Campaign Rallies, Perceived Uncertainty, and Household Borrowing

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1. Paper in a Nutshell

How do campaign rallies influence households' perceived economic uncertainty and their borrowing decisions?

Motivation:

- **Elections heighten economic uncertainty**, prompting precautionary behavior
- **Substantive messages conveyed during campaign rallies** may reduce perceived economic uncertainty by addressing information gaps

Empirical setting: 2016 U.S. election rallies amid high economic uncertainty

3 key findings:

1. Only Clinton's rallies reduce perceived macroeconomic uncertainty
2. Rallies in areas visited by Clinton lead to increased P2P and mortgage loan applications, indicating less precautionary saving behavior
3. Effects are stronger in areas with higher initial levels of economic uncertainty

2. Methodology & Data

Generalized event study design (Schmidheiny & Siegloch, 2020 J. Appl. Econometrics) to study the impact of 323 Trump and 169 Clinton campaign rallies on the economic perceptions of individual i residing in commuting zone c and state s in month t:

$$Y_{i,c,s,t} = \beta^T \times Post\_Trump_{c,s,t} + \beta^C \times Post\_Clinton_{c,s,t} + \mu_i + \theta_{s,t} + u_{i,c,s,t},$$

- Rally visits: Democracy in Action project, Grosjean et al. (2022 QJE), C-SPAN
- Perceived uncertainty: Survey of Consumer Expectations
- Loans: HMDA, Lendingclub

