

DIVISION OF THE HUMANITIES AND SOCIAL SCIENCES

CALIFORNIA INSTITUTE OF TECHNOLOGY

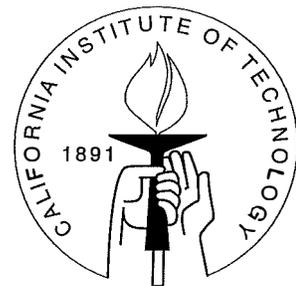
PASADENA, CALIFORNIA 91125

MEASURING THE RELATIVE IMPACT OF ISSUES AND THE ECONOMY IN DEMOCRATIC ELECTIONS

R. Michael Alvarez
California Institute of Technology

Jonathan Nagler
University of California-Riverside

Jennifer R. Willette
University of California-Riverside



SOCIAL SCIENCE WORKING PAPER 1052

January 1999

Measuring The Relative Impact of Issues and the Economy in Democratic Elections*

R. Michael Alvarez

Jonathan Nagler

Jennifer R. Willette

Abstract

It is generally accepted that issues and economic outcomes influence elections. In this paper we analyze the relative importance of issues and the economy in Canadian elections. We estimate a model of the 1988 and 1993 Canadian elections in which we include voter evaluations of the parties on a variety of issues, and voter evaluations of the national economy and their personal finances. We demonstrate that it is possible to compare the effects of issues and the economy on election outcomes. And we put this in the context of the impact of issues and elections in several other democracies. We show that even in elections where other factors are dominant, we can still see the impact of economic voting. And we argue that given the tenuous connection between the actions of elected officials and macroeconomic outcomes, this suggests that voters may be giving elected officials undue leeway in their non-economic policy-making functions.

*Prepared for presentation at the 1998 conference on Economics and Elections in Denmark. We thank participants at that conference, and Langche Zeng for helpful comments. Alvarez's work was supported by the National Science Foundation through SBR-9709327; Nagler's work was supported by the National Science Foundation through SBR-9413939 and SBR-9709214; and facilitated by his time in residence at the Center for Basic Research in Social Science at Harvard University. The authors may be reached at: rma@crunch.caltech.edu, jnagler@latte.harvard.edu, and jniemann@wizard.ucr.edu respectively.

1. Introduction

Our aim in this paper is to examine the **relative** importance of issues and the economy in voting in democratic elections. Most of the focus in our analysis is on two recent Canadian federal elections, with subsequent comparisons to recent elections in the Netherlands, the United Kingdom and the United States. There are two basic theoretical premises of our analysis: first, voters reward or punish the incumbent party for macroeconomic conditions; second, voters prefer parties closer to them on the issues. The contribution of our analysis is our development of an explicit methodology which can directly compare the impact of issues with the impact of the economy across elections in a particular nation as well as across nations. Thus, we develop this technique in a way that allows for cross-national comparisons of the effects of economic voting, as well as within-country over-time comparisons of the effect of the economy on elections.

Our twin theoretical premises are obviously based on several long lines of research into democratic elections. First, regarding the impact of economic factors on elections in democratic nations, there is a long literature examining the impact of macroeconomic conditions on elections --- while there is some disagreement in this literature over the specific ways in which macroeconomic conditions shape elections, there is at least a consensus that the macroeconomy does influence electoral outcomes in the aggregate (Alesina and Rosenthal 1994; Alesina and Roubini 1992; Alvarez et al. 1991; Hibbs 1987; Kramer 1971; Lewis-Beck 1988; Tufte 1978). It should come as no surprise that perceptions of macroeconomic conditions held by individual voters, especially perceptions of macroeconomic conditions in the recent past, had been shown to be strong influences on the behavior of these same individual voters (Alvarez and Nagler 1995, 1998; Anderson 1995; Fiorina 1981; Kiewiet 1983; Lewis-Beck 1988; Powell and Whitten 1993; Paldam 1991). This research has built upon the foundation first constructed by Key (1966) and Downs (1957), both of whom were concerned with the distinction between prospective issues, even economic ones, of the sort discussed in early American Voter studies (Campbell et al. 1980), and retrospective issues. Thus, the literature on the effects of macroeconomics conditions on voting behavior has conceptualized such effects as

retrospective economic perceptions, in contrast to prospective economic issue positions (Alvarez 1997, p. 13).

Regarding our other theoretical premise, that issues also play an important role in explaining voter choices, the literature has been much more mixed; while early literature found that issues did not seem to play a strong role in democratic elections (c.f. Campbell et al. 1964), more recent analyses have shown that issues can play powerful roles in elections (Alvarez 1997; Alvarez and Nagler 1995, 1998; Alvarez, Bowler and Nagler 1998; Carmines and Stimson (1980); Nie, Verba, and Petrocik (1976); Page and Brady (1992); Pomper (1972); Popkin (1991). Furthermore, in the particular case we will spend most of this paper focused on, studies of Canadian elections have argued that issues matter in Canada for framing support for the parties (Johnston, et al. 1992). And work on Canadian voters have shown that support for the governing party depends upon voter perceptions of the national economy (Clarke and Stewart 1996).

Any comparison of the effects of issues and the economy must confront the “race of the variables” problem (King 1986). How do we determine which of two variables is “more important?” If a county were to experience an economic event equivalent to the Great Depression, we might expect it to have a large impact on elections. But if such an event is unlikely, then we do not want to ascribe that much power to the economy in determining elections. Similarly, if a party were to adopt issue positions completely outside the mainstream of a polity, we would not want to ascribe too much influence to issues if such a party could not secure many votes. To obtain meaningful comparisons of the effect of issues and the economy we first specify a model of voter behavior that includes the respondents’ views of the economy, and the relation between the respondent and the parties on issues. We then estimate this model using the least restrictive statistical model possible. Then we use the estimates from our statistical model to examine the effect of variations in: 1) the respondents’ perceptions of the economy; 2) the respondents’ views on the issues; and 3) the parties’ placements on the issues. By moving these variables over plausible ranges of views of the economy and positions of the issues we can make meaningful and explicit comparisons of the impact of the economy and issues.

