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To cite this article: Timothy Hellwig & Ian McAllister (2016): Does the economy matter? Economic perceptions and the vote in Australia, Australian Journal of Political Science, DOI: [10.1080/10361146.2015.1135306](https://doi.org/10.1080/10361146.2015.1135306)

To link to this article: <http://dx.doi.org/10.1080/10361146.2015.1135306>



Published online: 05 Feb 2016.



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ARTICLE

Does the economy matter? Economic perceptions and the vote in Australia

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ABSTRACT

Does the economy matter for how Australians vote in federal elections? International studies show an association between economic performance and elections, but research on Australia finds that the impact of the economy on voting is modest. What explains this relative absence of economic voting? How do Australians perceive the economy? And how do economic perceptions inform their decisions at the polls? Our results confirm the lack of an association between economic indicators and incumbent vote shares. Analyses of survey data from 1996 to 2013 show that political factors condition perceptions of economic performance, while preferences for – and perceptions of – the government’s unified control over economic policy shape the influence of economic perceptions on voter choice. Overall, responsibility attributions are the key to economic voting in Australia.

ARTICLE HISTORY

Accepted 18 December 2015

KEYWORDS

Economic voting; Australian elections; responsibility attributions; political dispositions

Studies of voting in Australia have consistently found that the impact of the economy on electoral choice is relatively modest, once other factors are taken into account. This finding generally holds for studies that have relied on aggregate data (Blount 2002; McAllister 2003) as well as those that have used individual-level survey data (Goot and Watson 2007; McAllister 2011). This is in contrast to international studies, which have generally found a direct and consistently important effect for the economy in shaping the vote (for a review, see Duch and Stevenson 2008; Lewis-Beck and Stegmaier 2007). Outside Australia, the electoral impact of the economy has been particularly strong in the period since the global financial crisis (GFC), as voters hold governments accountable for the effect of the economic downturn on their living standards (Bartels 2014; Hobolt and Leblond 2014; Whiteley et al. 2013: chapter 6).

Is there an Australian exceptionalism in economic voting? Taken together, the research on electoral behavior in Australia suggests that economic voting is, at best, weak. Does such an assessment with respect to the non-effects of economic performance on elections hold up to an examination over multiple elections? If the economy does matter, what form does it take? And if the economy is less important to explaining election outcomes than in

comparable countries, what explains it? The Australian Election Study (AES) has consistently asked representative samples of the Australian electorate their perceptions of economic conditions. Using these data from 1996 to 2013, we address two key questions. First, how do Australians perceive ‘the economy’? Second, how do economic perceptions inform their decisions at the polls?

We begin by discussing the literature on economic voting in Australia, focusing particularly on the possible explanations for the relative absence of a strong electoral effect for the economy. The second section measures the aggregate impact of the economy on the vote, while the third section shifts the focus towards economic perceptions. The third section models these perceptions, showing the importance of social background and partisanship. Finally, we assess the impact of economic perceptions on incumbent vote choice. We conclude that accountability mechanisms lie at the heart of how voters perceive the economy.

Economic voting in Australia

Traditional accounts of Australian voting, conducted in the 1970s and based on the first academic opinion surveys, focused on the relationship between class and party rather than on the performance of the economy (Aitkin 1982; Aitkin and Kahan 1974; Kemp 1978). This approach followed parallel studies conducted in Britain and the USA, most notably Butler and Stokes’ *Political change in Britain* (1974), which were informed by the Michigan School (Campbell et al. 1960) and focused on partisanship as the predominant explanation for electoral choice. Later work has been influenced by this approach and has often tended to examine the impact of occupational class on the vote, rather than economic attitudes (e.g. Charnock 1997). A partial exception to this approach has been the attention given to the link between trade union membership and the vote, which has always been strong in Australia due to the historical importance of the labour movement (Leigh 2005; Manning 2006).

Explanations for the apparently low levels of economic voting in Australia range from institutional factors, such as the three-year electoral cycle, to the strong performance of the economy over an extended period. A three-year mandate for the House of Representatives may stifle economic effects by forcing the electorate to evaluate the economic competency of a government before the effects of its policies have fully become evident. In other words, the electoral and business cycles are not synchronised; countries with longer government incumbency show significant effects for what Tufte (1978) famously called ‘election year economics’. Three-year parliamentary terms represent one explanation for why incumbent governments are typically returned for at least one additional term, since a single term is insufficient time for voters to judge the economic credentials of a government. Since 1945, no incumbent party has failed to be returned for at least one additional term.¹

Another possible institutional explanation is compulsory voting. Since the system requires all enrolled voters to turnout to vote – which more than nine out of 10 comply with – it brings to the polls a substantial minority of voters who are less interested in the outcome than would be the case in a voluntary voting system (McAllister and Mackerras 1999; Singh 2011). This may serve to blunt the economy’s impact, since voters are less likely to make a detailed evaluation of the government’s economic performance. The AES surveys suggest that around one in five voters would not turnout to vote if

voting was voluntary, and that these respondents tend to be younger, have less education, and have weaker political interest than those who would turnout under a voluntary system (McAllister 2011: 20ff).

A second set of explanations revolve around partisanship and popular evaluations of the major party leaders. Australia sustains one of the highest levels of party identification among the advanced democracies. Of 19 democracies surveyed over an extended period, Australia had the third-lowest level of partisan decline (Dalton 2000: Table 2.1). Partisanship in turn has a strong reciprocal relationship with leader evaluations (Blais et al. 2001; Johnston 2006). Such evaluations have been shown to have a significant influence on electoral outcomes in Australia (Bean 1993; McAllister, Bean and Sheppard 2015). As Kayser and Wlezien (2011) have shown, there is an inverse relationship between partisanship and economic voting. When the share of partisans in the electorate is large, economic conditions matter less for election outcomes compared to when the proportion of voters with partisan affiliations is low.

