Ideology, Competence and Luck: What determines general election results?

John Maloney
Andrew Pickering

Discussion Paper No. 08/607

November 2008

Department of Economics
University of Bristol
8 Woodland Road
Bristol BS8 1TN

Ideology, Competence and Luck: What determines general election results?

John Maloney Andrew Pickering

November 2008

Abstract

This paper investigates the impact of luck, defined as global economic growth, and competence, defined as the difference between domestic and world growth, on voting in general elections since 1960. The vote of incumbent parties of the right is found to be sensitive to luck, whereas that of incumbent parties of the left is not. This is consistent with the *Clientele Hypothesis* given electorates which fail to perfectly distinguish luck from competence. Economic competence plays a strong role in determining the vote, especially in high-income democracies. The electoral reward to competence is essentially equal across parties of either ideology, contra to the *Saliency Hypothesis*. The data are also supportive of the *Territory Hypothesis*, namely that greater ideological territory increases a party's relative vote share.

JEL subject code: D72

Keywords: voting, ideology, luck, competence

1 Introduction

Political scientists and journalists agree on few things, but they do agree that incumbent politicians benefit from favorable economic conditions. However, the mechanisms through which this process works are not wholly understood. Following recent work we distinguish between economic luck, measured as world growth, and economic competence, measured as the difference between domestic and world growth. Luck affects the vote of incumbent parties asymmetrically, depending on their ideological position, whereas we find the effect of competence is symmetric.

At first sight the finding that luck, as defined above, explains the vote sits awkwardly with the rational choice literature. Why should voters reward, or punish, incumbent politicians for outcomes beyond their control? Leigh (2004) and Wolfers (2002) explain this as the outcome of quasi-rational voting: voters attribute competence when outcomes are in fact driven by luck. As Leigh (2004) observes, citing Mulligan and Hunter (2001), voters may be rationally ignorant when the chance that their vote will influence the outcome is negligible, and the costs of becoming informed are tangible. Rationally ignorant voters fail to distinguish luck from competence and the upshot is that luck benefits incumbents regardless of ideological persuasion.

On the other hand voters may in fact have good reason to vote according to the global economic climate. In the political science literature the *Clientele Hypothesis* has it that particular parties benefit electorally given particular economic circumstances. A variant of this is that parties of the right do well when the world economy is booming. Freer trade, lower taxes and greater competition seem affordable, and the right is seen as more likely

to deliver them. Conversely the left do well in times of slower global growth or recession. Protectionism, expansionary domestic demand and larger government are now the order of the day. Accordingly the vote of the right positively correlates whereas the vote of the left negatively correlates with luck.

The arguments of the previous two paragraphs are not mutually exclusive, and putting them together means that one should expect a stronger relationship between luck and the incumbents' vote share when the incumbent is from the right rather than the left. Using data from general elections around the world we find evidence to support this hypothesis. Right-wing incumbents' vote shares significantly and positively depend on luck, whereas the vote share of left-wing incumbents is statistically unresponsive.

Leigh (2004) finds that competence plays an increasing role in determining incumbents' re-election chances as the level of income and education levels increases. Voting is thus argued to have become increasingly rational as economies have developed. We extend this analysis by asking whether party ideology also affects the responsiveness of incumbents' vote shares to competence. This too is embedded in political science theory. The *Saliency Hypothesis* holds that parties are judged differently depending on particular outcomes. If employment and economic growth are the salient issues for parties of the left, then the electoral reward to leftist incumbents depends particularly on whether or not the economy expands on their watch. In contrast the salient issue for right wing regimes, traditionally at least, has been inflation. If such governments successfully bring down inflation, it is likely that their vote would be less responsive to economic expansion, given that deflationary policy is contractionary, necessarily so if achieved through demand management. Hence the incumbent's competence might sway more votes either way when that incumbent is on the

left.

We do find that some types of voter respond more than others to the competence of *any* party in government; left-wingers more than right-wingers and rich-country voters more than poor-country voters. But none of this alters our finding that in terms of their lead in votes (positive or negative) left- and right-wing governments get the same electoral payback from the same level of competence.

To measure ideological position we utilize data from the Comparative Manifestos Project. The data (described in more detail below) provide party specific ideology measures on a single left-right dimension varying election by election. These data also allow us to investigate how ideological platforms themselves determine the vote and this is the final research objective of the paper. In particular we ask whether parties converge, and also whether greater ideological territory gains votes. There is little evidence of ideological convergence, though we do find that greater ideological territory increases a party's vote. Centralization brings a small but tangible electoral reward.

In the next section we delve in more detail into the extensive previous literature on how economic performance and indeed ideology affects the vote, and propose testable hypotheses following from this literature. Following this the data used in the empirical work are defined in detail in section 3. Section 4 presents the econometric findings and section 5 concludes.

2 Theoretical Predictions

Connections between the economy and elections have been examined at length in both the economics and political science literature. In economics research has focussed upon political

business cycles (PBCs), either motivated opportunistically (Nordhaus, 1975) or through price and wage rigidities and partisan policy (Alesina, 1988). Alesina et al (1997) find persuasive evidence for the existence of PBCs across OECD countries.

Whereas the PBC literature asks how and whether elections affect the economy the focus of the political science literature is on how and whether the economy affects elections. The theory and evidence of 'Economic Voting' was addressed in a special issue of Electoral Studies in 2000, summarized by Lewis-Beck and Paldam (2000) who describe the substantial evidence supporting the *Responsibility Hypothesis* - that voters reward (or punish) incumbents for good (or bad) economic performance as measured by outcomes in unemployment/growth and inflation. However, this evidence begets further questions. Firstly is the performance-reward relationship symmetric across parties? That is, do left-wing incumbents enjoy the same reward at the ballot for good economic performance as right-wing incumbents? Second do voters reward performance whether externally induced via luck or internally driven through competence? Third, and following from the first two sets of questions, are the rewards to luck and competence themselves symmetric?

