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Peasants, Bankers, or Piggybankers? The Economy and Presidential Popularity in Uruguay

Ryan Carlin (rcarlin@gsu.edu)

Georgia State University

Katherine H. Hunt (katherinehalee@gmail.com)

Georgia State University

How the public translates economic information into opinions about their leaders is a fundamental question at the intersection of political economy and mass politics. A prominent study by MacKuen, Erikson, and Stimson (1992) found evidence in support of a rational-expectations model of economic voting, whereby the public judges the president not on how past economic performance has affected them personally (like a "peasant") but rather according to full information about national economic forecasts and/or the implications of current policies for future performance (like a "banker"). We test how well this model travels to Uruguay using an original monthly time series on presidential approval, objective indicators of economic conditions, and consumer confidence levels. Results reject both the "peasant" and the "banker" logic and, instead, suggest Uruguayans translate information about the economy into personal economic prospections and judge the president accordingly. Since this process borrows the personal/egotropic element of the "peasant" logic and the prospective element of the "banker" logic, blending these caricatures we conclude the political economy of presidential approval in Uruguay resembles that of a "piggybanker."

Keywords: economic vote, presidential approval, Uruguay, egotropic and socio tropic perceptions, prospective and retrospective economic perceptions.

¿Campesinos, Banqueros o ahorristas? La economía y la aprobación presidencial en Uruguay

La forma en que la opinión pública traduce la información económica en opiniones sobre sus líderes es un tema fundamental en la relación entre economía política y la política de masas. El famoso estudio de MacKuen, Erikson y Stimson (1992) demostró que existe un modelo de voto económico basado en expectativas racionales, donde el público no juzga al presidente a partir de la forma en que el desempeño económico del pasado los ha afectado personalmente (como "campesinos"), sino a partir de como el estado de la economía nacional,

y/o de la implementación de ciertas políticas, puede afectar el desempeño de la economía en futuro (como "banqueros"). Aquí usando una serie mensual de datos sobre aprobación presidencial, indicadores objetivos de condiciones económicas y niveles de confianza de los consumidores, testeamos qué tan bien aplica este modelo para el caso de Uruguay. Los resultados permiten rechazar tanto la lógica del "campesino" como la lógica del "banquero" y, en cambio, sugieren que los uruguayos juzgan al Presidente a partir de la información sobre la economía a partir de evaluaciones prospectivas sobre su economía personal. Dado que el proceso toma los elementos personales o egotrópicos de la lógica del "campesino" y los elementos prospectivos de la lógica del "banquero", mezclamos estas caricaturas para concluir que la economía política de la aprobación presidencial en Uruguay se asemeja a la de un "ahorrista".

Palabras claves: Voto económico, aprobación presidencial, Uruguay, percepciones egotrópicas y sociotrópicas, percepciones económicas prospectivas y retrospectivas.

Introduction

Political economists study how the economy affects politics and how politics affects the economy. At the level of mass politics, the first question boils down to if and how the polity's experience with the economy becomes manifest in politics. In a seminal article MacKuen, Erickson, and Stimson (1992:597) juxtaposed the following two explanations:

> Consider two caricatures: peasant and banker. The peasant judges the government by present personal experience. He or she eschews abstraction and, instead, relies on what may be seen and felt directly, on direct personal experience. The future is imagination, the present is reality. Turning to politics, the question is simply put: 'What have you done for me lately?' The banker, in contrast, is indifferent about the past except as it portends the future. The banker judges the government by its ability to shepherd the future. Ignoring current conditions, the banker attends to matters of systemic consequence that indicate the government's wisdom, rather than its appetite. The banker asks, 'What are your prospects?' Clearly, these are matters of degree, rather than absolutes. No individual – and certainly no society – will act purely as peasant or as banker. It is our intent to evaluate the extent to which the U.S. political economy reflects the intelligence of a peasant or banker.

Compared to myopic peasants, more sophisticated bankers are theorized to behave in line with assumptions of rational-expectations models of economic behavior. That is, to form economic perceptions based on the future implications of current economic policy and/or information gleaned from economic forecasts. Therefore bankers ought to deeply discount current economic conditions since, with the exception of unforeseeable shocks, they were presumably already factored into their economic perceptions.

This model contrasts with others that assume the public extrapolates information about past economic performance into the future (e.g. Fiorina, 1981, Alt and Chrystal, 1983). In the parlance of the ongoing theoretical debate in political science, peasants engage in *retrospective*, i.e. looking backward from the present, *egotropic* (or "*pocketbook*") economic voting, which encompasses incumbent vote choice and approval. Bankers' economic voting is instead *prospective*, i.e. looking forward from the present, and *sociotropic* i.e. responding to national rather than personal economic conditions.

