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THE EFFECTS OF PERSONAL ECONOMIC PROBLEMS
UPON VOTING IN AMERICAN NATIONAL ELECTIONS

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ABSTRACT

Several previous studies have concluded that individuals' personal economic conditions exert only weak, intermittent effects upon their voting decisions. These studies, however, have all used the same measure to test the same basic hypothesis -- that economic adversity of any kind leads to voting against the incumbent President and candidates of his party. This study uses answers to a battery of open-ended questions included in the 1972-1976 CPS National Election Studies to develop new and more detailed indicators of personally experienced economic problems. These data are then used to test an alternative, policy-oriented hypothesis that personal difficulties resulting from inflation lead voters to give greater support to the Republicans, while voters personally injured by unemployment give greater support to the Democrats.

In analyzing these new measures this study repeatedly found important differences between inflation and unemployment. First, unemployment inflicts substantial objective economic costs while the major costs of inflation, at least in the short run, are the more intangible psychological costs of coping with more uncertainty. Secondly, the costs of unemployment are heavily concentrated among certain sectors of the labor force, while the costs of inflation are borne roughly equally by all major groups in society. Thirdly, inflation and unemployment differ markedly in their political ramifications. Only a small percentage of individuals cited unemployment, but they tended to perceive the Democrats to be better at dealing with unemployment,

and gave relatively greater support to Democratic candidates. In contrast, during the period studied a large percentage of the citizenry cited inflation as their most serious economic problem. But these voters did not give a significant edge to either party as better able to handle inflation, nor did their concern over inflation systematically affect their choices in presidential and congressional elections.

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I. INTRODUCTION

During the last few years there have appeared several studies investigating the impact of personal economic experiences upon voting. The notion that voters' choices are strongly influenced by such experiences obviously has great appeal. It would seem self-evident that directly experienced economic adversity has a much stronger impact on attitudes and behaviors than to indirectly hear or read about it. This view jibes nicely with our intuitions about human nature, i.e. that people tend to look out for Number One. Furthermore, given the mass public's typically low level of attentiveness to public affairs [Converse, 1975], a strong "information cost" argument can be made in its favor. As Popkin et al. [1976] argue, people can pick up all the political information they need in shopping, investing, and other routine economic activities.

Most of these studies based their analyses upon individuals' perceived financial situation, as measured by a question included in every CPS National Election Study since 1956. This question simply asks respondents whether the financial situation of themselves and their families had improved, stayed the same, or worsened during the past year. The obvious prediction is that the more unfavorable the

individual's recent economic fortunes the more he or she will vote against the incumbent President and his party's congressional candidates.

Although these studies utilized a wide range of research strategies and statistical models, they all reached similar conclusions. Individuals' perceptions of their own financial condition exerted only weak, scattered effects upon voting in congressional, senatorial, and gubernatorial elections, and more consistent but still quite modest effects in presidential races [Ben-Gera Logan, 1977; Fiorina, 1978; Klorman, 1978; Kinder and Kiewiet, 1979]. There is, in short, substantial agreement with Kinder and Kiewiet's [1979] verdict, that "Under ordinary circumstances, voters evidently do not make connections between their own personal economic experiences -- however vivid, immediate, and otherwise significant -- and their political attitudes and preferences" (p. 522).

Given the great intuitive appeal of the underlying hypothesis, the failure to find anything more than small, intermittent effects associated with these financial perceptions is striking. There are, however, serious limitations to the work which has been done in this area. First, as noted above, most analyses have examined the same measure of perceived financial conditions. Even more importantly, attention has been confined to the single hypothesis of incumbency-oriented voting, i.e. that economic decline leads to a rejection of the incumbents. But as Stigler [1973] and others have suggested, voting in response to economic difficulties may be policy-oriented,

especially with regard to inflation and unemployment. Given the different policy priorities of the two major parties [Sundquist, 1968; Okun, 1973; Hibbs, 1977; Tufte, 1978], a policy-oriented hypothesis predicts that, everything else being equal, voters concerned about unemployment will tend to support Democratic candidates, while voters more concerned about inflation will opt for the Republicans.¹

To characterize such voting as "policy-oriented" is not to imply that voters need a sophisticated understanding of fiscal or monetary policy instruments. On the contrary, their concern over inflation or unemployment can be confined solely to policy outcomes. Neither must they believe anything in particular about the empirical relationship between inflation and unemployment, or recognize that full employment and price stability pose conflicting goals. In short, policy-oriented voting in this context requires only that voters (1) see inflation or unemployment as a personally troublesome problem, (2) believe that public policies should be directed toward alleviating their problem, and (3) perceive differences between the parties in the amount of effort and/or skill they would apply in combatting their problem.

Previous research provides evidence supportive of each of these points. First, economic concerns are central to American life. When asked to name their fondest hopes and worst fears, Americans refer most frequently to their economic well-being in times of both uncertainty [Campbell et al., 1976] and prosperity [Cantril, 1965]. Secondly, individuals' policy preferences often reflect their own

economic standing [Campbell et al., 1960]. More specifically, Hibbs' [1977] analysis of survey data led him to conclude that "Low and middle income and occupational status groups are more averse to unemployment than inflation, whereas, upper income and occupational status groups are more concerned about inflation than unemployment" (p. 1470). Even more to the point, Kiewiet and Kinder [1978] and Sears et al. [1980] report that individuals who had recently suffered unemployment were more supportive than average of government job and standard of living guarantees. Thirdly, it appears to be in the area of economic policy where perceptions of differences between the Democrats and Republicans are most prevalent. Going back to The American Voter again, Campbell et al. [1960] report that "Questions having to do with governmental underwriting of medical costs, aid to education, guaranteed employment, control of big business and labor unions, and federal housing and electric power production all reveal tendencies to link the Democratic party with the New Deal position" (p. 184). Repass [1971] found even stronger perceptions of party differences on economic policy issues when he limited analysis to those issues most salient to the individual respondent. There is, then, plenty of reason to suspect that individuals tend to react to directly experienced difficulties resulting from unemployment by giving greater support to Democratic candidates, and to problems due to inflation by supporting Republicans.

