

# 7

# The Elusive Economic Vote

**Mark A. Kayser**

In representative democracy, the governed hold those who govern them accountable. If electorates do not systematically punish elected officials for poor performance, little incentive exists for representatives to pursue the best interests of their constituents. But how do we know that such accountability actually occurs in practice? It is easiest to search for accountability with respect to issues that generate consensus on what is desirable, what are known as valence issues. Everyone, for example, agrees that crime is bad and security is good. Among valence issues, however, one stands out as perennially important to voters: the economy.

Influential research into voting behavior has been conducted since the 1940s (Berelson, Lazarsfeld and McPhee 1954; Lazarsfeld, Berelson, and Gaudet 1944) but research on the effect of the economy on vote choice – the economic vote – has commanded special attention as the best hope for establishing empirical evidence of electoral accountability. The relationship between economic outcomes and voting behavior can credibly claim to be the most studied relationship in voting behavior. Considering the amount of research on the economic vote in the decades since Kramer (1971) showed a relationship, can Political Science demonstrate empirical proof of electoral accountability? Not exactly.

The search for consistent evidence of an economic vote has proven more difficult than expected. Strong evidence that economic performance influences the electoral fortunes of governing parties appears in some settings and time periods but then vanishes in others. After an initial decade or two of optimism that such variation is only a function of differences in measurement and statistical methods, researchers began to realize that the reality is more complicated. The economic vote – and its implications for electoral accountability – is conditional. Some scholars have

greeted the mounting evidence of “instability” (Paldam 1991) in the economic vote and, consequently, the inconsistent connection between economic downturns and governmental change as a dire portent for the existence of electoral accountability (Cheibub and Przeworski 1999). If elected officials are not systematically punished and/or rewarded for the most consistently salient issue that concerns voters, then a worrisome amount of leeway seems to exist for representatives to neglect the voter’s interest with impunity.

What are the implications of a conditional economic vote for electoral accountability? Appropriately, the answer itself seems to be conditional. Surely, if the magnitude or even the existence of the economic vote depends on random or capricious factors, then it would be difficult to maintain that the economic vote shows systematic evidence of electoral accountability. If the economic vote, however, varies across contexts in a predictable way, then, as I argue here, the problem with asserting evidence of accountability reduces to one of precision. Universal assertions about electoral accountability in all democracies and settings may be unsupported but that is perhaps an unreasonable expectation to begin with. Few broad categories, democracy included, have unvarying effects. If, for example, established non-federal democracies with single-party majority governments and ideologically distinct parties yield a strong economic vote but new federal democracies with large coalition governments and ideologically obscured party positions do not, does that pose a challenge for electoral accountability in general?

Democracy versus autocracy is a rhetorically powerful categorization. Dissidents in authoritarian states calling for technocratically detailed reforms to establish a unicameral legislature and electoral system with a high threshold would likely gain few followers. But broad and diverse categories often have weak predictive power. Democracy as a category still out-performs its alternative, on average, in many dimensions<sup>1</sup> – and electoral accountability is still likely to be one of them – but progress implies precision. The conditional nature of the economic vote does raise “contingency dilemmas” for broad theories of democratic accountability (Anderson 2007), but if researchers were to identify the conditions in which elected officials are consistently punished (rewarded) for poor (good) performance, then normative theory would focus on democracy with an adjective rather than expect that all democracies yield accountability.

Thus the question is: are these contingent effects systematically predictable? An inconsistent relationship between the economy and the vote when neglecting context raises questions about democratic accountability but also about the context. A weak or inconsistent relationship in even narrowly defined contexts raises serious doubts about the control of politicians by the electorate. For accountability to influence politicians’ behavior, they must have a reasonable expectation that voters will sanction them for poor performance. The economy perpetually resides among voters’ top concerns. If scholars cannot find that voters punish governing politicians for a weak economy, what are the odds of finding evidence of electoral accountability elsewhere?<sup>2</sup>

The economic vote, in short, is the best hope for demonstrating that voters hold leaders accountable in democracies. Certain settings – US presidential elections, for example – show such a relationship but one cannot generalize from a few settings to all democracies. In fact, one cannot even safely generalize from the strong economic vote in US presidential elections to the nearly absent economic vote in US congressional elections. So, what are the determinants of electoral accountability in democracies? This question lies at the heart of research on the economic vote for the last two decades and forms the focus of this chapter. We have seen impressive progress in this period. Continuing improvements in both the quality and quantity of data and in the methods used to analyze them have enabled scholars to answer increasingly specific questions with greater certainty.<sup>3</sup> External shocks such as the financial crisis, euro crisis and the international great recession between 2008 and 2011 also offered opportunities to observe electoral responses (Magalhães 2012). So taken together, what do we know about the relationship between the economy and the vote?

## A Few Basics

Several basic facts about the economic vote emerged in a relatively short period of time from studies based on US election data. Within a decade of Gerald Kramer's (1971) article, and still over a decade before serious consideration was given to conditional effects in cross-national data, researchers had discovered that voters are more sociotropic than egotropic (Kinder and Kiewiet 1979), more retrospective than prospective (Fiorina 1978), and possibly more severe in their punishments than in their rewards (Bloom and Price 1975). Expressed differently, a picture emerged of voters who are more influenced by the aggregate welfare of society (sociotropic) than by the thickness of their own pocketbooks, weigh the past performance of the government (retrospective) more than future expectations and punish governments more for economic contractions than they reward them for economic gains (asymmetric). Of course, none of these findings are exclusive – voters are retrospective and prospective – but certain types of behavior are dominant. Nor have all of these findings have proven equally robust to new data and challenges over time. More recent work has confirmed and refined our understanding of retrospective voting (Healy and Malhotra 2013; Woon 2012); sociotropic voting was challenged by a strong argument for prospective voting in the 1990s (MacKuen, Erikson, and Stimson 1992) but has emerged intact (Huber, Hill and Lenz 2012); asymmetric effects, in contrast, like the economic vote itself, have appeared only sporadically.

