

*Economic Voting and Issue Ownership*  
*An Integrative Approach*

Distribution:

Johan Martinsson

Department of Political Science

University of Gothenburg

Box 711 • 405 30 Gothenburg • Sweden

E-mail: [johan.martinsson@pol.gu.se](mailto:johan.martinsson@pol.gu.se)

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# Economic Voting and Issue Ownership

## An Integrative Approach

Johan Martinsson

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University of Gothenburg

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<sup>i</sup> For a previous discussion of this notion, see Bågenholm (2008).



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# Chapter 1

## Introduction

Unemployment began to rise rapidly in Sweden at the beginning of the 1990s. The age of Swedish exceptionalism in relation to the European problem of persistent high unemployment came to an end. In the space of a few years, from 1990 to 1993, the official unemployment figures increased from a mere 1.5 percent to a startling 8 percent. This would have been unimaginable in the public debate only a few years earlier.

The Swedish economy had previously managed to combine substantial growth with low to moderate unemployment for some time. Unemployment never exceeded 4 percent during the 1980s and the average annual growth was slightly above 2 percent. In contrast, average unemployment in continental Europe increased from 3 percent in the mid 1970s to about 10 percent less than a decade later. Consequently, the “Swedish model” or the “third way” was often called a success. But the severe downturn in the economy and rapid escalation of unemployment of the early 1990s changed all that. Apart from the widely discussed unemployment level, the national budget deficit and the national debt became distressing topics for the nation.

All these sudden changes had very tangible consequences for many citizens. In fact, in the year 2000, 35 percent of Sweden’s adult population reported having been unemployed at some point during the previous ten years. If family members and friends are included the share of the population with direct or indirect experience of unemployment during the previous ten years becomes as high as 81 percent (Gustafson 2003). Such thorough changes in the economic situation do not go unnoticed in the minds of ordinary citizens.

The new and changing economic situation could for example affect people’s personal living conditions because of a reduction of disposable income, it could affect their perceptions of the national economic situation in general or they could observe relatives or their children going through a troublesome time in the labour market. These kinds of observations of the economic situation that citizens make directly in their everyday lives or indirectly via media reporting all have the potential to influence how they think about politics as well (Kinder & Kiewiet 1979; Kramer 1983; Mutz 1998). Events such as economic decline or increasing unemployment can alter *what* people think about, what their main concerns are, and potentially also *how* they think or feel about certain political issues or concerns. For example, if unemployment rises, more citizens than before are likely to consider fighting unemployment a political priority. In addition, such a change in the labour market might also contribute to changing citizens’ view of the national economic situation for the worse. The influence that economic changes have on public opinion provides a link between politics and the economy.

What then are the political consequences of unemployment? If we restrict this question to electoral consequences or closely related phenomena such as the popularity of different political parties, this topic has primarily been studied in the longstanding research tradition of economic voting.<sup>1</sup> Such studies have examined how economic changes, for instance recessions, have influenced the outcome of elections (Lewis-Beck & Paldam 2000). The basic reward-punishment hypothesis of this research tradition was inspired by Key (1964) and simply states that voters tend to support the government if the economy is doing well and to vote against it otherwise. Since the seminal works of Goodhart and Bhansali (1970) and Kramer (1971) up to the recent and increasingly technically sophisticated debate (see for example Lewis-Beck 2006; Evans & Andersen 2006), most of these studies have concluded that people do tend to punish incumbent governments or presidents to some extent for economic downturns. In general, governments seem to be held accountable for the economic development as part of their governmental performance.

Already at this early stage I want to point out that, although governmental performance and objective economic development are clearly different notions, when I use the term government's economic performance I refer to the actual economic development under a specific government. The reason for this is to comply with the practice in the international literature on economic voting. This does not mean that I consider governments to be fully in control of the economic development. Empirically, a good economic development might occur despite poor governmental performance, and good governmental performance, where the government has done everything it can be expected to do, might still be followed by negative economic development. In this thesis governmental performance should be regarded as a neutral term denoting actual policy outcome under a specific government, and economic performance simply refers to the actual economic development.

The link between the economy and electoral outcomes is, however, more complicated than the original reward-punishment hypothesis suggests. Although the general conclusion is that the reward-punishment hypothesis is supported and that the economic development seems to be an influential predictor of how well the incumbent government will do in the next election, it has become increasingly clear that there is a good deal of variation in the magnitude of this electoral punishment and in the economic vote. The empirical results of economic voting studies suffer from "instability" (Lewis-Beck & Paldam 2000:119). It has also been found that the importance of the economic development for electoral outcomes varies greatly both within countries over time (Sanders & Carey 2002; Stevenson 2002a; 2002b) and between countries (Anderson 1995; 2000; Powell & Whitten 1993; Sanders & Carey 2002; Stevenson 2002b). The future task for research on economic voting must now be to explain and understand why the influence of the economy on elections and incumbent popularity varies.

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<sup>1</sup> When it comes to less direct political consequences of unemployment many sociological studies exist. One of the earliest and best known of these is the famous study of the unemployed in the Austrian village of Marienthal led by one of the founders of survey based electoral research, Paul Lazarsfeldt (Jahoda et al. 1974[1933]). For an overview of recent studies of social consequences of unemployment, such as effects on family life, self-esteem, health and more, see for example Ström (2002).

In this thesis I argue that in order to better understand the effects of economic changes on election outcomes and party popularity, the focus of economic voting studies must be broadened. *Part of* this hard-to-explain variation in the strength of the economic vote might stem from the omission of another theoretical tradition in electoral research, namely issue ownership theory and issue-priority models of voting.<sup>2</sup> This chapter will explain why this may possibly be so and what we are missing as a result of the relatively narrow focus of traditional economic voting studies.

Fundamentally, this study is about the electoral consequences of unemployment in Sweden. To examine this I take the research tradition of economic voting as my point of departure. To gain a more comprehensive understanding of the consequences for electoral outcomes and incumbent popularity of unemployment in Sweden than the traditional economic voting framework offers, I will develop and apply a joint model of the electoral consequences of unemployment by combining economic voting with issue ownership theory.

### *Economic voting and partisan effects*

The links between the economy and voting have been explored for more than half a century (early examples include Tibbits 1931; Berelson et al. 1954; Goodhart & Bhansali 1970; while on Sweden we find early studies by Jonung & Wadensjö 1979; Åkerman 1946; Rydén 1950; Kramer 1971; Madsen 1980; Holmberg 1984). Systematic quantitative studies of the influence of the economy on public support for the ruling party or president and on the election results of incumbents have been conducted *en masse* in the past decades. This field of research clearly continues to flourish.<sup>3</sup> But this is not just another study of economic voting. The aim of this study is instead to integrate economic voting and another theoretical tradition that takes political factors into account to a larger extent. Most economic voting studies seem to wear a kind of political blinkers, making their focus too narrow to gain a proper understanding of the consequences of economic changes for elections or incumbent popularity. Despite the vast amount of research, many questions still remain in the realm of economic influences on elections and voting.

The main approach to explaining variations in the strength of the economic vote has been the institutional approach set off by Powell and Whitten in 1993. The central notion in this research tradition is that of *clarity of responsibility*. Political contexts with a high degree of clarity of responsibility are expected to facilitate the retrospective performance-based voting of the economic voter. On the other hand, unclear patterns of political responsibility are thought to make it more difficult for voters to hold the incumbent accountable for the economic performance (Powell & Whitten 1993). Among the factors examined in these studies we find government composition (e.g. single party vs multi-party governments), bicameralism and the committee system.

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<sup>2</sup> Even at this early point, I wish to make clear that I do not intend to provide a general explanation for the variation in economic voting. My goal is rather to outline and test one specific and new such potential explanation on the case of Sweden: namely the integrated model of economic voting and issue ownership presented in this chapter.

<sup>3</sup> A quick search in the Social Sciences Citation Index (SSCI) shows that over 100 articles have been published since the year 2000 on the topic of “economic voting” alone.

This is not a country comparative study, however. The study's empirical scope is limited to the case of Sweden and will instead depart from another sub-branch of economic voting called *partisan effects*. Previous studies have suggested that the public holds incumbent parties or presidents accountable for the economic development to a different extent, or even in different ways, depending on the incumbents' partisan colour or position in the ideological spectrum (Powell & Whitten 1993; Anderson 1995; Carlsen 2000; van der Brug et al. 2007). Consequently, this is often referred to as partisan effects in research on economic voting.

One such partisan difference found in some American studies is that the electorate does not seem to hold Democratic presidents accountable for rising unemployment, but that it works as expected for Republican ones (Swank 1993). Subsequent research has later elaborated somewhat on the partisan effects in economic voting and specified two contradicting hypotheses: the clientele hypothesis and the salient goal hypothesis (Carlsen 2000). According to the *clientele hypothesis* the electorate does not punish left governments for unemployment because they assume there is no one better at dealing with the issue of unemployment despite the failure of the incumbent (leftist) government. In contrast, the *salient goal hypothesis* claims that a left government would instead be electorally punished to an even greater extent than other governments since the issue of unemployment is seen as the home turf of left governments and they are therefore expected to handle it especially well. Although the amount of research on this topic is still very limited, some support has been found for the general idea of partisan effects in economic voting. No firm conclusions concerning the direction of partisan effects have been reached, however. The study by Carlsen (2000) found support for the clientele hypothesis in the US and in Canada (as did Swank 1993), while the findings for the UK were inconclusive and the salient goal hypothesis was instead supported in Australia (Carlsen 2000:148). Further, Carlsen's results are not always clear-cut for individual countries either, but sometimes vary between different governments in the same country. Sander's (2000:288f) results also mainly supported the clientele hypothesis in the UK. On the other hand, Powell and Whitten's (1993:404f) comparative study instead found evidence favouring the salient goal hypothesis.

Studies on partisan effects in economic voting have usually tested the hypotheses sketched above in a straightforward manner, for example via including interaction terms for the ideological flavour of the government in their regression models or by examining different governments separately. But previous studies have never been particularly clear about what causes these differences and how the individual voting decisions are influenced by whether the incumbent party under consideration is a party to the left or to the right on the political spectrum in the country studied. In my view, previous research has not theoretically specified the causal mechanism in a satisfying manner.

It is also imperative to note that it cannot be taken for granted that left and right wing governments have certain properties per se, nor in general, and neither pertaining to specific issues as the one in focus here: unemployment. Rather, this should be regarded as a topic for empirical inquiry. All left governments are not the same, and the same naturally goes for right governments. The theory and study of partisan effects need to rely less on assumptions and generalizations of what characterizes left and right party incumbents, both in time and in space. The relation between a leftist party and the issue of unemployment for example is not

necessarily the same in all countries or at all points in time in any one country. This might perhaps be the explanation for the difficulties of previous research on partisan effects in economic voting studies to reach agreement in their conclusions.<sup>4</sup>

I propose that the integration of two research traditions within the study of electoral behaviour that have been unfortunately insulated from each other, economic voting and issue ownership theory, will serve the aim of this thesis: to advance our knowledge of partisan effects in economic voting and to examine the electoral consequences of the issue of unemployment in Sweden.

The idea of partisan effects in economic voting provides a good basis for a theoretical link between retrospective voting models, such as economic voting, and issue-priority models (or party competence models, see Schmitt 2001) such as issue ownership. It does so by pointing out the possibility that all governments are not necessarily held equally accountable for the economic development that goes on during their terms. In fact, it is possible that both the magnitude and the direction of the retrospective vote vary according to the partisan composition of the incumbent government. If this is so, however, a good explanation is needed for why and when the magnitude or direction of the retrospective vote varies between political parties. Previous studies have failed to provide such an explanation. I suggest that one important mechanism that creates these partisan differences in economic voting is party issue ownership. In fact, we do not need a new theory or an add-on to the partisan theory of economic voting.<sup>5</sup> To improve our understanding of the electoral consequences of economic changes, we need to combine the explanations and predictions of two different but already established traditions in research on electoral behaviour.

### *The electoral consequences of unemployment*

Economic voting studies have usually overlooked the possibility that certain economic issues on the public agenda might benefit certain political parties through their ownership of the issue at hand. Likewise, studies of issue ownership have usually overlooked the possibility that although certain issues might benefit the party owning the issue, by means of their being salient, voters might still simultaneously take retrospective considerations of governmental performance in the same issues into account when deciding whom to vote for.

In addition, I claim that it is not only *desirable* to take both economic voting and issue ownership into consideration because they complement each other, but that this is sometimes *necessary* in order to correctly understand the electoral consequences of economic changes. This is so because predictions of electoral outcomes based on both models will be affected by the same factor –

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<sup>4</sup> It might also be added that, even if all left parties or all right parties did have the same relation to a certain issue, we should be conscious that in principle it is not the actual properties or policy of political parties, but voters' perceptions of these properties or policies, that eventually matter to individual electoral behaviour.

<sup>5</sup> Especially the clientele hypothesis in the partisan theory of economic voting is particularly close to issue ownership theory. In fact, it is questionable whether electoral behaviour in accordance with the clientele hypothesis can be said to constitute "economic voting" in the traditional sense at all since it states that left (right) parties gain from high unemployment (inflation), both when in government and in opposition (Carlsen 2000:142). This sounds very much like issue ownership, minus the part where the issues have to become salient to the public in order to have an effect on party support.

changes in economic performance. Interestingly, the two models might under certain circumstances yield completely contradictory predictions of the effect on electoral outcomes for the same change in economic performance.

For example, let us consider what happens when unemployment is on the rise. From the viewpoint of economic voting, the most important change in public opinion is that rising unemployment is likely to alter people's evaluations of the country's general economic situation. Unemployment is a prominent feature of the economy and one of the best known macro economic indicators. Further, this change in economic evaluation is likely to be for the worse since unemployment is generally seen as something unwanted. In short, if unemployment rises, citizens will take notice and their view of the economy will become more negative (or less positive) than before. In turn, such an evolution might lead to greater public dissatisfaction with the way the government is handling the economy and eventually electoral punishment with fewer voters prepared to support the government in the next election.

From an electoral point of view, however, this is not the only important change in public opinion that rising unemployment might cause. What happens more when unemployment is rising is that the issue of unemployment itself moves up on the agenda. When the objective situation on the labour market is becoming worse, not only will the public's view of the labour market situation become less positive, but public interest in issues related to the labour market will increase too. If unemployment itself rises, the issue of unemployment is also likely to rise on the media's agenda as well as on the public agenda.

There are many ways that citizens can notice rising unemployment. Many citizens primarily receive their information about the changes in the labour market indirectly, for example via the media. There are real people behind the unemployment figures, however, and many citizens also experience unemployment in a more direct way, either personally or among relatives or friends.<sup>6</sup> Either way, citizens are likely to adjust their view on the world and their political priorities and concerns to the information they receive. Thus the issue will become more salient.

But why is issue salience – the importance of an issue – in itself electorally consequential? This is where issue ownership theory comes into play. The basic idea of issue ownership is that certain political issues are advantageous to certain political parties. This means that the mere fact that a particular issue is being discussed or considered is in itself electorally advantageous to a certain party, compared to a situation where that issue is not being discussed. Different political issues are advantageous or disadvantageous to different political parties in such a way that certain parties gain support while others lose support when an issue steps out of the shadows and becomes salient (Holmberg 1981; Budge & Farlie 1983)<sup>7</sup>. This is sometimes, for the party that gains an advantage by the issue, referred to as issue ownership.

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<sup>6</sup> Although personal experiences are often regarded as politically inconsequential, it is clearly possible for citizens to use personal experiences for political conclusions, perhaps especially if these experiences, as in the case of rising unemployment, correspond to societal trends and collective experiences (Mutz 1998; Kumlin 2002).

<sup>7</sup> Issue ownership theory has more recently been slightly reshaped and renewed, see for example Petrocik (1996) or Petrocik et al. (2003). More on this in Chapter 5.



If the consequence we expect from deteriorating economic evaluations caused by rising unemployment is a rather straightforward loss of votes for the incumbent, things are more complicated for the higher issue salience caused by an increase in unemployment. The consequences of higher salience for the issue of unemployment ultimately depend on whether the incumbent party has ownership of the issue of unemployment. The relation between the party in question and the issue of unemployment and how the public perceives this is essential. If the incumbent owns the issue of unemployment and the increasing unemployment levels lead to higher issue salience, this would actually, according to the theory of issue ownership, *benefit* the incumbent party.<sup>8</sup> If the government does not own the issue and ownership over the issue of unemployment belongs instead to a party of the opposition, the fact that the unemployment issue is high on the agenda due to a deteriorating labour market will instead be advantageous to the opposition party in question and result in a loss of votes for the incumbent. Thus, depending on the political context and issue ownership situation in the party system, an increase in unemployment levels can either benefit or harm the incumbent electorally.

As we can see, the theory of economic voting and the theory of issue ownership sometimes produce widely different, even directly contradictory, predictions of how a change in the labour market will influence government support. If we imagine that both of these processes are at work at the same time, the net result will depend on the outcome of both processes. Thus, we will clearly sometimes fail to understand, explain or predict the outcome if we use a model that considers only one of these processes.

This means that variations in the issue ownership of the governing party or parties, either between countries or over time within countries, might to some extent explain the variations in the strength of the economic vote. By analysing how changes in unemployment levels affect electoral outcomes and incumbent popularity simultaneously via two different mechanisms – economic evaluations and issue salience – this study strives to contribute to our knowledge of partisan differences in economic voting.

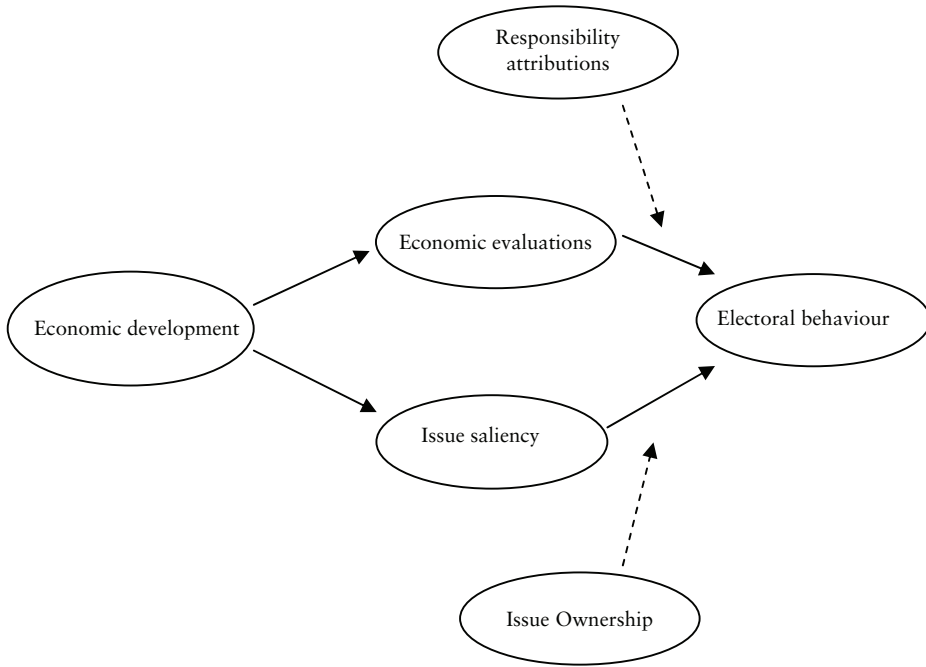
## THE INTEGRATED MODEL OF ECONOMIC VOTING AND ISSUE OWNERSHIP

The main argument in this thesis is that the effects of economic changes on voting behaviour and party popularity are not exclusively channelled via economic evaluations. Instead there are two important pathways for the influence of the economy on elections that need to be considered: economic evaluations and issue salience. Figure 1.1 depicts these two processes.

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<sup>8</sup> In the recent literature, similar reasoning can be found in van der Brug et al. (2007:21), stating that prospective considerations, such as who is more likely to do something about unemployment, can “mitigate or even reverse the negative effects that such a party might otherwise have suffered as a consequence of any responsibility it might have had for allowing the unemployment rate to rise”. Although the idea that it is possible for an incumbent to gain popularity as a result of rising unemployment implied in this line of reasoning is clearly similar to the integrated model I present in this chapter, van der Brug et al. do not clearly specify any causal mechanism that allows us to predict when this is likely to happen and when it is not. I believe that issue ownership is the missing link that will allow us to better understand why and when such partisan differences in economic voting occur.

**Figure 1.1 Two pathways of influence for economic changes – the integrated model of economic voting and issue ownership**



What previous research has largely failed to see is not that the content of the agenda can influence election outcomes or party popularity. In fact, there is a great deal of research on this topic. Instead, previous studies have failed to see that the agenda itself can to a large extent be influenced by policy outcomes. Higher unemployment usually means that the issue of unemployment is, or will become, high on the public agenda. Higher inflation usually means that inflation will become an important topic among citizens. Environmental disasters can be expected to cause increasing interest in environmental issues among the public and thus become more salient to the political choices and actions of citizens and so on. The opposite is also likely to be true since few political issues can maintain high public interest if they are regarded as “solved problems”. If unemployment is low or non-existent, for example, it is much less likely to be a salient issue to the public. Objective indicators of governmental performance in different policy areas are not only expected to affect citizens’ evaluations of the situation in these areas; they can also be expected to affect how salient these policy areas are to citizens.

That the dashed arrows from responsibility attributions and issue ownership point towards the arrows indicating the effects of economic evaluations and issue saliency rather than towards electoral behaviour means that they lack direct effects on electoral behaviour. Instead they have their importance through their conditioning effect on economic evaluations and saliency. If people do not

attribute any responsibility for the economic development (either credit or blame) to the government, economic evaluations will have no effect on voting.<sup>9</sup> Likewise, if no issue ownership is present, an increased public saliency of an issue has no effect on voting. That there is no direct effect of issue ownership also entails that however strong issue ownership a party has of an issue, it will receive no benefit from this as long as the issue is not salient.

Since policy evaluations and issue salience are partly determined by the same factor, they can be assumed to be empirically related. Although they are related, I argue that they are still both theoretically and empirically distinct phenomena. The more separate they are, the more knowledge there is to gain from taking both factors into account in our model of voting behaviour. Even if they were strongly empirically correlated, their effects would often be different since their impact on voting behaviour is dependent upon responsibility attributions and issue ownership, respectively, as shown in figure 1.1.

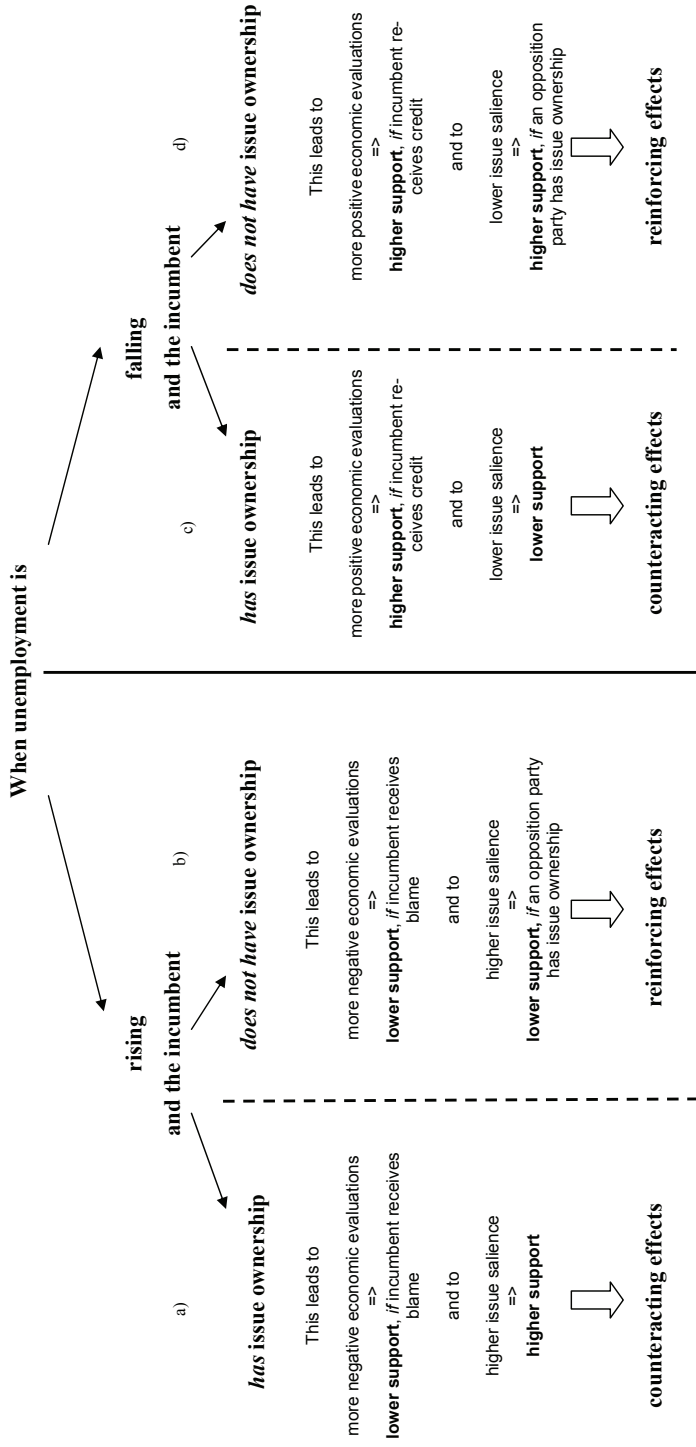
In order to understand the implications of the integrated model in figure 1.1 the predicted effects on incumbent support in four different situations with respect to economic development and issue ownership will be considered. What are the consequences of simultaneously taking the effects of evaluations and of issue salience into account? Since the focus of this dissertation is the political consequences of unemployment, the model is applied to the issue of unemployment. Figure 1.2 clarifies what is predicted to happen with popular support for the incumbent in situations where unemployment levels are either increasing or decreasing when the incumbent either has or does not have ownership of the issue of unemployment.

In the following four examples it is assumed, just as in the main part of the literature on economic voting, that the incumbent is attributed some degree of responsibility for changes in the economy and the labour market.

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<sup>9</sup> The vast majority of studies of economic voting does not directly measure or include responsibility attributions in their statistical models. One way to see this is that these studies more or less implicitly *assume* that governments are in general held accountable for the economy – for good times as well as for bad times. Another way of seeing it though, is that this is instead exactly what studies of economic voting are examining, *although indirectly*. If governments would not be attributed responsibility for the economic development, no effects of economic evaluations on government support would be found. Thus, the findings of most economic voting studies indicate that governments are, but to a varying degree, attributed responsibility for the economic development.

Figure 1.2 Consequences of economic development and issue ownership for incumbent support according to the integrated model of economic voting and issue ownership



Let us start by examining case c) in figure 1.2, where unemployment levels are falling and the incumbent has ownership of the issue of unemployment. This can for example represent a left party incumbent with issue ownership of unemployment in a situation of good economic development with falling unemployment. Traditional economic voting models would predict that such a situation would yield an increase in support for the government because of the positive economic development and the lower rates of unemployment. If we take into account, however, that decreasing unemployment rates also in all likelihood mean that the issue of unemployment will decrease in importance, things get more complicated. According to issue ownership theory, if an incumbent has ownership of an issue that loses its importance, public support for the incumbent should decrease. This seems plausible since part of their support in the first place was built on this issue being salient. But what happens if we combine this prediction based on issue ownership theory alone with economic voting theory?

The conventional prediction from economic voting theory in such a case is that the falling unemployment levels lead to improved economic evaluations, and thus to higher support for the incumbent. This means that when the two models are combined into one it becomes harder to predict the outcome since we get two different processes working in opposite directions – a case of counteracting effects. The outcome will depend on the balance of the strength between the two causal mechanisms – the relative strength of each effect.<sup>10</sup> This could in principle mean that a government with strong issue ownership of unemployment would actually not be electorally rewarded by voters for reducing the unemployment level.

If we turn our attention to the leftmost part of figure 1.2, case a), we encounter a case with a government with issue ownership of unemployment, but this time unemployment levels are rising. This is expected to mean more negative economic evaluations, leading to lower incumbent support. Apart from the more negative economic evaluations, we also expect an increase in issue salience due to the more widespread unemployment. In line with issue ownership theory this is expected to lead to a popularity boost for the government. Once again, we can see contradictory predictions from economic voting and issue ownership theory. In such instances, the two processes might in principle more or less cancel each other out and the net effect of the rising unemployment might be small or insignificant. At least issue ownership can be expected to cushion the electoral punishment resulting from poor governmental performance to some extent.

In cases b) and d) on the other hand we find two instances of governments without issue ownership of unemployment. In both these cases the effects of economic evaluations and issue salience are instead predicted to reinforce each other. Starting with case d) it is that, with falling unemployment levels, economic evaluations are expected to improve, yielding higher support. Further, the salience of the issue will decrease, which actually might benefit the incumbent since it does not possess ownership of this issue. This is of course assuming that an opposition party does have ownership of the issue and thereby becomes dis-

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<sup>10</sup> Of course the outcome will also depend on many other imaginable factors in addition to the two I treat here. Although I claim that traditional economic voting studies have been too narrow-minded, this is not to say that we could, or should try to, take every conceivable factor into account at once. The reasoning here is built on the common analytical assumption that all other important factors remain stable and that only the two I treat here vary.

advantaged, which in turn indirectly benefits the incumbent. If, on the other hand, no party has ownership of the issue, there will be no effect of the decrease in saliency. The predicted direction of change in incumbent support is unambiguous in this case for the integrated model as well since both processes point in the same direction. However, it should be pointed out that the prediction based on issue ownership theory is somewhat less secure in case d) when the government does not own the issue of unemployment, and especially so in multiparty systems. Although it is likely that the incumbent will benefit from an opposition party losing the advantage of having one of the issues it owns high on the public agenda, this cannot be taken for granted. Voters who leave the party that owns the issue could also end up shifting their preference in favour of a third party instead of in favour of the incumbent, or they could abstain. I maintain that it is a reasonable assumption, however, that the incumbent will benefit to some extent when an opposition party loses an advantage due to lower salience.

Finally, in case b), both the more negative economic evaluations and the higher issue salience caused by the rising unemployment levels are expected to be detrimental to the government's popularity standing. The incumbent will suffer both from negative economic evaluations and from increased salience of an issue that belongs to another party.

### *Why is the integrated model better?*

If the integrated model were to be correct, then what would be wrong with the traditional economic voting studies that have omitted the teachings of issue ownership theory? What mistakes would we risk committing if we use a traditional economic voting model? The nature of the mistake we would make when using a traditional economic voting model depends on the context. I argue that we would principally make two kinds of mistakes: either we risk misjudging the substantial size of the consequences of economic changes or we risk misinterpreting the cause of the consequences of economic changes.

Let us return to the cases where the government does have ownership of the issue of unemployment and consider what mistakes we risk with the classic economic voting model. How can the integrated model enhance our understanding of the electoral consequences of economic changes? If the unemployment rate is rising, but government support largely remains the same, this would be difficult to explain within the framework of traditional economic voting models. However, it might be that the punishment effect of the more negative economic evaluations caused by the rising unemployment level is counteracted by a positive effect of higher issue salience that is simultaneously caused by the same increase in unemployment.

If unemployment is getting lower instead, pretty much the same problem turns up. The reward for better governmental performance via improved economic evaluations is potentially more or less cancelled out as a result of losing an electoral advantage when the issue of unemployment ceases to be as important as it was when unemployment levels were higher.

Cases where the government does not have issue ownership of unemployment create another kind of difficulty for traditional economic voting models. Now the two processes work together and pull government support in the same direction. According to the integrated model, the government will be punished both by the fact that economic evaluations deteriorate and by the fact that the oppo-

sition gains an advantage if unemployment rises. The problem is however that, if our model does not take issue ownership and issue salience into account, the entire causal effect of the rise in unemployment might be attributed to economic evaluations, when in fact an unknown share of this effect should properly be ascribed to issue salience and issue ownership.

The same problem arises for cases of falling unemployment. But this time traditional economic voting studies risk attributing the entire positive effect on government support caused by the lower unemployment rate to the improved economic evaluations instead of to the ensuing changes in the public agenda that potentially would deny the opposition one of its major issues. The kind of studies that would most likely get into the kind of trouble described here is the aggregate level time series studies that rely on objective economic indicators and either election outcomes or measures of party popularity (such as for example the classic studies of Goodhart & Bhansali 1970; Kramer 1971).

The kind of mistake aggregate studies based on traditional models risk making clearly depends on whether the government has ownership of the issue of unemployment or not. It looks like aggregate studies of situations where the government owns the issue run the risk of underestimating the effect of unemployment on incumbent support. While the net result may look like there is no significant electoral accountability taking place and like there is no noteworthy observable connection between economic changes and electoral outcome, this may well be due to the counteracting effect of changes in issue salience. If the positive substantial effect of the rise in issue salience caused by the increase in unemployment levels and the negative substantial effect of worsening economic evaluations caused by the same change in unemployment levels are about equal in size, the net result would be that there is no apparent connection between changes in unemployment levels and government support at all: the two effects would cancel each other out. However, behind the scene there would be more going on. But we would not be able to discover this if we only examined aggregate figures. We risk underestimating the effect when we only look at aggregate figures and the net result on incumbent support of the economic changes.

If the effect of the increase in salience were smaller in substantial size than the effect of economic evaluations, however, the electoral punishment of the government would still be visible, but the incumbent's issue ownership would cushion the fall in popularity to some extent. If the size of the saliency effect were stronger than the effect of economic evaluations, on the other hand, the direction of the effect would in fact be reversed and the incumbent could receive a positive net popularity effect of rising unemployment levels. A case in point here is found in a relatively recent study of Denmark, where the direct effect of unemployment does not conform to the expectations of classical economic voting models:

“...although unemployment affects government support, the sign is ‘wrong’ ... government support tends to increase when unemployment increases and to decrease as unemployment goes down. However, this happens for Social Democratic governments only” (Nannestad & Paldam 2000a:137)

This is but one example of a case in which economic voting runs into trouble and meets findings that are hard to explain from its rather narrow economic perspective. If Nannestad and Paldam had been able to disentangle the effects of

retrospective judgements of unemployment and effects of salience and issue ownership, I suspect their finding would have been less inexplicable.

When the government does not have issue ownership and the two processes instead work together we run the opposite risk – of inflating our estimate of the causal effect. Since traditional aggregate studies only observe the net outcome and attribute the entire effect to economic voting, these effects might be overestimated since issue ownership has also been working in the same direction. If the effects of issue ownership and economic evaluations are about equal in size or if the effects of issue ownership are smaller, these studies only overestimate the magnitude of the economic vote to a varying degree. If the effects of issue ownership were much larger than those of economic evaluations, however, such studies would actually misinterpret the main causal mechanism connecting economic changes to changes in electoral outcomes or incumbent popularity.

But not all economic voting studies rely solely on aggregate data. What about micro level analyses that rely on subjective individual level measures of economic evaluations rather than objective economic indicators? Are the consequences of the integrated model presented here irrelevant for that approach to economic voting? I claim that they are not, but that the implications of combining the two perspectives of economic voting and issue ownership theory are different for this line of research within the traditional economic voting framework.

In this kind of studies the direct effect of individual level evaluations of the economic development on incumbent support is estimated based on cross-sectional variance among individual citizens at the same point in time. These estimates of the effect of the economy on voting might well remain more or less the same when another variable is entered – issue salience – into the model. However, the problem with this kind of studies that I want to point out here is another. What these studies sometimes do to make their results more substantially comprehensible is to translate their estimated effects – the coefficients of the economic evaluation variables – into for example how many more (or fewer) percentage points of the votes the governments would have received if the economy had been perceived differently by the public, i.e. if the economic evaluations had been better or worse by a certain amount. This has now practically become standard procedure among micro-level economic voting studies of electoral outcomes as well as of party popularity (for some examples, see Kumlin 2002:172; van der Brug et al. 2007).

In general, this is an excellent tool for statistical analyses. However, like most causal analyses, this rests on the *ceteris paribus* – all other things being equal – assumption. In this particular circumstance I find this somewhat problematic. The counterfactual subjective economic evaluations – for better or for worse – that are employed are of course assumed to reflect an actual (though equally counterfactual) change in real economic outcomes. The problem with this way of proceeding is that such a change in the actual economy (as opposed to the subjectively perceived economy in the cross-sectional studies) should also reasonably entail other changes in public opinion than the subjective economic evaluations in focus in traditional economic voting studies. As argued above, changes in policy outcomes also produce changes in the salience of these policy areas as well as changes in the policy evaluations.



For example, if economic evaluations are thought to improve, this could be a result of several factors, such as lower unemployment or lower inflation, which would in turn also affect the salience of these issues in themselves, which would be likely to decrease. If on the other hand a turn to the worse in economic evaluations is simulated, this could for example be caused by an increase in unemployment or inflation or a decrease in economic growth. Reasonably, such a change would also be likely to cause an increase in the salience of these issues. In short, this means that the *ceteris paribus* assumption of these counterfactual analyses is not realistic. If we are manipulating the aggregate distribution of our economic evaluation variable, we should be more explicit about what we imagine would cause such a change and, more importantly perhaps, analyse whether this would also produce any other changes in public opinion relevant for the outcome (e.g. incumbent popularity or electoral results) we are simulating in our study.

Even though it initially looks like the consequences of ignoring salience and issue ownership effects are less severe for the approach based on subjective economic evaluations and cross-sectional micro-level data, it turns out that we risk making incorrect predictions with such models, too. Although the relationship between the two variables of main interest in these models – economic evaluations and party choice – is perhaps not fundamentally questionable, the predictions and simulations of electoral outcomes or party popularity sometimes made on the basis of the estimated effects may be mistaken in situations where issue ownership of such economic issues as unemployment or inflation is present.

The basic problem is that the objective economic changes causing this shift in economic evaluations also in all probability would influence the salience of the issue in question. It is hard to imagine a strong change in the economic situation that would not also simultaneously entail a similarly strong change in the public salience of economic issues.

All in all, we have reason to believe that the integrated model of economic voting and issue ownership theory presented in this chapter has the potential to ameliorate our understanding of the political consequences of economic changes. Further, this perspective might also shed new light on previous research and how its results could be interpreted. One example of this is the previously cited study by Nannestad and Paldam (2000a).

Although previous research on economic voting has not been outright flawed, it might have been too narrow in the factors it has considered and in its omission of issue ownership models of voting. If the integrated model is valid and the two processes of economic evaluations and issue salience are both at work simultaneously but separately, we risk serious mistakes when we use traditional models of economic voting. The two mechanisms might sometimes be working together to pull incumbent popularity in the same direction and sometimes working against each other to offset the net popularity changes. When traditional models of economic voting do not take issue ownership into account they risk mistakes both in terms of predictions of the electoral consequences that economic changes will cause, and in terms of the explanations for electoral outcomes related to economic changes. And these problems might both affect studies based on objective economic indicators and studies based on subjective assessments of the economy.

## WHAT NEEDS TO BE DONE

This book will attempt to test the validity and the relevance of the integrated model of economic voting and issue ownership for the issue of unemployment in Sweden. Doing this will hopefully improve our understanding of the electoral consequences of unemployment as well as contribute to theory development in the fields of economic voting and issue ownership.

This test is done by analysing whether four requisites – or key assumptions – of the integrated model are met. *The first requisite* demands that changes in the economy and in unemployment levels simultaneously affect both economic evaluations as well as the issue salience of unemployment, and that these effects are in the same direction and of approximately the same magnitude. *The second requisite* is that issue ownership of unemployment can be said to exist and that it is a rather stable phenomenon not easily lost because of a deteriorating labour market situation in the short run. *The third requisite* concerns the individual level determinants of voting behaviour and requires that the effects of economic evaluations and issue salience of unemployment on incumbent support counteract or reinforce each other depending on the situation in accordance with the predictions of the integrated model. Finally, *the fourth requisite* concerns the substantial implications for election outcomes and states that the counteracting or reinforcing effects of economic evaluations and issue salience must be large enough – in substantial electoral terms – to matter for our understanding of through which mechanisms economic changes influence the outcome of elections. If these four requisites are met, the integrated model of economic voting and issue ownership is likely to be important to our understanding of the influence of the economy on elections and government popularity.

### *The first requisite*

Let us now consider the model depicted in figure 1.1 again and see what is needed for this model to be valid and to work as I have described it in the previous section. Starting off with the leftmost part of the model, two arrows indicate that economic changes should affect public opinion in two different ways. The two different reactions that are expected when real world conditions change and indicators of government performance deteriorate are increasingly unfavourable evaluations and increased salience of the policy area that is changing. In the first case, people simply react by regarding things as worse than they used to be. In the second case, people react by giving further weight to and considering an issue to be of more importance than they did before things got worse; the issue is said to rise on the public agenda.

The first path is perhaps more obvious – although it cannot be taken for granted: it simply states that, if things get worse, people will feel or know this. If reality changes, people's perceptions of reality will also change. On the other hand, if this is not true and citizens are instead characterized by ignorance of the economic development, the model could not work as predicted. However, this is a problem my model shares with almost any model of public influence on policy and certainly with traditional models of economic voting. If the public is not aware of what is happening in the economy, no government will receive either reward or blame for this.

Although many previous studies on the public's reactions to economic changes and its knowledge of the economy exist, there is no consensus on this topic. For example, Nannestad and Paldam (2000b) sternly concluded that voters possess very little factual information about the economy. Voters are often seen as not especially interested in economic facts such as unemployment levels, inflation rates or economic policy proposals. In contrast, some researchers claim that people have some working knowledge or directional sense of how the economy and its various parts are doing (Sanders 2000).

In Sweden, electoral researcher Sören Holmberg has argued that Swedish voters have quite reasonable views on the economic development (Holmberg 2000; Holmberg & Oscarsson 2004). By comparing the marginal distribution of retrospective evaluations of the national economic development at different elections he makes a case for a positive view on voters' capability to judge the economic development retrospectively. In fact, the economic issue in which voters have shown the most convincing awareness of real world conditions is probably unemployment (Holmberg 2000).

As concerns issue salience, it is not difficult to find general support for the idea that the media influences the public agenda (see for example McCombs & Shaw 1972; Behr & Iyengar 1985; Johansson 1998; Asp 1986; Dearing & Rogers 1996). Whether public salience is responsive to real world changes, however, which is of greater importance here, is less certain.

Nevertheless, to test the integrated model presented in this chapter I do not need to know exactly *how* objective economic changes influence public opinion and by what mechanism this occurs. The most important point is actually that objective changes in the economy *do* affect economic evaluations and issue salience and that they affect *both* these aspects of public opinion. If only economic evaluations are affected, while the public agenda is shown to be immobile in times of changes in government performance, the traditional model of economic voting would still be the best choice. If the contrary were true instead, and people's economic evaluations and perceptions remain unmoved while the agenda fluctuates, the issue ownership model would be superior. I believe however that both processes are at work simultaneously. Whether this is so in our case will be analysed and tested in Chapter 4 of this thesis, where we will also learn more about previous research in this area.

For the integrated model to work as described above, issue salience and policy evaluations should ideally be clearly separate phenomena, despite both being partly determined by the same changes in governmental performance. If salience and evaluations were very strongly related, perhaps to the extent that they simply were two slightly different measures of the same basic phenomenon, the knowledge added by the integrated model would diminish. Even *if* evaluations and salience were basically the same phenomenon, however, the integrated model would still add to our knowledge since the situation regarding issue ownership would be taken into account and be treated as a factor conditioning the effect of evaluations/salience on voting behaviour. Thus the model would still yield different predictions from the traditional economic voting model in situations where issue ownership is present. I argue however that the two concepts are both theoretically and empirically distinct. They may partly be determined by the same factor and be empirically related, especially on the aggregate level, but they are nevertheless separate phenomena.

A citizen might find herself to be greatly dissatisfied with the government's performance in providing good education for her children, for example, but at the same time be conscious that this is not the most important problem at present. Instead she might want the government to put more effort into stopping an environmental disaster or fighting international terrorism, even though she might think the government is already doing a fair job in those areas. Sometimes an issue can be very important to citizens even though they feel the situation is already rather good. They might simply want to keep it that way. Different combinations of salience and satisfaction are clearly possible for political issues on both the aggregate and the individual level. Although I think the most reasonable expectation is a positive relationship<sup>11</sup> between salience and dissatisfaction, since they are both at least partly driven by changes in policy outcome, not all issues with which the public is happy are unimportant to people, and neither are all issues with which the public is unhappy important to people. The concepts of policy evaluations and issue salience are clearly theoretically distinguishable.

One earlier attempt at examining the relationship between policy evaluations and issue salience showed that the two notions are not so strongly related as to be identical (Martinsson 2003). For example, the strength of the relationship varies between different issues and policy areas. Further, even though a fairly clear positive relation between discontent and salience can be shown on the aggregate level, things are much less clear on the individual level.<sup>12</sup> For example, in terms of the focus of this study – the economy and unemployment – the relationship at the individual level is very weak, despite a strong association over time at the aggregate level. It seems as though objective changes in the labour market or in the economy do mould aggregate public opinion in reasonable ways over time but that it is not necessarily the same people that exhibit both reactions. For instance, when unemployment levels rise, some citizens might primarily react to this by thinking that the issue of unemployment is more important than they used to think, while others are primarily affected by seeing the economic development in a somewhat darker light. Earlier studies have found some evidence indicating that the two concepts are also empirically distinct.<sup>13</sup>

Let us now consider some other aspects of the notion of saliency and how it differs from economic evaluations. If voters base their voting decisions on which societal or political problem they judge to be most important (Budge & Farlie 1983; Edwards et al. 1995; Krosnick & Kinder 1990; Petrocik 1996), these decisions cannot be regarded as purely retrospective. Economic evaluations of the past economic development are of course thought to be influenced primarily by the actual past development, but what about issue saliency? Although many different factors, both individual and structural, can affect this, they cannot be com-

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<sup>11</sup> If such a positive relationship is very strong, meaning that a political issue is only important to the public when they are discontent with it, this can also be seen as an indication of a kind of built-in negativity bias in politics.

<sup>12</sup> This is in fact a rather general finding in public opinion research and in no way unique to the variables examined here.

<sup>13</sup> However, no studies have yet, to my knowledge, examined what determines who reacts in what way to the economic development. This would certainly be an interesting topic for future research but, since it is not necessary for testing the overall functioning and validity of the integrated model of partisan economic voting and issue ownership, it is not pursued in this thesis.

pletely retrospective in nature. The development of the past years or the government's performance might have been (partly) causing these political priorities – the public agenda – but if people base their decision about whom to vote for on their priorities, this is because they have a priority about what should be done in the next few years and that they are allowing this priority to weigh heavily in their decision calculus. Thus such an influence on the voting decision is not retrospective in nature but is instead primarily prospective; it depends on what the voter wants to be done, not what has (or has not) been done. This lends a further argument to the claim that evaluations and issue salience are distinct and yet related phenomena and that the two processes are likely to be at work simultaneously.

There has also been a long-standing debate in the economic voting literature over whether voters are primarily influenced by retrospective economic *evaluations* or by prospective economic *expectations* (see for example Mackuen et al. 1992; Lewis-Beck & Paldam 2000; Kelly 2003; Benoit 2006). Although both perspectives have received some support, retrospective evaluations seem to be more important, partly also since prospective expectations have been shown to be heavily influenced by retrospective evaluations. Among the classics that argue along this line we find important works such as Fiorina's *Retrospective Voting in American Elections* (1981) that argues, as Downs before him in his *An Economic Model of Democracy* (1957), that voters expected utility from different alternative future governments are based on past events and are mainly influenced by the recent past and governmental performance during the latest incumbency period. When it comes to economic perceptions at the individual level, I will mainly consider retrospective evaluations in this study because I find that they fit best with the original understanding of the economic voting model that I aim to improve.

### *The second requisite*

Moving further to the right in figure 1.1 we encounter two new pathways that lead from economic evaluations and issue salience to electoral behaviour. Electoral behaviour should not be interpreted too narrowly in the present study; it can also represent party sympathy, for example, or party preference and not just the actual vote cast. I have argued previously that changes in salience can affect electoral behaviour as long as issue ownership is present and that economic changes such as rising inflation or unemployment can affect the salience of these issues and thereby benefit the party owning the issue. But why would the incumbent be advantaged by an issue it has performed badly in? In other words, how can the government own the issue of unemployment if unemployment has been rising during the incumbency period? One of the components of owning an issue is that the owner is seen by the public as best at handling this issue. How can that be the case if they have shown poor performance in precisely that area?

For this to be possible, it would require issue ownership to be a rather stable phenomenon not easily dispatched by temporarily poor performance. This could be due to historical reasons such as a long-standing conflict over certain issues or due to the traditional social bases of a party, the party in question having a superior history of attention to this issue or many other conceivable reasons. Many important questions remain unsettled in the theory of issue ownership and, in fact, most studies of issue ownership have not tried to answer theoretical

questions such as the nature of issue ownership – what we (should) mean by it and how it should be defined – and often not even acknowledged these questions.

What is of great importance for a test of whether the integrated model presented here is valid is to examine the stability of issue ownership of unemployment. One of the preconditions that determines the usefulness of the model is that issue ownership exists and that there is some stability to it. It should at least not be completely determined by short-term policy performance. If it is, it would mean that a governing party owning the issue of unemployment would immediately lose this ownership if it performs poorly and unemployment rises during its incumbency.

I regard the starting point of issue ownership theory as the work Budge and Farlie published in 1983: *Explaining and Predicting Elections: Issue Effects and Party Strategies in Twenty-three Democracies*. Even though they themselves label it saliency theory, they explicitly talk about “ownership” of issues (Budge & Farlie 1983:41). This theory was of course not created from the void but was built on earlier work on political parties, campaigns and party image (see for example Robertson 1976). It is further interesting that Budge and Farlie mainly regarded issue ownership as a macro level process. The basic idea of this study also starts at the macro level and reasons in terms of net effects at the aggregate level, much like Budge and Farlie did 25 years before. In this thesis, however, the idea will also be tested in later chapters using micro level data.

Different views have been expressed in the literature about the stability of issue ownership, although this has not yet led to studies that aim specifically at examining and resolving this question. It is clear that Budge and Farlie (1983) mainly regarded issue ownership as a stable and long-term phenomenon that was rather constant between elections, while the agenda shifted and created advantages or disadvantages for political parties. However, they also used the concept of *issues without fixed direction* that were more dependent on the context, such as the quality of candidates or the issue of foreign relations, at least in the UK. Still, while Budge and Farlie regarded unemployment as an issue owned by left parties, and not an issue without fixed direction, this is not so in the later work of Petrocik (1996; 2003). He instead regards unemployment, together with issues related to the economy, as belonging to the category of *performance issues*, which is very similar to Budge and Farlie’s issues without fixed direction. Thus, unlike Budge and Farlie, Petrocik treats ownership of unemployment as being completely dependent on the recent performance of the government in that area. Although Petrocik contributed greatly to issue ownership theory by modernizing it and renewing interest in the topic, I think this view is too simplifying, at least concerning unemployment. Questions such as these will be thoroughly treated theoretically and empirically in Chapter 5 of this book.

### *The third and fourth requisites – the micro level*

Lastly, for the model to be valid, economic evaluations and issue salience must eventually also influence party choice or incumbent popularity. Most obvious is that both of these factors must each have an effect on party choice. The effects of economic evaluations and issue salience of unemployment on incumbent support should further counteract or reinforce each other depending on the issue ownership situation in accordance with the predictions of the integrated model. This constitutes *the third requisite* of the integrated model.

This means, for example, that the effects should counteract each other when the incumbent has issue ownership, both when unemployment is rising and when it is falling, as is shown in figure 1.2. When unemployment rises, the incumbent is expected to lose support because of more negative economic evaluations, while the higher issue salience of unemployment is instead expected to increase support for the government. On the other hand, when the incumbent does not have issue ownership, the rising unemployment is instead likely to generate weaker government support both because of more negative economic evaluations and because of higher issue salience of the issue of unemployment – at least if an opposition party has ownership of the issue of unemployment. The question of whether or not such counteracting and reinforcing effects are found among Swedish voters is examined in Chapters 7 and 8.

The fourth requisite concerns the substantial implications for election outcomes and demands that the substantial effects of changes in issue salience are about equally large as the effects of changes in economic evaluations. This is necessary in order for the counteracting or reinforcing effects of economic evaluations and issue salience to matter for our understanding of the mechanisms through which economic changes influence the outcome of elections. The model will be of greatest importance if the two factors have about equally large substantial impact on election outcomes.

Since the addition of the integrated model is the inclusion of issue ownership and issue salience, the analysis of the fourth requisite concentrates on the effects of issue salience and whether the substantial electoral effect of changes in issue salience is large enough in comparison to the effect of alterations in economic evaluations. They do not strictly speaking have to be equally large. This has no inherent value for the integrated model. But what is required is that the effects of issue salience – when issue ownership is present – should be able to noticeably change the *net effect* of economic changes on election outcomes when both pathways are taken into account: changes in economic evaluations and changes in issue salience. Whether this is so will be examined in Chapters 7 and 8.

I also wish to point out that I do not study the role of responsibility attributions for economic changes seen in the upper part of figure 1.1 in this thesis. Instead, like most of the economic voting studies, I will assume that voters generally assign governments credit for good economic development and assign blame for poor economic development. Whether this holds true or not is empirically examined when analysing the effect of economic evaluations on party choice in Chapters 7 and 8. The conditioning effect of issue ownership on issue salience as seen in the lower part of figure 1.1, on the other hand, is examined directly since elections with different situations concerning issue ownership are analysed separately in Chapters 7 and 8.

### ***About the study***

It is probably clear to most readers by now that this study is based on a loose rational choice framework where people mainly behave in a goal-oriented way when acting politically. That the study is situated within the bounds of rational choice does not mean that people necessarily act instrumentally on the basis of short-sighted material self-interest. Goal-oriented actions, for example when it comes to voting, might just as well be based on views on justice or ideological standpoints.

Further, this study aims at both theory development and theory testing. However, the emphasis is on the empirical examination of the case of unemployment in Sweden and thereby empirically testing the theoretical model outlined in this chapter. Hopefully, the theoretical model presented in this thesis might also in itself constitute a contribution to theory development.

The nature of the empirical case at hand – Sweden and the issue of unemployment – will be discussed further in Chapter 2 in relation to previous research. Still, I would like to point out already at this stage that the case of Sweden was not chosen because it would constitute some kind of hard case, or “critical case”. It is part of the aim of this thesis to shed light on the electoral consequences of unemployment in Sweden as such. Further, since the basic idea and the theoretical model are new it is of primary importance to confront them with empirical tests to see whether the idea is worth pursuing on a larger scale, perhaps in a country comparative study.

It is very difficult to tell in advance whether Sweden is a hard or easy case for the model. This fundamentally depends on the conditions for electoral accountability and issue ownership of unemployment in Sweden, topics that are examined in Chapter 2 and Chapter 5. For now, we will have to proceed without knowing more about the tendency of the case. This also means that this study cannot make any claims about the generality of the results. If the model proves useful in the case of unemployment in Sweden, the question of its generality both in terms of issues (unemployment) and political system (Sweden) could be pursued further. When the implications of the results are discussed in the concluding chapter, however, a cursory examination is made of the empirical reach of the results using a country comparative data set.

Apart from the four requisites, a few more things need consideration. The natural first step is to analyse what kind of case Sweden is from the perspective of economic voting and electoral accountability. Chapter 2 will take care of this. To put the results of the test of the integrated model in proper perspective, the case of Sweden will initially also be analysed from a traditional economic voting perspective. What happens if we apply the standard method of time series analysis of economic development and election outcomes or incumbent popularity in Sweden? Before trying to improve a theoretical model it is useful to know how it performs at present. This is done in Chapter 3.

The reason for not relying on previous research when it comes to the application of the traditional model of economic voting is that there exist few such applications, and none of them is very recent (see for example Jonung & Wadensjö 1979; Madsen 1980; Hibbs & Madsen 1981; Lybeck 1985). More recent studies have not used objective economic indicators but relied on cross-sections and subjective measurements of the economic development (for some examples, see Holmberg 1984; Mattila 1996; Holmberg 2000; Holmberg & Oscarsson 2004; Listhaug 2005; Jordahl 2006; Oscarsson & Holmberg 2008).

Although not strictly necessary for evaluating the integrated model of economic voting and issue ownership, it is also of notable theoretical interest to examine another set of questions concerning the political consequences of unemployment that we know surprisingly little about. Few earlier studies have much to say about how personal experiences of unemployment affect people’s political opinions (Adman 2004). Most studies of unemployment focus on the social consequences instead. A great many studies have been conducted that cover for



example the effects on family life, self-esteem, health or the children of the unemployed (Janlert & Meidner 1992; Ström 2002). Not only does an investigation of the consequences of personal experiences of unemployment for political attitudes cover an area we previously know little about, it also serves the purpose of telling us more about *how* changes in the economy and the labour market influence public opinion. Is it primarily those who are personally touched by unemployment that are affected and hence cause the expected changes in economic evaluations and issue salience? Or are changes in the rate of unemployment something that citizens in general are aware of, not only those who are personally affected? Personal experiences of unemployment or labour market difficulties in general is a potentially important alternative channel through which economic changes might influence elections. Although not a part of the integrated model, or its evaluation, an examination of the importance of personal unemployment to factors that may affect party choice will provide a broader view of how (through which mechanisms) economic changes and changes in the labour market might have electoral consequences. These questions are treated in Chapter 6.

An important feature of how the chapters are organised is that the election of 2006 is treated separately in Chapter 8 instead of being analysed together with other elections. There were several reasons for this decision. One reason is that the data from the 2006 election became available at a very late stage when most of the work reported in this thesis was already finished. Scientifically speaking, however, I consider this an advantage. The thesis now has the opportunity to include an additional test of the model on an election not yet having occurred when the theoretical model was developed. Thus there is no risk that the model simply confirms the ideas influenced by my observations of politics in Sweden during that period. I therefore consider Chapter 8, which treats the 2006 election, an extended test of the validity and the relevance of the integrated model on another set of empirical observations, or in other words: outside of the context that gave birth to it. In addition, another reason to treat the 2006 election separately is to avoid that the novelty value of an analysis of the most recent Swedish election disappears into the general framework of the thesis. At least for readers interested in Swedish politics as such, this argument might be important. When these arguments are combined, the obvious choice is to treat the 2006 election (and the period after 2002) in a separate chapter. As we will see, the particular character of the 2006 election also makes it appear a deviant case in Swedish politics since the Social Democrats seemed to lose an election over the issue of unemployment when unemployment was on its way down. This decision also implies that all empirical data in Chapters 2 through 7 only run to the year 2002.

In order to provide a better overview of the plan of this thesis, I give a brief overview of the topic of each of the nine chapters before moving on to discussing the data to be used. *Chapter 1* presents the integrated model and the four requisites through which it is tested. *Chapter 2* examines the case of Sweden and its qualities as a testing ground for the integrated model. *Chapter 3* applies and tests the traditional economic voting model on the case of Sweden. *Chapter 4* examines the first requisite – that economic changes affect both economic evaluations and the salience of the unemployment issue. *Chapter 5* examines the second requisite – the existence and stability of issue ownership. *Chapter 6* analyses the importance of an alternative pathway of the influence of economic

changes on elections: personal experiences of unemployment. *Chapter 7* examines the third and fourth requisites: the direction and the substantial size of micro level effects on voting 1988–2002. *Chapter 8* also examines the third and fourth requisites but for the 2006 election. *Chapter 9* concludes the thesis by summarizing the results and discussing their generality and theoretical implications.

### *Data*

Empirically, this study relies on various secondary sources of quantitative survey data. These have been collected at various points in time by different survey institutes using diverse methods, such as telephone interviews, self-administered mail questionnaires and computer aided face-to-face interviews. The various data sets will only be given a brief presentation here as they will be described more fully, covering among other things question wordings, in the chapters in which they are used.

A major source of data for this study is the Swedish National Election Studies (SNES). After a pilot study in 1954, the SNES were officially started in 1956 and since 1960 they have been conducted at every parliamentary election, national referendum and election to the European Union parliament. This study however uses only the surveys from the national elections. All these surveys have been in the form of face-to-face interviews with representative samples of eligible voters, and during the entire period the field work has been carried out by Statistics Sweden.<sup>14</sup> Further, the SNES have been conducted as two-stage pre-post studies from their start in 1956, which means that roughly half of the sample is interviewed before the election and the other half after the election. Since the 1970s, the SNES also consist of two-wave rolling panels. This means that roughly half of the respondents at one election ( $t_1$ ) also receive the survey questionnaire at the next election ( $t_2$ ). In addition, a new sample is added to the “old” respondents that will in turn receive the questionnaire at the election after that and thus make up a new set of panel respondents. The between-elections panels of the SNES will be used in Chapter 6.

Another useful source of secondary data is the annual SOM studies, both as a complement to the SNES and in their own right. Every year since 1986 the SOM institute at the University of Gothenburg has carried out a nationwide survey of randomly selected Swedish inhabitants in which people are asked questions about, among other things, politics, society, their use of media and public service. The SOM institute was founded in 1986 by three academic departments at the University of Gothenburg: the Department of Journalism and Mass Communication, the Department of Political Science and the School of Public Administration. The data collection of the SOM-studies is done via self-administered mail questionnaires. These data will be used both for creating annual aggregate time series and as cross-sections of individual respondents. By international standards, the SOM studies and the SNES have excellent response rates.

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<sup>14</sup> In Swedish: Statistiska Centralbyrån (SCB). For more information, see [www.scb.se](http://www.scb.se).

In Chapter 5, when issue ownership and its stability are treated, data from FSI<sup>15</sup> will also be used. FSI is a private survey institute based in Stockholm that was founded in 1971 and has conducted surveys on social and political issues for several decades. Their method for data collection is mail surveys. Data with more frequent measurements than available in most surveys are needed for the analysis of time series of economic evaluations and economic expectations in Chapter 4. Such data are provided by the National Institute of Economic Research (KI).<sup>16</sup> KI is an independent public administration belonging to the Swedish Ministry of Finance. Although they carry out several surveys, the particular survey of interest to us here (HIP)<sup>17</sup> has been conducted each quarter by telephone interviews since 1973 but was changed to operate at a monthly basis in 1993. In addition to the surveys of individuals mentioned above, macro economic data from the OECD<sup>18</sup> and from Statistics Sweden will also be used.

The time period in this study depends on data availability. What is essential is that the period covered is long enough to enable variation in economic development, notably unemployment levels, and in other relevant factors in the integrated model of economic voting and issue ownership, such as issue salience, and economic evaluations. Variation in government composition is also desirable to ensure enough variation in issue ownership of the issue of unemployment. However, the exact situation when it comes to issue ownership will not be clear until after the analyses presented in Chapter 5. As long as the time period studied goes back at least to before the economic crisis of the early 1990s in Sweden, the necessary variation should be present. Since more variation and data can potentially improve the analytical possibilities, as long as the context does not change completely in other ways, the study will sometimes go back to the late 1970s when suitable and reliable data are available.

### *Generality*

But what about the generality of the theoretical model? Is it tailored to the issue of unemployment only? I see no reason why the model should not be more generally applicable. It can certainly be used for many other issues and in other contexts than Sweden. In all probability it can be applied to other economic issues such as inflation, growth or taxes, although the question is how useful it is will be. For the integrated model to be useful, there must be a rather strong issue ownership of the issue in question; otherwise it will not add anything substantial to the traditional economic voting model of retrospective electoral accountability. However, this is not a feature of the theoretical properties of the model but of the empirical context of interest.

The important notions in the model are clearly applicable to other issues than unemployment. Issue ownership and salience are general notions not tied to a particular policy area. Policy evaluations can be applied to issues outside the

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<sup>15</sup> Full name: The Research Group for Studies of Society and Information (in Swedish: Forskningsgruppen för Samhälls- och Informationsstudier). For more information, see [www.forskningsgruppen.se](http://www.forskningsgruppen.se).

<sup>16</sup> In Swedish: Konjunkturinstitutet (KI). For more information, see [www.konj.se](http://www.konj.se).

<sup>17</sup> This survey is similar to so called Consumer Confidence Indicators. Full name in Swedish: Hushållens inköpsplaner.

<sup>18</sup> The Organisation for Economic Co-operation and Development. More information can be found at [www.oecd.org](http://www.oecd.org).

economic realm as well. Some recent studies have also examined the effects of governmental policy performance outside the economic realm on support for democracy (Huseby 2000) or on general political orientations (Kumlin 2002).

We should not forget however that some things change when we move outside the economic realm and that this might hamper retrospective electoral accountability. For example, objective indicators with a validity which people easily agree upon, might be more rare. It is more difficult to find easily available and reliably measured indicators that reflect a general state of affairs in some policy areas than in others. This means that the public's information about the development can be expected to be less clear and accurate. In my view this is not a theoretical problem for the model itself but a topic of empirical inquiry. This is not the task of this book, however. Instead, this study aims at conducting a first empirical test of the integrated model on the case of unemployment in Sweden, to which the rest of this thesis is dedicated.

## Chapter 2

# The case of Sweden

In this chapter we will more carefully consider the characteristics of the case under study and examine how they relate to the findings of previous research. To be able to know what to expect from our case, we must first consider what properties of democratic political systems might facilitate or hamper electoral accountability. Simultaneously, the characteristics of Sweden will be analysed in order to better know what to expect from our case and the circumstances under which the integrated model of economic voting and issue ownership is tested.

To test the integrated model we also need a sufficient amount of variation in the development of the economy and the labour market. The second part of this chapter therefore briefly examines the development of the Swedish economy and the Swedish labour market, focusing particularly on unemployment.

By examining the institutional conditions for economic voting in Sweden and the amount of variation in the basis for economic voting – the objective development of the economy and the labour market – we will reach a better understanding of the testing ground for the integrated model in this thesis.

### THE CONTEXT OF ECONOMIC VOTING

During the past decade, research on the mediating effect of the political and institutional context on economic voting has flourished (Anderson 1995; Bengtsson 2002; Nadeau et al. 2002; Powell & Whitten 1993; Whitten & Palmer 1999; Bengtsson 2004). Scholars have started thinking about how different institutional factors will render voters more or less prone to hold incumbents accountable at the polls. Both long term institutional factors that distinguish between countries and medium or short term factors that distinguish between elections at different points in time have been considered (Nadeau et al. 2002).

The basic principle of this line of research started by Powell and Whitten (1993) is that *clarity of responsibility* is expected to facilitate retrospective performance-based voting. Blurred and unclear patterns of responsibility on the other hand are thought to impede citizens' capabilities to hold the incumbent government accountable for its performance at the next election. The idea behind clarity of responsibility can be expressed as: "The greater the perceived unified control of policymaking by the incumbent government, the more likely is the citizen to assign responsibility for economic and political outcomes to the incumbents." (Powell & Whitten 1993:398).

The literature on clarity of responsibility has successively grown more sophisticated. From analyses based on a dichotomy of historical properties of political systems (Powell & Whitten 1993), and later a trichotomy (Whitten & Palmer 1999), studies have now also developed an additive index that has been integrated into regression models as an interaction variable (Nadeau et al. 2002).

This chapter treats three main factors that influence the amount of economic voting there is in a political system. Two of them are indicators of the clarity of responsibility: government composition and parliamentary institutions. Lastly, the content of mass media and of electoral campaigns is also considered since these more volatile factors may also influence the extent of economic voting.

### *Government composition*

The composition of the government is one of the crucial contextual characteristics that determines the level of clarity of responsibility. Whether the government is a minority, majority or coalition government has been shown to influence the clarity of responsibility and thereby the degree to which voters punish governments for bad policy performance of some kind. It is usually considered easier to hold a single party majority government accountable for its performance than a minority government since the latter is dependent on other political parties for passing legislation. For similar reasons, coalition governments are also seen as detrimental to the clarity of responsibility. The logic behind this reasoning is in part a belief that in less clear parliamentary situations citizens do not know which party is actually responsible for a certain policy. In addition, there are also more opportunities for the government to embezzle their part of the responsibility in situations with less clear responsibility. If deals had to be made with the opposition, governmental parties had to give up some of their own ideas. If the government is a large coalition, it is necessary to negotiate a common policy agreement and so on. The public debate is likely to be influenced by the clarity of responsibility, and this is where most voters get their political information.

Another reason mentioned in the literature for coalition governments' ability to avoid electoral punishment is that, with coalition governments, voters can express their dissatisfaction with aspects of government policy by switching their vote within the ruling coalition (Whitten & Palmer 1999; Dorussen & Taylor 2001). Since parties in a coalition have more or less varying policies, voters might influence governmental policy without withdrawing their support from the entire government. This mitigating effect of coalition governments also applies when voters are not trying to influence specific policy direction but are instead simply sanctioning bad performance. Larger parties with more seats in the government, are more likely to suffer the consequences of bad performance, i.e. losing votes (van der Brug et al. 2007). The ideological cohesion and the dispersion of influence within the government have also been proposed as important factors that might obstruct clarity of responsibility. According to this line of reasoning, voters will be more confused the more dispersed influence within the government is. The size of the largest party in the government has sometimes been used as a simple measure of this dispersion (Nadeau et al. 2002).

Then what has the government composition looked like in Sweden? It is hard to talk about Swedish politics or the Swedish political system without talking about the Social Democratic Party. The Social Democratic Party has been a dominant force in Swedish political life during most of the 20<sup>th</sup> century. In 1919 the Social Democrats became the largest party in the Swedish Parliament, and between 1932 and 1988 the party never received less than 40% of the vote (Esaiaasson & Heidar 2000). Once the period of unstable governments in the

1920s was over, the reign of the Social Democrats began. In fact, the party stayed in power for 44 unbroken years, between 1932 and 1976.<sup>19</sup> During this period they were dependent for the most part on the support of either the agrarian Centre Party or the Left (formerly Communist) Party. After this period Sweden has instead experienced an alternation of centre-right coalitions and Social Democratic minority governments. From 1976 until 1982 centre-right majority coalitions made up the government, the exception being one year of pure liberal minority government (Norborg 1993:228). In 1982 the Social Democrats regained power and ruled by minority governments until electoral defeat in 1991 when the most recent severe economic crisis began. This meant that in 1991 Sweden saw a minority coalition of the centre and right wing parties once again, although this only lasted until the next election in 1994. Until 2006 the Social Democrats again formed minority governments with the support of either the Left Party and the Green Party or of the Centre Party. More comprehensive and detailed information on governments, coalitions, supporting parties and election results is given in Chapter 3 and in tables A.5 and A.8.<sup>20</sup>

As we have seen, Sweden has generally not been ruled by single party *majority* governments. It is clear that during the period under study Sweden has been ruled by either single party Social Democratic *minority* governments or centre-right coalitions.<sup>21</sup> As regards the coalitions, they have been both majority and minority.

One last remark on the different governments' composition is in order. The Social Democratic minority governments have been single-party governments. But they could also be regarded as what Powell and Whitten (1993:401) label "supported minority governments". This means that they have the explicit support of one or more parties with a sufficient parliamentary base for ruling. Powell and Whitten suggest (and find empirical support for) that this kind of governments is treated by the electorate as something in between a minority and a majority government, although they are more similar to majority governments than to minority governments. Perhaps this lends some small forgiveness to the frequent Social Democratic minority governments and might somewhat discount the obscuring effects on clarity of responsibility of this governmental make-up.

In sum, this means that the governmental composition has not enhanced clarity of responsibility. Sometimes the government has had to rely on and make compromises with other parties in Parliament. Sometimes the government has included several parties with differing profiles and preferred policies. And sometimes both.

### *Parliamentary institutions*

Other systemic factors found to lessen clarity of responsibility are whether there is a strong bicameral system with frequent or current opposition control of that

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<sup>19</sup> Strictly speaking, this should be forty years since the Social Democratic prime minister Per Albin Hansson resigned in the spring/summer of 1936 after failing to make a deal with the liberals and the Centre Party on defence spendings and pensions. Instead a single party government was formed by the Centre Party alone, although the parliament was never in session during the 3-4 months this government was in place (Norborg 1993:197).

<sup>20</sup> In this book I refer to tables in appendix A by referring to "table A.1" for the first table in appendix A and "table A.2" for the second table and so on.

<sup>21</sup> Once again, to be correct, there is an exception to this. In 1978 a temporary single party liberal government was formed. It ruled until the next election in September 1979.

institution, whether there is any opposition control of committee chairs in parliament and whether there is weak party cohesion and discipline (Powell & Whitten 1993). Second chambers, when they exist, usually have important policymaking roles that may obscure clarity of responsibility. The same goes for proportionally distributed (or in some other way controlled by the opposition) parliamentary committee chairs. Such features provide non-governmental parties with symbolic (and sometimes real) bases of power in the legislature, which may diffuse responsibility.

Turning our attention to the Swedish case, the most obvious characteristic is that Sweden is not a bicameral system. During the period in focus of this study, roughly the last three decades, Sweden has had a single-chamber parliament. In 1970 the second chamber of the Swedish parliament was abolished (Esaïasson & Heidar 2000). Still, the parliamentary institutions involve the opposition parties in the policymaking process. For example, the assignment to chairs in the influential committee system in the Riksdag is proportional to the number of seats in parliament of the political parties. Further, each party also receives a certain number of members in each standing committee in proportion to their share of the seats in Parliament. Whether the power is real or symbolic, this practice might still obfuscate responsibility in the political system since it involves the opposition in the policymaking process.

The case is very clear as regards party cohesion. Sweden has an unambiguous reputation for strong party cohesion (Esaïasson & Holmberg 1996). Not only is party cohesion strong concerning for example parliamentary behaviour and voting in the legislature, political parties are also the major directing actors and forces in Swedish politics – we are clearly dealing with a party dominated democracy (Bäck & Möller 1997; Esaïasson & Heidar 2000). In recent years, however, since the 1998 election, the electoral system has been reformed in a way that has the potential to move the system slightly in the direction of diminished party dominance. Preferential voting for a certain candidate on party lists was made possible, which might lead to a weakening of party cohesion (Möller 1999; Holmberg & Möller 1999). Despite a few highly profiled candidates having been able to enter Parliament via successful personal campaigns, most observers agree that, once inside Parliament, it is business as usual. The strong party cohesion in Sweden remains. This should, according to the literature, facilitate electoral accountability and retrospective voting.

The only feature of the parliamentary system that serves to lessen clarity of responsibility and discourage economic voting is the involvement of non-governmental parties in the parliamentary committees. As Sweden has a single-chamber parliament with strong party cohesion, the overall conclusion is that the Swedish parliamentary institutions should be expected to facilitate retrospective voting.

### *Media content and electoral campaigns*

Another factor that may influence the degree of economic voting we expect to see is the content of electoral campaigns. If during an electoral campaign the mass media focus on what has happened during the latest incumbency period it is much easier for the public to evaluate economic performance and base their vote on this. Not only will retrospective media coverage facilitate retrospective voting by providing relevant information, it will also make it more likely to occur by shifting the public's attention from the future or the present to the past. The criteria used by the public to evaluate political alternatives are likely to be



influenced by the content of the mass media. Basic research on priming theory has long claimed that the topics and issues covered by the media will influence the criteria people use when they make general evaluations of political leaders (Iyengar & Kinder 1987). This can easily be extended to an assumption that the extent of retrospective voting will partly depend on how much retrospective media coverage there is during electoral campaigns.

Judging from empirical evidence in previous research, it is rather clear that media content in Sweden does not facilitate retrospective voting. Previous studies have clearly demonstrated a marked tendency in favour of topics concerning the immediate future rather than what has happened during the latest incumbency period and who should rightfully be regarded as responsible for this (Esaiaasson & Håkansson 2002). This is true for public debates between party leaders as well as for journalist lead questionings of political leaders before an election. Since the end of the 1960s, the share of retrospective questions posed by journalists to politicians in TV questionings during electoral campaigns has varied between 5 and 7 percent of all questions. One explanation can be that the increased influence of professional journalists over media content in the latest decades has resulted in an attempt to avoid what might be perceived by the general public as “squabbling” (Strömbäck 2000). The unambiguous conclusion must be that the content of mass media and electoral campaigns in Sweden does not facilitate retrospective voting.

### *In sum*

Most factors covered in this section tend to impede voters' ability to hold incumbents accountable for economic (or other) performance rather than facilitate it. Sweden has a multiparty system with a pattern of single-party minority governments or coalition governments. Control of committee chairs by the opposition in a strong committee system also exists. The factors working in favour of clarity are the single-chamber system and strong party cohesion. The institutional characteristics, the features of the party system and analyses of media content during electoral campaigns do not speak in favour of extensive retrospective voting in Sweden. As we can see from this, Sweden is probably best regarded as a system of mixed clarity.

However, in their seminal work Powell and Whitten (1993:406) assigned Sweden to the group of *clear* systems in their dichotomy (although it was the country closest to the middle in this group of countries). In contrast, six years later in an extension of the study based on the same data set but where more cases were included, Sweden was generally classified as belonging to the “least clear” (of three) group of political systems in terms of responsibility (Whitten & Palmer 1999:57).<sup>22</sup> Other scholars, outside the traditional economic voting business, have also judged the possibilities for holding politicians accountable in Sweden to be rather low (Pettersson et al. 2002).

Thus far we can conclude that the conditions for the kind of retrospective electoral accountability that traditional economic voting models posit are not the

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<sup>22</sup> Whitten and Palmer's (1999) approach was more nuanced in that it allowed for variation over time in clarity of responsibility – unlike the earlier analysis by Powell and Whitten (1993). Sweden was classified as belonging to the group with the least clarity (of three groups) at 9 of a total of 10 points in time included in their sample.

most favourable in our case. On the other hand, even though Sweden does not seem to be a very favourable case for economic voting, neither does it seem to be the most obstructive case for retrospective electoral accountability. This suits the test of the integrated model quite well. For the first empirical test of a new model, an intermediate case that can be considered more or less “typical” of Western democracies as concerns the conditions for economic voting is suitable. Sweden does not provide a hard case as a testing ground, nor does it provide a case considered too easy to arouse any interest. Rather, it lets us take a first step by evaluating the usefulness of the model before examining its general applicability in other contexts.

## THE ECONOMY AND THE LABOUR MARKET

To get a better understanding of the potential for traditional models of economic voting in Sweden we also need to know more about the development of the economy and the labour market. There must be a sufficient amount of variation in the development that can provide a suitable testing ground for the integrated model of economic voting and issue ownership. The next section therefore briefly reviews Swedish economic development since the 1970s, including a comparative outlook.

### *The economic development*

The Swedish economic situation changed dramatically at the beginning of the 1990s. When unemployment rose rapidly by more than 6 percentage points between 1990 and 1993, Sweden was no longer an exception to what other European liberal democracies experienced. The successful combination of economic growth and low unemployment during the 1980s came to an end with the deteriorating economy and escalating unemployment of the early 1990s. This section provides an overview of the history of economic fluctuations and the development of some important macro economic indicators since the 1970s.<sup>23</sup>

Figure 2.1 shows the pattern of persistently low unemployment during the 1970s and 1980s, with some minor fluctuations. The figure further shows the high inflation economy of the 1970s and 1980s, even though inflation was gradually pushed down during the 1980s until about 1987/1988. We also see a pattern of varying, but on average quite substantial, growth, and can catch a glimpse of the even more economically successful years during the 1960s in the leftmost part of figure 2.1.

Concerning the most recent decades we see the well-known development of the Swedish economy with escalating inflation and decreasing economic growth towards the end of the 1980s and the subsequently rapidly rising unemployment levels of the 1990s. These higher unemployment levels persisted until the end of the decade, when they slowly reached more normal levels, although they were still higher than before the crisis of the 1990s.

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<sup>23</sup> In spite of the fact that micro level models of economic voting are usually not particularly concerned about objective economic indicators, a proper amount of variation in the economic development and in unemployment levels is clearly desired for a proper test of the integrated model of economic voting and issue ownership.

