Does Electoral Accountability Pay off?

Dani M. Marinova
Hertie School of Governance
marinova.da@gmail.com
marinova@hertie-school.org

Abstract: This paper posits the following research question: Does a robust mass-elite linkage in elections provide officeholders with sufficient incentives to pursue good economic policies after the election? In doing so, it puts into conversation two distinct literatures. While political economists have long studied how elections affect the national economy, they have largely disregarded the quality of the electoral signals voters send to policymakers. And while scholars of political representation have long surveyed what factors bring about strong mass-elite linkages in elections, this literature gives us no real indication of the extent to which such linkages make a difference for economic performance. In particular, I examine how the strength of economic retrospective voting shapes macroeconomic performance (levels of national unemployment). I find little empirical support for the idea that strong electoral accountability pays off. This null finding holds after accounting for the strength of the electoral signals voters send to incumbents (e.g., decline in vote share versus loss of power) and the ties of the national economy to global markets.

The paper was prepared for the annual conference of the Elections, Public Opinion and Parties (EPOP) specialist group of the Political Studies Association of the UK, held at the University of Edinburgh (12-14 September, 2014).

If you would like to cite this paper, please contact the author for the most recent version.
The question of electoral accountability – to what extent and under what conditions voters punish incumbents for past economic performance – has generated one of the largest and fastest growing subfields in political science.¹ The stated motivation for the study of electoral accountability is normative: elections are “the instruments of democracy” so long as voters hold incumbents accountable for their performance in office (Lippman 1925; Mill 1958; Powell 2000; Tocqueville 1945). In essence, the presence of economic voting is considered essential for a functioning electoral democracy. But perhaps the big question pertaining to electoral accountability remains to be answered: Does the punishment-reward strategy of economic retrospective voting generally bring about improved performance of the national economy after the election? That is, does a robust mass-elite linkage in elections provide officeholders with sufficient incentives to pursue good economic policies? In short, does electoral accountability pay off?

The present study situates itself between two distinct literatures in political economy and political representation. Research on political-economic cycles surveys the political determinants of macroeconomic policy (e.g., Nordhaus 1975; Alt & Lassen 2006; Canes-Wrone & Park 2012). Since the classic writings of Nordhaus (1975), this body of research has sought to uncover regularities in how the timing of elections affects macroeconomic outputs. The findings have been largely inconsistent and conditional, and have suffered from at least one serious shortfall: the assumption that all elections are equal—that is, that the sheer presence of elections should generate about equal incentives for politicians to manage the economy.²

¹Google Scholar reported nearly 14,000 book, article and conference paper entries in the past three decades for the terms “economic voting”, “retrospective voting” or “electoral accountability”.

²One aspect of elections that has been shown to condition their impact on the economy is their polarization (e.g., Alt & Lassen 2006).
Elections vary in their quality and, I argue, in the quality of the signals they send to policy-makers. This important insight comes from the second relevant body of literature, on political representation. Research on mass-elite linkages prides itself on studying the quality of electoral representation and accountability beyond the sheer presence of elections (e.g., Roberts 2010; Rohrschneider and Whitefield 2012; Powell & Whitten 1993). Among other topics, it examines the conditions under which citizens are better able to hold politicians accountable for economic performance. Yet this literature too suffers an important shortfall; it has turned its back on what difference, if any, the quality of electoral accountability makes for policy outcomes. The present paper brings together these two subfields by examining the impact of the quality of electoral accountability on macroeconomic performance. It does so in the belief that each of these two strands of scholarly work has important insights for the other and, in a conversation, they can contribute to a better understanding of the intricacies of economics and politics.

In this piece, I examine if and how the strength of economic retrospective voting shapes macroeconomic performance. It is often unappreciated in the literature on electoral accountability that while economic voting is based on evaluations of past performance, the vote is ultimately about who will govern in the future. Electoral accountability is desirable because it keeps politicians in line after the election; under the threat of losing their office, elected officials ought to deliver desirable policy outputs, such as low inflation and unemployment. Electoral accountability should therefore not be a mere exercise of punishment for past deeds. A strong mass-elite linkage ought to bring about tangible economic goods after the election. In testing the relationship between economic retrospective voting and macroeconomic performance, I scrutinize the largely untested 

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]

\[ \text{\ldots} \]
assumption that the presence of accountability in elections brings about improved performance of the national economy, and with it I push the limits of what implications mass-elite linkages have for actual policy outcomes.

Given what we know about the workings of electoral democracies, it is hardly obvious that the presence of accountability in elections should always result in better economic performance. At least two factors condition or perhaps altogether impede the extent to which accountability brings about desirable policy outputs. For one, it is not clear what level of punishment is necessary to provide sufficient incentives to politicians. Is it enough for the incumbent's vote or seat share to shrink? Or does only a strong signal, e.g., loss of power, provide sufficient incentives to elected officials? Second, even when elected officials have all the right incentives to perform at their best, the role of globalization should not be underestimated. To some extent, the forces of global markets undermine politicians' ability to exercise unilateral control over the economy, thus casting doubt on any post-election economic outcomes accountability can guarantee. This paper scrutinizes how variation in these two areas (levels of accountability and ties of the national market to the global economy) affects the extent to which the presence of electoral accountability makes a difference for economic outcomes.

