Chapter 28: Economic Opinion

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Abstract

The closest thing to an axiom in political science is that American voters evaluate economic conditions through a lens of partisanship. Both objective economic conditions and partisan predispositions predict subjective evaluations, and those resulting evaluations predict vote choice at the individual level or election outcomes in the aggregate. If subjective evaluations affect election outcomes, then economic opinion rooted in economic reality ensures voters can hold incumbents electorally accountable for their performance. When partisanship begins to block the effect of reality on perceptions, the prospects for electoral accountability are bleak. In this chapter we show, first, that the influence of partisanship on economic opinion is variable from election to election. Partisanship plays the largest role when an incumbent is running and the economy is growing. Second, the link between objective economic conditions and economic opinion is weakening. Members of the president's party and independents are much more responsive to changing economic conditions than members of the opposing party.

Keywords: economic opinion; consumer sentiment; partisanship; retrospective; prospective

The question "Will the economy get better or worse?" is not the apocryphal "million dollar question." It's worth far more than that. If someone were to know the future trajectory of the economy as a whole, that person would hold the answers to questions concerning (quite obviously) the economic fortunes of millions of businesses and billions of people around the world, but also to the political fates of elected officials and authoritarian rulers alike. In other words, the economic future is enormously consequential.

But it is also fraught with uncertainty, and making better-than-chance predictions about the future is usually a sucker's bet. Not that that fact prevents investment houses from trying. These firms employ programmers from every math and science discipline imaginable to try to eke out even the smallest ability to forecast the future. (Most of us will never know if these efforts are systematically successful, because the investment houses would never give away the secret if they were, or admit to it if they were not.)

In an attempt to reduce the inevitable uncertainty, scholars and the business community began, as survey research proliferated in the late 1960s, to conduct surveys about consumer attitudes and behaviors. The thinking was rather clear: Roughly two-thirds of U.S. GDP is derived from consumer spending, so why not ask these consumers about their beliefs about the current state and future trajectory of the economy (Curtin, 1982)? Decades before scientific survey research existed, John Meynerd Kaynes theorized about the role of the mass public in the macroeconomy. He described the rather elusive, perhaps even fickle, nature of consumers, saying that the public was susceptible to the rather non-rational-sounding force that he called "animal spirits" (Keynes, 1935). Could the science of survey research somehow tap into these spirits, and thus help scholars and the business community predict, or even help to manage, the economic cycles?

The idea was and remains controversial, even in the dismal science itself, where economists differed on the meaningfulness of consumer sentiment. Some, seeming to agree with Keynes in his attribution of power inherent in the phrase "animal spirits," think that the survey-based measures of consumers' beliefs contribute independently to the trajectory of the economy. But others discount these measures, seeing consumer sentiment as epiphenomenal and not instrumental. Some economists, that is, think that consumer sentiment is a crystal ball that

helps foretell the future, whereas others think it is merely a mirror that reflects where we currently are.

The purpose of this chapter is to review the state of our knowledge about public opinion about the economy, universally referred to as "cosumer confidence" or "consumer sentiment" in the academic literature. Consumer confidence, like most other areas of public opinion, has been studied both in cross-sections—"why are some individuals optimistic about the economy whereas others are pessimistic?"—and over time—"why does consumer confidence, as an aggregated whole, become more optimistic and pessmistic over time?" Perhaps surprisingly, those two literatures have not interacted as much as might have been expected. We will examime data in both dimensions here, build upon the findings both cross-sectionally and time-serially, and begin to see some connections between those literatures.

28.1 The Effect of Partisanship on Economic Opinion

Understanding economic opinion is critical to understanding voter behavior. Voters sanction or reward incumbent governments at the ballot box for their performance leading up to an election (Key, 1966). The state of the economy is often the most salient indicator of government performance to voters. As economic conditions change, so too does voters' support for the incumbent government (Kramer, 1971). An incumbent president and his or her party is more likely to win reelection if there has been above average economic growth (Fair, 1978). However, voters cannot objectively gauge the state of the economy. A declining GDP will not enter a voter's decision calculus if he or she is unaware of the GDP. Additionally, partisans are prone to discounting economic conditions that are damaging to their party (Bisgaard, 2015). Therefore, economic voting research quickly transitioned to looking at economic opinion instead of objective economic conditions (Fiorina, 1978).

