Political consequences of financial market expansion: Does buying a mutual fund turn you Republican?

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ABSTRACT

This paper investigates the political consequences of the broad spread of stock ownership among US households over the past 25 years. Using four cross-sections of the American National Election Study from 1998 to 2004, and a three-wave panel from 2000-2004, we find a consistent positive relationship between stockownership and identifying as a Republican after controlling for obvious confounds. The size of the estimated cross-sectional relationship increased in the wake of Republican tax cuts favoring shareholders in 2003 and the proposal to partially privatize Social Security in 2004. These effects, however, appear to be based on relatively narrow economic interests, as shareholders were not particularly prone to favoring generic free market policies than were non-shareholders. They were, in short, primarily pocketbook voters, not ideological voters.

Keywords: financial markets; electoral politics; economic sociology

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Levels of household participation in financial markets have increased dramatically in the United States in the past 25 years. Whereas only one in five households had any money in the stock market in 1983, more than half did by 2001. This shift reflected both the increasing popularity of mutual funds and the broad transition of corporate pensions from defined benefit plans to defined contribution plans such as 401(k)s. Moreover, George W. Bush made the “ownership society” a centerpiece of his second term agenda, pushing for the privatization of Social Security and the creation of other private accounts for health care and education. Jacob Hacker (2006) describes this as a “great risk shift,” in which both corporations and governments pass formerly socialized risks back onto their employees and citizens. Thus, the well-being of households is increasingly tied to the health of the stock market.

In this paper we investigate the consequences of this shift in ownership for US electoral politics. Theorists from James Madison to Karl Marx to Grover Norquist have speculated on the effect of property ownership on perceptions of political interest. Madison distinguished among landed interests, manufacturing interests, mercantile interests, and monied interests, among others, arguing that each comprised a potential political faction. Marx analyzed the increasing polarization of society into two great classes due to the rise of manufacturing and global trade: those that owned the means of production and those that did not. And Norquist, along with a handful of other Republican theorists in the late 1990s and early 2000s, described the rise of what they called the “investor class,” that is, workers who were increasingly attentive to financial market signals due to their investments in mutual funds and pension plans. They argued that stock ownership altered political perceptions to favor certain market-oriented policies (e.g., tax cuts on capital gains and dividends), and that even small stockholders (so-called “worker capitalists”) might be recruited to the Republican cause with the right mix of policies. Moreover, after the 2000 election, “investor class” enthusiasts influenced the Republican Party’s agenda to target stockholders and, more grandly, to privatize Social Security by encouraging or requiring employees to put some of their mandatory retirement contributions into funds invested in the stock market, thus in theory creating a nation of shareholding Republicans.

This paper examines the influence of stock ownership on political attitudes and party identification among American voters from 1998 to 2004. Using several panels from the bi-annual American National Election Study, we find evidence that investor-class theorists were not deluded: Stockholders are significantly more Republican than non-stockholders, holding constant income, education, age, sex, race, home ownership, and professed ideology. Moreover, the results suggest that the policies implemented between the 2002 and 2004 elections had the effect of substantially increasing Republicanism among stockholders. Whereas 31% of stockholders identified as Republican in 2000, 39% did in 2004. Our findings suggest that financialization has the potential to influence perceptions of political interests, and thus electoral politics, in substantial ways.

Changing patterns of ownership in the United States since 1980[1]

In spite of a long-standing popular "equity culture" in the US, stock ownership has traditionally been the domain of the wealthy. The number of stockholders declined by about half in the wake of the Great Depression, and by the early 1950s only about one household in ten had money invested in the stock market (Kimmel, 1952). Stockholders tended to be richer, older, and more educated than non-owners, and they tended to buy shares only after having accumulated a substantial amount of savings. Professionals and the self-employed were also well-represented among shareholders (Cox, 1963). Although the proportion of households owning shares eventually crept up to 20% by the early 1980s, this group continued to look demographically like the natural constituency of the Republican Party.

