‘That’s Not How It Works’: Economic Indicators and the Construction of Partisan Economic Narratives*

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This study examines the processes through which partisans update their (biased) economic judgments during periods of mixed and asymmetric economic performance. I show evidence that citizens express relatively unbiased perceptions of the movement of the stock market, suggesting that partisans do not engage in processes of motivated reasoning when reporting judgments of widely-available economic data. Instead, partisans respond to fluctuations in stock market performance by revising their assumptions about the way the economy works: in response to positive or negative developments, the stock market is perceived to be more or less important for the health of the broader U.S. economy depending upon Americans’ partisan worldviews. This form of biased narrative construction has substantial importance in light of a ‘two-speed’ post-Great Recession economy.

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In recent years, scholars of economic voting have discovered substantial endogeneity in the relationship between citizens’ economic perceptions and voting preferences (e.g. Bartels 2002; Evans and Andersen 2006; Evans and Pickup 2010; Gerber and Huber 2010). These findings have called into question many longstanding assumptions pertaining to the relationship between economic conditions and the vote. As a consequence, some have turned to a reexamination of the determinants of economic perceptions themselves, studying how media messages, leading and lagging economic indicators, and partisan identities can shift the economic perceptions of citizens away from ‘objective’ or ‘observed’ economic conditions (e.g. Bullock et al. 2015; Dickerson 2015; Enns et al. 2012; Prior et al. 2015; Soroka et al. 2015).

We now know much more about the conditions under which partisan identities cause citizens to express biased economic perceptions as a result. However, the psychological underpinnings of this expressive bias remain less clear. It appears that since the early 2000’s, partisans’ evaluations of the economy have strongly polarized, as partisan cheerleading spurs proponents of the incumbent President to express much warmer economic perceptions than members of the out-party (Lewis-Beck et al., 2013; Enns et al., 2012). The exception to this pattern is the ‘Great Recession’ of 2007-09: when economic conditions dramatically worsened in 2008, the economic perceptions of Republicans and Democrats converged in expressions of abject pessimism. During such moments of incontrovertibly good or bad economic conditions, partisans are no longer able to rationalize economic perceptions which disagree with prevailing conditions.

While these findings indicate that there may be limits to the phenomenon of bias in economic judgments, Bisgaard (2015) has recently demonstrated that such bias may nevertheless ‘find a way’ during moments of clear economic malaise. In response to incontrovertibly-negative economic conditions, partisans simply adjust the way they conceive of economic responsibility. They engage
in processes of motivated reasoning to rationalize new targets of credit or blame for economic conditions: if a member of the in-party presides over a collapsing economy, partisans will increasingly argue that government actions have only a minimal impact upon the direction of the national economy. Members of the out-party will do the opposite, shifting blame away from nonpartisan actors and heaping it upon the incumbent administration.

In this paper, I examine how partisans rationalize biased economic perceptions when they receive ‘mixed signals’ about the economy. I argue that when economic indicators provide diverging portrayals of the economy’s health, partisans engage in an alternative form of motivated reasoning: they adjust their internal narratives about the way the economy functions. Partisans are not expected to change the way they assign credit or blame for economic conditions, but will instead adjust their beliefs about how specific, widely-reported economic indicators influence the overall health of the national economy. This rationalization allows for partisans to simultaneously express an accurate understanding of economic facts and a biased overall evaluation of the national economy, as congenial indicators are assigned greater importance in the minds of partisans. Using survey evidence capturing citizens’ perceptions of the stock market, the national economy, and the perceived importance of economic indicators, I show that partisans’ willingness to express biased economic perceptions is supported by the construction of diverging narratives about the importance of the stock market for overall economic performance. These narratives help partisans overcome the cognitive dissonance which may arise when expressing opinions they know to be incorrect (e.g. Prior et al. 2015; Bullock et al. 2015): as much of the bias in partisans’ factual judgments is rooted in a desire to eschew factual accuracy in favor of cheerleading, economic narratives allow for the expression of biased and contradictory economic sentiments.

Biased economic narratives can also run in conflict with the observed contours of the post-
Recession American economy, in which a small proportion of very wealthy citizens has accumulated a large proportion of the gains of economic recovery (e.g. Hacker and Pierson 2011). As some economic indicators such as unemployment and wage growth tell this story, whereas indicators such as the stock market do not, partisan economic narratives may obscure important economic dynamics in an era of persistent inequality. In a concluding section, I comment upon the meaning of this form of partisan bias for contemporary theories of public opinion and accountability.