**Figure 2.1 The Swedish economy 1970-2002. Some important macro economic indicators (percent)**

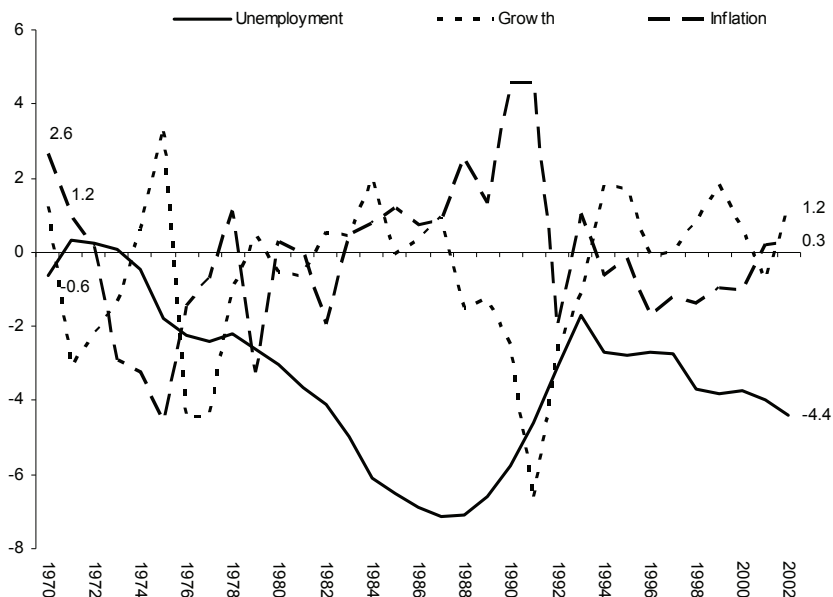


*Comment:* The source of the numbers in this graph is OECD's Internet version of Economic Outlook and Main Economic Indicators. Absolute numbers for the time series shown in the graph are given in table A.2.

As we can see, there has clearly been a great deal of variation in economic development in Sweden during the latest decades in terms of growth, inflation and unemployment. Some researchers have claimed, however, that it is the *comparative* economic performance, i.e. economic performance in relation to that of other industrialized countries, that matters most for electoral accountability and economic voting (Powell & Whitten 1993; Whitten & Palmer 1999). I will therefore also examine how Sweden has been doing in relation to other countries.

Figure 2.2 clearly indicates that Sweden experienced lower unemployment than most European countries during the period of study, except for a short period in the early 1970s. Inflation was slightly under or at the average during most of the period. The clear exception to this pattern is that Swedish inflation was higher than that of the European area through the latter half of the 1980s, and especially during the two first years of the 1990s. Concerning growth, there is no general pattern. Instead we see a lot of fluctuation, although some different periods can be discerned. Until 1987 growth in Sweden was on average just slightly below that of the European area, when it suddenly lost substantial ground and fell on average more than 2 percentage points below until 1993. Since 1994, growth in Sweden has generally been above that of the European area.

**Figure 2.2 The Swedish economy 1970-2002 in relation to European Union means (deviations, percentage points)**



*Comment:* The source of the numbers the graph is based on is OECD's Internet version of Economic Outlook and Main Economic Indicators. Absolute numbers for the time series shown in the graph are given in table A.3. The figure represents deviations in Swedish macro economic indicators from those of European aggregates. This means that the zero-line represents the value in the European area<sup>24</sup> the same year. The EU12 area was used for unemployment and inflation, while inflation calculations are based on the EU15 area. This dissimilarity is due to data availability restrictions. Details about the countries included in the two European aggregates (EU12 and EU15) are given in table A.4.

In sum, Swedish unemployment has been almost 3.5 percentage points below the European average<sup>25</sup> since 1970, while growth in Sweden has been almost half a percentage point below and Swedish inflation on average actually almost the same, just slightly below.<sup>26</sup> The choice of reference group is obviously crucial to any comparison of this kind. The results above were therefore also checked in relation to the OECD total area and were found to remain substantially the same, with some minor differences.<sup>27</sup>

<sup>24</sup> That I refer to these two country aggregates as the European area in no way means that I consider these countries to make up all of Europe. However, I wish to avoid using the term European Union since the statistics in figure 2.2 do not refer to the actual European Union member countries at every particular point in time. However, the terms EU12 and EU15 do refer to the first 12 and the first 15 member states of the European Union, respectively. For details, see table A.4.

<sup>25</sup> Of course this is not a "European" average. It is in fact only based on a small selection of western European countries. When I use this expression here I am referring to the international aggregates provided by OECD explained in the comment to figure 2.2 and further detailed in table A.4.

<sup>26</sup> More exact numbers are presented in the bottom row of table A.3.

<sup>27</sup> In addition to these common macro economic indicators, some previous studies have employed a kind of *misery index* that simultaneously takes several macro economic indicators into account (see (cont)

Sweden's comparative performance also seems to vary over time. Although unemployment has been consistently lower than that of the European average, the magnitude of this difference shows a fair amount of variation. This should provide no obstacle for a proper test of the integrated model. We will now take a closer look at unemployment – the most important economic issue in this thesis.

### *The labour market*

Unemployment in Sweden was low during almost the entire post war era, although it was widespread during the inter war period, 1920-1940. In fact, it never fell below 10 percent and unemployment levels of about 20 percent were not uncommon. The most successful epoch in Swedish economic history began soon after the end of the Second World War (Sandelin 1997; Schön 2000). Unemployment hovered between 2 and 4 percent, depending on the business cycle. This situation lasted for four decades. However, from the late 1960s to the mid 1980s, average unemployment rates slowly became somewhat higher. While unemployment was still almost non-existent by today's standards, a slow trend could be seen towards higher unemployment rates. Still, open unemployment never exceeded 4 percent during the 1980s. All this was soon to change.

When unemployment started to rise quickly in 1991 this was nothing less than a political and economic shock. In a few years' time, the official unemployment figures moved from a humble 1.5 percent to a bold 8 percent.<sup>28</sup>

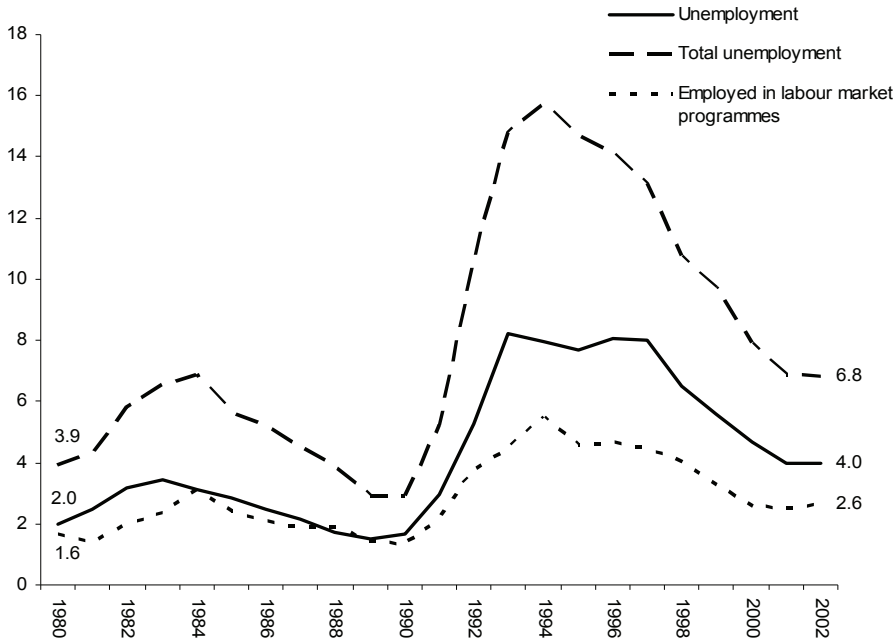
Despite a small and temporary improvement in and around 1995, unemployment figures stayed at about 8 percent until they started to improve in 1998. By the year 2000, unemployment again approached 4 percent of the labour force. But this was still substantially higher than in the mid 1980s, before the economic downturn. Figure 2.3 shows us this development, both in terms of the actual unemployment rate, the share of people in labour market programs and what is sometimes referred to as total unemployment – the sum of unemployment and the share of the labour force participating in different kinds of labour market programmes.

Apart from the general development over time of the unemployment level in Sweden, figure 2.3 also shows that direct measures, i.e. labour market programmes, contributed substantially to keeping Swedish unemployment low during

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for example Clarke & Stewart 1994; Lewis-Beck et al. 2004). In its straightforward form, the misery index simply consists of the sum of unemployment and inflation (for example Lewis-Beck et al. 2004), although more complex variants including for example standardizing procedures can easily be conceived of. I do not use any misery index to describe the Swedish economic development here because it does not convey any readily interpretable descriptive economic information. However, such measures will be used in Chapter 3 when analysing if and to what extent the public holds governments accountable for the economic development. Although hard to interpret from a substantive point of view, misery indexes are useful as summary statements of relative governmental economic performance that take several indicators into account.

<sup>28</sup> If nothing else is indicated, I refer to the official Swedish unemployment figure from Statistics Sweden (SCB) and their survey-based measure of unemployment from the Labour Force Surveys (AKU).

**Figure 2.3 Unemployment in Sweden 1980-2002 (percent)**

*Comment:* Unemployment is the official unemployment figure based on the Labour Force Surveys of Statistics Sweden (SCB, AKU), while total unemployment and participants in labour market programmes are based on figures from the national Swedish labour market administration (AMS). This is why unemployment and labour market programme in figure 2.3 do not add up to total unemployment. Statistics Sweden has no corresponding measure of participants in labour market programmes. Time series from the Swedish labour market administration are only available from 1980.

the 1980s (Sandelin 1997). This is made clear from the large difference between the total unemployment and the official unemployment, where people in labour market programmes are not included. Furthermore, during the 1990s, labour market programmes were extensively used as a means to reduce unemployment. The extent that these programmes reached towards the middle of the 1990s was formerly unparalleled.

During the 1980s, labour market programmes covered almost as many people as were in open unemployment, or in other words: half of the total amount of people in the labour force that lacked regular employment was included in labour market programmes. The share of the total number of unemployed people participating in labour market programmes during the period from 1980 to 2002 varies between 30 (1993) and 50 (1989) percent. The year 1989, with its extremely low unemployment of 1.5 percent, is the only year when there were actually more people participating in labour market programmes than there were people who were openly unemployed. By the year 1993, Sweden had experienced rapidly increasing unemployment for several consecutive years.

The quality of the programmes and the training that people received were questioned when so many people entered labour market programmes at the same time. Even though the intention and purpose of Swedish labour market programmes are to ameliorate the functioning of the labour market, some evalua-

tions conducted after the crisis of the 1990s claim that the benefit of the programmes probably rests primarily in the improved quality of life of individual participants rather than in benefits to society as a whole by means of a better functioning labour market and an ensuing lower total unemployment rate (Forsslund & Holmlund 2003).

From the development depicted in figure 2.3 it is apparent that the labour market policy based on extensive participation in labour market programmes for people outside the regular labour market has been an important feature during the whole period under study. The share of the total labour force that participated in programmes and the share of the labour force that was openly unemployed follow each other closely over time. Therefore, when it comes to retrospective voting, the share of people in labour market programmes will not be further analysed in this thesis.

As we could see in the previous section, Swedish unemployment levels have been lower than those of other European countries. In general, the labour markets in Europe already started to change in the middle of the 1970s. Unemployment first started to rise in a group of smaller European countries around 1975. The bigger European economies, such as the UK, France, Germany and Italy, followed at the beginning of the 1980s (Lindvall 2004). From 1975 to 1985 average unemployment in Europe increased from 2 to 3 percent of the labour force to about 10 percent (Goul Andersen & Halvorsen 2002). Despite some cyclical movements, it has stayed at about that level to this time, with a modest trend towards lower levels in the last few years.

As we could see in figure 2.2, Sweden managed to maintain low unemployment for a much longer period than many other industrialized nations. When unemployment started to rise in most countries in the mid 1970s, it stayed at about the same level in Sweden. When inflation started to rise in the latter half of the 1980s (see figure 2.1), unemployment in Sweden dropped substantially and reached extremely low levels in an international perspective. By then, Swedish unemployment figures were considerably lower than those of Western Europe and of the OECD countries. By 1993, Sweden had more or less normalized, however. Unemployment had risen above 8 percent. After a few years, however, when the most intense part of the crisis of the 1990s was over, unemployment once again made its way down to lower levels than in most other countries.

Not only did the unemployment shock of the 1990s normalize the Swedish labour market situation by international standards and put an end to the Swedish exception to the European situation; the distribution of unemployment risks among different social groups in Sweden also changed. The composition of the group of unemployed became closer to the composition of the total labour force than it had previously been (Strandh 2000; Åberg et al. 1997).

Unemployment has traditionally been higher among women than among men. However, in the early 1990s, as private sector industries were first hit by the economic crisis, male unemployment immediately rose rapidly. This caused male unemployment to become substantively higher than female unemployment. More precisely, female unemployment stopped being higher than male unemployment even before the crisis in the 1990s. The difference was eradicated in 1987 and a few years later, when the beginning crisis hit Swedish industry, the difference became inversed and male unemployment became higher than female unemployment. At most, in 1993, the difference was more than 3 percentage

points. In the middle of the 1990s, however, female unemployment started to catch up when public employment was reduced because of cutbacks in the public sector (Schön 2000). Nevertheless, male unemployment was still slightly higher than female unemployment.

When examining differences between men and women on the labour market, another aspect we ought to take into account is *underemployment*. Underemployment simply means that people are working less than they would like to, although they are not unemployed. All the way since statistics of this kind became available in the mid 1980s, female underemployment has been much higher than male underemployment. More precisely, female underemployment has been and continues to be more than twice as high (SCB 2004). The general trend in underemployment showed a decrease toward the end of the 1980s, only to increase a great deal during the first half of the 1990s. Since 1998, however, underemployment has again noticeably decreased (SCB 2004).

As pertains to age, it has been shown that unemployment among youth in Sweden is more sensitive to business cycle related fluctuations in the labour market than among other age groups (SCB 2004). This is also known to be valid in most Western countries. With the exception of Germany, youth unemployment (under 25 years of age) is usually between two and four times as high as prime age (25 to 54 years of age) unemployment (Goul Andersen & Bendix Jensen 2002).

Unemployment has previously been a more common problem among people with lower education level. This has been observed throughout most of the Western world (Goul Andersen & Bendix Jensen 2002). Despite some claims that unemployment has become more widespread in all sub-groups of the population after the crisis of the 1990s, unemployment was still more common among people with lower education levels than among the highly educated towards the end of the unemployment crisis of the 1990s (Strandh 2000; Åberg et al. 1997). In the case of Sweden, the ratio between low education unemployment and high education unemployment remained about the same (Björklund et al. 2000) or even increased slightly at the end of the 1990s (Goul Andersen & Bendix Jensen 2002).

Another notable feature of the Swedish labour market is that the situation can be considerably different in different parts of the country. Furthermore, the regional differences have turned out to be quite longlasting (Björklund et al. 2000). Counties in the north of Sweden have had the highest unemployment levels, while the capital county of Stockholm has been the area least marked by unemployment. While average unemployment in Stockholm has been as low as 1 percent between 1965 and 1990, it has been about 4 percent in the county of Norrbotten in the northern part of Sweden (Björklund et al. 2000:318). Even though some claim that the centralised wage formation process in Sweden has contributed to these regional differences, we know from comparative studies that the regional differences in unemployment are relatively small in Sweden (Goul Andersen & Bendix Jensen 2002). In many other European countries, for example Italy, Belgium, Germany and the UK, regional disparities are greater.

All these group differences in unemployment levels make it clear that unemployment is not only an issue of concern to society. Behind the aggregate unemployment level used in models of economic voting there are individual voters who personally experience labour market difficulties such as unemployment. Although personal experiences of this kind does not play an important part in the integrated model of economic voting and issue ownership, the question of



whether personal experiences of unemployment is an important mechanism through which unemployment might influence elections and voting deserves an answer. As indicated in Chapter 1, these questions are analysed in Chapter 6.

All in all, it is obvious that there is enough variation in both the economic developments and developments in the labour market to provide a suitable test case for the integrated model. In the past two to three decades, Sweden has experienced widely differing economic conditions and labour market situations. We have also seen that here is a case of mixed clarity of responsibility where we expect neither very strong nor very weak retrospective economic voting. With these characteristics, Sweden is an appropriate case for examining whether the integrated model can improve our understanding of how economic changes and changes in the labour market influence voting and elections.

Before commencing the test of the integrated model via the four requisites, we will spend the next chapter on examining how the traditional economic voting model fares in the Swedish case. Since the integrated model is an extension of the traditional economic voting model, this is a natural first step.



## Chapter 3

# Economic voting in Sweden

Is the development of the economy and the labour market related to government support in Sweden? This is the overriding question in this chapter. More precisely, the economic development will now be related to 1) the election results of incumbent governments and 2) the general popularity of the government. If there is a relationship, which economic indicators matter? Do Swedish voters care most about unemployment, inflation or growth, for example, or do they perhaps take all of these indicators into account at the same time? This chapter will give us an overview of the relation between the economic development in Sweden and support for the government. However, this chapter is limited to using aggregate data. We will not learn much about what happens in the mind of the individual citizen. We will examine the economic and political development from a bird's-eye view instead. In doing so we will learn how the traditional reward-punishment model of economic voting performs in Sweden, which will prepare us for testing the extension I am proposing in this thesis – the integrated model of partisan economic voting and issue ownership.

The literature often mentions the so called VP function. This refers to the vote/popularity function, where either the vote (the share of the votes the incumbent government receives in a general election) or the popularity (e.g. the standing of the incumbent government in opinion polls) is analysed as a function of the economic development. Although the fit of popularity functions is generally better, vote and popularity functions have been shown to be basically the same (Lewis-Beck & Paldam 2000). This chapter examines both vote shares and opinion polls.

After examining previous studies in the area and their conclusions, especially concerning Sweden, the empirical part of the chapter starts by examining how economic performance and the electoral fortune of incumbent governments have been related in Sweden since the 1970s and up to the 2002 election.<sup>29</sup> The chapter then continues by analysing governmental popularity instead of actual votes.

### *Earlier studies*

Studies of the interplay between economic results and the popularity of governing parties have been around for quite some time. However, most studies attempting an assessment of popularity functions are based on data from the United States or Great Britain due to factors such as availability of data and the relative simplicity of the party systems. Although studies that explore the connection between economic outcomes and government popularity or election results in Sweden are less common they have still been around for a long time as well.

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<sup>29</sup> As mentioned in Chapter 1 the 2006 election is not included here but is instead treated separately in Chapter 8.

The earliest studies of the interplay between economic factors and election results in Sweden used aggregate data and came to the general conclusion that economic conditions *do* affect election results in Sweden. Although they used quite different methods and indicators than more recent studies, both Åkerman's (1946) and Ryd e's (1950) conclusions were very similar to those of later studies. In fact, Johan Åkerman, who conducted the first economic voting study in Sweden, concluded that about one third of changes in the cabinet could be caused by declining economic conditions and downturns in the economic business cycle (Åkerman 1946). Although they used widely different dependent variables, this statement is almost ridiculously similar to what Michael Lewis-Beck writes more than 50 years later stressing an "e-fraction" of about 30 percent, meaning that "economic changes explain about one-third of the change in the vote" (Lewis-Beck & Paldam 2000:114). The study by Ryd e (1950) also concluded that the industrial business cycle before an election strongly influenced the electoral results.

When it comes to more recent studies of economic voting in Sweden, Jonung and Wadensj o analysed the period from 1967 to 1978 and concluded that unemployment and inflation influence government popularity in Sweden in accordance with the traditional responsibility hypothesis, while real income growth seemed to have a much smaller effect (Jonung & Wadensj o 1979). This conclusion was also verified at about the same time by Madsen (1980) and later also by H akansson (1988). In another study, Hibbs and Madsen presented results showing that, while the impact of unemployment on government popularity was clear, the results concerning both inflation and real income growth were inconclusive (Hibbs & Madsen 1981). A slightly dissenting voice in this otherwise widespread agreement is that of Swedish economist and political scientist Johan Lybeck, who studied the period 1970 to 1982 and argued that government popularity in Sweden was mainly determined by other factors such as specific political events rather than through any systematic influence of the economy (Lybeck 1985). Despite this, Lybeck himself also found that unemployment affected government support, at least in periods of "strong governments" (1985:149).

Although this chapter examines the traditional aggregate economic voting model I will also briefly consider the main results of Swedish studies relying on individual level survey data. These include for example the studies by Holmberg (1984; 2000) or Kumlin (2003b), which used cross-sections from either the Swedish National Election Studies or the SOM studies. Also, an article by Mattila published in 1996 used a time series cross-section approach and Jordahl (2002) used panel data from the Swedish National Election Studies (SNES).

In his analysis of pooled cross-sections Kumlin finds that, while we do see a pattern of retrospective economic voting in Sweden between 1986 and 2001, he claims that this economic voting is gradually diminishing over time, especially since the mid 1990s (Kumlin 2003b). Simultaneously, Kumlin argues, there is a pattern of increasing retrospective voting based on other issues, such as welfare, health care, education and child care.

In what was probably the first thorough Swedish study of the connection between the economy and voting that used individual level survey data, S oren Holmberg concluded that the pure theory of economic man, the self-interested voter, had limited support in Sweden (Holmberg 1984). His conclusions concerning the role of subjective short-term changes in citizens' personal economic situation are clear, but twofold: the personal economic situation was clearly

related to voting behaviour at the 1982 election, but the relationship did not constitute an important explanatory factor for the election outcome. When it comes to the importance of the more general economic development for the election outcome, no longer limited to the personal economic situation, Holmberg concluded that the importance of the economy lies rather in how voters judge the overall economic policy of the political parties than in short-term economic self-interest, although there is no doubt that economic factors play a part in shaping Swedish voting behaviour. Later on, Holmberg (2000) and Holmberg and Oscarsson (2004) supported the conclusions reported above from the study of the 1982 election and argued that the pure theory of economic voting seems to have little support.

The panel study by Jordahl (2006; 2002) on the other hand made an argument in favour of economic voting in Sweden, especially the importance of respondents' personal economic situation rather than the national economic situation. He claimed that such considerations among voters had been previously underestimated by electoral researchers in Sweden.

To summarize the previous studies, there are several that demonstrate that the economy *does* affect government support in Sweden, in line with the reward-punishment hypothesis of the traditional economic voting model. Further, unemployment is the economic factor that previous studies find most influential. All these aggregate time series studies are now rather dated, however, which strengthens the need for a renewed analysis of how the traditional economic voting model fares in Sweden. The micro-level studies relying on subjective assessments of the economic development also generally come to the conclusion that the economy matters for electoral choice, although these studies, with the exception of Jordahl (2006; 2002), emphasize the limitations of the importance of the economy for Swedish elections.

## THE VOTE FUNCTION – THE ECONOMY AND ELECTORAL RESULTS

As we saw in Chapter 2, the history of Swedish governments is a history of a complex pattern of minority governments and coalition governments. The analysis in this chapter concentrates on the effects on the parties actually in government and not on their parliamentary supporting parties, when such exist.<sup>30</sup> I will, however, also attempt to check whether the results for the complete parliamentary coalition including supporting parties are very different from those for the actual government. Table A.5 contains an overview of prime ministers and governmental composition as well as parliamentary supporting parties from 1970 to 2002.

In order to assess the vote function, economic performance must be partitioned according to incumbency periods. However, the economic performance of governments can be measured in many different ways, which makes our conclusions vulnerable to critique: if we do not find any connection between the economy and the vote, perhaps we simply failed to find the “right” variables – or the right transformations of them. To prevent this, and in accordance with the concluding section of Chapter 2, many different options and indicators citizens might

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<sup>30</sup> Further, in cases where some parties of a governmental coalition leave the cabinet without a new election being held, I will analyse effects on the support for the parties (still) in government *at the time of the election*, and not those *originally* making up the governmental coalition.

look at when deciding whether to reward or punish the government for its economic performance are considered. As in most economic voting studies this chapter mainly relies on unemployment, inflation and economic growth (the “big three”), but two different kinds of misery indexes are also taken into consideration.

The purpose of the initial analyses presented in this section is to get a better grasp of what is going on in practice when voters are expected to hold governments accountable for the economic development and to make our understanding of the possibilities of economic voting in Sweden more substantial. Thus, instead of rushing straight into correlations and regression models, we will start by inspecting how macro economic indicators have developed under different governments.<sup>31</sup> This will show us when an economic voting model would expect voters to punish governments for their economic performance. This preliminary analysis will focus on whether the economic development seems related to occurrences of *changes of government* or not. Analyses of actual election results and whether these are related to the economy or not will have to wait until the next section. Here the question is simple: do voters “throw the rascals out” when there is an economic downturn? During the period studied here, changes of government occurred in 1976, 1982, 1991 and 1994. Were these governmental turnovers preceded by a deteriorating economy and could they have been predicted on the basis of objective economic indicators?

We will now in turn examine the development of three specific macro economic indicators under different Swedish governments and then look at general economic misery indexes and comparative economic performance. To facilitate interpretation, numbers that signify a **deteriorating** economy are in **boldface** in tables 3.1-3.3. These are the occasions where we would expect an incumbent government to be punished by voters for bad economic performance. The results that are very close to zero are left in normal type.

Looking at the changes since the last election, even a brief inspection shows a certain concordance between where we find the results in boldface, indicating an economic downturn, and at what points in time there was a change of government: in 1976, 1982, 1991 and 1994. This seems especially valid for the long-term indicators – the change since the previous election. The exception is 1994, when most economic indicators were actually positive.<sup>32</sup> The only negative indicator in 1994 was unemployment, and only when judging from the change since the last election, although it was negative by a large margin. In 1991 most indicators showed a negative development of the economy; only the short-term measure of change in the inflation rate was somewhat positive. In 1982, all long-term measures showed a deteriorating economy, though only unemployment got

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<sup>31</sup> Those who wish an overview of the *level* of the economic indicators instead of how they have *changed* are advised to look at table A.2 for a complete annual overview or table A.6 for an overview related to incumbency periods comparable to table 3.1.

<sup>32</sup> Though this was not the way the public regarded the economic development (see for example Holmberg 2000). One possible explanation is that the public put much greater emphasis on unemployment than on other indicators. How the public has perceived the economic development and the development on the labour market is treated in Chapter 4.

**Table 3.1 Specific macro economic results for different governments in Sweden 1973-2002**

| Year | Government                | Change since last election |              |               | Change since last year |              |               |
|------|---------------------------|----------------------------|--------------|---------------|------------------------|--------------|---------------|
|      |                           | Unem-<br>ployment          | Inflation    | Growth        | Unem-<br>ployment      | Inflation    | Growth        |
| 1973 | socdem                    | <b>+0.96</b>               | - 0.69       | <b>- 2.51</b> | - 0.24                 | - 0.42       | +1.85         |
| 1976 | socdem                    | - 0.87                     | <b>+3.93</b> | <b>- 3.85</b> | - 0.03                 | <b>+0.47</b> | <b>- 2.34</b> |
| 1979 | lib                       | <b>+0.47</b>               | - 2.96       | +3.68         | - 0.16                 | - 2.50       | +2.01         |
| 1982 | centre+lib                | <b>+1.08</b>               | <b>+1.42</b> | <b>- 2.80</b> | <b>+0.67</b>           | - 3.46       | +1.43         |
| 1985 | socdem                    | - 0.30                     | - 1.32       | +0.98         | - 0.39                 | - 0.80       | <b>- 2.09</b> |
| 1988 | socdem                    | - 1.11                     | - 1.21       | +0.38         | - 0.40                 | <b>+1.92</b> | <b>- 0.80</b> |
| 1991 | socdem                    | <b>+1.21</b>               | <b>+3.68</b> | <b>- 3.68</b> | <b>+1.30</b>           | - 0.59       | <b>- 2.11</b> |
| 1994 | centre+lib+<br>mod+chrдем | <b>+5.01</b>               | - 7.39       | +5.24         | - 0.27                 | - 2.29       | +6.16         |
| 1998 | socdem                    | -1.45                      | -2.00        | <b>-0.52</b>  | - 1.51                 | - 0.41       | +1.21         |
| 2002 | socdem                    | -2.53                      | 2.03         | <b>-1.55</b>  | +0.01                  | - 0.16       | +1.17         |

*Comment:* The source is OECD Economic Outlook and Main Economic Indicators, Internet versions. Details on the data used in the calculations presented in table 3.1 are given in table A.6. Numbers in boldface show results we would expect the government to be punished for by the voters, i.e. a deteriorating economy.

worse if we look at the most recent change instead. Finally, in 1976, both inflation and growth indicated a deteriorating economy, irrespective of our choice of time horizon.

It is also obvious when looking at the most recent development, i.e. the change over one year, that the three economic indicators hardly ever point in the same direction. This further strengthens the point that the economic voter's task is not an easy one. Is the public really capable of tracking the economic development correctly when the three main indicators so often are in discord in terms of revealing whether things are getting better or worse? Such questions will be treated in Chapter 4.

On several occasions all three indicators of the change since the year before show a positive development: in 1973, 1979, 1994 and 1998. In such cases it is fairly easy for voters to arrive at unambiguous retrospective judgements. However, this never happens during this time period concerning negative trends for the short-run indicators, while it does for the long-term indicators of the change since the previous election. All three long-term indicators show a negative development in 1982 and 1991. As it happens, both of these elections resulted in a change of government.

Some features in table 3.1 raise a suspicion that there is a somewhat greater accordance between the shifts in power and the more long-term economic changes since the previous election than with the more recent development since the year before. A good example of this is the 1982 election. The centre-right government facing the voters' verdict could not be saved by its positive results concerning inflation and growth during its last year in office (inflation down 3.5%, growth up 1.4%). Instead its negative results since the previous election seem to have gotten the upper hand (inflation up 1.4%, growth down 2.8%). Another possibility is that the moderately increasing unemployment *outweighed* the other more positive indicators completely because of its greater importance in the electorate.

But what if the public takes everything into account at once and treats this as a more general feeling about how the country's economy is doing? When we examine the relation between economic development and election results we need to consider such a possibility as well. To capture the more general economic development I have also used two different versions of so called misery indexes. The first is a reproduction of an index commonly used in the economic voting literature. This is the sum of unemployment and inflation at a certain point in time (for an example of this, see Lewis-Beck et al. 2004). Misery index 2, on the other hand, I consider a superior alternative, partly because it also takes economic growth into account and partly because it gives all three indicators equal weight (which no. 1 does not necessarily do<sup>33</sup>). Misery index 2 is constructed in such a way<sup>34</sup> that in the end we get a scale from 0-100 where 0 is the best situation that has actually occurred during the period we are studying (best in the sense of lowest unemployment, lowest inflation and highest growth occurring simultaneously) and 100 the worst. Both indexes work on the logic that the higher the value, the greater the "misery".

When examining the development of the two misery indexes the impression is once again that governmental changes have indeed often co-occurred with economic downturns. In 1976, 1982 and 1991 both our general misery indexes indicate a negative economic development since the previous election. This is also true for the development during the past year, except in 1982 when the most recent development was positive. In all these three instances there was also a change of government. An exception can clearly be seen in 1994 when both our general misery indexes show a rather positive development, but the centre-right coalition was still kicked out of office. According to the long-term indicator we would also expect some electoral punishment in 1973, when the Social Democratic government remained in office despite a loss of votes.<sup>35</sup>

As we have seen, the two different general economic indicators are in accordance with each other and largely point in the same direction. The only exception is in 1985 when the second and more comprehensive misery index shows a slightly deteriorating economy during the previous year, unlike the first and simpler index.

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<sup>33</sup> In a way, one percentage point of inflation can be said to have the same weight as one percentage point of unemployment in this kind of simple index, too, although, if unemployment varies more than inflation during a certain period, this would mean that unemployment also has a greater impact on the misery index. Therefore my view is that an additive index that is the sum of variables with different ranges of variation cannot be said to give its components equal weight. To achieve equal weight, the variables of which the index is made up must have the same limits – the highest and lowest values should be the same.

<sup>34</sup> To construct misery index 2, the three variables included (unemployment, inflation and growth) were rescaled twice. The first step was to rescale all variables in themselves so that their highest value became 100 and their lowest value became 0, while at the same time keeping the relative distances between observations intact. Next, growth had to be inverted in order for it to get high values to signify "misery" and low values to signify good times, as with unemployment and inflation. Inverting growth means that its highest value (100) became its lowest (0), while for example a value of 90 would become 10 and so on. Finally, the three components were added together into an index and rescaled once again to compress the scale into 0 to 100 instead of 0 to 300.

<sup>35</sup> This was indeed an extremely close election as the left and right bloc ended up receiving exactly the same number (175) of parliamentary seats.



**Table 3.2 General macro economic results for different governments in Sweden 1973-2002**

| Year | Government                | Change since last election |                | Change since last year |                |
|------|---------------------------|----------------------------|----------------|------------------------|----------------|
|      |                           | Misery index 1             | Misery index 2 | Misery index 1         | Misery index 2 |
| 1973 | socdem                    | <b>+0.26</b>               | <b>+20.62</b>  | - 0.65                 | - 15.27        |
| 1976 | socdem                    | <b>+3.06</b>               | <b>+33.15</b>  | <b>+0.44</b>           | <b>+16.35</b>  |
| 1979 | lib                       | - 2.49                     | - 31.34        | - 2.66                 | - 24.07        |
| 1982 | centre+lib                | <b>+2.50</b>               | <b>+32.06</b>  | - 2.80                 | - 17.67        |
| 1985 | socdem                    | - 1.62                     | - 13.90        | - 1.04                 | <b>+7.88</b>   |
| 1988 | socdem                    | - 2.31                     | - 16.25        | <b>+1.54</b>           | <b>+9.68</b>   |
| 1991 | socdem                    | <b>+4.90</b>               | <b>+47.87</b>  | <b>+0.71</b>           | <b>+21.39</b>  |
| 1994 | centre+lib+<br>mod+chrдем | - 2.38                     | - 22.32        | - 2.56                 | - 50.11        |
| 1998 | socdem                    | - 3.44                     | - 16.63        | - 1.92                 | - 21.44        |
| 2002 | socdem                    | - 0.51                     | - 2.52         | - 0.16                 | - 7.99         |

*Comment:* Misery index 1 is the sum of unemployment and inflation. Misery index 2 takes unemployment, growth and inflation into account and assigns them equal weight on a scale from 0 to 100 where 0 represents the best economic situation and 100 the worst. For further details on misery index 2, see footnote no. 34.

Once again it seems like the connection with shifts of power is clearer for the long-term indicators than for the short-term indicators. For example, the short-term misery indexes also exhibit signs of an economy that is becoming worse in 1985 and 1988, when no change of government occurred. Further, in 1982, when the government did change, only the long-term misery indexes point to a declining economy.

The third and last way to measure the economic performance of different governments that will be used here is the comparative economic development. In accordance with the arguments advanced by Powell and Whitten (1993) and Whitten and Palmer (1999) that were presented in Chapter 2, the Swedish economic development will now be related to that of other countries.

It is clear that Sweden's inflation increased relative to other countries for several consecutive elections during the 1980s, while unemployment was dropping compared to the rest of Europe. Toward the latter half of the 1980s growth also started to slow down compared to that of other European countries.<sup>36</sup>

On the basis of the comparative economic performance presented in table 3.3, we have strong reasons to expect the government to be punished by the electorate for bad (comparative) economic performance in 1991 when all three indicators show a comparatively deteriorating economic situation. For example, unemployment had become 2.5 percentage points higher relative to that of the European area than it was at the previous election, in 1988.<sup>37</sup> Furthermore, growth had slowed by more than 5 percentage points compared to that of Europe. In 1976,

<sup>36</sup> This can also be seen in figure 2.2 in Chapter 2.

<sup>37</sup> Please note that this does *not* mean that Swedish unemployment was 2.5 percentage points higher than that of the European area in 1991. Instead, it means that *the difference* between Swedish unemployment and unemployment in the European area became 2.5 percentage points higher between 1988 and 1991 – independently of what that difference actually was in 1988. For this measure it is irrelevant whether Swedish unemployment was 5% lower than that of the European area in 1988 or whether it was 3% higher. For information on these differences, see table A.3.

**Table 3.3 Change in comparative economic performance of Swedish governments 1973-2002 (deviation change)**

| Year | Government                | Change since last election |              |              | Change since last year |              |              |
|------|---------------------------|----------------------------|--------------|--------------|------------------------|--------------|--------------|
|      |                           | Unem-<br>ployment          | Inflation    | Growth       | Unem-<br>ployment      | Inflation    | Growth       |
| 1973 | socdem                    | <b>+0.71</b>               | -5.53        | <b>-2.61</b> | -0.18                  | -3.07        | +0.84        |
| 1976 | socdem                    | -2.32                      | <b>+1.44</b> | <b>-3.08</b> | -0.46                  | <b>+3.12</b> | <b>-7.84</b> |
| 1979 | lib                       | -0.38                      | -1.77        | +4.91        | -0.42                  | -4.35        | +1.42        |
| 1982 | centre+lib                | -1.51                      | <b>+1.28</b> | +0.11        | -0.46                  | -1.93        | +1.17        |
| 1985 | socdem                    | -2.36                      | <b>+3.14</b> | <b>-0.59</b> | -0.38                  | <b>+0.41</b> | <b>-2.05</b> |
| 1988 | socdem                    | -0.59                      | <b>+1.38</b> | <b>-1.46</b> | +0.04                  | <b>+1.73</b> | <b>-2.43</b> |
| 1991 | socdem                    | <b>+2.49</b>               | <b>+2.01</b> | <b>-5.19</b> | <b>+1.17</b>           | +/- 0        | <b>-4.15</b> |
| 1994 | centre+lib+<br>mod+chrдем | <b>+1.88</b>               | -5.22        | +8.49        | -1.02                  | -1.69        | +2.94        |
| 1998 | socdem                    | -0.97                      | -0.75        | <b>-0.97</b> | -0.92                  | -0.17        | +0.8         |
| 2002 | socdem                    | -0.7                       | <b>+1.68</b> | +0.37        | -0.38                  | +0.09        | +1.95        |

*Comment:* The table shows the change in the deviation of Swedish macro economic indicators from those of European aggregates. The European Area (Euro12) was used for unemployment and growth, while inflation calculations are based on the European Union 15 area due to data availability restrictions. Details on the countries included in the two European aggregates are given in table A.4 (compare with figure 2.2). This means that positive numbers indicate that the Swedish macro economic indicator in question became higher relative to the corresponding indicator of the European aggregate.

1985, 1988 and 1991 we also see more than one single indicator demonstrating a declining relative situation. Of these four occasions, only two (1976 and 1991) constituted a change of government. The connection between economic development and governmental turnovers is less clear in an analysis of comparative economic performance. Table 3.3 reveals no systematic connection with the occasions of changes of government in Sweden.<sup>38</sup>

The general impression from this brief look at the relation between the economic results of different governments and governmental turnovers is that there seems to be a fair amount of agreement between economic decline and changes of government. This is most clearly visible for the long-term results – the economic changes since the previous election. Further, the comparative economic situation shows no systematic relation to when changes of government have

<sup>38</sup> To exhaust all the possibilities, comparative misery indexes can also be analysed. The comparative development of misery index 1 is found in table A.7. However, it turns out that neither does the change in the comparative misery index 1 show any systematic connection to changes of government. Concerning misery index 2, this is unsuitable for comparison with that of other countries. A detailed explanation of how misery index 2 is computed is given in connection with table 3.2 (footnote 34). The basic problem is that different countries do not have a common scale for misery index 2. Instead, its values represent a relative position in one country's specific economic development during a specific period in time. Furthermore, the values of misery index 2 can no longer, after the transformations, be interpreted in any easily understandable substantial way; it has become a highly abstract scale. For example, an increase of ten units on the 0 to 100 scale for two different countries (or aggregates of countries) no longer means that the economic situation has changed by the same amount in substantially interpretable quantities such as percentage points of unemployment, inflation or growth. Instead, how much that change in misery index 2 represents in substantial quantities depends on how much these quantities changed in that country during the specific period the index is describing. Hence, it does not make sense to compute comparative misery index 2 changes.

occurred. Now that we are better acquainted with the data, it is time to start the systematic analysis of election results.

### *Analysis*

Swedish governments do not only lose votes when the economy is deteriorating. Between 1973 and 2002 Swedish governments have lost votes from one election to the next in every election but one; they lost about 2.9 percentage points on average during this period.<sup>39</sup> If we examine the entire governmental coalitions including parliamentary supporting parties, the number increases slightly to 3.3 percentage points. The greatest losses in votes are seen in 1982 (-7.3 percent) and 1998 (-8.9 percent). The 1991 election (-5.5 percent) and the 1994 election (-5.2 percent) also lead to a clear loss of support for the incumbents, but to a lesser extent.<sup>40</sup> Of these four elections three resulted in governmental turnovers: 1982, 1991 and 1994. The only government that increased its support during this period was the Social Democratic government in the 2002 election. In spite of this, the governmental coalition including supporting parties did not advance since the Left Party lost about as many votes as the Social Democrats gained.

The general trend towards declining support for incumbents is not specific to Sweden. The same tendency is seen in many other countries (Pettersson et al. 2002; Stevenson 2002a; Midtbo 1999; Paldam & Skott 1995). But does this mean that the responsibility hypothesis, where voters are expected to punish governments in bad times and reward them when times are good, is false? Not necessarily. This can be understood in several ways. For example, the asymmetry hypothesis of economic voting claims that voters punish governments for bad performance to a much larger extent than they actually reward them when times are good (Lewis-Beck & Paldam 2000). There is also the concept of the “cost of ruling”, where all incumbents are expected to lose votes and, according to Stevenson (2002a), also to lose more votes the longer they have been in power. So when examining the reward-punishment hypothesis the question can instead be transformed into whether incumbents that produce bad economic results lose *more* votes than incumbents that produce good economic results. The electoral reward for good performance might simply not be strong enough to actually increase the government’s support. The reward for good economic performance might instead lie in the extra punishment for a declining economy remaining absent, thus to some extent diminishing the cost of ruling.

In the previous section we could see that elections resulting in a change of government were often preceded by an economic downturn, although election outcomes and whether the incumbent gains or loses votes are not the sole determinant of government formation. As Pettersson et al. (2002) have convincingly demonstrated, losing an election does not always mean losing power. Actual election results are much closer to the processes behind voting behaviour and

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<sup>39</sup> The change in election results for Swedish governments and their supporting parties is shown in table A.50 while the results for each party separately since 1970 are given in table A.8.

<sup>40</sup> The unusually high losses for the governmental coalitions in these two elections (-6.8 and -11.9 percent) are partly due to newer and less established parties failing to receive 4 percent of the votes, thus dropping out of the Riksdag. In 1991 the Green Party was forced to leave parliament after gaining representation for the first time in the previous election, and the same happened to New Democracy in 1994.

reveal more about whether voters attempt to hold governments accountable for economic results or not. The remainder of this section is devoted to the question of if and how the change in incumbents' vote share is related to the state of the economy or the change in the state of the economy.

Although the average vote loss for Swedish governments between 1973 and 2002 is 2.9 percentage points, they have on average lost about 4 percentage points on those occasions when unemployment has been increasing since the previous election as compared to only 1.7 percentage points when unemployment has instead been decreasing. Inflation and growth show a similar pattern. And, when misery index 2 has been increasing, governments have on average lost 3.9 percent, compared to 2.3 percent when it has been decreasing. Evidently, there seems to be some kind of relation between the economy and the vote. Although almost all governments lose votes from one election to the next, governments with a bad economic record tend to lose more votes than others. A solid economy can perhaps not increase the government's share of the votes, but it might mitigate the losses. The general difference in election results between good and bad times is not extremely large but can still perhaps amount to approximately 2 percentage points according to these numbers.

In the following I will examine whether there is any systematic linear relationship between objective economic indicators and the change in incumbents' vote shares. In this section I rely on correlation analysis in order to explore the relationship between the economy and the vote. The low (ten) number of observations (elections) during the period studied here, 1973 to 2002, means that I will exclude multiple regression analysis and formal estimation of vote functions. This will instead be done in the next section, where government popularity is treated, which provides us with a much higher number of observations.

In addition to examining whether there is a connection between economic performance and the election results of incumbents in general, I will try to find out which particular economic indicators correlate most strongly with government votes: is unemployment, growth or inflation most relevant when predicting the electoral fortunes of the incumbent? Or is it the more general misery indexes that matter most? Not only will the economic aspects that matter be examined, the form of the relationship will also be examined. Is it for example short-run economic changes prior to an upcoming election that matter? Or is it the more long-term performance since last election? The economic situation of Sweden will be analysed both in terms of the absolute level and in terms of changes over time as well as in terms of the situation in Sweden as compared to that in other countries. Furthermore, I have included an average of the yearly figures for the different macro economic indicators during the entire incumbency. This is meant to reflect what things have been like – in general – during the government that faces the voters' verdict. To my knowledge, this has not been done before.

Apart from the intuitive relevance of such a measure of the average state of the economy, I believe it can also be theretically justified. The theoretical justification for including an average is based on the assumption that people's view of the government's performance in a certain area is formed by continuously updated impressions. This view of the formation of citizens' attitudes is more in accordance with the so called on-line model of information processing (Lodge & Stroh 1993; Lodge 1995; Feldman 1995). Voters are not seen as making an evaluation of for example a political agent or their performance and competence

in an area or view of a certain issue on the spot. Instead these attitudes are seen as being constantly updated. Citizens update their preferences and attitudes when they encounter any relevant information. On the other hand, the piece of information leading to this updated and potentially altered preference or attitude is most often quickly dispensed with. If this is so, an average might perhaps capture the end result of such a process better than the change since the previous election or just the most recent development and be a suitable predictor of electoral results for the government.<sup>41</sup>

All in all the following analysis uses 32 different indicators of governmental economic performance at every election. This gives us a broader range of possible indicators than what is usually included in the literature. The focus when exploring the correlations between all these indicators and the change in the incumbent's vote share is on three issues: 1) Is there in general a clear correlation between economic indicators and the vote? 2) Which indicators seem to matter most? 3) What form of these indicators seem most relevant?

To facilitate quick interpretation, the numbers in table 3.4 are featured in **boldface** or are underlined according to whether they are in compliance or not with the basic thought of economic voting – that higher unemployment or inflation decreases the electoral results of incumbents, while the opposite goes for economic growth. Higher values of the misery indexes used here are also expected to decrease the incumbent vote share. From a quick glance at the table we see that most numbers in boldface, signifying correlations at least of a noticeable strength ( $r \geq .10$ ) in the *expected* direction, are assembled in the upper left corner – among indicators based on the Swedish economy and the absolute level of the indicators. The largest number of underlined correlations, on the other hand, signifying correlations in the *unexpected* direction, are found in the upper right corner – based on changes in the Swedish economy.

On the whole, we see some fairly high correlations, though only one that is statistically significant. Considering that we are only examining ten elections here, we should not be surprised that most of the results are non-significant. Instead of relying on statistical significance alone, I consider whether the correlations achieve a reasonable level of strength. In table 3.4 the arbitrary choice has been to put correlations stronger than 0.10 in boldface or to underline them. The rest can be seen as too close to zero to take into serious consideration.

Overall, it is striking that there are about as many coefficients in the unexpected direction as in the expected direction. Inflation contributes especially to those in the wrong direction while unemployment and the misery indexes tend to raise the frequency of coefficients with the “right” sign, i.e. in line with the traditional expectations of an economic voting model. All in all, we find 11 coefficients

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<sup>41</sup> There is also the possibility that the most recent development weighs more heavily than what happened several years ago, but that what happened last year or the year before is not completely irrelevant. Here I simplify things somewhat and give all three or four years of the incumbency equal weight and use a straightforward average for the incumbency period. Another interesting possibility would be to include an average of the yearly changes during the incumbency. Although it would fit nicely with the spirit of the on-line model, the average of the change was deemed too abstract a concept and consequently left out. When carefully considering all possibilities, the number of potentially relevant indicators and measures are almost infinite.

**Table 3.4 Correlations between change in incumbent electoral support and economic indicators 1973-2002 (Pearson's R)**

| Swedish economy     |                |                          |              |
|---------------------|----------------|--------------------------|--------------|
| Level               |                | Changes                  |              |
| Unemployment        | <b>-0.49</b>   | UE since election        | <b>-0.41</b> |
| Unemployment mean   | <b>-0.40</b>   | Unemployment past year   | 0.06         |
| Growth              | 0.04           | Growth since election    | 0.04         |
| Growth mean         | <b>0.46</b>    | Growth since 1 year      | <u>-0.20</u> |
| Inflation           | <u>0.11</u>    | Inflation since election | <u>0.19</u>  |
| Inflation mean      | -0.04          | Inflation past year      | <u>0.36</u>  |
| Misery index 1      | <b>-0.31</b>   | Misery 1 since election  | -0.07        |
| Misery index 1 mean | <b>-0.43</b>   | Misery index 1 past year | <u>0.40</u>  |
| Misery index 2      | <b>-0.43</b>   | Misery 2 since election  | <b>-0.18</b> |
| Misery index 2 mean | <b>-0.68 *</b> | Misery index 2 past year | <u>0.27</u>  |
| Comparative economy |                |                          |              |
| Level               |                | Changes                  |              |
| Unemployment        | -0.04          | UE since election        | <b>-0.24</b> |
| Growth              | 0.02           | Unemployment past year   | 0.08         |
| Inflation           | 0.00           | Growth since election    | 0.01         |
| Misery index 1      | -0.08          | Growth past year         | <u>-0.11</u> |
|                     |                | Inflation since election | <u>0.16</u>  |
|                     |                | Inflation past year      | <u>0.13</u>  |
|                     |                | Misery 1 since election  | <u>0.18</u>  |
|                     |                | Misery index 1 past year | <b>-0.48</b> |

*Comments:* Numbers in boldface signify correlations in the expected direction and  $R \geq .10$ . Underlined numbers signify correlations not in the expected direction and  $r \geq .10$ . The number of observations is 10 for all the correlations. \* = significant at the 95% confidence level.

in the expected direction and ten in the unexpected direction. On top of that we have another ten coefficients that are close to zero. This might be seen as evidence of the limited general validity of economic voting theory. But that would be a precipitated conclusion. Rather, it shows the importance of choosing the appropriate indicators. People do not just take any economic cue they can get and use it to exercise electoral accountability. Some economic indicators matter, and some do not. There is no simple "general" connection between objective economic indicators and election outcomes; the specific indicators we consider matter a great deal.

When it comes to the question of which specific indicators are most strongly correlated with the change in the incumbent's vote share, table 3.4 reveals that unemployment and general misery indexes are what matters. There is no consistent evidence that growth or inflation is connected to electoral results. For inflation, the case is in fact the contrary. A majority of the inflation measures exhibit a positive correlation. Higher inflation seems to go together with better election

results for incumbent governments.<sup>42</sup> Despite some exceptions, especially concerning the change based measures seen in the upper right corner of table 3.4, we have some support for the idea that support for the incumbent decreases in times of more economic “misery”. In its level based form, misery index 2 also provides the only correlation coefficient that arrives at statistical significance at conventional confidence levels.

Concerning the form of the indicators that show the strongest connections with electoral results, it is somewhat surprising to see that the absolute level outperforms the changes in the economic indicators. It is customary in the economic voting literature to rely on economic changes, not actual levels. Further, it seems harder from the point of view of democratic theory to defend electoral accountability that is based on the economic situation in itself rather than on how it has been changing. In addition, the average of the level of the indicators exhibits stronger correlations than just the level during the election year. This is so at least for economic growth and the two misery indexes. This is an indication that, when relying on objective indicators, future research would do well also to consider averages during incumbency periods as indicators of governmental policy performance. Such indicators are not customarily included in studies of economic voting. The comparative economic situation on the other hand does not appear to be strongly connected to electoral outcomes.

Concerning the difference between long and short-term changes, the question is difficult to settle since most of the changes are not correlated with election outcomes, at least not in the expected way. However, the two exceptions are both long-term changes and not short-term ones. The change in unemployment since the previous election as well as the change in misery index 2 since the previous election are negatively correlated with incumbent support.

Because the 1998 election is a rather special case from the point of view of economic voting I have repeated the analyses excluding 1998. In 1998 the incumbent Social Democratic government faced its largest loss of votes during the entire period: almost 9 percentage points. And this happened in a situation in which almost all economic indicators were clearly to the advantage of the government (see tables 3.1 and 3.2). The results of these analyses are reported in table A.9 and are very similar in terms of the relative strength of the different measures. This largely confirms and supports the results seen in table 3.4: unemployment and the misery indexes still have the strongest relationships with electoral support, while inflation does not show the expected relation with electoral support at all, and the level of the economic indicators seems to matter more than either the change or the comparative economic situation.<sup>43</sup> When the

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<sup>42</sup> One possible explanation for this is the strong association between unemployment and inflation. The correlation coefficient between unemployment and inflation in election years during this period is -.77. This could mean that the positive association between inflation and election results is actually due to the development of unemployment instead.

<sup>43</sup> The analyses were also repeated for the change in the *governmental coalitions* vote share instead of only for the parties actually in government. Due to an unclear and changing parliamentary coalition situation between 1994 and 1998, the 1998 election has to be excluded in this case too. These results are reported in table A.51. Again, the general conclusion is confirmed. The most noteworthy difference is that, this time, the expected effect of changes in the misery indexes disappears. That the correlations remain essentially the same can be interpreted in favour of the idea that responsibility attribu-

1998 election is excluded, the changes in the economic indicators show a slightly stronger connection with election results. The correlations with unemployment – both its short and long-term changes – become much stronger, and this is also true for the long-term changes in the two misery indexes.

Interestingly, what we see is that the most general of all our indicators – misery index 2 – is the one that has the strongest connection with electoral results. This could mean that voters' evaluations of economic performance are not guided by the most recent change or by a specific single indicator; instead it is really the general impression or the general state of the economy during the incumbency period that counts. The connection with misery index 2 can perhaps reflect a more general "mood" of the country rather than purely economic concerns in the electorate. For example, a recent study by Blount (2002) in Australia showed that the issue of unemployment reflects both social and purely economic concerns among voters. However, with the kind of aggregate data used here, we cannot reach any certainty in such topics. What we have observed is plain empirical co-variation of aggregate level time series.

### *In sum*

The main conclusions from the analyses in this section are that unemployment is related to election outcomes in Sweden during the period from 1970 to 2002, while inflation is not. Things are more uncertain for the case of economic growth, and the evidence is mixed. General economic indexes incorporating different economic indicators also appear to be related to voting. This might mean that it is not so much one specific economic indicator taken by itself that influences electoral results but rather a more general feeling about the economic situation in the country or a reflection of whether people feel that things are overall going well or not going well.

Furthermore, economic changes do not seem to be the best variables to use for modelling the vote function in Sweden<sup>44</sup>; instead, absolute levels, and sometimes averages of absolute levels, matter more. The comparative situation of Sweden on the other hand does not seem to be related to incumbent support much at all.

All together, we have found indications of a connection between the economic development and election outcomes in Sweden. Unemployment and general economic indexes demonstrate the clearest relationship. However, in our bivariate correlation analyses, we have also found many contradictory results that are not congruent with the basic theory of economic voting. Data limitations prevent me from pursuing the topic further here.

On the whole our results thus far harmonise quite well with what has previously been shown for the Swedish case; there is a connection between the economic and the political sphere, but it is not all that strong. In addition, this can be seen as support for the claims of earlier studies by electoral researchers in Sweden, concluding that more politics has to be brought into the economic-

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tions are not limited to parties formally making up the government. Parties supporting the government might be held jointly responsible by the electorate.

<sup>44</sup> One exception to this is unemployment, which has the clearest relation to electoral results when we look at the change since the last election. Perhaps this exception is not so surprising since unemployment is the only one of the three main indicators that is not already a change in itself. Inflation is the change in CPI, and growth is the change in GDP. So there is some logic to this exception.



political models for them to be able to explain election outcomes (compare Holmberg 2000; Holmberg & Oscarsson 2004). How citizens evaluate economic performance and their subjective perceptions of the economic development are also vital for understanding the impact of the economy. But this topic will have to wait until Chapter 4. I will now continue the analysis of economic voting in Sweden by turning to popularity functions.

### THE POPULARITY FUNCTION – THE ECONOMY AND THE POLLS

In this section we turn away from election results and look into the more general question of the connection between economic development and the popularity of governments. This is important for several reasons. First, more frequent observations allow us both safer estimates and the ability to use multiple regression techniques to learn more about the politico-economic connection. Second, the increased frequency of observations makes it possible to partition the sample into sub-periods that can be studied specifically – which has proven to be important in previous studies (Sanders & Carey 2002; Stevenson 2002b). Third, the rather specific context of general elections might not be representative of the general relationship between government popularity and economic development. Electoral campaigns can either weaken or strengthen this relationship depending on their content. However, the underlying theory is the same for the popularity function as for the vote function, although the emphasis on evaluation of the government's performance during the entire incumbency period is no longer as relevant.

I use quarterly economic data and public opinion polls for the analyses in this section, which increases the numbers of observations noticeably and makes our results less dependent upon single observations. Monthly data are also common in the economic voting literature. These are available to some extent in Sweden too, but these time series contain many gaps since the polls have not always been carried out during every month of the year. With quarterly data, the problem of missing observations disappears.<sup>45</sup>

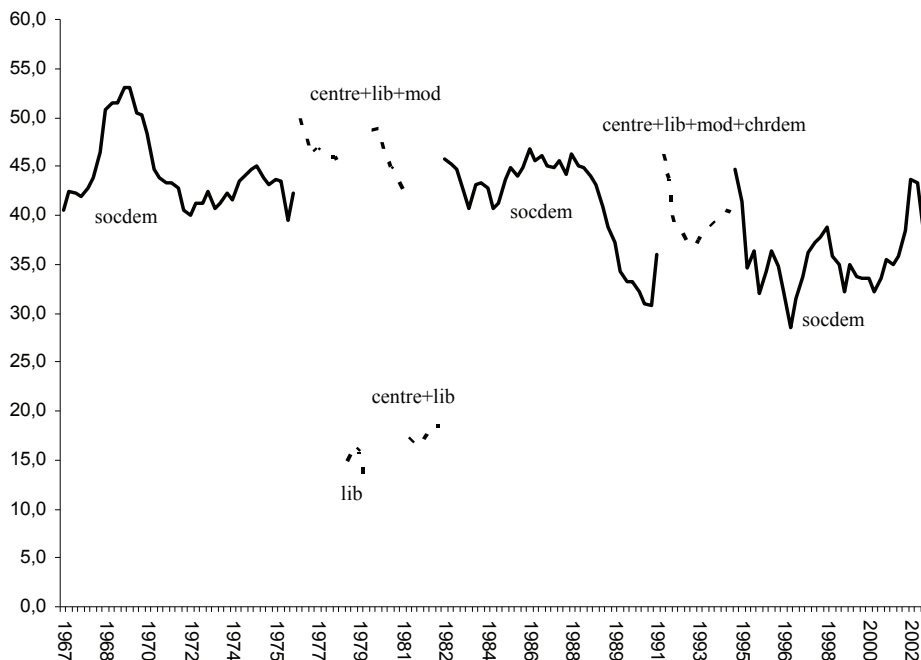
We will start with a descriptive analysis and examine our data graphically by plotting popularity against time and by using scatterplots of economic indicators and government popularity. Correlation analyses similar to those in the last section will also be conducted. Although this time the analysis will focus on a more narrow set of variables, namely those that came out most favourably from the scrutiny in the previous section: indicators of the Swedish economy alone and the absolute levels of those variables. Lastly, popularity functions will be estimated via time series multiple regression models and the effects of the main economic indicators on government popularity will be analysed. This also provides us with the opportunity to examine whether these differences are stable over time or if they vary between different time periods or different governments.

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<sup>45</sup> The problem does not disappear altogether, but it is diminished. The quarterly figures on governmental popularity are in fact means of monthly figures. But since there are missing months, this means that, while most quarters are based on three monthly measurements, others reflect only one or two monthly measures since these are the only ones available during this quarter. In a way, this is some kind of data imputation too. I have to rely on the assumption that the months that were never measured would show the same level of government popularity as the mean of the months during that quarter that actually were measured. However, it is rare that two consecutive months are missing in these data and only occur on a few occasions prior to 1975.

Figure 3.1 shows how the different governments' popularity changed during the period 1967 to 2002. Although a few polls of party preferences from the 1940s and 1950s exist, systematic polling of party sympathies in Sweden started in 1967 (Holmberg & Petersson 1980).

**Figure 3.1 Government popularity 1967-2002 (percent)**



*Comment:* The solid lines represent Social Democratic governments and the dotted lines represent bourgeois governments of various constellations. The source is SIFO. The question asked to respondents was: "Which party would you vote for, if there were to be an election today?"

Eight different government periods in Sweden since 1967 are shown in figure 3.1. Three longer periods of Social Democratic governments are interrupted by two somewhat shorter periods of centre-right coalition governments. In the first of these, we also see the two short-lived governments with an unusually small parliamentary basis.

Figure 3.1 also hints that many governments tend to have higher support in the beginning than in the end of the incumbency. We know already from the last section that incumbents in Sweden tend to lose votes in the next election, the so called cost of ruling. That there is a cost of ruling is no surprise according to previous research. It is one of the well established facts of electoral research (Nannestad & Paldam 2002; Stevenson 2002b; Petersson et al. 2002). We will now examine if, and to what extent, such a pattern exists in Sweden. If this is an important characteristic of governmental popularity in Sweden, it might be important to take into account in analyses of economic effects on government popularity.

A brief analysis of the data shows that there is in fact on average a clear pattern of declining popularity during the incumbency periods of Swedish governments.<sup>46</sup> After an election, governments start out with more people supporting them than they have during the rest of the incumbency. Relatively quickly, in about a year or so, popularity is in general down to the average popularity of that government. The decay then continues all the way to the last couple of quarters of the incumbency. Just before the next election the support for the government tends to increase somewhat again.<sup>47</sup> This is actually identical to what Goodhart and Bhansali describe concerning Britain in 1970 (Goodhart & Bhansali 1970).

### *Initial analyses*

The analysis of the connection between economic development and government popularity for the whole period of 1967 to 2002 taken together will start with visual inspections of scatterplots. This is done in order to better understand the bivariate relationships before moving on to more advanced methods. A few adjustments have to be made to the data. The first problem is that different governments differ in popularity right from the start. Standardizing the popularity separately for each government solves this problem. As long as the partisan composition of the government is unchanged, it is regarded as the same government. This way, the number of different governments between 1967 and 2002 becomes eight.<sup>48</sup>

The economic variables must be transformed before proceeding in order to examine whether there is a relationship between the popularity of a certain government and the variation in economic indicators. As was seen in Chapter 2, different periods in the economic history of Sweden exhibit widely different economic situations. The main interest here does not lie in long-term differences in the economy, for example the differences between the 1980s and the 1990s, but in the development of economic indicators during a government's time in office. The levels of the economic indicators are used for this reason, but their variation is limited to the period of the term of the government in question.

In practice the economic indicator variables have been centred separately for each of the eight governments rather than being standardized. Centring implies giving the same mean to the variables during these time periods, in this case a

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<sup>46</sup> More information can be found in figures A.0.5-A.1 and tables A.10-A.11. The popularity of different governments and its development is not readily comparable since they start at different levels. This is remedied by using standardized popularity scores for each government. The popularity measure of each government is standardized separately by treating the values of government popularity for all observations belonging to one government as a separate variable and transforming it to a variable with a mean of zero and a variance of one (Gujarati 2003:173). Even if the same government is re-elected, the new incumbency is standardized separately. After standardizations, the popularity series can be treated as one single variable to analyse popularity in terms of standard deviations relative to that particular government's average popularity. For a definition of standard deviations and useful computation formulas, see Bohrnstedt and Knoke (1994:53f).

<sup>47</sup> This pattern is especially strong for the period of 1968 to 1994. After 1994, results are less clear. The correlation between time in office and average standardized popularity is high during the period of 1968 to 1994 ( $R=-.768$ ,  $p=.004$ ,  $n=12$ ). In substantial terms, governments tend to lose about 0.10 standard deviations of their popularity each quarter after their appointment. This can be shown with a simple bivariate OLS regression with the average standardized government popularity as the dependent variable and the number of quarters in office as the sole predictor variable.  $Zgovpop = 0.59 * \text{Constant} - 0.10 * \text{time in office}$  ( $p=.004$ ).  $R^2=0.59$ .  $n=12$ .

<sup>48</sup> As can be seen in table A.5 in the column labelled "Parties in government".

mean of zero. This means that it is the level<sup>49</sup> in relation to the mean of that particular governmental period, instead of the mean of the whole period of 1967 until 2002, that is related to governmental popularity. By centring instead of standardizing we also gain the advantage of having a substantially understandable scale and avoid making the variables unnecessarily abstract.<sup>50</sup> Finally, the first quarter of every new government has been removed. When a new government is inaugurated, it is realistic to let at least a few months pass before it has to answer for the situation of the country.<sup>51</sup> Now it is time to examine the correlations between incumbent popularity and the economic indicators.

Most graphs behave as traditional models of economic voting expect them to, although unemployment is less clearly related to popularity than are other indicators.<sup>52</sup> This is especially surprising given the results described in the previous section on the vote function where unemployment proved to be most clearly related to electoral results. In general however we find a clear indication of a systematic relationship between economic indicators and government popularity in the graphs in figure 3.2. The strongest correlation is for the most general indicator, misery index 2, just as what we found before concerning the relationship with election results. Unlike in the previous section, inflation seems to work as predicted by economic voting theory and exhibits a negative relation to popularity.

Different time period will be examined separately to try to find explanations for these results, especially for the low correlation of unemployment ( $r=-.19$ ). As previous studies have shown that there can sometimes be a great deal of variation over time in the relationship between the economy and the vote (Sanders & Carey 2002), the correlations presented above might in fact look quite different for different governments. Theories of partisan economic voting also contend that governments of different ideological affiliations show differential relationships with economic indicators. However, the conclusions of such studies have thus far been mixed and sometimes contradictory (see for example Powell & Whitten 1993; Carlsen 2000; Sanders 2000). In practice, the most valuable and stable conclusion of these studies offered to date is that economic effects differ

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<sup>49</sup> Although it is no longer an *absolute level* that is employed, it is still not a *change*. Instead, this centred level can best be characterized as a relative level – the level of an economic indicator relative to its own mean during a certain period of time.

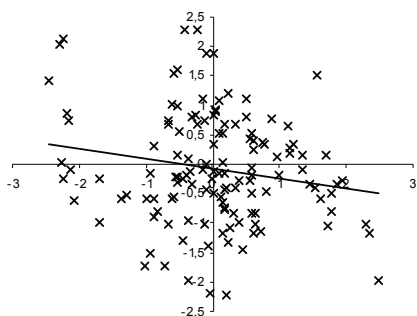
<sup>50</sup> The same argument could be made against standardizing government popularity. However, government popularity has to deal with an additional problem of comparability between time periods. Not only do different governments start at different levels of popularity, but their susceptibility to variation might also depend on their size in terms of initial support as well as their size in terms of the number of parties they are made up of. Therefore, centring would not be satisfying. However, later on, when analysing time series with regression models, pure government popularity is used instead of standardized popularity since I have the ability to compensate for this via model specification instead.

<sup>51</sup> This could have been solved differently in a regression framework, for example with a dummy variable.

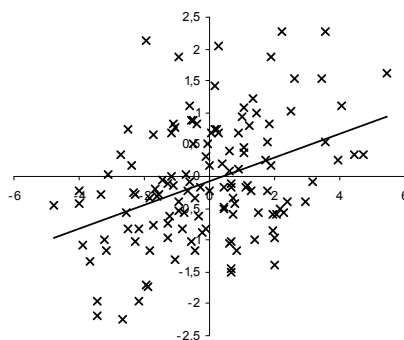
<sup>52</sup> The analyses presented in figure 3.2 were also tried using different lags of the economic variables. The results for unemployment and misery indexes 1 and 2 were stable, although the correlations become weaker with a longer lag. This is not so for inflation and growth. Instead the correlation already reversed sign at a lag of one and proved to be highly unstable and sensitive to lag length.

**Figure 3.2 Scatterplots of government popularity and various economic indicators**

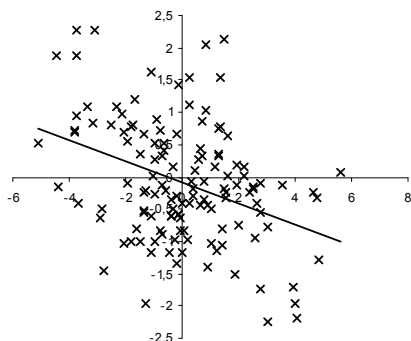
Unemployment ( $r=-.19$ )



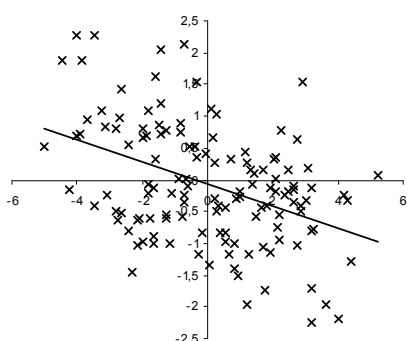
Growth ( $r=+.40$ )



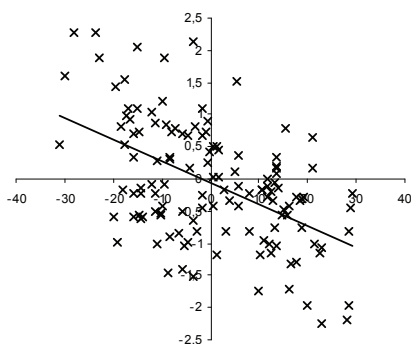
Inflation ( $r=-.37$ )



Misery index 1 ( $r=-.42$ )



Misery index 2 ( $r=-.51$ )



*Comment:* The time unit used here means that each dot represents one quarter of a year. The vertical axes in the five scatter plots represent standardized government popularity. The horizontal axes represent the values of the centred economic indicators. Government popularity is standardized and the economic indicators are centred around their means. This is done separately for the eight governmental periods shown in table A.5. All correlations reported here are significant at the 95% confidence level, as seen in the top left of table 3.5.

substantially between governments of different ideological leanings. We will now see if this is also the case in Sweden or whether the correlations between economic indicators and incumbent popularity are stable over time.

Some of the results are remarkably stable during different time periods despite problems with statistical significance. For example, the correlation of inflation is remarkably stable for the periods of 1967 to 1976, 1976 to 1982 and 1991 to 1994 (-.31 to -.37) despite few observations during some periods and sometimes statistically insignificant results. The same is valid for growth to some extent, especially in the periods 1967 to 1976, 1982 to 1991 and 1991 to 1994 (+.55 to +.60) and, for our two misery indexes, between 1967 and 1994. When it comes to unemployment there is more variation between different periods, although there is a negative correlation of about the same magnitude in 1967 to 1976, 1991 to 1994 and 1994 to 2002 (-.34 to -.47).

The latest period examined here, 1994 to 2002, is where the clearest exceptions to the otherwise relatively stable results are found. First, growth shows virtually no relationship with government popularity. Second, inflation has suddenly a positive correlation with popularity instead. Moreover, the two misery indexes are less strongly correlated and no longer significant. From 1994 and onward, the economic indicators become less clear and less significant. This is in line with what Kumlin (2003b) has previously argued using entirely different data.

Although much of the findings are what we would expect from a traditional economic voting perspective, all are not. One of the perhaps most interesting findings of table 3.6 is that the coefficient for unemployment during the two latest periods of Social Democratic rule (1982 to 1991 and 1994 to 2002) are entirely different. This is the explanation for the surprisingly low ( $r=-.19$ ) coefficient when the whole period is examined at once – we get a blurred “average” coefficient.

The positive coefficient of the 1980s can be regarded as a sign that it is perhaps indeed possible for incumbents with a strong issue ownership to sometimes gain popularity from waning economic indicators in line with the thoughts behind the integrated model of economic voting and issue ownership examined in this study.<sup>53</sup> On the other hand it is also evident that the popularity of Social Democratic governments has not always correlated positively with unemployment. The coefficient is only positive between 1982 and 1991.

Moreover, one cannot help wondering why the coefficient for unemployment is so clearly in line with the expectations of the traditional economic voting model for the Social Democrats in 1967 to 1976 when it is not in 1982 to 1991. However, all these results are but bivariate correlations and are surrounded by

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<sup>53</sup> Although the focus of this dissertation is unemployment, there are a few more unexpected results in table 3.6 that deserve consideration. After 1994, inflation also shows the “wrong” sign. In principle the explanation could be the same as the one suggested for unemployment, that a strong ownership of the issue distorts the process of economic voting. I do not find this explanation plausible. We know from the analysis of election results that unexpected correlations for inflation are not uncommon in Sweden. In fact, when analysing the vote function, we did not find one single correlation for inflation that was substantial and in the expected direction. Previous research has also had a hard time finding significant effects of inflation. Neither is it very likely that the exceptional coefficient is a result of high collinearity with unemployment since the association between unemployment and inflation 1994 to 2002 is weaker than it is during the period as a whole.

**Table 3.5 Correlations between government popularity and various economic indicators**

| All governments | r    | p    | n   | 1967-1976      | r    | p    | n  |
|-----------------|------|------|-----|----------------|------|------|----|
| Unemployment    | -.19 | .034 | 130 | Unemployment   | -.47 | .004 | 36 |
| Growth          | +.40 | .000 | 130 | Growth         | +.55 | .001 | 36 |
| Inflation       | -.37 | .000 | 130 | Inflation      | -.37 | .028 | 36 |
| Misery index 1  | -.42 | .000 | 130 | Misery index 1 | -.45 | .006 | 36 |
| Misery index 2  | -.51 | .000 | 130 | Misery index 2 | -.65 | .000 | 36 |
| 1976-1982*      | r    | p    | n   | 1982-1991      | r    | p    | n  |
| Unemployment    | -.07 | .737 | 23  | Unemployment   | +.25 | .157 | 33 |
| Growth          | +.21 | .331 | 23  | Growth         | +.61 | .001 | 33 |
| Inflation       | -.36 | .077 | 23  | Inflation      | -.76 | .000 | 33 |
| Misery index 1  | -.41 | .053 | 23  | Misery index 1 | -.63 | .000 | 33 |
| Misery index 2  | -.40 | .057 | 23  | Misery index 2 | -.63 | .000 | 33 |
| 1991-1994       | r    | p    | n   | 1994-2002      | r    | p    | n  |
| Unemployment    | -.34 | .306 | 11  | Unemployment   | -.37 | .042 | 30 |
| Growth          | +.60 | .051 | 11  | Growth         | +.03 | .881 | 30 |
| Inflation       | -.31 | .361 | 11  | Inflation      | +.45 | .013 | 30 |
| Misery index 1  | -.39 | .23  | 11  | Misery index 1 | -.11 | .570 | 30 |
| Misery index 2  | -.70 | .017 | 11  | Misery index 2 | -.24 | .200 | 30 |

*Comment:* \*=unlike the other periods, this one deserves special treatment. Here all four governments during the period are treated as one. Thus we are analysing the popularity of all parties supporting the government instead of only those formally making up the government during this period (see table A.5). In addition, the first quarter of each new government is not excluded for this period, but only the first quarter of the government appointed in 1976. The government popularity figures on which the correlations are based in this table are the same as those presented in figure 3.2.

insecurity both in terms of statistical significance and in terms of model specification. Instead of pursuing this analysis further, we will now turn to time series regression models to look more deeply into the workings of the traditional economic voting model in Sweden.

### *Economic changes and incumbent popularity*

The purpose of this concluding section is to analyse whether and how incumbent popularity depends on the economic development by estimating a parsimonious causal model. This will also allow us to check the validity of what has previously been found in the correlational analyses. First, I will examine the whole period of 1967 to 2002 taken together. Second, the five different periods shown in table 3.6 are analysed separately.

A reasonably parsimonious model of government popularity in line with traditional economic voting theory entails that incumbent popularity depends systematically on 1) previous values of the dependent variable, 2) a gradual decline

in popularity with time (the time in office effect/cost of ruling) and 3) the three main economic indicators: unemployment, inflation and growth.<sup>54</sup>

However, it quickly turns out that time in office is insignificant and not needed in the model as soon as lagged values of government popularity are included. The previously seen (negative) bivariate relationship between time in office and popularity disappears. The model applied here thus only includes two components: the lagged dependent variable and our three main economic indicators.

When time series analysis is used it is important that the variables included in the model are stationary in the statistical sense, i.e. that they are not trending in the long run but have a long-run average that is constant.<sup>55</sup> Dickey-Fueller tests showed that economic growth is stationary while inflation ( $p=.443$ )<sup>56</sup> and unemployment ( $p=.840$ ) are not. The last two series exhibit clear trending both in graphs and in the Dickey-Fueller tests. This problem is commonly solved by differencing the two series, which means that instead of using the level of unemployment and inflation, the change from one quarter to the next is used in the statistical model. To facilitate comparison, all three independent variables were converted into short-term change variables.<sup>57</sup> Including the lagged dependent variable<sup>58</sup> in a time series comprising different governments comes at the price of losing some observations. The first observation for each new government is dropped since there is no lagged value for it.<sup>59</sup>

The period of 1976 to 1982 requires some special consideration. The four different centre-right governments of this period are in practice treated as one governmental coalition instead of four in the following analyses owing to the short span of each government during this period. Some of them only have four cases, of which one would have to be removed since it represents the first quarter of a new government. Therefore, during this period, the dependent variable is in practice the popularity of all parties supporting the government (see table A.5).

One remaining problem is that government popularity is not stationary (though nearly,  $p=.229$ ). I will still use government popularity in its original form instead of a differenced form since a lagged dependent variable is included in the regression model, which removes the autocorrelation problems. On top of this, all the models presented below were also estimated with the dependent variable in the

<sup>54</sup> Misery indexes are not used in this section. The reason is that the purpose of this chapter is not to develop a model of economic voting in Sweden that is as good as possible and improve upon existing models. Instead, the purpose is to evaluate how traditional models of economic voting work in our case and to check whether results of previous studies on Sweden, which are now rather dated, are still valid.

<sup>55</sup> For a more precise and technical definition, see for example (Hamilton 1994).

<sup>56</sup> The significance levels reported here are MacKinnon's approximate p-values. Dickey-Fueller critical values showed the same results.

<sup>57</sup> Although growth could have been used in its original form as a level variable, since it is stationary in that form, the effect of growth on government popularity became much stronger when it was transformed into differenced form, both in terms of coefficient size and statistical significance.

<sup>58</sup> Time series models with lagged dependent variables are also known as Koyck distributed lag models.

<sup>59</sup> However, not including the first observation for a new government is common practice anyway since it is reasonable not to hold the government responsible for the economic situation of the country immediately when it has taken office. In addition, the main alternative to including a lagged dependent variable is to instead use the change in the dependent variable, which also means that we lose the first observation of each new government.



form of the first difference instead, which makes it stationary. The main results presented below are supported by these alternative model specifications.<sup>60</sup>

**Table 3.6 Economic effects on incumbent support 1967-2002**

| Variable         | Coefficient | p    |                    |        |
|------------------|-------------|------|--------------------|--------|
| Govpop at $t_1$  | .93         | .000 | R-squared          | 0.88   |
| Unemployment, D1 | -.91        | .108 | Adj R-squared      | 0.88   |
| Inflation, D1    | -.15        | .253 | Number of obs      | 138    |
| Growth, D1       | .12         | .151 | DW                 | 1.60   |
| Constant         | 2.79        | .028 | Portmanteu, Q-test | p=.994 |

*Comment:* D1 means that unemployment, inflation and growth are first differences.

The effects of the three economic variables on incumbent support are all more or less like what we expect, although none of them achieve statistical significance despite a decent number of observations (138). Unemployment seems to have a fairly strong negative effect that almost manages to reach significance at the 90% confidence level ( $p=.108$ ). This coefficient is quite high, indicating that a 1 percent increase in unemployment would yield about .90 percentage points in lost support for the ruling party. Inflation and growth exhibit weaker effects, but still in the expected direction. However, we cannot draw any firm conclusion based on this model since the effects are not statistically significant.<sup>61</sup>

The strong effect of the lagged dependent variable also informs us that there is a strong dynamic structure of government popularity, which tells us that the effect of for example changes in unemployment will persist for a long time because of the strong effect of previous popularity, although we must of course once again remember that our results do not reach statistical significance.