Conover, Feldman, and Knight (1986; 1987) were among the first to explore the individual-level determinants of economic perceptions—finding objective economic conditions, party identification, and economic news drive retrospective and prospective economic conditions. Succeeding economic opinion research has continued to investigate the extent to which objective economic conditions matter through the filters of partisanship and media and the effect of these

filters on aggregate-level measures.

Partisans of the governing party evaluate the economy differently than partisans of the opposing party. Yet, researchers have not settled on one explanation for fluctuations in the partisan gap. Partisans are more responsive to objective economic conditions when the economy is in a recession than when the economy is recovering or growing Stanig (2013). Thus, the gap should be smaller during recessions than during times of prosperity. More precisely, Parker-Stephen (2013) shows the gap between partisans decreases when objective economic conditions are overwhelmingly positive or negative. When there are conflicting economic signals, partisanship wins out. There is also evidence increasing polarization explains a widening gap. Enns and McAvoy (2012) suggest the size of the gap moves in lockstep with polarization. The difference between in-party and out-party retrospective economic evaluations increases as elite polarization increases (Jones, 2020). Thus, economic opinion is divergent when partisan-motivated reasoning is easier and when partisanship is more salient.

Contrasting the aforementioned research, De Vries, Hobolt, and Tilley (2018) find partisans respond to objective conditions similarly but they have different baselines conditional on the party in government. Bailey (2019) argues that the gap is mostly constant in De Vries et al.'s study because they use a time series including the Great Recession. By including a time series of moderate economic conditions, Bailey finds that partisans respond to changes in economic conditions in systematically different ways. The contradictory findings in these two studies emphasize why it is necessary to look at the relationship between partisanship and economic voting over a wide range of time and varying economic conditions.

Retrospective and prospective evaluations of the economy are not equally affected by partisanship across time. To show this, we estimate the effect of party identification in each wave of the American National Election Studies from 1980 to 2016.[1] Since the two dependent variables—retrospective and prospective economic evaluations—are ordinal,[2] we estimate ordered logit models. Our independent variables include party identification and the controls from Conover, Feldman, and Knight's two studies that are available in the ANES time series:

[1]The 2002 ANES wave does not ask respondents for their prospective evaluations of the economy.

[2]The ANES questions gauging retrospective and prospective evaluations asks, "Would you say that over the past year the nation's economy has gotten better, stayed the same or gotten worse?" and, "Do you expect the economy to get better, get worse, or stay about the same?" respectively.

employment status, gender, race, age, education, and income.[3] Seven-point partisan identifi-

Table 28.1: Effect of Partisanship on Economic Evaluations

	(*Retrospective*)		(*Prospective*)	
Year	β	$\sigma_{\hat{\theta}}$	β	$\sigma_{\hat{\theta}}$
Presidential Elections				
1980	0.19***	(0.04)	0.12***	(0.03)
1984	0.38***	(0.02)	0.25***	(0.02)
1988	0.24***	(0.02)	0.13***	(0.02)
1992	0.27***	(0.03)	0.08***	(0.02)
1996	0.28***	(0.03)	0.18***	(0.03)
2000	0.24***	(0.03)	0.09**	(0.03)
2004	0.46***	(0.04)	0.30***	(0.03)
2008	0.31***	(0.05)	0.09*	(0.04)
2012	0.47***	(0.02)	0.30***	(0.02)
2016	0.38***	(0.02)	0.14***	(0.02)
Midterm Elections				
1982	0.24***	(0.03)	0.27***	(0.03)
1986	0.15***	(0.02)	0.09***	(0.02)
1990	0.09**	(0.02)	0.08***	(0.02)
1994	0.15***	(0.03)	-0.00	(0.03)
1998	0.16***	(0.03)	0.12***	(0.03)
2002	0.17***	(0.04)	–	–

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

cation is recoded to indicate strength of identification with the president's party and opposing party. Thus, a positive coefficient on partisanship indicates an identifier of the president's party gives a more positive economic evaluation. The coefficients and standard errors from these

[3]Income is not available in the 2002 wave of the ANES. Thus, income is not included in our model of retrospective evaluations in 2002.

models are presented in Table 28.1.

Table 28.1 shows that in 14 of the 15 ANES waves where both retrospective and prospective evaluations were asked, there is a larger partisan effect on retrospective than prospective economic evaluations. Broadly, this finding contradicts Conover et al.'s finding that partisanship is a bigger predictor of prospective evaluations than retrospective evaluations. However, in 1982, the first year Conover et al. fielded their survey, partisanship has a larger effect on prospective evaluations among ANES respondents. Overall, the average effect of partisanship on economic evaluations is much larger in presidential elections than midterm elections. And, across presidential elections, there is extensive variability in effect size. In Figure 28.1 we plot the predicted probability of evaluating the economy positively across strength of partisan identification from each presidential election.

