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The Economic Voting Puzzle

> [T]he economic voting paradigm has come to rival other political behavior models – party identification, social cleavages, and issue voting ... [I]t appears a worthy adversary. – Lewis-Beck and Stegmaier (2007)

Retrospective economic voting is as close to a "law" of political behavior as exists in the social sciences. Over the last five decades, this thesis has been poked and prodded, analyzed and reanalyzed, challenged and refined. Yet the simple notion that economic context drives election outcomes remains a cornerstone in the study of political behavior. Quite simply, economic voting theory argues that citizens hold elected officials accountable for national economic performance – using their votes to reward incumbents in good economic times and punish them amid economic downturns. Even in light of the power of party identification, policy preferences, or social cleavages, and regardless of what candidates do or say during the campaign, macroeconomic forces move individual vote choices. Consequently, the nation's recent economic performance drives election outcomes. Empirical evidence of this economic voting relationship is in no short supply.[1] Even outside of academia, the belief that incumbent-party candidates win elections when times are good and lose when times are tough is conventional wisdom. Economic voting, it would seem, is ubiquitous.

Yet, despite the near-axiomatic status of retrospective economic voting, electoral outcomes often defy the predictions of conventional theory. In perhaps the most infamous failure of the economic voting logic, a panel of top election forecasters convened at the 2000 annual meeting of the American Political Science Association to deliver their prognostications for the US presidential election just 70 days away. Armed with time-tested models of

[1] For a thorough review of the economic voting literature in the American context, see Lewis-Beck and Stegmaier (2000). From a comparative perspective, see Lewis-Beck and Stegmaier (2008).

voting behavior and sophisticated econometric techniques, these experts unanimously predicted a victory for Al Gore. Although the polls had the race in a dead heat, economic voting theory held that voters would eventually cast their ballot for the Democrat as a reward for the unprecedented prosperity enjoyed under President Clinton. Banking on this conventional wisdom, the central question for the forecasters was not whether Gore would win, but rather by how much. While the consensus was that George W. Bush would lose by almost six points, the challenger overcame an extremely unfavorable economic context and won.[2]

This unforeseen outcome raises an important question: why do economic models so often fail to predict the winner in elections like this, where economic conditions make the outcome look foreordained? More than the inevitable error of a probabilistic model, I argue that the 2000 US election belongs to a larger class of cases that conventional economic voting theory cannot explain. As detailed in the next section, the economic voting model incorrectly predicts about one-third of presidential elections worldwide, including some of the most politically consequential contests in recent history. Scholars are well aware of these significant anomalies (e.g. Paldam 1991; Powell & Whitten 1993), and the search to explain the seemingly conditional relationship between economic performance and vote choices has been a primary driver of the economic voting field for two decades. Those leading the charge have explored the ways in which political institutions, the structure of the national economy, and characteristics of the voters themselves might hinder electorates from holding governments accountable for the state of the economy.[3] The gains from these efforts are substantial. Yet these refinements of the original economic voting model build upon the same, and ultimately untenable, assumption that voters *intend* to cast an economic ballot. In light of this and the frequent divergence between the predictions of these theories and observed election outcomes, I argue that it's time for a change. We need a new theory of economic voting, one that is campaign-centered and highlights the power of candidates to alter the strength of the economic vote strategically.

In this study I explain why economic voting is so widespread and, yet, why incumbents so often win amid economic downturns and challengers in boom times. I account for the fact that some candidates drastically outperform the

[2] A 2001 edition of *P.S.* presented a "post-mortem" of this panel. Many of the chagrined modelers pointed to the influence of the campaign message as the cause of the error (Campbell 2001; Holbrook 2001; Lewis-Beck & Tien 2001; Wlezien 2001). Others hoped to "preserve" the economic voting hypothesis by arguing in hindsight that alternative economic indicators would have led to the correct prediction (Bartels & Zaller 2001). However, Erikson et al. (2001) show that the prediction error of Bartels and Zaller's model would have been substantial if they included presidential approval in their model. The magnitude of the errors from this and other models is important as some argue that Gore did win the 2000 election (at least in the two-party vote).

[3] Anderson (2007) and Kayser (2014) provide thorough and insightful reviews of this literature on the conditionality of economic voting. I also consider it in more detail later in this chapter.

predictions of economic voting models while others underperform. More than just accounting for seemingly anomalous elections, I also explain the conditions under which incumbents win in good times and lose in bad times.