We examine two Canadian elections in this paper --- 1988 and 1993 --- that may shed light on the economics versus issues debate. The 1988 Canadian election was fought over a clear issue (the nature of Canada's relation with the United States), yet the winning party may well have been on the wrong side of the issue. The 1993 election was not necessarily fought over as clear an issue; but voter dissatisfaction with the economy was pervasive, and the incumbent party was turned out of office. However, to test the relative importance of issues and the economy requires a model of voting incorporating voters' views of the state of the economy, and their views on issues expected to influence their choice between parties, and measures of where the parties stand on the issues. All of this information is available through survey data for the 1988 and 1993 elections.

For the 1993 election, we specify a model which includes voter's views on economic issues such as the role of government in helping business and the amount of power unions should have. We also have measures of a variety of social issues such as the governments promotion of the French language, how much government should help women, and how much government should help minorities. Finally, we have a measure of how close respondents think Canada's ties to the United States should be. In 1988 we have a different specification of issues, because of differences in that year's survey instrument. While the different sets of issues across election years adds some complexity to our analysis, it allows for a richer consideration of 1993 to include the additional issues for that year. Since the other variables are the same, and because we have the key issue for 1988 --- ties to the United States --- we are still able to make meaningful comparisons across the two elections.

Using the 1993 data presents a problem with regard to the Quebec Province and Bloc Quebecois (BQ) party. In 1993, BQ only fielded candidates in Quebec, and the Reform Party only fielded candidates outside of Quebec. In the survey, respondents outside of Quebec were not asked about BQ, and respondents in Quebec were not asked about the Reform party. We analyze only Canadians outside of Quebec; therefore, we treat respondents in Quebec as missing data. While this (obviously) limits the scope of our analysis, the decision to omit respondents in Quebec does not cause any statistical problems for the

estimation: we are simply facing reality that Canada is not a homogeneous country. Extending this work to analyze respondents in Quebec would shed light on the divisions within Canada.

This means that voters can choose from four alternatives: Liberal Party, Progressive Conservative Party (PC), New Democratic Party (NDP), and Reform Party. We use a multinomial probit model which lets us measure the relative weight of different issues, and of voters subjective views of the economy. We are able to show that voters saw clear distinctions between parties on some issues, and that voters used those issues in determining their vote choice. We also evaluate the potential impact of issues by showing what would have happened if any of the parties changed its position on the issues. We last demonstrate the impact of the economy on the Liberal party's win in 1993 by showing what would have happened if voters in 1993 had preferences on the economy similar to those held by the electorate in 1988.

Then we compare this effect of the economy to estimates derived with similar methodology for the Netherlands, the United Kingdom, and the United States. We show that the effect of the economy varies across elections. In the United States, the economy appears to have been the dominant factor in both the 1992 and 1996 elections. In other countries this appears to be less of a factor, though a significant factor nonetheless.

2. Model Specification

In a two party system, we could use binary probit or logit to estimate a model of vote choice. In the Canadian multiparty case, we need a method that allows for a polychotomous dependent variable. Additionally, our issue analyses require a method that allows us to include measures of the characteristics of the alternative vote choices as well as characteristics of the voter. There are a number of statistical techniques which allow us to estimate a model with both of these features (Alvarez and Nagler 1998): conditional logit, generalized extreme value models, and the multinomial probit model. We argued in previous work that generally the latter two techniques are preferred over conditional logit (and multinomial logit), but that conditional logit is preferred to multinomial logit (Alvarez and Nagler 1998). In fact, we have shown repeatedly the flexibility and utility of the multinomial probit model for studying multiparty and

multicandidate elections (Alvarez and Nagler 1995, 1998). Here we use the multinomial probit model again to produce the estimates we will use to study the impact of economics and issues in Canadian elections, which we will compare to multinomial probit results from three other nations.

We adopt a random utility model framework. We assume that each individual has some level of utility for each party, and the individual votes for the party offering the highest utility. We define the utility of each voter over each of the parties as a function of a systemic component ($a_i \psi_j + X_{ij} \beta + \epsilon_{ij}$) and a random disturbance (ϵ_{ij} below). So:

$$U_{ij} = a_i \psi_j + X_{ij} \beta + \epsilon_{ij} \quad (1)$$

where:

U_{ij} = vote i 's utility for party j .

a_i = a vector of characteristics unique to voter i .

X_{ij} = a vector of characteristics unique to party j with respect to voter i .

ψ_j and β = vectors of parameters to be estimated.

ϵ_{ij} = a disturbance term.

After we estimate the parameters of this random utility model using the multinomial probit technique, we can compare the relative effects of issue and economic factors on voter choice in two different ways. We begin by examining the effects of changes in each factor on the likelihood that a hypothetical individual voter would choose each party; we call this the first difference approach. We then examine the effects of issue and economic factors on the overall vote shares of each party, using a counterfactual approach; this involves changing either the party positions on issues or the nature of the macroeconomic situation of a particular election. Armed with both of these techniques (which we detail below in our discussion of the Canadian results in the next sections, and which are explained in more detail in Alvarez and Nagler 1995 and 1998b), we will show the relative effects of economic and issue factors on elections in Canada, the Netherlands, the United Kingdom and the United States.

