Party De-Polarization in Times of Economic Crisis

Jim Kelley
April 27, 2009
GOVT-481
Dr. Cowell-Meyers
Dr. Kane

Abstract

Last fall, as our nation descended into the current economic crisis, key Republican ideological leaders like Alan Greenspan significantly shifted rhetoric in favor of heightened financial regulation and oversight. This change represented a shift toward the political center, utilizing themes more commonly employed by Democratic partisans. Prior research has suggested that political parties have a strong incentive to utilize centrist rhetoric in campaign environments in order to win over swing voters in the ideological center. In this paper, I analyze the Democratic and Republican platforms for all Presidential elections from 1900-2008, developing a measure of the overlap in economic pledges by the two parties. Utilizing a regression analysis, I test the hypothesis that as the financial markets decline, parties become more likely to utilize similar campaign pledges on economic issues. My findings indicate a strong relationship between these two variables in the period from 1950-2008, but no relationship in the years prior to 1950, indicating that this relationship has strengthened over time as stock ownership has become increasingly widespread.

Introduction

The recent stock market collapse and subsequent recession have forced considerable reflection and reconsideration of longstanding and strongly held beliefs by economists, businessmen, and political elites. As home mortgages around the county began to systematically fall like dominoes into default, credit markets tightened, leading to a crisis of liquidity, financial collapse, and the toppling of some of the largest and oldest banks in the United States. Others have hung on only through large capital infusions by the federal government.

In the face of this economic upheaval, our nation's political and economic elites in the Federal Reserve, the Department of the Treasury, Congressional leadership, and the executives of many major financial institutions have come together in both public and closed-door meetings, deciding how to best calm the markets. These elites have been forced to reconsider the theoretical and ideological consensuses which formed the foundations of our system of banking and loans, particularly assumptions made in rating and regulating the quality of debt bundles. Key players, particularly free-market conservative ideologues, have changed their rhetoric in response to the crisis, admitting flaws in their previous policy stances. Former Federal Reserve Chairman Alan Greenspan, for example, a longstanding champion of free markets and deregulation, admitted to Congress that he had found a flaw in his previous economic thinking (see "Greenspan Concedes Error on Regulation", *New York Times*, Oct. 23, 2008).

Greenspan, regarded as an ideological leader of the Republican free-market orthodoxy, had consistently stood by his beliefs throughout his lengthy tenure as Chairman. Such statements represent a clear and drastic departure from his previous statements on economic policy, evoking themes more commonly employed by Democratic partisans. Especially in the context of a political campaign season, it is unclear whether such a voiced shift in views represents true reconsideration or merely the recognition of partisan interests as the election neared. It is quite possible that statements of this kind merely depict political calculations, an awareness that, in times of economic distress, the public might be looking for clear shifts in the views of partisan economic elites, away from views seen as having created the economic problems and toward more populist stances.

While anecdotes like this example are easy to call up from memory, such speculation begs the question of whether political parties might systematically move their campaign positions toward common perceptions of an ideological center during times of economic distress. In this paper, I will consider this question historically, analyzing the relationship between the proportion of overlap in economic policy pledges in the presidential campaign platforms of the Democratic and Republican parties and the shift in the Dow Jones Industrial average in the year prior to the release of the campaign platforms. I utilize the proportion of overlap as a measure of central tendency under the assumption that the political parties would only utilize similar policy pledges if they perceived a wide degree of public consensus on those issues and felt that they would receive an electoral benefit from having done so.

Literature Review

The available literature illustrates several key theoretical linkages answering my research question. Public opinion theorists have attempted to explain how members of the public develop and maintain opinions on political issues and demonstrate the relationship between such opinions and policy proposals and outcomes. Theorists in an off-shoot of this school have shown how members of the public adapt their political positions on economic issues in response to market conditions. Finally, scholars in public choice theory have attempted to reveal politicians' incentives in developing campaign pledges, particularly an incentive to move positions toward the political center on issues of particularly high public salience. When pieced together, the literature paints a compelling picture of the expected link between movements in the financial markets and policy proposals on economic issues.

Much of the study of public opinion stems from an article written by Phillip Converse (1964). Converse laid out his theory in terms of constraints on our beliefs, defined empirically as "the success we would have in predicting, given initial knowledge that an individual holds a specified attitude, that he holds certain further ideas and attitudes" (3). An individual with a well-constrained belief system would understand the inter-relations between his or her varied policy preferences. Based on a limited sample of an individual's policy preferences, we should be able to determine the likelihood that he maintains other policy preferences. Converse provided evidence that, while elites and the most-informed elements of the public tend to have well-constrained belief systems based on abstract principles which drive their approach to specific policy items, most of the public is less informed and less likely to form such concrete and stable belief systems.

