

# **The Political Economy of National Elections**

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Edward R. Tufte, *Political Control of the Economy*, Princeton, Princeton University Press, 1978.

A conventional wisdom in studies of recent American elections is that politicians manipulate the economy for electoral purposes. In this view, presidents improve short-term national economic conditions before elections, confident that even the slightest economic improvement enhances their chance for reelection. Further, voters are believed to support politicians who improve their personal economic situation and punish those who do not. This relationship between economic policy and elections rests on the willingness and ability of governments to manipulate the national economy and the willingness and ability of voters to reciprocate.

Edward Tufte's *Political Control of the Economy* is the most complete effort to document the relationship between elections and the economy.<sup>1</sup> Tufte argues (1) that politicians shape national economic policy for electoral purposes by (2) increasing transfer payments immediately prior to the election, and (3) that these policies are rewarded by voters, which (4) produces a two-year electoral-economic cycle in which economic indicators fluctuate with the occurrence of national elections.

This paper analyzes the empirical and analytical underpinnings of the relationship between elections and the economy and invalidates much of Tufte's argument. We show (1) that there is no evidence of a two-year electoral-economic cycle, (2) that although there appears to be a four-year cycle it is not manipulated through transfer payments, and (3) that it has historically occurred only when some presidents sought reelection. Finally, we provide evidence (4) that voters do not respond to the economic changes induced by

**Table 1** Annual Changes in Real Disposable Income per Capita During Election and Nonelection Years

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	1946-52, 1961-76*		
	<u>Real Disposable Income per Capita</u>		
	Increased	Decreased	No Change
Election Years	10	2	0
Nonelection Years	9	2	0

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SOURCE: Edward R. Tufte, Political Control of the Economy (Princeton: Princeton University Press, 1978), pp. 16, 25.

\*Excludes Eisenhower years. See note 3.

politicians in a fashion predicted by the advocates of an electoral-economic link. We conclude by presenting a different, and more limited, statement of that relationship.

### **A Political Economy Cycle**

The contention that there is a political manipulation of the economy rests on the existence of an electoral-economic cycle, a historical pattern of economic improvement in election years followed by declines on off years.<sup>2</sup> Tufte concludes that such a cycle is evident in every post-World War II administration except Eisenhower's—that real disposable income per capita increased sharply in presidential and congressional election years but not in nonelection years. We find evidence of there having been accelerated economic improvement, however, only in 1948, 1964, 1972, and 1976, when the incumbent president sought reelection. The data for midterm congressional and nonincumbent presidential election years do not show the expected pattern.

There is no evidence of any electoral-economic cycle that is defined as a recurrent pattern of economic improvement followed by economic decline. As Table 1 shows, real disposable income per capita increased in all but four of the non-Eisenhower years, and these four were evenly divided between election and nonelection years.<sup>3</sup> The evidence for the existence of an electoral-economic cycle is in the second derivative: the growth of real disposable income accelerated mostly in election years and decelerated mostly in nonelection years (see Table 2). Indeed, election years account for over 70 percent of those in which growth accelerated.

Yet the historical record indicates that even this pattern is not a uniform one. Excluding the Eisenhower period, five of the eight election years during

**Table 2** Acceleration in Real Disposable Income per Capita

<u>1948-52, 1961-76</u>	<u>1948-52, 1961-76*</u>	
	<u>Real Disposable Income per Capita</u>	
Election Years	Accelerated	Decelerated
	8	3
Nonelection Years	3	8

SOURCE: Tufte, pp. 16, 25.

\*Excludes Eisenhower years. See note 3.

which there was accelerated growth in real disposable income per capita were *presidential* election years (Table 3). Accelerations occurred whenever the incumbent president ran for reelection (1948, 1964, 1972, and 1976). During midterm congressional election years, however, the change in real disposable income per capita were as likely to decelerate as to accelerate. There is no association between accelerated economic growth and congressional election years. We conclude, therefore, that accelerated growth in real disposable income per capita occurs consistently only during presidential election years in which an incumbent seeks reelection. The electoral-economic cycle of accelerated growth in real disposable income per capita is a four-year, not a biannual, one.<sup>4</sup>

### **Transfer Payments, Economic Policy, and Elections**

Tufte argues that presidents “immediately and directly” manipulate real disposable income in election years by manipulating transfer payments so that millions of voters receive larger-than-normal government checks just before the election. Indeed, he argues that the precise date of the election in any year explains whether the highest government check will be the October or November one. This pattern of heaping transfer payments in the immediate preelection period (Octokyphosis or Novemkyphosis) differs from nonelection years, when increases occur from month to month and peak in December. This particular formulation is original to Tufte and assumes (1) that transfer payments are the mechanism for creating the electoral-economic cycle in real disposable income per capita, (2) that transfer payments are timed to peak, atypically, around election time, and (3) that recipients attribute the increased benefits to incumbents and reward them.

**Table 3** Annual Change in Real Disposable Income per Capita, 1946-52, 1961-76

	Acceleration	Deceleration
<u>1946-52, 1961-76</u>		
	Excluding the Eisenhower Years	
Presidential Election Year	5	1
Midterm Election Year	3	2
Nonelection Year	3	8
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Presidential Election (incumbent seeking reelection)	4	0
Presidential Election (no incumbent in race)	1	1

SOURCE: Tufte, pp. 16, 25.