The third set of explanations for weak economic voting in Australia covers the assignment of responsibility for policy outcomes. One impediment to the attribution of blame or reward widely referenced in the literature relates to the institutional clarity of responsibility. Powell and Whitten (1993) argue that in countries where the clarity of responsibility linking government policy and economic performance is weak, voters are less inclined to reward or punish a government. This is most likely to occur in multiparty systems (Hobolt, Tilley and Banducci 2013) and is therefore of little concern for Australia's majoritarian election system where coalition arrangements are rare.² Indeed, in terms of domestic institutions, Australia appears as a high 'clarity of responsibility' case. Bicameralism risks divided responsibility between the upper and lower houses of parliament, however: the upper house, the Senate, is often not being under the control of the governing party (Brenton 2015; Farrell and McAllister 1995). Since the Senate has a significant legislative role, assignment of policy responsibility to the government for economic performance may again be blurred.

As with domestic institutions, the nature of political control over the economy may affect economic-based voting (Hellwig 2001). It is often argued that Australia's relatively small size and interdependence with the global economy constrains government action. As Mughan has put it, the economy is at the whim of 'powerful and self-interested forces outside Australia whose actions distort an otherwise robust national economy' (1987: 73). Domestically, these sentiments are reflected in relatively strong public support for tariff protection, which have remained as an undercurrent across both sides of politics (McAllister and Ravenhill 1998). Historically, protection has had the effect of stifling competition from low-wage economies in the region and ensuring high incomes for Australian workers (Ravenhill 2012). There is also evidence that voters across a range of countries are attuned to international economic conditions and that this in turn affects their views of government performance (Kayser and Peress 2012).

Research by Hellwig (2015) suggests that Australians understand the importance of outside forces on their economy. Over half of Australians in 2008 felt that 'the world economy' was mostly responsible for economic conditions, against less than 30 per cent assigning responsibility to federal or state policy-makers. And in the same survey, nearly half of respondents said that globalisation left their government with

little autonomy ‘to choose its own economic policies’. Indeed, Australia’s last recession was in the early 1990s, as a result of the US stock market crash. On the other hand, Australia did not suffer a recession as a result of the GFC, largely because of consistently high Chinese demand for its resources. This again supports the public’s view that economic conditions in Australia are externally determined, rather than the result of government policy.

Thus, we have identified three broad possible explanations for relatively weak economic voting in Australia. The explanations cover the design of the country’s political institutions, encompassing the electoral cycle and compulsory voting; partisanship and political leadership; and assignment of responsibility for performance outcomes. Before testing these possible explanations for the tepid nature of Australian economic voting, we examine patterns of economic voting at the aggregate level.

The economy and election outcomes

Most research on the impact of the economy on elections in Australia has relied on survey data, but there is some work which uses macro-level indicators. Using commercial opinion-poll data going back to 1973, McAllister (2003) shows that macroeconomic indicators have little influence government popularity. What matters more is political performance, reflected in such events as by-election results, ministerial resignations and the changing party control of state governments. This conclusion is generally supported by Leigh (2005) who shows that, controlling for incumbency, macroeconomic factors do not have a significant effect on partisan preferences.

In order to determine if the economy matters at the aggregate level, Figure 1 shows the relationship between economic performance and incumbent party support in all federal elections since 1980. The top graph charts economic performance measured in terms of the percent change in real disposable income (Fair 2004) since the last election. The bottom graph uses the average unemployment rate as the economic indicator. In both cases incumbent support is the share of the vote for the incumbent party or coalition. Both sets of results lend credence to the view that the economy exerts little, if any, systematic effect on election outcomes in Australia. With respect to income, the predicted line is nearly flat rather than positively sloped, as we might have expected. For unemployment, fitted values regressing incumbent vote on unemployment actually yields a positively signed (though not statistically significant) slope.

There are at least two ways to interpret the absence of any aggregate relationships between economic performance and the vote. First, we can take them as evidence that the Australian economic vote is ‘elusive’ (Kayser 2014). This may be because it is stymied by the strength of partisanship, the institutional rules of the game, and/or the constraints imposed by a globalised economy. Second, we may question whether looking at objective indicators like income or joblessness can adequately encompass all of the possible ways in which the economy may shape the vote. Indeed, there is broad consensus that subjective economic indicators exhibit a stronger effect than objective indicators in models of political support (Nadeau and Lewis-Beck 2001). In this view, the vote is not an aggregate phenomenon but a choice made by individuals (Duch and Stevenson 2008). Accordingly, in the next section we examine popular perceptions of the economy and evaluate the effect of these attitudes on the vote.