Achen (1975) critiqued this viewpoint based on a new analysis of Converse's own data set. He argued that Converse's finding of unstable beliefs among less-informed citizens can be explained in large part by the low reliability of political opinion surveys. While conceding that members of the mass public "have, at most, a general grasp of political issues without having well-developed opinions on every question of public policy" (1218), Achen showed that once this lack of reliability has been controlled for, a more stable and coherent vision of public opinion can be seen. Even those who are least informed about political issues tend to have coherently constrained belief structures.

Page and Shapiro (1982) provided additional support for Achen's argument. Studying more than four decades of public opinion survey data, they found that Americans' policy preferences are generally stable over time, and that even when they do change, these shifts occur in orderly, coherent and understandable ways.

Zaller and Feldman (1992) built on this research to critique survey methodology and public opinion research in general. They argued that members of the public, when questioned on surveys, do not simply represent their exact political beliefs. Instead, they bring forth a sample of previously held beliefs "including an oversample of ideas made salient by the questionnaire and other recent events" (580), using these ideas to choose among the offered options. This would at least partially explain Achen's finding of unreliability in the survey methodology Converse used. If this is the case, then the context of questioning must be treated as a significant and possibly overwhelming influence on public opinion, and the public is likely to be highly susceptible to the effects of rhetoric in framing political choices.

Robert Entman (2004) utilized this and other research into the formation of public opinion to argue for a theory of "cascading activation," according to which individuals have a set of pre-existing beliefs based on their life experiences, and elites then persuade the public by providing information which is congruent with this previously held information (5-7). The framing of issues can thus be described as a process of spreading support for policies by priming information about new policies with old information about already popular policies or commonly held beliefs and showing connections between the two (7). Furthermore, when coupled with the foundation laid by Zaller and Feldman, this would suggest that events might have equally compelling effects upon public opinion, particularly as politicians draw on certain aspects of recent events and empirical data to demonstrate the superiority of their positions.

Evidence offered by scholars focusing particularly on the effects of economic indicators and financial market movements on public opinion corroborate this stance.

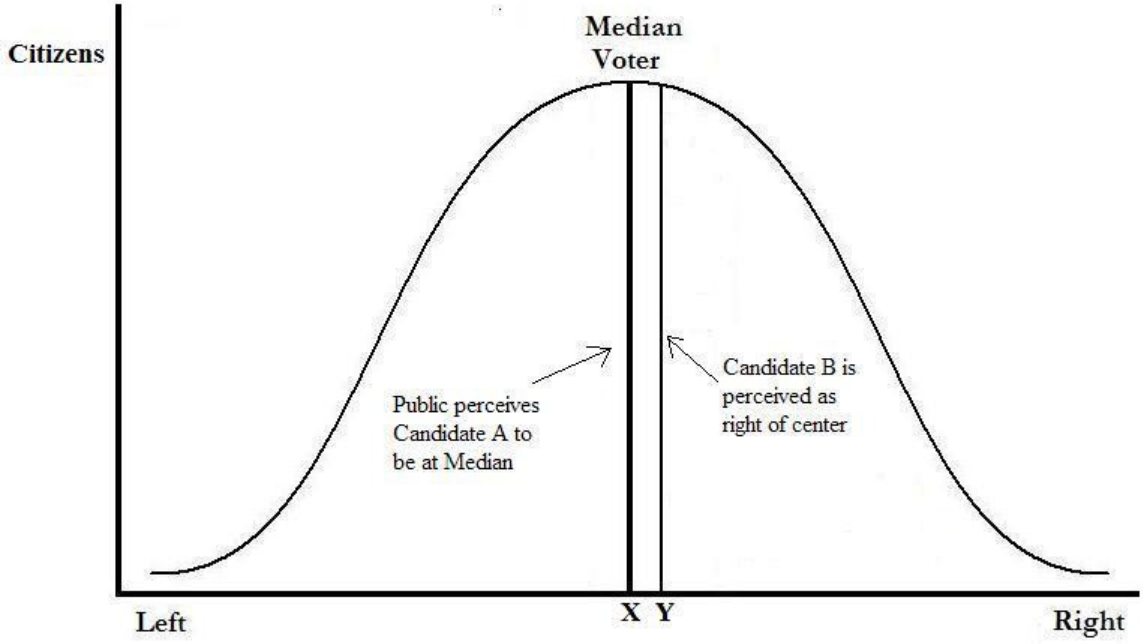
This evidence is ultimately key because the focus of my analysis is not directly on the effects of public opinion on campaign platform determinations, but rather the effects of market indicators like the Dow Jones index. To make this leap, it is essential to demonstrate that financial markets play a key role in the public's views on the economy. It is possible that the public focus more on micro-level "pocketbook" economic indicators rather than those at the national level in developing their viewpoints on the economy and their voting decisions. This would cohere with Converse's theory that the public is largely uninformed about macro-level issues and unlikely to factor such information into voting decisions.