Our conclusions are different. We show (1) that only two elections since 1946 exhibit the pattern of transfer payments peaking just before an election, (2) that monthly fluctuations in transfer payments do not explain election-year cycles in real disposable income per capita, and (3) that there is no relationship between monthly fluctuations in transfer payments and monthly evaluations of the president's performance.

### **The Timing of Transfer Payments**

Tufte claims that transfer payments are heaped on the electorate just before elections. He contends that this "kyphosis occurred before the 1962, 1964, 1970, and 1972 elections." Using the same source that Tufte cites, we are unable to reproduce his findings, however. We find an October or November peak in transfer payments in 1962 and 1972 but not in 1964 or 1970. In 1964, transfer payments were highest in January and next highest in December.<sup>5</sup> From 1946 to 1976 inclusive, only two election years, 1962 and 1972, showed a peak in November (see Table 4). Indeed, 1972 is the only year for which the data dramatically fit the theoretical expectations. In other national election years, transfer payments peaked either during the first half of the year or in December. Moreover, nonelection years did not always show a steady month-to-month rise that peaked in December. In some years, stepped-up payments or retroactive increases created a peak at some time other than December, and pre-December peaks were as likely to have occurred in nonelection years as in election ones.

**Table 4** Timing of Peaks in Monthly Transfer Payments in Election and Nonelection Years, 1947-1978

	1st Quarter	2nd Quarter	3rd Quarter	Oct.	Nov.	Dec.
Election Years	3	0	0	1*	2**	10
Nonelection Years	1	2	3	2	1	7

\* 1958 \*\* 1962, 1972

SOURCE: U.S. Council of Economic Advisers, *Economic Indicators* (Washington, [D.C.]: Government Printing Office, 1948-1979), various monthly issues. This is the source that Tufte used and it is somewhat problematic since it does not always fully capture subsequent revisions of the data. Compare with U.S. Department of Commerce, "The National Income and Product Accounts of the United States: Revised Estimates, 1929-74," *Survey of Current Business*, 56 (January 1976), part II, pp. 40-44. Use of this latter source provides slightly different monthly figures although the pattern is usually the same. This latter source suggests, however, that there was no Novemkyphosis even in 1962 and that only 1972 fits Tufte's argument.

### Disposable Income and Transfer Payments

Irrespective of the existence of kyphosis, it is implausible that a monthly heaping of transfer payments can explain an annual cycle of changes in disposable income. Nonetheless, presidents may still use increases in transfer payments to accelerate growth in disposable income, in which case we should find evidence of a relationship between annual changes in real transfer payments per capita (see Appendix A) and annual changes in real disposable income per capita. During the postwar period, however, there was no such relationship (see Table 7). Nor has there been a positive association between the acceleration of these two economic indicators throughout seven presidential administrations. An analysis of only election years or even of non-Eisenhower election years shows much the same story. An increase in transfer payments is not the policy mechanism by which presidents improve the economy for their reelection bids.

### An Electoral Cycle in Transfer Payments?

Even though changes in transfer payments are not associated with fluctuations in disposable income, it may still be that fluctuations in transfer payments are associated with election years. After all, if incumbent presidents use the policy levers at their disposal to try to insure their reelections, and if they most easily control transfer payments, there might be an electoral cycle in transfer

**Table 5** Changes in Annual Real Transfer Payments per Capita and in Annual Real Disposable Income per Capita, 1946-76

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Increase in Annual Transfer Payments by <u>Increase in Real Disposable Income:</u>	<u>Yule's Q</u>
all years	.002
election years	.003
non-Eisenhower election years	-.249

  

Acceleration in Annual Transfer Payments by <u>Acceleration in Real Disposable Income:</u>	
all years	-.126
election years	-.359
non-Eisenhower election years	.091

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SOURCE: See Appendix A.

payments. There is, however, no systematic relationship between the annual real change in transfer payments and the occurrence of an election.

As was the case for real disposable income per capita, there is no electoral-economic cycle of growth and decline in real transfer payments per capita. Real transfer payments grew in 26 of the 31 years from 1946 to 1976 (see Table 6a). Thirteen were election years; thirteen were not. Moreover, decreases in transfer payments were as likely to occur in election years as in nonelection years. There is also no evidence of an electoral-economic cycle in the second derivative of real transfer payments per capita, which were as likely to accelerate in nonelection years as in election years (see Table 6b). There is, then, no evidence that real transfer payments increase or accelerate especially in election years.

Although there is no biannual election cycle in the growth of real transfer payments, perhaps there is one associated with the self-interest of an incumbent president. Presidents may boost the economy with stepped-up transfer payments only in those years when they seek reelection. After all, it was in such years (1948, 1964, 1972, and 1976) that there were, in fact, clear accelerations in the growth of real disposable income. If presidents are most concerned with their own reelections, and if the control of transfer payments is the lever most easily manipulated by the executive, then it is reasonable to expect unusual increases only in certain years. Yet in only one of the presidential election years since 1946 did annual real transfer payments increase

**Tables 6a and 6b** Changes in Real Transfer Payments per Capita: Election and Nonelection Years, 1946-76

**Table 6a**

	<u>Real Transfer Payments per Capita</u>	
	<u>Increased</u>	<u>Decreased</u>
Election Years	13	3
Nonelection Years	13	2

**Table 6b**

	<u>Real Transfer Payments per Capita</u>	
	<u>Accelerated</u>	<u>Decelerated</u>
Election Years	7	8
Nonelection Years	9	6

SOURCE: U.S. President, Economic Report of the President (Washington, [D.C.]: Government Printing Office, 1978). pp. 281-282. Also see Appendix A.

more than the median annual change (see Table 7). In none of the four years in which an incumbent sought reelection was there a quickening of the increase in real transfer payments. In other words, there is no evidence that presidents augment transfer payments for electoral purposes.<sup>6</sup>

### **Transfer Payments and Presidential Popularity**

Although presidents do not typically manipulate transfer payments, and although transfer payments do not, in turn, drive changes in real disposable income, it may be that increases in transfer payments may still rebound to the president's benefit. After all, voters may very well, as Tufte argues, reward presidents who put more money in their pockets. Fluctuations in transfer payments may thus explain changes in presidential popularity. We do not find, however, any overall relationship between fluctuations in transfer payments and presidential popularity, not even in the months immediately preceding presidential elections.

