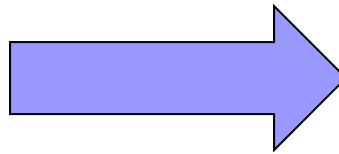
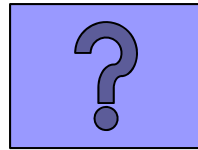
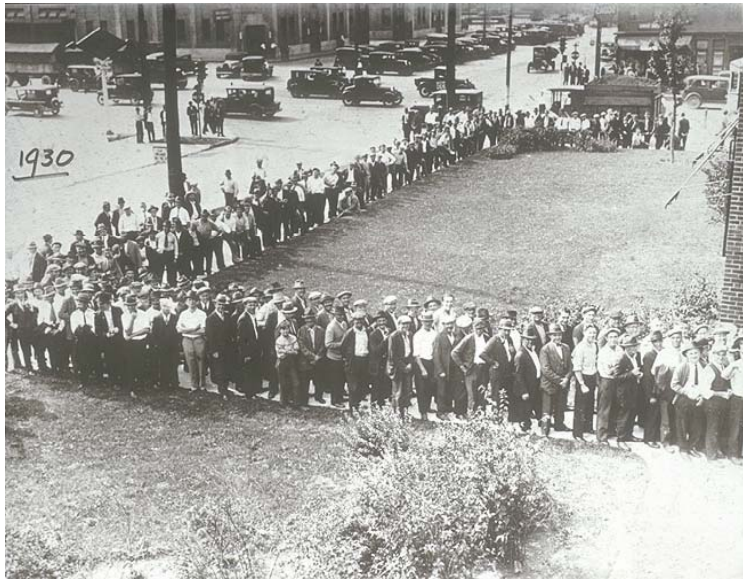


# Political Consequences of Increased Long- Term Unemployment

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April 28, 2011





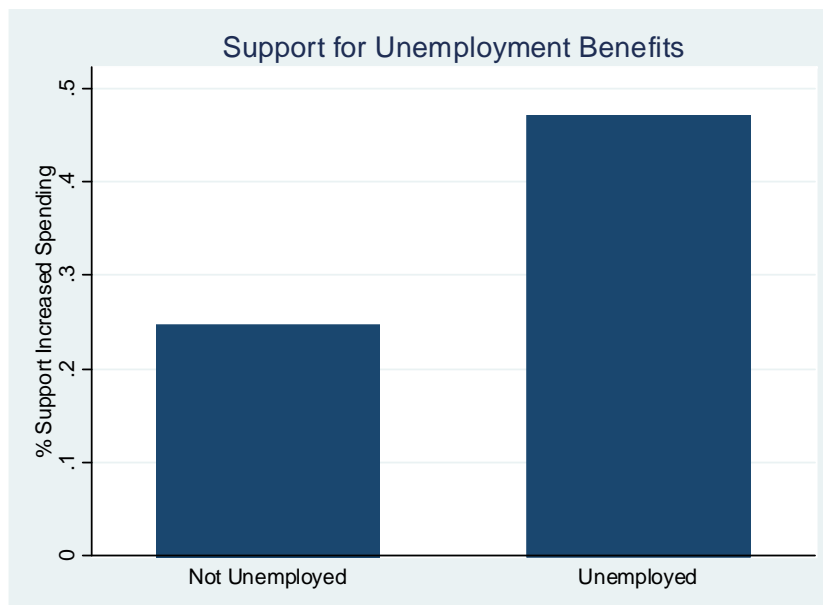
# Unemployment and Public Opinion

Why might increased long-term unemployment matter for the politics of economic policymaking?

- Unemployed may have different opinions about policy than other citizens.
- Mass opinion about policy may be different in settings when unemployment is high.

