

# The Impact of Economic Perceptions on Voting Behaviour in European Parliamentary Elections\*

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## Abstract

Economic voting is a key explanatory factor for the short-term variation of vote choice, party competition and electoral volatility. This article applies the well-established literature on economic voting to the analysis of European Parliament elections. In theoretical terms, it focuses on a forward-looking selection model and probes the difficulties of signal extraction in the multilevel context of European Union politics. In methodological terms, hierarchical mixed logit models are used so as to explore the magnitude and the determinants of economic voting in the 2004 and the subsequent 2009 EP elections. Although the EU has acquired significant economic policy domains from the Member States, and therewith effectively blurring political responsibility for economic policies, this analysis demonstrates that voters are nevertheless able to extract competence signals and cast an economic vote. The article also focuses on the conditionality of the economic vote and vote abstention in EP elections.

## Introduction

Economic developments appear to matter profoundly for vote choice. Chief executives and national governments are considered ‘doomed’ when performance indicators turn unfavourable, and the economic and fiscal crisis is said to have claimed more than a dozen governments within the European Union. Rhetoric of economic performance and responsibility naturally enters candidate and party statements and features prominently in the media, regularly propelling speculations about elections, their outcomes, perspectives for individual candidates or parties, and the re-election chances of incumbents. Voters are either supposed to reward the good and punish the bad performance of elected officials (the classical ‘sanctioning model’), or they are expected to specifically select those candidates or parties whom they trust to be competent managers of the economy (the more recent ‘selection model’).

Compared to national elections, economic voting in European Parliament (EP) elections is clearly a more complex phenomenon. Focusing on EU politics, it is important to note that EP elections do not contribute to the installation of any European executive or government. The specific economic policy domains of EU institutions *vis-à-vis* the national governments are often only vaguely defined so that voters have a hard time identifying responsible politicians or speculating on the potential differences an allegedly more competent alternative might make. Focusing on national politics, the established

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'second-order election model' posits that EP elections are not specifically concerned with EU politics, but instead provide voters with an opportunity to indicate their dissatisfaction with the incumbent governments. The complexity of multilevel government makes economic voting in EP elections a crucial and intriguing phenomenon. This article concentrates on three pivotal aspects:

- Economic voting is effective and consequential in EP elections, and the specific magnitude of the economic vote crucially depends on how voters assign the responsibility for economic policies to national and EU institutions.
- Economic voting potentially has a profound impact on the operation of the EU's political system. If voters, for instance in times of economic crises, rationally turn against (national) incumbents, this may lead to a divided government and confront antagonistic players in the intergovernmental Council and in the supranational EP.
- Any study of voting in EP elections needs to bring the non-voters back into focus. Theoretical arguments and empirical evidence clearly suggest that turnout in EP elections may reflect the second-order nature of EU politics and tends to be significantly lower than in national elections. In this vein, it is central to understand which voters actually voice specific protest in EP elections (one motivation could be economic voting) and which voters are disenchanted with politics and simply do not show up at EP elections.

There are currently only a few studies on economic voting in EP elections (for instance, Tilley *et al.*, 2008). Responsibility attribution and signal extraction in the European multilevel system is much more difficult than in national elections since economic competencies are shared and split among the national and European institutions. To date, we are not aware of any empirical study of economic voting in EP elections that has taken this difficulty into consideration. Even those contributions that draw upon material related to European elections usually only focus on a small number of country contexts, or do not fully specify and address the context of elections in multilevel systems with shared competencies for economic policies.

The current financial and economic crisis presents a unique opportunity to assess the significance and variability of the economic vote across heterogeneous settings and to explore how citizens and likely voters extract politically relevant competence signals from raw economic indicators. While the individual waves of the European Election Studies (EES) provide a unique opportunity to assess, compare and explain the economic vote across the territorial contexts of the Member States, a comparison of our findings across the vastly divergent political and socioeconomic contexts of the 2004 and 2009 elections allows a further investigation of the temporal contexts of subsequent elections.

In this article, the literature on economic voting is first reviewed and then presented as both a parsimonious and context-sensitive theoretical account of economic voting in EP elections, drawing on previous contributions to the study of economic voting and the specifics of European elections. The statistical model, composed of data predominantly taken from the European Election Studies series and augmented with contextual data from various sources, is elucidated. We then present our empirical evidence on economic voting and test the core hypotheses. We show that economic considerations feature prominently among the empirical determinants of vote choice in both the 2004 and the 2009 EP elections. In turn, we demonstrate the conditionality of the economic vote and discuss the

interaction of economic voting with vote abstention in EP elections. The final section of the article concludes and evaluates the potential implications of our principal findings for the politics of European elections and their scientific evaluation.