To assess the political impact of transfer payments, we regress monthly Gallup presidential approval scores (gathered or tabulated every month by



**Table 7** Annual Change in Real Transfer Payments per Capita Relative to the Median Change, 1946-76

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	Number of Years Greater than median	Number of Years equal to or less than median
Presidential Election Years	2*	6
Congressional off-year Election	7	1
Non-election Years	8	7

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\*1968, 1972

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SOURCE: See Table 6.

Gallup) on both changes and accelerations in the level of monthly transfer payments. We have transformed the Gallup data to control for (1) the average approval rating of an administration (PA3), because presidents vary in their average popularity, (2) an administration's first month in office (PA1), when presidents often enjoy a honeymoon period, and (3) the highest level of a president's term (PA2).<sup>7</sup> Although a wide variety of events can affect a president's approval rating, even a modest relationship with transfer payments would give credence to the political importance of such benefits.

The estimated equations show no relationship between either increases or accelerations in monthly transfer payments and adjusted monthly presidential approval scores (see Table 8). All six equations are statistically insignificant. There is no evidence that boosting the level of monthly transfer payments directly aided the political standing of a president during the postwar period.

There is, however, the possibility that the relationship between transfer payments and presidential approval scores is strongest in the months just prior to an election, when an incumbent president usually experiences an overall increase in the public approval of his job performance.<sup>8</sup> Stepped-up transfer payments do not occur only in periods before national elections, but when they do, a president may reap the benefits. Indeed, Tufte argues that presidents are very careful to ensure that increases in such transfer payments as social security are attributed to their efforts.

**Table 8** Equations Estimating the Effect of Adjusted Monthly Transfer Payments on Adjusted Monthly Presidential Approval Scores, January 1945-December 1978

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<u>Change in Monthly Transfer Payments</u>		
$PA1 = -11.73 \quad -.56 \text{ TC}$ <p style="text-align: center;">(.32)</p>		$R^2 = .01, F = 3.06$
$PA2 = -18.47 \quad -.29 \text{ TC}$ <p style="text-align: center;">(.28)</p>		$R^2 = .003, F = 1.07$
$PA3 = \quad .08 \quad -.19 \text{ TC}$ <p style="text-align: center;">(.24)</p>		$R^2 = .002, F = .65$
<u>Acceleration in Monthly Transfer Payments</u>		
$PA1 = -12.1 \quad -.07 \text{ TA}$ <p style="text-align: center;">(.22)</p>		$R^2 = .0003, F = .09$
$PA2 = -18.66 \quad -.01 \text{ TA}$ <p style="text-align: center;">(.19)</p>		$R^2 = .00001, F = .003$
$PA3 = \quad -.06 \quad + .04 \text{ TA}$ <p style="text-align: center;">(.16)</p>		$R^2 = .0002, F = .05$

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SOURCE: *The Gallup Opinion Index*, Report No. 125 (Princeton, [N.J.]: Princeton Opinion Press, 1976); *The Gallup Opinion Index*, Report No. 163 (Princeton, [N.J.]: Princeton Opinion Press, 1979); U.S. Department of Commerce, "The National Income and Product Accounts of the United States: Revised Estimates, 1929-74," *Survey of Current Business*, 56 (January 1976), part II, pp. 40-44; U.S. Department of Commerce, "U.S. National Income and Product Accounts: Revised Estimates, 1975-77," *Survey of Current Business*, 58 (July 1978), 36; and U.S. Department of Commerce, "U.S. National Income and Product Accounts: Revised Estimates, 1976-78," *Survey of Current Business*, 59 (July 1979), 36. Also see Appendix B for the adjustments.

We reestimated the effects of transfer payments on presidential approval scores, limiting our analysis to the six months prior to elections in which incumbent presidents (excluding Eisenhower) sought reelection (1948, 1964, 1972, and 1976—see Table 9). The results do not differ from those obtained for the entire postwar period. There is no significant relationship between either changes in or accelerations in the growth of monthly transfer payments and actual or adjusted presidential support. Thus, even for the preelection periods in which one might expect there to have been a political effect from short-term economic improvement, none appears.

