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1 Elections and the Economy in the 1980s: Short- and Long-Term Effects

Morris P. Fiorina

In 1980 Ronald Reagan led the Republican party into the Promised Land. That the Reagan-Bush ticket carried 49 states was noteworthy enough, but the party also scored unanticipated victories in numerous Senate races, giving it control of that body for the first time since 1954, and a respectable gain of 33 seats in the House of Representatives gave the president a "working conservative majority" in that Democratic stronghold. All of this set off talk of a "turn to the right," a "Reagan Revolution," and a(nother) new Republican majority. After the rhetoric cleared however, research pronounced a less sweeping verdict. The 1980 elections were just another example of the rejection of failed leadership. In particular, Americans found the Carter administration wanting in two major respects (Schneider 1981). First, there was national frustration with the course of international affairs, especially with America's apparent helplessness in the face of terrorism. Second, there was deep dissatisfaction with the course of economic affairs. A Democratic president with comfortable Democratic majorities in Congress had presided over a "stagflation" culminating in double-digit inflation and interest rates combined with moderate unemployment and low growth.

The succeeding elections of the 1980s confirmed the view that traditional, off-the-shelf explanations still applied. In 1982, coming out of the worst recession since the Great Depression, the Republicans lost 26 House seats. But with inflation crushed and the economy growing, Republican fortunes rebounded, and in 1984 Reagan enjoyed a sweeping reelection victory. To the surprise of many economists and the consternation of many Democrats, the recovery continued, and in 1988 George Bush profited by leading the Republican party to its third straight presidential victory and fifth out of the past six.[1]

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Some commentators argue that the story of the Reagan elections is little more than the story of the economy (Kiewiet and Rivers 1985). Others argue that the story is more complicated, but no one denies that the economy was a major element of the story. This paper briefly recounts that story. Part of it is as straightforward as these introductory sentences suggest: the economy had the expected effects on presidential approval, the presidential vote, and the distribution of congressional seats. What political scientists refer to as the "short-term" effects of the economy operated much as models and methods developed with data from the 1960s and 1970s predicted—low inflation and rising incomes are political goods, while the opposites are "bads." From this standpoint the 1980s simply gave us more observations and a bit more variance. But the economy had a deeper, more subtle effect as well. During the 1980s the balance of partisan affiliations shifted toward the Republicans. This shift involves what political scientists refer to as long-term effects, the basis of statements about the "majority party," the "emerging Republican majority," and the end of the "New Deal party system." The two major sections of this paper describe the short- and long-term effects of the economy in the 1980s. In the next section I will survey the short-term effects. Then, in the more original part of the paper, I will report some preliminary analyses that suggest deeper, more lasting effects that will be felt in elections yet to come.

1.1 Economic Conditions, Public Opinion, and Voting

In the past two decades few topics have received more scholarly attention that the relationship between economic conditions on the one hand and public opinion and voting on the other. First, political scientists attempted to match fluctuations in economic time series with fluctuations in the congressional vote (Kramer 1971; Tufte 1975) and presidential approval (Mueller 1970; Kernell 1978; Monroe 1978). Then, seeing easy pickings, economists improved on our methods and models (Fair 1978; Frey and Schneider 1978; Golden and Poterba 1980) and even endogenized economic conditions themselves via models of the "political business cycle" (Nordhaus 1975). The literature is too vast to even attempt to review here.[2] I will simply survey its principal findings by taking a closer look at the electoral politics of the 1980s.

1.1.2 Economic Conditions and Reagan Approval

Studies of presidential approval have a standard design though they differ in numerous details. Gallup presidential approval figures (often quarterly averages) are regressed on measures of economic conditions (typically variations in unemployment, inflation, and real income), variables designed to capture the effects of wars (Korea, Viet Nam), dummy variables representing important events (Watergate, the Iranian hostage crisis), and variables that capture changes in presidential administrations. Analysts have reached no

firm consensus about the lagged effects of economic variables (Golden and Poterba 1980; Hibbs 1982; Norpoth 1985) and whether approval follows well-defined cycles or trends (Stimson 1976). Within administrations, however, recent economic conditions have clear and reasonably precise effects on presidential approval.

Casual consumers of 1980s political commentary will be surprised by the thrust of research findings in this area. From the standpoint of approval models, there was no "teflon" president, at least in the economic realm. When economic dirt hit, it stuck. The Reagan administration took harsh action to halt the inflation of the previous decade. As an economic result, the country entered into a serious recession. As a political result, Reagan's approval figures plummeted more than 30 points to a low of 35 percent (as a benchmark consider that Richard Nixon's ratings bottomed out at 23 percent just before resigning). As the economy recovered Reagan's approval ratings recovered with it. By the 1984 election he had gained 20 points. After careful analysis Kiewiet and Rivers conclude that "differences between Carter's and Reagan's levels of popularity are satisfactorily explained by the differences between the respective economic records and rally points of the two administrations. . . . Reagan's popularity at reelection was almost solely a function of the performance of the economy after the 1982 midterm elections" (1985, 81–82).

The most recent analyses using data extending to 1987 agree. The pattern of Reagan's popularity—not just one but *two* recoveries after declines—may have been unprecedented, but the underlying causes were not.[3] Ostrom and Simon (1989) make a heroic effort to augment the standard analyses with measures of the Reaganauts's purported flair for the dramatic—the heart-tugging prime-time speech and the well-covered presidential trip. They conclude that such public relations efforts had little effect. When the economy faltered, Reagan's approval figures weakened; when the economy gathered steam, Reagan's figures perked up.[4] He left office the most popular president since Eisenhower because he left office with a strong economy.

1.1.3 Economic Conditions and the Presidential Vote

The frequency with which pollsters inquire about presidential approval makes time-series analysis a natural choice for students of presidential popularity. The infrequency with which presidential elections actually occur has the opposite effect on students of the presidential vote. Only Niskanen (1975) and Fair (1982) have carred out analyses and votes analogous to those for approval.

Niskanen examined the 20 elections between 1896 and 1972, regressing the log of the incumbent party's vote on economic variables, the previous party vote, and incumbency. A noteworthy feature of his analysis is that changes in the economy were measured across the *four-year* interval between elections. While there is some disagreement in the literature, the modal analysis sup-

ports a shorter frame of reference (i.e., myopic voters). Nonetheless, Niskanen's estimates indicate that voter support for presidents is significantly related to real per capita net national product since the previous election.