This is the canonical view of the economic vote: voters assess the performance of their governments primarily retrospectively and sociotropically. These findings conform well to a vision of democratic accountability in which voters motivate leaders to govern in the general interest by rewarding and punishing them for the past

performance of the broad economy. Later findings were no less fundamental but were certainly less sanguine. In the spirit of early work on voting that surprised authors and readers alike with the low level of political knowledge and sophistication among the American electorate (Campbell et al. 1960), Christopher Achen and Larry Bartels (2004) showed voters to be economically myopic. Voters discount the past rather severely, so much so that economic performance in the few months before an election has a much larger effect on the vote than older performance. This raises the question of whether the economic vote leads to arbitrary outcomes based on when an election is held. Indeed, the political economy literature has argued that re-election-minded governments, where it is allowed, should exploit such myopia by timing elections opportunistically (Kayser 2005) and an author in the previous edition of this book has shown that opportunistic timing pays off electorally (Hellwig 2010: 196). The short memory of voters has also been tied to economic cycles and partisan political fortunes in the United States. Economic growth in the last decades has been higher under Democratic presidents but Republican incumbent presidents have benefitted in elections from stronger growth in the last two years of their terms (Bartels 2010b). How effective is electoral accountability if voters discount most outcomes in a political term and cast their votes based on what happens close to the election?

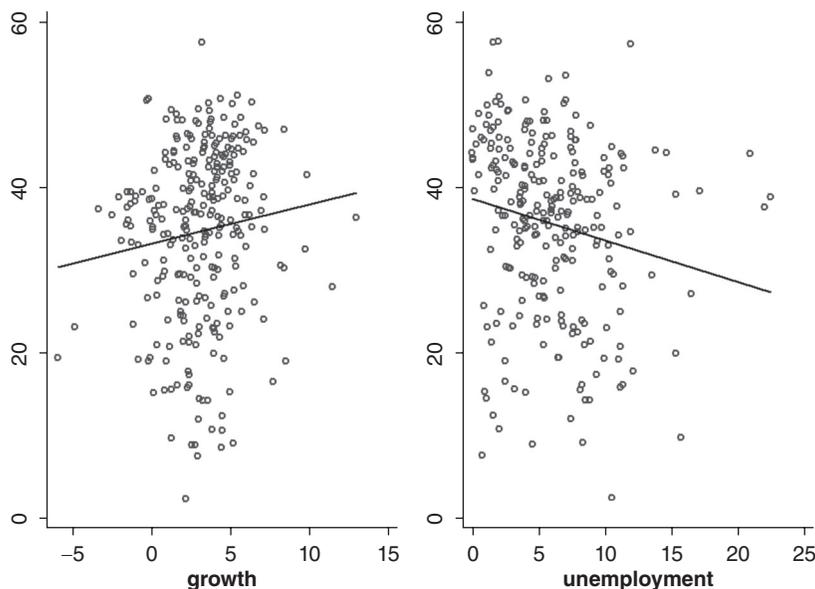
There are other reasons to worry about the capacity of voters to make informed decisions. Consistent with descriptive statistics showing low levels of political information among voters (Carpini and Keeter 1993; Shenkman 2008), scholars have increasingly called into doubt the ability of voters to draw correct inferences about responsibility for outcomes. To highlight some of the most startling results, voters have been shown to punish elected officials for acts of God beyond any politician's control, such as shark attacks, drought and influenza (Achen and Bartels 2002), and to reward them at the ballot box when local sports teams (in US college towns) win games (Healy, Malhotra, and Mo 2010). Ample evidence demonstrates that voters also attribute responsibility for economic outcomes incorrectly, often punishing subnational officials for national economic trends (Ebeid and Rodden 2006; Gélinau and Remmer 2006; Hansen 1999). If voters not only focus myopically on recent outcomes but also respond naively to current conditions with little regard to responsibility, can we still claim accountability? This question will arise again when we consider attribution of responsibility under globalization and other conditions more closely.

But perhaps reasonable political sophistication and proper attribution of responsibility might not be necessary for rough electoral accountability to function. Uninformed voters can follow heuristics such as adopting the preferences of opinion leaders (Lupia 1994; Lupia and McCubbins 1998) to vote "correctly" much of the time (Lau and Redlawsk 1997).<sup>4</sup> The least informed among us should also not be dismissed for they are the largest contributors to electoral accountability. High information voters tend to be the most partisan, to interpret or ignore events to confirm pre-existing partisan preferences (Taber and Lodge 2006) and, consequently, to switch

their vote to other parties the least (Zaller 2004). It is therefore low information voters, who tend also to be the least partisan, who respond to actual economic performance in their vote and thereby enable electoral accountability (Converse 1962).<sup>5</sup> Ironically, uninformed and apolitical voters are the reason that electoral accountability may work, albeit in a rough form in which incumbents are also held accountable for many outcomes for which they are not responsible.

We can now summarize some stylized facts about voters and the economy while also acknowledging that we are painting with broad strokes: (a) voters weigh past economic performance more than prospective economic performance; (b) aggregate economic outcomes influence voters more than their own economic condition; (c) the recent past influences the vote more than the more distant past; and (d) voters are prone to misattribution of responsibility. This last claim is the least established and most controversial and will be addressed again later in this chapter. Let us use the first three now to examine the economic vote ourselves.

When one considers elections in a large set of democracies, it becomes quickly apparent that the economy is only a small determinant of electoral outcomes.<sup>6</sup> Some simple data can best illustrate the problem. Figure 7.1 plots the vote share for the party of the leader<sup>7</sup> against two measures of economic performance in 276 elections in 23 OECD countries between 1955 and 2009. The left panel shows that the



**Figure 7.1** The economy and the vote share for the governing executive's party. A simple bivariate scatterplot of the vote share for the leader's party against real GDP growth and average unemployment in the year up to the election quarter. 276 elections (253 for unemployment) in 23 developed countries, 1955–2009.