## I. Theories of Economic Voting in a Multilevel Context

### *Theories of Economic Voting in EP Elections*

The specific effects of economic developments on voter perceptions and on their electoral behaviour have been addressed from a variety of theoretical and conceptual angles. The classical ‘sanctioning model’ employs a retrospective view and attributes economic developments to the government, positing that voters tend to reward parties in government when the economy is doing well and punish governing parties in times of economic crisis (Fair, 1978; Ferejohn, 1986; Fiorina, 1981; Key, 1966; Kramer, 1971). Conversely, the more recent ‘selection model’ adopts a prospective view. In line with the classic Downsian model of spatial voting, voters are interested in future developments, compare alternative political platforms and attempt to infer their competence to manage the economy (Alesina *et al.*, 1997; Duch and Stevenson, 2008; Persson and Tabellini, 1990). Additionally, there is a strain of research looking at the impact of economic conditions and perceptions on public support for different issues, including European integration (Anderson, 1998; Gabel and Whitten, 1997; Garry and Tilley, 2009; Serricchio *et al.*, 2013).

This article adopts a forward-looking perspective, which assumes that voters are concerned with more than just punishing and replacing the incumbent government with *any* given alternative. In multiparty elections, voters are supposed to select the most competent candidates or parties. Rational voters, therefore, do not automatically respond to the stimuli of raw macroeconomic indicators, but partition these economic performance scores into two parts. The first part results from the economic competence and economic policies of the incumbent government and is, therefore, relevant for the economic vote. The second part comprises economic performance scores resulting from external shocks beyond the control of the sitting government and, therefore, irrelevant for the economic vote.

Focusing on the selection model of economic voting, we assume that voting behaviour is affected by the expectations of future economic policies and development. Voters can only be motivated by economic developments to the extent that they are aware of the economic conditions and know how to make sense of this information. This implies that raw economic indicators are not the exclusive focus, but that contextual variables such as responsibility for the economy in the multilevel system must also be considered. In this article, we use the perceived future economic development as our core explanatory variable. Given that vote choice is made by individual citizens, it can only be determined and explained by their individual perceptions of the economy and not by some more distant proxy of ‘objective’ economic development, which may be either unknown or irrelevant to the voter. We assume that the objective economic indicators are reflected in the prospective economic assessments (Tverdova, 2012).

The prospective economic voting approach is more compatible with the basic notions of Downs’ (1957) theory of electoral behaviour. The related *selection* or *competence* models by Stigler (1973) go beyond the simplistic reward-punishment logic and instead build upon rational expectations regarding future economic policies and trajectories.

These models include a number of assumptions. For instance, governments are supposed to differ in their competence of handling economic problems and implementing economic policies, and voters are expected to infer the alternative parties' economic policy competence by observing past policies and past economic outcomes. Furthermore, voters are considered rational actors who are sufficiently competent to determine the extent to which economic developments are either produced by the actions or inactions of the respective national government, or are the result of external shocks.

The selection model has some clear advantages over the sanctioning model when there are more than two parties. It not only explains why economic developments motivate voters (negatively) to get rid of unsuccessful incumbents, but also takes into consideration why these voters (positively) opt for some specific candidate or some specific political party. Selection models also allow for a more straightforward and more systematic incorporation of contextual developments into the analysis (Duch and Stevenson, 2008, pp. 9–15). The overall explanatory value and scientific merit of these models crucially depend on the voters' propensity to understand economic developments and the underlying determinants. Voters also need to process these economic signals in order to partition any economic shock into an exogenous component, beyond the influence of the elected representatives, and another component that is closely connected to the government's competence (Cheibub and Przeworski, 1999; Fearon, 1999).

Signal extraction usually implies that perceived economic developments are partitioned into two components: a competence component comprised of the actions of the government, and an exogenous component comprised of external shocks. In the European multilevel system, signal extraction becomes more complicated and depends on the identification of three components: the national government's (alleged) competence for the management of the economy; the supposed impact of monetary and regulatory politics at the European level; and external shocks emanating from globalization and the integration of the EU economies into the world market. In the same vein, in a complex European multilevel system, where economic competencies are shared and the evaluations of and responsibilities for the economy may be blurred, the extraction of meaningful competence signals becomes even more complicated. It thus requires considerable knowledge to gather the information necessary to cast an economic vote and to 'vote correctly' (Lau and Redlawsk, 1997).

### *Hypotheses on Economic Voting in EP Elections*

Building on the discussion of economic voting models and the debates about the domestic and/or European nature of EP elections, we derive a number of hypotheses that are tested in this study. We embed established hypotheses from economic voting theories with some contextual approaches that have been used for the analysis of EP elections, such as the second-order and issue voting models. The multilevel context requires that voters also identify whether the specific economic policies originated at the national or the European level.

Our first hypothesis concerns the economic voting mechanism in general. We assume that voters adopt a forward-looking perspective and base their vote choice, at least partly, on prospective economic assessments. At the most general level, we expect those voters, who indicate sceptical expectations about future economic development, to vote against

the government, and voters expressing more optimistic views are expected to vote for (one of) the incumbent parties:

*H1* (The Economic Vote): Everything else being equal, voters who think the national economy is going to deteriorate are more likely to vote for an opposition party, and voters who think the national economy will improve are more likely to vote for an incumbent party.