During the late 1970s and 1980s, however, the cost of investing in mutual funds declined substantially along with the effective interest rates on bank-based savings accounts, and a large proportion of households began to put their savings in money market funds (typically invested in commercial paper) and, eventually, equity mutual funds (invested in the stock market). Moreover, the IRS clarified the tax

[1] Recent ownership statistics and background in this section come from the Federal Reserve Board's Survey of Consumer Finances (various years).

treatment of defined contribution pension plans in 1982, which encouraged employers to switch from traditional defined benefit plans to 401(k)s. Defined benefit plans are sponsored by particular employers and typically promise specific amounts tied to one's years of employment, paid out of a fund built up and invested by the company. From the employees' perspective, these are linked to the company ("the GM pension plan"), not the stock market *per se*. In a typical 401(k) program, in contrast, employees are offered four or five mutual funds where they can contribute part of their pre-tax income, usually with a matching contribution by their employer (much like a college's pension plan); the income is not taxed until it is withdrawn, typically at retirement. Brand-name mutual fund families (Fidelity, Vanguard, T. Rowe Price, and so on) are the most common options, and several of these funds act as plan administrators as well. Once the employer has made its contribution, the 401(k) is essentially the property of the employee, and its value fluctuates with that of the fund(s) it is invested in. Thus, 401(k)s encourage stock investing even for those with little or no savings. Most 401(k) providers offer tools for employees to track their investments (e.g., customized websites), and surveys suggest that a large proportion check the value of their portfolio once per week or more—many as often as daily.

Due in part to the reduced cost of mutual funds and the advent of 401(k) plans, the proportion of households invested in the stock market increased from 20% in 1983 to 52% in 2001. The increase was greatest among the young, as nearly half the households headed by someone under 35 held shares in 2001 (compared to one in eight in 1983). This expansion of ownership prevalence was described by advocates at the Federal Reserve Bank and elsewhere as a "democratization of ownership," hinting at its political implications through a purposeful conflation of markets and politics. Notably, the proportion owning shares directly held steady at roughly 20%, where it had been since the 1960s, while the number owning shares through intermediaries such as mutual funds increased dramatically. Whereas the modal stockholder in 1952 held shares in only one company (Kimmel, 1952)—often the household head's employer or a local utility company—the predominant pattern of ownership today is of highly diversified funds. That is, households typically own a slice of the overall market, and thus their fortunes are tied to business in general rather than to particular firms.

Yet while ownership is widespread, the amounts at stake are not particularly large. According to the Federal Reserve's triennial Survey of Consumer Finances, 69% of households owned their homes in 2004, with a median value of $160,000. In contrast, the median stock portfolio among households was worth $24,300 in 2004, which was less than the average increase in home value during the previous three years—or, indeed, less than the cost of some new cars. Stock ownership, in short, is spread wide but not deep in the US. Its potential influence on political orientation, if any, is an empirical question.

Theoretical considerations

The theoretical link between property ownership and political interests is virtually axiomatic. In *The Federalist #10*, James Madison stated: "From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results; and from the influence of these on the sentiments and views of the respective proprietors, ensues a division of society into different interests and parties" (quoted in Beard, 1913). Classes, in short, result from the unequal distribution of property in various forms—land, factories, trading interests—and often lead to the formation of political factions, with each type of ownership resulting in different interests.

The increasing economic predominance of manufacturing shifted the most significant form of property ownership from land to production and transportation. Moreover, the rise of the oligopolistic joint-stock corporation in the US at the turn of the 20th century led to the "socialization" of ownership through equity markets (Roy, 1997). By the time Berle and Means wrote their famous book in 1932, ownership had become widely dispersed in the most substantial enterprises. Financial markets had changed the nature of property—as Berle and Means put it, the corporation had "destroyed the unity that we commonly call property," resulting in the "dissolution of the old atom of ownership into its component parts, control and beneficial ownership. This dissolution of the atom of property destroys the very foundation on which the economic order of the past three centuries has rested" (Berle and Means, 1932: 7-8).