Primarily, we use 1993 and 1988 survey data from the Canadian Election Study to estimate our multinomial probit model. For the independent variables, we begin with a set of issue distance variables (these correspond to X_{ij} above). Respondents were given five possible responses for each issue and asked to place themselves and the parties on each issue. In 1993, respondents were asked about six issues: 1) how much the government should do to promote French/Quebec; 2) how close Canada should maintain ties to the United States; 3) how much should government should do to help business; 4) how much power unions should have; 5) how much the government should do to help women; and 6) how much the government should do to help minorities.¹ The measure of issue distance in the analysis is the squared difference between the respondent's self placement and the candidate's mean placement by all respondents.²

To measure the influence of the economy on vote choice, we have two variables. One is a measure of respondents' retrospective evaluations of their own finances. The second measure asks respondents to give retrospective evaluations of national economic conditions. In both cases, negative evaluations are coded higher.

We also include a set of demographic variables. Because of the continuing debate over the impact of region in Canadian politics, we include four regional variables. **Ontario** is the omitted category; **Atlantic** includes Newfoundland, Nova Scotia, Prince Edward Island, and New Brunswick; **Midwest** includes Manitoba and Saskatchewan; **West** consists of Alberta and British Columbia. For age, we group respondents into four categories (17-29, 30-44, 45-59, 60 and over) and create three dummy variables (60 and over is the omitted category). We also have dummy variables for gender and union affiliation. Education is measured by respondents years of school grouped into eleven categories. We also include respondents' self reported family income, given in C\$10,000 increments.

The model for 1988 is the same as 1993 with two exceptions. First, the dependent variable for 1988 has only three choices --- Liberal Party, Progressive Conservative Party (PC), and New Democratic Party (NDP). The Reform party did not run national candidates in 1988. Second, respondents were asked about fewer, and different, issues. The three issues respondents were queried about in 1988 are: 1) how much the

government should do to promote French/Quebec; 2) how close Canada should maintain ties to the United States; and 3) what level of taxes and services should the government provide. However, because of severe multicollinearity among the placement of the parties, we were forced to omit the variable measuring level of taxes and services: voters perceived the Liberal party and the NDP to be at almost the exact same position on this issue. If two parties are at the same position on an issue: it becomes impossible to measure the impact of the issue on voters distinguishing between those parties. The issue distance measures are calculated using the same technique used for the 1993 model, and the economic and demographic variables are measured in the same way.

Using multinomial probit, only one coefficient is estimated per characteristic of the alternatives (issue distances). For characteristics that vary by individual (economy and demographics), we estimate $(J-1)$ coefficients per characteristic, where J is the number of alternatives. The J^{th} parameter is normalized to zero. In the 1993 case, then, we estimate three coefficients per individual characteristic, and one coefficient for each issue. In the 1988 case, we estimate two coefficients per individual characteristics, and one for each issue.

3. Multinomial Probit Results

3.1 The 1988 Canadian Election

The coefficient estimates for 1988 are in Table 1. The coefficients for the 'French' issue and the 'U.S. ties' issue are negative and significant at .10 or better. This is consistent with our expectation that as the voter gets farther from a party on a given issue, he or she is less likely to support that party. And consistent with interpretations of the election and associate campaign, the coefficient for the U.S. ties issue is much larger than the coefficient for the French issue.

[Table 1 Here]

We report the estimates with the individual specific coefficients normalized to zero for the Progressive Conservatives (PC). This means that the reported coefficients are the impacts of the variables on the utility of each party **relative to** the PC. The 1988 results for economic conditions suggests that the

incumbent PC party was vulnerable to economic performance evaluations. All four economic variable coefficients are significant at the .05 level or better. Positive coefficients mean that voters who perceive poor economic conditions are more likely to choose another party over the incumbents, and voters who perceive favorable economic conditions are more likely to choose the incumbent. Personal finances produces positive and significant estimates. However, the national economy coefficient is particularly large for both parties. In 1988 economic perceptions had a significant impact on vote choice for respondents. But, as we shall see below, the distribution of respondents' economic perceptions was generally positive, which tends to help the incumbent party.

3.2 The 1993 Canadian Election

The multinomial probit estimates for 1993 are reported in Table 2. Of the six issue distances, five coefficients are significant at .05 or better. All of the issue distance coefficients are negative. As we would expect, as the voter gets closer to the party on a given issue, he or she is more likely to support that party, *ceteris paribus*. And we see variation in the emphasis places on different issues by voters. The coefficients range from -0.10 (help women) to -0.03 (help business).

[Table 2 Here]

The results for the economic conditions suggest that the incumbent PC party was particularly hurt by poor economic performance. Of the six economic variable coefficients, three are significant at .05 or better. All of the six estimated coefficients are positive. Negative economic evaluations (both national and personal) made voters more likely to choose another party over the incumbent PC party.

The PC party was flanked ideologically by the Liberals on the left and Reform on the right. In both cases, economic evaluations had a significant impact on voters' choice of Liberal or Reform over PC. For the Liberal party, the effects of both economic variables are relatively large and positive. Thus voters who viewed the economy, or their own pocketbooks, unfavorably were apt to turn to the Liberal party. In the case of the Reform party, poor national evaluations made voters significantly more likely to choose Reform, and the personal conditions variable is also fairly large and positive, although not significant at standard levels.

Economic conditions seems to have had the least consistent impact on the choice of NDP over PC (one coefficient is large and positive, the other is small and negative). The NDP is the far left party and is the farthest, ideologically, from the PC party. Poor economic conditions seem to have swayed voters away from the incumbent party and toward those parties ideologically close.

Table 3 presents first differences computed from the multinomial probit estimates for 1993. These show the impact of a change in a respondents' view of the issues or of economic circumstances in the respondents' probability of supporting any of the four parties. These are computed by first establishing a respondent with modal characteristics: the voter is male, 30-44 years old, non-union, high school educated, living in Ontario with family income of 30,000-39,000. Unless noted, respondent positions on issues are set to the modal category, and economic positions are set to 'same'. All party positions are set at the survey mean. For each variable of interest we compute a set of probabilities with the variable of interest set first at one value, then with the variable of interest set at another value. The difference between these two probabilities is the effect of the change in the variable of interest.