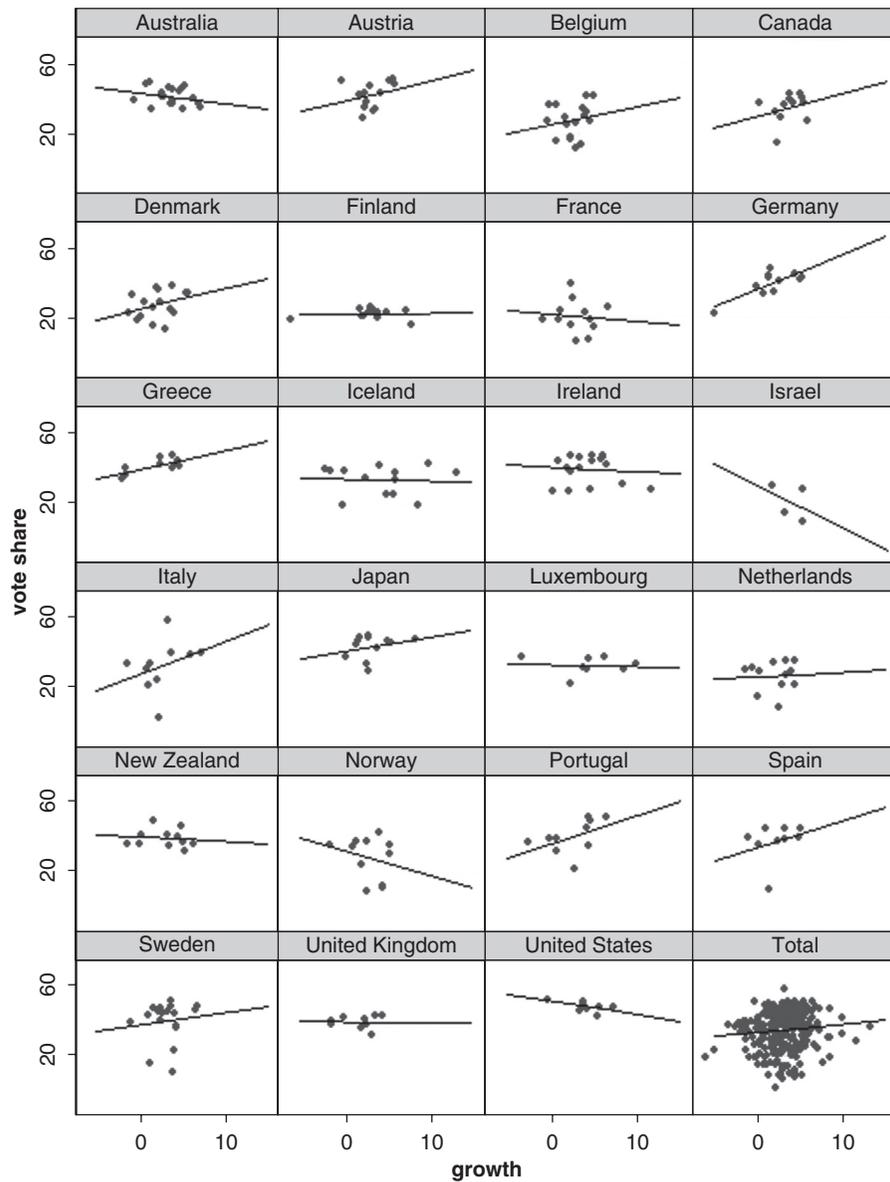
leader's party generally gains more votes when growth in real GDP is higher, but the striking feature in the panel is the poor fit of the observations. In fact, economic growth only explains 1.3% of the variation in the lead party's vote share. A one percentage point increase in growth implies a half point (.47) increase in lead-party vote share which sounds like a reasonably large effect until one considers that almost all of the variance in growth rates (c. 95%) falls between -2 and 8% growth.<sup>8</sup> Thus, a drop in growth from the sample average of 3 to -2 would cost the lead party only about 2.5 points at the ballot box, a magnitude of effect, given its standard error, that could happen by chance six times out of a hundred. This is not an especially strong relationship.

The right panel employs unemployment data in place of economic growth.<sup>9</sup> Again, the basic relationship does materialize: the lead party's vote share drops on average as unemployment rises. But, just as with economic growth, the variance in lead-party vote share that is left unexplained by unemployment strikes the eye. Unemployment explains only 3.3% of the variation in lead party vote share. The relationship predicts a half point loss in vote share for the lead party for each additional percentage point of unemployment and is statistically significant but, again, the wide scatter and poor fit to the data suggests that a lot more is going on.<sup>10</sup> Evidence of the basic economic vote does emerge in this cross-national sample but it is weak and captures only a tiny proportion of the overall variation in support for the lead party.