Fair develops a general model that includes Kramer's backward-looking voters as a special case, but with so few observations—the 22 elections between 1892 and 1976—he is not able to analyze the full model. Constrained analyses indicate that the presidential vote responds to the growth rate of real per capita GNP, change in unemployment, and perhaps to change in the price level. Developments in the election year appear to be most important, except in the case of prices where a two-year change is better.

The 1980s provided Fair (1982, 1988) the opportunity to update the basic model. With the 1980 and 1984 elections included in the estimation the negative electoral effect of inflation becomes more apparent. And the evidence of voter myopia grows stronger, as the growth rate of GNP during the second and third quarters of the election year is more important than change measured over a longer interval. For purposes of this discussion the most interesting question is how well the original Fair model predicts the elections of the 1980s. Coefficient estimates based on the 1892–1976 elections predict that Reagan would get about 53 percent of the vote in 1980, an underestimate of 2 percent, and 55 percent of the vote in 1984, an underestimate of about 4 percent. Bush was predicted to get only 49 percent of the vote in 1988, an underestimate of 5 percent.[5] Do the underestimates for the 1980s elections reflect the vaunted Reagan personality factor? Probably not. Fair's equations do not take account of foreign relations, which were working against the Democrats in all three elections.[6] Thus, these underestimates are perfectly comprehensible.

In view of the data limitations and theoretical difficulties encountered by analyses like Niskanen's and Fair's,[7] and given the existence of high-quality election year surveys, political scientists have concentrated on cross-sectional analysis of the effects of the economy and economic issues on the presidential vote. The existence and importance of economic influences has never been much in question; rather, the variety of such effects and the manner in which they operate have been the concerns of political scientists. Numerous analyses demonstrate that voting reflects individual perceptions of both one's own economic circumstances (Fiorina 1978), and of the broader economic climate (Kinder and Kiewiet 1979). Judgments of the economic performance of the government are most important of all, but such judgments reflect factors such as partisanship and candidate attractiveness as well as pure economic performance (Fiorina 1981b). To some extent perceptions of the condition of their *group* (eg., blacks, farmers) shapes how people react to real economic conditions (Kinder, Adams, and Gronke 1989). In general, the political science cross-sectional studies suggest that the individual behavior underlying aggregate election results is more heterogeneous (Rivers 1988) and more complicated than might appear from an examination of aggregate time-series anal-

yses. Voters do not simply look at their wallets and vote accordingly; rather, they make a more complex judgment that reflects individual, sectoral, and national conditions, both those already realized and others only expected.[8]

Complications aside, however, it was these cross-sectional studies that established that 1980 was largely a rejection of Jimmy Carter's performance rather than an endorsement of supply-side economics (Markus 1982; Miller and Wattenberg 1985). Similarly, cross-sectional studies established that in 1984 voters chose Reagan despite closer agreement with Mondale on issues such as defense spending, Central America, and abortion. They chose Reagan because they thought he had performed well as president, and one of the reasons they thought he had performed well was because the economy was thought to be strong (Abramson, Aldrich, and Rohde 1986). At the time of this writing, cross-sectional studies are establishing that George Bush's victory in 1988 was not just an artifact of the diabolical cleverness of Republican media wizards. Rather, he won because the economy continued strong and people who approved of Reagan's performance transferred their approval to Bush (Shanks and Miller 1990; Weisberg 1989).

1.1.4 Economic Conditions and the Congressional Vote

Kramer's 1971 article is clearly the seminal piece in the modern study of economics and elections. Taking the House elections between 1896 and 1964, Kramer regressed the aggregate Republican vote on a series of economic variables including unemployment, inflation, and real income. The estimates indicate that variations in real income carried the explanatory weight in the equation, with a 1 percent decline in real income producing a .5 percent decline in the House vote share of the administration.

Kramer's model assumed identical economic effects in presidential and off-year elections. Noting that, with the exception of 1934, the incumbent administration had lost House seats in every midterm election since the Civil War, Tufte (1975) argued that off-year elections should be treated separately as referenda on the performance of the incumbent President. Taking the eight elections between 1946 and 1974, Tufte regressed (the logit of) the aggregate congressional vote on the rate of change in real per capita disposable income during the election year, presidential approval at the time of the election, and a measure of the "baseline" vote. His estimate of the vote consequence of real income change (.35 percent) is smaller than Kramer's but this estimate is net of changes in presidential popularity that, as noted above, also varies with changes in real income.

Forecasting the results of congressional elections quickly developed into a cottage industry, with producers such as Jacobson and Kernell (1983), Lewis-Beck and Rice (1984), and Campbell (1985). Like the Tufte model, all of these refinements include measures of presidential approval and economic conditions and in some way or another take account of differences between midterm and presidential-year elections.[9] The models differ in their assump-

tions about the lags with which presidential approval and economic conditions affect the election results. Oppenheimer, Stimson, and Waterman (1986) add an "exposure" variable that represents the number of seats held by a party in excess of its "normal" holding. A party that is highly exposed (the 1966 Democrats) is in greater danger than one that is minimally exposed (the 1986 Republicans). In a sense the exposure variable provides a substantive explanation for an observed regression to the mean.

How well did such models perform in the 1980s? Each election tends to yield a new winner, but as a group they do quite well.[10] The Marra-Ostrom model (1989) misses the 1984 outcome by one seat.[11] The 1986 case was particularly instructive. Early in the election year journalists speculated about the "six-year itch." Since 1932 the average midterm seat loss for the party of a *re*elected president was more than 50 (Cook 1985). So, in a classic case of naive forecasting some pundits anticipated a Republican disaster. In actual fact the Republicans lost only five seats, one of the smallest midterm losses ever, but exactly as predicted by Marra and Ostrom and very close to the prediction of Oppenheimer et al. (1986) (seven) for a minimally exposed party. There have been some disastrous sixth year showings, but they reflect conditions (the 1938 and 1958 recessions, the 1966 city and campus riots, and the 1974 recession and Watergate crisis) that were not present in 1986.

