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WORKING PAPERS ON POLITICAL SCIENCE

Judging the Economy in Hard-times:

Myopia, Approval Ratings and the Mexican Economy,

1995-2000.

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Introduction

There are different manners through which economic conditions might translate into political behavior and each with quite different implications. Voters can judge the government on the basis of present personal experiences or based on the answer to a simple question: What have you done for me lately? Voters might be more sophisticated, ignoring current conditions and instead attend to the following question: What are the prospects for the national economy? The first mode of reaction corresponds to a "peasant", while the latter to a "banker" (MacKuen et. al, 1992). It is crucial to understand the process through which economic performance shapes voting behavior. If the electorate reacts myopically, responding mainly to current economic conditions, the political economy is more vulnerable to political opportunism and short-term budgetary strategies that make the economy appear artificially good prior to elections (e.g., the classic statements of Nordhaus, 1975 and Tufte, 1978; and in the case of Mexico, Magaloni, 2000). An electorate that reacts anticipating future economic conditions is not at the mercy of opportunistic politicians (Rogoff 1990; Rogoff and Sibert, 1988; Alesina et. al, 1998).

The goal of this paper is to evaluate whether the Mexican political economy reflects the intelligence of a peasant or a banker, paraphrasing MacKuen et., al., (1992, p. 597). We employ presidential approval ratings. The period of our analysis is the Ernesto Zedillo's administration and the data is from January 1995 until December 1999 from the quarterly national surveys by Reforma newspaper.1 Existing research has convincingly argued that the economy shapes presidential approval (Buendía, 1997 and 1999; Villareal, 1998; Romero, 2000). We move beyond existing literature, however, in accounting for the impact of the real economy in the formation of economic evaluations or collective economic beliefs and how these impact approval ratings.
What determines, for example, that individuals assess the national economy to be better off than a year ago or, equally significant, what shapes collective pessimism or

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optimism about the future and how these expectations translate into support for the government? The answers to these questions are not straightforward.

Individuals may fail to recognize times of prosperity or hardship according to objective conditions. This may occur, for example, when aggregate economic figures, such as GNP, real wages or unemployment rates, mask extreme inequalities among groups, sectors or regions, such that individual's perceptions about there own well being or that of the nation differ dramatically.

Another possibility is that individuals recognize economic conditions objectively, but decide to support the government despite hardship. It is plausible, for example, that in economies that have undergone repeated and sequential economic crises, such as Mexico's, electors interpret prosperity as a sign of difficulties lying ahead or recession as an indication that things should soon improve and would hence support the government despite hardship (Stokes et. al 199*).

Furthermore, it may be that economic performance shapes politics in ways that do not depend on how citizens evaluate the economy (MacKuen, 1992: 600). Habituation to an economy that has experienced long-term stagnation, such as Mexico's since the early 1980s, might explain how this can take place -- individuals, for example, might fail to recognize that economic conditions are objectively better simply because they are too used to recession.

We seek to further explore the connection between economic performance and approval ratings by providing answers to the following questions: Do economic conditions shape approval ratings directly or through voters' assessments of the performance of the economy? Do approval ratings respond to voter's assessments of the state of the national economy or the state of their personal finances? Do voters judge the president focusing mainly on past economic performance or anticipating future economic performance? What particular economic indicators shape voter's evaluations of the present and the future of the national economy?

Existing Research

Elsewhere

On Mexico Buendía (199* and 199*); Villareal (199*); Kaufman and Zukerman (199*)and Romero (199*).

The Ernesto Zedillo Presidency

The Questions and Data

We examine the net responses of the Mexican electorate to several items of the quarterly national survey by Reforma. Our goal is to establish a connection between (1) objective economic indicators (2) aggregated economic perceptions and (3) presidential approval. The objective economic indicators are rates of change in real wages, inflation, GDP and unemployment. The data are monthly figures for real wages and inflation rates, defined as the annual rate of change with respect to the same month of previous year. The data for GDP and unemployment are quarterly. All data come from INEGI or Banco de Mexico.

The economic perceptions questions are:

Sociotropic evaluations about the current state of the economy ("would you say that the present state of the economy is better, same or worse than a year ago?)

Evaluations about the state of personal finances (due to lack of the usual pocketbook question for the whole time-series,2 we use as proxy: "how successful do you believe Ernesto Zedillo has been in handling real wages".)

Future state of the economy ("Now, looking ahead, do you think that a year from now the country as a whole will be better off, or worse off, or just about the same as now?").