As compelling as this model of mass politics may be, we do not know whether it holds beyond the United States. Might publics in the developing world operate under a distinct political-economic logic? We probe this question with data from Uruguay from 2007 to 2013, a period that spans much of the first presidencies of left-leaning socio-democratic Frente Amplio, Tabaré Vázquez (March 2005 to April 2010) and José Mujica (March 2010 to April 2015). Rather than peasant or bankers, the empirical portrait of the Uruguayan electorate is one of "piggybankers": presidential approval is largely a function of personal prospections, i.e. egotropic-prospective economic perceptions. Though our results partially confirm those of previous case studies of economic voting in Uruguay (Luna, 2002), they challenge the conclusions of both the original "Peasants or Bankers" study and much of the received wisdom from the literature on economic voting in Latin America and Western Europe.

1. Case Selection

At the outset, let us acknowledge that MacKuen, Erikson, and Stimson's (1992) "Peasants or Bankers" article is a case study. Case studies can generate testable hypotheses but testing theories is not their strong suit (Gerring, 2004). To our knowledge, the rational-expectations model of presidential approval has not been tested beyond the United States. Although some of the assumptions of rational expectations thesis have been partially integrated into comparative studies of economic voting (e.g., Duch and Stevenson, 2008), elevating it to the level of a "theory" would require a great deal more systematic evidence.

Perhaps the most obvious reason why this model has received scant attention by comparativists is the lack of comparable data. The data demands include not only presidential approval, which is difficult but fairly common to find for developing countries, but also disaggregated measures of consumer confidence and reliable national sources for economic indicators such as inflation and unemployment, which are comparatively more difficult to find for long periods. Moreover, we prefer monthly time series in order to track these dynamics with the most fine-grained instruments available. Not surprisingly, then, the quality and availability of data on the variables most central to the rational-expectations model help drive our case selection. On these scores Uruguay fits the bill as well as any other country in Latin America. Nevertheless, some of the data necessary for a complete test of each aspect of MacKuen, Erikson, and Stimson's (1992) analyses are lacking for the Uruguayan case. We proceed with caution with this limitation in mind and draw our conclusions accordingly.

By any measure, Uruguay is one of most socially and economically developed and best governed democracies in Latin America (cf. Mainwaring and Scully, 2008). Indeed, we might conclude that Uruguay is comprised of even fewer "peasants" than the United States. According to the World Bank's World Development Indicators (WDI), a far greater proportion of the population is rural in the United States (19%) than in Uruguay (5%). Using national poverty lines, which are admittedly imperfectly comparable, only 3% of Uruguay's rural population is poor whereas the U.S. Census Bureau estimates 16.1% of rural Americans lived below the national poverty line in 2013 (DeNavas-Walt and Proctor, 2014). Of course these numbers probably mask, in global terms, a more substantial rural peasantry in Uruguay. In any event, urban poverty rates in Uruguay have fallen from 18.7% in 2010 to 12% in 2013, just below that of the United States (14.5%) in 2013. Given these comparisons, it may not be far-fetched to expect that Uruguayan electorate to evaluate its leaders in much the same way as the American electorate.

Even if Uruguay does not necessarily have more "peasants" than the United States, it could well have fewer "bankers." WDI data from 2010 show that the percentage of firms that uses banks to finance investment in Uruguay (13.7%) is among the lowest in Latin America. By comparison, the numbers are 21.1% in Nicaragua, 26.6% in Guatemala, 27.8% in Bolivia, 30.1% in Paraguay, in El Salvador the rate is 31.8%, in Colombia 35%, in Chile 44.8%, in Peru 45.9%. In this respect, Uruguay is closest to countries like Honduras, Mexico, and Ecuador, which register 16-17%. To the extent that this taps the prevalence of a "banker" mentality these figures could be telling.

Personal finances may be less tied to market forces in Uruguay thanks to its relatively strong welfare state (see discussion in Pribble, 2013).[1] Yet the United States' 2013 gross national income per capita ($53,750, measured in current international dollars and weighted for purchasing power parity) outstrips Uruguay's ($18,940) by nearly a factor of three. Thus Uruguay may resemble the "banker" model of presidential approval much less than the United States does.

Viewed in light of recent research on economic voting in Latin America, our expectations for the Uruguayan case do not get much clearer. Singer and Carlin (2013) find retrospective-sociotropic voting is the most prevalent form of economic voting as it is in a great deal of other comparative politics research (for reviews see Duch, 2007 and Lewis-Beck and Stegmaier 2000, 2013). Egotropic concerns – one of two hallmarks of the "peasant" logic – appear to dominate sociotropic concerns only in Latin America's poorest countries (which excludes Uruguay), and prospective perceptions – a key aspect of the "bankers" logic – only matter until the president has had time to establish an economic track record. Luna's (2002) study of Uruguay finds support for egotropic and sociotropic forms of economic voting but its measures do not incorporate a temporal dimension and, thus, cannot speak directly to the debate of the precise nature of economic voting there. In sum, what evidence we have about economic voting in Latin America is inconsistent with the rational-expectations model, and the extant evidence from Uruguay does not help us rule out any model.