Although the accuracy of the congressional models is impressive, their forecasting performance again exceeds our capacity to describe the underlying behavioral processes. For one thing, the early studies of Kramer (1971) and Tufte (1975) sought to predict the House *vote*, whereas the later generation models focus directly on House *seats*. The justification for the shift is that the analyst is interested in a system-level response (control of Congress) to a system-level condition (state of the economy). This is obviously a specious argument. Seats are not affected directly by economic conditions; seats do not experience employment or inflation; seats do not vote. The United States has a single-member simple plurality (SMSP) electoral system, not a proportional representation (PR) system, and, as is well known, SMSP systems translate seats into votes in a nonproportional and variable manner (Gudgin and Taylor 1979). Moreover, there is evidence that the translation of votes into seats underwent a structural change in the 1960s, a regime shift not incorporated in existing midterm models (Ansolabehere, Brady, and Fiorina 1988). Nevertheless, such models forecast rather accurately. Apparently aggregation saves the forecasting models from the consequences of their logically questionable specifications.

A second area of uncertainty again involves the microbehavior that underlies the effects of aggregate economic conditions. Cross-sectional studies using survey data have found no effect of individual financial condition on the congressional voting, at least after 1960 (Fiorina 1978). This has stimulated two alternative theories. First, Kinder and Kiewiet (1979, 1981) argue that voting behavior is based less on individual economic circumstances than on

individual perceptions of collective circumstances, that voters are "sociotropic" rather than individually self-interested. Second, Jacobson and Kernell (1983) maintain that the effect of economic conditions on elections is partially a self-fulfilling prophecy, as strong candidates decline to run and contributors decline to give in "bad" years for their party. For this reason the Jacobson and Kernell forecasts utilize presidential approval and economic conditions in the *spring* of the election year, since that is when the deadlines for candidate filing occur.

Kramer (1983) mounted a vigorous attack on these lines of work, arguing that cross-sectional variation in real income does not much reflect government policies or actions, whereas a substantial portion of temporal variation does. Thus, cross-sectional studies of economic conditions and voting are essentially useless. Markus (1988) and Rivers (1990) utilize pooled time-series cross-sectional designs to refute Kramer partially and to identify some individual basis for the aggregate results. At this time, scholarly guns are quiet, but the matter is still open.

Finally, several scholars recently have questioned the very existence of a direct link between aggregate economic conditions and midterm election results. They argue that although economic conditions affect the *presidential* vote two years prior, the midterm loss reflects a "presidential penalty" (Erikson 1988, 1990) or "moderation" of the president (Alesina and Rosenthal 1989) that is not a direct effect of the economic circumstances prevailing between the presidential and midterm elections. Jacobson (1990) rebuts these analyses, questioning their specifications, and suggesting alternative specifications under which recent economic conditions do affect the congressional outcome. For present purposes, the answer to this question is not important. Even if Erikson, Alesina, and Rosenthal are correct, they do not suggest that the 1980s are in any way different; rather, the implication of their work is that analysts misinterpreted the data all along.

In sum, whatever the resolution of the remaining puzzles and controversies about the effects of the economy on public opinion and national voting, it is clear that they derive from the normal progress of a research program. Nothing about the politics of the 1980s called into question models first developed in the 1970s. From the standpoint of the short-term effects of the economy, the 1980s have been politics as usual.

1.2 Economic Conditions and the Party Balance

The work discussed in the preceding section focuses on the short-term effects of the economy, that is, the impact of economic conditions on particular decisions, like whom to support in presidential and congressional contests. Such analyses implicitly view elections as determined by the particular circumstances surrounding them. The apparent statistical evidence for voter my-

opia further reinforces that presumption. But while the particular circumstances surrounding elections obviously are important, political scientists have long been aware that election outcomes also reflect long-term factors that are *relatively* constant from election to election. One such long-term factor is *party image,* the popular view of a party based on a history of policy and performance extending considerably beyond the previous two quarters. For more than a generation Americans viewed the Democratic party as the party of prosperity.[12] From the time Gallup began asking the question in the early 1940s until 1981, the Democrats trailed the Republicans only three times.[13] The Republicans pulled ahead in 1981, fell back in 1982–83, and pulled ahead for good in 1984. Most students of elections considered this development as important as the actual election results of the 1980s, for the simple reason that many voters are innocent of the particular candidates and issues in an election and vote on the basis of these general, long-standing party images.

For election analysts the quintessential long-term force is party identification, called partisanship or party ID for short. Gallup has *never* taken a poll in which more respondents identified themselves as Republicans than as Democrats. The same is true for the American National Election Studies (NES). Every postelection survey, including those in which Republicans embarrassed the Democratic opposition (1956, 1972, 1980, 1984, 1988), has found a plurality of citizens classifying themselves as Democrats. In panel studies (interviews with the same respondents at two or more times) no survey item shows greater stability, and movements in aggregate party ID typically are described as "glacial" (table 1.1 and fig. 1.1).

So impressed by its stability were the first students of party identification that they likened it to popular religious affiliations—learned in childhood, devoid of doctrinal underpinnings, and impervious to change in later life (Campbell, Converse, Miller, and Stokes 1960). Not only was it a preexisting "bias" that most voters carried into the voting booth, but it also served as a "perceptual screen" through which voters selectively perceived the candidates, issues, and conditions of the time. Election analyses of the 1960s pronounced party ID to be the single most important factor in American elections.