II. A NEW LOOK AT OLD EVIDENCE

As indicated above, research in this field has concentrated

almost entirely upon the same measure of consumer finances. A couple of studies, however -- by Kinder and Kiewiet [1979] and Fiorina [1980] -- did look specifically at personal difficulties due to unemployment. Kinder and Kiewiet's analysis utilized a dummy variable which registered whether or not the respondent's head of household had been out of work at some time in the last year or two. They found that this measure did no better than the personal finances item in predicting votes for or against the incumbent party's candidates. When their results are examined from the perspective of policy-oriented voting, however, a clear pattern emerges. After making a few desirable changes in their estimation procedures, these results are shown in Table 1.² The top numbers in each entry are the probit estimates, the numbers in parentheses beneath them are standard errors. As in their original analysis, the personal finances item was also specified (the "better off," "same," and "worse off" categories taking on the values of 1, 3, and .5 respectively), as were party identification terms.³ Estimates of the latter, of course, were always quite large and statistically significant. This has no direct bearing on the analysis here, however, and so for the sake of conciseness these estimates are not reported. Reported votes for Democratic candidates are represented by 0, reported Republican votes by 1, so positive signs are in a pro-Republican direction.

[Table 1 about here]

As previous studies had shown, estimates for the personal finances term were generally in keeping with incumbency-oriented

voting. Also as before, this effect was quite weak and erratic in congressional elections, but somewhat stronger in presidential races. Signs of the estimates were in the correct (incumbency-oriented) direction in all six presidential elections, and four of the six were statistically significant. Only eight of the twelve estimates for congressional races were consistent with incumbency-oriented voting, and only three were statistically significant (the significant 1966 estimate was in the wrong direction).

This, of course, is old and familiar. What is striking about Table 1, though, is that the sign of the head of household's unemployment term is in a negative and thus pro-Democratic direction in eighteen of the nineteen elections studied. The results of Fiorina's [1980] analysis were virtually identical. The only exception is the 1968 presidential race, an election in which George Wallace made substantial inroads into the Democratic party's traditional blue collar constituency. Whether or not a Democrat sat in the White House, then, respondents from households whose breadwinner had been out of work consistently gave more support to candidates of the Democratic party.

As with the personal finances measure, the impact of unemployment appears to be somewhat stronger in presidential elections than in congressional; weighting each estimate by the inverse of its standard error, the mean estimates were $-.383$ and $-.235$ respectively. This makes sense, given the lower salience of congressional races [Stokes and Miller, 1962], and that the President is probably held

more directly accountable for economic conditions than his party's House candidates. But the size of the estimates varied widely; in six elections the estimates exceed .5, but in four others they are less than .1. Another indication of how weak the estimates often are is the fact that only five of the nineteen attain conventional levels of statistical significance. True, in 1956 and 1966 the unemployment measure reflects current status only, and the low N (in 1956 only 15 respondents reported that their head of household was currently unemployed) makes statistical significance difficult to achieve. But low N is usually not the problem; an average of 40 voters in the surveys report their head of household has been out of work in the previous six months, and when the previous year is considered, the average is 108. So while voters from families which have been affected by unemployment appear to consistently give greater support to Democratic candidates, the magnitude of this support is only occasionally impressive.

When we consider that the large majority of voters are not personally troubled by unemployment, it is evident that the impact of such difficulties upon electoral outcomes would be quite small. Still, the support these data have generated for the policy-oriented hypothesis is greater than the support other data on personal economic fortunes have given the incumbency-oriented hypothesis.

There are obviously shortcomings in this analysis. Above all, it concerns only the unemployment side of the hypothesis; the corollary is that voters for whom inflation is a serious personal

problem give greater support to the Republicans. What is needed in order to conduct a more compelling test of the policy-oriented hypothesis are new measures, richer in information about the specific economic problems which people confront. The task of developing and analyzing these new indicators is undertaken in the next section.

III. SELF-REPORTED PERSONAL ECONOMIC PROBLEMS

In the analysis to follow, individuals who do perceive unemployment, inflation, or other economic problems to be personally troublesome are identified by their responses to a battery of open-ended questions included in all three legs of the 1972-76 CPS American Panel Study.⁴ Respondents were asked:

Let's change the subject for a moment. We like to have people tell us what sorts of problems they have to deal with in their daily lives. Can you tell me what some of the problems are that you face these days in your life?
 . . . Anything else?

Although these questions did not specifically refer to economic problems, well over half the problems mentioned were economic in nature. References to unemployment and inflation were naturally sorted out, but categories of other important economic problems were derived from the verbatim interview data as well.⁵ The coding scheme which was thus developed, along with the marginal frequencies from all three years, is presented in Table 2. What are reported are the respondents' most important personal economic problems. If a respondent mentioned some noneconomic problem as the most important one he or she faced, e.g. poor health, but also mentioned an economic

problem, the economic problem was the one which was coded here.

[Table 2 about here]

As Table 2 shows, respondents cited inflation more frequently than any other economic problem. This category includes all references to high or rising prices, either for specific commodities like food or fuel oil, or to prices in general. Although inflation technically pertains only to price increases, it appeared that few people differentiated between high prices and rising prices. Respondents used the terms interchangeably; complaints such as "high food prices -- inflation in general" and "the high cost of living -- rising heating costs" were quite common. And the distinction may be little more than a difference in temporal perspective, i.e. prices are high now because of past inflation but rising because of continuing inflation. Confidence that this category registers what it is supposed to is bolstered by the fact that the percentage of respondents naming inflation their worst personal economic problem corresponded closely to the objective rate of inflation which obtained in these years (the Consumer Price Index rose by 3.3 percent, 11.0 percent, and 5.8 percent in 1972, 1974, and 1976, respectively).

Many economists have suspected that there is substantial confusion among the public concerning inflation and its costs. After all, it is real incomes and real prices which should concern people, not the nominal price level. Thus in explaining widespread aversion to inflation it has been suggested that people confuse inflation with a declining real income. Such confusion is understandable -- the

typical way real incomes are reduced is for price inflation to outpace one's wage increases. People may thus blame the mechanism (price inflation) instead of the end result (a lower real income).