I use data from eighteen OECD countries over thirty years to test these preliminary expectations. The results lend little empirical support to the idea that electoral accountability brings about improvements in the national economy. After elections of strong economic retrospective voting, unemployment is no lower than in elections where voters are not able to assign blame for macroeconomic performance. This finding holds after accounting for the strength of electoral signals voters send to incumbents (e.g., decline in vote/seat share vs. loss of power) and the ties of the national economy to global economic markets. In short, the empirical findings suggest that electoral accountability does not pay off.
We can tentatively draw implications from these preliminary results. The finding that electoral accountability is inconsequential for actual economic outputs calls into question a long line of research on economic retrospective voting and electoral accountability (e.g. Powell & Whitten 1993). For, of what value is the study of variation in economic retrospective voting when its presence and strength leaves citizens no better off after the election? The findings also raise questions for democratic theory and practice. Economic retrospective voting has been held as the saving grace of representative democracy because it requires minimal information on the part of voters. If further research lends credence to the results in this paper – that strong electoral accountability does not provide policymakers with sufficient incentives to pursue sound policy, then this has grave implications for representative democracy. Having only a negligible effect on the quality of governance, one must ask if elections are merely an instrument of political legitimacy.

**Electoral and Economic Markets**

What is the relationship between electoral and economic markets? This question has provoked considerable research and debate in both economics and political science. A small number of scholars has been optimistic about the link between electoral democracy and macroeconomic outputs. Among them is Wittman (1995, 2) who argues, “… democratic markets are organized to promote wealth-maximizing outcomes, [...] these markets are highly competitive, and [...] political and bureaucratic entrepreneurs are rewarded for efficient behavior.” In comparing democracies and autocracies, Lake and Baum (2001) concur with Wittman (1995) and add that electoral competition minimizes inefficiency much like the “invisible hand” in the economic marketplace. The dominant view, however, has been one of skepticism toward the alleged efficiency of political-economic

---

4 Wittman does not look at economic retrospective voting but at electoral markets in their entirety, considering the roles played by competition between parties, the features of government institutions and the influence of pressure groups, among others.
markets. As voters do not generally favor high taxes yet do support social benefits, elections doom democracies to high debt financing and subpar economic outcomes (Vanberg and Buchanan 1986). Incumbent politicians seeking to stimulate the economy prior to an election use expansionary monetary and fiscal policies to produce politically popular economic outputs (e.g., job creation, tax cuts, and falling interest rates). These policies have undesirable consequences in the long term, however, including inflation, rising budget deficits and shrinking disposable incomes. To reverse this course after the election, politicians are forced to raise taxes, cut government spending, allow interest rates to rise, etc. The boom-and-bust economic cycles of elections decrease efficiency and hinder economic stability and growth in the long run.

Political-economic cycles date back to Nordhaus (1975) and have stood a number of refinements on the bases of incumbent partisanship and ideology (Hibbs 1977, Alesina, Roubini and Cohen 1997), voter competence and asymmetry in information (Cukierman and Meltzer 1986, Rogoff and Sibert 1988, Rogoff 1990, Persson and Tabellini 1990) and incumbent popularity (Frey and Schneider 1978, Schultz 2003), among others. However, the presence of political-economic cycles of this nature is highly contested as many scholars fail to find evidence of their existence (Beck 1987, Drazen 2001, Franzese 2002). Even so, the model refinement and political contextualization of political-economic cycles remain fruitful ground for research (e.g., Alt & Lassen 2006; Canes-Wrone & Park 2012; Chang 2008; Potrafke 2012; Rose 2006).

A serious shortcoming of the literature on political-economic cycles is the assumption that all elections are equal. That is, the sheer presence of elections is thought to shape policymakers’ incentive structures and, by extension, economic outputs, without regard for the quality of the electoral signals voters send to parties. Elections vary in their quality and, I argue, in the kind of signals they send to policy-makers. This important insight comes from a body of literature on electoral representation. Research on mass-elite linkages prides itself on studying the quality of electoral representation and accountability beyond the sheer presence of elections (cf., Roberts
2010; Rohrschneider and Whitefield 2012; Powell & Whitten 1993). Of special interest to this paper is a subfield in this literature which examines if and when citizens are able to hold politicians to accounts for the performance of the national economy. The literature has focused in particular on the contingencies of retrospective voting, or how contextual differences across elections moderate the presence and strength of retrospective voting. Some of the variation can be attributed to cross-national institutional differences that either clarify or obscure to voters which political actors are responsible for economic conditions (Powell and Whitten 1993). Powell and Whitten (1993) find that retrospective voting is fortified when majority governments are in power and opposition parties have few power-sharing mechanisms. The findings of their widely cited study have been supported in subsequent research (Anderson 2000; Van der Brug, Van Der Eijk, and Franklin 2007; Lewis-Beck and Mitchell 1993; Nadeau, Niemi, and Yoshinaka 2002; Norpoth 2002; Powell 2000; Whitten and Palmer 1999). Scholars have since added a number of contextual indicators to the list of institutional variables, which “clarify” responsibility for policy outputs: the availability of viable replacements of the incumbent, length of time the incumbent spent in office, the ideological cohesion of coalition governments and others (e.g., Anderson 2000, Bengtsson 2004, Nadeau, Niemi, and Yoshinaka 2002).

