



Promises, policies and pocketbook voting

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ABSTRACT

Do voters respond to political parties' promises or to their past actions? We use a suitable sequence of events in Swedish politics to provide the first answer to this question. In the 1994 election campaign the Social Democrats proposed major cuts in transfers to parents with young children, whereas in the 1998 campaign they promised to increase transfers. The Social Democrats won both elections and delivered on both promises. Using voting among parents with slightly older children as counterfactual, we find that voters with young children responded markedly to economic promises rather than to implemented policies.

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1. Introduction

Political promises attract a lot of attention in election campaigns, but their effects on voting remain largely unknown. Following the classification of Persson and Tabellini (2000), models of pre-election politics assume that election promises are binding. Consequently, citizens are predicted to vote for the party with the platform that would give them the highest expected utility. Models of post-election politics, on the other hand, assume that election promises are non-binding, implying that citizens vote based on the government's behavior and accomplishments. While a large empirical literature on economic voting tests post-election models, for instance how macroeconomic outcomes and targeted transfers affect support for the incumbent, our study is the first to estimate the causal effect of election promises on voting.¹

We compare voter responses to election promises with responses to past actions of political parties. We refer to voting based on electoral promises as *prospective* and voting based on implemented policies as *retrospective*. We examine individual voting responses to two high-stake reforms with substantial economic consequences for a specific group of voters. Both reforms appeared as campaign promises in Swedish parliamentary elections and were subsequently

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¹ For comprehensive reviews of the economic voting literature, see Lewis-Beck and Stegmaier (2007, 2013).

implemented. Hence, we test for both prospective and retrospective *pocketbook voting*. Pocketbook voting is defined as voting for the political candidate or party that benefits the voter the most financially. Prospective pocketbook voting refers to votes that are cast based on how electoral promises would affect the voter's disposable income if implemented. Retrospective pocketbook voting refers to voting based on how implemented policies affect the voter's disposable income.

In the 1994 election campaign, the Social Democratic Party surprised pundits and voters alike when it suggested major cuts in financial support for parents with young children as a way to fight the budget deficit. In the next election campaign, in 1998, the Social Democrats came up with another eye-opening turnaround: a promise to put a cap on child-care fees in order to reduce the child-care costs of families with young children substantially. The Social Democrats won both elections and delivered on both promises. This sequence of events allows us to test both prospective and retrospective voting. Since parents with older children were largely unaffected by the reforms—and had voted nearly identically to parents with young children in elections before 1994—we use a difference-in-differences strategy to identify the voting responses to the reforms.

The emerging voting pattern provides evidence of prospective pocketbook voting, as parents with young children responded to the two campaign promises rather than to the later implementation of the reforms. The pattern fits the logic of median voter models (Downs, 1957, ch. 8) and probabilistic voting models (Lindbeck and Weibull, 1987, 1993; Dixit and Londregan, 1996). In our interpretation, the voting pattern also indicates that the campaign promises were largely seen as credible. This makes sense since it has been demonstrated that the Swedish Social Democrats have kept a majority of their election promises (Naurin, 2011).

Our analysis is complementary to a large related literature, mostly published in political science journals, which asks whether voters react more strongly to politicians' past performance or expectations concerning future performance. Both in that previous literature and in our paper, retrospective voting refers to voting that is based on past performance, although there are different interpretations on whether voters simply reward or punish the incumbent (Key, 1966) or use past performance as a guidance on what to expect in the future (Fiorina, 1981). As for prospective voting, the political science literature typically asks how voters expect the incumbent to perform in terms of managing the economy (in contrast to our definition in terms of electoral promises that have redistributive implications). Such expectations can be derived from national election studies (Lanoue, 1994), surveys of consumer sentiment (MacKuen et al., 1992) or directly asking voters how they expect competing candidates to perform in managing the economy or in other policy areas (Hsieh et al., 1998). Although such expectations could be affected by electoral promises, none of these papers has tested to what extent voters react to electoral promises. The literature has been divided in its judgment on whether voters vote retrospectively or prospectively. Lanoue (1994) and Norpoth (1996) find that voting is mostly retrospective, whereas MacKuen et al. (1992) and Hsieh et al. (1998) find that it is mostly prospective. Lewis-Beck (1988) concludes that prospective and retrospective evaluations have about the same impact on the vote in six western countries.

When it comes to pocketbook voting, Lewis-Beck and Stegmaier (2007) conclude in their review of about 400 studies that the massive literature on economic voting has not provided much evidence in favor of this hypothesis.² However, most of those studies suffered from severe identification problems and often assumed that voters attribute all the changes in their financial situation to the policies of the incumbent government. A major challenge in estimating the effects of government spending on voting is identifying a proper comparison group. The few studies that have succeeded with this generally find that realized public spending increases the government's support among recipients. This emerging consensus comes from the United States (Levitt and Snyder, 1997), Russia (Richter, 2006), as well as from a series of studies of poverty reduction programs in Latin America (Manacorda et al., 2011; De La O, 2013; Zucco, 2013) and in Romania (Pop-Eleches and Pop-Eleches, 2012). All of these studies estimate the effect of implemented policies. We add to this literature by comparing voter responses to promises and to realizations of targeted transfers. We find that Swedish voters respond to promises of targeted transfers without any additional voting responses after the policies are realized.

Can we expect our findings to apply to other countries? We find it plausible that prospective pocketbook voting could be important in countries where a majority of election promises are fulfilled. Since Mansergh and Thomson (2007) report that a majority of election promises are kept in Canada, Great Britain, Greece, Ireland, the Netherlands and the United States, our findings could well be generalizable to other Western democracies. Furthermore, findings that politicians choose to target spending to informed and swing voters imply that they believe that people vote their pocketbooks (Dahlberg and Johansson, 2002; Strömberg, 2004; Snyder and Strömberg, 2010).

The rest of the paper is organized as follows. Section 2 presents the theoretical framework and our hypotheses to be tested. Section 3 describes the events in Swedish politics which allow us to test for retrospective and prospective pocketbook voting. Section 4 presents the data, Section 5 the empirical strategy and Section 6 the results. Section 7 concludes and presents a calculation of the empirical cost of the vote in Sweden.

2. Theory and our hypotheses

In this section we put our study into theoretical perspective and motivate the hypotheses to be tested. We focus on pocketbook voting in response to promises (prospective voting) and implemented policies (retrospective voting). A formal model that incorporates both prospective and retrospective pocketbook voting is presented in Appendix A.

² See e.g. Kinder and Kiewiet (1979), Lewis-Beck (1985), Markus (1988) and Sigelman et al. (1991) for early tests and discussions of pocketbook voting.

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