There are possible theoretical arguments that the answer to the first of these questions is no. The *Clientele Hypothesis* advocated by Rattinger (1991) and Swank (1993) posits forward-looking behavior: left-wing parties are elected to deal with unemployment (because they are seen as more competent or enthusiastic at tackling it) while right-wing ones are voted in to deal with inflation. Thus it might be that the left is credited with an ideological (Keynesian) toolkit which enables expansionary policy. A variant of this line is that part of the right are popular during times of low unemployment for their perceived tax-cutting credentials. Either way different parties harvest votes from different situations.

Alternatively, the *Saliency Hypothesis* advocated by Powell and Whitten (1993) holds that left- (right-) wing governments are punished more severely for high unemployment (inflation). Here voters are backward-looking; if governments were elected, perhaps or in part due to the *Clientele Hypothesis*, i.e. to resolve a particular issue, then it seems reasonable to suppose that the electoral response to particular outcomes might be asymmetric. If left-wing regimes are elected to be expansionary, then performance would be adjudged on this criterion. If right-wing regimes are elected to suppress inflation, then it might be expected that such regimes' electoral reward from economic growth is reduced. Growth is salient to the left, less so the right.

Carlsen (2000) presents empirical work using popularity data for incumbent parties from the left and right in four separate countries. Interestingly inflation was found to have no significant effect on incumbent popularity. However, right-wing governments were found to be particularly hurt by unemployment, whereas left-wing governments were again apparently immune to this. There is thus some evidence in support of the *Clientele Hypothesis*, and against the saliency effect, where the left are supposed to be punished hardest for unemployment. The problem with this approach however, is that it fails to distinguish between economic performance brought about through fortuitous external conditions and that due to competent management of the economy. In other words there is potential measurement error in the key explanatory variables.

It is this problem that inspired the second strand of literature. Thus Leigh (2004) separates out the impact of 'luck' and 'competence' in economic management. In the simplest specification these are defined as growth in world GDP and the difference between domestic and world growth over the previous term of office. As Leigh points out, there may be good

reasons for supposing that voters may be "quasi-rational", i.e. rationally ignorant when information collection and processing is costly and the tangible benefits of voting are so small. Given this, voters might fail to distinguish between luck and competence. His empirical analysis finds that both luck and competence make an incumbent's re-election more likely. Luck always plays a substantial part, while competence becomes increasingly important in more developed economies. Leigh concludes from this that voters become more rational with greater economic development. In other applications Wolfers (2002) and Achen and Bartels (2004) also find evidence that voters reward or punish incumbents for events surely beyond their control.

The third set of questions connects the research of the two strands of literature identified above, and represents the main agenda of this paper. As stated above our interpretation of the *Clientele Hypothesis* is that it postulates that particular parties benefit from particular circumstances. A possible variant of this is that parties of left and right benefit asymmetrically from global economic circumstances, i.e. luck, in Leigh's formulation. In times of strong global economic growth there are gains from increased trade; electorates might be expected to approve policies attracting foreign direct investment for example through tax breaks, or improving competitiveness through generalized tax cuts. In times of weak global growth the appropriate policy mix might be more protectionist, or require greater domestic intervention. Indeed, in a careful analysis Bohara and Kaempfer (1991) find persuasive evidence that protectionism is countercyclical - i.e. that trade barriers tend to increase during recessions, and fall during booms. Following from this, a testable hypothesis is that luck benefits the right, but harms the left.

However, luck will benefit parties of all ideological persuasion, so far as voters fail to

disentangle luck from competence. Quasi-rational voting therefore amplifies the effect of luck on right-wing regimes, but dampens its effect on left-wing ones. This reasoning is summarized in the following two hypotheses:

Hypothesis 1. The effect of luck on right-wing regimes' vote is unambiguously positive.

Hypothesis 2. The effect of luck on left-wing regimes' vote may be positive or negative.

Conversely our interpretation of the *Saliency Hypothesis* is that it is more closely aligned with competence. Incumbents' competency is judged on their performance in dealing with the particular economic issues they were elected to resolve. If, as has been suggested, growth is a more salient issue for left-wing regimes, then their electoral reward following high growth relative to the world should be greater than that for right-wing regimes, for whom growth is less salient. The resultant hypotheses to be taken to the data are:

Hypothesis 3. The effect of left-wing competence on the vote of the left (right) vote is positive (negative).

Hypothesis 4. The effect of right-wing competence on the vote of the right (left) is positive (negative) but weaker than that of left-wing competence.

Hypotheses 1-4 represent the main research thrust of the paper. Nonetheless, the ideology data employed in this paper (described in section 3) also permit empirical examination of theoretical models of spatial political competition. The seminal model of this literature is the median voter model, posited by Downs (1957), with antecedents in Condorcet (1785), Hotelling (1929), Bowen (1943) and Black (1948). Congleton (2002) and Holcombe (1989) survey some of the vast subsequent literature. In its simplest guise, with two parties, a

unidimensional policy space and single-peaked preferences, voters succumb to the will of the median voter and parties are rewarded electorally for centralizing. The result that both parties converge in the centre we term the *Convergence Hypothesis*. There is a fair amount of popular sympathy for this idea; an often heard criticism of political parties in Anglo-Saxon countries at least is that parties are indistinguishable from one another. Nonetheless, empirical research often finds that there are systematic party differences, as found e.g. in the US by Ansolabehere et al (2001) and Poole and Rosenthal (1984 and 1997) and internationally within analyses of Manifesto content (Budge et al, 1987).

