THE END OF ECONOMIC VOTING? Contingency Dilemmas and the Limits of Democratic Accountability

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Abstract The predominant normative justification for research on economic voting has been its essential role in shaping democratic accountability. A systematic examination of this literature reveals, however, that economic voting is highly contingent on two critical moderating factors: voters themselves and the political context in which they make judgments. The trend toward a better and more realistic understanding of economic voting produced by almost four decades of empirical research has created what I label “contingency dilemmas” for the field’s normative foundations because economic voting does not function as envisioned by advocates of democratic accountability. This essay reviews these empirical findings and critically examines how they affect the economic voting paradigm. It argues that, when viewed from a normative perspective, contingent accountability is clearly problematic, and it calls for a reconsideration of the normative underpinnings of the economic voting paradigm in light of the current state of knowledge.

INTRODUCTION

Over the years, the notion that voters judge democratic governments by how well they manage the economy has taken on the ring of an incontrovertible social scientific fact analogous to knowing that economic development and democracy go together or that plurality electoral rules are associated with fewer political parties in a political system. What is more, the belief that governments are judged by their economic record has made its way into the repertoire of pundits and has spilled over into popular views of voter behavior. Perhaps its most famous articulation came during the 1992 U.S. presidential campaign, when Bill Clinton’s chief strategist James Carville put up a sign in campaign headquarters that read: “It’s the economy, stupid!”

The trouble with these claims—as Al Gore and John Major can attest—is that they are only intermittently borne out by the facts. Empirical findings accumulated
in recent years strongly suggest that the influence of the economy on government popularity and election outcomes is far from inevitable. Moreover, these findings reveal that such a link, when it exists, is typically contingent for both institutional and psychological reasons. The consequences of this improved and more realistic understanding of economic voting are not widely appreciated. In particular, these newest findings of conditional economic effects on government support have had the unintended consequence that the reward-punishment thesis—which has guided most of the work in the area of economics and elections and which makes economic voting such an appealing explanation for how elections come out—has been systematically challenged.

Below, I discuss the literature on the relationship between the economy and government support in contemporary democracies with an eye toward what I call “contingency dilemmas.” I argue that recent findings of substantial variability in the effect of the economy on voter behavior have fundamentally reshaped how we think about economic voting and pointed to theoretical shortcomings in the economic voting paradigm. More importantly, the highly contingent nature of the economy-vote link seems to pose a fundamental dilemma for research on economic voting. It calls into question the explanatory and predictive power of the economic voting approach, and it threatens to undercut the normative importance of economic voting research as a field of inquiry.

On its face, the most recent wave of economic voting scholarship could be taken to imply that, perhaps, too much of the impact of the economy on government support or election outcomes is too contingent to justify the appeal of economic voting research on normative or empirical grounds. Although such a reading of the findings would be premature, they do point to issues that merit separation: what the findings show empirically and what the findings mean for our theoretical understanding of economic voting as a mechanism of accountability. Empirically speaking, impediments to economic voting merit attention for improving the predictive accuracy of economic voting models. Viewed from a normative perspective, however, contingent accountability is more complex. Below, I argue that the primary threat to democratic accountability comes from institutional barriers to economic voting rather than barriers rooted in how voters collect and interpret information. I conclude by suggesting ways of alleviating this normative contingency dilemma and reorienting research on economic voting to sustain it successfully as an area of empirical and theoretical political science scholarship that also has something to say about the real world of politics.

ECONOMIC VOTING AND THE DISCOVERY OF CONTINGENT EFFECTS

Although early empirical efforts to study the relationship between the business cycle and election outcomes exist (Tibbits 1931), research on how the economy influences voters’ decisions began in earnest only in the 1950s with the advent
of mass surveys in the United States and other developed democracies (Berelson et al. 1954, p. 185; Campbell et al. 1960, ch. 14). By the time the postwar economic boom turned to bust in the late 1960s and early 1970s, the study of the relationship between the economy and voter behavior took off. It was helped along by several seminal works, published in rapid succession, by Key (1966), Goodhart & Bhansali (1970), Mueller (1970), Kramer (1971), Frey & Garbers (1971), Stigler (1973), and Tufte (1975). By the end of the twentieth century, the flow of scholarly papers on the topic had “changed from a trickle to a torrent of over 300 articles and books on economics and elections” (Lewis-Beck & Stegmaier 2000, p. 183) and covered virtually every democracy for which data on economics and elections were available.1

Scholars commonly argued that the importance of economic voting derives from its consistency with normative theorists’ postulates of democratic accountability: “after all, nothing is more fundamental to popular control than the idea that citizens hold government officials accountable for their collective actions” (Kuklinski & West 1981, p. 437; see also Kramer 1971, Nannestad & Paldam 1994, Rudolph 2003). As Fiorina (1981, p. 11) puts it, “Given political actors who fervently desire to retain their positions and who carefully anticipate public reaction to their records as a means to that end, a retrospective voting electorate will enforce electoral accountability.” The reward-punishment hypothesis lies at the heart of such an understanding of accountability (see Downs 1957, Key 1966, Nannestad & Paldam 1994, Lewis-Beck & Paldam 2000). Lewis-Beck & Stegmaier (2000, p. 183) articulate that hypothesis simply: “The citizen votes for the government if the economy is doing all right; otherwise, the vote is against.”

In addition to asserting the normative importance of economic voting, researchers have routinely motivated their investigations by claiming that it is an empirical fact: “When you think economics, think elections; when you think elections, think economics” (Tufte 1978, p. 65). Similarly, Lewis-Beck & Stegmaier’s (2000, p. 211) review of the economic voting literature concluded, “Economics and elections form a tight weave. . . . For all democratic nations that have received a reasonable amount of study, plausible economic indicators, objective or subjective, can be shown to account for much of the variance in government support.” Or, as the British Labour Prime Minister Harold Wilson famously declared, “All political history shows that the standing of a Government and its ability to hold the confidence of the electorate at a General Election depend on the success of its economic policy” (Watt 1968, p. 15).