Ralf Dahrendorf (1959) explored the implications of the dispersal of ownership for classes and class conflict, arguing that “A theory of class based on the division of society into owners and nonowners of means of production loses its analytical value as soon as legal ownership and factual control are separated” (136). Class conflict had been re-located within the industrial enterprise between labor and those in authority, and class interests within industry did not translate into broader political interests—for Dahrendorf, corporate ownership had become largely irrelevant for political interests due to the separation of ownership and control. At the time Dahrendorf wrote, however, only about 10% of US households owned shares. 50 years later, a majority of American households were in some small way “owners” of business, through mutual funds and 401(k) retirement accounts. Even those in the bottom quintile of income owned shares in 2001 at a higher rate than the average American in the 1950s. To the extent that these interests become the dominant form of wealth for Americans, the Madisonian view of politics would predict that many Americans’ political affinities would change.

During the late 1990s, as commentators observed the rapidly increasing prevalence of stock ownership in the US, a handful of writers and activists publishing in the *National Review*, the Cato Institute’s *Policy Analysis*, *American Enterprise*, the *American Spectator*, and similar venues found evidence for a correlation between stock ownship and political sentiments, even at relatively low levels of participation. Richard Nadler (1999), in an article entitled “The Rise of Worker Capitalism,” reported that free-market policies such as capital gains tax cuts were popular among shareholders compared to non-shareholders independent of income, age, sex, race, and party affiliation. By the time of the 2000 election Nadler asserted, based on opinion polls, that “mass ownership of financial assets has midwifed a new birth of free-market opinion,” and that the longer individuals were enrolled in a 401(k) plan, the more likely they were to identify as Republican. He argued that shareholding was a causal variable in this relationship through its effect on the kind of information shareholders attend to, and lamented that “It is this educating tendency of capital ownership that the GOP has been slow to grasp…The party has to actively recruit investor members—but it is failing abysmally in this task.”

In subsequent years, however, the Republican Party—led by the administration of George W. Bush—took the investor class model to heart. In 2003, Bush signed reductions in the capital gains tax and the dividend tax—policies that appealed explicitly to investors but drew little attention from non-shareholders—and during the 2004 presidential election campaign, he began to promulgate an "ownership society," with the privatization of Social Security as the centerpiece. Although putatively an effort to reform Social Security and to forestall shortfalls in decades ahead, analyses suggested that the transition to private plans would be phenomenally costly in the short run. But it had two potential electoral benefits that were recognized by its proponents on the right. First, current shareholders favored the idea, as they did other shareholder-oriented policies such as capital gains tax cuts, and shareholders were substantially more likely than non-shareholders to vote in elections. Second, "Social Security reform is the key goal of an investor-class politics, since it would bring almost the entire population into the class" (Ponnuru, 2004). Thus, according to Grover Norquist, privatizing Social Security would make the Republican Party "a true and permanent national majority" by creating a vast group of shareholder-Republicans.

Prior research suggests that party identification and its link to voting are not a simple reflection of one's immediate economic interests, as investor class warriors implied. Political scientists have debated the degree to which economic voting is based on personal financial circumstances (leading to "pocketbook voting") or broader perceptions of society-wide economic circumstances ("sociotropic voting"). Evidence has accumulated that many citizens vote sociotropically according to how much better or worse off they perceive the whole economy to be, independent of their own pocketbook concerns (e.g., Kinder & Kiewiet, 1981). More recently, it has been argued that voters display mixed tendencies. In particular, "sophisticated" voters (e.g., those that can name their Congressional representative and the Secretary of State) vote according to self-interest, while less sophisticated voters vote sociotropically (Gomez & Wilson, 2001). This is because sophisticated voters are better able to understand the linkage between government policy and personal outcomes, and vote accordingly. In contrast, investor class advocates would assert that the distinction between pocketbook and sociotropic voting would dissolve: what's prospectively good for the economy (as revealed in stock market movements) is also good for one's portfolio.