# Policy Opinions of the Unemployed

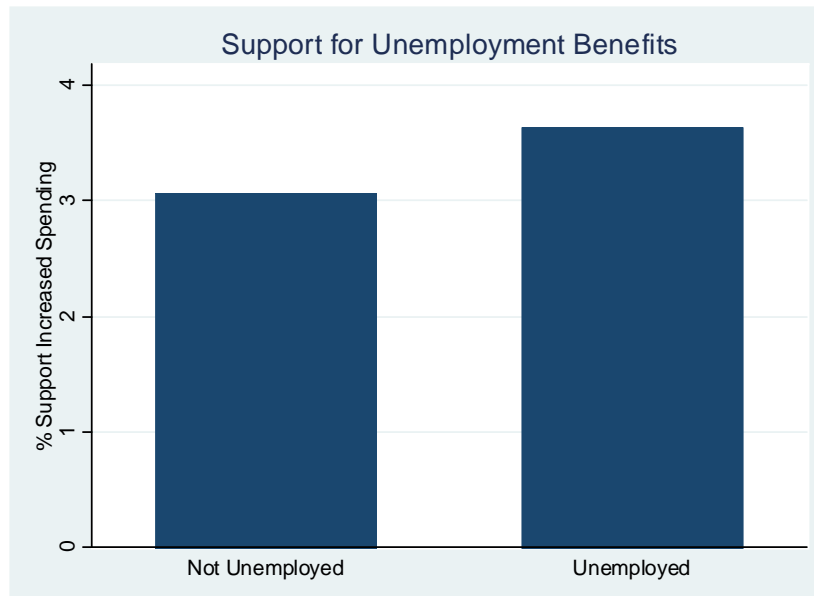
- **In bad times...** January 1939, U.S. Gallup Poll “Do you think government spending should be increased or decreased on the following: unemployment relief (WPA-Home relief)?”



- Unemployment rate is 16%
- Difference is 23 percentage points.

# Policy Opinions of the Unemployed

- **In good times...** 1996, U.S. ISSP “Listed below are various areas of government spending. Please show whether you would like to see more or less government spending in each area. Remember that if you say “much more,” it might require a tax increase to pay for it: Unemployment benefits.”



- Unemployment rate is 5.4%
- Difference is essentially between “spend the same as now” and “spend more”



# Policy Opinions of the Unemployed

- Differences in policy opinion robust to controlling for observable demographic and political characteristics.
- Differences in opinion observed in many countries around the world—in 1996 ISSP data the U.S. differences are approximately the same as average difference in twelve other high income countries.
- Substantively significant differences in opinion observed for other policies such as relative importance of inflation and unemployment in macroeconomic policymaking.