But as Table 2 indicates, between five and seven percent of the respondents did refer explicitly to a declining real income. A variety of responses were subsumed under this category: failure of wages to keep up with price increases; living on a fixed income and being squeezed by inflation; complaints about declining purchasing power ("I've got more dollars but they don't go as far"). This category also includes complaints about failing to maintain the standard of living one is accustomed to, or having great difficulty in doing so, e.g. being forced to work extra hours or taking a second job in order to pay the bills.

The unemployment related category is broadly defined. It contains all respondents who felt their worst economic problem was that they (or persons close to them) were laid off, unemployed, worried by the threat of unemployment, or underemployed, i.e. unable to work enough hours. Despite the breadth of this definition, surprisingly few respondents fell into this category -- between 3.4 and 4.4 percent. It might be argued that many respondents felt references to unemployment would reflect badly on themselves, and thus chose to name some other problem. This seems very unlikely, however, given that they showed no reluctance to admit that they (or family members) were out of work in response to other questions. Whatever the reason, the percentage of respondents naming unemployment their

worst problem was lower than the objective rate of unemployment.

Similarly, not too many respondents referred to taxes as their worst personal economic problem. Surprisingly, the percentage was higher in the relatively prosperous year of 1972 (5.5 percent) and lower in the recession year of 1974 (only 1.3 percent). Perhaps there is a sort of rough hierarchy in the perception of economic problems, with taxes becoming salient only when other problems, e.g. unemployment, rising prices, appear to pose no immediate danger. While there are any number of taxes one might find distasteful, in most cases it could not be ascertained what form of taxation the respondent was alluding to. A residual category, general or miscellaneous economic problems, was largely composed of vague references to such things as "bills," "money problems," or "not making enough money." As Table 2 shows, the percentage of respondents falling into this category was remarkably stable from year to year -- around 20 percent each time. In fact, the size of most categories remained quite stable from year to year; only the percentage citing inflation fluctuated much. And as indicated earlier, the size of the inflation category clearly reflected the actual rates of inflation in 1972, 1974, and 1976.

Cross-tabular analyses of the economic problem reports revealed key differences between unemployment and inflation. First, respondents who cited unemployment were nearly twice as likely as average to report their financial situation had worsened during the past year. This is probably about what we should expect, given the

serious objective economic costs of being out of work. It is true that about 80 percent of the labor force is covered by some form of unemployment insurance, but such compensation falls far short of making up for lost income. As Cameron [1979] points out, the unemployed come disproportionately from that segment of the labor force which is not covered by compensation programs, and benefits for those who are covered amount, on average, to less than half the gross earnings of the typical production worker.

Respondents in the inflation category, on the other hand, appeared to differ little in their assessments of their own economic conditions. 33 percent of them reported being financially worse off than a year ago, a figure barely distinguishable from the total sample rate of 30 percent. These data suggest that a large share of the discomfort associated with inflation is not attributable to objective economic losses. Hibbs [1978] is almost certainly right, therefore, in concluding that "less tangible subjective and psychological factors are more important than objective costs in explaining widespread public aversion to inflation" (p. 12). No doubt one such factor, as hinted earlier, is the failure of many people to make the connection between rising prices and rising wages. As shown in Katona's [1975] analysis, they tend to consider increases in their income the well-deserved result of their own efforts -- doing a good job, acquiring more skill and experience, getting a promotion or better job, etc. Only a small minority of respondents in his surveys reported that their income had risen on account of better business conditions, union efforts, or from inflation-induced COLA increases. So although people

do not apparently confuse inflation with a lower real income, they probably do see it as something which prevents their purchasing power from going up as much as it should have.

There is another "psychological" factor associated with inflation, but it is a true cost, in no way resulting from a perceptual bias. Inflation increases the information costs entailed in everyday economic decision-making. Because of it, the past price of a certain good becomes a less valid indicator of what a reasonable price for the same good should be at present. People thus feel greater uncertainty about whether or not they are spending their money wisely, or whether their wages are suitable reward for the work they do. And as Katona [1975] and Okun [1975] have both noted, stable prices are imbued with notions of fairness; when prices instead are rising, people become more anxious as to whether they are paying a "fair" price for a good or service or are being ripped off. Similarly, many people's values are upset by the incentive inflation creates to consume immediately (or to borrow to consume, for that matter) instead of saving and deferring consumption.⁶

Besides differing in the nature of the costs they inflict, unemployment and inflation also differ in the way their costs are distributed. The percentages of respondents citing unemployment and related difficulties closely paralleled the objective rates of joblessness prevailing among different racial and occupational groups. According to the 1976 cross-sectional data, blacks were more than twice as likely as whites to refer to unemployment — 7.9 percent to

3.7 percent. Among occupational categories the percentages ranged from only 1.6 percent of managerial-administrative personnel to 14.0 percent of nonfarm laborers. In contrast, there was little correlation between respondents' propensity to cite inflation and a host of background socioeconomic characteristics, such as income, age, sex, race, and union membership.⁷ The evidence here, then, is quite corroborative of Katona's [1975] study. He found that individuals' responses to a question asking how badly they were being hurt by inflation — much, a little, or not at all — had virtually nothing to do with their income level.

These findings would thus indicate that (to the extent subjective perceptions mirror objective conditions) inflation does not systematically help or harm members of different age, income, or occupational groups. At first this would seem to contradict a vast body of economic literature reviewed by Hibbs [1977], which in his words, shows that "lower income and occupational groups are best served by a relatively low unemployment-high inflation macroeconomic configuration" (p. 1467). Complaints about inflation, therefore, should have been less frequent among such respondents, but as indicated above there was no real evidence of this pattern. A closer reading of Hibbs' discussion makes clear, however, that lower income-occupational groups do no benefit from inflation per se. Rather, it is that when labor markets are tight, such workers suffer lower rates of unemployment and earn relatively higher wages. Although this situation tends to be inflationary, it is the demand for their labor, not inflation, which benefits these workers. Indeed, several studies

have shown inflation to have little if any effect on the distribution of income or wealth [Hollister and Palmer, 1972; Bach and Stephenson, 1974; Blinder and Esaki, 1977; Piachaud, 1978].⁸ But what about Hibbs' [1978] survey data alluded to earlier? He reported that when asked "which of the two problems -- inflation or unemployment -- do you think will cause the more serious economic hardship for people during the next year or so?" respondents from lower status, blue collar occupations were more likely to name unemployment (and less likely to name inflation) than their higher status, white collar counterparts. Again, the contradiction is more apparent than real. For this is exactly the pattern which would emerge if these groups were, as indicated in this study, equally averse to inflation but differentially averse to unemployment.