The majority of the pocketbook/sociotropic literature has been directed toward actual voting, as opposed to party identification. However, it is reasonable to believe that similar mechanisms are at work leading individuals to reevaluate their party identification. One's individual experiences of prosperity, or lack thereof, and one's perception of the prosperity of the economy, may influence whether one feels that the incumbent party best represents one's interests. Using panel data, Lockerbie (2002) found that party identification changes in response to both retrospective and prospective economic evaluations. In this paper, we model the effects of share ownership on party identification in 1998, 2000, 2002, and 2004 to investigate the plausibility of the "investor class" model. Use of these panels also allows us to investigate whether the shareholder-oriented policies of the Republican Party had their intended effect on voters.

Methods and results

Our data come from the American National Election Studies (ANES), a series of nationally-representative surveys of large samples of voting-age Americans conducted biennially through an NSF-funded program of the University of Michigan and Stanford. The ANES originated in the 1948 presidential election and has been conducted more or less continuously since then. It has come to be recognized as the definitive source for public opinion data related to voting and politics in the US (see http://www.electionstudies.org/). Beginning in 1998, the survey asked interviewees "Do you personally, or jointly with a spouse, have any money invested in the stock market right now -- either in an individual stock or in a mutual fund?" No further questions were included, such as the amounts involved, or what kinds of investments (individual stocks, mutual funds, retirement plans). It is, thus, a rather crude indicator. But because the ANES includes this and a variety of other opinion, demographic, and political items, it is the best available resource for examining the link between stock ownership and politics over time. The ANES also includes multiple measures of our dependent variable, party identification; this allows us to calibrate the type of party identification measurement to the analysis conducted, as described further in this section.

The most vexing problem facing research such as this is endogeneity: The kinds of people who buy stock are highly likely to be the kinds of people that call themselves Republican. Income, education, race, age, and ideology are all linked to both, and thus determining the causal effect of stock ownership on political views is highly problematic. One possibility is to use an instrumental variable, that is, to create an instrument for the "treatment" (share ownership) from predictors that are unrelated to the "outcome" (party identification). Unfortunately, this is difficult in this instance, as there are few if any factors linked to ownership and not party identification. A second possibility is a natural experiment in which some people come to be assigned to the "ownership" condition and others do not, due to exogenous factors outside their control. Studies of the San Francisco Solano barrio in Buenos Aires, for instance, were able to compare two kinds of squatters—traditional squatters, who lacked titles to their dwellings, and their neighbors who came to own titles to their homes through an administrative fluke in 1981 (Di Tella et al, 2004). While it is possible to imagine such "exogenous shocks" for stock ownership (e.g., discovering that one was an unexpected beneficiary of a 401(k)), we are not aware of any linked to political opinion data. A third possibility for dealing with unobserved heterogeneity is to include a large number of control variables that take into account—to the extent possible—alternative factors that might explain a statistical relationship. This may mitigate but not cure the problem of endogeneity. Finally, one can use time-series data in an effort to attribute changes in an outcome (e.g., Republicanism) to prior changes in the construct of interest (e.g., stock ownership). Again, this can mitigate but not fully rule out problems of endogeneity, as a common third factor (say, underlying personality traits or socialization) may cause changes in both over time.

In this paper we rely on the latter two approaches, in spite of their potential inferential limitations. We first model the relation between stock ownership and party identification cross-sectionally, using multiple panels of the ANES (1998, 2000, 2002, and 2004), controlling for a range of likely confounds. This allows us to explore in depth factors that distinguish stock owners from non-stock owners. Next, we use data from a three-wave panel of respondents in 2000, 2002, and 2004 to model over-time effects. Since this panel tracks the same set of individuals over the four years, the analysis gives us a greater ability to estimate the causal direction of the relationship between stock ownership and party identification.