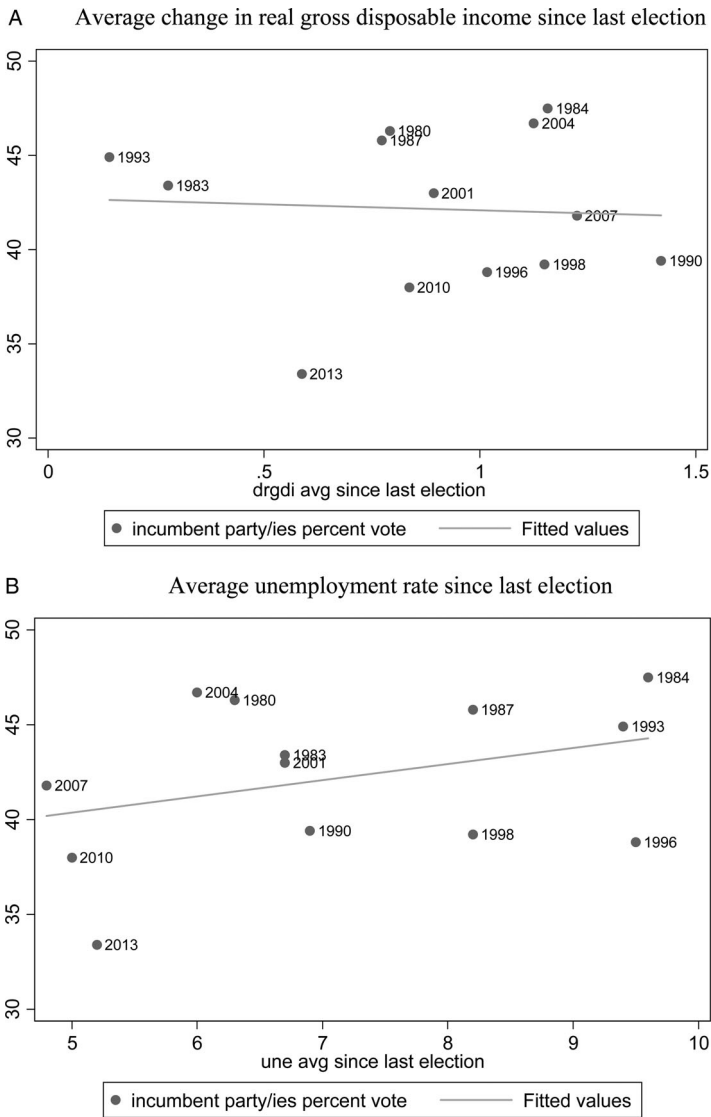


Figure 1. Economic performance and incumbent support, 1980–2013. Vertical axes report percent of votes for incumbent political parties in federal elections. Source: Australian Bureau of Statistics.

Perceptions of the economy

If macroeconomic indicators have little impact on the vote, to what extent do perceptions of the economy shape voting? Perceptions are, of course, likely to be influenced by a variety of factors, political as well as economic. The effect of political factors on economic perceptions – such as partisanship and political leadership – is more likely to be in evidence during times of economic stagnation, and in that circumstance it may be difficult for the ordinary voter to attribute blame. When the economy performs well – as is the case with the Australian economy over the period of time examined here – these political

influences on economic perceptions should be smaller (Evans and Andersen 2006). In practice, then, survey respondents should be able to arrive at reasonably accurate evaluations of economic performance.

Since 1996, the AES has consistently asked the respondents to evaluate the economic situation, both with respect to the country's economy as a whole as well as with respect to their own financial situation. This has involved asking the respondents to evaluate the general economic situation (national or sociotropic) and their household's financial situation (personal or egocentric) compared to what it was 12 months ago (retrospective) as well as to compared to what they think it will be in 12 months' time (prospective). These four different perceptions – national-retrospective, personal-retrospective, national-prospective and personal-prospective – are presented in Figure 2 for elections from 1996 to 2013. Individual assessments are aggregated by summing the proportion of respondents who say the economy is now/will get better (either 'a lot' or 'a little') minus those who believe it is now/will get worse ('a little' or 'a lot'). For comparison, we also display a measure of the objective economy, namely change in real disposable income.

The trends data suggest three main findings. First, each of the four indicators exhibits a significant variation over the period under examination, reflecting a change in government in 1996 and 2007 as well as the economic downturn which began in 2008 with the GFC. National retrospections, for example, range from a low of -30 , in both 1996 and 2013, to a high of $+27$ in 2004. Second, there is a visible degree of separation across the indicators: the public is relatively more bullish on certain indicators in certain years.³ To the extent that

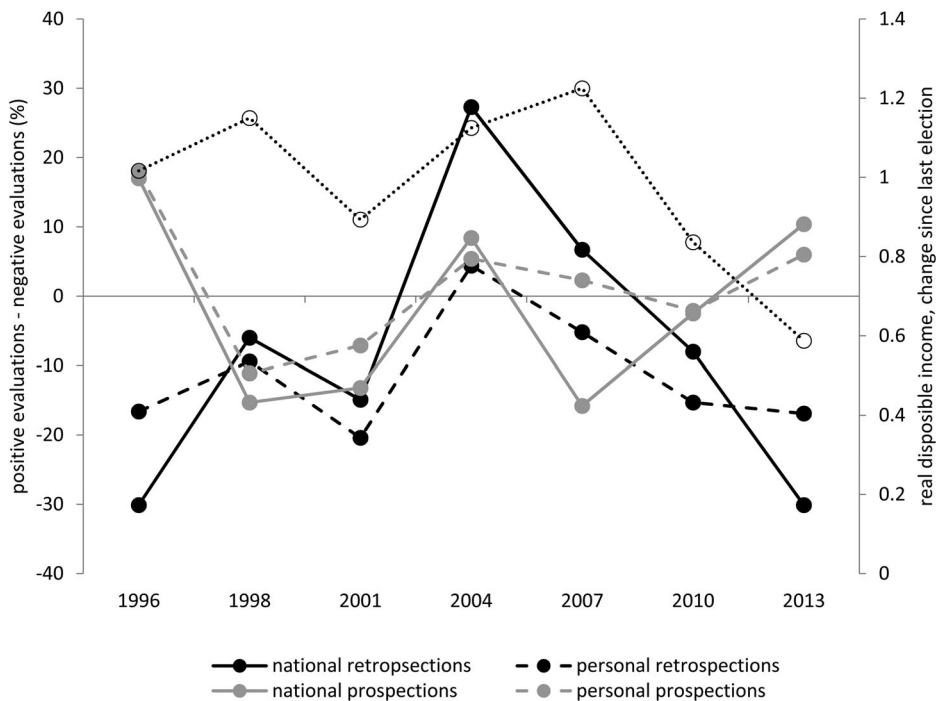


Figure 2. Economic perceptions, 1996–2013. Vertical axes report percent of votes for incumbent political parties in federal elections.

Sources: Australia Election Study, 1996–2013, Australian Bureau of Statistics.

perceptions are related to one another, perceptual biases appear to be greater with respect to the temporal perspective (retrospective/prospective) rather than the national-versus-personal level of assessment. And third, the objective economy appears more closely associated with retrospective assessments than prospective ones.⁴

To what extent are these four perceptions of economic performance connected in the voter’s mind? To assess these propositions, Table 1 displays individual-level correlations across the four items. Reiterating the picture in Figure 2, paired comparisons show that economic perceptions are more closely linked in the minds of the public with respect to retrospective judgements rather than prospective ones, regardless of whether the assessment is targeted to the household economy or that of the nation. The public consistently makes connections between its own well-being and that of the nation, both in terms of retrospective assessments (the average correlation over the seven elections is a substantial 0.50) and prospective assessments (average correlation 0.66). Indeed, to the extent that there a trend, it is towards the relationships becoming stronger, not weaker, over time.