Much like previous research (for example Hibbs & Madsen 1981; Jonung & Wadensjö 1979; Madsen 1980) has concluded, growth seems to be of somewhat less importance in Sweden. Inflation has some impact, but it is weaker than that of unemployment and also fails to reach conventional significance levels with a short margin.<sup>62</sup> At least for unemployment, this lack of statistical significance might in part be due to what we know from table 3.6 - that the relation of unemployment to incumbent support seems to have varied over time during this long period. As mentioned previously Sanders and Carey (2002) found that the

<sup>60</sup> In fact, the results of these model specifications are in general more supportive of some of my main results in this section. These results are found in tables A.12, A.14, A.15, A.17 and A.19. Theoretically, it is also reasonable to argue that these time series are by definition stationary in the long run, since they are bounded between 0 and 100. Thus, they cannot be trending in the long run. Thus, this problem mainly occurs because of the limited length of our time series.

<sup>61</sup> With this model specification, the residuals show no problems of autocorrelation. A correlogram of the residuals shows no significant correlations. A Portmanteau Q-test also turns out to be insignificant, meaning that we cannot reject the null hypothesis of no autocorrelation, and the Durbin-Watson statistic is at least 1.60. Thus, this model of economic effects on incumbent support does not seem to have any serious flaws when it comes to the autocorrelation problem common in time series analysis.

<sup>62</sup> Even though our interest is not in the misery indexes here, two such models similar to that in table 3.7 were also estimated, where the only independent variables were the lagged value of incumbent support and one of the two misery indexes. Both were found to behave as expected, and misery index 2 also turned out to be statistically significant ( $b=-.04$ ,  $p=.019$ ).

variation over time within countries of the effects of economic voting is actually larger than the variation between countries. If so, this means that we get a hazy view when we examine the whole period at once.

The next step is to look at the different periods separately, as in the previous section. The straightforward strategy for doing this is to include interaction terms in the regression model to see if the effects of the economic variables vary between different governmental periods. This way we keep the number of observations high, but we pay the price of having a model with numerous independent variables. However, since this study has a special focus on the issue of unemployment, the coefficients of growth and inflation are not estimated interacted with each governmental period. They are instead constrained to have a uniform effect over time.<sup>63</sup>

**Table 3.7 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable           | Coefficient | p    |                    |        |
|--------------------|-------------|------|--------------------|--------|
| Govpop at $t_{-1}$ | .94         | .000 | R-squared          | 0.88   |
| Inflation, D1      | -.13        | .312 | Adj R-squared      | 0.87   |
| Growth, D1         | .14         | .120 | Number of obs      | 138    |
| Constant           | 2.15        | .142 | DW                 | 1.62   |
|                    |             |      | Portmanteu, Q-test | p=.995 |
| 1967-1976          |             |      |                    |        |
| Unemployment, D1   | -1.14       | .503 |                    |        |
| 1976-1982          |             |      |                    |        |
| Unemployment, D1   | .43         | .830 |                    |        |
| 1982-1991          |             |      |                    |        |
| Unemployment, D1   | 1.04        | .586 |                    |        |
| 1991-1994          |             |      |                    |        |
| Unemployment, D1   | -1.07       | .203 |                    |        |
| 1994-2002          |             |      |                    |        |
| Unemployment, D1   | -1.55       | .182 |                    |        |

*Comment:* D1 means that unemployment, inflation and growth are first differences. The separate estimates for each government are obtained via interactions with each governmental period.

The previously found pattern in the correlation analyses persists. The effect of unemployment on the popularity of the Social Democratic governments of 1982 to 1991 stands out from the other periods in that it is positive. Between 1982 and 1991 increasing unemployment has a positive effect on incumbent support ( $b=1.04$ ) rather than negative effects.<sup>64</sup> However, the effect is not significant, as for most of the variables in this model.

<sup>63</sup> As usual, I tried an alternative model specification that also let the effects of inflation and growth vary between different governmental periods. These results support the main results presented here and can be seen in tables A.13, A.15 and A.18-A.19.

<sup>64</sup> When inflation and growth are estimated separately for each governmental period, the positive effect of unemployment diminishes slightly ( $b=.77$ ) as seen in table A.13. On the other hand the effect becomes both stronger and closer to significance when estimating the model with government popularity in the form of change from one quarter to the next (which also solves the problem of (cont)

What is more unexpected in this case is that the coefficient for the period of 1976 to 1982 is also positive, though to a lesser extent, and it is even less significant. However, given the unstable governments of this period and the modifications of the dependent variable that had to be made because of this, the results for this particular period should perhaps not be taken too seriously.

The period of 1982 to 1991 deserves special attention since these findings for the issue of unemployment are particularly interesting to this study. Can it really be possible that higher unemployment leads to a boost in the popularity of the incumbent party? To investigate the period of 1982 to 1991 more closely the different governmental periods were examined one by one as well. It turns out that the differenced series of unemployment does not pass a stationarity test when done for this particular period separately although it is stationary for the full period of 1967 to 2002. One way to remedy this and to make it stationary is to use the *second difference* of unemployment instead. This second difference is the more abstract notion of the *change in the change*.<sup>65</sup>

When estimating a model with unemployment in the form of the second difference for the period of 1982 to 1991 the effect becomes stronger and turns significant at the 90% confidence level (see tables A.16-A.19). What is especially remarkable about this is that the significance of inflation and growth also improves when unemployment is made stationary by using the second difference form. The model simply performs better overall. In addition, other peculiar findings such as the slightly positive effect of unemployment between 1976 and 1982 diminishes instead and approaches zero (see table A.19).

Taking these findings together, I find that, despite the problems with statistical significance seen in table 3.8, we have enough evidence to believe that the effect of unemployment is different from what is usually expected for the Social Democratic governments from 1982 to 1991 and that it might in fact have been positive. This would mean that they were not punished by the electorate for rising unemployment – or rewarded for shrinking unemployment for that matter. However, we should also be aware that the models used here focus solely on economic factors and omit other relevant factors. We should therefore not be too confident that our results reflect actual causal relationships.

## CONCLUSIONS

What are the implications for the overall thesis and my model? What has been found is support for the existence of economic accountability in Sweden, despite the unfavourable conditions for this discussed in Chapter 2. As in earlier studies of economic voting in Sweden the results indicate that economic factors are related both to electoral outcomes and to incumbent popularity. Unemployment

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stationarity). See tables A.14-A.15. It is also noteworthy that this does not occur for the period of 1976 to 1982. The effect of unemployment during that period is instead closer to zero.

<sup>65</sup> That such an abstract notion could influence governmental support might seem odd at first, but is in fact quite reasonable since it is an important early sign of what will come and is in fact very much in line with the findings in Chapter 4 (pages 88-93). Further explanations of this concept and how it should be interpreted are also provided in Chapter 4. However, that the change in the change is found to influence people's assessments of the government does not necessarily mean that people perceive these changes themselves. Instead, it is more realistic to assume that such reactions are mediated through information in the mass media and from experts.

and general economic misery indexes have the strongest effects. However, the picture is not clear-cut, and one important lesson from this chapter is that economic voting in Sweden is neither very strong nor stable. Rather, it gives the impression of being unstable and conditional and to vary over time. This is also where much of the international literature on economic voting has ended up – in regarding economic effects as unstable and conditional to other factors. For a recent overview arguing along this line, see Anderson (2007).

Although the economic effects are found to vary over time, unlike what is assumed in the partisan economic voting literature, the variation is not determined by the incumbent's ideological colour. The results in this chapter indicate that something might have changed in the relation between the Social Democrats and the issue of unemployment. The direction of the effect of unemployment on Social Democratic popularity varies over time. Although the results are not clear-cut, at least the pattern observed does not contradict the integrated model of economic voting and issue ownership outlined in Chapter 1. Further explorations are clearly warranted. The aim of this book is to examine whether the concept of issue ownership can help us understand variations in the political consequences of economic changes. If a strong ownership of the issue of unemployment can cancel out the effects of economic voting, this might explain the finding that unemployment had a positive effect on Social Democratic popularity during the 1980s. Partisan economic voting studies cannot treat all left or right parties as basically similar. One of the crucial differences between political parties that should be taken into account is issue ownership.

## Chapter 4

# The Economy and the Public

One of the requisites of the integrated model of economic voting and issue ownership is that the economic development influences both the public agenda and the public's evaluations of the economy. The two different reactions expected when real-world conditions and policy indicators deteriorate are, as previously mentioned, increased salience and more negative evaluations. In the first case people react by giving further weight to and considering an issue to be of more importance than they did before things got worse; the issue is said to rise on the public agenda. In the second case people simply react by regarding the state of a certain policy area as being worse than they used to do. The second path is perhaps more obvious – although it cannot be taken for granted; it simply states that if things get worse, people will feel or know this. If reality changes, so will people's perceptions of reality. In this chapter it is demonstrated that both processes can, and do, occur simultaneously.<sup>66</sup>

The main questions addressed in this chapter concern one specific set of independent variables – indicators of macroeconomic performance – and two public opinion concepts: subjective economic evaluations and issue salience. The major question that needs to be answered is whether, and to what extent, people notice what is going on in the economy. Do public economic evaluations and the public agenda reflect the development of the economy? This is important to us when we judge the applicability of the integrated model of economic voting and issue ownership. If economic changes pass unnoticed by the public and economic evaluations do not reflect the objective economic development, economic voting cannot work, and citizens cannot hold governments accountable for the economic development. Likewise, for issue ownership to be an important factor to consider when analysing the effects of economic changes on government support, issue salience must also reflect changes in the gravity of the situation. For the integrated model to work properly, economic performance needs to influence evaluations as well as salience.<sup>67</sup>

The objective of this chapter is not an exhaustive analysis of the causes of changes in economic evaluations or public salience. Instead, the more modest goal to be achieved is to see to what extent public evaluations *and* salience re-

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<sup>66</sup> Yet they are different concepts, both theoretically and empirically. Different people may also exhibit differing reactions to variations in economic performance. Some may react by regarding the issue as more important/salient while others merely say things are getting worse. Of course, some people may also react in both ways simultaneously.

<sup>67</sup> As was explained in Chapter 1, I use the expression economic performance in the same way as the literature on economic voting does, i.e. to refer to the objective economic development. I treat economic performance and economic development as interchangeable expressions. Thus the government's economic performance simply equals the objective economic development during that specific government's rule.

flect objective economic performance. Neither will this chapter specify and test potentially mediating variables – informational or psychological – explaining the link between the economy and public opinion. The point to be proven is that economic performance *does* affect both public evaluations and issue salience, not exactly *how* or *why*. This is what is required to be able to test the validity and relevance of the theoretical model outlined in Chapter 1.

The knowledge required for public perceptions to respond to the real economy is not necessarily comprehensive or detailed factual knowledge and a far-reaching understanding of economic processes in society. But still, *some* information on the state of, or the change in, the real economy is required. If public perceptions change in correspondence with changes in the real economy in a reasonable manner, I will assume this to be a reaction to such information even though the correct mediating variables remain unmeasured and unspecified.<sup>68</sup>

More precisely, what the integrated model demands is that citizens as an aggregate respond in reasonable and predictable ways to economic performance. This is not required of each and every individual voter as long as the aggregate movements in public opinion reflect the objective economic changes (compare Page & Shapiro 1992). This chapter deals with aggregate analysis only.

Now, before we embark on the journey through the literature, let us consider how we expect public evaluations to react to different economic outcomes. What is “good” or “bad” economic performance? In general, there is widespread agreement as to what constitutes “good” and “bad” economic development. Most people, at least in the mainstream debate, would agree that higher unemployment is worse than lower unemployment, that higher inflation is worse than lower inflation and that higher economic growth is better than lower economic growth. At least this is the way in which theories of economic voting have seen this.

Surely this view might be challenged. Some people could for instance regard low or no GDP growth to be more desirable than high growth from an environmental point of view and instead favour a steady-state economy (see for example Huesemann 2004). Some people may feel that a moderate unemployment level is better than a low level to facilitate inflation control and wage increase moderation. These considerations all depend upon individual priorities and may well be present among segments of the public. Nevertheless I argue that the common expectations in the literature are more justified than the alternative desires sketched above, and I expect the large majority of voters to display traditional views on what is desirable in terms of economic outcomes.<sup>69</sup>

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<sup>68</sup> Many studies have examined the role of media in this respect (see for example Mutz 1998). In this chapter media content bias or potentially distorting effects on the public’s information will not be studied since the aim is not to explain why public opinion behaves the way it does when real economic indicators change.

<sup>69</sup> The traditional wording format asking respondents about their view on the past economic development is tapping evaluations rather than perceptions. When respondents are asked to characterize the change in the economy during “the last 12 months” or “the last years”, they are actually asked to pass a judgement – has it become “worse” or “better” or has it “stayed the same”? This means people have to *evaluate* the information (their perceptions) they might possess in terms of good and bad or better and worse – and turn this into a general statement of how the economy has changed. This statement is made in value terms, not in factual terms. Although some voters may have very little actual information to base such an evaluation on, they might base it on a more general impression or (cont)

When it comes to the salience of the issue of unemployment, the straightforward expectation is that salience will increase as unemployment goes up and vice versa.<sup>70</sup> However, issue salience might react to changes in the real world in several ways and through different causal paths. The issue of unemployment becomes more important to a fixed set of people *or* it becomes important to more people; either way, public salience will rise when unemployment levels rise<sup>71</sup>. For those who become personally affected (through unemployment) and thus experience direct, tangible, unwanted changes in their situation on the labour market, an increased subjective importance of unemployment as a political issue is likely to happen without any mediating factors. Others will mostly read about this development in the media, provided mass media mirror the development reasonably correctly.<sup>72</sup> It is now time to review previous research in these areas and consider available data and appropriate methods.

### *What do people know about the economy?*

Previous research has failed to reach consensus on the public's knowledge of the economy. Differing views and conclusions have been advocated. Nannestad and Paldam (2000b) concluded sternly that voters possess very little factual information about the economy. Voters are often seen as not especially interested in economic facts like unemployment levels, inflation rates or economic policy proposals. In contrast, other researchers claim that people have some working knowledge, or at least a directional sense of how the economy and its various parts are doing (Sanders 2000). In an economic voting perspective this general sense of the direction of economic change is then supposed to be used to judge, among other things, incumbent performance.

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feeling, which in turn has been formed over an extended period of time (continuously) by glimpses of information they are exposed to now and then (compare the on-line model of information processing previously described in Chapter 3). In this text the expressions economic evaluations and economic perceptions will be used interchangeably even if they effectively refer to the same survey measurements. However, we should bear in mind that what is mostly actually measured is, to be precise, evaluations.

<sup>70</sup> Although it seems unlikely, it is possible to imagine alternative expectations. Possibly, unemployment can be less of a problem for an individual when it concerns more people. When fewer people are unemployed, those who are unemployed are more easily seen as deviant and their situation might perhaps be more stigmatising and psychologically challenging than when a larger group of people is unemployed. It is also possible to question whether a steady rate of unemployment would really mean a steady level of public salience. In a society with a constant and high unemployment, two opposite hypotheses are possible. The salience of unemployment might decrease over time since people get used to the situation and adjust their expectations accordingly. Or, people might become increasingly concerned with the issue if unemployment remains high and stable since the problem remains unsolved and people become increasingly frustrated. However, the most reasonable general expectation is still that public salience will rise when unemployment levels rise and the other way around. Though I do not necessarily expect the relationship between unemployment levels and public salience to be linear, it should not be  $\Omega$ -shaped. More realistic potential deviations from linearity are gradually increasing or gradually diminishing effects.

<sup>71</sup> I will mainly consider the possibility that the issue passes a certain threshold of importance to a larger number of people, rather than the possibility that the issue becomes increasingly important to the same group of people. The reason for this is that I believe it to be easier for a political issue to rise on the public agenda if it becomes important to more people than if it simply becomes even more important than before to a smaller group of people.

<sup>72</sup> All that is required for this is that media write more about unemployment when there is a rise in the number of unemployed, which is quite reasonable. The relationship between media content and unemployment salience is briefly examined in the last section of this chapter.

Swedish electoral researcher Sören Holmberg has pointed out that voters in Sweden have quite reasonable views on the economic development in the country (Holmberg 2000; Holmberg & Oscarsson 2004). By comparing the marginal distribution of retrospective evaluations of the national economic development at different elections it is shown that, on balance, the Swedish public perceived a declining economy at the elections of 1991 and 1994, while they had a more positive view of the economic development in 1988 and 1998. Holmberg's general conclusion is that "The question whether voters are capable of retrospective judgements of the economic development by looking back can undoubtedly be answered with a clear yes" (Holmberg 2000:140).

When it comes to questions of knowledge and information, data are rather scarce. A few items concerning knowledge of inflation, unemployment and the budget deficit exist in the SNES. These questions have also been analysed by Holmberg and Oscarsson on various occasions (eg. Holmberg 2000; Holmberg & Oscarsson 2004; Oscarsson 2007). In 1985, for example, only a minor part of the voters knew that the budget deficit had not been increasing during the last year. In contrast, the item on inflation that was included in the election surveys of 1985 and 1988 was answered correctly by a majority (about 57 percent) of the voters.<sup>73</sup>

The only economic issue where voters have shown convincing awareness of real-world conditions is probably unemployment. During the last 20 years respondents have answered a question about whether a statement that open unemployment in Sweden is currently less than five percent is true or false. Whether the statement actually has been true or false has varied over time. In general it has been much easier for people to answer the question correctly when unemployment has been high. This is probably due to the fact that unemployment is more likely to be salient when unemployment is higher and that people are more knowledgeable when the issue is more widely discussed. In 1994 and 1998, about 90 percent of voters knew that unemployment was higher than five percent (Holmberg 2000). This means that people clearly perceived the change in the labour market during the 1990s. When unemployment levels are lower, the task seems to be more difficult. In 1985, 1988, 1991 and 2002, the proportion of people able to correctly identify the statement as true or false varied between 40 and 60 percent (Holmberg & Oscarsson 2004). Holmberg's cautious conclusion is that, even though the measures are rough, it is clear that voters are not totally devoid of basic macro economic knowledge (Holmberg 2000:140).

On the other hand, since these questions are answered by saying whether the statement is true or false (or "don't know"), it does not take much knowledge to get it right. If all respondents answered by randomly choosing their response we can still expect a fairly high proportion to choose the right answer at each occasion. By highlighting that the baseline of comparison for what is a good and bad level of knowledge among voters is not zero percent correct answers, but a level set by random replies (i.e. one third), the interpretation changes somewhat. In fact, the mere 26 percent correctly saying that the budget deficit did not increase in 1985 not only constitutes evidence of poor knowledge but of a systematically

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<sup>73</sup> In practice this means that they correctly identified a statement that "This far, inflation this year has been more than 9 percent" as false. In fact, inflation varied between roughly 7 and 8 percent in 1985 and 5 and 6 percent in 1988.



misinformed electorate, or at least an electorate with systematically biased perceptions of the budget deficit. What remains is the evidence that the Swedish electorate was well aware of the increase in unemployment rates in the 1990s.

As regards public economic expectations in Sweden, economist Lars Jonung has carried out several studies. Among his conclusions we find that people are rather clever when it comes to forecasting inflation rates and price increases. They link their private economic situation to inflation in reasonable ways and seem capable of anticipating governmental economic policy<sup>74</sup> (Jonung 1984). Jonung also once pointed out that subjective perceptions of inflationary expectations (notably the expected direction of change) are held with relative certainty, while more precise numerical expectations are held with substantial uncertainty (Jonung 1986).

The safe conclusion of previous research probably is that factual knowledge about the details of the economy is truly scarce and limited in the Swedish electorate. Even so, international comparisons generally indicate that political knowledge is relatively high in Sweden (Granberg & Holmberg 1988; Milner 2002). Voters are simply not very politically sophisticated in terms of factual knowledge.<sup>75</sup> Although both would be desirable, what matters most from an economic voting point of view is perhaps not knowledge of the economy, but that economic perceptions are fairly accurate in their direction of change.

### *Do people track economic changes well?*

If the public lacks adequate knowledge of the economic development, how can they respond to this development in a reasonable manner, as we know they often do? Many scholars have indeed found evidence that public perceptions are clearly related to objective economic outcomes and that public perceptions follow real indicators rather well, on the aggregate level (Behr & Iyengar 1985; Erikson et al. 2002; Roper 1982; Sanders 2000; Sigelman & Yanarella 1986; Page & Shapiro 1992).

One common explanation is that individual level studies are always associated with large amounts of random “noise”. In fact, it is enough if part of the population responds to economic changes systematically; if the rest is random noise, aggregate public opinion will still respond rationally (Page et al. 1987; Page & Shapiro 1992; Erikson et al. 2002). This noise can be due to several factors: it can be regarded as measurement error, lack of knowledge or the influence of unsystematic recent events in each individual’s everyday life that influence their perceptions. When all these individual responses are aggregated, the noise will generally cancel out and public opinion will respond in reasonable ways and behave rationally (Page & Shapiro 1992).

This optimistic view of aggregated preferences has, however, sustained critique in the past. If the individual level noise is not purely random, this can lead to more or less severe bias in public perceptions. If individual level variation is not

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<sup>74</sup> This last conclusion rests on rather limited evidence, however.

<sup>75</sup> This is not only valid for the economy, but can be extended to other policy areas or the political system in general. For example, only around half the electorate has correctly answered the question of *which* party(s) make up the Swedish government or *how many* parties are included in the government (Holmberg & Oscarsson 2004; Petersson 1998). The ignorance of the average voter when it comes to facts about politics is commonly regarded as a well established finding and is a topic that has been researched since the beginning of voting behaviour studies (cf. Berelson et al. 1954; Niemi & Weisberg 2001).

random, but systematic, this distorts aggregate perceptions (Bartels 1996b). According to Bartels, aggregation does not produce unbiased estimates of economic perceptions – instead they systematically co-vary with factors unrelated to objective economic performance. The potentially distorting factors include for example partisan predisposition and prior political beliefs, personal experiences, group self-interest, levels of education, media exposure and political information.

Previous studies have shown that several potentially distorting factors at the individual level are significant predictors of economic perceptions. These factors have been labelled sources of subjective heterogeneity (Duch et al. 2000; Duch & Palmer 2002; Krause 1997). What the influence of these sources of subjective heterogeneity mean is that our aggregate measures of economic perceptions might be biased and unable to adequately track changes in the real economy. These results show that group interest effects are generally quite small and that the most important individual level predictors seem to be people’s judgements of their personal financial situation and political attitudes (Duch et al. 2000). Furthermore, simulated counter-factual aggregate outcomes show that distortions caused by the individual level bias actually exist and that aggregate perceptions would have looked different if not for individual level sources of subjectivity. Still, the distortions demonstrated are quite limited, with few exceptions. The difference between the “raw” (aggregated) measures and Duch et al.’s cleansed series where individual level bias has been removed is generally not larger than  $\pm 5$  percentage points. The amount of distortion varies greatly over time, however, which makes it hard to find a general way to model the aggregate series in order to take this bias into account.<sup>76</sup>

In my opinion, Duch et al.’s results do not invalidate the use of aggregate measures of economic perceptions. That individual citizens’ evaluations of the economic development are related to the rest of their beliefs and attitudes does not mean that we must abandon aggregate public opinion measures altogether. However their results *do* mean that we cannot trust our aggregate measures to be *a priori* rid of the problems of “noise”, measurement error, lack of information, instable opinions or biased perceptions that are often present in individual level data. The lesson learnt from subjective heterogeneity is better regarded as a way to improved an understanding of *why* the aggregate series sometimes behave the way they do. It is a potential explanation for deviations, i.e. when aggregate measures of public perceptions do not track the real economy adequately, even in terms of direction.<sup>77</sup>

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<sup>76</sup> Another example of evidence of biased perceptions among the public that concerns unemployment expectations series is presented by Dua (1993). In that study it is shown that the public is often unnecessarily pessimistic about future unemployment levels. One possible explanation for this is mass media’s preference for negative news: the negativity bias of the media that among others Mutz (1998) has called attention to.

<sup>77</sup> What is lacking in the previous studies of subjective heterogeneity that point out evidence of bias in citizens’ economic perceptions is studies that combine time varying economic outcomes and individual level characteristics. This could achieve two things: first, putting subjective heterogeneity in relation to effects of real economic outcomes; second, answering the more important question of whether different groups exhibiting perception bias at one point in time react similarly to changes in economic outcomes or whether they fail to see reality because of political attitudes, group interests etc.

One such example of when public perceptions are clearly not in accord with what objective measures indicate is the Canadian election of 1997. Despite a lower unemployment rate in 1997 than in 1993, public retrospective evaluations of the economy were predominantly negative (Nadeau et al. 2000). This is one example where individual level explanations might help us understand why. Just like in the studies of Duch et al., education and group interests did not have much of an impact on individual economic perceptions. Instead, Nadeau (2000) and his colleagues found that partisan predisposition is the factor most strongly at work at the individual level.

The basic thought behind partisan bias in voters' perceptions of the economy is that supporters of the incumbent tend to see the government's performance more favourably, while supporters of the opposition tend to view governmental performance in a more negative light. This asymmetry can be the result of different psychological mechanisms. The possible mechanisms at work range from partisan loyalty to the party as a source of trusted information. In all likelihood, government and opposition will give quite different descriptions of and messages about the state of the economy, presumably by highlighting different aspects. Theories of cognitive consistency also play an important part here. Cognitive consistency needs may make people remember or forget pieces of information more easily, depending on whether or not they are in accordance with their prior beliefs.

Ever since the classic study *The American Voter* (Campbell et al. 1960), political parties have been regarded as a "perceptual screen" through which people see what is favourable to their partisan orientation. The party serves as a filter through which reality, including the economy, is perceived. Thus economic performance is also assessed through this partisan filter. The modern classic *The Nature and Origins of Mass Opinion* by John Zaller (1992) is a prime example of a study that demonstrates how information processing is influenced by political predisposition, mainly through a higher likelihood to resist information at odds with one's predispositions.

Another possible explanation for partisan bias is that supporters of left and right parties have differential economic policy preferences, and thus value different aspects of economic performance differently (Duch & Palmer 2002). These economic policy preferences may also cause people to vote for different parties, thereby creating or strengthening a connection between partisanship and economic evaluations (without this constituting a causal relationship). In particular, Duch and Palmer found that people's trade-off between inflation and unemployment affects their general economic perceptions, which makes sense in terms of differential priorities.

Despite these theoretical arguments and empirical underpinnings, most studies of economic voting have treated economic perceptions as exogenous to voting or party support and relied on recursive statistical models. Although, evidence of a reciprocal relationship between economic perceptions and voting or party support has recently been amassing rapidly (Wlezien et al. 1997; Evans & Andersen 2001; Palmer & Duch 2001; Anderson et al. 2004; Glasgow & Weber 2005; van der Eijk 2002; Evans & Andersen 2006; van der Eijk et al. 2007). Many of these studies emphasize the fact that analyses treating economic evaluations as completely exogenous to voting risk seriously overestimating the effect of the economy on both election outcomes and individual voting behaviour.

Some, like Anderson et al. (2004), even prefer to view the relationship between economic perceptions and voting as “reversed”, i.e. voting (or vote intention) mainly as the regressor, not as the regressand. The study by van der Eijk et al. (2007) also presents results pointing towards “reversed” causality. Another early argument in favour of the view that previous partisan preferences can affect voters’ economic perceptions is found in a study of the Swedish general election of 1982 by Holmberg (1984). In the pre-election section of the Swedish National Election Study of 1982 there was no correlation between prospective economic perceptions and party choice, whereas there was a very clear relationship in the post-election sample after the change in government (Holmberg 1984:133). Evidence *against* partisan bias in public perceptions of the economy is not common in recent research, although an earlier study by Conover, Feldman and Knight (1987) did not find effects of partisanship on economic evaluations.<sup>78</sup>

Specifically concerning unemployment, a study by Duch and Stevenson (2006) relying on aggregate data finds that, although objective indicators influence aggregate economic perceptions, the public’s tracking of future changes in unemployment were less accurate than their predictions of future inflation. Duch and Stevenson’s explanation for this is that fewer people have direct experience of unemployment, and thus the information they have to rely on is mediated to a larger extent. They argue that this means that people’s information about the development in the labour market is less accurate.

All in all, the general impression of previous research is that the public’s knowledge of economic facts is limited, both in Sweden and elsewhere, although we have more reasons to be optimistic when it comes to its capacity to track the economic development over time. Despite questions raised by some findings in studies of subjective heterogeneity and partisan bias, I think the reasonable expectation is that we will find the same general capacity to track economic changes over time among the Swedish public as we have seen elsewhere.

### *Agenda setting – what influences peoples’ issue priorities?*

The major part of the literature on agenda setting concerns media and its agenda-setting effects. The question of power over the public has attracted scholarly interest for several decades (McCombs & Shaw 1972; Dearing & Rogers 1996; McCombs et al. 1997; McCombs & Shaw 1993; McCombs 2004; Asp 1986). But media is not our main concern here. The effects of real-world indicators, such as unemployment, are instead more important to us. Nevertheless, since media may act as a distorting factor and potentially prevent the public from reacting to changes in economic outcomes, it indirectly becomes a concern here as well.

Early on, two distinct traditions in agenda setting research could be seen: public agenda setting, initiated by McCombs and Shaw (1972), and policy agenda setting started by Cobb and Elder (1972). Instead of looking at the precise political opinions of people, public agenda-setting research wants to establish whether, and how, media and other factors can influence the importance, the salience, of specific issues among citizens. Policy agenda setting has instead examined determinants of for example the agenda of policy makers.

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<sup>78</sup> To be more precise, however, the coefficients were in the expected direction, but not statistically significant.

The centre of attention of this chapter is the public agenda and factors that influence the public agenda. In practice, I will mainly study changes in the salience of a certain issue. The public agenda as a whole will not be studied, and higher or lower salience of an issue does not refer to the relative position of an issue on the public agenda, but to a higher or lower subjective importance of that issue in itself among the public.

Previous research has often considered several different agendas and the relations between them and how they affect each other. Most commonly examined are perhaps the media agenda, the public agenda and the policy agenda. Sometimes the agendas of specific political actors are also examined. This can be the agendas of specific political parties (Brandorf et al. 1996; Ribbhagen 2003) or, more commonly, that of the U.S. president (Gonzenbach 1992; Cohen 1995; Quaille Hill 1998; Cohen 1993; Sigelman 1980; Thomas & Sigelman 1985). Real-world indicators of the gravity of an issue have also frequently been employed in such studies, although the difference is that reality can hardly be said to have an agenda of its own.

Just like studies of economic voting, agenda-setting research has also yielded many studies with seriously differing results and conclusions. Contradictory evidence on the relative impact or significance of different influential factors on the support for the diverse hypotheses in the field or even on the main causal direction between different agendas is not uncommon. This can have several explanations, such as the usage of differing time periods, contexts, measures or methodology. But another important reason for this is also the different inherent properties of different political issues (Soroka 1999; 2002).

Issue typologies and the differential properties of issues actually belong to an old path of inquiry in agenda-setting research, going back at least to the work of Zucker (1978). I will briefly give some of the categorizations of issues proposed in the literature in order to better understand the issue of unemployment and how we can expect agenda setting to work for this issue based on previous research. What Zucker proposed was that the salience of obtrusive issues should be less prone to media influence than the salience of unobtrusive issues. Obtrusive issues refer to issues that affect relatively many people directly, which means that they have other sources of information than for example the media or the messages of the political or societal elites. Typical examples of obtrusive issues are taxes and inflation; experience of these issues can hardly be avoided by adult members of any modern society. Examples of unobtrusive issues that cannot be challenged are harder to find but might include local pollution and many environmental issues, budget deficits and, of course, political scandals.

Contrary to the original obtrusiveness hypothesis, a competing hypothesis has emerged in the literature that suggests that experience of an issue should increase the effects of media messages instead of making the public more independent of the media (Demers et al. 1989). This is also in accordance with Mutz (1998), who adds that personal experiences in general do not generalize to political opinions unless they are perceived as part of a larger pattern of collective experiences. If personal experiences are in accord with what a person sees in the media, the personal experience might instead augment the effect of media messages. So far, however, the big pattern remains that obtrusiveness seems to limit the agenda-setting power of the media. Several studies have resulted in such indications (Ader 1995; Zhu et al. 1993; Hugel et al. 1989).

Among the other issue categorizations that have been proposed is the duration of an issue. The general claim here is that the longer an issue has remained on the agenda, the less room there is for the media to affect the public agenda. The distinction between abstract and concrete issues has also found some support (Wanta & Hu 1993). The potential for media agenda setting is considered to be greater when it comes to concrete issues such as unemployment than for abstract issues such as the budget deficit. Concrete issues are more in line with the general workings of modern mass media (Strömbäck 2000). Dramatism and spectacular issues are also generally considered more susceptible to media agenda setting (Mackuen & Coombs 1980; Wanta & Hu 1993).

The impact of real-world indicators of the severity of an issue or a societal problem has been widely discussed in studies of public agenda setting. In principle, real-world indicators cannot in themselves have an effect completely independent of the media – people must receive information about the indicators and changes in them. Or can they? Inflation, a clearly obtrusive issue, can be noted by the public completely without any mediated information through price increases seen in everyday life. But what about unemployment? Let us assume that 10 percent are unemployed, which probably means that many more are indirectly affected by this: spouses, children, close friends and family. A moderate guess would be that at least 30 percent could be indirectly affected. In such a case, the real-world indicator would have some, though limited, independent effect. But that is not all. If people simply get to know the official unemployment figure, the agreed and accepted measure of performance in this area, that figure could have an independent effect by itself. This effect would not be principally independent of the media since people must get their information somewhere, but it would be independent of the *amount* of media coverage of the issue. That the amount of coverage influences the public agenda is what agenda-setting research usually claims but, as we have seen, real-world indicators can have an effect that is separate from the amount of media coverage even when issues are not entirely obtrusive.

Many studies have found objective conditions to influence the public in this way (Behr & Iyengar 1985; Cohen 1995; Quaile Hill 1998; Soroka 1999; Soroka 2006). The findings of Soroka (1999) indicate that salience of unemployment is affected by objective unemployment levels, but that media coverage has no independent effect.<sup>79</sup> This partly confirms that unemployment should be regarded as an obtrusive issue despite the limited part of the population directly and primarily concerned. A contrary argument has been made by Page et al. (1987). They argue that real world indicators are not independently important. Instead, these indicators get their importance by being channelled through the elite messages in the media.

How far-reaching the power of the elite is when it comes to public agenda setting has also been a topic of inquiry for quite some time. Usually, elite influence over the public is conceived as being channelled through the mass media. This is not necessary, of course, but it has become the dominant means of elite to mass communication in modern societies. Scholars have relatively recently started to investigate how politicians actively attempt to shape the agenda of the media,

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<sup>79</sup> This study was based on Canadian data.

primarily during electoral campaigns (Bartels 1996a; Brandenburg 2002; 2006). In general these studies find evidence that politicians do influence the agenda of the media, which means that they in turn gain the possibility to affect the public agenda too.

A range of studies has also shown the influence on the public agenda of leading political actors such as the U.S. president. Despite this, many studies have pointed to the limited power of elites. Factors such as presidential popularity (Sigelman 1980) or both popularity and party identification (Thomas & Sigelman 1985) will limit the power of the elite to sway the public agenda. Unpopular political actors might lose their influence. However, Cohen (1995) finds no difference between popular and unpopular presidents.

General support for the claim that the media influence the public agenda is not hard to find (Johansson 1998; for some examples, see McCombs & Shaw 1972; Behr & Iyengar 1985).<sup>80</sup> Arguments and findings suggesting a clearly limited influence also exist, however. One such example from American political history is when Senator McCarthy's quest for ridding America of the internal Communist threat more or less filled the media day after day. Simultaneously, a survey reported that less than 1 percent of the public said that this was an important issue to them (Qualter 1989:152). Other sources of information such as personal networks, school or workplace and family also contribute to the public's agenda formation process.

It is more reasonable to regard media effects as contingent upon citizens' individual characteristics. A common view is that people with more political knowledge and interest are often less prone to accept media messages than others and resist such messages more easily (Iyengar & Kinder 1987). This is also clearly in line with the reasoning of Zaller (Zaller 1992; Zaller & Feldman 1992). According to Zaller's model of opinion change (RAS) people with medium political interest and political sophistication are most likely to change their opinions, since they are interested enough to receive the messages in the media or elsewhere but not sophisticated enough to resist them due to having consistent and firmly founded opinions in line with their political predispositions (Zaller 1992). Thus, at the individual level, there are reasons to expect individual qualities to hamper or facilitate media-initiated agenda effects.

To further complicate the matter, a recent study by Soroka (2004) has highlighted another possible limitation in the power of the media. All kinds of media contents might not be equally capable of influencing the public agenda. This further limits the ability of the media to influence the public agenda. Soroka's research provided clear evidence of asymmetric responses to information and media content. This was especially valid for the salience of the issue of unemployment. Both concerning real world indicators and media coverage frequency, it seems that only "negative" events affected the public. Increases in the level of unemployment as well as increases in the frequency of media coverage of unemployment resulted in a higher public salience of the issue. But the reverse was not true for decreases. Decreasing unemployment or media coverage thereof had no significant effect on the public agenda.

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<sup>80</sup> Examples of good literature overviews concerning this topic include Asp (1986), McCombs and Shaw (1997; 1993) and Dearing and Rogers (1996).

We must also realize that salience is probably a relative affair for citizens. Different issues constantly compete for their mental space and their attention. Even if, as I stated in the beginning of this section, we focus on the salience of an issue in itself and not the relative salience, we have to consider two things: first, that citizens give limited attention to politics and, second, the way in which our survey measures of salience work. If one issue increases in salience (perhaps due to deteriorating real-world conditions, increased media coverage, or a combination thereof), it is likely that other issues important to an individual citizen will move away from that person's focus of attention concerning politics. Only if citizens have an unlimited possible attention space for political issues can salience of one issue remain unaffected by that of all others. Furthermore, our measures of salience usually ask for the *most important problem(s)* (or the like). Customarily, no more than three or perhaps at the very most five different issues are recorded as a reply. This means that salience will eventually decrease sooner or later even though decreases in media coverage or improvement of real-world indicators show no effect. Someday, new issues will inevitably outcrowd the old ones. Citizens' memory access to political considerations and information is easier for information they have encountered recently (Zaller 1992).

One feature of the previously mentioned diversity of results and the mixture of the findings is that the direction of causality remains unclear and can still be challenged from a theoretical point of view. Many possibilities are conceivable. To take a trivial example, we can imagine political elites trying to manipulate the public agenda through mass media and also responding to the priorities of the people in order to, for example, gain popularity. Among the examples of studies that report this kind of mixed findings or findings supporting reciprocal relationships, we find Gonzenbach (1992) and Quaile Hill (1998).

Obviously, almost no factors can be ruled out when it comes to possible influences on the public agenda. Still, it would be surprising if we would not find that the salience of unemployment is influenced by and in accordance with real-world indicators (in this case unemployment levels) in Sweden. The issue attributes of unemployment cannot give us clear guidance concerning what to expect in terms of important agenda-setting factors. The relative obtrusiveness of the issue makes it susceptible to be real-world led instead of mainly media led, which might render the public agenda relatively independent of media and the political elites. On the other hand, unemployment is also a very concrete issue, which according to previous research facilitates agenda setting by the media. Once again, the primary purpose of this chapter is not to sort out the ultimate causes of salience alterations but more simply to see whether objective changes in the labour market are followed by corresponding changes in the public salience of unemployment. This is what the integrated model requires.

### ***Research questions, data and methods***

Two main research questions will be addressed in the empirical part of this chapter. First we need to find out whether public evaluations of the economy track economic changes and second whether public salience of the issue of unemployment follows changes in unemployment levels. The obvious difficulty is to decide whether the tracking is "close enough". I will not use any formal criteria for this. Instead, the answer will rely on arguments and reasoning.



No comprehensive studies of the accuracy of public perceptions of the economy have been conducted in Sweden during the past decades, which makes it all the more important to take a closer look at the subject. I will therefore analyse public perceptions of the general economic development, of unemployment and of inflation separately and include both retrospective evaluations and prospective expectations as far as the data allow. Things are simpler for the second question, concerning salience. When it comes to the public agenda, only unemployment will be studied.

This chapter will make use of data from the National Institute of Economic Research in Sweden (KI). More precisely, their consumer confidence surveys contain a number of interesting indicators of both retrospective and prospective evaluations of the Swedish economy, inflation and unemployment. Alas, the emphasis in these surveys is on prospective questions. Retrospective items have only been included during the past decade or so, and we have only prospective data for unemployment. The consumer confidence series will be analysed as quarterly time series. Since they are only available as monthly series from the early 1990s, the whole series will be transformed into quarterly data by averaging months into quarters. Detailed information on the wording of questions in the Swedish consumer confidence surveys is found in table A.20.

Frequent measures of issue salience are not available in Sweden. Fortunately the yearly SOM studies conducted at the University of Gothenburg have contained useful open ended questions since 1987 asking people which societal problems they consider most important (often referred to as Most Important Problem questions, MIP questions). In addition to objective indicators of unemployment and the SOM data on issue salience, measures of media content from national TV news programs will also be utilised in the analysis of issue salience in this chapter.<sup>81</sup>

When it comes to choosing the appropriate statistical models to use, we must first consider the relationship between economic changes and public perceptions thereof and how the former might influence the latter. The way I see things, it is not necessarily so that a sudden rise in for example the rate of inflation in a country will immediately make public perceptions of price changes adjust to this. And certainly, it is not necessarily so that the full effect will be felt directly as it occurs. The full effect of a rise in unemployment or inflation on public economic perceptions may well take some time. The dynamics and flow of public reactions are likely to be more complicated than that. For the analyses of economic evaluations I find time series error correction models (ECM) most useful. The advantage of these kinds of models is that they can explicitly model short-term as well as long-term effects. Other more general time series models such as auto distributed lag models (ADL) also offer opportunities for dynamic effects and effects that occur over time, but their main drawback is that they are not able to estimate the long-run effects directly and separately from the short-run effects. In my view, error correction models fit my theoretical and substantial expectations best. ECMs have also been used in a similar study of the accuracy

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<sup>81</sup> Special thanks to Professor Kent Asp at the Department of Journalism and Mass Communication at the University of Gothenburg for making data from the "Rapport Study" available.

of public economic perceptions by Duch and Stevenson (2006).<sup>82</sup> Further justifications for the choice of statistical model and explanations of time series error correction models are found in appendix B.

The infrequent measurements of salience leave us with more restricted methodological options, both due to the size of the time interval between measurements in itself and to the limited number of observations they offer. With less than 20 observations, time series regression techniques are risky. Even though simulations have shown that lagged dependent variable models produce reliable results with as few as 50 observations (Keele & Kelly 2006), less than 20 might be stretching it a bit too far. In the section that analyses issue salience I will have to rely more on tools such as correlation analysis and visual inspection of patterns in graphs. Time series regression is still applied as a validation of the findings in this section too, however.<sup>83</sup>

## ECONOMIC PERFORMANCE AND PUBLIC EVALUATIONS

This section analyses public general economic evaluations (both retrospective and prospective), unemployment expectations (only prospective data available) and perceptions of inflation (both retrospective and prospective). Since it is not evident exactly what macro economic indicators we can expect the public's general economic evaluations to be related to, a set of five economic indicators are included: the two misery indexes we met in Chapter 3 as well as growth, inflation and unemployment. When it comes to unemployment expectations and perceptions of inflation, the analyses only include unemployment levels and actual inflation respectively. These analyses will enable a both expressive and firmly based answer to the question of whether subjective public evaluations of the economy track real economic changes.

### *Retrospective economic evaluations*

The main question to be answered in this section is whether our data conform to our expectations or, put differently, are public subjective general economic evaluations closely connected to actual economic development? This examination will cover the period of 1993 to 2002.<sup>84</sup>

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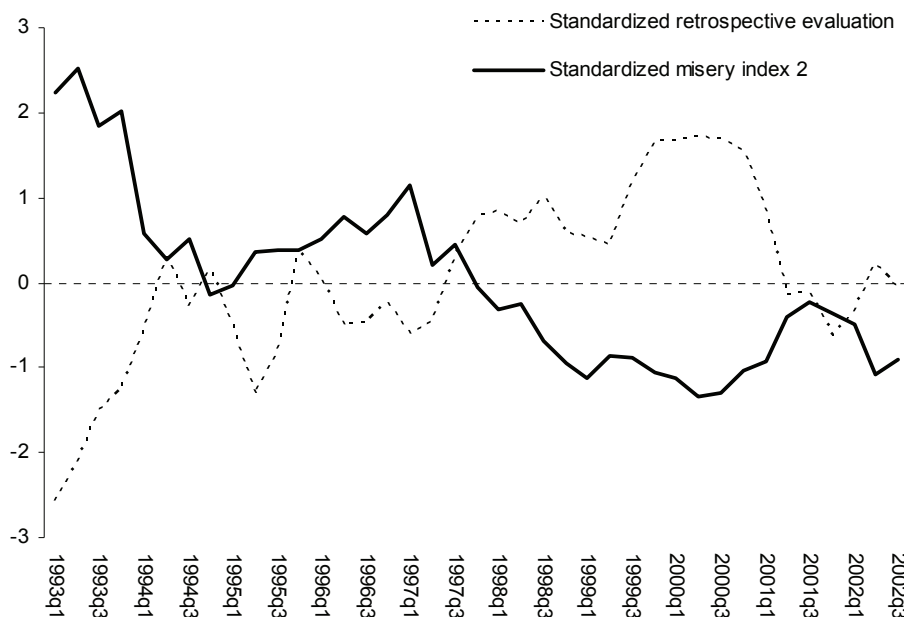
<sup>82</sup> For another example of political science applications using error correction models, see Carlsen (2000). However, this study does not examine the accuracy of economic perceptions, but instead concerns partisan effects on economic voting.

<sup>83</sup> The issue of stationarity and the order of integration are given less attention than usual in these analyses due to the paucity of data. With such short time series and few observations we cannot expect variables such as issue salience or unemployment to pass standard stationarity tests. In some contexts standard Dickey-Fuller tests are also known to have rather low statistical power, which increases the risks of false acceptance of the null hypothesis of non stationarity (see Wang & Tobek 2007 for some examples). We should also remember that both issue salience and unemployment are by definition actually stationary time series in the long run since they are bound between 0 and 100 percent by construct.

<sup>84</sup> Since retrospective measures of the public's general evaluations of the national economic development are only available after 1993 in Sweden we miss the opportunity to analyse some of the more dramatic economic changes that occurred earlier (as seen in Chapter 2). Although similar data are available from the SOM institute starting in 1986, those time series are only measured annually, which makes their use for our purposes here too limited.

Basically, the analysis in this first section will consist of visual inspection of our data followed by correlation analysis.<sup>85</sup> Figure 4.1 shows public retrospective evaluations and an index of the general economic development (misery index 2). The retrospective evaluations are “net values” showing the balance between the amount of positive and negative evaluations. Both public evaluations and economic performance are standardized in the graph to facilitate interpretation.

**Figure 4.1 Retrospective economic evaluations and actual economic development 1993-2002**



*Comment:* Retrospective evaluations are the share of respondents saying the national economy has been getting better during the last 12 months minus the share saying it has gotten worse. For exact question wording see table A.20. For retrospective evaluations higher values mean more positive views of past economic changes while for misery index 2 higher values mean worse general economic conditions.<sup>86</sup> Both series have been standardized and given a mean of zero and a standard deviation of one. Data for economic evaluations are from KI, and misery index 2 is computed based on data from OECD.

Over time, public perceptions of the economy and the actual economic development mirror each other well. When economic conditions improve rapidly and consequently the amount of “economic misery” drops, as for example between 1993 and the middle of 1994 in the leftmost part of figure 4.1, public percep-

<sup>85</sup> Though later sections studying unemployment expectations and inflation perceptions more specifically will employ more advanced statistical models – time series error correction models – as discussed in the section on methods above and in appendix B.

<sup>86</sup> For those in need of a quick reminder, misery index 2 is based upon growth, inflation and unemployment. All three indicators are given equal weight. The resulting index ranges from 0 to 100, where higher numbers mean more “misery” (that is, lower growth, higher inflation and higher unemployment). For more detailed information on the construction of misery index 2, see page 46 and footnote nr 34 in Chapter 3.

tions of the recent economic development improve and mirror these economic changes. Likewise, when economic conditions worsen, as between late 2000 and the end of 2001, we can observe a corresponding swift drop in subjective retrospective judgements.

As we see in figure 4.1, the correlation between subjective retrospective judgements and misery index 2 is quite high ( $r=-.85$ ,  $p=.000$ ).<sup>87</sup> If we used misery index 1 instead, which is simply the sum of unemployment and inflation, the correlation only becomes slightly lower ( $r=-.77$ ,  $p=.000$ ). Although, we must remember that correlations do not constitute causal relationships. In fact, the risk of making such mistakes is perhaps especially high with time series. A correlation between the small short-run changes from one quarter to another (first differences), rather than between the absolute levels, is more useful for seeing whether two time series might actually be linked together in a causal way. This technique will be used throughout the chapter. If these changes from period to period are systematically related to each other we can be somewhat more confident that there is a meaningful connection between the two variables.<sup>88</sup> In this case it turns out that the changes in misery index 2 are clearly stronger related to the changes in retrospective perceptions ( $r=-.50$ ,  $p=.002$ ) than are the changes in misery index 1 ( $r=-.14$ ,  $p=.395$ ).

If we now examine our various macro economic indicators separately, we find that all three are rather strongly related to general economic evaluations (growth:  $r=.73$ , inflation:  $r=-.66$ , unemployment:  $r=-.50$ ). However, for unemployment we find that the change from one year ago is more strongly related to public evaluations than the unemployment level itself ( $r=-.77$ ,  $p=.000$ ).<sup>89</sup> Considering the question wording and the way in which unemployment is different from inflation or growth, this makes sense. Since the question concerns “How ... the general economic situation ... has changed over the last 12 months” it seems very fitting indeed that the actual *change* in unemployment level from one year before is more strongly correlated than the actual unemployment level itself. Growth and inflation on the other hand are already yearly changes (in GDP and in price levels).

Just as before, correlations of the *change* in public evaluations and the economic indicators rather than of their absolute levels will be analysed in order to avoid over-interpreting strong correlation coefficients that are mainly due to common trending<sup>90</sup> without any actual short-run connection between the variables. When examining the correlations based on first differences, both inflation ( $p=.260$ ) and unemployment ( $p=.794$ ) turn out to be insignificant. On the other hand, growth ( $r=.56$ ,  $p=.000$ ) and the yearly change in unemployment ( $r=-.34$ ,  $p=.036$ ) do turn out to be related to public economic evaluations.

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<sup>87</sup> The number of units (n) for this correlation and all others in connection to figure 4.1 is 39.

<sup>88</sup> Because such time series rarely make good graphs that provide any useful information, I only present correlation coefficients based on the series in first differences.

<sup>89</sup> This result indicates that it would probably be possible to construct another misery index that would be even more strongly correlated with general economic evaluations than misery index 2 is by using annual changes in unemployment instead of the unemployment level.

<sup>90</sup> In time series analysis the series are in such cases said to be of the same order of integration.

The conclusion is that retrospective public evaluations of the general economy seem well connected to economic performance. There is a strong relationship both with general economic indexes and with specific indicators, at least for growth and unemployment. A clear pattern is found where changes in public evaluations of the national economy tend to co-vary over time with changes in macro economic indicators.

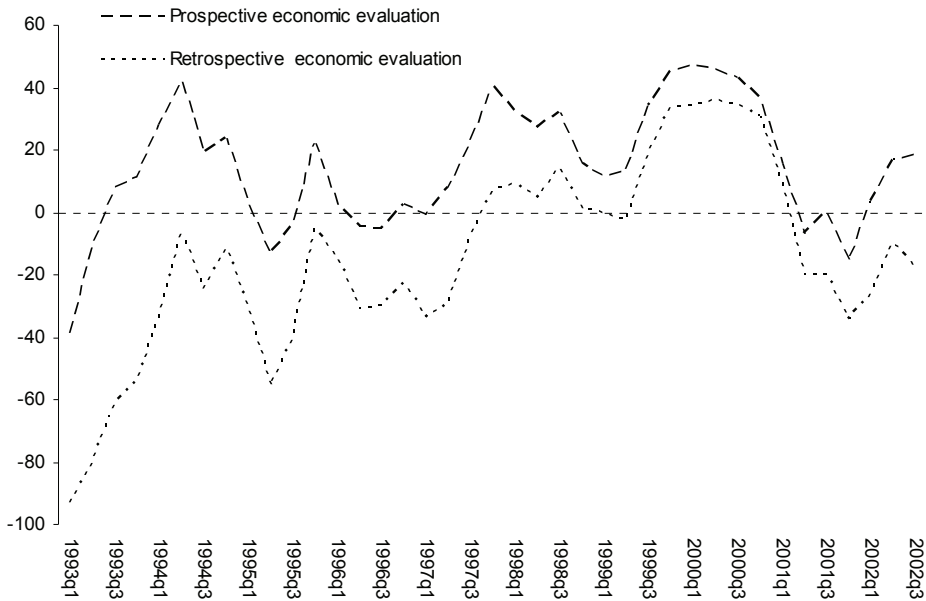
This far, public opinion in Sweden on economic matters does indeed seem to behave “rationally”. The public is not ignorant of economic changes. When the economy deteriorates, voters will notice this, which might eventually result in electoral punishment for the incumbent government. To provide a more comprehensive picture and a firmer basis for such conclusions I will now continue by analysing prospective economic perceptions.

### ***Prospective economic evaluations***

Studying prospective evaluations, i.e. economic expectations, differs in some important ways from studying backward looking judgements. For obvious reasons, descriptive statements about the future are more uncertain than statements about the past. Our time series of public economic expectations should ideally correspond to the actual future development. If the economy in a year from now actually is worse than it is today, then people should say they think things will get worse in the next 12 months and vice versa in order for prospective economic evaluations to correspond with the actual economic development.

However, things might not be so simple. It is possible that the past development influences the public's expectations about the future as well. Expert information, prognoses and forecasts might be available to the public now and then, but the actual past development might nevertheless influence people's expectations. In the realm of voting behaviour theories, this kind of ideas has now been circulating for almost 50 years (classical studies treating this topic include Downs 1957; Fiorina 1981). For example, Anthony Downs argued that the past can serve as a useful short-cut to information to the public about the future when it comes to the behaviour of political parties. The possibility that the past influences the view of the future is included in the following analyses of economic expectations in Sweden. As a consequence we will start by examining how closely related retrospective and prospective judgements are at the aggregate level and how they differ from each other before proceeding to investigate the relationship between prospective judgements and the actual economic development.

Retrospective and prospective evaluations of the national economic situation are obviously strongly related over time ( $r=.85$ ,  $p=.000$ ,  $n=42$ ). Further, if we examine the correlation of the *changes* (first differences) in prospective and retrospective evaluations, the connection grows even stronger. The two series are then very similar ( $r=.91$ ,  $p=.000$ ,  $n=41$ ). Evidently these two series to a large extent reflect the same underlying attitude. Since people have much better information about and experience of the past than about the future, the most reasonable interpretation is that the public's expectations about the near future are largely based on how they view the recent past. If things have been getting better, things will probably keep getting better.

**Figure 4.2** Prospective and retrospective economic evaluations

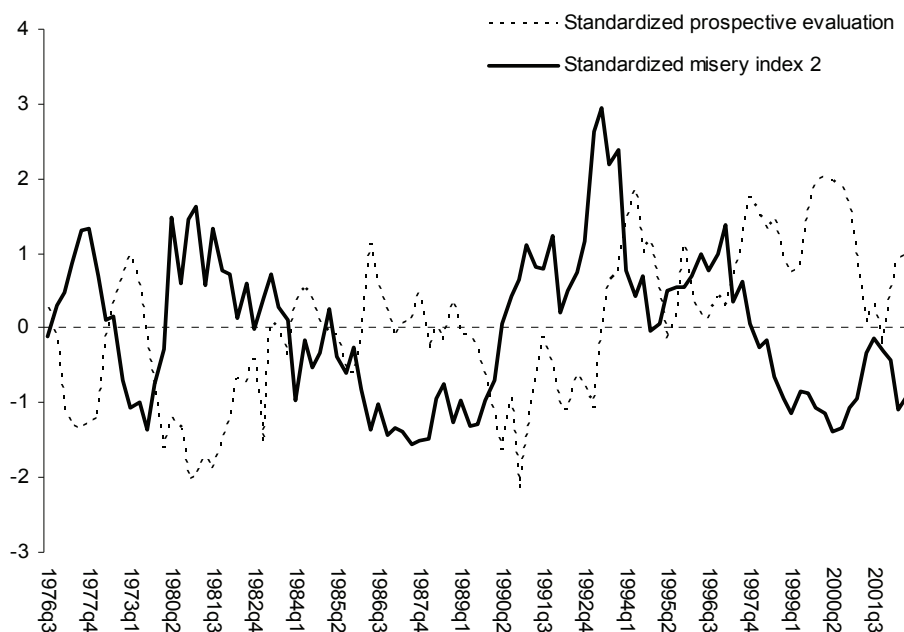
*Comment:* The time series are measures of balance (net values). They are calculated by subtracting the share of respondents saying the economy has gotten worse during the last 12 months (will get worse in 12 months from now) from the share of respondents saying the economy has gotten better during the last 12 months (will get better in 12 months from now). For exact question wordings, see table A.20.

An additional conclusion from figure 4.2 is that there is a tendency among the public to be optimistic about the future. The measure of balance is consistently more positive for the prospective series than for the retrospective series.<sup>91</sup> The public's aggregate view of the development over the coming 12 months is always slightly more positive than their view of the development during the preceding 12 months. From figure 4.2 we can also see hints of a tendency for this difference between retrospective and prospective judgements to be larger when things are bad than when they are good. This could mean that the optimism relative to the past is higher the more negative the economic development has been, thus preventing economic expectations from dropping too low despite their dependence on the past development.

The next step is to inspect the relationship between prospective economic expectations and actual economic development. Fortunately, these data are available all the way back to 1976. As the previous findings demonstrated the relevance of the current economic situation for economic expectations, figure 4.3 therefore shows prospective economic judgements in a graph with the current economic situation instead of with the situation 12 months ahead.

<sup>91</sup> In contrast, a previous study found evidence of excessive pessimism about the economic future among the public (Dua 1993, see footnote 76 in this chapter). However, the findings in the study by Dua related specifically to future unemployment while the findings in figure 4.2 concern general economic evaluations.

**Figure 4.3 General economic expectations and current economic situation 1976-2002**



*Comment:* Prospective evaluations are the share of respondents saying the national economy will get better in 12 months from now minus the share saying it will get worse. For the exact question wording see table A.20. For prospective evaluations, higher values mean more positive views of the future economic changes while, for misery index 2, higher values mean worse general economic conditions. Both series have been standardized and given a mean of zero and a standard deviation of one.

Judging from figure 4.3, prospective evaluations seem tightly linked to the actual economic development, just like retrospective evaluations. The two lines in figure 4.3 mirror each other rather well, and public perceptions of economic changes ahead seem clearly related to the current economic situation ( $r=-.42$ ,  $p=.000$ ).<sup>92</sup> When the economic situation gets worse, expectations about the future development become more pessimistic and so on.<sup>93</sup> But this connection is not nearly as strong as the one for the retrospective perceptions we saw earlier.

If we instead, which might seem most natural, relate people's economic expectations to the actual future general economic situation<sup>94</sup> the correlation is almost as strong as before ( $r=.41$ ,  $p=.000$ ). There is clear difference, however, when the relationship between the short-run changes (first differences) in public expecta-

<sup>92</sup> If not stated otherwise, the number of observations for the correlations reported in connection with this graph ranges between 100 and 105.

<sup>93</sup> Figure A.2 shows prospective evaluations with misery index 2 one year ahead instead, which is more in accordance with what we would expect from the question wording. This graph is very similar to figure 4.3 here, except that it appears just slightly out of sync, with the exception of the period from 1990 to roughly 1994 where the timing of the mirroring actually looks a little better.

<sup>94</sup> This means that we are using values of misery index 2 for one year ahead.

tions and actual economic situation is tested. Current values of misery index 2 retain their significant connection ( $r=-.31$ ,  $p=.002$ ) while the series pertaining to the actual future economic situation does not ( $r=.01$ ,  $p=.911$ ). This is an indication that the main causal connection and the actual influence on expectations is channelled via the current economic situation. The correlation with the future economic situation found when analysing absolute levels rather than short-run changes can probably be explained by the serial correlation common in economic time series.

Concerning the specific economic indicators, we find that the current values of growth ( $r=.58$ ,  $p=.000$ ) and inflation ( $r=-.77$ ,  $p=.000$ ) are strongly related to prospective perceptions. When we examine the differenced series, both inflation ( $r=-.24$ ,  $p=.014$ ) and growth ( $r=.27$ ,  $p=.005$ ) still show a clear connection to general prospective economic perceptions. The series pertaining to one year ahead, the actual “prospective” development, are no longer significant when in differenced form, however (growth:  $p=.729$  and inflation:  $p=.933$ ).

Examining unemployment on the other hand we first encounter a somewhat confusing coefficient that has the wrong sign, a significantly positive coefficient – high unemployment goes together with prospective optimism. Nevertheless, when we instead look at the yearly changes, as we did in the previous section, we find a clear negative correlation ( $r=-.42$ ,  $p=.000$ ). Further, unemployment actually has the highest correlation of the three main indicators ( $r=-.61$ ,  $p=.000$ ) when actual future development is analysed. Concerning the tougher test of the relationship, that between the short-run changes, the coefficient of unemployment is still clearly higher than the other indicators’ but also fails to reach statistical significance ( $r=-.14$ ,  $p=.156$ ).

All in all, we conclude that prospective public evaluations of the national economic development are also rather closely related to the actual economic development, though less so than the retrospective evaluations. This should not be surprising since expectations about the future are naturally more insecure than evaluations of the past. Further, we note that the prospective general economic evaluations actually seem to be more closely related to the current economic situation than to the actual future situation. They are most likely more reflections of the recent development than actually reliable guesses of the future economic development. Nevertheless, they are still relatively strongly connected to the actual future economic development and exhibit a sometimes impressive responsiveness to the real economy. Economic expectations are not as accurate as retrospective evaluations, but still give a decent portrait of the future, although perhaps not for the right reasons.

As previous studies have shown, voters sometimes use retrospective as well as prospective economic evaluations when they vote, though prospective evaluations are generally found to have a weaker effect. Accurate expectations about the future development play a potentially important part in any rational model of voting behaviour. For example, Anthony Downs argued that voters use information about the past to inform their expectations about the future behaviour of political parties (1957). In his model, accurate expectations about the future are important to voters when they judge the expected value of alternative governments. From the viewpoint of economic voting, both accurate retrospective and accurate prospective perceptions are wanted. Still, in the integrated model of economic voting and issue ownership, the focus is more on retrospective evaluations.



### *Expectations about unemployment*

That public perceptions of unemployment follow the actual development in the labour market is of course very important for the overall theoretical model in this thesis. Unfortunately, only prospective measures are available for unemployment. As is the case in many other countries, people's retrospective perceptions of unemployment have not been asked for specifically in the available surveys. We thus have no possibility to study citizen's views on and knowledge of how the labour market has been changing during different periods.

What we do have is knowledge of the public's expectations of future movements in the unemployment rate: how the situation in the labour market will change during the next 12 months.<sup>95</sup> Our time series of unemployment expectations goes all the way back to the third quarter of 1976. Just as with perceptions of the general economy and of inflation, the time series of unemployment expectations is the percent of respondents that expects an increase in unemployment over the next 12 months minus the percent of respondents that expects a decrease.<sup>96</sup> In principle our unemployment expectation series runs from -100 to +100. This kind of "balance" or "net value" is commonly used in the study of economic expectations or retrospective economic perceptions. However, as with all "net values", we should notice that it does not take into account whether respondents perceive sharply increasing unemployment or just slightly increasing unemployment. Also, those who reply that it will remain about the same are excluded from the computation of this value.

The definition of our prospective unemployment series means that we expect it to display higher values when unemployment actually is going to increase or is increasing and to display lower values when unemployment is about to decrease. Of course, just as we have seen is the case with general economic expectations, it is also possible that unemployment expectations increase (worsen) when unemployment actually *has* been increasing. Past unemployment might influence future expectations.

What do we, in more detail, assume unemployment expectations to be related to? Unemployment levels? Or the change in unemployment levels? Or something else? Strictly considering the wording of the question, expectations should be related to the coming *change* in unemployment levels, since this is what the surveys ask for. However, we cannot automatically assume that respondents answer survey questions at the same level of detail as the wording of the questions. We must also consider the possibility that people take the actual unemployment situation, rather than the change in unemployment levels, into consideration, which would mean that they treat the question as having to do with whether things are "good" or "bad" when it comes to unemployment.

Before proceeding with the analysis we must establish a better understanding of one of our central variables – unemployment. The important and most obvious difference between inflation and growth on the one hand and unemployment on the other is that the latter is not a difference or a change in itself. This has

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<sup>95</sup> For the exact question wording, see table A.20.

<sup>96</sup> However, for technical reasons, the balance series (net values) do not *exactly* correspond to this percentage point difference before January 2002. For older numbers the series has been linked to correspond to new measures by the Swedish National Institute of Economic Research (KI).

several implications. We are not used to thinking about change in unemployment in the same way as we think for example about inflation, even though inflation is already a change – namely in the price level. But even if we start thinking about the labour market situation in terms of *change* in unemployment, a distinguishing difference from growth or inflation remains. In the long run, we normally do not expect growth or inflation to have a mean of zero. Rather, we count on steadily increasing prices and GDP. The size of growth and inflation will vary, and they might even turn negative now and then, but on average we expect positive values. However, change in unemployment is not expected to have a long-run average above zero. If it did, this would mean that the *level* of unemployment, the percent of people in the labour force without a job, would constantly increase. This would clearly be unreasonable, not the least because unemployment (unlike growth or inflation) is by definition bounded between 0 and 100.

The change in unemployment level is the aspect of unemployment that theoretically corresponds to and is assumed to influence public unemployment expectations. As seen earlier, however, it is often important and useful (and sometimes necessary) in time series analyses to also examine short-run changes in our central variables to learn more about how they are interrelated.<sup>97</sup> This means that we must take this somewhat unaccustomed way of thinking about unemployment in terms of change in unemployment one step further and make our variables even more abstract. We must be prepared to examine the *change* in this *change* – the change in the rate of unemployment change.<sup>98</sup> In order to improve readability and intelligibility, I will refer to this quantity, the change from one quarter to the next in the yearly change of unemployment, as *the short-run trend*. The relation between the three different measures of the unemployment situation that is used in this chapter is illustrated in figure 4.4.

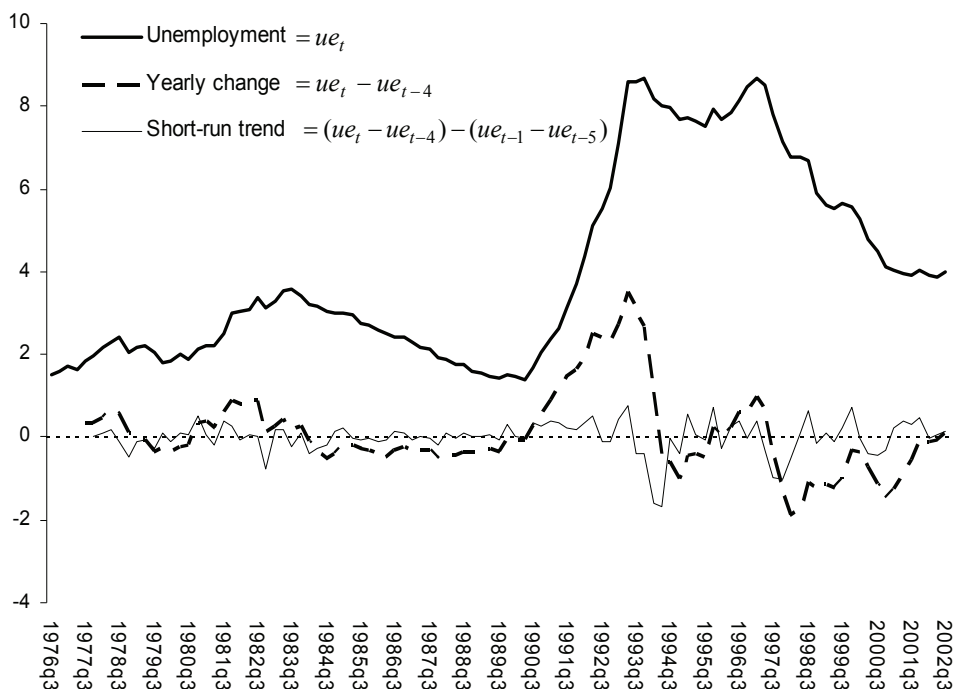
We are usually most accustomed to think about the labour market in terms of unemployment levels. This entity is represented by the fat solid line in figure 4.4, depicting the rather low unemployment levels during the 1980s and the dramatic increase in the early 1990s. The dashed line instead shows us the yearly change in unemployment. When unaccustomed to think in this way, it might look less dramatic since the fluctuations are smaller. Another difference is that the yearly change normally quickly returns to a value close to zero. We should remember, however, that what this means is simply that, after a shock in either direction, increasing or decreasing unemployment, when the yearly change returns to zero the unemployment level remains at about the value it had one year ago.<sup>99</sup> Lastly, let us consider the fine solid line in figure 4.4. This is hardly visible sometimes because it remains at about zero. This happens for example when

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<sup>97</sup> There are many reasons for this. The two most obvious are either conditions of stationarity (and thereby avoiding spurious interpretations of statistical results) or a substantial interest in short-run effects, as for example in error correction models.

<sup>98</sup> Regrettably I cannot find any better expression for this since I know of no noun that refers to the annual (or other) change in unemployment.

<sup>99</sup> It is quite common in time series analysis to use the first difference, the change since the previous period (here: quarter) instead of the change since the period of one year before. However, for this analysis, yearly change is better suited, not least because this is what our survey item asks for.

**Figure 4.4 Perspectives on unemployment in Sweden 1976-2002**

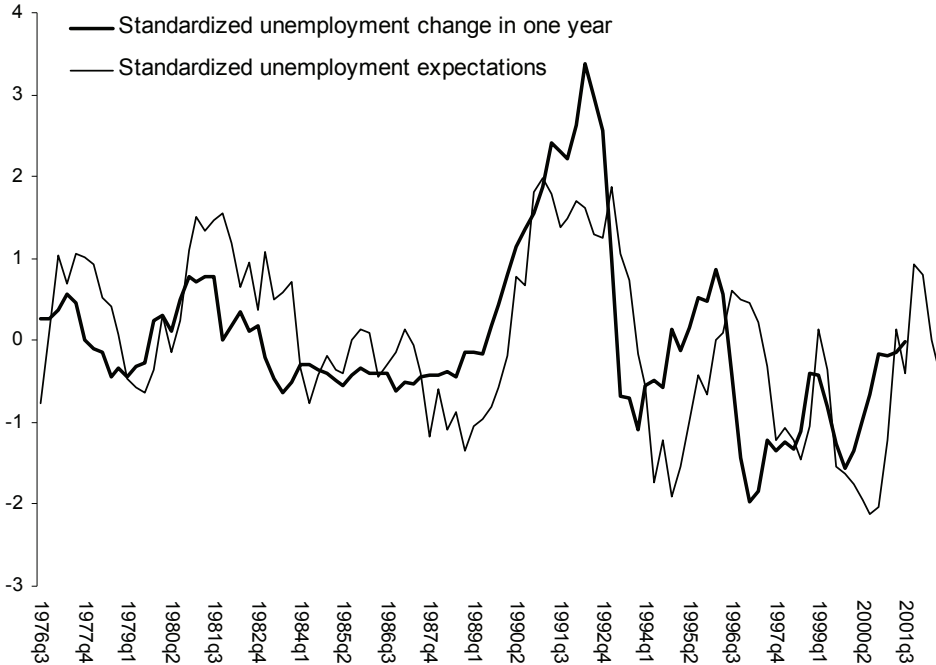
*Comment:* The three lines represent the unemployment level, the yearly change in the unemployment level and the short-run trend as defined in the graph. The data are quarterly from 1976 to 2002 and are based on OECD statistics.

unemployment is either not changing or is decreasing or increasing at a steady pace, as it did for example between 1985 and 1989. When this line deviates from zero, it is the first sign that the rate of change is about to become different. For example, like in year 1990, this might mean that a period of steadily decreasing unemployment is broken. By then, the short-run trend took on a slightly positive value. What was unusual in this situation was that it did not quickly return to zero; instead the short-run trend remained slightly positive. This meant that the rate of change in unemployment continued to increase. Not only did unemployment continue to increase (as we can see from the yearly change) but the speed at which this happened also kept increasing until about 1993. The short-run trend then quickly dropped. Not only did it return to zero (which simply would have meant that the rate of change in unemployment had stabilized and unemployment would actually have continued to increase, although at a steady pace instead of at an accelerating one), but it dropped so far below zero as to pull the yearly change all the way back to zero. The short-run change, perhaps the most difficult of these different measures to understand, is the first sign that unemployment is changing. It does not tell us whether unemployment is actually going up or down, but it is an early indication of in which direction the wind is blowing.

Having acquired a better understanding of the various aspects of unemployment, its change and how this can be used in our analysis of the connection between public expectations and the actual situation in the labour market, we will

now start the analysis by visual inspection of our data before moving on to applying statistical models. Do unemployment expectations correspond to actual future changes in unemployment levels? Considering the wording of the question, prospective unemployment perceptions should in this case be related to change in unemployment levels rather than to the level of unemployment itself.

**Figure 4.5 Expectations and unemployment change 1976-2002**



*Comment:* Unemployment expectations are the share of respondents that says the level of unemployment will increase over the next 12 months minus the share that says it will fall. For the exact question wording see table A.20. Thus, higher values mean more negative views on the future development of unemployment. Both unemployment expectations and yearly unemployment change have been standardized and been given a mean of zero and a standard deviation of one. The figure shows my own calculations based on data from KI (unemployment expectations) and from OECD (unemployment).

A very strong relationship is visible in figure 4.5. The fit between the two series in figure 4.5 is obviously quite close, and it is rather clear that public unemployment expectations and actual unemployment change over the next year are closely connected ( $r=.60$ ,  $p=.000$ ,  $n=101$ ).<sup>100</sup> The timing also seems very reason-

<sup>100</sup> If we instead examined the relationship between unemployment expectations and the *level* of unemployment, the fit would clearly be worse. A graph of this kind is found in figure A.3. Looking at figure A.3, the series not only appears slightly out of sync (and this remains so even if a lag is included in the model so that expectations can be put into a graph together with future unemployment rate instead), the impression is also that the public is “overreacting” (compare Dua 1993). This is perhaps most visible in the beginning, the left hand side, of the graph. Public reactions seem about equally strong no matter how large or small the actual change in unemployment levels is. Furthermore, the correlations are not that high when expectations are related to unemployment *levels*. The expected positive correlations can only be found when expectations are correlated with unemploy- (cont)

able. The public expects rising unemployment numbers in a year from the year in question when there is actually going to be higher unemployment in one year's time. The only case where the timing appears slightly out of sync is in the mid 1990s, when public expectations did not adjust upwards in time as unemployment started rising again after a short period of decrease, following the initial unemployment shock in the early 1990s. However, as we can see in the right-most part of figure 4.5, it took only a few quarters before public expectations had again caught up with reality.

We have seen from graphs and correlational analyses that public expectations and actual unemployment are linked together. But do they exhibit equilibrium behaviour, where temporary shocks may disturb the equilibrium but they do not stray too far from each other in the long run? And, if there is an equilibrium relationship between public expectations and actual unemployment rate, how quick or slow is the adjustment process? If it is very slow, we have reasons to doubt the validity of a claim that public evaluations closely track changes in the real economy. I will use time series error correction models to examine the dynamics between expectations and actual unemployment, as indicated earlier.<sup>101</sup>

In these error correction models we test both for short-run and long-run effects. An additional problem appears when we model prospective economic perceptions, however. I find it reasonable to expect public unemployment expectations to be in a long-run relationship with future actual changes in unemployment, but what about the short-run effects? As stated earlier, the central independent variable is the *change* in unemployment, not unemployment levels directly. Thus, the short-run effects we are talking about here are due to *changes* in the *change* in unemployment level.<sup>102</sup> Although it is a bit abstract, as we saw in the previous section, this concept does make sense. It does not directly reveal whether unemployment is actually decreasing or increasing, but it tells us something else of importance. If the short-run trend (the change in the rate of unemployment change) is positive, it means that the rate of change in unemployment levels is getting higher. If it is negative, on the other hand, it means that the rate of change is getting lower. And the higher the positive (or negative) number is, the faster this is happening. For example, during a period of decreasing unemployment levels, a positive number might mean that this decrease is slowing down or is about to stop and, eventually, if the (positive) short-run trend continues, unemployment levels will start rising again. In contrast, if this happens during a period where we experience increasing unemployment levels (positive unemployment change), the positive numbers in the short-run trend mean that this increase is speeding up and that unemployment levels are beginning to increase even faster. The short-run trend is an important indication of the direc-

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ment levels at least two years (eight quarters) ahead, and still the relationship never becomes significant (at best  $r = .15$ ,  $p = .135$ ,  $n = 97$ ).

<sup>101</sup> For a short presentation and justification of these models, see the section on data and methods above on pages 79-80 and appendix B.

<sup>102</sup> This is relatively similar to a second difference (which was used in Chapter 3, page 65), but there is an important difference. The change in the unemployment level we are talking about here is not simply a first difference; instead it is the yearly future change (the unemployment level four quarters ahead (at  $t+4$ ) minus the current unemployment level (at  $t$ )). So this becomes the change in the future annual change.

tion in which we are going right now. While analytically useful it is not always an easy concept to understand.

In my view, assuming short-run effects on public unemployment expectations from the short-run trend in yearly change from three quarters ahead to four quarters ahead is unrealistic. Such a concept is far too complex and remote. It seems more sensible to expect short-run effects from the most recent short-run trend instead (the change in the yearly change that occurred from the last quarter to the current quarter). Information in the media about the expected development on the labour market during the coming year might well be available to the public, but to expect information about the short-run trend in that change between two future quarters is simply unrealistic.<sup>103</sup> A reasonable way to model public unemployment expectations is instead to assume that the level of expectations and the level of *forward looking* yearly changes in unemployment<sup>104</sup> form a long-run equilibrium relationship, while the short-run effects on public expectations are assumed to come from the *contemporary* quarterly change in the yearly changes<sup>105</sup>. This is the model that will be fitted to the data.

**Table 4.1 Error correction model of unemployment expectations**

| Variables                          | Coefficient | p-value |                           |
|------------------------------------|-------------|---------|---------------------------|
| UE expectations, L1 (ECT)          | -.27        | .000    | Adj. R <sup>2</sup> = .31 |
| UE retrospective yearly change, D1 | 12.86       | .002    | Root MSE = 14.327         |
| UE prospective yearly change, L1   | 6.85        | .001    | DW=2.08                   |
| Constant                           | -3.87       | .021    | Q-test, p=.628            |

*Comment:* Since this is an ECM, the dependent variable is the quarterly change in unemployment expectations. L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. (ECT) points out that the coefficient of this variable has the specific interpretation of the error-correction term: the rate of re-adjustment. Q-test is the Portamanteu white noise test where the null hypothesis is no autocorrelation. n=97.

The main result of table 4.1 is that public expectations do indeed form a long-run equilibrium relationship with actual future change in unemployment levels. The error-correcting process is highly significant and rather quick. The ECT coefficient of -.27 means that close to one third of the remaining effect is realized in the quarter following a shock in prospective unemployment. It is also interesting that the coefficient of the short-run trend is clearly higher than that of the future yearly unemployment change (the long-run effect).<sup>106</sup> This means that a substantial part (more than half) of the total change in expectations that occurs due to a change in the unemployment situation is realized immediately as a short-run effect. Taken together, the results from our error-correction model clearly support the claim that public expectations about how the unemployment

<sup>103</sup> This assumption (that there is no such effect on public expectations) has also been confirmed by regression analysis (a model similar to the error correction model presented below).

<sup>104</sup> Technically, this is the unemployment level at  $t_{+4}$  minus the unemployment level at  $t$ .

<sup>105</sup> Technically, this is the difference between the yearly change at  $t$  and at  $t_{-1}$ , or expressed differently =  $(t - t_{-4}) - (t_{-1} - t_{-5})$ .