Cross-Sectional Data

Table 1 shows correlations and descriptive statistics for the 2004 American National Election Study panel, with a sample size of 1091 after deletions for missing data. The dependent variable "Republican" is constructed from the question as "Generally speaking, do you usually think of yourself as a REPUBLICAN, a DEMOCRAT, an INDEPENDENT, or what?", which is asked in every survey. The variable is coded 1 if they answer "Republican" and 0 for all other non-missing responses. "High income" is a dummy variable for those in the top income quartile. "College grad" is coded 1 for those with a bachelor's degree or higher, 0 otherwise. "Homeowner" is coded 1 for those that report owning their home, 0 otherwise. "Black" is 1 for African-American respondents, 0 for members of all other groups. "Better off" is 1 for those that responded positively when queried whether they were better off this year than last year, 0 otherwise. "Shareholder" is coded as described above. (The wordings of all questions for each panel, along with other details of the ANES and downloadable data, can be found at http://www.electionstudies.org/.) Note that because all variables are indicators, their means can be interpreted as percentages.

		Republican	High income	College grad	Home-owner	Black	Better off
	Mean						
Republican	0.29						
High income	0.23	0.08					
College grad	0.31	0.10	0.41				
Homeowner	0.67	0.10	0.24	0.14			
Black	0.15	-0.25	-0.10	-0.13	-0.16		
Better off	0.44	0.19	0.07	0.04	-0.02	-0.06	
Shareholder	0.53	0.22	0.38	0.37	0.32	-0.19	0.07

Table 1: Means and correlations among Republicanism and independent variables, 2004

Table 2 shows four logistic regressions in which the dependent variable is "Republican" for each year. In 1998, 27% of respondents identified as Republican (32% of shareholders). The comparable figures for the subsequent panels were 25% in 2000 (30% of shareholders), 31% in 2002 (35% of shareholders), and 29% in 2004 (38% of shareholders).

	1998		2000		2002		2004	
	Coeff	Z	Coeff	Z	Coeff	Z	Coeff.	Z
High income	1.43*	2.20	1.60*	3.15	1.20	1.20	0.90	-0.59
College grad	1.19	1.14	1.24	1.56	1.17	1.19	1.04	0.23
Homeowner	0.92	-0.54	1.41*	2.41	1.45*	2.33	1.13	0.70
Black	0.10*	-5.08	0.14*	-5.04	0.14*	-5.21	0.03*	-4.85
Better off	1.08*	2.08	1.11*	3.63	1.29*	1.79	2.32*	5.83
Stockholder	1.33*	1.95	1.30*	1.87	1.30*	1.90	2.30*	4.92

Table 2: Logistic regressions for Republican Party identification, 1998-2004
***: significant at *p* < .05**

The results showed that the control variables behaved as expected from prior work. Being in the top income quartile was significantly associated with identifying as a Republican in 1998 and 2000; homeownership was positively associated with Republicanism in 2000 and 2002; and being a college graduate had no effect, holding these others constant. Blacks were substantially less likely to identify as Republican than other groups in every panel, as expected. Notably, the effect was strongest in the 2004 panel, when only 2 of the 159 Black respondents were self-identified Republicans. Finally, those that responded affirmatively to being better off this year than last year were significantly more Republican in every panel.

The bottom row shows the effect of being a shareholder on Republican identification in each of the four panels. In every case, the effect is significant after controlling for the most likely confounds: Shareholders are significantly more Republican than non-shareholders after considering income, education, homeownership, and race. (In unreported analyses, sex, age, and ideological conservatism had minimal effects on the estimated coefficient in 2004.) Intriguingly, the estimated effect was substantially stronger in 2004 than in prior panels. Estimated coefficients can be considered multipliers of the likelihood of identifying as Republican. The reported effects imply that, controlling for other factors, owning shares increased one's Republican propensities by about 30% in 1998, 2000, and 2002. In 2004, the multiplier was 130%. This is consistent with what the cross-tabs suggest: while non-shareholders were less likely to call themselves Republican in 2004 than 2002, the opposite was true for shareholders.