Before going further, we would like to reiterate that our case study cannot make or break the rational-expectations model of economic voting. Rather, it can probe the scope conditions under which it holds—namely, a stable, prosperous democracy in Latin America. Whether the Uruguayan public links economic information to political evaluations like "peasants" or "bankers" or according to a different logic entirely, our analysis will shed new light on the venerable question concerning how the economy influences the formation of public approval of the president.

2. Data and Measurement

This test of the "Peasants or Bankers" thesis requires time-serial measures of presidential approval, subjective economic perceptions, and objective economic conditions. Given the richness of the data, our analyses employ monthly time series for each. Here we discuss these measures in turn.

[1] Using 2011 WDI data, the most recent estimates, Uruguay spent a greater percentage of its total expenditures on education (14.9%) than the United States (13%). In 2013, Uruguay spent 70.2% of total government expenditures went to health compared to 47.1% in the United States.

2.1 Presidential Approval

Compared to many Latin American democracies, Uruguay has a long tradition of tracking presidential approval. Nonetheless, differences in question wording and response sets across pollsters, the length and temporality of any given survey house's series, missing data, and changing sample frames frustrate straightforward measurement of presidential approval over long periods. Moreover, the choice of series among the available options is essentially arbitrary without some consensus on the proper way to measure presidential approval. To resolve these issues, we combine all publically available approval series for Uruguay from 1985 to 2013 into a single "smoothed" monthly time series of presidential approval.

Our approach relies on a measurement model derived from Stimson's (1991) dyad-ratios algorithm. This fairly common strategy in macro-opinion studies of the U.S. (e.g. Erickson, MacKuen and Stimson 2002, Enns and Kellstedt 2008) has been increasingly used in comparative approval research (Carlin, Hartlyn and Martínez-Gallardo, 2012) including in Latin America (Carlin, Love and Martínez-Gallardo, 2015a, 2015b).[2] The model assumes that to the extent a given data time series is a valid indicator of presidential approval, the ratio of any two values within the series is a *relative* indicator of presidential approval. The algorithm uses all such dyadic ratios within a given series to estimate presidential approval values at regular (here, monthly) time intervals.

To combine *N* time series – presumably tapping presidential approval – each raw data series undergoes this transformation, resulting in *N* dyads-ratio series. If these *N* dyads-ratio series are indeed relative indicators of presidential approval, they should co-vary where they have temporal overlap. To test whether this is true, the algorithm examines the common variance in *N* dyads-ratio series to see if they do, in fact, tap a single latent construct (presidential approval). From this covariance, validity estimates are computed for each of the *N* series, and these are used along with weights for sample size to estimate the best single underlying series of latent approval. Exponential smoothing on the resulting series removes random fluctuation due to sampling error and thus sharpens the estimates.

Using this approach we construct an original dataset of executive approval for Uruguay from 1986-2013. It employs input from 8 unique data series gauging presidential "approval" (*aprobar/desaprobar*), "favorability" (*favorable/desfavorable*), and

[2] Data series for these studies and the present one are publically available as part of the Executive Approval Project (www.executiveapproval.org).

"ratings" (e.g. *muy bien, bien, regular, mal, muy mal*) of the president's "management" (*gestión*), "performance" (*desempeño*), and "image" (*imagen*). We follow Erikson, MacKuen, and Stimson (2002) and calculate approval as follows: % approval/(% approval + % disapproval). This is advisable because response choices vary from 4 and 5 point scales to trichotomies that include a neutral category to dichotomous measures, and because some respondents say they do not know or fail to answer.

The exigency of finding both approval and disapproval series limits our sample somewhat. Nonetheless, we collected and used a total of 379 survey marginals broken down by firm, series, and cases as follows: Equipos MORI (urban 1986-2011, 119 cases; national 1990-2012, 138 cases), Factum (1997-2013, 45 cases), Cifra Raga & Asociados (performance 1999-2013, 12 cases; sympathy 2000-2013, 5 cases), Interconsult (2000-2012, 47 cases), AmericasBarometer (2007-2012, 4 cases), and Grupo Radar (2005-2006, 3 cases). These series range from monthly to quarterly, to annually, to biannually. From this series, we only employ the segments for which we have corresponding data for consumer confidence (July 2007-August 2013). On average, each month draws from 1.13 data points.