### **The Attribution Problem**

Although we find no relationship between transfer payments and popular approval of presidential performance, Tufte's argument linking transfer pay-

**Table 9** Equations Estimating the Effect of Adjusted Monthly Transfer Payments on Actual and Adjusted Support for the Incumbent in Presidential Trial Heats, June or July to October 1948, 1964, 1972 and 1976

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<u>Change in Monthly Transfer Payments</u>		
$*PS = 49.49 - .23 TC$ <p style="text-align: center;">(1.39)</p>		$R^2 = .002, F = .03$
$**PS1 = 3.41 - .15 TC$ <p style="text-align: center;">( .46)</p>		$R^2 = .007, F = .11$
<u>Acceleration in Monthly Transfer Payments</u>		
$*PS = 48.99 + .63 TA$ <p style="text-align: center;">(1.28)</p>		$R^2 = .02, F = .24$
$**PS1 = 3.41 - .33 TA$ <p style="text-align: center;">( .43)</p>		$R^2 = .04, F = .60$

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\* PS = Percent supporting the President in trial heats against  
the nominee of the opposing party

\*\* PS1 = PS controlled for the initial level of such support

SOURCE: George H. Gallup, *The Gallup Poll: Public Opinion 1935-1971* (New York: Random House, 1972), pp. 745, 749-51, 753, 757, 759, 761, 764, 766, 1894, 1898-99, 1901, 1903-4, 1906-7; and George H. Gallup, *The Gallup Poll: Public Opinion 1972-77* (Wilmington, [Del.]: Scholarly Resources, Inc., 1978), pp. 45, 50, 55, 59, 64, 66, 68, 801-2, 815, 818, 850-51, 864, 877-78, 893-94. For sources of transfer payments data, see Table 8. Also see Appendix B.

ments and voting in presidential elections remains plausible. Tufte assumes that individuals attribute increased payments to the incumbent administration and reward the president by voting for him. This microlevel argument assumes that individuals respond to personal economic circumstances and that those who receive larger government checks before elections vote for incumbents proportionally more than the rest of the population does. We want to assess this assumption directly in order to explain the absence of an aggregate relationship between transfer payments and presidential approval.

Presidents do worry about the attribution of government largesse, and "to insure that no beneficiary missed the point, every newly increased social security check since 1954 has been accompanied by a notice containing the name of the incumbent President."<sup>9</sup> Yet there has been no analysis of whether voters make the simple connection between receiving a check from the government and crediting an incumbent administration.

There are no survey data available that directly test the impact of monthly transfer payments on voters. There is, however, one set of data that gives us a glimpse of the relationship between the receipt of a government check and a voter's political behavior. Fortunately, it is for 1972, the only year for which there is evidence supporting Tufte's argument about economic manipulation for electoral purposes. That survey included questions about the unusually large tax refunds received by individuals in the spring of that year. In 1971, the income tax laws were changed to correct underwithholding problems for families with two incomes. This correction led in turn to overwithholding from many taxpayers, which meant that they received unusually large tax refunds in the spring of 1972. For most, the 1972 refund check arrived after the presidential campaign had begun; typically, taxpayers received it during the middle or late primaries.

The Institute for Social Research included questions about the tax refund in its 1972 national election study. Respondents were asked whether they had received a tax refund, whether it was larger or smaller than expected, and, most important, to what they attributed it.<sup>10</sup> Over half of the sample said that they had, in fact, received a refund.

Whatever this money bought, it clearly did not buy votes for the incumbent. Among those receiving a tax refund in 1972, 67 percent voted for the incumbent, Richard Nixon. But Nixon received fully 71 percent of the vote of those who found, upon filing, that they owed the government. Of those receiving a tax refund in 1972, 12 percent said that it was larger than expected. Those receiving a larger-than-expected refund would seem the most likely to reward the incumbent. Yet, fewer of those who received a larger-than-expected check actually voted for Nixon in 1972 (66 percent) than of those who received a smaller-than-expected amount (72 percent).<sup>11</sup>

One reason why tax refunds had no effect on the presidential vote in 1972 is that voters did not attribute it to the incumbent administration. Of those who received larger-than-expected checks, over 80 percent did not even know why they had received the additional money. Of those who did suggest a specific reason, less than 1 percent suggested that it had to do with the government or politics.

Analogously, we argue that voters probably do not attribute increased transfer payments to an incumbent president's actions or believe that they owe electoral support because a veteran's check or survivors' benefit increased. Politicians may see this as a massive porkbarrel operation, but the recipients of monthly transfer payments almost certainly view such income as an entitlement rather than as government largesse. A social security check, like a tax refund, is not a gift, and meager increases around election time are not likely to be viewed any differently than increases at other times of the year.<sup>12</sup>

## **Conclusion**

Our analysis of the political economy of national elections suggests the existence, at most, of an intermittent four-year economic-electoral cycle. We do find evidence of clear acceleration in real disposable income per capita in the four years when presidents sought reelection (1948, 1964, 1972, and 1976). In congressional election years and in presidential election years when the incumbent did not seek reelection, the economy was as likely to decelerate as to accelerate.

The accelerated growth in real disposable income per capita in the four years when presidents (except Eisenhower) sought reelection was caused not by increased transfer payments but by changes in macroeconomic policy, especially tax policy. In each case, a major tax cut stimulated growth. Ironically, the 1948 tax cut was enacted by Congress over a presidential veto. The 1964 tax cut provided an \$11.5 billion tax reduction, two-thirds of which went into immediate effect, before the 1964 election. Taxpayers also felt the immediate benefits of a reduction in withholding.<sup>13</sup> The 1971 cut reduced business and individual taxes by \$8.6 billion a year in 1971 and 1972, again before a national election. Coupled with a business investment tax credit, an additional tax cut of \$2.4 billion was realized in 1972. In 1975, Congress once again asserted itself by increasing a one-shot rebate of the 1974 tax payments requested by President Ford.<sup>14</sup>