Table 3 compares non-shareholders and shareholders on a set of attitudinal questions and voting in the presidential election for the 2004 panel. Notably, there are no significant differences on a number of political questions presumed to be influenced by stock ownership, according to proponents of the investor class model. Shareholders were just as likely as non-shareholders to agree that government is run by a few big interests, and that the gap between rich and poor has grown in the past 20 years. Perhaps more surprisingly, shareholders also supported government intervention to discourage big companies from outsourcing ("hiring workers in foreign countries to replace workers in the U.S."), and were overwhelmingly opposed to school vouchers ("having the government give parents in low-income families money to help pay for their children to attend a private or religious school instead of their local public school"). Shareholders, in short, were not dogmatic devotees of free market policies by any means, and were largely indistinguishable from non-shareholders on a range of attitudinal issues. But on policies explicitly targeted to shareholder interests—tax cuts and privatization of Social Security—shareholders were substantially more favorable to Bush than non-shareholders. They were more positive about Bush's handling of his job in general by 10 percentage points compared to non-shareholders, and on his handling of the economy they were 17 points higher.

	Non-shareholders	Shareholders
Government is run by a few big interests	58	55
The gap between rich and poor has grown in past 20 years	79	79
…this is bad	57	62
I oppose school vouchers	63	69
The federal government should discourage companies from outsourcing	63	66
The rich pay less tax than they should	61	58
I'll be better off financially in a year	39	36

The economy will get better in a year	34	34
The economy is worse since Bush became President	55	55
I approve of Bush's tax cuts	31	45*
I favor allowing Social Security funds to be invested in the stock market	36	50*
I approve the President's handling of his job in general	45	55*
I approve the President's handling of the economy	32	49*
Pre-election: intend to vote for Bush	39	50*
Post-election: voted	70	93*
Post-election: voted for Bush	40	56*

Table 3: Percentage of shareholders and non-shareholders agreeing with each statement
***: significant difference at $p<.05$**

Time-Series Data

The above results are limited by the cross-sectional nature of the data. We next consider time-series models using the 2000/2002/2004 ANES panel study, which followed over a thousand individuals over three waves. Initially, about 1,800 respondents completed interviews in the days prior to the 2000 national election. Administration was split between two modes: In-person interviews were selected via probability area sampling and telephone interviews were selected via random digit dialing. Respondents were then contacted again after the 2000 election, before and after the 2002 election, and after the 2004 election (later interviews were all via phone). Given success rates in re-interviewing and the variables of interest, our time-series model comprises just over 700 respondents. To measure intensity of Republicanism, our dependent variable is party identification in 2004, rated on a 0 to 6 scale from Strong Democrat (0) to Strong Republican (6), with Independent (3) at the midpoint. This measure of party identification allows for some variation of strength of affiliation, since values of 4, 5, and 6 correspond to identifying as Independent-leaning-Republican, Weak Republican, and Strong Republican responses by the respondent, respectively. Similarly, values of 2, 1, and 0 correspond to Independent-leaning-Democrat, Weak Democrat, and Strong Democrat, respectively.

To test the effects of stock ownership on party identification, the model must control for all the other factors that contribute to a person's political orientation. This may be done by including previous party identification in the regression model. Any personal attributes or situational factors that would lead to a given party identification in 2004 would be likely present in 2000 as well. As a result, including 2000 party identification on the right-hand side, measured in the same manner as the dependent variable, leads to a more parsimonious and straightforward model in which coefficients are interpreted as influencing change in party identification over time.