Yet this literature too suffers an important shortfall; it has turned its back on what difference, if any, the quality of electoral accountability makes for policy outcomes.\(^5\) The strength of electoral accountability has always been studied as the dependent variable. As a result we have no real indication of the extent to which strong electoral linkages make a difference for government performance. Only a pocket of studies have examined directly the link between the quality of

\[^5\text{ A literature on policy-responsiveness traces the effects of public opinion on policy (e.g., Manza & Cook 2002; Sminson et al. 1995; Sattler et al. 2008) but this subfield also assesses the congruence between mass preferences and policy rather than the policy outcomes mass-elite linkages trigger.}\]
electoral accountability and subsequent economic or political performance. The results to come out of these studies, however, have been inconsistent and difficult to reconcile. While some scholars have found evidence of a positive link between elections and the economy, others have failed to confirm these findings. On one side, Kiewiet (2000) finds that the institutional features that bring about strong electoral accountability discourage politicians from over-regulating the business environment and from engaging in transfers and subsidies; this in turn contributes to economic growth. In examining the relationship between electoral accountability and political corruption, Tavits (2007) shows that institutional features that bring about strong accountability also create fewer incentives for politicians to pursue rent-seeking policies, resulting in lower levels of corruption. Contrary to these positive results, Sattler, Freeman and Brandt (2008) demonstrate that popular influence over economic policy is ineffectual in reducing inflation or in promoting economic growth. In contrast to Tavits (2007), Kiewiet (2000) uncovers no evidence of differences in levels of bribery and corruption between high- and low-accountability electoral systems. Crisp et al. (2014) also fail to find evidence of voter defection reducing political corruption.

While the aforementioned studies have made a considerable contribution to testing empirically the effects of elections, as a means of popular control, on policy outputs, the inconsistent findings to come out of this literature call for further research. This body of literature is particularly lacking in cross-national studies of voters’ ability to perceive and assign blame for macroeconomic performance and politicians’ subsequent ability to bring about improved economic outputs. In addition to testing for such a link cross-nationally, the present research advances the extant literature by measuring directly voters’ ability to punish and reward incumbents for the economy. Thus far, electoral accountability has been measured only indirectly, either by relying on opinion polls between elections (Sattler et al. 2008) or on the institutional features of electoral systems (Kiewiet 2000; Tavits 2007). Given that opinion polls are only an approximation of the actual vote and that the evidence on the link between institutions and effective accountability has been mixed
(e.g., Powell and Whitten 1993; Royed, Leyden, and Borrelli 2000), a more complete treatment of the accountability-economy link also calls for a direct measurement of electoral accountability.

**Electoral Accountability and Economic Performance**

The relationship between the presence of accountability in elections and subsequent economic performance has been taken for granted rather than tested empirically, and its empirical contingencies have been rarely examined. Do politicians get the message when voters are able to assign blame/credit for macroeconomic performance? Does strong electoral accountability bring about improved economic performance, and if so, under what conditions? Given what we know about the workings of electoral democracies, it is hardly obvious that strong electoral accountability should always stimulate adequate economic performance. This section outlines preliminary expectations about the effects of economic retrospective voting on the subsequent performance of the economy.

Economic retrospective voting (ERV) is a punishment–reward strategy: incumbents are punished for poor policy outputs (diminishing incomes, inflation, unemployment) and rewarded for desirable economic outcomes (economic growth, low inflation, job creation). Although voters consider performance in a number of policy areas in their assessment of government performance, they generally weigh economic outputs most heavily (For a recent review, see Lewis-Beck and Stegmaier 2013). The democratic ideal is then, that in holding incumbents accountable at elections, voters signal to politicians that the permanence of their office depends on their performance. The presence of accountability in election should in turn provide incentives to elected officials to bring about tangible economic goods after the election.

*H1: Performance of the national economy improves as economic retrospective voting in elections becomes stronger.*
A number of factors may condition the degree to which ERV contributes to improvements in the national economy. The first factor considered here is the degree of electoral reward or punishment. The extent to which voters punish or reward incumbents for past economic performance may provide weaker or stronger incentives to politicians in managing the economy. When it comes to ERV, Samuels and Hellwig (2010) delineate three levels of electoral accountability that consecutively increase in stringency: change in the vote share of the incumbent, change in the seat share, and change in power. When the economy is doing poorly, voters can send a weak signal in the form of loss of vote share; a stronger signal of loss of seat share; and a heavy signal of loss of power. In elections where voters send stronger signals to incumbent governments, the latter have greater incentives to implement sound economic policies after the election.