Developments of the late 1960s and early 1970s led to revisions in the prevailing view. First, there was the much-discussed rise in self-identified independents. By the late 1970s pundits regularly referred to independents as the second largest "party," ahead of the Republicans.[14] Second, there was an erosion of "strong" partisans, as fewer respondents admitted to an unconditional affiliation with either party. Third, there was a weakening of the link between professed party identification and the presidential vote, as self-identified Democrats blithely chose Republican presidential candidates. Stimulated by such anomolies younger researchers began to contemplate the possibility that party ID was not an unmoved mover and took the heretical step of putting it on the left-hand side in their analyses. Jackson (1975) showed that party ID

Table 1.1 Party Identification, 1952–88 (in %)

Year	Strong DEM	Weak DEM	Leaning DEM	INDEP	Leaning REP	Weak REP	Strong REP
1952	22	25	10	6	7	14	14
1954	22	26	9	7	6	14	13
1956	21	23	6	9	8	14	15
1958	27	22	7	7	5	17	11
1960	20	25	6	10	7	14	16
1962	23	23	7	8	9	16	12
1964	27	25	9	8	6	14	11
1966	18	28	9	12	7	15	10
1968	20	25	10	11	9	15	10
1970	20	24	10	13	8	15	9
1972	15	26	11	13	11	13	10
1974	18	21	13	15	9	14	8
1976	15	25	12	15	10	14	9
1978	15	24	14	14	10	13	8
1980	18	23	11	13	10	14	9
1982	20	24	11	11	8	14	10
1984	17	20	11	11	12	15	12
1986	18	22	10	12	11	15	11
1988	17	18	12	10	13	14	14

Source: National Election Studies.

Note: DEM = Democrat; INDEP = independent; REP = Republican.

was partly a function of the issue positions held by voters. Fiorina (1981a) demonstrated that party ID moved with judgments of party performance. Such analyses did not deny that party ID was "sticky"—it clearly has a strong inertial component. But these analyses did establish that aggregate stability masked politically explicable individual movement. Today, the prevailing view is that partisanship continues to be one of the most important factors in how people vote. No cross-sectional analysis of voting could be published without including it.[15] But partisanship responds, albeit slowly, to evaluations of party positions and judgments of government performance.

Thus, when electoral analysts search for a Reagan "legacy," they look beyond his personal victories to shifts in the underlying distribution of party ID that would indicate the end of the New Deal Democratic majority and the emergence of a new Republican majority. Nothing so grand appears to have occurred, but change on a smaller scale has become increasingly apparent. Between the mid-1960s and mid-1970s the Democrats lost ground among white Southerners and blue-collar workers, losses that surely owe much to the party's stands on racial and social issues (Petrocik 1987; 1989). But Republican ID showed no commensurate gain during this period. In the mid-1980s however, Republican ID did move upward especially among the young (Norpoth 1987; Norpoth and Kagay 1989).[16]

Given the erosion of the Democratic party-of-prosperity image and the at-

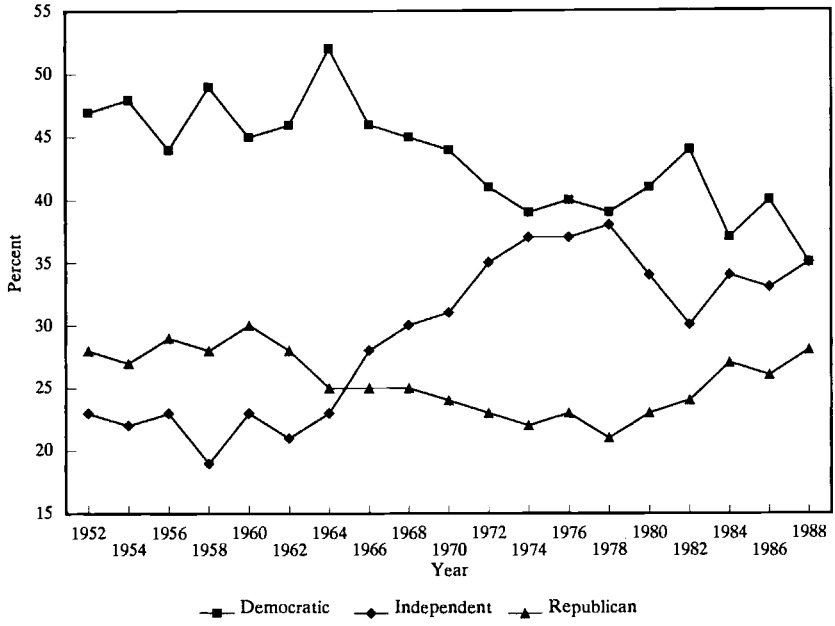

Fig. 1.1 Party identification in the United States, 1952–88

tribution of recent Republican electoral successes to economic good times, it is somewhat surprising that few analysts have focused on economic developments as the basis for recent changes in party ID. The inflation set in motion by Lyndon Johnson and uncontrolled by Carter ate away at nominal wage gains and pushed workers into higher tax brackets. Meanwhile, Democratic identification eroded from its 1964 high. Then, an electorate that yelled "No!" when queried whether they were better off today than four years ago elected Ronald Reagan, who stopped inflation and presided over a sustained recovery. Meanwhile, Republican identification strengthened. Coincidence?

Probably not. In an important recent contribution MacKuen, Erikson, and Stimson (1989) analyze a Gallup party ID series (1953–87). They find that, like presidential popularity, fluctuations in quarterly party ID averages are significantly associated with fluctuations in the economy, in this case consumer confidence as measured by the University of Michigan Surveys of Consumer Attitudes.

The remainder of this paper extends and refines the MacKuen-Erikson-Stimson analysis. Using National Election Studies (NES) data, losses in Democratic identification and gains in Republican identification can be located in the 33d to 95th percentiles of the income distribution, with somewhat offsetting gains in Democratic identification in the bottom sixth of the distribution. At all income levels expressed party identification varies with economic con-

ditions, though the poor and the better-off show differential sensitivity to unemployment and growth.