**Determinants of Economic Perceptions**

The determinants of citizens’ sociotropic economic appraisals are manifold. Mediated information is known to be among the most crucial determinants of economic judgments, largely because only the most sophisticated Americans are able to connect their personal economic conditions to the performance of the economy as a whole (Gomez and Wilson 2003). Media messages can therefore have strong effects on economic appraisals, ranging from partisan framing efforts to negativity bias (e.g. Gavin et al. 1996; Larcinese et al. 2011). Sanders and Gavin (2004) argue that while the movement of economic statistics exerts an effect on citizens’ perceptions, media sentiment is an even stronger predictor of economic judgments (see also Goidel and Langley 1995; Soroka 2006).

Without a subsidy of economic information provided by journalists and economic experts, the average citizen would likely struggle to update their sociotropic economic perceptions in response to changes to the national economy (Mutz, 1992).

Despite evidence that mediated information matters for the construction of citizens’ economic retrospecions, we know less about citizens’ perceptions of specific economic indicators, such as the stock market, inflation and unemployment (c.f. Conover et al. 1987). Recent research has
broken new ground in this area, however, by investigating how the movement of specific economic
indicators influence economic voting behavior in the aggregate. Soroka et al. (2015), for example,
disaggregate economic information across leading and lagging indicators, finding that citizens are
often more responsive to leading indicators in the construction of their economic perceptions,
when compared to lagging indicators. In addition, Fauvelle-Aymar and Stegmaier (2013) show
that movement in the stock market exerts a substantial independent effect on presidential approval
when evaluated alongside the effects of other familiar indicators such as unemployment, economic
growth, and inflation. Citizens appear to respond to prevailing stock market conditions when
assessing the performance of incumbents, suggesting that this indicator in particular is a relevant
piece of information for the construction of economic appraisals.

Other extant work also maintains that citizens’ overall economic perceptions are strongly linked
to the movement of specific economic indicators as described by media. Citizens appear to be
learning about the economy through media reports, then updating both their judgments of eco-
nomic indicators and their sociotropic appraisals in the aggregate (Lewis-Beck, 2006). However,
partisans are also known to report substantially biased judgments about the state of the national
economy (Lewis-Beck et al., 2013; Enns et al., 2012). Partisan-tinted judgments have been shown
to be strongly expressive in nature, as partisans use their survey participation as an opportunity to
provide factually inaccurate statements which accord with a partisan-congenial worldview (Bul-
lock et al., 2015; Prior et al., 2015). When incentivized to produce ‘correct’ answers to factual
questions about the economy, partisans substantially reduce the congeniality of their economic
perceptions in favor of less-biased responses. If not provided with this monetary inducement, par-
tisans’ desire to ‘cheerlead’ prevails, resulting in highly-polarized economic perceptions in the
results of most conventional surveys.
It appears that Americans therefore possess a more accurate factual understanding of the movement of the American economy than they regularly indicate to survey administrators, despite strong self-selection effects in partisans’ media preferences (e.g. Jerit and Barabas 2012; Levendusky 2013). The utility derived from cheerleading results in extreme gaps in partisans’ reported perceptions of the economy, even among individuals with large amounts of knowledge about recent economic conditions.

**Economic Indicators and Partisan Bias**

Partisans are therefore faced with a mental balancing act. Many of these individuals possess a store of factual information about economic developments, which they recall during the survey response (Zaller, 1992). But, they must eschew or otherwise suppress these factual appraisals in order to construct intentionally-biased overall judgments about the U.S. economy. Partisans must construct internal narratives which contextualize the economic news they receive, in order to effectively rationalize developments in line with the partisan ‘preferred world state’ (e.g. Bolsen et al. 2014; Kunda 1990; Taber and Lodge 2006; Slothuus and de Vreese 2010). In the context of economic voting, this could take the form of shifting economic attributions of responsibility, as indicated by Bisgaard (2015).

During periods of asymmetric economic performance, I argue that partisans are afforded a second avenue for the rationalization of their economic perceptions. This motivated reasoning phenomenon invokes partisans to update their beliefs about the way that economic indicators contribute to the overall health of the American economy. Republicans observing a bear market under a Democratic President might be more inclined to argue that the Dow Jones Industrial Average is
increasingly important for the overall welfare of the American economy. Democrats, in contrast, might shift their views to argue that stock prices are less important than other indicators for the prosperity of United States. Objectively, stock market prices are important leading indicators of the sociotropic economy. In this example, though, the likelihood that Americans report an understanding of this connection is influenced chiefly by a desire to engage in partisan cheerleading, and not demographic or knowledge-based differences. These ‘partisan economic narratives’ allow partisans to possess and report factually-accurate information about key economic indicators, while simultaneously expressing biased sociotropic economic judgments.