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[2] The typical pocketbook question is "would you say that the present state of your personal finances is better, same or worse than a year ago? Unfortunately, this item is available only since September 1997. The correlation of this shorter-time series with the question we use is .80, significant at the 99% level.

Since we wish to obtain conclusions about the Mexican political economy, and not so much about individual voters, employing aggregate data seems appropriate. As MacKuen et. al., (1992) argue

A compelling advantage of macro analysis is that idiosyncratic sources in economic judgments cancel out. Judgments whether the economy will improve or falter, for example, may be too noisy for worthwhile analysis at the individual level. But their noise cancels out in the aggregate, to provide the powerful; measure of collective judgments (p. 86)

On balance, the authors contend that an aggregated time series analysis offers an important degree of inferential leverage that individual analysis can't deliver. By employing aggregate data, one can explicitly model collective behavior, which takes the form of aggregates. An additional advantage is that economic data such as GDP, unemployment or real wages are averages of economic performance. By employing similarly aggregated political data, we do not run into the risk of making inferences about the individuals from aggregate figures, which is what survey analysis that combines real economic data does. Thus, in this sense, we can ask questions such as how changes in economic aggregates shapes collective beliefs about the economy and, furthermore, how these beliefs impact approval ratings. For such reasons, our analysis complements and extends the existing individual level analyses by Buendia (199*); Villareal, (199*); Vidal, (2000). A disadvantage we have over these authors is the number of observations (N=18). Moreover, unlike MacKuen et., al., (1992), we do not have a Survey of Consumers Attitudes and Behavior to minimize the risk of rationalization on the economic perception issues. We are careful, however, to prove for endogeneity (see below).

A Causality Test

The questions we seek to answer are: how do economic conditions shape collective beliefs about the present and future state of the economy? What particular economic indicators shape voter's evaluations of the present and the future of the national economy? Do approval ratings respond economic perceptions? Do voters judge the president focusing mainly on past economic performance or anticipating future economic performance?

Following MacKuen et. al., (1992), we start by performing a standard Granger causality test for assessing the causal framework that governs the relationship between economic conditions, economic perceptions, and presidential approval. To see if economic conditions shape collective beliefs about the present state of the national economy (sociotropic evaluations), we regressed sociotropic evaluations on their own lagged values and on the lagged values of different economic conditions (on the one hand, GDP growth; and on the other, unemployment, inflation and real wages). Using a standard F-test, we test whether the coefficients of the economic independent variables might be different from zero.

Table 1 present the results, which are organized following MacKuen et. al,. (1992, Table 1). The columns represent the potential causal effect of economic conditions, economic perceptions and presidential approval on the different variables at the rows. Each cell contains the p-values associated with different F-tests. The first column indicates that GDP growth shapes economic perceptions –equations under (1) produce p-values of .00, .01 and .03. Note from column two, however, that inflation, unemployment and real wages do not shape sociotropic retrospections and prospections. This is an important finding. Sociotropic evaluations, both restrospective and prospective, actually reflect judgments about the state of the national economy, as measured for example by GDP. Furthermore, collective judgments about the voter's current well being (pocketbook evaluations) seem to be driven by the evolution of

wages, inflation or unemployment, figures that strongly impact voter's incomes[3] (though with a p-value of .07).

Table 1. Granger Causality Tests (Probabilities of No Causal Effect)

	Causal Variables			
Dependent variable (1)	Economic Conditions		Economic Perceptions	Presidential Approval
	GDP growth	Inflation Wages Unemployment		
Sociotropic Retrospections	.01	.13	--	--
Pocketbook retrospections	.00	.07		
Sociotropic Expectations	.03	.46	--	--
(2)				
Presidential Approval	.13	.00	--	--
Presidential Approval	--		.00	--
(3)				
Presidential Approval (Shape approval independent of economic perceptions?)	**.00**	**.00**	.00	--
(4)				
Sociotropic Retrospections	.00	.07		.15
Pocketbook retrospections	.00	.00		.42
Sociotropic Expectations (Shape perceptions controlling for approval?)	.02	.26		.68

Similarly, under (2) we show the results of p-values associated with different F-tests that examine if economic conditions and economic perceptions shape presidential approval. There are no surprises here. While GDP does not shape approval, unemployment, real wages and inflation do. Moreover, as can be seen from column 4, economic perceptions also shape presidential approval.