[Table 3 Here]

The effects of the economy are modest here. A voter who felt his personal finances had gotten worse rather than better was 6% more likely to vote for the Liberal party (.55 vs .50), with most of that vote share being taken from the Progressive Conservatives. A voter who felt the national economy had gotten worse instead of better was 5% more likely to vote for the Liberal party (.55 vs .50). Thus at the individual level the economy has an effect --- but it does not seem overwhelming. This is particularly true if we compare it to a large issue-effect. For instance, a respondent who felt that the government should do more to help minorities rather than less was 12% more likely to vote for the Liberal party (.58 vs .46). Notice in this case though that the votes come at the expense of the Reform party.

4. Measuring the Relative Importance of Issues and the Economy

4.1 Measuring the Importance of Issues

It is true, as Table 3 demonstrates, that a shift in a voter's position on an issue will change the probabilities of that voter choosing a different party. For a party, however, changing issue positions (or forcing the opposition to appear to have moved) may not improve vote share. By improving the party's position relative to some voters, a party will move farther from other voters. Table 4 shows the distribution of the mean of respondents preferences and the mean of the respondents placement of each party on each issue. Notice that with four parties, the issue space is fairly crowded. To test the effect of strategic behavior by parties, we simulated the effect of a party moving across the issue space, while holding the other parties' positions constant.

[Table 4 Here]

We performed this simulation by computing the probability of each respondent voting for each of the four parties. For 1993, the probabilities were recomputed as we held the positions of all parties fixed on five of the issues, and the respondent characteristics fixed, while adjusting the sixth issue position for one party from 1.0 to 5.0 in increments of 0.04. For example, to test for the effect of a change in position on the 'Quebec' issue for the Reform party, we held the positions of the other three parties fixed. We shifted the Reform party's position on the Quebec issue, recomputed the distance from each respondent to the Reform party, and recomputed all of the vote shares given the shifted Reform position. By doing this we can determine the optimal position for the Reform party on this issue. The results for all the parties are presented in Table 5. The table also includes the baseline predicted vote share for comparison.

[Table 5 Here]

The Reform party's predicted vote share in our sample is 29.6% of the vote. At best, moving to the optimal position on **one** issue (helping women) would bring them up to 33.8%. Notice that this seems like a relatively small increase in vote share given the large impact we saw of respondents' positions on this issue in the earlier table of first differences. However, in a crowded issue space movement by the Reform party

closer to some voters makes other voters more likely to vote for one of the alternative parties. Yet while moving on one issue would not have had an appreciable impact on the election result, moving on all six issues would have. If the Reform party moved to its optimal position on all six issues, it would have received 35% of the vote, and only been 7.8% behind the Liberal party.

4.2 Measuring the Importance of the Economy

Now how do examine realistic effects of changes in voter perceptions of the economy? Having data on both 1988 and 1993 makes this apparent, as those two elections were played out under economies perceived to be very different. Table 6 gives the distributions of respondents' perceptions of the economy, both personal finances and the national economy, in 1988 and 1993. We can safely say that in 1988 voters saw the economy as 'good' (over 86% of respondents said the economy was the same or better over the past year); whereas in 1993 voters saw the economy as 'bad' (only 36% of respondents said the economy was the same or better over the past year, and 64% felt it was worse or much worse).

[Table 6 Here]

Thus a sensible question to ask is: if voters in 1993 felt the economy were as good as voters did in 1988, what would have been the 1993 election outcome? Conversely, if voters in 1988 had felt the economy were as bad as voters did in 1993, what would the 1988 election outcome have been? To answer these questions we simulated different distributions of economic views. For 1993, we randomly reassigned 1993 respondents opinions about the economy so that the aggregate distribution of opinions matched the 1988 aggregate distribution. For 1988, we randomly reassigned opinions to 1988 respondents to match the 1993 aggregate distribution. With these hypothetical perceptions, we could calculate the respondents' probability of voting for each party, using the respondents' actual values for all of the other variables.

We see that in 1988, when the PC had a predicted voteshare of 48% of the sample, had the economy been perceived to have been as poor as it was perceived in 1993, the PC's vote share would have dropped to 34.2% --- putting them **below** the Liberal party. And in 1993, when the economy was perceived to be very poor --- a good economy would not have saved the PC. Under a strong economy the PC vote share would have been approximately 5% higher in 1993, with most of this coming from the Liberal party. But, this

would not have been nearly enough to keep the PC in office. Thus we can see that the effects of the economy were of reasonable size in both elections, but that ‘something else’ explains the 1993 election.

[Tables 7 and 8 Here]

5. Issues and Economics in a Comparative Context

While the model we have is very general and allows for careful consideration of the factors voters weigh in their vote decision, there is no reason to think that the parameters of the model will be the same across countries. We believe the model is the correct model to estimate for **any** country. But, since the model does not explicitly incorporate any structural or contextual parameters, we expect the parameters to vary across countries based upon the institutional or party structure of the country and the economic history of the country.

Now we compare the results from Canada to similar analyses for other countries. In other work two of the authors have analyzed the relative impact of issues and the economy on elections in the United States, Great Britain, and the Netherlands (Alvarez and Nagler 1995, 1998a, 1998b). In the following table we present the results of simulations based on the Alvarez-Nagler model for other countries similar to those presented above for Canada.³ The left half of the table gives the results of economic simulations. The right half of the table gives the effect of issue simulations. To condense the results as much as possible, and since we are interested in measuring the **importance** of the economy and issues, we report only the impact of the simulation on the margin between the winning party and the second place party. The first column gives the estimated difference between the first and second place party in our sample. The second column gives the predicted difference between the two parties if peoples’ economic perceptions were as they had been in the other election reported from that country. The third column gives the change in the margin between the top two parties based on the hypothetical change in economic perceptions. It is this third column which reports the magnitude of the impact of the economy. The next three columns report the same information for movement by the second place party to its optimal position on **all** of the issues for which data was available.

