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Voting when the economy goes bad, everyone is in charge, and no one is to blame: The case of the 2009 German election

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ABSTRACT

The economy was a major issue in Germany's 2009 election. The global economic crisis did not spare Germany, whose economy is tightly integrated into the global economy. So when the German economy experienced a historical shock, did voters connect their views of the economy with their vote choice? Or did they, as some research has suggested, recognize Germany's dependence on global markets and cut the government slack, especially when the government consists of the country's two major parties? Using pre- and post-election panel surveys from the German Longitudinal Election Study (GLES), we investigate the weight that voters gave to the economy, relative to other considerations, when casting their ballot and whether governing parties were disproportionately judged based on the state of the economy.

2009 was not a good year for the German economy. The world's fourth largest economy (after the U.S., Japan, and China), and tightly integrated into the global economy, it could not escape the worldwide banking and financial crisis. The consequences were as immediate as they were stark: GDP shrank, unemployment rose, and profits and wages fell. Exports, the major fuel driving Germany's economic engine, dropped by almost 15% over the previous year. Considered in isolation and given their severity and immediacy, the economy's signs on the eve of the September Bundestag election were troubling. If traditional theories of economic voting are to be believed, the CDU/CSU-SPD government under Chancellor Merkel should have been defeated at the polls.

Yet, this is not what happened. While the economy was clearly on voters' minds, only one of the governing parties – the center-left SPD – suffered disproportionate losses at the ballot box, while the other party, Merkel's Christian Democrats, experienced a relatively small decline (1.4%) compared to 2005. At the end of Election Day, the big winners turned out to be the smaller parties, which saw historical gains, but also Angela Merkel who was left in the enviable position of being able to form her preferred governing coalition with the center-right Free Democrats (FDP), which came into existence a month after the election on October 28.

What explains these outcomes? If the economy weighed heavily on voters' minds, was the unusual constellation of a major global economic shock coupled with a grand coalition government of the two major parties led by Germany's first female Chancellor enough to obviate voters' impulse to hold the government responsible for their own or the country's economic wellbeing? We argue below that the nature of the economic shock, the trajectory of the German economy prior to the election, and the macro-political conditions in Germany at the time of the election produced limited economic voting effects. While the economy was clearly the most important issue of the campaign and Germany's biggest parties were in charge when things went bad, several factors mitigated against strong economic voting effects: voters did not experience much personal economic hardship, the problems produced by the crisis were not homemade, and the alternatives to the incumbent government muddled.

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To support our argument, we first review the state of the German economy prior to the election and describe how the German electorate thought about the economy during the election year; next, we delineate theories of economic voting with an eye toward the 2009 German case, and in particular the political conditions that can mute or exacerbate economic voting effects; and finally, we investigate whether voters' economic state of mind prior to the election connected with the votes they cast on September 27, 2009.

1. The economy and economic opinions in 2009

Students of elections have long been interested in the connection between the economy and the behavior of voters, with the basic model positing a relationship running from economic conditions to voter choice. Frequently unstated, this model assumes a causal chain that connects the real economy and voter behavior by way of voters' opinions about the state of the economy and attributions of who is responsible for it (Anderson, 2007). Importantly, this implies that economic opinions reflect economic conditions, and that the real economy is exogenous to the subjective (or "perceived") economy. Given the importance of the economy for Germany's post-war transition to a full-fledged democracy, it is not surprising that this is also this model has long been attractive for understanding voter behavior in German elections. Taking this as a starting point, what, then, was the state of Germany's economy in the run-up to the 2009 election?

1.1. Economic performance indicators prior to the 2009 election

To simply say that the Germany economy was bad would be understating the depth and suddenness of the economy's decline in 2008 and 2009.[1] To appreciate these, it may be helpful to consider a few facts and figures. Perhaps the most comprehensive summary measure of economic activity is the level of GDP and changes in it over previous periods. According to the Federal Statistical Office, in 2009 the German economy shrank for the first time in a number of years. More importantly, the contraction of −5% of GDP (at constant euros) was more severe than in any year since World War II. Considered over the course of the two years of the crisis, the economy came to a standstill and contracted, predominantly during the winter of 2008–2009, while the rest of 2009 saw a slight stabilization of economic activity at a lower level. This contraction was a significant change from the previous two years, which had seen growth of 3.2%, 2.5%, and 1.3% over the 2006–2008 period.

The main source of the sudden decline was structural: Germany's heavily export-dependent economy suffered along with the global economy as a consequence of lower demand for its products in the wake of the Great Recession. During 2009, exports declined by a whopping 14.7% while imports declined "only" by 8.9%. Taken together, the difference in declines between exports and imports contributed 3.4% of the 5% decline in economic activity. The remainder was mainly due to a sudden fall in investments in production (−20% over the previous year). The only truly positive aspects of the German economy during this time came from consumption, which increased by 0.4% from private consumption, and importantly, from an increase in public spending of 2.7% compared to the previous year,

Germany's labor markets also came under stress during the recession, but they did not experience sharp spikes in unemployment. In fact, unemployment in 2008 and 2009 was significantly lower than it had been only a few years before. Since 2005–2006, when unemployment rates topped 12%, Germany's labor market saw significant improvements, which led to an unemployment rate of around 8% in 2007, and 7% in 2008. When the recession hit full bore, Germany, too, saw a jump in unemployed workers in late 2008 and early 2009, which reached its highest pre-election levels at 8.9% in March 2009. But, to put this in perspective, this was roughly the same level of joblessness as Germany had seen in April 2007, and labor market pressures eased again throughout the 2009 election year. The 8.1% unemployment rate recorded on the eve of the September 2009 election was considerably lower than it had been just a few years earlier.[2]

The relatively limited surge in unemployment meant that wages and incomes suffered, but not drastically. Gross wages declined by 0.5% in 2009. While this was the first decline in incomes since 2005 and the most severe since Germany's unification, declines in incomes were buffered by labor market policies that stabilized employment and earnings through reduced working hours (so called "Kurzarbeit" or short-time labor) and reduced wages (as well as an increase in social insurance contributions). In the aggregate, this reduced net earnings by about 1% – not the kind of drop that would inevitably lead to massive political consequences. On the flip side, the increase in unemployment, drop in wages, tepid demand, and reduced profitability of German firms during 2008 and 2009 meant that the federal government took in less in revenue from taxes on income, consumption, and profits, and spent considerably more than before on unemployment benefits, schemes to subsidize temporary employment, and others kinds of income- and employment-related benefits. Consequently, just one year after balancing the federal budget in fiscal year 2008, Germany surpassed the EU's 3%/GDP Maastricht criterion for budget deficits.

On the whole, it is undeniable that Germany, along with virtually every other western economy, experienced significant stresses after the onset of the Great Recession.

[1] The figures discussed here were all taken from publications of the Federal Statistical Office, and can be found here: http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Navigation/Navigationsknoten__Startseite1.psml.

[2] Although the sudden drop in demand for German exports on world markets had clear repercussions for the labor market and wages, these perhaps were less consequential for average voters, in large part because of the automatic stabilizers built into the social market economy's active and passive labor market policies. Thus, unlike in the United States, for example, where unemployment more than doubled from 4.5 to 9.5 percent between September of 2008 and September of 2009, Germany managed to maintain relatively low and stable unemployment levels during the crisis and in the run-up to Election Day.