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Forecasting Norwegian elections: Out of work and out of office

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ABSTRACT

Across established democracies, the relationship between the economy and party choice is robust. In efforts to test the relationship further, forecasting models based on economic and political variables have been constructed for many democracies, most notably for France, the United Kingdom, and the United States. This work has produced an effective body of theory and empirical research on predicting election outcomes in advance. However, for certain other democracies, such as Norway, little or no election forecasting has been undertaken. This paper draws on established relationships from the economic voting literature and tests for their presence in Norwegian politics. We find that the vote share of the left bloc is sensitive to unemployment and whether or not they are in government. In line with the clientele hypothesis, the vote for the left has a positive relationship with unemployment figures. In addition, we find that being in office leads to a general depreciation of their vote share. The vote forecasting models constructed using these predictors are compared with and outperform an AR(1) benchmark model for sequentially updated *ex post* predictions of Norwegian elections over the last twenty years.
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1. Introduction

Since the work of Tufte (1978), the link between the economy and the vote has been tested with respect to the ability of economic indicators to forecast election outcomes. Coupled with political variables, such as party identification, incumbency, and war/peace conditions, scholars have constructed models which measure the *ex post* forecast accuracy of past elections. Pushing the test of the relationship further, Lewis-Beck and Rice (1984) put models to the ultimate test by forecasting *ex ante* the outcome of upcoming elections. Today forecasting models exist for many established democracies, and continue to proliferate (Bélanger, Lewis-Beck, & Nadeau, 2004). Such a vote forecasting model is yet to be published for the case of Norway, and therefore such is our goal for this paper. Based on local and national election data from the period following the Second World War, we estimate the impact of political and economic conditions such as incumbency, unemployment, GDP growth, and inflation on the left party bloc's actual aggregate vote share in Norwegian elections. We construct both an unconditional and a conditional model (see Tables 1 and 2), and measure their in-sample fits. After this, the models' out-of-sample predictions for the elections of the last twenty years are compared with the predictions of an AR(1) benchmark model, in order to test whether they improve the forecasts of the election outcome.

2. Economic voting

Why citizens vote the way they do has long been one of the core questions within political science. The three main research approaches to this question use the sociological model (Lipset & Rokkan, 1967; Rokkan, 1970), the socio-psychological model (Campbell, Converse, Miller, & Stokes, 1960), and the rational choice model (Downs, 1957; Fiorina, 1981; Key, 1966). One of the main differences between the theories is whether they

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believe that citizens cast their votes based on continuously updated information about the match between their own political preferences and the options they have to choose from at the polls, or are habitual voters who are more attached to their own historical voting record than to developments in society. Doubtless, both types of voters and everything in between are present among the electorate. However, the finding across polities and elections that the economy is an important determinant of electoral outcomes is consistent (Duch & Stevenson, 2008), and in this article we examine the effect of economic voting in Norwegian elections subsequent to the Second World War.

The reward-punishment hypothesis states that voters reward the parties in power if they are pleased with their achievements while in office, and punish them otherwise (Key, 1966). One of the key aspects of their evaluation relates to the state of the economy, and beginning with Goodhart and Bhansali (1970) and Kramer (1971), many scholars have identified empirical relationships between aggregate electoral outcomes and the state of the economy. Various measures have been applied, with the most prominent being employment, inflation, and GDP growth (Keech, 1995). For the Norwegian case, Aardal and Listhaug (1986) reached the following conclusion, based on data from the National Election Survey for 1965–1985:

> "Assesments of the ability of the government alternatives to control inflation and unemployment are more consistently linked to voting behavior, while the evaluation of the national economy through the past year does not have any impact on the changes in behavior at the polls" (Aardal & Listhaug, 1986, p. 21).

Not all economic voting is related to the achievements of the government, though. Historically, parties on the left side of the ideological spectrum have had a stronger focus on employment than those on the right (Hibbs, 1977). Conversely, the non-socialist (right) parties maintain issue ownership on controlling inflation and fostering economic growth. This *clientele hypothesis* states that voters will shift to the right in times of economic prosperity, while they will shift to the left when the economy is faltering and citizens fear for their jobs (Carlsen, 2000; Rattinger, 1991; Swank, 1993).

While the link between the economy and the vote is strong, other studies show that citizens do not really need the economy as an excuse for expressing dissatisfaction with the government. Indeed, incumbency *as such* puts the party or parties in power out of favor with the electorate. As Norpoth (1991, p. 143) writes, "…as long as people have chosen political leaders through some form of election, it has been noted, almost like a law of politics, that popularity diminishes with time in office". In Norway, there is corresponding empirical evidence of a cost of ruling (Midtbø, 1999; Nannestad & Paldam, 2002). The depreciation of incumbent support comes as high expectations of the newly elected leaders turn into citizen disillusionment, as political decisions antagonize parts of the electorate (Mueller, 1970). It is also possible that the voters simply have expectations of the new government that the government cannot fulfill (Stimson, 1976). An alternative explanation of citizens' perennial need for changes of government is that they change political preferences to keep the policy outcomes stable at the centre of the ideological space (Paldam & Skott, 1995). Voters do respond to policy changes in important areas such as expenditures, and, like a thermostat, adjust their party preferences so that the government policy moves in the direction of their preferred level (Soroka & Wlezien, 2005).

As a consolidated democracy with vast revenues from oil, Norway has various peculiarities that it does not share with the various otherwise-similar countries. Aardal and Listhaug (1986) note that Norway, due to active countercyclical policies from the government and growth impulses from the oil sector, suffered less from the economic downturn in the mid-1970s than other industrialized countries did. National revenues are positive, and the last time that the country experienced an economic contraction was in the early 1990s. Nevertheless, in recent decades, few incumbent governments have survived an election in Norway.[1] Indeed, 2009 was the first time a government had been reelected since 1993, in spite of the great economic prosperity witnessed during this period.

Paradoxically, after the financial crisis struck in 2009, the government held on to power. Jenssen and Kalstø (2011) hypothesize that the two former incumbent governments in 2001 and 2005 had suffered from rising economic expectations which they were unable to satisfy, while in 2009 the citizens had witnessed, through the media, a global financial meltdown which they believed would strike Norway as well. In some economic sectors it did, but an overall downturn failed to materialize, and the citizens approved of the government's efforts to mitigate the national impact of the global crisis (Narud, 2011). This "lowered expectations" explanation does not discard the link between the economy and the vote, but instead suggests that the objective economic numbers may be perceived differently depending on the context. The economic growth may be lower than for previous periods, but if the voters' expectations have also been lowered, the party or parties in government will not necessarily be punished for slower growth.

Over time, however, if there is a connection between the economy and the vote, it should appear as an empirical relationship between objective assessments of the state of the economy, such as unemployment, GDP growth, inflation, or other measurable barometers of economic development, and voter choices.

3. Norwegian party blocs: the left vs. the rest

The Norwegian party system is a multiparty system. There are currently seven parties in parliament, and they have all been present in parliament for the majority of the post-war period. With the exception of the Progressive Party, which is a relatively new populist right party, all of the parties have had experience of being in government.

[1] In the postwar period up until the early 1980s, the Labour party dominated as the government party. Thereafter, however, elections have generally led to changes in the ruling parties.

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