Associations between retrospective and prospective judgements, however, are considerably more volatile. This volatility would appear to stem from changes in government, with a noticeably different pattern emerging in 1996, 2007 and 2013 when the party in government changes, compared to 1998, 2001, 2004 and 2010 when the incumbent party was re-elected. Moreover, the magnitude of the volatility between the two groups of elections is considerable: for the three elections that resulted in a change of government, the average correlation between personal perceptions that are retrospective and prospective was just under 0.11; when the incumbent government was re-elected, the average correlation was a much higher 0.53. This suggests that voters make different connections between economic evaluations when they anticipate a change in leadership compared to when they do not. Economic perceptions clearly matter in shaping the vote, but different types of perceptions matter more in different types of election.

Explaining economic perceptions

Economic perceptions are generally considered to be a consequence of a wide variety of aggregated factors. These diverse factors can include information, media exposure, political attitudes and personal circumstances, all of which interact in a complex way to shape economic perceptions (Duch et al. 2000). Much of the complexity in how these factors

Table 1. Relationships among economic perceptions, 1996–2013.

Election Year	Election produced government?	Retrospective: national and personal	Prospective: national and personal	National: retrospective and prospective	Personal: retrospective and prospective
1996	Yes	0.48	0.68	−0.08	0.12
1998	No	0.48	0.63	0.52	0.47
2001	No	0.54	0.62	0.57	0.59
2004	No	0.45	0.59	0.59	0.57
2007	Yes	0.46	0.63	−0.05	0.12
2010	No	0.52	0.71	0.51	0.49
2013	Yes	0.54	0.73	−0.05	0.16
Mean	–	0.50	0.66	0.29	0.36

Note: Cells report Pearson’s r correlation coefficients.

Source: Australia Election Study, 1996–2013.

interact is shaped by knowledge, in that voters with low information rely on low-cost cues and voting heuristics in order to form their views, while voters with high levels of information are more likely to rely on objective information or on their own individual economic circumstances (Bartels 1996). In order to distinguish some of these factors in Australia, we model economic perceptions retrospectively (Table 2) and prospectively (Table 3). Given the close association between national and personal perceptions shown in Table 1, we combine measures to create single retrospective and prospective indices. Full details of the variables and scoring are given in the Table A1.

Focusing on social background first (model 1 in both Tables 2 and 3), the results suggest that the models are more effective in predicting retrospective evaluations rather than prospective ones, as we would expect, since voters have their own personal economic experiences to relate to. Of the social-background measures, class self-image and income are consistently the best predictors and are easily more important than education, particularly for prospective assessments. The remaining demographic factors are of lesser importance and often are important for one set of evaluations but not for the other. For example, being Australian born produces a more negative retrospective economic judgement, but there is no significant effect for prospective judgements. Social background, and through it the economic experiences that it brings to voters in their daily lives, therefore shapes their views of how the economy has performed over the past year, but has only a modest impact on their views of the economy in the year to come.

We also find that exposure to media coverage matters. In all four of the models, the parameter estimates on media exposure are positive and precisely estimated, indicating that the more frequent consumers of news media are more likely to hold positive views of the economy. This is in line with the efforts that parties make to enhance their economic credentials during election campaigns, since the research shows that voters accumulate

Table 2. Modelling retrospective economic perceptions, 1996–2013.

	Model 1	Model 2	Model 3 (Lib incumb.)	Model 4 (Lab incumb.)
<i>Social background</i>				
Female	0.07* (0.01)	0.06* (0.01)	0.07* (0.02)	0.07* (0.02)
Age	-0.02* (0.00)	-0.02* (0.00)	-0.03* (0.01)	-0.03* (0.01)
Australian born	-0.05* (0.01)	-0.06* (0.02)	-0.06* (0.02)	-0.06* (0.02)
Tertiary education	0.06* (0.02)	0.07* (0.02)	0.05 (0.02)	0.07* (0.02)
Family income	0.07* (0.01)	0.06* (0.01)	0.07* (0.01)	0.05* (0.01)
Class image	-0.15* (0.02)	-0.15* (0.02)	-0.14* (0.02)	-0.16* (0.02)
Media exposure	0.15* (0.03)	0.12* (0.03)	0.17* (0.04)	0.19* (0.04)
<i>Partisanship</i>				
Left–right placement		-0.00 (0.00)	0.03* (0.00)	-0.03* (0.01)
Labor partisan		0.12* (0.02)	-0.08* (0.03)	0.29* (0.03)
Liberal partisan		0.13* (0.02)	0.48* (0.03)	-0.21* (0.03)
National partisan		0.11* (0.04)	0.48* (0.05)	-0.25* (0.05)
Constant	-0.48* (0.04)	-0.51* (0.04)	-0.55* (0.05)	-0.31* (0.06)
R^2	0.08	0.08	0.18	0.12
N	15,230	15,230	7402	7828

Note: Ordinary least squares analysis showing partial regression coefficients and (in parentheses) standard errors predicting economic retrospections. The dependent variable is an index which sums and averages national and personal economic retrospections. See Appendix for details of variables and scoring. Models 1 and 2 include all election studies from 1996 to 2013. Model 3 includes election years when the coalition was the incumbent (1998, 2001, 2004 and 2007) and model 4 when Labor was the incumbent (1996, 2010 and 2013). Models estimated with fixed effects for election year.

Source: Australia Election Study, 1996–2013, pooled file.

* $p < 0.01$, two-tailed test.

Table 3. Modelling prospective economic perceptions, 1996–2013.

