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The fate of governing parties in times of economic crisis

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ABSTRACT

The severity of the recent economic crisis in Europe provides an opportunity to test some of the conventional hypotheses about the effects of economic adversity on election outcomes in a broadly comparative context. In 16 of 27 elections held in EU member countries between 2008 and the end of 2011, incumbent governments went down to defeat. In many of the cases in which a governing party was defeated, a government of the center-left was replaced by one of the center-right. The average level of decline in the share of the vote for governing parties (−8.1%) however was surprisingly modest in comparison with previous election cycles. Nevertheless, the results were devastating for governing parties in a number of instances, such as Ireland or Hungary. We also consider the relative merits of retrospective and prospective interpretations of these outcomes in the light of contextual effects arising from factors such as globalization and institutional clarity as these affect perceptions of the responsibility of governing parties or coalitions in coping with the crisis in the domestic political environment.

The effects of economic adversity on the electoral fate of governing parties are well known (Lewis-Beck and Stegmaier, 2000; van der Brug et al., 2007; Duch and Stevenson, 2008; Palmer and Whitten, 2011). The recent economic crisis in Europe however provides both a test of some of the conventional hypotheses as well as new insights. European economies, together with those in much of the rest of the developed world, began to decline in the second half of 2007. By mid-2008, growth rates in most European countries had slowed, but had not yet turned negative.[1] In Romania, Bulgaria and Slovakia, they were still a robust 6 to7 percent, while Portugal and the UK displayed little or no economic growth in the same period. With the onset of the dramatic economic events in the second half of 2008 however, European economies fell quickly into recession. By mid-2009, all of the EU member countries except Poland displayed negative growth. The Baltic states experienced the most precipitous declines. Latvia, for example, fell from one of the highest growth rates in Europe in 2008 to −18 percent change in GDP in 2009. For the twenty-seven EU member countries taken together, the rate of GDP growth at the end of the second quarter of 2009 was a negative 4.2 percent.

As might be expected, this steep drop in economic activity was accompanied by rising unemployment. By mid-2009, unemployment in the EU member countries had risen to 8.9 percent, but there was considerable national variation in this statistic. In Spain, unemployment in June 2009 stood at 18.1 percent, while in The Netherlands it was a much lower 3.4. As a lagging economic indicator, unemployment continued to rise even as a weak recovery aided by economic stimulus measures began to take hold. By April 2010, unemployment throughout the European Union had risen to 10.1 percent. In Latvia, it stood at 22.1 percent, while even in The Netherlands it had risen to 4.1%. In Spain,

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[1] Basic economic indicators for the countries discussed in this article (ΔGDP, % unemployment) and attitudinal indicators (retrospective/prospective) may be found in the supplementary materials for this volume located at http://www-polisci.tamu.edu/faculty/whitten, click on "Supplementary Materials for 'Economics and Elections: Effects Deep and Wide'".

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by the time of the national election in December 2011, unemployment had gone up another three percentage points to 21.4%.

Economic adversity was also reflected in public opinion. In the surveys conducted following the June 2009 European Parliament elections, as many as four out of every five respondents in most European countries found economic conditions to be "worse" than they had been a year earlier (LeDuc and Pammett, 2013).[2] Many were also pessimistic about the future. At least half of the respondents to the 2009 European Election Study in some countries expected conditions to continue to worsen over the next year. For the European Union as a whole, 38 percent of those surveyed were pessimistic about the near future. About one respondent in four expected that conditions would, at best, stay about the same. In only a few countries (Germany, The Netherlands, the UK), were there substantial numbers of respondents who felt that over the next year economic conditions might get at least "a little better".[3]

1. Economic voting and hypotheses

Historical experience suggests that voters often punish governments for poor economic performance, even in circumstances when those governments had little control over the main forces involved. History further tells us that bad economic times are frequently perilous ones for governing parties forced to face the electorate in such circumstances, but also that the context in which a vote takes place matters (Anderson, 2000). The recent European context provides a milieu in which to test some of these arguments, as the economies of all European countries were severely affected by the economic crisis, but there was considerable variance from one country to another in its severity. In this article, we assess the extent to which electoral outcomes were affected by adverse economic conditions in twenty-four European democracies. For this purpose, we consider a time frame from June 2008 to December 2011. All but three of the EU member countries held national elections during this time and several (Latvia, Portugal, Slovenia) experienced more than one election over this three-and-a-half year period. We thus capture a number of different electoral contexts, ranging from cases such as Austria and Slovenia, which held elections in September 2008 just as the crisis was beginning to unfold, to those such as Britain or The Netherlands, where national elections were held in mid-2010, well after stimulus measures were in place. A number of other countries held national elections in the following year, just as economies were beginning to recover. That recovery, however, proved to be uneven, and the onset of a new rash of economic problems (sovereign debt, bank instability) placed the recovery at risk. The Baltic states, where the decline in GDP in 2009 had been deepest, rebounded quickly from the 2009 recession. In some other countries, notably Portugal, Spain and Greece, the slump dragged on through 2011 and in fact deepened as the problems emanating from sovereign debt issues in these countries began to take hold.

The foregoing overview (reference) synthesizes the literature dealing with the relationship between the economy, public opinion and voting in elections under adverse economic conditions. This literature has progressed substantially from early models which examined the direct connections between prevailing economic conditions and the popularity of politicians and political parties. It has more recently begun to identify a variety of contextual effects, sometimes called "contingency dilemmas" (Hellwig, 2010; Hellwig and Coffey, 2011; Anderson, 2007; Palmer and Whitten, 2011). Coalition governments, for example, common in the European milieu, tend to diffuse perceived responsibility for economic policy and outcomes. "Grand" coalitions of major parties or "technocratic" governments push this tendency even further. Of the 24 countries considered here, all but five had coalition governments at the time that their elections took place, and three of these were grand coalitions. Another important contingency effect has to do with the institutions of a country's political system, such as the division of power between a president and parliament, or the degree of independence of central banks. Indices are available which estimate the clarity of institutional and governmental responsibility in a particular country based on these structural factors (Powell and Whitten, 1993; Hobolt et al., 2010).

The degree of globalization of a country's economy forms another important context in which those responsible for economic policy must operate. With transnational corporations acting beyond the bounds of any single nation state, and economic decisions being affected by international bodies such as the IMF or G20, national governments find it increasingly difficult to exercise full control over the direction of their own economies. This combination of circumstances means that the public has a difficult job in trying to pin responsibility for poor economic performance directly on a country's political leaders. As with the clarity of responsibility within a country, there are measures available with which to classify the degree of globalization of each country's economy (Hellwig and Samuels, 2007; Dreher, 2006; Vujakovic, 2010).

More recent economic voting literature, by taking these and other contingency and contextual effects into account, has injected considerably more realism and nuance into what was originally hypothesized as a rather simple and direct connection between economic conditions and support for governing parties. It is illustrative to view the relationships between some of the key factors in economic voting models and electoral outcomes in Europe in the 2008–2011 period.[4] The analysis shown in Table 1 displays the net electoral loss suffered by governing parties in the national election held during the period of the economic

[2] These data are from the 2009 European Election Study (PIREDEU). Principal investigators were Marcel H. van Egmond, Eliyahu V. Sapir, Wouter van der Brug, Sara B. Hobolt and Mark N. Franklin. Further information and documentation for this study is available at http://www.piredeu.eu/.

[3] 47%, 46% and 48% respectively.

[4] We consider here only elections for the lower house of parliaments. Excluded are presidential elections or votes for an upper chamber where these exist.