The formation of expectations about future economic performance and the extraction of competence signals are profoundly dependent on macro-level economic indicators. The first two quarters of 2004 preceding the EP elections have witnessed generally favourable economic conditions. Focusing on gross domestic product (GDP) growth as a key indicator, the average growth in the EU-25 was then about 2.6 per cent with only Malta being in a slight recession and many other countries reporting solid growth levels beyond 4 per cent (for example, the Czech Republic, Ireland, Greece and Luxembourg). However, the situation before the EP elections in June 2009 was dramatically different. Growth in the EU-27 declined by more than 4.5 per cent, with only Poland still growing, and most of the other economies shrinking by more than 5 per cent.<sup>1</sup>

There are specific reasons for our focus on a comparison of different EP election waves (namely 2004 and 2009). On the one hand, this strategy opens up an avenue to consider, apart from differences among countries and individuals, the shifts of macroeconomic performance which affect the EU as a whole. On the other hand, the comparison of EP elections, which were organized under vastly different economic contexts, allows one to systematically shed more light on signal extraction and to explore how voters effectively make sense of economic performance indicators.

In the second hypothesis, we propose that economic voting is more than the mere reflection of macroeconomic performance indicators. Instead, the magnitude of the economic vote crucially depends on how voters make sense of these raw indicators, such as GDP growth, inflation or unemployment, and how voters extract and process competence signals – that is, whether they attribute economic developments to government action or inaction or to external shocks beyond the respective government's influence:

*H2* (The Economic Vote and Macroeconomic Context): If voters figure that elected officials, either at the national or the European level, predominantly bear responsibility for the management of the economy, then the economic vote in 2009 significantly exceeds the previous economic vote in 2004. Conversely, when economic development is attributed to external factors beyond the scope of government control, then the magnitude of the economic vote in the 2009 elections does not exceed the previous economic vote in 2004.

One of the key factors determining the presence and magnitude of the economic vote in national elections is trade openness. Increasing exposure to the world market and the interdependence of national economies may erode country-wise differences among key performance indicators such as growth, inflation and unemployment. Empirical analyses have demonstrated that voters who consider economic globalization an increasing, relevant and substantively meaningful fact are less likely to cast an economic vote (Duch and Stevenson, 2008).

<sup>1</sup> Data on GDP growth in the EU (and other macroeconomic performance indicators) was taken from the Eurostat database at <<http://epp.eurostat.ec.europa.eu>>.

This argument is related to the blurred responsibilities for economic policy-making and can, therefore, easily be restated for the European multilevel system and applied to the analysis of EP elections. When the responsibility for (economic) policies is allocated to various levels of a hierarchical political system, political responsibility is blurred and options to hold elected office holders responsible diminish quickly (Duch and Stevenson, 2010; Hellwig, 2008). To date, the literature that systematically explores the determinants of economic voting in multilevel systems is still very limited. For instance, Costa Lobo and Lewis-Beck (2012) show that the economic voting mechanism is significantly weakened when voters (even partly) also attribute the responsibility for economic policy outputs to EU institutions. The authors illustrate their argument by a small-*N* comparison of the magnitude and determinants of the economic vote in four southern European countries (Greece, Italy, Portugal and Spain).

Therefore, the third hypothesis considers whether voters credit or blame European or national politics for the management of the economy. Within the European multilevel system, the macroeconomic performance indicators, the extraction of forward-looking economic competence signals, and the willingness of the voters to hold either European or national politicians responsible for economic performance may interact in a number of ways. Voters in EP elections need to figure out whether certain economic developments are caused by specific economic policies or by external influences beyond the scope of economic policy-making. These considerations are embedded with more general models of voter behaviour in EP elections. The 'second-order election model' generally assumes that voters do not consider EP elections to be overly salient and they predominantly exploit the opportunity to send signals to their respective national governments. Conversely, supporters of the issue voting approach presuppose that voters do care, at least to a certain extent, about EU politics when they cast their vote.

*H3 (National versus European Responsibilities):* There are four potential interactions of economic policy attribution within the national and European levels, each of which having different implications for economic voting: (1) if voters exclusively credit or blame their national government for the economic success or failure of their country, then the magnitude of the economic vote is high; (2) if voters exclusively hold the EU responsible for the economic development of the respective Member State, and the responsibility of national governments for the management of the economy is limited, then the magnitude of the economic vote is reduced; (3) if voters hold both the EU and the national government responsible for the management of the economy, then political accountability is blurred and the magnitude of the economic vote is reduced; and (4) if voters think that neither the EU nor the national government is responsible for the management of the economy, then there is no economic vote.

While the aim is to embed the theory of economic voting in the context of EP elections, we also consider the causes and the consequences of abstention. The second-order election model argues that turnout tends to be lower in EP than in national elections because EP elections are considered to be of low salience. These expectations have been strikingly corroborated by robust empirical evidence. While we cannot present a fully-fledged model of turnout in this article, we can specifically focus on the interrelations of the economic vote with turnout and abstention. On the one hand, prospective economic assessments are not only supposed to fuel economic voting, but are also expected to impact on political participation. On the other hand, it has often been argued that economic voting is a specific

phenomenon championed by informed and skilled voters, while abstention traces back to comparatively diffuse motives, where predominantly unskilled or uninformed individuals tend to abstain.