But in theory as well as practice there are many reasons why convergence may not hold. In an extensive analysis Cox (1990) argues that divergence can occur given certain features of the electoral law, for example the size of electoral districts. Similarly Grofman (2004) argues that the simple Downsian model, at least as commonly depicted, is in fact a very special case, resting on at least 15 separate assumptions and that divergence should be expected in general, even in strictly unidimensional two-party political competition. For example, elections following a two-stage process where candidates or party positions are selected in the first stage by party members who are not randomly drawn from the population would be expected to produce divergent platforms (Aranson and Ordeshook, 1972). There may therefore be centrifugal forces taking parties away from the median voter.[1]

Whatever the mechanism determining the party platform, a central tenet running through the literature is that ideological position affects the vote. A simple way of getting a testable hypothesis is to assume unidimensional two-party competition and a uniform distribution

[1]The spatial theory is criticized at a fundamental level by Rabinowitz and Macdonald (1989) and Macdonald et al (1991), who instead propose a directional theory of voting. Nonetheless spatial theories still occupy a central place in political theory, and are defended by Westholm (1997).

of preferences. The midpoint between the positions taken by the two parties would define the indifferent voter. Voters to her left would vote for the left-wing party, and voters to her right would vote for the right-wing party. Parties which occupy more ideological territory on the left-right continuum will win more votes. We call this the *Territory Hypothesis*.

Hypothesis 5. Parties' vote shares are increasing in their ideological territory.

There are good theoretical arguments both for and against the *Territory Hypothesis*. If parties want to increase their turnout by appealing to their core constituency, that undercuts the convergence hypothesis.[2] If the strategy works, it undercuts the territory hypothesis as well. Third parties location decisions will impact upon the two main parties in ways that may weaken the convergence hypothesis (though not necessarily the territory hypothesis.)[3] The assumption of unidimensional politics is also questionable.[4] There are in short a great many reasons to expect variety in policy platforms, and indeed ideological territory. In fact there are so many such factors at play that this variety itself takes highly various forms. All this gives us the more reason to test Hypothesis 5.

In the next section the data used to examine these hypotheses are described. Section 4

[2] A related literature addresses the question of the 'paradox of voting' i.e. the disconsonance between costly voting and neglible benefits when the chances of decisively impacting the election are vanishing small. e.g. see Aldrich (1997) and Dhillon and Peralta (2002). Of course, this argument applies even when parties are distinguishable. When they both occupy the centre ground then turnout is especially mysterious.

[3] For example, a vote-maximising Social Democratic party may be pushed out to the flank in the presence of a centralist Liberal third party. On the other hand the presence of a Socialist third party may push it towards the center.

[4] The limitations of a uni-dimensional analysis must be acknowledged, but there is widespread recognition of the existence of a meaningful left-right ideological dimension. In theoretical models multi-dimensionality frequently brings with it instability (e.g. McKelvey (1976)) whilst as Grofman (2004) observes policy positions taken in practice are more predictable than implied by this. Empirically Poole and Rosenthal (1991) argue that roll-call voting in the US is characterised by a singular 'predominant major dimension'. Furthermore a central argument of the Comparative Manifestos Project, which we draw upon for our empirical research, is that their left-right measure is a meaningful predictor of actual party policy.

presents the empirical results and section 5 concludes.

3 Data

The vote share and ideology data analyzed in this paper come from the Comparative Manifestos Project (CMP) as described in *Mapping Policy Preferences I* and *II* authored respectively by Budge et. al (2001) and Klingemann et. al. (2006). This database contains vote share data as well as detailed policy platform data ascertained from party manifestos for lower house[5] general elections. The original source covers 25 established democracies for the period 1945-1998, and following the wave of democratization in transition economies the sequel extends this to 51 countries since 1990 through elections held in the early 2000s. In sum these sources provide voting and policy platform data for 488 general elections, of which 404 are from the countries covered in the original dataset and the remaining 84 are from the new democracies.

Following the hypotheses proposed above we take the two parties with the largest vote share in each election and denote these shares V_L and V_R respectively for the left- and right-wing parties, and define an additional dependent variable $lead = V_L - V_R$. Identification of left and right follows from the CMP estimated right-left ideological positions for the major political parties at each election, denoted $rile$. These series lie on an interval between ± 100, with -100 representing the extreme left and $+100$ representing the extreme right.[6] The

[5] Excepting the United States, where presidential elections are the unit of observation.

[6] The *rile* series are the principal output of the CMP research project and are "reliable and valid" according to the original authors when compared against expert opinion and mass perceptions data. These data have been used in a variety of different settings. For example McDonald et al (2004) find that parliaments with both single member districts and proportional regimes correspond to the preferences of the median voter.

largest two parties' ideology data are denoted $rile_L$ and $rile_R$ respectively, with $rile_L \leq rile_R$. These data are transformed onto the unit interval, i.e. $t_i = (rile_i + 100)/200$ for $i = L, R$ and the midpoint between t_L and t_R is used to measure the relative territory occupied by the left-wing party, specifically $territory = (t_L + t_R)/2$. Low values for *territory* correspond to elections where the midpoint between the two parties is towards the left, hence the ideological spectrum occupied by the party of the left is smaller. High values for *territory* correspond to elections where the ideological spectrum spanned by the party of the left is greater.