These assertions have had many echoes over the years and have become part of scholarly and popular lore. Yet, as several decades of research have revealed,

1To keep this topic manageable, I focus on democratic elections in the developed countries, and I focus on the domestic political economy (unlike Hellwig 2001, for example). For contributions to the economic voting paradigm in the developing world, see, e.g., Pacek & Radcliff (1995a), Remmer (1993), and the essays in Stokes (2001). For a review, see Tucker (2002).
things are not quite so simple. In fact, the question of how exactly the economy relates to how voters view governments and what they do at the ballot box has been the subject of intense inquiry and debate. The effects of the economy on election outcomes or voter behavior have been difficult to pin down, and this difficulty influences how we think about economic voting as an intellectual enterprise.

Contingent Effects as an Empirical Problem

One explanation for why these effects are difficult to pin down has been methodological. Although scholars have long recognized the variability in the relationship between economic conditions and government support, they traditionally attributed it to inadequacies in operationalizing and measuring the state of the economy or estimating its effects on the proper indicators of voter behavior and election outcomes. Over the years, scholars have followed distinct approaches to studying the economy and voter behavior. They focused either on the behavior of individuals with the help of cross-sectional survey studies (microlevel approach) or on the behavior of aggregates—usually national electorates (the macrolevel approach). Scholars have used widely varying indicators of both the economy and the dependent variable of interest—vote choice, approval, or election outcome—and have employed a variety of frequently quite disparate methods of statistical analysis. And whereas some researchers relied on objective indicators of a country’s economic situation, others found it more sensible to employ measurements of public perceptions of economic conditions that—when available—may differ from how the economy is performing in reality, a point I will return to below. In addition, scholars debated the proper use of control variables (such as political events, issues, and temporal dynamics) and model specification in economic voting models (see the review in Nannestad & Paldam 1994). It is perhaps not surprising that scholars have disagreed over whether individuals react to national economic performance (sociotropic voting) or their own economic situation (egocentric voting); whether citizens evaluate actual or potential economic performance retrospectively or prospectively; and whether they react to growth, unemployment, or inflation, for example (Lewis-Beck & Stegmaier 2000). Suffice it to say that different researchers analyzing slightly different time periods and/or different countries—and using different indicators of economic performance, different measures of these indicators, and different estimation methods—frequently disagreed about the magnitude of the economic effects, and even about whether the economy is an important predictor of government support in the first place.

Painting with a broad brush, economic voting research during the 1970s and 1980s can be characterized as focused on finding just the right way to model the economy-voter relationship. Scholars debated technical issues such as model specification, measurement, and econometrics, rather than the fundamental theoretical notions—such as the reward-punishment thesis—that originally guided the
generation of such modeling efforts. Looking back on more than 20 years of quite rigorous research, it appeared that social scientists believed and had come to believe that a relationship existed between economics and political attitudes/behavior and that the “true” relationship between economic conditions and public support could be demonstrated if we only looked hard enough. And looking hard enough meant using the right data and modeling and estimating the economy–mass opinion relationship in the “right” way rather than questioning the underlying assumptions that guided economic voting models.

Contingent Effects as a Theoretical Problem

A turning point for research on economic voting came in 1991 with the publication of a volume edited by Norpoth, Lewis-Beck, and Lafay. In it, Paldam reported the results of an exhaustive, broadbased, cross-national study of economic voting and warned that the evidence for economic effects on government popularity or vote choice is seldom conclusive or straightforward:

First X presents an impressive study of the Vote or Popularity function for country Z, with a nice theory and—most important—very fine econometric fits: a high $R^2$, very significant $t$-ratios, and, in addition, some new econometric trick like the $\zeta$-test from the latest issues of Esoterica. Everybody is impressed, until a few years later Y demonstrates that, by one little change, X’s result collapses. (Paldam 1991, p. 10)

Paldam called on scholars to attack the sources of this problem. Following the exposure of what Paldam ingeniously labeled the “instability” dilemma (see also Nannestad & Paldam 1994), the fundamental question of economic voting research quickly changed from “How can we best identify a relationship we know exists?” to “How can we best make sense of a relationship we know to be unstable?” (See also Lewis-Beck & Paldam 2000, p. 119.)

To those who approached the question as a technical matter, the instability dilemma wasn’t much of a dilemma. After all, in the imperfect world of social science research, the use of different model specifications and different time periods (in time-series research) is bound to lead to at least somewhat different estimates of the relationship between, say, government popularity and the rate of economic growth. Thus, it would be difficult to obtain stable estimates of its strength because of measurement and estimation problems even if the relationship between economic conditions and government support were truly stable. Viewed in this way, the instability of the relationship thus poses mostly empirical problems because it points to difficulties with modeling the underlying process that are inherent in the methodologies of the social science enterprise.

While some continued to treat the instability dilemma as a technical matter, researchers approaching the issue of economic voting from the perspective of democratic accountability were troubled by inconsistent economic effects for altogether different reasons. If true, these effects suggested that governments
were not consistently punished for bad economic times or rewarded for good performance—in short, that democratic accountability was the exception rather than the rule. Viewed from this perspective, inconsistencies in the relationship between economic performance and voter behavior undermine the normative foundation of the economic voting paradigm. Ultimately, this meant a turn away from the simple reward-punishment model to a more complicated model positioning that we should not expect the relationship between economic performance and voter behavior to be stable over time for all incumbents in all countries. In the ensuing years, this shift has produced a wealth of new insights, all predicated on the idea that economic effects are likely to be contingent, showing that the influence of the economy varies systematically and depends on a variety of constraints.