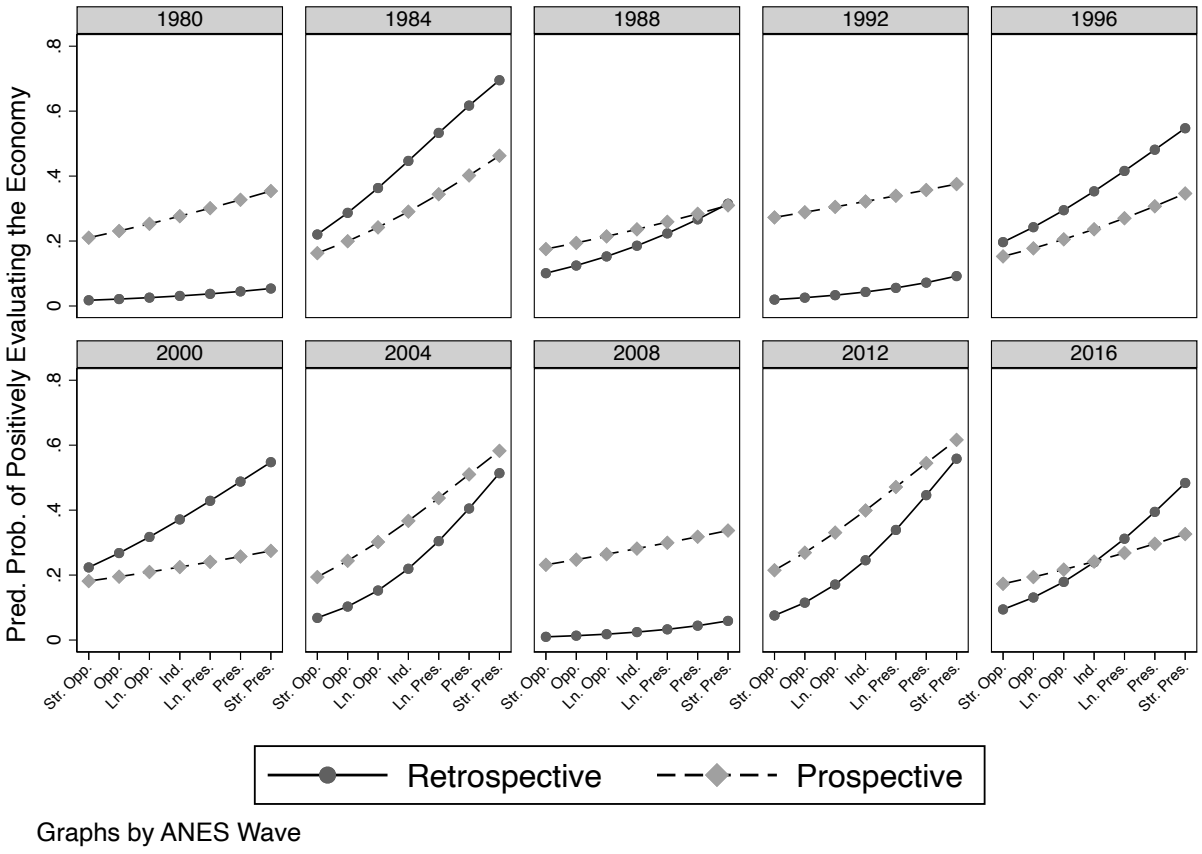

Figure 28.1: Partisan Evaluations of the Economy, 1980–2016

Looking at Figure 28.1, we see there are three presidential elections where the gap in economic opinion between strong identifiers of the president's party and strong identifiers of

the opposing party is smaller and the levels across the three elections are similar. The 1980, 1992, and 2008 presidential elections were held in the midst of or immediately following major economic recessions. Following the Great Recession, the gap between strong identifiers of the president's party and strong identifiers of the opposing party was five percent for retrospective evaluations and ten percent for prospective evaluations. Economic conditions were so abysmal leading up to these conditions that partisans could not ignore the objectively poor state of the economy—providing support for Parker-Stephen's theory. Unsurprisingly, the gap between partisans' prospective evaluations is not as small when conditions are abysmal. Partisanship leads identifiers of the president's party to wishful thinking.

