Never Change Horses When Crossing a Stream of Money

By David Hill

The oddball biennial off-off-year elections in states like New Jersey, Virginia, Kentucky, and Mississippi are popular in the political world. Political beat reporters welcome the opportunity to stay busy at a time when their editors might otherwise ask them to cover "real" news. Moreover, the few political consultants lucky enough to sign up a client in one of these off-season contests finally understand the concept of "found money." Even the candidates and voters in these states probably relish the attention their elections receive in the media vacuum of an odd-year election.

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But the true significance of these chronological curiosities is to be found in what trained observers think they say about our future; political pundits look long and hard at the odd-year campaigns and elections hoping to see what is to come in the year ahead. The wake behind the November 1997 elections inspired the typical Olympiad of forecasts and prognostications for 1998 and beyond. When all was said and done, the non-unanimous consensus of the pundits seemed to be that incumbent candidates and parties are likely to hold an advantage in the year ahead. The people are happy, so say the analysts, and are loathing the words of an adage to change horses in the middle of a stream.

An Electorate in Nirvana?

What is going on here? Are voters so happy they will blithely vote for incumbents regardless of other considerations? They may be. For one thing, consumer confidence is at historic levels. The Conference Board's Consumer Confidence Index in November 1997, for example, was just off the 28-year high it achieved only a few months earlier. Consumer confidence began rising in 1993 and has steadily risen ever since. It was very high throughout most of 1997.

But consumer confidence is not the sole indicator of a contented electorate. Voters in many states are also more likely than at any time in the last decade to say that their states are "moving in the right direction," and are NOT "seriously off on the wrong track." This pollster-derived dichotomy of *right direction* versus *wrong track* is generally thought to be heavily influenced by economic perceptions. Almost always, pollsters' indicators of consumer confidence and *right direction* sentiment move in tandem. But *right direction* sentiment is not driven exclusively by economic considerations. Some private polling I recently undertook in a Midwestern industrial state found that only about one-half of all respondents explicitly explain their choice of "right direction" on account of economics. The other half mentioned a smorgasbord of other issues, including lower crime rates, better schools, more affordable healthcare, environmental cleanup, improved roads, and other more-narrowly drawn issues.

Yet another closely-related indicator of an electorate at peace with its circumstances are responses to traditional questions about the nation's or a state's "most important problem." Whereas we could once expect a majority or near majority to name some evident crisis (the economy, crime, health care costs), we now see poll after poll in which less than one in five respondents can agree on a most important problem. Public polls demonstrate that concerns about schools and education or the environment now compete with crime and the economy for top billing as our thorniest public policy issues. This is not to make light of these traditionally second-tier problems, but when they are competing for our attention, something else most be going right.

Education illustrates this point well. If anything, educational achievement is slightly on the rise in most states. Public education has responded in many states to political and parental pressures for better results. And regular assessments of attitudes toward public schools—such as Phi Delta Kappa's annual Gallup Poll—have discovered no dramatic slide in opinions regarding schools. It's just that with a strong economy and lower levels of crime, voters can turn their attention to other issues such as education. So education becomes one of our most important problems even while it's not more of a problem in reality.

Off-Broadway in an Off-Off Year

Did any of this figure in the outcomes of the November 1997 elections? The answer is probably "yes." It is always chancy to relate the outcomes of specific elections in a few states to some national megatrend. But in this instance, the situation is tempting. In both New Jersey and Virginia, the elections ultimately turned on economic issues, not on education, crime, roads, or the environment. In both instances, the Democratic candidates were unsuccessful at moving the debate onto non-pocketbook issues. This allowed the incumbent Republicans to remain in power.

While it's true that an economic issue—insurance rates—seemingly came close to upsetting Governor Whitman in New Jersey, debating the topic kept the electorate focused on their pocketbooks. The Democrats would have been better served to find some other battleground where their advantage was clearer. Christie Todd Whitman is a Republican from an affluent, establishment family. Her people know about money. Her signature policy accomplishment involved tax cuts. While her image and record on economics was not unassailable, it was good enough to merit reelection. "Why change horses?" voters may have mused.

In Virginia, the popular lore is that the Republicans kept the governor's office by exploiting another pocketbook issue: an annual car tax. This speaks well for the Republican strategists. They were running a get-tough, hard-nosed attorney general. The temptation would have been to run on a crime-fighting platform. But ultimately they decided the better course was to ride the megatrend and keep Virginia's mighty economic engine humming with an tax cutting tune-up.

Even some of the referenda outcomes around the nation are best understood in an economic context. Unlike California voters who rejected affirmative action during that state's emergence from a recession, Houston voters approved affirmative action policies during a period of economic prosperity that challenges the best of the oil-booms. Denver voters rejected a multi-billion dollar tax hike for a major light rail expansion although the civic establishment pleaded for the project. Voters there doubtless saw the project as so big and expensive that it might upset the economic apple cart.

