

Subject: Partisan Impact on Sentiment
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The partisan divide has never had as large an impact on consumers' economic expectations as at present. The Michigan surveys have not regularly asked political party affiliation so no consistent timeseries of the differences in expectations by political party are possible. Nonetheless, some important conclusions can be drawn from the collected data about how the partisan impact on economic expectations surrounding elections has changed over the years. The nationally representative samples of the Michigan surveys are based on a rotating panel design, with one-third of any month's respondents having been initially interviewed six months earlier. The rotating panel has statistical as well as substantive advantages for measuring change in expectations. This report highlights how consumers have changed their expectations from June, usually the month prior to the political conventions, to December, the month following the election. The data provides some information to determine the initial partisan impact on economic expectations and whether it has changed over the years. There were three occasions in which self-identified party affiliation was asked when the winning candidate was from a different party than the current president: when Reagan won his first term in 1980, when Obama was elected in 2008, and when Trump was elected in 2016. Several questions were selected to determine the impact of partisanship on economic expectations: the Index of Consumer Expectations, the expected growth rate in income and inflation, and the anticipated change in unemployment.

The collected data indicate that compared with 1980 and 2008, partisanship had a much more substantial and significant impact on the Index of Consumer Expectations surrounding the 2016 election. From June to December of 2016, Democrats voiced much less positive views, lowering their estimate of the Expectations Index by 24.1 Index-points, while the Expectations Index among Republicans was 50.5 Index-points higher. This amounted to a partisan difference of 74.6 Index-points over the six month period. Neither the 1980 nor 2008 elections was even close to such large partisan differences. Indeed, following the 1980 election of Reagan, Democrats expressed more positive expectations than they had held six months earlier while Republicans expressed less favorable expectations! The 2008 election showed the expected impact of partisanship, but at much lower levels. The data on the expected income, inflation, and unemployment around Reagan's 1980 election also indicate the absence of a partisan impact, while the 2008 data around Obama's election show only a minor impact on expected income, inflation and unemployment rates. In contrast, Republicans expected higher income gains and lower inflation following Trump's election, while Democrats expected lower income gains and higher inflation rates. When asked about unemployment, sharp differences were found between Republican and Democrats, with Republicans much more likely to anticipate falling unemployment and Democrats more likely to expect rising unemployment during the year ahead.

It is of some interest to indicate the current level of consumer expectations as well as expected gains in income, inflation, and unemployment. The data indicate that the difference on the Expectations Index between Democrats and Republicans is very large, with Democrats close to the series minimum and Republicans close to its maximum. Income expectations were insignificantly different between Democrats and Republicans, but Democrats expected an inflation rate of 3.3% compared with just 2.0% among Republicans. Perhaps the most substantial difference was in unemployment expectations, with Democrats and Republicans close to polar opposites: 41% of Democrats expected rising unemployment and 58% of Republicans anticipated falling unemployment. Needless to say, such large partisan difference cannot persist for long.

Change in Economic Assessments Among Identical Consumers

	Change in Data for Comparable Panel Time Periods									Level Data		
	Reagan Won: June - Dec 1980			Obama Won: June - Dec 2008			Trump Won: June - Dec 2016			Jan/Feb 2017		
	ΔDem	ΔInd	ΔRep	ΔDem	ΔInd	ΔRep	ΔDem	ΔInd	ΔRep	Dem	Ind	Rep
Index of Consumer Expectations	+10.2	+7.7	-6.3	+14.2	-2.1	-3.0	-24.1	+14.1	+50.5	58.5	91.2	122.0
Partisan Divide (Dem - Rep)	+16.5			+17.2			-74.6			-63.5		
Year-ahead Income Expectations (median %)	+2.3	-0.7	-0.1	+0.2	+0.9	-2.0	-1.3	+1.0	+2.3	1.4	1.8	1.5
Year-ahead Inflation Expectations (median %)	-1.9	-0.5	+2.2	-6.6	-2.5	-3.9	+0.3	-0.7	-0.7	3.3	2.5	2.0
Year-ahead unemployment												
More Unemployment (percentage)	-36	-22	-26	+3	+17	+15	+29	-17	-38	41	24	7
Less Unemployment (percentage)	0	+4	+11	+5	-2	-5	-18	+18	+53	16	36	58

Note: Data differs from the official published data since these data were based on only the panel portions of the surveys.