The 1984, 1996, 2004, and 2012 presidential elections share good economic conditions and incumbent presidents running for reelection. In each one of these elections there is a gap between strong identifiers of the president's party and strong identifiers of the opposing party of 30 percent or more. During the economic boom of 1984, strong identifiers of the president's party were more than 45 percent likelier to say the economy was better than a year ago (retrospective) than strong identifiers of the opposing party and approximately 30 percent likelier to say they expect the economy to get better (prospective). While Parker-Stephen posits that partisans will agree on the state of the economy when conditions are abysmal and glorious, the cases of 1984 and 1996 suggests that glorious conditions do not generate agreement but only foster wider disagreement. Perhaps only looking at economic evaluations leading up to an election skews our findings since partisanship is especially primed before a presidential election. Outside the context of presidential elections, we might see partisans more willing to acknowledge a glorious economy.

In some waves of the ANES, retrospective evaluations are higher than prospective evaluations, and in others, prospective evaluations are higher. For some reason, partisans discount the past more than the future before certain elections but not others. Prospective economic evaluations can reflect election expectations instead of economic opinion (Lacy & Christenson, 2017). Perhaps partisan-motivated reasoning pushes identifiers of the president's party to be forward looking when current economic conditions are ordinary and they expect their party will win the upcoming election.

Why do partisans evaluate the economy differently? Partisans are prone to partisan-motivated reasoning and confirmation bias. We have already discussed the effect of partisan-motivated reasoning, where partisans discount information that is harmful to their party. Confirmation bias, however, is when partisans consume media that align with their partisan identities and beliefs (Hollander, 2008). If partisan media is easily accessible, we would expect partisans to opt for the economic news that is the least damaging or most beneficial to their party. In support of this expectation, cross-national research finds there are larger partisan gaps in economic evaluations where the media are more partisan (Dalen, 2021).

If partisanship and economic news have such a significant effect on economic opinion, then what do aggregate measures of economic opinion or consumer sentiment capture? How can economic opinion be aggregated into a meaningful measure? In the next section we discuss the complications with studying economic opinion in the aggregate and the effect of objective conditions on aggregate-level measures.

28.2 The Index of Consumer Sentiment

How economic opinion is best operationalized in the aggregate is a point of contention among scholars (Dominitz & Manski, 2004). Depending on the research question and level of aggregation, perceptions of the national economy (sociotropic) or perceptions of one's personal financial situation (egocentric) may be preferred (Kramer, 1983). Additionally, one's evaluations of the current or past economy could be more relevant than one's expectations for the future economy, or vice versa (MacKuen, Erikson, & Stimson, 1992). The most widely reported and used measure (Durr, 1993; Keele, 2005; R. Y. Shapiro & Conforto, 1980), the University of Michigan's Index of Consumer Sentiment, is an aggregate-level measure gauging the public's perceptions of past/current and expectations for future personal and national economic conditions. Thus, the Index of Consumer Sentiment consists of retrospective and prospective sociotropic and egocentric perceptions of the economy. We use this measure of consumer sentiment in this section to explore the dynamics of aggregate-level economic opinion.

Figure 28.2 shows the University of Michigan's Index of Consumer Sentiment (top left panel) and its five component indicators from the first quarter of 1978 to the second quarter of 2021.

Four of the five component series are a mixture of egocentric and sociotropic evaluations that focus, in varying forms, on the future and the past. The four questions read: "Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?"; "Now, looking ahead, do you think that a year from now, you (and your family living there) will be better off financially, or worse off, or just about the same as now?"; "Now, turning to business conditions in the country as a whole, do you think that during the next 12 months, we'll have good times financially or bad times or what?"; and " Looking ahead, which would you say is more likely? That in the country as a whole we'll have continuous good times during the next five years or so, or that we'll have periods of widespread unemployment or depression, or what?" The fifth component series does not neatly fit into this two-by-two typology, but focuses on buying conditions for major purchases: "Do you think now is a good or bad time for people to buy major household items?" Each of the components begins at 100, adds the percent giving optimistic responses, and substracts the percent offering pessimistic reponses. Obviously, then, scores above 100 represent net levels of optimism, and scores below 100 indicate net levels of pessimism. The Index itself is an equally weighted average of the five indicator series.