[Table 9 Here]

We can see that for the United States, the effects of the economy are always much larger than the effects of issues. In fact the 1996 election in the United States would have had a different outcome had economic perceptions been as negative as they were in 1992. For Britain in 1987, the effects of issues are larger than the effect of the economy, though neither would have helped the Labour party that year. And for Canada in 1993 the effect of issues are much larger than the effect of the economy, though in 1988 the effect of the economy was larger than that of issues. Thus we see that in fact the relative emphasis placed by voters on the economy and issues does vary across countries, and perhaps across time as well.

6. Conclusion

Our research in this paper has focused on developing a new way to examine the relative impact of issues and economic perceptions in voting behavior. By producing techniques which allow for direct comparisons of how much each of these factors influences a particular election, we are able to exactly evaluate the relative contributions of each in a number of recent elections in four democratic nations.

While it is clear that issues and economic perceptions have played important roles in shaping voter behavior in these recent elections, we have shown clearly that economic perceptions **always** exert a strong influence on election outcomes, and often dominate issue considerations. Substantively, this tells us that issue-based theories of electoral politics and economic-based theories of electoral politics need to be refined if they are to encompass the variation in the strength of each explanation that we observe across countries and across time.

But these results have potentially larger significance. While political parties and politicians do have control over their issue positions, it is clear that their ability to freely move across the issue space in search of votes is often limited --- and our research also shows that movement on issues is not always terribly electorally effective, in any case. Many parties simply cannot gain many additional votes by moving in the issue space, and often their moves can spark electoral gains by other parties.

However, the positions parties take on issues are of critical importance in our normative theories of representative democracy. The basic idea is that parties take positions on issues, they are elected to office

based on these promises, they act on these issues, and then they are subsequently voted back into office or thrown out based on whether they delivered their promises on these issues. Yet if voters are not placing a great deal of weight on these issues, one of the critical normative underpinnings of representative democracy is weakened.

Instead, voters appear to place much more weight on recent macroeconomic performance; that is, voters are rewarding or punishing parties based on how the national economy performed in the recent past. Unfortunately, most academic researchers do not believe that political actors have much direct or significant control over the future direction of macroeconomic performance in most advanced industrial democracies --- the advanced industrial economies are too complex, and too tightly woven into the global economy, to be easily controlled by political policymakers. Nor are the tools of macroeconomy policy very useful for economic fine-tuning. Thus, voters are rewarding or punishing political parties for outcomes which are largely outside the direct control of the parties. This suggests that political parties once in office will have a great deal of room for shirking, or ignoring the policy preferences of voters. Thus we are faced with a paradox: by paying attention to the most immediate and tangible items of the national news --- the economy --- voters may be letting politicians off the hook for the less newsworthy but ultimately more important functions of government such as the production of public goods.

7. References

- Alesina, A. and N. Roubini. 1992. "Political Cycles in OECD Economies." *Review of Economic Studies* 59: 663-688.
- Alesina, A. and H. Rosenthal. 1995. *Partisan Politics, Divided Government, and the Economy*. New York: Cambridge University Press.
- Alvarez, R. M. 1997. *Information and Elections*. Ann Arbor: University of Michigan Press.
- Alvarez, R. M. and G. Garrett and P. Lange. 1991. "Government Partisanship, Labor Organization and Macroeconomic Performance, 1967-1984." *American Political Science Review*, 85: 539-556.
- Alvarez, R. M. and J. Nagler. 1995. "Voter Choice in 1992: Economics, Issues and Anger." *American Journal of Political Science* 39: 714-744.
- Alvarez, R. M., S. Bowler, and J. Nagler. 1997. "Issues, Economics and the Dynamics of Multi-Party Elections: The British 1987 General Election." California Institute of Technology, manuscript.
- Alvarez, R. M. and J. Nagler. 1998a. "Economics, Entitlements and Social Issues: Voter Choice in the 1996 Presidential Election." *American Journal of Political Science*, 42: 1349-1363.
- Alvarez, R.M. and J. Nagler. 1998b. "When Politics and Models Collide: Estimating Models of Multi-Party Elections," *American Journal of Political Science*, 42: 55-96.
- Anderson, C. 1995. *Blaming the Government: Citizens and the Economy in Five European Democracies*. Armonk, NY: Me.E. Sharpe.
- Campbell, A. P.E. Converse, W.E. Miller, and D.E. Stokes. 1980. *The American Voter, unabridged edition*. Chicago: The University of Chicago Press.
- Carmines, E.G., and J.A. Stimson. 1980. "The Two Faces of Issue Voting." *American Political Science Review*, 74: 78-91.
- Clarke, H. D. and M. C. Stewart. 1996. "Economists and Electorates: The Subjective Economy of Governing Party Support in Canada." *European Journal of Political Research* 29: 191-214.
- Downs, A. 1957. *An Economic Theory of Democracy*. New York: Harper and Row.

