

Partisan Perceptions and Expectations

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Partisan differences in consumer attitudes and expectations are well documented and date back to at least the Reagan administration. Consumers affiliated with the political party in the White House tend to have higher levels of sentiment and more favorable expectations than those whose party is not. In 2017, the Surveys of Consumers began eliciting the political affiliation of consumers on a monthly basis; prior to that time, political affiliation was asked several times per administration but not on a continuous basis. As discussed in our January 12, 2022 report, “the size of the partisan divide in expectations has completely dominated rational assessments of ongoing economic trends. This situation is likely to encourage poor decisions by consumers and policy makers alike. While there have always been partisan differences in preferred policies, the overwhelming size and persistence of the partisan gap has generated substantial economic uncertainty.” In this report, we investigate how partisan differences have evolved through the post-COVID inflationary episode and leading into the upcoming election season.

Despite large partisan differences in consumer sentiment, Independents continue to be consistently in the middle and hold views that reflect national averages. This is the case even during White House transitions, shown in the shaded areas in figure 1. Republican sentiment surged and Democrat sentiment plunged between November 2016 and January 2017, and vice versa in 2020-2021. During these transition periods, sentiment of Independents track the overall index. Similar patterns are visible when focusing on Independents who report that they do not lean towards either party.

Between presidential transitions, trends in sentiment and expectations for each political group continue to move in a parallel fashion over time (see figure 2). Correlations between the sentiment of Democrats and Republicans remain high, at about 0.85 during the Trump administration and 0.86 during the Biden administration (omitting the three months between the 2020 election and 2021 inauguration when sentiment of the two parties reverse positions). The fact that all three groups tend to co-move indicates that, despite partisan differences in views and attitudes, the three groups still have much in common in their interpretation of economic trends, and inflection points in sentiment for each political group tend to occur together.

All three political groups reached a trough in sentiment in June 2022, and more recently, sentiment for all three groups surged since November 2023.

The Michigan surveys continue to reach a nationally representative sample of Americans across the political spectrum, with party identification shares in line with other national surveys and polls focused on political topics (see figure 3). As an example, in December 2023, the Surveys of Consumers as well as [Gallup](#) both showed 28% Republicans and 29% Democrats. The data show only small changes in the political affiliation in survey participants over

the years. Overall partisan differences in economic perceptions and expectations may be large, but trends in the index of sentiment across time are unlikely to be distorted by differential rates of survey completion by political affiliation, or to be merely an artifact of partisan differences.

Figure 1
Index of Consumer Sentiment
All Consumers and Independents Only

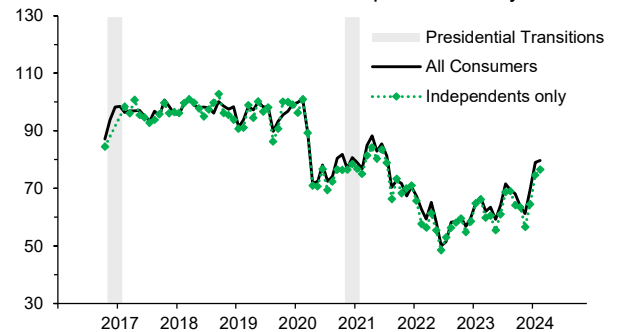


Figure 2
Index of Expectations, by Political Party
(Monthly and Three Month Moving Average)

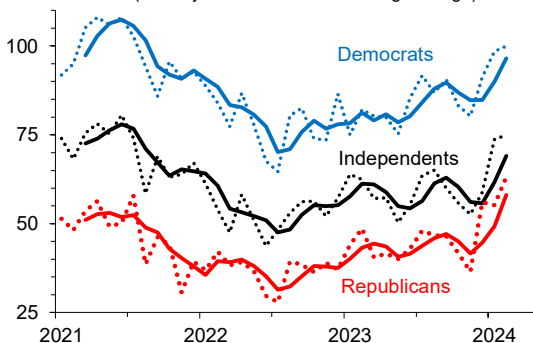
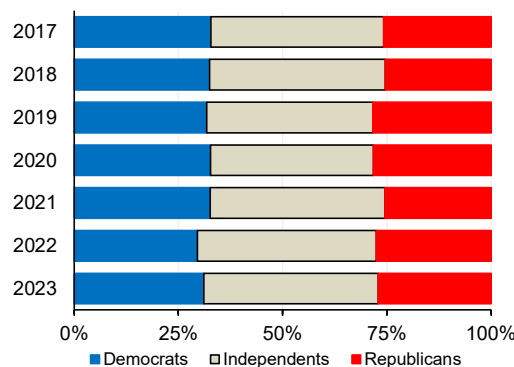