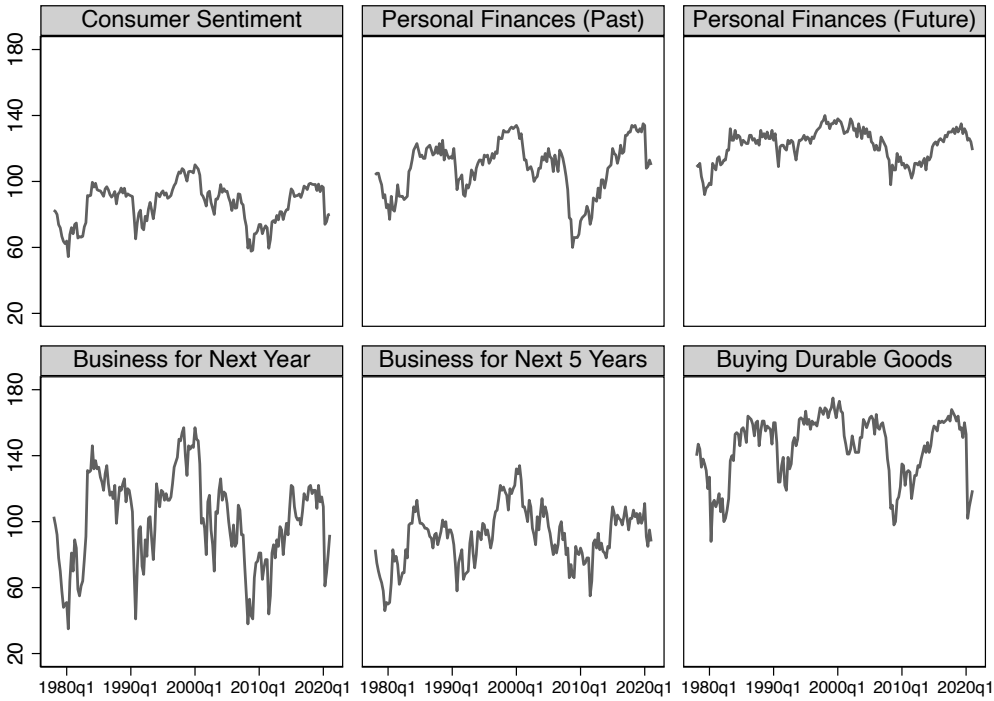

Figure 28.2: The Index of Consumer Sentiment and its Components, 1978–2021

Aggregate-level consumer sentiment is quite variable—responding to economic shocks and political events (DeBoef & Kellstedt, 2004). Clearly, there are some revealing and interesting differences among the indicators. The indicator of near-term future personal finances is the least volatile of the components; families seem to have persistently optimistic evaluations of their future economic prospects, and while those evaluations do rise and fall, they do not change drastically. The same cannot be said for some of the evaluations of business conditions, especially of the near-term economic future (the lower-left-hand frame of Figure 28.2). That series is easily the most volatile of the components, ranging from highs well above 150—that is, more than 50 points net positive in evaluations, near the end of the dot-com expansion of the late 1990s—to numbers around 40—that is, more than 60 points net negative, such as during the Iran hostage crisis, Saddam Hussein's invasion of Kuwait, and the Great Recession. Note, too, beyond the height of the peaks and the depths of the valleys, how quickly the public evaluations of the near-term economic future sometimes change. The sudden crashes in optimism, as just noted, are the most obvious—the sizable decline due to the Covid pandemic is the most recent of these—but there are also rather sudden upward shifts toward optimistic assessments of the national economy as well. Indeed, these seem to be signs of Keynes's "animal spirits."

We use the Index as our dependent variable to investigate how consumer sentiment responds over time to changes in objective economic conditions. The unemployment rate and inflation are the independent variables in our model as measures of objective economic conditions. Previous research finds that when unemployment and inflation increase, the Index of Consumer Sentiment declines (Lovell, 1975). We investigate how strong this relationship between these objective indicators and consumer sentiment is over time, and test for structural breaks in the relationship. The results from our model are presented in Table 28.2.

First, we estimate our model on the entire time series. The results from this model are in the first column of Table 28.2. We expect an aggregate-level time series to have a substantial amount of memory from period to period, and we find the lag of consumer sentiment has a signifcant effect on the current level of consumer sentiment. Consistent with previous research, changes in inflation and unemployment have a significant negative effect on consumer sentiment; however, only the long run multiplier for unemployment is statistically significant. Inflation playing a

smaller role relative to unemployment should not be too surprising, as media outlets give much more attention to changes in the unemployment rate (Fogarty, 2005).