- Fiorina, M. P. 1981. *Retrospective Voting in American National Elections*. New Haven: Yale University Press.
- Hibbs, D. A. 1987. *The American Political Economy: Macroeconomics and Electoral Politics*. Cambridge, MA: Harvard University Press.
- King, G., 1986. "How Not To Lie With Statistics: Avoiding Common Mistakes in Quantitative Political Science," *American Journal of Political Science*, 30:666-687.
- Kramer, G. 1971. "Short-Term Fluctuations in U.S. Voting Behavior, 1896-1964." *American Political Science Review* 65:131-143.
- Johnston, R., A. Blais, H. Brady, and J. Crete. 1992. *Letting the People Decide: Dynamics of a Canadian Election*. Stanford University Press.
- Key, V.O., Jr. 1966. *The Responsible Electorate*. New York: Vintage Books.
- Kiewiet, D. R. 1983. *Macroeconomics and Micropolitics: The Electoral Effects of Economic Issues*. Chicago: University of Chicago Press.
- Lewis-Beck, M. S. 1988. *Economics and Elections*, Ann Arbor, Michigan: University of Michigan Press.
- Nie, N.H., S. Verba, and J.R. Petrocik. 1976. *The Changing American Voter*. Cambridge: Harvard University Press.
- Page, B.I., and R.A. Brady. 1972. "Policy Voting and the Electoral Process: The Vietnam War Issue." *American Political Science Review* 66:979-995.
- Paldam, M. 1991. "How Robust is the Vote Function?" In H. Norpoth, M. Lewis-Beck, and J. Lafay (eds), *Economics and Politics: The Calculus of Support*. Ann Arbor: University of Michigan Press, 9-31.
- Pomper, G.M. 1972. "From Confusion to Clarity: Issues and American Voters, 1956-1968." *American Political Science Review* 70:779-805.
- Popkin, S.L. 1991. *The Reasoning Voter*. Chicago: The University of Chicago Press.
- Powell, G.B. Jr. and G. Whitten. 1993. "A Cross-National Analysis of Economic Voting", *American Journal of Political Science* 37: 391-414.
- Tufte, E. R. 1978. *Political Control of the Economy*. Princeton: Princeton University Press.

Table 1: Canada (Excluding Quebec) - 1988
Multinomial Probit Estimates
(Progressive-Conservative Coefficients Normalized to Zero)

| | NDP | Liberal |
|-----------------------------------|-------------------|------------------|
| Issue Distances | | |
| French | -0.02** (0.01) | |
| U.S. ties | -0.19* (0.02) | |
| Respondent Characteristics | | |
| Constant | -1.17* (0.21) | -0.98* (0.19) |
| Atlantic | -0.24** (0.13) | -0.10 (0.12) |
| Midwest | 0.01 (0.18) | -0.09 (0.18) |
| West | -0.006 (0.08) | -0.20* (0.08) |
| Female | -0.18* (0.09) | -0.12 (0.08) |
| Personal Finances | 0.20* (0.06) | 0.18* (0.06) |
| National Economy | 0.33* (0.07) | 0.30* (0.10) |
| Age 17-29 | 0.11 (0.11) | -0.005 (0.10) |
| Age 30-44 | 0.22** (0.13) | 0.08 (0.12) |
| Age 45-59 | 0.10 (0.12) | 0.02 (0.11) |
| Education | 0.001 (0.02) | 0.01 (0.02) |
| Union | 0.31* (0.07) | 0.27* (0.07) |
| Income | -0.10* (0.03) | -0.09* (0.03) |
| $\sigma_{(LIB, PC)}$ | 0.13 0.05 | |
| $\sigma_{(LIB, NDP)}$ | 0.97 0.01 | |
| N | 1197 | |
| Log-likelihood | -1045.22 | |

Table entries are multinomial probit estimates. The values in parentheses are the standard errors.

* p < .05
 ** p < .10

Table 2: Canada (Excluding Quebec) -- 1993
Multinomial Probit Estimates
(Progressive-Conservative Coefficients Normalized to Zero)

| | | NDP | Liberal | Reform |
|-----------------------------------|--------|-----|---------|--------|
| Issue Distances | | | | |
| Quebec | | | -0.06* | |
| | | | (0.02) | |
| U.S. ties | | | -0.05* | |
| | | | (0.03) | |
| Help Business | | | -0.03 | |
| | | | (0.05) | |
| Union Power | | | -0.09* | |
| | | | (0.04) | |
| Help Women | | | -0.10* | |
| | | | (0.05) | |
| Help Minorities | | | -0.08* | |
| | | | (0.04) | |
| Respondent Characteristics | | | | |
| Constant | -0.20 | | 0.55* | 0.55* |
| | (0.22) | | (0.19) | (0.22) |
| Atlantic | -0.09 | | -0.36* | -0.94* |
| | (0.12) | | (0.17) | (0.13) |
| Midwest | 0.23 | | -0.43* | -0.14 |
| | (0.18) | | (0.16) | (0.19) |
| West | 0.10 | | -0.44* | 0.12 |
| | (0.09) | | (0.08) | (0.15) |
| Female | -0.11 | | -0.46* | -0.67* |
| | (0.10) | | (0.11) | (0.17) |
| Personal Finances | 0.07 | | 0.12* | 0.08 |
| | (0.05) | | (0.05) | (0.05) |
| National Economy | 0.01 | | 0.16* | 0.15* |
| | (0.06) | | (0.05) | (0.05) |
| Age 17-29 | 0.22 | | 0.21** | 0.66* |
| | (0.14) | | (0.13) | (0.12) |
| Age 30-44 | 0.08 | | -0.08 | 0.34* |
| | (0.15) | | (0.12) | (0.08) |
| Age 45-59 | 0.16 | | -0.07 | 0.18* |
| | (0.13) | | (0.10) | (0.08) |
| Education | -0.01 | | -0.02 | -0.07* |
| | (0.04) | | (0.03) | (0.03) |
| Union | 0.14 | | 0.15 | -0.03 |
| | (0.20) | | (0.14) | (0.10) |
| Income | -0.04 | | -0.05 | -0.04 |
| | (0.03) | | (0.03) | (0.03) |
| $\sigma_{(NDP, Reform)}$ | | | 0.28 | |
| | | | (0.14) | |
| $\sigma_{(Lib, Reform)}$ | | | 0.72 | |
| | | | (0.23) | |
| $\sigma_{(PC, NDP)}$ | | | 0.89 | |
| | | | (0.13) | |
| N | | | 873 | |
| Log-likelihood | | | -907.57 | |