**ECONOMIC VOTING AND DEMOCRATIC ACCOUNTABILITY**

The logic of the reward-punishment argument, which students of economics and elections seldom spell out explicitly, is more multifaceted than is frequently acknowledged. More importantly, it affects how we view the consequences of the instability dilemma for our understanding of democratic accountability. To begin with, the reward-punishment idea is based on the social contract tradition and rooted in the idea that representative government is the only practical way to govern nation-states democratically. To writers like Mill and the authors of the Federalist Papers, for example, Greek-style direct democracy was impractical or perhaps even foolish for modern nation-states because their size, scope, and complexity make it virtually impossible for a meaningful number of people to participate directly in the day-to-day administration of the state.

In addition, these writers worried about the inexperience and instability of the general electorate and about balancing the need for professionalism and expertise in the administration of government with the need for public accountability. According to this vision of democracy, the limits imposed by representative government on citizens’ ability to directly influence the operation of government were justified in order to ensure good governance, as Mill (1955, pp. 229–30) made clear in his distinction “between controlling the business of government and actually doing it.” Thus, representative democratic institutions tame the impulses and predispositions of flawed or uninformed electorates while ensuring effective governance.

The idea of representative government and the temporary suspension of citizen control as the only sensible and legitimate form of democratic rule for nation-states became even more compelling with the advent of empirical findings on political behavior in the 1940s and 1950s, which showed that most citizens most of the time do not live up to the Aristotelian ideal of a competent citizen (Converse 1964,
Dalton 2002). For a variety of reasons, citizens have neither detailed information about government activities nor the necessary motivation and capacity to make use of such information even when it is available (see Bartels 1996, Hardin 2002, Zaller 1992).

This led many modern-day students of democracy to equate representative democracy with accountability as a matter of course (cf. Riker 1965, Powell 2000): “To support the Ins when things are going well; to support the Outs when they seem to be going badly, this . . . is the essence of popular government” (Walter Lippmann quoted in Powell 2000, p. 10). Similarly, “Democracy means only that the people have the opportunity of accepting or refusing the men who are to rule them” (Schumpeter 1942, p. 269). The point was echoed in Schmitter & Karl’s (1991, p. 76) oft-cited definition of democracy: “Modern political democracy is a system of governance in which rulers are held accountable for their actions in the public realm by citizens acting indirectly through the competition and cooperation of their elected representatives.” And Dahl (1971, p. 3) reasoned in Polyarchy, “at a minimum, it seems to me, democratic theory is concerned with processes by which ordinary citizens exert a relatively high degree of control over leaders.” Using slightly different language, rational choice theorists have construed democratic accountability as a so-called principal-agent relationship, where voters are the principals who delegate authority via elections to agents who will act on their behalf. Viewed in this way, elections are designed to grant power to citizens, but limited power, and provide incentives for politicians to act responsibly (Barro 1973, Ferejohn 1986, Przeworski 1999; but see Fearon 1999).

In light of these theoretical and empirical insights into the underpinnings of citizen competence and institutional design, the reward-punishment thesis motivating research on economic voting is compelling. Given citizens’ limited willingness and capacity to process complex information about politics, reward and punishment should most easily be detectable with regard to the performance of the economy—after all, the economy is perhaps the most perennially talked-about issue during election campaigns in democracies (Anderson 1995). What is more, judging economic performance is more straightforward for average citizens than judging other areas of government performance, such as biotechnology or air traffic control. Because high levels of transparency and monitoring of elected representatives are potentially more attainable in this area of government action, elected representatives are also more likely to behave responsibly and seek to maximize the general welfare (Kiewiet 2000, Ferejohn 1999).

In summary, democratic elections are expected to ensure accountability via economic voting because they are held intermittently but regularly, and because they allow citizens to express broad and blunt approval or disapproval of the government’s record in an area of policy they can relate to and understand. Accountability rooted in economic voting thus constitutes a minimalist but nevertheless legitimate vision of democracy as a form of government that allows ill-informed electorates
to exert a circumscribed measure of control through their ability to “throw the rascals out.”

INDIVIDUAL AND INSTITUTIONAL LIMITS OF ACCOUNTABILITY

In the context of economic voting, the foundations of the reward-punishment model as sketched above mean that accountability can be compromised either by individuals or by institutions. The principals/voters may fail to impose negative sanctions on the agents/representatives either because of the characteristics of voters (the individual constraints on economic voting) or because it is difficult for the principals to obtain the necessary information about the outcomes of agents’ activities (the institutional constraints on economic voting). This model leads to a conception of accountability that is conditional: It implies that both the design of democratic institutions and the behavior of individuals can blunt the impact of the economy on election outcomes or voter behavior. Consistent with this, the empirical literature on contingent economic effects can be separated into (a) research that probes how individuals’ characteristics affect the connection between the economy and voters’ decisions, and (b) research that examines how institutions affect the impact of the economy on electoral outcomes.

The First Contingency Dilemma: Individual-Level Constraints on Economic Voting

Most of the work on how individual differences affect the connection between the objective economy and citizens’ support for the government can be categorized (very broadly and perhaps inadequately) under two headings: (a) informational and cognitive limits and (b) the impact of values and predispositions on the formation of economic perceptions and evaluations as well as attributions of responsibility. Both streams of research examine the conditions under which actual economic conditions are translated into voter behavior most truthfully via citizens’ subjective perceptions of economic conditions.

2This view of accountability is not uncontested. In fact, the concern over individuals and institutions as the sources as well as cures of democracy’s imperfections is central to longstanding debates among political theorists. In contrast to Lippmann’s skepticism regarding individuals’ ability to play their assigned role as good citizens (see also Hardin 2002, for example), Dewey, and others (e.g., Smiley 1999, Waldron 1998) are more optimistic. And with regard to institutions as the source of democracy’s limitations, the literature on democratic deliberation is premised on the notion that officials can be and ought to be held accountable to the reasoned views of citizens (Ferejohn 1999, Warren 1996) despite the weakness and opaqueness of democratic institutions identified by Schumpeter, Riker, Przeworski (1999) and others.
As it turns out, the translation of “objective” economic conditions into voter motivations to reward and punish is anything but straightforward and requires several steps (Anderson & O’Connor 2000). First of all, it assumes that there is such a thing as the objective economy. Starting from this premise, the translation process requires that this objective economy is perceived by voters and perceived somewhat accurately. These perceptions are presumed to translate into negative, positive, or neutral evaluations of the economy (e.g., is it better, worse, or no different from before?). The next step in the chain of necessary events is that these evaluations translate into a vote for or against the government. This is possible only if voters attribute responsibility to the incumbents for the economic situation they have formed an evaluation of. All of these conditions are rarely, if ever, met, and a considerable body of research has investigated the ways in which each link of the chain can be broken. The fragility of the chain is likely to compromise democratic accountability (but see Gomez & Wilson 2006 for a contrasting argument).

