

Subject: Partisan Perceptions of Employment  
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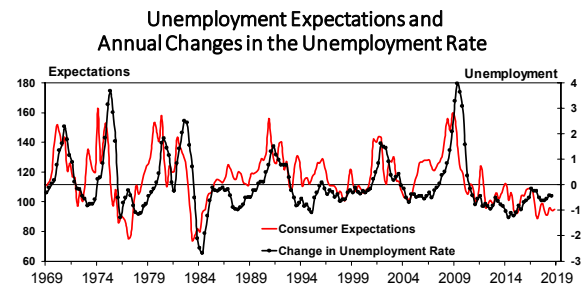
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Continued strength in the labor market has become the best defense against a downturn in consumer spending. Many of the more traditional early warning signs of recessions have thus far been overwhelmed by job and wage growth. Rising interest rates have been the consensus expectation among consumers for quite some time, increases in the inflation rate are widely expected, household wealth has declined due to a falloff in asset prices as well as increasing debt, the stimulus from tax cuts and spending increases are rapidly evaporating, and higher import tariffs will raise the effective tax rate on consumption. While it is true that the unemployment rate has been shown to be a lagging indicator in past economic cycles, partisanship now plays a more dominant role in shaping consumers' perceptions of economic news and how that information is used to form their expectations.

A new and important development is how U.S. elections shift economic expectations depending on partisanship. Unfortunately, we have little past experience with the impact of partisanship on economic expectations. An aspect that is currently important is whether and how midterm elections affect economic expectations. The data indicate that people only perceive and attend to economic news that is consistent with their partisan views. Selective perceptions by partisans make it impossible for them to rationally assess economic data; objectivity is the cost willingly paid to achieve desired outcomes.

Perceptions of news about job trends have recently been significantly correlated with party identification. During 2009 when the Great Recession was at its worst, there were only small differences in the economic news heard about jobs across political parties and socioeconomic characteristics (see left panel). By 2016, the last year of the Obama administration, Democrats more frequently reported positive news about jobs, while Republicans more frequently reported hearing negative news, which immediately switched after Trump was elected, with Republicans more often hearing positive news and Democrats negative news about employment. Despite falling unemployment rates in the past two years, it was still true in the latest surveys that Democrats reported on balance hearing more negative news about jobs, and Republicans more positive news. As expected, consumers with higher incomes, more education, and who were older heard positive job reports on balance in 2018.

News about jobs shaped consumer expectations for the national unemployment rate during the year ahead (right panel). Democrats have anticipated a rising unemployment rate since Trump's election, and Republicans have anticipated a declining rate of unemployment. The chart above indicates that the optimism of Republicans more than offsets the pessimism of Democrats. Will the Democrats' control of the House cause Democrats to become more optimistic about jobs, or cause Republicans to become more pessimistic? Will the selective perception of job news narrow or will it remain the captive of partisanship? Will it vary with the political winds surrounding Democrat control of the House? Just as the performance of the labor market has become critical to the outlook, it has become entangled with partisan rather than economic assessments.



	News Heard About (Un)Employment (%Positive - %Negative)							Expected Change in Unemployment Rate (%Decline - %Increase)						
	2009	2016	2017	2018:1	2018:2	2018:3	2018:4p	2009	2016	2017	2018:1	2018:2	2018:3	2018:4p
<b>All</b>	-43	-3	6	5	7	9	12	-33	-7	6	9	4	6	5
<b>Political Party</b>														
Democrats	-56	13	-5	-13	-4	-6	-3	-37	12	-27	-25	-24	-28	-24
Independents	-54	-6	7	5	8	7	13	-47	-17	4	8	0	6	2
Republicans	-63	-17	22	27	23	33	26	-57	-19	50	57	44	50	40
<b>Age of</b>														
18 - 34	-42	-1	4	2	1	1	4	-23	-3	-5	1	-2	-2	1
35 - 54	-48	-1	5	4	8	7	12	-37	-7	5	9	6	3	0
55 or older	-40	-7	10	8	11	16	16	-34	-9	13	13	4	11	11
<b>Household Income</b>														
Bottom third	-37	-5	1	-2	3	3	5	-30	-11	-3	-1	-4	1	-1
Middle third	-47	-3	8	6	10	14	12	-36	-7	8	8	7	6	3
Top third	-46	-1	11	9	11	12	18	-35	-2	11	18	7	9	8
<b>Education</b>														
High School or Less	-39	-9	7	0	4	4	9	-31	-11	13	12	6	9	15
Some College	-44	-8	5	11	6	12	12	-37	-12	9	13	12	13	6
College Degree	-45	3	7	4	10	9	13	-33	-1	2	5	-3	0	0