<sup>106</sup> However we should also take into consideration that the variance of lagged prospective yearly changes is higher than that of differenced retrospective yearly changes, which actually makes this difference somewhat smaller.

situation will change closely track actual changes on the labour market.<sup>107</sup> The adjusted r-square of the model is also satisfactory, at least for a model with its dependent variable in differenced form.

All in all, this analysis confirms that public unemployment expectations do seem to track changes in the labour market closely. Although no data specifically on retrospective unemployment evaluations are available in Sweden, public opinion clearly seems to react rationally and correspond well to actual changes in the labour market in general. In the previous section it was confirmed that general retrospective economic evaluations correspond well to retrospective changes in unemployment levels. Considering that retrospective evaluations are usually more reliable than prospective expectations, I see no reason to doubt that the public is also well aware of what has happened on the labour market and not only of what will happen, as demonstrated in this section.

That economic evaluations react reasonably to changes in unemployment levels is of great importance for the overall theoretical model as it assumes that an increase in unemployment leads both to more negative economic evaluations with the potential to electorally damage the incumbent and to an increase in salience for the issue of unemployment, with varying electoral consequences depending on whether or not the incumbent owns the issue of unemployment. The first part of this assumption is now confirmed. But before we examine how changes on the labour market affect issue salience (the second part of the assumption) another economic indicator of importance in economic voting studies – inflation – will be examined in order to complete the picture of the connection between the economy and the public.

### *Retrospective inflation perceptions*

Do public economic perceptions also closely follow actual changes in price levels? Some past research claims that public perceptions of inflation, although arguably a more abstract concept, are more correct and better connected to reality than public perceptions of unemployment (Duch & Stevenson 2006). In the previous sections it was shown that the public's evaluations of the development on the labour market are well connected to the actual development, which means that if we are to believe the claims of Duch and Stevenson (2006) our expectations on public perceptions of inflation should be high.

Unlike for unemployment, we have access to data on retrospective as well as on prospective judgements of the development of inflation. The backside is that measurements of inflation perceptions started three years later than those of unemployment, in the third quarter of 1979. We will start the analysis of public perceptions of inflation by examining retrospective evaluations.

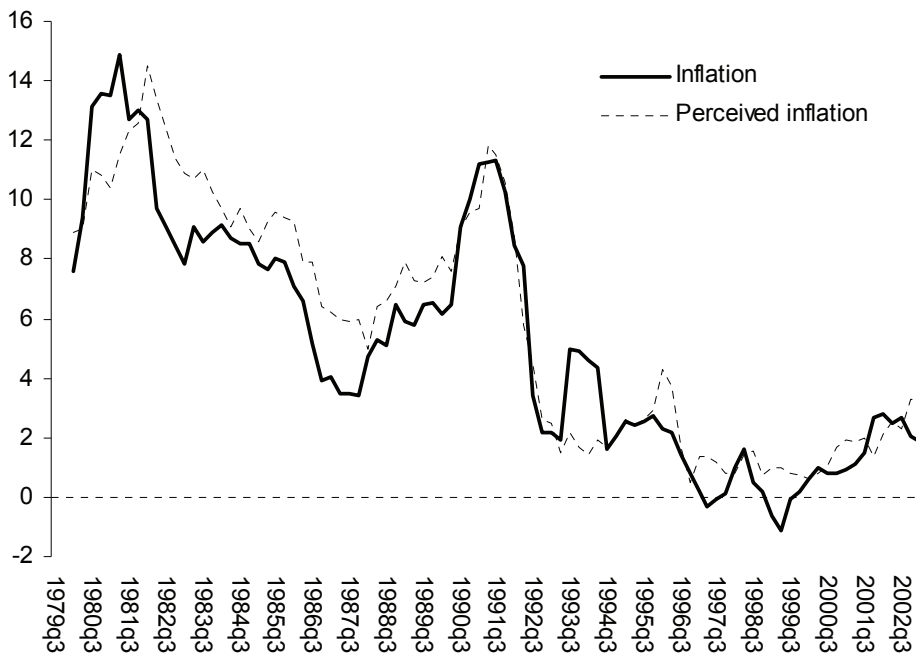
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<sup>107</sup> At first sight it might seem like there is a strong influence of the past on unemployment expectations due to the relatively strong effect of the contemporary short-run trend, which is based on the change in unemployment the last year. But, as illustrated above, what this somewhat abstract notion of change in the rate of yearly unemployment change shows us is really the direction in which the wind is blowing right now. Because the short-run trend points to how the rate of change in unemployment is changing, it tells us more about what to expect of the future unemployment situation than about the past or the present. Our model of unemployment expectations is therefore oriented more towards the future than it might first seem.

When it comes to inflation a slightly different kind of measure than for general economic evaluations of unemployment expectations is used. Here I will employ actual point estimates where people have been asked how much, in percent, they think prices will change: increase or decrease. These series contain more precise information than those used earlier in this chapter. What will be analysed here is not a net value but the average of respondents' beliefs about price changes during the last year and price changes in a year from now.

The analysis of retrospective inflation perceptions will start by visual inspection of the data, as customary. First we will examine a graph depicting the development of inflation and the public perceptions of the same since 1979. Time dynamics will then be analysed in greater depth.

**Figure 4.6 Real inflation and perceived inflation 1979-2002**



*Comment:* Inflation data are from OECD. Perceived inflation data are means from consumer confidence surveys conducted by Konjunkturinstitutet (KI).

What we see in figure 4.6 is best described as an astonishingly good fit between actual inflation and perceived inflation. The public tracks price changes during the past year so well, on average, that what meets the eye are two lines that are at times nearly indistinguishable. Even so, some features of the graph deserve special attention.

In the first half of the period under study, until the 1990s, there appears to be some delay in public perceptions. This is perhaps not surprising given the negative view in much of earlier research on the public's knowledge of economic facts. There simply appears to be some delay at times, before the public receives or accepts new information. This can be either a gradual adjustment to changes or more a pure lagged effect. From the graph alone we cannot settle this ques-



tion. However, we should remember that, whatever the reasons, it does not take long before the public has adapted to the new situation. From the look of the leftmost half of the graph, this period seems to be about two quarters.

At first glance it also looks like the public tends to perceive inflation as slightly higher than it actually is. But such a feature is hard to distinguish from a lagged effect by visual inspection alone when inflation is decreasing. In fact, the means of the two series are quite close, and the impression that the public tends to overstate inflation is not supported by this data.

As seen in previous sections it is often useful to look separately at the long-run and short-run relationships between two variables when we analyse their co-variation over time. The observation of a linear relationship between two variables over time is not sufficient for backing up hypotheses about causality. On the other hand, if the short-run changes in two variables are strongly related, we have more reason to consider such a possibility.

The correlation between actual inflation and perceived inflation is quite clear in this case, as seen in figure 4.6 ( $r=.93$ ,  $p=.000$ ,  $n=93$ ). The short-run relationship, examined via changes in the levels of these two variables (first differences), is also clearly statistically significant ( $r=.41$ ,  $p=.000$ ,  $n=92$ ). Even though this is a less strong connection compared to the levels' relationship, there is still a substantial and significant positive correlation between real inflation and perceived inflation when considering short-run changes.<sup>108</sup>

To better understand the time dynamics of this relationship and make the analysis more precise, our visual impressions will also be formalized into regression models. Judging from the graph in figure 4.6, any adjustment process that affects perceived inflation over time should be rather quick.<sup>109</sup> At most a rather limited delay can be seen in figure 4.6. Changes in inflation seem to be perceived rather quickly in general.<sup>110</sup>

Both an error-correction model (ECM) and a partial adjustment model (PA) were fitted to the data and full results of the regression models are reported in table A.21. Our expectations are largely confirmed by these estimations. Both

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<sup>108</sup> A visualization of these two different forms of the relationship between inflation and perceived inflation can be seen in figure A.4.

<sup>109</sup> Our visual impression from figure 4.6 is not the only reason for us to expect a rather quick process. If the effects of changes in reality take too long to influence public opinion, it will in effect not be closely related to changes in reality. A long-run equilibrium does not necessarily mean that public opinion tracks economic changes closely all the time – only in the long run. For example, we would not be satisfied if it took several years for the public's inflationary perceptions to be fully adjusted to price increases.

<sup>110</sup> For an error-correction model this means that the error-correcting process should be rather quick; a significant negative ECT coefficient is therefore expected. Other related models are also possible. In this case a simple partial adjustment model (sometimes referred to as the Koyck distributed lag model) is also theoretically reasonable and a good and parsimonious option. In such a model the effects should not be too persistent (i.e. the coefficient of the lagged dependent variable not too close to 1). As those acquainted with time series models might realize, this is actually two ways of making the same statement since the size of the coefficient of the error-correcting term in an ECM is reversely related to the size of the coefficient of the lagged dependent variable in for example an ADL model. The gradual adjustment process should not keep going for too long; the major part of the total effect (this is often referred to as the long-run multiplier. An easy computation formula for the long-run multiplier is found in appendix B) should be realized rather quickly.

the EC model and the PA model<sup>111</sup> indicate that a rather quick adjustment process on the part of public perceptions is present. A change in real inflation leads to quick adjustments among citizens, although perhaps a somewhat quicker error-correcting process with an even stronger negative coefficient was anticipated (-.21 in table A.21). Another reassuring fact is that when computing the long-run multiplier we find that this is close to unity (.97).<sup>112</sup> This means that a one point increase in inflation will – in the long run – produce a .97 increase in perceived inflation, which is almost remarkably clear support for the idea that public perceptions of inflation are closely related to actual inflation. According to the partial adjustment model on the other hand, public perceptions will rise by .26 in the same quarter as a one point increase in inflation occurs. Subsequently, in the next quarter, they are expected to rise by another .20 (.75\*.26) and so on. In the long run, these effects sum up to almost one as seen above. All in all, the conclusion from these analyses is that retrospective public perceptions of inflation closely track actual inflation. Changes over time in inflation are perceived by the public, and public opinion seems to adjust rather quickly to such changes. These perceptions in themselves are also, as seen from the initial visual inspection, remarkably accurate, at least as an aggregate.

### *Prospective inflation perceptions*

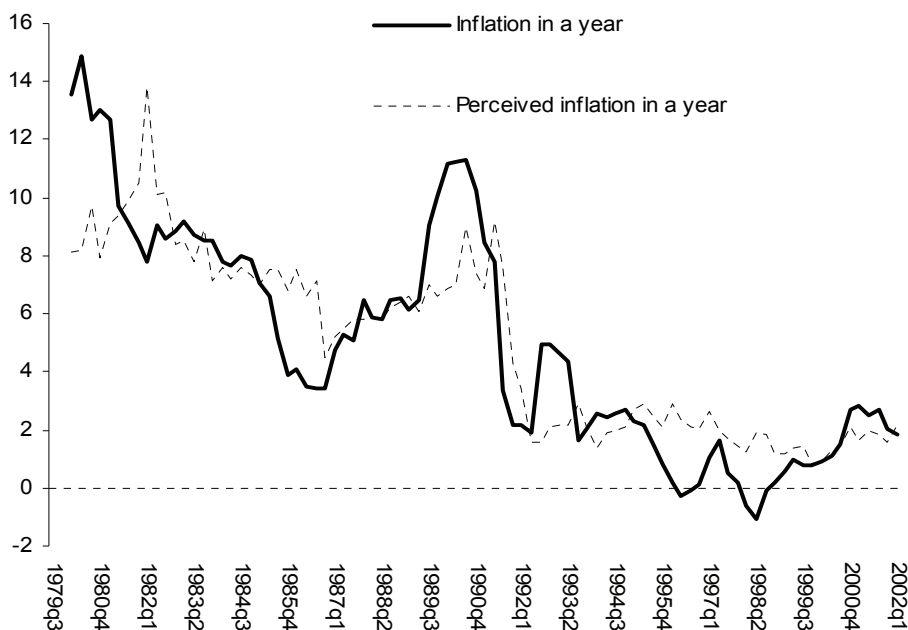
Does the public also have correct expectations about future inflation levels? This is probably less likely than correctly perceiving past inflation. However, earlier in this chapter we found that public prospective general economic evaluations were also rather closely related to actual future economic development, although less so than retrospective general economic evaluations. The public's prospective inflation perceptions will now be examined in order to answer the question of whether public expectations concerning inflation are closely related to actual inflation. As in the previous section we will start with visual inspection of the development over time, followed by statistical analysis via the application of regression models of inflation and perceptions.

In general, perceived future inflation and actual future inflation seem to move in tandem in figure 4.7. There is something odd about the timing, however. We can note a certain delay. Even though public expectations and future inflation tend to follow each other over time, they do not always move in the same direction at the same moment. For example, in the early 1980s, when there was a

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<sup>111</sup> Before the PA model was estimated, a full ADL(1,1)-model was tried. These results can be found in table A.22. The ADL(1,1)-model indicates that it is justified to drop the lagged independent variable since it added little to the model as a whole and turned out to be insignificant ( $p=.088$ ). In addition, a non-dynamic model with both the dependent variable (perceived inflation) and the independent variable (actual inflation) in differenced form (quarterly change) was tried. This model was clearly inferior since it has a low adjusted r-square (.16) compared to the other models, and the effect of the independent variable is underestimated since such a model ignores all dynamic effects. In fact, it assumes that the total effect of a change in inflation is felt immediately in public opinion.

<sup>112</sup> Note that this calculation is based on more decimals than are presented in table A.21. For the exact formula for calculating the long-run multiplier see appendix B.

**Figure 4.7 Perceived prospective inflation and actual future inflation**

*Comment:* Inflation data are from OECD. Perceived inflation data are means from consumer confidence surveys conducted by Konjunkturinstitutet (KI). Note that the inflation rates presented are inflation rates one year ahead.

sharp decrease in the future<sup>113</sup> (one year ahead) inflation rate, the same decrease in the expected inflation rate did not occur until several quarters later.

A plausible interpretation of the delay seen in figure 4.7 is that the public is relying on past price increases for judging future price increases rather than on information directly pertaining to future price increases. The current inflation might be more important to the public when judging future inflation than the actual economic forecasts they encounter.<sup>114</sup> However, the correlation between the public's inflation expectations and current inflation is only slightly higher ( $r=.88$ ,  $p=.000$ ,  $n=93$ ) than the correlation with inflation one year ahead ( $r=.84$ ,  $p=.000$ ,  $n=89$ ).

When analysing time series, it is sometimes particularly easy to find strong correlations without a causal connection necessarily being present. For a high positive correlation it suffices that both variables in question are substantially higher during one period (for example as in the leftmost part of figure 4.7) and substantially lower during another (for example as in the rightmost part of figure 4.7).

<sup>113</sup> Remember that what the graph in figure 4.7 depicts is the *future* inflation rate at a certain point in time, not the current. This means, for example, that if the depicted future inflation at time  $t$  in the graph is eight percent, it is in reality the inflation at time  $t+4$  that is eight percent.

<sup>114</sup> A similar argument is presented in the section above on general prospective economic evaluations. Figure A.5 partly confirms that the timing is in many cases better when public expectations are graphed together with current inflation instead of future inflation.

However, this does not automatically mean that the short-run changes from one period in time to the next are also linked together; they might seem random or completely unrelated. In fact, the clear linear relationship between public expectations and actual future inflation seen above disappears when analysing the relationship in terms of quarterly changes in perceived and actual future inflation instead – there is no longer any visible correlation at all ( $r=.02$ ,  $p=.839$ ,  $n=88$ ). The short-run changes in the two series seem unrelated to each other.<sup>115</sup> However, this might be an effect of using an inappropriate time lag. If we assume that people’s judgements of future inflation are influenced more by the recent development instead and examine the relationship between short-run changes in perceived future inflation and changes in current inflation rates, there is a fair degree of connection between them ( $r=.28$ ,  $p=.006$ ,  $n=92$ ).<sup>116</sup> This is a good indication that prospective inflation perceptions are primarily based on past price changes rather than being connected to actual future price changes. However, the short-run changes for prospective inflation still exhibit a weaker correlation than the short-run changes in retrospective inflation perceptions do ( $r=.41$ ,  $p=.000$ ,  $n=92$ , see the previous section and figure A.4). Public expectations might be linked to reality when it comes to inflation too, but they seem to be more strongly connected to changes in the past than to actual future price changes.

From the look of figure 4.7 a gradual and lingering effect of actual changes on perceived changes does not seem to be the primary way in which prospective inflation expectations are connected to reality. Instead the ways in which public prospective perceptions move look relatively sharp and immediate. In this section I will use error-correction models to analyse the dynamics of prospective inflation perceptions. Based on the visual inspection of public expectations on inflation above, delayed effects of changes in reality should probably be rather short-lived and quick. We also have the possibility to include the retrospective judgements as a regressor in our analysis. Since both previous research and what we have seen of our data already give us reason to believe that the public’s prospective inflation perceptions are based to some extent on past inflation, or their perceptions thereof, I find it fitting to model inflation expectations this way.<sup>117</sup>

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<sup>115</sup> A visualization of these relationships can be seen in figure A.6.

<sup>116</sup> A visualization of this relationship can be seen in figure A.7.

<sup>117</sup> However, before applying such an extended model, we should first attempt to model inflation expectations as a function of actual future inflation rates only. The results of these analyses can be found in table A.23. The main finding is that inflation expectations are better modelled as a function of current inflation (that is, past price increases). When regressing expectations on future inflation (one year ahead), there is no significant short-run effect, only a long-run equilibrium effect. From the look of figure 4.7, this hardly seems like a good characterization of the process at hand. We expect to find much stronger immediate effects due to the “sharpness” of the changes in public perceptions. When inflationary expectations are instead regressed on current inflation, both the long-run equilibrium effect and the short-run effect are significant. Furthermore, the short-run effect is quite large compared to the long-run effect, which concurs with what we expect in this case. Though there are some problems remaining. Both models surprisingly exhibit remaining autocorrelation. However, the main finding is that inflation expectations seem to be clearly more dependent on current inflation than on future inflation. Due to the deficiencies of these models, I will rely to a greater extent on a more realistic model that also incorporates the public’s retrospective inflation perceptions into our error-correction model as well.

It turns out that retrospective inflation perceptions actually have a clear and strong effect on prospective inflation expectations.<sup>118</sup> Full results from the regression model are reported in table A.24. The rate of re-adjustment for the long-run equilibrium effects is remarkably fast (ECT coefficient=-.54), which matches our impression from figure 4.7 well.<sup>119</sup> This coefficient means that more than half of the remaining long-run adjustment effect is realized in the first quarter after a shock occurs. In addition, the short-run coefficient of retrospective inflation (D1) is much stronger than that of the long-run (L1), which further strengthens the tendency for immediate impacts on prospective perceptions and produces the pattern we noted earlier in figure 4.7. Further, we see that future inflation<sup>120</sup> in itself has an additional statistically significant effect on inflation expectations too, though this is somewhat marginal to the larger effect of retrospective perceptions.<sup>121</sup>

These results are in accordance both with our impression from figure 4.7 and with previous research. Inflation expectations in Sweden seem to be largely influenced by retrospective inflation perceptions. This also links public expectations to the real economy since past inflation itself was seen to determine retrospective perceptions in the previous section of this chapter. Further, public expectations about inflation seem to be tied to retrospective inflation perceptions both in the long-run and the short-run with a strong emphasis on quick effects and adjustments. Although public prospective inflation perceptions can be said to be connected to the development of actual inflation rates, this connection seems mainly to be mediated via retrospective perceptions of past inflation. In general, we do not learn much about actual future inflation levels from public expectations. However, there are perhaps some notable exceptions; for example, the public seems to have been aware in advance of the quick and large drop in inflation that occurred in 1990-1991. But the main lesson is that the public tends to believe that what *has* happened is what *will* happen. Their prospective judgements are largely based on their retrospective judgements.

## THE DEVELOPMENT OF UNEMPLOYMENT AND THE AGENDA

Having found that public economic evaluations seem to follow changes in the real economy quite well, this section will examine whether public salience for the issue of unemployment is also closely related to actual changes on the labour market, or more precisely – to changes in unemployment levels. As pointed out in the beginning of this chapter the overall model of this thesis – the integrated model of economic voting and issue ownership – demands that changes in unemployment levels are followed by two separate but parallel corresponding reac-

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<sup>118</sup> Unlike the regression models that do not include retrospective inflation perceptions (see footnote 117 and table A.23 for these results), this model is also free of any signs of remaining autocorrelation and has a relatively high adjusted R-square.

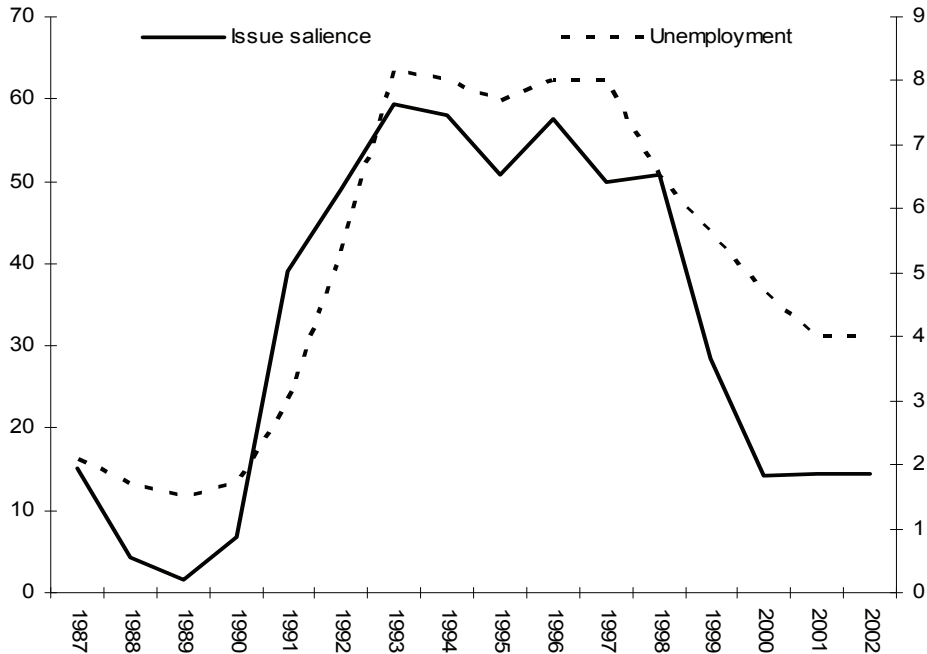
<sup>119</sup> Of course we could also consider estimating separate re-adjustment rates for retrospective perceptions and future inflation, although I refrained from this due to a combination of the complexity of such models and the limited added analytical value of such results in this Chapter.

<sup>120</sup> A model with current actual inflation instead of future inflation was also tried, which resulted in actual inflation failing to achieve statistical significance.

<sup>121</sup> This suggestion holds when we take the different variability of the series into account as well. For example, the standardized beta coefficient of the short-run effect for retrospective perceptions is five times larger than that for future inflation.

tions among the public: changes in economic evaluations and changes in the salience of the issue of unemployment. Clearly, the reasonable expectation is that, as unemployment rises, unemployment will become increasingly salient to the public and, as unemployment becomes lower, it will also become less salient. We will start by visually examining the development of salience for the issue of unemployment in relation to the development of unemployment itself.

**Figure 4.8 Salience of unemployment and actual unemployment levels 1987-2002 (percent)**



*Comment:* The data on issue salience are from the SOM surveys conducted at the University of Gothenburg. The scale of salience is shown to the left and the scale of unemployment is shown to the right. Issue salience is the share of respondents in the SOM surveys that mentions either unemployment or employment as one of the most important societal problems in an open-ended question. For the absolute numbers behind the graph, see table A.25.

Figure 4.8 makes it clear that the salience of unemployment among the public does follow official unemployment levels ( $r=.896$ ,  $p=.000$ ,  $n=16$ ).<sup>122</sup> The increase in unemployment and a parallel rise in salience of the issue in the early 1990s are visible in the leftmost half of the graph, while the falling unemployment levels starting in 1998 and decreasing salience starting in 1999 are seen in the rightmost half instead. There is not much doubt that public salience of unemployment has co-varied over time with the real development on the labour market in Sweden during the last decades.

<sup>122</sup> It also turns out that the simultaneous correlation is the strongest one. Various lags and leads until plus/minus five periods were tried.

Unemployment has traditionally been an important political issue in Sweden and has frequently been one of the major issues in electoral campaigns. The issue did not score especially high in our MIP measures in 1989 and 1990, however. At that time unemployment figures had been, and still were, exceptionally low, below two-three percent. Already by 1991, though, the share of respondents in the SOM surveys that mentioned unemployment as one of the most important problems in society had increased from about seven percent in 1990 to 39 percent in 1991. Considering that actual unemployment figures had only seen a moderate rise to three percent by 1991, the public reacted swiftly and strongly to the signs of increasing unemployment levels. It is of course reasonable to assume that the content of the electoral campaign in 1991 to some extent caused this. Whether this is true or not is not examined in this chapter.

During the rest of the unemployment crisis of the 1990s, issue salience remained high and reached almost 60 percent. As seen in figure 4.8, public salience seems to follow actual unemployment relatively closely over time. In 1995, for example, when the unemployment situation saw a slight, though very modest, improvement, salience dropped somewhat too. Towards the end of the 1990s, after 1997, when unemployment again dropped, salience responded in a similar way. Issue salience started dropping one year after actual unemployment levels; on the other hand, it fell more quickly and reached 14 percent instead of 50 percent in just two years. It is also interesting to note that in the year 2000 public salience reached about the same level as it had in 1987 (14 versus 15 percent), while official unemployment levels were still more than twice as high (4.7 versus 2.1 percent).

Time series regression models were applied in order to verify the close connection between unemployment rates and unemployment issue salience. Although the paucity of saliency data hardly allows time series regression techniques in this case. Details on these analyses are given in table A.27. The main results indicate that changes in unemployment levels have a clear and significant effect on issue salience.<sup>123</sup> The strong short-run effect of unemployment on salience is most certain from these estimations, while it is more uncertain as to whether there is any long-run equilibrium (see footnote 123). The regression results indicate that a change in unemployment of one percentage point will bring about

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<sup>123</sup> In total, three different models were estimated: a simple version of a lagged dependent variable model where the only independent variable is change in unemployment and two error-correction models. The two ECMs have the same specification in principle, although both the two-step and the one-step (single-equation) estimation methods were tried. In all three models a strong short-run effect of unemployment on salience is seen, but whether there is also a long-term equilibrium relationship (an error-correcting behaviour) is uncertain. If statistical significance is our yardstick, the conclusion depends on which estimation method for the ECM we choose. As stated in footnote 279 in appendix B I generally prefer the one-step ECM estimator, but in this case both possibilities are reported since they yield slightly different results concerning the significance testing of the error-correction term – otherwise the two models produce very similar results. The two-step estimator generates a significant ECT coefficient while the one-step estimator fails (barely,  $p=.064$ ) to achieve statistical significance. The estimated adjustment rates are largely similar ( $-.78$  and  $-.74$ ) and both indicate a strong total adjustment effect and a quick re-equilibrating process – the bulk of the effect has been felt after two periods. This especially makes sense since we have yearly data, which should not be forgotten and which makes the use of ECMs somewhat dubious and the validation of the results with an ADL model further warranted. For full details on the estimation results, see table A.27.

approximately six to ten percentage points of change in issue salience in the same direction during the following year.

Although the quick reaction of the public seen in figure 4.8 and confirmed by our regression models is apparent, this tells us little about how and from what source the public gets its information on changes in the labour market. Since it is clear that communication in society, where mass media (and how it portrays politics) is likely to play an important part, is central for the connection between unemployment and issue salience to function, the role of mass media will be highlighted and briefly examined in the following. However, other potential mediating variables will not be included in this chapter.<sup>124</sup>

In fact, reliable information on how unemployment levels are going to change is often publicly available in advance through various industry surveys and economic reports. In this light the public's swift reaction, where public salience actually started rising sharply before any substantial increase in unemployment levels had taken place, is quite understandable. The natural next step is to investigate what media coverage of unemployment has looked like during this period.

For this purpose the content of one major evening TV news programme (Rapport) in Sweden is examined.<sup>125</sup> When it comes to public reactions to political news and media content in terms of issue salience, it is most often assumed that the topic that is treated is generally more important than exactly what is said about that topic. The main focus in the following analysis is on the *amount* of coverage of the issue of unemployment, rather than on *how* these news are framed. However, it is also of interest to briefly examine the balance between positive and negative news on unemployment, as previous research has found that media coverage is characterized by a negativity bias (Mutz 1998; Soroka 2004). Figure 4.9 shows the frequency of reports on unemployment in TV news as well as the balance between positive and negative reports on unemployment.<sup>126</sup>

The highest number of news reports on unemployment actually already occurs in 1991, before unemployment levels really took off and reached their peak in 1993. Reports of increasing unemployment and of coming redundancies were

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<sup>124</sup> The importance of personal experience of unemployment, which is another obvious possibility, is instead examined in Chapter 6.

<sup>125</sup> The data for this come from the "Rapport study" led by Professor Kent Asp at the Department of Journalism and Mass Communication at the University of Gothenburg. The data used here are limited to larger reports and features on unemployment in the news and exclude brief telegram-like mentionings of unemployment et cetera. This choice is due to data comparability over time. During the first half of the data collection period, briefer items were also coded separately. However, this stopped during the process. Further, the features on unemployment include only such features that contain "valence", for example positive or negative reports. The data set includes a systematic sample of days during the year where every fourth day is included in the study.

<sup>126</sup> The measure of balance (sometimes referred to as "net values") is defined as the number of positive reports minus the number of negative reports. Positive reports are those that for the main part convey the impression that the unemployment situation has been getting better, is getting better or will get better. Negative reports are those that mainly convey the opposite impression – that the unemployment situation has been getting worse, is getting worse or will get worse. Another possibility would be to use the *ratio* of negative news instead of the *balance* in absolute numbers. Although the ratio has the advantage of not being linked to the total frequency of news items on unemployment, this is inconsequential for our purposes in this chapter.



**Figure 4.9 TV news coverage of unemployment 1985-2002**

*Comment:* The source of the data is the “Rapport Study” conducted by Professor Kent Asp, Department of Journalism and Mass Communication at the University of Gothenburg. Media frequency indicates the number of reports in the TV evening news program “Rapport” where the Swedish national television broadcasted a feature on unemployment that contained either positive or negative valence during each year based on a systematic sample containing every fourth day. Only more comprehensive news items were coded, not short telegram-like mentionings. Media balance shows the number of positive items minus the number of negative items on unemployment. Details on the absolute numbers of the series are given in tables A.28 and A.29.

paramount in Swedish media in 1991. Still, the actual unemployment rate had at this time only risen to about 3 percent. We can also see in figure 4.9 that these reports were almost exclusively negative – the balance measure mirrors the frequency measure almost perfectly at this point. By then, it was definitely true that “most news is bad news”, as Soroka (2004) put it.

A few years later, however, starting in 1993, the balance measure turns more positive and reaches an even balance between positive and negative news on unemployment in 1994 and 1995. The frequency of media reports on unemployment and the balance of news reports do not always follow each other, and each one contributes something new to our understanding of media coverage of the issue of unemployment. This can also be seen later, between 1996 and 1998, when the number of news items on unemployment is again quite high, but this time our measure of balance does not entirely reflect this. Despite that the number of reports reaches almost 30 per year, the measure of balance still does not go even all the way down to -10. The picture in the media is still chiefly negative, as the balance measure is clearly below zero, but now the content is more diverse. However, during the period of 1985 to 2002 taken as a whole, there is still a tendency for media reports of unemployment to mainly be negative reports.

In order to better analyze how media, public salience and unemployment relate to each other and interact over time, all three are depicted simultaneously in figure 4.10. To facilitate comparison of their development over time, unemployment rates and the frequency of media reports of unemployment have been standardized and given the same mean and standard deviation as issue salience. Thus, only public salience retains its original scale.

**Figure 4.10 Issue salience, media and unemployment 1987-2002**



*Comment:* Salience indicates the share of respondents that mention unemployment as one of the most important problems in society, as in figure 4.8. Media shows the frequency of reports on unemployment in the TV evening news program "Rapport" containing either positive or negative valence based on a systematic sample every fourth day of the year. The scales of the unemployment and media series are not shown in the graph. Instead, they have been standardized in order to give them the same mean and standard deviation as salience. For more detailed information on these variables see tables A.25, A.26, A.28 and A.29.

It is clear that media began reporting more about the problem of unemployment before the Swedish labour market had felt the full impact of the unemployment crisis of the 1990s. As seen in figure 4.10, media coverage of unemployment already peaked in 1991. But the public was not late to follow, and public salience of unemployment rose sharply between 1990 and 1991, from approximately 7 to 39 percent, and continued to reach higher and higher until 1993, when the official unemployment figure hit its highest point at just above eight percent.

After 1993, the situation on the labour market stopped deteriorating and in 1995 the unemployment rate momentarily dropped slightly by approximately half a percentage point. Media interest apparently disappeared rather quickly and news media coverage of unemployment went back to, and even below, the frequency seen in 1988 when unemployment hardly existed at all. Seemingly, the reasonable interpretation of this is that the small improvement in the labour

market situation in the mid-1990s was seen as a sign that the crisis was soon to be over and that things were moving in the right direction.<sup>127</sup> But when unemployment proved to be more persistent, media interest and coverage soon returned. According to Mutz (1998), media tend to be both biased towards negative reports and to report change preferred to status quo. In this case, however, the negativity of the changes in the labour market seems more important than change in itself in catching the attention of the media. At least the slight improvement in 1994 and 1995, which was indeed a kind of change, was not enough to cause more media coverage.

It is also interesting to note that public salience remained high and followed actual unemployment levels despite the markedly lower media coverage of the issue in 1994-1995. This is an indication that media coverage must not be decisive for public salience in times of high unemployment.

In 1998, when unemployment levels slowly started moving down towards lower levels (although they have as yet never completely reached their pre-crisis state again), public salience and media coverage were both still high. After this year, public salience and media coverage both dropped clearly. And in addition, this happened noticeably more quickly than the drop in unemployment itself, just the reverse of what we saw when the crisis began. It seems as though the public reacts quickly to both negative and positive changes. When unemployment was about to rise, both media and public opinion adjusted quickly to the new situation. About 7 to 8 years later, when things were about to get better, both media and the public quickly shifted their attention elsewhere, before much of the coming improvement in the labour market had actually taken place.<sup>128</sup> However, unlike media, the public continued to consider unemployment a salient issue as it stopped increasing and showed signs of a marginal improvement yet remained high. Thus, both media coverage and the unemployment level in itself seem to matter attracting the public's attention – neither of them is decisive on its own.

To formally test these findings and find out more about the relative influence of unemployment levels and media coverage on issue salience, we would need more data. Some regression analyses have been attempted despite data shortcomings, however. Full results are reported in tables A.30 and A.31. In general the findings of the regression models support the conclusion that *both* media coverage and actual unemployment levels influence public salience.<sup>129</sup> Although

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<sup>127</sup> An analysis of the content of four Swedish daily newspapers partly confirms this picture from the Rapport study, but partly also changes it. A search for the number of articles in Dagens Nyheter, Svenska Dagbladet, Aftonbladet and Expressen concerning unemployment or employment (search string "arbetslöshet\*" or "sysselsättning\*") published annually from 1979 to 2002 confirms that there is less interest in the issue in 1994-95 than in 1993 and 1996. However, the dip in coverage in these four daily newspapers is much less pronounced and remains clearly above the levels seen before and after the crisis of the 1990s.

<sup>128</sup> As pointed out by Wlezien (2003), "Most Important Problem"-questions differ from evaluations in that they partly measure *relative* salience and are also affected by the salience of other issues at the moment, which perhaps might explain the quick shift in attention.

<sup>129</sup> Three different model specifications were estimated, both dynamic and non-dynamic models. They all perform quite well in terms of R-square, MSE and test for autocorrelation (see table A.30). Further, there is a remarkable stability of estimates across model specifications. The coefficient estimates are very similar in all models. Only in one of our six regression models does media coverage fail (barely) to reach statistical significance ( $p=.052$ ). A simple error-correction model where only  
(cont)

their effects are relatively equal in size when taking the extent of their variability over time into account, the level of unemployment seems to be slightly more important for public salience.<sup>130</sup> I also compared the effects of the pure frequency of media coverage with the effect of the balance of positive versus negative news items.<sup>131</sup> Generally, media balance was found to have a stronger effect on issue salience than media frequency in itself. However, signs of remaining autocorrelation make such a conclusion insecure.

For the time being, the overall conclusion is that both media coverage of the issue and unemployment itself have strong and independent effects on public salience of unemployment. Issue salience seems to follow real unemployment levels rather closely and to respond quickly to actual changes on the labour market. In fact, the adjustments sometimes even appear to be made in advance of actual changes in the unemployment level. The public seems well aware of what is happening and of what will happen on the labour market and adjusts its agenda accordingly. On top of these already encouraging findings, we have also seen evidence that the public agenda is not dependent on continued media coverage for sustaining an issue as salient – when objective indicators continue painting a dismal picture of the situation, the issue can still be important to the public despite the withdrawal of media interest.

## CONCLUSIONS

The main conclusions of this chapter are that public evaluations of the economy tightly track economic changes, and that public salience of the issue of unemployment does follow changes in unemployment levels rather closely. Both questions raised in the beginning of the chapter can thus be answered affirmatively.

We have also seen that retrospective general economic evaluations show a strong connection to economic performance, both to general indexes and to specific economic indicators. Changes in the public's retrospective perceptions clearly co-vary with changes in the real economy over time. The prospective general economic evaluations on the other hand are also clearly connected to objective indicators of economic performance, but these were found mostly to be based on the past development rather than being connected to actual future economic performance. However, what we have seen is evidence that the Swedish electorate is well equipped to participate in processes of retrospective elec-

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media coverage and public salience were included was also tested. This actually worked quite well considering the low number of observations. All coefficient estimates were reasonable and a rather slow ( $d=-.20$ ) equilibrium process was seen, although the error-correction term failed to reach conventional levels of statistical significance ( $p=.120$ ). This is hardly surprising with only eleven residual degrees of freedom.

<sup>130</sup> Standard deviations of the variables in these regression models are found in table A.32. When taking the higher variance of media coverage into account, the effect of unemployment remains about 20-30 percent stronger.

<sup>131</sup> However, we should be aware that sometimes, unless the balance is relatively even, the balance measure also incorporates the frequency to some extent since a more negative balance equals a larger (surplus) number of negative reports. This would not be the case if for example the *ratio* of negative news had been used instead of the *balance measure*, which would have been preferable in my view. Unfortunately, data allowing the computation of the share of negative (or positive) news items were not available to me. Full reports of these models are found in table A.31.

toral accountability. If electoral accountability is not at work in Sweden, it is certainly not because public opinion is unaware of the economic development.

In the case of unemployment, only prospective expectation series were available for analysis. The analyses presented showed that public expectations of the future change in the labour market were clearly in accordance with the actual coming changes in the labour market. Regression analysis showed these unemployment expectations to be influenced both by the current short-run trend on the labour market and by the actual future change in unemployment level. The public was found to be well aware of changes in unemployment levels one year ahead.

Inflation perceptions were also discovered to be surprisingly accurate given the somewhat dismal picture in previous research. Not only did public perceptions of inflation change in rational and reasonable ways when inflation changed, but the public was also capable of accurately estimating the actual inflation rate. However, when it comes to prospective evaluations of inflation one year ahead, these estimates were shown to be based predominantly on perceptions of inflation during the last year. The public clearly has a better grip on past price increases than on coming price increases, which is in fact quite reasonable. The main impression from the analyses of economic evaluations is, however, that Swedish citizens are more aware of the economic development than is habitually assumed in the literature.

The last empirical section studied the public agenda. Despite scarce data, the salience of unemployment was found to co-vary well with actual unemployment levels. The public reacts in reasonable ways to changes in unemployment by adjusting the importance it attaches to the issue of unemployment. Further, media coverage of the issue of unemployment was also included in these analyses. The conclusion, although based on limited data, was that both media coverage and the actual development in the labour market seem to influence the public agenda.

For the overall aim of the thesis, this means that we are one important step closer to supporting the integrated model of economic voting and issue ownership. The requisite of the model stating that economic development should influence both the public agenda and the public's evaluations of governmental performance is sufficiently satisfied. The public might not know details of the economic development all the time, but the changes and the development in the economy and in the labour market clearly leave their footprints on Swedish public opinion. When economic performance changes, this has an impact both on public evaluations and on the political agenda of ordinary citizens. The manifold reactions of the public we have seen in this chapter appear quite reasonable.



## Chapter 5

# Issue Ownership

One of the ways in which changes in the economy or on the labour market can influence party choice or government support is through alterations in issue salience. The public agenda has been shown to be able to influence the outcome of elections (Budge & Farlie 1983). This is thought to occur because different political issues are advantageous or disadvantageous to political parties in such a way that certain parties gain support while others lose support when an issue steps out from the shadows and becomes salient (Holmberg 1981). This is sometimes, for the party that gains an advantage by the issue, referred to as issue ownership (Schmitt 2001; Petrocik 1996; van der Brug 2004).

It was established in Chapter 4 that salience of unemployment covaries with changes in objective indicators of the labour market situation. When unemployment rises, more people identify unemployment as an important problem. Equally, when the general state of the economy becomes worse, economic issues rise on the public agenda. This means, according to issue ownership theory, that in times of crisis with rising unemployment, political parties with ownership of the issue of unemployment would gain an advantage because of the higher public salience of unemployment.

As argued at the beginning of this thesis, an incumbent with ownership of the major economic issue studied in this chapter – unemployment – might *gain* support from higher unemployment levels. According to my integrated model of economic voting and issue ownership, this should be possible despite the contradicting predictions of traditional economic voting theory.

But will this theoretical possibility really find empirical support? How can a governing party gain support from a worsening situation in the labour market? Rising unemployment can be seen as a failure of economic policy, and it should thus be a disadvantage for the government – insofar as it is perceived to be responsible for this unsolicited situation.

Or can it be that a political party is sometimes so strongly tied to and positively associated with a certain political issue that its actual performance when it is in government – at least not in the short run – does not matter much? Can it be that people turn to the party owning the issue in question when it grows more salient despite poor performance in that same area? According to a few studies of partisan effects in economic voting, it can. At least some weak evidence that left parties can gain from higher unemployment and right parties from higher inflation, even when they are in office, has been found by Sanders (2000) and by Carlsen (2000).

According to the integrated model, high salience of unemployment might cushion the punishment of the incumbent. But, for this to be possible, it requires that issue ownership is a rather stable phenomenon not easily dispatched by temporarily bad performance. This can be true for historical reasons, where a political party has been linked to an issue for a long time or due to the traditional social

bases of a party or for many other conceivable reasons. This chapter will explore the existence and functioning of issue ownership. The *effects* of issue ownership on election outcomes are not analyzed here, however. This is done in Chapter 7. Instead this is a chapter on the nature of issue ownership: what we mean by it and how it should be defined, what influences it, and the state of issue ownership in Sweden – especially when it comes to unemployment.

Special attention will be given to the important question of the stability of issue ownership. Not only has this topic been widely discussed in recent years, it is also of great theoretical importance for this study and for our understanding of the political behaviour of both voters and parties. Important preconditions determining the relevance of the integrated model of economic voting and issue ownership are 1) that issue ownership exists and 2) that there is some stability to this ownership. At least it must not be completely determined by short-term policy performance. Thus, the primary aim of this chapter is to answer three questions concerning the issue of unemployment in Sweden during the last two decades:

- Which political party has owned the issue at different points in time?
- How stable is issue ownership?
- How sensitive is issue ownership to governmental performance?

What first needs to be done is a thorough theoretical analysis of the concept of issue ownership and how it can be measured. Thus, I will start by analyzing previous studies of issue ownership and then move on to examine the ownership of unemployment in Sweden and how sensitive issue ownership is to governmental performance.<sup>132</sup> In this case this means the government's record concerning the labour market, which I measure via the development of unemployment levels.

### *The origins of issue ownership theory*

The basic idea of issue ownership is that certain political issues are advantageous to certain political parties. This means that the mere fact that a particular issue is being discussed or considered is in itself electorally advantageous to a party, compared to a situation where that issue is not being discussed.

Another way of expressing this is to say that the salience of an issue matters for electoral choice. Salience can influence voting behaviour in different ways. First of all, salience can be seen as altering the criteria of choice. The salience of different issues partly determines the weight citizens assign these issues in their calculi. Thus, altering the criteria can alter the choice (Riker 1986). For example, if the strong issues of a certain party are absent from an electoral campaign while the issues advantageous to another party are well covered in the public debate and are salient among the electorate, the second party is likely to win the election. This is the way the saliency theory of voting was first phrased by Budge and Farlie (1983).

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<sup>132</sup> As in the rest of this book, it should be noted that, when I use the term governmental performance, I do not mean the government's actions or what that government has actually done. Instead performance refers to the actual outcome, the government's record. Further, the notion of performance is intended to be neutral as to whether or not the actual development was actually caused by the government. This is also in accordance with the terminology in the literature on issue ownership that concerns actual performance (see for example Nadeau & Blais 1990; Bélanger 2003).



In my view, the starting point of issue ownership theory should be the work Budge and Farlie published in 1983. Even though they themselves label it saliency theory, they explicitly talk about “ownership”<sup>133</sup> of issues (see for example Budge & Farlie 1983:41). Naturally, this theory was built on and was a logical extension of previous work on political parties, campaigns and party image (Repass 1971; Robertson 1976; Trilling 1976). The first part of the theoretical section of this chapter is devoted to understanding the origin of the concept of issue ownership and the saliency theory of Budge and Farlie. The second part deals with the increased number of more recent studies of issue ownership that has appeared after Petrocik (1996) published his renewal of Budge and Farlie’s work. The purpose of this review is to reach a theoretical definition of issue ownership, which is needed in the empirical section of the chapter in order to evaluate the second requisite of the integrated model: the existence and stability of issue ownership of unemployment.

The dominant perspective in Budge and Farlie’s theory is self-interest and not ideas, ideologies or values. For example, socialist parties or reform parties are assumed to own issues<sup>134</sup> of the redistributive type. In this they are referring to a broad range of issues related to socio-economic redistribution or of welfare state expansion. But why do socialist/left parties own these issues? The reason is that they give immediate and direct benefits to many people. Even if Budge and Farlie hint that particular parties are commonly seen as better apt at handling certain societal problems than others or that they are more credibly committed to solving these problems, e.g. for historical reasons, they do not assume that all voters will agree that a certain party is best at handling a certain societal or social problem or that all voters will endorse the same kind of solution or policy. They also admit that, while a certain issue attaining higher salience can attract some people, it might simultaneously repel others. They talk instead about *net effects*. This means that there are net electoral gains or losses for a specific party associated with a particular issue becoming or ceasing to be salient.

This also implies that Budge and Farlie mainly regarded issue ownership as a macro level phenomenon. This should not be forgotten and has clearly affected subsequent research. Only recently have studies that focus on how individual voters’ behaviour is affected by issue ownership started to appear (see for example van der Brug 2004; Bélanger & Meguid 2005). Budge and Farlie’s theory was developed at the macro level and tested exclusively on macro level data. What they did was to examine, compare and analyse election campaign agendas on different occasions. Since they reasoned in terms of *net effects* they could do without the use of any individual level data.

Although Budge and Farlie’s original work focuses on providing a very general framework applicable in different contexts, they aptly acknowledge differences between party systems and countries. In the United States, for example, they first establish that there are marked similarities between the British two-party system

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<sup>133</sup> Nevertheless, in the recent literature, Petrocik (1996) is generally seen as the founder of issue ownership theory. We will learn more about Petrocik’s renewal of issue ownership theory in the next part of the theoretical section of the chapter.

<sup>134</sup> Please note that Budge and Farlie (1983) actually use the slightly broader notion of issue types, rather than issues, when referring to issue ownership.

with a socialist-bourgeois conflict and the U.S. system with a reform party (the Democrats) and a conservative counterpart. Subsequently, when dealing with the differences, they note that, unlike other socialist/reform parties, the American Democrats have more issues they own than simply redistribution. In the U.S. Democrats are also considered to be advantaged by issues such as ethnicity and government regulation. However, all reform/socialist/left parties are expected to have the same relation to all issues, according to Budge and Farlie.

Another significant difference concerns issues related to foreign relations. Normally, in the non-exceptional cases, the foreign relations issue type belongs to the category Budge and Farlie considered to be lacking a “fixed direction”, which means that the issue is not owned by any particular party. In the U.S. issues of foreign relations were considered to belong to the Republican camp, whereas they lacked a pre-determined/fixed direction in other contexts.

This category without fixed direction also includes what Budge and Farlie refer to as *government record and prospects*, as well as candidates. The effects of these issues are situation specific and depend on the current state of affairs in the area under consideration. Such issues are not permanently owned by any party, but may be temporarily attributed to some parties in certain situations. Which party or parties will be favoured by discussing the qualities and personal traits of candidates depends upon the popularity and image of the candidates or party leaders in that election. Similarly, what the government has achieved will determine the status of issues related to government record and so on.

Budge and Farlie’s discussion of dissimilarities between politics in the U.S. and other countries tells us something interesting about the theory they advanced some 25 years ago: that the directional status of an issue can be dependent on the situation, e.g. the content of the electoral campaign, in one country but not in another means that the classification is not based on theoretically inherent properties of the issues. If foreign relations can be classified as advantageous to the Republicans in the U.S. while being without fixed direction elsewhere, the typology is simply not based on a theoretical understanding of differences between types of issues, but instead on a general understanding of what politics *usually* is like in a specific country. And if this can vary in space – why not also over time?<sup>135</sup>

What is the difference between a case like the U.S., where the Republicans are always considered by default to be advantaged by foreign relations issues, and another country where these issues are considered to lack inherent direction and depend on the present situation and the government’s handling of foreign relations? Perhaps it is only the amount and reliability of our beforehand knowledge. Any single party also has (in theory at least) the possibility to always be at advantage in a country where the issue has no fixed direction. With luck, skill and clear policy priorities it might be possible. Moreover, it is far from clear what the difference is between foreign relations issues and for example, civil order. Why is it that foreign relations have no fixed direction while civil order issues do? The way I interpret Budge and Farlie, issues *with* a fixed direction are seen as being more dependent on the parties’ long term record (Budge & Farlie

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<sup>135</sup> The time period Budge and Farlie (1983) study covers approximately 30 years and includes 23 countries, but they do not study change over time. On the contrary, they assume, like most followers, issue ownership to be a constant.

1983:27) while issues *without* a fixed direction are seen as more dependent on the parties' short term record, or perhaps also on prospective properties such as pledges and promises (Budge & Farlie 1983:46).

But what can such a distinction be based on, a priori? Budge and Farlie mention factors such as the differing likelihood in different issue areas that events or factors external to the country or the political parties will intervene in election campaigns. In my view, it would still be a matter of degree rather than of a clear-cut dichotomy between issues with fixed direction (owned issues) and issues without fixed direction (issues that are not owned). Nonetheless, there is not a lot of public awareness of the government's *record* when it comes to issue types such as moral-religious, for example, so I readily admit that there are differences between issue types. Still, I find it more reasonable to regard all issues as dependent on events and external factors or the current state of affairs, simply to a differing degree.

Among the issues that Budge and Farlie put under the headline of government record and prospects are the financial situation, economy, inflation, unemployment and corruption. When turning more specifically to the issue of unemployment it becomes clear that Budge and Farlie's saliency theory does not so much directly *contradict* retrospective voting models, but simplifies and extends them. Retrospective voting might well occur within the framework developed by Budge and Farlie since government record and prospects lack fixed direction and are said to depend on the actual situation. If the government record is poor and this type of issues becomes prominent in the campaign, this will be detrimental to the incumbent; if government record is viewed positively by the public this will benefit the incumbent. This clearly resembles the reward-punishment hypothesis in the classic economic voting model.<sup>136</sup>

However, to add to the confusion, this does not mean that unemployment is purely a matter of government record according to Budge and Farlie. Unlike other issues it also belongs to another category: socioeconomic redistribution. This aspect of the issue of unemployment refers more to welfare/social program approaches to unemployment such as promises or goals of full unemployment, employment guarantee programs or actions against unemployment (Budge & Farlie 1983:29f). This means that the role of the issue of unemployment in elections can be dual. When unemployment becomes salient its influence is both dependent on what has happened – the government's record – and at the same time is partly exercising a more stable directional influence through its link to the category of socioeconomic redistribution and welfare program issues. In this category, unemployment salience will benefit socialist/reform parties since they are the owners of this category.

In fact, this is another way of phrasing this study's crucial question: will the impact of the issue of unemployment mainly be determined by the government's record and prospects or by its traditional link to left parties? If ownership of the issue is easily altered and mainly depends on the policy outcome of the last incum-

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<sup>136</sup> Although with the addition of issue salience of course. In this model government record concerning the economy would only matter insofar as the economy became salient in the election campaign. This is not integral to classic models of economic voting. On the other hand, the way I understand things, the saliency of economic issues is taken for granted in such models.

bency, it will be determined by the government's record, while, if it is stable and safely anchored in the historic record and tradition of the parties, it will instead constantly benefit the party owning the issue regardless of what has happened during the last incumbency and of the incumbency status of the party in question.

We should also ask ourselves whether it is possible for both effects to occur simultaneously. And, if issue ownership of unemployment turns out to be relatively stable and affected by the recent government record to only a limited extent, issue ownership effects can counteract – and perhaps even cancel out – effects of retrospective considerations such as the government record.

### *Modern studies of issue ownership*

More recently, Petrocik (1996) slightly reshaped and renewed issue ownership theory. This has been followed by increased interest in issue ownership and an increased number of studies whose main focus is issue ownership (Narud & Valen 2000; 2001; Simon 2002; Abbe et al. 2003; Bélanger 2003; Petrocik et al. 2003; van der Brug 2004; Holian 2004; Jenssen & Aalberg 2004; Karlsen 2004; Kaufmann 2004; Bélanger & Meguid 2005; Hayes 2005).

Part of what Petrocik did when he gave the starting signal for the new wave of issue ownership studies was to elaborate on the issues already discussed at length that Budge and Farlie labelled “without fixed direction”. Petrocik renamed these issues *performance issues*, which refers to the fact that their impact depends on the policy performance of the incumbent. Much like Budge and Farlie, he includes issues of the functioning of government such as corruption and all issues related to the economy – including unemployment – in the category of performance issues. Although, in contrast to Budge and Farlie, he labels foreign relations in the United States a performance issue.

The theoretically most important renewal and modification of Budge and Farlie's work is, however, that, for Petrocik, the basis of issue ownership is no longer self-interest. Instead he sees the ability of a party to handle a societal problem – to resolve a concern of voters – as the core foundation of issue ownership (Petrocik 1996:826f). This is often referred to as issue competence or party issue competence, sometimes shortened to party competence. In my view, this change of theoretical foundation was most likely the principal modernization that facilitated the ensuing increase in the number of studies some years later.

According to Petrocik, issue ownership consists of a reputation, not only for being especially apt at handling a certain problem or policy area – a handling reputation – but also for being interested in and concerned about the problem in terms of policy and programs. The reputation for interest and concern is produced by a *history of attention*. These can be seen as two different components of issue ownership. To claim ownership, it is not enough for a party to have a reputation for being good at handling a certain problem; it should also have a reputation for making it a priority and for having an interest in the problem. In my view, the second of these components has largely been ignored in the recent studies of issue ownership.

Further, Petrocik sees two different possible sources or bases of issue ownership: the *record* or performance of the incumbent and the *constituencies* of the parties (Petrocik 1996:827). The record of the incumbent government or parties is clearly much more volatile than the constituencies and groups a party is based

upon. These two quite different sources of ownership correspond to two different kinds of issues – performance issues and other issues.

In general, Petrocik argues that issue ownership is a long term property of the parties and that perceptions of issue competence change slowly, save for exceptional circumstances. The exception to this is performance issues. For those issues a party can only gain short term ownership as a result of recent events or the development and performance in the area in question.

Unlike his predecessors, Petrocik strives to let empirical data *support* his categorization of political issues, although he does not entirely base it on empirical observations. To examine perceived differences between parties in their ability to handle certain issues, he uses various surveys in which people are asked which party – Democrats or Republicans – will more successfully resolve a certain problem. But he still does not use this as the main basis for classifying issues as being owned by Democrats or Republicans. Instead this is judged on the basis of his understanding of the composition of the parties' supporters and their relation to the issues: "The general standard for deciding which party owns the issue is whether the issue is tied to groups which are part of the party's coalition" (Petrocik 1996:847, appendix 1).

When it comes to deciding which issues are performance issues, i.e. what Budge and Farlie labelled as those without fixed direction, this is laid out swiftly and without much commotion as "references to the economy, the conduct of foreign relations, and the functioning of the government" (Petrocik 1996:847, appendix 1).

It is when treating the performance issues that Petrocik's ambivalent usage of party competence polls becomes most visible. For example, although he shows that Republicans are judged to be more competent at handling various foreign relations issues, he still claims it is a performance issue. Likewise, economic issues are said to be performance issues despite Petrocik demonstrating that Republicans are on average slightly ahead of Democrats in economic issues, although with at least one noteworthy exception: unemployment.

In fact, the numbers Petrocik presents show that there are some interesting variation between different issues when it comes to public judgement of the parties' issue handling competence. With regard to inflation, Republicans are judged best at handling the issue by between 15 and 28 percentage points more than the Democrats, while Democrats are 7 percentage points ahead of the Republicans concerning unemployment. This is hardly a coincidence. It is more likely that there are differences in priorities and policies between the two parties (Hibbs 1977) and that people know this: hence the different perceptions of issue handling competence. This invites the question of whether it is reasonable to make a distinction between performance issues and other, owned, issues at all.

Following Hibbs' argument, if right wing parties produce higher unemployment and lower inflation, voters would be expected to judge them to be less competent at handling unemployment than their left wing counterpart – and rightly so. But, if there were an exception to this, how would voters react? If a right party incumbent would produce higher inflation? Or a left incumbent higher unemployment? Would voters immediately deem them inapt at handling this problem based on their short-run performance while in government? I think not.

Ultimately we must study issue ownership over time to answer this kind of questions. In fact, Petrocik (1996) poses the question of whether the perceived

differences between the parties in their ability to handle different kinds of problems is "...long-term, and not tied to a specific election" (Petrocik 1996:831). Alas, he does not present data that can address that question.

One of the obstacles to answering these questions has probably been that previous research has regarded issue ownership as something constant.<sup>137</sup> Differences in the parties' relations to certain political issues are seen as completely stable. The only exceptions are so called performance issues, which on the other hand have been regarded as completely volatile and swiftly altered by recent events and trends. This characterization is valid for both Petrocik and Budge and Farlie, and for many others. This has been too rigid. In practice we might find that some issues are partly fixed due to longstanding differences in the parties' constituencies or actual policy priorities and to history, and that they fluctuate to some extent because of more recent developments such as the incumbent's short term record during the latest incumbency. Not only does this require us to see issue ownership as something changeable over time but also as a matter of degrees – an ownership that can be strong or weak.

Figure 5.1 illustrates different views on issue ownership, its stability and its dependency on government performance. Four different views of the nature of issue ownership and its relation to government performance are depicted. The upper half of the figure shows two different situations. The uppermost line in the sub-graphs illustrates the development of government performance – for example economic growth or unemployment – where the development is simply assumed to follow a cyclical pattern over time from left to right. The lower line illustrates the strength of the issue ownership of the incumbent in the issue whose performance is shown by the upper line.

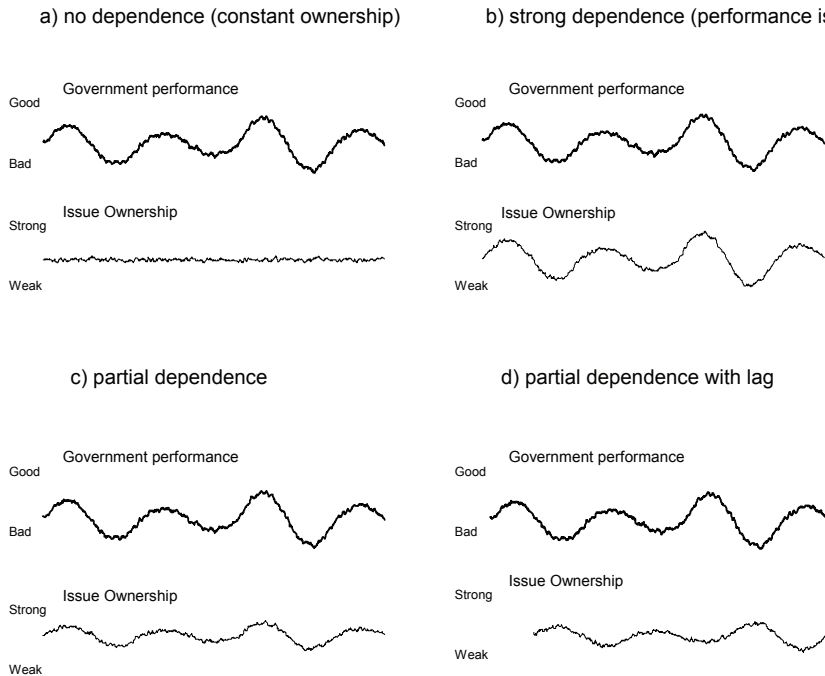
Sub-graph a) shows the case in which issue ownership is totally independent of government record. This case complies with the way that Budge and Farlie as well as Petrocik use the term issue ownership for issues with a fixed direction, or non-performance issues, which according to those authors should include most issues. Issue ownership is in this case not dependent on recent events or government performance. It is instead safely anchored in the history of the party system and the constituencies of the parties. No matter what happens to performance in the area, the strength of issue ownership remains where it is.<sup>138</sup>

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<sup>137</sup> In fact, Petrocik originally contended that "the critical difference *among* elections ...is the problem concerns of the voters" while he labelled the issue handling reputations of the parties "[t]he critical *constants*" (italics added by me, Petrocik 1996:826). He admits however that they are not completely invariant. In Petrocik et al. (2003), on the other hand, the authors put more emphasis on the variability of issue handling reputations (Petrocik et al. 2003:602f). However, in the latter study, the main conclusion is that politicians are issue ownership campaigners. For some contrary evidence, see Sigelman and Buell (2004), who find a high degree of similarity of issue emphases in political campaigns.

<sup>138</sup> Although of course we must remember that these illustrations are merely simplifications and not meant to be a realistic portrait of reality. In a more complete model, more factors that might influence issue ownership over time would also be taken into account. The purpose of figure 5.1 is to specifically illustrate the relationship between government performance and the strength of issue ownership.

**Figure 5.1 Issue ownership's dependency on government performance. Four alternative views.**



*Comment:* The four sub-graphs show simulated data. Each line consists of 1000 data points. The simulated time series were created in Stata in three steps. Sine curves were first computed. A small amount of stochastic variation was then added to the lines and a slight smoother was finally applied to the series. The graphs illustrate the theoretical development over time of government performance and the strength of issue ownership in four different models of the relationship between these two variables.

The opposite case would be where there is no stable issue ownership at all, much like what Petrocik labels performance issues. The strength (or weakness) of ownership is completely dependent on short term performance and closely follows the ups and downs of government performance. For example, if economic performance improves, this would also result in a temporary ownership of the issue. The same could in principle go for any issue area. When the quality of public health care or of schools etc. improves, issue ownership of the governing party would be strengthened. This is shown in b). A more realistic picture where issue ownership might exhibit some degree of stability in the face of ups and downs in the development in an area, but is still affected to a lesser degree by the variation in performance can be seen in c). The history of attention to an issue, a party's long term record or its socio-economic bases might induce some measure of stability in the face of ups and downs in actual governmental performance.

In reality, it is also likely that some delay will occur. In Chapter 4 it was found that the full effect of economic changes on the public's evaluations of the economy is not felt immediately. Likewise, the public might not adjust its perceptions of the incumbent party's ability to handle an issue to changes in govern-

mental performance until after some delay. When policy performance changes, the corresponding change in the strength of issue ownership might be more or less immediate. Figure 5.1d gives an example of a visible time lag in the effect of changing governmental performance. If the time lag is long enough, an incumbent might hold on to its issue ownership advantage for some time during a downturn in performance. In my view, this last model is the most realistic.

The few empirical studies that have examined issue ownership over time and explicitly addressed the part played by governmental performance in maintaining, weakening or strengthening issue ownership seem to confirm the picture that performance matters, but to a limited degree (Bélanger 2003; Nadeau & Blais 1990). In the words of Nadeau and Blais, public perceptions of party competence are “durable but not immutable” and “tend to change slowly but do respond to the parties’ actual performance when they form the government” (Nadeau & Blais 1990:330). Given that most of the issues included in their study are what Petrocik categorized as performance issues, such as inflation, this is not surprising. It is noteworthy however that no effect of performance could be found for unemployment (Bélanger 2003:552). Changes in issue ownership owing to governmental performance do not seem to happen frequently. Party profiles are to a large extent rather stable. In the study of Bélanger (2003) no more than two major shifts in the issue ownership profile of the Canadian party system were identified during a 50-year period, and the second of them was basically explained by the arrival of new parties. Thus, previous research seems to confirm the picture that issue ownership is rather stable but still not invulnerable to bad policy performance, in the spirit of figure 5.1c or 5.1d. Existing studies are few, however, and thus far only based on data from Canada.

Similar conclusions have been reached concerning Sweden. Based on the Swedish national election studies, Gilljam and Holmberg concluded that the public’s evaluations of the parties policies change slowly – the positive and negative issues for different parties tend to stick with them for quite some time. Parties’ positive and negative issues are generally not new or idiosyncratic to a particular election (Gilljam & Holmberg 1995; Holmberg 1981). The general conclusion of Gilljam and Holmberg is that: “The strong and weak issues of parties do not change overnight; nor how people vote. Politics comprise an amount of tardiness ... Ingrained party profiles change but slowly”<sup>139</sup> (Gilljam & Holmberg 1995:57). In a later study by Holmberg (2000), he puts more emphasis on the possibility that parties’ issue profiles can be affected by short term performance and that how people perceive parties’ performance when in power affects those parties’ standing among citizens in different issue areas (Holmberg 2000:144). This seems a reasonable assumption. Although it is still untested outside Canada since Holmberg and his colleagues never explicitly and systematically studied the extent to which people’s perceptions of parties’ issue handling competence are influenced by what actually happened during the latest incumbency; objective indicators of the government’s performance were not included in their analyses.

Some recent studies in the U.S. also point to the possibility that politicians can change ownership of issues to their advantage (Holian 2004; Kaufmann 2004). While Kaufmann studies gubernatorial campaigns, Holian gives some examples

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<sup>139</sup> My translation of the original Swedish text.



from presidential races. Both studies conclude that it is possible for political candidates to actively challenge their adversaries' traditional ownership of issues. Kaufmann demonstrates the potential of personal legislative record for accomplishing a change, while Holian focuses on rhetoric and the possibility to frame issues in a new way.<sup>140</sup>

A number of studies in Norway have also found that issue ownership is not always as stable as assumed in the classic studies by Budge and Farlie or Petrocik (Jenssen & Aalberg 2004; Karlsen 2004; Narud & Valen 2000; 2001). Especially interesting is that Narud and Valen (2000; 2001) not only conclude that issue ownership has changed in some ways in Norway, but it has changed when it comes to issues that have not previously been seen as performance issues. The change has instead occurred in the area of welfare, and especially the issue of elderly care. They conclude that the Labour Party has lost its grip on this area.

Perhaps the distinction between performance issues and other issues is not as clear-cut as it seems. The need for more analyses of how issue ownership develops over time is apparent. In recent years, the trend in research on issue ownership has been to question its stability. The literature has moved from assuming stability to observing volatility. We need to know how stable issue ownership is, how dependent on short term factors such as government performance it is, and whether there are clear differences between types of issues with respect to their stability or volatility. The empirical sections of this chapter are devoted to analysing the stability of issue ownership in Sweden and to whether and how it changes over time, with a special focus on the issue of unemployment.

Before leaving the theoretical overview, another attempt at renewing issue ownership theory must be briefly considered. It is striking that the two-party system trait has marked issue ownership theory since the beginning. As it started in Britain and subsequently was renewed in the United States this is not surprising. As Narud and Valen (2000; 2001) and Karlsen (2004) remark, things get more complicated in multi-party systems. While Karlsen argues that the theory should be reformulated for use in multi-party systems, Narud and Valen's conclusion is that several parties can own the same issue in a multi-party system.

Narud and Valen try to refine the theory by bringing the old distinction between valence issues and position issues from Stokes (1963) into issue ownership theory. They find that, when an issue has several owners, the two parties involved are often, but not always, at opposite ends of the scale of a positional issue. This is an interesting theoretical development, but in my view not yet con-

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<sup>140</sup> One of the interesting points Holian makes is that it is not possible for a candidate or a party to annex one of the opponent's issues by offering more of the same; they simply do not have the credibility to do that. The example Holian gives is that Democrats could never "out death penalty" Republicans; instead Clinton achieved this in the 1990s by agreeing with the death penalty, but adding that it was not alone going to solve the problem and that what actually was needed was more police on the streets. In Sweden, an example could be that the right wing parties would have a hard time trying to steal ownership of the issue of unemployment from the Social Democrats by offering more of the same, i.e. more of direct measures against unemployment such as the traditional labour market programmes and re-education programmes in the care of the national labour market board (AMS). What they mainly have done instead is to speak about the issue of unemployment in terms of creating more jobs by improving incentives for work and making it easier for employers to hire people. However, very little is yet known from systematic studies concerning what makes it possible or not for a party to "steal" ownership of an issue from another party.

vincing.<sup>141</sup> In the end, I think Narud and Valen's suggestion makes a somewhat cloudy distinction between spatial models, with a focus on positional issues, and issue priority models, with a focus on valence issues. If they are to be combined this way, more theoretical work is first needed. At the very least, what makes issue ownership of an issue different from a positional issue with a skewed distribution of voters' ideal points would need clarification.

As Whiteley et al. (2005) point out, the potential gains of issue ownership campaigning are much larger for valence issues even though, theoretically, it can work with position issues too. Whiteley and colleagues also claim that parties prefer to campaign on valence issues that they own rather than on positional issues that they own. Since I primarily regard unemployment as a typical valence issue where we find a relative consensus concerning the goals of public policy, although not concerning the means; these complications will not be dealt with further in this study.

### *Measuring issue ownership*

Now, what do we need to know to be able to assess the ownership of the issue of unemployment, the stability of issue ownership and how sensitive this ownership is to governmental performance? What should be measured in order to answer these questions? At the core of issue ownership theory is the association of a specific political issue or issue area with a political party. This association means that the issue is important for the party in question. Some kind of positive view of the party's policy on that issue is also needed. But, as we have seen, this was not the main component of issue ownership theory as developed by Budge and Farlie (1983). The association of an issue with the party was far more important. Self-interest of the electorate rather than party competence perceptions decided whether the issue was beneficial to a party or not.

Later on, perceived competence at handling different issues became the factor included in the studies instead of the idea of self-interest, apriori declared decisive for voters. This kind of measure has been widely used by the scholarly community (see for example Nadeau & Blais 1990; Petrocik 1996; Schmitt 2001; Bélanger 2003; Holmberg & Oscarsson 2004). Unfortunately, it has been less common that the other part of issue ownership is recognized (and measured) – to be more or less automatically *associated* with an issue. One important exception is the innovative study by van der Brug (2004) who focuses in particular on the perceived *agenda* (the priorities) of political parties instead of relying only on their perceived *competence*.

This aspect of issue ownership, to be associated with an issue, which includes the perspective that issues are anchored in the party system, its history and the social bases of parties – their historical constituencies – cannot be disregarded. Credible commitment matters to the electorate as well. A party gains, or loses, a

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<sup>141</sup> Theoretically, this development is interesting for several reasons. For example, on the one hand, issue ownership effects with positional issues resemble the original theoretical foundation of Budge and Farlie where they reasoned in terms of *net effects*. However strictly speaking, this would in fact mean that only one party still *owns* the issue: namely the party whose *position* has more supporters than the other party's position that owns the issue and benefits from it.

reputation for having certain *priorities* over time, just as might happen with its reputation for the *ability* to handle certain issues. All this cannot be reduced to a question about which party is best at handling a certain problem.

In order to include the second aspect of both Petrocik's and Budge and Farlie's definition of issue ownership – the steadfast interest of parties in certain problems – we would like to know which issues people think are the priorities of the different political parties. Ideally, this question should not be linked to a specific event, such as an election campaign and what issues the parties emphasized in that campaign, but be of a more general nature. What we want our surveys to measure is the associations between parties and issues that exist in the minds of voters. Preferably, our items should not mainly measure which issues parties are talking about at the moment.<sup>142</sup>

We have at our disposal several possible indicators of issue ownership. The Swedish national election studies provide us with two open-ended questions asking respondents: “*Are there any party or parties that according to you have a good/bad policy on ... (different issues)?*”. These items make it possible for us to examine voters' perceptions of party competence. For analysing which issues political parties stress or make a priority in the eyes of the electorate there is another question available in the SNES on: “*Could you say what ... (party) especially emphasized at this year's election?*”.<sup>143</sup> This last question is not ideal for finding out which issues people associate with each party since it is tailored for the election campaigns, but it is as close as we can get. One drawback of using the Swedish National Election Studies is that they are only conducted when an election is held. It would be an advantage when we analyse changes over time and the impact of performance/government record on issue ownership if we had more frequent measurements of public opinion. And fortunately we have. There is another Swedish survey series available where people have been asked: “*When it comes to ... (issue), which party do you think has the best respectively the worst ideas?*”<sup>144</sup>. This question has been posed to the public repeatedly and almost annually since the early 1980s by FSI<sup>145</sup>, although with gaps for some years. The slightly different question wording compared to that of the SNES is not a disadvantage in this case: on the contrary. A general pattern discerned with two independent data sets with different but related wordings make an even more convincing argument than only one indicator. The reference to “ideas” rather than policy might also invoke more general judgements that are less affected by specific and present events, thus more in line with the original

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<sup>142</sup> Such more general questions would most certainly be influenced by recent events all the same and to a certain extent yield similar results, but this would not be so much a problem as an opportunity to examine the influence of recent events on the general image of parties.

<sup>143</sup> This translation is not completely identical to that found on the homepage of the Swedish social science data archive ([www.ssd.gu.se](http://www.ssd.gu.se)). The reason for this is that, in my view, this translation is closer to the original Swedish question wording.

<sup>144</sup> My translation from original Swedish.

<sup>145</sup> FSI is a private survey institute based in Stockholm, although it cooperates with the Department of Sociology at Stockholm University concerning the development and upkeep of its long run database covering surveys since 1955. FSI is an abbreviation for Forskningsgruppen för Samhälls och Informationsstudier – the research group for studies of society and information.

thoughts behind issue ownership theory. Albeit we should not expect this to make a big difference in practice. Data both from the SNES and FSI will be used in this chapter.

When it comes to the other end of the equation – governmental performance – it is obvious that this can be measured in multiple ways. Many different kinds of objective indicators of the development on the labour market can be relevant for evaluating the competence of the ruling party or parties to handle the issue of unemployment. The analysis is, however, restricted to using the level of unemployment as an indicator of governmental performance since this is what is normally used both in studies of economic voting and in the few previous studies of the connection between performance and perceived competence.

One methodological question must be considered before proceeding with the analysis and presenting the data. We expect judgements of party competence and party preferences to be positively related. However, such a correlation can be brought about in more than one way. One possibility is that perceptions of issue handling competence cause people to view one or the other party more favourably. Alternatively, a more positive view of a certain party – for some other reason – might well induce people to see their policies or their ability to handle important questions more favourably as well. In short, this might be a case of reciprocal causation. In addition, this means that it is also possible for a party or candidate to obtain more positive perceptions of handling competence in a certain issue area because perceptions of handling competence in *other* areas have improved (compare Holian 2004:100). Thus, we somehow need to take the general support or sympathy for a party into account when exploring issue ownership and its dynamics. Now the question is how to do this.

What Narud and Valen do is to compare the amount of people that say a certain party has the best policies on an issue with that party's vote share at the same point in time (Narud & Valen 2000:21). Their point of view is that a party should be "over-represented" when it comes to positive evaluations of its policies in order to claim any issue ownership because of the tendency for voters to prefer the policies of their own party. Nadeau and Blais (1990) and Bélanger (2003) proceed in a similar way. They systematically compare perceived competence with party support. In fact, they frame the question as whether "changes in the perceived competence of the ... parties merely reflect changes in their popularity" (Nadeau & Blais 1990:320). However, this way of proceeding entails some important methodological problems.

The main problem with dismissing or accepting issue ownership based on the strict comparison of party issue competence with party support is that party support might partly be a consequence of perceived issue competence. For example, if party A is supported by 40 percent of the electorate and party A is simultaneously perceived as best able to handle issue X by 40 percent of the electorate, that party is not "over-represented" and thus, according to the method proposed by among others Narud and Valen, does not own issue X. But what if this perceived competence contributed largely to the party's support reaching as high as 40 percent in the first place and that it would not be that high without the party's ownership of issue X? In such a case it would clearly be erroneous to say that the party had no ownership simply because their perceived competence was not higher than its overall party support.

If we do not take party size/support into account at all, we risk ending up with the largest party owning all issues. If we fully “control for” party support, we risk erroneously rejecting ownership by large parties due to high perceived competence increasing party support.<sup>146</sup> There is no easy general solution to this problem. Acceptable solutions have to be tailored for specific analyses instead. We should also remember that issue ownership should preferably be seen as a matter of degrees rather than as a dichotomy, thus dismissing the need for a strict formal criterion.

To decide which party has owned the issue of unemployment I will use data on the association of parties with issues as well as perceptions of party competence. When it comes to competence measures, the issue of whether to control for party size or not arises. I will proceed by informally – relying on reason and arguments – relating perceived competence to party support, as well as to the level of perceived competence of other parties.

Another solution is needed in analysing the dynamics of issue ownership and the influence of government performance. Since party support varies considerably over time we do need to take this into account one way or another when examining the fluctuations of aggregate perceived party competence. If we do not, our interpretations could be spurious. But, as explained above, controlling for party support could also lead to erroneous conclusions in that it disregards the possibility that party competence also influences party support.

When analysing the impact of governmental performance on issue ownership, we want to know whether the incumbent’s record in a specific area affects its perceived competence at handling that particular area. This means that, when the record on issue X is bad, we would expect the incumbent’s perceived competence at handling issue X to decrease.<sup>147</sup> If on the other hand the incumbent would gain a general boost in support due to some other event or trend, we would expect this to lead to an increase in public confidence in the incumbent’s competence at handling *all kinds of issues* (compare Holian 2004:100). I argue that, from a theoretical point of view, it is actually better to control for *average party competence* than for party support. If issue ownership is dependent on governmental performance and the record on unemployment is bad, public confidence in the government’s ability to handle the issue of unemployment should fall, not the confidence in its ability to handle *any* issue. And even if such a situation would affect the government’s perceived competence in general, it should at least affect the issue of unemployment *more* than other issues. This way, we can examine whether a party’s competence at handling issue X merely follows a general trend for that party or whether it represents something distinctive to that issue. Then we can concentrate on analysing changes in perceived competence that are idiosyncratic to issue X. In my view the method described

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<sup>146</sup> An additional problem, although perhaps generally less severe, is that if we strictly compare the percent saying party X has the best policy on an issue with party X’s vote share, I think there is a possibility that we risk distorting our results in favour of smaller parties. The main reason for this is that people tend to like small parties more than they actually vote for them. Since general party liking influences perceived competence, smaller parties might be favoured by a strict comparison between party support and aggregate party competence measures.

<sup>147</sup> Provided issue X is a “performance issue” (Petrocik) / “issue without fixed direction” (Budge and Farlie). If it is instead what Budge and Farlie (1983) referred to as an issue with a fixed direction, ownership would be expected to be more stable.

above is superior to that of controlling for party support for the purposes of this chapter and will be used when analysing the stability of issue ownership and the influence of government performance on perceived issue competence.<sup>148</sup>

### THE FIRST CRITERION – BEING ASSOCIATED WITH THE ISSUE

The two components of issue ownership in Sweden will now be empirically examined: the voters' association of a party with an issue and their view of the party's policy on the issue or its ability to handle it. We will first examine which issues voters have seen as important to the political parties during the last decades. Although the focus of the analysis is unemployment, comparisons with other issues will be made as well.