Table 28.2: The ICS and Objective Economic Conditions

	(1) Full Series	(2) Pre 2009	(3) Post 2009
ICS_{t-1}	0.92***	0.87***	0.90***
	(0.03)	(0.04)	(0.05)
ΔInflation	-1.26*	-1.89**	-0.52
	(0.49)	(0.59)	(0.83)
ΔUnemployment	-2.51***	-7.90***	-1.96***
	(0.43)	(1.64)	(0.42)
Constant	7.06**	11.2**	8.62*
	(2.51)	(3.45)	(4.06)
Long-Run Multipliers			
ΔInflation	-15.2	-14.4*	-5.23
	(8.48)	(6.43)	(8.95)
ΔUnemployment	-30.4*	-60.3***	-19.9
	(11.8)	(16.8)	(11.3)
Adj. R^2	0.86	0.86	0.88
N	172	123	49

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

We suspect the relationship between objective conditions and subjective evaluations has changed over time due to increasing polarization in the U.S., and evidence that objective economic conditions matter less and less to partisans. Thus, we conduct a Supremum Wald test to see whether there is a structural break in the relationship between the index, unemployment, and inflation. The test rejects the null of no structural break in the third quarter of 2008 (p=0.01). Since this is near a more natural break in the time series, the transition from George W. Bush's to Barack Obama's administration, we test for a structural break in the first quarter of 2009 and the null of no structural break is rejected (p=0.01). Therefore, we run our model on subsets of the data before and after Obama's inauguration. These results are presented in columns 2 and 3 of Table 28.2.

Changes in inflation and unemployment have substantially larger effects in the period before

Obama's inauguration than in the period after. The coefficients and their long run multipliers are approximately three times larger in the before 2009 period. In the post 2009 period changes in inflation do not have a statistically significant effect on consumer sentiment, and the long run multipliers for inflation and unemployment are also statistically insignificant. As polarization increases, partisans give increasingly divergent evaluations of the economy (Jones, 2020). Perhaps the high level of polarization in the US explains the weakening effect of objective economic conditions on subjective evaluations. The economy continued to improve throughout Obama's presidency, therefore we should see Democratic sentiment rise in response to improving economic conditions and Republican sentiment remain low.

28.3 The Dynamics of Partisan Economic Opinion

If Republicans and Democrats made up equal proportions of the population and similarly evaluated the economy from different partisan baselines, then partisan differences would be averaged out in aggregated measures of economic opinion. However, these partisan differences do not cancel out at the aggregate level (Enns, Kellstedt, & McAvoy, 2012). Aggregate measures obscure systematic variation among partisans' evaluations (Duch, Palmer, & Anderson, 2000). When conducting aggregate-level analyses researchers should consider the effect of partisan differences on their inferences. The most simple solution is to look at aggregate economic opinion broken down by partisan identification. Not by accident, the University of Michigan does not ask its survey respondents any questions about their political attitudes or identifications—such as party identification. Their intent is to avoid priming the saliency of identities to their respondents, in an effort to elicit more objective evluations that are unpolluted by partisan motivated reasoning.

Therefore, we use data from Gallup Analytics to explore how objective economic conditions affect aggregate Democratic, Republican, and Independent evaluations of current economic conditions. Gallup's exact question wording is, "How would you rate economic conditions in this country today - as excellent, good, only fair, or poor?" Figure 28.3 shows Democratic, Republican, and Independent perceptions of current economic conditions from January 2008 to December 2017. The lines in Figure 28.3 represent the proportion of partisan respondents

evaluating current economic conditions as "excellent" or "good."