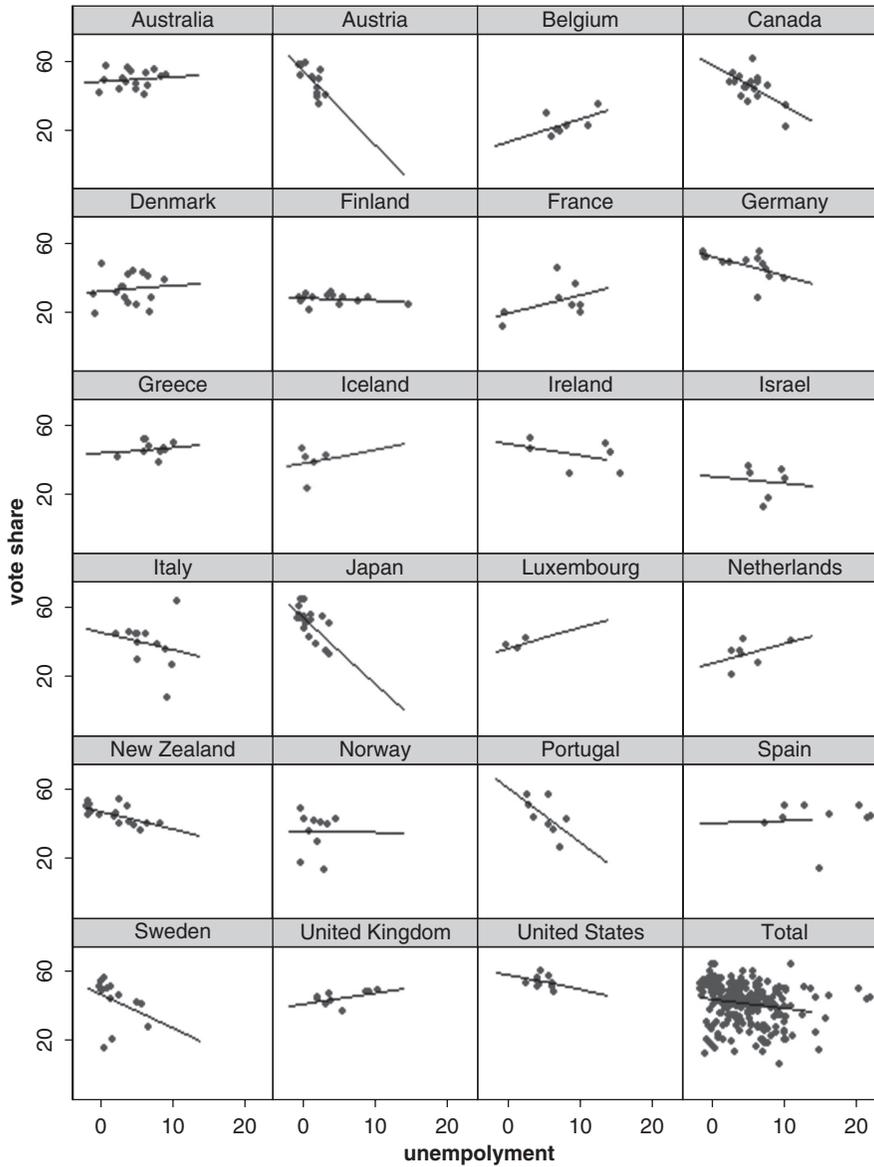
## Country by Country

An obvious explanation for the large variance in lead-party vote shares is that different countries have different institutions and norms. If we want to account for these, we should not pool our observations as in Figure 7.1, but rather examine the economic vote in individual countries. It might not be surprising, for example, that lead-party vote shares differ between countries that have different electorates, institutions and party systems with anywhere from two to six parties. Such differences suggest high cross-national variation in vote shares and may explain the poor fit in Figure 7.1.

Figure 7.2 addresses this concern and plots lead-party vote share against growth for multiple elections in each of our 23 countries. The results are emblematic of the difficulty of pinning down evidence of the economic vote. In only two out of 23 countries – Germany and Greece – can the effect of economic growth on the lead-party vote share be distinguished from random sampling error, but this is perhaps not so surprising given the small number of observations.<sup>11</sup> The rough direction of the effect might be more informative with such small samples. Even by this measure, however, the data should give us pause. In ten out of 23 countries, growth appears to have a negative effect on the lead party's electoral fortunes! Only in 13 of 23 countries, do we observe the expected direction of effect. Unemployment fares no better. The plots of the relationship between lead-party vote share and unemployment in Figure 7.3 show a negative relationship in only 13 of 23 countries. Of these, only five are statistically significant (Austria, Canada, Germany, New Zealand, and Japan).<sup>12</sup>



**Figure 7.2** Economic growth and the vote share for the governing executive's party in legislative elections, 1955–2009. A simple bivariate scatterplot of the vote share for the leader's party against real GDP growth in the year up to the election quarter. Note that the executive is the president in France and the US, but the elections are for the Assembl'ee Nationale and the House of Representatives (in presidential election years), respectively.



**Figure 7.3** Unemployment and the vote share for the governing executive’s party in legislative elections, 1955–2009. A simple bivariate scatterplot of the vote share for the leader’s party against average unemployment in the year up to the election quarter. Note that the executive is the president in France and the US but the elections are for the Assemblée Nationale and the House of Representatives (in presidential election years), respectively.

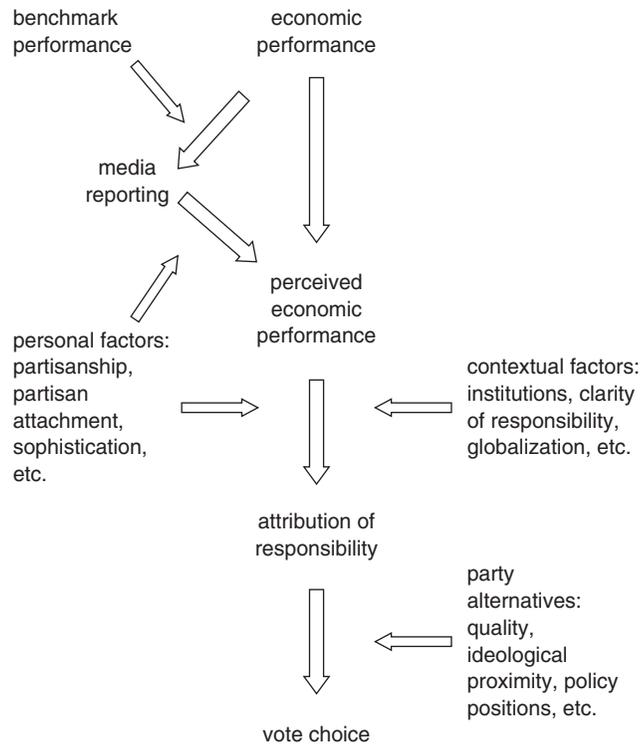
Confronted with such weak and troubling results when using actual economic measures, many political scientists were attracted to the stable results of survey data. Scholars have increasingly turned to individual level survey data using respondents' perceptions of the economy. In addition to enabling study of individual level variables, survey-based measures also offered an additional benefit: better-behaved results.<sup>13</sup> Scholars have made noteworthy progress in explaining variation in the effect of the perceived economy on the attribution of responsibility (Duch and Stevenson 2012; Fortunato and Stevenson 2013) and voting behavior (Lewis-Beck and Stegmaier 2000). The turn to perceived economic measures, however, was not without a price. A persistent debate over whether and the extent to which partisan affinity might drive the (perceived) economic voting results dogged the literature. Does perceived economic performance influence partisan preferences (and hence voting) or do partisan preferences influence perceptions of economic performance (cf. Evans and Anderson 2006; Evans and Pickup 2010; Lewis-Beck, Martini, and Kiewiet 2013; Stevenson and Duch 2013; Wlezien, Franklin and Twiggs 1997)? This debate risks becoming too esoteric for this chapter but regardless of its resolution, it is safe to say that analyses of the perceived economic vote are substantively different from studying how the economy influences the vote. As I argue below, they are useful and important but they only cover part of the causal chain.

## Yes, It's Contingent

Most of the results and work discussed up to this point are only a prelude to the thrust of research in the last two decades. Following the complaint by Paldam (1991) about the instability of the economic vote, Powell and Whitten (1993) changed the direction of research by arguing that the strength of the economic vote should be moderated by the "clarity of governmental responsibility" for given outcomes. When voters cannot clearly attribute political credit or blame for economic outcomes because of complicated coalition arrangements, ideological variance within parties or opposition control of some policy-making institutions, the effect of the economy on vote outcomes should diminish. This insight marked the advent of context in the search for the economic vote. Rather than expecting that the economy, however measured, should have a consistent effect on electoral support for the incumbent government, scholars came to see the economic vote as conditional on contextual factors. Determining precisely which factors influenced the economic vote in which way became, and continues to be, the primary emphasis of research on comparative economic voting at both the aggregate and individual level.