The evidence on the subject, however, shows that this is likely not the case. Lewis-Beck and Stegmaier (2000) review the literature on economic factors in electoral outcomes in the United States and other developed nations, and come to the final conclusion that macro-level indicators such as unemployment, inflation, and economic growth serve as a much better projector of electoral outcomes than micro-level, personal determinations. Barabas (2006) utilized cross-sectional and time-series analysis to further show that the general public, in responding to survey questions on Social Security privatization, has exhibited reasonable, measured responses to fluctuations in the financial markets. This would suggest that the public has significant levels of information about market movements and responds to such movements in an orderly and rational manner. Such studies indicate a strong connection between movements in the financial markets and public perceptions of the economy. If this is the case, then movements in such markets could be utilized as an effective predictor of voting tendencies.

This research is key to the understanding of how political parties shape and respond to public opinion in developing policy stances in the context of an election. To understand how politicians utilize information about public opinion in developing policy stances, though, it is necessary to touch on another collection of literature: public choice theory. Anthony Black first hypothesized in his article "On the Rationale of Group Decision-making" (1948) that, in a majority election, if public policy preferences are assumed to occur in a uni-dimensional policy spectrum, political parties will maximize their election chances by proposing the policies most favored by the median voter. If one party follows this strategy and the other party fails to, then the party utilizing this strategy will win the election. It will obtain all the votes from those who lie on the opposite side of the spectrum from where the opposing party has placed itself (constituting half the electorate) and will split the votes of those who support positions in between the two parties' chosen policy positions, resulting in a majority of the electoral votes.

Anthony Downs (1957) popularized this theory and expanded on it, adding in assumptions to develop an fundemental theory of how political parties and voters act rationally in a campaign environment. Specifically, he attempts to show that a stable electoral process is difficult to achieve in the absence of a broad degree of consensus on key issues among the public, such that the distribution of voters would have a single peak (see Graph 1). Partly because of Downs' often cited work, the assumption that the public can be said to fall on an ideological bell-shaped curve is quite common in public choice theory. However, it is not without its problems. First of all, it makes the assumption that "opinion" could be placed on a uni-dimensional framework in which a voter's beliefs may only move to the left or right. With such a wide variety of issues important to

Graph 1- Candidate A receives all votes to the left of the median, plus half of the votes between points A and B, resulting in a majority.



different people, on a macro-ideological level this assumption is absolute fantasy. Not all conservatives are conservatives for the same reasons, and not all liberals are liberal for the same reasons. It might be held with greater validity in regards to specific policy areas like economics, where fiscal conservatives and social-spending liberals do make up more cohesive categories. But even this policy area is broad enough to cast some doubt on politicians' ability to feasibly locate a median point.

Also, even if we accept the assumption that economic ideology could be expressed in a single dimension, it is unclear whether the voting public would necessarily fall on a bell-shaped distribution with many voters in the center and relatively few at the ideological fringes. Downs lays out a compelling argument for why such a distribution is useful for ensuring stable elections in a two-party state, but surprisingly, there has been little empirical study of this assumption. The only such study that I am aware was performed by Mike Seiferling, a class teacher I worked with at the London School of

Economics, who performed this analysis as part of a doctoral thesis. To my knowledge, this study is unpublished, but he utilized survey data in multiple countries to determine the preference distribution of those nations' voting publics.

As previously mentioned in my discussion of articles written by Achen (1975) and Zaller and Feldman (1992), the utilization of survey methodology in determining public opinion has significant flaws with reliability. The central limit theorem in probability theory tells us that with a sufficiently large sample size, the distribution of a sample average will follow a roughly normal distribution due to sampling errors. An unreliable survey with a large sample could thus be expected to reveal a normal distribution of voters simply due to its own errors, and not because the underlying population follows such a distribution.