Two pieces of evidence suggest our approach was successful. First, a single dimension – which we assume captures presidential approval – accounts for 94.2% of the variance in the series (Eigen estimate 1.09 of a possible 1.15). Second, most of the input series load above 0.90 on the latent factor,[3] a far more stringent level than even the most conservative criterion for confirmatory factor analysis. This suggests that, despite distinct question wordings, response sets, sample, and temporality, each of the series taps the same underlying construct. Thus we feel confident in the validity of our monthly measure of presidential approval in Uruguay.

2.2 Subjective Economic Perceptions

Measures of subjective economic perceptions come from a joint venture by the Department of Economics at the Universidad Católica de Uruguay and Equipos Consultores Asociados known as the Programa de Opinión Pública y Confianza Económica (POPCE). This team measures roughly 400 cases sampled from urban centers of at least 10,000 inhabitants throughout Uruguay and constructs an overall Index of Consumer Confidence (ICC) that ranges 0-100 (sampling error ± 4.8, 95%

[3] Presented in order, the loadings on the first dimensions are: Grupo Radar (0.988), Equipos MORI (urban 0.987, national 0.987), Factum (1997-2013), Cifra Raga & Asociados (sympathy 0.983, performance 0.964), Interconsult (0.957), and AmericasBarometer (0.711).

confidence interval) using the simple averages of the six questions below.[4] We have added the labels (in CAPS) by which we will refer to these variables in our analyses.

1. SHORT-RUN NATIONAL PROSPECTIONS. How do you think the country's economic situation will be within one year? Better, the same, or worse than it is currently?

2. LONG-RUN NATIONAL PROSPECTIONS. How do you think the country's economic situation will be within three years? Better, the same, or worse than it is currently?

3. PERSONAL RETROSPECTIONS. How is your personal economic situation in relation to one year ago? Would you say it has improved, has stayed the same, or worsened?

4. PERSONAL PROSPECTIONS. What do you think will happen to your personal economic situation within one year? Do you think it will improve, stay the same, or worsen?

5. CURRENT BUYING CONDITIONS HOUSEHOLD DURABLES. Do you think it is a good time to make purchases such as, for example, home appliances?

6. CURRENT BUYING CONDITIONS AUTOS/HOUSES. Do you think it is a good time to make more important purchases such as automobiles or to move houses?

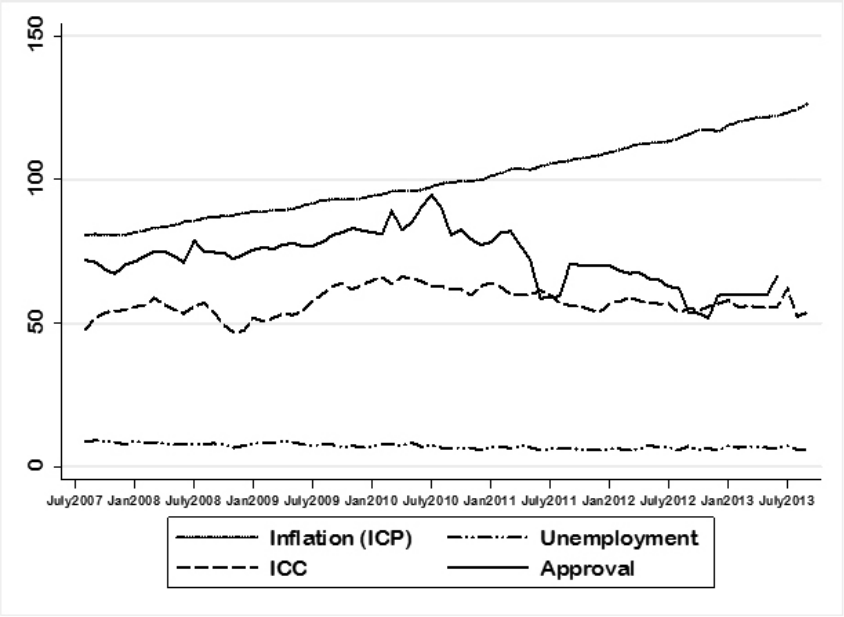
In this study, we will employ the ICC as well as these six constituent parts. When we use the ICC, our measure combines data points reported on both the POPCE and Equipos websites using the dyad-ratios algorithm discussed above. The two form a highly reliable smoothed series for which a single dimension taps roughly 97% of the variation.

Note that this index lacks a retrospective measure of national economic conditions, or what Kinder and Kiewiet (1979, 1981) dubbed nationally-oriented perceptions "sociotropic" and what Mackuen, Erikson, and Stimson (1992) refer to as "business" conditions. While this does not preclude a test of the peasants-bankers thesis *per se*, it means we can only adjudicate between three of the four prevailing models

[4] Interested readers should consult Vázquez, García and Rocha (2010) for an extended discussion about the index's construction and validation.

of economic voting in Uruguay. Given the robustness of sociotropic-retrospective economic voting in comparative research this is unfortunate.