*H2: The stronger the electoral signals voters send to incumbents, the stronger the effect of economic retrospective voting on macroeconomic performance.*

The second contingency examined here is the role of globalization. In recent years, shocks from commodity and financial markets from abroad have affected the capacity of governments to influence the well-being of domestic markets. Although there is little consensus in the literature on the effects of integrated markets on economic outcomes (Boix 1998; Burgoon 2001; Garrett 1998; Hicks and Zorn 2007; Swank 2002), some studies purport non-negligible implications of globalization for elite behavior (Hellwig 2008; Kurtz 2004). Political elites are overall less capable of responding to citizens’ demands due to limited unilateral control over the economy. Therefore, even if ERV provides sufficient incentives to national elites to pursue good economic policy, it is likely that officeholders’ hands are to varying degrees “tied” by the forces of globalization. If so, the national economy's level of integration in the global economic market can have interesting implications for the effectiveness of electoral democracy at home.
H3: The more integrated a national economy is in the global market, the weaker the effect of economic retrospective voting on macroeconomic performance.

Finally, it is plausible that strong accountability in elections provides all the wrong incentives to legislators. Voters have a relatively short time horizon when judging economic performance (Lewis-Beck & Stegmaier 2013). Rather than keeping in mind performance over politicians’ entire term in office, citizens decide based on the last year or so prior to the election. This may in turn motivate politicians to deliver short-term economic “successes” to myopic voters rather than invest in long-term macroeconomic policy that can be potentially painful in the short run. Following the classical writings of Nordhaus (1975), incumbents enact stimulatory policies prior to elections and combat ensuing inflation after the election. In line with the literature on political business cycles and contrary to Hypothesis 1, we expect strong electoral mass-elite linkages to bring about deteriorating economic performance after the election.

H4: Performance of the national economy deteriorates as economic retrospective voting in elections becomes stronger.

Data and Method

To test the effects of electoral accountability on national economic outputs, we use variation in ERV over time and space. Evaluations of economic performance exert stronger, more consistent effects in some elections than in others (Paldam 1991; Powell and Whitten 1993). While in many democracies, the electoral fortunes of the incumbents are closely linked to trends in income and employment in the pre-election period, still in other countries there is no reliable connection between electoral outcomes and aggregate economic performance. This cross-national variation is fruitful ground for testing the extent to which electoral accountability, in its type and degree, brings about desirable economic outputs.
We limit the scope of the analysis to OECD countries. In part, this is due to the limited availability of reliable economic data outside developed democracies. But more importantly, if we are to find evidence of electoral accountability making a difference in policy outputs, it should be precisely in established democracies. The data comprise repeated observations of sixteen OECD countries between 1970 and 2003. This yields an unbalanced data set containing a maximum of 653 observations \((n = 18, t = 34)\). The countries included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States.

By definition, the strength of electoral accountability is measured by the degree to which past economic conditions predict how incumbents fare at the polls. We can express this relationship empirically with the coefficient \(\beta\) in the following equation:

\[
\Delta \text{Incumbent vote share}_t = \beta \times \Delta \text{Economic performance}_t \quad (1),
\]

where \(\Delta \text{Incumbent vote share}_t\) is the change in the incumbent share of the vote in two subsequent elections \(t-1\) and \(t\), and \(\Delta \text{Economic performance}_t\) is the change in macroeconomic welfare in the year \(t\) prior to the election.\(^6\) Solving for \(\beta\) in Equation (1), ERV is estimated as,

\[
\beta = \frac{\Delta \text{Incumbent vote share}_t}{\Delta \text{Economic performance}_t} \quad (2).\]

Large positive values indicate the presence of electoral accountability. The coefficient \(\beta\) captures the intensity of economic voting: the larger its value, the greater the electoral price paid by incumbents for worsening economic conditions (or the more

\(^6\)Given the received wisdom in the literature, voters base their evaluations on recent economic performance, or roughly the year prior to the election (Lewis-Beck and Stegmaier 2013, 15).