What Powell and Whitten (1993) probably did not anticipate is the explosion of conditioning factors that have multiplied over time. Scholars have identified a multiplicity of individual, party and institutional characteristics that influence how voters respond to the economy.<sup>14</sup> James Carville, the manager for the Bill

Clinton’s US presidential campaign in 1992, is famous for the slogan, “It’s the economy, stupid,” but, in fact, it’s not so simple once one looks beyond a single election in a single country. How different types of voters react to various types of economic conditions under sundry political and institutional settings is extremely complicated. Different types of economic measures are more or less salient in different time periods.<sup>15</sup> Inflation mattered a lot to voters in developed democracies in the 1970s when it was high, but had little predictive power in the 1990s when it all but disappeared. Economic growth and unemployment still matter but, as Figures 7.2 and 7.3 show, their effects vary markedly across countries. Explanations for such variance abound but are mostly fragmentary, usually identifying one additional conditioning factor to be added to an already long list. The reason for such complexity stems from a long, and often unappreciated, causal chain connecting economic conditions to voter perception to voter attribution of responsibility to vote choice. Every step along this path is subject to conditioning factors. This is best represented visually. Consider Figure 7.4, which depicts only one possible explanation for the economic vote.



**Figure 7.4** It’s complicated. One possible explanation for the economic vote

Voters perceive economic performance. How they do so, however, is not straightforward. Do they observe aggregate conditions (sociotropic) or their own welfare (pocketbook)? Do they do so directly (Fiorina 1981) or do they do so via the media (Goidel and Langley 1995; Hetherington 1996)? If the media are the mechanism, do the media report the economy accurately (Soroka 2006)? Can voters accurately assess economic conditions, in general (Conover, Feldman, and Knight 1986; Sanders 2000)? Are voters' perceptions positively biased when co-partisans are in office (Evans and Anderson 2006; Wlezien, Franklin, and Twiggs 1997)? This is a complex relationship and we have only addressed the first link in Figure 7.4. Such complexity explains the attraction of shortening the causal chain by starting with perceived economic performance. The cost, however, is that one is defining away a problem rather than answering it. Moreover, even with perceived economic measures, the economic vote is still far from simple. Consider the remaining links in the causal chain. Once voters have formed a perception of how the economy has performed, they must attribute responsibility to the government, or at least to certain parties in the government, if an economic vote is to emerge. Objectively, there is considerable reason to doubt that most government policies actually have a short-term effect on economic performance. Monetary policy is unwieldy, uncertain in its effects and timing, and often controlled in developed democracies by an independent central bank. Fiscal policy suffers from similar uncertainty in its effects and timing, and if stimulative spending is financed by borrowing, it is constrained politically by debt concerns and economically by bond rates. Globalization may have further limited governments' policy room to maneuver by increasing the mobility of both portfolio capital and foreign direct investment (Boix 1998). Regardless of how binding such constraints on policy are, the high levels of comovement in open countries' economic performance (Artis and Zhang 1999; Kose, Otrok, and Whiteman 2003) suggests that either policies do not differ much or that they do not matter much. Even setting globalization aside, governments' effects on the economy are primarily long-term and poorly timed to the electoral cycle in developed countries (Alesina, Roubini, and Cohen 1997; Brender and Drazen 2005; Shi and Svensson 2006). In fact, some evidence exists that, where possible, governments time elections to coincide with strong economies rather than stimulate the economy prior to elections (Kayser 2005, 2006). Adding globalization's influence on domestic economies, and the attendant attenuation of government's already modest influence on those economies, only magnifies skepticism that the macroeconomic variation, for which voters hold governments accountable, can actually be non-trivially influenced by those governments.

One might be forgiven for thinking that such strong constraints on governments' ability to influence short-term economic conditions might also rule out economic voting. Several authors, in fact, have argued that globalization, by limiting governments' influence over domestic economic outcomes, has also led voters to hold them less accountable for the economy (Duch and Stevenson 2008; Hellwig 2001). This is an interesting proposition – and one addressed in greater length below – but

the more fundamental question is why there was ever an economic vote to begin with. Even well before trade levels and capital integration reached their current levels, governments had only modest and spotty influence on short-run economic outcomes. Why should voters hold governments accountable for something they cannot control?

The most likely answer is that low information voters, who are the ones who respond to the economy the most in the first place, do not concern themselves with such details. Floating voters, sometimes known as swing voters, manifest low levels of attachment to specific parties and are consequently the most likely to respond to actual government performance (Campbell et al. 1960). Economic conditions can serve as a measure of governmental performance, despite the weak causal link, because floating voters are also, on average, low-information voters (Converse 1962; Schmitt-Beck and Partheymüller 2012). Thus, the economic vote and, indeed, much electoral accountability arise because of the least informed among us. Consequences of this fact, often in the form of elected officials being held accountable for irrelevant events such as the outcome of local sporting events (Healy, Malhotra, and Mo 2010), shark attacks, droughts and influenza (Achen and Bartels 2002), or simply economic outcomes that originate outside an official's district (Wolfers 2002), are not in short supply. This brings us to the last step in Figure 7.4: once voters have attributed responsibility for economic conditions, how do they choose a party for which to vote? Retrospective voting ultimately gives little attention to party choice because it frames voting as a referendum on the incumbent. If the economy performs well, incumbents are rewarded; if not, then they are punished. In a multiparty setting, this leaves open the question of which party gains when governing parties lose. An alternative literature on issue voting and spatial voting places choice between parties at the center and considers how proximity between voters and party issue positions influences the vote. As best as one can discern, however, issue voting does not contradict retrospective economic voting. In studying the 1987 British general election, Alvarez, Nagler, and Bowler (2000), for example, found that voters first decide on the whether to support the government (retrospective voting) and then, if they decide to vote against the government, they turn to (prospective) issue voting to decide on which opposition party to support.

In summary, voters do attribute responsibility to governments for general economic conditions, not because they are aware of policies and their economic effects, but rather because many voters are sufficiently poorly informed that they blame governments for outcomes regardless of their responsibility. However, punishing governments for essentially random events raises questions about democratic accountability. How much randomness – better stated, influence of irrelevant events – can influence the vote before accountability dissolves? If, for example, voters punish subnational officials for national or international economic trends, does this suggest a lack of – or an imperfect form of – accountability? It seems that the answer may be a function of degree. Voters may judge governments not only on exogenous events when they occur, but also on their responses to them.