*p <.05 ** p <.10

**Table 3: Canada, 1993 - Effect of Changes in
Respondents' Issue Position and Economic Perceptions
(First Differences - based on MNP Estimates)**

| | NDP | Liberal | Reform | PC |
|-------------------|------------|----------------|---------------|-----------|
| Personal Finances | | | | |
| Better | 0.02 | 0.50 | 0.33 | 0.13 |
| Worse | 0.02 | 0.55 | 0.31 | 0.10 |
| Difference | 0.00 | -0.05 | 0.02 | 0.03 |
| National Economy | | | | |
| Better | 0.02 | 0.50 | 0.31 | 0.14 |
| Worse | 0.01 | 0.55 | 0.32 | 0.10 |
| Difference | 0.01 | -0.05 | -0.01 | 0.04 |
| Quebec | | | | |
| Do More | 0.02 | 0.59 | 0.24 | 0.13 |
| Do Less | 0.01 | 0.45 | 0.40 | 0.11 |
| Difference | 0.01 | 0.14 | -0.16 | 0.02 |
| Union Power | | | | |
| More Power | 0.03 | 0.54 | 0.28 | 0.10 |
| Less Power | 0.01 | 0.50 | 0.36 | 0.12 |
| Difference | 0.02 | 0.04 | -0.08 | -0.02 |
| Help Minorities | | | | |
| Do More | 0.02 | 0.58 | 0.25 | 0.12 |
| Do Less | 0.01 | 0.46 | 0.39 | 0.11 |
| Difference | 0.01 | 0.12 | -0.14 | 0.01 |

Table entries are the probability of a voter choosing the party where the voter is male, 30-44 years old, non-union, high school educated, living in Ontario with family income of \$30,000-39,000. Unless noted, respondent positions on issues are set to the modal category, and economic positions are set to 'same'. All party positions are set at the survey mean. The 'difference' row gives the effect of the change in the voter's economic perception or issue position on the probability of choosing each party.

**Table 4: Canada 1993
Placement of Parties and Respondents on Issues**

| | Respondents | NDP | Liberal | PC | Reform |
|-----------------|--------------------|------------|----------------|-----------|---------------|
| Quebec | 3.04 | 3.04 | 2.50 | 2.62 | 4.19 |
| U.S. Ties | 2.89 | 3.94 | 3.23 | 2.01 | 3.41 |
| Help Business | 3.75 | 2.61 | 3.63 | 3.61 | 3.32 |
| Union Power | 3.53 | 2.17 | 3.35 | 3.71 | 3.96 |
| Help Women | 2.14 | 2.01 | 2.43 | 2.49 | 3.15 |
| Help Minorities | 2.85 | 2.31 | 2.48 | 2.72 | 3.57 |

Each column entry gives the mean placement of the respondents, or the party, on the listed issue.

Canada, 1993 - Optimal Issue Positions
MNP simulations

| | Party Actual | Party Optimal | NDP Share | Liberal Share | PC Share | Reform Share |
|--------------------------------------|-------------------------|--------------------------|----------------------|--------------------------|---------------------|-------------------------|
| NDP | | | | | | |
| Quebec | 3.04 | 3.36 | 4.74 | 45.68 | 15.20 | 31.55 |
| U.S. ties | 3.94 | 3.00 | 4.92 | 45.62 | 15.12 | 31.55 |
| Help Business | 2.61 | 3.60 | 4.85 | 45.61 | 15.11 | 31.58 |
| Union Power | 2.17 | 3.60 | 5.72 | 45.12 | 14.53 | 31.35 |
| Help Women | 2.01 | 1.96 | 4.73 | 45.71 | 15.19 | 31.60 |
| Help Minorities | 2.31 | 2.80 | 4.83 | 45.61 | 15.15 | 31.51 |
| Liberal | | | | | | |
| Quebec | 2.50 | 3.52 | 4.59 | 48.20 | 14.85 | 29.61 |
| U.S. ties | 3.23 | 2.92 | 4.71 | 45.78 | 15.20 | 31.55 |
| Help Business | 3.63 | 3.68 | 4.70 | 45.72 | 15.23 | 31.59 |
| Union Power | 3.35 | 3.72 | 4.81 | 46.10 | 15.09 | 31.24 |
| Help Women | 2.43 | 2.28 | 4.63 | 45.87 | 15.18 | 31.55 |
| Help Minorities | 2.48 | 3.08 | 4.77 | 46.75 | 15.10 | 30.66 |
| PC | | | | | | |
| Quebec | 2.62 | 3.48 | 4.67 | 45.60 | 16.08 | 31.05 |
| U.S. ties | 2.01 | 2.96 | 4.64 | 45.66 | 15.98 | 31.38 |
| Help Business | 3.61 | 3.64 | 4.70 | 45.72 | 15.23 | 31.59 |
| Union Power | 3.71 | 3.64 | 4.70 | 45.73 | 15.23 | 31.59 |
| Help Women | 2.49 | 2.16 | 4.65 | 45.64 | 15.47 | 31.63 |
| Help Minorities | 2.72 | 2.96 | 4.70 | 45.71 | 15.37 | 31.42 |
| Reform | | | | | | |
| Quebec | 4.19 | 3.60 | 4.61 | 45.46 | 15.20 | 31.94 |
| U.S. ties | 3.41 | 2.88 | 4.72 | 45.39 | 15.09 | 32.02 |
| Help Business | 3.32 | 3.64 | 4.70 | 45.65 | 15.21 | 31.68 |
| Union Power | 3.96 | 3.76 | 4.64 | 45.69 | 15.27 | 31.64 |
| Help Women | 3.15 | 2.28 | 4.27 | 44.06 | 15.04 | 33.83 |
| Help Minorities | 3.57 | 3.16 | 4.58 | 45.54 | 15.25 | 31.86 |
| Predicted Vote Share ^a | | | 4.48 | 48.14 | 15.09 | 29.56 |

Column one is the actual issue position of the party. Column two is the simulated issue position at which the party would received its highest vote share. Columns three through six are the vote shares of the parties at the parties' optimal position.