To begin with, accurate, objective information about the economy is frequently difficult to come by for most citizens (Lohmann 1999). In fact, the assumption that there is some objective state of the economy that citizens can perceive and evaluate is in itself problematic; although there may be economic facts, their interpretation is frequently contested (Keech 1995). Without a consensus on what economic facts mean, accountability is difficult if not impossible to judge. As research on the effect of mass media on economic perceptions has pointed out, most people learn about the national economy indirectly via mass media. Mass media tend to overreport negative economic conditions (Goidel & Langley 1995), and this tends to heavily condition voters’ economic perceptions (Hetherington 1996). Moreover, reports about the economy help shape, in particular, people’s perceptions of national economic conditions and their relative importance in economic voting models relative to personal economic conditions (Mutz 1992, 1994; Nadeau et al. 1999; Shah et al. 1999; for a contrasting view, see Haller & Norpoth 1997). In fact, a recent study shows that economic evaluations derive more from the media’s presentation of economic developments than from objective changes in the real economy (Sanders & Gavin 2004; see also Nadeau et al. 1999).

It should not be surprising that all this makes it difficult for voters to form an accurate perception of actual economic conditions in the country. However, even without those biases and limits, voters would have incentives to be ignorant regarding their nation’s economy; information about the economy is costly (Aidt 2000, Downs 1957). Even if we assume that voters are motivated to seek out accurate information about the condition of the macroeconomy, a number of factors still hamper the collection and decoding of this information. For one, citizens’ cognitive limits reduce the accuracy with which objective information is likely to be coded (Krause 1997, Krause & Granato 1998; however, also see Sanders 2000). Moreover, citizens do not learn about different aspects of the macroeconomy in the same way or at the same pace (Nannestad et al. 2003, Weatherford 1983); lag times in citizens’ learning about economic trends differ significantly for inflation and unemployment, for example (Conover et al. 1986), and significant proportions
of voters are predominantly static and myopic in their evaluations of economic conditions (Paldam & Nannestad 2000). Differently situated voters are exposed to systematically different economic experiences that help determine how they perceive the state of the economy (Holbrook & Garand 1996, Lohmann 1999, Weatherford 1983, Welch & Hibbing 1992).

Even if citizens had no motivations to be oblivious, had no cognitive limits on their ability to make sense of the information, and had uniform access to unbiased economic information, their own biases and values would interfere with the relationship between actual economic conditions and economic evaluations. That is, citizens are likely to systematically misjudge the state of the economy even when it is presented to them on a silver platter. Citizens take shortcuts to make sense of their environment, and they prefer to avoid inconsistencies in their behaviors and attitudes. Thus, partisans are likely to form evaluations of the state of the economy to be consistent with their previously held beliefs (Anderson et al. 2004, Borre 1997, Evans & Andersen 2006, Pattie & Johnston 2001, Wlezien et al. 1997). Moreover, voters’ affective reactions to personal and national economic conditions help shape economic evaluations (Conover & Feldman 1986), and people have been found to rely on heuristics such as the well-being of similarly situated individuals to form evaluations of the economy (Mutz & Mondak 1997).

For years, all these individual differences were assumed to matter little for understanding the efficacy of the electorate’s collective choice. It had long been assumed that a significant portion of individual-level differences are simply the result of “noise” or random variation associated with survey data (e.g., Converse 1990, Page & Shapiro 1992, Sanders 2000, Wittman 1989). As a result, aggregation of individual responses was believed to cancel out the random variation, thereby leaving only the underlying meaningful (or rational) component of public opinion (Kramer 1983). This argument presumes, however, that individual errors in measures of public opinion are truly random. As Bartels (1996) notes, however, if these individual errors are systematic, aggregation will not produce unbiased measures of public sentiment. Rather, these aggregate measures will include systematic variation with factors unrelated to objective economic performance, such as partisanship or personal experiences. As recent research suggests, the various sources of individual “error terms” in national economic evaluations are not random (Duch et al. 2000). As a result, aggregate deviations of individual-level economic evaluations from objective conditions are not idiosyncratic but reflect the systematic effects of respondent characteristics. This, in turn, compromises the connection between actual economic conditions and voters’ evaluations of those conditions.

The failure of individual variation in economic evaluations to cancel out in the aggregate has important implications. If voters systematically perceive and then evaluate the state of the economy to be different from what it actually is, accountability is undermined. But even if they were accurate—and it should be clear by now that this is a big “if”—voters’ evaluations will not translate into a vote for or against the government unless citizens attribute responsibility for economic
conditions to the incumbent government. That is, accurate perceptions and evaluations are necessary but not sufficient for economic voting to take place; they require the attribution of responsibility to do their job. As it turns out, attribution is tricky business, and citizens frequently make the wrong attribution (Fischhoff 1976, Nisbett and Ross 1980). They attribute problem-solving competency and responsibility for good performance to the party they support and blame parties they do not like for inferior economic performance (Rudolph 2003; see also Peffley et al. 1987, Peffley & Williams 1985; however, see Basinger & Lavine 2005). Comparing people’s assignments of responsibility for economic performance across different institutional actors in the United States, recent findings strongly suggest that economic values, knowledge of divided government, and partisanship leads voters to credit those institutional actors they already favor when times are good and blame actors they already dislike when times are bad (see Norpoth 2001).