Stock ownership is included as a dummy variable indicating whether the respondent was an owner in 2000. A small number of individuals were not stock owners in 2000, but acquired stock in 2002 and retained it through 2004 – these are coded as new owners in 2002. A similar group of respondents were not stock owners in 2000 or 2002, but acquired stock in 2004, and are coded as new owners in 2004.

In addition, the model must include other factors that would lead to change in a respondent's party identification. A change in political ideology during the period would likely lead to a shift in identification. Ideology here refers to an individual's leanings along the "liberal" vs. "conservative" spectrum, rather than party identification itself. The ANES data include feeling thermometers for liberals and conservatives. These are scales from 0 to 100, where the respondent is asked to rate according to like or dislike; 0 is unfavorable, 50 is neutral, and 100 is favorable. Subtracting the liberal thermometer from the conservative thermometer yields a single ideology variable (-100 to 100 scale), which can be used to reduce nonrandom measurement error (Green, 1988). By measuring ideology via direct questions, we may continue to avoid including personal attributes and situational factors that drive ideology in the time-series model.

As discussed earlier, recent economic outcomes for the individual (pocketbook evaluation) and society (sociotropic evaluation) are also important factors inducing change in identification. These are scales from 1 to 5, where the respondent rated how much better or worse off his or her family finances and the nation's economy were compared to a year ago. A choice of 1 on the scale corresponds to "much better," while a choice of 3 is "the same," and 5 is "much worse."

We include a second model which incorporates interaction terms between a measure of political sophistication and economic evaluations to test for sociotropic voting. Following Gomez & Wilson

(2001; 2003), we constructed a political sophistication variable based on knowledge questions which yielded the most variance. The 2000 ANES provided several sets of questions testing the respondents' knowledge of current electoral races; in the constructed variable, we give one point each for correctly naming the home states of the candidates for US President and Vice-President (Bush, Gore, Lieberman, and Cheney).

The complete models, with and without the political sophistication measure and interaction terms, are presented in Table 4. These regressions demonstrate support for the hypothesis that stock ownership leads to more Republicanism. The more limited Model 1 provides weak support – stock ownership in 2000 is borderline significant for party identification in 2004, holding party identification in 2000 constant. However, Model 2, which is the full model incorporating voter heterogeneity according to political sophistication, does demonstrate that stock ownership in 2000 increases Republicanism over the four years. In fact, since the distance between "Weak Republican" and "Strong Republican" is one point on the party identification scale, stock ownership in 2000 is associated with a jump of about a fifth of the distance, towards being a strong Republican.

	2004 PARTY IDENTIFICATION	
Variable	Model 1	Model 2
2000 Party Identification	.7567* (30.41)	.7512* (28.86)
Stock Ownership:		
Owner in 2000	.1673+ (1.65)	.2120* (1.99)
New Owner in 2002	-.0517 (-0.24)	.0014 (0.01)
New Owner in 2004	.0407 (0.17)	-.0880 (-0.35)
Ideology (2004)	.0112* (7.67)	.0115* (7.48)
Pocketbook Evaluation (2004)	-.0130 (-0.23)	.1379 (0.96)
Sociotropic Evaluation (2004)	-.2096* (-4.37)	-.4413* (-3.69)
Political Sophistication		-.1723 (-0.97)
Sophistication x Pocketbook Evaluation (2004)		-.0677 (-1.20)
Sophistication x Sociotropic		.0974*

Evaluation (2004)		(2.09)
Constant	1.2968* (5.27)	1.6985* (3.38)
N	775	703

Table 4: Regression on 2004 party identification.
* : $p < .05$ (one-tailed test); + : $p = .05$ (one-tailed test)
Note: numbers in parentheses are *t*-values.

Interestingly, the effect for new ownership in each year is not significant, indicating that *new* ownership does not affect Republicanism in this time period. This is consistent with findings when performing an equivalent regression using variables measuring change in party identification from 2002 to 2004, which yields insignificant results for stock ownership of all types. That is, using a shorter 2-year period, from 2002 to 2004, prevents us from seeing any significant effect of stock ownership on change in Republicanism. Similarly, using only the 2-year period from 2000 to 2002 does not show a stock ownership effect either.