Moreover, some portion, if not a large portion, of short-term economic variation may indeed arise from the current government's policies. Should governments form the impression, however, that voters punish or reward them based on outcomes unrelated to their actions, then elected officials may indeed slip the bonds of democratic accountability. Precisely where this is most and least likely to happen is the difficult question to which we now turn.

## Voting in Context

Where, when, and how does a strong economic vote emerge? Which governing parties receive the credit or blame for the economy from which types of voters for what kind of economic variation in which settings? Political institutions and party systems certainly contribute to clarity and aid attribution of responsibility. The individual characteristics of voters are no less important.

Foremost on the list of influential individual characteristics is the political information level. Political sophistication has featured as one of the key variables explaining why given voters are more sociotropic or egotropic (pocketbook) since at least Kinder and Kiewiet (1981). Intuitively, the amount of information needed for pocketbook voting seems modest: personal experience of economic wellbeing, knowledge about which party or parties are in government and directions to the polling station. *Prima facie*, the information requirements for sociotropic voting are only marginally higher, requiring knowledge about the national economy, likely via media reports, rather than personal economic experience. Although consensus exists that political sophistication likely matters for whether individuals vote sociotropically or egotropically, disagreement reigns over which of these two types of retrospective economic voting require greater sophistication (Godbout and B'elanger 2007). This disagreement stems from the most influential work on how personal characteristics condition the economic vote. Gomez and Wilson (2001, 2006), employing data from US presidential elections (2001) and four diverse democracies (Canada, Hungary, Mexico, and Taiwan, 2006), argue that pocketbook voting, in fact, requires the greatest sophistication in order to connect sometimes abstract policy to individual economic consequences. Building on this argument, they then assert that better informed individuals vote more egotropically than their less informed compatriots.

Political knowledge not only influences how one votes but also for whom one votes (Fortunato and Stevenson 2013). Duch and Stevenson (2008) find that voters can attribute greater responsibility for economic performance to governing parties that hold major portfolios, such as the finance ministry or, most importantly, the premiership.<sup>16</sup> Thus it is possible, and not uncommon, that the electoral fortunes of major and minor coalition members diverge in elections. In a weak economy, for example, voters might punish the major coalition parties that hold the key offices but hesitate to vote for ideologically distant parties, leading them to give their vote

to minor coalition parties. Much of the earlier research on the economic vote in multiparty systems simply used votes for all governing parties as a dependent variable, often obscuring results.

The second individual feature that conditions the economic votes is partisan identification. Individuals with strong attachments to parties also tend to be more politically informed. Nonetheless, the two variables do not correlate perfectly and they capture different concepts. Voter attachment to parties, for example, has been generally declining for over four decades in most developed democracies (Dalton and Wattenberg 2000) but the same, thankfully, cannot be said of information levels (possibly because they were already so low). As early as Converse and Dupeux (1962), scholars have associated strong partisan attachment with a diminished influence of the economy on the vote. This moderating effect of partisan attachment continues to hold into the present. Indeed, as Kayser and Wlezién (2011) demonstrate, weakening partisan attachment over time has been accompanied by a stronger economic vote. Elected officials are held more accountable for objective conditions when a smaller proportion of the electorate has ideological commitments. This finding presents a distinct contrast with another result that we will discuss below that increasing globalization over time has attenuated the magnitude of the economic vote. I note here that these two effects are not necessarily mutually exclusive: one might simply outweigh the other, leading to a net change over time.

Both information levels and partisan identification may influence how voters respond to the economy but these voters act within a political and institutional context that clarifies or obfuscates governing party responsibility for economic outcomes. Responding to Paldam's (1991) observation about the instability of the economic vote across samples, Powell and Whitten (1993) proposed "clarity of government responsibility" as an explanation. They initially identified complicated coalition arrangements, ideological variance within parties, opposition control of committee chairs and opposition control of policy-making institutions as characteristics that limited the ability of voters to attribute responsibility clearly for outcomes. Subsequent research then extended this landmark study with a growing list of governmental, institutional and party features (Anderson 1995, 2000; Bengtsson 2004; Fisher and Hobolt 2010; Nadeau, Niemi, and Yoshinaka 2002; Whitten and Palmer 1999). Further efforts extended the question of how institutional context conditions the economic vote to fundamental constitutional arrangements. Samuels (2004) revealed that presidential systems deliver consistently strong electoral accountability for the economy for presidents but not necessarily so for legislatures. Electoral sanctioning of legislators for the economy is conditioned by clarity of government responsibility in presidential election years but the economy has little effect on legislative elections in non-presidential election years. Future constitution designers should gain from such literature, and in addition be forewarned of important regularities such as that presidentialism-style separation of powers (Hellwig and Samuels 2008) and multilevel governance (Anderson 2006) weaken electoral accountability for the economy and presumably other types of incumbent performance.

The list of political and institutional features that contribute to clarity of responsibility is long, but Powell (2000) identifies a single one as most important: the minority/majority status of a government. Table 7.1 illustrates its effect on the economic vote as well as that of coalition status. Employing aggregate-level election data from elections in 23 OECD countries<sup>17</sup> between 1956 and 2006, Table 7.1 first confirms the expected effects of economic growth and unemployment on lead-party vote share in the first two models before examining the effect of government type on the economic vote. Models (3) and (4) estimate the effect of growth and unemployment on lead-party vote share in majority and minority governments, respectively. Note that each category includes both single party and coalition arrangements. The results for growth are surprising. In majority governments,

**Table 7.1** Institutional context: the economic vote by government type

	<i>Type of government</i>					
	<i>base</i>	<i>controls</i>	<i>majority</i>	<i>minority</i>	<i>single-party</i>	<i>coalition</i>
	(1)	(2)	(3)	(4)	(5)	(6)
Vote Lead <sub>t-1</sub>	.848 (.033)***	.911 (.040)***	.949 (.059)***	.863 (.064)***	.786 (.084)***	.965 (.082)***
Growth	.310 (.144)**	.460 (.176)***	.373 (.150)**	.526 (.464)	.673 (.295)**	.286 (.216)
Unemployment	-.252 (.103)**	-.242 (.146)*	-.120 (.283)	-.335 (.143)**	-.336 (.218)	-.172 (.173)
Eff. N. P parties		.563 (.384)	1.275 (.862)	.136 (.420)	1.172 (1.090)	.581 (.465)
Age of Govt.		.0005 (.001)	.001 (.002)	.0008 (.001)	.003 (.002)	-.001 (.001)
Same Lead Party		-.508 (.760)	.173 (.887)	-.569 (1.126)	-.197 (.957)	-.472 (1.377)
Northern Europe		1.267 (.865)	.733 (1.246)	1.245 (1.569)	.832 (1.513)	1.096 (.912)
Southern Europe		.421 (1.308)	-1.956 (2.617)	2.258 (1.895)	1.262 (2.072)	-3.651 (.964)***
Constant	3.892 (1.515)**	-2.430 (2.816)	-7.856 (5.478)	.997 (3.988)	-1.184 (5.992)	-2.604 (3.546)
Number of observations	219	173	79	91	87	86
R <sup>2</sup>	.706	.723	.794	.669	.492	.818

Notes: OECD countries; 23 elections, 1956–2006. OLS; standard errors in parentheses clustered by country.