1.2.1 Data

The NES surveys have been carried out after each national election since 1952.[17] Their national samples range from a low of 1,139 in 1954 to a high of 2,705 in 1972, with the number being a joint function of available resources and the larger intellectual themes underlying each survey. The common content in these surveys is available in a major collection called the Cumulative Data File (CDF) that reorganizes the data so that variable numbers, codes, and so on, are identical from year to year. The CDF now contains 19 observations on national party identification.[18]

The CDF classifies respondents very roughly into five income categories. These are not quintiles, however, but represent instead a more sociological interpretation of income.[19] The lowest category, whom I will call the "poor," runs through the 16th percentile of the income distribution. The next category, the "lower-middle" runs through the 33d percentile. The "middle" category includes the *third* of the distribution from the 34th to 67th percentiles. The "upper-middle" category runs from the 68th to 95th percentiles. Finally, the "rich" are the top five percent (noneconomists will be surprised and sobered to learn that in 1988 the 96th percentile was a bit less than $90,000.)[20]

Table 1.2 reports a preliminary examination of trends in party ID within the income categories. Because of the controversy surrounding the classification of independent leaners, I have examined both ways: "broad" Democrats and Republicans include the Democratic and Republican leaning independents as partisans, while "narrow" Democrats and Republicans exclude Democrat and Republican leaners. Within each income category I have regressed the measures of partisanship on a constant, on the election year (1952–88), and on

Table 1.2 Trends in Party ID by Income Category

	Narrow DEM	Broad DEM	Narrow REP	Broad REP
Lower	−.02	.24	−.41	−.23
	(.23)	(2.38)	(4.37)	(2.48)
Lower-middle	−.16	.03	−.08	−.04
	(2.38)	(.35)	(.88)	(.43)
Middle	−.38	−.22	−.05	.09
	(5.71)	(3.40)	(.78)	(1.25)
Upper-middle	−.42	−.36	.01	.26
	(8.29)	(6.37)	(.24)	(3.58)
Upper	−.11	−.07	−.16	.05
	(.78)	(.43)	(.97)	(.26)

Note: Entries are regression coefficients of Party ID (% in each category) on time (1952–88) and dummy variables for 1964 and 1974. Absolute values of *t*-statistics are in parentheses. DEM = Democrat; REP = Republican.

dummy variables for Goldwater (1964) and Watergate (1974), both of which were thought to have "shocked" partisanship. To summarize:

1. The poorest segment of the population shows a clear loss in Republican partisanship, narrowly and broadly defined, and a gain in Democratic partisanship, broadly defined (i.e. independent, but leaning Democratic).

2. The lower-middle category has the most stable party affiliations of all the categories, showing only a slight decline in narrowly defined Democratic ID.

3. The middle third of the distribution shows a significant decline in Democratic partisanship, but no commensurate gain in Republican partisanship.

4. The upper-middle sixth shows a clear decline in Democratic ID along with a clear rise in Republican ID, broadly defined (i.e., independent, but leaning Republican).

5. Because of the small number of rich respondents, partisanship figures fluctuate greatly. None of the coefficients are significant in the four regressions.

These preliminary regressions are unimpressive, with low R^2s and unsatisfactory Durbin-Watson (D-W) statistics, but they suggest that the party loyalties of the population have not moved in unison during the past generation. Rather, different parts of the income distribution show different movements. The question now arises as to whether the addition of suitable economic variables can improve on the statistical qualities of the regressions and add to our substantive understanding of the observed movements in party identification. The answer is a clear yes.

Table 1.3 reports regressions that augment those just reported in two ways. First, previous party ID was added to the equations in order to capture the notion of party ID as a running tally of party performance that is continuously updated as the world unfolds (Fiorina 1981a). Second, various economic variables were added to the equations. With only 19 observations, collinearity often precluded including more than one or two economic variables in an equation; in such cases I kept the variable that produced the best overall equation.[21] Usually such decisions were not difficult, but in a few cases two alternative specifications were so close in their performance that I present both in table 1.3. In the interest of efficiency I omitted the Goldwater, Watergate, lagged partisanship, and trend terms when they fell far short of significance, except in a few cases where their omission greatly detracted from the quality of the overall regression or the performance of other variables.[22] Table 1.3 provides the details. Again, I will summarize the findings rather than proceeding seriatim through 25 regressions.

1. *Poor.* Within the lowest income category there continues to be a trend away from the Republicans and toward the Democrats, broadly defined. Goldwater's candidacy added about 10 points to Democratic ID and detracted at least that much from Republican ID. Of most interest, movements in party ID, however measured, are associated with changes in the level of unemployment. Democratic ID responds most strongly to unemployment change *since*

Table 1.3 Economic Conditions and Party ID Change

Category and Variable	NDEM	BDEM	NREP	NREP	BREP	BREP
A. Low income:						
Constant	47.66	22.89	20.93	19.66	35.22	33.13
	(48.78)	(2.24)	(1.98)	(1.89)	(3.19)	(2.97)
EY	. . .	.30	−.20	−.21	−.24	−.28
		(2.97)	(2.02)	(2.09)	(2.60)	(2.92)
Lag ID	. . .	.20	.74	.84	.38	.59
		(2.97)	(4.01)	(4.53)	(1.74)	(2.50)
GW	10.78	11.91	−13.90	−16.49	−10.44	−15.16
	(2.62)	(2.93)	(4.25)	(4.81)	(2.78)	(3.65)
ΔUE1	. . .	. . .	. . .	−1.38	. . .	−2.53
				(2.32)		(3.34)
ΔUE2	1.37	1.71	−.98	. . .	−1.75	. . .
	(2.19)	(2.78)	(2.30)		(3.43)	
$\bar{R}^2$	.35	.54	.82	.83	.60	.59
D-W	1.99	. . .	. . .	. . .	. . .	. . .

	NDEM	BDEM	NREP	BREP
B. Lower-middle income:				
Constant	56.72	56.75	7.26	13.71
	(12.31)	(66.79)	(1.28)	(2.00)
EY	−.14	. . .	. . .	. . .
	(2.12)			
Lag ID	. . .	. . .	.72	.60
			(2.84)	2.48
GW	11.69	9.94	−9.06	−12.03
	(3.83)	(2.79)	(2.11)	(2.66)
W	. . .	. . .	. . .	−10.15
				−2.83
ΔUE2	.69	.98	−.92	−1.34
	(1.45)	(1.82)	(1.76)	(2.51)
$\bar{R}^2$	.56	.33	.35	.47
D-W	1.83	1.58	. . .	. . .