In the electoral-economy literature, accelerated income growth in election years and decelerated income growth in nonelection years are taken as evidence of presidential manipulations of the economy. Presidents are presumed to have the power precisely to direct, and time, changes in national economic conditions. Yet presidents can rarely do either. The structure of government is not readily suited to such a fine tuning of the economy, because the controls for economic change are in so many hands. This is one reason why Tufte focuses on the preelection heaping of transfer payments as the policy lever most easily and directly manipulable by presidents interested in accelerated economic improvement in election years. We have shown, however, that there is no pattern of preelection heaping of transfer payments, that such a monthly heaping could not explain annual growth in disposable income, and that even annual fluctuations in transfer payments do not explain the fluctuations in disposable income from which an electoral-economic cycle is inferred. Yet even major changes in transfer payments are not at the sole discretion of the president but require congressional approval. Tufte's argument about the monthly heaping of transfer payments prior to elections is a narrower claim based on the president's more limited ability to manipulate monthly processing of checks.

Changes in real disposable income per capita are taken in the electoral-

economy literature as evidence of presidential manipulation of the economy. Yet Tufte's argument that transfer payments drive changes in real disposable income does not hold. Rather, changes in real disposable income are caused by macroeconomic policy shifts. Thus, it becomes difficult to argue that presidents have indeed manipulated the economy for electoral purposes. First, presidents do not have sole control of macroeconomic policy. Control of the money supply is invested in the Federal Reserve Board, which is independent of the White House. Changes in tax and fiscal policy require congressional assent. Second, even if a president could coordinate stimulative economic policy with other branches and agencies, it would be extremely difficult to time economic improvement to coincide with election years, much less to peak in the month or two before the election itself. The long-awaited Reagan recovery is just the most recent example. In short, the argument that presidents manipulate the economy in order to insure their reelections rests on the problematic assumptions that presidents have the power to steer the economy and that accelerated economic growth can be timed with certainty.

The inability of the president to control macroeconomic policy means that there is a problem in inferring intentionality from economic fluctuations. An acceleration in economic growth in an election year has repeatedly been seen as evidence of economic manipulation by the president. Yet the accelerated economic growth in at least two cases occurred despite, and not because of, the incumbent's desires. President Truman vetoed a tax cut in 1948, as he had twice done in 1947. The 1948 veto was overridden by the Republican-dominated Congress, and it was this tax cut that spurred the economy. Throughout 1974, President Ford refrained from cutting taxes, because he believed that such a move would be inconsistent with his anti-inflationary policies. In 1975, President Ford finally asked Congress for a one-year tax cut in the form of a rebate. Yet an aggressive Congress placed its own stamp on the federal tax legislation that year, dramatically increasing the president's rebate proposal. Not surprisingly, politicians have often disagreed about who should receive the credit or blame for economic policies and economic performance.

Even if presidential control of the economy is not quite what Tufte cracks it up to be, national economic conditions can still affect political behavior and political outcomes. The relationship is not the microlevel one that Tufte suggests, however. There is no evidence that recipients of larger government checks attribute this to the incumbent administration; voters do not reward incumbents who put more money in their pockets. There is simply no relationship between fluctuations in transfer payments and fluctuations in presidential approval scores. Further, other studies find little or no relationship between personal economic circumstances and the vote. Even analyses of the electoral response to national economic conditions find evidence only that voters

**Table 10** Annual Changes in Real Disposable Income per Capita and in Real Transfer Payments per Capita, 1946-76

	percent annual change in real disposable <u>income per capita</u>	percent annual change in real transfer <u>payments per capita*</u>
1946	-2.90	66.30
1947	-5.90	- 8.20
1948	3.40	-10.30
1949	-1.50	9.10
1950	5.90	17.20
1951	.90	-23.50
1952	1.10	- .10
1953	2.30	3.90
1954	- .60	12.00
1955	4.10	5.10
1956	2.60	2.90
1957	.30	9.90
1958	- .50	15.40
1959	2.30	.60
1960	.04	3.00
1961	1.00	10.40
1962	2.60	- .03
1963	1.90	2.90
1964	5.60	1.60
1965	4.80	4.80
1966	3.90	6.30
1967	3.00	13.60
1968	2.80	8.30
1969	1.50	5.10
1970	3.00	13.70
1971	2.60	11.60
1972	3.30	6.00
1973	5.90	7.50
1974	-2.20	6.10
1975	1.00	15.20
1976	3.10	2.80

\*The price deflator used to calculate real transfer payments was generated using the figures for disposable personal income.

SOURCE: U.S. President, Economic Report of the President (Washington, [D.C.]: Government Printing Office, 1978), pp. 281, 283.

punish incumbents for poor performances but do not necessarily reward them for economic improvement.

Our own view is that economic change at most affects the agenda of election-year issues. A declining or sluggish economy is certain to be an election issue for which incumbents take the heat. In such cases, the economic issue will help the challenger. An improving economy, on the other hand, simply insures the incumbent that the economy will not be an election-year issue. The incumbent may not be rewarded for the economy's performance,

**Table 11** Gallup Monthly Presidential Approval Scores

<u>Administration</u>	<u>Period</u>	<u>Beginning Approval Score</u>	<u>Highest Approval Score</u>	<u>Average Score</u>
Truman	1/46 - 12/52	63	69	40
Eisenhower	1/53 - 12/60	67	79	65
Kennedy	1/61 - 11/63	72	79	70
Johnson	12/63 - 12/68	78	80	55
Nixon	1/69 - 8/74	60	67	49
Ford	9/74 - 12/76	66	66	46
Carter	1/77 - 12/78	69	72	54

SOURCE: The Gallup Opinion Index, Reports 125, 163.

and other issues that form the basis for the challenger's campaign may lead to the incumbent party's defeat. War and peace, for example, have been critical concerns in a number of postwar elections, especially during America's two periods of involvement in Asian land wars.<sup>15</sup> Candidates may be so popular or unpopular that their personalities or their qualifications for leadership overshadow the state of the economy.<sup>16</sup> In short, an improving economy in an election year is not necessarily a guarantee of presidential reelection.