Taken as a whole, this growing body of research shows that that the relationship between the state of the economy and voter behavior, at the level of individuals, is highly contingent and varies systematically because of biases in sources of information and differences in citizens’ motivations and cognitive abilities. Moreover, and in contrast to what has been commonly assumed, it is likely that these differences do not cancel out in the aggregate. Thus, people’s biased economic perceptions systematically undermine the truthful translation of actual economic conditions into voters’ economic evaluations and eventually their voting behavior. At a minimum, this undermines the assumption that significant portions of the electorate judge a government’s record based on what occurs in actuality. But as importantly, even if voters have biased judgments of economic reality, we do not know whether and under what conditions these judgments are sufficient motivations for citizens to vote against incumbents.

The Second Contingency Dilemma: Institutional Limits to Economic Voting

Aside from individual limits on economic voting that compromise democratic accountability, voters may fail to impose negative sanctions on their representatives because structural features of polities can hinder voters’ access to necessary information about representatives’ activities. This is where institutions come in. Even if voters’ economic perceptions and evaluations were accurate, and even if they sought to attribute responsibility to the proper authorities, they still might not be able to do so. Yet again the accountability chain of economic voting is broken.

Institutions allow representatives to escape attention and shift blame. Examples include the frequent practice of coalition government in the continental European countries, divided government in the United States, and cohabitation in France. But even when representatives do not try to hide information about their activities or seek to shift blame, the complexity of political institutions makes it difficult for voters to figure out who among the possibly honest officeholders or parties is to blame for a bad economy. This insight is hardly new, as Hamilton’s quote from
Federalist No.70 regarding the proposal of a plural or cabinet executive makes clear:

But one of the weightiest objections to a plurality in the Executive...is, that it tends to conceal faults and destroy responsibility...It often becomes impossible, amid mutual accusations, to determine on whom the blame or the punishment of a pernicious measure, or series of pernicious measures, ought really to fall. It is shifted from one to another with so much dexterity, and under such plausible appearances, that the public opinion is left in suspense about the real author. The circumstances which may have led to any national miscarriage or misfortune are sometimes so complicated that, where there are a number of actors who may have had different degrees and kinds of agency, though we may clearly see upon the whole that there has been mismanagement, yet it may be impracticable to pronounce to whose account the evil which may have been incurred is truly chargeable.

Following this line of thought, political scientists in recent years have begun to systematically tackle the issue of how differences in political institutions impose limits on the relationship between the economy and government support (Anderson 1995, Lewis-Beck 1988, Lewis-Beck & Mitchell 1993, Norpoth 2001, Paldam 1991, Powell & Whitten 1993, Rudolph 2003, Stein 1990). This research has sought to resolve the instability dilemma by examining how a country’s political context moderates the relationship between the economy and citizen support. Investigating the question of institutional design and the role of political contexts in the assignment of credit and blame to incumbent governments is a direct result of the quest to make sense of Paldam’s instability dilemma. This approach assumes that the inconsistent economic effects are the actual effects, and that the challenge lies in accounting for these differences by understanding how political context structures the assignment of credit and blame.

The basic idea that political contexts matter and may help explain differences in economic effects is not new (e.g., Eulau & Lewis-Beck 1985, Lewis-Beck 1988), but explicit theorizing about and systematic tests of the idea that political contexts can be measured and incorporated into economic voting models are. Eschewing any reference to individual constraints on economic voting, this research usually starts with the assumption that voters seek to reward or punish incumbents for economic performance and are variably helped or hindered by the political context in which they attempt to do so. This context is viewed as a constraint that varies either cross-nationally (cross-institutionally) or across time within countries. Although the studies in this new wave of economic voting models have slightly different ways of formally incorporating politics, they are all centered on the notion of responsibility. Responsibility differs from accountability: Whereas the assignment of responsibility to political actors for the state of the economy is a necessary condition for accountability to exist, the reverse does not hold.

This research on responsibility has argued that different institutional setups provide greater or lesser “clarity of responsibility” and thus make it easier or
harder for voters to assign credit and blame (Anderson 1995, Powell 2000, Powell & Whitten 1993). For example, actual policy-making responsibility frequently is shared by competing political actors through mechanisms such as coalition government, or simply obscured because of multiple levels of decision making and political control. As a result, the impact of the economy on voter behavior is variably strong, muted, or nonexistent because institutional contexts differ with regard to the ease with which voters can identify who is in charge of government policy and the extent to which political actors have actual influence on economic outcomes (see, however, Chappell & Veiga 2000, Dorussen & Taylor 2001).

Because this approach is explicitly comparative in theory and practice, it is very different from the initial, seminal, studies of government popularity and economic conditions, which focused on countries with relatively well-defined incumbents and oppositions, (approximate) two-party systems, and single-actor (executive) incumbents, such as the United States and Great Britain (Goodhart & Bhansali 1970, Kramer 1971). In retrospect, it is clear that the field’s initial focus on the Anglo-American systems had a significant impact on the formulation of hypotheses for subsequent work; a simple reward-punishment mechanism can be expected to function most smoothly in two-party, single-party-incumbent executive systems, which the United States and Great Britain approximate. Yet the definition of incumbency often varies considerably across countries, and this variation matters. In research on presidential systems such as France and the United States, for example, it is usually presumed that the president is blamed or rewarded by the mass public (see, e.g., Lewis-Beck 1980, Lafay 1985, Kernell 1978, MacKuen 1983, Monroe 1984, Norpoth 1984, Chappell & Keech 1985), whereas in parliamentary systems, the focus is typically on the party or coalition constituting the government (Kirchgässner 1974, 1991; Frey & Schneider 1980; Paldam & Schneider 1980; Dorussen & Taylor 2001; van der Brug et al. 2007).