Figure 1
Inflation, Unemployment, Index of Consumer Confidence, and Presidential Approval, Uruguay July 2007- August 2013



2.3 Objective Economic Conditions

The three objective measures of national economic conditions we use in this investigation are unemployment, inflation, and average household incomes. All three monthly series come from the Instituto Nacional de Estadísticas and were accessed in April 2014. Inflation is measured with a consumer price index (based on December 2010 = 100). Average income levels are measured for households with rental value and include *aguinaldos*. This series is logged (base 10) to make regression coefficients more interpretable. Rather than differencing or lagging any of these variables, as MacKuen, Erikson, and Stimson (1992) do without much justification, we rely chiefly on these variables' levels. However, we note that our main inferences do not hinge on how whether these variables are treated as levels, lagged, or differenced.

Figure 1 overlays these series onto the same graph with a shared y-axis that should be interpreted according to the variable under scrutiny. Recall that inflation reflect an indexed value of consumer prices (IPC), unemployment is a simple percentage, consumer confidence (ICC) runs 0-100, and presidential approval is calculated as the percentage of approval over the sum of the percentages of approval and disapproval. Consumer prices rise fairly steadily over this period, unemployment is almost static, and the ICC is variable but not terribly volatile. These starkly different dynamics are important to consider as we regress presidential approval on these three measures of the economy.

3. Modeling Presidential Approval

The analysis below, in both the questions it explores and the methods it employs, tracks as closely as possible with MacKuen, Erickson, and Stimson's (1992) analysis given the data at hand. Unfortunately this means that we will leave some interesting questions about the Uruguayan case unanswered and alternative modeling approaches ignored. We are cognizant of this tradeoff and have decided in favor of creating a comparable case study rather than breaking new theoretical, methodological, or case-specific ground.

Therefore, following MacKuen, Erickson, and Stimson's lead, we model our monthly time series of Presidential Approval as a function of lagged Approval (at month $t - 1$) plus current values of our economic variables of interest. Using this distributed lag model, and the Kyock transformation it specifies, we need only to include current values of the independent variables since the lagged values of the dependent variable capture the effects of our lagged independent variables. Coefficients will, in turn, indicate the effects of current (time t) values of the economic variables on current (time t) values of Approval while controlling for lagged (time $t - 1$) Approval.[5] Our models control for a six-month honeymoon at the outset of President José Mujica's first term to guard against spuriousnessness that could be introduced by the most obvious unit effect in our data. As a final precaution, we employ robust standard errors given the small sample size; results change little if we cluster the standard errors on presidency.

[5] Although the effects of the economic variables may not be fully felt until future periods, like MacKuen, Erickson, and Stimson we restrict ourselves to discussing current effects.

4. The Economy, Consumer Confidence and Presidential Approval in Uruguay, 2007-2013

Before moving to a test of the rational-expectations thesis itself, an initial test is whether the conventional wisdom that presidential approval reflects macroeconomic conditions holds in Uruguay. Results reported in column 1 are somewhat mixed. Inflation is correctly signed and estimated precisely but unemployment neither approaches statistical significance nor returns the expected sign. Yet a Bloc F-test suggests the two variables are jointly significant ($F(2, 47) = 5.25$, $p = 0.009$). Mujica's Honeymoon coefficient is positive, as expected, but falls just beyond the range of acceptable confidence ($p = 0.107$).

Results in column 2 reveal what happens to the effects of the objective economic indicators in the presence of a subjective economic indicator—the index of consumer confidence (ICC). The answer is: not much. Inflation retains its negative effects and unemployment its null effects. We observe the expected positive influence of the ICC on approval Mujica's.

Table 1
Economic Conditions, Consumer Confidence, and Presidential Approval

	(1)	(2)
$Approval_{t-1}$	0.78***	0.71***
	(0.10)	(0.12)
$Inflation_t$	-0.21**	-0.23**
	(0.11)	(0.11)
$Unemployment_t$	0.02	0.25
	(1.00)	(0.95)
Honeymoon	3.59	3.75*
	(2.18)	(2.20)
ICC_t		0.22*
		(0.12)
Constant	37.89	30.29
	(22.60)	(20.98)
Observations	52	52
R^2	0.88	0.88

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Honeymoon is now statistically significant if fairly small in comparison to other presidents (cf. Carlin, Hartlyn and Martínez-Gallardo 2012).

We wish to point out that the evidence in these first two models breaks with what MacKuen, Erickson, and Stimson (1992) theorized and observed in two ways. First of all, unemployment appears unrelated to presidential approval. And although this null finding is at odds with much work on popularity functions in advanced industrial democracies it is not uncommon in work on new democracies, especially in Latin America (for reviews see Lewis-Beck and Stegmaier, 2008: 2013). For the Uruguayan case, the finding runs counter to Luna's (2002) short-term (1996-1999) analysis of presidential approval but aligns with his longer-run results (1985-2000). Yet strong effects of inflation and null effects of unemployment during this period in Uruguay squarely contradict Singer's (2009) argument that the defeat of hyperinflation in Latin America has lowered inflation's salience in the public's consciousness when they evaluate presidents.