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[3] If each economic variable is individually tested, the result ……

In the section labeled (3) we test the causal effects of the real economy and perceptions while controlling for each other (MacKuen et,. al, 1992: 600). The idea is to see whether the effect of the real economy on approval is channeled completely through mass perceptions or if the economy shapes approval is perverse ways, namely without the electorate noticing it. If the economy shapes approval in this perverse manner, the economic variables should pass the multivariate Ganger tests. With a p-value of .00 and .00 for GDP growth and unemployment, inflation and real wages, they pass the Ganger test, a result that markedly differs from MacKuen et., al (1992).

Economic conditions seem to shape approval in a strange, perverse way. It is not through perceptions alone, but independent of what voters think or evaluate, that the economy affects politics. Put in other words, presidential approval responds to economic conditions not only through the extent that the economy alters public perceptions: the economy also shapes approval ratings without the electorate cognizing the process.

Also under (3) in column four we can establish that economic perceptions shape approval even when not directly caused by economic conditions. Thus, perceptions seem to matter only in as much economic data, and particularly unemployment (see below), do not completely dominate.

The last part of the table serves to eliminate a potentially problematic problem with endogeneity - namely presidential approval shaping economic perceptions. With p-values of .15, .42 and .60 we can establish that individuals do not make their current or future economic judgments on the basis of how they evaluate the president in the previous quarter. Thus, we can be more confident that the data we employ are not plagued with rationalization. Also, we can concentrate in modeling how the economy shapes perceptions and approval ratings without having to worry about endogeneity.

Models and Results

1. The economy and approval ratings

The first question is how do economic conditions shape presidential approval independent of perceptions. For our time-series analysis we employ as the dependent variable quarterly approval as a function of one lagged approval variable plus current values of the economic variables. This is the standard approach in the literature, which represents a distributed lag model, using a Koyck transformation (see MacKuen et. al., 1992; Beck, 1992; Kiewiet and Rivers, 1995). Our economic variables are quarterly rate of change in GNP, quarterly unemployment rates, and annual rate of change in the inflation rate and in real salaries. Before running the models, we test for the correlation among the variables (table 2). It can be seen that unemployment, inflation and real wages are very highly correlated and we thus ran several models with each economic variable individually. A multivariate regression might lead us to fail to reject the null hypothesis of no-effect due to multicollinearity.

Table 2. Correlation among economic conditions

	GDP	Unemployment	Real wages
Unemployment	-.25		
Real wages	-.09	-.90**	
Inflation	.13	.87**	-.96**

** Significant at the 99% confidence level

Table 3 reports the results of several models of approval ratings as a function of economic conditions. Independent of perceptions, all the economic variables shape approval in the expected manner with the exception of GDP growth, which shows no statistically significant impact. As inflation and unemployment increase, voters turn against the government. As real salaries increase, voters favor the president. The last columns of the table present a model which includes a 'misery factor" (the scores of a factor analysis of unemployment and inflation). It is clear that as "misery" increases, presidential approval ratings decrease and the effect is substantial.

Thus, like Buendia (199*) we demonstrate that voters in Mexico seem to behave according to the restrospective model. They turn against the government when things deteriorate and reward the incumbent when things improve. To evaluate the president, voters observe economic variables that seem to have direct impact on their pocketbooks –namely, unemployment, salaries and inflation – and to disregard GDP. There is thus no evidence of intertemporal model of voting or that hardship translates into support for the government, presumably because it signals that things would soon improve. (Stokes, et al 199*).

Table 3. Economic Conditions and Presidential Approval

Independent variables	Approval	
I	B	Std. Error
Constant	71.274**	16.844
Approval t-1	4.36E-02	0.231
Inflation	-0.889**	0.226
	Adj. R^2 =.80	
	N=18	
II		
Constant	96.155**	14.48
Approval t-1	-0.187	0.183
Unemployment	-8.4***	1.3
	Adj. R^2 = .87	
	N=18	
III		
Constant	49.266**	11.488
Approval t-1	0.125	0.208
Real Wages	1.198**	0.296
	Adj. R^2=.81	
	N=18	
III		
Constant	9.234	8.348
Approval t-1	0.832**	0.162
GDP	-1.53E-04	0.379
	Adj. R^2=.62	
	N=18	
IV		
Constant	64.153***	10.075
Approvalt-1	-0.242	0.197
GDP	-0.104	0.21
Misery Factor (inflation and unemployment)	-13.455***	2.195
	Adj. R^2=.89	
	N=18	

2. Economic perceptions and approval ratings

What is the process through which the economy shapes politics? Do voters reward the incumbent for the current state of the economy because they behave like "peasants", supporting a government that they evaluate has done something for them is the past? Or do voters behave more like "bankers", employing past performance, together with other sources of information, to infer the future? To answer these questions we first need to assess if economic perceptions shape presidential approval. From our discussion of the Granger tests, it is clear that perceptions matter. Now we assess whether sociotropic or pocketbook evaluations matter the most or if electors are backward or forward-looking.