	Model 1	Model 2	Model 3 (Lib incumb.)	Model 4 (Lab incumb.)
<i>Social background</i>				
Female	0.02 (0.01)	0.02 (0.01)	−0.03 (0.02)	0.07* (0.02)
Age	−0.01* (0.00)	−0.03* (0.00)	−0.04* (0.01)	−0.03* (0.01)
Australian born	−0.01 (0.02)	−0.04* (0.02)	−0.04 (0.02)	−0.03 (0.02)
Tertiary education	0.00 (0.02)	0.02 (0.01)	0.01 (0.02)	0.04 (0.02)
Family income	0.05* (0.00)	0.04* (0.00)	0.03* (0.01)	0.05* (0.01)
Class image	−0.17* (0.02)	−0.12* (0.02)	−0.13* (0.02)	−0.11* (0.02)
Media exposure	0.26* (0.03)	0.23* (0.03)	0.11* (0.04)	0.33* (0.04)
<i>Partisanship</i>				
Left–right placement		0.02* (0.00)	0.02* (0.01)	0.02* (0.01)
Labor partisan		−0.07* (0.02)	−0.03 (0.03)	−0.10* (0.03)
Liberal partisan		0.32* (0.02)	0.28* (0.03)	0.35* (0.03)
National partisan		0.22* (0.04)	0.20* (0.06)	0.24* (0.05)
Constant	0.01 (0.04)	−0.08 (0.04)	−0.28* (0.06)	−0.22* (0.06)
R ²	0.05	0.10	0.07	0.12
N	15,230	15,230	7402	7828

Note: The ordinary least squared analysis shows partial regression coefficients and (in parentheses) standard errors predicting economic prospects. The dependent variable is an index which sums and averages national and personal economic prospects. See Appendix for details of variables and scoring. Models 1 and 2 include all election studies from 1996 to 2013. Model 3 includes election years when the coalition was the incumbent (1998, 2001, 2004 and 2007) and model 4 when Labor was the incumbent (1996, 2010 and 2013). Models estimated with fixed effects for election year. Sources: Australia Election Study, 1996–2013, pooled file.

* $p < 0.01$, two-tailed test.

most of their economic information from the mass media (Hetherington 1996; Holbrook and Garand 1996). This ought to especially be the case for incumbents during spates of strong growth, such as Australia has experienced in recent years.

Adding in partisan considerations into the models (models 2–4) further refines the results. For retrospective evaluations reported in Table 2, partisan rationalisations work as we would expect, with those placing themselves on the political right expressing more optimism about economic trends when the Liberals are in government (model 3). The reverse occurs when Labor is in government (model 4). In general, Liberal (and also National) partisans show stronger effects in their retrospective evaluations than their Labor counterparts. Indeed, the coefficient for a Labor partisan making economic evaluations with a Liberal government in office is less than half that for a Liberal partisan with a Labor government. This reflects the fact that Liberals often regard themselves as ‘owning’ the issue of economic management (McAllister 2011: 175), and they react more strongly in favour of a Liberal government and against a Labor government than Labor partisans.

The strong effects for partisanship are also evident in prospective judgements. A difference, however, is that those who place themselves on the political right tend to be more optimistic about the economy than those on the left regardless of the party in government (Table 3, model 2). Similarly, Liberal partisans are more optimistic than Labor partisans about the future direction of the economy even when a Labor government is in power. This may reflect the fact that the period under consideration saw consistent economic growth regardless of the party in office, but the longest period was under a Liberal government (from 1996 to 2007). When Labor came to office in 2007, the party essentially continued much of the economic policies of its Liberal predecessor.

Perceptions of the economy therefore have their roots both in social background, as well as being conditioned by exposure to messages from the news media and by partisan

considerations. Social background is important for the link it provides to previous economic experiences, and rather less so in predicting future ones, as we would expect. Equally predictably, partisanship clouds past judgements which are shaped by the incumbent government's actual policies and their perceived impact of policies on the national economy. The surprise is the impact and direction of partisanship in moulding views of the economic future, with those on the political right together with Liberal partisans being consistently more optimistic than those on the political left and Labor partisans, regardless of the government in office. Whether this finding is an artefact of the period under consideration, or is a more general trait, has to await the availability of a longer time series.

Explaining variations in the economic vote

How do economic perceptions shape vote choice, net of a wide variety of other possible circumstances? We originally hypothesised that three factors may explain the relatively weak effects of the economy on the vote: institutional arrangements, including accountability; partisanship and leadership; and economic globalisation. In this section, we test these explanations, again drawing on the pooled AES surveys.⁵ Our dependent variable is incumbent party vote, scored 1 if the respondent reported voting for an incumbent political party in the election and 0 otherwise. The Coalition parties are thus scored as incumbent for elections between 1998 and 2007 and Labor for the 2010 and 2013 elections.

We present a series of models to assess the different explanations for the (weak) influence of economic factors on the vote in Australia (Table 4). Model 1 is a baseline specification, where the incumbent vote is regressed on our retrospective and prospective economic perceptions indices. Models also control for policy preferences and partisan attachments. Left–right placement is defined as the respondent's self-placement on the 0–10 left–right scale. For elections with the Coalition as incumbent, the variable is coded 0 for left to 10 for right; when Labor is the incumbent the coding is reversed (0 right, 10 left). Labor partisan is coded such that those who 'feel close' to the Labor party are scored +1 in 2010 and 2013 and –1 in the remaining election years; non-Labor party identifiers are coded 0. Liberal and National partisans are similarly constructed, with identifiers coded –1 in 2010 and 2013 and +1 in other years. Finally, the baseline specification controls for individual sentiment towards party leaders (Bean 1993), using a 0–10 like/dislike scale for the party leaders. Scales are reversed when the leader is not a member of the incumbent government.⁶ These coding practices mean that our expectation is that all variables in model 1 will return positive coefficients.⁷

In models 2–6, we model the influence of retrospective and prospective economic perceptions on incumbent vote choice to be contingent on factors related to the institutional, partisan and responsibility attributions. Model 2 tests an institutional argument related to claim that compulsory voting rules serve to blunt electoral accountability in Australia. To assess this, we interact both of the economic perceptions items with a variable scored 1 if respondents claim they 'would have voted in the election if voting had not been compulsory'. Though not a perfect measure of vote intent, we expect that those individuals not driven by vote requirements would be those more likely to vote on the basis of economic performance. The coefficients in the model 2 interaction term, however, do not provide strong support for this claim.

Table 4. Modelling incumbent party vote choice, 1998–2013.

