



Subject: Consumer Sentiment and Presidential Elections
From: Richard Curtin, Director

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The impeachment inquiry has prompted questions about how consumer sentiment influences elections. This question is somewhat premature as the impact of consumer sentiment on presidential elections has typically occurred early in the year of the election. This election season has started earlier than usual and has been marked by a wider partisan divide than any other time since the surveys began in the late 1940's. The chart below shows the trends in the Index of Consumer Sentiment through the 3rd quarter of 2019. The shaded areas indicate presidential election years. The candidates are listed along with the popular vote totals; the winner was determined by electoral votes, with two candidates who lost the election but won the popular vote (Gore and H. Clinton). The data indicate that most incumbents won reelection near cyclical peaks in confidence; when confidence was near cyclical troughs, the winning candidate was usually from the opposite party that last held the presidency. These relationships are certainly not perfect. Obama won his reelection with only moderate but improving confidence, and Clinton lost to Trump despite improved confidence—although Clinton won the popular vote.

While the most recent sentiment readings have declined somewhat, the critical period is still upcoming; it has typically been around the first quarter of the election year. The historic patterns, however, were established in an era that was not marked by hyper partisanship. Ever since Trump was elected, the sentiment data have reflected the deep partisan divide as Republicans have consistently anticipated a robust growth and Democrats have consistently anticipated a recession. Independents have steered a middling course, anticipating modest economic growth. There is no question that the near fifty-year low in unemployment, the modest gains in personal income, and persistently low inflation have in the past favored incumbents. Even if these key economic gauges remain positive, the intense partisanship that now prevails may upend traditional relationships. Perhaps the most important bellwether is how Independents judge current and prospective economic conditions in the months ahead. The University of Michigan surveys will closely monitor changes in late 2019 and early 2020 to determine how consumers judge their own economic prospects, and how it may influence the upcoming elections.

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