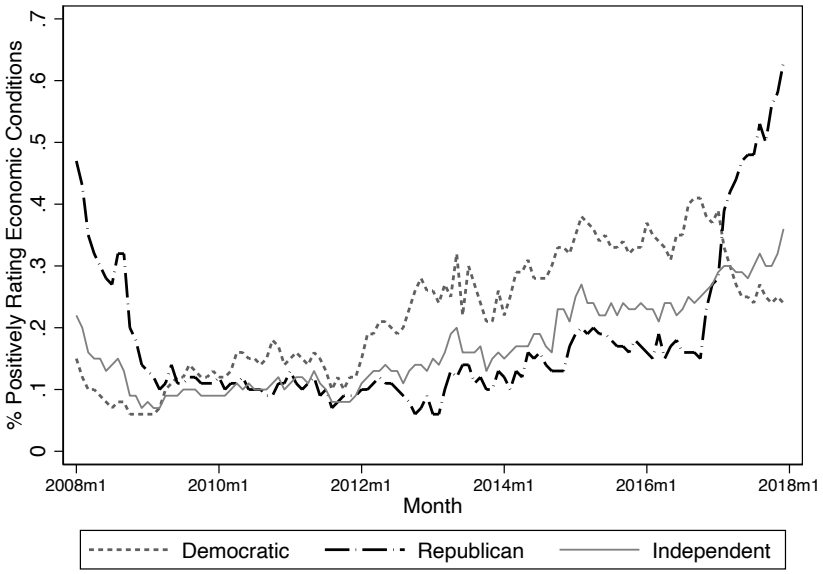

Figure 28.3: Partisan Perceptions of Economic Conditions

Sharp reversals in partisan perceptions of economic conditions can be seen following the two elections in this time series—the more dramatic of the two coming after the 2016 election, since the economy was not marred by a recession like it was during the 2008 election. A few months before the end of Barack Obama's second term, in October 2016, 15 percent of Republican and 41 percent of Democratic respondents positively evaluated current economic conditions, whereas several months after Donald Trump's inauguration, in April 2017, 44 percent of Republican and 27 percent of Democratic respondents were positive about current economic conditions. Despite an ever-more-polarized public, from 2009 throughout the early 2010s the gap between Republican and Democratic economic evaluations remained narrow. Stanig (2013) finds partisans are more responsive to objective economic conditions when the economy is in a recession than when the economy is recovering or growing. Figure 28.3 provides support for Stanig's finding as the gap between Democratic and Republican evaluations gets substantially larger as the recovery continues. Democrats became increasingly more positive as objective economic conditions improved from 2009 to 2016, while Republican attitudes remained steadily low.

We estimate three general error correction models to estimate the effect of inflation and unemployment on the economic opinion of partisans during Obama's presidency. Our analysis

is limited to the first month of 2009 to the last month of 2016 to avoid dealing with the large spikes that occur following administration changes. We choose error correction models since stationarity tests fail to reject the null of a unit root for the partisan series and the economic indicators. Additionally, error correction models allow us to estimate the instantaneous effect of a change in inflation and unemployment and their long-run multipliers. The Democratic model includes a lag of the change in Democratic economic evaluations to deal with autocorrelation in the residuals. We find no evidence of autocorrelation in the Republican and Independent models, nor in the Democratic model with the lagged change in the dependent variable. The results from these models are presented in Table 28.3.

In all three of the models, inflation and unemployment have insignificant instantaneous effects. A change in inflation or unemployment from the previous to the current month does not affect current economic evaluations regardless of party identification. However, the level of unemployment in the previous month affects current economic evaluations. The lagged level of unemployment has a statistically significant effect in all three models. The effect of the lagged level of unemployment on Democratic evaluations is more than double the size of the effect on Republican evaluations. Predictably, the size of the coefficient on independent evaluations is approximately halfway between those of the Democratic and Republican series. The lagged level of inflation does not affect Democratic, Republican, or independent evalautions of current economic conditions.

Statistically significant long-run multipliers are indicative of a cointegrating relationship between the independent and dependent variable. But standard errors for long-run multipliers do not take into account the uncertainty resulting from the assumption of equation balance and low-powered stationarity tests (Webb, Linn, & Lebo, 2019). We follow the Webb, Linn and Lebo (2020) procedure for identifying cointegration in a series via bounds testing. The long-run multipliers and their bounds test results are shown in the lower portion of Table 28.3. Since there are two regressors and 95 observations, we can be confident there is a cointegrating relationship if the absolute value of the t-statistic is larger than 3.70 and confident there is not if it is smaller than 1.06. The t-statistics for our long-run multipliers are obtained using the Bewley transformation recommended by Webb, Linn and Lebo.