The CMP data set also classifies parties by 'party families'. Specifically these families are defined as Ecology, (former) Communist, Social Democrat, Liberal, Christian Democrat, Conservative, National, Agrarian, Ethnic and Regional and Special Interest parties. But in the vast majority of elections under consideration the two largest parties always belong to either the Communist, Social Democrat, Liberal, Christian Democrat or Conservative family, and it is fair to say that in this sequence, at least approximately, this set of families does follow a left to right continuum. Indeed, in 402 out of the 488 elections the *rile* measure is consistent with this argument. In what follows we restrict the analysis to these 402 observations.[7]

The economic data used in this paper are constructed following Leigh (2004) who de-

[7] There are therefore 86 elections where parties that would traditionally (at least according to the family party identification) be classed as relatively left but are according to the CMP ideology measures actually relatively right of their principle competitors. An inspection of these cases reveals elections that would appear not to be fought along traditional ideological lines. One such example is Ireland where the two main parties are Fine Gael (classed as Christian Democrat), and Fianna Fail (classed as Conservative). According to their familial identities Fine Gael is left of Fianna Fail, though the ideology measure frequently reverses this. A further 30 out of these 86 elections are from the new democracies. This is a disproportionately large share, indicating that elections in these countries frequently have not been fought along traditional right-left ideological lines. When these observations are included in the analysis significance levels are a little reduced, though the main findings detailed below are robust to their inclusion.

composes macroeconomic performance into measures for 'luck' and 'competence'. Annual GDP per capita growth data at World and country level comes from the World Development Indicators 2007 database (WDI). In the simple specification 'luck' is based on average World growth (following Leigh denoted as DW) in the previous regime. Thus for example in the 2004 US election this is measured as the average growth rate of World GDP per capita in the years 2001-4 inclusive. This luck measure is attributed to the Republicans (as incumbents), whereas for that term the Democrats are attributed a zero luck measure. On the other hand 'competence' is defined as the difference between country-specific growth (denoted as DY) and world growth over the same period. The WDI data start in most cases in 1960, though there are a small number of later observations for which data aren't available. Some elections are quite close to one another, so that attributing full macroeconomic responsibility is problematic. For this reason we exclude elections within a year of the previous election.[8]

Using the WDI data we constructed data for DW and DY for each of the regimes for which data are available. To translate these data into measures for luck and competence for both parties we use indicator variables, D_{it}^L, D_{it}^R set equal to 1 if the party of the left or right was in power during the previous term of office[9] and set equal to 0 if not. Then we define

$$\begin{aligned} luck_{it}^L &= D_{it}^L.DW_{it} \\ luck_{it}^R &= D_{it}^R.DW_{it} \\ comp_{it}^L &= D_{it}^L.(DY_{it} - DW_{it}) \\ comp_{it}^R &= D_{it}^R.(DY_{it} - DW_{it}) \end{aligned}$$

[8] So for example the Australia 1984 election is excluded because the previous election took place in 1983.

[9] To identify whether or not the party was in office during the previous regime we used the data of Waldendorp et al (1998) and for more recent elections the World Bank's Database of Political Institutions.

and these new variables are used in the regression analysis below. Table 1 contains summary statistics for these measures, showing as would be expected quite a lot more variation in competence than in luck.

Table 1 shows that the mean value for *territory* is very close to 0.5, indicating that on average at least, ideological territory is shared equally across the two largest parties in each election. However, the *territory* series also vary quite substantially, ranging from 0.310 (Finland, 1987) to 0.822 (Iceland, 1974). Of course, the observation that the centre point between the two largest parties is very low (or very high) will to an extent reflect conditions in that particular country at that particular time. The Finnish (Icelandic) median voter may well be positioned considerably below (above) 0.5, and parties, if choosing ideology so as to maximize vote share might be expected to vary their positions accordingly. Similarly, median voters in the 1960s may have been leftward of their counterparts in the 1980s. The empirical work below includes country fixed effects as well as year dummies to address this issue. Moreover, if it is the case that the territory measure is just capturing the actual mid-point of the electorate, then the empirical analysis should not unearth a relationship between vote shares and the territory.

Table 1 also contains descriptive statistics of the underlying CMP ideology data, $rile_L$ and $rile_R$. The mean distance between the ideological position of the two parties is 27.9, a substantial margin and finding against the simple *Convergence Hypothesis*. Figure 1 presents density plots of these data and shows systematic differences between the two distributions. There is some overlap, a reflection of the fact that the underlying ideological climate varies across time and space, but the important point is that persistent and meaningful differences appear to be the rule rather than the exception. The finding of divergence corroborates

Ansolabehere et al (2001) and Poole and Rosenthal (1984 and 1997).

4 Analysis

This section presents the results testing the hypotheses proposed above. As a starting point the following regression is estimated:

$$lead_{it} = \beta_0 + \beta_1\{luck^L_{it}\} + \beta_2\{luck^R_{it}\} + \beta_3\{comp^L_{it}\} + \beta_4\{comp^L_{it}\} + \beta_5\{territory_{it}\} + \varepsilon_{it} \quad (1)$$

where $lead_{it}$ is the lead of the left-wing party over the right-wing party in country i in election t and the explanatory variables are as described above. ε_{it} is an error variable which comprises fixed effects, time effects and white noise. Inference concerning hypotheses 1-5 (henceforth denoted H1-H5) follow from the estimated values for coefficients $\beta_1 - \beta_5$.

Column (1) of Table 2 presents the results of this regression. Consistent with H1 and H2 the impact of luck is found to be asymmetric, with the relative vote depending strongly on luck when enjoyed by right-wing incumbents, but statistically no relationship with luck following left-wing regimes. Following a one standard deviation increase in world growth the relative left-wing vote deteriorates by 2.1% when right-wing incumbents have held office. Paradoxically, left wing incumbents are apparently punished for presiding during times of strong world growth (though this is statistically insignificant). Our interpretation of this is that the clientele effects are at least as strong as the impact of quasi-rational voting as argued by Leigh. Strong world growth benefits the right, and especially so when they have held office.