Second, contrary to what the original "Peasants or Bankers" analysis would predict, the introduction of the ICC does not "wipe out" the effects of inflation on presidential approval. Indeed, after MacKuen, Erikson, and Stimson observed this in their own data from the United States, they concluded succinctly: "Clearly, the economy affects approval by affecting perceptions of the economy, which are captured by the Index [of Consumer Sentiment]" (199: 602). Thus, the translation of information about the economy into executive evaluations appears at least different and perhaps more nuanced in Uruguay.

Rather than being deterred by this lack of fit between theory and evidence in Uruguay, we take it as an opportunity to probe the theoretical mechanisms more deeply. After all, the present analysis is a case study that seeks to test the scope conditions of a hypothesis derived from another case. Taken together, the results of both studies should help refine our understanding about the political economy of presidential approval.

To put the process by which economic information is transmitted into presidential approval in Uruguay under the microscope, we break down the ICC into its constituent elements and analyze each separately. Results are reported in Table 2. Column 1 shows that personal retrospections about the economy – how the public views their personal economic situation today compared to one year ago – is a reliable predictor of presidential approval. But far from being "wiped out," inflation retains its significant negative effects. In theoretical terms, then, we still do not know the subjective mechanisms by which objective inflationary conditions are funneled into presidential approval in Uruguay in this period.

When we inspect public expectations about their personal economic fate in one year's time – personal prospections – we find an even stronger, if slightly less robust, effect on approval (see column 2). Contrary to personal retrospections, however,

personal prospections do "wipe out" inflation's predictive power on presidential approval. Stated in theoretical terms, the Uruguayan public reliably extrapolates information about present levels of inflation into their assessments of their future personal economic well-being and strongly links them to evaluations of the sitting president. In a model reported in appendix Table A1, we show that this inference holds even when controlling for household income levels.

As the rest of the results in Table 2 show, personal prospections are the only subjective economic perceptions Uruguayans use to channel information about inflation into presidential approval. Short-run (one year out) and long-run (three years out) national economic prospections neither predict approval nor swamp the effects of inflation on approval. The same is true for public assessments of current buying conditions for durables such as household durables or autos/houses.

If the ICC had a national retrospections component, we could test the robustness of personal prospections in the face of national retrospections and add our voices to the broader debate on the nature of economic voting. Unfortunately it does not. Nevertheless, we can still speak to the question propelling this study: does the Uruguayan public dole out presidential approval like a "peasant," grounding it chiefly in personal retrospections, or a "banker," basing it on forecasts about the national economy? Our preliminary assessment is that neither logic fits the evidence. Rather, Uruguayans appear to behave like "piggybankers." We do not, of course, mean this in any pejorative sense but as a way to split the difference between the peasants-bankers dichotomy MacKuen, Erikson and Stimson (1992) pose in their theoretically informed caricatures. According to our analysis, the Uruguayan public uses economic forecasts and/or the future implications of current policies to inform their assessments of personal economic prospects and evaluate the president accordingly.

To probe this inference more deeply, we follow MacKuen, Erikson, and Stimson (1992, 602-603) and "race" the components of the ICC against each other to identify which most reliably drives presidential approval. Our models here specify lagged Approval and Honeymoon, excluding objective measures of the economy. Table 3 displays the results.

Table 2
Economic Conditions, Elements of the Index of Consumer Confidence (ICC), and Presidential Approval

	(1)	(2)	(3)	(4)	(5)	(6)
$Approval_{t-1}$	0.72*** (0.10)	0.67*** (0.11)	0.78*** (0.10)	0.76*** (0.10)	0.77*** (0.13)	0.77*** (0.11)
$Inflation_t$	-0.21* (0.11)	-0.05 (0.18)	-0.21** (0.10)	-0.22** (0.10)	-0.22* (0.13)	-0.22* (0.12)
$Unemployment_t$	0.20 (1.00)	0.26 (1.05)	0.05 (1.00)	-0.38 (0.99)	0.09 (0.84)	0.09 (0.93)
Honeymoon	5.62*** (1.57)	1.98 (2.34)	3.55 (2.27)	3.77 (2.28)	3.64 (2.24)	3.65 (2.21)
Personal $Retrospections_t$	0.35** (0.14)					
Personal $Prospections_t$		0.44* (0.26)				
Short-Run National $Prospections_t$			0.03 (0.16)			
Long-Run National $Prospections_t$				0.10 (0.06)		
Current Buying Conditions Household $Durables_t$					0.02 (0.08)	
Current Buying Conditions $Autos/Houses_t$						0.02 (0.06)
Constant	18.11 (26.17)	-0.85 (39.32)	35.84 (22.13)	36.28 (22.79)	38.11 (23.40)	38.32 (23.32)
Observations	52	52	52	52	52	52
R^2	0.89	0.89	0.88	0.88	0.88	0.88