I argue that the conventional wisdom fails for two reasons. First, it leaves no room for political leadership. By contrast, I show that candidates wield immense power over the strength of the economic vote via political communication. Candidates and their strategists are not passive observers of a structurally determined political fate. Campaigners across the globe spend millions of dollars crafting their communications strategy and honing a message that will make certain issues more prominent in public discourse and shift others to the back burner. In short, they battle to define what each election is about, and recent evidence suggests that these efforts may be successful. One of the most important findings to come out of the renewed interest in media and campaign effects in the last 20 years is that political communications can "prime," or raise the salience of, certain issues in the minds of voters. These findings, however, have not been incorporated into the vast literature on economic voting.

In this study, I bridge these broad but disparate fields and argue that the intensity of economic campaign messages – how often candidates speak about economic issues in televised ads – systematically conditions the weight citizens attach to economic considerations when they cast a ballot. Therefore, a candidate's decision about whether or not to address economic issues – which I argue is neither random nor determined wholly by economic context – influences the strength of the economic vote and, by extension, the final vote tally. When candidates attempt to prime the economy (activation), the vote decision becomes a referendum on past economic performance. When candidates shift the public eye away from the economy or keep it away from the economy (deactivation/suppression), voters evaluate candidates on non-economic issues. In activating cases, my argument implies that election outcomes are more likely to follow the predictions of conventional models. In deactivating cases, however, the results may diverge. In this way, my approach accounts for both the "normal" pattern of politics and numerous deviations from it.

Second, economic voting models build on the assumption that voters are "purposive agents who seek to assign credit or blame to incumbents [for economic performance]" (Anderson 2000, 152). Conventional theory is predicated on the notion that voters, as good democratic citizens, aim to behave as V.O. Key Jr.'s "rational god[s] of vengeance and reward," reacting automatically to economic context. Economic voting, it seems, is "hardwired into the brains of citizens" (Norpoth 1996). Although some scholars argue that campaigns necessarily facilitate this process by reminding voters that the economy is good or bad (e.g. Anderson et al. 2005; Campbell 2000; Markus 1988), the particular choices candidates make during the campaign are seen as inconsequential (Gelman & King 1993, 420). The campaign, in this view, is

like an alarm. It doesn't matter if it rings, beeps, or buzzes, so long as it's loud enough to remind voters of the state of the economy in time for the election. Campaigns matter in this sense. Yet the candidates' communication strategies have no unique effect. The expectation is that electoral candidates are powerless to push the economic vote off of its inevitable trajectory.

I reject this "intentionality" assumption, and this is the core distinction between my argument and extant theory. Instead, I adopt a cognitive-psychological approach that holds that individuals are more than economic voters. There are dozens of dimensions on which citizens can evaluate candidates for office, and past economic performance is just one of them. Given the limits of human cognition, voters can focus on only a few of these at once (e.g. Jones & Baumgartner 2005; Hinich & Munger 1997), and those that are salient receive the greatest weight (e.g. Soroka & Wlezien 2010). The salience of these considerations changes over time, and research demonstrates that the economy is not always at the top of the list (e.g. Edwards et al. 1995; Singer 2013a), or at least not for many voters (Singer 2013b). Thus, contrary to the assumption of the conventional model, I argue that the economic vote does not assert itself automatically in voters' minds. Rather, economic retrospections must be activated, or primed (e.g. Iyengar et al. 1984; Iyengar & Kinder 1987). In the age of mass media, this affords to candidates the power to alter the strength of the economic vote by amplifying or curtailing the intensity of economic campaign messages. I argue that the effect of these messages on voting behavior is substantial, even electorally decisive.

My argument also offers an alternative to the increasingly orthodox "clarity of responsibility" hypothesis. Acknowledging the systematic limitations of the structural model, a growing number of scholars argue that voters do not hold incumbent-party candidates responsible for national economic performance when they are unable to assign credit or blame to the government for economic outcomes (e.g. Alesina & Rosentahl 1995; Anderson 1995, 2000; Lewis-Beck 1988; Powell & Whitten 1993; Whitten & Palmer 1999).[4] This thesis refines the conventional theory. It assumes that voters intend to cast an economic vote but are stymied when responsibility for the state of the economy is unclear. Clarity may depend on political institutions (e.g. Duch & Stevenson 2008), political context (e.g. Brug et al. 2007; Duch & Falcó-Gimeno 2015), integration into the global economy (e.g. Alcañiz & Hellwig 2011; Hellwig 2015), and characteristics of the voters themselves (e.g. Kayser & Wlezien 2011; Hellwig 2001). If a national economic downturn follows a global financial crisis, for instance, voters cannot determine if the government deserves blame for the fall, and the link between economic opinion and vote choice frays.