While it is important to note certain flaws with this theory and the lack of strong empirical evidence as to its validity, the median voter theorem nonetheless has significant anecdotal support and a very simple and reasonable design, contributing to its widespread use in academic work. While the evidence is weak in proving this theory, there has also been no study that has directly disproven it. Ultimately, as a base level predictive theory about how parties interact with their perceptions of the public's most common positions, I feel that it remains useful, so long as its conclusions are empirically tested and not merely taken as fact. As Milton Friedman argues in his *Essays in Positive Economics* (1953), a theory cannot be judged merely by the realism of its assumptions, but must be judged empirically, by whether or not it yields accurate predictions.

In this study, I will attempt to provide such a test to the question of how political parties respond to financial market indicators in developing party platforms. Applying the

totality of the past research to this question, we may predict that, as the state of our economy worsens, economic issues will be more salient in voters' minds, inflicting pressure on the two major parties to conform to the preferences of those deemed to be in the ideological center. In times when the market is faring better, economic issues are likely to be less salient in the minds of the public, providing parties with the freedom to pursue economic policy objectives that they might personally find to be favorable to the preferences of a median voter. This would lead to greater economic policy pledge overlap in times of economic distress and less in times of economic expansion.

Methodology

In this study, I test the hypothesis that annual shifts in the Dow Jones industrial average (DJIA) will be positively related to a measure of the disparity in economic policy pledges in historical presidential platforms from the Democratic and Republican parties. Dow Jones and Company, Inc. provides access to back-calculated index price levels of their Industrial average from May 26, 1896 (the date of its founding) through the present, so my analysis includes only those presidential elections which have occurred since that year. Official party platforms are not written for mid-term elections, so I was unable to include such elections. I have included the maximum possible sample in my study, focusing on all of the 28 presidential elections which have occurred since the founding of the Dow, beginning with the 1900 presidential election and ending with the most recent election of 2008.

The dependent variable in this test is the extent to which the two party platforms overlapped with one another on economic policy pledges. I have read the Democratic and Republican party platforms for each election, noting each economic policy pledge. If both

party platforms contain either the same or a highly similar policy item pledge (for example, a call for reducing taxes), then that pledge is coded with a 0. If only one party makes a given pledge, then that pledge is coded with a 1. These numerical representations are then averaged to create a measure of platform disparity between 0 and 1, where a score closer to 0 suggests greater similarity and a score closer to 1 suggests dissimilarity.

In creating such a variable, there is a risk of subjectivity and human error. I have taken several steps to constrain this variable and ensure the highest standards of objectivity in my analysis. To constitute a policy pledge, a statement must be a promise or call for future action, and not merely a highlight of past actions on a policy or toward a policy objective. Thus the statement "Two tax cuts have been enacted, in 1977 and 1978, reducing taxes on individuals and businesses by an amount equal, this year, to about $40 billion" (Democratic platform, 1980) is not included in the analysis, but the pledge "We commit ourselves to targeted tax reductions designed to stimulate production and combat recession" (Democratic platform, 1980) is included.

Table 1

Category	**Description**
Agriculture	Farming and rural issues
Energy & Natural Resources	Domestic oil, natural gas, and development; research into alternative energy sources
Fiscal Policy & Administration	Tax policies and budgeting; reorganization of departmental structure in economic areas; monetary policy
Housing & Home-Ownership	Housing policy, development, and credit
Labor & Employment	Employment policy and insurance; welfare and social security; labor standards; labor-management relations
Oversight & Regulation	Enforcement and extension of monopoly protections; regulation of economic activities
Research & Development	Subsidies for R&D innovation; science and mathematics education; university grants
Shipping & Infrastructure	Development of roads, commercial airlines, trains, and the merchant marine; railroad fee policy; transportation related interstate commerce policy
Small Business	Assistance, tax credits, and separate regulatory policies; expansion of credit capital
Tariffs & Foreign Trade	Opening of new markets; tariff adjustment; negotiated elimination of trade barriers; development of trade agreements and the international monetary system

Economic issues are defined specifically by the following categories: Agriculture, Energy & Natural Resources, Fiscal Policy & Administration, Housing & Home-Ownership, Labor & Employment, Oversight & Regulation, Research & Development, Shipping & Infrastructure, Small Business, and Tariffs & Foreign Trade. Only specified policy pledges contained in the party platforms in these ten issue areas are included in the study. See Table 1 for more complete descriptions of what was included in these categories.