Table 4 presents the results of the analysis. Independent of economic conditions, perceptions shape approval, though not in the expected ways. The results can be summarized in the following was:

Table 4. Economic Perceptions and Presidential Approval

	I		II		III	
	B	SE	B	SE	B	SE
Constant	32.414**	8.397	71.546***	21.42	78.246***	20.142
Approval t-1	0.533**	0.138	0.32*	0.167	0.207	0.158
Sociotropic Retrospections	0.241**	0.061	8.95E-02	0.096	9.46E-02	0.11
Pocketbook* Retrospections			0.519**	0.265	0.578**	0.267
Prospective Evaluations					-0.317**	0.132
Campaigns 1997					5.585	4.037

Adj. R^2=.80	Adj. R^2=.84	Adj. R^2=.89
N=18	N=18	N=18

* Corresponds to assessment of presidential success in handling wages

Sociotropic retrospections seem to perform quite well as predictors of presidential approval but only when they do not have to compete against pocketbook retrospective evaluations or future expectations (column 1).

Once pocketbook retrospective evaluations are introduced, the significance of sociotropic assessments disappears (column 2). This finding is not that common in the comparative literature (see Kinder and Kiewiet, 1979; Kiewiet, 1983; MacKuen, et. al., 1992). It tells us that the Ernesto Zedillo achieved higher approval ratings by having people think they were prospering, rather than by having people think the economy was booming. Voters seem to be egotistic in their behavior.

The last model introduces sociotropic expectations, controlling for the 1997 election. The results are quite unexpected in two ways. First, even after controlling for sociotropic expectations, pocketbook retrospections are statistically significant. In this sense, the Mexican electorate behaves much like a peasant, asking what have you done for me latterly? Second, sociotropic expectations shape presidential approval but in a very unusual manner: as sociotropic expectations improve, approval decreases, which means that pessimism about the future helps the president.

Why would voters decide to reward the president when they see that their personal economic situation has improved in the recent past, but they see hard-times ahead? To answer this question, we must understand whether perceptions shape approval once controlling for actual economic performance and how economic conditions shape expectations about the future, a task to which we now turn.

3. Approval as a function of economic conditions and economic perceptions

We model approval as a function of both economic conditions and economic perceptions. Again, we run separate models, to identify the strongest predictor of

approval. The first model employs a data reduction technique (factor analysis) to add up all the economic variables that most strongly shape voters incomes and that strongly correlated with each other (namely, inflation, real wages and unemployment). We also combine sociotropic and pocketbook evaluations into a single factor, using the same technique. The first model thus uses both of these factors reflecting the overall economic condition, on the one hand, and the overall collective assessment of past national and personal conditions, on the other, as independent variables together with expectations about the future of the national economy. The goal is to determine whether actual economic performance or collective perceptions win in predicting approval ratings. The first column of table 5 shows the results.

Table 5: Presidential Approval, Economic Conditions and Economic Perceptions

Independent Variable	I	II	III	IV	V
Constant	55.313*** (11.205)	35.818*** (6.952)	52.019*** 15.193	86.115** (20.94)	43.898*** (9.619)
At-1	-9.01E-02 (0.212)	0.264* (0.142)	0.106 (0.192)	-0.135 (0.2)	0.142 (0.172)
Prospective evaluations	-8.293 (3.947)	-0.245*** (0.114)	-0.194* (0.105)	4.16E-02 (0.138)	-0.178 (0.109)
Factor of retrospective Evaluations	4.456 (2.903)	9.729** (1.763)	7.579*** (2.391)	2.985 (3.02)	7.529*** (2.425)
"Misery" Factor	-7.86E-02** (0.116)				
GDP		-0.139 (0.244)			
Inflation			-0.315 0.262		
Unemployment				-6.705** 2.67	
Real wages					0.42 (0.35)
	=.88	=.83	=.85	=.89	=.85

*Misery factor includes unemployment and inflation.