3. Perceived Uncertainty

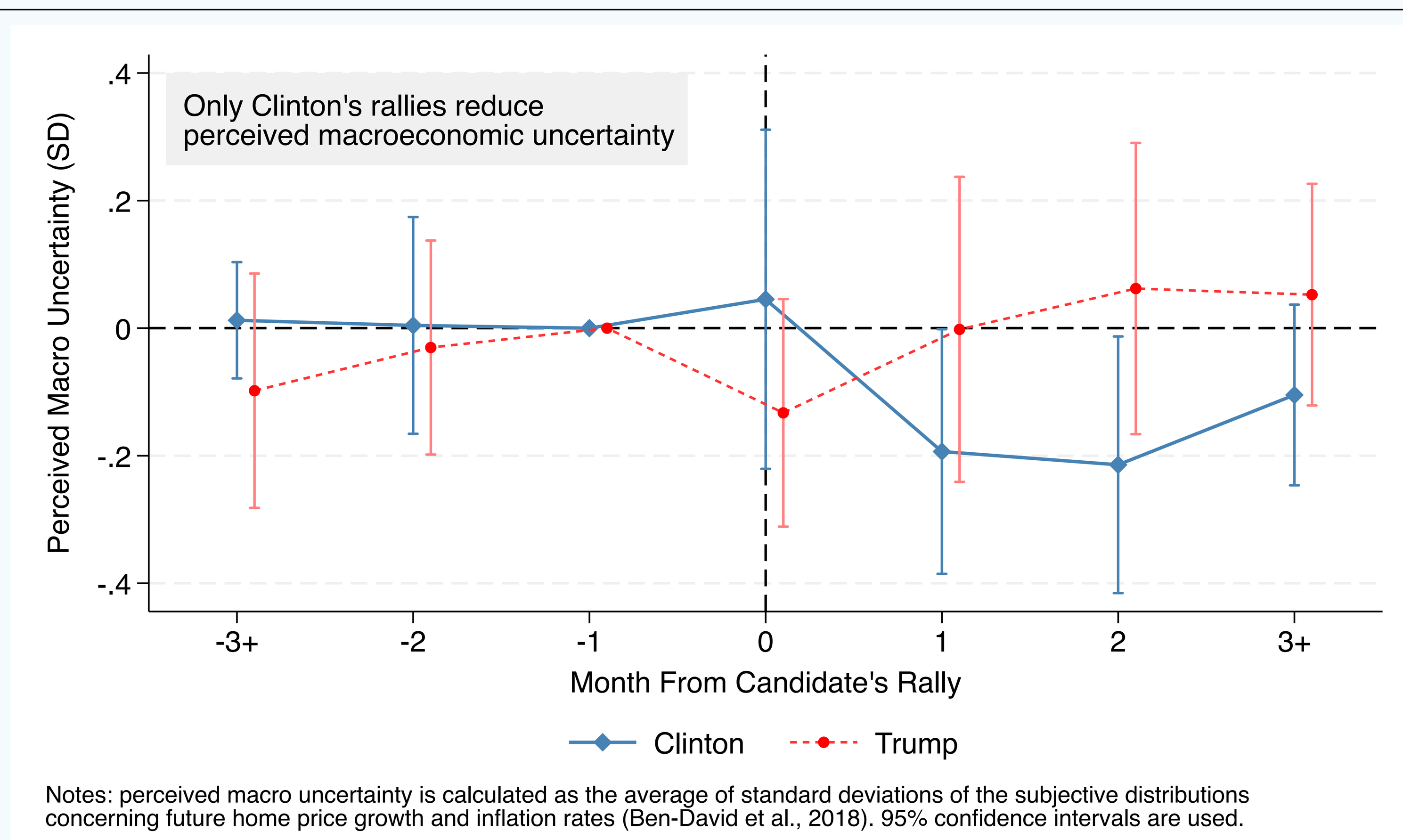


Figure 1. Perceived Macro Uncertainty

- The **immediate effect** in one month after Clinton's visits is around 0.2 SD, equivalent to **providing second-moment information** on GDP growth (Coibion et al., 2024 AER)
- The **overall effect** is equivalent to an **annual income increase of $17,850** (Ben-David et al., 2018 NBER)

Table 1. Heterogeneous Effects on Perceived Macro Uncertainty

By Categories	All	High Init Uncertainty	
Group		Yes	No
	(1)	(2)	(3)
Post_Clinton	-0.0993**	-0.2761***	-0.0683
	(-2.21)	(-4.47)	(-1.46)
Post_Trump	0.0530	0.1218	0.0343
	(0.96)	(0.37)	(0.43)
N	31,815	3,022	25,482
Adj. R2	0.7088	0.6904	0.6740
Respondent FE	YES	YES	YES
State × Time FE	YES	YES	YES

Effects are stronger in commuting zones with higher initial perceived uncertainty (Difference's p-value = 0.01)