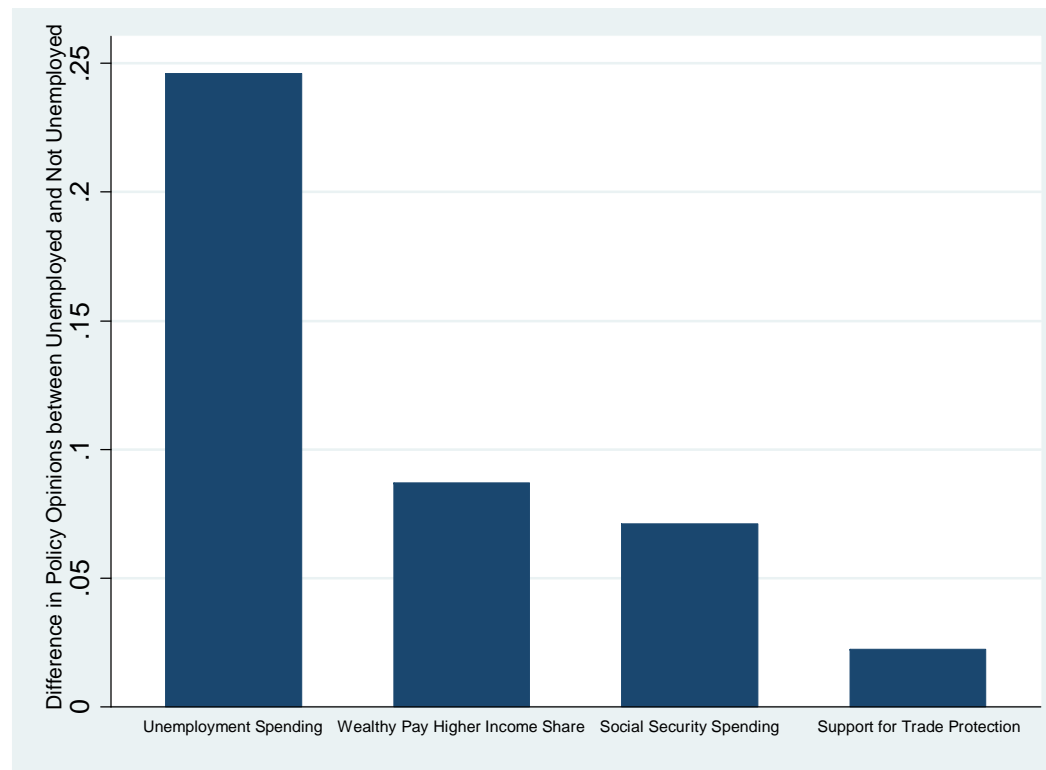


# But will these differences matter?

- Possibly for policy conflict but unlikely for policy outcomes which are central to current debates.
  - In most countries, the combined magnitude of opinion difference and the increased number of unemployed is not enough to influence policy decisions.
  - Opinion differences between unemployed and other citizens do not extend to many of the policy areas that are central to current debates—e.g. taxes and pensions.

# But will these differences matter?

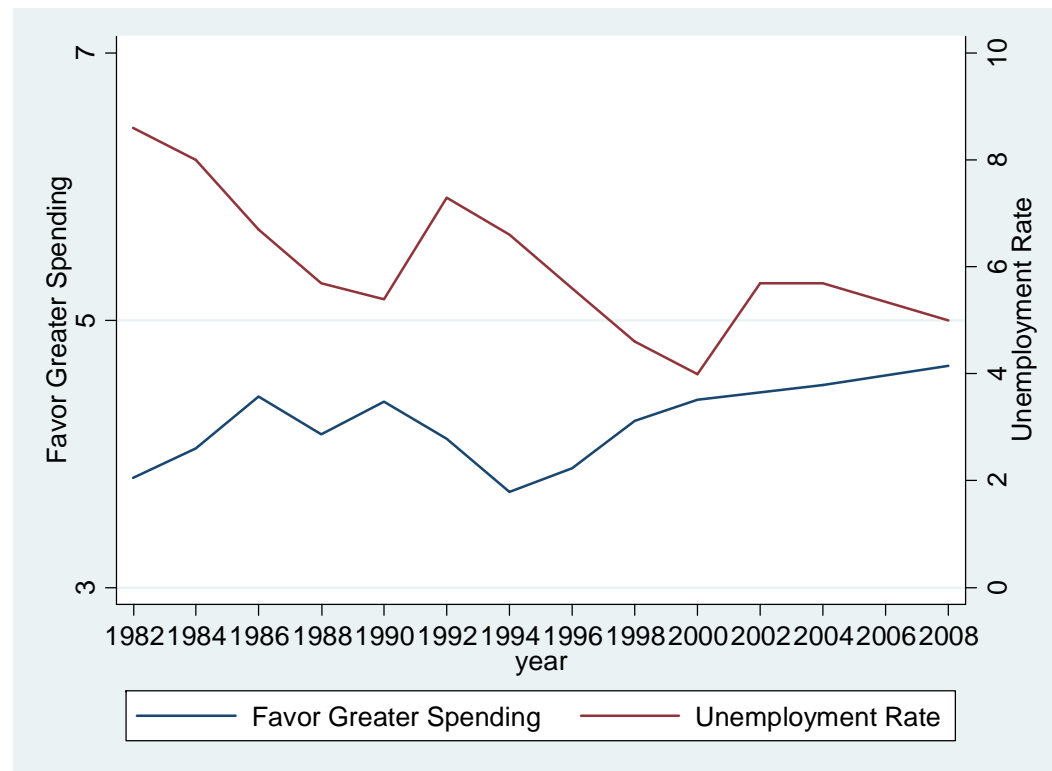
- Opinion differences between unemployed and not unemployed across issues in the U.S. in 2010 (Lu and Scheve 2010).