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Retrospective economic perceptions (REP)	0.32* (0.04)	0.29* (0.06)	0.26* (0.07)	0.32* (0.04)	0.16 (0.07)	0.49* (0.07)
Prospective economic perceptions (PEP)	0.09 (0.04)	0.09 (0.06)	0.21* (0.07)	0.09 (0.04)	0.11 (0.07)	0.07 (0.04)
Left–right ideology	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)
Labor partisan	1.84* (0.07)	1.83* (0.07)	1.84* (0.07)	1.84* (0.07)	1.83* (0.07)	1.83* (0.07)
Liberal partisan	1.90* (0.08)	1.90* (0.08)	1.90* (0.08)	1.90* (0.08)	1.87* (0.08)	1.89* (0.08)
National partisan	2.07* (0.22)	2.07* (0.22)	2.08* (0.22)	2.08* (0.22)	2.04* (0.22)	2.06* (0.22)
Labor leader rating	0.22* (0.01)	0.22* (0.01)	0.22* (0.01)	0.22* (0.01)	0.21* (0.01)	0.22* (0.01)
Liberal leader rating	0.26* (0.01)	0.26* (0.01)	0.26* (0.01)	0.26* (0.01)	0.27*(0.01)	0.26* (0.01)
National leader rating	0.03 (0.02)	0.03 (0.02)	0.03 (0.02)	0.03 (0.02)	0.02 (0.02)	0.03 (0.02)
Vote if not compulsory		0.08 (0.06)				
REP × Vote if not compulsory		0.04 (0.08)				
PEP × Vote if not compulsory		0.00 (0.08)				
Partisanship strength			0.02 (0.10)			
REP × Partisans strength			0.13 (0.12)			
PEP × Partisans strength			−0.26 (0.12)			
Leader most important				0.19 (0.09)		
REP × Leader most important				0.00 (0.12)		
PEP × Leader most important				0.01 (0.12)		
Prefer government control					0.72* (0.10)	
REP × Prefer government control					0.37* (0.12)	
PEP × Prefer government control					−0.12 (0.12)	
Policy ineffective past						0.03 (0.08)
REP × Policy ineffective past						−0.24* (0.09)
Policy ineffective future						0.07 (0.08)
PEP × Policy ineffective future						−0.09 (0.09)
Constant	−3.33* (0.15)	−3.35* (0.15)	−3.31* (0.15)	−3.33* (0.15)	−3.63* (0.16)	−3.38* (0.17)
N	12,739	12,739	12,739	12,739	12,739	12,739
Loglik χ^2	9304.96	9306.7	9310.03	9309.54	9366.46	9318.73

Note: Cells report logit model coefficients with standard errors in parentheses. The dependent is incumbent vote, scored 1 if the respondent voted for Liberal or National parties in House of Representatives elections in 1998, 2001, 2004, or 2007 and for the Labor Party in 2010 or 2013. Models estimated with fixed effects for election year.

Source: Australia Election Study, 1998–2013, pooled file.

* $p < 0.01$, two-tailed test.

The next pair of models test claims that party and leader attachments are sufficiently strong so as deflect the possibility of voters crediting the government for a strong economy or blaming it for a weak one. In model 3, economic perceptions are conditioned on the strength of partisan attachment. The variable partisan strength ranges from 0 for non-partisans to 1 for those who report being ‘very strong supporters’ of a party. If the above reasoning is correct, then the interaction between party strength and economic perceptions should carry a negative sign. This is true for prospective assessments but not retrospective ones. Model 4 follows a similar logic about the effects of non-economic factors in terms of leadership effects. In this model, the conditioning variable is an indicator scored 1 if the respondent said that the party leaders constituted the most important factor in deciding how to vote. But again, model estimates provide no support for this argument.

The final pair of models is designed to assess claims that the weakness of economic voting in Australia can be traced to barriers in assigning responsibility for economic outcomes. This claim is based on the clarity of responsibility argument which posits that the diffusion of policy control over multiple actors depresses economic voting (Powell and Whitten 1993). We lack sufficient variation over our six elections to test the effects of different power-sharing arrangements, but we can use a unique individual-level measure. The AES asks respondents whether they prefer the federal government to have a majority in both the House of Representatives and the Senate, or if they prefer it when the government does not control the Senate.⁸ We use this item to create a variable which ranges from 1 for ‘much better when government controls both’ to 0 for ‘much better when government does not control the Senate’. We expect that those voters who prefer unified control of government under one party to also be those who vote on the basis of their evaluations of economic conditions. And for retrospective assessments, model 5 shows that this indeed is what we find. The (unconditional) coefficient on the interaction term is positively signed and precisely estimated.

Where model 5 taps *preferences* over unified versus divided government control, in model 6 we condition the influence of economic perceptions on the respondent’s belief that the federal government has the *capacity* to affect the economy. We create a variable which is coded 1 if the respondent answers that the government’s policies ‘have not made much difference’ to their household and to the general economic situation in Australia, 0.5 if the respondent said ‘not much difference’ either for their own financial situation or for the national economy are scored, and 0 for those who believe that government policies have an effect on both, be it good or bad. The variable measuring future policy as being ineffective is similarly constructed, but from a survey item which makes a comparison between the present time and 12 months from now (see Appendix for question wording). The results in model 6 show that belief in policy (in)capacity does indeed suppress the effect of (retrospective) economic perceptions on incumbent vote choice.

To facilitate interpretation we also report findings in terms of predicted probabilities. Figure 3 shows the effect of economic perceptions (*x*-axes) on the probability of voting for an incumbent party (*y*-axes) for different values on our conditioning variables of interest. We display graphs only for those models where the conditioning factor makes a difference, either with respect to the effect of retrospective or prospective economic perceptions. Graphs show that in the case of prospective economic perceptions, only partisanship among the conditioning factors has an effect. In line with reward–punishment arguments, individuals are more likely to vote for the incumbent party as their optimism for the future economy improves (Figure 3(d)). This positive association, however, appears only for those without partisan attachments (solid line). Indeed, we are unable to uncover any other systematic evidence across our model specifications that the prospective economy matters for the vote.