In Sweden, the issue of unemployment has been considered central to the worker movement, the blue-collar labour unions (LO) and the Social Democratic Party. This is a function of its history, where the newly formed Social Democratic Party started struggling for better working conditions at the end of the 19<sup>th</sup> century and a couple of decades later could start introducing unemployment projects and relief work in the 1920s and 1930s. This was followed in the 1940s by the creation of the strong public labour market administration that was to implement the active labour market policy as part of the "Swedish model" (Ohlsson & Olofsson 1998; Rothstein 1996). Previous empirical work analysing the election of 1979 in Sweden has also shown that unemployment has been a positive profile issue for the Social Democrats (Holmberg 1981). This has further been confirmed by later analyses (Gilljam & Holmberg 1995:51ff; Holmberg & Oscarsson 2004).<sup>149</sup> Our general expectation is thus rather clear-cut: the Social Democratic Party is expected to be most strongly associated with the issue of unemployment.

How have voters perceived party profiles regarding unemployment in Sweden? Is there a lot of variation over time in the amount of people that feel unemployment has been an emphasized issue during elections? Are the same parties seen as the guardians of full employment at all elections or does the party that dominates the issue of unemployment differ from time to time? Have the Social Democrats distinguished themselves as the champions of employment in the eyes of the electorate as we expect?

Figure 5.2 sends a very clear message. The Social Democratic Party has undoubtedly been dominating the issue in the eyes of the electorate. The perceived emphasis on the issue varies visibly over time, but more voters always see the Social Democrats as emphasizing unemployment than other parties. In 1988, when the unemployment rate was extraordinarily low and the issue of unem-

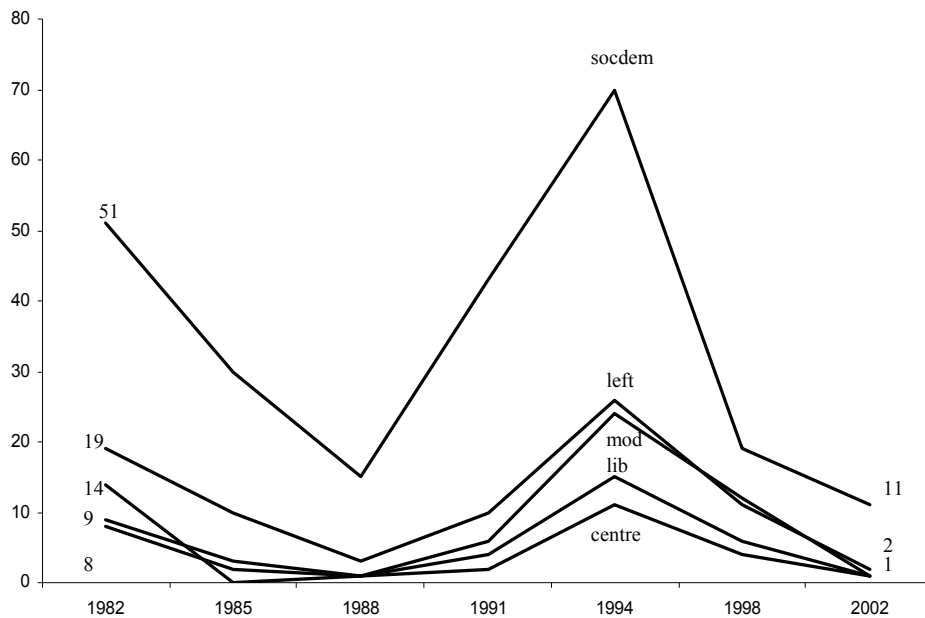
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<sup>148</sup> Although it is a superior option, I do not claim that it solves the problem altogether. Just as we cannot exclude that party competence influences party support, party competence in a single issue such as unemployment may influence the perceived competence to handle other issues (compare Holian 2004:100). Still, I believe that this is likely to be a less severe or less common problem. For example, such an effect is likely to be mediated by party support and therefore to lose some of its impact before affecting other issues.

<sup>149</sup> While many researchers seem to take for granted that the Social Democratic Party is the owner of the issue of unemployment and employment in Sweden, they rarely present any evidence of this. I think that this is partly due to the lack of clear definitions of the concept of issue ownership as well as the lack of clear ideas about how it should be measured. An example of such a study is Blomqvist and Green-Pedersen (2004).

ployment equally low on the public agenda, not even the Social Democrats seem to have spoken much about unemployment, although they were still the ones that put the most emphasis on the issue in the eyes of the voters. The same kind of situation can be seen in 2002. Despite most parties being seen as emphasizing unemployment by almost no one, 11 percent of the electorate still thought the Social Democrats made unemployment a priority. In general, what we see is a pattern where voters' perceptions of the emphasis that parties put on the issue vary strongly over time, but the parties keep their rank order nevertheless. The Social Democratic Party is clearly the party associated with unemployment.

**Figure 5.2 Parties emphasizing unemployment. Share of voters saying the party emphasized unemployment during that years' election campaign (percent).**



*Source:* The Swedish National Election Studies 1982-2002. Since data for the Green Party, the Christian Democrats and New Democracy are not available for the entire period, only five parties are shown. Details on the numbers the graph is based on and on the numbers for the other parties are found in table 5.1.

But how unique is this result to unemployment? Could it perhaps be easier for larger parties like the Social Democrats to get out their message and make their priorities known on any issue? If that is so, it would mean that a large party like the Social Democrats could dominate most issues, which would put the results from figure 5.2 in a different light. It is important for us to know if the differences in perceived emphasis between the parties are particularly large for the issue of unemployment or if what we have seen in figure 5.2 simply represents a general pattern of differential issue emphasis. These questions will be answered through a look at party profiles over time using a small set of issues shown in table 5.1.

**Table 5.1 Party profiles over time. Share of voters saying parties emphasized the specified issues during that year's election campaign (percent).**

|        | Unemployment                |    |    |    | Economy     |    |    |    | Welfare/Health care |    |    |    |    |    |    |    |    |    |    |    |    |
|--------|-----------------------------|----|----|----|-------------|----|----|----|---------------------|----|----|----|----|----|----|----|----|----|----|----|----|
|        | 82                          | 85 | 88 | 91 | 94          | 98 | 02 | 82 | 85                  | 88 | 91 | 94 | 98 | 02 |    |    |    |    |    |    |    |
| left   | 19                          | 10 | 3  | 10 | 26          | 11 | 2  | 2  | 1                   | 1  | 1  | 9  | 2  | 3  | 3  | 2  | 7  | 2  | 10 | 9  | 9  |
| socdem | 51                          | 30 | 15 | 43 | 70          | 19 | 11 | 12 | 14                  | 6  | 7  | 36 | 5  | 5  | 22 | 20 | 9  | 10 | 13 | 16 | 31 |
| centre | 14                          | 0  | 1  | 2  | 11          | 4  | 1  | 6  | 1                   | 1  | 2  | 10 | 1  | 7  | 3  | 3  | 2  | 2  | 1  | 6  | 5  |
| lib    | 9                           | 3  | 1  | 4  | 15          | 6  | 1  | 3  | 5                   | 2  | 13 | 15 | 2  | 2  | 1  | 13 | 10 | 11 | 9  | 11 | 6  |
| mod    | 8                           | 2  | 1  | 6  | 24          | 12 | 1  | 14 | 7                   | 3  | 23 | 42 | 5  | 4  | 3  | 8  | 4  | 3  | 2  | 6  | 7  |
| chrdem | -                           | 0  | -  | 1  | 6           | 5  | 0  | -  | 0                   | -  | 1  | 6  | 1  | 1  | -  | 1  | -  | 3  | 3  | 12 | 6  |
| green  | -                           | -  | 0  | 0  | 6           | 3  | 0  | -  | -                   | 1  | 0  | 4  | 0  | 1  | -  | -  | 0  | 0  | 1  | 3  | 1  |
| newdem | -                           | -  | -  | 2  | 2           | -  | -  | -  | -                   | -  | 9  | 6  | -  | -  | -  | -  | -  | 2  | 1  | -  | -  |
|        | Agriculture/Regional policy |    |    |    | Environment |    |    |    | Religion/Morality   |    |    |    |    |    |    |    |    |    |    |    |    |
|        | 82                          | 85 | 88 | 91 | 94          | 98 | 02 | 82 | 85                  | 88 | 91 | 94 | 98 | 02 | 82 | 85 | 88 | 91 | 94 | 98 | 02 |
| left   | 0                           | 0  | 0  | 0  | 0           | 0  | 0  | 1  | 3                   | 19 | 3  | 5  | 0  | 1  | 0  | 0  | 0  | 0  | 0  | 0  | 0  |
| socdem | 0                           | 0  | 0  | 0  | 0           | 0  | 0  | 1  | 2                   | 21 | 1  | 1  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  |
| centre | 2                           | 6  | 3  | 6  | 2           | 1  | 16 | 12 | 22                  | 36 | 19 | 30 | 3  | 2  | 0  | 0  | 0  | 0  | 0  | 0  | 0  |
| lib    | 0                           | 0  | 0  | 0  | 0           | 0  | 0  | 1  | 2                   | 9  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  |
| mod    | 0                           | 0  | 0  | 0  | 0           | 0  | 0  | 0  | 0                   | 6  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  | 0  |
| chrdem | -                           | 0  | -  | 0  | 0           | 0  | 0  | -  | 4                   | -  | 1  | 0  | 0  | 0  | -  | 11 | -  | 21 | 9  | 9  | 17 |
| green  | -                           | -  | 1  | 0  | 0           | 0  | 7  | -  | -                   | 78 | 48 | 57 | 19 | 32 | -  | -  | 0  | 0  | 0  | 0  | 0  |
| newdem | -                           | -  | -  | 2  | 0           | -  | -  | -  | -                   | -  | 1  | 0  | -  | -  | -  | -  | -  | 3  | 0  | -  | -  |

Source: The post-election surveys of the Swedish National Election Studies. Percentages are based on all respondents.



Table 5.1 makes it clear that larger parties, like the Social Democrats or the Moderate Party, do not automatically dominate most issues. While one might get that impression from a quick glance at the issues of the economy or unemployment, this is not the whole picture. In fact, we sometimes find quite high association scores for smaller parties. Examples of this include the issue of the environment for the Green Party from 1988 to 1994, when more than half of the electorate mentioned this issue, or in 1991 when 21 percent mentioned religion/morality for the Christian Democrats. Small parties can dominate certain issues too.<sup>150</sup> This means that the strong association between the Social Democrats and the issue of unemployment cannot be attributed to the size of the party alone.

Is the Social Democratic dominance of unemployment unusually big then? Actually, table 5.1 gives no clear answer to this. Having as many as 70 percent of citizens saying the party emphasized an issue, as in 1994, is definitely unusual. On the other hand it is not unique. We also find that 78 percent said this of the Green Party in 1988 concerning the issue of the environment. We can usually find some issues at every election that reach above 50 percent for some party. In 2002, for example, 61 percent of respondents said the Moderate Party emphasized taxes and 56 percent said the Liberals emphasized immigration issues during their campaigns (these issues are not reported in table 5.1, but see Holmberg & Oscarsson 2004:128). Furthermore, in 1998 and 2002, the lead for the Social Democrats compared to other parties is barely 10 percentage points, which is a more modest difference than earlier. In summary, my conclusion is that, although the Social Democrat dominance of the issue of unemployment is clearly tangible, there is nothing unique about the size of this dominance, at least not after 1994.

In fact, most issues are dominated by one, or possibly two, parties. This is also in accordance with a large number of studies confirming that political parties or candidates are issue ownership campaigners, which means that they prefer to campaign on issues where they are at an advantage compared to their opponents and that they try to put these issues on the electoral agenda (Abbe et al. 2003; Petrocik et al. 2003; but for a contrary view see also Sigelman & Buell 2004; for some recent examples see Simon 2002).

From what we have seen thus far it is fully possible that the Social Democrats have owned the issue of unemployment. At least they fulfil the first requirement – being associated with the issue. Some years the share of people saying they emphasized the issue is quite low, but still higher than for other parties, so the issue has never completely ceased to be something that people associate with the Social Democrats. What remains to be investigated is our second requirement for issue ownership – that people have a positive view of the party's policy in that area.

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<sup>150</sup> Perhaps it is no coincidence that small parties usually have dominant status on issues that are generally lower on the agenda or issues that other parties neglect. Examples here include agriculture/regional policy (also including decentralization) for the Centre Party and moral issues for the Christian Democrats. It is also striking that, when an issue is salient in general and high on the public agenda or the media agenda, parties that are normally not associated with that issue are more likely to be perceived as emphasizing those issues too. The most apparent examples of this phenomenon are the environment in 1988 or unemployment and economy in 1994.

## THE SECOND CRITERION – BEING PERCEIVED AS COMPETENT

It takes more than being associated with an issue to claim ownership of it.<sup>151</sup> The electorate should also have a relatively positive view of the party's policy in the area or its ability to solve the problem at hand, its issue competence. To examine this second requirement of issue ownership, data from the SNES and from FSI are used to examine how the electorate has judged the parties' policies in different areas. Apart from the question concerning the status of issue ownership of unemployment in Sweden, this section seeks to answer questions about the stability of this potential ownership and how much government performance matters to party competence. Can unemployment be characterized as what Petrocik labelled a performance issue or is ownership of unemployment stable and anchored in long term factors?

We have already discussed two factors that might make issue ownership fluctuate over time. These are the general amount of support for a party and performance in the particular area being considered. We might also consider a third factor: incumbency – whether a party is in government or not.<sup>152</sup> A party in power necessarily has to face the constraints of public office and economic conditions or parliamentary compromises and bargaining to a larger extent than opposition parties do. If a party is formally responsible and forced to deal with the dismal realities of budget discipline and policy implementation, it might be harder to be perceived as best able to handle an issue than it is for a party enjoying the freedom of opposition. The hypothesis that policy evaluations tend to be weakened once a party is in office and to be strengthened when a party goes into the opposition will therefore be tested.<sup>153</sup> The idea behind this hypothesis is that it is easier to be perceived as competent when not in power. Although the focus in this section of the chapter is on the effects of performance, all three factors will be included in the analysis in the last part of the section when potential determinants of issue ownership are examined. If we only examined the effects of performance alone we would risk arriving at spurious interpretations of the findings.

### *Who owns the issue of unemployment?*

In the previous section we saw that the Social Democrats are clearly associated with the issue of unemployment and that the public is well aware of their emphasis on this issue. Now the question is whether they are also seen as having a good policy on unemployment and thus as able to handle that particular problem.

Two sets of open-ended questions included in the Swedish National Election Studies are used. First, respondents are asked if there are any party/ies that they

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<sup>151</sup> The association between a party and an issue examined in the previous section is not appropriate to use to answer the two other main questions of this chapter – the stability of issue ownership and its sensitivity to governmental performance. This is because of the fluctuating nature of the agenda. It is to be expected that the agenda and the content of campaigns change in line with changes in the world voters live in and with objective indicators of governmental performance (as seen in Chapter 4). These questions will instead be addressed in the following section that focuses on perceived issue competence of parties.

<sup>152</sup> For an example of a study that examines the effect of incumbency on the formation of voters' policy evaluations, see Butt (2006).

<sup>153</sup> However, public office also has its advantages, of course. Suffice to mention the most straightforward for our purposes – the possibility to claim credit for policy success.

think have a good policy on a selection of issues. Next, respondents are instead asked for parties with bad policy on the same issues. I treat respondents who do not mention a specific party as having either good or bad policy on a certain issue as having no opinion concerning that party's policy. Even though these respondents are not *explicitly* taking a neutral stance, I think that it is reasonable to assume that they at least do not have a very strong opinion either in favour or against that party's policy on that particular issue.

**Table 5.2 Perceived party competence concerning unemployment 1982-2002 (percent)**

| Party  |                           | 1982       | 1985       | 1988       | 1991       | 1994       | 1998      | 2002       |
|--------|---------------------------|------------|------------|------------|------------|------------|-----------|------------|
| left   | Good policy               | 8          | 6          | 6          | 5          | 7          | 14        | 12         |
|        | No opinion                | 85         | 89         | 91         | 88         | 86         | 71        | 75         |
|        | Bad policy                | 7          | 5          | 4          | 6          | 7          | 15        | 13         |
|        | <b>Measure of balance</b> | <b>+1</b>  | <b>+1</b>  | <b>+2</b>  | <b>-1</b>  | <b>0</b>   | <b>-1</b> | <b>-1</b>  |
| socdem | Good policy               | 42         | 37         | 48         | 38         | 38         | 24        | 32         |
|        | No opinion                | 49         | 54         | 49         | 49         | 56         | 56        | 55         |
|        | Bad policy                | 9          | 9          | 3          | 13         | 6          | 20        | 13         |
|        | <b>Measure of balance</b> | <b>+33</b> | <b>+28</b> | <b>+45</b> | <b>+25</b> | <b>+32</b> | <b>+4</b> | <b>+19</b> |
| centre | Good policy               | 12         | 6          | 6          | 8          | 5          | 7         | 9          |
|        | No opinion                | 71         | 88         | 91         | 88         | 91         | 84        | 86         |
|        | Bad policy                | 17         | 6          | 3          | 4          | 4          | 9         | 5          |
|        | <b>Measure of balance</b> | <b>-5</b>  | <b>0</b>   | <b>+3</b>  | <b>+4</b>  | <b>+1</b>  | <b>-2</b> | <b>+4</b>  |
| lib    | Good policy               | 8          | 10         | 8          | 13         | 7          | 12        | 16         |
|        | No opinion                | 76         | 86         | 88         | 83         | 88         | 79        | 78         |
|        | Bad policy                | 16         | 4          | 4          | 4          | 4          | 10        | 6          |
|        | <b>Measure of balance</b> | <b>-8</b>  | <b>+6</b>  | <b>+4</b>  | <b>+9</b>  | <b>+3</b>  | <b>+2</b> | <b>+10</b> |
| mod    | Good policy               | 13         | 11         | 7          | 18         | 16         | 24        | 16         |
|        | No opinion                | 65         | 71         | 78         | 69         | 63         | 58        | 68         |
|        | Bad policy                | 22         | 18         | 15         | 13         | 21         | 18        | 16         |
|        | <b>Measure of balance</b> | <b>-9</b>  | <b>-7</b>  | <b>-8</b>  | <b>+5</b>  | <b>-5</b>  | <b>+6</b> | <b>0</b>   |
| chrдем | Good policy               | -          | -          | 1          | 3          | 2          | 10        | 8          |
|        | No opinion                | -          | -          | 99         | 94         | 93         | 81        | 85         |
|        | Bad policy                | -          | -          | 0          | 3          | 5          | 9         | 7          |
|        | <b>Measure of balance</b> | <b>-</b>   | <b>-</b>   | <b>+1</b>  | <b>0</b>   | <b>-3</b>  | <b>+1</b> | <b>+1</b>  |
| green  | Good policy               | -          | -          | 1          | 1          | 2          | 7         | 5          |
|        | No opinion                | -          | -          | 90         | 90         | 92         | 79        | 81         |
|        | Bad policy                | -          | -          | 9          | 8          | 6          | 14        | 14         |
|        | <b>Measure of balance</b> | <b>-</b>   | <b>-</b>   | <b>-8</b>  | <b>-7</b>  | <b>-4</b>  | <b>-7</b> | <b>-9</b>  |

*Comment:* Percentages are based on all respondents. The measure of balance is calculated by subtracting the share of respondents saying the party has bad policy on the issue from the share of respondents saying the party has good policy. Data are from the Swedish National Election Studies.

The Social Democrats have indeed had a strong position among the public when it comes to unemployment policy. People not only associate the Social Democrats with this issue but they also have a favourable view of the party's unemployment policies. When perceived competence was at its highest, in 1988, almost half the electorate (48 percent) said the party had good policy in the issue and a mere three percent said they had bad policy, although this has changed considerably over time. By 1998 the situation was very different. Only about 24

percent still thought the Social Democrats had a good unemployment policy, while as many as 20 percent thought their policy was bad. Clearly, issue ownership is not an entirely stable phenomenon, at least not when it comes to unemployment. But despite these fluctuations the Social Democratic party still has the most positive public view on their unemployment policy during the period 1982 to 2002. No other party comes close to having so many people perceiving their unemployment policy as good or to having an equally positive measure of balance. The only exception is in 1998 when the Moderate Party momentarily manages to reach a slightly more positive public view (a measure of balance of +6 compared to +4). In summary, our conclusion is that the Social Democrats also fulfil the second criterion for issue ownership of unemployment – being perceived as competent and able to handle the issue.

However, a clear question mark remains for the election of 1998. While we have no formal criterion for what constitutes a positive enough view of a party's policy for claiming ownership of an issue, this remains arbitrary. Still, in my view, when the balance between those who are positive and negative towards the Social Democrats' unemployment policy almost offset each other and only four net percentage points remain, it is no longer justified to call this issue ownership. Especially not when another party has an equal amount of people that regard their policy as good and a slightly more positive measure of balance.

It is also noteworthy that what really makes a difference in 1998 is not so much the decrease in the number of people with a positive view of their policy as the combination of this decrease with a marked increase in the number of people perceiving their policy as bad. Never before in the period under study have so many people perceived the unemployment policy of the Social Democrats as bad. This also makes it clear that issue ownership is not a constant, at least not regarding the issue of unemployment. The topic of stability will now be pursued more thoroughly.

### *The stability of issue ownership*

From table 5.2 we can see that, for most parties, the policy evaluation among voters does not change a great deal. This goes for the Greens, the Christian Democrats, the Centre Party and the Left Party. The largest fluctuations are seen for the Social Democrats, which also happens to be the largest party. Some smaller fluctuations can also be seen early on for the Liberals and from 1991 and forward for the Moderate Party.

When we look only at the net figures, we see that the numbers for the Left Party hardly change at all. The net figure never goes below -1 and never above +2 during the whole period, although behind these numbers some changes have occurred after the mid 1990s. From 1998, both people with negative and positive views of the party's unemployment policy proliferate. This also happens to coincide with a generally increased support for the Left Party in the 1998 and 2002 elections. Such changes also occur for other parties now and then, as seen in table 5.2, for example for the Liberals and the Green Party in 1998. However, as in the original work by Budge and Farlie, we are mainly interested in net effects.

We already know, however, that perceived competence at handling unemployment has not been entirely stable, and perhaps especially not so for the Social Democrats (see table 5.2), this ought to be systematically related to the stability of other issues and other parties. To analyse and compare stability of per-

ceived issue competence over time, I will use the aggregate time series of the measures of balance (net figures) based on the SNES to calculate average absolute deviations from the means of the time series themselves. This allows us to examine and compare how much party competence varies over time. Standard deviations and variance have also been computed and yield the same conclusions, but average absolute deviations (AADs) are used since it is easier to understand their substantial meaning. Below, AADs are shown for a selection of issues included in the SNES surveys for at least six consecutive elections.

**Table 5.3 Fluctuations in perceived party competence 1985-2002 (AAD)**

|                 | left | socdem | centre | lib | mod | mean |
|-----------------|------|--------|--------|-----|-----|------|
| Unemployment    | 1.3  | 9.0    | 2.6    | 4.1 | 5.1 | 4.4  |
| Swedish economy | 2.1  | 8.9    | 2.0    | 5.2 | 5.2 | 4.7  |
| Taxes           | 2.6  | 6.4    | 1.4    | 4.5 | 5.5 | 4.1  |
| Environment     | 1.1  | 2.7    | 6.7    | 1.6 | 2.7 | 3.0  |
| Social security | 3.7  | 5.6    | 2.0    | 3.7 | 3.9 | 3.8  |
| Child care      | 2.3  | 3.0    | 3.9    | 3.8 | 4.5 | 3.5  |
| Mean            | 2.2  | 5.9    | 3.1    | 3.8 | 4.5 | 3.9  |

*Comment:* Numbers are Average Absolute Deviations (AAD) of the measures of balance shown in table 5.2. The five parties included in the table were chosen because they have been represented in Parliament during the entire period. The issues were selected because they had been included in the SNES all the way back to 1982, with the exception of taxes, social security and child care, which were introduced in 1985.

The fluctuations in perceived competence are noticeably larger for the Social Democrats than for any other party. The mean of our measure of stability – AAD – for the six issues is almost equal to 6 points while the party with the second largest fluctuations, the Moderate Party, has a mean AAD of 4.5. Generally, the amount of instability seems to be positively related to party size. The Left Party, which has often, but not always, been one of the smallest parties in terms of electoral support, has the smallest average fluctuations (2.2). Meanwhile, the Social Democrats and the Moderate Party have means of 5.9 and 4.5, respectively. Larger political parties experience more fluctuations in the level of their perceived competence than smaller parties do.

This could also be due in part to the fact that the Social Democrats were in office for five out of the six incumbency periods between 1982 and 2002. It would seem reasonable to expect more fluctuations in how the competence of incumbents is perceived than in the competence of opposition parties. For incumbents, voters actually have a record to judge from. But, then again, if the Social Democrats being in government for most of this period is the only reason for the increased instability in absolute numbers for Social Democratic competence, then why would the Moderate party with few exceptions have the second largest instability when they were only in government between 1991 and 1994? And why should the Left party be so obviously untainted by its long parliamentary support of Social Democratic governments and exhibit almost no instability of perceived competence at all? When we look at the means of the AADs for these

six issues, the ranking so obviously corresponds<sup>154</sup> with the average electoral support the parties have received during the period covered here that these differences cannot reasonably be attributed only to parliamentary status – whether or not the parties have been in government. Party size clearly seems to increase the fluctuations in party competence in the Swedish case.<sup>155</sup>

Let us now turn to the comparison of issues instead of parties. Generally, issues related to the economy seem in some way to fluctuate slightly more than other issues. Unemployment, the economy and taxes all score an AAD higher than 4, while this is not true for any other issue in table 5.3. This is an indication that Petrocik's notion of performance issues is empirically valid. The difference is on average very small, however. For example, averaged over five parties, the issue of unemployment has an AAD of 4.4 while social security, a “non-performance issue” in the vocabulary of Petrocik, reaches 3.8. Such a difference is not substantially important. In fact, it is only for the Social Democrats that the higher instability of unemployment and the economy is evident. For the other four parties, the AAD for unemployment and the economy is either below, or only slightly above, their average.

The data set available from FSI not only provides us with the opportunity to validate our results with a separate data source and slightly different question wording<sup>156</sup>, it also provides us with more information about the dynamics of change when it comes to ownership of the issue of unemployment because of its more frequent measurements. With the almost annual measurements of FSI we get closer to knowing when changes occur, which is of importance for understanding what might have caused them. For now, however, our interest remains with the degree of fluctuations over time. The time series from FSI starts in 1984, which yields a span of 19 years until 2002. Data for five of these 19 years are missing, which leaves us with 14 actual observations. These missing data are replaced in some of the analyses with interpolated means, but checks with the original data set are always made to ensure the reliability of the results.

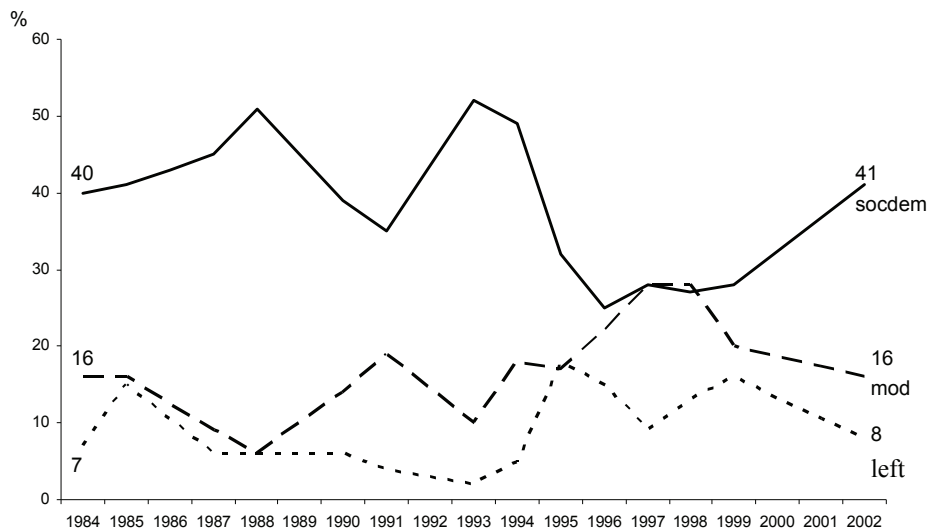
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<sup>154</sup> The average electoral results between 1982 and 2002 for the five political parties included in table 5.3 are as follows: left 6.8%, socdem 41.8%, centre 9.5%, lib 9.5%, mod 20.8%. Further, the correlation between these average electoral results and the parties' means of the average absolute deviations for the six political issues covered in table 5.3 reaches +0.930.

<sup>155</sup> That larger political parties should more easily attract *either* positive or negative attitudes towards their policies due to sheer size is understandable. Possible reasons for this include that the parties are usually better known in themselves or that they are more important to policy making or that they receive more media attention. However, I see no obvious reason for size also causing increased instability *in the net values* of perceived competence. Not only is the fluctuation in the share of respondents that say they have good or bad policy higher for larger parties than for smaller parties, but the fluctuations *in the balance* between the share that says they have good or bad policy is higher as well. As I have not seen any previous mention of such observations in other studies, further analyses are required before such a correlation can be considered established.

<sup>156</sup> As mentioned above in the section on data and methods, FSI asks which party has *the best ideas* rather than whether any party or parties have *good policy* on a set of issues. Thus, there are two main differences: first, the use of the word *ideas* rather than *policy*, and, second, in the surveys by FSI the respondent is asked to name *one* party while the SNES allow several responses. The second of these two differences can be seen as having different thresholds: FSI responses include parties that are “best”, while the SNES item registers parties able to pass a lower threshold where it is sufficient to be “good”. In general I think that both items provide equally valid measures of perceived competence, while they can have their pros and cons when used in specific statistical models.

**Figure 5.3 Perceived party competence concerning unemployment for three parties 1984-2002 (percent)**



*Comment:* The lines in the graph represent the percent of respondents saying that a party has the best policies on unemployment. For five years, the numbers are interpolated means since measurements are lacking: 1986, 1989, 1992, 2000 and 2001. The data source is FSI. Absolute numbers behind the lines in the graph are found in table A.33.

Figure 5.3 largely confirms the picture from the SNES. The Social Democrats have generally enjoyed the greatest public confidence when it comes to the issue of unemployment. Again we notice that this approving judgement of their policy has experienced a transitory dip towards 1991, followed by a longer one from 1995 and onwards. Just as in the SNES, we observe a unique situation in 1998 when the Moderate Party is actually judged more favourably than the Social Democratic Party with respect to unemployment policy. Similar findings were shown in table 5.2, but now we see that this period of lower perceived competence actually already started in 1995-96, soon after the Social Democrats returned to power in 1994. The dip during the second half of the 1990s was longer and started earlier than could be seen in the SNES data.

When we apply our instability measure (AAD) to the FSI data shown in figure 5.3, we get a mixed picture. Just as before, the AAD for the Social Democrats is larger than for other parties. For the issue of unemployment, the AAD is 7.6 for the Social Democrats, 4.7 for the Moderate Party and 4.4 for the Left Party.<sup>157</sup> This is also true in general. The mean AAD for seven issues for which data are available since 1984 is twice as high for the Social Democrats, 5.6, than for the Moderate Party, 2.7.<sup>158</sup> Unlike the results seen previously in table 5.3, however,

<sup>157</sup> These numbers are based on original data set with only 14 observations and not on the interpolated series shown in figure 5.3. The results remain the same, however, except that AADs for the interpolated series are consistently slightly lower, as is to be expected.

<sup>158</sup> The issues included are unemployment, the economy, taxes, pensions, health care, defence and school/education.

the instability of perceived competence with regard to unemployment for the Social Democrats is not very much higher than that for other issues. When studying the Social Democrats separately, data for a total of 11 issues can be analysed. AAD for unemployment is still well above the average of those 11 issues<sup>159</sup> with an AAD of 7.6 compared to a mean of 5.4 for all 11 issues. Nevertheless, many issues that would normally not be considered to belong to the category of performance issues come close to achieving the same amount of variation over time. The economy and taxes both have lower AADs than unemployment, but an issue like pensions has the same amount of fluctuation, 7.6, and elderly care and health care come very close, with AADs of 7.2 and 6.3, respectively. These issues certainly belong to the supposedly more stable realm of welfare issues. The issue of equality between men and women also exhibits a great deal of fluctuation for the Social Democratic Party, with an AAD of 7.4.

Issues for which we observe the smallest amount of variability over time include nature conservation (2.3), child care (3.2) and defence (3.0). It is less clear in the FSI data that unemployment competence varies more than other issues for the Social Democrats. Its AAD is above the mean, but many other issues that are normally not regarded as performance issues reach about the same level of fluctuation over time.

What we have seen here is that the Social Democrats have indeed owned the issue of unemployment. However, their perceived competence at handling this issue, and thus the strength of their ownership of the issue, shows a large amount of variation. Sometimes, such as in 1998, it has varied to the point where they no longer have a clear ownership of unemployment. Further, the instability of issue ownership is greater for the Social Democrats than for other parties and perhaps especially so for unemployment and the economy, at least in the SNES data. Evidence from the FSI data on the other hand indicates that many other issues belonging to the realm of social issues or welfare are just as unstable as unemployment. Instability over time in the competence judgements is a sign that the issues do not conform to the traditional conception of issue ownership as a stable phenomenon; these issues instead resemble Petrocik's notion of performance issues.<sup>160</sup> This analysis has shown, however, that the instability of competence judgements does not seem unique to unemployment or economic issues. Thus, Petrocik's categorization of certain issues as performance issues cannot be fully confirmed and we cannot a priori assume that issue ownership of certain issues is either very stable or easily moved and quickly fluctuat-

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<sup>159</sup> The issues included are unemployment, the economy, taxes, pensions, health care, defence, school/education, nature conservation, child care, elderly care and equality between men and women.

<sup>160</sup> The focus of this chapter has mainly been on fluctuations in issue ownership due to the assumption of much of the early work in the field that issue ownership is stable over time, except perhaps for a few special cases: performance issues (Petrocik) or issues lacking fixed direction (Budge and Farlie). Naturally, examples of stability or limited fluctuations are found in the data used in this study too. The environmental issue provides us with an example of stability in an area where there seems to be a clear issue ownership situation. The relatively small environmental party constantly floats far above the other parties. Regional policy seems to be another example of the notorious stability, except that no party seems to be significantly ahead of the others. Finally, the issue of elderly care shows a situation where a relatively small party – the Liberals – had a very favourable situation, given its size, from 1985 to 1991, and then gradually slipped to a more ordinary level and lost its ownership of the issue.



ing. The real test for the concept of performance issues is, however, whether the strength of issue ownership is influenced by actual governmental performance. This will be investigated in the next section.

## **DETERMINANTS OF PARTY COMPETENCE**

This last section aims at answering the question of whether issue ownership of unemployment is dependent upon short term good policy performance. In analysing the impact of performance on perceptions of party competence, two more factors will be taken into account: average perceived competence and parliamentary status (incumbent or not). The first step is, however, to examine the relationship between competence judgements and general party support and to test the incumbency hypothesis that claims that it is easier to receive favourable competence judgements while in opposition.

Changes in party's perceived issue competence are in all likelihood not only affected by how the public actually feels about the party's policy in that particular area. An upsurge of support for a party for some other reason might well add to that party's credibility at handling all issues. Likewise, it can happen the other way around, that an increase in perceived competence might boost general support for a party, and thus indirectly also their credibility at handling other issues. But how closely related are the amount of electoral support a party receives and its perceived competence at handling various issues? Two important questions are whether party competence is merely a reflection of party sympathy and whether changes in perceived competence for different issues move in tandem or whether the changes tend to be idiosyncratic.

Support for the Social Democratic Party dropped considerably between the 1988 and 1991 elections. At the same time, according to the SNES, their perceived competence in areas as diverse as unemployment, the economy, taxes, nuclear power, social security, environment and child care quickly diminished. The net figures (measures of balance) for their perceived competence dropped noticeably in general, although the fall was most pronounced for unemployment (20 percentage points) and the economy (35 percentage points). That all these seven issues decrease at the same point in time is not likely to be due to separate events, scandals, bad performance or policy shifts in all of these different areas independently and simultaneously. Instead there is probably some common underlying factor that affects all of these policy evaluations. Similar results are visible for the Moderate Party. Between 1988 and 1998, for example, the Moderate Party's competence in the eyes of the electorate experienced constant ups and downs for each and every election. As expected, these ups and downs have systematically moved in the same direction as the party's vote share.

FSI data are used to assess more precisely how strongly related general party support and perceived party competence are. A selection of seven different issues is combined with opinion poll data from the Swedish survey institute SIFO. Indeed, when the average of the share of people that say the Social Democrats are best able to handle the issues of unemployment, the economy, taxes, pensions, health care, defence and schooling/education are correlated with the poll data on which party people say they would vote for if there were to be an election

today<sup>161</sup> between 1984 and 2002 it becomes obvious that the connection is quite strong ( $r=.88$ ,  $p=.000$ ,  $n=19$ ). This is also true for the Moderate Party ( $r=.77$ ,  $p=.000$ ,  $n=19$ ).<sup>162</sup>

Public competence judgements are evidently strongly correlated to party support over time. But, if this is so, is any independent policy evaluation going on or are perceived competence judgements simply reflections of general party attitudes? Does the public notice what the parties' political messages, policies, priorities and performance when in government are? Still, political parties are not perceived as equally competent in all areas. Are there perhaps any idiosyncratic changes in our time series of competence perceptions – changes that do not follow the main trend for that party? The correlations between the competence perceptions of different issues themselves are now examined to shed some light on these questions.

Albeit the development over time of competence judgements for many issues are highly correlated, all correlations are not equally strong. For the Social Democratic Party, the competence at handling the issue of unemployment is clearly less strongly correlated with the competence at handling the economy than it is with the competence at handling welfare issues. Their perceived competence at handling unemployment does not primarily move hand in hand with their perceived competence at handling the Swedish economy. For unemployment, the correlation with the economy in the FSI data is weaker ( $r=.34$ ,  $p=.152$ ) than it is with issues such as health care ( $r=.82$ ,  $p=.000$ ), child care ( $r=.71$ ,  $p=.001$ ), elderly care ( $r=.88$ ,  $p=.000$ ) or pensions ( $r=.89$ ,  $p=.000$ ).<sup>163</sup> The conclusions are similar with the SNES data. In the SNES, the Social Democrats' competence at handling unemployment shows almost no correlation at all over time with their ability to handle the economy ( $r=.09$ ,  $p=.844$ ,  $n=7$ ). Thus, the public's evaluation of the Social Democrat's competence at handling unemployment seems to be more closely related to their credibility in traditional welfare issues than to their ability to manage the economy. This finding is actually very much in line with the conclusion of Blount (2002), whose factor analyses indicate that voters weight unemployment as a social as well as an economic issue. Further, as we remember from the beginning of this chapter, Budge and Farlie (1983) actually gave unemployment a dual classification already at the start of issue ownership

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<sup>161</sup> The numbers used here are taken from the third quarter of each year in SIFO's monthly opinion polls.

<sup>162</sup> These estimates are based on the partly interpolated FSI data (see table A.33). Since the competence data (FSI) and the party support data (SIFO) come from *separate* surveys and only one of them contains missing values, the risk of artificially inflating correlations should not be too high. In fact, correlations run on the original data (with 14 observations instead of 19) are even slightly higher and still significant at  $p<.001$ . In point of fact, these results are remarkably stable. For instance, if we restrict our interest to election years, thus bounding our number of observations to six throughout this period, the results remain virtually the same (Social Democrats:  $r=.88$ ,  $p=.019$ ,  $n=6$ , and the Moderate Party:  $r=.74$ ,  $p=.091$ ,  $n=6$ ). A non-parametric bootstrap (200 replications) further confirmed this and yielded quite small standard errors for our correlation coefficients – about .08 for Social Democrats and about .12 for the Moderate Party – which both leave a good margin for establishing a significant correlation.

<sup>163</sup> Once again these results are based on the partly interpolated data set, and the number of observations is thus 19 for all these correlations. However, the original data with 14 observations yields very similar results.

theory. They classified it both as a performance based issue “without fixed direction” as well as a welfare issue, and thereby owned by socialist/left parties.<sup>164</sup>

Perceptions of party competence exhibit a pattern of tandem movements. We observe policy evaluations moving together over time. Although the correlations are generally high, there clearly also exists variation between issues. Despite parallel patterns, the cluster of party support and issue competence in different issue areas is not monolithic. All issues do not follow the general trend all the time.

### *Does incumbency affect party competence?*

As stated earlier, a political party’s parliamentary status may also have an independent impact on public evaluations of party policy competence. The hypothesis that it should be easier for a party to achieve a high standing concerning its perceived issue competence when not in government will now be examined. If this idea is correct, we can also expect a tendency for parties to experience a decrease in perceived competence when in government and being held responsible for the development in various policy areas. This is the incumbency hypothesis of party competence.

Since the parliamentary situation of a political party is at least partially determined by its level of popular support, this has to be taken into account as well. Another reason to take party support into account is the findings in Chapter 3 that the amount of support for incumbents follows a certain pattern during the electoral cycle. After an election, support for the incumbent typically drops rapidly during the first year and then falls more gradually until just before the next election. Since we have also seen that competence judgements tend to follow party support, the hypothesized incumbent effect on party competence perceptions and the effect of the electoral cycle of party support pull in the same direction. In order for the incumbency hypothesis to receive support, there should be an independent negative effect on party competence for parties in government on top of the negative effect of the electoral cycle of party support. The question is whether and how incumbency status for parties affects perceived issue competence.

Since 1994 is the only occasion during the period studied here when the Social Democratic Party was in opposition at the upcoming election, let us examine what happened during the preceding incumbency. As predicted by our incumbency hypothesis, the Social Democratic Party gained confidence among the public in several issue areas: between 1991 and 1994 the net values increased by 7 points for unemployment and child care, by 11 points for social security and

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<sup>164</sup> If we examine the Moderate Party for a moment the situation looks different. There, the issue of unemployment is most strongly related to the economy ( $r=.82$ ) and second most strongly to taxes ( $r=.76$ ). Nevertheless, we can still observe some kind of welfare issue cluster for the Moderate Party, too, including for example health care and schooling/education. This could be seen as a sign that the Social Democrats have a special link to the issue of unemployment. Unfortunately I have not been able to get hold of all existing data from FSI, which means that information on fewer issues are available for the Moderate Party than for the Social Democrats and that a comprehensive data set including all parties could not be constructed. While more data are needed for such methods to be applicable, some tentative factor analyses on the SNES data for the Social Democrats indicated three possible dimensions in the material: 1) welfare related issues (including unemployment), 2) economy and taxes, and 3) environmental issues and nuclear power. However, for the Moderate Party the solution looked slightly different, with welfare and economic issues in the same dimension.

by 1 for energy and nuclear power.<sup>165</sup> For some issues less, for some more. After returning to power in 1994, their perceived competence instead dropped substantially in many areas until the next election in 1998: 11 points lower net value of party competence for taxes, 17 points lower for social security and as much as 28 for unemployment. However, one issue contradicts the general pattern. The Social Democrats' net value for competence concerning the Swedish economy increased by 6 points between 1994 and 1998. The average change for seven issues in the net values of perceived competence for the Social Democrats when in opposition, between 1991 and 1994, is plus 8, while the average change when in government, between 1994 and 1998, is minus 9 (for more information see table A.34). For the Moderates – the largest party in the centre-right coalition of 1991-1994 – the pattern is similar, but reversed. The Moderate Party also experienced quite a large drop in perceived competence in 1994 after having been in power for three years (an average change of minus 13) but, at the next election in 1998, they had regained most, but not all, of this (an average change of plus 8). Thus, a brief inspection of the data seems to support the incumbency hypothesis of party competence.

However, regression analysis is used in order to formally test the incumbency hypothesis and to control for effects of the electoral cycle of party support. The most suitable approach is to create a stacked data set where the observations over time from FSI are transformed from a data set where points in time are the units of analysis to a data set where the perceived competence of a party for a certain issue at a specific point in time makes up the units of analysis.<sup>166</sup> The SIFO opinion polls employed in Chapter 3 are used to measure party support. A unit of analysis that better matches our substantial interest is obtained by using a stacked data set. In addition, the number of observations is increased, which is also needed. In this case we are not interested in specific time points, our interest lies in how perceived issue competence relates to parliamentary status and party support.

Due to limitations in available data the following analysis only includes the perceived competence of the Social Democrats and the Moderates. The same seven issues that were used earlier are included: unemployment, the economy, taxes, pensions, health care, defence and schooling/education. This means that the number of observations increases from 19 to 266 (19 years \* 2 parties \* 7 issues) when moving from the original data set to the stacked data matrix.<sup>167</sup>

When controlling for party support we should be aware that we are actually perhaps subsuming the incumbency hypothesis to an overly tough test for the reasons stated earlier. It is not completely realistic to treat general party support as exogenous to party competence; a reciprocal influence process is more likely. Thus, we risk slightly overstating the importance of party support and thereby suppressing the incumbency effect to some extent.

A preliminary regression not including party support confirms the previous impression (based on table A.34) that incumbency does have a negative effect on

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<sup>165</sup> These numbers are measures of balance from the SNES, similar to those reported in table 5.2. For more information, see table A.34.

<sup>166</sup> For a similar analytical approach, see Nadeau (1990) or Bélanger (2003).

<sup>167</sup> For good explanations of how the stacking of a data matrix is done, see for example van der Eijk and Franklin (1996:Appendix B), Schmitt (2001:46-49) or Holmberg and Oscarsson (2004:144-145).

party competence. Being in government lowered competence perceptions by more than 4 percentage points ( $b=-4.14$ ).<sup>168</sup> This indicates that the Social Democrats as well as the Moderates receive lower policy evaluations when in office. However, this might be due to a tendency to lose support once in office – the cost of ruling. When we take aggregate party support (SIFO) into account the effect of incumbency is weakened and no longer statistically significant. The incumbency effect drops from 4 percentage points to 1 ( $b=-1.10$ ,  $p>.100$ ).<sup>169</sup>

Whether this result is due to the harshness of controlling for pure party support or not is hard to tell without more data. The electoral cycle of party support might well create what looks like an incumbency effect on its own. Although more data are needed, the conclusion is that an independent negative effect on perceived competence of incumbency on top of party support cannot be proven. The null hypothesis of no incumbency effect cannot be rejected. However, this has another interesting implication. It means that the observation that incumbents on average tend to lose votes at the next election, the “cost of ruling” (see for example Paldam & Skott 1995; Stevenson 2002; Nannestad & Paldam 2002), is not likely to be explained by an increased difficulty for incumbents to be perceived as competent compared to opposition parties.

### *Government performance and party competence*

For most issue areas it is very hard to get, or even conceive of, good indicators of government performance (Kumlin 2002; 2003). For the economy and the labour market, however, good, reliable and readily available indicators of the current situation are generally easy to acquire. The aim of this section is to find out whether issue ownership of unemployment is dependent upon short term governmental performance and thus can be classified as a performance issue, in Petrocik’s parlance. The question is how important performance is for the perceived competence of the incumbent and how stable issue ownership is when performance changes.

As stated in the methods section, party support will not be used as a control variable when testing for performance effects on perceived competence. This is because I find this too harsh since we cannot assume a one-way causality. Rather, party support and party competence are likely to influence each other reciprocally over time. As argued more fully in the methods section I will instead use an average of the Social Democrats’ perceived issue competence as the central control variable. When controlling for general party competence this way we are able to analyse what influences changes that are specific to *unemployment* competence and that do not just reflect a general trend in that party’s popularity or general issue competence. This is especially important since we

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<sup>168</sup> Since this analysis is performed on FSI data, the dependent variable is not net values but the percent of the respondents saying that a specific party has the best policy on the issue at hand. This effect is significant at  $p<.050$ . Since the estimates come from a stacked data matrix, robust standard errors using Stata’s cluster option were also calculated, which confirmed the statistical significance. Residual degrees of freedom are 263 in the model. Estimates were obtained via OLS regression.

<sup>169</sup> Taking the clustering of the data into account confirmed the result (both the clustering by year and the clustering created by the stacking of separate variables into units of analysis). Bootstrap checks also gave similar results. The equation estimated is the following:  $y = a + b1*incumbency + b2*party\ support + e$ . Estimation by OLS.

know that competence judgements in different areas tend to move together. The advantage of this model specification is that we get rid of part of the endogeneity problem we get when we use party support as the main control variable. Since the Social Democrats have owned the issue of unemployment and also been in office almost the entire period since 1982, the following analysis will concentrate on the Social Democratic party.

The data are examined visually before turning to regression analysis. A graph will help us understand what remains to be explained when the general trend in party competence of the Social Democrats is taken into account. For this purpose I will compare the development of perceived issue competence – the share of people saying that the Social Democrats have the best ideas on unemployment – and their general issue competence. To measure general issue competence, an average of their perceived competence concerning ten different issues (not including unemployment) is used. For the Social Democrats, perceived competence at handling unemployment is usually above that of other issues. But absolute numbers and differences in levels between issues are not the concern here. The focus is on how competence fluctuates over time, on when general competence and unemployment competence move together, and when they develop in different directions. The two series are standardized in order to facilitate comparison of the changes over time.<sup>170</sup>

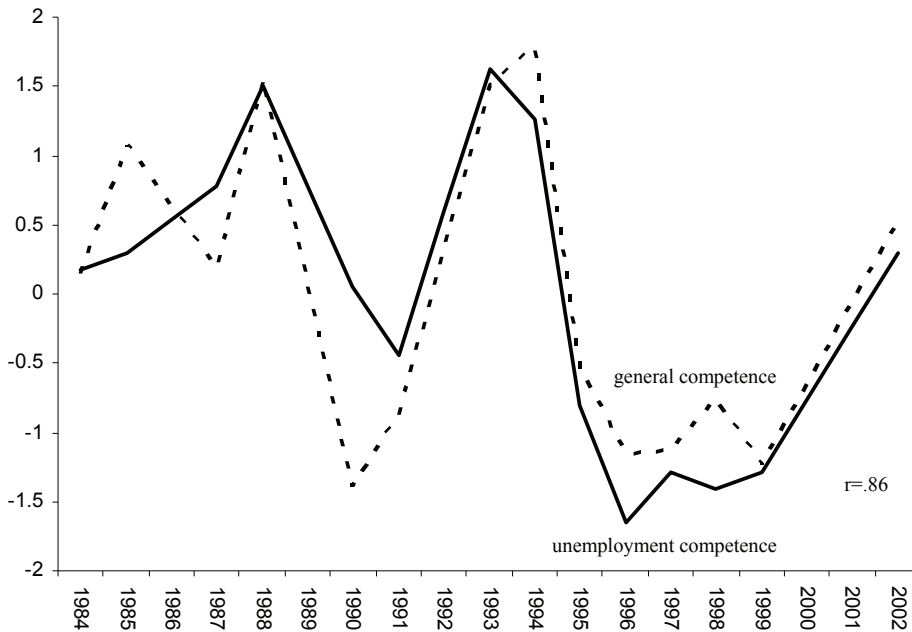
The development of perceived competence for the Social Democrats at handling unemployment and their general perceived issue competence appear to be so closely related that we might ask whether there is much variation in unemployment competence judgements left to explain when general party competence is taken into account ( $r=.86$ ,  $p=.000$ ). When set to the same variation and mean, as in figure 5.4, they are difficult to distinguish and clearly follow a common trend.

We see some instances, however, where the development of unemployment competence deviates slightly from the general trend. For example, in the late 1980s, when Sweden experienced an incredibly low unemployment level, the Social Democrats' perceived competence in this area decreased relatively speaking less between 1988 and 1990 than in other areas. Later, when unemployment rates were substantially higher, in the mid-late 1990s, the opposite is seen. Perceived unemployment competence was by then located lower than general competence – in its own range of variation. It is important that we remember that the series in figure 5.4 are standardized, and what this means. What we see between 1996 and 1998 in no way means that unemployment competence was regarded as lower than the average for other issues. Instead the interpretation is that the Social Democrat's competence concerning unemployment had decreased more relative to its own range of variation than general competence had.

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<sup>170</sup> This means giving both time series a mean of zero and a variance of 1.

**Figure 5.4 General party competence and competence specific to unemployment for the Social Democratic party (z scores)**

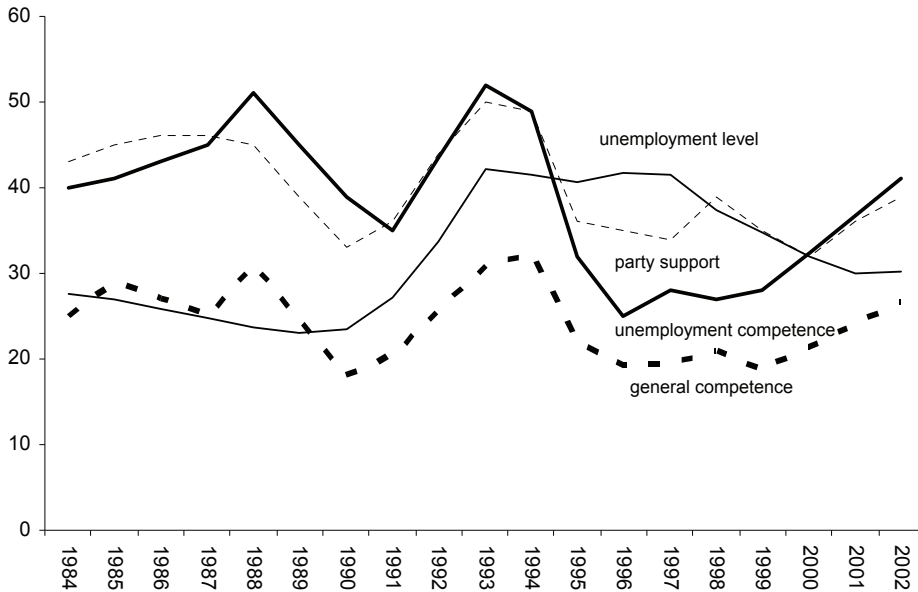


*Comment:* The numbers in the graph are z-scores calculated from percentages of respondents indicating that the Social Democrats have the best ideas when it comes to handling unemployment and an average of such percentages for ten different issues, not including unemployment. The ten issues making up the average include: the economy, taxes, pensions, health care, defence, school/education, environmental protection, child care, elderly care and equality between men and women. The series include interpolated means for the years 1986, 1989, 1992, 2000 and 2001. Data are from FSI.

These two situations are both indications of possible performance effects on unemployment issue competence. The dissimilarities between unemployment competence and general competence are in the direction expected when judging from objective unemployment levels and thus are indications of possible performance effects. Nevertheless, the main impression is still the strong connection and common trend in perceived competence in different issue areas. The deviations of unemployment competence, however in accordance with the performance hypothesis they might look, are quite small.

Since data are scarce I am not willing to rely on regression techniques alone in this section. Therefore, despite visual inspection of graphs not being the most reliable way to guesstimate causal effects, I will continue to increase our understanding of the dynamics of issue competence by graphing the data. Figure 5.5 shows party support and unemployment levels together with unemployment issue competence and general issue competence.

**Figure 5.5 Unemployment, party support and issue competence of Social Democrats 1984-2002**



*Comment:* For unemployment competence and average competence the graph includes interpolated means for the years 1986, 1989, 1992, 2000 and 2001. Unemployment competence and average competence are percentages of respondents saying the Social Democrats have the best ideas when it comes to handling unemployment and an average of similar percentages for ten different issues, not including unemployment. The ten issues making up the average include: the economy, taxes, pensions, health care, defence, school/education, environmental protection, child care, elderly care and equality between men and women. Party support is the share of respondents saying they would vote for the Social Democrats if there were to be an election today. Unemployment level is not shown on its real scale, but has been arbitrarily given a mean of 32 and standard deviation of 7 to enhance comparability of its development with the other time series without complete standardization of all series. Data are from FSI, SIFO and the OECD.

Figure 5.5 makes clear that unemployment competence remains higher for the Social Democrats than their general perceived competence throughout this period, even in the late 1990s. It is obvious that unemployment is always a relatively strong issue for the Social Democrats, even when unemployment rates have been high for some time, for example in 1997. The amount of people saying the Social Democrats have the best ideas concerning unemployment is regularly above their average for other issues.

However, hints of some kind of performance effect can also be found in figure 5.5. Although it is obvious that unemployment competence follows general competence as well as party support, we can note that the gap between unemployment competence and general competence is larger when unemployment is relatively low (the left part of figure 5.5) and smaller when unemployment is higher (the right part of figure 5.5). Thus, once again, we conclude that some kind of performance effect might be present.

But visual inspection alone is not enough. Despite data shortcomings, such as gaps in the competence time series and a small number of observations, regression analysis will be used to estimate the impact of government performance on



perceived competence at handling the issue of unemployment. If unemployment is to be characterized as a performance issue in the spirit of Petrocik, short term fluctuations in unemployment levels should determine whether the incumbent owns, and thereby is electorally advantaged by, the issue. If on the other hand issue ownership is more firmly anchored in the political history of the polity or the parties' traditional constituencies or historical record, we should observe an issue ownership that is more resistant to short term influences of performance.

Considering that we only have 19 observations, our statistical model needs to be fairly simple. Nothing more than the variables absolutely necessary is included. The aim of these analyses is not to fully explain what moves aggregate perceived party competence, but to test whether government performance has a substantial short term impact on perceived competence. I find the simplest and most suitable model in this case to be a specification in first differences where the dependent variable is the change in perceived competence since the previous year and the central independent variable is the change in unemployment levels since the previous year. The independent variable also needs to be interacted with the parliamentary status of the Social Democrats. For this purpose a dummy variable is used that takes on the value 1 when the Social Democrats are in office and the value 0 otherwise. Finally, the main control variable is general party competence, an average of ten issues not including unemployment itself.<sup>171</sup>

**Table 5.4 Does performance influence unemployment party competence?**

|  | b     | p-value        |
|--|-------|----------------|
| Constant                                   | -3.20 | .026           |
| Incumbency status                          | 2.61  | .387           |
| Unemployment level, D1                     | 2.03  | .140           |
| Incumbency status * Unemployment level, D1 | -3.89 | .055           |
| General competence, D1                     | 1.13  | .000           |
| R <sup>2</sup>                             | .82   | Q-test, p=.676 |
| Root MSE                                   | 3.060 | D-W=2.32       |

*Comment:* The dependent variable is change in perceived unemployment competence of the Social Democrats. Estimates are from OLS regression. Data are from FSI and OECD. D1 indicates that the variable is in first difference form. Q-test is the Portmanteau white noise test where the null hypothesis is no autocorrelation. n=18. General competence is an average of ten issues, not including unemployment. For details on this average, see figure 5.4 or figure 5.5.

As expected, the results reveal that average competence has a significant and substantial impact on unemployment competence. Being incumbent or not, on the other hand, does not ( $p=.387$ ), which is in line with the results seen previously. The effect of a change in the unemployment rate is in the expected direction, with a negative sign in front of the interaction with incumbency status, but does not quite reach conventional significance levels ( $p=.055$ ). Since the number of observations is quite limited, however, significant results at the 90%-

<sup>171</sup> The ten issues making up the average include: the economy, taxes, pensions, health care, defence, school/education, environmental protection, child care, elderly care and equality between men and women.

confidence level can perhaps be regarded as satisfactory.<sup>172</sup> The conclusion is therefore that short term changes in governmental performance do seem to have a negative effect on perceived issue competence, although this is somewhat statistically insecure.<sup>173</sup>

Similar results, where performance has an effect on competence in the expected direction but is not statistically significant, has previously been found in Canada by Bélanger (2003). However, Bélanger found that governmental performance mattered for two other economic issues, but not for unemployment. In the model in table 5.4 the main control variable is general competence, which I think is the theoretically best option. If party support replaces average competence as a control variable, however, as in the study by Bélanger, the statistical significance of performance when in government drops even further ( $b=-4.24$ ,  $p=.128$ ).

But how substantially important is this effect? Let us now for a moment disregard the issue of statistical significance and consider how strong the effect of performance on competence seen in table 5.4 really is. Is it enough to say that unemployment is a performance issue – an issue where issue ownership is dependent upon short term policy performance? The impression from figure 5.4 and figure 5.5 is that there might be some effect of performance but that it is probably not very strong. In my opinion, what the coefficients in table 5.4 tell us is more or less the same. The results imply that, if unemployment rises by 1 percentage point, perceived competence at handling the issue of unemployment for the incumbent Social Democrats will decrease by about 2 percentage points. At first glance this might seem like a relatively strong effect. But is it strong enough to threaten issue ownership? The answer to this depends on the situation. As we saw in figure 5.3 earlier, the Social Democrats have usually been far ahead of all other parties in their perceived competence. The difference between the Social Democratic Party and the Moderate Party is often as large as 25 percentage points concerning the share of citizens saying they had the “best ideas” concerning unemployment. In such a situation, a modest fluctuation in objective unemployment levels would probably not matter that much. It would take a huge increase in unemployment of between 10 and 15 percentage points to eradicate this difference and level the playing field in such a situation.

However, figure 5.3 also demonstrated that between 1996 and 1999 the difference in perceived competence between the Social Democrats and the Moderates was very small. In such a situation, an additional sudden increase in unemployment of a couple of percentage points might decide which party is perceived as most competent at handling the issue of unemployment.

But what about the Social Democrats’ competence at handling the general economy? Is the issue of the economy sensitive to governmental performance?

<sup>172</sup> The results in table 5.4 also rest on interpolation of missing observations. The preferred specification in first differences cannot be used on the original data set because the number of usable observations decreases by too much since the effect of the gaps doubles when differences are computed. However, when run in a levels specification instead, the model does not yield significant results for government performance either ( $p=.245$ ).

<sup>173</sup> Apart from the issue of statistical significance another remaining problem with this model is that some of the variables (even in differenced form) fail to pass an augmented Dickey-Fuller test of stationarity, which is not uncommon with short time series like these. However, all the variables in the model in table 5.4 are actually stationary by definition in the long run, so in my view this is a minor concern.

According to previous research the issue of the economy is the prime example of a performance issue. A model similar to the one in table 5.4 with the issue of the economy as the dependent variable instead of the issue of unemployment and GDP growth as the main independent variable instead of unemployment was estimated in order to answer these questions. Unlike in the study by Bélanger, the results do not indicate any statistically significant effect ( $b=-1.61$ ,  $p=.164$ ). Misery index 2, previously used in Chapters 3 and 4, as well as unemployment and inflation were also tried as predictors of economic party competence. Neither reached conventional levels of statistical significance, although inflation came quite close ( $b=-1.71$ ,  $p=.063$ ).

If a statistically significant and systematic effect of performance is to be proven, better data are needed. However, the safe conclusion thus far, based on figures 5.4 and 5.5 and the regression results, is that performance does seem to matter for perceived competence, but probably not very much. All in all, to characterize unemployment as a pure performance issue where issue ownership is completely dependent on short term governmental performance seems an apparent exaggeration.

## CONCLUSIONS

So what does all this mean? First of all, the Social Democrats have clearly had issue ownership of the unemployment issue. But the strength of this ownership has varied substantially over time. The Social Democrats are associated with this issue by the electorate. There is no doubt about that. We cannot tell from the data presented here whether this is due to the Social Democrats constantly emphasizing the issue or whether this is due to some other more long term process.

However, the results also highlight that the Social Democratic party cannot be said to have had ownership of the issue in 1998. According to the SNES we are not far from a situation in 1998 where as many voters think the Social Democrats have bad policy on unemployment as voters that believe they have good policy. Furthermore, according to the FSI data, in 1998 there were more people who said that the Moderate Party had the best ideas on unemployment than there were people who said that the Social Democratic Party had the best ideas (in the SNES they both reach about the same level). This should also be seen in light of the fact that the Social Democrats actually had a much larger general electoral support than the Moderate Party. In such a situation the Social Democrats cannot possibly be said to own the issue.

We have also seen that governmental performance in the labour market area, i.e. unemployment levels, does seem to affect the perceived competence of the ruling party in this policy area to some extent. Although the effect is not statistically significant, it cannot be ruled out that such an effect exists. However, both the results of the regression analysis presented in table 5.4 and the impression we get from figures 5.4 and 5.5 indicate that the effect of performance on perceived competence is rather limited and not likely to be the main driving force behind issue ownership.

Although governmental performance seems to matter to some extent, the evidence indicates that the issue of unemployment does not seem to be a pure performance issue (where short term good performance is necessary to sustain perceived competence) for the Social Democratic Party. In effect, not even the gen-

eral economy, which is perhaps the epitome of performance issues, seems to be undoubtedly influenced by objective measures of governmental performance. No clear evidence of such effects could be found in the data. This contradicts some of the theoretical assumptions of the basic works in issue ownership theory by Budge and Farlie and by Petrocik and indicates that more empirical investigations of their suggested issue categorizations are warranted.

Instead of the (limited) effects of performance, other results given in this chapter seem potentially more theoretically important. We have for example seen that competence judgements in different areas show a strong tendency to move together over time and that the amount of variation unique to a specific policy area is quite limited. Further, for the Social Democratic Party, the public's evaluations of their ability to handle unemployment are more strongly related to welfare issues such as health care than to other economic issues. Despite a certain influence of objective government performance, unemployment does not seem to fit the notion of performance issues well.

Further, party competence does fluctuate quite a lot. Probably more so than what the traditional view on issue ownership assumes. This is clearly in line not only with the notion of performance issues but also with more recent research emphasizing changes in issue ownership or the possibility to challenge another political party on its own territory in some situations. Surprisingly, this rather large instability was not restricted to classic performance issues but included a more diverse and broad set of issues. When it comes to attempted classifications of political issues into performance issues and other issues or to the stability of issue ownership in general, this chapter has generated as many questions as answers. These results lay bare that issue ownership theory and especially its classifications of different political issues need fewer assumptions and more empirical analyses.

Finally, what do the results mean for the integrated model of economic voting and issue ownership? The requisite of the integrated model examined in this chapter is that issue ownership is a rather stable phenomenon not easily dispatched by temporary bad governmental performance. As seen, the results are inconclusive. We have indications of some effect of changes in unemployment levels on the perceived competence of the Social Democrats at handling the issue of unemployment. But the magnitude of this effect seems quite limited. Rather than being mainly determined by short term changes in unemployment levels, perceived competence concerning the issue of unemployment moves to a large extent together with perceived performance in other policy areas.

However, for the integrated model of economic voting and issue ownership to be relevant for understanding the interplay between politics and the economy, issue ownership must not be easily removed by a negative development in that policy area. As we have seen, a negative development on the labour market does seem to weaken issue ownership. It is important to think of issue ownership as a matter of degrees rather than as something dichotomous and unconditional. The results imply that the traditional view of issue ownership as a constant between elections unmovable by current affairs and short term fluctuations in performance does not seem to fit the issue of unemployment in Sweden. However, nor do the findings support the idea that issue ownership of unemployment is largely dependent on short term performance and quickly lost when performance deteriorates. Rather, what the findings indicate is that a strong issue ownership of unemployment is not immediately threatened by short term rising unemploy-

ment levels. For performance to be decisive, issue ownership must either be rather weak or there must be a major crisis in the labour market.

This means that an incumbent with a fairly strong ownership of the issue of unemployment does not necessarily lose this advantage in an economic downturn, as long as the rise in unemployment is not completely out of the ordinary ups and downs. In principle, issue ownership might be sustained in the face of deteriorating governmental performance - at least for a certain time and for a certain amount of bad policy performance.

Hence, if for example rising unemployment leads to an increase in salience for the issue of unemployment, this might more or less offset the negative effects of the expected deteriorating economic evaluations. Chapter 7 examines whether such saliency effects are sufficiently strong to actually offset the electoral punishment predicted by traditional economic voting models or to substantially change the net outcome.



## Chapter 6

# Experiencing Unemployment

We know relatively little about how unemployment affects people's political opinions (Adman 2004). The analyses of time series and aggregate data encountered in earlier chapters have explored how aggregate public opinion reacts to unemployment. But behind these time series are actual people. Real people experiencing unemployment make up our time series of national unemployment rates and other aggregate phenomena. This chapter will partly remedy what is lacking in our time series analyses. Let us look at a simple example: Chapter 4 studied public responsiveness to economic development and found it to be of good quality. Public opinion tracks macro economic indicators such as unemployment or growth quite well. The public agenda was also found to be responsive to the level of unemployment. What that chapter left us ignorant of are things like *who* considers unemployment a more salient issue when unemployment is rising? Is it primarily the people who actually become unemployed?

The purpose of this chapter is to examine how individuals touched by unemployment react politically when it comes to political attitudes, such as evaluations of the incumbent government and the economy, or to issue salience and ideology or voting.

Instead of concentrating on political attitudes, most studies of unemployment focus on social consequences. A great many studies have been conducted covering the effects on family life, self-esteem, health or the children of the unemployed (Janlert & Meidner 1992; Ström 2002). In terms of political consequences, however, a recent study in Sweden by Adman (2004) showed that unemployment does have negative effects on political participation and that the reasons for this are mainly social; the unemployed become less active in organisations and fall outside political recruitment networks. But when it comes to political *opinions* there are still surprisingly few studies to rely on.

Then why should we expect unemployment to make people politically different from employed people? One basis for expecting consequences of individual unemployment for political attitudes comes from the concept of self-interest.<sup>174</sup> Because of their labour market situation, the unemployed are expected to perceive their self-interest differently than others. One example of this is the cleavage between insiders and outsiders on the labour market, where the former have an interest in employment protection, while the latter have a more clear interest in employment promotion (Lindvall 2004; Lindbeck & Snower 1989).<sup>175</sup>

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<sup>174</sup> However, concerning contextual unemployment instead, see Strömblad (2003).

<sup>175</sup> On a more general level, however, personal experience and events in the personal lives of citizens are found to be of little consequence for their political thinking (Mutz 1992; Mutz 1998; Sears & Funk 1991; 1993). However, for a case where they do matter to some extent, see Kumlin (2002).

Another example of the self-interest perspective is the studies that have been conducted on the attitudes of unemployed to for example the unemployment insurance system and other issues more or less directly related to their labour market situation. These studies have often shown clear differences in attitudes between the unemployed and others in the expected direction (Gustafson 2003; Martinsson 2001; Garcia de Polavieja 1999; Soidre 2001; 2004). For example, the unemployed want reinforced employment promotion policies, more resources for educational projects and more generous unemployment benefits.

In this chapter, part of this lack of knowledge will be remedied. The analyses depart from an independent variable – personal experience of unemployment – and examine its effects on a set of political attitudes, perceptions and behaviours. The dependent variables investigated are all linked to the general theoretical model presented in Chapter 1. More precisely, this chapter aims to answer the following question:

*What are the consequences of personal experience of unemployment for evaluations of the economy and political parties, left-right ideology, issue salience of unemployment and voting?*

All the central concepts involved in this question have been encountered in previous chapters. Evaluations of the economy and issue salience of unemployment are central building blocks of the integrated model of economic voting and issue ownership. Evaluations of political parties and vote choice represent the final outcome of the model and thus justify their inclusion. Although left-right ideology is not explicitly included in the overall theoretical model, it is a well known guiding principle in Swedish politics and, despite a slightly diminishing effect since the early 1980s, it is still the single most important determinant of party choice (Gilljam & Holmberg 1995:141). On this basis, left-right ideology warrants inclusion too. The next step is now to consider available data that can serve to study the consequences for political attitudes of personal experience of unemployment.

### ***Methods and data***

This chapter will take advantage of several data sources, although the main part of the results comes from the SOM studies and the Swedish National Election Studies (SNES). This chapter also partly profits from the availability of panel surveys. Since the 1970s, the SNES have consisted of two-wave rolling panels. This means that roughly half of the respondents at one election ( $t_1$ ) are also included in the sample at the next election ( $t_2$ ). In addition, a new sample is added to the “old” respondents that will in turn also be interviewed at the election after that and thus make up a new set of panel respondents.

The main independent variable in this chapter – personal unemployment – is available in all of the above mentioned surveys. Other specific measures of personal labour market experience that would enable a more detailed and richer analysis such as unemployment in the family or other labour market problems are only occasionally available and will not be analysed here.<sup>176</sup>

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<sup>176</sup> This means that the intensity of labour market experience, i.e. being unemployed for longer periods or multiple times of experiencing several different kinds of labour market problems or both the respondent and spouse being unemployed at the same time and cumulative effects of such experiences is not examined. The reason for this is that, despite the large pooled data sets in use, the num-  
(cont)



Studying the political attitudes of unemployed people without using a sample specially designed for this is very difficult because of the rare nature of the property we are looking for among the respondents. However, by pooling all the SNES data for a long period of time, we find a substantial amount of unemployed respondents.<sup>177</sup> Still, due to the limited number of respondents in different labour market categories when we examine for example respondents moving from employment at  $t_1$  to unemployment at  $t_2$  or the other way around<sup>178</sup> most of the following analyses will only compare those who are unemployed at  $t_2$  with those who are not. Despite these problems, better data than these containing information on people's political attitudes are hard to find and they do provide us with a good opportunity to contribute to our knowledge of how individual unemployment affects political attitudes.

## EFFECTS ON ISSUE SALIENCE OF UNEMPLOYMENT

What should we expect the effects of personal experience of unemployment on issue salience to be? Those personally struck by unemployment are clearly expected to be more concerned about unemployment than others from the viewpoint of basic self-interest. Since unemployment is something that unemployed people experience as part of their lives almost every day of the year, it would be surprising if this did not make the issue of unemployment more important to them. We also know from Chapter 4 that the share of respondents mentioning the issue as one of the most important societal problems correlates quite closely with the unemployment level itself and that this share varies so much that it cannot be explained mainly by those personally concerned caring about the is-

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ber of respondents in each category drops to completely inadequate and unreliable levels. This problem becomes even more intractable since panel data are wanted. If we want to know whether people's labour market experiences have changed between  $t_1$  and  $t_2$  the items must be present in two consecutive election surveys. Further, it is also required that the few unemployed respondents in the surveys have also answered all the questions of interest at both occasions, which further decreases the number of respondents because of missing data. Depending on the exact nature of the analyses wanted, the number of respondents would sometimes fall below 10-20 which in my view renders such analyses too unreliable to be worthwhile.

<sup>177</sup> However, in some years, such as in 1988 when the national unemployment level was exceptionally low, the number of unemployed respondents does not even reach 50. This means that there is a great need for this pooling procedure. However, it also comes with some dangers of inference fallacies. For example, in 1994 on the other hand, the number of unemployed respondents in the SNES amounted to more than 200. If it then turns out that one of our dependent variables thought to be affected by personal unemployment has an aggregate distribution that co-varies over time with the number of unemployed respondents in our samples for some other reason than a micro-level causal connection, we must take great care when analysing the micro-level relationship with a pooled data set. One way to do this is to control for the year the data were collected via using dummy variables.

<sup>178</sup> In fact, four different kinds of labour market experience categories for individual citizens are available. Most people have neither been unemployed at  $t_1$  nor at  $t_2$ ; this is by a large amount the most common situation. Others have gone into unemployment at  $t_2$  without being unemployed at  $t_1$ , while others have left unemployment between  $t_1$  and  $t_2$ . Those who report having been unemployed both at  $t_1$  and at  $t_2$  constitute the smallest group in our panel surveys. We should be aware that we still lack much information about the labour market experiences of the individuals in our panels. We do not know what has happened before or in between our two measurements. Thus we cannot know how representative those two occasions are for a particular individual, which limits the confidence we can put in the conclusions.

sue; there simply does not exist that many unemployed citizens.<sup>179</sup> Although there are also many reasons to expect those not personally unemployed to react to changes in the national unemployment level, those personally concerned by unemployment have a more direct self-interest in the issue on top of the same more societal and altruistic considerations as others. Therefore the reasonable expectation is still that personal unemployment does increase the probability of thinking that unemployment is an important issue.

When measuring the salience of various issues, both the SOM surveys and the SNES use an open-ended question where respondents can freely state several issues of their choice. The wording is slightly different however. In the SOM surveys the question that respondents answer is “which issues or societal problems do you think are most important in Sweden today?” while the SNES explicitly ask for issues important for party choice: “...is there any issue or issues that are important when it comes to which party you are going to vote for in the Riksdag election ... ?”. In my view these questions both essentially capture the same phenomenon despite the different and more specific framing of the SNES item. Analyses in the next chapter also show that issue salience measured via these two question wordings is largely determined by the same factors (see page 184, footnote 219 in Chapter 7). The most notable difference is in the absolute level of salience: in the SOM studies a larger share of the respondents than in the SNES mentions the issue of unemployment as important since it is not specifically tied to electoral choice.<sup>180</sup>

Although we can see from figure 6.1 that there is a tendency for those unemployed to say that the issue of unemployment is one of the most important problems more often than those not unemployed, the difference is rather small. In fact, the main impression is that the two groups follow the same general trend over time. Similar findings for trends in different political attitudes have previously been reported by for example Page and Shapiro (1992), who referred to the phenomenon as that of “parallel publics”.

The gap widens somewhat at the beginning and the end of the graph. Around 1987 and 1988, as well as from 2000 and on, the difference in salience between unemployed and others is larger than otherwise. On average, the share of unemployed people saying unemployment is an important issue is 10 percentage points higher than for others, although in 1987 and 1999 this difference was as large as 20 percentage points and in 2000 and 2001 the difference was 17 and 15 percentage points, respectively. The difference in proportions between unemployed and others is statistically significant ( $p < .05$ ) in 1987, 1988, 1993, 1996, 1997 and 1999-2002: in other words, in ten out of 16 years.

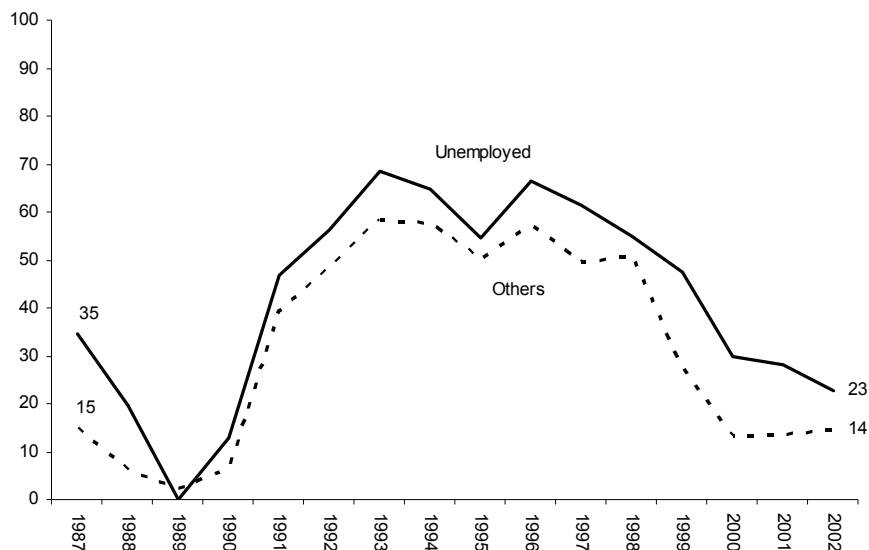
What seems to be going on is that the importance of the personal labour market situation increases when the unemployment rate is lower. When unemployment is high, the issue becomes very salient and virtually “everybody” thinks the issue is an important one, which means that group differences might

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<sup>179</sup> See also Martinsson (2003b; 2003a).

<sup>180</sup> However, it is important to note that this fact *does not* decrease the strength of the empirical relationship between voting behaviour and stated issue salience in the SOM studies compared to that of the election studies.

**Figure 6.1 Salience of the issue of unemployment among unemployed and non-unemployed 1987-2002 (percent)**



*Comment:* The data source is the SOM studies. The lines in the graph represent the share of respondents that mention unemployment as “one of the most important societal problems” in an open-ended survey question. A maximum of three issues were coded. Both unemployed and people participating in labour market programs are included in the category of unemployed. The category of others include employed, retired, students and housewives.

diminish. Thus, when the issue is no longer on top of the agenda, the unemployed differ more from others (cf. Martinsson 2003b).