[4] Anderson (2007) provides a detailed review of this "contingency dilemma" and its proposed causes.

This clarity of responsibility thesis, however, is an insufficient fix. First, it eschews the importance of electoral candidates, but, as I show, these political agents can systematically prime or neutralize economic issues. Second, a growing series of observational and experimental studies reveal that economic voting is often absent where the clarity of responsibility is highest and present where clarity is lowest (e.g. Royed et al. 2000; Samuels & Hellwig 2010; Hansford & Gomez 2015). Finally, and more fundamentally, the clarity of responsibility argument relies on the simplified and empirically incorrect assumption that voters intend to behave as economic voters. As a result, it cannot explain deviations from the conventional model as well as my campaign-centered approach.

To test my argument against extant economic voting theory, I analyze the political impact of televised economic campaign messages in seven national elections in five countries. I focus especially on the 1992 US and 2006 Mexican presidential elections (the two "treatment" cases in which economic issues became central to campaign discourse) and the 2000 US and 2000 Mexican presidential elections (the "control" cases in which economic issues were never central). I then evaluate the generalizability of these findings in elections in South Korea, West Germany, Canada, and Brazil. In all cases, the analysis reveals that campaign strategy and political communications systematically condition the prevalence of economic voting. More broadly, the results demonstrate the power of political leaders to overcome structural conditions thought to hamstring their prospects and begin to explain the seemingly anomalous victories of challengers in economic booms and reelection of incumbents in busts.

THE INSUFFICIENCY OF CONVENTIONAL ECONOMIC VOTING MODELS

The conventional wisdom holds that the nations' recent economic performance drives incumbent electoral success. At the individual level, the reward-punishment hypothesis underlying the conventional economic voting model assumes that the voter consults her/his opinion of the nation's economic performance and casts her ballot accordingly (Fiorina 1981; Hibbs 1987; Key 1966; Norpoth 2004; Tufte 1978).[5] Lewis-Beck and Stegmaier (2000, 183) summarize: "The citizen votes for the government if the economy is doing all right; otherwise, the vote is against." Thus, the expectation is that incumbents are victorious when economic times are good and challengers triumph

[5] Although some scholars have argued that economic voting is prospective (e.g. Downs 1957; Lockerbie 2008; MacKuen et al. 1992) and/or egocentric (notably Kiewiet 1983), retrospective sociotropic voting remains the conventional view. Alvarez and Nagler (1995, 1998), Kinder and Kiewiet (1981), and Norpoth (2004) take up these questions and find strong evidence in support of the retrospective sociotropic approach. This is true even in Denmark (Stubager et al. 2014), which was long seen as a counterexample.

when times are tough. Numerous studies evidence this political-economic correspondence in countries across the globe – in presidential (e.g. Fiorina 1981) and parliamentary elections (e.g. Butler & Stokes 1969; Sanders 2003), developed democracies (e.g. Lewis-Beck & Mitchell 1990), developing democracies (e.g. Pacek & Radcliff 1995), and post-socialist democracies (e.g. Anderson et al. 2003).[6] This pattern is not geographically restricted. Existing studies identify economic voting in Western Europe (e.g. Chappell & Veiga 2000), Latin America (e.g. Remmer 1991), Africa (e.g. Bratton et al. 2005), sub-nationally (e.g. Tucker 2001), and worldwide (e.g. Wilkin et al. 1997). Even when researchers manipulate economic perceptions experimentally, individuals tend to reevaluate candidates as extant theory predicts (e.g. Simonovits 2015). Yet, as Al Gore, Andrés Manuel López Obrador, John Major, and more can attest, predictions derived from the conventional model and actual election outcomes are often at odds.