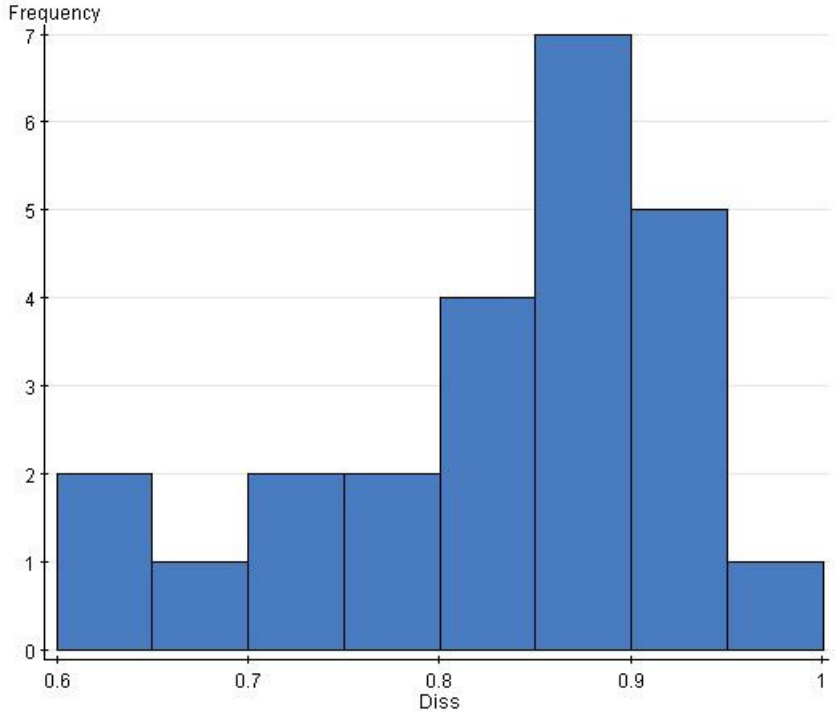
Also, only issues affecting either the entire American population or a key sector of the American economy are included. Thus, for example, calls for legislation to ensure equal rights of women or minorities in the workplace have been excluded. Calls for income parity for farmers, on the other hand, are included because farmers constitute all workers in the key economic sector of Agriculture.

Even with such tight constraints on my coding, there still remains some possibility of human subjectivity. Often researchers will utilize an "inter-coder reliability" measure to demonstrate that their coding follows the same patterns that another coder might find when following the same set of instructions. In the context of this paper, such a measurement is infeasible, due to the highly time-consuming nature of the coding. To obtain a significant measure of reliability, another researcher would have to repeat a large portion of my analysis of the elections, reading and coding the platforms. Many of these platform documents (especially during the last 40 years) are 30,000 words or more in length. Each platform takes hours to read and code, so to ask another student to complete enough coding to obtain a useable inter-coder reliability measure would be unreasonable.

While this is an un-ideal situation, it is unlikely to affect my final results. The steps that I have taken to exactly define my coding procedure should ensure a high reliability between coders. However, even if some human error persists in my coding procedure, it is highly unlikely that these error would occur in such a way that they would have a linear relationship with my independent variable, the shift in the Dow Jones Industrial Index. So long as these errors are uncorrelated with the state of the economy, they will have no biasing impact on my analysis.

I have also taken steps to ensure what one might call "intra-coder reliability." This is the possibility that, over time, my determinations of what constitutes an economic policy pledge or what constitutes overlap between the parties might change. To control for this, I have randomized the order of coding for the elections in my study. This ensures that any changes in my coding preferences would not bias my measurement of the

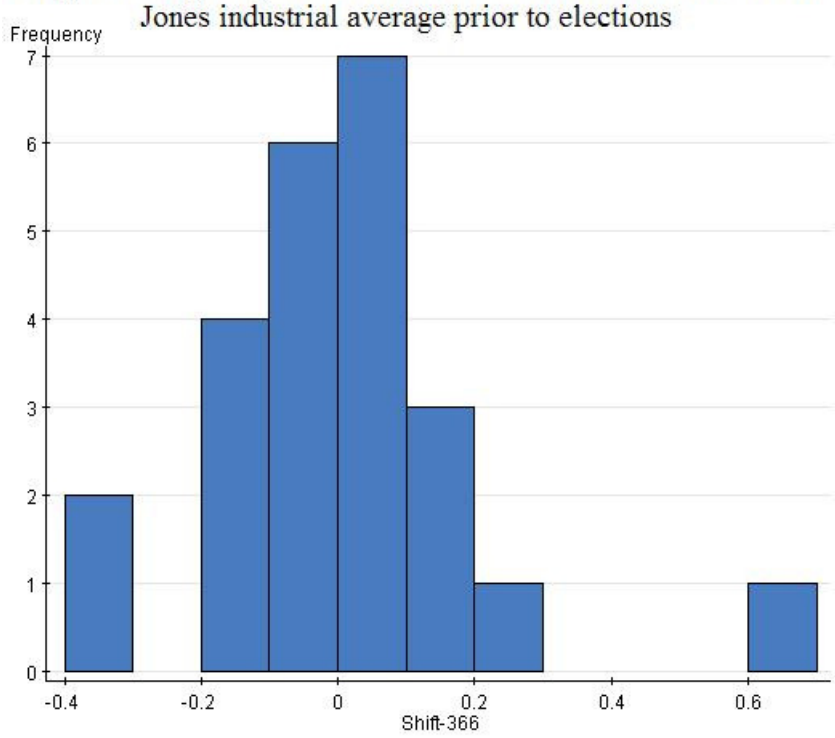
Graph 2- Frequency distribution of platform disparity