With respect to retrospective evaluations, the economy has a stronger link to incumbent vote probabilities among those who prefer unified government control of both lower and upper houses (Figure 3(b)) and among those who believe that government policy has an effect (Figure 3(c)). Voters’ preferences for government control have a particularly strong effect. For example, the model predicts that voters who perceived their national and personal economies had performed ‘a great deal’ better over the past year would support the incumbent with a probability 0.57 if they prefer federal government

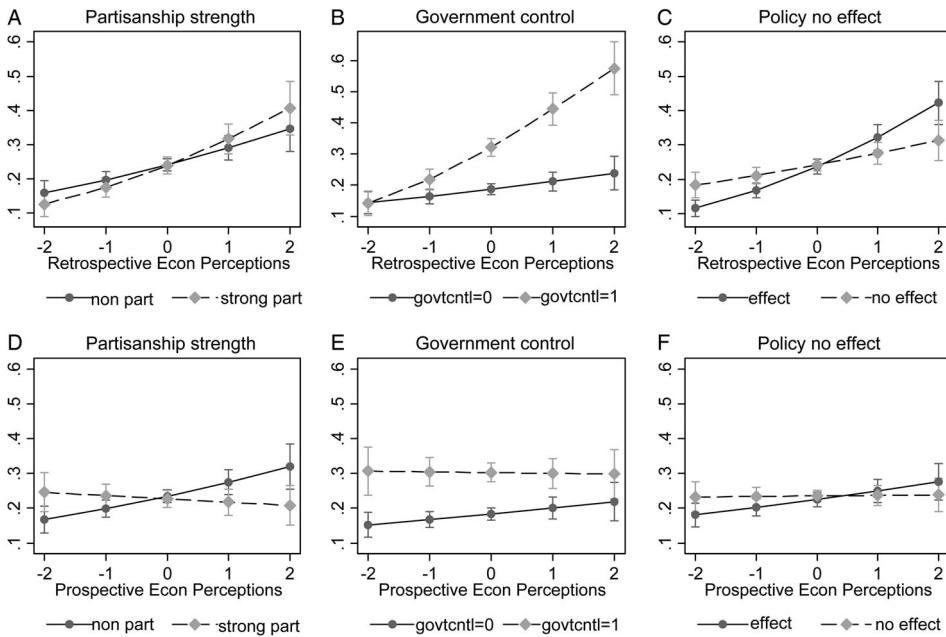


Figure 3. The effect of economic perceptions on incumbent vote probabilities. Graphs produced using models reported in Table 4. Graphs in the left column are from model 3 on partisanship strength, graphs in the middle column are from model 5 on government control of Senate, and graphs in the right column are from model 6 on the effect of government policy. Source: Australia Election Study, 1998–2013, pooled file.

control of the Senate. However, the probability voters would select the incumbent falls to only 0.23 if they prefer non-unified control. In summary, an examination of a range of potential reasons identifies responsibility attributions as the most consistent explanation for the weakness of the Australian economic vote.

Conclusion

Since studies of the relationship between economic performance and electoral outcomes came of age in the 1970s, the near-universal finding has been that the economy matters in elections. In virtually every established democracy, the main issues have been the strength of the relationship, with temporal considerations (whether it is retrospective or prospective) and variations that could be attributed to the political context representing consistent themes. In newer democracies the same relationships pertain, but they are contingent on the development of public trust towards government reforms and a realisation by voters that democratic institutions are designed to respond to their needs (Duch 2001; Tucker 2006). But here, too, the inescapable conclusion is that the economy matters for the choices that ordinary voters make.

Australia has always represented a paradox in international research on economic voting. On the one hand, it is an established democracy with stable institutions, a two-party system and a sophisticated electorate. For these reasons, the comparative-politics literature would predict a strong and robust economics–election connection for Australia.

On the other hand, studies of economic voting, though few in number, show that the impact of the economy on the vote is, at best, weak. In this article, using surveys conducted after each federal election since 1996, we have attempted to explain this Australian exceptionalism. The results confirm the finding of other studies that objective macroeconomic conditions matter little in determining electoral outcomes. Accordingly, we limit our analyses using the survey data to subjective economic perceptions. Here the results show that economic perceptions are rooted in political dispositions, with an important and consistent effect for Liberal party competency. This may reflect the long-term advantage that the Liberals have over Labor in the public's belief that the Liberals are better economic managers. Tests of the explanations for variation in economic voting suggest that beliefs about government control of parliament are the most important conditioner of the strength of the economic vote.

These results shed new light on the economic vote in Australia. Partisan considerations shape economic perceptions. We also uncover some evidence that party attachment blunts prospective economic voting, suggesting that non-partisans are more likely to take performance considerations into account. Critically, however, the strength of partisan attachments does not modify retrospective economic voting. Here, the most important factors are the electorate's belief in efficacious economic policy and the desire of voters to see unified government control over economic policy. The salience of policy competence accords with the model of responsible party government which has dominated Australia's system of government since federation in 1901. As a consequence of compulsory voting married to frequent elections, partisanship is strong and voters expect to make a choice between highly disciplined major parties which offer clear policy choices at elections. At the same time, minor parties have been notable for their inability to gain any foothold in what remains an essentially two-party system. In short, partisanship has little impact on the economic vote, but choosing a party that voters believe has the capacity to implement economic policy does.

With respect to the international research, this basic finding – that economic voting is weak in Australia owing to a lack of policy capacity – suggests that future research on economic voting both in Australia and beyond should focus on whether national politicians can actually control the economy. In many ways, Australian economic conditions are dependent on the performance of the global economy, most notably China and the US. In one sense, a focus on capacity would bring us back to the pioneering work of Tufte (1978) on political control. Indeed, in a globalised world where nearly all economies are susceptible to world markets, one must ask whether government can continue to lay claim to the economy as an issue under their control.

Notes

1. Labor was re-elected in 2010 but with a different leader: Julia Gillard had replaced Kevin Rudd just three months before the election.
2. This does not take into account the permanent coalition between the National (formerly the Country) party and the Liberal party which has existed with only a minor interruption since 1923.
3. Standard deviations across the four aggregated perceptions measures are as follows: 1996 (20.9), 1998 (3.3), 2001 (4.7), 2004 (9.3), 2007 (8.5), 2010 (5.3) and 2013 (16.6).