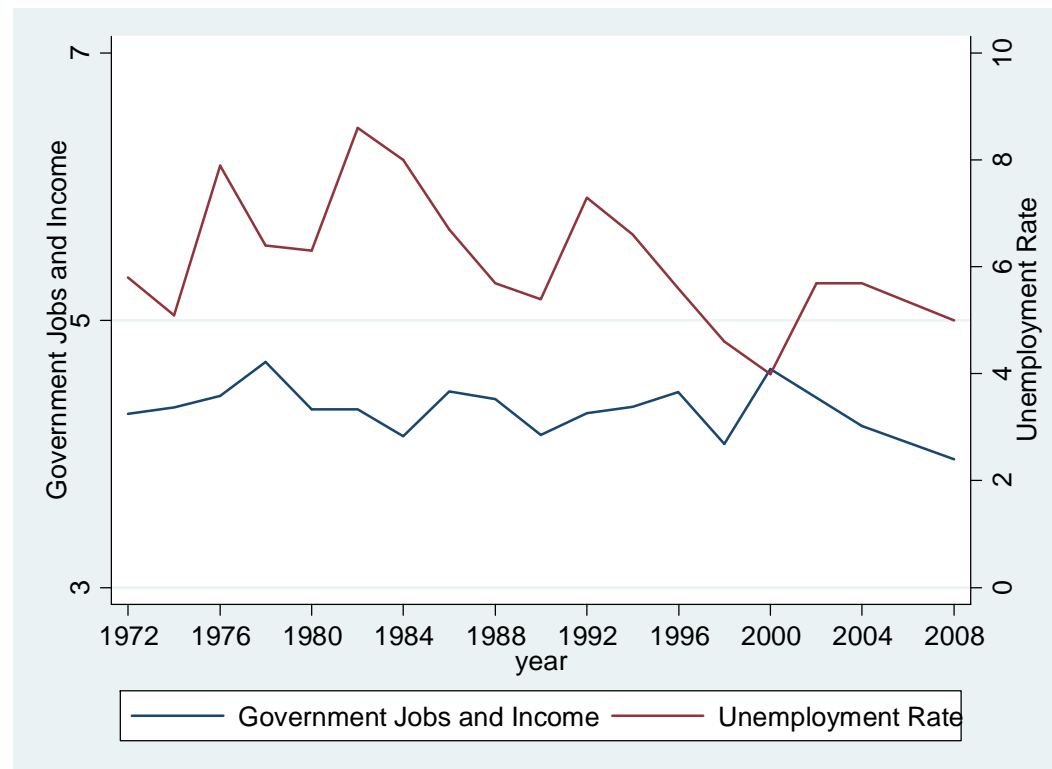
# Does high unemployment influence aggregate policy opinions?

- U.S. 1982-2008, NES. Support for more government services and greater spending and unemployment.



# Does high unemployment influence aggregate policy opinions?

- U.S. 1972-2008, NES. Government should see to it that people have jobs and a good income and unemployment.





# Why doesn't high unemployment influence aggregate policy opinions?

- Self-interest
- Beliefs about the sources of economic success and failure—the role of effort and luck (Piketty 1995).