*H4* (Economic Voting versus Abstention in EP Elections): Negative economic assessment may fuel both economic voting and abstention: eligible voters, who sceptically assess the future economic development of their country, but tend to be politically informed and interested, tend to cast an economic vote against the incumbent government; eligible voters who hold negative assessments of the economy and tend to be politically ill-informed and/or uninterested tend to abstain.

We also include a number of controls that may affect the (magnitude of the) economic vote. First, we explore whether the more general approval of the government's record, which may be affected by economic and non-economic policy domains, and satisfaction with the democratic process in the Member States and at the EU level, also influence whether voters prefer parties in government or those in opposition. Voters who tend to approve of the incumbent government's record regarding economic and non-economic policies are significantly more likely to vote for a party in government. Likewise, voters who are satisfied with the way democracy works at the European and national levels tend to cast a vote in favour of the incumbent parties. Second, given that 'correct' economic voting requires a considerable level of economic and political knowledge, we include a series of indicators that capture cognitive resources (political interest and sophistication). Third, we control for the general economic preferences of voters and non-voters by including their attitudes towards state intervention in the economy and redistribution.

## II. The Statistical Model, Data and Variables

### *The Empirical Research Strategy*

The analysis of economic voting considers stated vote choices in EP elections to be the principal dependent variable. Given that we include both individual- and alternative-specific variables in the analysis, we use an alternative-specific layout of the data set, where the vote choice variable is arranged as  $j$  choice options for each individual  $i$  in each country  $k$ . The vote for a specific candidate is captured by the binary variable  $v_{ijk}$ , which indicates whether the respondent voted for a specific party option or not ( $0 =$  voter  $i$  did not cast a vote for party  $j$ ;  $1 =$  voter  $i$  cast a vote for party  $j$ ). Turning to the independent variables, prospective assessments of the economy are captured by the ordinal variable  $econpro_{ik}$  ranging from (1) 'a lot better' to (5) 'a lot worse'. Evidently, we also need to include the interaction effect of prospective economic assessments with a dummy variable  $gov_{jk}$ , which indicates the incumbency status of any specific party ( $0 =$  party in opposition;  $1 =$  party is part of the national government).

In order to provide descriptive inferences on the presence of economic voting, we investigate the empirical association of stated vote choice with the interaction of prospective economic assessments and incumbency. We employ a mixed logit model that includes both fixed and random effects for the key explanatory variables:

$$\Pr[v_{ijk} = 1 | x_{ijk}] = \frac{e^{(\beta x_{ijk} + \zeta_i x_{ijk})}}{\sum_{j=1}^J e^{(\beta x_{ijk} + \zeta_i x_{ijk})}} \quad (1)$$

with

$$x_{ijk} = \beta_1 \cdot \text{econpro}_{ik} + \beta_2 \cdot \text{gov}_{jk} + \beta_3 \cdot \text{econpro}_{ik} \cdot \text{gov}_{jk} \quad (2)$$

In order to proceed to causal inferences on the determinants of the economic vote, we analyze economic voting from a different angle. We conceptualize voting as the choice among three different alternatives: (1) a vote for an incumbent party, (2) a vote for an opposition party, and (3) abstention. In addition to prospective economic assessments and incumbency as explanatory variables, we also consider to whom an individual attributes credit and blame for the economy (to the national government, to EU institutions or to both). We also include the voter's approval of the sitting government's record and their satisfaction with democracy at the national and EU levels as further controls. Given that only individual-specific variables are included, we were able to reduce the complexity of the statistics and model the three categories of vote choice by hierarchical multinomial logit. Formally, this model may be stated as follows:

$$\Pr[v_{ik}] \sim \text{multinomial}(\beta_0 + \beta_1 x_{ik}) \quad (3)$$

with

$$x_{ik} = \beta_{[j]} \cdot \text{econpro}_{ik} + \beta_{1[j]} \cdot \text{respgov}_{ik} + \beta_{2[j]} \cdot \text{respeu}_{ik} + \beta_{3[j]} \cdot \text{respboth}_{ik} \\ + \beta_{4[j]} \cdot \text{approve}_{ik} + \beta_{5[j]} \cdot \text{satisdmo}_{ik} + \beta_{6[j]} \cdot \text{satisdeu}_{ik} \quad (4)$$

### *Data Sources and Variables*

For the analysis of economic voting, we need to incorporate information on vote choice and individual-specific assessments of economic development. The European Elections Study (EES) series provide our principal data for the study of economic voting in EP elections. Additionally, the survey evidence is augmented with empirical data on the government or opposition status of political parties. This data is primarily taken from the ParlGov database (Döring and Manow, 2010).