Economic conditions are the strongest predictor of presidential approval and neither retrospective nor prospective perceptions are statistically significant. We interpret the results in three ways: first, if real economic conditions conflict with collective perceptions, the former win. Ernesto Zedillo achieved higher popularity by actually having people's incomes increase than by making them believe the national economy or voter's well-being were improving. A positive implication of this result is that the president can't profit from making people think they are better off or that the economy is booming if such improvement is not directly reflected in people's pocketbooks. Thus, Mexican voters are not at the mercy of government propaganda. Second, economic conditions seem to shape popularity rates independent of what people think. Third, Mexican voters behave much like "peasants", strongly reacting to short-term real economic conditions, regardless of how these might shape the future. The bad news, however, are that collective inability to behave sophisticatedly in anticipation of future events leaves the Mexican electorate at the mercy of government opportunism. In other words, politicians can profit from generating good pre-electoral spurs in employment or real wages irrespective of what comes in the future.

 These results do not imply that collective beliefs about the performance of the economy do not shape presidential approval. We must disaggregate the analysis, to see if all economic conditions dominate over perceptions. We reproduced the analysis employing the factor of overall retrospective assessments against each economic variable run individually and obtained that only unemployment overrides completely the effect of collective perceptions, both retrospective and prospective. Conclusions above thus apply mostly to unemployment.

The rest of the table shows that controlling for GDP growth, inflation, and real wages collective evaluations about the economy matter. The effects of collective retrospections are as expected: as voters' evaluations of the present state of the national economy improve, so does support for the president. When sociotropic and pocketbook retrospections are run individually, an interesting pattern emerges: each is statistically significant, but do not override the effect of inflation and real wages. GDP only survives against sociotropic retrospections.

The effect of sociotropic expectations is mixed and unexpected: as pessimism increases, so does support for the president. The result is only robust when we do not control for unemployment or real wages. The reason as to why pessimism about the future might help the PRI is not yet clear. To answer this question, we need to understand what shapes collective believes about the economy.

4. *Impact of economic conditions on economic perceptions*

In this section we explore how economic conditions shape collective evaluations about the present and future state of the Mexican economy. Presumably, collective beliefs about the present state of the national economy (sociotropic retrospections) should be influenced by variables such as GDP, and evaluations about individual's well-being (pocketbook retrospections) should be mostly shaped by variables such as unemployment, inflation and real wages, which have the strongest impact of voter's incomes. In other words, voters should be egotistic about unemployment, inflation and real wages, and altruistic about GDP. Table 6 presents the results of several regression analyses that use collective beliefs about the economy as dependent variables, and economic conditions as independent variables. We control for the 1997 election, since we hypothesize campaigns have a strong impact on voters collective assessments about the economy.

Table 6: Retrospective perceptions

	Pocketbook Retrospections				Sociotropic Retrospections			
Independent Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Constant	-40.292*** (13.386)	-51.038*** (15.874)	-76.408*** (20.71)	-14.341* (7.41)	-3.965 12.025	-5.773 9.7	-14.645 11.011	-6.342 6.246
Retro. t-1	4.86E-02 (0.3)	-7.24E-02 (0.326)	-0.217 (0.323)	0.768*** (0.106)	0.612** 0.266	0.573* 0.295	0.519* 0.273	0.751 0.117
Election 97	3.187 (3.402)	2.215 (3.289)	3.549 (3.145)		9.735 10.774	10.004 10.696	11.392 10.6	
Primary Elections	9.347* (4.937)	13.144** (5.157)	15.515*** (5.072)	7.583* (3.713)	5.451 12.594	7.139 12.734	8.163 12.608	3.492 7.317
Unemployment	-5.379** (2.072)				-2.177 4.092			
Inflation		-0.8*** (0.293)				-0.36 0.588		
Real Wages			1.326*** (0.412)				0.711 0.774	
GDP				-0.155 (0.245)				-0.238 0.662
GDP-1				0.794*** (0.228)				1.384** 0.626
	Adj. ^{2}=78	Adj.R^2.=79	Adj. R$^{2=}$.92	Adj. R$^{2=}$.86	Adj. R^2=.70	Adj. R$^{2\ =}$.70	Adj. R$^{2=}$.70	Adj. R$^{2=}$.80

Results in table 6 confirm our expectations to a large extent. Pocketbook evaluations are shaped by real wages, inflation and unemployment and the signs of the coefficients are as expected. Higher unemployment and inflation decrease collective assessments about voters' well being and the opposite is true for real wages. Political campaigns for the PRI's primary elections had a strong impact on voters' evaluations of their current pocketbooks, increasing collective perception of voters' well being. Note that campaigns are significant even after controlling for the state of the economy, which means that they have an impact on collective assessments independent of how the PRI's primary elections might have also impacted objective economic conditions. The effect of GDP is puzzling: growth in the current quarter has a negative and statistically significant impact on pocketbook retrospections (results are not shown). If we control for the growth rate of the previous quarter, this effect disappears and the sign for growth of the previous quarter is positive and statistically significant. This means that voters care about growth as long as it is not short-lived, an issue that we further explore below. An interesting result is that campaigns did not shape voters evaluations about the state of the economy.

