
The Practice of Political Economy

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The Practice of Political Economy

By PAUL W. McCracken*

I enclose a copy of the paper I shall give at Christmas. Please forgive the unbelievable diligence.

This was the full text of a letter that arrived from George Stigler on October 10, and it reflected that economy of words for which he is justly famous. (Stiglerian prose is all lean meat.) For some weeks I was uncertain about whether the paper's most dramatic feature was its October arrival or its substantive content, at the outset being inclined toward the former. With the advantage, however, of that perspective which is made possible by the long interlude between October 10 and the point at which comments on Association papers are prepared, I finally concluded that, as would be expected from its author, the findings of the paper themselves deserved top billing.

The evidence presented in the paper seems persuasive to me. It is difficult to look at this analysis and still subscribe to the widely held view that election results are highly sensitive to swings in business conditions. Once again we seem to have found that what "everybody knows" to be true is not necessarily true. There are, of course, others. "Everybody knows" that consumers will accelerate their spending if they expect the price level to rise, although survey evidence suggests that the expectation of more inflation tends to inhibit buying plans.

The existence of God if true, observed the distinguished Quaker philosopher Elton Trueblood, is the single most

important fact for humanity, and he regarded it as true. Stigler's findings, if true, may not have quite the same profound implications for the human race as Trueblood's hypothesis, but it certainly has profound significance for those interested in political economy, and that would be most of us.

Since Stigler's analysis of macro evidence is exhaustive and impressive, suppose that we turn to micro evidence to see if it provides any clues to an understanding of why the macro results turn out the way that they do. Here we do gain some insight into attitudes pertinent to Stigler's analysis. Survey data seem to indicate that people do not associate their own economic welfare and well-being as closely with government programs and policies as economists might assume—as, in short, "everybody knows" that they do. Some evidence from Survey Research Center studies is useful here. In a paper earlier this year, Burkhard Strumpel presented some findings from questions asked in the Spring 1972 quarterly survey. These questions could be given a generally optimistic or pessimistic answer and the figures presented here are the percentage of respondents giving an optimistic response less the percentage giving a pessimistic response. The results are given separately for blue- and white-collar respondents (see Strumpel).

Now these data can be examined in several different ways. In general white-collar people seemed to be more satisfied with their lot than blue-collar respondents. For white-collar respondents, for example, optimistic answers exceeded pessimistic answers by 74 percentage points when

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TABLE 1—NET PERCENTAGE OF OPTIMISTIC RESPONSES

Question	White-Collar (In Percent)	Blue-Collar
PERSONAL SITUATION		
1. How do you feel about the income you and your family have?	61	60
2. How do you feel about your standard of living—the things you have like housing, car, furniture, recreation, and the like?	84	71
3. Do you feel that your total family income is enough for you and your family to live as comfortably as you would like at this time?	65	35
4. Compared to what you had hoped for three to five years ago, would you say that your present standard of living is <i>better</i> now, <i>worse</i> , or about the <i>same</i> as you had expected it to be?	25	17
5. Thinking of your material wishes—your future standard of living—what would you say are the chances that you will achieve what you desire?	74	47
6. Considering how much you earn from your (main) job, how do you feel your income compares with others in your line of work with similar skills, experience, education, age, etc.?	79	68
AVERAGE	65	48
GENERAL SITUATION		
1. Now turning to business conditions as a whole—do you think that during the next 12 months we will have <i>good</i> times financially, or <i>bad</i> times, or what?	36	29
2. Looking ahead which would you say is more likely—that in the country as a whole we will have continuous good times during the next 5 years or so, or that we will have periods of widespread unemployment or depression, or what?	12	—9
3. How do you feel about . . .		
(a) what our government is doing about the economy—jobs, prices, profits?	—5	—12
(b) what you have to pay for basic necessities such as food, housing, and clothing?	8	1
(c) the way our national government is operating?	9	—
(d) the way our political leaders think and act?	19	—15
AVERAGE	13	—1

people were asked about their chances to achieve the material things of life they desire, while the figure was only 47 percent for blue-collar responses. And there is always a question about whether the glass is half full or half empty. A substantial percentage of respondents were discontented with their lot and elections usually tend to be won or lost by a few percentage points.

The striking feature of the responses, however, is the extent to which there is substantially more optimism reflected in people's views generally about their own economic situation than in their views about the economic and political environment. Whether asked about the adequacy of their income or their standard of living or prospects for the future—respondents

having a generally sanguine or optimistic view substantially out-numbered those having a pessimistic view. For white-collar workers the average net optimism for the six questions bearing essentially on their own personal economic situation and outlook was 65 percent.