In summary, marked differences exist between personal difficulties resulting from inflation and those associated with unemployment. There are substantial objective economic costs associated with unemployment, and these costs are concentrated disproportionately among lower income and occupational groups. The immediate short-term costs of inflation, however, are not objective income and wealth effects, but the more intangible costs of operating in a more uncertain and anxiety-provoking economic environment.⁹ These costs, furthermore, are borne in roughly equal proportion by people from all walks of life.

IV. THE EFFECT OF PERSONAL ECONOMIC PROBLEMS ON VOTING IN PRESIDENTIAL AND CONGRESSIONAL ELECTIONS

The following analysis will seek to estimate the influence of directly experienced economic problems upon voters' choices in national elections. The hypothesis, of course, is that voters who believe inflation is their worst personal economic problem will give relatively greater support to the Republicans, while those who cite unemployment related problems will be more likely to vote Democratic.

The probit model to be estimated is a simple one, taking the form:

$$v^{P,C} = f(\beta_0 + \beta_1 R + \beta_2 D + \beta_j PE + u)$$

where $v^{P,C}$ = reported presidential or congressional vote, taking on the value of 0 if Democratic, 1 if Republican.

β_0 = a constant term.

R = a dummy variable which, in 1972 takes on the value of 1 if the respondent identifies with the Republican party (as either a strong or weak identifier, or as an Independent leaning Republican), 0 otherwise. In 1974 and 1976 this variable reflects the respondent's vote in the previous elections. It then takes on the value of 1 if the vote was Republican, 0 otherwise.¹⁰

D = the same as above, except it registers Democratic identifiers or respondents who voted Democratic in the previous election. A reference group is thus composed of respondents who are Independents (in 1972)

or who had not voted in the previous election (in 1974 and 1976).

- PE_j = a battery of dummy variables, one for each of the categories of personal economic problems which were coded. The reference groups are composed of those respondents who either reported no economic problems or no problems whatsoever.
- u = a randomly distributed error term.

Results are reported in Table 3. As before, the top numbers are the probit estimates, the numbers in parentheses below them are the standard errors. Positive signs are pro-Republican in direction, negative signs are pro-Democratic.

[Table 3 about here]

The most impressive figures in these equations are for the "unemployment related" variable. In all five elections the signs are pro-Democratic in direction, and in the 1976 presidential and congressional elections the estimates are statistically significant. The estimates for the 1972 elections are also pretty high, but so are the standard errors — due mainly to the fact that only half the respondents in that election study were asked the personal problems questions. The verdict here, then, is the same as that reached in the analysis of the head of household's unemployment variable — voters who directly experience unemployment consistently give greater support to Democratic presidential and congressional candidates, but the

magnitude of this support is only occasionally impressive.

The inflation side of the hypothesis, on the other hand, receives very little support. In the 1972 presidential election the effect of this variable is in the correct (pro-Republican) direction and statistically significant. But this is the only bright spot; all other estimates are both very feeble and in the wrong direction. This suggests that policy-oriented voting may be for or against specific candidates, and not just parties in general. In 1972, apparently, voters who viewed inflation to be a serious personal problem did not hold this against Democratic congressional candidates, but they were wary of McGovern. This differential pattern of support is reasonable. To many voters his \$1,000 for everybody "demogrant" proposal probably sounded like printing up a large new batch of money, and Democratic congressional candidates were about as likely to endorse this scheme as they were to favor acid, amnesty, and abortion. This is speculation, of course. What is responsible for this finding may in fact be Type 1 error. Still it seems entirely likely that policy-oriented voting is often candidate-specific, especially when presidential candidates espouse views more extreme than those of the mainstream of their party.

The decision to distinguish between references to inflation per se and declining real income appears to have been worthwhile. Estimates of this variable's effect are all pro-Democratic direction, and four of the five are more pro-Democratic than the respective estimates for inflation. The gain was an exceedingly modest one,

however, as differences between the two are generally small. In fact, the return on investment in this entire enterprise is not overly impressive. True, there are differences in the political response to the above three sets of problems; averaging across all five presidential and congressional elections, the mean estimates were $-.011$ for inflation, $-.150$ for declining real income, and $-.404$ for unemployment. Moreover, that the unemployment effect is much more pro-Democratic than the others accords well with the policy-oriented voting hypothesis, as does the anti-McGovern direction of the inflation term in 1972. But for the remaining sets of problems there is little to be said. Estimates for the effect of taxes as a perceived personal problem are erratic in direction, while those for the "general economic problems" category do not reliably differ from zero.

The probit model estimated here is admittedly a very simple one. Cross-tabular and further probit analyses, however, revealed that the estimates generated by it are nonetheless quite robust. First of all, estimates of the problem measures were not suppressed due to high correlation with the partisanship terms. Respondents in the unemployment category were more Democratic than average, but this was precisely the same category where reliable effects upon voting had been found. The partisan composition of respondents in the inflation or general economic problems categories, on the other hand, differed little from that of the total sample. Secondly, the problem categories were virtually independent of views on other noneconomic issue items. And like the previous analysis of the respondent's head

of household's employment status, the same pattern of results were produced by several alternative specifications. In short, effects due to personal economic problems were in all probability not suppressed by specified measures with which they were strongly correlated, or by failure to specify measures with which they were negatively associated.

To a large extent these findings recapitulate those of the previous analysis. Voters who personally experience unemployment or difficulties associated with unemployment give somewhat more support to Democratic candidates. This effect, however, is confined to a small subset of the electorate. Conversely, problems cited by substantially larger numbers of voters, such as inflation or general economic problems, have little discernible impact upon voting decisions.

V. FACTORS LIMITING THE POLITICAL IMPACT OF PERSONAL ECONOMIC PROBLEMS

The only reliable support afforded the hypothesis that voting in response to personal economic problems is policy-oriented concerned unemployment. What prevents personal unemployment problems from taking on major electoral significance, however, is that such problems appear to be salient to only small numbers of people. This is not to say that few people are affected by unemployment -- in all three legs of the 1972-76 Panel Study over 20 percent of the respondents who were in the labor force reported being out of work at least once during the previous year. Why, then, are unemployment and related difficulties apparently cited by only a small subset of those who have actually

been affected by it?