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Initial models of personal retrospections (column 1) again reveal some support for the "peasants" hypothesis: the better Uruguayans rate their personal economic situation today compared to a year ago, the better they rate their president. Columns 2 and 3, in turn, allow us to discard the notion that Uruguayans act like "bankers" concerned primarily with national business prospects. Contrary to what MacKuen, Erickson and Stimson (1992) show for the United States, individual retrospections significantly affect presidential approval in Uruguay despite the presence of one-year or three-year national economic prospections.

Table 3
Presidential Approval by Components of Consumer Confidence

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$Approval_{t-1}$	0.88*** (0.07)	0.88*** (0.07)	0.85*** (0.07)	0.68*** (0.11)	0.68*** (0.11)	0.68*** (0.11)	0.68*** (0.11)	0.68*** (0.11)
Honeymoon	3.49** (1.73)	3.48* (1.78)	3.59** (1.70)	2.04 (1.78)	1.56 (1.50)	1.56 (1.51)	2.04 (1.77)	2.24 (1.80)
Personal $Retrospections_t$	0.31* (0.17)	0.31* (0.17)	0.34** (0.15)	0.08 (0.16)			0.08 (0.16)	0.12 (0.15)
Short-Run National $Prospections_t$		0.04 (0.19)				-0.00 (0.18)	0.00 (0.18)	
Long-Run National $Prospections_t$			0.13 (0.08)					0.08 (0.07)
Personal $Prospections_t$				0.47*** (0.18)	0.51*** (0.16)	0.51*** (0.16)	0.47** (0.18)	0.43** (0.17)
Constant	-12.18 (10.19)	-14.20 (10.79)	-19.73* (10.82)	-13.26 (8.83)	-9.87* (5.58)	-9.79 (8.46)	-13.26 (9.81)	-17.53* (10.29)
Observations	52	52	52	52	52	52	52	52
R^2	0.87	0.87	0.88	0.89	0.89	0.89	0.89	0.89

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Yet again, what "wipes out" the effects of personal retrospections are personal prospections. As column 4 indicates, when it comes to judging the incumbent, individuals' beliefs about how their personal economic situation is likely to fair in the coming year dominates the effects of their perceptions of how things have gone for them over the past year. Effects of personal prospections on presidential approval are strongest when modeled alone (column 5) but can withstand the inclusion of various combinations of short- and long-run national prospections and personal retrospections (columns 5-8). Results change marginally if ICC components tapping buying conditions are modeled as well (available upon request).

Here again, we lament the absence of national retrospections, chiefly because they preclude a more complete test of "the quality of intelligence that governs the translation of economic experience into politics" (MacKuen, Erickson and Stimson 1992: 597). But given the strength of the "ego-tropic"/personal economic perceptions – both retrospective and prospective – in these models, and the overall

weakness of "socio-tropic"/national economic prospections alone (Table 2) and in the presence of "ego-tropic"/personal prospections (Table 3), it seems reasonable to conclude that personal prospections are the main link between the subjective economy and presidential approval in Uruguay during the period under study.

5. Accounting for Economic Sentiment

If Uruguayan presidents are judged by how bright they make Uruguayan citizens' personal economic futures, it is logical to ask what drives these perceptions. More generally, we wish examine which bits of hard economic data feed the four most theoretically interesting variants of economic perceptions at our disposal. Here we must acknowledge the limitations with which we can parallel the original "Peasant or Bankers" analysis. Whereas Makuen, Erickson, and Stimson could show that the U.S. Department of Commerce's Index of Leading Economic Indicators heavily influence the public's national economic outlook. Lacking such a measure in this case, we restrict ourselves to testing how inflation, unemployment, and household incomes matter for subjective economic indicators.

Table 4 includes the results. A key theme among the results is that inflation plays a central role in shaping personal economic sentiment. It drives down both personal prospections (column 1) and, to a lesser extent, retrospections (column 2). Puzzlingly, inflation does not impinge on expectations for the national economy in either the short (one year) or long (three years) run. These null findings hold even in a stripped down model that included only the lagged dependent variable and inflation on the right-hand side. Uruguayans, it seems, take inflation personally—it registers primarily in prospects of their own personal, not national, well-being. Models 5 and 6 suggest buying conditions for household durables and automobiles/cars reflect, not surprisingly, household income levels and, for the former, inflation.