To confirm these bivariate results a straightforward logistic multiple regression model has been estimated on a pooled data set from 1988 to 2002. The model includes a small set of standard socio-economic controls (sex, age, family class, education) and respondents’ ideological left-right position as well as a variable capturing the overall trend in salience over time<sup>181</sup>. The results show that personal unemployment is still a significant predictor of salience of the issue of unemployment in itself. The observed difference between unemployed and other labour market groups such as employed, retired or students cannot be attributed to other social characteristics associated with a precarious labour market situation only.<sup>182</sup>

<sup>181</sup> That the overall trend in salience over time was included means that a variable indicating the average value of the dichotomous dependent variable – issue salience – for each year was created and included as a predictor. This has roughly the same effect as including a large set of dummy variables, indicating the year of the survey a particular respondent answered the questionnaire. There is no substantial interest in the coefficient of such a variable; instead it is merely a way to ensure that the effect of the personal labour market situation is not an artefact of the variation over time in the share of unemployed among the respondents and a more general trend in the dependent variable.

<sup>182</sup> More precisely, the results showed us that the odds of holding the issue as a salient one increase by about 50 percent for unemployed, holding other variables constant. However, please note that this does not mean that the *probability* of the issue being salient increases by this much. McFadden’s  $R^2$  for this regression model is 0.19. In a model with only personal labour market situation (unemployed or (cont)

Although the cross-sectional results are rather clear, a superior test of the power of the personal labour market situation for the political characteristics of the individual would be if we could observe that *change* is accompanied by *change*, i.e. if a change in personal labour market status would go along with a corresponding change in attitudes – in this case the issue salience of unemployment. What we ultimately want to know when we examine whether personal labour market experience affects peoples' political attitudes and behaviour is not whether the unemployed, as a group, are different from other people, but whether a different labour market situation for an individual leads to a change in his or her political opinions. Although we try to imitate that process via statistical controls, panel studies that include the same respondents at different points in time that actually allow us to observe change in both our independent and dependent variables are a superior alternative.

If we had enough respondents to perform this kind of panel analysis on the basis of separate panels, things would be rather uncomplicated. However, our small number of unemployed respondents gives us trouble when trying panel analyses. For this to be possible at all, the two-wave panels that have been conducted in the SNES all the way since 1979 have been pooled together to form a large data set. In total this yields 7 742 respondents that have answered both panel waves distributed over seven two-wave panels from 1979 to 2002.

In the following the pooled two-wave panels from the SNES will be used to examine the transitions from one election ( $t_1$ ) to the following ( $t_2$ ). In panel studies like this one, we always expect a certain amount of instability, depending on the nature of the variables of interest. The focus will thus be on whether those who are unemployed have a higher propensity to move towards holding the issue as salient than others. When studying an aspect of public opinion like how important an issue is to people, it is natural to expect a rather low degree of general stability between two panel waves since saliency is a phenomenon that varies greatly over time and can be expected to be relatively volatile.

To reduce potential fallacies I will split the tables according to how the labour market, and hence aggregate measure of saliency as well, has changed from  $t_1$  to  $t_2$ . Years ( $t_2$ ) when unemployment (and as a consequence also aggregate saliency) had been increasing (since  $t_1$ ) include 1982, 1991 and 1994, while years ( $t_2$ ) when unemployment had been decreasing (since  $t_1$ ) include 1985<sup>183</sup>, 1988, 1998 and 2002. If the analysis were not split in two according to labour market development we would clearly risk erroneous conclusions because there would be more respondents that are personally unemployed when unemployment is higher, which also tends to make the issue more salient. This would make it look

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not) as a predictor of issue salience, the logit coefficient is .72 (and the corresponding factor change in the odds ( $e^b$ ) is 2.06) and in the model with the full set of controls it diminishes to .41 (factor change in odds = 1.51). A model in which employed were singled out from other categories such as housewives, retired people and students was also tried. However, this model did not noticeably improve the overall model fit and the effect of personal unemployment actually increased somewhat to .51 (factor change in odds = 1.66). For an explanation of what a factor change in the odds (odds-ratios) is and how to compute it, see Long (1997:79-82). More information is also available in table 7.2 on page 185.

<sup>183</sup> The year 1985 is included here although unemployment actually only decreased very slightly (0.3 percentage points); the change on the labour market between 1982 and 1985 is perhaps better characterized as that of no change between these two years. However, aggregate saliency also decreased slightly, which is why it makes sense to put it into the category of decreasing unemployment.

like the unemployed think the issue is more important than others simply due to this aggregate trend in itself and not because of their personal characteristics.<sup>184</sup>

We will now use the SNES panels to analyse the transitions from one election to the next. We cannot expect issue salience to be stable over time to a large extent. In fact, it should vary over time according to among other things objective indicators of the labour market situation, as was found to happen on the aggregate level in Chapter 4. But the question is whether those who are unemployed are more prone to move into the group saying that unemployment is salient than others are. And do they tend to keep thinking unemployment is salient at two elections in a row more than others? Analysing such transitions can clarify to some extent what happens behind the aggregate time series.

The following table will enable us to compare the transition rates between categories of issue salience for those who are unemployed at  $t_2$  and those who are not.<sup>185</sup> Table 6.1 will for example enable us to compare the propensity of those unemployed at  $t_2$  and who considered unemployment a salient issue at  $t_1$  to still consider unemployment salient at  $t_2$  with the propensity to do so for those not unemployed at  $t_2$ .

**Table 6.1 Change in salience of unemployment among unemployed and others from one election to the next 1979-2002 (percent)**

| When unemployment has been <i>decreasing</i> |    |     |           |                  |    |     |            |
|--|----|-----|-----------|------------------|----|-----|------------|
| Unemployed at $t_2$                          |    |     |           | Others           |    |     |            |
| Salient at $t_2$                             |    |     |           | Salient at $t_2$ |    |     |            |
| Salient at $t_1$                             | No | Yes | Total     | Salient at $t_1$ | No | Yes | Total      |
| No   | 83 | 17  | 100 (72)  | No               | 88 | 12  | 100 (2646) |
| Yes  | 49 | 51  | 100 (49)  | Yes              | 74 | 26  | 100 (1114) |
| Total  | 69 | 31  | 100 (121) | Total            | 84 | 16  | 100 (3760) |

| When unemployment has been <i>increasing</i> |    |     |           |                  |    |     |            |
|--|----|-----|-----------|------------------|----|-----|------------|
| Unemployed at $t_2$                          |    |     |           | Others           |    |     |            |
| Salient at $t_2$                             |    |     |           | Salient at $t_2$ |    |     |            |
| Salient at $t_1$                             | No | Yes | Total     | Salient at $T_1$ | No | Yes | Total      |
| No   | 64 | 36  | 100 (92)  | No               | 75 | 25  | 100 (2719) |
| Yes  | 37 | 63  | 100 (30)  | Yes              | 51 | 49  | 100 (457)  |
| Total  | 57 | 43  | 100 (122) | Total            | 71 | 29  | 100 (3176) |

*Comment:* The data source is the pooled SNES panels. The number of respondents is shown in parentheses in the total columns.

<sup>184</sup> This way of thinking is very much like the logic behind including the aggregate trend in the individual level regression models used in the previous section based on pooled SOM data.

<sup>185</sup> This simplification is necessary owing to the limited number of respondents. In theory we would also like to take their labour market status at  $t_1$  into account, but this would simply render the number of respondents too low and the confidence intervals far too large.

In general the stability between  $t_1$  and  $t_2$  of unemployment salience is quite low, as expected. When examining the share of those who think unemployment is a salient issue at  $t_1$  that still do so at  $t_2$  we can see (in the lower left part of table 6.1) that as many as 63 percent exhibit stable issue salience and still consider unemployment salient at  $t_2$  among those who are unemployed at  $t_2$  when unemployment levels have been increasing. For those who are not personally experiencing unemployment at  $t_2$  the corresponding share is somewhat lower, 49 percent. The same pattern is true for those who did not consider unemployment salient at  $t_1$  when unemployment had been decreasing (lower part of table 6.1). Among those who were not unemployed (at  $t_2$ ) 25 percent considered the issue salient at  $t_2$ , while as many as 36 percent of those who were experiencing unemployed themselves at  $t_2$  did so.

These observations form a general pattern indicating that the personal labour market situation seems to affect the change in saliency for voters. A larger share of the unemployed move to thinking that the issue is salient than the share of those who are not unemployed in all eight possible cases – disregarding their view on issue salience at  $t_1$  and whether societal unemployment had been increasing or decreasing during the latest incumbency period. For instance, we observe that 17 percent of those who were unemployed at  $t_2$  and did not mention unemployment as a salient issue at  $t_1$  stated that it was important at  $t_2$ , while the corresponding share among those who were not unemployed was 12 percent instead (uppermost row of table 6.1). Among the unemployed who said the issue was salient already at  $t_1$ , on the other hand, as many as 51 percent stayed in this category when unemployment had been decreasing compared to only 26 percent among those who were not unemployed at  $t_2$  and so on.<sup>186</sup>

The conclusion from the panel analysis is that those who are unemployed at  $t_2$  are more prone than others to change from thinking that the issue is not salient at  $t_1$  to considering that it *is* salient or to keep holding the issue as salient between  $t_1$  and  $t_2$ . This is true both when actual unemployment levels have been decreasing and when they have been increasing. Thus, these results provide further support for the cross-sectional results indicating that personal experience of unemployment does increase the propensity for individual citizens to consider the issue of unemployment to be important.

But what about those that actually find a job, thereby improving their labour market situation between  $t_1$  and  $t_2$ ? If the rational self-interest perspective prevails, they ought to be less inclined to think that the issue is salient at  $t_2$  than those who instead had a job at  $t_1$  but were unemployed at  $t_2$ . Since the number of respondents further decreases when this topic is examined, the results are merely suggestive at best. However, if we restrict our analysis to comparing the share of those who considered unemployment a salient issue at  $t_1$  and still do so at  $t_2$ , a difference in the expected direction can be found in our data. For example, when unemployment has been increasing, the percent that keep thinking unemployment is salient at  $t_2$  is 67 percent among those who have lost their job, but somewhat lower, 56 percent, among those who have instead found a job.

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<sup>186</sup> Of course we would also like to take people's labour market situation at  $t_1$  into account in these analyses. However, this would further decrease our number of respondents in the unemployed groups, resulting in less secure estimates, and yield a total of eight sub-tables in table 6.1 instead of only four.

When we look at election years when unemployment has been decreasing, on the other hand, the difference becomes slightly larger: 47 percent among those who have lost their jobs and 28 percent among those who have instead left unemployment keep seeing the issue as salient at both points in time. Although these differences are in the expected direction, our samples include so few unemployed people that they end up statistically insignificant. Taken together, however, the general conclusion of this section is that personal unemployment does influence the issue salience of unemployment at the individual level.

## EFFECTS ON ECONOMIC EVALUATIONS

The next step is to examine whether the personal labour market situation also influences people's economic evaluations. In other words, do unemployed people and others judge the past economic development or the economic prospects differently, and if so, how?

One reason for expecting that the personal labour market situation might influence sociotropic economic perceptions (pertaining to the national economy) is that their own economic experiences can prime certain aspects of the economy and make those aspects weigh more heavily than for others. It might also be the case that they use the information provided by their personal experiences as shortcuts when they evaluate the overall national economy. Thus, if people's personal experiences are consequential for their political attitudes when it comes to national economic evaluations, we expect the unemployed to have a somewhat darker view than others of both the past development and the coming economic development. When it comes to evaluations of the personal economic situations, on the other hand, things are slightly different. In this case, the objective economic (personal) development does actually differ from that of others. Thus we have stronger reasons to expect an effect in this case.

Four different kinds of economic evaluations will be considered here: retrospective and prospective evaluations of the national economy and retrospective and prospective evaluations of personal economy. Respondents have answered questions about how they think these aspects of the economy have developed during the last 12 months (retrospective) or will develop during the coming 12 months (prospective). Just as in Chapter 4, possible answers were whether these aspects of the economy had become or would become worse, had stayed or would stay about the same or had/would become better.

### *Personal economic evaluations*

In the following, tabular presentations will be used for all four kinds of economic evaluations to analyse the differences between economic evaluations by unemployed persons and by others.<sup>187</sup> This will allow us to understand the con-

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<sup>187</sup> In principle the economic evaluations can of course be treated as a three-point ordinal scale, but in this case I will examine and compare the percentages in the different categories directly instead. In this particular circumstance I find it more accurate to treat these economic evaluations as nominal variables at the individual level. One reason for this is that, although we expect the unemployed to have a more negative view of the economy in general, it is also possible that those who are unemployed instead have a stronger tendency than those who are not unemployed to say either that their personal economy will be worse in 12 months due to their unemployment or that it will be better in 12 months because they expect to have found a new job. This would actually mean that the effect of our independent variable – (cont)

sequences of personal labour market experiences for citizens' economic evaluations. Since our interest does not lie in the levels of the economic evaluations or their development over time, but solely in whether unemployed people differ from others in their view of the economy, the tables will only report the differences between these two groups and not how many actually perceived the economic situation in a specific way.

**Table 6.2 Differences in prospective and retrospective personal economic evaluations between unemployed persons and others (percentage point differences)**

| Year  | P r o s p e c t i v e |                |       | R e t r o s p e c t i v e |                |       |
|-------|-----------------------|----------------|-------|---------------------------|----------------|-------|
|       | Better                | About the same | Worse | Better                    | About the same | Worse |
| 1986  | -                     | -              | -     | -6                        | -14*           | +21*  |
| 1987  | -                     | -              | -     | -3                        | -10            | +13*  |
| 1988  | -                     | -              | -     | -7                        | -14            | +21*  |
| 1989  | -                     | -              | -     | +3                        | -15            | +12   |
| 1990  | -                     | -              | -     | +1                        | -25*           | +24*  |
| 1991  | -                     | -              | -     | +1                        | -19*           | +19*  |
| 1992  | +4                    | -5             | 0     | -10*                      | -13*           | +23*  |
| 1993  | +12*                  | -20*           | +9*   | -7*                       | -26*           | +33*  |
| 1994  | +18*                  | -14*           | -4    | -5                        | -28*           | +33*  |
| 1995  | +7*                   | -22*           | +16   | -7*                       | -25*           | +31*  |
| 1996  | +2                    | -16*           | +14*  | -10*                      | -16*           | +26*  |
| 1997  | +5                    | -11*           | +7*   | -13*                      | -14*           | +26*  |
| 1998  | +4                    | -13*           | +8*   | -8*                       | -6             | +13*  |
| 1999  | +1                    | -11*           | +10*  | -12*                      | -17*           | +29*  |
| 2000  | +8*                   | -13*           | +5*   | -17*                      | -9*            | +26*  |
| 2001  | +14*                  | -17*           | +2    | -15*                      | -2             | +17*  |
| 2002  | +12*                  | -13*           | +1    | -13*                      | -14*           | +26*  |
| Total | +8*                   | -15*           | +6*   | -10*                      | -16*           | +26*  |

*Comment:* The source of these data is the SOM studies 1986-2002. \*=significant at the 95% confidence level or better. The numbers are percentage point differences between unemployed and others. Positive numbers (+) indicate that a larger share of the unemployed than others give that particular response, while negative numbers (-) indicate that a smaller share of the unemployed than others give that response.

In the left part of table 6.2 we can see that unemployed people actually tend to be more optimistic about their personal economic future than non-unemployed. A larger share among the unemployed say that they think their personal economy will become better in 12 months than among others. The difference is sometimes as large as 18 or 17 percentage points. Unemployment does not seem to lead to general pessimism and apathy in economic terms. Though we should perhaps keep in mind that the unemployed probably in most cases make their prospective evaluations from a lower base level than those who have a job already. The consistently negative numbers in the mid-column in the left part of table 6.2 tell us that the unemployed are clearly less prone to believe that their

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unemployment – is not primarily positive or negative, but instead mainly an effect that drives people away from the middle category. In such a case it is better to treat our dependent variable as unordered and categorical. Although this particular problem chiefly concerns personal economic evaluations, all four aspects of economic evaluations are analysed in the same manner.



economy will be about the same in a year from now. Instead they also more often than the non-unemployed tend to believe that their future economy will be worse than it is now. This result is much less stable over time, however, and is clearest from 1993 to 2000 with the exception of 1994 when it suddenly turns negative (meaning that those who are *not* unemployed tend to think their economy will be worse in 12 months to a larger extent than do the unemployed).<sup>188</sup>

As usual when studying small sub-populations, there is a lot of instability in our estimates because of the small numbers of respondents. Significance testing is important here since our unemployed respondents are quite few in some years (below 50 until 1991). This means that observed differences can sometimes be due to chance alone despite seemingly large differences in our sample.<sup>189</sup> Therefore, tests of statistical significance for differences in proportions were used for all numbers in tables 6.2 and 6.3. As can be seen in table 6.2, a surprisingly large share of the differences is statistically significant at the 95% confidence level despite our sometimes quite low number of respondents.

Things are clearer when it comes to the retrospective personal economic evaluations. As was the case with the prospective evaluations, the unemployed tend to use the mid category less often. Clearly fewer of the unemployed state that their personal economy is about the same now as it was 12 months ago. Also, those who are unemployed say much more often than others that their economic situation has become worse and more seldom that it has become better. Most of these differences are also statistically significant.

To see whether these differences between those experiencing unemployment and others remain when controlling for a set of other factors, a series of multinomial logistic regression models were estimated on a pooled data set of the

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<sup>188</sup> Since the category of “non-unemployed” is very wide and encompasses employed as well as students and pensioners, the percentage point differences in table 6.2 have also been checked separately for those who have a job. It was found that especially retired persons differed from the employed in that they were much more likely to think that their personal economy would (or had) “stay the same”. Although the size of the difference between unemployed and others at times changes somewhat when we instead compare them to those employed alone, the direction of the difference remained the same at most years with a few exceptions. For prospective economic judgements the amount by which the unemployed differ from others when comparing them to the employed only decreased by between 2 and 5 percentage points in general. For retrospective evaluations the differences change a bit more when comparing to employed only – between 2 and 10 percentage points. However, the difference still does not change its direction in 93% of the cases. Only in 4 out of the 57 differences for retrospective economic evaluations to the right in table 6.2 does the sign of the difference change. In fact, the difference actually becomes larger in many of the cases instead. All in all, comparing with the employed only instead of with all non-unemployed does sometimes change the empirical results somewhat in their details, but the conclusions regarding how unemployed differs politically from others remain the same.

<sup>189</sup> Although there is a lot of fluctuation that might well be due to common sampling error, the pattern over time does not seem completely random. There sometimes seems to be some kind of time dependency with an almost cyclical pattern, where higher numbers follow each other for several consecutive years and vice versa. Although the direction of the difference between unemployed and others seems to be relatively constant in most cases, the extent and strength of it is not. The extent of these differences is probably the product of a more complex process where factors such as the political debate and recent policy proposals as well as the current position of the Swedish economy in the business cycle must be taken into account. However, this intriguing subject is beyond the scope of this chapter.

SOM surveys from 1986-2002.<sup>190</sup> It turns out that the effect of being unemployed on personal prospective economic judgements does remain after relevant controls have been included. Those who are unemployed are more likely than others to say either that their personal economy will be worse in 12 months or that it will be better.<sup>191</sup> The observed optimism among the unemployed about their personal economic future compared to those not unemployed that could also be seen in table 6.2 remains, but is somewhat decreased. The odds of saying “better” compared to “same” increases by a factor of 1.8 in a bivariate regression model, but only by 1.5 when controls are introduced.<sup>192</sup>

No especially surprising results are found concerning the retrospective personal judgements. Unemployed persons are less prone to say their personal economy has become better and instead are clearly more inclined to say that it has become worse. Being unemployed increases the odds of saying that it has become worse instead of saying that it has stayed the same by a factor of 2.8, other variables held constant.<sup>193</sup> The SNES panel data also support these conclusions although the results are not always statistically significant due to the limited number of respondents.<sup>194</sup>

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<sup>190</sup> That a multinomial model was chosen instead of for example an ordered logit regression is due to observations like those in table 6.2, that unemployment does not necessarily have a “linear” effect on prospective judgements; unemployment might sometimes increase the probability to choose either “better” or “worse” instead of “same”. To facilitate interpretation the mid-category (stay the same) was used as the base category. As usual, these regressions are not intended to try to find a good or complete an explanation of people’s economic evaluations as possible. Instead they are merely meant to give our previous bivariate results a firmer ground by controlling for a small set of other basic factors (sex, age, family class, education, political interest) that can possibly also affect the evaluations. On top of this, a variable reflecting the trend over time in the dependent variable was also included to prevent spurious results in our pooled analysis due to the relationship between the share of unemployed respondents in our sample during a certain year and the economic business cycle. In the multinomial logit models this was in practice done by including two independent variables: one reflecting the share of respondents saying “better” and one reflecting the share of respondents saying “worse” during a certain year, since “same” is the base category in these analyses.

<sup>191</sup> Once again, for those interested in whether the unemployed are significantly different specifically from the group of employed rather than from all others, the answer is yes. When controlling for other categories such as students and retired persons and using employed as a reference category, the effect of personal unemployment is still significant. The effect is slightly further diminished to a change in the odds of saying “better” compared to “same” to a factor of 1.3 instead of 1.5.

<sup>192</sup> However, this decrease is entirely due to the age variable. This seems very reasonable since younger people are harder hit by unemployment than older people and, simultaneously, younger are also more optimistic about their (short term) economic future than older. This relationship between age and prospective evaluations is rather linear in nature and visible in the entire age span from about the age of 18-20 years to 75 years and for both unemployed and others. However, the effect of unemployment that remains is still clearly noteworthy and only marginally diminished.

<sup>193</sup> In this case the effect of unemployment hardly diminishes at all when the unemployed are compared to the employed specifically instead of to all others at once.

<sup>194</sup> The SNES panel is less suitable for analysing personal economic expectations since these questions were not included at two consecutive elections until 1994. Detailed analysis based on these data is futile since we have only 23 unemployed respondents at  $t_2$  that answered the prospective personal economy questions on two occasions out of a total of 501 respondents. However, results from these data *do* support the previous conclusions that those who are (or have become) unemployed are more inclined to be optimistic about their future personal economic situation than others (or those that have found a job), but the results lack statistical significance. When it comes to personal retrospective evaluations, the situation is somewhat better since these questions have been included since 1982, which yields a total of 149 unemployed respondents out of 4 367. These results also support the (cont)

### National economic evaluations

We will now turn to look at the potential influence of the personal labour market situation on the national economic evaluations. I will proceed with this in the same way as was done concerning personal economic evaluations and start by examining the differences in economic evaluations between unemployed and others.

**Table 6.3 Differences in prospective and retrospective national economic evaluations between unemployed and others (percentage point differences)**

| Year  | P r o s p e c t i v e |                |       | R e t r o s p e c t i v e |                |       |
|-------|-----------------------|----------------|-------|---------------------------|----------------|-------|
|       | Better                | About the same | Worse | Better                    | About the same | Worse |
| 1986  | -                     | -              | -     | -17*                      | +6             | +11*  |
| 1987  | -                     | -              | -     | -20*                      | +18*           | +2    |
| 1988  | -                     | -              | -     | -13                       | +7             | +5    |
| 1989  | -                     | -              | -     | -7                        | +1             | +7    |
| 1990  | -                     | -              | -     | 0                         | -13*           | +12*  |
| 1991  | -                     | -              | -     | -1                        | +1             | +1    |
| 1992  | +2                    | +5             | -7*   | 0                         | +3*            | -3*   |
| 1993  | -2                    | +10*           | -8*   | 0                         | +2             | -2    |
| 1994  | +7                    | +8             | -15*  | +1                        | +10*           | -11*  |
| 1995  | -12*                  | +10*           | +2    | -9*                       | -1             | +10*  |
| 1996  | -12*                  | +5             | +7    | -13*                      | +3             | +10*  |
| 1997  | -1                    | +2             | -1    | -13*                      | +8*            | +5    |
| 1998  | +3                    | +1             | -4    | -10*                      | +8*            | +2    |
| 1999  | +1                    | -3             | +2    | -14*                      | +9*            | +5    |
| 2000  | -4                    | +2             | +2    | -17*                      | +7*            | +9*   |
| 2001  | +6*                   | +5             | -12*  | -2                        | +8*            | -6    |
| 2002  | +3                    | +10*           | -13*  | +1                        | +10*           | -11*  |
| Total | +1                    | +3*            | -4*   | -6*                       | +3*            | +3*   |

*Comment:* The source of these data is the SOM studies 1986-2002. \*=significant at the 95% confidence level or better. The numbers are percentage point differences between unemployed and others. Positive numbers (+) indicate that a larger share of the unemployed than among others give that particular response while negative numbers (-) indicate that a smaller share of the unemployed than among others give that response.

The results are rather unstable as concerns the prospective national economic evaluations. No clear tendency can be seen in the left part of table 6.3. On some occasions the unemployed seem more pessimistic (e.g. 1995-1996) about the future of the Swedish economy and on others they instead seem more optimistic (e.g. 1994 and 2001). Since Sweden had a Social Democratic government during most of the period covered in the table above, from 1994 to 2002, the fluctuations cannot be explained by for example partisan bias in economic perceptions (compare with Chapter 4).

Although only significant in 3 of 11 years, there also seems to be a tendency for unemployed to be more prone than others to think that the national econ-

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findings from the cross-sectional analysis based on the SOM data that those who are unemployed at  $t_2$  have a less positive view on what has happened with their personal economy during the last 12 months than others. This difference also reaches statistical significance ( $p=.002$ ).

omy will stay about the same during the coming 12 months. This can perhaps be explained by other factors, such as level of interest in politics or education.

For the retrospective national economic evaluations, the same tendency towards the mid-point saying that the economy has stayed the same during the last 12 months can be observed among the unemployed,<sup>195</sup> although we observe a clear exception to this in 1990. However, we must be aware that, when using the 95% confidence level, this also means that in one case out of 20 (5%) we will find significant results that are actually not different from zero in the population. Nevertheless, we have no way of knowing whether or not this case is one of them.<sup>196</sup>

Just as in the earlier analysis of personal economic evaluations, we observe a cyclical pattern of the difference between unemployed persons' economic evaluations and that of others. During some periods the unemployed have a clearly less positive view of how the Swedish economy has developed during the last 12 months than others (e.g. 1986-1988 and 1995-2000). This tendency cannot be observed during the whole period of 1986-2002, at least not to the same extent.<sup>197</sup> This can be seen as an indication (although it cannot constitute any trustworthy evidence thereof) that unemployed use their own labour market situation as an information short-cut to evaluate the past development of the national economy or as an indication that their personal situation has primed certain aspects of the economy in general – namely unemployment – to weigh more heavily in their overall evaluation.

As with the personal economic evaluations, multinomial logistic regression models were estimated to check whether the bivariate differences seen in table 6.3 hold when other factors are taken into account. The same factors were included here as for the models of personal economic evaluations. As seen in table 6.3, no completely clear-cut tendency can be seen concerning the effect of personal unemployment on national economic evaluations. Although for the prospective judgements the unemployed seemed to be somewhat less prone to say that it will become worse. After introducing our set of controls, however, this effect turns statistically insignificant. Once again, this is to a large extent dependent on the effect of age – older respondents are generally more pessimistic

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<sup>195</sup> Please note that this tendency is exactly the opposite of what we found concerning the personal economic evaluations in table 6.2, where the unemployed instead were found to avoid the mid-category.

<sup>196</sup> Another peculiarity concerning significance testing in table 6.3 also deserves a comment. For example, in the right part of table 6.3, small differences are sometimes statistically significant while larger differences are not. And this is not only explained by the number of respondents. The amount of variance in the different groups also actually plays an important part in explaining this in table 6.3. Some years, in 1992 for example, almost everyone (94-97%) agrees that the Swedish economy has become worse during the last 12 months, while on other occasions, as in 1997 for example, there is much less agreement (38-43% say it has become worse). This explains why a difference of 3 percentage points is significant in 1992 while a difference of 5 is not in 1997 despite the number of unemployed respondents being almost identical (149 in 1992 compared to 150 in 1997). The less disagreement, the less variance, which in turn means smaller standard errors, resulting in more significant results.

<sup>197</sup> Unlike the case of personal economic evaluations, it makes almost no difference at all when the unemployed are compared to those actually employed rather than to all other labour market categories at once when it comes to evaluations of the national economy. This is mostly due to the fact that pensioners are no longer that different from employed people. The difference by which the unemployed are different only changes by between 0 and 1 percentage point, with an occasional 2 percentage points, when comparing them to employed instead of to all others.

about Sweden's economic future (and also not as often unemployed as younger respondents). There is also a certain tendency for unemployed to say that the national economy will stay the same somewhat more often, but this effect is not statistically significant.

The clearest pattern concerning the retrospective national judgements is that unemployed are, at least during certain periods, less apt than others to say that the national economy has become better. After controlling for the usual set of controls, this effect of personal unemployment on retrospective judgements remains – those who are unemployed *do* have a lower probability than others of saying that they think the national economy has become better.

Despite the results of the cross-sectional analysis above being undecided on the effect of personal unemployment on prospective national expectations, our panel analyses indicate that the unemployed *do* see the future development of the national economy in moderately less bright colours. For instance, among the unemployed, 50 percent of those who said the economy would improve during the coming 12 months at  $t_1$  stayed in that category at  $t_2$ , compared to 58 percent among others. For those saying that the national economy would become worse at  $t_1$ , the share going to the category of “better” at  $t_2$  only amounts to 24 percent among those who were unemployed at  $t_2$  in contrast to 41 percent among other people. Since the number of respondents on which these percentages are based is quite low, these results should be treated with caution.

Concerning backward looking national economic evaluations, the results support what we saw earlier in the cross-sectional investigations – those who are unemployed tend to look less positively on the recent development of the national economy than others. However, this result depends greatly on exactly what numbers we examine and is only visible during periods in which objective economic indicators had been deteriorating (1991, 1994 and 2002).<sup>198</sup>

Let us now summarize the effects of personal experiences of unemployment on economic evaluations. The results indicate that unemployed persons are actually mainly more optimistic about their own (relative) personal economic future than others, but at the same time a larger share of them are also more pessimistic. When looking back, they clearly perceive that their personal economy has been getting worse more than others, which should come as no big surprise. Concerning prospective national economy, no significant difference can be observed between unemployed and others. However, those who are unemployed are less positive than others when looking back over the last 12 months and are instead more inclined to state that things have remained the same when it comes to the national economy.

## EFFECTS ON LEFT-RIGHT IDEOLOGY

The expectations on the effects of unemployment on left-right ideology are not unambiguous. Since unemployed people are more dependent than others on welfare systems and collective social arrangements, we might expect them to

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<sup>198</sup> The year 2002 is a much less clear-cut case here, as unemployment had been decreasing while inflation increased and growth went down since 1998 (see for example table 4.2). However, the year 2002 was still included in this category since aggregate retrospective economic evaluations in the SNES had changed slightly for the worse since 1998.

move ideologically to the left as a consequence of their precarious labour market situation. It is reasonable to think that the personal experience of unemployment might promote increased support of values such as solidarity with vulnerable social groups. On the other hand, as made clear at the beginning of this chapter, it is far from self-evident that the self-interest of the unemployed is to wholeheartedly support traditional leftist values and policies. While Social Democratic regimes in many countries often have emphasized employment protection more than employment promotion (Rueda 2006), the latter is more directly in line with the interest of the unemployed and other outsider groups on the labour market (Lindbeck & Snower 1989). This might on the contrary lead us to expect that the unemployed would instead turn away from leftist values in view of their own – at least momentary – self-interest. On the one hand they are better off with leftist policies – as long as they stay unemployed – but on the other hand this might simultaneously decrease their chances of finding a new job. Thus, we have no clear-cut expectations or hypothesis concerning the effect of unemployment on left-right ideology.

We will start analysing the effects on left-right ideology by undertaking a straightforward examination of the left-right self-placement of unemployed and others in the SOM surveys.<sup>199</sup>

Those who are unemployed are systematically more to the left on our ideological scale than those who are not.<sup>200</sup> The difference is not always that big<sup>201</sup>, but year after year the pattern observed is the same and the two groups differ in the same fashion. In fact, it turns out that the difference is generally also statistically significant at conventional confidence levels (95%) despite our low number of respondents that are unemployed. The only exceptions where the differences do not reach statistical significance are in 1988, 1989 and 1991. For the first two of these years this is probably mostly because our data contain fewer than 50 unemployed respondents, which makes standard errors quite large. In 1991 ( $p=.364$ ) we have more unemployed respondents but, as figure 6.2 shows us, the gap is substantially smaller in those years and the differences still become insignificant.<sup>202</sup>

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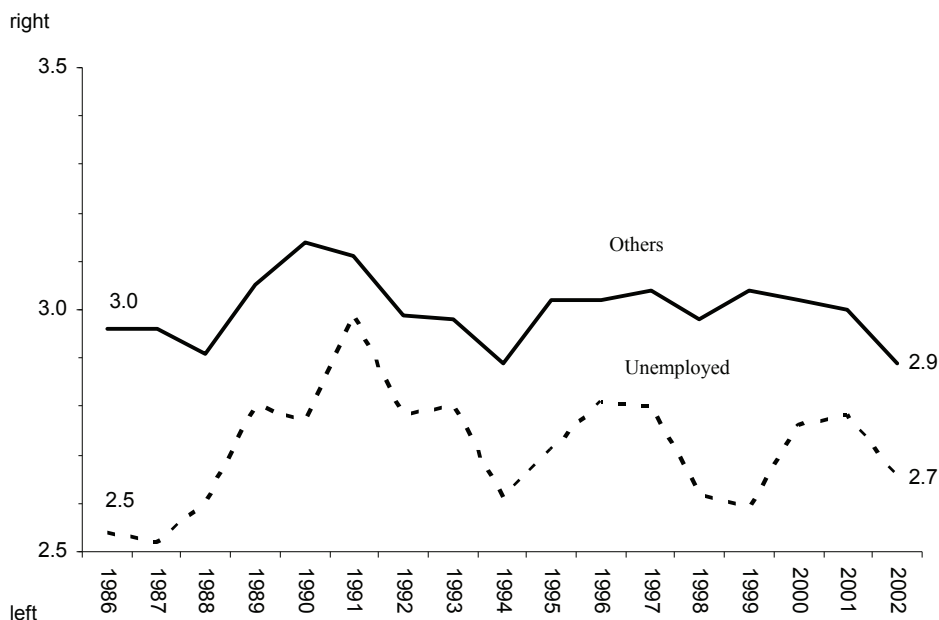
<sup>199</sup> The main data source in the analyses is the SOM studies despite the fact that the left-right scale in the SNES is superior (0-10) to that of the SOM surveys (1-5). The reason for this is twofold: a larger number of respondents and observations every year instead of every third or fourth year. Until 1992, the number of unemployed among the respondents was below 100, but from 1992 and we find between 140 and 260 unemployed respondents, which makes our estimates more accurate.

<sup>200</sup> I also checked whether this result holds when unemployed are compared to employed people specifically. Although pensioners are more often slightly to the left of the employed than not, that difference is very small and does not affect how unemployed differ from others in any systematic way. The change in the difference between unemployed and others when unemployed are instead compared to employed is very small: about 0.00 to 0.03 on our 1 to 5 left-right scale with few exceptions. Thus, the results are the same when specifically comparing unemployed to employed.

<sup>201</sup> If we consider all the 19 years of data displayed in figure 6.2 at once, the difference between unemployed and others on the 5-point left-right scale is -0.27 points ( $p=.000$ ).

<sup>202</sup> Cross-sectional analyses of SNES data reveal a similar pattern. During the period of 1979 to 2002, those who say they are unemployed are further to left as a group than others with the exception of two occasions where the difference is too small to be statistically significant. On four occasions the difference between those unemployed and the rest of the population proved to be significant also in the SNES: 1985 ( $p=.009$ ), 1994 ( $p=.001$ ), 1998 ( $p=.006$ ) and 2002 ( $p=.002$ ).

**Figure 6.2 Left-right ideological self placement among unemployed and others 1986-2004 (mean 1-5)**



*Comment:* The data source is the SOM studies. The five-point ordinal scale of left-right ideology runs from 1 (clearly left) to 5 (clearly right). All the differences between the two groups are statistically significant at the 95% confidence level except in 1988, 1989 and 1991.

In general we also observe that the unemployed as well as others follow the same time trend quite well. When the general public moves to the right – the clearest example being from the last years of the 1980s to 1991 – so do the unemployed. Likewise, when the general public moves to the left – as in 1994 – so do the unemployed.<sup>203</sup>

We must remember that these differences cannot be interpreted as evidence that unemployment *causes* leftist ideology or leftist values. It is possible that those who are unemployed might have positioned themselves further to the left than others before entering unemployment. The unemployed may well differ from the rest in other significant respects such as socio-economic characteristics that *both* increase their propensity to become unemployed and to hold leftist values.

As in the preceding sections a multiple (OLS) regression model with standard socio-economic controls (sex, age, family class, education) as well as a variable capturing the overall trend in left-right ideology over time was estimated using the pooled SOM data. Personal unemployment displayed a significant effect on ideological position after those controls as well. However, the coefficient dropped substantially to half of its original level when moving from a bivariate

<sup>203</sup> During all the years depicted in figure 6.2 the mean left-right placement for all respondents is almost identical to that for the non-unemployed since the unemployed never exceed 9.5 percent of our total sample, and most often constitute a noticeably smaller share than that.

model with only unemployment as predictor ( $b=-.27$ )<sup>204</sup> to the model with full controls ( $b=-.13$ ,  $R^2=.12$ ). While the effect is still significant ( $p=.000$ ), it does not seem very large on a scale from 1 to 5, but then again neither completely void of importance. We must remember however that, especially when we run our model on such a large pooled sample, standard errors become very small and pure statistical significance is not in itself a good measure of whether a variable is important or not. When an equivalent model is run on data from each year separately, the standard errors generally become at least four times as large and the effect of personal labour market situation turns out to be significant in only slightly more than half of the cases.

The SNES panel data might provide us with additional insight into the question of whether unemployment has any causal effect on ideology. The SNES 11-point scale from 0 (far left) to 10 (far right) for voters' subjective ideological left-right self-placement is used. When we analyse the SNES panel data, our dependent variable is the *change* in the ideological self-placement and how it is affected by voters' personal labour market situation. The number of unemployed respondents without missing data on their left-right placement at either  $t_1$  or  $t_2$  amounts to a total of 188.

A potential problem is that we have a much higher share of unemployed respondents in 1994, which is also the time of the biggest left-turn in Swedish public opinion during this period. The only other occasion during this period with a clear movement in aggregate left-right placement since the previous election is the preceding election of 1991, which instead represents the biggest right-turn during this period. At all other times the aggregate movements have been rather modest. During these "normal" periods there is no significant difference in left-right movement between  $t_1$  and  $t_2$  for those who are unemployed at  $t_2$  and others ( $p=.755$ ). In both 1991 and 1994 those who were unemployed moved more than others in the same direction as aggregate public opinion, but the unemployed respondents are few and the difference is only significant in 1991 ( $p=.005$ ). This means that there is no clear tendency in our panel data for unemployed respondents to move their ideological position to the left. In fact the only significant difference, in 1991 ( $t_2$ ), shows a difference in the opposite direction instead.

If we instead specifically compare those who have lost their jobs between  $t_1$  and  $t_2$  with those who have not been unemployed at either  $t_1$  or  $t_2$  we find a difference in the expected direction. The average change in left-right position for the former is  $-0.11$  (slightly to the left) and for the latter  $+0.06$  (slightly to the right). However, this difference is not statistically significant in the pooled data set for the whole period of 1982 to 2002 ( $p=.281$ ) or when controlling for the aggregate movements by examining the "normal"/stable periods ( $p=.412$ ) and 1991 ( $p=.314$ ) or 1994 ( $p=.436$ ) separately.<sup>205</sup> What might seem more puzzling is that those who have improved their personal labour market situation between  $t_1$  and  $t_2$  by finding a job have on average moved even further to the left than those who have lost their job. In principle this could be interpreted as evidence in favour of the insider-outsider distinction presented above since those who

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<sup>204</sup> Naturally, this b-coefficient is the same as the raw difference between unemployed and others in the pooled data set, as reported earlier in footnote 201.

<sup>205</sup> Some of the p-values reported here are the results of t-tests with adjustment for unequal variances in the two groups.



find a job suddenly have their self-interest clearly in favour of employment protection – and since they have already experienced unemployment they might be more prone to see this as a real possibility more than those who have never experienced it. However, because this difference is not statistically significant ( $p=.525$ ), no firm conclusions can be drawn.

Generally, we have found that unemployed are slightly to the left of other citizens. However, although this tendency withstands standard control variables in multiple regression (though the effect is small), the conclusion must be that we do not have convincing evidence in our data that unemployment causes leftist ideology since the results of our panel analyses do not support such a conclusion but instead partly point in the opposite direction.

## EFFECTS ON PARTY SYMPATHY AND VOTING BEHAVIOUR

Now the time has come to examine potential effects of personal experiences of unemployment on the ultimate dependent variable in the integrated model: actual support/sympathy for the incumbent and voting. Both party sympathy (liking scales of parties) and actual voting or vote intention belong to this category of variables. One could of course differentiate between them by placing sympathy prior to actual voting in the causal chain, but for my purposes here these two variables are placed in same category and at the same stage in the causal chain.<sup>206</sup> When I use the notion of party sympathy I refer to the generalized “liking” of political parties by voters. Both the SOM studies and the SNES have used an 11-point like-dislike scale from -5 to +5 for a long time.<sup>207</sup>

Party sympathy will be studied first, followed by actual voting. As in the previous sections, we will start with bivariate analyses using the rich cross-sectional data from the SOM institute, complemented with the unique panel data from the election studies. However, unlike in previous sections of this chapter, the dependent variables examined here – party sympathy and voting – directly concern research questions that actually belong to Chapter 7. We will therefore also get a brief preview of some empirical results belonging to that chapter.

When examining the party sympathy of the unemployed compared to that of other citizens, things need to be simplified somewhat because of the number of political parties in the Swedish party system. I will therefore mostly restrict the analysis to the liking of the Social Democratic Party, the Moderate Party and the

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<sup>206</sup> In the Swedish National Election Studies, the share of voters choosing to vote for the party they rate highest on these like-dislike scales varies between 80 and 90 percent, depending on exactly how this is computed and the year of the election.

<sup>207</sup> However, from 1998 and on, half the SNES surveys (the post-election survey) has used a liking scale adjusted to correspond to that of the CSES (Comparative Study of Electoral Systems) instead, which has a scale from 0 to 10. This means that the variables are not completely comparable, even after transforming these responses to a -5 to +5 scale, because it has been argued that respondents shy away from giving parties negative values, which means that when the CSES scale is used they receive slightly lower scores than otherwise. A pilot study that examined the comparability of the two scales concluded that the average difference was approximately 0.6 and that this amount should be added to the 0-10 CSES scale in order to improve comparability with the -5 to +5 SNES scale. However, my view is that, while this method of adjustment may work for estimates of mean liking for various groups or for time series, it is a less suitable solution for regression analysis. The reason for this is simply that such an adjustment makes the values the respondents obtain dependent on the survey version in which they participated.

average of the parties that have been part of the centre-right coalition governments. The Social Democrats are chosen because they have governed Sweden for the most part of the period under study; the Moderate Party was chosen because they have been the main contender of the Social Democrats during the period studied here (from the end of the 1980s until present). The average of the centre-right coalitions is included because between 1991 and 1994 this actually fits our theoretical expectations better. What we are interested in knowing is whether citizens hold governments politically accountable for personal experiences of unemployment.<sup>208</sup>

The question is whether unemployed like the incumbent party or parties less than others do? This could be because they hold the government responsible for their personal hardship in the labour market or because they let this experience colour their general evaluation of the government's performance. Alternatively, unemployed persons might also like certain parties less regardless of their parliamentary status. This would instead be more in line with an ideological model of party sympathy rather than a pure model of economic voting. In such a case the policy preferences or ideology of the unemployed would make them have different party preferences than others.

In general the unemployed seem to like Social Democrats more and the right parties less compared to other people. However, the difference between the liking of unemployed and others does not seem to be dependent on the parliamentary position of the political parties. If unemployed in general hold governments accountable for their unwanted labour market situation, we would expect them to like certain parties less when those parties are in government, but otherwise not. What we observe in figure 6.3 is instead that the unemployed seem to like the Social Democrats more and the Moderate Party or the centre-right alliance less than others regardless of which parties actually are governing or have recently governed.<sup>209</sup> Neither is there any clear indication that the difference between unemployed and others is bigger when the parties are in government than at other times. We also observe a great deal of random fluctuation from year to year, which is of course expected as there are relatively few unemployed respondents. There are two obvious exceptions to the general pattern figure 6.3, when the Social Democrats were less liked by the unemployed than by others: in 1989 and 1996.<sup>210</sup> Neither of these exceptions are statistically significant, however. Most of the fluctuations we observe are likely due to sampling error. Although we clearly see a general pattern, the difference in sympathy for the Social Democrats between unemployed and others is only significant ( $p < .05$ ) in six cases out

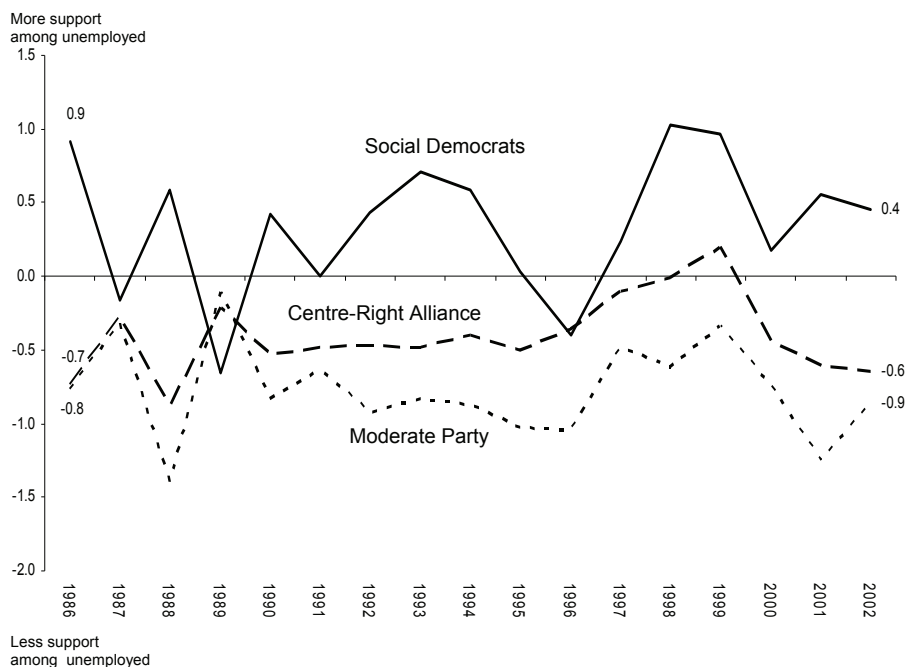
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<sup>208</sup> Until 1990 this average is based on the Moderate Party, the Centre Party and the Liberals, from 1991 and on the Christian Democrats are also included in the average since they were part of the government coalition in 1991-1994 but not of the previous coalitions in 1976-1982. Possibly an average for the left bloc in Swedish politics should also be included in future research since the support coalition of the Social Democratic minority government, the Left Party and the Green Party, has tied together more closely in recent years, perhaps especially after 2002.

<sup>209</sup> Just as in the previous section, these results were also checked by comparing the unemployed to the employed specifically instead of to all others taken together. When doing this the difference systematically becomes slightly higher. On average for the 17 years between 1986 and 2002 shown in figure 6.3, the difference increases by 0.08 points on a scale from -10 to +10.

<sup>210</sup> The actual number (the difference) is also negative in 1987, but the difference is actually very close to zero: -0.16.

**Figure 6.3 Differences in party sympathy between unemployed and others 1986-2002 (-10 to +10)**



*Comment:* The data source is the SOM studies. The lines show the differences between the mean liking score among unemployed on a scale from -5 to +5 of certain parties minus the mean liking score of the same parties among others. Until 1990 the average for the centre-right alliance is based on the Moderate Party, the Centre Party and the Liberals; from 1991 and on the Christian Democrats are also included. Between 1986 and 1990 the number of unemployed respondents is just above 40. Between 1991 and 2002 the number of unemployed respondents varies between 69 and 162.

of the 17 observations in figure 6.3 owing to the low number of unemployed respondents. On average during the period of 1986 to 2002, the Social Democrats get a higher rating of +0.35 by those who are unemployed as compared to others ( $p=.000$ ). For the Moderate Party the difference is larger, -0.77 ( $p=.000$ ), while the centre-right alliance as a whole lies in between these two parties with an average difference of -0.41 ( $p=.000$ ). For each year separately, the differences for the Moderate Party and the centre-right alliance are statistically significant ( $p<.05$ ) in about half of the years studied.

However, since the results are far from rock solid we need to consider whether these differences are merely a product of other factors. For example, it is not unlikely that factors favourable to positive evaluations of the Social Democratic Party are correlated with higher risks of being or becoming unemployed. This in turn is hardly a coincidence, but instead probably a consequence of the rationality underlying the drive among those with a more socially or economically insecure position towards political parties that are seen as more pro-welfare and more in favour of social security. In order to control for other factors that might influence both party sympathy and the risk of becoming unemployed, regression analysis will be applied. As mentioned earlier, the results will be reported quite briefly to avoid too much overlap with Chapter 7.

We will first turn our attention to voting behaviour. This dependent variable is close in the causal chain to party sympathy, and the main thought behind the analysis is the same as that for party sympathy: if unemployed voters hold the government responsible to some extent for their personal labour market situation we also expect them to be less supportive of the incumbent party or parties at the elections than other people are. However, as we have already seen concerning party sympathy, unemployed citizens do not seem to behave in accordance with this egotropic labour market model of economic voting. Since the bivariate relationship between personal labour market status and party sympathy appears to be more in line with other factors that co-vary with unemployment, such as left-right ideology or issue opinions, I expect a similar pattern when it comes to voting behaviour.

When analysing voting behaviour and unemployment, it is also reasonable to briefly consider something that is generally not treated in this book: turnout. One of the decisions that must be taken prior to the final voting decision is whether to vote at all. There has long been widespread concern that unemployment leads to political apathy.<sup>211</sup> One of the earliest scientific studies that sounded the alarm bell was the famous study of Marienthal in Austria (Jahoda et al. 1974[1933]). Fittingly for this thesis, that study was conducted by a team led by one of the (later) founders of modern day survey based election studies: Paul Lazarsfeldt. In Sweden, recent investigations have shown that unemployment does decrease political participation (Adman 2004) and that unemployed have a lower propensity than others to participate in elections (Bennulf & Hedberg 1999).

In our case the SOM studies and the SNES reveal that unemployed tend to abstain from voting to a greater extent than others.<sup>212</sup> In the SOM surveys of 1988, 1991, 1994, 1998 and 2002, the figure is about 15 percent among unemployed and 6 percent among others. Taken together, this difference is clearly statistically significant. However, because of the relatively low number of unemployed respondents in 1988 ( $n=37$ ), the difference does not reach statistical significance that year ( $p=.317$ ). Though, in 1991, 1994, 1998 and 2002 it is clearly statistically significant ( $p<.05$ ). Generally, we get very similar results in the Swedish National Election Studies. In all elections between 1979 and 2002, the average rate of abstention among unemployed is approximately 18 percent as compared to 7-8 percent among other people.

To simplify things a little, our analysis is for now confined to whether unemployed vote more or less for the incumbent party(ies) than others. In part we observe the same pattern regarding voting as we did earlier concerning party sympathy. Instead of consistently voting less for the incumbent than others, as a purely rational model in which voters blame the government for their labour market situation would suggest, the unemployed generally vote more for the Social Democrats and less for the centre-right parties. However, the pattern is not stable over time, nor is it very clear. The average vote share for the Social Democrats among the unemployed in our samples at the elections of 1988, 1991, 1998 and 2002, when the Social Democrats had been in power during the preceding incumbency periods, is only a few percentage points higher than it is

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<sup>211</sup> For a review of such literature, see Adman (2004).

<sup>212</sup> See also (Holmberg & Oscarsson 2004, especially Chapter 2).

among others (44% vs 40%) and the difference is not statistically significant ( $p=.131$ ). The only election years in the SOM studies that show a statistically significant difference is 1994, when the incumbent centre-right government received *clearly* less support at the polls among the unemployed than among others (26% vs 45%,  $p=.000$ ), and 1998, when the Social Democratic government received higher support among unemployed voters (45% vs 37%,  $p=.026$ ). Once again, we get very similar results in the SNES. These data also reveal that the pattern seen in figure 6.3, that the centre-right coalitions get fewer votes from unemployed than from others, was already valid in the elections of 1979 and 1982. Although we have only *very* few unemployed respondents on those occasions (24 and 30, respectively). The differences observed in the SNES are only significant in 1985 ( $p=.002$ ) and 1994 ( $p=.000$ ), but the pattern is very similar to that in the SOM surveys, which strengthens our faith in the results.

Unemployed do not seem to punish governments electorally by holding them accountable for their unwanted labour market situations and do not seem to support the ruling parties less. It seems instead as though the unemployed tend to support the Social Democrats more and parties to the right less. The next step is now to make use of the rich amount of data and exploit the SNES panels to see whether the transitions between two elections also support the patterns seen in the cross-sectional analyses.

This analysis will proceed in the same way as that of table 6.1 on issue salience. The pattern of change in government support from one election to the next among those who are unemployed at the second election and among others is compared in table 6.4. Do those who are unemployed at  $t_2$  have a higher propensity to vote *against* the government even if they voted *for* the government at  $t_1$ ? If that is the case, this can be interpreted as a sign that unemployed tend to punish the incumbent government for their personal labour market situation when they vote.

The results shown in table 6.4 are not unambiguous. We can see that the amount of continued support for the government among those who are unemployed at  $t_2$  is lower than that among those who are not unemployed. Among the unemployed, 78 percent of those who voted for the government at the preceding election did so again at the next election, compared to 85 percent of those who were not unemployed at  $t_2$ . This could indicate that the unemployed would hold the government responsible for their situation and withdraw their previous support at  $t_1$  when they get the chance to cast their vote again at  $t_2$ . However, this difference falls just short of achieving statistical significance at the 90% confidence level ( $p=.110$ ). On the other hand, there is also a larger but even more statistically insecure, share among the unemployed voters that move to supporting the government they voted against at  $t_1$  than other voters (10 vs 7 percent,  $p=.305$ ). In summary, the SNES panels do reveal some indication that the unemployed tend to withdraw their support for the incumbent to a larger extent than others. However, because of the low number of respondents we cannot place much confidence in these results.

The general conclusion of these bivariate analyses is that the unemployed seem to be influenced more by their ideological and social characteristics than by resentment towards the government on the grounds of their personal misfortune in

**Table 6.4 Government vote transitions from one election to the next among unemployed and others 1979-2002**

| Unemployed at $t_2$      |                          |     |              | Others                   |                          |     |               |
|--------------------------|--------------------------|-----|--------------|--------------------------|--------------------------|-----|---------------|
| Government vote at $t_1$ | Government vote at $t_2$ |     | Total        | Government vote at $t_1$ | Government vote at $t_2$ |     | Total         |
|                          | No                       | Yes |              |                          | No                       | Yes |               |
| No                       | 90                       | 10  | 100<br>(88)  | No                       | 93                       | 7   | 100<br>(3276) |
| Yes                      | 22                       | 78  | 100<br>(69)  | Yes                      | 15                       | 85  | 100<br>(2614) |
| Total                    | 60                       | 40  | 100<br>(157) | Total                    | 58                       | 42  | 100<br>(5890) |

*Comment:* The source is the pooled SNES panels from 1979 to 2002. Numbers in the table are percentages, except those shown in parentheses, which instead indicate the number of respondents. The table is divided into two halves according to labour market status at  $t_2$ .

the labour market. That is, they like the Social Democratic governments more than other people do, even when they have been governing. They also tend to like the right parties, especially the Moderate Party, less than others, even when they have not been in government. Thus, there seems to be a positive effect of personal unemployment on voting for the government – at least when the government consists of Social Democrats. However, the SNES panel analyses indicated an opposite tendency, although weak and not statistically significant, towards more withdrawn support for the incumbent among the unemployed.

When controlling for other relevant factors the picture changes, however. We no longer find a positive effect on voting for the Social Democrats. Instead we find a mixed bundle of estimates that vary between different elections and between different data sets (SNES and SOM studies, both separately and combined).<sup>213</sup> This instability is likely to be due to the low number of unemployed respondents. In many cases the effect of personal experience of unemployment on voting for the government is not significant.

The reasonable way to achieve more solid results is to jointly analyse the SOM and SNES data sets for all election years between 1988 and 2002 in order to increase the number of respondents, particularly the number of unemployed respondents. This results in a slightly negative and statistically significant effect of personal unemployment on voting for the incumbent when controlling for other relevant variables ( $p=.035$ ). More detailed analyses reveal that it is mainly the control for left-right ideology that changes the previously reported bivariate finding that indicated that personal unemployment would instead benefit the Social Democratic Party. When taking left-right ideology into account, this no longer seems to be the case. Personal experience of unemployment in itself does not seem to cause voters to be more positive to Social Democratic governments, as first seen in the bivariate analyses above. If there is such an effect, it is likely to be weak and channelled via left-right ideology. Instead, if anything, there seems

<sup>213</sup> The regression models and the data sets used are further discussed in Chapter 7. Full results are found in tables A.39-A.41.

to be a slight negative effect of personal unemployment for most governments, although not always significant. Further, at least for the Social Democrats, this seems to have become clearer during the last two elections, in 1998 and 2002.

## CONCLUSIONS

Personal unemployment does matter for political attitudes. Relatively speaking however, it is not an especially important determinant of political attitudes. Further, the personal labour market situation seems to matter most for the salience of the issue of unemployment. Personal unemployment clearly influences the salience of the issue. Still, this does not mean that individual citizens' personal experiences of unemployment are the main cause of aggregate level variation in salience over time.

Naturally, how people perceive their personal economy was also found to be clearly affected by their labour market experience. On the other hand, evaluations of the national economy were not found to be clearly influenced by unemployment. Only weak and unstable evidence was found in support of an effect of personal unemployment on retrospective national economic judgements.

When it comes to political attitudes such as left-right ideology, the unemployed were found to be systematically to the left of others, although our data did not support the interpretation that personal unemployment causes leftist ideology. Likewise, despite the fact that our analysis of party sympathy and voting revealed that unemployed tend to like Social Democrats better and right parties less, panel analyses as well as cross sectional multiple regression models with proper control variables demonstrated that personal unemployment is not likely to bring about increased support for the Social Democrats.

This chapter indicates that the unemployed are in all likelihood slightly to the left of others because of socio-economic characteristics that also increase their risk of becoming unemployed in the first place, rather than being driven ideologically to the left by the very experience of being unemployed. On a general level, the effects found are not very impressive. Personal experience of unemployment does not seem to be a powerful force when it comes to shaping individuals' political attitudes. If there are political and electoral consequences of unemployment, they do not stem from individuals' personal experiences of difficulties in the labour market. Unemployment instead seems to have its political importance because of its impact on society at large. If there are substantial electoral consequences of unemployment, it is not because it is mainly a political concern for those who personally experience unemployment, but for voters at large.





## Chapter 7

# Electoral Consequences

How large are the effects of economic evaluations and issue salience on individual voters' party choice? We have now arrived at the point where we will examine the micro-level effects on voting behaviour and government support. The main purpose of this chapter is to evaluate the theoretical model presented in Chapter 1. This will be done via the statistical estimation of a micro level model of party choice and government support. How do economic downturns (upturns) combined with increasing (decreasing) unemployment affect electoral outcomes in Sweden?

This book argues that, to understand the electoral consequences of economic changes and changes in the labour market, we must simultaneously take into consideration the influence of both economic evaluations and issue salience, since they are both affected by the objective economic development (as seen in Chapter 4). These two factors, each separately capable of producing changes in electoral outcomes, can either work together, pushing government support in the same direction, or work against each other, partially cancelling out each other's effects. I argue that the net aggregate effects of economic changes on government support are in fact made up of (at least) two different micro level effects. The net result – whether (and by how much) the government loses or gains public support – will hence depend on the balance between the strength of the effect of economic evaluations and the strength of the effect of issue salience on party support. What we primarily want to know in order to evaluate the overall theoretical model is whether the effects of higher issue salience – combined with stable issue ownership – can offset the effects of deteriorating economic evaluations and consequently cushion the electoral punishment of the incumbent government.

Two steps will be taken in order to answer this question: 1) a micro-level model of voting behaviour will be estimated to examine whether the effects of economic evaluations and issue salience do in fact counteract each other when the incumbent has ownership of the issue of unemployment and reinforce each other when an opposition party owns the issue instead (the third requisite), and 2) counterfactual electoral outcomes under different economic circumstances will be simulated to explore the substantial consequences of the effects and evaluate the importance of the integrated model of economic voting and issue ownership (the fourth requisite).

To determine the factors that are most important to include in the statistical model and to better understand how the analyses in this chapter relate to those of earlier studies, a brief review will be given of the main directions in research on voting behaviour.

### *Studies of voting behaviour*

The earliest electoral studies in the sociological tradition appeared in the 1940s. This tradition emphasized the role of social characteristics and group belongings and social contexts (Lazarsfeld et al. 1944). Soon more social-psychological factors also came into focus in the American election studies, starting with the Michigan school (Campbell et al. 1954; Campbell et al. 1960). What this social psychology of voting added to the sociological model of voting was a heavier focus on individual attitudes and perceptions in contrast to more objective social factors, such as social position in society.

However, what the Michigan school in electoral research is associated most with is the introduction of the notion of party identification (Holmberg 2007). This identification was typically seen as a result of early socialization, e.g. within families. This identification was normally thought of as stable – at least in its direction. One of the important functions of party identification in the political system was to provide stability. It acted as a “perceptual screen” through which voters perceived political events and information, thereby limiting the extent of variation in party support and electoral outcomes.

Campbell and his colleagues also introduced the notion of the famous “funnel of causality”, where basic social characteristics from the sociological tradition started at the broad end and influenced party identification. In the next step of this causal chain, party identification affected citizens’ attitudes towards for example, candidates and issues through social psychological processes of selective perception before all these factors were eventually channelled into the actual voting decision at the narrow end of the “funnel”.

Some researchers have claimed that the American concept of party identification travels ill to Europe (Miller & Shanks 1996; Thomassen 1976; van der Eijk & Niemöller 1983). The concept of party identification was not found to behave according to the ideas from Michigan. This critique chiefly focused on the lack of stability of the partisan attachments that the original idea of party identification implied. This particular critique has recently been elaborated upon and convincingly demonstrated in the UK by Clarke, Sanders, Stewart and Whiteley in their impressive work *Political Choice in Britain* (2004), but see also Greene, Palmquist et al. (2002) for a different view. Brynjin and Sanders (1997) also warned against careless use of measures of party identification as explanatory variables in models of voting behaviour if these do not reflect actual enduring and stable affective attachments to political parties. However, the concept of party identification has also sometimes received more positive assessments in the European context (cf. Holmberg 1984; 1994; 2007).

A differing view has also been that left-right ideology serves as a functional equivalent of party identification in the European context (see Rosema 2005). European voters use this general ideological orientation as a rough political guidance that facilitates orientation in the world of politics. An ambitious methodological study of the stability of issue opinions and party identification in the Swedish National Election Studies by Oscarsson (1995) also indicated that Swedish voters’ ideological left-right position is actually more stable than party identification.<sup>214</sup>

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<sup>214</sup> Although Oscarsson carefully points out that the issue is not yet settled.

Further, this revisionism has not been confined to Europe. Quite early it was proposed that party identification should instead be regarded as a “running tally” – a continuously updated and revised evaluation of parties and political leaders based on performance, issues and events (Fiorina 1981). This way, the concept might still be useful, though conceived completely differently than originally intended in the Michigan studies in the 1950s and 1960s. This later view is the one that Clarke et al. (2004) adhere to, as does Rosema (2006). However, I am inclined to think it better to avoid the term party identification if this is what one intends to denote by it. Keeping the name but changing the content only risks adding to the confusion.<sup>215</sup>

Empirically, a general decline in the amount of party identification can be seen in most Western democracies since several decades (Dalton & Wattenberg 2000; Schmitt & Holmberg 1995; Särilvik & Crewe 1983). Sweden is no exception to this, but has experienced a marked and steady decline, at least since the late 1970s. Between 1968 and 2002 the proportion of strongly convinced partisans fell from 39 to 15 percent (Holmberg 2007:265).

Social structure and social group identity have turned out to be more important for partisanship in Europe than in the US. Thomassen (1976) therefore suggested that European electoral research should focus more directly on social identity instead of party identification. The importance of social position for electoral choice has been thoroughly studied in Sweden as in most other older Western democracies. In effect, Sweden belongs to the countries that exhibit the strongest connections between socio-economic variables and voting behaviour (Clark 2000; Holmberg & Oscarsson 2004; Nieuwbeerta 1995; Nieuwbeerta et al. 2000). For the most part, the particular strength of this connection is due to a lingering comparatively strong class vote in Sweden (Holmberg 2000; Oscarsson 1994), although other socio-economic factors such as religiosity and region of residence have also demonstrated significance for party choice (Holmberg & Oscarsson 2004).

However, evidence showing that the relationship between party choice and sociological factors is declining throughout Western democracies has amassed (Dalton 1996; Thomassen 2005; Franklin et al. 1992). This development is also seen in Sweden (Holmberg & Oscarsson 2004). Nonetheless, the Swedish National Election Studies show us that this is happening very slowly and gradually. The continuously diminishing effect of social characteristics for electoral behaviour is neither dramatic nor yet extremely large. Holmberg and Oscarsson (2004) further conclude that the factors losing most ground are those most clearly related to the class cleavage, while age and gender still retain their (lesser) importance. They also cautiously hint at the possibility that, rather than slipping into an extremely individualized post modern era, these latter factors perhaps contain the potential to partly replace the older class related factors.

Another tradition within studies of voting behaviour that is highly relevant for the questions treated in this book is based on the notion of individual rationality. This framework fundamentally regards voting as the outcome of a rational decision making process based on utility maximization (Clarke et al. 2004). A milestone in this school of thought is the work of Anthony Downs, *An Eco-*

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<sup>215</sup> For another study of party identification that partly changes the original content (by adding more cognitive components) see Berglund (2004).

*nomic Theory of Democracy* (1957), where he presents his spatial proximity model of voting and party competition. The general idea underlying the Downsian model is quite simple: positions of voters and parties on an ideological left-right continuum reflect different preferences for policy outcomes, mostly in terms of degrees of government provided goods and services and government interventions in the economy. Parties are then thought to compete by moving their policy positions on this continuum to where they think they will attract the maximum number of voters. Voters, on the other hand, try to maximize their benefit/utility by choosing the candidate or party closest to their ideal point on the continuum (Downs 1957:36). However, although simple in principle, such a choice can comprise great difficulties in practice (see for example Downs 1957; Fiorina 1981; MacDonald 1998).

One criticism of the Downsian spatial model that appeared quite early was given by Donald Stokes (1963; 1992), who claimed that it painted an unrealistic and limited picture of party competition since it excluded what he labelled “valence issues” – quasi consensual policy goals that do not fit the spatial models since everyone agrees that they are desirable end-states. This line of thought is what later developed into the saliency or issue ownership theory explained in further detail in Chapter 5 (eg. Budge & Farlie 1983; Petrocik 1996; Petrocik et al. 2003). Such valence issues, in contrast to position issues, often include policy goals such as low unemployment and inflation, high economic growth, low crime rates or good quality of education, health care and environmental protection. Concerning such issues, the understatement by Clarke et al. (2004:23) that “public opinion on all of these goals is very heavily skewed” seems fitting. Instead of competing through political positions concerning these issues, parties have to rely on their ability to appear as competent and credibly committed and as having the preferred priorities. Nevertheless, we should remember that both this valence approach to electoral politics as well as traditional models of economic voting in line with the classic reward-punishment we have encountered in previous chapters are well within the bounds of the individual rationality framework of election studies. They are models of different ways to make rational decisions in certain contexts in order to achieve a desired policy outcome that can confer a maximum utility to someone.

We should note that the classic sociological model also includes a component of self-interest in that different social groups are thought to be linked to different political parties partially because of differences in interest – material self-interest. Different policies benefit social groups asymmetrically. This shows us that the different theoretical traditions are not completely separated, not in their theoretical costumes and certainly not in their actual empirical applications.

The micro level model of voting behaviour in this chapter will include and combine factors from several research traditions. In the model we find variables from the sociological model, emphasizing the importance of group belongings, social context and social structures that reflect such things as the political history of a society, as well as variables from the individual rationality model, emphasizing the importance of individual choice based on utility maximizing strategies. Among the former we have standard socio-economic variables and among the latter we have economic perceptions. Complementing these two large strands of research in electoral behaviour, we also find components from the approach emphasizing the importance of valence issues and issue ownership. This valence

approach has most clearly been spelled out in electoral research from the UK (Clarke et al. 2004; Stokes 1992; Whiteley et al. 2005), and theoretically I mainly regard it as a special case within the individual rationality framework.

In fact, it is clear that the variables of main interest in this book all belong to a specific tradition within electoral research – they are all based on the individual rationality model. This should not come as a surprise since this thesis is a test of and an extension of the traditional economic voting model, with a focus on the issue of unemployment. I therefore emphasize once again that the aim of this chapter is not to develop and test an all encompassing model of voting behaviour in Sweden that aims at providing as full an explanation as possible for electoral choice. Rather, the aim is to examine the more precise idea that we would do well to broaden the scope of economic voting models to accommodate ideas from the valence approach to electoral choice. I will thus settle for a rather standard model of voting behaviour, where the aim is to find a reasonable set of controls from different traditions in the study of voting behaviour in order to avoid spurious results caused by large omitted variable bias.<sup>216</sup> The general thought behind the statistical model is illustrated in figure 7.1, which is merely a version of figure 1.1 in the introductory chapter adjusted to the needs of this chapter.

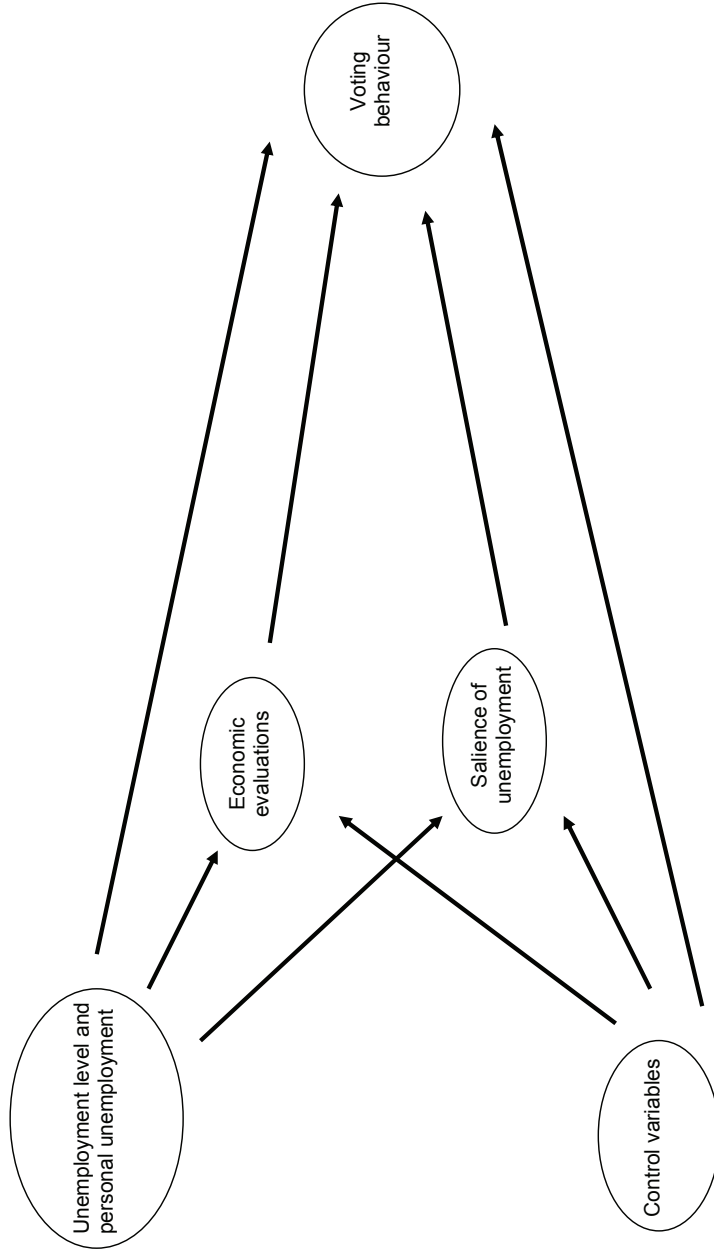
The two independent variables at the upper left in figure 7.1, unemployment level and personal experience of unemployment, have both been treated in previous empirical chapters (Chapters 3 through 6). Their effects on the intermediary variables – economic evaluations and salience of unemployment – were examined in Chapters 4 and 6. The focus in the following analyses is instead on the far right end of figure 7.1: voting behaviour. In principle this can include both party sympathy/evaluations and actual voting/party choice. However, since one of the main aims of this chapter is to examine the consequences for electoral results, the analyses concentrate on voting rather than on party evaluations.

The control variables in the lower left of the figure are of no substantial interest and will not be given much attention here. Personal unemployment experience is included and has already been treated in Chapter 6, which gave us a limited sneak preview (see pages 172-173) of the results of the regression models that are presented below in table 7.2. Our main interest lies instead with the effect of economic evaluations and issue salience of unemployment and their influence on voting behaviour. The question is: will the effects of issue ownership prove strong enough, even in times of deteriorating economic evaluations and poor policy performance, to substantially counter the electoral punishment of the incumbent?

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<sup>216</sup> The actual control variables included in the statistical models of voting behaviour in this section include: left-right ideology, social class, religiosity, education level, employment sector, sex, age and union membership. Details on the results including the coefficients for the control variables will not be presented in the main text of the chapter but are found in tables A.38-A.41.

**Figure 7.1** A theoretical model of the effects of unemployment on voting



### *Research questions and data*

The two research questions to be answered will now be stated more specifically and available data considered. In line with the theoretical expectations expressed in Chapter 1 and the findings in Chapter 4 we expect variations in societal unemployment levels to influence both economic evaluations and the salience of the issue itself. We have also seen evidence in Chapter 5 that issue ownership is not always dependent on short term performance, unless there is a major crisis or issue ownership is very weak to begin with. This means that higher salience for the issue of unemployment can sometimes still have a positive effect for a governmental party owning the issue when unemployment rises. This chapter conducts a direct micro-level test of this hypothesis. The first question to be examined is:

- Do the effects on government support of economic evaluations and issue salience of unemployment counteract each other when the incumbent owns the issue of unemployment and reinforce each other when an opposition party owns the issue instead?

We must also analyse whether such effects are of substantial importance for electoral outcomes. In other words, can issue ownership cushion the punishment for incumbent parties under certain circumstances? If so, this would mean that we could be mistaken if we use a traditional economic voting model that does not consider and accommodate potential effects of issue ownership and issue salience. To examine such questions, a number of counter-factual electoral outcomes for a range of relevant hypothetical scenarios will be simulated on the basis of the results from a micro-level model of voting behaviour. The second question to be examined is:

- What are the net aggregate electoral consequences of changes in the unemployment level and thereby ensuing changes in economic evaluations and issue salience of unemployment?

Like most chapters this one will also make use of several sources of data. The two main data sources are the Swedish National Election Studies (SNES) and the SOM studies. In one particular case the Swedish exit polls (Valu) conducted on election day by the public Swedish television (SVT) (for more information, see Hernborn et al. 2006) are also employed to validate results when there is disagreement between the SOM data and the SNES.

One unique feature concerning how the data are treated in this chapter is that I have chosen to combine (“pool”) SOM data and the SNES in order to gain an increased number of respondents and increased stability of estimates. The main reason for this is that our estimates of the effects of the two independent variables of main interest otherwise sometimes become very dependent on small groups of respondents. For example, during years when the salience of unemployment is relatively low, say between 5 and 15 percent, the number of respondents saying that unemployment is an important issue is sometimes as few as about 100. Further, the need for this way of proceeding is stronger concerning the last two elections since the SNES have only included survey questions on economic evaluations in the pre-election survey since 1998, which cuts the number of respondents available for our analyses in half.

## TESTING ISSUE OWNERSHIP OF UNEMPLOYMENT

One of the conclusions from Chapter 5 is that the Social Democrats have generally possessed ownership of the issue of unemployment in Sweden, though with the notable exception of the election of 1998. This proposition is based on the observation that the perceived competence of the Social Democratic party at handling unemployment clearly deteriorated during the latter half of the 1990s and that it did not have a much better standing than the Moderate Party in public opinion on this issue at the 1998 election. In 2002, however, things seemed to have normalized somewhat. Although there were signs that the issue ownership of the Social Democrats of the unemployment issue was perhaps still not as strong as it used to be prior to 1998. What issue ownership theory says, in all its astonishing simplicity, is that when a political party has ownership of an issue, it will gain votes when this issue becomes salient and hence lose votes when it ceases to be salient. Before moving on to regression models of party choice, this proposition will be tested in a very straightforward way.

Let us now combine two propositions: first, the claim of issue ownership theory that a party that owns an issue will benefit electorally when the issue becomes salient and, second, the conclusions in Chapter 5 that the Social Democrats owned the issue of unemployment in Sweden except at the election of 1998. When taking these two statements together, a straightforward and testable hypothesis on the micro-level can be formulated as follows: in 1988, 1991, 1994 and 2002, the proportion supporting the Social Democratic Party among those for whom the issue of unemployment is salient should be higher than among those for whom the issue of unemployment is not salient. In 1998, on the other hand, the proportion supporting the Social Democratic Party among those for whom the issue of unemployment is salient should not be higher than among those for whom the issue of unemployment is not salient. Admittedly, this is somewhat simplified since it is formulated as a bivariate test, but let us regard it as preliminary. We will soon move on to examine a variety of multiple regression models.

**Table 7.1 Share of Social Democrats by unemployment salience (1988-2002, percent)**

| Year | Total | Unemployment salient | Unemployment not salient | Diff | Quota |
|------|-------|----------------------|--------------------------|------|-------|
| 1988 | 44    | 61                   | 43                       | +18* | 1.4   |
| 1991 | 37    | 45                   | 32                       | +13* | 1.4   |
| 1994 | 45    | 50                   | 38                       | +12* | 1.3   |
| 1998 | 37    | 38                   | 37                       | +1   | 1.0   |
| 2002 | 42    | 55                   | 40                       | +15* | 1.4   |

*Comment:* The data source is the SOM studies. The numbers in the table indicate the share of respondents saying the Social Democrats is the party they voted for in the parliamentary election that year among those who say that unemployment is an important problem and among those who do not. \*=the difference between those who consider unemployment an important problem and those who do not is statistically significant at the 95%-confidence level. The number of respondents each year varies between 1285 and 2891.

The results clearly support the hypothesis based on issue ownership theory and the findings in Chapter 5. There is a clear difference in the share supporting the Social Democratic Party between those who hold the issue of unemployment as salient and those who do not when the Social Democrats have ownership of the



issue, and at other times not.<sup>217</sup> Of course more variation in the explanatory factor – issue ownership – would be very useful to putting this finding to more tests.<sup>218</sup>

## EFFECTS ON GOVERNMENT SUPPORT

To examine the effects on incumbent support of economic evaluations and issue salience of unemployment under different circumstances, the micro level models of voting behaviour that will be estimated should be partitioned according to the issue ownership of the incumbent. This means that I will jointly analyse the instances with Social Democratic governments with issue ownership of unemployment (1988, 1991 and 2002) while the centre-right government of 1994 (that did not have issue ownership of unemployment) and the Social Democratic government of 1998 (that also did not have ownership of the issue of unemployment, although not as clearly as in the case of the centre-right government in 1994). These are the three cases that differ along the relevant characteristics. Although the 1994 and 1998 elections have in common the lack of incumbent issue ownership, the two situations also differ in an important respect. In 1994 the Social Democratic opposition had a clear ownership of unemployment. In 1998, on the other hand, no party seems to have ownership of unemployment. Thus, although we do not expect the Social Democrats to benefit from the saliency of unemployment in 1998 due to their lack of clear ownership, they will perhaps not either be hurt much by the saliency of unemployment. In 1994, on the other hand, the saliency of unemployment is expected to hurt the incumbent because it directly benefits one of the opposition parties. For the elections of 1988, 1991 and 2002 the joint results are reported since I regard these cases as part of the same theoretical population – Swedish elections during Social Democratic governments that have ownership of the issue of unemployment. However, separate estimations of the model for each election have been checked as well. These results are found in tables A.37 and A.39.