[Table 4 about here]

Some strong clues are provided in Table 4, which displays the extent to which actual experiences with unemployment are reflected in self-reported economic problems. Not surprisingly, those respondents whose head of household was currently out of work were by far the most likely to name unemployment their worst economic problem. Only a minority of these respondents cited it, however -- the figures ranged from 43 percent in 1974 to 27 percent in 1976. Although around 60 percent of respondents in these surveys were also heads of households, the analysis shown in Table 4 presumably excluded a large number of respondents for whom unemployment would not be a serious hardship, e.g. young people desiring only seasonal employment, members of families with other wage earners, students or mothers looking for part-time work. Given that their family's chief breadwinner was currently out of work, the percentage of these respondents to whom unemployment was a salient, pressing problem was surprisingly low.

Several factors are probably responsible for this finding. As indicated earlier, it seems doubtful that unemployment compensation is the primary reason -- while a majority of the currently unemployed heads of household were probably receiving some compensation, such benefits fell far short of their previous income. A more important reason is probably that in many jobs periodic bouts of unemployment are expected, and seen as a natural part of the job. Similarly, a lack of job security is often counterbalanced by relatively high wage

rates. Employment in the construction industry is a prime example -- a construction worker is virtually certain to be laid off from time to time, but while working receives higher wages than he or she would at most other jobs requiring comparable levels of training and education. To the extent periodic unemployment is expected and can be prepared for, its salience as a personal problem would decline.

Expectations could also be important in another way. Not only would unemployment seem less serious if it were a "normal" occurrence -- it would also seem less threatening to individuals who expect to be working again soon. As Rosenstone [1980] points out, Census Bureau surveys indicate that over half of the unemployed return to work in five weeks or less. And as shown in Table 4, respondents who reported that their head of household was temporarily laid off cited unemployment far less frequently than those who reported his or her status as unemployed. Presumably this is because the former group was more likely than the latter to expect renewed employment in the near future. Furthermore, Table 4 also suggests that the salience of unemployment is influenced by the general state of the economy. Respondents whose head of household was currently unemployed or temporarily laid off cited unemployment much more frequently in 1974 than in 1976. This seems understandable, given that the outlook for renewed employment was probably much brighter in late 1976, a period of recovery, than in late 1974, when the economy was rapidly plunging into a deep recession.

It also appears that the pain of past joblessness is quickly

discounted. Less than 10 percent of respondents from families whose head was currently employed but had been out of work in the previous year named unemployment their worst economic problem. Now it seems unlikely that people simply forget about the income loss and other damaging effects engendered by unemployment. Rather, it seems more likely that they feel past unemployment difficulties are water over the dam, that there is nothing they can do about it now, and that it is best to get on with the problems of the present. Given that the personal salience of such difficulties fades quickly, it is likely that their impact upon voting decision rapidly dissipates as well.¹¹

As with unemployment, only small numbers of respondents referred to taxes as their most serious economic problem. Concern over taxes also failed to exhibit a consistent influence upon voting decisions. Things may well have been different in 1978, if the highly publicized "tax revolt" was indicative of widespread discontent over personal tax burdens. Unfortunately the 1978 CPS survey did not include the personal problems questions, so there is no way to know.

Plenty of people, however, fell into the remaining categories, reporting inflation, a declining real income, or general miscellaneous economic problems to be personally troublesome. Yet none of these various economic difficulties exerted a clear, consistent effect upon voting. What explains this absence of effects?

According to Sniderman and Brody [1977], whether or not personal problems are politically significant depends on how such problems are perceived. People may see the economic problems

troubling them as general and widespread, as something they share with many other people throughout society. To the extent they believe their fortunes depend on the nation's economy -- upon which governmental policies presumably have some influence -- they will see their problems as politically relevant, and believe that the government could and should take action to alleviate them.¹² On the other hand, they may believe their fortunes depend largely upon wholly idiosyncratic factors, i.e. their own physical, mental, and financial endowments, what sorts of financial responsibilities they have, or the success of the firm with which they are employed, which are not directly affected by public policy. To the extent people perceive their problems to be rooted in the particular circumstances of their own life, they view the role of government to be neither effective nor appropriate; rather, it is then their responsibility to deal with their problems as best they can.

Sniderman and Brody were able to distinguish which of these two views respondents held by their answers to a question contained on the 1972 and 1974 legs of the CPS Panel Study. After respondents had named their most important personal problem (in response to the same battery of questions upon which the present analysis is based) they were asked:

Do you think this is something you have to work out on your own, or is there someone who ought to be helping you with this? . . . Who is that?

Sniderman and Brody found that a large majority of respondents looked to themselves rather than to the government for solutions to

their problems. This being the case, the small role personal economic problems play in influencing voting decisions becomes quite understandable. However, they also found that perceptions of governmental responsibility varied from one type of problem to another. Their analysis was thus repeated using the present study's coding scheme. Results are reported in Table 5. The figures reported are the percentage of respondents in each category who believed that the government should help them cope with their most important problem.

[Table 5 about here]

The differences between categories are striking. Most respondents who named inflation, taxes, or a declining real income believed government should be combatting the problem that they found personally troublesome.¹³ Those who named unemployment were less likely to feel such assistance was warranted. And the vast majority of respondents who cited general or miscellaneous economic problems, (like those whose problems were non-economic in nature) believed they should take care of their problems on their own.

These differences make sense in light of Sniderman and Brody's reasoning. Complaints about bills, lack of money, and other general economic problems probably are, in most cases, a product of experiences which seem peculiar to one's own circumstances, e.g. failing to get an expected raise or promotion, having a child who needs braces, or unexpected automobile repairs. The opposite is true with inflation. When people see food, fuel, or housing prices going up they know that

prices are rising not just for themselves, but for everybody. They can see that their own experiences with inflation are symptomatic of a problem affecting the entire economy, and that there is little they as individuals can do about it. Consequently, most people who felt their worst problem was inflation believed the government should be trying to curb it.