Table 4
Explaining Components of Consumer Confidence

	(1)	(2)	(3)	(4)	(5)	(6)
	Personal Prospections	Personal Retrospections	Short-Run National Prospections	Long-Run National Prospections	Buying Conditions Household Durables	Buying Conditions Autos/Houses
Inflation	-0.35***	-0.20***	0.02	0.06	-0.39**	-0.29
	(0.13)	(0.06)	(0.13)	(0.18)	(0.14)	(0.20)
Unemployment	-0.34	-0.15	-1.14	2.68**	-0.86	-0.03
	(0.67)	(0.62)	(0.82)	(1.18)	(0.88)	(1.09)
Household Incomes $(Log_{10})_t$	8.37	17.40	-21.32	-14.83	56.24**	49.46**
	(14.16)	(11.38)	(19.80)	(24.99)	(21.34)	(24.32)
Honeymoon	4.24***	-1.75	0.87	-0.41	-0.77	-2.92
	(1.45)	(2.71)	(1.55)	(2.48)	(2.79)	(2.94)
Personal $Prospections_{t-1}$	0.54***					
	(0.08)					
Personal $Retrospections_{t-1}$		0.42**				
		(0.17)				
Short-Run National $Prospections_{t-1}$			0.17			
			(0.18)			
Long-Run National $Prospections_{t-1}$				0.45***		
				(0.15)		
Personal $Prospections_{t-1}$						
Current Buying Conditions Household $Durables_{t-1}$					0.81***	
					(0.08)	
Current Buying Conditions $Automobile_{t-1}$						0.80***
						(0.08)
Constant	30.28	-19.16	150.41*	78.44**	-197.38**	-184.61**
	(53.05)	(52.27)	(77.46)	(102.74)	(83.28)	(93.62)
Observations	54	54	54	55	54	54
R^2	0.83	0.41	0.11	0.46	0.77	0.74

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Discussion: A Democracy of Piggybankers?

Our case study of Uruguay from the last half of 2007 through the last half of 2013 began with the same question that motivated MacKuen, Erikson, and Stimson's (1992, 597 and 606) study of the American public opinion more than two decades ago: when the public makes political judgments based on the handling of the economy, does it behave like a "peasant" or a "banker"? Our answer now seems clear, if at odds with previous research might have predicted.

The Uruguayan public assessed the two presidents under study according to the stylized logic of a "piggybanker." Namely, it evaluated them on the basis of an informed view of its personal economic prospects rather than its how it compares its present to past economic conditions or the nation's economic prospects. Uruguayans judge their presidents on anticipated economic performance, given what forecasts they may have heard or their intuition about the logical implications of policies the government is currently implementing. At this point, we cannot say whether this information comes from the downward trickle of information about leading economic indicators from experts to the media, or whether Uruguayans' own negative experiences with inflation make them hypersensitive to its pernicious effects on their own pocketbooks and savings accounts. While we have no evidence for the former interpretation and some evidence consistent with the latter, without more research we cannot say for sure which inference is most valid.

It is also intriguing to observe inflation, and little else, driving expectations about how the economy will affect them as individuals (i.e. personal prospections). Moreover, inflation is the only objective measure of the economy that had a direct influence on presidential approval in the absence of subjective mediators. So far from being unconcerned about inflation, as Singer's (2009) regional analysis of Latin America would predict, Uruguayans in this period seem to have a one-track mind when it comes to the political economy of presidential approval. Inflation is king, unemployment (and incomes) are off their radar screens. If this is correct, perhaps the dynamics are better identified at monthly or quarterly intervals than at annual intervals.

Finally, and at the risk of belaboring the point, like the conclusions of any case study, including the one of the United States (MacKuen, Erikson and Stimson, 1992) upon which we model our own, we cannot say how valid these conclusions is beyond the period under study in Uruguay, in other Latin American countries or to presidential democracies, or to countries with other models of democracy. Rather,

we hope our results give birth to new questions or, at the very least, new ways to address old questions about this fundamental question of political economy.

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Appendix

Table A1
Economic Conditions (Including Household Incomes), Elements of the Index of Consumer Confidence (ICC), and Presidential Approval

	(1)	(2)
$Approval_{t-1}$	0.72***	0.66***
	(0.10)	(0.11)
$Inflation_t$	-0.27**	-0.13
	(0.13)	(0.19)
$Unemployment_t$	0.17	0.22
	(1.00)	(1.04)
Household Incomes $(Log_{10})_t$	8.62	12.66
	(16.58)	(16.33)
Honeymoon	5.78***	2.23
	(1.65)	(2.38)
$Personal\ Retrospections_t$	0.34**	
	(0.15)	
$Personal\ Prospections_t$		0.44*
		(0.26)
Constant	-14.89	-50.09
	(74.69)	(82.10)
Observations	52	52
R^2	0.89	0.89

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1