As explained earlier a combined data set of both the SNES and the SOM studies that increases the number of respondents and the reliability of our estimates is

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<sup>217</sup> However, if we instead use the SNES for this analysis, the results change slightly. A full report of these results is given in table A.52. In the SNES the Social Democrats still have an advantage of +7 percentage points among those who consider unemployment salient in 1998, while this difference is instead eradicated (+1) in 2002, which is not in accordance with the predictions based on the findings in Chapter 5 that the Social Democrats owned the issue between 1988 and 2002 with the exception of 1998. However, as we remember from Chapter 5, there were some signs of weaker ownership in 2002. We must also consider the fact that the issue of unemployment was not a prominent issue in the election campaign of 2002. Only 7 percent of the respondents reported it to be an important issue for their party choice. However, the main reason for my trusting the results of the SOM studies more than the SNES is in this case the wording of the question tapping issue salience at the individual level. While the SOM studies have a general framing, the SNES links the question specifically to issues important for the respondent's party choice (see also footnote 219 below). In addition to a better question wording for testing the issue ownership hypothesis, the SOM studies also have four times as many respondents in 2002 in the category we are interested in – those who say that unemployment is an important issue (slightly more than 400 compared to slightly more than 100 in the SNES). This reduces the size of the confidence interval substantially. Therefore, I think the results from the SOM data are more trustworthy in this case.

<sup>218</sup> However, as we have seen earlier, systematic research focusing on the concept of issue ownership has, until recently, been relatively rare. Instead it has primarily been included as a small part of broader studies, which I think has probably hampered the development of this field of research.

used for the estimation of the model of voting behaviour. While there are some problems with this way of proceeding, the advantages clearly outweigh the problems.<sup>219</sup> The effects of independent variables on voting behaviour in the two surveys differ substantially in only two instances. These differences are treated in further detail when the results are analysed.

To increase the readability of the results, only the effects of the two main independent variables of interest here are presented: economic evaluations and salience of the issue of unemployment. Although other factors are also important predictors of whether citizens vote for the government or not, it is the effects of these two factors and the balance of their comparative substantive strength that are of concern to us now.

In general we see that economic evaluations do have a statistically significant effect when it comes to voting in Swedish elections.<sup>220</sup> Though this is not so for the centre-right coalition in 1994. However, the lack of statistical significance in 1994 can mainly be attributed to the lack of variation in our independent variable. That year, very few people disagree with a statement that the economy had been getting worse. Theoretically, some more substantial rather than methodological explanations are also possible, however. According to the clarity of responsibility hypothesis put forth by Powell and Whitten (1993), people might find it harder to hold a broad coalition accountable for the development than a single-party government.

It is worth mentioning that the effect of economic evaluations themselves do not change noticeably if salience of unemployment is removed from the statistical model, which would be what traditional economic voting models look like.

The effects of unemployment salience also conform to the expectations. Issue salience of unemployment exhibits a clear and significant positive effect on the probability of voting for the incumbent Social Democratic governments during periods of issue ownership (1988, 1991 and 2002), while no significant such

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<sup>219</sup> One such problem comes from differences in question wordings between the two surveys. For most of the variables, the wording is identical. However, for what is perhaps the most important control variable, left-right ideology, different response scales are used. The solution I have used for this is to standardize that variable separately in the two data sets before combining them. Another concern is that one of our main independent variables, the issue salience of unemployment, also has different question wordings in the two surveys. This has previously been described at the beginning of Chapter 6, page 152. The SOM surveys ask more generally “which issues or societal problems do you think are most important in Sweden today?”, while the SNES more specifically focuses on electoral choice and asks “...is there any issue or issues that are important when it comes to which party you are going to vote for in the Riksdag election .2”. In my view this is not a major concern. I have also checked that the two items behave similarly in the sense that they are determined by the same factors by estimating multiple logistic regression models (similar to the model described in chapter 6, page 153 in both data sets, and the results are very similar. The developments over time of the aggregate distributions of the two different surveys also correlates extremely well during the period of 1988-2002 ( $r=+.98$ ,  $p=.028$ ,  $n=5$ ). On top of this, all models were also estimated separately for the two surveys. These results can be found in tables A.35, A.36, A.40 and A.41. The main consequence of the two different question wordings is that the *level* of salience found in the SNES is lower than that found in the SOM studies, which seems completely reasonable given the more specific wording of the SNES item. What is important here, though, is that correlations and relationships with other variables remain largely the same.

<sup>220</sup> Table A.37 confirms that this effect also is significant for the elections of 1988, 1991, 1998 and 2002 separately.

**Table 7.2 Models of government support 1988-2002 (binary logistic regression)**

|                          | e <sup>b</sup><br>odds-ratio | p    |  |
|--------------------------|------------------------------|------|--|
| <hr/>                    |                              |      | Social Democratic government <i>with</i> issue ownership of unemployment                                       |
| <hr/>                    |                              |      |  |
| 1988, 1991, 2002         |                              |      | n=7523   |
| Economic evaluation      | .74*                         | .000 | McFaddens's R <sup>2</sup> = .306  |
| Saliency of unemployment | 1.90*                        | .000 |  |
| <hr/>                    |                              |      | Centre-Right government <i>without</i> issue ownership of unemployment when an opposition party owns the issue |
| <hr/>                    |                              |      |  |
| 1994                     |                              |      | n=2777   |
| Economic evaluation      | .83                          | .163 | McFaddens's R <sup>2</sup> = .487  |
| Saliency of unemployment | .67*                         | .001 |  |
| <hr/>                    |                              |      | Social Democratic government <i>without</i> issue ownership of unemployment when no party owns the issue       |
| <hr/>                    |                              |      |  |
| 1998                     |                              |      | n=2653   |
| Economic evaluation      | .61*                         | .000 | McFaddens's R <sup>2</sup> = .229  |
| Saliency of unemployment | 1.06                         | .511 |  |

*Comment:* The data used here are the combined SNES and SOM studies. The statistical models reported here also contained a set of control variables, details on which are found in tables A.38 and A.39. For details on the coding of the independent variables, see table A.38. The table does not report unstandardized logistic regression coefficients (b) but instead the odds ratios, e<sup>b</sup>, where b is the original coefficient. Thus what is reported is e (the natural logarithm) raised to the power of the coefficient (b). These numbers are interpreted as multiplicative factors of change in the odds of voting for the government over not voting for the government for a unit change in the independent variable. Thus, a factor change of 1 means no effect, while a factor of 1.5 means an increase in the odds by 50%, holding other variables constant. Further, a factor lower than 1 indicates a negative effect, e.g. a factor of 0.75 means the odds are decreased by 25%. The original coefficient (b) is obtained via the log (to the base e) of the odds ratios that I report in the table since  $\ln(e^b) = b$ . The dependent variable is a dichotomous variable indicating whether the respondent voted for the incumbent government or not.

effect is seen in 1998 when the incumbent Social Democratic government had lost their ownership over the issue. Further, the results in table 7.2 also tell us that unemployment saliency has a clear and significant negative effect on voting for the incumbent parties in the centre-right coalition in 1994 when an opposition party – the Social Democrats – owned the issue of unemployment. In summary, we have seen evidence indicating that the first research question of this chapter can be answered affirmatively: the effects of economic evaluations and issue saliency of unemployment do work against each other when the government owns the issue of unemployment. Further, when the government does not own the issue of unemployment, but an opposition party does, the effects instead reinforce each other and work in the same direction.

As seen in figure 7.1, personal unemployment is one of the mechanisms through which labour market conditions might influence electoral choice.<sup>221</sup> Although the results are not very stable because of the low number of unemployed respondents, the combined data set reveals a slightly negative and statistically

<sup>221</sup> The results of the analyses behind table 7.2 pertaining to the effects of personal experience of unemployment were previously reported in Chapter 6 (page 172). However, for the sake of completeness, these results will also be briefly summarized here.

significant effect of personal unemployment on government support also when controlling for other relevant variables ( $p=.035$ ).<sup>222</sup> When we analyse the elections separately, however, we receive differing estimates. In 1988 the number of unemployed respondents is too low for our results (see tables A.39-A.41) to be reliable. In 1991, the experience of being personally unemployed seems instead to benefit the incumbent Social Democrats. None of these results are statistically significant, however. The overall result is still that there seems to be a slight negative effect of personal unemployment for most governments, although it is not always significant when analysing separate elections.

So far everything seems well for the integrated model. The third requisite of the model also seems to be fulfilled. However, one last problem must be treated before we can move on to examine the substantial consequences for election outcomes implied by our voting model. There are two worrisome differences in the results between the SNES and the SOM studies when the model is run separately on the two data sets. The first is that the effect of economic evaluations is not significant ( $p=.889$ ) in 1991 in the SOM studies and the second is that the effect of salience of unemployment is not significant ( $p=.734$ ) in 2002 in the SNES. This can be seen by comparing tables A.39-A.41 in appendix A. What makes me put more faith in the combined data set is, as usual, pure numbers. For example, in 1991, the distribution of the economic evaluations is so heavily skewed in our sample that only about 2.5 percent, 24 respondents, say they think the national economy has been improving over the last 12 months. Estimating regression coefficients based on such small numbers is of course a risky business. In the SNES that same year, we have instead 110 respondents in that category. Facing this situation, I would rather put my faith in the results where the smallest category consists of 134 respondents (the combined data set) than in those that are based on 24 respondents. In the SNES of 2002, where salience instead turned out to be insignificant, only 6.8 percent, or 51 respondents, said unemployment was a salient issue that year compared to 188 respondents in the SOM studies or 239 in the combined data set. Once again, other things being equal, I would rather put my faith in large numbers than in small numbers.<sup>223</sup>

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<sup>222</sup> For details, see table A.38.

<sup>223</sup> However, since this independent variable is especially important in my thesis and the results of the SOM studies and the SNES differ on this point, I checked the results in another independent sample – a third data source. These results clearly support my interpretation that the results of the SNES probably reflect a sampling error due to the low number of respondents in the relevant category for the estimation – those who think unemployment is a salient issue in 2002. For this purpose I took advantage of the Swedish Exit Polls conducted by SVT (the Swedish public service television broadcasting company). These surveys have good accuracy and contain fewer items but have very large samples. In the SNES of 2002, there is virtually no difference in the share of people voting for the Social Democrats among those who say unemployment is a salient issue and others (+3 percent, 41 percent vs 38 percent,  $n=51$ ), while there is a clear difference in the SOM study of 2002 (+17 percent, 55 percent vs 38 percent,  $n=188$ ). In the Exit Polls, on the other hand, the share of Social Democrats among those who say that unemployment is a very important issue for their party choice (on a six-point scale) was 43 percent compared to 33 percent among others, which produces a difference of +10 percent with an impressive 3711 respondents in the smallest category. Reassuringly, despite the differences in measurements, this result is in fact quite similar to what we get in the combined SOM and SNES data set (+11 percent, 49 percent vs 38 percent,  $n=239$ ). In summary, I think there are very convincing reasons for us to trust the estimates from the combined data set more than the separate results when they happen to differ.

Although we already have an affirmative answer to the first research question, showing that the effects of issue salience of unemployment and economic evaluations do in fact counteract each other when the incumbent has issue ownership of unemployment, but not at other occasions, some work remains to be able to know whether this is a substantially and electorally important result or not. What is important when comparing the traditional economic voting model that ignores effects of issue ownership and issue salience with the integrated model highlighted here is to assess the balance between salience effects and effects of economic evaluations in comprehensible and substantive terms. This means that these effects should preferably be examined using some more substantially comprehensible quantity than logistic regression coefficients. In the next section I will examine whether the effects of issue ownership are strong enough to counteract the consequences for incumbent support of deteriorating economic evaluations.

## IMPLICATIONS FOR ELECTION OUTCOMES

In order to answer the second research question, concerning the net electoral consequences of simultaneous changes in economic evaluations and issue salience of unemployment, we must analyse whether the effects seen in the previous section are of substantial importance for electoral outcomes. In other words, we want to know if issue ownership can cushion or significantly compensate for the punishment of economic downturns for incumbent parties. To do this, a number of counter-factual electoral outcomes are simulated on the basis of the results of the micro-level model of voting behaviour presented in table 7.2. Predictions based on both the traditional economic voting model involving only changes in economic evaluations will be compared to predictions based on the integrated model advocated in this thesis that in addition brings issue ownership effects into the calculus.

### *What should be compared?*

We must first decide by how much the two independent variables of interest – retrospective national economic evaluations and the issue salience of unemployment – should be altered to realistically simulate an economic downturn or upturn. I will use two different modifications for counter-factual economic situations.<sup>224</sup> For a “big change” an alteration of 0.60 on the three-point scale (-1 to +1) in retrospective economic evaluations and an alternation of 20 percentage points in issue salience of unemployment are applied. For a “small change” half of this is instead applied: 0.30 for economic evaluations and 10 percentage points for saliency. For example, simulating a big change to the worse in the economy means that the average of voters’ retrospective economic evaluations is reduced by 0.6 (starting at +.40 it will be set to -.20 instead) and that 20 percent more of the voters will consider unemployment a salient issue (starting at 10 percent, it will be set to 30 percent instead).<sup>225</sup> Since I will simulate a big and small economic change both to the better and to the worse, this yields a total of four different scenarios.

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<sup>224</sup> The alternative is to instead explore the whole range of possible different scenarios along the two dimensions of possible alternations in economic evaluations and issue salience. However, picking just a few carefully selected scenarios to compare allows us to better understand what kind of corresponding real world economic change could cause these alterations in our two central independent variables.

<sup>225</sup> The question of what a realistic change in these variables is were carefully considered before making this decision. In the end I settled for numbers where most of the different possible alterations (cont)

### *Choosing a method*

After deciding on the relevant alterations in the two independent variables, a suitable method for computing predicted outcomes remains to be found. What we are aiming at is to make aggregate predictions based on the individual level voting behaviour model from the previous section. The standard procedure in the literature today is to predict how the probability of a certain outcome for an individual with average characteristics on all other variables than the independent variable(s) of interest changes as we modify the values on the independent variable(s) of interest (*method 1*). An obvious problem in this approach is, however, that when we hold all other variables at their (sample) means, these hypothetical characteristics often become unrepresentative for the sample as a whole. In fact, they often receive values that cannot, by definition, be observed in the sample since many variables in this kind of studies are often categorical in nature. Thus, the predictions are in principle based on e.g. voters with a value of 0.51 on the variable sex, where 0 represents men and 1 women etc. However, this method is commonly used and does in many cases yield reasonable estimates. Asymptotically, this method is also said to be equivalent to the superior method where we instead use the actually observed distribution in our sample of the other variables to make our predictions (Greene 2000). Although the samples used here are not especially small, I do not find this particularly reassuring.

As hinted at above, a better choice is instead to compute an average change in the predicted probability of voting for the incumbent when we modify the independent variables of interest by the relevant amounts and keep all other variables in the model at their originally observed values for each individual (*method 2*). This means that a separate probability calculation must be made for each individual in the sample. The difference in probability after the alteration of the independent variables in focus is then averaged over all respondents. In practice, to simulate a small change for the better in this case, the alteration of economic evaluations means that 0.30 is added to the economic evaluation variable to the observed value for every respondent in the data set. I find this method clearly more realistic than the standard method presented above (method 1).

However, this method also obviously entails some unrealistic procedures and situations. When dealing with categorical data, as we mostly do, adding a value

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seemed to converge. For example, when I decided on the numbers indicating a big change in the economy and on the labour market, I considered the fact that one standard deviation over time for both economic evaluations and issue saliency roughly matched each other in both the SOM surveys and the combined SOM and SNES data set that were used to estimate the micro levels models presented in the previous section. This also more or less corresponded to half of the range of variation over time for the same variables, which is a rather intuitive and comprehensible quantity. These different ways of deciding how to alter the two variables to simulate realistic counter-factual situations seemed to converge at approximately a change of .50 in economic evaluations and a change of between 20 and 25 percent in issue saliency, which also happens to be more or less equal to one-fourth of the total possible range of variation (as opposed to the actually observed range of variation) in the two variables. In the end, however, I think it is better to decrease the alteration in saliency to 20 percent and increase the alteration in economic evaluations to .60 in order not to risk inflating the effects of issue ownership at the expense of the traditional economic voting model. Thus, to simulate a “big change” to the better or worse in the economic situation, a change of +/- .60 in economic evaluations and a change of +/- 20 percentage points in the saliency of unemployment are applied. These numbers are simply cut in half to simulate a “small change”.

of .30 means once again that we get values in our data that cannot by definition be observed in our sample. It also means, once again, that we make the crucial predictions for understanding the implications of our models using data with variable values that were not part of the data set on which the statistical model was originally estimated. I find this slightly discomfoting and think that, if possible, we should not settle for this method either.

What I propose instead as the most appropriate method is a variant of the procedure described above. Instead of adding the same value to all respondents, we should try to imitate what real data sets with different aggregate distributional properties actually look like (*method 3*). If we increase salience by 20 percent, I propose that, instead of increasing the value of everyone by 0.20, we should randomly choose 20 percent of the total respondents (who do not already think unemployment is a salient issue, of course) and make them do so.<sup>226</sup> A similar procedure can be used for alterations in economic evaluations, where a random selection of respondents are moved one step in the direction in which we wish to change the distribution of the independent variable in our sample. However, method 3 actually “truncates” the possible alterations in our independent variables by using the procedure outlined above: issue salience can never go above 100 percent or below 0 percent, and more than 100 percent can never think that the economy has become worse during the last 12 months. In my view, such limitations to our counter-factual exercises in fact make a lot of sense. All three methods are used in the following analyses, but only method 2 is fully reported in the main text.<sup>227</sup>

### *Exploring electoral implications*

We need a starting point when we simulate the effects on election outcomes of an economic change. The analyses in this section are based on the results concerning our three cases in the previous section: Social Democratic governments *with* issue ownership of unemployment (1988, 1991 and 2002), a centre-right government without issue ownership of unemployment when an opposition

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<sup>226</sup> Another related, and possibly superior, option that imitates my view of the process behind real data sets with differences in aggregate distributions of the variables of interest is to select those in the sample whose values on the independent variable will be altered by a mixed procedure instead of by a purely random procedure. This entails a pre-step where their probability of thinking that the issue is salient is predicted by a multiple logistic regression model like the one used in the first empirical section of this chapter. A stochastic component is then added to this probability, and those who are most likely to think the issue is salient, but do not, are then modified to do so. The greatest difficulty with such a method is probably to find a reasonable balance between the stochastic component and the deterministic component from the pre-regression model. However, such methodological innovations are beyond the reach of this thesis. I therefore settle for the slightly unrealistic, but much simpler, purely random process (method 3).

<sup>227</sup> The results of the other methods are found in tables A.42-A.44. There are two reasons for not primarily relying on the method I actually deem most appropriate (method 3). First, I have not seen any similar procedure in previous research. This would make the results I rely on for my conclusions less comparable with other methods that are found in other studies. Second, on some occasions, the counter-factual situations generated by the four scenarios described in the previous section that are to be simulated below actually *do* involve some instances of “impossible” values on the independent variables, such as an aggregate saliency of slightly less than 0 (in 1988) or more than 100 percent saying that the economy has gotten worse (in 1994). I will therefore only use the method I propose as in principle most appropriate (method 3) for the most crucial case in this chapter – Social Democratic governments with issue ownership of unemployment (these results are found in table A.44).

party owns the issue (1994) and a Social Democratic government without issue ownership of unemployment when no party owns the issue (1998). I will let the observed aggregate values in the samples in these three cases represent the “standard” economic situation for that case. With the observed values as a starting point, the simulations will then explore what our model predicts would happen to government support if the economic situation – with implications for economic evaluations and the salience of unemployment – would change to the worse or to the better from the standard situation for that case. This way, I also avoid taking the empirical results too far from the context in which they were actually observed. To some extent, we are still doing this when we analyse counter-factual situations and simulated outcomes, but I find it important to keep this exercise as realistic as possible. As explained above, changes to the worse imply that salience becomes higher and that retrospective economic evaluations become more negative and vice versa.

For the case of a centre-right government *without* issue ownership of unemployment, the simulations are based on the situation in 1994, where there were clearly negative economic evaluations and high issue salience of unemployment. Things are equally simple for the Social Democratic government *without* ownership, since the simulations are instead based on the situation in 1998, where there were somewhat positive retrospective evaluations but still high salience for the unemployment issue. For the Social Democratic governments *with* ownership of the issue of unemployment, the simulations will depart from an average of how the public perceived the situations in 1988, 1991 and 2002. This “average” economic context is in fact rather similar to that of 2002, when there was a moderately negative view of the recent changes in the national economy and low salience of unemployment, except that the economic evaluations are slightly less negative and salience somewhat higher in our average situation than in the 2002 sample alone.<sup>228</sup>

It is now time to explore the electoral consequences of economic changes and find an answer to this chapter’s second research question. Four scenarios with different kinds of economic changes and three cases with different issue ownership situations yield a total of 12 simulated electoral outcomes. The electoral consequences of the following three voting models are compared in each scenario and in each case: a) the traditional economic voting model, where only economic evaluations are modified according to the scenario, b) the pure issue ownership model, where only salience of unemployment is modified according to the scenario, and c) the integrated model of economic voting and issue ownership, where both economic evaluations and issue salience are modified in accordance with each of the four scenarios. This means that a total of 36 simulations are computed.<sup>229</sup> It is now time to turn to the results of the simulated changes in incumbent support.

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<sup>228</sup> See table A.45 for more detailed information on the values of the two variables of interest at different election years and in the three cases.

<sup>229</sup> However, all three theoretical models and the different simulated electoral consequences they generate are based on the same statistical regression model and the same regression coefficients – the ones presented in table 7.2 (and presented in more detail in tables A.38-A.39). The differences in electoral consequences depend on which variables are allowed to vary in accordance with the economic changes represented by the different scenarios. Figure 1.1 in chapter 1 is useful for further clarifying this. What the traditional economic voting model shows us is the effect of economic evaluations on electoral behaviour alone – the upper part of figure 1.1 (this can be thought of as the “gross” effect or the direct effect of economic evaluations). On the other hand, the pure issue ownership (cont)



**Table 7.3 Exploring the electoral consequences of simultaneous changes in economic evaluations and issue salience of unemployment (change in incumbent vote share)**

| Social Democratic governments <i>with</i> issue ownership of unemployment (1988, 1991, 2002)                          |                                |              |                               |              |
|---|--------------------------------|--------------|-------------------------------|--------------|
|   | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|   | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change  | +2.7                           | +1.4         | -2.7                          | -1.4         |
| Only salience changes   | -2.0                           | -1.0         | +2.0                          | +1.0         |
| Both change simultaneously  | +0.8                           | +0.4         | -0.8                          | -0.4         |
| Centre-Right government <i>without</i> issue ownership of unemployment when an opposition party owns the issue (1994) |                                |              |                               |              |
|   | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|   | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change  | +1.2                           | +0.6         | -1.2                          | -2.4         |
| Only salience changes   | +0.9                           | +0.4         | -0.9                          | +0.1         |
| Both change simultaneously  | +2.1                           | +1.0         | -2.1                          | -2.3         |
| Social Democratic government <i>without</i> issue ownership of unemployment when no party owns the issue (1998)       |                                |              |                               |              |
|   | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|   | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change  | +5.0                           | +2.5         | -4.8                          | -0.6         |
| Only salience changes   | -0.2                           | -0.1         | +0.2                          | -0.4         |
| Both change simultaneously  | +4.8                           | +2.4         | -4.6                          | -1.0         |

*Comment:* These computations are based on the results presented in table 7.2 and method 2 described on pages 188-189: holding all other variables at their observed values in the sample while changing the values of retrospective national economic evaluations and issue salience of unemployment and computing the corresponding average change in the predicted probability to vote for the incumbent party or parties. A big change means altering economic evaluations by .6 and salience by 20 percentage points. A small change means altering economic evaluations by .3 and salience by 10 percentage points.

The results in table 7.3 are in line with the theoretical expectations. For Social Democratic governments *with* ownership of the issue of unemployment, 70 percent of the effect of more negative economic evaluations due to deteriorating economic conditions is outbalanced by the effects of rising salience of the issue of unemployment. Of the 2.7 percentage points the government is predicted to lose from a big economic change to the worse by the traditional economic voting model, as seen in the top right of table 7.3, 2 percentage points are removed by the positive and counteracting effect of higher salience of the issue of unemployment.

model shows us the effects of changes in issue salience alone – the lower part of figure 1.1. Lastly, the integrated model shows us the “net” effect of economic changes – what remains of the impact of changes in economic evaluations caused by changes in economic conditions (the leftmost part of figure 1.1) when potentially counteracting or reinforcing effects of changes in issue salience caused by these same changes in economic conditions are deducted.

On the other hand, no substantial mitigating effect is seen for the Social Democratic government *without* issue ownership (the bottom part of table 7.3). The positive effect of higher salience of unemployment caused by a big change to the worse is hardly noticeable in this case (+0.2 percent). This is also in line with my expectations, since no party could claim ownership of the issue of unemployment in 1998. That the electoral punishment seems to be harsher for economic evaluations in themselves in 1998 is explained by the stronger negative effect seen in table 7.2 compared to that of other cases.

For the incumbent centre-right coalition without issue ownership in 1994 – where the Social Democratic opposition has ownership of unemployment – the results in table 7.3 also comply with our expectations (the middle part of table 7.3). The effects of economic evaluations themselves are relatively weak compared to those of other cases.<sup>230</sup> However, in this case, the effect of salience goes in the same direction as that of economic evaluations. According to this model, if the economy gets better by a large amount (a big change), the incumbent is electorally rewarded by 1.2 percentage points via changes in economic evaluations. On top of this, however, another 0.9 percentage point is to be gained owing to the *lower* salience of unemployment – an issue owned by the largest opposition party.

This last case is especially interesting because it confirms another theoretical claim in Chapter 1 – that traditional economic voting models might misinterpret the net effects of economic changes. This is one such example. If we would exclude issue ownership and salience from our theoretical model and observe an aggregate level net gain of 2.1 percentage points due to improving economic conditions, this would in such a theoretical model be interpreted as the reward of the electorate for good economic performance. However, my integrated model and the results presented here show us that this would be erroneous. In fact, more than 40 percent of this effect (0.9 out of 2.1) should instead correctly be attributed to an effect of the opposition losing its issue ownership advantage by lower salience of unemployment instead of a pure effect of the reward-punishment model of economic voting. Thus, the integrated model does seem to add to our understanding of the electoral consequences of economic changes.

The results concerning Social Democratic governments *with* issue ownership constitute another example of pitfalls for traditional economic voting models. The rather small net effects seen in table 7.3, between 0.8 and 0.4 percentage points depending on the size of the economic change, can be regarded as a rather weak influence of economic changes on party support. This is only partly true, however. The gross economic effects are larger, but some of their effects is not seen when we examine the net aggregate outcomes since two different consequences of economic changes – changing economic evaluations and changing issue salience of unemployment – partly cancel out each other. Hence, in such a case, the electoral importance of the economic evaluations is hidden by the simultaneous and counteracting effect of issue ownership. However, should this issue ownership wane, or other issues seize the agenda as a result of unexpected or

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<sup>230</sup> However, this is likely mostly explained by the limited variation in the independent variable since almost everyone that year thought the economy had gotten worse. If other methods had been used, such as time series analysis of objective economic indicators, this problem would probably not have been at hand and the results might have looked different.

dramatic events, the economic evaluations might hit the incumbent with unforeseen strength since the counteracting issue ownership advantage would be gone.

The results of the other methods for computing the simulated changes in incumbent support previously mentioned also confirm these results. One main difference is that the method of holding the other variables at their means rather than at their observed values in the sample (method 1) yields stronger effects overall. But, since the effects are equally stronger (proportionally) for economic evaluations as well as for issue salience of unemployment, the conclusions remain the same (see tables A.42 and A.43).<sup>231</sup> The difference of course is that the net effects are also somewhat stronger, but roughly the same share of the pure economic effect is removed, as seen in table 7.3.<sup>232</sup>

## CONCLUSIONS

Although the results vary somewhat between the different methods of simulation, all methods indicate that at least more than 50 percent of the effect of economic evaluations is removed when taking salience into account for the Social Democratic governments *with* issue ownership of unemployment. Irrespective of the exact method of computation, the results also consistently showed that this is not the case when issue ownership is not present, and that in a case where the government does not have ownership over the issue of unemployment but an opposition party does, the parallel effects of economic evaluations and issue salience reinforce each other instead of cancelling each other out.

The theoretical model guiding this thesis generally receives a great deal of support in this chapter. Both the results of the simulations of counter-factual electoral outcomes (table 7.3) and the micro level test of the effects of economic evaluations and issue salience on voting (table 7.2) are clearly in line with the integrated model outlined in Chapter 1. We must not forget, however, that the outcome of the simulations shown in table 7.3 is based on certain specific elections. The results and conclusions are not automatically generalizable to governments with or without issue ownership of unemployment as abstract categories of cases. These analyses are rather to be regarded as a first test of a new idea – that we can better understand the electoral consequences of economic changes

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<sup>231</sup> In addition to checking the result via method 1 described above, which is perhaps the most common way of doing this kind of analysis in the scientific literature today, I also tried the same procedure but with a multinomial logistic regression model (where the dependent variable – voting – is categorical) instead of the standard way of proceeding with a binary logistic regression model (where the dependent variable (voting) is dichotomous: voting for the government or not). These results are reported in table A.43. However, the difference between the two models turned out to be very small. The main difference is that all effects (the predicted change in incumbent support from the different scenarios) are larger in the predictions that are based on a multinomial instead of a binary regression model. However, the balance between the effects of economic evaluations and salience effects also changes slightly. For example, the share of the negative effect of changes in economic evaluations from a big change to the worse for a Social Democratic government with issue ownership that is removed from counteracting effects of an increase in salience decreases from roughly 72 percent to 64 percent when changing from a binary to a multinomial model. However, the general conclusions remain the same.

<sup>232</sup> For the particularly interesting case of Social Democratic governments with issue ownership, the computationally somewhat more complicated but theoretically superior method I advocated above (method 3, see page 189) was also employed. However, the results of the simulations based on method 3 are very similar to those presented in table 7.3. In fact, in most cases, they hardly even differ by 0.1 percentage points (see table A.44).

if we, in addition to the traditional economic voting model, also take issue ownership and salience effects into account. The empirical results for the case of Sweden presented thus far generally confirm the validity and the relevance of the integrated model. These results are important for the way we think about the influence of the economy on voting behaviour.

## Chapter 8

# The 2006 election

The Swedish general election of September 2006 was not just another election – especially not when it comes to the issue of unemployment. After 12 years in government the Social Democrats were defeated by the centre-right “Alliance”. From an economic voting point of view everything seemed promising for the government since the economy was doing well and unemployment levels were decreasing. Still the result was a clear defeat and a victory primarily for the Moderate Party. What makes all this seem even more peculiar is that the election campaign was to a large extent fought over the issue of unemployment. Despite that unemployment levels were going down, the Swedish Social Democrats lost an election that was centred on one of their traditional strong points in a situation where objective indicators of their performance were moving in the right direction.

The purpose of this chapter, however, is not to explain the outcome of the election.<sup>233</sup> The aim is instead to examine whether the results reported in previous chapters in this thesis hold when applied to the case of 2006. Thus far, the integrated model of economic voting and issue ownership has received a great deal of support and has proved to be a useful tool for enhancing our understanding of the influence of the economy on elections and party support. Now the model will also be tested on a case that does not conform to traditional accounts of Swedish politics. What will be done here is a test of the integrated model where the most important requisites covered in Chapters 4 through 7 are evaluated once again in the case of 2006.<sup>234</sup> The evaluation of the model in the case of 2006 concerns two aspects: 1) The validity of the model: is the integrated model outright contradicted or does it receive support in this case too, i.e. do the requisites still hold or not? 2) The relevance of the model: is the model important in the sense that it can help us better understand the election of 2006?

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<sup>233</sup> For a more complete account of voting behaviour in 2006, see Oscarsson and Holmberg (2008a; 2008b).

<sup>234</sup> As stated in Chapter 1, there are several reasons for the decision not to integrate the analyses of the 2006 election into Chapters 3 through 7 and instead to treat this election separately in Chapter 8. One reason is the particular character of the election that makes it appear as a deviant case in Swedish politics since the Social Democrats seemed to lose an election over the issue of unemployment when unemployment was on its way down. Another reason is to avoid the novelty value of an analysis of the most recent election disappearing into the general framework of the thesis. In addition, the data for 2006 became available at a very late stage when most of this book had already been finished, which would have meant a major delay if each chapter would have been reworked to integrate these new data into the analyses. Further, scientifically speaking, I also consider it an advantage to have the opportunity to test the model on an election not yet having taken place when the theoretical model was developed. When these four arguments are combined, the obvious choice is to treat the election of 2006 (and the period after 2002) in a separate chapter.

Before moving on to examine what happened in 2006 I will briefly describe the development of public opinion between the election of 2002 and the election campaign of 2006. Next, the election of 2006 will be analysed from the point of view of the integrated model of economic voting and issue ownership. Three aspects of the election will be covered. 1) The reaction of public opinion to the economic changes and to the development in the labour market will be analysed. How did public economic evaluations react to the development since the last election and how did the public agenda adjust in response to this development? 2) Issue ownership of unemployment will be explored. What can we learn about the mechanisms behind issue ownership from the election of 2006? What was the issue ownership situation like in 2006 and does it conform to our expectations based on the integrated model? 3) The effects of economic evaluations and issue salience of unemployment on voting behaviour will be explored in order to evaluate the integrated model directly at the micro level and to see whether or not Swedish voting behaviour in 2006 conforms to the expectations from the model. In the concluding section I will evaluate whether the integrated model can help us understand the election of 2006 and what this election tells us about the relevance of the model.

Before the upcoming election the government and its support parties were somewhat behind in the polls. During the first two years of the incumbency period the Social Democrats generally retained their level of support from the election of 2002.<sup>235</sup> But, half way to the end of the incumbency period, in August 2004, the four main opposition parties formed the *Alliance* (full name in Swedish: "Allians för Sverige"), an initiative aimed at launching a credible alternative to the Social Democrats where the Centre Party, the Liberals, the Moderate Party and the Christian Democrats would govern together. At this point public support for the government started to diminish. The centre-right Alliance initially received increased support in the polls immediately after its formation. However, the advantage for the Alliance waned somewhat and in March 2006 (six months before the election) the outcome of the election seemed far from decided. In the polls, 36.2 percent said at that time that they would vote for the Social Democrats, compared to their election result of 39.8 percent in 2002.<sup>236</sup> The Green Party and the Left Party had also lost some support and the three parties making up the parliamentary majority then lacked slightly less than 4 percentage points in order to stay in government. Those favoured by the public instead were primarily the Moderates that had increased from their disastrous 2002 election result of 15.2 percent to 28.2 percent in the SIFO opinion polls. On the other hand, the Christian Democrats, that were also part of the centre-right Alliance, had lost about 3 percentage points since the 2002 election.

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<sup>235</sup> According to the polls by SIFO. All results available at [www.opinion.sifo.se](http://www.opinion.sifo.se).

<sup>236</sup> The numbers are all from the polls done by SIFO. However, the general development over time that is reported here is confirmed by a more thorough analysis by Oscarsson and Holmberg (2008a), where the average of the results of seven different polling institutes are analysed in order to get safer estimates of the development of party support during the incumbency.

## PUBLIC OPINION AND ECONOMIC CHANGES

At the beginning of the incumbency period of 2002-2006 unemployment started again to increase after having hovered around 4 percent for two years (2001-2002). Having reached 5.5-6 percent two years before the election, unemployment began moving towards lower rates again. In April and May the year of the election, official unemployment rates were about 0.3-0.4 percentage points lower than one year earlier and, by the end of the summer, in August, the difference with one year previously had increased to 0.8 percentage points.<sup>237</sup> It might be that unemployment was not decreasing very rapidly and that it was still not as low as most people would like, but it was moving in the right direction.

In addition, the average rate of economic growth during the first half of the election year was without doubt higher than usual. Compared to the previous election, the setting was very different. In 2002, average growth during the first two quarters of the year was roughly 2.5 percent, while in 2006 the numbers for the first six months were approaching 5 percent.<sup>238</sup> In 1994<sup>239</sup> and 1998 these numbers were in the neighbourhood of 3-3.5 percent instead.

When it comes to inflation, the increases in the consumer price index (CPI) between 2002 and 2006 do not reveal anything that we expect to influence public perceptions of the economic situation to a large extent. During 2002, inflation in Sweden mainly hovered between 2 and 2.5 percent. After the 2002 election, inflation decreased to the extent that there was almost no inflation during 2004 and 2005. After that, however, inflation levels increased and, by the time of the general election of 2006 in September, the increase in the CPI from September 2005 was 1.5 per-cent.

### *Expectations based on the integrated model*

This part of the chapter will address the same main question as was posed in Chapter 4: whether public evaluations and the public agenda reflect the development of the economy and the labour market. It is important for the evaluation of the integrated model of economic voting and issue ownership that both public economic evaluations and the public agenda react to the development. This is one of the requisites for the integrated model to prove useful.

It is quite clear from the description above that we can expect public evaluations of the economy to be more positive in 2006 than they were in 2002. During the last year before the election, unemployment started to decrease and growth rates were markedly high. Despite the rising inflation levels potentially clouding these

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<sup>237</sup> Due to a change in methodology, Swedish official unemployment numbers from April 2005 and on are not directly comparable with earlier numbers. Figures concerning the period after April 2005 are slightly higher than they would have been if the earlier definitions had still been in use (SCB 2007a).

<sup>238</sup> The exact numbers are dependent on precisely how growth rates are calculated. In this case I use the change in GDP since the same quarter the previous year. By average growth during the first half of the year I simply mean the average of the quarterly growth for the first and second quarters of that year. All these numbers are my calculations and are based on official data from Statistics Sweden, which can be found on their web page: [www.scb.se](http://www.scb.se).

<sup>239</sup> The growth rate for 1994 is almost equal to 5 percent if we base the quarterly growth on the difference in GDP since the previous quarter instead of on the same quarter the year before. One reason to prefer the computation based on last year – which I use here – is that this reduces the fluctuation of the time series (e.g. the variance for the quarterly series between the first quarter of 1994 and the second quarter of 2007 decreases from 3.0 to 1.9).

bright skies, and also reinforced by increasing interest rates starting in the second half of 2005 and all the way to the election, the main expectation is that public economic evaluations improved during the election year and that they have improved since 2002.

When it comes to the public agenda, it is expected that the issue salience of unemployment would decrease as unemployment levels go down. What makes this prediction somewhat insecure is that unemployment was decreasing rather slowly and that the official goal (already spelled out in 1996 by Prime Minister Persson) of no more than 4 percent of the labour force openly unemployed had still not been achieved. Still, a steady decrease could be observed step by step during the election year of 2006. According to the integrated model, the salience of unemployment should therefore decrease. The number of unemployed was still somewhat higher than at the previous election<sup>240</sup>, however, and the issue should thus not be expected to be less salient than in 2002.

### *The subjective economic development*

When examining the data for the period 2002 to 2006, it is clear that not only objective economic indicators show a positive development – the general public's view of the economy has also become increasingly positive. General retrospective public evaluations were indeed more positive in 2006 than in 2002 according to the consumer confidence surveys by the National Institute of Economic Research (KI). But this change came about rather late during the incumbency. It was not until December 2005 that the net values – the share of respondents perceiving an improving economy since 12 months previously minus the share of respondents perceiving a worsening economy since 12 months previously – turned positive. This means that there were more people who thought the economy had been getting better than who thought it had gotten worse. This positive overweight of between 10 and 20 percentage points remained all the way to the election.<sup>241</sup>

During most part of the incumbency period, citizens held mainly negative views of the future development of the labour market – there were more people who thought unemployment would be higher 12 months ahead than who thought it would be lower. When reports on decreasing unemployment levels started coming in 2006<sup>242</sup>, however, the public noticed this and the consumer surveys show an even balance in April and subsequently an overweight of positive views starting in the month of May and lasting all the way to the election. Although this plurality is rather limited, the surplus varies between 2.5 and 11.6 percentage points.

Concerning inflation expectations, the time series from the National Institute of Economic Research (KI) do not exhibit much variation. The public does not seem to have fully perceived the lower inflation levels of 2004 and 2005 and the

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<sup>240</sup> This fact was probably somewhat obscured because of the change in the definition in the Swedish Labour Force Surveys in April 2005 due to EU standardisation since the definition of who is unemployed was broadened. Although, the number of unemployed is also clearly higher in 2006 in the chained series in which earlier data has been adjusted (SCB 2007c).

<sup>241</sup> The annual SOM surveys confirm this late shift in the public's view of the economic development. The results for 2005 still indicate a negative overweight, while the results for 2006 indicate a positive overweight.

<sup>242</sup> When examining the press releases of Statistics Sweden it can be seen that their reports become more positive from May/June 2006. Their archives of press releases can be accessed via [www.scb.se](http://www.scb.se).



rising inflation in 2006, although a small aggregate shift in the expected direction can be seen. For example, during the first half of 2005, public inflation perceptions and expectations decreased to between 1 and 1.5 percent instead of around 2 percent as before. And, from the second quarter of 2006, the rising inflation rates seem to have been noticed to some extent since public perceptions of inflation once again approached 2 percent.

Chapter 4 showed us that the public is – in the aggregate – well aware of the development of the economy and the labour market in the sense that aggregate public evaluations tend to move in the same direction as objective indicators. As this rather cursory analysis has demonstrated, we have reasons to believe that this conclusion is valid also in the case of 2006.

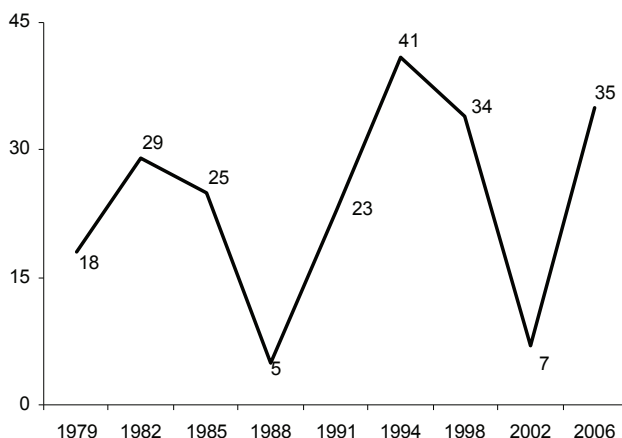
The economic evaluations in the Swedish National Election Studies also confirm the largely optimistic picture among the public. In the pre-election wave of the 2006 SNES, 40 percent of the respondents thought the Swedish economy had been improving during the past 12 months, while only 10 percent thought it had become worse. This equals a net value of +30 percentage points, which is certainly more positive than the slightly negative public evaluations of the previous election in 2002, when the net value was -11 (Holmberg & Oscarsson 2004:231). In 1998 (+38) and in 1988 (+47), however, public views of the past economic development were even more positive. When it comes to prospective evaluations, a sense of optimism is seen among citizens, although there is somewhat greater caution: 25 percent think the Swedish economy will improve during the coming 12 months, while 14 percent hold the opposite view.

Once again, we note that changes in public evaluations generally appear quite reasonable when we compare them with economic indicators. Aggregate public opinion without doubt noticed the economic improvement between 2002 and 2006.

### *The public agenda*

Contrary to the expectations based solely on the development of objective unemployment rates, unemployment became the focal issue of the electoral campaign

**Figure 8.1 Share of voters saying that unemployment is an important issue for party choice 2002-2006 (percent)**



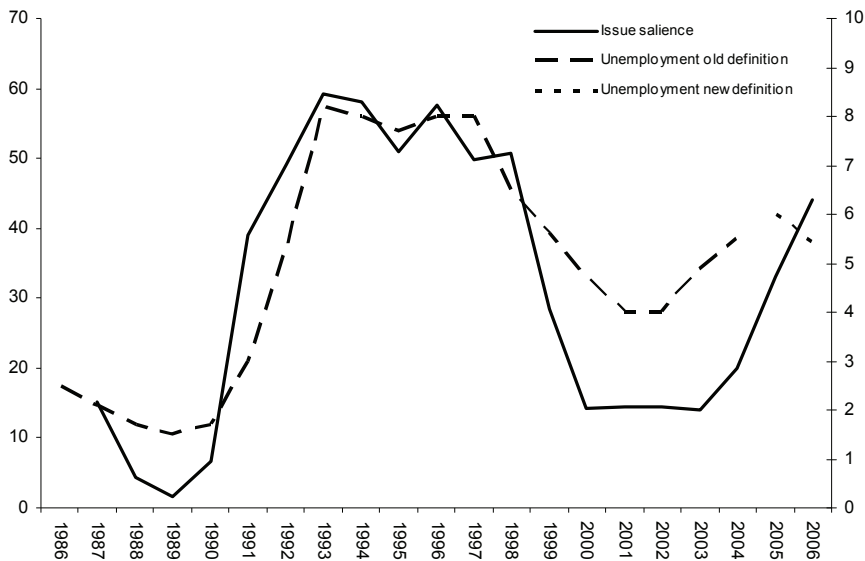
*Comment:* The data are from the SNES.

in 2006. The share of respondents mentioning unemployment as an important issue for party choice in 2006 (35 percent) is the second highest during 1994, when unemployment levels were considerably higher, did more people (41 percent) mention unemployment as important. As seen in figure 8.1, the increase in salience since the previous election campaign in 2002 is very clear.

What does this mean for the integrated model? Does issue salience still follow the development of objective indicators of labour market performance? More frequent measurements would be useful to find answers to this question. To this end I therefore examine the development of the issue salience of unemployment in the annual SOM surveys and relate them to annual unemployment levels from Statistics Sweden. The development over time is shown in figure 8.2

Relating issue salience to unemployment rates gives a mixed picture. On the one hand, public salience seems to follow the development on the labour market well, since salience increases again in 2004, one year after unemployment levels started to rise again. This is what we would expect. On the other hand, public salience continued to increase in the election year of 2006 despite unemployment having decreased slightly between 2005 and 2006, as can be seen in figure 8.2.

**Figure 8.2 Issue salience and unemployment level 1986-2006 (percent)**



*Comment:* Due to a set of technical changes in the official definition of unemployment by Statistics Sweden starting in April 2005, there is a break in the time series between 2004 and 2005. No annual chained data are available at the moment. The new definition is generally more inclusive than the old definition. This means that the two time series of unemployment are not directly comparable in their levels.

However, figure 8.2 might overstate the connection between saliency and unemployment levels in the period 2003-2005. This is because figure 8.2 conveys the impression that unemployment increased between 2004 and 2005. But the levels in these two years are not comparable because of the change in the definition of unemployment in 2005. In fact, if we examine the linked monthly series provided by Statistics Sweden, we can see that the unemployment level instead seems slightly

lower (by approximately 0.2-0.4 percent) rather than higher during the first quarter of 2005 in comparison with the same quarter in 2004.<sup>243</sup> The impression we get from figure 8.2 is that the development of issue salience and unemployment levels oppose each other only in 2006. But when we take the change in the unemployment definition properly into account, this can also be the case for 2005. Hence, what we observe is that public salience started to rise again the year after unemployment levels rose. However, while this trend stopped and unemployment fell in 2005 and 2006, public salience instead kept increasing.

In this chapter, I will not try to explain this clear rise in the salience of the issue, although the natural next step in doing so would be to gather more updated media data than were presented in Chapter 4 (see figure 4.10). One further potential explanation for this unexpected increase in public salience is the formation of the *Alliance*, the common platform for the four centre-right opposition parties in August 2004. The official formation of this collaboration coincides temporally with the upward trend in public salience of unemployment.<sup>244</sup>

This time the conclusion is not unambiguous. Initially, the public salience of unemployment seems to follow unemployment levels in reasonable ways and in accordance with the integrated model of economic voting and issue ownership, just as in Chapter 4. But, for some reason, salience kept increasing and the two appear to be partly disconnected in 2005 and even more so in the election year of 2006.

Is the link broken, then? The integrated model requires a connection between performance and salience as well as between performance and evaluations. For the case of 2006 it is clear that the relationship between salience and standard objective indicators of performance is not a deterministic one and that objective indicators are not the only important factors capable of influencing public salience. On the other hand, would unemployment have become an important issue in 2006 if unemployment levels had not 1) been clearly rising for at least two years after the previous election in 2002, and if unemployment levels had not 2) been clearly higher in 2006 than in 2002? Although unemployment was decreasing during the election year, labour market policy was not a success in comparison with the situation at the previous election. The labour market development was not spotless, but left clear possibilities for staging a campaign framing unemployment as a failure and increasing the salience of the issue. We cannot know this for sure but, had unemployment been at least as low as in 2002, it would have been less likely to become an important issue in the election campaign of 2006. The lesson from 2006 is not that the link is broken, but that it is fragile. Saliency does not follow automatically from unemployment levels. Rather, objective indicators set the stage for the political actors' manoeuvres. Higher unemployment can increase the probability that it becomes a salient issue and vice versa, but it comes with no guarantee in each particular case.

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<sup>243</sup> These chained series where the results of the new unemployment definition is estimated on older data is available for monthly time series between January 1993 and March 2005. On average, the new definition yields an unemployment rate 0.83 percentage points higher for this period (std=.42, min=.31, max=2.08). In figure 8.2 I do not rely on adjusted or chained series since these are not available for annual data. The result that annual unemployment is lower in 2005 than in 2004 is further confirmed by the numbers from the Swedish Labour Market Board (AMS) that indicate a decrease in unemployment from 5.4 to 5.3 percent (AMS 2007).

<sup>244</sup> For a similar argument, see Holmberg and Weibull (2007:18ff).

## ISSUE OWNERSHIP

The objective development is one factor that might influence the perceived competence of a political party to handle a certain issue. However, the notion “objective” is misleading in this case since the government’s performance when it comes to unemployment depends on established and agreed definitions of what the relevant measures of performance are. Thus, the status of the actual political record of the incumbent is debatable and subject to strategic attacks from political opponents. This became especially pronounced in 2006, as seen in the fervent battle over definitions of unemployment during this election campaign. Who should rightfully be considered unemployed and be included in the unemployment statistics was a widely discussed topic during the six months preceding the election. The centre-right Alliance parties launched attacks aimed at broadening the definition by claiming that more people were unemployed than could be seen in the official unemployment definitions and statistics. Among other things, the fact that Swedish official unemployment figures did not conform to international standards such as those recommended by ILO and those used by EUROSTAT was discussed and criticized. The main difference was that Swedish unemployment numbers were lower since they did not include in the category of unemployed people who studied full time that had applied for jobs.<sup>245</sup>

*The new welfare* (Swedish: Den nya välfärden), a “think tank” connected to the private business sector, also published a series of reports in 2006 treating the extent of unemployment (Karakaya 2006a; 2006b; 2006c). All of these reports claimed that various established measures of unemployment levels were flawed and that, if we include all those that should properly be counted as unemployed according to the author of these reports, actual unemployment among young people (27 percent instead of 11 percent), immigrants (29 percent instead of 10 percent) and the Swedish population in general (17 percent instead of 5 percent) was much higher than was generally thought.<sup>246</sup> During the election campaign the catchphrase “more than one and a half million outside of the labour market” was often repeated by representatives of the Alliance parties and especially by the Moderate Party. This way of criticizing official unemployment statistics is not new, but was especially pronounced in 2006. For an overview and a critique of the wider definitions of unemployment, see Holmlund (2005). For a defence, on the other hand, see Uddén Sonnergård (2006).

Clearly, the positive development of the labour market during the year before the election was contested. Competing views of the results of the Social Democratic government’s rule were undoubtedly being advanced. This is at the core of political opposition and competition, however, and nothing that is particular to the 2006 election. Nevertheless, the large amount of attention to the issue of unemployment made this especially clear during the 2006 election campaign.

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<sup>245</sup> Starting from October 2007 following a decision in May by the newly elected government, the official Swedish unemployment statistics are to follow international standards in the main reports published by Statistics Sweden (SCB 2007b).

<sup>246</sup> In practice, these reports included people with early retirement affected by the labour market situation and people on sick leave benefits also related to the labour market situation, some disabled people and part time unemployed.

### *Signalling priority*

I argued in Chapter 5 that, apart from being perceived as competent at handling an issue, being more or less automatically associated with the issue is an important aspect of issue ownership. One aspect of this kind of association that we can observe and measure is whether people perceive different actors as giving priority to the issue. When it comes to the latter – being regarded as making unemployment a priority – Social Democratic Prime Minister Persson made some unfortunate comments that were widely discussed in the media. In a comment to the press after his speech in Stockholm on the 1<sup>st</sup> of May he stated that he did not believe that unemployment would be one of the major issues in the electoral campaign because things were moving in the right direction concerning unemployment. He also predicted that the officially stated governmental goal (since 1996) of an unemployment level of no more than 4 percent openly unemployed would be reached this year: “in that sense, the issue is solved”<sup>247</sup> (Svenska Dagbladet 2006-05-02). These comments could be read the next day in most Swedish newspapers (eg. Svenska Dagbladet 2006-05-02; Göteborgs-Posten 2006-05-02). Naturally, the opposition was not reluctant to take advantage of this in order to seize the initiative and strengthen their perceived emphasis on unemployment. On the 3<sup>rd</sup> of May the four parties in the centre-right Alliance jointly presented their alternative budget proposal and stated that they all agreed that jobs and unemployment would be the most important issue of the coming electoral campaign (Dagens Nyheter 2006-05-03; Dagens Industri 2006-05-03). However, that same day, the minister of finance, Pär Nuder, when he criticized the opposition’s budget proposal, confirmed once again that the Social Democratic party did not see unemployment as an especially important issue in the upcoming election when he stated that he thought that attention to the issue of unemployment would diminish as unemployment levels continued to decrease and that the labour market was moving in the right direction (Dagens Nyheter 2006-05-03).

The two most important representatives of the Social Democratic government could not have been more wrong. Unemployment became the number one political issue in 2006. As seen earlier in figure 8.1, unemployment was only been more important to voters on one other occasion since 1979 when comparable measurements began. In fact, employment also became the number one political issue in the media (Asp 2006:49f). Taxes were second, and in third place we find family and child policy. As much as 17 percent of the reports in mass media during the four weeks prior to the election concerned the employment issue.<sup>248</sup> The economy in general was found relatively far down on the media agenda this time. Only 5 percent of media content concerned the economy. To be fair, the Social Democrats certainly tried to remedy these statements later on. But when it comes to signalling that they make fighting unemployment a priority, they certainly did not get an advantageous start in 2006.

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<sup>247</sup> In Swedish: “I den meningen är frågan löst”.

<sup>248</sup> The study by Asp indicating this included radio and television and the biggest daily newspapers.

### *Expectations based on the integrated model*

As seen in Chapter 5 (and later also confirmed in Chapter 7), the Social Democrats regained their ownership of the issue of unemployment in 2002. But what are the expectations based on the integrated model in 2006? First, with respect to governmental performance, two things are clear: unemployment levels were somewhat higher than at the previous election, but on the other hand, the most recent development on the labour market was clearly positive. However, as seen in Chapter 5, it is doubtful whether actual objective performance plays an important part in shaping the perceived competence at handling an issue. Despite the inconclusive results and data presented in Chapter 5, the primary lesson was that, even though performance might matter for perceived competence to some extent, it cannot be said to matter very much. Issue ownership of unemployment is not completely dependent on short term performance. Therefore, we have no reason to expect any important change in issue ownership based on the objective development on the labour market since 2002.

However, two things do indicate that a certain weakening of the Social Democratic issue ownership of unemployment can be expected: 1) the clear contestation of the view that things are going well on the labour market by among other things the launching of the notion of “exclusion”<sup>249</sup> to refer to a broader group than those usually defined as unemployed; 2) the initial failure of the Social Democrats to convey the impression that they make the issue of unemployment an important priority, as seen in the statements of some of their important representatives presented above. It is impossible to judge how important these two factors are relative to the indications of the tardiness of changes in issue ownership seen in Chapter 5. The only guess that can be made on the basis of the integrated model is that the issue ownership of the Social Democrats is not expected to become stronger in 2006. However, whether it is weakened or not, and if so by how much, cannot be predicted.

### *Issue ownership of unemployment in 2006*

About one week before the election, on September 8<sup>th</sup>, a Swedish polling institute (Synovate Temo) published a report showing that more people thought that a government led by the Moderate Party would be best at handling employment rather than a government led by the Social Democrats (Temo 2006). The difference was 44 percent versus 38 percent. In light of what we know from earlier elections about perceived competence at handling unemployment (see Chapter 5), this was a surprising lead for the Moderate Party in what has been a core issue for the Social Democratic Party.

Data from the Swedish National Election Studies confirm these indications from before the election. In terms of perceived issue competence at handling unemployment the Moderate Party was clearly ahead of the government in 2006. While 21 percent said the Social Democrats had a good policy on unemployment, the corresponding number for the Moderates was 35 percent. Such a clear advantage for the Moderate Party in the area of labour market policy was never before observed in the history of the SNES. In 1998 the Social Democrats and the Moderates were more or less on equal footing. In 1998 the Social Democrats

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<sup>249</sup> My translation of the Swedish notion of “utanförskap”.

and the Moderate Party attained the same share of people saying they had good policy: 24 percent. However, comparing balance measures in 1998 (the share saying a party has good policy minus the share saying a party has bad policy), a slight advantage for the Moderate Party could be seen for the first time (table 5.2). In 2006 the difference in balance measures between the incumbent Social Democrats and the Moderate Party is much clearer. While the Social Democrats exhibit an almost even balance between people perceiving their unemployment policy as good and people regarding it as bad (+1) the Moderates reach a very positive measure of balance (+22).

Significant changes among other parties include an all time low for the Left Party with a negative balance measure of -11 and a large increase in the perceived competence at handling unemployment for the Centre Party, which more than doubled its share of respondents saying it has a good policy on unemployment from 9 to 20 percent. For more detailed information on the perceived competence at handling unemployment among different parties between 1985 and 2006, see table A.46, which is an updated version of table 5.2.

Let us now turn to the second component of issue ownership – the association of a party with an issue. In this case I will more specifically examine the perceived issue profiles of the parties, just as in Chapter 5. The results of the Swedish National Election Studies are very clear: a major change in perceived party profiles concerning the issue of unemployment took place in 2006.

**Table 8.1 Share of voters saying that different parties emphasized the issue of unemployment during the election campaign in 2006 (percent)**

|                     | 1982 | 1985 | 1988 | 1991 | 1994 | 1998 | 2002 | 2006 |
|---------------------|------|------|------|------|------|------|------|------|
| Left Party          | 19   | 10   | 3    | 10   | 26   | 11   | 2    | 12   |
| Social Democrats    | 51   | 30   | 15   | 43   | 70   | 19   | 11   | 24   |
| Centre Party        | 14   | 0    | 1    | 2    | 11   | 4    | 1    | 22   |
| Liberal Party       | 9    | 3    | 1    | 4    | 15   | 6    | 1    | 10   |
| Moderate Party      | 8    | 2    | 1    | 6    | 24   | 12   | 1    | 51   |
| Christian Democrats | -    | 0    | -    | 1    | 6    | 5    | 0    | 8    |
| Green Party         | -    | -    | 0    | 0    | 6    | 3    | 0    | 3    |
| New Democracy       | -    | -    | -    | 2    | 2    | -    | -    | -    |

*Comment:* This table is an updated version of table 5.1 for the issue of unemployment only and shows the share of respondents saying different parties emphasized the issue of unemployment during the election campaign of 2006. Respondents were asked separately for each party in an open-ended question which issues that party emphasized. Answers were then categorized according to a coding scheme. These numbers have previously been reported by Oscarsson and Holmberg (2008a) and Oscarsson and Holmberg (2008b:52).

As can clearly be seen in table 8.1, the Moderates were the number one party emphasizing unemployment in 2006 according to the public. Never before have they achieved such a high profile concerning unemployment in the eyes of the public. Compared to the situation in 1994, when unemployment was also at centre stage during the campaign, the change in party profiles in 2006 becomes apparent. The Moderate Party doubled their emphasis on unemployment compared to 1994 (51 versus 24 percent), while the Social Democrats' emphasis was more than cut in half – only one third as many people say they emphasized unemployment in 2006 as in 1994 (24 versus 70 percent). It is also noteworthy that the Centre Party increased their emphasis to an all time high of 22 percent, not

far behind the Social Democrats. The Moderates were not the only party in the Alliance perceived to make fighting unemployment a priority in 2006. In summary, there is clear evidence that the Social Democrats were no longer seen as the number one party to make fighting unemployment a priority in 2006.

It is evident that the Social Democrats indeed lost their ownership of the issue of unemployment in 2006. This conclusion is also in line with the findings in Oscarsson and Holmberg's recent publication on the Swedish election of 2006 (2008b). Judging from both components of issue ownership advanced in Chapter 5 – competence and priority – nothing remains of the advantageous position of the Social Democrats concerning unemployment in 2006. Nor are they seen as having better policy on unemployment than other parties, or thought to give priority to fighting unemployment more than other parties.<sup>250</sup>

Not only did the Social Democrats clearly lose their traditional ownership, but the Moderate Party in fact managed to completely overtake the issue of unemployment in 2006 and was both regarded as competent by most people and seen as giving priority to the issue by most people. The advantage of the Moderates was large enough in 2006 to state that issue ownership of unemployment passed over to them. When it comes to priorities, twice as many felt that the Moderates emphasized unemployment during the electoral campaign as for any other party (51 compared to 24 percent) and, when it comes to competence, their positive balance measure is also almost (22 compared to 12) twice as large as for any other party.

What can we say of the potential causes of this turnover in issue ownership? Although it is not within the scope of this chapter to answer such a question, I will make a few comments based on the results from Chapter 5 and what we

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<sup>250</sup> These conclusions are further confirmed by the results of a six-wave Internet panel survey during the electoral campaign of 2006 conducted by the SNES project at the University of Gothenburg. Although the sample used in this survey, unlike that of the standard SNES, is not representative of the electorate at large, it can be used to analyse the direction of the change in the wind during the electoral campaign. For a more detailed description of the Internet Election Panel of 2006 and the issue of its representativeness, please see the reports by Dahlberg et al. (2006) and Nilsson et al. (2007). Further, the measurements used in this survey are in my view superior to those available in the SNES face-to-face surveys when it comes to analysing issue ownership, since all respondents are asked to respond on a seven-point scale for each party about both the perceived *priority* of unemployment for that party as well as the perceived *competence*. These new measurements have not been used in Sweden before, but can now serve to confirm the measurements in use in the standard SNES for more than 20 years. Some preliminary analyses of the Internet panel survey confirm the loss of ownership for the Social Democrats and reveal that the advantage of the Moderates also grew stronger during the last weeks before the election. In the second panel wave, two weeks before the election, 59 percent said unemployment was a very important issue for the Moderates (6-7 on a scale from 1 to 7) while the Social Democrats received the same perceived priority among only 32 percent. Two weeks later, in the fourth panel wave conducted immediately before the election, the figure for the Moderate party had increased to 66 percent while the Social Democrats now reached 35 percent. This means that the gap had widened slightly. Concerning policy evaluations, we can see the same pattern: two weeks before the election 36 percent said the Moderates had a very good policy on unemployment (6-7 on a scale from 1-7), while only 11 percent thought this of the Social Democrats. Two weeks later the Social Democrats had increased their share to 15 percent while that of the Moderates now reached 41 percent instead. Although we must remember that these results are not based on a representative sample of respondents, they confirm what we have seen in the SNES: that the Moderate Party had taken over ownership of unemployment. On top of this, the Internet panel survey also shows some indications that the Moderates managed to strengthen their advantage (at least in terms of perceived priority) further during the final weeks of the electoral campaign.



have seen of the election of 2006. One of the conclusions in Chapter 5 was that judgements of party competence in different areas tend to move together over time and that they to some extent reflect the general sympathy for a party. Chapter 5 also demonstrated that we could find no clear-cut evidence in favour of the idea that it is the short term governmental performance that matters most for judgements of competence (see for example table 5.4). The reasonable conclusion to be drawn from this is that the actual labour market performance since the previous election is unlikely to have been decisive for the loss of ownership. The general decline in party sympathy combined with the obvious fact that the Social Democrats failed to appear to give priority to the issue of unemployment, as seen in table 8.1, are more likely reasons behind the complete change of ownership from the Social Democrats to the Moderate Party.

## VOTING

The fact that the Moderate Party took over issue ownership of unemployment in 2006 adds a new type of case to the analyses presented in Chapter 7. Previously we had three types of cases: Social Democratic governments with issue ownership (1988, 1991 and 1994), Centre-right governments without issue ownership when an opposition party owns the issue (1994), and Social Democratic governments without issue ownership (1998) when no other party owns the issue. However, another qualification is now necessary in order to adequately describe these types of cases. The new type of case we add in 2006 is a situation with a Social Democratic government without issue ownership when ownership belongs to an opposition party (the Moderate Party).

Government partisan composition is not of interest in itself, however. Actual ownership of the issue of unemployment is what matters to the theoretical model. In previous research on the partisan theory of economic voting, government partisan composition has been used to explain differences in the workings of economic voting between different governments. What this thesis examines is whether one potential mechanism that could explain such differences is issue ownership. Hence it makes more sense to simply describe the different cases on the basis of the issue ownership situation and disregard government partisan composition. This means that the 2006 election belongs to the same category as the election of 1994: governments without issue ownership of unemployment when an opposition party owns the issue. The election of 2006 will therefore be analysed both separately and together with the case of 1994.<sup>251</sup>

Methodologically, the same procedures as used in Chapter 7 are followed. This means estimating a logistic regression model of voting where the effects of economic evaluations and issue salience of unemployment on government support. However, the aim of this analysis is not to explain the outcome of the election of 2006 as well as possible, but simply to test the integrated model of economic voting and issue ownership on the case of 2006 and to examine its relevance for understanding that election. Just as in the previous chapter, the analysis also includes exploring the electoral consequences of the results by computing by how

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<sup>251</sup> This is exactly the same way of reasoning as when the elections of 1988, 1991 and 2002 were treated together in tables 7.2 and 7.3 in Chapter 7.

much the model predicts the government's vote share would change with a better (or worse) economic situation.<sup>252</sup>

### *Expectations*

Naturally, what we expect is a negative effect of more negative economic evaluations and vice versa, as the prediction is for all governments in the economic voting perspective. When it comes to issue salience, the expectation is that the government will lose votes from higher issue salience since another party owns the issue this time. Such an effect might be clearer in a two-party system, but since it was both strong and statistically significant in 1994 under similar circumstances we can still expect such an effect: considering unemployment to be one of the most important issues will decrease the likelihood of voting for the incumbent Social Democratic government.

However, it is not obvious how strong this effect is. In comparison with the situation in 1994, the issue ownership of the Moderate Party in 2006 seems less strong than that of the Social Democrats in 1994. This is true when judged both from perceived party competence and perceived priority of the issue for the parties. As can be seen in table A.46, the Social Democrats had a positive balance of +32 in perceived competence in 1994, while the Moderate Party achieved a value of +22 in 2006. In addition, the incumbent parties in 1994 had mostly negative values while this is not true of the Social Democratic incumbent in 2006. The same goes for issue priority. While the owner of the issue in 2006 – the Moderate Party – was perceived by 51 percent of the electorate as emphasizing unemployment, as many as 70 percent said this of the Social Democrats in 1994 (see table 8.1). Simultaneously, both parties were perceived to emphasize the issue by 24 percent of voters as incumbents in 1994 and 2006. Thus, the relative distance was clearly greater in 1994 than in 2006. In summary this means that, despite the impressively rapid and dramatic change in issue ownership in 2006, we cannot expect the effect of salience of unemployment in our micro level model of voting behaviour to be as strong as in 1994.

### *Voting behaviour in 2006*

Let us now consider the results. I report the results for 2006 in tables 8.2 and 8.3 but also reprint the results for 1994 already discussed in Chapter 7. The reason for this is that I regard the election of 2006 as, theoretically, the same kind of case as the election of 1994 when it comes to the issue ownership situation. Also reported are results where the regression model was run on a pooled data set including both 1994 and 2006 in the same way as was done with the elections of 1988, 1991 and 2002 in Chapter 7.

However, the fact that the governments include different parties on these two occasions presents some particular modelling problems. First of all the scale of the control variables has to be reversed for one of the time points since they work in different directions for the two incumbent governments. For example, being more to the right on an ideological scale works in favour of the centre-right incumbent in 1994 while the same relative position works against the So-

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<sup>252</sup> The same scenarios and the same method as in Chapter 7 are used for these simulations, i.e. what I refer to as "method 2". For a full explanation of this method and the reasons for using it, see section "Choosing a method" in Chapter 7 on page 188-189.

cial Democratic incumbent in 2006. Secondly, a dummy variable separating the two election years was introduced into the model since the aggregate distribution of both one of the main independent variables – economic evaluations – and of the government’s vote share differ quite a lot between 1994 and 2006. It is important to point out that this joint analysis of 1994 and 2006 is mostly done for the purpose of theoretical completeness since this was done for three Social Democratic governments in Chapter 7 belonging to the theoretical category of incumbents with issue ownership of unemployment (1988, 1991 and 2002).<sup>253</sup>

However, the scales of the two independent variables of main interest here, national retrospective economic evaluations and the salience of unemployment, are not reversed. The reason for this is that the predictions from the integrated model of economic voting and issue ownership are identical for the two cases of 1994 and 2006. The ideological colour of the incumbent in itself does not matter; instead it is the relation between the parties involved and the issue that matters.<sup>254</sup> All governments are expected to be punished to some extent when the public perceives a deteriorating economy and all governments without ownership of unemployment are expected to lose support from higher public salience of that issue – at least when an opposition party owns it.

Just as in Chapter 7, the data I use are a pooled data set including both the SNES and the SOM surveys. The only variable that had to be adjusted in order to enable the pooling of these two surveys was subjective left-right position since the scales are of different length. This was done by standardizing the variables in each data set separately and setting them to a common scale before merging the data sets. In table 8.2 the results for 2006, 1994, and both years analysed jointly are shown. However the main interest here is the election of 2006.

The results in table 8.2 confirm our expectation in several ways. First, there is a significant negative effect (i.e. an odds-ratio below 1) on incumbent support of negative economic evaluations. For example, the odds of voting for the government decreases by almost 20 percent when people perceive the economy as having “gotten worse” instead of perceiving it as having “stayed the same”. As expected – since the government lacked issue ownership of unemployment in 2006 – there was no significantly positive effect for the Social Democratic incumbent of the salience of unemployment. More surprisingly, however, the weak negative effect is not statistically different from zero. This means that we cannot safely say that the centre-right opposition would gain support as the issue becomes more salient to the public.

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<sup>253</sup> One of the additional problems that makes it impossible to rely on the joint model of 1994 and 2006 is that the correlations between the independent variables are destroyed when the control variables for 1994 are reversed since all variables are not reversed (the exception being economic evaluations and issue salience). However, most of these correlations were not statistically significant in the first place. For example, economic evaluations mainly had significant correlations with subjective left-right position and educational level and not with other variables included in the model.

<sup>254</sup> This is in contrast to some previous research, such as the so called partisan economic voting, where the relation between the parties and issues such as for example unemployment or inflation has instead been assumed and the ideological colour of the government has been used as a simplification without much specification of the causal mechanism and included directly in the model (see for example Carlsen 2000).

**Table 8.2 Effects on government support (binary logistic regression)**

|                          | e <sup>b</sup><br>(odds-ratio) | p    |   |
|--------------------------|--------------------------------|------|---|
|                          |                                |      | Social Democratic government <i>without</i> issue ownership of unemployment when an opposition party owns the issue |
| <hr/>                    |                                |      |   |
| 2006                     |                                |      |   |
| Economic evaluation      | .81*                           | .017 | n=2545  |
| Saliency of unemployment | .90                            | .352 | McFaddens's R <sup>2</sup> =.329  |
| <hr/>                    |                                |      |   |
| 1994                     |                                |      |   |
| Economic evaluation      | .83                            | .163 | n=2777  |
| Saliency of unemployment | .67*                           | .001 | McFaddens's R <sup>2</sup> =.487  |
| <hr/>                    |                                |      |   |
| 1994 and 2006            |                                |      |   |
| Economic evaluation      | .79*                           | .001 | n=5322  |
| Saliency of unemployment | .77*                           | .001 | McFaddens's R <sup>2</sup> =.390  |

*Comment:* The data used in this analysis are the combined SNES and SOM studies. For details on the effects of control variables and on their coding, see tables A.48 and A.38. This table reports odds-ratios (e<sup>b</sup>) instead of logistic regression coefficients. For the interpretation of odds-ratios, see table 7.2. The dependent variable is a dichotomous variable indicating whether the respondent voted for the incumbent government or not. The results for 1994 alone are also shown in table 7.2. In the model for the combined data set including both 1994 and 2006, an election year dummy was also included in the model.

Compared to the results for 1994, the effect of economic evaluations is about equally strong, but this time it is also significant. We notice the opposite for the issue saliency of unemployment. The effect of saliency is not statistically significant in 2006. In 1994, however, it was both stronger and clearly significant. It might seem surprising that the negative effect of saliency for the incumbent is not significant in 2006 since this is in contrast with the clear indications seen earlier in this chapter that issue ownership of unemployment had passed over to one of the opposition parties: the Moderate Party. However, as pointed out above (in the section on *expectations*) issue ownership of unemployment was clearly weaker for the Moderates in 2006 than it was for the Social Democrats in 1994. The fact that the Moderate Party so clearly managed to take over a Social Democratic core issue such as unemployment is impressive in itself but, judging only from the analyses presented here in table 8.2, it still seems unclear whether this new issue ownership actually helped them gain support simply from the issue rising on the agenda, which is exactly what issue ownership theory suggests.<sup>255</sup>

It is also possible that we cannot observe a significant effect of saliency of unemployment at the individual level to the benefit of the opposition because the differences between the Alliance parties are too large. It would be quite reasonable if chiefly the Moderate Party benefited from unemployment rising in sali-

<sup>255</sup> However, it is important to point out that I do not wish to claim that the Alliance or the Moderate Party did not gain any votes from taking over the issue of unemployment from the Social Democrats. Analyses by Oscarsson and Holmberg (2008b) demonstrate that unemployment was one of the most important vote winners for the Alliance.

ence. This possibility was also tested via a multinomial logistic regression model. However, this analysis confirms the previous result and indicates, once again, that there is no significant effect of issue salience to the benefit of the opposition or the Moderate Party.<sup>256</sup>

It is important to properly understand how this result should be interpreted. In their analysis of vote switching between 2002 and 2006, Oscarsson and Holmberg (2008b) find that, in a regression model, including direct perceptions of party competence<sup>257</sup> at handling unemployment for the Social Democrats, this did have a significant effect on party choice (Oscarsson & Holmberg 2008b:184-190). Considering these two results together, the reasonable conclusion is that the Moderate Party might well have gained support from taking over ownership of the issue of unemployment by becoming perceived both as competent and as making the issue a priority. However, once this issue ownership was established, they do not seem to gain (lose) support just from the issue of unemployment rising (falling) on the agenda. This is the way I think the lack of significant effect of issue salience in itself in 2006 should be interpreted.

However, this result is at odds with the basis of the issue ownership theory. The point of the original issue ownership theory was precisely that *if* a party owns an issue, it *should* benefit electorally from that issue becoming more salient. This is exactly what did *not* happen in 2006, according to my results here.<sup>258</sup> This begs the question whether there is something wrong with issue ownership theory (or rather whether it is incomplete in some way), with our definition of issue ownership (which makes us believe that the Moderate Party had issue ownership of unemployment in 2006) or with our measurement of issue salience. These questions will be further discussed in the concluding chapter.

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<sup>256</sup> The specification of this model was identical to that presented in table 8.2 when it comes to all independent variables. The only difference was that we now use a categorical dependent variable instead. When analysing the effect of economic evaluations and issue salience on the odds of choosing the Social Democrats over the Moderates, both effects are strengthened somewhat compared to what was seen in table 8.2. The odds ratio is now .69 and significant ( $p=.004$ ). However, the more surprising insignificant effect of the issue salience of unemployment remains ( $e^b=.88$ ,  $p=.409$ ). There is a weakly negative – but insignificant – effect for the Social Democratic incumbent of salience of unemployment when they are compared to most parties. The only exceptions where we find positive effects are when they are compared to the Greens or to the category of “other parties”.

<sup>257</sup> At this point I wish to remind readers that my aim here is not to predict or explain individual party choice in 2006 as well as possible. Instead I want to test one of the micro level core assumptions (requisite three) of the integrated model on the case of 2006 in the same way as was done for 1988 to 2002 in Chapter 7. This is the reason for not making a similar analysis as was made by Oscarsson and Holmberg (2008b). I am instead intentionally testing a theoretical model that is intended to be a more basic version of issue ownership theory. The point of this dissertation is not primarily to test an elaborated micro-level model of voting. In such a model both issue ownership as well as responsibility attributions for the economic development would be included. As seen in figure 1.1 in the introduction, the effect of economic evaluations is conditioned by responsibility attributions, but, assuming that voters in general do attribute some responsibility for the economic development to the government, this effect can be seen through the regression coefficient of economic evaluations in the statistical models. The effect of issue salience on the other hand is conditioned by issue ownership. This however, unlike responsibility attributions, is not assumed but is instead measured and analysed at the aggregate level for each election separately.

<sup>258</sup> However, we should also remember that the original issue ownership theory by Budge and Farlie (1983) was formulated at the aggregate level and not as a micro level model of voting behaviour.

Although the effect of salience did not reach statistical significance, it *did* go in the expected direction. From this point of view we might discount the importance of this finding to some extent. But if we compare with the results in Chapter 7, it becomes quite clear how unique this result is. In each and every one of the other five elections analysed in this thesis – 1988, 1991, 1994, 1998 and 2002 – the direct effect of issue salience of unemployment, when controlling for other variables, does follow the predictions from the issue ownership situation based on aggregate perceptions of the two criteria of issue ownership presented in Chapter 5: perceived party priority and perceived party competence. Therefore, I think this result deserves to be taken seriously.

No especially surprising results are found when it comes to the control variables. Some of the standard predictors such as class, gender, employment sector and personal labour market situation turn out statistically insignificant. The by far most important among the control variables is ideological left-right position and in second place we find educational level. A full report on the estimates is given in table A.48.

Although customary in research on economic voting, it is somewhat problematic to use a dichotomous variable of voting for the government or not in a multi-party system. If the effects of the independent variables of interest vary to a large extent between different opposition parties, these effects might disappear and we risk erroneous conclusions because of the simplifications of our model. To make sure that the results in table 8.2 are fairly robust to how the dependent variable is specified, the same model was run with the Left Party and the Greens (who made up the parliamentary majority together with the Social Democratic government from 2002 to 2006) treated as part of the government. Although this model fits the data better, the main conclusions all remain the same.<sup>259</sup>

The next step is to explore a set of different scenarios telling us how government support would have changed in different economic situations, just as was done in Chapter 7. This will help us understand how substantially important the effects presented in table 8.2 are and render the results more tangible and comprehensible. In addition, the exploration of these counterfactual economic situations will serve the purpose of analysing how important the integrated model of economic voting and issue ownership is for understanding the election of 2006.<sup>260</sup>

When the government has no ownership of unemployment, while an opposition party does, we no longer expect issue salience to mitigate potential electoral punishment for economic downturns as we do when the incumbent owns the issue. Instead, the lack of ownership might instead reinforce electoral losses since the predicted effects of the issue of unemployment are now in the same direction as those of economic evaluations. This prediction was confirmed for the case of 1994 in Chapter 7 (these results are shown again in table 8.2 and 8.3 in this chapter).

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<sup>259</sup> However, a few differences are noticeable. First, the effect of salience of unemployment strengthened somewhat (an odds-ratio of .85 instead of .90) but remained insignificant ( $p=.248$ ). Second, a massive increase in overall model fit was seen as McFadden's  $R^2$  increased from .329 to .604, which means that this model clearly fits the data better.

