ECONOMICS, POLITICS, AND THE CYCLE OF PRESIDENTIAL POPULARITY

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Does the economy hold the key to the ups and downs of the popularity of American presidents? This study, which is based on quarterly data from 1961 to 1980, employs stochastic models for time series (Box-Jenkins). For inflation, though not for unemployment, the findings confirm a significant effect at a lag of one quarter. The worries of political leaders about the inflation side of macroeconomic performance appear to be justified. Nevertheless, the influence of noneconomic factors such as international events, the Vietnam War, and Watergate proves even more potent. Moreover, presidential popularity is subject to a cycle whereby each president begins his service with an unearned popularity bonus that subsequently erodes. Economic performance is not found to be responsible for this inauguration-erosion cycle, but neither are rallies, wars, or scandal.

Economics is the fate of politicians, as the saying goes. It is an article of faith that success or failure of governments in dealing with the economy decides whether or not they survive politically. The humiliating defeat of Jimmy Carter by Ronald Reagan in 1980, following his tough renomination fight, comes to mind as a telling case; to which might be added the similar experience of Prime Minister Callaghan in the British election of 1979, President Giscard d'Estaing in the French elections of 1981, and Chancellor Schmidt and the SPD in West Germany in 1982–1983. The economic adversity suffered by all these countries in the late 1970s proved extremely hazardous to the political health of the “ins,” the incumbent governments, that is (Lipset, 1982). More generally, between elections the ups and downs of economic indicators seem to go hand in hand with the ups and downs of public approval of governing parties or leaders. Ronald Reagan's approval rating, for example, hit bottom in late 1982 just when the economic recession...
bottomed out and soared to a high level in the wake of a brisk economic recovery in late 1983 (Smith, 1984).

Research on presidential popularity for the most part has substantiated the impact of macroeconomic conditions, although this case is by no means open and shut. Largely following Kramer's (1971) lead, Kiewiet and Rivers in this issue describe the dominant model of economic effects as being:

(1) retrospective, (2) incumbency-oriented, and (3) based upon the results of economic policies, and not upon the actual policies themselves.

It is fair to say that time-series studies have made a stronger case for this model than have cross-sectional studies. Whatever the discrepancy between the two types of findings, Kramer (1983) has affirmed, in principle, the primacy of aggregate time-series evidence. Even so, the matter is far from settled within the time-series domain. Questions continue to be asked, for one, about the proper lag structure with which economic performance influences government popularity (Monroe, 1978; Hibbs, 1982; Kernell, 1980; Golden and Poterba, 1980). Second, what share of the often dazzling explanatory power of popularity models belongs to the economic side, how much to noneconomic factors such as foreign policy crises, domestic scandal, war, presidential personality, and the like (Mueller, 1973; Kernell, 1978)? Third, how much of the variation in government popularity ought to be attributed to a surge-and-decline cycle that appears to repeat itself with the inauguration of each new president (Mueller, 1973; Stimson, 1976)?

The answers to these questions are important for our understanding of the political process, especially the responsiveness of mass opinion to economic performance, and the extent to which governments are held responsible for that performance. From a policy perspective, the answers are important for what they tell us about the incentives of governments to steer the economy in a certain direction; and what mix of unemployment and inflation to strive for. At the same time, estimates for noneconomic factors may help put the economic incentive in perspective. How much should a government concerned with political survival preoccupy itself with the economy as opposed to other issues? To what extent can foreign policy triumphs or even unforced crises neutralize or overshadow the economic fallout? To strike a fatalistic note, how many of the ups and downs of government popularity are simply beyond the power of any government to manipulate to its benefit?

These questions are addressed below with the help of models specifically tailored for time-series data (Box and Jenkins, 1976). The chief virtue of these stochastic models is that they enable the analyst to assess the dependence of one time series on another while holding constant the dependence of each series upon itself. The use of those models, I admit, is not foolproof,