Our analysis of the economic vote draws from the two most recent waves of the EES<sup>2</sup> and the 2004 EES study. Only those two waves provide detailed information on voting behaviour in national and EP elections and on expectations regarding the future of the economy. Information on the voters' attributions of economic responsibilities to either the national or the European level is available only in the 2009 wave. These waves also enable comparisons of economic voting during the rather solid period of economic development in 2004 (when only one Member State, Malta, faced a recession) and the turmoil of the economic crisis in 2009 (when only one Member State, Poland, experienced growth).

The dependent variable is the stated vote choice in EP elections. The EES are designed as post-election surveys and require the respondents to indicate their actual vote choice immediately after the EP elections. In the second part of the analysis, we also consider abstention from the EP elections as another option.

<sup>2</sup> For details, see «<http://eeshomepage.net/>» and the 2009 PIREDEU study: «<http://www.piredeu.eu/>».

The key independent variable is provided by individual-specific expectations of the economic path of the respondent's country in the next 12 months. Vote choice is, among other motives, conditional on the perceptions of economic development and the incumbent or oppositional status of a political party competing in the EP elections. The variable  $gov_{jk}$  is a binary dummy variable that indicates the national government ( $gov_{jk} = 1$ ) or oppositional ( $gov_{jk} = 0$ ) status of a political party when the EP elections were held (Döring and Manow, 2010, and <http://www.parlgov.org>).

Turning to European multilevel governance, empirical data regarding whom voters credit or blame for the economic development of their country is based on two parallel questions enquiring as to the degree a voter thinks the national government is responsible for current economic conditions in a given country and to which degree the EU is responsible. Possible answers range from 0 ('no responsibility') to 10 ('full responsibility'). On that basis, we construct three dummy variables indicating who is responsible for the national economic performance: mainly the national government (answer > 5 on the first and < 5 on the second question), mainly the EU (answer < 5 on the first question and > 5 on the second question), both government and the EU are responsible (answer > 5 on both questions). These have been respectively labelled  $respgov_{ik}$ ,  $respeu_{ik}$  and  $respboth_{ik}$ . The reference category implies that neither the EU nor the national government bear responsibility for the management of the economy.

We include a number of controls that are also part of the EES data set. The more general approval of the government is captured by a specific survey item: 'Do you approve or disapprove of the government's record to date?' The answer is binary and captures either the approval or disapproval of the government's performance, denoted as the dummy variable  $approval_{ik}$ . Additional questions consider the interviewees overall satisfaction with democracy at the country and European levels: 'On the whole, how satisfied are you with the way democracy works in [your country]?' and 'How satisfied are you, on the whole, with the way democracy works in the EU?' Possible answers for both questions ranged from 1 ('very satisfied') to 4 ('not at all satisfied'). We created two dummy variables,  $satisdmo_{ik}$  and  $satisdeu_{ik}$ , both stating whether the person is satisfied (0 for answers 1 and 2), or not (1 for answers 3 and 4) with democracy at the national and EU levels.<sup>3</sup>

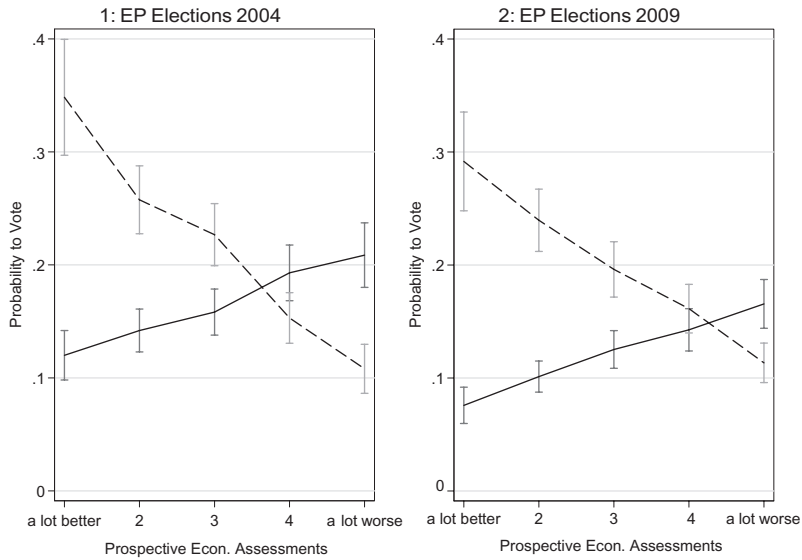
### III. Non-Voting, Voting and Economic Voting

#### *The Dynamics of Government and Opposition*

The estimation strategy by Duch and Stevenson (2008) avoids reducing elections to a binary contest between the government and the opposition and primarily yields estimates of the magnitude of the economic vote at the contextual level – for example, the 'survey' or country levels (see Duch and Stevenson, 2008, pp. 39–128). While this enables the authors to compute and compare a series of indicators for the presence and magnitude of the economic vote in various elections and countries, our contribution adopts another perspective. Rather than evaluating aggregate-level estimates of the economic vote, our estimation strategy consistently focuses on the individual level and is primarily interested

<sup>3</sup> The specific wording of these and other survey items is described in the online appendix.

Figure 1: Predictive Margins of Prospective Economic Assessments in the 2004 and 2009 EP Elections



Source: Authors' own calculations.

