

PSC 160

Campaigns and Elections: A Global Perspective

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Lecture 9: The Economic Vote
June 2, 2016

Class Outline

1. The Nature of Economic Voting
2. Political Context and the Economic Vote
3. In-class reading: Alesina et al.
4. Do Political Business Cycles Exist?

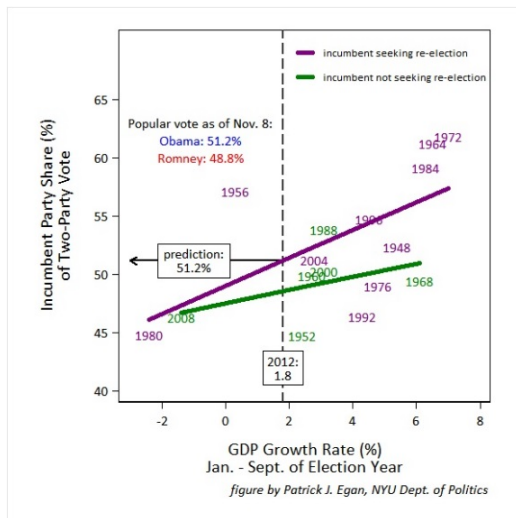
The Nature of Economic Voting

Reagan vs Carter, 1980

“Next Tuesday all of you will go to the polls, will stand there in the polling place and make a decision. I think when you make that decision, it might be well if you would ask yourself, are you better off than you were four years ago?”

Ronald Reagan, US Presidential Debate on 28 Oct 1980

Why Study the Economic Vote?



The Nature of Economic Voting

Two central debates:

1. Are voters thinking about their own wallets, or responding to the state of the economy?
 - ▶ Egotropic voting (a.k.a. 'pocketbook' voting) vs. sociotropic voting
2. Are voters punishing bad governments or selecting good ones?
 - ▶ Retrospective voting vs. prospective voting

Egotropic vs. Sociotropic Voting I

Whether or not an individual is egotropic or sociotropic may influence who they vote for

Consider two policy alternatives:

- ▶ Policy A would raise the incomes of the richest 10 percent of the population by \$10,000 per capita and lower the income of the bottom 90 percent by \$1,000 each, for a net increase of \$100 per capita
- ▶ Policy B would decrease the income of the top 10 percent by \$1,000 each and raise the income of the remaining 90 percent by \$100 each, for a net increase of $-\$10$ per capita

Which policy would an egotropic voter prefer? A sociotropic voter?

Egotropic vs. Sociotropic Voting II

Usually distinguished using the following survey questions:

1. How has the economic situation of your household developed during the last three months?
2. Looking back over the past year, would you say the national economic situation has gotten worse, better, or stayed the same?

What would you expect?

Egotropic vs. Sociotropic Voting III

- ▶ Most studies find voters to be sociotropic, not egotropic
- ▶ Overwhelming evidence that sociotropic voting is dominant in US presidential elections
 - ▶ For example, Alvarez and Nagler found voters who saw the national economy as “better” in 1996 were 38% more likely to vote for Clinton than those who saw it as “worse”
- ▶ Also the case in France (Lewis-Beck 1983, 1997)
- ▶ Does not imply that voters are altruistic

Egotropic vs. Sociotropic Voting IV

Is the problem one of measurement?

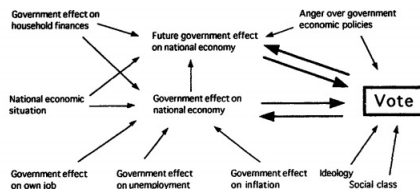


FIG. 2. Lewis-Beck's model of economic voting, with reciprocal effects.

However, results survive if we instead use “real disposable personal income per capita” as a measure of national economic conditions (Markus

- ▶ A 1% increase in real PDI increases incumbent vote share by 2.3%

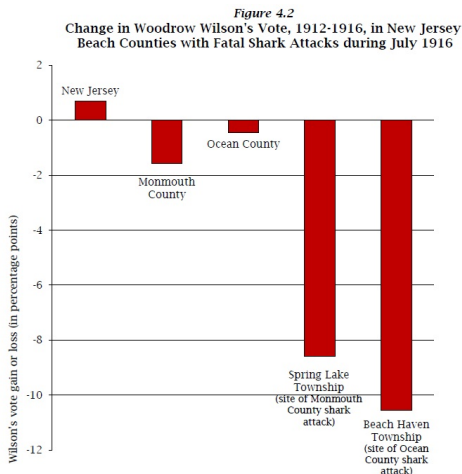
Retrospective vs. Prospective Voting I

- ▶ Do voters respond to past economic performance?
- ▶ Or do they base their vote choice on expectations of the future?
- ▶ Relates to debate over accountability vs. mandate conceptions of elections

Retrospective vs. Prospective Voting II

- ▶ Voters do both (Lewis-Beck 1988, Nadeau and Lewis-Beck 2001)
- ▶ But retrospective voting more important if the incumbent is running
 - ▶ Term limits?

Blind Retrospection?



Source: Achen and Bartels (2016)

Political Context and the Economic Vote

Powell and Whitten (1993) I

- ▶ Considerable variation in the strength of the economic vote
 - ▶ By country: for example, Britain versus Italy
 - ▶ By outcome: unemployment, inflation or economic growth
- ▶ Explained as resulting from differences in
 - ▶ Clarity of responsibility
 - ▶ Government ideology

Powell and Whitten (1993) II

What is 'clarity of responsibility' and what affects it?