\(^7\)To estimate the numerator in Eq. (2), I calculate the difference in the vote share for the incumbent party at elections \(t\) and \(t-1\). \(\Delta \text{Incumbent vote share}_t = \text{Voteshare} _t - \text{Voteshare} _{t-1}\). I estimate economic performance as change in unemployment in the year prior to the election.
rewarded incumbents are for improvements in economic welfare). When $\beta$ is negative, retrospective voting is not working properly; voters have either punished incumbents despite growing economic welfare or have rewarded incumbents despite economic hardships. In order to explore the possibility that the degree of punishment affects subsequent performance, ERV is also estimated as a function of change in the incumbent’s seat share in parliament and as loss of executive power.\footnote{In the former, $\beta = \frac{\Delta\text{Incumbent seat share}}{\Delta\text{Economic performance}}$, and in the latter, $\beta$ is assigned a value of 1 in the presence of ERV (e.g., incumbent lost power when economy worsened or maintained his grip on power when economy improved), -1 in the absence of ERV (vice versa) and 0 in the case of no change in economic performance and executive power. Data on the three electoral outcomes comes from Samuels and Hellwig (2010).}

To gauge economic performance, I use national unemployment figures. A number of studies have made clear that change in unemployment has a decisive impact on incumbents’ electoral fortunes (Fidrmuc 2000; Powell and Whitten 1993; Pacek 1994; Roberts 2008; Tucker 2001). Data on unemployment and relevant control variables in OECD countries come from Kollmeyer and Pichler (2013). Data on economic globalization comes from Dreher (2006).

Figures 1 and 2 present descriptive summaries of $\beta$ in Equation (2), where the numerator is estimated as a function of change in the incumbent’s vote share, seat share and loss of executive power (for election years only). Approximately two-hundred elections form part of the data set. In the case of vote share, $\beta$ is distributed approximately normal with a small positive skew; seat share is approximately normal with a small negative skew. The top-right panel in Fig. 1 summarizes loss of executive power as a function of economic performance (See fn. 5). Roughly the same numbers of elections experience the presence and absence of accountability defined as loss of executive power. Fig. 2 plots the percent unemployed over $\beta$. Bivariate prediction plots suggest a weak negative correlation between ERV and national unemployment rates; the stronger electoral accountability, the lower the percentage of unemployed. Elections where ERV, as loss of executive
power, is absent are associated with higher mean levels of unemployment (top-right panel in Fig. 2).\footnote{I exclude observations for Finland, Germany and Sweden for 1991 and 1992 and use different country fixed effects for the pre-1991 and post-1992 periods (equivalent to splitting each country into two sub-countries). This approach has been adopted elsewhere in the literature to capture highly country-specific factors (e.g., the collapse of the Soviet Union, the unification and the banking crises, respectively) which drove a major shift in unemployment between 1991 and 1992 (See Bassanini and Duval (2006)).}

I test the relationship between ERV and economic performance with the following fixed-effects linear model:

\[ y_{it} = \alpha_i + \beta_1 y_{i(t-1)} + \beta_2 ERV_{it} + u_{it} \text{ for } t = 1, ..., T \text{ and } i = 1, ..., N \tag{3}, \]

where \( y_{it} \) is the rate of unemployment observed in country \( i \) in year \( t \), \( ERV_{it} \) is the strength of economic retrospective voting, and \( u_{it} \) is the error term. To test Hypothesis 2, \( y_{it} \) is operationalized as a function of incumbent vote share, seat share or loss of executive power. As postulated in Hypothesis 3, I further test for an interaction effect between the rate of globalization and ERV. For between-election years, \( ERV_{it} \) is operationalized as the strength of economic retrospective voting in the most recent election with a binary control variable for election year. In addition to the control variables described above, the models also introduce a one-year lag for unemployment rate as an independent variable. This is done in order to capture the temporal dynamics of unemployment and reduce serial correlation.

Although explaining the variation in the annual rates of national unemployment is not the aim of this paper, the models that follow have been informed by the literature on unemployment and include a number of control variables that have been shown to affect levels of unemployment. Decreasing \textit{manufacturing employment}, or the percentage of the national workforce employed in
manufacturing, has been shown to be a significant source of persistently high unemployment in developed countries (Kollmeyer & Pichler 2013). The output gap, or the differences between the economy’s actual and potential economic output, has been shown to correlate negatively with unemployment (i.e., rising output gap is associated with falling unemployment). As local trade unions negotiate wages with employers, the strength of labor unions has been shown to affect levels of unemployment (Layard et al. 2005, Soskice 1990, Traxler & Kittel 2000). Hence, union density is the number of trade union members in a country expressed as a percentage of the national workforce. Rigid labor markets have been found to slow down job creation by increasing the cost of labor for employers (Bassanini & Duval 2009). The rigidity of markets is captured with three variables: overall tax on wages (includes income taxes paid by workers, payroll taxes paid by firms and workers and other forms of taxation on labor; expressed as percent greater than workers’ income), employment protection legislation (gauges the strictness of laws regulating the hiring and firing of employees; from zero to 5, with higher values indicating stricter protection) and employment benefits (measures the eligibility criteria and duration of unemployment benefits; from zero to 100, with higher values indicating more generous benefits). Finally, female labor market participation is the percentage of women aged 15 to 64 in the labor force. Most of the control variables come from the OECD and have been compiled and made available by Kollmeyer & Pichler (2013).