If partisans form biased economic judgments despite possessing (and reporting) an accurate understanding of objective conditions, they face a situation in which they are likely to experience substantial cognitive dissonance (Lau and Redlawsk, 2006; Nam et al., 2013; Redlawsk et al., 2010). If a partisan’s objective understanding of the economy is contradicted by the opinion they express, cognitive consistency will be compromised. The affective enjoyment of cheerleading will run counter to a strong desire to maintain accurate knowledge of information that could signal the emergence of existential threats (e.g. Grabe et al. 2003). Thanks to the construction of partisan economic narratives, however, partisans are able to simultaneously report accurate judgments of widely-available economic indicators alongside biased sociotropic judgments. Taken together, the above expectations can be expressed in the following hypotheses:

H1. Partisans will express divergent judgments when evaluating the performance of the overall sociotropic economy.

H2. Partisans will simultaneously exhibit relatively little divergence when evaluating the performance of frequently-reported and widely-available economic indicators.

Citizens across the political spectrum may therefore be expected to share a strong understand-
ing of developments pertaining to the most frequently-reported economic indicators, such as the stock market. In an economic situation in which some indicators provide more congenial information than others, partisans will not simply reject or ignore news about certain indicators in favor of others—they will change their internal narrative about the way the economy functions in practice. In this way, partisans rationalize unavoidable information about basic economic indicators to reduce cognitive dissonance and maintain a biased overall opinion about the economy.\textsuperscript{1} These expectations can be summarized as follows:

H3. Under a Democratic president, Republicans expressing optimistic (pessimistic) stock market evaluations are expected to believe stock prices are \textit{decreasingly} (increasingly) important for overall economic performance.

H4. Under a Democratic president, Democrats expressing optimistic (pessimistic) stock market evaluations are expected to believe stock prices are \textit{increasingly} (decreasingly) important for overall economic performance.

H5. The expectations for Republicans and Democrats in H3 and H4 are expected to reverse under conditions of Republican Presidential incumbency.

\textbf{The Stock Market As a Critical Case}

As discussed above, biased economic narratives are only expected to be widely used by partisans when confronted with economic data that is intensely available, such as stock market reports. In these cases, partisans may be unable or unwilling to utilize selective learning processes to avoid retaining accurate knowledge of the indicator. Less frequently reported types of economic information may be far easier to ignore when the information disagrees with the partisan preferred world state, meaning that partisan economic narratives are not required to rationalize the psychologically disconfirming information. Instead, partisans can avoid learning about the development altogether.

When engaging solely in the consumption of ideologically-motivated news sources, partisans
receive economic news which features substantial biases (Gentzkow and Shapiro, 2010). Perceptions of indicators such as unemployment are therefore likely to be similarly biased, as citizens are less likely to be exposed to these infrequently-released economic data when they conflict with the partisan preferred world state. Larcinese et al. (2011) demonstrate, for example, that U.S. newspapers provide substantially less unemployment coverage when the economic facts disagree with the partisan position, meaning that selective exposure can support the acquisition of partisan-tinted facts when it comes to this indicator.

The stock market is expected to override these agenda-setting efforts due to its ubiquitous and nonstop coverage in media. Stock reports are therefore the most likely indicators to activate the use of partisan economic narratives. As perhaps the single most widely-available and frequently-reported type of economic data, stock reports represent a ‘critical case’ for the above theory. An indicator which is measured up to the minute, and which is often presented on cable TV in a continuous format using scrolling tickers, is expected to be accurately understood by even the most extreme partisans due to its saturation in coverage.

Methods & Data

To assess the above hypotheses, I assembled a sample of national surveys which spans the period from 2002 to 2015. The analysis necessitates items tapping perceptions of the national economy, the stock market, and partisan identification, among other relevant control variables. Such surveys are surprisingly rare across this time period, though a comprehensive keyword search of the Roper iPoll archives and the ICPSR dataverse yielded 15 viable, nationally-representative surveys from a variety of research firms. In addition, both iPoll and ICPSR dataverses were searched for ques-
tions tapping respondents’ perceptions of the *importance* of the stock market for overall economic conditions. This search yielded four instances of such a question since 2000 (see the Supplementary Materials for a full description). Of these surveys, only one (conducted in March of 2013) reached a large-N (N = 1,181) national sample and contained all questions needed to allow for meaningful statistical analysis. A second, smaller survey conducted in August of 2003 (N = 266) also contained all necessary questions for analysis. Of the surveys collected, all were conducted using RDD telephone methods. Surveys after 2006 drew from both landline telephone and cell phone samples.

As described in the Supplementary Materials, the key measures of interest for the present study vary across surveys as a function of question wording, coding scheme, and intent. In order to obtain comparable estimates across surveys, the analysis relies upon the presentation of standardized coefficients whenever possible.