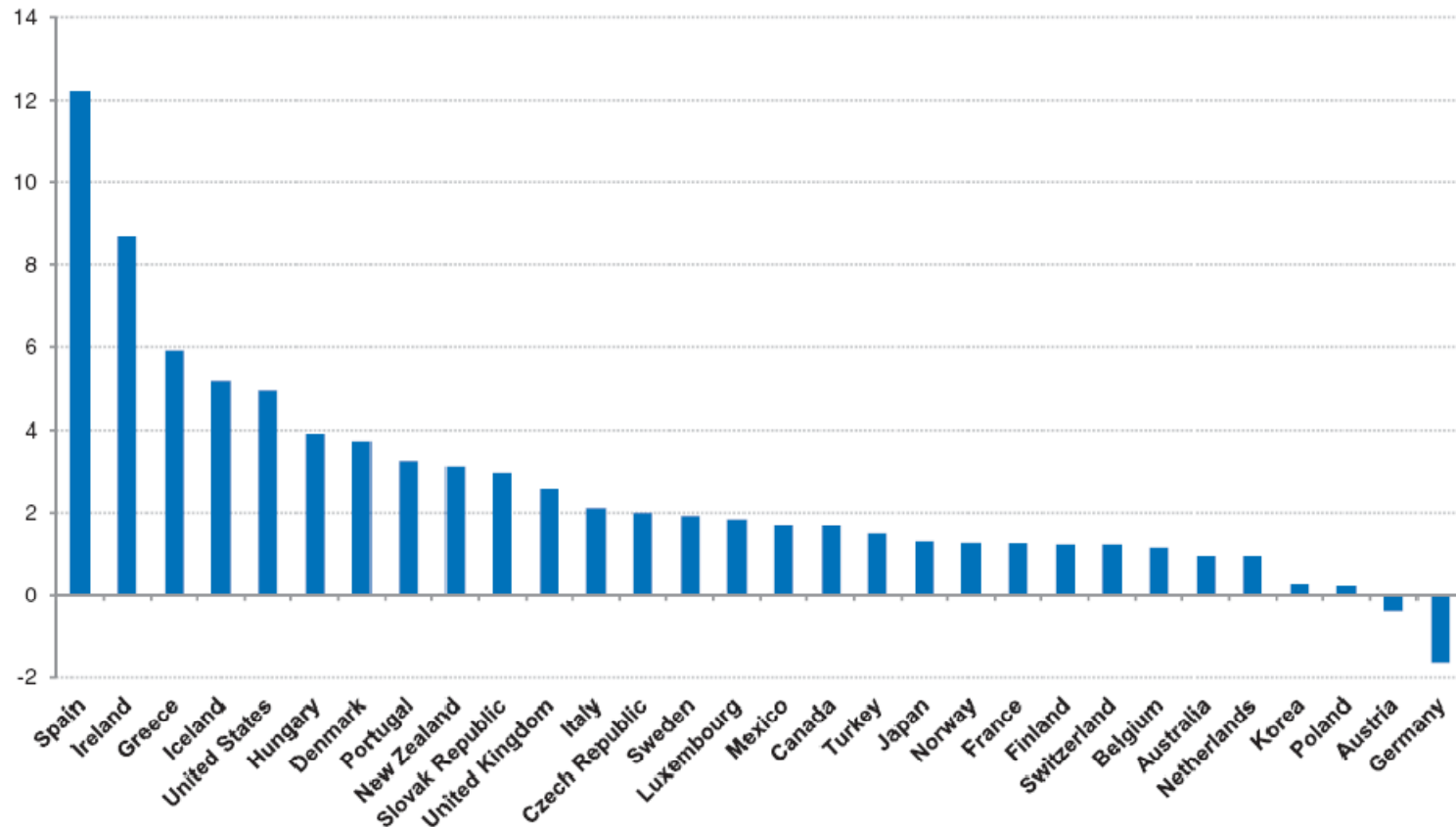


# Inequality, Representation, and Policy Change

- Even if increases in long-term unemployment in the United States had a more substantial impact on the distribution of policy opinion, the experience of the last three decades with rising inequality suggests that the impact on policy change might be modest.
- Why?
  - Bartels (2008) and others have argued that political representatives are more responsive to high-income constituent opinion than low-income constituent opinion.
  - Dominant role played by interest groups in policy process.

# Caveat: Heterogeneity in Potential Political Consequences

Figure 1. The increase in unemployment rates following the crisis  
2007Q3-2010Q4, change in percentage points<sup>1</sup>



1. Except Ireland, Italy, Mexico, Switzerland and Turkey: 2007Q3-2010Q3.

Source: OECD, Analytical Database.