This new comparative literature was pushed along by Powell & Whitten (1993), who were among the first to model economic effects as being moderated by how much a country’s formal institutional structure allows citizens to establish who is responsible for economic management. Powell & Whitten’s operationalization and measurement of the clarity-of-responsibility concept are encompassing. They sort political systems into those where responsibility is clear and those where it is not, based on factors such as one-party versus multiparty rule, whether there is bicameral opposition, decision-making powers for opposition parties in parliament, and party cohesion. Their seminal analysis linking objective economic conditions and aggregate election outcomes shows that economic effects are stronger in countries with clearer responsibility (see also Lewis-Beck 1988, pp.108–10; Bengtsson 2004; Palmer & Whitten 2003; but see also Royed et al. 2000 for a dissenting view).

As originally conceptualized, Powell & Whitten’s clarity-of-responsibility index measures political context as varying across countries in predictable ways, but it does not account for changes that may occur in the countries’ political contexts over time. A complementary view of how political context may moderate the
relationship between economy and government support suggests that clarity varies not only across countries (because of differences in formal decision-making procedures that are relatively stable) but also within and across countries over time. For example, democracies shift the power to govern and enact policy at more or less regular intervals by way of the electoral process. And every election takes place in a different political context that offers different choices to changing electorates (Bengtsson 2004). Elections also shuffle the cards of government and—depending on the political system—they install new actors, change the partisan composition of governing coalitions, or confirm political parties and executives in office with an expanded (reduced) or large (small) mandate. Thus, even when formal institutions do not change, the extent to which voters are able to assign responsibility to political actors changes from one election to the next because of the political dynamics created by electoral systems, party systems, the process of government formation, and the like (Anderson 1995, 2000; Bengtsson 2004; Nadeau et al. 2002).

Unfortunately, few of the published studies that investigate the clarity-of-responsibility thesis explicitly, with the help of indicators that score countries on different dimensions of clarity, are directly comparable. They are based on different data sources, ranging from monthly aggregate polling results to individual-level surveys to national election results. They also differ with regard to objective indicators of economic performance (e.g., level of unemployment, change in unemployment, deviation in unemployment rates from international average performance), or they eschew objective indicators altogether and rely exclusively on economic evaluations. Moreover, they define “clarity” in different ways. Whereas some (e.g., Powell & Whitten 1993, Royed et al. 2000, Whitten & Palmer 1999) rely on more encompassing indicators of clarity, others focus on coalition government, cabinet strength, and the like (e.g., Anderson 1995, Dorussen & Taylor 2001), and one study even combines several of these (Nadeau et al. 2002). In addition, several studies use complicated interaction terms, interacting economic performance with government partisanship as well as with clarity of responsibility. Finally, and perhaps most importantly, many of the published studies do not furnish descriptive statistics, making it difficult to know how much the dependent variable is in fact moved by the independent variables.

Although they focus on different cross-national or temporal properties of the political context, these arguments all assume that voters will seek to throw incumbents out of office if the economy performs poorly. However, this can work only if there are other credible actors who can benefit from such behavior. Thus, a critical condition has recently been added to this debate: Clarity of responsibility really matters only when voters perceive viable alternatives to the incumbents (Sanders & Carey 2002). For example, in the 1980s, the British Tories went largely unchallenged over the course of several elections, regardless of the country’s economic fortunes, because the opposition Labour Party was not perceived to constitute a viable alternative government. In contrast, the Tories lost power in the early 1990s despite a good economy in part because Labour had been able to resurrect itself as a credible alternative under the leadership of Tony Blair.
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Unsurprisingly, the extent to which voters have or perceive such alternative choices varies considerably both across countries and over time because of a country’s structural features and political dynamics. There is, for example, considerable variation in the structure of party systems across contemporary democracies, and not all systems provide clearcut or easily predictable alternatives to incumbent governments. During most of the post–World War II period, Sweden and Japan, for example, saw very little alternation in government, irrespective of economic conditions, in part because of the dominance of one party. The nature of the party system should influence the effects of macroeconomic performance on governing party support because it should be more difficult for voters to identify a clear alternative to the incumbent government if the party system is fragmented (i.e., if there is a large effective number of parties), volatile, or dominated by one party (Anderson 2000, Paldam 1991). In such countries, there tends to be greater uncertainty about the likely shape of an alternative future government that will form after the election has been held, and this diminishes the likelihood that voters will turn out the incumbent government even when economic conditions are bad. This, in turn, exacerbates any potential moral-hazard problem inherent in the voter-government relationship (cf. Fearon 1999).

Thus, in addition to the clarity of responsibility, the effects of economic conditions also should be moderated by the clarity of available alternatives, or what Lewis-Beck (1988) has called “incumbent alternatives for dissent.” A more clearly defined set of viable alternatives to the incumbent government should lead citizens to more readily express content or discontent with the ruling party or parties (Bengtsson 2004). In summary, when political conditions and institutional structures do not change, what matters are the available alternatives. Citizens will desert the governing party only when they have somewhere to go to express their discontent (Anderson 2000).

Although the approaches to understanding contingent effects from an institutional or contextual perspective differ, they all view the truthful translation of economic evaluations into an economic vote as contingent—either because of the difficulty of assigning responsibility to the right actor, institution, or party, or because of a lack of choices that would enable citizens to use their vote to mete out rewards and punishments (for a slightly different approach, see Duch & Stevenson 2005). Parallel to the individual-level findings on economic voting, this body of

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3Thus, the basic economic voting model has an incumbent running with (or away from) the economy, depending on whether economic performance was good or bad. Implicit in many of the models, and in many of the conceptual elaborations, is the assumption that voters sanction bad economic performance in order to provide incentives for a successor to strive for good performance. Yet, given that the quality of challengers is likely to be an endogenous consequence of incumbent performance, the quality of challengers will determine whether the electorate is in a position to produce these incentives. And as the literature on government termination suggests, in some countries the availability of alternatives is clearly endogenous to economic conditions (Palmer & Whitten 2000).
research demonstrates that that the relationship between the state of the economy and voter behavior is highly conditional at the cross-national (or cross-institutional level) as well. Even if none of the individual-level biases I have enumerated existed, democratic institutions and political contexts frequently serve to weaken the impact of economic conditions on voting behavior and election outcomes in systematic ways. And this, too, undercuts the assumption that the economy drives elections and government support.