This same regression finds the impact of competence, whether exhibited by left or right, to be sizeable and statistically significant. A one standard deviation increase in competence shown by left-wing incumbents yields a lead in votes of 3.4%. Similarly a one standard deviation increase in competence shown by right-wing government reduces *lead* by 3.6%, hence pointing to virtual symmetry in this regard. In this regression there is strong support for H3, though no evidence of the asymmetry proposed in H4.

Finally the parameter estimate for *territory* is positive and significant at the 10% level. Taking the point estimate, then a one standard deviation increase in ideological territory increase the relative vote of the left by 1.4%. There is thus some support for a small electoral reward for centralizing as suggested in H5.

Columns (2) and (3) of Table 2 contain separate regression results using the vote of the largest left- and right-wing party as the dependent variable. As in column (1) external circumstances favour the right over the left. Looking first at column (2) there is no statistical relationship between the vote of the left and luck, whether enjoyed by previous left- or right-wing regimes, consistent with H2. On the other hand in column (3) the relationship between the vote of the right and their own luck is positive and statistically significant at the 2% level, consistent with H1.

However, the vote of the left is found to be much more sensitive to competence, whether attributable to the left or the right. A one standard deviation increase in $comp_L$ increase the left vote by 2.8% whilst a one standard deviation decrease in $comp_R$ yields 2.4% for the left. The first of these figures is consistent with H3, but the second contradicts H4, which proposed that voters across the spectrum were significantly less swayed by the government's competence (as defined here) when that government was on the right. Moreover, in column

(3) whilst the estimated signs for $comp_L$ and $comp_R$ are as would be expected the parameter estimates themselves are not statistically significant. It would appear that the vote of the right is relatively immune to variation in competence, whether exhibited by either side. Overall the results suggest that floating voters reward or punish the left following revealed competency by either party by switching between voting for the left and either abstaining or voting for a third party. The vote of the left is sensitive to competence, whilst the vote of the right is not. But competence on the left determines no more votes than competence on the right.[10]

Table 3 presents regression results for subsamples splitting the data into elections before and after 1987 and above and below median income.[11] The impact of world growth (luck) occurring during the tenure of left-wing regimes generally has little impact on *lead*, regardless of the subsample. The interesting exception is in the high income subsample, when luck is clearly a misnomer, as there is a negative relationship, significant at the 10% level. As above, we interpret this as evidence in favour of the clientele hypothesis: world growth, even when presided over by left-wing regimes, tends to benefit the right. On the other hand the impact of world growth occurring during the tenure of right-wing regimes is estimated to have a negative relationship with *lead* in all four subsamples. In the pre-1987 and high-income subsamples this relationship is significant at the 5% level. The evidence on luck in

[10] There is a possible rationale for this. If the right-wing party is thought to be uninterested in or bad at providing full employment that means (i) that left-wing voters will not be attracted to it even if 'their own' government fails here (ii) that right-wing voters will be the sort of people not very interested in full employment in the first place and thus indifferent to either side's success in providing it. So the left vote may gravitate between the Left party and some 'third way', including abstention, while the right vote remains stable and impervious.

[11] 1987 is the median election year in the dataset for which economic data are available. Median income, in terms of PPP converted real GDP per capita from the Penn World Tables is $10,561.87.

the subsamples again supports H1 and H2.

The results of Table 3 also point towards a clear pattern in how *lead* responds to competence. In the subsample of elections prior to 1987 and the low income subsample competence plays no part in driving election results. But in the later period and the high income subsamples competence is statistically significant, whether exhibited by the left or the right. It is also quite sizeable, for example in the high income subsample a one standard deviation increase in competence, whether exhibited by left or right, increases *lead* by around 7-8%. This is entirely consistent with Leigh (2004) who also finds that the rewards to competence are higher in countries that are richer and better educated. It may be that in these circumstances the electorate has better access to information and votes accordingly. These results certainly support H3, though again there is no evidence of a weaker effect of competence by right-wing incumbents, as proposed in H4.

The subsample analysis finds that the impact of *territory* is statistically significant only in the high income subsample (at the 5% level). Using the point estimate in Column (4) a one standard increase in territory yields a 2.9% increase in *lead*, consistent with H5. The explanation for this might mirror the arguments relating to competence above. As electorates become more sophisticated, they become more aware of and therefore more responsive to ideological position. However, as has already been discussed, there are multiple reasons to expect a diffuse relationship between ideological territory and the vote, and these deeper determinants are likely to be different in the different subsamples.

Table 4 breaks down the results of column (4) in Table 3. Competence again is found to be a significant determinant of voting for the left, and in contrast with Table 2 is now a significant determinant of voting for the right. If anything these results suggest greater

sensitivity to $comp_R$ rather than $comp_L$, contrary to H4, although the differences in the coefficients are not statistically significant. On the other hand the impact of the world economy is quite robust: the party of the left does not benefit from favorable external circumstances whereas the party of the right does. A one standard deviation increase in world growth if anything marginally reduces the vote of left-wing incumbents, whereas it provides around a 2.5-3.5% bonus to incumbent parties of the right. In column (1) the vote of the main party of the left is found to be strongly related to ideological territory, whereas the vote of the right negatively related to *territory*, although in this case the estimated coefficient is not statistically significant.

Finally, a large number of the elections in the CMP sample take place either in the same year, or the year immediately following the preceding election. The analysis of the economic determinants necessarily excludes these observations, but it is worth examining H5 alone including these additional elections. Table 5 contains regression results for the full data, and finds a significant statistical association between *lead* and the ideology measures. In Column (1) the parameter estimate *territory* is positive and statistically significant at the 1% level, consistent with H5. Using these estimates a one standard deviation increase in ideological territory yields the left-wing party (and by symmetry the right-wing party) an additional lead of 2.4% of the vote.