Nonetheless, presidents clearly prefer an improving national economy to a deteriorating one even in nonelection years. Moreover, they probably do especially desire economic improvement in the year of their reelection bid. Yet presidents cannot engender economic growth singlehandedly; and often, they cannot precisely direct and time the future course of the economy. The immediate electoral effect of their economic policies is on the issue agenda, on whether or not the economy will itself become an election issue. This is part, but by no means all, of the story of who wins the presidency.

—Appendix A—

**The Adjustment of Monthly Transfer Payments and Real Disposable Income to Comparable Annual Measures**

In order to evaluate the relationship between fluctuations in transfer payments and in real disposable income per capita, it is necessary to have comparable data for the two



series. Using the data available from the *Economic Report of the President* for both real disposable income per capita and disposable income per capita (i.e., data on disposable income in both constant and current dollars), we have calculated a price deflator by dividing the series in current dollars by the one in constant dollars. Using yearly population data from the U.S. Department of Commerce, we determined annual real transfer payments per capita and then standardized them in order to provide data showing the annual percentage change in real transfer payments per capita. Thus, as Table 10 shows, it is possible to analyze the covariation of changes in real transfer payments per capita with changes in real disposable income per capita across election and nonelection years.

### —Appendix B—

The equations estimated in Tables 8 and 9 were specified as follows:

$$Y = a + bX + e$$

where Y = PA1 monthly presidential approval scores adjusted for the first month of an administration

PA2 monthly presidential approval scores adjusted for the highest score during an administration

PA3 monthly presidential approval scores adjusted for the average score for an administration

PS presidential support in trial heats against the nominee of the opposing party

PS1 presidential support in trial heats controlled for the initial level of such support

a = a constant that is without meaning

b = the regression coefficient

X = TC change in monthly transfer payments

TA acceleration in monthly transfer payments

e = a randomly distributed error term

PA1, PA2, and PA3 were constructed for each administration in the post-World War II period by subtracting the monthly approval score from the levels shown in Table 11.

TA and TC were constructed in the following way:

$$TC = (T_t - T_{t-1})$$

$$TA = (T_t - T_{t-1}) - (T_{t-1} - T_{t-2})$$

where

$T_t, T_{t-1}, T_{t-2}$  = seasonally adjusted monthly transfer payments at time, t, at time, t-1, etc.

## NOTES

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1. Edward R. Tufte, *Political Control of the Economy* (Princeton: Princeton University Press, 1978). Numerous recent scholarly articles have analyzed the relationship between economic change and mass political behavior. For a discussion of the electoral effects of national economic changes, see Gerald H. Kramer, "Short-Term Fluctuations in U.S. Voting Behavior, 1896-1964," *American Political Science Review* 65 (March 1971): 131-43; George J. Stigler, "General Economic Conditions and National Elections," *American Economic Review* 63 (May 1973): 160-67; Howard S. Bloom and H. Douglas Price, "Voter Response to Short-Term Economic Conditions: The Asymmetric Effect of Prosperity and Recession," *American Political Science Review* 69 (December 1975): 1240-54; Ray C. Fair, "The Effect of Economic Events on Votes for President," *Review of Economics and Statistics* 60 (May 1978): 159-73; Susan J. Lepper, "Voting Behavior and Aggregate Policy Targets," *Public Choice* 18 (Summer 1974): 67-81; William A. Niskanen, "Economic and Fiscal Effects on the Popular Vote for the President," in *Public Policy and Public Choice* Douglas W. Rae and Theodore J. Eismeier, eds. (Beverly Hills, [Calif.]: Sage Publications, 1979), pp. 93-117; M. Stephen Weatherford, "Economic Conditions and Electoral Outcomes: Class Differences in the Political Response to Recessions," *American Journal of Political Science* 22 (November 1978): 917-38; Assar Lindbeck, "Stabilization Policy in Open Economies With Endogenous Politicians," *American Economic Review* 66 (May 1976): 1-19; C. Duncan MacRae, "A Political Model of the Business Cycle," *Journal of Political Economy* 85 (April 1977): 239-63; Samuel Kernell, "Politics and Economic Performance in Modern Industrial Democracies" (Paper delivered at the Annual Meeting of the American Political Science Association, New York, N.Y., November 1978); and William R. Keech, "Elections and Macroeconomic Policy Optimization," *American Journal of Political Science* 24 (May 1980): 345-67.

2. The electoral-economic cycle is usually defined as an aggregate increase in the level of economic activity in election years followed by a net decline in off years; in times of continuous economic growth, the political business cycle may be found in the acceleration or deceleration of aggregate economic indicators. Throughout this article, we examine both aspects of national economic change.