relationship between my disparity measure and the year of the election (which, as explained later, I use as an explanatory variable in my regression analysis). I have also considered the possibility that consistently beginning my coding of each election year by reading the Democratic platform then the Republican platform or vice versa might create an additional source of error. To control for this possibility, before I began coding I randomly determined which party platform I would read first.

For the context of this analysis, it is worthwhile to note some characteristics of this variable in its final outcome. Its values ranged from a minimum of 60.71% disparity in 1948 to a maximum of 96.63% in 2008. It's mean was 82.92% with a median at 85.83%, suggesting that the distribution of the data is left skewed (this is confirmed by Graph 2). This skewness is unsurprising, as the right tail of the distribution is running up against a set maximum, in that it cannot move higher than one. Key also is the content of the pledges, particularly those found to be overlapping. Though they vary greatly over time, these pledges are consistently uncontroversial for their time period, even within the political parties. Some frequently reappear from year to year, like calls to lower taxes or recommendations to open new markets for the export of American products. Others are more time-period specific, as when the two parties both included calls for the construction and protection of an "isthmian canal" in 1900 (what came to be the Panama Canal). Some pledges seem like they might have caused intra-party controversy, like the mutual pledge in 1992 for the support of clean coal technology, which in the current Democratic party likely would have faced considerable opposition from the party's environmental wing. To determine the actual level of contemporary controversy of such pledges might be a useful topic of study in future research.

Graph 3- Frequency distribution of the annual shifts in the Dow Jones industrial average prior to elections



The independent variable is the percentage change in the Dow Jones industrial average over a one year period leading up to the date when the first of the two party platforms is released, defined algebraically as $\Delta DJIA = (P_1 - P_0) / P_0$. In this formulation, P_1 is the closing price on the day that the first of the two party platforms is released, such that if the Republicans published their platform on June 12, 1928, and the Democrats published their platform on June 26, 1928, then P_1 would be equal to the closing price of the Dow Jones Industrial Index on June 12, 1928. P_0 would then be the closing price of the Dow on June 26, 1927, exactly one year prior to P_1. If either the date of P_1 or P_0 fell on a date when the stock exchange was not open, then the variable will be equal to the closing price on the most recent previous trading day.

This variable ranges from -0.341 (a market decline of 34.1% in 1936) to 0.642 (a market expansion of 64.2% in 1932), with a mean of 0.002 and median of -0.011. This

suggests a slight right-skew, which is confirmed by Graph 3, which shows a greater cluster of values close to the median point on the left tail and more spread on the right tail. This finding is unsurprising, as the government attempts to manage and mitigate the effects of economic downturns while promoting higher growth in good years.

In testing this hypothesis, I utilize a multiple regression analysis. In addition to utilizing the shift in the DJIA as an explanatory variable, I also use the year of the election as a control variable. This is necessary because the party platforms trend toward dissimilarity over time as parties have become more polarized. The correlation coefficient between the election year and my dependent variable is .59. While the year of election and the shift in the Dow are only weakly correlated ($r = -.08$), with such a strong connection to the dependent variable any skewing effects would be greatly amplified.

The dependent variable (disparity in party platforms) takes the form of a ratio-level measurement between 0 and 1, in which 0 would denote that all economic policy pledges for both parties appear in both platforms (perfect similarity) and 1 would denote that there exist no overlapping economic policy pledges in the two platforms (perfect dissimilarity). The main independent variable (shift in the DJIA) is an interval-level measurement where a score greater than zero suggests economic growth and a score lower than zero denotes economic decline. The control variable (election year) is also interval-level, increasing from an arbitrary zero point.

Stated algebraically, I am testing the hypothesis H_a: $\beta_{\Delta DJIA} > 0$ (my expected result), against the null hypothesis H_0: $\beta_{\Delta DJIA} = 0$. If the data reject the null hypothesis in favor of my alternate, it would show that as the percentage shift in the Dow Jones becomes lower, the similarity score for the two party platforms will move closer to 0.