When we turn to attitudes about the political and economic environment, the responses became markedly less sanguine. People clearly did not think that the government was doing enough about jobs, prices, and profits—a question which elicited more pessimistic than optimistic responses. And they gave a rather unenthusiastic response when asked how they felt about the way political leaders think and act—a net of plus 19 percentage points for

TABLE 2—ATTITUDES TOWARD UNEMPLOYMENT AND OPPORTUNITY
(Percentage of respondents)

Question	White-Collar (In Percent)	Blue-Collar (In Percent)
1. Which of these statements is closest to the way you feel things actually are?		
a. It's the lack of skills and abilities that keeps most unemployed people from getting a job; if they had the skills most of them could get a job.	71	63
b. Many people with skills can't get a job; there aren't any jobs for them.	27	35
2. And these?		
a. People who don't do well in life often work hard, but the breaks just don't come their way.	37	45
b. Some people just don't use the breaks that come their way; if they don't do well, it's their own fault.	62	54
3. And these?		
a. People who are born poor have less chance to get ahead than other people.	33	30
b. People who have the ability and work hard have the same chance as anyone else, even if their parents were poor.	65	70

white-collar workers and minus 15 for blue-collar respondents. This seems to be in line with other studies which show a decline in people's esteem for our institutions generally—including, incidentally, education (see Arthur H. Miller). The average for questions probing attitudes about the political and economic environment was a plus 13 percentage points for white-collar respondents, and for blue-collar respondents it was a minus 1 percentage point (compared with 65 and 48 respectively for questions about their own situation).

This seems also to be supported by other attitudes about what determines the well-being of people as they themselves see it.

When people are asked whether it is lack of jobs or lack of skills and persistence and hard work that accounts for unemployment, respondents clearly voted for the latter—though the margin was wider for white-collar than for blue-collar respondents. And when they are asked whether people who are born poor have the same chance as others if they work hard, the Protestant ethic gets a strong vote of confidence—and the margin is wider for blue-collar workers than for those in the white-collar ranks.

With these attitudes, therefore, people

can quite rationally have a sanguine view about personal prospects and a dour view about the economic and political environment. And changes in the economic indicators would not, therefore, normally be expected to be at the top of factors determining what people would do when they walk into the voting booth.

We must, however, be careful not to prove too much. To say that over long periods the evidence from macro analysis shows little relationship between economic swings and the election results is not to say that the former are never relevant to the latter. It is difficult to believe that the four-year decline from 1929 to 1933 was irrelevant to the demise of Republicans as the majority party in American political life. And 1958 seemed to be a pretty rough year for those few Republicans still alive, though incumbency may be less important than whether the candidate seems to position himself on the side of the people.

More recently we have some survey evidence showing a profile of sentiment in favor of the President that does seem to be related to the economy. With the President's new actions on economic policy and his TV address on August 15, 1971, Sindlinger's weekly surveys showed a

marked and sustained rise in the proportion of those indicating Nixon as their first choice for President. (More than twenty others were also mentioned.) And it is reasonable to assume that in 1971 the President would not have fared as well at the polls in a July election as he would have if the voters were to have cast their ballots in September of that year. The proportion of those in 1971 who indicated that Nixon was their first choice for President rose from 29 percent before the Au-

but it is not debatable that his political support rose sharply with them.

What this all seems to suggest is that, within reasonable tolerances, changes in political sentiment are more apt to reflect the myriad of other factors that bear on voter sentiment. If the swing is outside these tolerances, or if the event is sufficiently visible or discrete, economic developments can exert a substantial effect on citizen support of the incumbent.

If, therefore, the economic indicators start to waver, the economist may sleep well at night, knowing that in all probability it means little, but the politician may for very good reasons remain awake, wondering if this will be one of those cases that transforms him into a statesman.

TABLE 3—PERCENT FOR WHOM NIXON IS FIRST CHOICE

1971	"Big Event"	Percent
July 8-12	Before China	28.5
July 24-29	After China	34.9
Aug. 5-11	Before August program	26.6
Aug. 26-Sept. 1	After August program	47.7
Dec. 25-31	Year end	44.2

Source: Sindlinger and Company.

gust program to 47 percent afterwards and it held in that zone. As events unfolded, it may be that the President could have won in 1972 without the August 1971 actions,

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