3. In our analysis, we often exclude the Eisenhower years from consideration. This accords with the accepted notion that the Eisenhower administration did not attempt to use economic policy to manipulate the economy at election time. See Herbert Stein, *The Fiscal Revolution in America* (Chicago: University of Chicago Press, 1969), as well as Tufte. The data on real disposable income per capita do not show the existence of an electoral-economic cycle during the Eisenhower presidency. Using this and documentary evidence, Tufte posits that the cycle did not exist because manipulation was not tried, and that the Eisenhower administration had nonelectoral economic priorities. Our reasoning is somewhat different. As we show later, the Eisenhower administration was not the only incumbent presidency that shunned using economic policy as a reelection tool. Yet Eisenhower may have been the only president whose policy preferences were not overruled by a Congress eager for a stimulated economy.

4. Moreover, this conclusion accords with other findings that there exists a four-year cycle in the unemployment rate, with the troughs coming in presidential election years. See William D. Nordhaus, "The Political Business Cycle," *Review of Economic Studies* 42 (April 1975): 160-90; and Douglas Hibbs, Jr., "Political Parties and Macroeconomic Policy," *American Political Science Review* 71 (December 1977): 1467-87.

5. It should be noted that the graphs Tufte provides on p. 41 for 1962, 1964, 1970, and 1972 (his four examples of kyphosis) show transfer payments from August to December for each year. This and the text leave the impression that the figures for earlier months (January through July) are lower; often, they are not (see Table 4). The graph that Tufte presents for 1970 shows the De-

ember figure as the highest: apparently the kyphosis argument is based on the fact that the October figure is higher than the November one. The pattern presented by Tufte for 1964 is simply not reproducible. Our own conjecture is that the problem is one of transcription error. The data that Tufte provides for August, September, and October are correct, but the observations for November and December could only have been obtained by his taking them, in error, from the personal-interest income column immediately to the left of the transfer-payments column in the source. See U.S. Council of Economic Advisers, *Economic Indicators*, August 1965, p. 4.

6. Somewhat surprisingly, congressional off-year elections exhibit the clearest manipulation of annual transfer payments (Table 7). In seven of the eight off-year elections, the increase in transfer payments was greater than the median change. In a separate analysis, we regressed annual changes and accelerations in transfer payments against the congressional vote. Neither the annual growth nor the acceleration in transfer payments was related to the percentage of Democratic ballots cast in congressional elections from 1946 to 1978, whether in presidential election years, with or without an incumbent, or in midterm election years.

Tufte analyzes midterm congressional elections and on-year elections separately, controlling for the popularity of the president in midterm elections and for the relative popularity of the nominee of the incumbent's party in on-year elections. Tufte assumes that citizens attribute economic fluctuations to the president's party and analyzes their effects on voting in congressional elections while controlling for the long-term expectation for the party as well as for popularity. Tufte reports a simple correlation of .72 between the yearly change in real disposable income per capita and the standardized vote loss by the president's party in the midterm election. He finds that the yearly change in economic conditions has a significant effect on the congressional vote shift, even controlling for presidential popularity. Yet the scatterplot he provides (p. 113) suggests a still more complicated relationship: there is an electoral effect only when the yearly change in economic conditions is negative, whereas a positive change in economic conditions has no effect on balloting. In other words, voters punish the president's party when the economy deteriorates but do not reward it when the economy is on an upswing. Differentiating among midterm election years by analyzing separately those in which the economy turned down and those when it moved up suggests, however, that it is impossible to draw clear conclusions about the effect of the economic change on midterm elections.

Tufte also analyzes on-year congressional elections and finds that the yearly change in economic conditions and the standardized vote loss or gain by the president's party are correlated (.77), and that the yearly change in economic conditions has a direct effect on the percentage change in congressional voting in presidential election years. Yet the scatterplot (p. 120) suggests that the relationship is driven by the residual observations for 1960 and 1964: 1960 was the only presidential election year in which real disposable income per capita did not increase; 1964 was the year in which it grew the most. When one excludes the 1960 and 1964 observations, the correlations between the yearly change in economic conditions and the shift in congressional voting drops to .22, and the regression analysis reveals no effect of yearly changes in economic conditions on the congressional vote shift.

7. Our purpose is not completely to model presidential approval over time. As John E. Mueller, *War, Presidents and Public Opinion* (New York: John Wiley and Sons, 1973), and James A. Stimson, "Public Support for American Presidents: A Cyclical Model," *Public Opinion Quarterly* 40 (Spring 1976): 1-21, have shown, the actual shape of a president's approval function within a single term is hyperbolic. What we want to assess is the degree to which variation within a president's term is related to fluctuations in monthly transfer payments. Hence, the nonlinear intra-administration variation of each president's term of office is unadjusted.

8. Stimson.

9. Tufte, p. 30.

10. The data for this part of our analysis were made available by the Inter-University Consortium for Political and Social Research. The data for the CPS 1972 American National Election Study were originally collected by the Center for Political Studies of the Institute for Social Research, The University of Michigan, under grants from the National Science Foundation and the National Institutes for Mental Health. Neither the original collectors of the data nor the consortium bears any responsibility for the analysis or interpretations presented here. The exact wording

of the questions about the tax refund follows:

- R1: "At federal income tax filing time last spring, I mean early in 1972, did you (and your husband/wife) find that you were entitled to a refund, or did you owe the government money, weren't you required to file an income tax return?"
- R4: "Was your federal tax refund last spring larger than you had expected before you filled out the tax return, or was it smaller, or was the refund about what you had expected?"
- R4a: "Why was the refund larger than you expected it would be?"