To be sure, for a problem to systematically affect voting does not require every voter who is concerned about it to see the need for remedial action on the part of the government. As the present study has shown, in the problem area where one's own difficulties did consistently affect voting, i.e. unemployment, perceptions of government responsibility were less widespread than in the inflation and taxes categories. The significant minority of unemployment sensitive respondents who felt the government should be helping them was evidently enough for effects due to this problem to show up in the voting analysis. The ethic of self-reliance, then, is at best only a partial explanation for the lack of influence personal economic problems exert upon individuals' voting decisions.

Something more is thus required, and this was pointed out in the introduction: policy-oriented voting in response to personal economic problems requires voters to perceive differences between the parties in the amount of effort and/or skill they apply in combatting these problems. Obviously, if a voter believes both parties or candidates are equally (un)able to reduce inflation, personal difficulties with inflation will not affect his choice between them.

Data from the 1972 CPS survey provide some evidence on this point. Respondents who stated that the government should help them with their worst personal problem were asked:

Which political party do you think would be most likely to get the government (or government agency mentioned) to be helpful on this problem?

Besides naming either the Democrats or the Republicans, respondents could report that they saw no difference in the parties' willingness or ability to help them. In turn, these respondents could be distinguished from those who saw no need for the government to help them.

[Table 6 about here]

Table 6 reports the size of these various groups in each of the problem categories. The information it conveys goes a long way toward suggesting why the results of the voting analysis came out as they did. Although most respondents who had cited inflation believed the government should lend them a helping hand, about half of the people in this category believed neither party was more likely than the other "to get the government to be helpful" with their problem. Those who did see a difference between the parties gave a slight net advantage to the Democrats; given the small number of respondents involved, however, this narrow edge is of no real significance. A similar pattern of findings emerged for respondents who cited either taxes or a declining real income. As had been shown earlier, respondents who cited general or miscellaneous economic problems

rarely believed that their difficulties warranted government action. The few that did gave no substantial support to either party -- 6.9 percent of the total felt they would be better served by the Democrats, while a trifling 1.8 percent believed the Republicans would be of more assistance.

As was the case in the voting analysis, the major exception to the main pattern of findings here concerned respondents in the unemployment category. Although the perceived degree of governmental responsibility was only moderate, the party differential was substantial. Fully one quarter of the respondents who cited unemployment and related problems felt they would fare better under the Democrats. Almost none gave the edge to the Republicans. Apparently, the main reason that only unemployment consistently influenced voters' decisions in the elections studied is because it was the only problem in which a real difference was perceived between the competence and/or commitment of the two major parties.¹⁴

VI. SUMMARY AND CONCLUSION

The hypothesis examined in this paper is that voting in response to personal economic problems with inflation and unemployment is policy-oriented. The evidence generated herein staves off the conclusion suggested by earlier studies, i.e. that personal economic problems have no impact whatsoever upon political preferences. The bottom line instead is that the impact is a minor one.

A recurrent finding in this study was that the problems of

inflation and unemployment vary considerably along several dimensions. Perhaps the most important difference is in the nature of the costs they inflict. Although the psychological costs should not be underestimated, the objective economic costs of unemployment are substantial. The major costs associated with inflation, on the other hand, are not objective income and wealth effects, but rather the more intangible costs of living in a more uncertain world. Another major difference is in the way the costs of inflation and unemployment are distributed. There were large differences across racial, occupational, and age groups in the percentage of respondents who named unemployment their most serious economic problem -- differences which paralleled the objective rates of unemployment in these groups. The impact of inflation, though, appeared to be spread much more evenly across the population. The propensity of respondents to name inflation their worst economic problem bore virtually no relationship to the particular age, income, or occupational group to which they belonged, or to their level of educational attainment. This finding is entirely consistent with most economic analyses of the costs and benefits of inflation. As Piachaud [1978] puts it, "Inflation acts neither as Robin Hood nor as Robber Baron; neither the poor nor the rich are affected in a uniform way" (p. 115).

Finally, personally experienced inflation and unemployment differ widely in their political consequences. Americans who cited unemployment as their worst personal economic problem were more likely to be Democrats, tended to perceive the Democrats as more likely to help them with unemployment, and gave greater support to Democratic

presidential and congressional candidates even after partisan predispositions were taken into account. That respondents named inflation their worst economic problem, on the other hand, bore no clear relationship to their partisanship or voting behavior. Nor did these respondents perceive any real differences between the two parties in dealing with inflation. Given the history of the past 15 years, during which the underlying rate of inflation has risen steadily under Democratic and Republican administrations alike, this would seem to be a valid inference. In short, in terms of its costs, the distribution of its costs, and in its ramifications for party support, perceptions of party differences, and voting behavior, unemployment lines up neatly with the lines of cleavage drawn up at the time of the New Deal. Inflation does not.

Yet the potential political consequences of inflation are massive. The percentage of Americans who find it personally troublesome far exceed the figures for unemployment. And those concerned about inflation are nearly unanimous in perceiving it to be a society-wide problem which government should address. It seems safe to conclude that the American electorate is and will continue to be keenly interested in the success or failure of those in power to come to grips with this problem, and that the politics of the 1980s will largely be the politics of inflation.

FOOTNOTES

1. The policy-oriented hypothesis would seem to imply, paradoxically, that when in office the Republicans could help themselves by allowing a high rate of inflation, while the Democrats have the same perverse incentives with regard to unemployment. Such a "strategy," however, would almost certainly be counterproductive. A complete flip-flop on macroeconomic policy priorities would not only alienate some of the party's most dependable supporters, but the resultant uncertainty as to what the party could be expected to do in office would scare off many others [Downs, 1957]. And as Okun [1973] points out, a party's long-term favorable image would surely be eroded by such policy failures. To be sure, the present Democratic administration would seem to have adopted this strategy. President Carter fully supported the Federal Reserve's credit-tightening moves which helped trigger the 1980 recession. The argument here, though, is not that the Democrats care only about unemployment and pay no heed to inflation, while the Republicans are prepared to accept any rate of unemployment for the sake of price stability. It is, rather, that the parties' relative priorities differ, and this point seems secure. Even though Carter may have supported typically Republican policies, it is hard to believe a Reagan or a Ford would be less zealous than Carter in the battle against inflation, or more troubled by unemployment.