THE END OF ECONOMIC VOTING, OR BACK TO BASICS?

Viewed from the perspective of democratic accountability, these new findings about the nature of the link between the economy and government support are quite coherent. What are we to make of them? Cumulatively, the evidence available to date strongly suggests that the economic voting effect—defined by a bad economy leading to lower government support or loss of office—is intermittent, highly contingent, and substantively small (McDonald & Budge 2005). In fact, it may well be that statistically significant coefficients for economic variables systematically overstate the true effect of the economy because incumbents, on average, lose about 2.3% of voter support in elections independent of their performance in office (McDonald & Budge 2005). When seen in conjunction with the magnitude of the lower-than-expected performance of the governing party in elections, negative economic effects may have little to do with accountability per se but simply capture the long-run dynamics of electoral processes (McDonald & Budge 2005). In short, economic effects on election outcomes do not qualify as a “robust fact” about elections (cf. Bengtsson 2004; see also Cheibub & Przeworski 1999, van der Brug et al. 2007).

When we add to this the ongoing challenges to the rationality paradigm by psychology and behavioral economics, it is not unreasonable to ask whether the research agenda on economics and elections has run its course. If the current state of understanding is not to spell the end of economic voting as a field of inquiry, researchers must recognize the need for stronger and more explicit theoretical foundations (see also Hibbs 2006). As the study of economic voting continues seemingly unabated (for innovative extensions, see, e.g., Anderson 2006, Hellwig 2001, Hellwig & Samuels 2007, Pacek & Radcliff 1995b, Samuels 2004), has started to branch out into the world of transitioning democracies and the Third World (cf. the contributions in Stokes 2001 and the review in Tucker 2002), and shows few signs of slowing down, a normative correction seems to be in order—namely, to ask students of economic voting to be conscious of theories of accountability and representation and to explicate how their findings square with those theories. One starting point would be to focus much more explicitly on questions of democratic accountability and citizenship and to confront the institutional and individual contingency dilemmas portrayed here in light of these questions. One way of doing so would be to address the different contingency dilemmas directly via
research designs that ask whether the right conditions can be created to maximize the potential for accountability.

A second recommendation is to develop a better understanding of the normative implications of the specific findings that both individual voters and political institutions play a role in blunting the edge of bad economic times. Voters are predisposed not to acquire much information about the economy, and they are motivated to interpret this information in ways consistent with previously held beliefs or their own voting behavior. Given that people use different standards, have different perceptions, and form different evaluations of the economy, accurate perceptions of economic conditions are possible only seldom and only for a small subset of citizens. As well, democratic institutional designs and contextual conditions commonly allow governments to avoid blame and make it difficult to determine who is responsible for economic conditions, even for voters who are well informed and motivated to mete out the proper sanction.

These findings have a number of implications. Empirically, the consistent inconsistency of economic effects explains why some authors have concluded that economic voting is retrospective and sociotropic in nature while others argue that it is prospective and egocentric in nature. Depending on the country and electorate, as well as the institutional and informational environment, it is plausible that economic voting could be all of those things for some people in some places at some points in time. Moreover, contingent economic effects help explain why governments are retained in office despite a poor economic record (such as the British Conservatives in 1992) or kicked out of office during good economic times (such as the British Conservatives in 1997).

None of this is liable to improve people’s faith in the predictive capacity of the economic voting paradigm, as the answer to the questions of whether and when the economy matters seems to be a resounding “it depends.” But aside from their purely empirical significance, these questions affect how we view the effectiveness of economic voting as a mechanism of democratic accountability. According to Manin et al. (1999, p. 40), “Governments are ‘accountable’ if voters can discern whether governments are acting in their interest and sanction them appropriately, so that those incumbents who act in the best interest of citizens win reelection and those who do not lose them.” I would add that, as an empirical matter, accountability happens when voters can and want to discern whether governments are acting in their interest. These factors converge only intermittently.

However, in the long run, a lack of accountability rooted in institutions is more problematic than one based on individual differences. One reason is practical: Institutions are hard to change, and governments have an incentive to avoid transparency. Another reason is normative: In a democracy, citizens are free to misperceive what qualifies as objective reality to political economists and misjudge the government as a result. That is, even when citizens’ misperceptions do not cancel out in the aggregate, biased evaluations of the real economy are less troubling normatively because accountability as it has been construed does not require citizens to be all-knowing, nor does it see a role for political economists to
instruct people what standards and indicators of performance they should consider. As Manin (1997) notes, voters can decide whether to reelect the incumbent on any basis they want, including qualifying for the World Cup, and they can change their minds between the beginning and the end of a term. In this way voters are sovereign.

In contrast, institutions (as well as the political conditions they produce) whose design is usually beyond the control of citizens are to blame when voters are prevented from discriminating good performance from bad and thus from sanctioning governments appropriately, whereas voters only have themselves to blame when economic conditions do not translate accurately into economic perceptions. The latter can be viewed at least partly as a choice, but the former cannot, unless voters had a hand in creating these institutional and contextual conditions. Thus, a normative contingency dilemma exists primarily because of institutions and contexts that thwart voters, not because of voters themselves.