Notes: The dashed line refers to incumbent parties in national government; the solid line refers to opposition parties.

in explaining the choices by individual voters. Therefore, this article sticks with the conventional estimation strategy and models the economic vote as the choice between incumbent and opposition parties.

We begin with a baseline model, where vote choice of voter  $i$  concerning party  $j$  in country  $k$ ,  $v_{ijk}$  is determined by prospective evaluations of the economy  $econpro_{ik}$  and a binary variable  $gov_{jk}$ , which indicates the opposition or incumbent status of any party competing in the election. We posit that the probability to cast a vote for a certain party is co-determined by an interaction of individual expectations about future economic development  $econpro_{ik}$  and a dummy variable  $gov_{jk}$  indicating the incumbency status of any party option on the ballot:  $\Pr[v_{ijk} = 1] = econpro_{ik} \cdot gov_{jk}$ .

Figure 1 presents empirical evidence on the impact of the economy on the vote in 2004 (the left-hand panel) and in 2009 (the right-hand panel). The dashed lines denote the predictions and their statistical uncertainty for government parties, and the solid lines present the same information for opposition parties. Both panels show that the predicted probability to cast a vote for an incumbent party clearly diminishes when voters think their country is facing hard times and clearly rises as the voters take more optimistic stances. The simple baseline model thus yields solid evidence for the relevance of economic voting in the 2004 and 2009 EP elections and therewith supports *H1* on the presence of the economic vote.

The magnitude of the economic vote appears to be roughly the same for the divergent socioeconomic contexts taken into consideration. Particularly, the current economic crisis neither appears to significantly boost nor reduce the magnitude of the economic vote. The only difference between the two panels of Figure 1 is the magnitude of the effect of

prospective economic assessments on vote choice. The dashed line, which connects the individual effects, is a bit steeper for the 2004 than for the 2009 EP elections, indicating an even larger impact of economic assessments on vote choice during the rather solid economic development in the first two quarters of 2004 than during the economic turmoil leading up to the EP elections of 2009. However, the sparse models discussed so far do not tell us much about the causes of these differences. We may only speculate that voters in the 2009 EP elections were ready to attribute the economic downturn to an exogenous shock beyond the grasp of the sitting national governments or the EU. These findings at least partly support the significance of the signal extraction mechanism as outlined in the context-sensitive *H2*. Rather than merely reflecting 'objective' macroeconomic developments, the economic vote appears to be founded on the careful extraction of competence signals.

However, we briefly need to attach and discuss one caveat: It has been demonstrated that individual-specific assessments of the economy are often themselves shaped by partisanship, thus introducing an endogeneity problem to the analysis. Supporters of parties in government tend to evaluate the state of the economy more favourably than supporters of opposition parties (Bartels, 2000, 2002; Gerber and Huber, 2010; Kramer, 1983; Lewis-Beck *et al.*, 2008). Our empirical findings, which are fully documented in the online appendix, clearly indicate that voters, who side with the government, tend to hold much more optimistic expectations regarding economic development in the coming twelve months. However, our results also clearly reveal that voters react to macroeconomic performance indicators when they speculate about future economic developments. Voters consistently hold more favourable expectations when growth is high and unemployment and inflation are at lower levels. A re-analysis of the EES data, which builds on a two-stages-least-squares estimator, leads to the conclusion that endogeneity problems may take some 'causal steam' out of the analysis, but will not fundamentally bias its key findings.<sup>4</sup>

### *The Economic Vote and Vote Abstention*

In this part of the analysis, we assess two further theoretical arguments and the related hypotheses. Partly motivated by the second-order election model, we not only distinguish between voters who cast a vote for an incumbent or for an opposition party, but we also consider abstention. Note that the share of respondents who indicate they abstained amounts to more than 50 per cent in the 2004 and 2009 EP elections. Furthermore, we expand the range of explanatory variables in the analysis and explicitly model the peculiarities of EP elections.

Table 1 presents the results of two hierarchical multinomial logit models capturing voting behaviour and abstention in the 2004 and 2009 EP elections, respectively. In both models, we have used those who cast a vote in favour of the incumbent government as the reference category. Therefore, the sub-models M1.1 and M2.1 indicate the divergent determinants of votes cast for and against the sitting government. The columns M1.2 and M2.2 indicate the differential determinants of votes in favour of the incumbent government and abstention. The interpretation of multi-equation models, especially the multinomial

<sup>4</sup> The findings derived from the endogenous variable models are more fully documented in the online appendix.