4. Household Borrowing

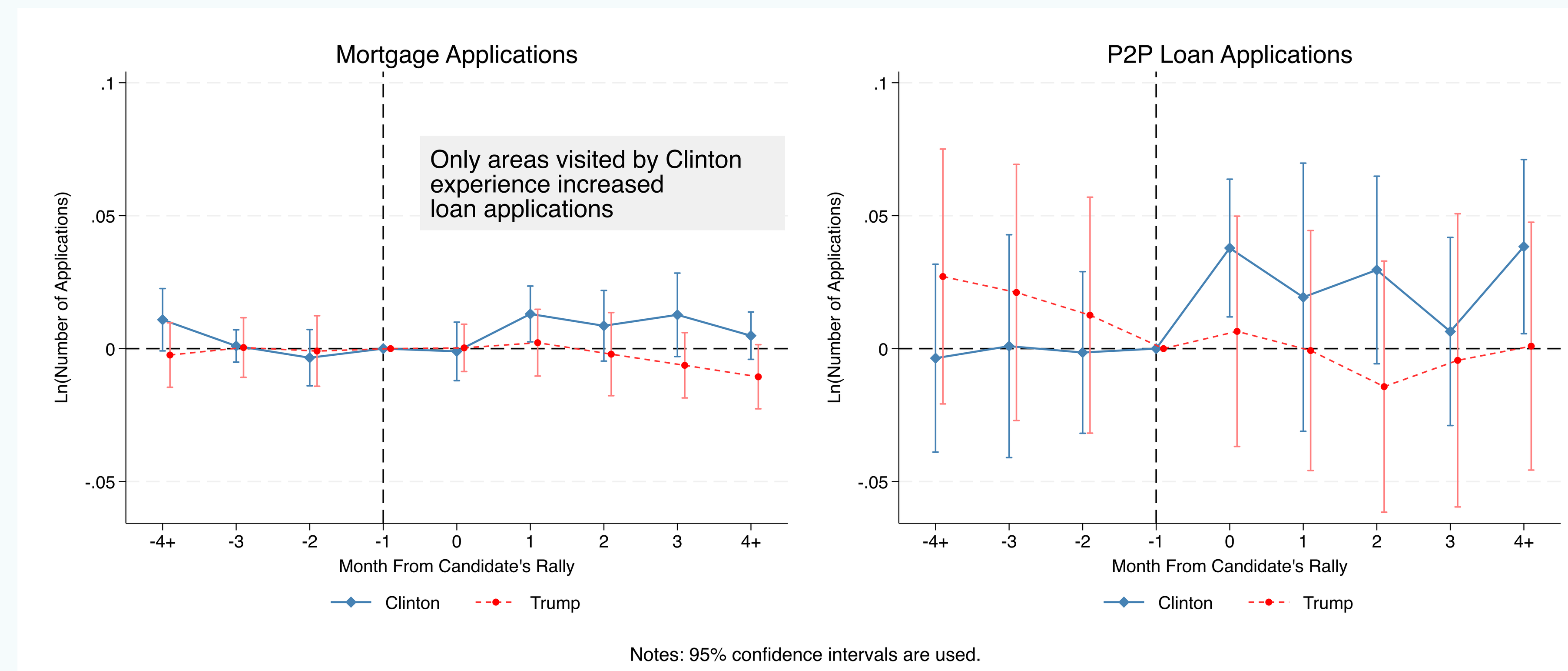


Figure 2. Number of Mortgage (Left) and P2P (Right) Loan Applications

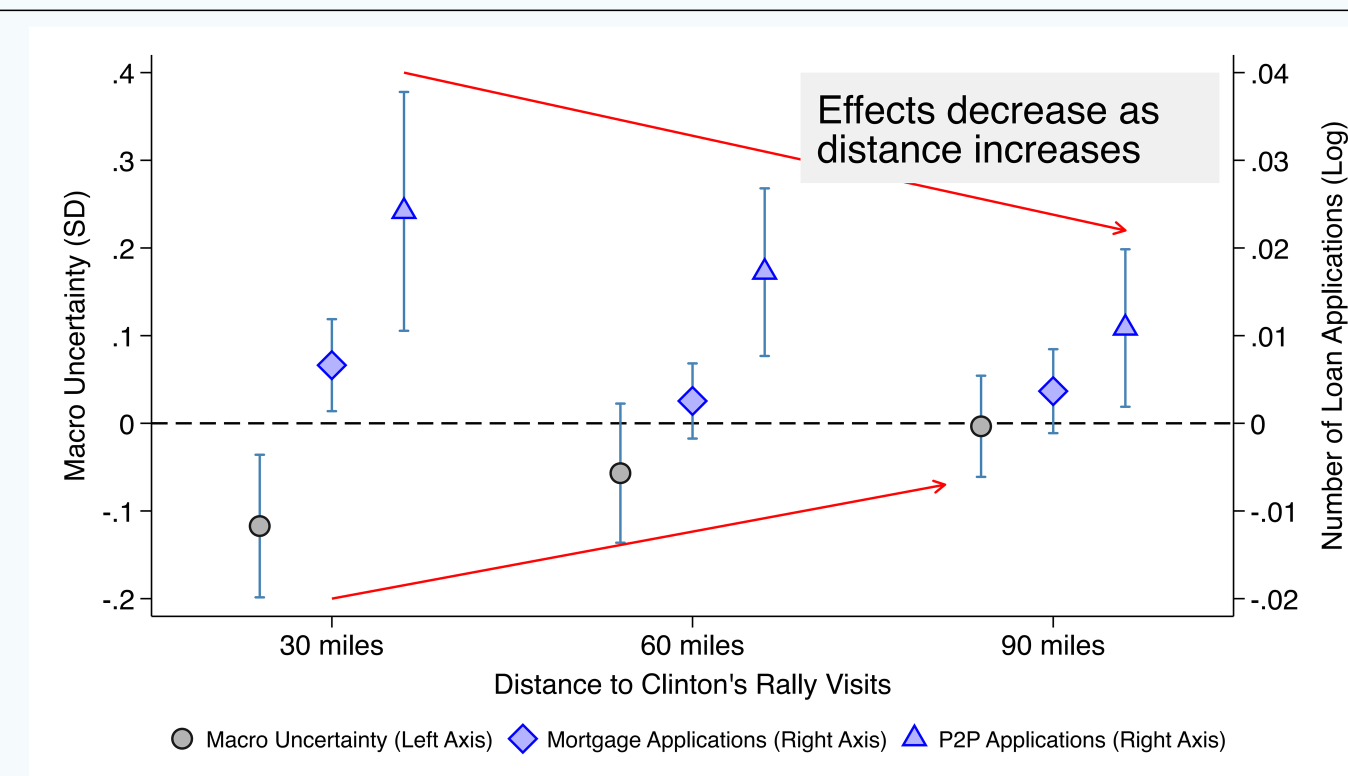
- Households appear to **exhibit less precautionary saving behavior and borrow more to finance current consumption** (Carroll, 1997 QJE; Chamon et al., 2013 JDE)

Table 2. Heterogeneous Effects on Mortgage Borrowing

	Number of Applications		
By Categories	All	High Init EPU	
Group		Yes	No
	(1)	(2)	(3)
Post_Clinton	0.0009	0.0150**	-0.0021
	(0.19)	(2.33)	(-0.45)
Post_Trump	-0.0033	-0.0084	-0.0026
	(-0.99)	(-1.01)	(-0.67)
N	16,999	3,602	13,397
Adj. R2	0.9915	0.9923	0.9912
County FE	YES	YES	YES
State × Time FE	YES	YES	YES
County Trend	YES	YES	YES

Effects are stronger in counties with higher initial state-level economic policy uncertainty (EPU from Baker et al. (2022 JME); Difference's p-value = 0.02)

5. Geographic Spillovers



- Most effects vanish beyond 30 miles, consistent with Grosjean et al. (2022 QJE)

6. Contribution

- **Political uncertainty and the real economy:** Highlights the impact of election-related uncertainty on households, emphasizing the role of information gaps
- **Political communication and individual decisions:** Connects communication by political candidates to perceived economic uncertainty and subsequent financial behavior

Paper Homepage

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