Ideological territory itself is constructed from the ideological position taken by both parties, and Column (2) of Table 5 presents the results of a regression with both parties' positions individually represented. The *Territory Hypothesis* would have it that the left-wing vote lead should be increasing in both the ideological position of the left and right parties. An increase in $rile_L$ moves the left-wing party to the centre, and an increase in $rile_R$ moves

the right-wing party towards its flank. Consistent with this both parameters are found to be positive and both significant at the 10% level. The dependent variable is approximately symmetrically affected by the ideological position of both parties. Individually the effects are borderline significant, but taken together are suggestive that *territory* is a significant determinant of the relative vote in the full sample including all elections.

Overall the empirical analysis generates a number of new findings. The strongest result is the finding that favorable external circumstances benefit rightwing incumbents much more strongly than leftwing incumbents. This finding is consistent with the *Clientele Hypothesis*. A global upturn may lead voters to swing rightward, perhaps to promote trade. Similarly a global downturn may lead voters to swing leftward, so as to expand the economy, or indeed extend protectionism. The important qualification that this relationship is not symmetric can be explained by the argument that parties of either ideological persuasion are to an extent rewarded by luck, due to quasi-rational voting as advocated by Leigh (2004). There is also strong support for the argument that economic competence influences the vote, and that this increases with economic development. We conjectured that the *Saliency Hypothesis* would result in voters responding more to leftwing than to rightwing competency. In the full sample the actual vote of the left itself was found to be more sensitive to competence, and the right not. In the subsample of richer countries the vote of both left and right alike responded to competence, exhibited by left and right, in a manner consistent with fully rational voting. But, the important point is that in all cases parties *lead* in votes was equally sensitive to the competence of left and right governments. From this we agree with Carlsen (2000) that saliency arguments do not determine voting behavior. Lastly, while the results pertaining to the ideology measures are not always uniform, there is at least a

recurring suggestion that ideological territory plays a role in determining the vote. In all of the regressions the estimated sign on *territory* is consistent with the *Territory Hypothesis*, and in the full sample of elections and in particular the subsample of high income countries, the relationship is statistically significant.

5 Conclusions

This paper combines two separate strands of the economic and political science literature addressing the links between the economy and elections. The first of these strands, from political science, proposes reasons to expect asymmetry in how the vote responds to the overall state of the economy depending on party ideology. The *Clientele Hypothesis* holds that voters will gravitate towards particular parties for particular problems. The *Saliency Hypothesis* holds that particular parties get different electoral rewards for the same events. The second of these strands, from economics and the public choice school of politics, addresses the extent to which voters are rational. In particular this strand asks whether and how voters distinguish between economic luck, as defined by world circumstances, and economic competence, defined by the difference between domestic and global performance.

The argument of this paper is that both streams offer important insights. Given this, then particular hypotheses suggest themselves, which to date have not been formally empirically examined, and which have been the focus of this paper. Firstly we argue, and find, that the impact of the world economy is quite asymmetric in its effects upon the vote of incumbents from the left and right. Left-wing incumbents do not benefit from world growth, whereas right-wing incumbents gain around a 3% electoral bonus from a one standard deviation

increase in world growth. This finding can be explained taking the *Clientele Hypothesis* together with the established argument of quasi-rational voting. World growth benefits both parties so far as voters do not distinguish between competence and luck. However, voters may also drift to the right during global good times (they might for instance become keener on free trade) and to the left during bad times. This would serve to negate the impact of luck upon left-wing regimes whilst augmenting its impact upon the right.

Secondly, we find that economic competence has a highly significant and sizeable effect upon voting. These effects are strongest in the high-income subsample, with competence approximately equally important to left and right alike. In these countries a one standard deviation increase in competence by the left (right) increases (decreases) the lead of the party of the left over the right by around 7-8%. Theories of political saliency suggest reasons to expect different responses to competence depending on the identity of the incumbent, but we find no evidence for this. Interestingly, we find in the full sample that the vote of the left is especially responsive to competence of either type of incumbent whereas the vote of the right is statistically unresponsive. But this particular form of asymmetry is distinct from that proposed from the *Saliency Hypothesis*. Quite why floating voters move towards (away from) the left away from (towards) 3rd parties or abstention rather than the main party of the right in response to competence, and quite why right-wing voters are apparently unresponsive to competence isn't entirely clear, but certainly this is what the data suggests in the full sample. In the subsample of high-income elections even this form of asymmetry disappears and both parties are rewarded in an identical form for competence.

Finally, and following much of the theoretical political competition literature, we argue for a role for ideology. More ideological territory seems to mean more votes. Whilst it must

be recognized that this result is somewhat fragile there is consistent support for the *Territory Hypothesis*. In the full sample, and the subsample of rich countries, *territory* is found to be a sizeable determinant of the vote. A one standard deviation increase in ideological territory increase the vote lead by 2-3%. So why do parties not centralize if it is electorally advantageous to do so? There are many answers to this question. The procedures by which parties choose their platform are by no means guaranteed to accomplish the objective of maximizing votes. Factions, interest groups and intra-party bargaining mechanisms may all distort the process. Parties may prefer principle to electoral convenience. Future work could address this question, but as long as platform-setting is not immutably tied to vote-maximization then centralization is not inevitable.