\*p < .10 \*\*p < .05 \*\*\*p < .01 (two-tailed)

growth significantly predicts an increase in vote share for the leader's party but, intriguingly, the magnitude of the same effect in minority governments is considerably larger, albeit insignificant. This result is driven by the frequency of minority governments in Scandinavian countries that also enjoy a strong economic vote. It follows to reason that minority governments in the right circumstances can deliver high clarity of responsibility if embedded in an environment where they have cooperative legislative partners outside of the government.

Minority governments, on average, also have fewer coalition members than majority governments. As the last two models in Table 7.1 show, single-party government, whether majority or minority, seems to enable robust electoral accountability. Faced with an increasingly complex set of conditioning variables, albeit often combined into an index, some scholars then turned to determining how institutional and political variables actually generate clarity. Indeed, Hobolt, Tilley, and Banducci (2012) find that formal institutional rules themselves have no direct effect on the vote but rather their effect comes from the degree to which an identifiable and cohesive incumbent emerges. Grafstrom and Salmond (n.d.) go further, demonstrating that institutions generate clarity by structuring incentives that influence politicians' behavior. Where clarity is high, politicians feature the economy in their election campaigns, making the economy more salient to voters.

Clarity of responsibility, whether from individual, political or institutional features, has made a large contribution to the understanding of electoral accountability, but it is important to note that it is no panacea. While it has improved predictions of economic voting across a number of contexts, the instability in the economic vote that originally motivated Powell and Whitten (1993) has not vanished. Some studies have found the economic vote to be absent where the clarity literature predicts it should be strongest and present where it should be absent (Royed, Leyden, and Borrelli 2000; Samuels and Hellwig 2010).

## Globalization as Context

One reason for the continued volatility in electoral accountability for the economy could be that traditional measures of clarity capture only part of the influences that condition the economic vote. The economic context in which economic variation occurs matters as well. Various voters are more or less exposed to economic change, not all governments enjoy equal influence over their economies, and even the perception of objectively equal economic performance may differ depending on how neighboring countries fare.

Economic globalization has spurred the development of a "compensation literature" in political economy on the social insurance that voters demand from their governments in return for greater exposure to the international economy (see, for example, Rodrik 1998). Although this literature has an abundance of macro-level results on the relationship between government spending and national levels of

globalization, actual micro-level evidence of voter behavior has been notably sparse. A small number of recent studies, however, have succeeded in showing that international economic exposure may indeed influence voting.<sup>18</sup> Using Swiss survey data, Stefanie Walter (2010) has empirically tied losers from globalization to expressions of insecurity and, consequently, increased support for the party is most likely to expand social welfare protections. More recently, work by Fossati (2013) and by Singer (2013) has found that individuals more exposed to economic risk respond to the economic performance of a government the most when casting their votes.

It is not only via economic insecurity that globalization influences the vote. Attribution of responsibility is made more complicated where national economic variation is influenced by international economic activity. Where domestic economic outcomes are strongly influenced by international economic trends, voters cannot form a clear attribution of responsibility for the economy. Several prominent studies have used this argument to explain an attenuation of the economic vote in more globalized settings. This result has proven relatively robust, emerging in individual-level studies with perceived economic data (Duch and Stevenson 2008; Hellwig 2001) as well as in aggregate level studies with objective economic measures (Hellwig and Samuels 2007). Moreover, not only does trade openness attenuate the economic vote, so too does international capital mobility. As important as this attenuating effect of globalization is, however, its reliance on informed voters being capable of perceiving and understanding international exposure in the economy contrasts sharply with a large and established literature on voter information levels, which we have already discussed above. Those voters sophisticated enough to be aware of the international constraints on economic decisions and the foreign origin of economic trends are also the least likely to respond to the economy in the first place (Campbell et al. 1960).

A few studies have also recently cast doubt on the globalization-attenuation mechanism. Vowles (2008) found that globalization had no effect on people's perception of "who's in power makes a difference." One would expect this to diminish with greater globalization if voters were really aware of greater international economic influence on the economy. Fernández-Albertos, Kuo, and Balcells (2013), using Spanish data from the global economic crisis, demonstrate that blaming globalization for poor economic performance only persuaded co-partisans, who presumably would have voted for the government anyhow. Other voters, including the floating voters, who actually respond to economic conditions, were less forgiving.

Nevertheless, the empirical regularity remains. The economic vote is weaker in more globalized settings but the micro-foundations offered to explain it remain implausible. Another recent finding on voting and the international economy offers an alternative explanation. Economic performance drives voters' perceptions of the economy but there is considerable ambiguity about what level of economic performance should be considered good or bad. Voters surely form expectations based on past performance (Palmer and Whitten 1999), but as Kayser and Peress (2012) have recently shown, they also compare across countries. More precisely, media reports on the economy are more positive when a country outperforms its neighbors and more negative when it lags its

neighbors. As a consequence, economic performance measured relative to foreign economic performance is a better predictor of the incumbent vote. Such cross-border benchmarking may also explain the globalization-attenuation regularity (Kayser and Peress forthcoming). Business cycles converge and international deviations in economic performance diminish as international trade and capital mobility increase (Kose, Otrok, and Whiteman 2003). Thus a smaller economic vote in globalized settings may simply be an artifact of smaller deviations between economies.

