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Macroeconomic time consistency and wartime presidential approval

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ABSTRACT

A comparative analysis on the influence of war and the macroeconomy upon incumbent approval during the Korean, Vietnam, and Iraq/Afghanistan conflicts. Inflation, unemployment, war rallies, and soldier casualties are systematic factors upon popularity in each of the three wartime periods. The casualty effect upon approval is greatest during the Vietnam Conflict, while economic influence is greatest during the Iraq/Afghanistan wars. The median citizen's macroeconomic preference is approximately time consistent in all three episodes, with an inflation target of zero and an unemployment target close to the natural unemployment rate. This implies that wartime macroeconomic overheating likely causes popularity to decline.

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1. Introduction

This comparative study examines the similarities and differences regarding war and macroeconomic influence upon US presidential popularity during the Korean, Vietnam, and Iraq/Afghanistan wartime periods. The WWII time frame, however, is excluded from the analysis because observations on job approval and the macroeconomy are less available in this earlier episode. Additionally, brief wars with relatively few soldier casualties are excluded from the study. In the case of short-lived military conflicts with relatively low fatalities, a positive war rally effect upon popularity tends to offset the adverse casualty effect. The present study therefore concentrates on post-WWII presidential approval during periods of extended military conflict with high soldier fatalities.

The investigation looks at four interrelated questions: (1) What are the relative effects of war versus the macroeconomy upon incumbent popularity during the Korean, Vietnam, and Iraq/Afghanistan war periods? (2) Are the influences systematic or idiosyncratic across the three time frames? (3) Is economic influence upon approval insignificant during major wartime periods because of the dominance of the casualty effect upon citizen sentiment? (4) Is the median citizen's macroeconomic preference time consistent during intervals of prolonged conflict or does the median citizen exhibit inflationary bias in wartime?

These issues are important because the answers provide insights on public opinion patterns with corresponding macroeconomic and war policy ramifications. In particular, the incumbent political party in control of the White House is likely to

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support economic and war policies that are compatible with popular sentiment so as to increase presidential job approval and improve reelection chances.

Most empirical studies that look at the effects of the economy and war upon popularity employ a pooled single-equation model with fixed parameters across multiple consecutive administrations over peacetime and wartime. This approach, however, likely produces biased results. Economic and war-related influences upon approval tend to shift over time.

Few analyses take a comparative approach that tests for similarities and differences regarding war and economic effects upon popularity across distinct wartime episodes. The present study examines this issue by estimating a three-equation presidential approval model corresponding to the Korean, Vietnam, and Iraq/Afghanistan war intervals. For each of the three periods, the model takes into account military fatalities, war rallies, unemployment, inflation, the median citizen's macroeconomic preference, the presidential honeymoon, presidential scandals, and citizen opinion inertia.

The empirical analysis shows that all effects are systematic upon wartime presidential approval across the three time frames. The magnitudes for several of the effects, however, are significantly different across the three intervals. In particular, the soldier casualty effect upon popularity is greatest during the Vietnam War, whereas macroeconomic influence upon approval is greatest during the Iraq/Afghanistan war period.

The economy is a significant factor upon popularity in each of the war intervals, despite the substantial impact of military casualties upon citizen attitudes. This finding contradicts the assertion that the economy is of minor importance upon approval during periods of prolonged military conflict. The economy is a key determinant upon popularity during major wartime periods just as is the case for peacetime.

Additionally, the median citizen's macroeconomic preference is found to be approximately time consistent during the Korean, Vietnam, and Iraq/Afghanistan war periods, with an inflation target of price stability along with an unemployment target close to the natural unemployment rate. The result supports the sophisticated voter hypothesis that the electorate takes into account the long-run structure of the economy in their opinions of the incumbent.

This implies that macroeconomic overheating from heavy military expenditures during wartime likely causes presidential approval to decline. Wartime macroeconomic overexpansion that causes unemployment to fall below the natural rate may therefore reduce reelection chances for the incumbent political party.

In the next section, we review some of the literature concerning war and economic influence upon popularity during the Korean, Vietnam, and Iraq war periods. The three-equation wartime presidential approval model is then specified, and the economic and war-related determinants are discussed. The data are afterwards described and the empirical analysis is given. The concluding section summarizes the results and discusses policy implications.

2. Korean, Vietnam, and Iraq/Afghanistan wars

Rational voter theory asserts that economic and political events underlie citizen opinions of the president.¹ Downs (1957, 138) states: "...the current record of the incumbent remains the central item of the evaluation". Beginning with Mueller (1973), a substantial amount of research shows that war and economics are the two foremost determinants upon approval (Erikson et al., 2002). Norpoth (1987, 949) states: "War and economics have few rivals when it comes to making or breaking governments".

Much of the empirical research on popularity finds that unemployment and inflation are major economic influences while soldier casualties are a key war determinant. Several econometric models examine these effects upon presidential approval during the Korean War, the Vietnam War, and the Iraq War.

The results, however, are mixed. For incumbent approval during the Korean Conflict, Kernell (1978) examines the impact of war casualties and the economy upon Truman popularity. His analysis finds that the inflation effect and the casualty effect have the predicted signs but are insignificant, whereas the unemployment effect is not estimated.

For presidential approval during the Vietnam Conflict, three studies consider the casualty effect and the economy upon the popularity of Lyndon Johnson. Kernell (1978) finds that the casualty effect and the inflation effect are significant while the unemployment effect is insignificant. Smyth et al. (1991) find that the casualty effect is marginally significant while the inflation and unemployment effects are insignificant. Fox (1997) finds that the casualty effect and the unemployment effect are significant whereas the inflation effect is insignificant. None of the three empirical models on Johnson approval finds all three influences consisting of war casualties, inflation, and unemployment are significant factors.

For the Iraq War period, several analyses look at G.W. Bush popularity during the first part of his presidency, and find that economic influence is insignificant or minor, while the war casualty effect is large and significant (Voeten and Brewer, 2006; Eichenberg et al., 2006; Gelpi et al., 2006). Fox (2009), however, analyzes Bush approval across his entire 8 years in office, and finds that the effects of inflation, unemployment, and war casualties are all significant.

Only two studies look at the influence of the economy and military fatalities upon job approval across all three war periods. Geys (2010) examines popularity in a pooled model across several administrations over peacetime and wartime during the post-WWII era of 1948–2008. His results show that inflation, unemployment, and war casualties during the Korean,

¹ Several studies in the political science literature take the approach that economic perceptions rather than economic events directly affect job approval, such as consumer confidence, consumer sentiment, and the consumer comfort index (Erikson et al., 2002; Voeten and Brewer 2006; Norpoth and Sidman 2007a,b).

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