Table 1: Descriptive Statistics	obs*	mean	standard deviation	range
$comp_L$	117	0.437	2.339	$-12.82, 5.37$
$comp_R$	139	0.462	2.822	$-16.36, 8.59$
$luck_L$	117	1.941	0.989	$-0.689, 4.350$
$luck_R$	139	1.810	1.130	$-0.689, 3.962$
$territory$	402	0.495	0.077	$0.310, 0.822$
$rile_L$	402	-14.842	16.571	$-61.4, 46.7$
$rile_R$	402	13.011	19.222	$-33.3, 82.2$

Descriptive statistics for the explanatory variables. obs defines number of observations. For the measures of competence and luck these describe the number of non-zero observations. There are a total of 250 elections for which the economic data are available, 117 (139) of which were contested by left- (right-) wing incumbents. In 28 elections both major parties were incumbents as part of coalition governments. In 22 elections neither of the two largest parties contested as incumbents.

Table 2	(1)	(2)	(3)
Dependent variable	$lead$	V_L	V_R
$luck_L$	-0.412 (0.726)	0.014 (0.531)	0.426 (0.565)
$luck_R$	-1.854^{**} (0.602)	-0.424 (0.533)	1.430^{**} (0.583)
$comp_L$	1.453^{**} (0.729)	1.188^{***} (0.358)	-0.264 (0.581)
$comp_R$	-1.277^{**} (0.480)	-0.860^{**} (0.394)	0.418 (0.377)
$territory$	18.64^{*} (10.61)	3.34 (7.15)	-15.30^{*} (8.81)
Country Fixed Effects	yes	yes	yes
Time Effects	yes	yes	yes
R^2	0.72	0.82	0.77
Sample	all	all	all
$Countries$	40	40	40
$Elections$	250	250	250

Note: All regressions are estimated using robust standard errors. Tables report coefficient estimates and standard errors in parentheses. *** denotes significance at the 1% level, ** denotes significance at the 5% level and * denotes significance at the 10% level.

Table 3	(1)	(2)	(3)	(4)
Dependent variable	*lead*	*lead*	*lead*	*lead*
$luck_L$	-0.361 (0.893)	-0.858 (0.618)	0.399 (1.290)	-2.726^{*} (1.613)
$luck_R$	-2.579^{**} (0.995)	-0.526 (1.863)	-1.190 (1.330)	-3.840^{**} (1.826)
$comp_L$	-0.095 (1.261)	2.887^{**} (1.261)	-0.576 (0.933)	3.294^{***} (1.160)
$comp_R$	-0.205 (0.733)	-2.706^{***} (0.889)	-1.037 (0.899)	-2.748^{***} (0.859)
territory	14.25 (14.85)	10.94 (21.37)	3.346 (18.982)	37.64^{**} (18.23)
Country Fixed Effects	yes	yes	yes	yes
Time Effects	yes	yes	yes	yes
R^2	0.83	0.71	0.92	0.73
Sample	pre-1987	1987 onwards	low income	high income
Countries	25	41	43	33
Elections	120	130	125	125

Table 4	(1)	(2)
Dependent variable	V_L	V_R
$luck_L$	-0.137 (0.885)	2.589^{*} (1.324)
$luck_R$	-0.815 (0.984)	3.025^{**} (1.397)
$comp_L$	1.191^{**} (0.563)	-2.103^{**} (0.837)
$comp_R$	-1.614^{***} (0.454)	1.134^{*} (0.574)
$territory$	29.53^{***} (10.22)	-8.107 (16.58)
Country Fixed Effects	yes	yes
Time Effects	yes	yes
R^2	0.90	0.82
Sample	high income	high income
$Countries$	33	33
$Elections$	125	125

Table 5	(1)	(2)
Dependent variable	*lead*	*lead*
territory	30.806***	
	(9.175)	
$rile_L$		0.079*
		(0.048)
$rile_R$		0.075*
		(0.041)
Country Fixed Effects	yes	yes
Time Effects	yes	yes
R^2	0.60	0.60
Sample	all	all
Countries	47	47
Elections	402	402

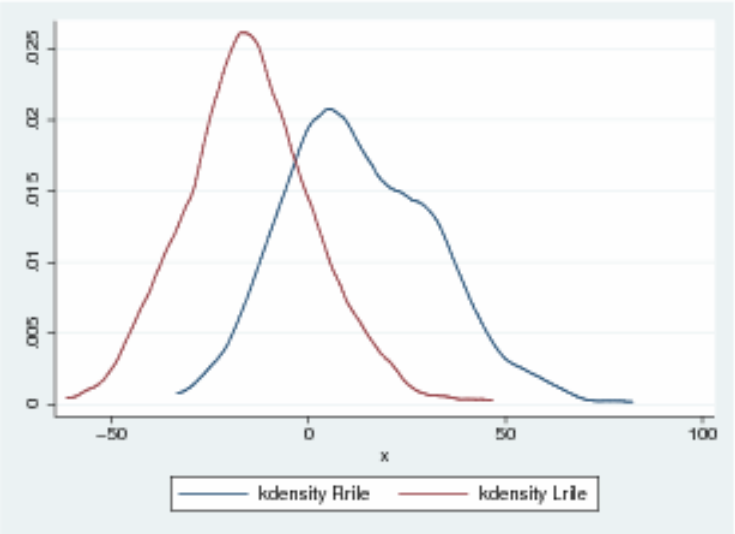

Figure 1: Density plots of $rile_L$ and $rile_R$.

Figure 1 contains kernel density plots of $rile_L$ and $rile_R$ for 402 general elections, computed by Stata.

References

Achen, Christopher H. and Larry M. Bartels (2004). Blind Retrospection Electoral Responses to Drought, Flu and Shark Attacks. Princeton University Department of Politics 2004/199.

Aldrich, John H. (1997). When Is it Rational to Vote? in *Perspectives on Public Choice*, ed. Dennis C. Mueller. Cambridge University Press, UK.