Figure 3
Party Affiliation



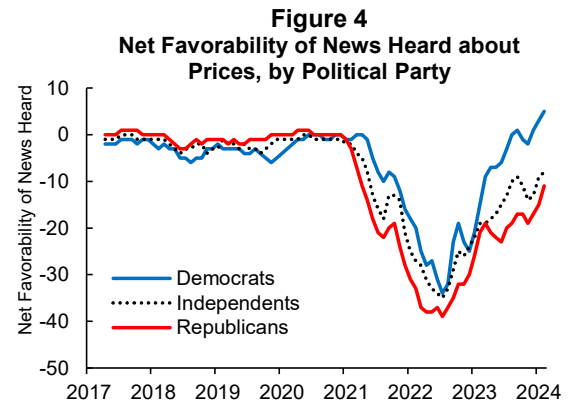
The partisan gap in sentiment grew substantially during the Trump administration; it narrowed slightly during the Biden administration but remains large in magnitude. Similar partisan patterns appear for a number of measures on the survey displayed in Table 1, along with differences by income, age, and education, across the last four presidential administrations. The partisan gap in the economic expectations index grew substantially with the Trump administration and narrowed slightly during the Biden administration (column 1). The size of a partisan gap can be contextualized by comparing it to a measure of cyclical variability, displayed in the last row of the table. For the expectations index, the difference between the 5th and 95th percentiles of the distribution of the 553 monthly surveys between 1978 and January 2024 was 46.1. In other words, excluding extreme observations, the difference between the peaks and troughs of the expectations index is 46.1. During the Trump administration, the partisan gap was larger than the Index’s entire time-series variations from peaks to troughs; the partisan gap has shrunk during Biden’s term but is still almost double the size of the gap during the Obama and Bush administrations.

While all partisan gaps in the table generally grew over time through the Trump administration, during Biden’s term some have expanded while others have decreased. Despite the proliferation of news sources including social media, the partisan gap in economic news heard narrowed during the Biden presidency, as did both short- and long-run expectations of the economy. **Even so, these partisan gaps are currently considerably larger than gaps by income, age, and education, suggesting that the way consumers interpret ongoing economic trends continues to be colored by partisan perspectives.** Partisan gaps in expectations for consumers’ personal finances and real income expectations grew during the current administration, though age gaps for these measures are even larger. Over time, gaps by income have narrowed for most measures, likely a reflection of gains accruing to lower-income workers amid strength in labor markets in recent years.

Table 1: Absolute Differences in Economic Expectations and Perceptions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Expectations	Economic	Assessment	Year-Ahead Expectations				Long Term	
	Index	News	Economic	Personal	Real	Unemployment	Inflation	Economy	Expectations
		Heard	Policies	Finances	Income				Economy
Partisan Gap (Democrats vs Republicans)									
Bush	21.3	24	59	14	15	17	1.3	35	38
Obama	25.0	55	72	17	14	31	0.6	45	41
Trump	53.1	102	91	29	26	69	1.0	94	96
Biden	44.6	78	103	44	33	53	2.4	75	64
Income Gap (Top 20% vs Bottom 20%)									
Bush	10.3	29	17	15	42	4	1.3	0	28
Obama	10.4	8	6	13	34	12	1.1	10	20
Trump	11.3	6	23	11	46	10	0.9	19	17
Biden	9.2	15	9	2	29	1	1.1	10	26
Age Gap (35 and younger vs 65 and older)									
Bush	13.9	1	3	48	34	3	0.1	6	4
Obama	19.2	9	12	45	50	1	0.4	24	11
Trump	4.7	17	19	36	46	12	0.2	5	12
Biden	8.9	1	14	45	43	3	0.2	0	10
Education Gap (BA or more vs all others)									
Bush	5.1	25	6	7	25	1	0.6	2	15
Obama	8.8	7	14	10	21	13	0.6	10	16
Trump	7.3	20	5	4	12	10	0.2	14	12
Biden	12.6	6	25	10	15	13	1.1	16	24
Cyclical Peak to Trough Gap (95th percentile vs 5th percentile of monthly observations, 1978-2024 Jan)									
	46.1	96	71	34	34	59	5.2	99	59

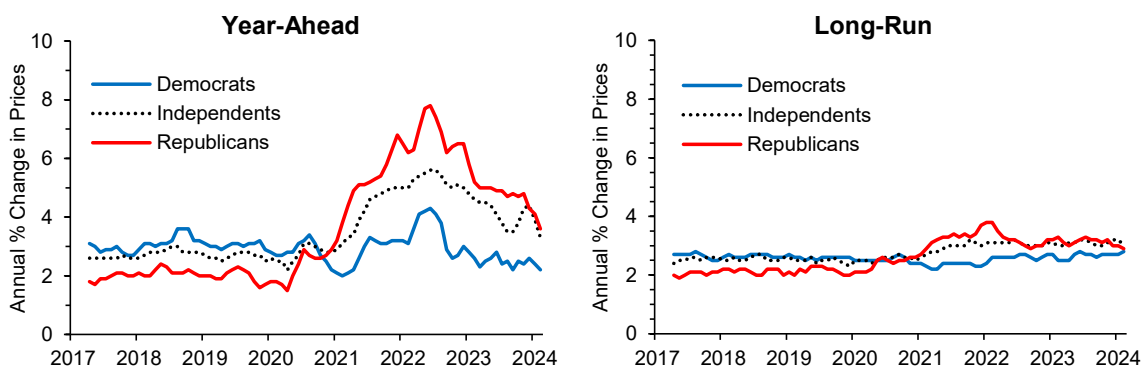
The partisan gap in the overall index of economic news heard eased during the Biden administration. However, the net favorability of news on the most prominent economic issues in recent years—inflation—widened as the inflationary episode progressed (see figure 4). During the periods of low inflation leading into the pandemic, partisan differences in news heard about inflation were minimal. While all consumers reported hearing increasingly negative news about inflation in 2021 and 2022, the news heard by Republicans was notably worse than that heard by Democrats. As inflation softened over the course of 2023, the favorability of inflation news improved substantially for Democrats but gradually for Republicans, leading to a widening of this partisan gap. Despite the wedge in the favorability of inflation news between Democrats and Republicans, both parties followed a similar time path, reaching their troughs at about the same time and broadly moving together over the course of each year.