2. Probit analysis was used instead of ordinary least squares regression. The analysis was extended to include presidential as well as congressional elections. In the elections in which their unemployment variable allowed bouts of joblessness which had occurred up to two years prior to the interview to be counted (an inordinately long period) this analysis reduced the period to the previous six months.
3. In the years in which panel data were available [1958, 1960, 1974, and 1976] dummy variables registering the respondents' vote in the previous election were used. In other years partisanship was specified by a pair of nominal party identification dummies. Results were virtually identical, however, under several alternative specifications, including 1) substitution of the previous vote terms with nominal party identification dummies, and 2) controls upon a large battery of social and economic background characteristics.
4. These data were made available by the Inter-University Consortium for Political and Social Research. Neither the original collectors of the data nor the consortium bear any responsibility for the analyses or interpretations presented here.
5. Unfortunately the machine-readable coding categories developed by the CPS for these items were, for present purposes, not appropriate. It was, therefore, necessary to recode the responses as they appeared on the original protocols.

The staff at CPS was extremely accommodating and helped make the task much less arduous than it might have been. I would like to thank Warren Miller for his approval of the project, and Ann Robinson, Alice Hayes, and Maria Sanchez for their valuable assistance.

6. It has been argued, of course, that inflation is a problem only when it is unanticipated, and that a world in which the inflation rate were a steady, fully anticipated 10 percent per annum would be as predictable and secure as a world with stable prices. According to Okun [1975], however, the goal of "steady inflation" is a "mirage." As he put it:

The main problem of steady inflation as a goal is its lack of credibility. Targetting on a stable first derivative is admitting failure in the effort to stabilize the level. Why should anyone expect any greater success in stabilizing the rate of change of the price level than in stabilizing the price level? (p. 385).

7. These analyses also indicated that the decision to differentiate respondents who cited a declining real income from those who mentioned inflation was a prudent one. The former were considerably more likely to report being worse off financially, and references to a declining real income came considerably more frequently from low income groups and retirees.
8. Perfectly anticipated inflation, of course, results only in a change in the numbers registering the relative value of goods and services. And it is by definition true that unanticipated inflation benefits net debtors and harms net creditors when assets and liabilities are in fixed prices. But that really

doesn't tell us much. In a masterful study of the effects of inflation upon incomes and wealth in the United Kingdom, Piachaud [1978] demonstrates that for most individuals most of the time these effects cancel each other out. Secondly, it is often argued that prices for food, fuel, and other necessities generally inflate at a higher rate than do prices for nonessential goods; if true, lower income groups, who spend a higher percentage of their income on necessities, would be disproportionately hurt. Vasilatos and Hibbs [1977] calculated occupation and age specific price indices (based upon the average "basket" of goods and services typically purchased by members of each group), but found they all closely resembled figures for the national Consumer Price Index. In short, the data on objective effects and subjective assessments point to the same conclusion — the costs of inflation are distributed pretty evenly across all major groups in society.

9. Friedman [1977] and other conservative economists, though, argue that in the long run inflation does have serious objective costs. They believe that it discourages new investment in productive enterprises, and that it can thus eventually retard economic growth and employment. As Friedman sees it, this means that contrary to the Phillips curve, in the long run the relationship between inflation and unemployment is actually positive.
10. If personal economic problems produce changes in partisanship, a cross-sectional analysis which specified partisanship could

underestimate the effects of these problems upon voting. And recent studies have shown that party identification, as measured by the standard seven point scale, is affected by short-term forces. Fiorina [1979] found that between 1974 and 1976 respondents' partisanship changed in accordance with their overall ratings of the president, their views on the Nixon pardon, and their assessments of the government's performance in managing the economy. Brody's [1977] study generated similar findings. His analyses, however, strongly indicated that most of the instability is in the strength component, e.g. movements from "strong" Democratic to "weak" Democrat; there was very little change in the basic direction of identification, e.g. movements from Democrat to Republican. Thus in 1972, when only cross-sectional data are available, the partisanship indicators incorporate only the directional component. In the other two years the respondent's vote in the previous election will be specified. (This means the previous congressional election when congressional elections are analyzed, but the previous presidential election for presidential elections. Thus in 1976 the previous vote considered in the congressional equation was from 1972, while for the presidential election the respondents' reported vote for President in 1972 was specified.)

11. Aggregate level studies have also suggested that the electorate rapidly discounts economic conditions. Although there are not enough data to derive very precise estimates, Fair's [1978] analysis indicated that votes for President were best predicted

by economic conditions in the second and third quarters of the election year. Similarly, Kernell [1978] found that inflation and unemployment best predicted presidential popularity when change in their levels across the previous six months was considered.

12. The argument here is that the more universalistically people view the nature of their problems, the more likely they are to hold the government responsible for alleviating them. The data here and in Sniderman and Brody's study certainly indicate this is a reasonable generalization. Quite likely, however, people also respond politically to more selective policies (e.g. which affect them in their roles as taxpayers, farmers, or machinists laid off upon cancellation of the B-1 bomber project) but which also have a readily apparent impact upon their personal well-being.
13. It seems surprising that anyone would name taxes their worst economic problem and not believe that the government should assist them. After all, government is the only institution which levies taxes, and thus the only one which can reduce them. What is probably the case, though, is that many respondents simply failed to imagine any tax assistance coming from the government, given that it is government which is the source of their problem. To some extent this argument may also apply to concerns over inflation.
14. While the evidence in Table 6 is supportive of this claim, it is only indirectly so. The cross-tabulation was based upon all

respondents, not just voters, and a direct test would require the table to be broken down again by reported vote choice.

Alternatively, this could be done with a probit equation which specified third order interaction terms; if this claim is correct, the largest pro-Democratic estimate would be for the group of respondents who cited unemployment, believed the government should play some role in assisting them, and who also perceived differences between the parties with regard to unemployment. Unfortunately there are far too few cases available to have any confidence in the results of either analysis; it would require, for instance, partitioning the group of 16 individuals who cited unemployment in 1972 and also voted into the four categories formed by the columns in Table 6. In this case it seemed more reasonable to make inferences based upon indirect evidence and (barely) sufficient N, rather than upon a more direct test involving a hopelessly small number of cases.