To assess the first two hypotheses, standardized linear regression models predicting economic perceptions were fit for each survey in the sample. Survey weights were used throughout the analysis to conform with the intended sampling procedures of each survey. These models included a number of relevant and available control variables (Conover et al., 1987; Evans and Andersen, 2006). The controls comprise familiar demographics including age, gender, race, income, ideology, and marital status, though race, marital status, and ideology are not included in some regressions due to an absence of available data (see the Supplementary Materials for a tabular description of full model results). In general, the $j^{th}$ regression in the sample can be written as follows:

$$Y_j' = \alpha'_j + \beta'_1 PID + \beta'_2 Age + \beta'_3 Education + \beta'_4 Married + \beta'_5 Income + \beta'_6 Ideology + \beta'_7 Race + \varepsilon_j,$$

(1)
where the outcome $Y'_{ij}$ has been standardized according to the formula $Y'_{ij} = Y_j / \sigma_{Yj}$. Therefore, the resulting regression coefficients $\beta_{1ij}$ allow for more intuitive interpretation of the effects of partisanship in each regression model. Statistically, these results are not directly or exactly comparable, but scaling the outcomes to be measured on standard deviation scales allows results to be roughly compared using simple eye tests. In all models, partisanship is coded on a three-point scale which assesses whether a respondent considers themself ‘a Republican, a Democrat, or an Independent.’

To assess Hypotheses 3 and 4, I construct a series of logistic regression models predicting if respondents to two available CBS surveys thought that stock market prices were good indicators of the performance of the national economy. These models control for available demographics such as age, education, income, and ideology, along with a question asking respondents to indicate their levels of stock ownership. Party identification in these surveys were again measured on a three-point scale (see the Supplementary Materials for detailed question wording). Generally, these models take the following form:

$$\text{Logit}(Y) = \beta_1 PID + \beta_2 Age + \beta_3 Education + \beta_4 Married + \beta_5 Inc. + \beta_6 Ideo. + \beta_7 StockOwnership + \beta_8 StockMarketEval. + \varepsilon_j$$

(2)

**Results: Accurate Knowledge, Biased Narratives**

Consistent with prior research, from 2002 to 2014, partisans’ sociotropic judgments of the American economy substantially disagreed (Bartels, 2002). Fig. 1 plots standardized coefficient estimates for the effect of partisanship on economic perceptions across linear regression models spanning the period in question (See the Supplementary Materials for full model results). For ease
of comparison, the figure presents the absolute value of these coefficients across the period. Based
upon a simple eye test of this figure, it appears that a one-unit shift in partisanship yields a signif-
icant shift in economic perceptions of between around 0.3 and 0.4 standard deviations across the
period. Out of the 15 surveys analyzed in the sample, all but one of these coefficient estimates
were highly unlikely to have occurred by chance alone.\textsuperscript{10}

[Figure 1 about here.]

The only survey item to produce relative consensus among partisans occurred in the wake of the
financial crisis in March of 2009. Instead of the standard economic retrospection or prospection,
this item asks respondents to judge whether the economy is in a ‘recession, depression, or just
having a few problems’. All else equal, the standardized effect of a one-unit shift in partisanship
on economic perceptions in this model was a scant 0.054 standard deviations ($p = 0.21$). This
question wording, in combination with the very negative perceptions reflected on other surveys at
the time, supports the idea that partisan economic perceptions tend to converge when economic
conditions are incontrovertibly negative (Bisgaard, 2015). However, this consensus disappeared
across the rocky post-Recession recovery from 2009-14.

**Partisans Agree on Stocks**

In contrast to the above findings, national surveys demonstrate less partisan divergence in citizens’
beliefs about the stock market. These results, presented below in Fig. 2, point to the notion that
partisans are not as willing to report highly partisan-congenial stock market perceptions. Instead,
as the performance of this indicator fluctuates from 2002-2014 (as seen in the bottom panel of Fig.
2), Republicans and Democrats seem to generally agree on the performance of the stock market.
The vast majority of surveys included in the sample indicate partisan divergence of less than than 0.2 standard deviations across all other instances where stock market evaluations were reported. While the figure in question cannot tell us the accuracy of partisans’ stock market perceptions relative to the observed economy, the preponderence of evidence points to the relative similarity of those evaluations across partisan lines. Looking across the top and bottom panels of Fig. 2, partisan divergence in stock market perceptions appears to be weakest when the stock market has recently experienced substantial volatility. While partisan bias is therefore not completely absent in stock market appraisals, relative to overall economic appraisals, this bias is small.

[Figure 2 about here.]