^a This is the vote share predicted by the model using the survey respondent mean placement as the party's issue position.

**Table 6: Distribution of Respondents Economic Perceptions
Canada, 1988 and 1993**

| Respondents view of | 1988 | | | | | 1993 | | | | |
|------------------------|----------------|-----------------|-----------------|----------------|---------------|----------------|----------------|-----------------|-----------------|-----------------|
| | Much Better | Better | Same | Worse | Much Worse | Much Better | Better | Same | Worse | Much Worse |
| National Economy | 5.33 (180) | 30.38 (1026) | 50.76 (1714) | 11.02 (372) | 2.52 (85) | 0.38 (14) | 6.75 (249) | 28.91 (1067) | 28.83 (1064) | 35.14 (1297) |
| | (N =3377) | | | | | (N =3691) | | | | |
| Personal Finances | 9.48 (332) | 29.39 (1029) | 38.53 (1349) | 16.14 (565) | 6.46 (226) | 5.24 (195) | 17.67 (657) | 27.57 (1025) | 14.95 (556) | 34.56 (1285) |
| | (N =3501) | | | | | (N =3718) | | | | |

Table entries are the percentage of respondents in each category. The numbers in parentheses are the number of respondents in each category.

**Table 7 : Canada --- 1988: Effects of Changes in Distribution
of Respondent Perceptions -- 1993 Economy Simulation**

| Distribution of Respondents' Perceptions of Economy | Predicted Vote Share for: | | |
|---|---------------------------|-------|-------|
| | Liberal | NDP | PC |
| 1988 Sample (N = 1197) | 30.80 | 23.61 | 45.59 |
| 1993 Respondent Finances | 32.19 | 25.57 | 42.24 |
| 1993 National Economy | 33.60 | 29.01 | 37.39 |
| 1993 Respondent Finances & 1993 National Economy | 34.64 | 31.15 | 34.21 |

Table entries are the parties' share of the three-party vote the given economic conditions. Simulations are done using MNP estimates.

**Table 8 : Canada --- 1993: Effects of Changes in Distribution
of Respondent Perceptions -- 1988 Economy Simulation**

| Distribution of Respondents' Perceptions of Economy | Predicted Vote Share for: | | | |
|---|---------------------------|------|--------|-------|
| | Liberal | NDP | Reform | PC |
| 1993 Predicted Baseline | 48.14 | 4.48 | 29.56 | 15.09 |
| 1988 Respondent Finances | 46.46 | 4.55 | 30.02 | 16.72 |
| 1988 National Economy | 45.16 | 6.03 | 28.38 | 18.03 |
| 1988 Respondent Finances & 1988 National Economy | 43.43 | 6.06 | 28.68 | 19.93 |

Column entries give the estimates share of the vote if the distribution of respondents preferences were altered to match the 1988 distribution of preferences on the indicated economic question.

The Predicted Baseline is the model prediction based on the respondents' actual views of the economy.

Table 9: Cross-National Effects of Economics and Issues

| | Economy | | | Issues | | |
|------------------|--------------------------|------------------------------|----------------------------|-------------|------------------------------|----------------------------|
| | Real Margin ^a | Margin CntrFact ^b | Change Margin ^c | Real Margin | Margin CntrFact ^d | Change Margin ^e |
| USA 1992 | 12.0 | 3.4 | 8.6 | 12.1 | 11.0 | 1.1 |
| USA 1996 | 7.3 | -10.3 | 17.6 | 7.3 | 3.0 | 4.0 |
| Britain 1987 | 15.2 | 10.0 | 5.0 | 15.2 | 5.8 | 9.4 |
| Netherlands 1994 | 5.0 | 18.0 | 13.0 | -- | -- | -- |
| Netherlands 1989 | 0.0 | 24.0 | 24.0 | -- | -- | -- |
| Canada 1993 | 18.6 | 14.8 | 3.8 | 14.7 | 7.8 | 6.9 |
| Canada 1988 | 14.8 | 0.4 | 14.4 | 14.8 | 6.1 | 8.7 |

^aThe Real Margin is the margin between the first and second place parties predicted by the model on the actual data.

^bThe Counterfactual Margin is the margin between the first and second place parties predicted by the model using different economic perceptions.

^cThe Change in Margin is the impact of a change in economic perceptions on the gap between the first and second place party.

^dThe Counterfactual Margin is the margin between the first and second place parties predicted by the model after the second-place party has moved to its optimal position on all issues.

^eThe Change in Margin is the impact of a change in issue positions of the second-place party on the gap between the first and second place party.

¹ Only one of the questions on promoting French and how much should be done for Quebec were asked of each respondent as a split-sample design was used. Since these are tapping the same sentiment, we treated the two questions as identical.

² Note that these questions are not really asking respondents to place parties or themselves on a “scale” in the traditional sense of a 7-point or 11-point scale. In this case each possible response is identified with a specific, though generic, description. We treat the responses as placements on a scale for the analysis.

³ The parameter estimates are available from the authors.