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TABLE 1

THE EFFECT OF HEAD OF HOUSEHOLD'S UNEMPLOYMENT EXPERIENCE
AND TREND IN FAMILY FINANCES ON VOTING IN CONGRESSIONAL
AND PRESIDENTIAL ELECTIONS, 1956-1978

YEAR	PRESIDENTIAL ELECTIONS		CONGRESSIONAL ELECTIONS	
	Head's Unemployment Experience ^a	Personal Finances	Head's Unemployment Experience ^a	Personal Finances
1956	-.097 (.513)	-.134** (.031)	-.659 (.597)	-.087** (.034)
1958	-	-	-.413* (.243)	-.103** (.036)
1960	-.659** (.241)	-.046 (.030)	-.335 (.274)	-.019 (.033)
1962	-	-	-.244 (.230)	.037 (.042)
1964	-.579 (.355)	.040 (.033)	-.148 (.314)	-.014 (.035)
1966	-	-	-.630 (.560)	-.077* (.036)
1968 ^b	.130 (.305)	.134** (.038)	-.411 (.308)	.037 (.048)
1970	-	-	-.211 (.308)	-.008 (.048)
1972	-.523** (.150)	-.078* (.037)	-.395* (.179)	-.022 (.041)
1974	-	-	-.041 (.155)	.032 (.030)
1976	-.210 (.131)	-.081** (.029)	-.039 (.157)	-.131** (.034)
1978	-	-	-.093 (.132)	-.007 (.026)

** = $p < .01$; * = $p < .05$

a. In all elections between 1958 and 1964, as well as in 1968 and 1970, this variable indicated whether or not the respondent's head of household had been unemployed in the previous six months. From 1972 on the time frame was the previous year, and in 1956 and 1966 it could only be ascertained whether or not the head was currently out of work.

b. Wallace voters were excluded from the presidential election analysis in 1968.

TABLE 2

MOST IMPORTANT PERSONAL ECONOMIC PROBLEMS
(in percentages)

	1972	1974	1976
Inflation	14.4	30.2	22.2
Declining Real Income	4.8	7.1	5.9
Unemployment Related	3.4	4.4	4.0
Taxes	5.5	1.3	4.1
General of Misc. Economic Problems	18.6	19.2	19.8
Noneconomic Problems	32.5	24.4	26.8
No Problem Mentioned	20.8	13.4	17.2
Total	100.0	100.0	100.0
N ^a	(1109)	(2523)	(2415)

a. Ns are based on the 1972, 1974, and 1976 cross-sectional weighted samples of all respondents. No important turnout effects were present, however, so the percentages reported here are virtually identical when voters only are considered. Weights are not used in any of the probit analysis.

TABLE 3

THE EFFECT OF PERSONAL ECONOMIC PROBLEMS
ON VOTING IN NATIONAL ELECTIONS, 1972-1976

	Presidential Elections		Congressional Elections		
	1972	1976	1972	1974	1976
β_0	.527	-.247	.0095	-.435	-.343
Democratic	-.794** (.176)	-.699** (.146)	-.978** (.186)	-.566** (.127)	-.270** (.122)
Republican	.854** (.196)	.788** (.125)	.834** (.188)	1.12** (.129)	1.18** (.137)
Inflation	.293* (.160)	-.002 (.113)	-.096 (.170)	-.040 (.116)	-.211 (.132)
Declining Real Income	-.079 (.232)	-.114 (.204)	-.201 (.296)	-.237 (.175)	-.127 (.223)
Unemployment Related	-.349 (.291)	-.452* (.251)	-.594 (.417)	-.189 (.284)	-.492* (.296)
Taxes	.145 (.228)	-.064 (.230)	-.409* (.245)	- ^a	.250 (.250)
General Economic Problems	.058 (.143)	-.076 (.121)	.062 (.157)	.129 (.140)	.044 (.145)
N	760	923	645	863	689

* p < .05

** p < .01

a. Not included in this equation due to low N.

TABLE 4

References to Unemployment as a Personal Problem as
a Function of Objective Unemployment Experiences
1972-76

Head of household's objective employment status	Percent naming unemployment their worst personal economic problem		
	1972	1974	1976
Currently Unemployed	36.4	42.9	27.3
Temporarily Laid Off	11.1	13.1	4.8
Employed, But Had Been Out of Work in the Previous Year	9.1	9.3	5.8
Employed, Never Out of Work in the Previous Year	1.9	2.1	3.2
	Ns upon which percentages are based		
	22	35	66
	18	38	42
	132	150	206
	675	901	1079

TABLE 5

Perceptions of Governmental Responsibility
by Type of Economic Problem

<u>Most important personal problem</u>	<u>Percentage of respondents who believe government should be helping them</u>	
	<u>1972</u>	<u>1974</u>
Inflation	71.0 ^a (124)	66.7 (426)
Declining Real Income	54.2 (48)	61.2 (116)
Unemployment Related	43.8 (32)	41.2 (51)
Taxes	62.7 (51)	b
General or Misc. Economic Problems	20.0 (160)	33.6 (238)
Noneconomic Problems	19.2 (463)	16.2 (525)

a. Numbers in parentheses are Ns upon which the percentages are based. The questions which asked respondents to indicate who, if anyone, should be helping them with their problems were asked only in reference to their most important personal problem. Thus, the analysis could not be performed upon their most important personal economic problem, which was used in the voting analysis, and Ns of the economic problem categories are slightly reduced. The 1976 survey did not include these questions.

b. Not reported due to low N.

TABLE 6

Perceptions of the Major Parties' Ability
to Handle Economic Problems, 1972
(in percentages)^a

<u>Respondents' most important personal economic problems</u>	<u>No gov't action needed</u>	<u>No difference between parties</u>	<u>Democrats better</u>	<u>Republicans better</u>
Inflation	29.0	34.7	21.0	15.3
Declining Real Income	45.8	27.1	18.8	8.3
Unemployment Related	56.2	15.6	25.1	3.1
Taxes	37.3	27.5	21.5	13.7
General or Misc. Economic Problems	80.0	11.3	6.9	1.8
Noneconomic Problems	80.8	11.9	4.3	3.0

a. In this table the rows add up to 100 percent, not the columns. Percentages are based upon the same Ns as they were in Table 5.