

# Politics driving personal economic decisions amid COVID-19

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Tony Cookson, associate professor at CU Boulder's Leeds School of Business.  
Credit: University of Colorado at Boulder

In a normal election year, politics are often driven by economics. But as COVID-19 spurred record job losses and stock market sell-offs, Tony Cookson—an associate professor at CU Boulder's Leeds School of

Business—and other researchers noticed something curious: political persuasion was driving a wave of stock market optimism.

Cookson and researchers Joey Engelberg and Will Mullins at the Rady School of Management at the University of California San Diego found Republican traders were more optimistic about a stock [market](#) rebound than non-Republicans. They detailed their findings in a new working paper.

Using keywords like #MAGA or #Trump2020, the researchers poured through more than 5 million posts on StockTwits, a social media website geared toward stock traders, for clear markers of conservatism. They found users who made frequent references to President Donald Trump or some of his favorite talking points tended to be more optimistic about a quick stock market rebound. The research also shows StockTwits posts correspond with actual trades in the market, indicating Republican optimism on the platform likely translates to more bullish trading.

"It really jumped out of the data," Cookson said. "COVID-19 is a period of substantial uncertainty. One reaction is to seek new information, another is to default to a core identity that gives you comfort."

For some traders, that comfort comes from looking to the commander in chief.

"They believe the president. That's not an unnatural way to guide your beliefs, believing the leader of your country," Cookson said.

The findings are important, according to Cookson, because they give insight into how people make decisions with their money in times of crisis.

"The world in the face of COVID-19 forces us to ask different questions

about how investors form their opinions," he said. "It can be overwhelming to make these choices. It's interesting that we saw politics mattering as much as it does."

## **Some partisan pessimism**

While Republican StockTwits users were optimistic about an overall stock market rebound, they also followed the president's lead in souring on Chinese relations.

The researchers found Republicans became significantly more pessimistic about Chinese companies as COVID-19 cases increased in the U.S. Chinese cases, however, were on the decline by that point, suggesting political motives rather than economic motives, according to Cookson.

"I thought it was pretty profound," Cookson said. "Those differences between Republicans and non-Republicans seemed to have more nuance to it than a simple story would tell."

## **An apolitical study**

While the researchers were looking at Republicans' decision making compared to the rest of the market, Cookson said the study itself is not designed to make a political statement.

"We aren't litigating who we think is right, we're observing that they're coming to different conclusions," he said.

That's important to explore, Cookson said, especially in a time where money is rapidly changing hands. The paper notes that daily trades of [stock](#) shares rose about 36% from historical averages amid COVID-19.

As the pandemic is rife with uncertain and changing information, people are left to essentially trust their gut. The researchers found 20% of that turnover was due to political preferences.

"Those core aspects of ourselves often guide how we feel. When we can't get enough information, that tends to be the backstop."

**More information:** J. Anthony Cookson et al. Does Partisanship Shape Investor Beliefs? Evidence from the COVID-19 Pandemic, *SSRN Electronic Journal* (2020). [DOI: 10.2139/ssrn.3621067](https://doi.org/10.2139/ssrn.3621067)

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