11. It may be, of course, that those who owed money were those with higher incomes, those much more likely to be Republican partisans. Indeed, their predisposition to support the Republican candidate at certain fixed levels must be considered a base against which the effects of a tax refund can be measured. The construct of the normal vote provides a theoretically meaningful way to establish a normal baseline expectation of voting behavior, and it is possible to provide a derived baseline to indicate the degree of support each party could expect to receive from those who received a tax refund as well as from those who found themselves mailing the IRS a check. See Philip E. Converse, "The Concept of the Normal Vote," in *Elections and the Political Order*, Angus Campbell, Philip E. Converse, Warren E. Miller, and Donald E. Stokes, eds. (New York: John Wiley and Sons, 1966), pp. 9-39; and Arthur H. Miller, "Normal Vote Analysis: Sensitivity to Change Over Time," *American Journal of Political Science* 23 (May 1979): 406-25. These expected values can be compared to the observed Republican proportion of the presidential vote within each of these categories (refund recipients and check writers). We can assess the difference between the expected and the observed vote in order to determine how receiving a tax refund affects partisan support for the Republican incumbent.

Taxpayers who owed the government additional money were expected to have given the incumbent about four percentage points more (46 percent) support than those who received a refund (42 percent). That expectation was, in fact, borne out in the observed proportion of each group that voted Republican (71 percent and 67 percent, respectively).

A normal vote analysis for those who expected more or less than they in fact received also supports the finding that a larger-than-expected refund from the government did not increase the voter's likelihood of supporting the incumbent. The expected vote for those receiving a smaller-than-expected tax refund was less Republican (39 percent) than those receiving more than expected (44 percent). Yet this predisposition did not carry over in the two groups' voting behavior; again, those receiving less back than they expected were more likely to support the incumbent (72 percent) than the other recipients of tax refunds (66 percent) were.

12. This is consistent with the absence of any relationship between monthly transfer payments and monthly presidential approval scores. This complements the findings that personal economic experiences of voters do not affect their political behavior. See Donald R. Kinder and D. Roderick Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgments in Congressional Voting," *American Journal of Political Science* 23 (August 1979): 495-527; Donald R. Kinder and D. Roderick Kiewiet, "Sociotropic Politics: The American Case," *British Journal of Political Science* 11 (April 1981): 129-61; and David O. Sears, Richard R. Lau, Tom R. Tyler, and Harris M. Allen, Jr., "Self-Interest vs. Symbolic Politics in Policy Attitudes and Presidential Voting," *American Political Science Review* 74 (September 1980): 670-84. We also complement the findings that voters do not reward politicians for economic prosperity. See Howard S. Bloom and H. Douglas Price, "Voter Response to Short-Term Economic Conditions: The Asymmetric Effect of Prosperity and Recession," *American Political Science Review* 69 (December 1975): 1240-54.

13. Note that from 1963 to 1964, the growth of real transfer payments decelerated.

14. *Congress and the Nation, Volume IV, 1973-1976* (Washington: Congressional Quarterly, 1977), p. 54.

15. Arthur H. Miller, Warren E. Miller, Alden S. Raine, and Thad A. Brown, "A Majority Party in Disarray: Policy Polarization in the 1972 Election," *American Political Science Review* 70 (September 1976): 753-78.

16. Gregory B. Markus and Philip E. Converse, "A Dynamic Simultaneous Equation Model of Electoral Choice," *American Journal of Political Science* 73 (December 1979): 1055-70.

“Elections communales.” In one of the communes, a local party called Intérêts Communaux du Kinyaga (Intercoki) won 3 seats, or 23 percent. Because this party was widely regarded as a front for Rader, I include its seats among those for “Tuutsi-related parties.”

77. Theda Skocpol, *States and Social Revolutions* (Cambridge: Cambridge University Press, 1979), pp. 114-15.

78. As James Scott has pointed out, peasant institutions insulated from state power can provide a basis for particularly militant forms of protest. See his “Hegemony and the Peasantry,” *Politics and Society* 7, no. 3 (1977): 267-96.

79. Scott, *Moral Economy of the Peasant*.

80. Samuel L. Popkin, *The Rational Peasant: The Political Economy of Rural Society in Vietnam* (Berkeley: University of California Press, 1979).

81. For an analysis of various ways in which colonialism has affected rural African societies, resulting in development for some, underdevelopment for others, see Joel Samoff, “Underdevelopment and Its Grass Roots in Africa,” *Canadian Journal of African Studies* 14, no. 1 (1980): 5-36. Samoff emphasizes the importance of local level studies for exploring the differential effects of colonial changes.

82. An important goal of the rural protesters was to regain rights that had been eroded by the development of state structures under colonialism. However, the espousal of that goal should not be interpreted as the expression of an attempt to reestablish structures and relationships of the same form.

### Errata

“The Political Economy of National Elections,” by Thad A. Brown and Arthur A. Stein (July 1982, vol. 14, no. 4): p. 483, main paragraph, should be “see Table 5” rather than Table 7; p. 488, Table 9: under “acceleration in monthly transfer payments,” the equation should read: “\*PS = 48.99 - .63 TA” (i.e., a minus sign rather than a plus sign); p. 496, note 6, paragraph 2, line 8, should be: “that the yearly change in economic conditions has a significant direct effect on the congressional vote. . . .” (the word *direct* was left out); p. 486, Table 7 should read:

	Number of Years Greater than median	Number of Years equal to or less than median
Presidential Election Years	1*	7
Congressional off-year Election	7	1
Non-election Years	7	8

\*1968

Source: See Table 10.