Despite the apparent preponderance of evidence of economic voting, the conventional structure-driven approach is inadequate as a model of voting behavior and as a model of electoral outcomes. The deficiency of extant theory is evident at three levels of analysis: across countries, over numerous elections within a country, and at the individual level. The analysis I present in this section is expository, aimed not at breaking new methodological ground but at highlighting the systematic limitations of conventional models. Cross-nationally, the extant model incorrectly predicts the winner in 31 percent of presidential elections. To calculate this percentage, I regress incumbent-party victory (a dichotomous variable) on previous economic performance and country-level fixed effects for 143 presidential elections across 30 developed and developing countries since 1974. In elections with multiple rounds of voting, I focus on the second-round results (though the findings are robust to using first-round results). Using the estimated logistic coefficients, I predict the victor in each election and compare it against the observed election outcome. Table 1.1 displays the results. The shaded cells represent incorrect predictions. Note that details about data collection, variable construction, and coefficient estimates of all models in this chapter are provided in the Appendix.

On the one hand, the results reinforce the belief that there is a connection between national economic performance and election outcomes. The model correctly predicts two-thirds of elections. Yet, the fact that political outcomes defy structural conditions in one of three cases highlights the systematic limitation of the conventional wisdom. Clearly, the 2000 US election is not an isolated aberration. Instead, it belongs to a larger class of election outcomes that the conventional economic voting model cannot explain. What is more, the

[6] For a thorough review of the economic voting literature, see Lewis-Beck and Stegmaier (2000, 2007). From a strictly comparative perspective, see Lewis-Beck and Stegmaier (2008). Other reviews include Lewis-Beck and Paldam (2000), Monroe (1984), Nannestad and Paldam (1994), and Norpoth (1996).

TABLE 1.1 *Predicted vs. observed election outcomes in 30 democracies*

	Observed election ou		
Predicted outcome	**Incumbent loss**		
Incumbent loss	Argentina 1983	Honduras 1993	
	Argentina 1989	Honduras 2005	
	Bolivia 1997	Honduras 2009	C
	Bolivia 2005	South Korea 1997	C
	Bolivia 2002	South Korea 2007	C
	Brazil 1989	Mexico 2000	
	Brazil 1994	Mexico 2012	Dom
	Costa Rica 1982	Panama 1994	
	Costa Rica 1990	Panama 1999	
	Costa Rica 1994	Panama 2004	H
	Costa Rica 1998	Panama 2009	
	Costa Rica 2006	Poland 1995	
	Costa Rica 2014	Poland 2005	
	Croatia 2000	Poland 2010	
	Croatia 2010	Romania 1996	
	Croatia 2015	Romania 2000	
	Dominican Rep 1996	Romania 2004	
	Dominican Rep 2004	Ukraine 2010	
	Ecuador 1992	Ukraine 2014	
	Ecuador 1996	Uruguay 1989	
	Ecuador 1998	Uruguay 1994	
	Ecuador 2002	Venezuela 1983	
	Ecuador 2006	Zambia 1991	
		N = 46 (32.2%)	

TABLE 1.1 (*continued*)

Predicted outcome	Observed election out		
	Incumbent loss		
Incumbent win	Argentina 1999 Bolivia 1993 Brazil 2002 Chile 2010 Colombia 2002 Colombia 1998 El Salvador 2009 Finland 2013 France 1995 France 2007 Lithuania 2009 Madagascar 2001	Mongolia 2009 Nicaragua 2006 Portugal 1986 Portugal 2006 Paraguay 2008 South Korea 1992 Ukraine 2004 United States 1992 United States 2000 United States 2008 Uruguay 2004 Venezuela 1998 *N* = 24 (16.8%)	Ar Ar Ar Ar I C C C C Dom Dom El El El El F F F I

predictions are invalid in a number of the most politically consequential elections in recent history.

One might object, however, that the cross-national analysis stacks the deck against extant theory because there are relatively few observations per country. If national context conditions the economic vote, even the country-level fixed effects may not be a solid baseline. Moreover, the sample includes developing democracies. Although evidence of economic voting in the developing world is prevalent (Canton & Jorrat 2002; Pacek 1994; Posner & Simon 2002; Remmer 1991), some scholars argue that the economy–vote link is less robust outside the OECD context (notably Paldam 1991). If either concern is valid, the results in Table 1.1 may overstate the limitations of dominant theory.