4. Changes in real disposable income correlate at $r = 0.65$ ($p = 0.11$) both for national retrospective and personal retrospective evaluations. Real disposable income correlates with the prospective measures at -0.40 ($p = 0.37$) and -0.10 ($p = 0.82$) for retrospective and prospective measures, respectively.
5. Our analyses of vote choice exclude the 1996 survey since it does not include one of the questions relating to the accountability hypothesis (see Table 4, model 5).
6. For example, in 2013 the incumbent party was Labor, so for the Liberal party leader we use responses toward Tony Abbott to the item 'using a scale from 0 to 10, please show how much you like or dislike the party leaders. If you don't know much about them, you should give them a rating of 5' and reversed the scale such that those who strongly like Abbott are coded 0 and those who strongly dislike him are coded 10.
7. See Nadeau and Lewis-Beck (2001) for a similar approach to pooling data across election studies.
8. We acknowledge that a more direct test of the clarity of responsibility argument would be an item whether they *knew* if the federal government had a majority in both chambers in advance of the election. Absent such a measure, the preferences item comes close to tapping notions of the diffusion of policy responsibility.

Acknowledgements

The 1996–2013 Australian Election Studies were collected by Clive Bean, Ian McAllister and a variety of other collaborators, and the data are publicly available from the Australian Data Archive at <http://www.ada.edu.au/>.

Disclosure statement

No potential conflict of interest was reported by the authors.

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Appendix

Data and measurement

Data

The data come from the 1996–2013 Australian Election Study surveys. All the studies are national, post-election self-completion surveys with the sample drawn randomly from the electoral register. The overall response rates have varied, the most recent survey producing a response rate of 33.9 per cent; full technical details can be found in McAllister and Cameron (2014). In 2010 and 2013, an online option was available to the survey respondents, and in 2010 an additional sample was collected online in order to correct for an under-representation of younger voters. The 2010 and 2013 surveys are weighted to reflect the national electorate. The file used here is a pooled file of the 1996–2013 surveys, with an N of 15,230.

Measurement

Table A1 gives the coding, means and standard deviations for the variables used in the analyses. Retrospective and prospective economic perceptions were calculated as the average of responses to two questions: ‘How does the financial situation of your household now compare with what it was 12 months ago/in 12 months’ time? And how do you think the general economic situation in Australia now compares with what it was 12 months ago/in 12 months’ time?’ The other questions were as follows:

- *Class image*: 'Which social class would you say you belong to?'
- *Media exposure* (average of three items): 'How much attention did you pay to reports about the election campaign in newspapers?'; 'Did you follow the election campaign news on television?'; 'And did you follow the election campaign news on the radio?'
- *Left-right placement*: 'In politics, people sometimes talk about the 'left' and the 'right'. Where would you place yourself on a scale from 0 to 10, where 0 means the left and 10 means the right?'
- *Partisanship*: 'Generally speaking, do you usually think of yourself as Liberal, Labor, National or what?'
- *Compulsory voting*: 'Would have voted in the election if voting had not been compulsory.'
- *Leader importance*: 'In deciding how you would vote in the election, which was most important to you? the party leaders, the policy issues, the candidates in your electorate, (or) the parties taken as a whole.' Variable is scored 1 for 'the party leaders' and 0 otherwise.
- *Prefer government control*: 'Which do you think is better – when the federal government has a majority in both the House of Representatives and the Senate, or when the federal government in the House of Representatives does not control the Senate?'
- *Policy ineffective past*: 'Compared with 12 months ago, would you say that the federal government's policies have had a good effect, a bad effect, or that they really have not made much difference to the financial situation of your household? And what effect do you think they have had on the general economic situation in Australia as a whole?'
- *Policy ineffective future*: 'Do you think that, 12 months from now, the federal government's policies will have had a good effect, a bad effect, or that they really will have not made much difference to the financial situation of your household? And what effect do you think they will have had on general economic situation in Australia as a whole?'

Table A1. Descriptive statistics.

Variable	Coding	Mean	Std dev.
Retrospective econ perceptions	From -2 to 2	-0.19	0.90
Prospective econ perceptions	From -2 to 2	-0.03	0.88
Female	1 = female, 0 = male	0.48	0.50
Age	Years in deciles	5.12	1.66
Australian born	1 = yes, 0 = no	0.73	0.44
Tertiary education	1 = yes, 0 = no	0.51	0.50
Family income	Quintiles	2.71	1.58
Class image	1 = working class, 0 = other	0.36	0.48
Media exposure	1 = followed election campaign a good deal, .67 = some, .33 = not much, 0 = none at all. Index averages for newspaper, tv, and radio	0.58	0.25
Left-right placement	0-10	5.23	1.99
Labor partisan	1 = yes, 0 = no	0.36	0.48
Liberal partisan	1 = yes, 0 = no	0.37	0.48
National partisan	1 = yes, 0 = no	0.04	0.19
Incumbent vote	1 = yes, 0 = no	0.39	0.49
Labor leader rating	0-10	4.23	3.12
Liberal leader rating	0-10	5.32	3.33
National leader rating	0-10	5.24	2.41
Vote if not compulsory	1 = definitely, probably vote, 0 = otherwise	0.67	0.47
Partisanship strength	1 = very, 0.67 = fairly, 0.33 = not very, 0 = non-partisan	0.54	0.31
Leader most important	1 = yes, 0 = no	0.14	0.35

(Continued)

Table A1. Continued.

Variable	Coding	Mean	Std dev.
Prefer government control	1 = much better control both, 0.75 = better, 0.5 = neither, 0.25 = better does not control Senate, 0 = much better	0.51	0.32
Policy ineffective past	[1 = not much difference for household and [country, 0.5 = one only, 0 = otherwise	0.56	0.41
Policy ineffective future		0.60	0.43

Note: The *n* is 15,230 for all items except for Labor and Liberal leader ratings (*n* = 14,777), National leader rating (*n* = 14,337) and prefer government control (*n* = 13,436).

Source: Australian Election Studies, 1996–2013, pooled file.