(0.08)	(0.22)
Constant	−43.98*	18.47	25.36***	26.49
	(21.70)	(21.18)	(6.49)	(16.44)
N	175	210	878	206
R^2	0.47	0.28	0.16	0.25

$^*p < .05;$ $^{**}p < .01;$ $^{***}p < .001$
Standard errors in parentheses.

Results

Table 2: OLS regressions: Predicting perceptions on the basis of income growth, the unemployment rate, labor force participation, and trust in national government (29 to 32 countries in the Eurobarometer sample; Years: 2005-2016.

|			The state of the economy is good		
	(1)	(2)	(3)	(4)	(5)
GDP growth rate	2.31***		1.84***	1.73***	1.23***
	(0.34)		(0.31)	(0.29)	(0.22)
Unemployment rate		−2.18***	−2.00***	−1.69***	−0.93***
		(0.21)	(0.20)	(0.19)	(0.15)
Men's labor force participation				1.80***	0.91***
				(0.25)	(0.20)
Trust in government					0.99***
					(0.06)
Constant	30.55***	56.50***	51.24***	−69.88***	−51.92***
	(1.40)	(2.35)	(2.41)	(17.08)	(13.09)
N	376	377	376	376	375
R^2	0.11	0.23	0.30	0.38	0.65

$^*p < .05;\ ^{**}p < .01;\ ^{***}p < .001$
Standard errors in parentheses.

Next step: focus on the U.S.

Data: Individual-level (Gallup)

- Challenge: Most surveys of consumers confidence do not ask about party ID. (Mian, Sufi and Khoshkhou (2017) on partisan bias and economic expectations *estimates party ID*.)
- Options include ANES or CCES, but even 64,000 respondents in the CCES yield only 68 counties with a reasonable number of respondents (120 people).
- Gallup: a rich, nearly ideal dataset. 350,000 Americans evaluate the state of the economy and 321,833 provide their party ID.

Results: Gallup U.S. Daily surveys

Positive economic evaluations in Jan.-Oct.2016
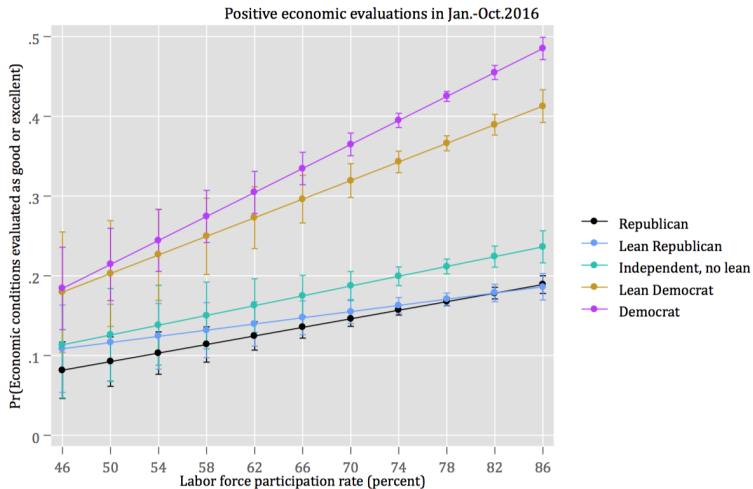
Conclusions

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

Supplementary material

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^{***}	-1.03^{***}	-2.23^{***}	-0.73^{***}	-1.05^{**}
	(0.05)	(0.08)	(0.18)	(0.15)	(0.32)
Labor force participation rate		0.58^{***}	0.48^{***}	0.39^{***}	0.36^{***}
		(0.02)	(0.06)	(0.04)	(0.10)
Constant	0.37^{***}	-0.13^{***}	0.13^{*}	-0.08^{*}	-0.01
	(0.003)	(0.02)	(0.05)	(0.04)	(0.09)
N	347,980	282,412	62,409	57,522	13,701
R^2	0.01	0.01	0.01	0.004	0.004

$^*p < .05$; $^{**}p < .01$; $^{***}p < .001$
Standard errors in parentheses.