The conclusion remains the same, however, if I alleviate this concern and evaluate the conventional wisdom at the national level. Here I estimate a model of economic voting for 34 US presidential elections from 1880 to 2012. US presidential elections are a hard test for critics of the conventional wisdom because the clarity of responsibility is scored high and the long-standing two-party system and stable economic performance ought to produce an exceptionally robust pattern of economic voting (alternatively Norpoth 2001). Furthermore, focusing on a single country allows me to predict vote totals rather than just winners. This permits an analysis of the accuracy of the conventional model in addition to its validity. Building on Fair's (1976) model, Table 1.2 charts both the observed and predicted votes for each election.[7]

The predictions and prediction errors underscore the limits of conventional economic voting theory. The results confirm the findings from the cross-national analysis: the forecasted winner lost in almost 30 percent of elections (denoted by gray shading). Thus, systematic errors are common even when the model is expected to perform well. The model is also inaccurate. Even in elections where the model correctly forecasts the winner, the predicted vote totals are off by as much as eight points. As prominent pollster Stan Greenberg (2009) poignantly noted, "Missing the final vote by up to 8 points, as [these] forecasts often do, would have gotten me fired."

Finally, the limitation of extant theory is evident even at the individual level. Although the ultimate goal is to understand aggregate-level political outcomes, economic voting is fundamentally an individual-level behavior. Thus, it is necessary to demonstrate a deficiency at the microfoundational level. I focus again on voters in the United States because of data availability. The American National Election Study (ANES) provides comparable survey data – consistent

[7] Again, the analyses here are expository. Many criticize Fair's model, yet it is quite similar to Erikson's (1989) widely cited model. Moreover, the aim here is not to derive a predictive model of election outcomes but to explain the effect of national economic conditions on election outcomes. The errors of these models point to theoretical, not empirical, limitations of conventional economic voting models.

TABLE 1.2 *Robustness of economic voting models, US 1880–2012*

Year	Incumbent-party candidate	Challenger (two-party contest)	Observed vote for incumbent	Predicted vote for incumbent	Prediction error (Pred – Obs)
1880	Garfield*	Hancock	50.0	54.7	4.7
1884	Blaine	Cleveland*	49.7	48.7	−1.0
1888	Cleveland	Harrison*	50.4	46.1	−4.3
1892	Harrison	Cleveland*	48.3	56.1	7.8
1896	Jennings Bryan	McKinley*	47.3	45.5	−1.8
1900	McKinley*	Jennings Bryan	53.2	54.1	1.0
1904	Roosevelt*	Parker	60.0	50.7	−9.3
1908	Taft*	Jennings Bryan	54.5	50.5	−4.0
1912	Roosevelt	Wilson*	35.6	54.6	19.0
1916	Wilson*	Hughes	51.6	48.7	−3.0
1920	Cox	Harding*	36.1	43.5	7.3
1924	Coolidge*	Davis	65.2	54.4	−10.8
1928	Hoover*	Smith	58.8	55.5	−3.3
1932	Hoover	Roosevelt*	40.9	42.8	1.9
1936	Roosevelt*	Landon	62.5	57.5	−5.0
1940	Roosevelt*	Willkie	55.0	55.7	0.8
1944	Roosevelt*	Dewey	53.8	50.9	−2.9
1948	Truman*	Dewey	52.3	51.1	−1.2
1952	Stevenson	Eisenhower*	44.7	54.5	9.7
1956	Eisenhower*	Stevenson	57.8	52.9	−4.8
1960	Nixon	Kennedy*	49.9	51.9	2.0
1964	Johnson*	Goldwater	61.3	55.4	−5.9
1968	Humphrey	Nixon*	49.6	54.8	5.2
1972	Nixon*	McGovern	61.8	54.8	−7.0
1976	Ford	Carter*	48.9	52.0	3.0
1980	Carter	Reagan*	44.7	46.5	1.8
1984	Reagan*	Mondale	59.2	57.2	−2.0
1988	H.W. Bush*	Dukakis	53.9	51.8	−2.1
1992	H.W. Bush	Clinton*	46.5	50.2	3.6
1996	Clinton*	Dole	54.7	50.4	−4.4
2000	Gore	W. Bush*	50.3	53.8	3.5
2004	W. Bush*	Kerry	51.2	51.6	0.4
2008	McCain	Obama*	46.3	47.7	1.4
2012	Obama*	Romney	52.0	51.4	−0.6
		Incorrect predictions (overall):		10 of 34 (29.4%)	
		Average prediction error:		4.3	

Highlighted rows reflect incorrect predictions. Asterisks (*) denote the winning candidate.