How can this dilemma be resolved practically? Although the accurate translation of objective economic conditions into people’s perceptions could be facilitated by more and better information about the country’s economic state, the complete answer to this question is far from obvious. To be sure, accountability cannot induce representation when voters have incomplete information (Manin et al. 1999, p. 44). Thus, Manin et al. (1999, p. 50) have suggested that “we need institutions that would provide citizens with independent information about the government: ‘accountability agencies,’ in the terms of an Australian Commission on Government Reform.” But more, better, and unbiased information cannot improve citizens’ motivations or cognitive abilities to process complex information, and it does little to invalidate political biases that might undermine accurate perceptions. Short of modifying the ways in which political and economic information is delivered, one way out of this dilemma might be to welcome the well-documented decline in parties and partisan attachments across western democracies (Dalton & Wattenberg 2002), which should “free” citizens from their own biases and thus allow them to focus on the real performance of the government. Yet this too has the potential to be problematic, since politics is more easily understood when simple structuring principles like partisanship or ideology help citizens arrange the world in their own minds. And, as Hardin (2000, p. 46) points out, when there is little hope of parties’ aligning as coherently as in the neat division between economically conservative and economically liberal, “the accountability of elected officials becomes increasingly murky.”

This leaves institutional fixes to allow greater accountability through economic voting in potential and reality. This insight is well known to institutional designers. The most obvious starting point would be the construction of institutions that facilitate voters’ assignment of credit and blame, and subsequent reward and punishment when warranted (given whatever standard of evaluation they choose to apply). Moreover, these institutions should be able to produce viable governing alternatives—a set of clear and feasible choices—so that voters can replace the incumbent. Whether such institutions should be imposed from the outside
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(If possible) or whether they should evolve endogenously—perhaps through competition, which creates incentives for agents (governments) to offer principals (voters) tools to control and monitor officials (Ferejohn 1999, p. 133)—is beyond the scope of this paper but an important question of institutional design. Yet, this seemingly simple fix runs into the old problem that it is difficult, if not impossible, to state a priori how much popular control is sufficient for ensuring accountability while simultaneously guaranteeing effective government and stability. Some institutional designers, like Madison and his successors, are troubled by the notion of too much popular control and have therefore installed political systems that resolve the tradeoff between popular control and effectiveness in favor of the latter. But, of course, these institutional devices are likely to be exactly those that make accountability more difficult because attribution of responsibility is hampered. A related issue is the design of economic policy institutions. Many countries rely on accountable institutions such as central banks to make decisions (see, e.g., Stiglitz 1998), further complicating the question of who ought to be held accountable for economic performance.

Perhaps this issue can be resolved empirically by asking whether systems with more transparent institutions also produce the expected benefit of inducing governors to behave responsibly (Ferejohn 1999, Kiewiet 2000). There is some evidence that this is indeed the case. For example, recent studies have found that political systems with greater transparency have higher levels of public good provision and systematically lower levels of public debt (Alt & Lassen 2006, Lassen 2003; but also see Persson et al. 2000), and they allow for the more general assignment of credit and blame for other policy areas, such as fiscal policy (Lowry et al. 1998).

BEYOND (SIMPLY) ACCOUNTABILITY?

All the while, it is worth asking whether the assumption that voters should reward and punish politicians for economic performance is worth sustaining in the first place, and, if so, whether accountability should be the prime normative standard to guide scholarship in the area of economic voting. Regarding the former question, two arguments can be made against the accountability model. First, the complete or “real” economic voting model as it has been characterized in the empirical literature discussed above simply requires too much of citizens to be of much use. To properly judge the government’s record, citizens ideally should be well informed, unbiased consumers of accurate and plentiful information in an environment of clear and transparent political decision making. Such conditions are unlikely to be met in reality save for a tiny number of citizens.

The second argument against the accountability model can be phrased thus: Is it useful to expect that politicians can and do affect economic performance, or that they seek to improve the country’s well-being writ large? After all, given that the impact of governments on economic performance tends to be contingent as well, and given that political parties are generally interested in benefiting their
own supporters rather than maximizing the general welfare (Hibbs 1977, Lange & Garrett 1985), it is unclear whether accountability is the yardstick students of economic voting should employ. But even if we stick with accountability as a standard for democratic performance, it probably should not be the only or even most prominent standard for assessing the quality of democracy. After all, the issue of representation is much broader and potentially much more interesting than the simple reward-punishment model. Thus, instead of focusing too narrowly on accountability concerns, perhaps the broader notion of responsiveness, which focuses on the various mechanisms of translating citizen preferences into policy outcomes, offers an alternative (Powell 2004). Here, parties play a crucial role, as do individual preferences and institutional conditions that subvert or facilitate conditions of responsiveness via political parties (McDonald & Budge 2005; see also van der Brug et al. 2007). This moves the economic voting paradigm away from the government-opposition dichotomy, and it allows for both prospective and retrospective judgments.

Even if aspects of the reward-punishment model of economic voting are here to stay, future research needs to embed empirical studies in the larger literatures on democratic citizenship and authority. It also ought to focus on institutions as moderators of the economy–government support link, especially if it is concerned with notions of democracy and accountability (see, e.g., Samuels 2004, Hellwig & Samuels 2007). Aside from homing in on critical aspects of the contingency dilemma explicated here, this would allow those engaged in economic voting research to connect their findings with research programs in related fields that examine political business cycles, principal-agent models, comparative political economy, and accountability more generally (see Alt 2002 for a review of this literature).

In the end, not all is doom and gloom. Research into the economic determinants of government support constitutes one of the few areas of political science where students of American and comparative politics have united to successfully push the boundaries of what we know (see, e.g., Tucker 2006). Moreover, it is one area of political science scholarship that has much to add to the received conventional wisdom popularly propagated by political commentators about the connection between the fortunes of democratic governments the state of the economy. Yet, the contingency dilemmas outlined here should serve as a warning. Economic voting research is more likely to remain viable as a field of inquiry if it can be recast as a general set of important relationships that can illuminate various aspects of democratic governance—including the role of the media, elite behavior (blame avoidance), the study of institutions, and voter behavior—but also as an explicit concern with normative aspects of democratic politics. Economic voting research will thrive if it is integrated with broader and related research agendas on democracy, elections, and representation. The field and those who pursue its findings will benefit from a self-conscious reconsideration of the role of democratic theory as well as from making connections with findings and theorizing in other, related corners of the discipline.
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