Table 28.3: Partisan Evaluations and Objective Conditions

	(1) Democratic	(2) Republican	(3) Independent
Economic Eval.$_{t-1}$	-0.28***	-0.27**	-0.32***
	(0.07)	(0.09)	(0.08)
ΔEconomic Eval.$_{t-1}$	-0.20*	–	–
	(0.10)	–	–
ΔInflation	0.26	0.08	-0.36
	(0.61)	(0.48)	(0.39)
Inflation$_{t-1}$	-0.12	-0.12	-0.15
	(0.22)	(0.19)	(0.14)
ΔUnemployment	-1.67	-0.08	-1.73
	(1.55)	(1.17)	(0.97)
Unemployment$_{t-1}$	-1.39***	-0.53**	-1.00***
	(0.387)	(0.169)	(0.251)
Constant	0.18***	0.08***	0.13***
	(0.05)	(0.02)	(0.03)

Long-Run Multipliers

	LRM (s.e.)	LRM *t* (Inference)	LRM (s.e.)	LRM *t* (Inference)	LRM (s.e.)	LRM *t* (Inference)
Inflation	-0.42	-0.55	-0.47	-0.70	-0.45	-1.03
	(0.76)	(Below)	(0.66)	(Below)	(0.44)	(Below)
Unemployment	-4.88***	-9.83	-1.97***	-4.22	-3.11***	-10.85
	(0.50)	(Beyond)	(0.47)	(Beyond)	(0.29)	(Beyond)
Adj. R^2	0.19		0.06		0.15	
N	95		95		95	

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The long-run multipliers for inflation are statistically insignificant and the t-statistics are below the bounds. There is no cointegrating relationship between inflation and economic evaluations among Democrats, Republicans, or independents. Contrastingly, there is a statistically significant long-run relationship between unemployment and economic evaluations for all three partisan categories. The t-statistics on the long-run multipliers for unemployment are beyond the bounds. As unemployment increases, economic evaluations decline among Democrats and

Republicans alike. The magnitude of these changes, however, greatly varies. Cumulatively, a standard deviation (1.7 percent) increase in unemployment would cause a 8.3 percent decline in Democratic evaluations of current economic conditions and a 3.3 percent decline among Republicans. The same standard deviation increase in unemployment in the independent series would cause a cumulative decline of 5.3 percent.

The earlier analyses in Table 28.2 find subjective economic evaluations are becoming increasingly detached from objective economic conditions. By breaking economic opinion down by partisan identification, we get a clearer picture of what is happening at the aggregate level. Identifiers of the president's party are more than twice as responsive to changes in unemployment than identifiers of the opposing party. Though it is important to note that unemployment steadily declined during Obama's presidency. Had unemployment instead steadily increased, we might have observed Republican economic opinion respond more than Democratic economic opinion, since partisans update in response to objective conditions that make their party look better.

What would retrospective economic voting look like in a polity where economic evaluations simply echo partisan cheerleading? Perhaps electoral accountability can be salvaged by Independents. Independents are in the middle ground between the Democratic and Republican series. But this could be a function of aggregating evaluations from Democratic-leaning and Republican-leaning independents into one category. (The Gallup data do not allow us to separte strong partisans from leaning partisans.) A more finely grained partisanship measure of economic evaluations might reveal the nature of economic evaluations among true Independents versus partisan leaners. As it is, such a measure is unavailable. Either way, the large partisan influence on economic opinion is disconcerting for proponents of democratic institutions and forecasters of consumer behavior alike.

28.4 Conclusion

Ancient history tells of a tradition where, in a time of uncertainty about important questions, leaders sent emissaries on a pilgrammage up a mountain, to a temple at Delphi, and consulted with the Oracle there about the future. The prophecies of the Oracle were typically shrouded in

mystery, and were quite often surprising. Most importantly, they were taken as serious portents of the future.

For much of the past several decades, consumer sentiment was seen by many academics and members of the business community as similiarly mysterious, surprising, and portentious. Unlike many other components of the economy, no media pundits describe a change in consumer sentiment as "as expected." Just like the Oracle, we didn't know how the public channeled their "animal spirits" to foretell the economic future. And, in 1989, the Conference Board incorporated consumer sentiment into its Index of Leading Economic Indicators, clearly signalling its view of consumer sentiment as "crystal ball" instead of "mirror."

In political science, we have seen decades of work that showed that consumer confidence drove presidential approval, drove the balance of party identifiers, and even drove the broader policy "mood" as well. This seems to be changing. Recent work (Donovan, Kellstedt, Key, & Lebo, 2019) has shown that the statistical connection between consumer sentiment and presidential approval was weakening substantially due to polarization in the U.S. political system. The analyses in this chapter go one step further, and suggest that the over-time dynamics of consumer sentiment itself are (since the Great Recession) decreasingly a function of economic reality.

What this means is that consumer sentiment is becoming less relevant for political futures in the U.S. Any change in its role in forecasting the economic future, while always controversial, has not been the focus of this chapter, but remains an avenue for future research.

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