

Erratum

Erratum to “It’s (Change in) the (Future) Economy, Stupid: Economic Indicators, the Media and Public Opinion”* *American Journal of Political Science*, Vol. 59, No. 2, April 2015, Pp. 457–474

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This erratum reports a correction relating to our article “It’s (Change in) the (Future) Economy, Stupid: Economic Indicators, the Media, and Public Opinion” (Vol. 59, No. 2, April 2015). Specifically, we report a misdiagnosis of the time series characteristics of the economic indicators used in our analysis – lagging, coincident and leading. In the paper, based on analyses reported in the supplemental appendix, we indicated that the variables are non-stationary, but this evidently is incorrect. Our mistake is that our augmented Dickey Fuller (ADF) tests included only one lagged (difference) variable. We have discovered that when including three lags, the test rejects the null of the unit process with an alternative of stationary process.¹ This indicates that the variables are stationary. See Table 1, which contains both the original and corrected ADF tests for the three economic indicators.

The most important of these variables is the index of leading economic indicators (LEI), which features in our analysis of media coverage and economic perceptions.² The implied autoregressive (AR) parameter for the LEI variable equals 0.975, which indicates a long memory, what some scholars (DeBoef and Granato 1997) refer to as a “near-integrated” process.³ Since the variable is

long-memoried, it has some of the characteristics of a nonstationary process, and the same also is true of other variables it influences (in levels), namely, the count of media stories on the economy and the public’s prospective economic evaluations.⁴ The main implication of this correction is the characterization of a long-term effect of LEI on the count of media stories in Table 4 of the original article. To be clear, the response of the count of stories to an impulse of LEI decays but does so very slowly. That the decay is slow helps explain why the count of stories also has some of the characteristics of a non-stationary process, as noted above. Much the same is true of prospective economic evaluations.

The motivation for the analysis actually was the seemingly contradictory finding of a long-term effect of LEI on both the count and prospective evaluations measures, which ADF tests showed to be stationary. It just is not possible for an integrated variable to have a permanent effect on the long-term level of a stationary variable. Since it is hard to imagine that the estimated effects – between differenced stationary dependent variables and a non-stationary independent variable – in the error correction models we estimated are spurious, there are two main possibilities: (1) the LEI variable actually is not integrated or (2) the count and prospective variables are not strictly stationary. As regards the latter, it could have been that the variables are not stationary but appear to be so because they are “combined” processes, including a non-stationary component that lasts and a stationary one that decays (Wlezien 2000). Such time series can have the characteristics of a stationary process or a fractionally-integrated one.⁵ As it turns out, the dependent variables in our analyses appear to be stationary but, especially

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¹Including a trend variable makes no difference to the ADF tests.

²Note that our ADF tests both in the paper and here rely on the original version of Leading Indicators, as they are distributed by the Conference Board. The slightly revised version, purged of the consumer sentiment component, produces nearly indistinguishable results. (See Figure 1 in the paper for a comparison of the two.)

³Much the same is true for coincident and lagging indicators, for which the respective AR coefficients are 0.971 and 0.959.

⁴Note that economic retrospections display an even longer memory, though for other reasons.

⁵In the latter, like in a stationary process, all effects do decay, though at a more linear rate (Box-Steffensmeier and Smith 1998).

TABLE 1 Augmented Dickey-Fuller Tests of Stationarity

	One lag		Three lags	
	Lagged DVcoefficient ^a	Test Statistic	Lagged DVcoefficient ^a	Test Statistic ^b
Economy				
Leading Indicators	-.016 (.006)	-2.478, p = .121	-.024 (.006)	-4.008, p = .001
Coincident Indicators	-.017 (.008)	-2.166, p = .219	-.030 (.007)	-4.014, p = .001
Lagging Indicators	-.029 (.010)	-2.869, p = .049	-.042 (.010)	-4.142, p = .001

^aCells contain OLS coefficients with standard errors in parentheses.

^bCells contain Augmented Dickey-Fuller test statistics with p-values.

in the case of the count of stories, have long memories because they are determined by the long-memoried, though stationary, LEI.

Our mischaracterization of the economic indicator variables has little consequence for our main substantive findings. None of the estimated equations change, after all. What changes is the interpretation of the duration of LEI effects. An impulse in LEI still negatively influences the number of economic stories and is long-lasting; the effect does not last indefinitely, however. LEI also has positive effects on the tone of media coverage and retrospective and prospective economic evaluations, but both decay very slowly. Perhaps most important of all, the tone of media coverage appears to both influence and be influenced by the public's economic evaluations, especially the former.

References

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