"We suggest that the critical linkage of the voter's assignment of responsibility to the government is not merely an individual-level idiosyncrasy or rationalization. Rather, it will strongly reflect the nature of policymaking in the society and the coherence and control the government can exert over that policy. The greater the perceived unified control of policymaking by the incumbent government, the more likely is the citizen to assign responsibility for economic and political outcomes to the incumbents."

Powell and Whitten (1993), p. 398

Powell and Whitten (1993) III

1. Weak party discipline in the legislature
 - ▶ In most countries, parties vote together in the legislature more than 95% of the time (why?)
 - ▶ Some important exceptions: Italy, United States

Powell and Whitten (1993) IV

2. Participatory and inclusive committee system in the legislature
 - ▶ Especially if committee chairs are distributed proportionally to all parties
 - ▶ Such systems found in Austria, Belgium, Germany, Netherlands, Norway, Sweden and Switzerland
 - ▶ Provide opposition parties with real *and* symbolic policymaking role

Powell and Whitten (1993) V

3. Strong bicameral opposition

- ▶ Many countries, especially federal ones, have two legislative chambers with significant policymaking powers
 - ▶ E.g., United States, Australia, Germany
- ▶ If chambers controlled by different parties, clarity of responsibility blurred
- ▶ What about divided government under presidentialism?

Powell and Whitten (1993) VI

4. Election of a 'true' minority government
 - ▶ If a government must rely on the support of non-governing parties to remain in power
 - ▶ Distinct from coalition governments
 - ▶ Minority governments tend to suffer lower election losses (Lewis-Beck and Mitchell 1990)

Powell and Whitten (1993) VII

5. Number of parties in a governing coalition
 - ▶ Blur responsibility of individual parties
 - ▶ Voters may switch *between* governing parties
 - ▶ Some evidence the PM/FM's party is held more responsible by voters

Powell and Whitten (1993) VIII

Why might ideology matter?

- ▶ Left- and right-wing governments differ in their approach to economic policy
 - ▶ Left-leaning govts more concerned with full employment, redistribution
 - ▶ Right-leaning govts more concerned with controlling taxes, fighting inflation
- ▶ Also rely on the support of different electorates
 - ▶ Left-leaning govts more reliant on working-class and urban voters
 - ▶ Right-leaning govts more reliant on middle-class, suburban, rural voters
- ▶ How should this affect the strength of the economic vote?
 - ▶ How might clarity of responsibility change things?

Powell and Whitten IX

Table 3. Countries Divided according to Usual Clarity of Responsibility

Independent Variables	Less Clear Responsibility		Clearer Responsibility	
	Parameter Estimate	Standard Error	Parameter Estimate	Standard Error
Comparative GDP growth	.067	.349	.490*	.187
Comparative inflation	-.300	.297	.166	.171
Right-wing comparative inflation	.031	.640	-.558*	.273
Comparative unemployment	-.233	.296	-.611**	.176
Right-wing comparative unemployment	.571	.548	.706*	.332
Minority government	2.06	2.42	4.42*	1.74
Previous government vote percentage	-.156*	.070	.105	.082
Previous government vote swing	-.395*	.164	-.176*	.084
Intercept	6.14	4.06	-8.27*	3.81
Number of cases	41		61	
R-squared	.37		.39	
Adj. R-squared	.21		.30	
Standard error of regression	4.64		3.37	

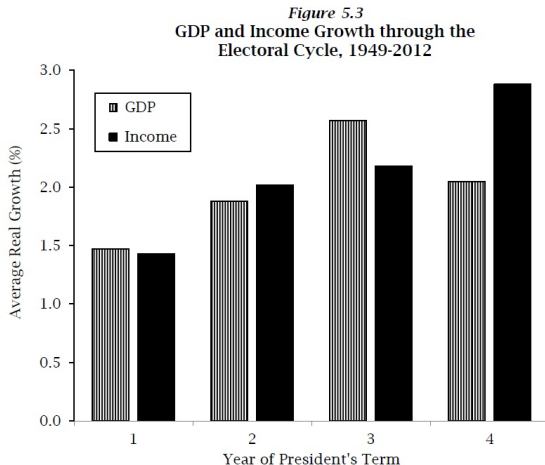
Note: Dependent variable is the change in governing party's (or parties') vote share.

Countries estimated as having less clear responsibility (from variables in Table 2) are Belgium, Denmark, Finland, Germany, Italy, Netherlands, Norway, and Switzerland.

* $p < .05$; ** $p < .01$.

Do Political Business Cycles Exist?

Is the Electorate Myopic?



Source: Achen and Bartels (2016)

What is a Political Business Cycle?

- ▶ What is a political business cycle?
- ▶ Why might they occur?
 - ▶ Fiscal policy
 - ▶ Monetary policy
 - ▶ Timing of the election

Alesina et al., Political Cycles in the United States

The Prevalence of Political Business Cycles

- ▶ When might we observe stronger political business cycles cycles?
 - ▶ In close elections
 - ▶ If the executive is unified
 - ▶ If there is domestic policy autonomy

Discussion II

1. Are citizens able to hold governments accountable using the economic vote?
2. When is it more or less useful?
3. When is it more or less effective?

Next Class: Film Screening of 'Well Done Abba'

To read before next Tuesday: Golden and Min, 'Distributive Politics Around the World'