Table 1: Determinants of Economic Voting or Abstention

	<i>M1: 2004 EP elections</i>		<i>M2: 2009 EP elections</i>	
	<i>M1.1: v<sub>ik</sub> = 0</i> Vote against government	<i>M1.2: v<sub>ik</sub> = 2</i> Abstention	<i>M2.1: v<sub>ik</sub> = 0</i> Vote against government	<i>M2.2: v<sub>ik</sub> = 2</i> Abstention
<i>1: Economic assessments</i>				
2: 'A little better'	0.33 (0.17)	0.20 (0.15)	0.30* (0.14)	0.22 (0.12)
3: 'Stayed the same'	0.56*** (0.17)	0.42** (0.15)	0.49*** (0.14)	0.49*** (0.12)
4: 'A little worse'	0.97*** (0.18)	0.68*** (0.16)	0.58*** (0.14)	0.55*** (0.13)
5: 'A lot worse'	1.60*** (0.20)	1.19*** (0.19)	0.73*** (0.15)	0.62*** (0.13)
2: <i>Age</i>	-0.00** (0.00)	-0.02*** (0.00)	-0.01*** (0.00)	-0.02*** (0.00)
3: <i>Government approval</i>	-2.40*** (0.06)	-1.45*** (0.06)	-1.71*** (0.05)	-1.10*** (0.05)
4: <i>Satisfaction with democracy</i>				
1: National level	-0.12 (0.07)	-0.39*** (0.07)	-0.12* (0.06)	-0.43*** (0.05)
2: EU level	0.03 (0.06)	0.10 (0.06)	-0.15** (0.05)	-0.03 (0.05)
5: <i>EU membership</i>				
2: 'Neither/nor'	0.08 (0.11)	-0.11 (0.10)	-0.41*** (0.10)	-0.21* (0.10)
3: 'A bad thing'	0.26* (0.10)	-0.34*** (0.10)	-0.64*** (0.09)	-0.65*** (0.09)
6: <i>Interest in EP elections</i>				
2: 'Somewhat interested'	0.15 (0.08)	0.82*** (0.07)	-0.00 (0.07)	0.26*** (0.07)
3: 'A little interested'	0.31*** (0.09)	1.27*** (0.08)	-0.12 (0.07)	0.66*** (0.07)
4: 'Not at all interested'	0.41*** (0.11)	1.60*** (0.10)	-0.20* (0.09)	1.49*** (0.08)
7: <i>Political sophistication</i>				
8: <i>Responsibility attribution</i>				
1: Government			0.24*** (0.07)	0.11 (0.06)
2: EU			-0.19* (0.09)	-0.20* (0.08)
3: Both			0.06 (0.06)	-0.03 (0.06)
9: <i>Issues</i>				
1: Intervention			0.06*** (0.02)	-0.04* (0.02)
2: Redistribution			-0.08*** (0.02)	-0.03* (0.02)
<i>Constant</i>	0.94*** (0.22)	3.45*** (0.20)	1.57*** (0.21)	2.26*** (0.19)
<i>Random intercept</i>				
var $\psi$	0.22*** (0.02)		0.35*** (0.03)	
N	15,629		18,789	
Log likelihood	-13,280.85		-17,007.10	

Source: Authors' own calculations.

Notes: Vote for the incumbent government is the reference category ( $v_{ik} = 1$ ). Standard errors in parentheses. \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

logit, is often cumbersome because each specific outcome (for example, in M1.1 and M1.2 or M2.1 and M2.2) needs to be compared with the selected reference category. For the purposes of this analysis, we also need to compare the effects of our key explanatory variables across the separate models for the 2004 and 2009 EP elections (M1 and M2).

The determinants of casting an (economic) vote for an opposition party and vote abstention are indeed remarkably similar (models M1 and M2 in Table 1). Most significantly, eligible voters, who are sceptical about the future economic path of their country, tend to either favour an opposition party or to abstain at strikingly similar rates in both EP elections. Voters, therefore, may not only respond to negative economic assessments by casting an economic vote for the opposition, but at a similar rate they may also choose not to participate at all. On the one hand, decreasing levels of confidence in future economic developments are consistently linked with a lower probability to cast a vote for one of the parties which form the incumbent government (again corroborating *H1* and *H2*). On the other hand, bleak economic expectations significantly increase the probability that an individual chooses to abstain from voting (also corroborating *H4*). These effects are of outstanding significance for the analysis of EP elections where traditionally voters assume low political salience and often do not show up. This implies that the economic vote in EP elections may be smaller than in national elections because many voters who are dissatisfied with the economy do not cast an economic vote and also do not vote in EP elections.

There are additional similarities among those who cast a vote for the opposition and those who abstain. In both the 2004 and the 2009 EP elections, older people are both less likely to vote for the opposition and less likely to abstain than younger ones. In addition, eligible voters who indicate disapproval of the government's record are both more likely to choose an opposition party and to abstain. The empirical findings are rather mixed for the items that measure satisfaction with democracy at the national and at the European level. While the signs of the estimated coefficients by and large point to the expected direction and indicate that dissatisfied voters tend to vote for the opposition or to abstain, these effects are often not significant and not very large. In the same vein, we do not find very consistent associations of more general evaluations of EU membership.

While the driving forces for casting an (economic) vote against the government and for vote abstention overlap to a considerable extent, there are a number of crucial indicators that potentially help to explain why an individual may want to cast a vote for an opposition party or abstain. Naturally, individuals who indicate little or no interest in the respective EP elections are also much more likely to abstain than to cast an economic vote in favour of an opposition party. In line with previous analyses, we also find that unsophisticated survey respondents – that is, those who fail to correctly answer a battery of knowledge questions – appear to be more likely to abstain, and that those with higher levels of political knowledge tend to cast a vote, be it for or against the government.