**Preliminary Results**

Baseline models are presented in Table 1. Unemployment is regressed on unemployment one year previous, levels of economic retrospective voting and a binary variable for election year. The first three models add consecutively each type of ERV while the final model specification includes all independent variables. These baseline models fail to detect a consistent effect of changes in incumbent vote and seat shares as a function of economic performance on unemployment rates after the election. Only the most stringent form of electoral accountability – change of executive power –
exerts a negative statistically significant effect ($p < 0.05$). The coefficients in Models 3 and 4 thus lend preliminary support for the first two hypotheses. However, the effect is substantively small. Rewarding incumbents who were good stewards of the economy (or punishing poor ones with loss of power) decreases levels of unemployment by one-tenth of a percentage point.

*Full model results.* Table 2 reports full models. Left-hand side models (1, 3 and 5) replicate the models in Table 5 but include additional control variables. We see that once other economic and institutional factors are controlled for, the effect of ERV on unemployment is no longer different from zero. Whereas loss of political power exerted a negative effect in the baseline model (Model 3 in Table 1), in Model 5 its effect is negative but does not reach statistical significance. As a robustness check, I ran a model with the lag of ERV as an independent variable and another model with the fifth lag of ERV (equivalent to ERV one and two elections prior); these models confirmed the null findings reported in Table 2 (results not shown). As levels of unemployment have been found previously to vary in election years, we test further for an interaction between ERV and election year. It is evident from the chi-square statistics reported at the bottom of Table 2 that the effect of ERV is not different from zero.

Finally, Table 3 tests the hypothesis that the effects of ERV are stronger in those economies that are less integrated in global economic markets. However, this idea receives little empirical backing. Whereas levels of globalization exert a negligible negative effect on national unemployment, the effects of ERV on unemployment do not appear to be conditioned by globalization (as evident from the chi-square statistics at the bottom of Table 3). Furthermore, the models were rerun for a sample of countries with globalization scores below the median (results not shown); this robustness check also failed to find empirical support for Hypothesis 3. Finally, the baseline models were tested for another economic indicator, the rate of inflation. In line with the null findings on the rate of national unemployment, the strength of economic retrospective voting does not have a statistically significant effect on inflation (Table 4).
Conclusion & Implications

The objective of this paper was to investigate if and when electoral accountability pays off. Do citizens reap the economic benefits of having held politicians to account? While much of the literature on economic retrospective voting and electoral accountability implicitly assumes this to be the case, thus far there have been few direct tests of this hypothesis. A preliminary set of analyses in this paper answers in the negative. The economy seems no better off after voters correctly perceive and assign blame for macroeconomic performance. The results do not vary by the strength of the electoral signals voters send to incumbents or by the ties of the national economy to global markets. In short, the findings suggest that electoral accountability does not pay off.

The analyses of this paper provide only preliminary findings. The data addresses the research question only narrowly, where economic performance is studied in the specific case of the national rate of unemployment. While accountability in elections does not seem to generate a drop in unemployment, it may well affect other aspects of economic performance. To understand the effects of accountability on policy performance more broadly, future research should examine additional policy outcomes, including economic, social and political performance. Future research should also examine the missing link between accountability and economic outcomes – the policy programs implemented by incumbents. It may well be that electoral accountability provides good incentives to politicians to pursue policies they deem beneficial to the economy but which do not bring about tangible improvements in macroeconomic indicators. Studying the causal chain, from accountability to policy programs to policy outcomes, should also shed light on the causal mechanism through which the economic vote shapes, or fails to shape, economic outcomes. While this paper uncovers a breakdown in the link between electoral accountability and economic performance, it does not point to the part of the causal chain where the relationship goes awry.
If future research lends credence to these findings, then the implications for electoral democracy are grim. Given citizens’ limited interest in and knowledge of politics, economic retrospective voting has been held as the saving grace of electoral democracy as it requires only minimal levels of knowledge on the part of voters. If economic retrospective voting is citizens’ best hope to shape policy outcomes, then the findings of this paper spell bad news to democratic theory and practice. Given that elections have only a negligible effect on the quality of governance, then periodic elections are merely an instrument of political legitimacy.
Partial Bibliography


Vanberg, Viktor, and James M. Buchanan. 1986. “Organization Theory and Fiscal Economics:

### Table 1 Unemployment rate: Baseline models

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment, lag</td>
<td>0.897***</td>
<td>0.899***</td>
<td>0.899***</td>
<td>0.891***</td>
</tr>
<tr>
<td></td>
<td>0.0147</td>
<td>0.0149</td>
<td>0.0137</td>
<td>0.0150</td>
</tr>
<tr>
<td>ERV (vote share)</td>
<td>0.003</td>
<td>0.007*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.0019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERV (seat share)</td>
<td>0.003</td>
<td>0.0016</td>
<td>-0.000</td>
<td>0.0023</td>
</tr>
<tr>
<td>ERV (head change)</td>
<td></td>
<td>-0.098*</td>
<td>-0.126**</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0382</td>
</tr>
<tr>
<td>Election year</td>
<td>-0.025</td>
<td>-0.026</td>
<td>-0.042</td>
<td>-0.018</td>
</tr>
<tr>
<td></td>
<td>0.0818</td>
<td>0.0843</td>
<td>0.0775</td>
<td>0.0838</td>
</tr>
<tr>
<td>Constant</td>
<td>0.715***</td>
<td>0.731***</td>
<td>0.690***</td>
<td>0.774***</td>
</tr>
<tr>
<td></td>
<td>0.1035</td>
<td>0.1059</td>
<td>0.0946</td>
<td>0.1062</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-716.67</td>
<td>-695.21</td>
<td>-763.42</td>
<td>-678.60</td>
</tr>
<tr>
<td>AIC</td>
<td>1441.33</td>
<td>1398.43</td>
<td>1534.84</td>
<td>1369.20</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.88</td>
<td>0.88</td>
<td>0.88</td>
<td>0.88</td>
</tr>
<tr>
<td>N</td>
<td>555</td>
<td>534</td>
<td>598</td>
<td>527</td>
</tr>
</tbody>
</table>

**Note:** Table 1 reports coefficient estimates and standard errors from fixed-effects linear models (for year and country). * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$
### Table 2 Unemployment rate: Controls and Interaction with Election Year

<table>
<thead>
<tr>
<th>Vote Share</th>
<th>Seat Share</th>
<th>Head Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Unemployment, lag</strong></td>
<td>0.776*** 0.776***</td>
<td>0.776*** 0.776***</td>
</tr>
<tr>
<td></td>
<td>0.0189 0.0190</td>
<td>0.0192 0.0192</td>
</tr>
<tr>
<td>ERV</td>
<td>0.002 0.001</td>
<td>0.000 -0.000</td>
</tr>
<tr>
<td>ERV x Election year</td>
<td>0.0017 0.0021</td>
<td>0.0013 0.0015</td>
</tr>
<tr>
<td>Election year</td>
<td>0.001 0.001</td>
<td>0.001 0.001</td>
</tr>
<tr>
<td></td>
<td>-0.053 -0.051</td>
<td>-0.046 -0.045</td>
</tr>
<tr>
<td></td>
<td>0.0704 0.0707</td>
<td>0.0721 0.0723</td>
</tr>
</tbody>
</table>

**Controls**

| Share of Employment in Manufacturing | -0.054 -0.054 | -0.046 -0.046 | -0.051 -0.050 |
| Output Gap | 0.0277 0.0278 | 0.0276 0.0277 | 0.0266 0.0266 |
| Union density | 0.291*** 0.291*** | 0.293*** 0.293*** | 0.293*** 0.293*** |
| Overall taxes on wages | 0.0181 0.0182 | 0.0183 0.0184 | 0.0175 0.0175 |
| Overall regulations on labor; Employment Protection Legislation | 0.032*** 0.032*** | 0.027*** 0.027*** | 0.022* 0.021* |
| Unemployment Benefit Replacement Rates | 0.0096 0.0097 | 0.0103 0.0103 | 0.0090 0.0089 |
| Female Labor Force Participation (as % of Females aged 15-64) | 0.003 0.003 | 0.010 0.010 | 0.005 0.005 |
| Constant | 0.0086 0.0086 | 0.0095 0.0095 | 0.0092 0.0082 |
|            | -0.057 -0.058 | -0.063 -0.065 | 0.005 0.009 |

| Joint effect, ERV and ERV x Election year ($\chi^2$) | 0.42 | 0.04 | 1.88 |
| Log likelihood | -392.91 -392.86 | -390.91 -390.87 | -418.42 -416.67 |
| AIC | 807.82 809.73 | 803.81 805.74 | 858.85 857.34 |
| R² | 0.93 0.93 | 0.93 0.93 | 0.93 0.93 |
| N | 409 409 | 401 401 | 434 434 |

**Note:** Table 2 reports coefficient estimates and standard errors from fixed-effects linear models (for year and country). * p < 0.05, ** p < 0.01, *** p < 0.001
Table 3 Unemployment rate: Globalization