Only one coefficient yields the finding that on average, partisans substantially and significantly disagreed in their appraisals of the stock market (in August of 2002). While it may be possible that short-term polarization in stock market conditions occurred as a result of political discussions or prevailing stock market conditions at the time, it appears that question order effects may have also cued partisans to consider the stock market through a partisan lens in this instance. Only a few moments prior to offering their stock market retrospections, respondents were asked to consider whether the tax cuts proposed by George W. Bush would strengthen or weaken the stock market. This question order may have framed stock market performance as a target for partisan cheerleading.¹¹

The preceding discussion provides evidence that across the period in question, on the very same surveys, partisans simultaneously express highly polarized overall economic retrospections and relatively consistent stock market perceptions. Such evidence indicates that many partisans are unable to filter their knowledge of the stock market through partisan perceptual screens, as
widespread information about the stock market permeates the news media and prevents most partisans from justifying inaccurate perceptions of stock market conditions. How can partisans avoid the strong cognitive dissonance that arises when expressing intentionally-biased opinions, despite possessing knowledge of objective trends? As proposed above, the answer to this question lies in the rationalizing narratives partisans maintain about how economic indicators contribute to economic growth.

Partisan Economic Narratives under Democratic Incumbency

While the 2013 CBS News National Poll, March #2 was in the field, the economy was exhibiting a pattern familiar to observers across the post-Great Recession period. The stock market was undergoing yet another month of surging bullishness, as the first 10 days of the month brought consecutively-higher closings. The Dow Jones Industrial Average would close up 3.7% for the month, surpassing the pre-Recession peak of 14,165 (Eavis, 2013). Unemployment levels remained high, in contrast, and Americans witnessed stagnant household income growth despite working longer hours. In the midst of this economic context, entrenched partisans expressed very different perceptions of the same economy, on a four-point scale (‘very bad’, ‘fairly bad’, ‘fairly good’, ‘very good’): 86% of Republicans thought the economy was some degree of ‘bad’, while only 47% of Democrats agreed with this appraisal.12

However, at the same moment, Republicans (55%) and Democrats (57%) were in relative consensus that stock market performance was ‘fairly good’.13 The key difference to emerge across these groups is the way that partisans rationalized their stock market perceptions, as seen in the first column of Table 1.
First looking at the leftmost column of Table 1, we can see the raw coefficients of a logistic regression model which includes partisanship among its predictors. Controlling for relevant demographic factors, the probability that a statistically-average Republican believed the stock market mattered for the economy in this first model was roughly 28% (95% CI: [0.24,0.34]), while the probability of a statistically-average Democrat believing the same was about 39% (95% CI: [0.34, 0.39]). This 11% difference holds constant respondents’ self-reported investment in the stock market, as well as income, age, education, ideology, and other factors. When including stock market evaluations in the model (the middle column of Table 1), this gap increases to around 12%.

Nevertheless, we can envision two potential influences on these figures: first, the notion that unobserved demographic and ideological differences propel divergence in beliefs about the stock market across partisanship, and second, the notion that perceptions of prevailing conditions have affected partisans’ internal economic narratives. In a purely observational survey setting, we cannot discount or otherwise statistically partition the effects of this first potential source of partisan divergence. Were partisan differences in these perceptions to be the result of underlying demographic factors, we might intuitively expect Republicans (who are more likely to own stocks, and more likely to hold fiscally conservative and pro-business ideologies) to express a higher likelihood of believing that the stock market matters for the economy. However, instead we see evidence that it is in fact Democrats that express this belief more often, suggesting that unobservable differences across the groups are in fact working to mitigate this partisan gap to some degree. As we still see a large and statistically significant difference across the parties in this direction, it is difficult to theoretically justify why all or most of this gap is due to differences in unobservable partisan
By interacting partisanship with partisans’ perceptions of the stock market in the third column of Table 1, we can disaggregate the results to compare partisans who hold similar judgments about the stock market, allowing for a more detailed exploration of cross-party contrasts. The raw model results demonstrate a large and statistically significant interaction between stock market perceptions and partisanship ($\beta = 0.48, p < 0.001$), along with increased magnitude and significance for partisanship ($\beta = -0.98, p < 0.01$) and stock market perceptions ($\beta = -1.31, p < 0.001$). In order to facilitate interpretation of this interaction, predicted probability results from this model are presented visually in Fig. 3 below.

Fig. 2 shows the emergence of stark differences in the probability that partisans believe the stock market is a valid indicator of the overall economy, across stock market perceptions. Looking first at the leftmost bar of the figure’s left panel, we see that Democrats who rate stock market performance as ‘very good’ are expected to report that stocks matter for the broader economy around 47% of the time (95% CI: [38.6, 56.4]). Republicans who report that the stock market is performing very well, in contrast, are only around 12% likely to believe that the stock market is important for the broader economy (95% CI: [7.8, 19.0]). This substantial and significant divergence in partisans’ beliefs about the economy seems to be strongest when partisans are (correctly) in agreement about the strong gains witnessed by the stock market in 2013. A similar, though less extreme, divergence can also be seen among partisans who believe the stock market is performing at a level meriting an evaluation of ‘good’: Democrats were 42% likely on average to believe this development meant something for the broader economy (95% CI: [37.3, 47.7]), compared to
a likelihood of around 23% for the average Republican (95% CI: [18.4, 28.4]).