	NDEM	BDEM	BDEM	NREP	BREP
C. Middle income:					
Constant	64.80	63.50	64.71	12.29	25.45
	(17.94)	(18.78)	(21.24)	(2.36)	(4.49)
EY	−.31	−.14	−.15	. . .	. . .
	(6.24)	(2.99)	(3.71)		
Lag ID	. . .	. . .	. . .	.49	.26
				(2.21)	(1.51)
GW	9.33	9.41	9.68	. . .	−7.69
	(3.98)	(4.16)	(4.89)		(2.96)

Table 1.3 Continued

Category and Variable	NDEM	BDEM	BDEM	NREP	BREP
W	. . .	. . .	. . .	−4.02	−6.24
				(1.50)	(2.39)
ΔGNP1	−.77	−.81	. . .	. . .	. . .
	(3.99)	(4.35)			
ΔGNP2	. . .	. . .	−.09	. . .	. . .
			(1.40)		
UE	.44	.39	. . .	. . .	. . .
	(3.50)	(3.22)			
ΔUE2	. . .	. . .	1.39	. . .	−1.51
			(4.50)		(3.84)
$\tilde{R}^2$	.86	.79	.84	.32	.64
D-W	2.14	1.91	2.02	. . .	. . .

	NDEM	BDEM	BDEM	NREP	BREP
D. Upper-middle income:					
Constant	65.84	46.28	47.78	20.74	27.24
	(19.50)	(3.80)	(4.11)	(3.55)	(7.57)
EY	−.38	−.17	−.19	. . .	.17
	(7.93)	(2.49)	(2.95)		(3.38)
Lag ID	. . .	.30	.31	.27	. . .
		(1.95)	(2.09)	1.28	
W	−5.08	. . .	. . .	. . .	. . .
	(2.40)				
ΔGNP1	−.33	−.40	. . .	. . .	.33
	(2.44)	(3.71)			(2.14)
ΔGNP2	. . .	. . .	−.22	.12	. . .
			(4.09)	(1.42)	
ΔUE2	. . .	.90	.91	−.84	−1.25
		(3.12)	(3.35)	(2.33)	(3.34)
$\tilde{R}^2$	.86	.90	.91	.41	.75
D-W	2.44	. . .	. . .	. . .	1.94

	NDEM	BDEM	NREP	NREP	BREP
E. Upper income:					
Constant	24.68	33.25	66.29	64.09	50.36
	(5.28)	(5.05)	(5.87)	(5.98)	(3.86)
EY	. . .		−.31	−.28	. . .
		(2.97)	(2.02)	(2.09)	(2.60)
Lag ID	−.07	−.02	. . .	. . .	.12
	.43	(.13)			(.74)
W	−14.16	−5.85	9.29	5.99	5.67
	(2.96)	(1.12)	(1.31)	(.85)	(.85)

Table 1.3 Continued

Category and Variable	NDEM	BDEM	NREP	NREP	BREP
ΔGNP1	−1.04	−1.40	1.13	. . .	. . .
	(3.61)	(4.56)	(2.52)		
ΔGNP2	. . .	. . .		.58	.80
				(2.65)	(3.61)
$\bar{R}^2$	.54	.53	.24	.26	.44
D-W	. . .	. . .	1.93	1.88	. . .

Note: EY = election year; GW = Goldwater (1964 = 1); *W* = Watergate (1974 = 1); Lag ID = percentage in party ID category 2 years earlier; ΔUE1 = change in unemployment during election year; ΔUE2 = change in unemployment since last election year; ΔGNP1 = growth rate of GNP during election year; ΔGNP2 = growth rate of GNP since last election year; UE = unemployment level in election year. Absolute values of *t*-statistics are in parentheses.

the last election, while changes in Republican ID are predicted equally well by one-year or two-year changes. Looking at the two-year change equations, a one-point rise in unemployment goes along with a two-point net swing in narrowly defined ID and a three- or four-point net swing in broadly defined ID.

2. *Lower-middle.* Within the lower-middle income category the trend away from narrowly defined Democratic ID becomes clearer. Goldwater's candidacy had roughly a 10 point impact on all categories; Watergate affected broadly defined Republicanism only. While the estimates are more tenuous than those for the poor, movements in all four measures of party ID show some responsiveness to two-year changes in unemployment, with estimated magnitudes about three-fourths as large as in the lowest income category.

3. *Middle.* Within the large middle-income category the previously identified trend away from the Democrats remains intact. The Goldwater candidacy gave the Democrats almost 10 points and Watergate took half as much away from the Republicans. The economic impacts on partisanship are different from those in lower income categories. Democratic ID shows a highly significant relationship to the growth rate of GNP and to the unemployment *level* during the election year. Thus, the 1982 unemployment level of almost 10 percent added about 4 points to Democratic ID, and the 6.75 percent growth in GNP in 1984 took away 5 points of Democratic ID. In contrast, movements in narrowly defined Republican ID show no relation to economic variables, and movements in broadly defined Republican ID correspond only to movements in two-year changes in unemployment.[23]

4. *Upper-middle.* Within the upper-middle income category the Democrats have clearly been losing and the Republicans less clearly gaining. Although all categories except narrow Republicans show a significant relationship with growth of GNP, the relationship is only half as strong as in the middle category. Moreover, narrowly defined Democrats and broadly defined Republi-

cans show a response to one-year changes, while narrowly defined Republicans show a response to two-year changes, and broadly defined Democrats show a response to both. All categories except narrow Democrat show a significant relation to two-year changes in unemployment, with each one-point increase in unemployment taking away one point of narrow Republican ID and creating a net swing of two points in broad ID. In this group Watergate *took away* a few points of narrow Democratic ID.

5. *Rich.* Among the rich, Democratic ID rises and falls with the growth rate of GNP, though Democrats show more of a response to the short term and Republicans to the longer term. Each one-point increase is associated with a two-point net shift in the narrow ID balance. Only in this blessed category does party ID show no sensitivity at all to unemployment. Watergate was costly to the *Democrats* within this category with a particularly strong impact on narrowly defined Democratic ID.

Overall, these simple analyses support two arguments. First, party identification responds not only to *perceived* economic conditions as established by MacKuen et al. (1989). The finding is stronger: party ID shows a clear relationship to fluctuations in *actual* economic conditions. Second, the party loyalties of the population do not move in unison as the economy moves; different income levels respond in different ways. Not surprisingly, the less affluent show a greater sensitivity to changes in unemployment, whereas general economic expansion has greater importance among those who enjoy higher income levels.