Partisan differences in inflation expectations also grew during the post-pandemic inflationary episode. Republicans’ short-run inflation expectations deteriorated more strongly than for Democrats in 2021 and 2022. Conversely, Democrats’ year-ahead expectations recovered more sharply than that of Republicans as actual inflation softened in 2023 (see figure 5, left panel). Despite substantial deterioration in news heard about inflation reported by Democrats leading into the peak of inflation, Democrats appear to have believed that the episode would be transitory. As inflation eased after mid-2022, Republicans’ short-run expectations were much less sensitive than Democrats to trends in realized inflation. These trends in short-run inflation expectations of Democrats and Republicans mirror the favorability of news they reported hearing about inflation. In contrast to the partisan gap in news on inflation, the partisan gap in year-ahead inflation expectations grew substantially during the beginning of the inflationary episode and has narrowed over the last few months, as the expectations of Republicans have softened markedly while the year-ahead expectations of Democrats have been fairly stable through the second half of 2023.

Long-run inflation expectations followed similar patterns as short-run expectations, though with much less variability both across political parties and over time (see figure 5, right panel). The partisan gap grew in 2021 and 2022, led primarily by increases in expectations for Republicans. The long-run expectations of Democrats were little changed even with the rise of realized inflation, likely a reflection of underlying beliefs that post-COVID high inflation would be transitory. Interestingly, for both short- and long-run expectations of inflation, Independents have consistently been closer to the political party not in the White House, rather than being squarely in the middle as they typically are for other measures.

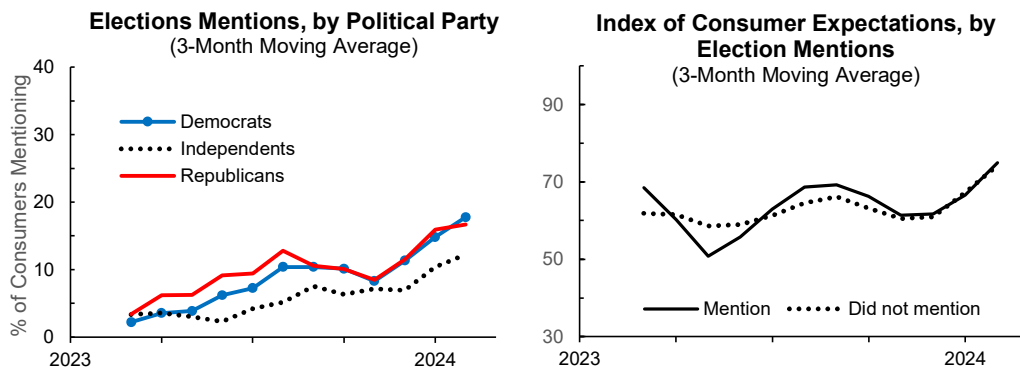
Figure 5 Inflation Expectations, by Political Party



A growing share of consumers spontaneously mention that future economic outcomes are contingent on the upcoming election, but there are few differences in expectations between those mentioning elections and those who do not. Over the course of the last year, a growing share of consumers have spontaneously mentioned the upcoming elections at some point during the interviews. Only about 1.3% mentioned elections in January 2023; one year later, 17% did so.

As seen in the left panel of figure 6, Republicans and Democrats have mentioned elections at similar rates throughout this period. Independents had slightly lower rates of mentions, but they exhibited a similar upward trend. Most of these mentions were expressions that the future is highly uncertain and contingent on election outcomes. That said, consumers who mentioned election uncertainty reported economic expectations that, overall, were indistinguishable from those who did not (figure 6 right panel). This pattern may change as the election season progresses and the presidential race comes more into focus.

Figure 6 Spontaneous Mentions of Elections



Appendix: Question Text

Categorization of survey respondents into political groups is based on the following question: “Generally speaking, do you think of yourself as a Republican, a Democrat, an independent, or what?”

Those who report Independent or no preference are also asked “Do you think of yourself as closer to the Republican Party or to the Democratic Party?”