

ECONOMIC FINDING

Political Polarization and Expected Economic Outcomes

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Both Republicans and Democrats expect their preferred candidate to win with a very high probability, and they expect the economy to perform poorly when the candidate of the opposing party wins. These expectations will have lasting impact after the election.

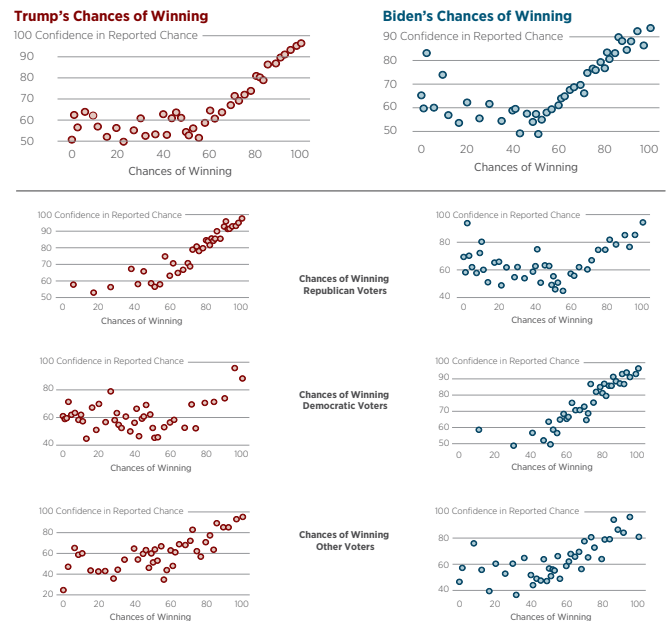
Political preferences are powerful, and they influence people's expectations about economic outcomes. That's a key finding of this research that uses a recent large-scale representative survey of the US population (Oct. 19-21, 2020) to parse political differences and how those differences reveal themselves in people's expectations of economic performance.

Fully 87% of Democrats expect Biden to win while 84% of Republicans expect a Trump victory in the Nov. 3, 2020, presidential election, and many of those are 100% convinced of their favored outcome. These differences across party lines are not innocuous. Americans hold fundamentally different conditional expectations about the economy over the next year depending on the presidential winner, despite that presidents seem to have little discernible effect on the economy, especially over short horizons. The authors find that Republicans expect a fairly rosy economic scenario if Trump is elected but a very dire one if Biden wins. Democrats expect calamity if Trump is re-elected but an economic boom if Biden wins.

What does this mean for economic expectations after the election? When the election is ultimately decided, one group of voters will become much more pessimistic than they were prior to Nov. 3. They may also be more likely to question the legitimacy of the election's outcome if they did not foresee it as remotely possible. The winning group's expectations, in contrast, will be largely unaffected since they already expected to win. As a result, the average macroeconomic outlook could deteriorate after the election. Importantly, the authors find that election-driven changes in beliefs on the part of consumers will likely translate into their spending decisions as well.

Among other findings, the authors determine that the views of many individuals of either party are so tightly held that they are unaffected by information that calls for a more nuanced view. Only for Independents, or more generally for those who are less confident about the outcome of the election, do they find strong effects of new information on perceived electoral outcomes. Many voters, it seems, will accept the results of the election only if the final count affirms their prior conviction.

Figure 1 • Trump and Biden's Chances of Winning 2020 Election and Confidence in Reporting



Notes: Respondents are randomly split into two equally-sized groups. One group is asked about the chance of Trump winning the 2020 Presidential election (left column). The other group is asked about the chance of Biden winning (right column). Each panel reports a binscatter for the reported chance and confidence (from 0 to 100) in the reported chance. All statistics are computed using sampling weights. "Other" includes respondents who when asked about their political affiliation chose Green party, Libertarian party, other party, "do not lean to any party", or "prefer not to answer".