Looking at the panel data more closely, there were twenty-nine respondents who were new owners in 2002 (and who retained that stock in 2004), while there were thirty-nine respondents who were new stockowners in 2004 (having had no stock in both 2000 and 2002). Given the weak results for these small populations, a further test compares these stock owners to each other. If acquiring stock influences party identification over time, but within two years, then a constructed variable measuring the change in party identification between 2002 and 2004 would yield a difference between the two groups: New owners having acquired stock in 2002 should demonstrate higher changes in party identification than brand new owners having acquired stock in 2004. However, *t*-tests between the two groups produced no significant difference between means of changes in party identification, both for changes over the 2002-04 period and the larger 2000-04 period.

In sum, if there is an effect of stock ownership on political identification, these data indicate that it does not manifest itself in the early years of holding the stock or in general over a two year period. However, incorporating a model of voter heterogeneity in attributions of economic experience, there is support for the hypothesis that owning stock over the longer four year period from 2000 to 2004 is related to higher levels of Republicanism.

Discussion and conclusion

The United States found itself in an unprecedented situation at the turn of the 21st century, as more than half the population was invested in the stock market. These new shareholders were deluged with information about how the market was doing on a day-to-day basis. Financial news networks proliferated along with business publications, and the *Wall Street Journal* became the second-highest circulation daily newspaper in the US. Moreover, the World Wide Web made financial information widely available, and most large mutual funds and 401(k)s established websites to track one's portfolio—which roughly half of the investing public did once per week or more. The "event study" methology of financial economics, in which researchers studied the share price effects of new information, became a common trope of political journalists. By the 1990s, newspapers began to report the stock market reactions to political events around the world as they had previously done for corporate events. A *New York Times* article of March 13, 1999 opened, "One day after the abrupt resignation of Germany's most powerful left-wing political boss, German financial markets soared in euphoria…The German stock market surged 5.4 percent." In contrast, "Taiwan shares posted their largest plunge in nine years Friday, falling 6.4% amid uncertainty over Sino-Taiwan relations" after Taiwan's leadership indicated that the "one state" fiction of its relations with the PRC were no longer acceptable (Wall Street Journal, 7/16/99). Non-stop financial information had become part of the cultural background noise (Fraser, 2005), reminding ordinary 401(k)-owning citizens of the pocketbook impact of political events. When Bush made a speech on Wall Street describing his administration's proposed response to the corporate scandals of 2001-2, broadcasters included a crawl at the bottom of the screen documenting the market's moment-by-moment response (declining by 2% over the course of the day). Fred Block's (1977) structuralist account of the capitalist state had become a how-to guide for American politicians: By doing what was best for the stock market, they served their own electoral ambitions.

Our findings suggest that stock ownership may have a causal relation with perceptions of political interest. Even our very crude measure of stockholding shows consistent positive effects on Republicanism in cross-sectional models, and the size of the effect increased substantially as Republican policy initiatives came to follow the prescriptions of the investor class theorists (cutting taxes on capital gains and dividends; proposing to privatize Social Security). These results are suggestive rather than definitive, of course—the range of statistical confounds is large, and in the absence of a controlled experiment, it is difficult to rule out alternative interpretations. But the implications are worthy of further work, as they suggest political implications of financial market expansion at a quite micro level. Researchers have documented that those that own rather than rent their home are different on a number of "citizenship" dimensions—controlling for obvious confounds, they are more likely to join non-profit groups, to vote in local elections, know the names of their Congressional representative and the head of their school board, and even to plant gardens (DiPasquale and Glaeser, 1999). Our results suggest a possible parallel effect of stock ownership, albeit on a much narrower range, and indicate the need for better understanding of the new shape of property ownership in the US and its potential political implications.

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