Table 7.2 explores some of these relationships between voting and the international economy using individual-level survey data from the first two modules of the

**Table 7.2** International economic context

	<i>Trade openness</i>				
	<i>Low</i>		<i>High</i>		
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>
Ideo Distance	-.496 (.024)***	-.517 (.025)***	-.481 (.042)**	-.518 (.024)***	-.482 (.043)***
Outside Option	-2.001 (.195)***	-2.259 (.297)***	-1.654 (.207)***	-2.263 (.296)***	-1.653 (.207)***
Lead Party	.657 (.227)***	.581 (.302)*	.970 (.285)***	1.029 (.507)**	1.444 (.333)***
Growth* Lead Party	.104 (.040)***	.132 (.053)**	.095 (.053)*		
Unem* Lead Party	-.008 (.029)	.004 (.030)	-.082 (.028)***	.002 (.027)	-.063 (.034)*
Growth <sub>local</sub> * Lead Party				.138 (.056)**	.141 (.035)***
Growth <sub>intl</sub> * Lead Party				.013 (.121)	-.083 (.107)
Number of observations	42,049	24,329	17,720	24,329	17,720

Notes: 18 OECD countries, 33 elections, 1996–2006. Conditional logit; standard errors clustered on election study; median benchmark; Low and High trade openness cut-off is the sample median; sample includes elections in Australia, Belgium, Canada, Denmark, Finland, France, Germany, Great Britain, Ireland, Iceland, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden and the United States.

\* $p < .10$  \*\* $p < .05$  \*\*\* $p < .01$  (two-tailed)

Comparative Study of Electoral Systems (CSES) project combined with objective economic measures and conditional logit estimation.<sup>19</sup> The basic economic voting relationship emerges in the first model with both growth and unemployment showing their expected signs (although the effect of unemployment is not statistically significant). Models (2) and (3) split the sample at its median level of trade openness so that the effect of economic growth on voting for the lead-party can be compared under conditions of low and high openness, respectively.<sup>20</sup> The basic relationship found by Hellwig (2001) and Duch and Stevenson (2008) emerges here for the growth variable as well: the effect of growth on the probability of voting for the lead party is lower under higher trade openness. Unemployment, however, behaves markedly differently, only showing a strong effect under conditions of high openness. Models (4) and (5) explore the alternative explanation for the globalization-attenuation effect explained above, i.e., that economic performance relative to other countries drives the economic vote. If this is the case, then the weaker economic vote under greater globalization might be explained by the smaller differences in national economic performance (international business cycles) induced by greater trade and capital openness. The magnitude of the economic vote itself would not change in such a circumstance since the attenuation effect would emerge from smaller differences in countries' economic performance. In order to test this, the last two models decompose growth into its common international component (the sample median) and its local country-specific component (deviations from the sample median). Models (4) and (5) show precisely an outcome consistent with the alternative explanation: the effect of growth on the vote is nearly identical in the low and high openness settings and unemployment also remains statistically indistinguishable from zero in both models. Globalization may indeed condition the size of the economic vote, but not because of a change in voter behavior.

## Conclusion

The economic vote is complex, unstable and contingent on multiple individual, political, institutional and economic circumstances. It nevertheless remains the best opportunity that political scientists have to find evidence of electoral accountability. A conditional economic vote, of course, in no way provides unconditional evidence of electoral accountability. At best we can follow in the spirit of Hellwig and Samuels (2008) and try to identify the combinations of conditions that do yield accountability. It may be possible that the multiplicity, complexity and interaction of all of these conditioning factors lead us to an insurmountable contingency dilemma (Anderson 2007), but if there is fertile ground for evidence of electoral accountability, it most likely lies near the economy, a valence issue that is perennially important to voters. The effect of the economy on the vote is both disconcertingly sporadic and the best empirical evidence of electoral accountability.

## Notes

- 1 Democracy, for example, is associated with higher spending on primary education (Stasavage 2005), greater public goods provision (Lake and Baum 2001), and longer life expectancy (Besley and Kudamatsu 2006).
- 2 Note that the bar is not too high. One need not find a deterministic and unvarying relationship between the economy and the vote for the lead party in government. One only needs to find a relationship that is sufficiently strong and stable to convince elected officials that poor performance is punished.
- 3 Indeed, key data sets on voting behavior, such as the CSES (Comparative Study of Electoral Systems), and on institutional context, such as the DPI (Database of Political Institutions), have only existed since the 1990s.
- 4 Voting correctly is defined as voting similarly to informed peers with the same characteristics.
- 5 See Lavine, Johnston, and Steenbergen (2012) and De Vries and Giger (2012) for contrasting arguments.
- 6 We will estimate the economic vote retrospectively, sociotropically and myopically, measuring growth in real GDP over the four quarters prior to the election and average unemployment over the same period.
- 7 The leader is understood as the head of government: the prime minister in parliamentary democracies; the president in presidential and semi-presidential democracies.
- 8  $\beta = .47$ ; s.e. = .25; mean growth = 3.06; s.d. = 2.52
- 9 We do not examine inflation's effect on the vote here simply because its persistently low level since the 1990s in developed countries has made it less salient of an issue for voters.
- 10  $\beta = -.50$ ; s.e. = .17; mean unem = 6.01; s.d. = 3.90
- 11 Five percent level of significance.
- 12 The economic vote outside the OECD has proven similarly, if not more, unstable. Latin America, for example, hosts a highly variable and often weak economic vote across countries and time.
- 13 Indeed, the most authoritative recent book on the economic vote relies exclusively on surveys, 165 from 19 countries (Duch and Stevenson 2008).
- 14 However, controlling for too many of these, often correlated, factors can itself introduce instability in coefficient estimates (see, for example, Achen 2002 or Schrodtt 2010).
- 15 Salience also varies across individuals by demographic features and income group (Singer 2011).
- 16 This insight has been very influential. Note, for example, that all of the data analysis in this chapter uses the vote share or individual vote for the leader's party as the dependent variable!
- 17 The 24 long-standing members of the OECD in 1990, minus Turkey.
- 18 See Kayser (2007) for a review of the literature on the international economy and the domestic vote.

- 19 Note that conditional (fixed-effects) logit requires interactions to assign properties to parties. Thus, regressing incumbent vote on, say, uninteracted growth would produce no result since one would be estimating the effect of growth on voting for any party. We therefore interact economic covariates with a dummy identifying the lead party. For the same reason the individual economic components of the interaction do not appear in the model on their own since their coefficients are zero.
- 20 For simplicity's sake, we avoid triple interactions here. See Kayser and Peres (forthcoming) for a more thorough analysis.