Finally, I emphasize that nothing in the foregoing analyses conflicts with the extensive political science literature on the subject. The adjustment of previous party ID as new performance information becomes available is consistent with micromodels already supported by cross-sectional data (Fiorina 1981a).[24] And the economic effects that we have found do not detract from the discussions of race and social issues as sources of the Democratic party's current disarray. Most of the regressions for the lower-middle, middle, and upper-middle income groups show a significant anti-Democratic trend that may well reflect the party's estrangement from middle America on issues of race and culture. But whatever other issues are at work, the economy continues to influence the underlying balance of party affiliations just as it did during the New Deal and as it will undoubtedly continue to do in the future.

1.3 Conclusion

The economic developments of the 1980s had an impact on the electoral politics of the decade, an impact not only on the outcomes of the elections held between 1980 and 1988, but also on the elections that will occur in the 1990s and possibly beyond. Economic conditions affected the immediate election outcomes to the Democrats' dismay in 1980, 1984, and 1988, and to their joy in 1982. But beyond those short-term impacts, economic conditions

left an imprint on the distribution of party identification among the citizenry. Whatever the economic conditions that existed in 1988, the conditions that existed in 1984 and earlier had been incorporated in voter partisanship to the general good fortune of George Bush.

Of course, economic bad times under Bush would have the reverse effects. The hard-won gains in Republican ID during the 1980s could be dissipated by economic misfortunes in the years ahead. Fortunately for the Republicans they have been profiting from Democratic policies and performance in other issue domains such as racial/cultural issues and foreign policy; economic success was the third ace in their hand. Thus, less-than-stellar economic performance need not cost them presidential elections, nor even all their gains in party identification. But continued economic success would buttress the gains they already have made. And attention to employment, in particular, would enable them to continue to make inroads in the lower ranges of the income distribution that are traditionally viewed as "natural" Democratic territory.

Notes

1. Of course, the Republicans did lose control of the Senate in 1986. Economic distress in farm states was often cited as a partial explanation. But the 1980 Senate victories that were reversed in 1986 were something of a fluke to begin with (Fiorina 1984).

2. A number of excellent reviews are available. On the effects of economic conditions on voting and presidential approval see Monroe (1979) and Kiewiet and Rivers (1984). For an excellent general review that deals with sociological as well as economic aspects of the topic see Weatherford (1986). And for a review of the recent political business cycle literature see Alesina (1988).

3. Generally, when a president's ratings plummet, they never fully recover. Reagan's, however, dropped from 67 percent in the flush of his 1981 legislative victories to 35 percent after the 1982 elections. But by late 1983 he was back over 50 percent and, following his reelection, hovered near 65 percent through most of 1985–86. While analysts were studying this unusual recovery, the Iran-Contra scandal dropped him back to 40 percent, but again he recovered and left office with approval ratings over 60 percent.

4. Ostrom and Simon (1989) attribute more than three-fourths of the 1981–82 decline and the 1983–84 resurgence to economic factors. Particular events (Lebanon bombings, Grenada, etc.) also were important. Speeches had no significant impact, presidential trips were of minor import.

5. For the 1980 and 1984 elections I utilized eq. 4 and the data reported in Fair (1982). (This is the original 1892–1976 equation reestimated with national accounts data revised in 1980.) For the 1988 prediction I substituted NBER data generously provided by Gerald Cohen.

6. According to numerous survey studies, the Iranian hostage crisis severely damaged Carter in 1980. Conversely, in 1984 the Grenada invasion, destruction of the Libyan MIGs, and the capture of the hijackers of the Achille-Lauro buttressed Reagan's image as a no-nonsense leader. The administration had a major arms control

treaty by 1988. A recent update of Fair's model (1988) adds a variable that measures change in the size of the armed forces relative to the population. While this captures major wars, it will not pick up incidents and developments such as those just mentioned.

7. To get enough data, time-series analysts must venture across what political scientists and historians refer to as different party systems (where structural changes are hypothesized). For example, Fair (1978) observes that the model performs badly before 1916, though that is not a date ordinarily identified with a change in party system. He also cautions (1988) that the positive-trend term for the Democrats appears questionable in light of 1980s political developments. Political historians would argue that the Democratic base was higher in the New Deal party system (1932–64, approximately) than either before or since. While Fair could dummy in such considerations, he naturally worries about being accused of "mining" his data.

8. These findings do not necessarily contradict the time-series finding that voters are myopic. If voters are heterogeneous, with varying time horizons, different foci (national vs. local), differential sensitivities to growth, unemployment, and inflation, etc., it may be difficult to find evidence of nonmyopic behavior inasmuch as different voters will incorporate different information in different ways. For a discussion of voter rationality that touches on time horizons among other things, see Nordhaus (1989).

9. Some, like Jacobson and Kernell (1983) and Campbell (1985), use only midterms for their estimations. Others, like Lewis-Beck and Rice (1984) use a dummy variable for midterms.

10. The one exception was 1982 when all the models overestimated the Republican losses. Jacobson and Kernell (1983) argue that in the euphoria following Reagan's 1980 victory, the Republicans were able to recruit good candidates and raise considerable money, which cushioned their losses when the economy turned sour in late 1981.

11. This model incorporates all the others. It predicts across presidential and midterm years, includes the exposure variable, and also includes measures of major events (as in approval models) and party identification.

12. With somewhat less regularity the Republicans were viewed as the party of peace.

13. April 1943, December 1955, and September 1972.

14. This turns out to be a highly controversial matter. Unlike Gallup, academic surveys ask self-identified independents whether they lean toward either party. The rise in independents occurred almost entirely among these "leaners," whose presidential votes are often more loyal than those of weak partisans of the same party. See (Keith et al. 1987).

15. Assuming no interactions with other variables, time-series analyses will pick up the average level of party ID in the constant term.

16. There is some disagreement on this point, with some subscribing to the "young Republican" thesis (Norpoth 1987; Miller 1990), while other argue that Republican gains are more evenly scattered across the age distribution (Petrocik 1989). The CBS/NYT data appears to give somewhat different answers than NES data, and classifying independent leaners as partisans gives somewhat different answers than classifying them as independents (see n. 14 above).

17. Since 1952 election year surveys have been carried out under the auspices of the Institute for Survey Research at the University of Michigan. Since 1978 these surveys have been funded by the National Science Foundation and carried out under the supervision of an academic governing board.