We find considerable evidence for the impact of responsibility attribution on economic voting as laid out in *H3*. In the theoretical part, we argued that vote probabilities for incumbent or opposition parties are also linked to the degree of responsibility for managing the economy that the voters assign to national and/or to European institutions. We suggested that those who think the national government is exclusively in charge of managing the economy are expected to have the highest likelihood of turning away from the incumbent parties and casting an economic vote. In contrast, when voters tend to blame or credit the EU for the economic path of their country, political accountability is

easily blurred and the economic voting mechanism is significantly weakened. Unfortunately, only the 2009 PIREDEU study provides sufficient empirical information to address these matters. The findings of our analysis do indeed support these hypotheses. Voters who think the national government is exclusively responsible for managing the economy are much more likely to cast an economic vote against the government than to opt for an incumbent party or to abstain. In contrast, voters who find that the EU is to blame or credit for the economic trajectory of their country, are somewhat more likely to stick with one of the parties in government.

Ultimately, a final set of items more specifically captures policy preferences. The empirical analysis yields strong evidence that citizens, who reject the view that the state should stay out of the economy, tend to cast an economic vote against the government, while citizens who support this notion are likely to abstain. Conversely, eligible voters who think political institutions should not interfere with the economy, lack any rational reason to take economic assessments into consideration when they cast their vote (and possibly abstain). In related matters, casting an economic vote is closely associated with supporting the idea that there should be significantly more redistribution of income and wealth 'towards ordinary people'.

## Conclusions

In this study, we have investigated the phenomenon of economic voting in multilevel elections within the selection model. In particular, we focused on how prospective economic assessments held by voters affect their vote choice in the 2004 and 2009 EP elections. A comparison of these two EP elections allowed us to further explore the magnitude and the determinants of economic voting in one context, where only a single Member State of the EU, Malta, experienced an economic downturn, and in another scenario where only a single Member State, Poland, experienced positive economic growth. We believe that our analysis generates a number of important insights and implications for the study of EP elections.

The first contribution of this article was to establish whether voters in EP elections actually react to economic policy when they cast their vote. Effectively, we found conclusive evidence that this is actually the case. Across the board those voters who think their respective national economy is going to do well over the next 12 months are more likely to stick with one of the parties in government, while those who think the national economic development gives cause for concern are more likely to try out one of the parties in the opposition. Although the socioeconomic context is, as explained, distinctly divergent, the overall magnitude of the economic vote is remarkably constant across the 2004 and 2009 EP elections.

Second, we shed some light on the causal determinants of economic voting and explore how voters allocate responsibility for the successful management of the economy between national and European institutions. This is clearly a matter of importance because voters may hold politicians accountable for a variety of reasons. They need to link a phenomenon (in this case, the development of the national economy) to the action or inaction of elected politicians at the national or at the European level. Furthermore, voters need to believe that there is a representative channel which enables them to have a voice in policy-making at the national and European levels.

Our third contribution was to bring non-voters 'back in': while we have demonstrated that negative economic assessments may motivate both economic votes in favour of the opposition and abstention, we have also shown that those who exclusively hold the national government responsible for the economy and those who prefer increased redistribution of income and wealth tend to cast an economic vote rather than abstain from voting. The consideration of non-voters is particularly crucial in EP elections, which are (and have always been) characterized by high abstention rates and low turnout.

These findings on economic voting and abstention come with a number of implications for EU politics. Voters in national elections choose between parties they believe to be competent or not so competent managers of the economy and they choose between parties they trust to cater for their more specific economic interests. In turn, they expect to have a (albeit limited) say in who governs and who implements which economic policy at the national level. The same cannot be said for interest representation in the EU. In EP elections, voters may only have a (again limited) say regarding the composition of their respective national group of members in the EP. The limited mandate of the EP *per se* does not offer voters a direct link to influence governance and economic and regulatory politics at the European level. The complicated nature of EU decision-making even renders the established competencies of the EP somewhat invisible. Therefore, it should not come as a surprise that those voters, who consider the management of the economy a domain of their respective Member States, almost exclusively cast an economic vote. Even to the extent that economic policies are not effectively insulated from electoral control and assigned to some bureaucracy, national governments and politicians are possibly the only visible actors involved in economic policy-making at the EU level.

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## Supporting Information

Additional Supporting Information may be found in the online version of this article at the publisher's web-site:

**Table 1:** We first run two hierarchical ordered logit models which model the prospective economic assessments by the exogenous variables (dep. var. =  $\text{econpro}_{ik}$ ).

**Table 2:** We then use predicted values from the first stage ( $\widehat{\text{econpro}}_{ik}$ ) as exogenous instruments for prospective economic assessments

**Figure 1:** Predictive Margins of *Instrumented* Prospective Economic Assessments in the 2004 and 2009 EP Elections