Alesina, Alberto (1987). Macroeconomic policy in a two-party system as a repeated game. Quarterly Journal of Economics 102: 651-78.

Alesina, Alberto, Nouriel Roubini and Gerald D. Cohen (1999). *Political Cycles and the Macroeconomy.* MIT Press: Cambridge, MA.

Ansolabehere, Stephen., James M. Snyder and Charles Stewart III (2001). Candidate Positioning in US House Elections. *American Journal of Political Science* 45: 136-159.

Aranson, Peter H. and Peter C. Ordeshook (1972). Spatial strategy for sequential elections. In *Probability Models of Collective Decision Making*, eds. Richard G. Niemi and Herbert F. Weisberg, pp. 298–331. Columbus, OH: Merrill.

Black, Duncan (1948). On the Rationale of Group Decision-making. *Journal of Political Economy* 56: 23-34.

Bohara, Alok K. and William H. Kaempfer (1991). A test of tariff endogeneity in the United States. *American Economic Review* 81(4): 952-960.

Bowen, Howard R. (1943). The interpretation of voting in the allocation of economic resources. *Quarterly Journal of Economics* 58: 27–48.

Budge, Ian, David Robertson and Derek Hearl (1987). eds. *Ideology, Strategy and Party Change: Spatial Analyses of Post-War Election Programmes in 19 Democracies*. Cambridge, UK: Cambridge University Press.

Budge, Ian, Hans-Dieter Klingemann, Andrea Volkens, Judith Bara and Eric Tanenbaum (2001). *Mapping policy preferences: estimates for parties, electors and governments 1945-1998*. OUP, Oxford.

Carlsen, Fredrik (2000). Unemployment, inflation and government popularity — are there partisan effects? *Electoral Studies* 19: 141-150.

Marquis de Condorcet (1785). Essai sur l'application de l'analyse a la probabilite' des dicisions rendues a la pluralite'des voix, Paris, 1785.

Congleton, Roger (2002). The Median Voter Model. In the *Encyclopaedia of Public Choice*.

Cox, Gary W. (1990). Centripetal and Centrifugal Incentives in Electoral Systems. *American Journal of Political Science* 34: 903-935.

Dhillon, Amrita and Susanna Peralta (2002). Economic Theories of Voter Turnout. *Economic Journal* 112: F332-352.

Downs, Anthony (1957). *An Economic Theory of Democracy*. New York: Harper Collins.

Grofman, Bernard (2004). Downs and Two Party Convergence. *Annual Review of Political Science* 7: 25–46.

Holcombe, Randall G. (1980). An Empirical Test of the Median Voter Model. *Economic Inquiry* 18: 260-274.

Hotelling, Harold (1929). Stability in Competition. *Economic Journal* 39: 41-57.

Klingemann, Hans-Dieter, Andrea Volkens, Judith Bara, Ian Budge and Michael McDonald (2006). *Mapping policy preferences II: Estimates for Parties, Electors, and Governments in Eastern Europe, European Union and OECD 1990-2003*. OUP, Oxford.

Leigh, Andrew (2004). Does the World Economy Swing National Elections? Centre for Economic Policy Research Discussion Paper 485, Australian National University, Canberra, ACT.

Lewis-Beck, Michael S. and Martin Paldam (2000). Economic Voting: an introduction. *Electoral Studies* 19: 113-121.

MacDonald, Stuart E., Ola Listhaug and George Rabinowitz (1991). Issues and Party Support in Multiparty Systems. American Political Science Review 85(4): 1107-1131.

McDonald, Michael D., Silvia M. Mendes and Ian Budge (2004). What Are Elections For? Conferring the Median Mandate. *British Journal of Political Science* 34: 1-26.

McKelvey, Richard D. (1976). Intransitivities in multi-dimensional voting models and some implications for agenda control. *Journal of Economic Theory* 113: 337-56.

Mulligan, Casey B. and Charles G. Hunter (2003). The Empirical Frequency of a Pivotal Vote. *Public Choice* 116: 31-54.

Nordhaus, William D. (1975). The Political Business Cycle. *Review of Economic Studies* 42(2): 169-190.

Poole, Keith T. and Howard Rosenthal (1984). The Polarization of American Politics. *The Journal of Politics* 46:1061-79.

Poole, Keith T. and Howard Rosenthal (1991). Patterns of Congressional Voting. *American Journal of Political Science* 35: 228-78.

Poole, Keith T. and Howard Rosenthal (1997). *Congress: A Political-Economic History of Roll-Call Voting*. New York: Oxford University Press.

Powell, G. Bingham and Guy D. Whitten (1993). A cross-national analysis of economic voting: taking account of the political context. *American Journal of Political Science* 37, 391–414.

Rabinowitz, George and Stuart E. Macdonald (1989). A Directional Theory of Issue Voting. *American Political Science Review* 83(1): 93-121.

Rattinger, Hans (1991). Unemployment and elections in West Germany. In: Norpoth, H., Lewis-Beck, M., Lafay, J. (Eds.) *Economics and Politics: The Calculus of Support*. University of Michigan Press, Ann Arbor, pp. 49–62.

Swank, Otto (1993). Popularity functions based on the partisan theory. *Public Choice* 75: 339–356.

Waldendorp, Jaap, Hans Keman and Ian Budge (1998). Party Government in 20 Democracies: an update (1990-1995) *European Journal of Political Research* 33: 125-164.

Westholm, Anders (1997). Distance versus Direction: The illusory defeat of the proximity theory of voting. *American Political Science Review* 91(4): 865-883.

Wolfers, Justin (2007). Are Voters Rational? *mimeo*, Wharton School of Business, University of Pennsylvania.