<table>
<thead>
<tr>
<th>Vote Share</th>
<th>Seat Share</th>
<th>Head Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Unemployment, lag</td>
<td>0.774***</td>
<td>0.772***</td>
</tr>
<tr>
<td>ERV</td>
<td>0.0188</td>
<td>0.0189</td>
</tr>
<tr>
<td>Election year</td>
<td>0.0020</td>
<td>0.0002</td>
</tr>
<tr>
<td>Globalization</td>
<td>0.0017</td>
<td>0.0018</td>
</tr>
<tr>
<td>Globalization * ERV (head change)*</td>
<td>-0.059</td>
<td>-0.057</td>
</tr>
<tr>
<td>-0.0698</td>
<td>0.0698</td>
<td>0.0716</td>
</tr>
<tr>
<td>Globalization</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Controls
Share of Employment in Manufacturing | -0.031 | -0.029 | -0.025 | -0.028 | -0.025 | -0.025 |
Output Gap | -0.296*** | 0.293*** | -0.297*** | 0.297*** | -0.298*** | 0.298*** |
| 0.0181 | 0.0183 | 0.0183 | 0.0182 | 0.0174 | 0.0174 |
| Union density | 0.040*** | 0.039*** | 0.034*** | 0.036*** | 0.031*** | 0.032*** |
| 0.0100 | 0.0100 | 0.0106 | 0.0106 | 0.0094 | 0.0094 |
| Overall taxes on wages | -0.013 | -0.012 | -0.006 | -0.008 | -0.012 | -0.012 |
| 0.0102 | 0.0103 | 0.0112 | 0.0113 | 0.0098 | 0.0099 |
| Overall regulations on labor; Employment Protection Legislation | -0.028 | -0.037 | -0.031 | -0.014 | 0.036 | 0.029 |
| Unemployment Benefit Replacement Rates | 0.1080 | 0.1084 | 0.1109 | 0.1111 | 0.1007 | 0.1010 |
| -0.008 | -0.007 | -0.008 | -0.008 | -0.006 | -0.005 |
| Female Labor Force Participation (as % of Females aged 15-64) | 0.0070 | 0.0070 | 0.0070 | 0.0070 | 0.0067 | 0.0068 |
| -0.017 | -0.018 | -0.016 | -0.017 | -0.021 | -0.021 |
| 0.0122 | 0.0122 | 0.0122 | 0.0122 | 0.0116 | 0.0116 |
| Constant | 0.856 | 0.822 | 0.642 | 0.784 | 1.003 | 0.996 |
| 1.4728 | 1.4733 | 1.4554 | 1.4542 | 1.3938 | 1.3942 |
| Joint effect, ERV and ERV x Globalization (χ²) | 1.05 | 1.45 | 0.62 |
| Log likelihood | -0.031 | -388.26 | -387.50 | -385.98 | -413.18 | -388.26 |
| AIC | 0.0287 | 802.51 | 799.00 | 797.96 | 850.36 | 802.51 |
| R² | -0.296*** | 0.93 | 0.93 | 0.93 | 0.93 | 0.93 |
| N | 0.0181 | 409 | 401.00 | 401 | 434.00 | 409 |

Note: Table 3 reports coefficient estimates and standard errors from fixed-effects linear models (for year and country). * p < 0.05, ** p < 0.01, *** p < 0.001
<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation, lag</td>
<td>0.857***</td>
<td>0.848***</td>
<td>0.856***</td>
<td>0.855***</td>
</tr>
<tr>
<td></td>
<td>0.0226</td>
<td>0.0237</td>
<td>0.0224</td>
<td>0.0234</td>
</tr>
<tr>
<td>ERV (vote share)</td>
<td>-0.001</td>
<td>-0.003</td>
<td>0.0047</td>
<td>-0.004</td>
</tr>
<tr>
<td></td>
<td>0.0047</td>
<td></td>
<td></td>
<td>0.0076</td>
</tr>
<tr>
<td>ERV (seat share)</td>
<td></td>
<td>-0.003</td>
<td>0.0038</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0055</td>
</tr>
<tr>
<td>ERV (head change)</td>
<td></td>
<td></td>
<td></td>
<td>0.067</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.161</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0980</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.1016</td>
</tr>
<tr>
<td>Election year</td>
<td>-0.145</td>
<td>-0.112</td>
<td>-0.118</td>
<td>-0.142</td>
</tr>
<tr>
<td></td>
<td>0.1991</td>
<td>0.2072</td>
<td>0.2003</td>
<td>0.2024</td>
</tr>
<tr>
<td>Constant</td>
<td>0.631***</td>
<td>0.675***</td>
<td>0.709***</td>
<td>0.625***</td>
</tr>
<tr>
<td></td>
<td>0.1668</td>
<td>0.1759</td>
<td>0.1667</td>
<td>0.1712</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-1148.78</td>
<td>-1118.78</td>
<td>-1250.62</td>
<td>-1086.76</td>
</tr>
<tr>
<td>AIC</td>
<td>2305.56</td>
<td>2245.56</td>
<td>2509.25</td>
<td>2185.53</td>
</tr>
<tr>
<td>R²</td>
<td>0.74</td>
<td>0.73</td>
<td>0.73</td>
<td>0.74</td>
</tr>
<tr>
<td>N</td>
<td>533.00</td>
<td>514.00</td>
<td>570.00</td>
<td>507.00</td>
</tr>
</tbody>
</table>

**Note:** Table 1 reports coefficient estimates and standard errors from fixed-effects linear models (for year and country). *p < 0.05, **p < 0.01, ***p < 0.001
Fig. 1 Frequency of Economic Retrospective Voting (as a Function of Change in the Incumbent’s Vote Share, Seat Share and Loss of Executive Power)

Fig. 2 Percent Unemployed over Economic Retrospective Voting (as a Function of Change in the Incumbent’s Vote Share, Seat Share and Loss of Executive Power)