Thus, among partisans who ‘get it right’ when evaluating the stock market, these accurate perceptions conceal a biased understanding of the meaning of stock prices for economic progress.

Even among partisans who are incorrect about the stock market’s progress, we still observe evidence of a similar rationalizing phenomenon. Statistically-average Democrats who rate the stock market as ‘very bad’, for instance, are about 36% likely to express the belief that this poor performance matters for the broader economy. This low probability stands in contrast to the prediction for the average Republican, who is expected to believe that stocks matter for the economy roughly 61% of the time. Republicans therefore exhibit a pattern in which more positive stock market evaluations yield less credibility to the ‘stocks matter’ narrative; Democrats provide consistent, though nonsignificant and less dramatic, evidence of the opposite effect.

**Partisan Economic Narratives under Republican Incumbency**

The preceding section has presented evidence that during the post-Recession Obama administration, Republicans substantially de-emphasize the importance of the stock market when they believe the stock market is improving. Suggestive evidence also indicates that Democrats’ economic narratives shift in the opposite direction, though to a lesser degree. Do Republicans and Democrats switch the direction of these economic narratives in response to a change in incumbency?

To provide an assessment of Hypothesis 5, I present the results of a second model which draws its data from the CBS News Monthly Poll #1, of August, 2003 (N = 266). This survey, though substantially limited by its sample size, provides an important test of both economic context and the direction of partisan congeniality. Fig. 4 presents this robustness check, again through a presenta-
tion of the predicted probability of believing the stock market is a valid indicator of the economy (see the Supplementary Materials for full model results). The results derive from a binary logistic regression predicting the aforementioned perception, which includes control variables which are similar to the regression model above. In this model, stock market appraisals are measured on a five-point scale, ranging from ‘very good’ (1) to ‘very bad’ (5).

[Figure 4 about here.]

Despite the small sample size of the survey, the results of an interactive model analogous to the rightmost column of Table 1 provide suggestive evidence in support of Hypotheses 3, 4, and 5. Among Republicans, all else equal, changing one’s opinion of stock market performance from “very good” to “very bad” results in around a 31% decrease in the likelihood of reporting the stock market is a good indicator of the overall economy. Based on the delta method, this difference in probabilities is statistically significant at the $p < 0.1$ level ($\Delta_{90\%CI} = [0.005, 0.663]$). Among Democrats, in comparison, changing one’s opinion of stock market performance from “very good” to “very bad” results in a roughly 16.5% increase in the likelihood of reporting the stock market is a good indicator of the overall economy. However, while this difference is again in the expected direction, the difference in probabilities is nonsignificant (likely due to the small sample size of the study). Estimates for highly optimistic Democrats were extremely unreliable, making statistical comparisons across levels of stock market evaluations impossible. Similar to the results presented for the 2013 study, we again see evidence that Republicans’ economic narratives strongly and significantly shift in response to perceived stock market conditions. In this instance, however, the effect is reversed: Republicans who perceived the stock market as improving were much more likely than their pessimistic counterparts to believe the stock market has a major impact on the
overall economy. The overall pattern again provides us with preliminary support for the theory explicated above.

While any comparative interpretation of results across Republicans and Democrats is preliminary given the nature of the present data, these results again indicate that the clearest pattern emerges for Republicans. It is not clear why Republicans would otherwise be most likely to engage in the particular form of rationalization, though a preliminary speculation might be that Republicans are most likely to pay attention to the stock market due to the frequency with which investment activity is espoused as a path to financial success in the discourse of Republican elites. A second possibility is that Republicans may be more likely to invest, or that investors are more likely to support the Republicans. Such speculation is best left to future research.

**Conclusions: The Power of Narratives**

The results of these analyses provide evidence that across economic and political contexts, partisan economic narratives help Republicans and (suggestively) Democrats to rationalize their biased economic evaluations despite possessing accurate knowledge of the stock market. The construction of economic narratives provides partisans with an opportunity to avoid substantial cognitive dissonance that derives from a disconnect between knowledge of the stock market and the perceptions they report. In an era in which the stock market is exhibiting strong gains and wage growth is relatively flat, attentive partisans may possess a fairly accurate understanding of both developments. However, the present findings suggest partisans can ‘explain away’ one of the two developments in order to engage in proattitudinal cheerleading. While we cannot say whether the same process occurs when partisans consider other indicators like wage growth, unemployment, or inflation, the
present evidence supports the existence of this rationalizing phenomenon in a critical case.