Collective beliefs about the current state of the national economy are only shaped by GDP of the previous quarter and unemployment, inflation and real wages have no impact. These variables have the right signs, but they are not statistically significant.

These are important results in that we can be confident that objective economic conditions shape collective assessments about the state of the economy. Moreover, we are also confident that pocketbook and sociotropic evaluations actually reflect different issues, although these variables are usually very strongly correlated in most surveys. The former tend to indeed reflect voter's assessments about their personal well being, as shaped by economic conditions such as inflation, unemployment and real wages. The latter reflect assessments about the broader state of the national economy and are only driven by longer-term growth rates, not inflation, unemployment or real wages.

What shape's voters' expectations about the future? In table 7 we present results of several OLS regressions that use collective expectations about the future state of the economy as dependent variable. We obtain very interesting results:

a) Inflation rates, unemployment and real wages do not shape collective expectations about the future of the national economy.

b) Growth rates have a negative, statistically significant impact, which means that the higher the current growth rate, the less optimistic voters are about the future. We interpret this result in light of Mexico's history of economic booms and busts during the last twenty years. A high growth rate signals difficulties lying ahead or that "good things can't last".

c) The 1997 election campaigns increased voters' optimism about the future, even after controlling for growth rates.

d) Retrospective evaluations of the present state of the national economy are employed to make inferences about the future. More positive views about the current state of the economy increase optimism about the future.

e) Time has a negative, statistically significant impact on collective beliefs about the future of the national economy. We interpret this result in light of the pattern of recurrent post-electoral crises since 1976 (see Magaloni, 2000 for systematic evidence). Mexican voters have learned that the future prospects of the national economy get somber as the next presidential election approaches. Note that the impact of time is significant even after controlling for growth rates.

Table 7. Prospective Evaluations

	I	II	III	IV	V
Constant	-8.558*** (3.138)	-11.502** (5.913)	-16.409 (6.917)	-4.359* 2.253	24.167*** 5.308
Prospective –1	0.236 (0.203)	0.247 (0.201)	0.183 (0.2)	0.502*** 0.18	0.494** 0.12
1997 elections	15.619*** (5.713)	15.559*** (5.746)	16.405*** (5.477)	11.575** 4.648	
Real Wages	-0.242 (0.271)				
Inflation		0.155 (0.186)			
Unemployment			1.981 (1.368)		
GDP				-1.054*** 0.367	-1.053*** 0.259
GDP-1				0.319 0.41	
Sociotropic Retrospective					0.351*** 0.062
Pocketbook Retrospective					
Time					-1.186*** 0.321
	.41	.40	.45	.64	.64

5. Peasants or bankers?

There are several possible ways in which the economy may translate into political behavior. In the normal voting model, electors are retrospective: they observe the current state of the economy and their personal finances, and choose to blame or reward the existing government accordingly. In the voters as "bankers" voters choose to support the government on the basis of their beliefs about the future. Generally speaking, it is assumed that voters support a party that is expected to increase their personal finances or the future state of the national economy. Future expectations are partly driven by the current state of affairs (Fiorina, 198*) or, as in MacCuen et. al., (1998), result form the way current economic indictors are filtered through the mass media.

Our results indicate that Mexican voters during the Zedillo administration behave much like "peasants", rewarding the government for an increase in their real wages and severely punishing for unemployment and inflation. We established that unemployment had a strong direct impact on approval, while inflation and real wages impacted support for the government indirectly, by shaping collective beliefs about the current state of affairs (in particular, pocketbook evaluations). However, the future beliefs also shaped political behavior in a very perverse manner: pessimism about the future did not hurt the president, it helps him. A belief that "good things can't last" and the simple passing of time, we showed, generate collective pessimism about the future. Votes, that is, expect that as the economy improves and next presidential elections approach, the prospects for the future are slumber. These calculations are reasonable considering the history of Mexico's political economy during the last 25 years. What is perverse, as we show, is that voters have opted to exonerate the president for this.