This would provide evidence that as our economic situation worsens, our two major political parties move toward a political consensus on economic issues, whereas when our economic situation improves, parties divide themselves more sharply along ideological lines on economic issues.

Findings

Interestingly, the data fail to reject the null hypothesis. As shown in Table 2, the regression analysis returned a very slight positive slope coefficient for shift in the Dow ($b_1 = 0.079$), but the p-value tells us that there is a 38% probability that the data would show a relationship as strong as this or stronger if the null hypothesis was true, casting a high degree of doubt on the likelihood of a relationship between my two key variables. While the R-squared returned is 0.37, suggesting that the independent variables explain 37% of the variability in the dependent variable, this comes largely from the Election year variable, which is statistically significant with a p-value of 0.0023. As compared to a regression based just on the Election year variable ($R^2 = 0.346$), the additional variable of the shift in the Dow Jones only explains an added 2.4% of the variation in the platform disparity measure.

What's more, the slope coefficient is so small as to be practically insignificant. The slope coefficient tells us that a shift of 1 in the Dow variable would produce

Table 2

	Variable	Coefficient	Standard Error	P-value
Independent Variable	Shift in DJIA	0.079	0.089	0.38
Control Variable	Election Year	0.002	5.56E-04	0.002
R-Squared:	0.37			
Sample Size	28			

approximately a 0.079 change in the platform disparity measure. As this magnitude of change is far larger than anything observed, it is more useful to view this slope in regard to a change of one standard error in the independent variable. If the Dow variable was to increase by 0.041 (for example, changing from a one-year shift of 0.045 to a shift of 0.086), then we would expect the platform disparity measure to increase by merely 0.003 (for example, from 0.875 to 0.878). It would have no practical effect.

This result conflicts dramatically with my expectations based on my review of the relevant literature and theory on the subject. My expectation would have been that, if politicians perceive that the economy is in decline and believe that the public also perceives it that way, then they will rationally move themselves toward the economic center. The new question then becomes one of why this might not be the case.

The answer is that it is the case, though this is a more recent phenomenon. Literature on the effects of macro-economic indicators like the financial markets on electoral outcomes have traditionally focused only on the post-World War II era. Prior to this era, financial markets were generally seen as speculative, the ventures of the very rich financial classes. Stock ownership was confined to very few individuals, and data on the markets was only looked at by those who had financial involvements in stocks. Since then, stock ownership has rapidly expanded, and newspaper reports of market up and downturns have become more and more frequent.

Indeed, analyzing the data only in regards to the elections since 1950, we find a very strong connection. The slope coefficient (b_1) increases to .45, with a p-value of .0295, statistically significant at a .05 one-tailed standard. The R^2 statistic for this regression, even without the Election Year variable, is .3622, explaining a very

Table 3

Years After 1950:				
	Variable	Coefficient	Standard Error	P-value
Independent Variable	Shift in DJIA	0.45	0.18	0.03
R-Squared:	0.362			
Sample Size	15			

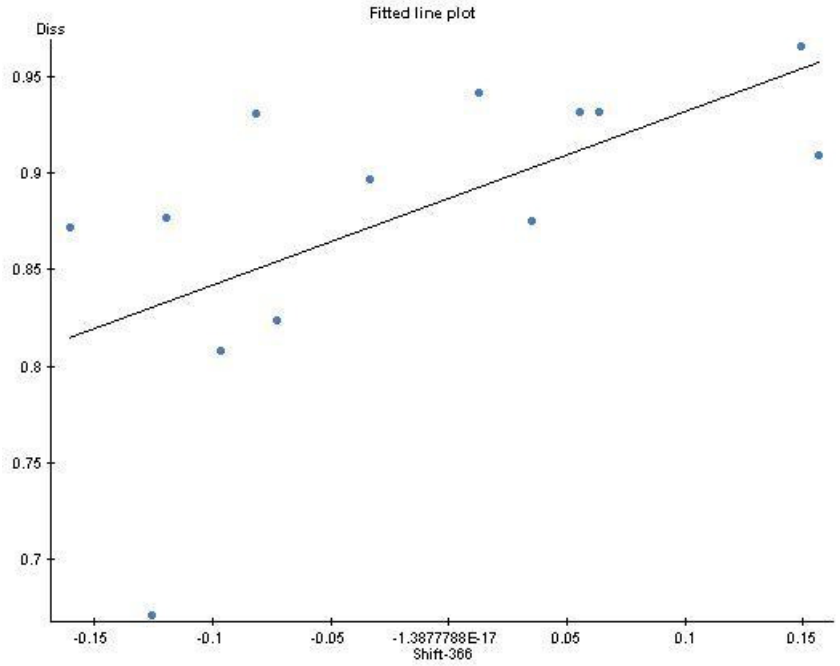
Years Before 1950:				
	Variable	Coefficient	Standard Error	P-value
Independent Variable	Shift in DJIA	0.023	0.115	0.84
R-Squared:	0.005			
Sample Size	13			

significant proportion of the variability in the platform disparity measurement. This is much more in line with what the literature would suggest.