Show Them the Money

Jack Germond was quoted in 1988 as saying that, "When the economy is bad, the party in power is blamed. When the economy is good, people look at other issues."[1] I'm not sure that's true any longer, especially when there is no other pressing problem— such as crime—for us to look at instead.

Today, we find America in this paradox. The economy is no longer the most important problem—as it was in years in which inflation or unemployment drove electoral decisions—yet it seems possible that the economy is still the most important consideration in elections. How can this be? There are numerous reasons.

First, this is America, the land of ever-growing economic expectations. No matter how good the economy, we always think that it can get better, at least for ourselves. So we look for ways to preserve our wealth and grow it at the same time that we say we already have enough wealth. That's the American economic way. By comparison, I don't think as many Americans have growing expectations about other electoral issues. I don't think there is a moral equivalent in education of becoming a millionaire. Yes, winning one of those bumper stickers that your child is on the honor roll is alluring. That's personal success, like accruing wealth. But having a better and better public school system doesn't have the panache of a gold card or a fat line of credit at the bank. Most public policy issues are like education. They promise some collective good when most Americans are into individual success and security, even at the expense of society. So we vote our wallets, not the government's books.

The economy is also important because voters are reminded every day that it is important. At the most primitive level, we think of this every morning when the alarm sounds and we decide whether to rise and go to the office or factory, or whether we risk our job by sleeping in. But more insidiously, we are constantly fed throughout the day a stream of facts that say to us that the economy is paramount. Newspapers publish the latest thoughts of Chairman Greenspan as if our civilization depends upon his good will toward the masses. Radio broadcasts tell us the latest stock-market news, not just

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from New York and Chicago, but from Europe and Asia. Broadcasters provide us the London gold-fix each morning and unknowingly ponder its meaning. Magazines lure purchasers with promises of the next great investment opportunity. The company bulletin board reminds us of quarterly sales goals and stock option plans. Home builders, bankers, and car dealers urge us with daily ad blitzes to buy now while interest rates and prices are low. More and more Americans now own stocks, bonds, and mutual fund shares through expanded retirement options. For better or worse we Americans are capitalists and we live the capital life. The information gleaned from this capitalist life becomes the grist for political as well as economic decision-making.

Slogging Across the Stream Toward 1998

Now I wouldn't want to imply that Americans are really inputting a wealth of financial data and spitting out a carefully reasoned economic viewpoint. No, for most Americans, economics are a blur. So they respond from the gut. And their gut says that things are pretty good. We're headed in the right direction. How do they keep us pointed that way? Most will start by trying to maintain the status quo in everything that affects their financial well-being, including their stock portfolios and their government leaders. I suspect that most Americans would not be terribly articulate explaining precisely how elected officials influence the economy and their pocketbooks. But they know that it happens, through tax policies, regulatory policies, trade policies, and so forth. Given a choice today, I'd say they would vote for the status quo in 1998 on all these issues.

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Looking ahead, we are prone to believe that voters will be driven by economics again in 1998. And if good economic conditions persist, incumbent office-holders should be returned to office in record proportions. Just look at the situation. Unemployment is at recent-record lows in most states. The public tells pollsters at the Conference Board and other consumer sentiment survey firms that jobs are plentiful in their area now and will be in the months ahead. This encourages job hunting and switching, which increases income. Wages are keeping up with inflation. Alan Greenspan is keeping inflation under control. Investor confidence remains strong. Even when there was pre-election chaos in markets here and abroad, the average investor stood his or her ground, optimistic about the future. The consumer confidence pollsters hear from Americans the belief that business conditions are good and will be as good in the year ahead. The length and breadth of encouraging economic indicators is such that it seems unlikely that the situation could be turned on its head in the next eight or nine months. It would take that sort of rapid undoing of the economy to influence the 1998 election. I don't doubt at all that the worm might turn by 2000, but 1998 is too close at hand.

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Endnote

[1] *The McLaughlin Group*, July 30, 1988.

CORRECTION

On pages 3 and 4 of the October/November 1997 issue of *The Public Perspective* [Volume 8, Number 6], we published two time-series line graphs reporting on data from surveys that posed an important survey measure known as "the self-anchoring striving scale." The citation that we gave for these data was seriously incomplete. The scale was in fact developed by Hadley Cantril and Franklin P. Kilpatrick, and was used later with Lloyd A. Free in research sponsored, directed, and analyzed by the Institute for International Social Research in a number of countries, including the United States. The Gallup Organization did the field work in the US. The Institute for International Social Research sponsored the 1964 applications of the scale, as well as the initial work in 1959. The 1971, 1972, 1974, and 1976 applications were sponsored by Potomac Associates. Gallup conducted the surveys in all of these cases, as we reported in the October/November issue.