18. Although the Gallup series is longer, the NES series has two advantages. The first is simple convenience. Take the income variable, for instance. The NES staff

codes each respondent according to national income percentile. To use Gallup data, one would have to take each Gallup survey and do the calculations and recoding oneself. Even if bountiful research assistance were available, however, the NES collection would still be preferable for present purposes. Gallup makes only a simple three-category classification of party ID, whereas the NES differentiates between strong and weak partisans and pure and learning independents. As noted in n. 14 above, these finer differences are consequential.

19. Personal conversation with Warren Miller, principal investigator of the NES surveys, April 13, 1990.

20. Since respondents are not asked their exact incomes, but only a range, these proportions are only approximate. In 1988 the upper boundaries of the first four categories were $9,999, $14,999, $34,999, and $89,999.

21. In all cases the economic variables are multiplied by a binary variable for control of the Presidency (Democrat = −1, Republican = 1). Good economic conditions under Republican presidents are expected to enhance Republican partisanship while detracting from Democratic partisanship, and poor economic performance should have the opposite effect. I did consider the alternative hypotheses that the parties "own" different issues, so that inflation always helps Republicans and unemployment Democrats even if they are in office when it occurs. Fortunately (in view of the perverse incentives posited by these hypotheses) I found no support for them. Keech and Swain (1990) argue however, that particularly sensitive subpopulations—e.g., blacks—behave somewhat in line with the alternative hypotheses. At this level of aggregation I can not take account of their argument.

22. One might object that the dummy variables for 1964 and 1974 act as proxies for the economic conditions (quite good in 1964, quite poor in 1974) that prevailed in those years and thus detract from the impact of the economic variables in the regressions. On the contrary, eliminating the Goldwater and Watergate dummies when significant generally detracts greatly from the overall regressions and produces *weaker* impacts for the economic variables. In short, there was more to the 1964 and 1974 experiences than good and bad economic times, respectively.

23. Note that an alternative specification for broadly defined Democrats also suggests the importance of two-year changes in unemployment.

24. Some readers have asked why few of the lagged party ID terms attain significance when they are invariably highly significant in cross-sectional analyses. The answer appears to be the aggregate level of analysis. In the absence of a time trend, aggregate ID levels fluctuate around the constant baseline in accord with variations in economic variables.

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Comment

William D. Nordhaus

The paper by Morris Fiorina is an informative and measured survey of the literature on the impact of economic events upon political variables. In particular, the first part provides a review of the existing literature that will be most helpful for those who are looking for a political scientist's view of recent developments in this area. He argues that the 1980s did not bring a major revolution or realignment in politics in America, and that it was more a combination of past trends and good economic performance that led to the Republican ascendancy of this period. If he is right, one would predict that, at the first whiff of recession and inflation, the popularity of Republicans would revert the mean.

The major new research in the paper is the data on party identification by income sextile. This is an important approach, as we clearly need to go to panel data to resolve some of the unanswered questions about political behav-

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ior. Among the important questions that cannot be resolved in aggregate data are distributional issues such as, Does aggregate or individual or perhaps class fortune determine individual voting behavior? The panel data should help us sort out these kinds of questions.

I will not repeat the major results of this path-breaking study. Rather, as befits a discussant, I will carp on a few points that need more attention, particularly some areas of specification and statistical methodology. Among the issues that arise are the following.

The classification is pretty clearly not independent of the state of the economy. Whether you are in the bottom sextile may well depend upon whether you have been thrown out of work, although this lottery probably does not apply to the top brackets. This will make bottom sextile particularly sensitive to unemployment or bad economic states and may bias the unemployment rate coefficients.

To illustrate, some of the people in the bottom sextile will be people who in the prior period were in the fifth sextile and subsequently lost their job and were thrown into the bottom. We know that people hold the government responsible for economic events (the so-called responsibility hypothesis), which suggests they will become displeased with the government. This will tend to raise the coefficients on unemployment in the bottom sextiles and lower them in the top sextiles.

Even though the sample size appears respectable, breaking it down so finely may introduce significant sampling error in individual cells. For example, say we have a sample size of 1,800 broken into 6 income sextiles, which are then broken into 6 political groups, which yields a total of 50 persons in each of the 36 cells. Because the unemployment rate is a small number, the actual sampling error of unemployment will be very large from period to period for short unemployment spells.

For example, for a sample of 50 workers with an average unemployment rate of 5 percent, I ran a Monte Carlo for the unemployment of the sample. Observations for a representative sample were [4, 2, 7, 1, 3, 0, 1, 2, 2, 2, 1, 3, 3, 3, 4, 6, 5]. The standard deviation of this run is 1.82; the theoretical standard deviation for this binomial distribution is 1.54; the standard deviation of the aggregate annual unemployment rate for the postwar period is 1.2 percentage points. This suggests that the estimated coefficients may be dominated by sampling error.

The lag structure was highly surprising. The movement in party ID was labeled "glacial," by which I presume we mean that there are large elements of habitat and persistence and that the lags of party Republican to shocks would be quite long. For example, we might suppose that the events of the Great Depression cast a long shadow over party affiliations; if so, the response of ID to the Depression would have a large lag term. If we thought that half of the group who became Democrats because of the Great Depression left the party after 20 years, the lag coefficient would be .85 per two-year period. Or

in the extreme, if the *change* in party ID responds to various shocks, the lag coefficient would be one.

In fact, the lags are short or nonexistent. It is as if there is in effect no memory to the system. Given the firm belief that party affiliation is indeed very persistent, these results suggest that the data have a high degree of short-run white noise that swamps the lower level of low-frequency, red noise of persistence in party ID.

In the end, this effort does not succeed very well in extracting much information about trends in party ID. Perhaps an alternative specification would improve the results. One approach would be to pool the data and fit fewer coefficients. Another possibility is to track the median party ID in an income class, which probably would give sharper results.

Overall, issues of party affiliation and of the influence of economic events on political affiliation are an area that clearly calls for true panel data, where the experience of individuals can be tracked over time. From a research perspective, the NBER should collaborate with other organizations in promoting the collection of such true panel data.

We have learned a great deal from this paper. With further work on the statistical specification, and with the use of true panel data, we could learn even more.