This process has substantial implications for public opinion in an era of persistent economic inequality (Piketty and Saez, 2003, 2013). If Americans understand that the stock market is diverging from other indicators, yet use this factually-accurate knowledge for the purposes of cheerleading, American public opinion will not accurately reflect demands related to specific economic indicators. This phenomenon is part of a broader concern in the economic voting literature, which argues that the accountability mechanism provided by the economic vote is imperiled by biases in economic evaluations (e.g. Anderson 2007; Gerber and Huber 2010; Evans and Pickup 2010). While this study cannot comment upon the meaning of biased economic evaluations for performance voting, the construction of partisan economic narratives demonstrates that partisan rationalizations are highly malleable and pervasive in the post-Recession economy.

This observational study of public opinion is certainly not without substantial limitations pertaining to generalizability and internal validity. The infrequent occurrence of detailed economic question batteries combined with measures of partisanship mean that the analyses presented above cannot benefit from the use of advanced time-series or cross-sectional methods. The relative dearth of available data regarding the construction of economic narratives correspondingly means that the analysis may be subject to period effects. And without the use of experimental methods to isolate the effects of economic information on the simultaneous updating of economic narratives and perceptions, we cannot be sure that narratives do not inform perceptions (an endogeneity argument that complicates the tenets of the theory proposed above). Much more analytical work remains to disentangle the effects of demographics, selective exposure, and motivated reasoning in economic evaluations. Despite these limitations, the present study has offered preliminary evidence that economic narratives provide a powerful explanation for growing biases in the economic judgments of
modern Republicans and Democrats.
Notes

1Following an alternative logic in which partisans’ economic perceptions are assumed to be sincere, the above expectations may seem entirely unsurprising, if not tautological. For example, if a Republican believes the stock market has improved despite weak overall economy, she would almost certainly argue that the stock market is relatively unrelated to overall economic progress—because this belief has been substantiated by objective conditions. However, if we assume that the overall economic perceptions of partisans are mostly expressive and not sincere, it would be possible to observe less logically-consistent scenarios across economic and political contexts. For instance, in a pre-Great Recession period overseen by a Republican incumbent, Democrats should be less likely to believe the stock market is important, even if expressing positive perceptions of the stock market and the economy as a whole. These hypotheticals demonstrate the need to assess the current theory across a variety of political and economic contexts.

2A cursory search of Google News confirms the relative infrequency of unemployment news reports relative to stock market coverage: across the ranges spanning January 1, 2010 to January 1, 2016, the Google archives displayed 63 pages of representative results containing the phrase “stock market” in the headline (each representing thousands of individual headlines), compared to 39 pages of “unemployment” headlines and 33 pages of “wage” headlines.

3It may be that partisans are also incidentally-exposed to other frequently aggregated economic statistics such as prices, though the present study cannot assess this argument.

4Keyword searches were employed for the phrase ‘stock market’. The codebook of each survey including this phrasing was inspected for the use of the words ‘economy’ and ‘party’. This process yielded the full dataset described in-text.

5Economic voting literature strongly indicates that the temporal nature of such evaluations can affect the ways in which they are both constructed and utilized to form performance evaluations (e.g. MacKuen et al. 1992; Erikson et al. 2000), meaning we may expect differences in partisan bias across these measures.

6These differences in response options should have little effect on the comparisons of partisans within each survey, which is the principal goal of the present analysis. Therefore, the presentation of standardized coefficients is intended to allow for more convenient presentation, not to persuade the reader that the questions are fully comparable from survey to survey.

7Question wording varies slightly across surveys, but reflects a three-category item in all surveys. Volunteered responses of ‘don’t know’ and ‘another party’ were coded as Independent.

8The surveys are the CBS News Monthly Poll #1, August 2003; and CBS News National Poll, March #2.

9Question wording for the CBS News National Poll, March 2013 read as follows: ‘In general, would you say that the condition of the stock market is a good indicator of the condition of the national economy overall, or not?’ Response options were coded as ‘yes’ (1) or ‘no’ (0); responses of ‘don’t know’ were excluded from the analysis. Question wording for the CBS News Monthly Poll, August 2003 was as follows: ‘How much impact does what happens in the stock market have on the condition of the national economy?’ Response options included ‘major’, ‘minor’, and ‘no’ impact on the national economy. This coding was collapsed into two levels (major and minor/none) due to the extremely low prevalence of ‘no impact’ responses (4 of 266 respondents).