For the elections prior to 1950, however, this relationship completely falls apart. The slope estimate falls to a mere .024, with a highly insignificant p-value of .84, suggesting that the variation away from 0 was highly likely to have occurred entirely by random chance. The R^2 statistic falls to a mere .005, explaining almost none of the variation in the dependent variable.

These results are dramatic. While my independent variable is far from explaining all of the variation in the dependent variable, this was never my expectation. Parties consider a wide variety of factors in developing their party platforms, melding a wide variety of interests and concerns into their final set of policy pledges. To expect a single macro-level economic indicator to fully explain a process so driven by micro-processes and individual actors would be ludicrous. A finding that such an indicator could explain more than a third of the variation in platform overlap is highly important, as it shows that

Graph 4- Scatterplot of the shift in the DJIA against my platform disparity rating in the years since 1950, with the regression line



signals from the financial markets hold significant sway on politicians' campaign promises.

Furthermore, this relationship has consistently become stronger over time. Further dividing the data into four equally-sized parts, we see a steady growth in the strength of the relationship between my independent and dependent variables over time. In the most recent block, including the years 1984-2008, has an R-squared of .497, suggesting that nearly half of the variation in overlap between platforms can be explained by financial market movements. Because none of these regressions have large enough samples to

Table 4

	1900-1924	*1928-1952*	*1956-1980*	*1984-2008*
R-squared	5.32E-05	0.003	0.229	0.497
p-value	0.99	0.918	0.338	0.118
Sample	7	7	7	7

attain statistically significant results at the .05 one-tailed standard, we must take their results with some degree of skepticism. Nonetheless, when taken as a whole, the data strongly suggest a trend toward higher correlation between my variables.

Conclusion

While financial market movements and party platform overlap were largely unrelated, in the first half of the twentieth century, they are significantly related in the period since 1950. Furthermore, as stock ownership has rapidly expanded over the past five or six decades, the overlap in party platform pledges on economic issues has been increasingly related to shifts in the Dow Jones industrial average. If this trend continues, we may utilize shifts in the financial markets as a strong predictor of the likely overlap between the major political parties on economic issues. The data provide a strong answer to my original research question: as elections near, politicians do seem to make political calculations based on market movements, utilizing more centrist rhetoric in times of economic downturn than in more favorable conditions. While this has not always been the case, it has become increasingly true in recent years and there is reason to believe this relationship will continue to hold strongly or even become stronger in the future.

Works Cited

Achen, Christopher H. 1975. Mass Political Attitudes and the Survey Response. *The American Political Science Review*. 69: 1218-1231.

Barabas, Jason. 2006. Rational Exuberance: The Stock Market and Public Support for Social Security Privatization. *The Journal of Politics.* 68: 50-61.

Black, Duncan. 1948. On the Rationale of Group Decision-making. *Journal of Political Economy*. 56: 23-34.

Converse, Philip E. 1964. The Nature of Belief Systems in Mass Publics. In *Ideology and Discontent*, edited by David E. Apter. New York: Free Press. 206-261.

Downs, Anthony. 1957. *An Economic Theory of Democracy*. Stanford: Hoover Institution Press.

Entman, Robert M. 2004. *Projections of Power: Framing News, Public Opinion, and US Foreign Policy*. Chicago: University of Chicago Press.

Friedman, Milton. 1953. *Essays in Positive Economics*. Chicago: University of Chicago Press.

Lewis-Beck, Michael S. and Mary Stegmaier. 2000. Economic Determinants of Electoral Outcomes. *Annual Review of Political Science*. 3: 183-219.

Page, Benjamin, and Robert Shapiro. 1982. Changes in Americans' Policy Preferences, 1935–1979. *Public Opinion Quarterly*. 46: 24-42.

Zaller, John and Stanley Feldman. 1992. A Simple Theory of Survey Response: Asking Questions versus Revealing Preferences. *American Journal of Political Science*. 36: 579-616.