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The economic determinants of U.S. presidential approval: A survey

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ABSTRACT

Even after four decades of research it remains unclear, whether presidential popularity depends on the state of the economy. While about half of all studies for the United States find a significant effect of unemployment and inflation on presidential popularity, the others do not. Additional economic issues have rarely been studied. In this survey article we study the likely causes for the inconclusive findings. While various factors have an influence on the results, especially the choice of the sample period is of crucial importance. While in the very long run we find unemployment and inflation to have a robust effect on presidential approval, this holds not true for shorter sub-periods. This result might indicate that the popularity function is instable over time. However, the findings might also be taken as an indication that the most often employed linear estimation approach is inadequate. Further research on these issues is necessary.

1. Introduction

Approval ratings indicate which percentage of the respondents to opinion polls approves of the way governments or certain politicians handle their jobs. They are important guidelines for both the incumbent government and the opposition to find out what the voters are thinking about, how they respond to campaign stimuli and how they are inclined to vote. While the Gallup Company started conducting approval ratings as early as the late 1930s, it took four decades before approval data has been used in systematic empirical studies.[1] The seminal contributions to the field of empirical presidential approval research were made by Mueller (1970, 1973), who used the Gallup aggregate approval ratings as left-hand variable in a number of regressions aiming to uncover the determinants of presidential popularity.[2]

Mueller (1970, 1973) found a number of empirical regularities which may be summarized as follows: First, presidential approval tends to decline systematically over the term of office.[3] Second, during times of foreign crises in which the United States was directly involved, presidential popularity tends to be higher (the so-called "rally-around-the-flag" effect). Third, presidential popularity tends

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[1] Gronke and Newman (2003), p. 501.

[2] A similar, although not identical field is vote function research. This strand of the literature studies the determinants of factual voting decisions. However, in this paper we concentrate on popularity functions.

[3] He explained this finding as the result of a "coalition of minorities" forming in consequence of an increasing number of controversial decisions.

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to decrease throughout war times. Fourth, the level of popularity differs significantly between different administrations. Finally, Mueller finds an asymmetric effect of the state of the economy on presidential approval ratings. While a sluggish economy depresses presidential popularity, a positive economic development tends to leave popularity unaffected.

Mueller's findings have served as the baseline for most subsequent studies. Over the last 40 years a quickly growing body of empirical studies of (vote and) popularity functions evolved. Starting out from the United States and the United Kingdom,[4] popularity studies for France, Germany, Italy and Spain were conducted soon thereafter.[5] Nowadays, popularity functions have been estimated for almost all OECD countries. As Gronke and Newman (2003) argue, this literature can be subdivided into three major waves. The first wave is more or less directly building on Mueller's work and discusses, inter alia, the exact slope of the downward approval trend (Stimson, 1976) or the reasons behind this trend (Stimson, 1976; Kernell, 1978; Monroe, 1978). The second wave was strongly driven by advances in empirical and theoretical methodology and aimed at studying whether the effects found in the early studies are still present when using more advanced estimation techniques, e.g. those accounting for autocorrelation in the data. Moreover, these studies deliver estimates for the exact timing of the effects and investigate whether the poll respondents are forward-looking or just judge what happened in the past. The most important novelty of the third wave of empirical studies is the step towards analyzing data for different subgroups and on the individual level (see, inter alia, Smyth and Taylor (1992) and Lebo and Cassino (2007)). Moreover, the third wave often uses subjective macroeconomic indicators instead of objective ones.

Somewhat surprisingly, the literature failed to deliver empirically stable popularity functions. In a first, preliminary review of the literature, Paldam (1981, p. 194) concludes: "The very existence of the VP-function should no longer be doubted. However, we have also seen that the VP-function is a fairly unstable one. Furthermore, we have seen that the responsibility pattern is by far the most commonly found." In his study of vote functions in seventeen countries, Paldam (1991) argues: "[I]n spite of considerable efforts very little is 'cut and dried' in this field, and again and again discussions flare up when this or that result is found to be lacking in stability." A quarter of a century after Mueller's seminal work, Nannestad and Paldam (1994, p. 214) again come to the result that "… the VP-function has shown a disappointing lack of stability both over time and across countries." Lewis-Beck and Paldam (2000, p. 113) argue that this instability problem is the major reason why the research on the determinants of governmental popularity "… has shown no tendency to die."

Even after 40 years of empirical research on the determinants of government popularity no clear picture evolved.[6] Especially the role of economic variables in the popularity function remains unclear. In principle, the literature tends to accept the hypothesis that the state of the economy influences the popularity of the incumbent president. For example, Norpoth (1984, p. 266) states: "There can be little doubt that the economy matters for presidential popularity." In their survey article, Gronke and Brehm (2002, p. 506) summarize: "… while research to date has demonstrated the importance of the two pillars of presidential approval – the economy and foreign affairs – little research has considered whether and how the changing international environment may affect presidential politics, presidential approval, and ultimately the power of presidency."

However, when studying the numerous empirical studies for the United States in detail, the reported evidence on economic determinants is surprisingly inconsistent and fragmentary. In this paper we deliver a survey of this literature and pay special attention to the question which factors might have contributed to the yet inconclusive results. Based on the findings of the literature and own estimation results we find inflation and unemployment to have significant effects on presidential popularity, at least when using long time series. However, the popularity function turns out to be instable when shorter sub-samples are chosen. This result might indicate that the popularity function is instable over time. However, the findings might also be taken as an indication that the most often employed linear estimation approach is inadequate.

The paper is organized as follows: In Section 2 we deliver a comprehensive review of the empirical literature on popularity functions. Section 3 is concerned with alternative measures of presidential popularity (or approval). Section 4 deals with non-economic determinants, Section 5 with the economic determinants of presidential popularity. Section 6 discusses several technical estimation aspects such as dealing with serial correlation, the stationarity properties of the employed time series and the dynamic specification of the popularity function. Section 7 is concerned with the choice of the sample period. Section 8 discusses the functional form of the popularity function. Section 9 presents some additional empirical results. The final section summarizes the most important results and draws some conclusions.

2. Review of the literature

The literature on vote and popularity functions is large (Paldam (2008) speaks of about 300 publications during the last 30 years). A detailed review of the entire literature is neither possible nor helpful for our purpose. Instead, we report in Table 1 information on the most important studies of the popularity function of U.S. presidents, conducted throughout the last four decades. Altogether, these 57 studies report 87 estimations of popularity functions.

Columns 1 and 2 of Table 1 report the sample period (sample) and the data frequency (F) of the referring study. The columns 3 to 5 summarize technical and econometric issues like the estimation technique (T), the dynamic specification (DS) and the treatment of

[4] See Goodhart and Bhansali (1970).
[5] See Lafay (1984), Kirchgässner (1985), Santagata (1985) and Amor Bravo (1985).
[6] Bellucci and Lewis-Beck (2011) come to the same result.