10In these models, we can reject the hypothesis that the effect of partisanship was 0 at the \( p < 0.01 \) level.

11This finding suggests that when provided with a strong party cue, stock market perceptions can become targets for expressive cheerleading. It remains unclear how sensitive these perceptions are to such cueing efforts, which constitutes an important subject for further research given the finding that partisans exhibit such low levels of cheerleading in Fig. 2.

12In fact, around 3% of Democrats went so far as to say the economy was ‘very good’, whereas a slim majority expressed an evaluation of ‘fairly good’ (51%).

13The stock market appraisal measure was coded on a similar four-point scale, ranging from ‘very good’ (1) to ‘very bad’ (4).

14All else equal, the average Republican was around 29% likely to believe the stock market mattered in this model (95% CI: [0.23,0.35]); for the average Democrat, the likelihood was roughly 41% (95% CI: [0.35,0.47]).

15Using the delta method, this difference in probabilities is significant at the \( p < 0.001 \) level.

16One potential explanation as to why we might expect Republicans to exhibit this pattern more strongly than Democrats (as evidenced by Fig. 2) is that Republicans, as the out-party, may be more attuned to the political consequences of economic developments for the incumbent, leading to a stronger desire to cheerlead (Nicholson, 2012).
References


Figure 1: Standardized Effects of Party Identification on Sociotropic Economic Evaluations, 2002-2014

Note: Vertical bars indicate 95% Confidence Intervals.
Figure 2: Standardized Effects of Party Identification on Stock Market Evaluations, 2002-2014

Standardized Effect of Partisanship on Stock Market Perceptions

Percent Change in Dow Jones Industrial Average

Note: Vertical bars indicate 95% Confidence Intervals.
Figure 3: Predicted Probability of Believing Stock Market Is Valid Indicator of Economy, by Party ID and Stock Market Perceptions, March, 2013

Note: Vertical bars indicate 95% Confidence Intervals.
Figure 4: Predicted Probability of Believing Stock Market Is Valid Indicator of Economy, by Party ID and Stock Market Perceptions, August, 2003

Note: Dotted lines indicate 95% Confidence Intervals; solid lines indicate 90% Confidence Intervals.
Table 1: Logistic Regression Models Predicting Likelihood of Belief that Stock Market is a Valid Indicator of Overall Economy

<table>
<thead>
<tr>
<th>Model</th>
<th>Party Identification</th>
<th>Stock Market Evaluation</th>
<th>Party Identification x Stock Evaluation</th>
<th>Age</th>
<th>Stock Ownership</th>
<th>Education</th>
<th>Marital Status</th>
<th>Income</th>
<th>Ideology</th>
<th>Constant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.226*</td>
<td>−0.272*</td>
<td>0.477***</td>
<td>−0.008</td>
<td>−0.008</td>
<td>−0.012</td>
<td>0.024</td>
<td>−0.101</td>
<td>0.119</td>
<td>−1.517**</td>
</tr>
<tr>
<td></td>
<td>(0.096)</td>
<td>(0.106)</td>
<td>(0.127)</td>
<td>(0.004)</td>
<td>(0.005)</td>
<td>(0.069)</td>
<td>(0.157)</td>
<td>(0.052)</td>
<td>(0.070)</td>
<td>(0.531)</td>
</tr>
<tr>
<td></td>
<td>0.264*</td>
<td>−1.306***</td>
<td></td>
<td>0.943**</td>
<td>0.816**</td>
<td>0.029</td>
<td>−0.203</td>
<td>−0.107</td>
<td>0.086</td>
<td>−0.203</td>
</tr>
<tr>
<td></td>
<td>(0.104)</td>
<td>(0.299)</td>
<td></td>
<td>(0.289)</td>
<td>(0.299)</td>
<td>(0.076)</td>
<td>(0.169)</td>
<td>(0.057)</td>
<td>(0.079)</td>
<td>(0.622)</td>
</tr>
<tr>
<td></td>
<td>−0.979**</td>
<td>−1.306***</td>
<td></td>
<td>−0.005</td>
<td>−0.005</td>
<td>0.004</td>
<td>−0.159</td>
<td>−0.104</td>
<td>0.104</td>
<td>2.029*</td>
</tr>
<tr>
<td></td>
<td>(0.347)</td>
<td>(0.299)</td>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.077)</td>
<td>(0.171)</td>
<td>(0.057)</td>
<td>(0.079)</td>
<td>(0.965)</td>
</tr>
</tbody>
</table>

Observations | 925 | 819 | 819
Log Likelihood | −560.519 | −478.254 | −470.094
Akaike Inf. Crit. | 1,137.038 | 974.508 | 960.188

Note: SE’s in Parentheses. *p<0.05; **p<0.01; ***p<0.001