<sup>260</sup> For more detailed information on and justifications of the four counterfactual scenarios and methods of computations used in table 8.3 (and in table 7.3), see Chapter 7, especially pages 187-189.

**Table 8.3 Exploring the consequences of simultaneous changes in economic evaluations and issue salience of unemployment (change in incumbent vote share)**

| Social Democratic government without issue ownership of unemployment when an opposition party owns the issue (2006)      |                                |              |                               |              |
|--|--------------------------------|--------------|-------------------------------|--------------|
|  | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|  | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change   | +1.8                           | +0.9         | -1.7                          | -0.9         |
| Only salience changes  | +0.3                           | +0.1         | -0.3                          | -0.1         |
| Both change simultaneously   | +2.0                           | +1.0         | -2.0                          | -1.0         |
| Centre-Right coalition government without issue ownership of unemployment when an opposition party owns the issue (1994) |                                |              |                               |              |
|  | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|  | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change   | +1.2                           | +0.6         | -1.2                          | -0.6         |
| Only salience changes  | +0.9                           | +0.4         | -0.9                          | -0.4         |
| Both change simultaneously   | +2.1                           | +1.0         | -2.1                          | -1.0         |
| Governments without issue ownership of unemployment when an opposition party owns the issue (1994 and 2006)              |                                |              |                               |              |
|  | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|  | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change   | +1.8                           | +0.9         | -1.8                          | -0.9         |
| Only salience changes  | +0.7                           | +0.3         | -0.7                          | -0.3         |
| Both change simultaneously   | +2.5                           | +1.3         | -2.5                          | -1.2         |

*Comment:* These computations are based on the results presented in table 8.2 and method 2 described on page 188: holding all other variables at their observed values in the sample while changing the values of retrospective national economic evaluations and issue salience of unemployment and computing the corresponding average change in the predicted probability to vote for the incumbent party or parties. A big change means altering economic evaluations by .6 and salience by 20 percentage points. A small change means altering economic evaluations by .3 and salience by 10 percentage points. The results for 1994 alone can also be seen in table 7.3.

In 2006, however, the substantial electoral effects of alterations in salience of unemployment are moderate. Even rather large alterations such as an increase (or decrease) of 20 percentage points yield very modest consequences for government support. According to the results in table 8.3, such a change would only result in a change of less than one third of a percentage point in support. Although the effects are small, they are in the expected direction. However, the consequences of including issue salience in the model and thereby taking issue ownership into consideration were much greater in 1994.

In fact, table 8.3 tells us that, as concerns the case of 2006, we do not gain much additional understanding of the influence of the economy on electoral outcomes by including issue salience of unemployment. For example, let us consider the hypothetical situation where a big change for the worse in the Swedish economy had occurred before the election of 2006. According to table 8.3 this would have entailed a loss of 1.7 percentage points of support for the government due to more negative economic evaluations and a loss of 0.3 percentage points due to

higher salience of unemployment, resulting in a total loss of 2.0 percentage points. This means that only 15 percent of the total effect of economic changes in such a situation would be made up of reinforcing effects of changes in issue salience. This is in clear contrast to the results for 1994, where as much as 42 percent (0.9 out of 2.1) of the total effects of economic changes were actually made up of issue ownership effects.<sup>261</sup> Thus, the integrated model of economic voting and issue ownership does not seem very important in 2006. Although it is not contradicted by these observations, its relevance is clearly diminished.

Oscarsson and Holmberg (2008b:184-190) demonstrated that the issue of unemployment did make a difference for the outcome of the election of 2006 and that it was clearly among the most important and consequential issues that year. However, in this chapter we have found that, unlike in earlier elections, the importance of the issue of unemployment cannot be observed based on issue salience alone. For the case of 1994 and the cases where a Social Democratic incumbent owned the issue of unemployment (1988, 1991 and 2002) there were clear direct effects of the issue salience of unemployment that were also substantially important for electoral outcomes (see table 7.3). Issue salience did not work this way in 2006 cannot be answered on the basis of the analyses here. But we should remember that the ownership that the Social Democrats had in 1994, for example, was clearly stronger than the ownership that the Moderate Party achieved in 2006.

It is also worth noting that the cases of 1988, 1991 and 1994 are more clear-cut when it comes to the economic development. In 1988 the Swedish economy was doing extraordinarily well in general and unemployment was also exceptionally low. Thus, economic evaluations were positive and the issue salience of unemployment low. In 1991 an economic downturn was imminent and unemployment had started to rise. Consequently, economic evaluations were negative and unemployment salience was moderately high. Things were equally simple in 1994 when Sweden had been hit by an economic recession and experienced the highest unemployment levels for half a century. Thus, extraordinarily negative economic evaluations were coupled with high issue salience. After 1994, however, things have not always been as clear-cut. The general economic development and public evaluations thereof have not always moved in tandem with issue salience of unemployment. In fact, the opposite comes closer to the truth. Between 1994 and 1998 economic evaluations became more positive (see table A.49) while issue salience of unemployment remained as high as ever. Between 1998 and 2002, on the other hand, economic evaluations again became weakly negative at the same time as a huge drop in salience of unemployment took place. Finally, economic evaluations clearly improved between 2002 and 2006 while issue salience of unemployment again rose to very high levels.

While these observations in no way explain the weak effects of issue salience on government support in 2006, they reinforce the impression of increased complexity. Not only does issue ownership seem to have become more unstable, but we also have indications that the salience of unemployment follows objective unemployment levels less strictly – at least in 2006 – and that economic evaluations and public salience of unemployment no longer necessarily move together. The rele-

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<sup>261</sup> For the combined analysis of 1994 and 2006, the results indicate that almost one third (28 percent) of the total effect is made up of issue ownership effects.



vance of the integrated model seems diminished in 2006, while it received almost unrestricted support by the data for the period of 1988 to 2002. Perhaps the usefulness of this model lies more in understanding the past than in predicting the future?

However, such a conclusion is not only true for my integrated model of economic voting and issue ownership. In recent research on voting behaviour, many models have been found to lose importance and find their explanatory power diminished over time. Oscarsson and Holmberg (2008b) find that traditional economic explanations of voting in Sweden are less and less important. The importance of retrospective sociotropic economic voting has been decreasing in Sweden. In 2006 the difference in vote share for the government among those who perceive an improving economy and those who perceive a deteriorating economy was at an all time low of 15 percentage points (Oscarsson & Holmberg 2008b:180). Similar conclusions have also been advanced by Kumlin (2003). Earlier, Holmberg (2000) has also reported a declining importance of socio-economic structure in general for electoral choice in Sweden. Such observations have also been made internationally (Thomassen 2005; Franklin et al. 1992). Concerning for example class voting, this development is quite clear, at least when the present is compared with the 1960s (Oskarsson 2005). If this trend towards less importance of social structural variables continues and also entails looser ties between parties and issues it might prove hard for the integrated model to matter for election outcomes in the future since it demands at least some degree of stability of issue ownership.

## CONCLUSIONS

I will now summarize what this analysis of the election of 2006 tells us about the integrated model of economic voting and issue ownership that is developed and tested in this book. In previous chapters the model proved to be both valid and relevant to understanding the influence of unemployment on politics, at least under some circumstances.

The first question addressed in this chapter is whether the results from Chapter 4 hold for the case of 2006: do both public economic evaluations and issue salience of unemployment follow the development of the economy and the labour market in reasonable ways? Although this chapter did not contain a thorough and detailed analysis of public opinion, including statistical hypothesis testing, as in Chapter 4, the evidence presented clearly indicates that public evaluations of the economy move in accordance with objective indicators of the economic development. This was found valid both for the public's perceptions of the development in the labour market and of inflation, as well as concerning the general economic development. Public economic evaluations seem quite reasonable, and the Swedish public had without doubt noticed the economic improvement between 2002 and 2006. When it comes to saliency of unemployment, however, we found an example where issue salience does not follow objective indicators of performance. Saliency kept increasing after unemployment levels had stopped rising and even continued increasing when unemployment was decreasing. In this case, one of the conditions for the integrated model was not met.

Secondly this chapter intended to find out what happened with issue ownership of unemployment in 2006. Chapter 5 concluded that issue ownership is not as immobile as assumed in the early research on issue ownership. Indeed, there were clear signs that it can vary. On the other hand, issue ownership did not seem to be quickly and easily altered by fluctuations in governmental perform-

ance. Rather, there seemed to be a certain amount of tardiness. However, the lesson from 2006 is clear. Issue ownership can change quickly, even when it comes to old, established political issues that have been regarded as belonging to the core issues of a political party. In 2006 the Moderate Party managed to overtake the issue of unemployment despite the fact that this issue has traditionally been seen as belonging to the Social Democrats, with their labour market policy being part of the famous “Swedish model”. The Moderates were seen as giving priority to the issue by more people than any other party, and simultaneously more people than for any other party said they had a good policy on unemployment – a clear shift away from the situation in 2002. Hence, the case of 2006 is an argument against the relative stability of issue ownership found in Chapter 5.

Lastly, the individual level effects on voting behaviour in 2006 were analysed. In Chapter 7 the integrated model was supported and alterations in salience turned out to have substantially important effects for electoral choice and the impact of the economy on election outcomes. The analyses of the effects of economic evaluations on incumbent support in 2006 did not uncover any surprises. Although not especially large in their magnitude, negative retrospective economic evaluations had the expected effect of diminishing the likelihood of voting for the incumbent. What was more surprising, given the strong evidence that the Moderate Party took over ownership of unemployment, was that no statistically significant direct positive effect of the salience of unemployment could be found. The effects of alterations in the public agenda were in the expected direction, but marginal in size. Therefore, the conclusion must be that the relevance of the integrated model for understanding the outcome of the election of 2006 is insignificant.

# Conclusions

The basic thought behind this study is that unemployment and economic changes in general might have important electoral and political consequences but that the mechanisms through which unemployment affects electoral outcomes are not sufficiently understood. More precisely, this book examines what happens when we combine two existing theoretical perspectives on elections – economic voting and issue ownership – into what I refer to as the integrated model of economic voting and issue ownership.

The integrated model of economic voting and issue ownership suggests that traditional models of economic voting are too narrow in the way they conceive the consequences of economic ups and downs. Changes in the economy not only alter people's perceptions of the state of the economy or of the government's economic performance. When reality changes the public agenda is also likely to be affected. If a societal problem becomes more widespread or more severe – according to commonly accepted objective indicators – citizens are also more likely to consider that specific societal problem an important factor in their calculus when they choose whether to vote for the incumbent or for some other party.<sup>262</sup> The same reasoning is valid for the opposite process, when a problem becomes less widespread or less severe.

According to issue ownership theory, political parties have different relations to different political issues. Some issues are beneficial to certain parties, issues they own, while others are not. Thus, if unemployment rises, thereby becoming more important by objective standards, it is also likely to rise on the public agenda and play a greater role when voters evaluate political parties and governments in view of an upcoming election. Therefore, when a societal problem such as unemployment is aggravated, the party owning that issue might benefit. If this is also to be possible for incumbent parties, a certain degree of stability of issue ownership is required – even in the face of more negative policy indicators concerning that specific issue.

What the integrated model claims is that economic changes affect elections through two separate mechanisms. Economic changes influence people's economic evaluations, which in turn affect voting behaviour. However, economic changes are also likely to influence people's priorities, the public agenda, which might in turn affect voting behaviour as well. This book has studied the case of

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<sup>262</sup> Assuming that no interference in this process occurs, e.g. that some influential political actor manages to distort this link between reality and public opinion, that media coverage is so strongly distorted that the public agenda does not reflect this real world change, that some dramatic event interferes and completely monopolises the agenda or that the values, attitudes and preferences of the public make citizens unresponsive to real world changes in the issue at hand. These possibilities all exist in individual cases, but on average we should still expect the public agenda to react in accordance with changes in real world indicators in most cases.

unemployment in Sweden and evaluated how this new theoretical model works in that particular case.

For the integrated model to be valid and to be relevant to our understanding of how economic changes influence the outcome of elections, four main conditions need to be met. These requisites were presented in Chapter 1 and have been examined in detail in subsequent chapters. In the following I will summarize the findings concerning each of these four requisites.

## TWO SIMULTANEOUSLY OPERATING MECHANISMS

A cornerstone of the integrated model is that economic changes affect *both* economic evaluations and issue salience. This is the first requisite of the integrated model. The public needs to be responsive to economic changes and needs to be aware of what is going on in the economy – at least to a reasonable extent, for example by noticing the direction in which things are moving. For the integrated model to be useful, the public also needs to adjust its *priorities* according to what is happening in the real world. In this study the analysis is limited to the case of unemployment and how the standing of this issue on the public agenda is connected to objective changes in the labour market. Questions pertaining to the first requisite were analysed in Chapter 4 and the results largely confirm the relevance of the integrated model. Public evaluations of the economy were shown to closely track economic changes, and in general the public salience of the issue of unemployment does indeed tend to follow changes in unemployment levels rather closely.<sup>263</sup>

In spite of previous research often painting a somewhat dismal picture of public awareness and knowledge of the economy, the Swedish public was found to be well aware of economic changes. General economic evaluations turned out to be strongly connected to economic performance, both to general indexes and to specific economic indicators. Analyses of unemployment expectations revealed that public expectations of changes in unemployment one year ahead were clearly in accordance with the actual future changes in the labour market. Likewise, perceptions of inflation were found to be very accurate. Although the public might not know the details of the economic development, public opinion is clearly aware of changes and the development over time in the economy and in the labour market. Public opinion reacts and adjusts itself in quite reasonable ways in response to both past and future changes in the economy. Altogether, the Swedish public seems well equipped to participate in processes of economically based retrospective electoral accountability.

Public salience of the issue of unemployment also seems to follow real unemployment levels rather closely and to be influenced both by media coverage of the issue and by actual changes in the labour market. Actual unemployment rates were, however, generally found to have a stronger influence on issue salience than media coverage. That is at least the case for the period of 1987-2002. The 2006 election is an important exception though, when unemployment kept rising on the public agenda all the way to becoming the number one issue despite slowly decreasing unemployment levels during the election year. This fact is most likely explained by the determined and successful campaigning of several opposition parties in the Alliance (for a similar argument, see Holmberg &

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<sup>263</sup> The 2006 election, however, is an important exception in this respect.

Weibull 2007:18ff). This possibility has not, however, been systematically tested against data and remains a hypothesis.

Considered together, these findings generally support the integrated model. Changes in unemployment levels do engender two different reactions among the public, and two causal pathways from economic changes to changes in governmental support are simultaneously activated: economic evaluations and issue ownership.

### THE TARDINESS OF POLITICS AND THE EXISTENCE OF ISSUE OWNERSHIP

Although we have seen that economic changes bring about two different reactions among the public, we cannot be sure that these two reactions actually are separate in how they influence party preferences and voting. It is theoretically possible that economic evaluations and issue ownership are simply two different aspects of the same basic notion or that they are two related indicators of what happens in the public's minds in times of economic changes. The second requisite is that issue ownership must not be dependent to a large extent upon short term policy performance. That is, a political party's ownership of an issue should not be dependent on constantly producing good desired policy outcomes for citizens. If that were the case, issue ownership would be no different from good evaluations of recent governmental performance. For the two reactions to have separate (and thereby potentially different) effects on voting behaviour, issue ownership needs to be separate from policy evaluations.

Theoretically, issue ownership is clearly different from evaluations. It is a stable association between a political party and an issue connected to the party's history, social bases and its long term record in terms of attention and in terms of performance. According to the theory, it takes more for an incumbent to claim issue ownership than just a streak of luck that produces temporarily good policy outcomes. Being perceived as competent and as having a credible commitment to an issue is what normally creates and maintains issue ownership. If ownership of the issue of unemployment were too dependent on good recent policy performance – in this case reducing or maintaining a low unemployment level – it would be inadequate to speak of issue ownership since this would be no different from the other mechanism by which economic changes (including changes in the labour market) influence election outcomes. If a temporarily bad policy outcome (i.e. rising unemployment figures) immediately resulted in lost ownership, issue ownership would just be another measure of evaluations, and the only operative mechanism left would be through economic evaluations, just as in traditional models of economic voting.

Questions pertaining to the second requisite were analysed in Chapter 5 and the results confirmed that issue ownership of the issue of unemployment does exist and that issue ownership is not very dependent on short term good policy performance. Three main results reported in Chapter 5 are important in evaluating the usefulness of the integrated model: 1) statistical analysis could not reveal significant effects of performance on issue ownership, 2) some indications of effects of performance on the strength of issue ownership were discovered but, if such systematic effects exist, they seem to be of limited strength and 3) the strength of issue ownership *does* vary over time. For example, the Social Democrats lost their ownership of unemployment both in 1998 and in 2006. This is less clear in 1998 and what we find is that their previously strong advantage concerning unemployment is gone – the issue had more or less become neutral. In 2006

on the other hand, it seems that the Moderate Party has completely captured the issue and, in the eyes of the voters, come to own it instead of the Social Democrats.

Considering that unemployment levels were on their way down in 2006, this loss of ownership cannot simply be attributed to bad performance. However, we cannot rule out the possibility that if unemployment levels had been even lower it would have been much harder for the Moderates to gain the advantage in the issue of unemployment. Although issue ownership is not completely independent of good policy performance, these findings point to the fact that issue ownership is not equal to evaluations. All things considered, including issue ownership in analyses of the impact of economic changes on elections might well improve our understanding of the relationship between the economy and voting.

### MECHANISMS THAT COUNTERACT OR REINFORCE EACH OTHER

Even though we know that economic changes engender two different reactions in public opinion, it is also necessary to establish what kind of effects these reactions have on individual voters' propensity to support the government or to vote against it. The integrated model of economic voting and issue ownership contains a set of specific predictions concerning the effects of economic evaluations and issue salience under different issue ownership situations. The third requisite is that the effects of higher issue salience of unemployment and of worse economic evaluations (which can both be consequences of a worsening objective economic situation, in accordance with the first requisite) push voters in different directions when the incumbent government owns the issue of unemployment. In this situation higher issue salience should make voters more likely to support the incumbent while more negative economic evaluations make them less likely to do so. If there is no clear issue ownership of unemployment, the traditional economic voting model is instead applicable and issue salience should neither counteract nor reinforce the effect of economic evaluations. On the other hand, in cases where an opposition party owns the issue of unemployment, the incumbent is likely to lose popularity owing both to more negative economic evaluations and to the opposition's issue becoming more salient to the public. Thus, in such cases, the effects of salience of unemployment and economic evaluations should reinforce each other according to the integrated model. Questions pertaining to the third requisite, whether the individual level effects of economic evaluations and issue ownership concur with these predictions in the three basic issue ownership situations described above, were analysed primarily in Chapter 7, and in Chapter 8 concerning the 2006 election. The results indicate that the effects of economic evaluations and issue ownership do indeed match the predictions of the integrated model quite well.

While negative economic evaluations were found to decrease the probability of voting for the government in all cases, the effect of issue salience varied according to the issue ownership situation. When the Social Democratic government did have ownership of the issue of unemployment, in 1988, 1991 and 2002, the salience of unemployment substantially increased the probability of voting for the government. When no clear issue ownership was present, as was the case for the Social Democrat government in 1998, issue salience had no significant effect on government support. And when the issue of unemployment was owned by the opposition instead, the predictions of the integrated model were found correct in 1994 as salience of unemployment decreased the probability of supporting the

government since the Social Democratic opposition owned the issue. The result was somewhat unexpected in 2006, however. Although the regression coefficient indicates a negative effect of issue salience on government support, as is expected when the opposition (in this case particularly the Moderate Party) owns the issue of unemployment, this effect does not reach conventional significance levels. Why this is so in 2006 remains unclear and highlights the need for more research that focuses on issue ownership and agenda effects. More studies on how issue salience should be measured at the individual level now seem very useful.

As posited by the model in Chapter 1 the effect of economic evaluations and issue salience of unemployment sometimes counteract each other (when the government owns the issue) and sometimes reinforce each other by pushing voters in the same direction (when the opposition owns the issue). Thus, the third requisite is also fulfilled, although with a remaining uncertainty in the case 2006.

In addition, when analysing micro level determinants of voting behaviour, it was found that the possible alternative pathway through which changes in the economy and in the labour market could influence elections – that of personal experiences of unemployment – does not seem to have any electorally important effects. The political and electoral consequences of the issue of unemployment clearly stem from the collective perception of unemployment as a societal problem rather than from personal experiences of being unemployed.

#### CONSEQUENCES FOR UNDERSTANDING ELECTION OUTCOMES

Lastly, for the integrated model to function and to be of any real importance for our understanding of voting behaviour, it is necessary that the counteracting or reinforcing effects of issue salience of unemployment are sufficiently large in substantial electoral terms. If the integrated model is to change our understanding of the mechanisms through which economic changes mainly influence the outcome of elections or governmental popularity, the effects of alterations in issue salience must not be marginal compared to those of economic evaluations. This is the fourth requisite presented in Chapter 1. If effects of economic evaluations dominate over those of issue salience, the integrated model might still provide us with a better and more detailed description but still not be of any larger scientific value when the limited improvement in descriptive and predictive accuracy is weighted against the added complexity. The substantial effects of alterations in economic evaluations and issue salience on elections and the relative magnitude of such effects were primarily analysed in Chapter 7, but were also the focus of Chapter 8 for the 2006 case. The results confirm the relevance of the integrated model of economic voting and issue ownership. Changes in issue salience following changes in unemployment levels do substantially counteract or reinforce – depending on the issue ownership situation – the electoral consequences of changing economic evaluations.

When the incumbent Social Democratic government had issue ownership of unemployment (based on the elections of 1988, 1991 and 2002) simulations revealed that about 70 percent of the electoral punishment through more negative economic evaluations connected to a big economic downturn was compensated for by a higher issue salience of unemployment. Thus, the government's issue ownership was shown to substantially mitigate the effect of the economic downturn. In electoral terms, the simulations showed that, in the scenario with a large economic change for the worse, the government lost only 0.8 percentage

points, instead of 2.7 percentage points, when taking issue salience and issue ownership into account. Similar but reversed patterns were seen as concerns economic upturns as well. In such a case the electoral reward for a change in the economy for the better was instead diminished by the simultaneously lower salience of the issue of unemployment – one of the government’s strong issues.

For the opposite case, where the government lacks issue ownership of unemployment but an opposition party owns the issue instead, the relevance of the integrated model for understanding how the economy influences elections is clearly confirmed in 1994, but not in 2006. For the 1994 election the simulations showed that the two pathways work in the same direction and that effects of alterations in issue salience reinforce the effects of changes in economic evaluations. In the scenario with a big economic downturn, the more negative economic evaluations lessened government support by 1.2 percentage points, while the ensuing increase in issue salience removed another 0.9 percentage points from the government. This equals an increase of 75 percent in the total amount of electoral losses due to the economic downturn. For the case of 2006 on the other hand, the integrated model does not seem to add much to our understanding of the influence of the economy and the labour market on elections. The effect of issue salience is too weak. The simulations in Chapter 8 show that only 15 percent of the total effect of economic changes would be made up of reinforcing effects of issue ownership in the four scenarios analysed.

Finally, a case in which there was no clear issue ownership (based on the election of 1998) was also analysed in Chapter 7. In line with our expectations, the simulations showed that no substantial counteracting or reinforcing effects were present in that case. Including issue ownership and the agenda into the model does not add anything substantial when there is no clear issue ownership.

These simulations show us that it is important in many cases to take effects of issue ownership into account when analysing effects on party support of the economic situation and how it is changing. In situations where a strong issue ownership is present, that favours either the government or the opposition, the economy might be influential both via alterations in the public’s economic evaluations and via alterations in the public’s agenda. The results demonstrate that it is important to take issue ownership and the public agenda into account in order to correctly understand how the economy influences voting behaviour.

### WHEN DOES ISSUE OWNERSHIP MATTER FOR ECONOMIC VOTING?

But when is it most relevant to consider the integrated model? More precisely, in what kind of situations does it matter for how we understand the influence of the economy and the labour market on elections? And what about the realism of the simulations on which the results in Chapters 7 and 8 are based? Can we find any corresponding real world cases? These questions all need some additional consideration to clarify the implications and results of this study.

There are a number of situations where it seems to be highly relevant to consider the integrated model in order to properly understand the influence of the economic development and the development in the labour market on party popularity or electoral results. It is important to realize, though, that the integrated model is not necessarily *wrong* in other cases; it is simply less important to consider. The reason for this is that it does not always produce any interesting



consequential *interactions*. In such situations we might just as well consider traditional economic voting models or issue ownership each on its own. What we are looking for now is situations where the risk of misunderstanding what is happening or of making the wrong predictions is especially pronounced.

One such typical situation where the integrated model is relevant to consider is when an incumbent with a clear ownership of unemployment faces an economic downturn; in such a situation electoral punishment might be dampened by issue ownership, provided the government is able to keep its ownership. If their perceived competence or issue priority is too badly damaged by the recession or by deteriorating economic performance indicators, this mitigation might be endangered. In fact, if such a government instead faces an economic upturn, a similar problem arises. Their reward for good economic evaluations due to a general economic improvement is now diminished by the loss in public salience for the issue of unemployment, as the situation on the labour market improves as well. This scenario is clearly supported by the results in tables 7.2 and 7.3 for the case of Social Democratic governments with issue ownership in the elections of 1988, 1991 and 2002. The simulations presented in table 7.3 demonstrate that, according to my results, the electoral punishment for a big change for the worse in the economy would decrease from 2.7 to 0.8 percentage points of support.

However, one may of course doubt the real world relevance of such an analysis if no case corresponding to the mechanism described can be found. I will now try to remedy this lack with two more counterfactual analyses in the same spirit as those reported in tables 7.3 and 8.3. The point of departure is what happened in Sweden between 1988 and 1991, which is the closest we get to the situation described above. The Social Democratic government clearly had issue ownership at both these elections, and the economy and the labour market did take a quick and sharp turn for the worse between 1988 and 1991. However, in the 1991 election the Social Democratic incumbent lost about 5.5 percentage points. What the integrated model claims is that such an economic downturn is likely to be cushioned by the government's issue ownership. Obviously, if there was such a "cushioning" it was not strong enough to save the Social Democrats from losing office.

But what are the predictions based on the results of the regression models in Chapter 7 that examine the elections of 1988 and 1991? How much support would the Social Democrats lose in such an economic downturn as occurred between 1988 and 1991 according to my model? I will examine this by using the coefficient estimates for the SNES of 1988 (as per table A.37 and A.39) and analyse how much the predicted probability of voting for the incumbent differs when the two main independent variables (economic evaluations and issue salience of unemployment) take on the values observed in 1991 instead of those actually observed in 1988 (as per tables A.45 and A.49).

The results of such an analysis reveal that the incumbent Social Democrats would have lost 3.5 percentage points of support if economic evaluations and the salience of unemployment in 1988 had been what they were in 1991. If only economic evaluations were altered, the government would have lost 6.2 percentage points, while they instead would have gained 2.8 percentage points if only issue salience of unemployment had changed but not general economic evaluations. In this scenario then, we do get a different prediction of what would happen in an economic downturn if we also account for the effects of issue ownership and salience of unemployment. Losing only 3.5 percentage points of support

instead of as much as 6.2 percentage points can make a big difference. The results clearly indicate that the Social Democratic incumbent in 1988 would be less hurt by an economic downturn due to their issue ownership of unemployment than they would be without their issue ownership.

What happened in the beginning of the economic downturn in the early 1990s was that general economic evaluations sank almost to the bottom of the scale in 1991 already, while the salience of unemployment at the same time had only reached slightly more than half of what it would be a few years later. But what would have happened in 1991 if the saliency of unemployment had been even higher? In 1991 the public salience of unemployment had increased from its remarkably low level of 6 percent in 1988 to 31 percent. In 1994 and 1998, however, as many as 51 and 53 percent mentioned unemployment as one of the most important issues. At the same time general economic evaluations deteriorated much more quickly and went from a positive net balance of +46 in 1988 to a very negative balance of -76 in 1991. Public economic evaluations subsequently reached their most negative value in 1994 with a net balance of -84.<sup>264</sup>

The reason for the strong issue ownership of the Social Democrats not being able to mitigate much of the electoral effects of the economic downturn in 1991 might be that economic evaluations became worse much more quickly than the issue salience of unemployment increased. Since objective unemployment levels had only started to rise very moderately at the election of 1991, this is understandable. But, as we saw in the case of 2006, public salience need not always follow objective unemployment levels, although this is the general pattern. What if the Social Democrats had put more emphasis on unemployment and succeeded in putting unemployment higher on the public agenda in 1991? How much support would the government have gained according to the integrated model if the issue salience of unemployment had increased as quickly as economic evaluations deteriorated and already reached its highest level in 1991?<sup>265</sup> Simulations based on the coefficients for 1991 (as seen in tables A.37 and A.39) but setting the value of issue salience of unemployment equal to that observed in 1994 instead (51 percent) would yield a vote share for the government of 1.9 percentage points higher.

As we have seen, 1991 is likely a case where issue ownership mitigated the effects of economic voting, but not enough to keep the government in office.<sup>266</sup> In this respect the 1991 election is a good example of a situation where it is highly relevant to consider the integrated model: simultaneously deteriorating economic evaluations and rising salience of unemployment in a situation where the incumbent does not lose its ownership of the issue of unemployment but retains its credibility despite an objectively worsening labour market situation.

The other main case where it is highly relevant to consider the integrated model is the contrary case where the opposition instead has clear ownership of unemployment. If big changes in the economic situation and in the labour mar-

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<sup>264</sup> All these numbers can be seen in tables A.45 and A.49.

<sup>265</sup> This would correspond to an increase of 20 percentage points in issue salience.

<sup>266</sup> In reality the Social Democrats lost 5.5 percentage points of votes in 1991 compared to 1988. However, a few additional percentage points of votes would probably not have kept them in office since the Greens did not make it into Parliament in 1991 while the new right wing party New Democracy entered parliament and supported the centre-right coalition.

ket occur in such a situation, we risk (partly) ascribing the ensuing changes in government support – whether this is increasing or decreasing – to the wrong causes. In an economic downturn, where economic evaluations become worse and the saliency of unemployment rises, the incumbent government will lose support from the more negative economic evaluations and from the higher saliency of unemployment as well, since this issue is owned by the opposition. This poses at least two potential problems. One is that, when trying to predict how changes in the economy will affect government support, we risk underestimating these effects if we do not also take changes in the public agenda into account. Our predictions of how much the support for different parties might change can be misleading. The other is that when we only examine the development of government support and economic indicators, we risk attributing the full drop in support during an economic downturn to changes in the economy, while a more or less substantial part of this drop might instead be a result of changes in the public agenda (combined with issue ownership belonging to the opposition) that tend to follow changes in objective indicators.

Of the cases studied in this book, the election of 1994 where the centre-right coalition lost the election after three years in office is the one that best resembles the situation described above where the double effect of economic changes might occur due to the effects of economic evaluations and issue ownership leading the government's support in the same direction. The analysis of the 1994 election demonstrated that about 40 percent of the total effect of changes in the economy and the labour market was made up of saliency effects.<sup>267</sup> In such a case it is an important insight that, when we observe a covariation between sinking government support and deteriorating economic indicators, an important mechanism at work might be alterations in the public agenda. This explanation fits well in particular in 1994 since unemployment clearly came to be at the top of the agenda.<sup>268</sup>

## LIMITATIONS AND GENERALITY

When considering the extent to which the integrated model and the empirical findings can be generalized to other contexts, different aspects of generalizability should be considered separately. It has already been empirically examined in this book whether the integrated model is valid at different time periods. In this section I will further analyse the kind of situations in which the model is relevant.

Two important aspects of the generality of the findings concern whether 1) the model can be exported to other issue areas than the economic realm and unemployment and 2) whether its relevance extends beyond the case of Sweden. I will start by addressing the topic of extensions to other issue areas and then move on to analyse the model's potential relevance in other countries. The latter will also include a brief comparative analysis of how large the inter-party differences in issue salience are in a set of countries included in the Comparative Study of Electoral Systems (CSES).<sup>269</sup>

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<sup>267</sup> This can also be expressed differently as an increase of 75 percent in the total amount of electoral losses due to an economic downturn.

<sup>268</sup> Further, the effect of negative economic evaluations seems rather limited in this particular case (see tables 7.2 and 8.2). The explanation for this is that, since virtually everyone perceived the economic situation as becoming worse, the inter-party differences in economic evaluations were limited.

<sup>269</sup> [www.cses.org](http://www.cses.org)

### *Extension to other issues*

What is necessary for the integrated model to be relevant in a certain policy area? The public needs to be influenced by variations in policy output and real world conditions. For example, if it becomes more difficult and time consuming to receive adequate medical advice or medical care from the public health care system, this should not go unnoticed in public opinion. It is not strictly necessary that people have correct knowledge of the quality and function of the system, but their subjective beliefs about and evaluations of the policy area must move in accordance with objective measures and indicators. More specifically, two things are required of the way public opinion reacts to deteriorating objective indicators. First, public evaluations should become more negative. Second, the issue itself should become more salient to the public. In addition, a clear issue ownership must be present. Lastly, it is when this issue ownership persists in the face of a deteriorating situation that the integrated model is most relevant and it has the largest potential to distort the interpretations and predictions of traditional retrospective accountability models.

Then how likely is it that this would happen outside the economic realm? As pointed out for example by Mutz (1998; see also Kumlin 2002:27-30) one difference between economic issues and others is that there is more agreement about which the relevant indicators are. When it comes to the labour market, not many people question official unemployment statistics. If official unemployment statistics increase by 1 percentage point, this is generally seen as an important and relevant indicator that the situation on the labour market is now worse than it was before. When it comes for example to elderly care, the environment or schooling it is harder to find widely accepted and well-known objective indicators of performance. In addition, although interested and motivated citizens might be able to find some suitable indicators if they actively search for them, these are not likely to reach any larger audience since they are certainly not reported and commented on in the mass media on a regular basis.

Public opinion might, however, react in a reasonable way despite it being difficult to find accepted objective performance indicators. Other mediating links such as the personal experience of citizens or episodic mass media reporting might well contribute to public opinion mirroring the development in a reasonable way. Whether the integrated model is relevant in other areas than unemployment and the economy is fundamentally an empirical question. In theory, I maintain that the model is general in its nature.

One straightforward way to address the question of inter-issue generalizability is to examine whether situations of clear issue ownership are common in other issue areas. Instead of extensively analysing the existence of issue ownership I will take a shortcut. The aim here is simply to take a first look at the potential for issue ownership effects in other issue areas as a test of the generality of the integrated model. Thus, I will not analyse the issue ownership situation in itself via public perceptions of party competence and issue priority in different policy areas. The shortcut I will use is to compare the share of voters supporting the different parties among those who consider an issue salient and those who do not. The larger the difference in party sympathy or voting patterns between these two groups, the larger the potential effects of issue ownership and alterations in issue salience. In order to make the potential effects of different issues easily

comparable in this brief overview I will examine the largest difference for any party (of the seven parties currently represented in the Swedish Parliament).

In what way issue ownership would potentially influence party support is of less interest here; it is purely the size of the effect that matters. This means that the difference can be either positive or negative. The analysis is conducted for the most recent election in 2006 and uses the SNES data. Further, this analysis is limited to the ten most important issues to Swedish voters in 2006. One argument for not including other issues than the ten most important is that the results would otherwise be based upon very small groups of respondents in some cases.

**Table 9.1 Potential effects of issue ownership for different issues in 2006**

| <i>Issue</i>             | <i>Largest difference</i> | <i>Party</i>        |
|--------------------------|---------------------------|---------------------|
| Employment/unemployment  | +6                        | Moderate Party      |
| Welfare/Health care      | +9                        | Social Democrats    |
| Education                | +5                        | Liberal Party       |
| Pensions/Elderly care    | +7                        | Social Democrats    |
| Taxes                    | +25                       | Moderate Party      |
| Family policy/Child care | +11                       | Christian Democrats |
| Economy                  | -16                       | Social Democrats    |
| Environment              | +36                       | Green Party         |
| Immigration/Refugees     | -13                       | Moderate Party      |
| Energy/Nuclear power     | +9                        | Green Party         |

*Comment:* The largest difference indicates the share of people voting for that party among those who consider the issue one of the most important for their party choice minus the share voting for the party among those who do not consider the same issue one of the most important. The issues in table 9.1 are sorted in descending order of the share of voters mentioning them as important in the 2006 SNES.

The largest difference for any party between those who considered unemployment salient and others was a modest difference of plus 6 percentage points; this was for the Moderate Party. As is seen in table 9.1 many other issue areas exhibit larger differences and thus larger potentials for issue ownership effects. As was seen in Chapter 7 (table 7.1) the positive difference for the Social Democrats in earlier elections when they have clearly had ownership of the issue has often been plus 18 (1988) or between 12 and 14 percentage points of positive overweight (1991, 1994 and 2002). In fact, there are as many as five other issues of the top ten in public salience that have a largest differences with an absolute value higher than ten percentage points: taxes, family policy/child care, the economy, the environment and immigration.

What can be concluded from this is that the issue of unemployment is not especially unique. There are clearly other issues that seem to have the same potential for issue ownership effects. But whether there are any retrospective evaluations going on in these areas that interact with issue ownership and the public agenda in the way outlined by the integrated model of economic voting and issue ownership cannot be said from this cursory examination. At least we know that such a possibility is not ruled out due to the lack of a potential for issue ownership effects.

At this point I would also like to point out that what is probably most urgent for future studies is to find out what happens if the integrated model is extended to include a broader set of economic issues, rather than to try to extend it to

other issue areas. Economic changes are not limited to influencing the salience of the issue of unemployment. They are also likely to influence the salience of such issues as inflation, economic growth or taxes. In a larger study the integrated model could be made more complete than this first test has achieved by also studying the issue ownership situation and the effects of issue salience for a larger and more complete set of economic issues. This could provide us with an even more comprehensive picture of the electoral consequences of economic changes.

### *Extension to other countries*

Just as with other issues, there are no particular reasons to believe that the relevance of the integrated model is limited to the case of Sweden. It might be that the Swedish Social Democrats have had a historically unusually strong position. But their link to the issue of unemployment has not been internationally unique. Many left parties have tried, and some also succeeded, to be regarded as the champions of the fight against unemployment. The belief that parties to the left give priority to fighting unemployment while parties to the right instead give priority to fighting inflation has been widespread. Just as concerns generality across issues, generality across countries is also an empirical question.

Therefore, a brief examination will now be made of the potential for issue ownership effects in the issue of unemployment in other countries than Sweden. I will proceed in the same fashion as in the previous section when the differences in potential effects between issues were compared. Thus the largest difference in the vote share for any party between those who do consider unemployment an important problem and others will be explored.

For this purpose I use module 2 of the data set from the Comparative Study of Electoral Systems (CSES) that was collected in post election surveys in 30 countries during 2001-2005.<sup>270</sup> In countries where two or more different elections are included in the data set, only the most recent is analysed. The countries analysed here are limited to those in Europe, North or South America, Australia and New Zealand. In addition, countries where fewer than 100 respondents in that election survey mentioned unemployment/employment as the most important problem were excluded from the analyses to avoid too much random influence.

Table 9.2 shows that Sweden is definitely among the countries with the largest potential for issue ownership effects of unemployment with a largest difference of 13 percentage points.<sup>271</sup> When the Swedish 13 percentage points are compared to those observed in other countries we should keep in mind that the 2002 election was a situation in which the Swedish Social Democrats had a rather clear ownership of unemployment, although not as strong as it had been in the late 1980s.

The only countries where the largest difference for any party is of the same magnitude as in Sweden are Germany and Switzerland. Still, the largest difference is not radically lower in for example Belgium, Brazil, Finland, France or Spain. We

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<sup>270</sup> These data can be received or downloaded from the CSES secretariat at the Center for Political Studies, University of Michigan: [www.cses.org](http://www.cses.org). The exact data set version used is the fourth advance release of module two from the 10<sup>th</sup> of April 2006.

<sup>271</sup> This figure is not the same as we get from the SNES in 2002. This is because here I instead use data from the CSES common module included in all of these election surveys. However, 13 percentage points is still quite close to the 15 percentage points found when analysing the SOM data in Chapter 7, table 7.1. So the results are not that far away from each other.

**Table 9.2 Potential effects of issue ownership of unemployment in different countries**

| Country            | Largest difference | Party                                  |
|--------------------|--------------------|--|
| Switzerland (2003) | -15                | Swiss People's Party - SVP/UDC         |
| Germany (2002)     | +13                | Social Democratic Party - SPD          |
| Sweden (2002)      | +13                | Social Democratic Party                |
| Brazil (2002)      | +9                 | Workers' Party – PT                    |
| Finland (2003)     | +8                 | Social Democratic Party                |
| Belgium (2003)     | +7                 | Socialist Party - PS                   |
| France (2002)      | +7                 | Socialist Party – PS/Jospin            |
| Spain (2004)       | +7                 | Partido Popular - PP                   |
| Bulgaria (2001)    | +6                 | Movement for Rights and Freedoms - MRF |
| Mexico (2003)      | +6                 | Democratic Revolution Party - PRD      |
| Ireland (2002)     | +5                 | Fianna Fail                            |
| Hungary (2002)     | +4                 | Workers' Party – Munkaspart            |
| Poland (2001)      | -4                 | Citizen's Platform - PO                |
| Portugal (2005)    | +2                 | Left Bloc - BE                         |

*Comment:* The largest difference indicates the share of people voting for that party among those who consider the issue of unemployment to be one of the most important minus the share voting for the party among those who do not consider the same issue one of the most important. When several different simultaneous elections are available, the votes for the lower house are used. In the Czech Republic the most-important-problem question was not included in the survey. In France the first round of the presidential election was used and not the second round in order not to unnecessarily limit the potential of the issue. In general, weights were not used, with the exception of Germany where a sample weight making the separate samples for East and West Germany representative of the country as a whole was used. Testing with demographic weights showed that this hardly ever changed the size of the largest difference for any party by more than a single percentage point. The election year is shown within parentheses. The English names and abbreviations for the parties in table 9.2 are taken from appendix I to the codebook distributed with the CSES data set. Thus, where such names or abbreviations are missing, this is because they are missing in the codebook appendix.

cannot be sure, however, that these differences would turn out to have any significant impact on party support in those countries in a more comprehensive analysis. Further, it is not possible to know the extent to which these differences, interpreted as the potential for issue ownership effects, vary from election to election in other countries as we have seen that they can sometimes do in Sweden.

Despite all the limitations of this brief international outlook, it clearly tells us that Sweden is not a completely unique case and an outlier unlike any other country - at least not in the period of 2001-2005. Similar patterns in terms of the relationship between parties and the issue of unemployment can be observed in other countries as well. Thus, the relevance of the integrated model of economic voting and issue ownership in other contexts than Sweden cannot be discarded. Whether the model truly has any substantial relevance for the way economic changes and changes in the labour market influence electoral outcomes in other countries requires more detailed analyses of a larger number of cases. Such larger studies now seem likely to further improve our understanding of economic voting. By including issue ownership, and its interaction with the development in the economy and in the labour market, among the contextual factors we need to take into account when analysing economic voting, our models can achieve both greater empirical validity and can become more theoretically reasonable.

## IMPLICATIONS FOR ECONOMIC VOTING THEORY

Issue ownership is certainly not *the* “trick” that makes all well and removes the problem of instability in economic voting that Lewis-Beck (2000:114) called for. This is because there is no single fix for the problem of varying effects of retrospective economic evaluations. Even in a parsimonious approach we probably need a rather large set of conditioning factors in order to model economic voting properly. Issue ownership might be one of these factors. Obviously, institutional setting also plays an important part in such a set of factors (Lewis-Beck & Paldam 2000:119f). Bengtsson (2004) made an ambitious attempt to include various contextual factors in aggregate analyses of economic voting in 21 parliamentary democracies over a span of almost 50 years. Her findings indicate that the economic effect as such is very weak, but that it can be substantial in a favourable context. However, no similar study has yet included issue ownership as a contextual factor that might interfere with economic voting. Considering the evidence from the micro-level analyses in Chapters 7 and 8 indicating the importance of issue ownership, it is an important task to collect appropriate data so that this concept can be included in such studies.

Returning to the remark of Nannestad and Paldam (2000a:137) that the sign of the effect of unemployment on government support for the Social Democrats in Denmark was “wrong”, the hypothesis based on the integration of issue ownership into models of economic voting would be that the Social Democrats had clear ownership of the issue at that time and that unemployment became a topic of public concern as unemployment levels rose higher. However, Nannestad and Paldam are not alone in presenting curious findings. In their ambitious comparative study Van der Brug et al. (2007:102f) remark that “...the overall impression of the effects of unemployment that we see for different parties is one of inconsistency. Some governments are positively affected, some negatively.”. Although van der Brug et al. mainly attribute these mixed effects to the consequences of coalition governments and multi-party systems and the role played by party size in responsibility attribution, this is probably not the full story. For example, the study by Carlsen (2000) that examines partisan effects, whether the government’s sensitivity to unemployment and inflation depends on its ideology, results in mixed conclusions despite explicitly and intentionally confining the study to four countries where two large parties compete for office: the US, Canada, the UK and Australia (Carlsen 2000:143). In Carlsen’s study the results for left governments are especially mixed: in the US left governments benefit from higher unemployment while some evidence suggests that left governments in the UK and Australia might be hurt by higher unemployment.

What my study suggests is that one of the primary causal mechanisms explaining differences in sensitivity to changing real world conditions (such as higher unemployment levels) among incumbents of different ideologies is issue ownership. To be able to understand the differences in partisan effects between countries and parties (or between elections) the issue ownership situation must be integrated into the analysis. The case studied in this book provides evidence that the relationship of the Swedish Social Democratic Party to the issue of unemployment has varied greatly over time and that the nature of this relationship affects the electoral consequences of economic changes and changes in the labour market.



## IMPLICATIONS FOR ISSUE OWNERSHIP THEORY

Why was there no significant effect of issue saliency of unemployment on party choice in 2006? All the signs of strong issue ownership were there. Still, the Moderate Party did not receive a clearly larger share of votes among those who considered unemployment an important problem than among those that did not. Such a difference has been found in previous elections where issue ownership was at hand. In 2006 a large and evenly distributed share of voters came to think that unemployment was important. But why was this not so in 1994 and 1998, for example?

Two different strategies for future research come to mind. Either can we try to improve our empirical measurements or we can take a step back in order to elaborate and reconsider theory. In the case of issue ownership, both might be needed. Starting with the empirical strategy to cope with this surprising finding, one thing to consider is the measurement of saliency itself. We could always try to make our measures of issue salience more precise by for example specifying different aspects of unemployment such as the importance for Sweden of staying internationally competitive in order to secure jobs or the importance of protecting the rights of and quality of life for unemployed in their present situation and so on. However, in doing so, we immediately start to move closer to positional issues and policy proposals rather than the pure saliency of an issue or a political problem in itself. It is difficult to specify different aspects of an issue without losing the character of a “valence issue” (Stokes 1963).

Different kinds of measures of relative issue salience could also be employed, but these kinds of elaborations are in general not likely to make much of a difference. The fact that these specific measurement instruments have functioned well in other cases remains.

The opposite side of the empirical strategy is to look for improvements on the other side of the equation and try to improve our measurements of the dependent variable, which ultimately is party choice. One way to do this that has been advocated by a group of scholars during the last decade is to model electoral choice as a two-stage process where we first directly measure and model voters’ propensity to support political parties (their electoral utilities) and then analyse how these are translated into actual votes (van der Brug et al. 2007; van der Eijk et al. 1996; Tillie 1995; Oppenhuis 1995; van der Eijk et al. 2006; Kroh 2003).

Using such a two-stage strategy would make it possible to separately analyse whether and how issue salience affects voters’ propensity to support specific parties. Perhaps the obstacle to issue ownership effects in 2006 appeared at a later stage in the voting process and an increase in support was simply never translated into votes. Like-dislike scales included in many surveys or “probability to vote” questions can be used for such analyses (van der Brug et al. 2007).

Another variant of a two-stage analysis of voting is the consideration set approach (e.g. Oscarsson et al. 1997; Holmberg & Oscarsson 2004; Rosema 2006), where citizens in a first stage are thought to make an initial selection of tolerable alternatives and then, in a second stage, decide which party to actually vote for. Was it the case that the saliency effects of unemployment were only at work during one of these decision stages in 2006?

There is an obvious need for more studies that focus on the concept of issue ownership. Both theoretical and empirical. Some of the most pressing challenges for issue ownership theory concern the issue of stability and the relation to

evaluations. Furthermore, these two topics are related. There has recently been a growing number of studies that have noticed changes in issue ownership (Holian 2004; Karlsen 2004; Aalberg & Jenssen 2007; Kaufmann 2004; Narud & Valen 2001; Oscarsson & Holmberg 2008b). This phenomenon can therefore no longer be regarded as the “critical constant” that it was labelled by Petrocik (1996:826). Still we know little or nothing about what conditions make it possible for issue ownership to change and what makes a political actor succeed or fail in claiming ownership. Is the decisive factor to frame the issue in a new way as suggested by Holian (2004)? Or is it about the former owner producing bad outcomes when in office? Issue ownership theory provides no answer as to which factors might be decisive since it has not been pre-occupied by change in ownership - on the contrary.

However, if performance turns out to be a decisive factor for keeping or losing issue ownership (although the evidence in Chapter 5 indicates that this is probably not the case), another problem surfaces. If issue ownership depends on good performance, what would distinguish it from retrospective evaluations? Clearly, evaluations and good policy performance cannot be disregarded when it comes to issue ownership, but they can nevertheless not be the full story. In that case, the notion of issue ownership is superfluous and no longer adds anything to our analyses. My suggestion here has been that the second component is perceived issue priority (see also van der Brug 2004).

\* \* \*

This thesis has analysed whether issue ownership is a useful theory for improving the understanding of economic influences on election outcomes and, more specifically, whether issue ownership can serve as a causal mechanism that contributes to creating variations between political parties or between contexts in the magnitude – and sometimes even the direction – of economic voting. This thesis has demonstrated that such variation is important and that we have reason to believe that it at least in part can be accounted for by the integration of issue ownership theory into the economic voting framework.

Although they generally constitute a step forward, studies of partisan economic voting that differentiate between left and right parties fail to see that all left parties and all right parties are not the same. In fact, the same parties do not always keep their relation vis à vis some issues from one election to another. A clear example seen in this book is that the rising importance of the issue of unemployment in 1991 partly removed the effects of retrospective electoral punishment of the Swedish Social Democrats for the deteriorating economy, while the same party failed to benefit from the rising importance of the issue in 2006.

We must at the same time acknowledge that there are systematic differences in issue ownership between parties and that these differences generally have some degree of stability. We should also see, however, that such relations between parties and issues have the potential to change radically from one election to the next. A better appreciation of what causes these changes to happen now appears to be the most important task in improving our understanding of the interplay between government performance and electoral support.





# Appendix A

**Table A.1 Names of Swedish political parties and their abbreviations**

| Swedish name                       | English name                   | English abbreviation |
|------------------------------------|--------------------------------|----------------------|
| Vänsterpartiet                     | The Left Party                 | left                 |
| Socialdemokratiska arbetarepartiet | The Social Democratic Party    | socdem               |
| Miljöpartiet (de gröna)            | The Green Party                | green                |
| Centerpartiet                      | The Centre Party               | centre               |
| Folkpartiet liberalerna            | The Liberal Party              | lib                  |
| Kristdemokraterna                  | The Christian Democratic Party | chrdem               |
| Moderata samlingspartiet           | The Moderate Party             | mod                  |
| Ny demokrati                       | New Democracy                  | newdem               |

**Table A.2 Macro economic indicators for Sweden 1970-2003**

| Year | Unemployment | Growth | Inflation |
|------|--------------|--------|-----------|
| 1970 | 1.51         | 6.72   | 6.94      |
| 1971 | 2.54         | 0.64   | 7.14      |
| 1972 | 2.70         | 2.36   | 6.67      |
| 1973 | 2.46         | 4.21   | 6.25      |
| 1974 | 1.99         | 3.25   | 10.16     |
| 1975 | 1.63         | 2.70   | 9.71      |
| 1976 | 1.60         | 0.36   | 10.18     |
| 1977 | 1.79         | -1.55  | 11.65     |
| 1978 | 2.23         | 2.03   | 9.71      |
| 1979 | 2.07         | 4.04   | 7.21      |
| 1980 | 1.97         | 1.43   | 13.76     |
| 1981 | 2.48         | -0.19  | 12.10     |
| 1982 | 3.15         | 1.24   | 8.63      |
| 1983 | 3.46         | 1.88   | 8.83      |
| 1984 | 3.10         | 4.31   | 8.11      |
| 1985 | 2.85         | 2.22   | 7.32      |
| 1986 | 2.49         | 2.79   | 4.37      |
| 1987 | 2.13         | 3.40   | 4.19      |
| 1988 | 1.74         | 2.60   | 6.11      |
| 1989 | 1.48         | 2.75   | 6.52      |
| 1990 | 1.65         | 1.03   | 10.38     |
| 1991 | 2.96         | -1.08  | 9.79      |
| 1992 | 5.25         | -1.28  | 2.58      |
| 1993 | 8.24         | -2.00  | 4.69      |
| 1994 | 7.97         | 4.16   | 2.40      |
| 1995 | 7.69         | 4.05   | 2.88      |
| 1996 | 8.04         | 1.29   | 0.83      |
| 1997 | 8.03         | 2.44   | 0.82      |
| 1998 | 6.52         | 3.65   | 0.41      |
| 1999 | 5.59         | 4.58   | 0.30      |
| 2000 | 4.67         | 4.33   | 1.32      |
| 2001 | 3.98         | 0.92   | 2.60      |
| 2002 | 3.99         | 2.10   | 2.44      |
| 2003 | 4.88         | 1.61   | 2.09      |

*Comment:* The source for the figures above is OECDs Internet version of Economic Outlook and Main Economic Indicators. The table shows my own calculations from OECD data.

**Table A.3 The Swedish economy 1970-2003 in relation to some European countries (deviations, percentage points)**

| Year | Unemployment | Growth | Inflation |
|------|--------------|--------|-----------|
| 1970 | -0.63        | 1.22   | 2.63      |
| 1971 | 0.31         | -3.09  | 0.94      |
| 1972 | 0.26         | -2.23  | 0.17      |
| 1973 | 0.08         | -1.39  | -2.90     |
| 1974 | -0.47        | 0.60   | -3.25     |
| 1975 | -1.78        | 3.37   | -4.58     |
| 1976 | -2.24        | -4.47  | -1.46     |
| 1977 | -2.39        | -4.41  | -0.71     |
| 1978 | -2.20        | -0.98  | 1.12      |
| 1979 | -2.62        | 0.44   | -3.23     |
| 1980 | -3.05        | -0.53  | 0.29      |
| 1981 | -3.67        | -0.62  | -0.02     |
| 1982 | -4.13        | 0.55   | -1.95     |
| 1983 | -4.96        | 0.46   | 0.48      |
| 1984 | -6.11        | 2.01   | 0.78      |
| 1985 | -6.49        | -0.04  | 1.19      |
| 1986 | -6.89        | 0.31   | 0.74      |
| 1987 | -7.12        | 0.93   | 0.84      |
| 1988 | -7.08        | -1.50  | 2.57      |
| 1989 | -6.60        | -1.26  | 1.31      |
| 1990 | -5.76        | -2.54  | 4.58      |
| 1991 | -4.59        | -6.69  | 4.58      |
| 1992 | -3.09        | -2.53  | -1.99     |
| 1993 | -1.69        | -1.14  | 1.05      |
| 1994 | -2.71        | 1.80   | -0.64     |
| 1995 | -2.77        | 1.75   | -0.19     |
| 1996 | -2.68        | -0.08  | -1.71     |
| 1997 | -2.76        | 0.03   | -1.22     |
| 1998 | -3.68        | 0.83   | -1.39     |
| 1999 | -3.82        | 1.81   | -0.94     |
| 2000 | -3.74        | 0.63   | -1.04     |
| 2001 | -4.00        | -0.75  | 0.20      |
| 2002 | -4.38        | 1.20   | 0.29      |
| 2003 | -3.88        | 1.08   | -0.11     |
| Mean | -3.45        | -0.45  | -0.10     |

*Comment:* The numbers in the table show the value of the Swedish macro economic indicator minus that of the international aggregate it is compared to. The source for the figures above is OECDs Internet version of Economic Outlook and Main Economic Indicators. The table is based on my own calculations from OECD data. For unemployment and growth Sweden is compared to the EU12 area, while inflation is compared to the EU15 area (see table A.4).

**Table A.4 OECD countries included in various aggregates**

| EU12                              | EU15                              |
|-----------------------------------|-----------------------------------|
| Germany (West Germany until 1991) | Germany (West Germany until 1991) |
| France                            | France                            |
| Italy                             | Italy                             |
| Austria                           | Austria                           |
| Belgium                           | Belgium                           |
| Finland                           | Finland                           |
| Ireland                           | Ireland                           |
| Luxembourg                        | Luxembourg                        |
| Netherlands                       | Netherlands                       |
| Portugal                          | Portugal                          |
| Spain                             | Spain                             |
| Greece                            | Greece                            |
|                                   | United Kingdom                    |
|                                   | Denmark                           |
|                                   | Sweden                            |

**Table A.5 Swedish governments and their parliamentary support**

| Formal duration | Prime minister    | Parties in government | Supporting parties |
|-----------------|-------------------|-----------------------|--------------------|
| 1970-1973       | Olof Palme        | socdem                | left               |
| 1973-1976       | Olof Palme        | socdem                | left               |
| 1976-1978       | Thorbjörn Fälldin | centre+mod+lib        |                    |
| 1978-1979*      | Ola Ullsten       | lib                   | centre+mod         |
| 1979-1981       | Thorbjörn Fälldin | centre+mod+lib        |                    |
| 1981-1982*      | Thorbjörn Fälldin | centre+lib            | mod                |
| 1982-1985       | Olof Palme        | socdem                | left               |
|                 | Olof Palme/       |                       |                    |
| 1985-1988       | Ingvar Carlsson   | socdem                | left               |
| 1988-1991       | Ingvar Carlsson   | socdem                | left               |
| 1991-1994       | Carl Bildt        | mod+centre+green+lib  | newdem             |
|                 |                   |                       | <i>shifting</i>    |
|                 | Ingvar Carlsson/  |                       | (left/green/       |
| 1994-1998       | Göran Persson     | socdem                | centre)            |
| 1998-2002       | Göran Persson     | socdem                | left +green        |
| 2002-2006       | Göran Persson     | socdem                | left + green       |

*Comments:* \* = government changed without a preceding election. Also, both of these reformed governments made major deals with the social democratic opposition. The first one concerning energy policy and the second one concerning taxes. During the 1998-2002 incumbency both the Left Party and the Green Party are included in the governments support. The reason for this is that the Social Democrats could not attain a parliamentary majority with the support of only one of these two parties, at least one single vote from the other party was required. Due to the strong party cohesion and the frequent deals and arrangement between these three parties both are included in the governments' support even though no public long term commitment or common program was ever adopted.

**Table A.6 Macro economic indicators during election years in Sweden 1970-2002**

| Year | Government                | Unem-<br>ployment | Growth | Inflation | Misery<br>index 1 | Misery<br>index 2 |
|------|---------------------------|-------------------|--------|-----------|-------------------|-------------------|
| 1970 | socdem                    | 1.51              | 6.72   | 6.94      | 8.45              | 0.00              |
| 1973 | socdem                    | 2.46              | 4.21   | 6.25      | 8.71              | 20.62             |
| 1976 | socdem                    | 1.60              | 0.36   | 10.18     | 11.78             | 53.77             |
| 1979 | lib                       | 2.07              | 4.04   | 7.21      | 9.28              | 22.43             |
| 1982 | centre+lib                | 3.15              | 1.24   | 8.63      | 11.78             | 54.49             |
| 1985 | socdem                    | 2.85              | 2.22   | 7.32      | 10.17             | 40.59             |
| 1988 | socdem                    | 1.74              | 2.60   | 6.11      | 7.85              | 24.34             |
| 1991 | socdem                    | 2.96              | -1.08  | 9.79      | 12.75             | 72.21             |
| 1994 | centre+lib+<br>mod+chrдем | 7.97              | 4.16   | 2.40      | 10.37             | 49.89             |
| 1998 | socdem                    | 6.52              | 3.65   | 0.41      | 6.93              | 33.26             |
| 2002 | socdem                    | 3.99              | 2.10   | 2.44      | 6.42              | 30.74             |

*Comment:* Source is Internet versions of OECD Economic Outlook and OECD Main Economic Indicators.

**Table A.7 Change in comparative economic performance of Swedish governments 1973-2002 (deviation change)**

| Year | Government                | Misery index 1 in relation to European countries |                           |
|------|---------------------------|--|---------------------------|
|      |                           | Change since<br>last election                    | Change since<br>last year |
| 1973 | socdem                    | - 2.43   | - 4.43                    |
| 1976 | socdem                    | - 0.30   | <b>+3.96</b>              |
| 1979 | lib                       | - 2.92   | - 1.04                    |
| 1982 | centre+lib                | <b>+1.89</b>                                     | <b>+0.10</b>              |
| 1985 | socdem                    | <b>+4.36</b>                                     | <b>+0.26</b>              |
| 1988 | socdem                    | <b>+3.71</b>                                     | - 1.28                    |
| 1991 | socdem                    | <b>+2.25</b>                                     | - 0.69                    |
| 1994 | centre+lib+<br>mod+chrдем | - 4.34   | - 1.23                    |
| 1998 | socdem                    | - 1.63   | <b>+2.37</b>              |
| 2002 | socdem                    | <b>+1.47</b>                                     | - 5.05                    |

*Comment:* The numbers represent changes in the overall relative economic situation of Sweden. More precisely, the numbers show the change in the difference between misery index 1 for Sweden and misery index 1 for the European area. Misery index 1 is simply the sum of unemployment and inflation.



**Table A.8 Electoral results for Swedish political parties 1970-2002**

| Year | Left Party | Social Democrats | Center Party | Liberals | Moderate Party | Christian Democrats | Green Party | New Democracy |
|------|------------|------------------|--------------|----------|----------------|---------------------|-------------|---------------|
| 1970 | 4.8        | 45.3             | 19.9         | 16.2     | 11.5           |                     |             |               |
| 1973 | 5.3        | 43.6             | 25.1         | 9.4      | 14.3           |                     |             |               |
| 1976 | 4.8        | 42.7             | 24.1         | 11.1     | 15.6           |                     |             |               |
| 1979 | 5.6        | 43.2             | 18.1         | 10.6     | 20.3           |                     |             |               |
| 1982 | 5.6        | 45.6             | 15.5         | 5.9      | 23.6           |                     |             |               |
| 1985 | 5.4        | 44.7             | 12.4         | 14.2     | 21.3           |                     |             |               |
| 1988 | 5.8        | 43.2             | 11.3         | 12.2     | 18.3           |                     | 5.5         |               |
| 1991 | 4.5        | 37.7             | 8.5          | 9.1      | 21.9           | 7.1                 |             | 6.7           |
| 1994 | 6.2        | 45.3             | 7.7          | 7.2      | 22.4           | 4.1                 | 5.0         |               |
| 1998 | 12.0       | 36.4             | 5.1          | 4.7      | 22.9           | 11.7                | 4.5         |               |
| 2002 | 8.4        | 39.9             | 6.2          | 13.4     | 15.3           | 9.1                 | 4.6         |               |

*Comment:* This table only includes results for parties that actually have been present in the national parliament (the Riksdag). Figures are only offered for those years the parties in question actually reached the four percent cut-off and received parliamentary seats. Numbers are percentages (share of valid votes). Since parties not attaining parliamentary representation are excluded from the table, the numbers do not add up to 100 percent. Source: Statistics Sweden (SCB).

**Table A.9 Correlations between change in incumbent electoral support and economic indicators 1973-2002, the election of 1998 excluded**

| Swedish economy     |          |                           |         |
|---------------------|----------|---------------------------|---------|
| Level               |          | Changes                   |         |
| Unemployment        | -0.29    | UE since election         | -0.72** |
| Unemployment mean   | -0.04    | Unemployment since 1 yr   | -0.54   |
| Growth              | +0.24    | Growth since election     | +0.04   |
| Growth mean         | +0.81*** | Growth since 1 yr         | -0.19   |
| Inflation           | -0.35    | inflation since election  | +0.12   |
| Inflation mean      | -0.47    | Inflation since 1 yr      | +0.51   |
| Misery index 1      | -0.76**  | Misery 1 since election   | -0.40   |
| Misery index 1 mean | -0.66*   | Misery index 1 since 1 yr | +0.33   |
| Misery index 2      | -0.63*   | Misery 2 since election   | -0.40   |
| Misery index 2 mean | -0.74**  | Misery index 2 since 1 yr | +0.19   |
| Comparative economy |          |                           |         |
| Level               |          | Changes                   |         |
| Unemployment        | -0.04    | UE since election         | -0.38   |
| Growth              | +0.19    | Unemployment since 1 yr   | -0.16   |
| Inflation           | -0.10    | Growth since election     | -0.05   |
| Misery index 1      | -0.08    | Growth since 1 yr         | -0.02   |
|                     |          | inflation since election  | +0.16   |
|                     |          | Inflation since 1 yr      | +0.20   |
|                     |          | Misery 1 since election   | +0.08   |
|                     |          | Misery index 1 since 1 yr | -0.33   |

*Comments:* Numbers in bold signify correlations in the expected direction and  $R \geq .10$ . Underlined numbers signify correlations not in expected direction and  $R \geq .10$ . The number of observations is 9 for all the correlations. \*\*\*=significant at 99%-level. \*\*= significant at 95%-level. \*=significant at the 90%-level.

**Table A.10 Average standardized government popularity during the electoral cycles in Sweden 1968-1994**

| Time in office (quarters) | Standardized government popularity |
|---------------------------|------------------------------------|
| 1                         | +0.64                              |
| 2                         | +0.52                              |
| 3                         | +0.48                              |
| 4                         | +0.17                              |
| 5                         | +0.17                              |
| 6                         | -0.40                              |
| 7                         | -0.47                              |
| 8                         | -0.60                              |
| 9                         | -0.71                              |
| 10                        | -0.10                              |
| 11                        | -0.69                              |
| 12                        | -0.09                              |

*Comment:* The numbers are average value of standardized government popularity between 1968 and 1994. Popularity is measured via SIFO opinion polls asking respondents which party they would vote for if an election were to be held today. The standardization was done separately for each of the eleven governmental periods between 1968 to 1994.

**Table A.11 Average standardized government popularity during the electoral cycles in Sweden 1968-2002**

| Time in office (quarters) | Standardized government popularity |
|---------------------------|------------------------------------|
| 1                         | +0.72                              |
| 2                         | +0.53                              |
| 3                         | +0.30                              |
| 4                         | +0.14                              |
| 5                         | +0.01                              |
| 6                         | -0.42                              |
| 7                         | -0.43                              |
| 8                         | -0.62                              |
| 9                         | -0.73                              |
| 10                        | -0.31                              |
| 11                        | -0.68                              |
| 12                        | -0.13                              |
| 13                        | +0.43                              |
| 14                        | +1.31                              |
| 15                        | +1.31                              |
| 16                        | +0.82                              |

*Comment:* The numbers are average value of standardized government popularity between 1968 and 2002. Popularity is measured via SIFO opinion polls asking respondents which party they would vote for if an election were to be held today. The standardization was done separately for each of the thirteen governmental periods between 1968 to 2002.

**Table A.12 Economic effects on incumbent support 1967-2002**

| Variable         | Coefficient | p    |                    |        |
|------------------|-------------|------|--------------------|--------|
| Unemployment, D1 | -.91        | .111 | R-squared          | 0.05   |
| Inflation, D1    | -.17        | .193 | Adj R-squared      | 0.03   |
| Growth, D1       | .12         | .168 | Number of obs      | 138    |
| Constant         | -.16        | .309 | DW                 | 1.64   |
|                  |             |      | Portmanteu, Q-test | p=.986 |

*Comment:* The dependent variable in this model is the first difference of government support (the change in support from the previous quarter to the present quarter). D1 means that unemployment, inflation and growth are first differences.

**Table A.13 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable         | Coefficient | p    |                    |        |
|------------------|-------------|------|--------------------|--------|
| Govpop at $t_1$  | .95         | .000 | R-squared          | 0.90   |
| Constant         | 2.08        | .137 | Adj R-squared      | 0.88   |
|                  |             |      | Number of obs      | 138    |
| <i>1967-1976</i> |             |      | DW                 | 1.65   |
| Unemployment, D1 | -2.21       | .236 | Portmanteu, Q-test | p=.949 |
| Inflation, D1    | -.23        | .269 |                    |        |
| Growth, D1       | -.11        | .490 |                    |        |
| <i>1976-1982</i> |             |      |                    |        |
| Unemployment, D1 | .48         | .814 |                    |        |
| Inflation, D1    | -.06        | .815 |                    |        |
| Growth, D1       | .11         | .469 |                    |        |
| <i>1982-1991</i> |             |      |                    |        |
| Unemployment, D1 | .77         | .688 |                    |        |
| Inflation, D1    | -.95        | .011 |                    |        |
| Growth, D1       | .22         | .287 |                    |        |
| <i>1991-1994</i> |             |      |                    |        |
| Unemployment, D1 | -0.97       | .237 |                    |        |
| Inflation, D1    | .67         | .072 |                    |        |
| Growth, D1       | .63         | .10  |                    |        |
| <i>1994-2002</i> |             |      |                    |        |
| Unemployment, D1 | -.17        | .124 |                    |        |
| Inflation, D1    | -0.17       | .785 |                    |        |
| Growth, D1       | .61         | .013 |                    |        |

*Comment:* D1 means that unemployment, inflation and growth are first differences. The separate estimates for each government were obtained via interactions with each governmental period.

**Table A.14 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable         | Coefficient | p    |                    |        |
|------------------|-------------|------|--------------------|--------|
| Inflation, D1    | -0.15       | .247 | R-squared          | 0.08   |
| Growth, D1       | .14         | .112 | Adj R-squared      | 0.03   |
| Constant         | -0.21       | .213 | Number of obs      | 138    |
|                  |             |      | DW                 | 1.65   |
| 1967-1976        |             |      | Portmanteu, Q-test | p=.991 |
| Unemployment, D1 | -0.98       | .598 |                    |        |
| 1976-1982        |             |      |                    |        |
| Unemployment, D1 | .15         | .940 |                    |        |
| 1982-1991        |             |      |                    |        |
| Unemployment, D1 | 2.13        | .245 |                    |        |
| 1991-1994        |             |      |                    |        |
| Unemployment, D1 | -0.95       | .260 |                    |        |
| 1994-2002        |             |      |                    |        |
| Unemployment, D1 | -2.15       | .056 |                    |        |

*Comment:* The dependent variable in this model is the first difference of government support (the change in support from the previous quarter to the present quarter). D1 means that unemployment, inflation and growth are first differences. The separate estimates for each government are obtained via interactions with each governmental period.

**Table A.15 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable         | Coefficient | p    |                    |        |
|------------------|-------------|------|--------------------|--------|
| Constant         | -.20        | .233 | R-squared          | 0.19   |
|                  |             |      | Adj R-squared      | 0.09   |
| 1967-1976        |             |      | Number of obs      | 138    |
| Unemployment, D1 | -1.99       | .288 | DW                 | 1.65   |
| Inflation, D1    | -0.28       | .186 | Portmanteu, Q-test | p=.949 |
| Growth, D1       | -0.11       | .502 |                    |        |
| 1976-1982        |             |      |                    |        |
| Unemployment, D1 | .14         | .945 |                    |        |
| Inflation, D1    | -0.10       | .678 |                    |        |
| Growth, D1       | .11         | .479 |                    |        |
| 1982-1991        |             |      |                    |        |
| Unemployment, D1 | 1.83        | .314 |                    |        |
| Inflation, D1    | -0.92       | .014 |                    |        |
| Growth, D1       | .24         | .251 |                    |        |
| 1991-1994        |             |      |                    |        |
| Unemployment, D1 | -0.85       | .302 |                    |        |
| Inflation, D1    | .75         | .045 |                    |        |
| Growth, D1       | .70         | .069 |                    |        |
| 1994-2002        |             |      |                    |        |
| Unemployment, D1 | -2.30       | .039 |                    |        |
| Inflation, D1    | -0.16       | .796 |                    |        |
| Growth, D1       | .61         | .014 |                    |        |

*Comment:* The dependent variable in this model is the first difference of government support (the change in support from the previous quarter to the present quarter). D1 means that unemployment, inflation and growth are first differences. The separate estimates for each government were obtained via interactions with each government period.

**Table A.16 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable           | Coefficient | p    |                    |          |
|--------------------|-------------|------|--------------------|----------|
| Govpop at $t_{-1}$ | .94         | .000 | R-squared          | 0.89     |
| Inflation, D1      | -.12        | .369 | Adj R-squared      | 0.88     |
| Growth, D1         | .16         | .083 | Number of obs      | 137      |
| Constant           | 2.27        | .089 | DW                 | 1.62     |
|                    |             |      | Portmanteu, Q-test | $p=.995$ |
| <i>1967-1976</i>   |             |      |                    |          |
| Unemployment, D1   | -1.45       | .433 |                    |          |
| <i>1976-1982</i>   |             |      |                    |          |
| Unemployment, D1   | .61         | .761 |                    |          |
| <i>1982-1991</i>   |             |      |                    |          |
| Unemployment, D2   | 3.52        | .091 |                    |          |
| <i>1991-1994</i>   |             |      |                    |          |
| Unemployment, D1   | -1.03       | .213 |                    |          |
| <i>1994-2002</i>   |             |      |                    |          |
| Unemployment, D1   | -1.59       | .166 |                    |          |

*Comment:* D1 means that the variables are first differences. D2 means that unemployment for the governmental period of 1982-1991 is the second difference (the change of the change). The separate estimates for each government are obtained via interactions with each governmental period.

**Table A.17 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable         | Coefficient | p    |                    |          |
|------------------|-------------|------|--------------------|----------|
| Inflation, D1    | -.14        | .282 | R-squared          | 0.09     |
| Growth, D1       | .16         | .083 | Adj R-squared      | 0.04     |
| Constant         | -.25        | .136 | Number of obs      | 137      |
|                  |             |      | DW                 | 1.65     |
|                  |             |      | Portmanteu, Q-test | $p=.993$ |
| <i>1967-1976</i> |             |      |                    |          |
| Unemployment, D1 | -1.20       | .520 |                    |          |
| <i>1976-1982</i> |             |      |                    |          |
| Unemployment, D1 | .30         | .879 |                    |          |
| <i>1982-1991</i> |             |      |                    |          |
| Unemployment, D2 | 3.83        | .068 |                    |          |
| <i>1991-1994</i> |             |      |                    |          |
| Unemployment, D1 | -.91        | .276 |                    |          |
| <i>1994-2002</i> |             |      |                    |          |
| Unemployment, D1 | -2.20       | .049 |                    |          |

*Comment:* The dependent variable in this model is the first difference of government support (the change in support from the previous quarter to the present quarter). D1 means that the variables are first differences. D2 means that unemployment for the governmental period of 1982-1991 is the second difference (the change of the change). The separate estimates for each government are obtained via interactions with each governmental period.

**Table A.18 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable           | Coefficient | p    |                    |        |
|--------------------|-------------|------|--------------------|--------|
| Govpop at $t_{-1}$ | .95         | .000 | R-squared          | 0.90   |
| Constant           | 2.04        | .118 | Adj R-squared      | 0.88   |
|                    |             |      | Number of obs      | 138    |
| <i>1967-1976</i>   |             |      | DW                 | 1.66   |
| Unemployment, D1   | -2.62       | .159 | Portmanteu, Q-test | p=.980 |
| Inflation, D1      | -0.21       | .306 |                    |        |
| Growth, D1         | -0.13       | .387 |                    |        |
| <i>1976-1982</i>   |             |      |                    |        |
| Unemployment, D1   | .57         | .776 |                    |        |
| Inflation, D1      | -0.05       | .818 |                    |        |
| Growth, D1         | .12         | .454 |                    |        |
| <i>1982-1991</i>   |             |      |                    |        |
| Unemployment, D2   | 4.01        | .068 |                    |        |
| Inflation, D1      | -0.88       | .017 |                    |        |
| Growth, D1         | .37         | .091 |                    |        |
| <i>1991-1994</i>   |             |      |                    |        |
| Unemployment, D1   | -0.93       | .249 |                    |        |
| Inflation, D1      | .67         | .068 |                    |        |
| Growth, D1         | .64         | .092 |                    |        |
| <i>1994-2002</i>   |             |      |                    |        |
| Unemployment, D1   | -1.82       | .105 |                    |        |
| Inflation, D1      | -0.18       | .770 |                    |        |
| Growth, D1         | .61         | .012 |                    |        |

*Comment:* D1 means that the variables are first differences. D2 means that unemployment for the governmental period of 1982-1991 is the second difference (the change of the change). The separate estimates for each government are obtained via interactions with each governmental period.

**Table A.19 Economic effects on incumbent support for different periods in Sweden 1967-2002**

| Variable         | Coefficient | p    |                    |        |
|------------------|-------------|------|--------------------|--------|
| Constant         | -.24        | .141 | R-squared          | 0.22   |
|                  |             |      | Adj R-squared      | 0.12   |
| <i>1967-1976</i> |             |      | Number of obs      | 138    |
| Unemployment, D1 | -2.40       | .199 | DW                 | 1.70   |
| Inflation, D1    | -0.26       | .215 | Portmanteu, Q-test | p=.933 |
| Growth, D1       | -0.13       | .398 |                    |        |
| <i>1976-1982</i> |             |      |                    |        |
| Unemployment, D1 | .24         | .906 |                    |        |
| Inflation, D1    | -0.10       | .679 |                    |        |
| Growth, D1       | .11         | .463 |                    |        |
| <i>1982-1991</i> |             |      |                    |        |
| Unemployment, D2 | 4.31        | .051 |                    |        |
| Inflation, D1    | -0.87       | .019 |                    |        |
| Growth, D1       | .38         | .090 |                    |        |
| <i>1991-1994</i> |             |      |                    |        |
| Unemployment, D1 | -0.81       | .319 |                    |        |
| Inflation, D1    | .74         | .043 |                    |        |
| Growth, D1       | .71         | .062 |                    |        |
| <i>1994-2002</i> |             |      |                    |        |
| Unemployment, D1 | -2.36       | .032 |                    |        |
| Inflation, D1    | -0.17       | .781 |                    |        |
| Growth, D1       | .61         | .013 |                    |        |

*Comment:* The dependent variable in this model is the change in support from the previous quarter to the present quarter. D1 means that the variables are first differences. D2 means that unemployment for the governmental period of 1982-1991 is the second difference. The separate estimates for each government are obtained via interactions with each governmental period.

**Table A.20 Question wordings for economic evaluations**

| Concept measured               | Wording   |
|--------------------------------|---|
| National economy retrospective | "How do you think the general economic situation in this country has changed over the last 12 months? Has it ... got a lot better, got a little better, stayed about the same, got a little worse, got a lot worse, or don't know?"   |
| National economy prospective   | "How do you think the general economic situation in this country will develop over the next 12 months? Will it ... get a lot better, get a little better, stay about the same, get a little worse get a lot worse, or don't know?"  |
| Unemployment prospective       | "How do you think the level of unemployment in the country will change over the next 12 months? Will it ... increase sharply, increase slightly, remain about the same, fall slightly, fall sharply, or don't know?"  |
| Inflation retrospective        | 1 "Compared to 12 months ago, do you find that prices in general are ... very much higher, quite a bit higher, a little higher, about the same, lower, or don't know?"<br>2 "Compared to 12 months ago, how much higher/lower in percent do you think that prices are now?"   |
| Inflation prospective          | 1 "Compared to the situation today, do you think that in the next 12 months prices in general will be ... very much higher, quite a bit higher, a little higher, about the same, lower, or don't know?"<br>2 "Compared to today, how much in percent do you think that prices will go up/down (i.e. the rate of inflation/deflation) 12 months from now?" |

*Comment:* For inflation, the answer "stay about the same" was probed once to see if respondents were sure of this answer.

**Table A.21 Retrospective inflation perceptions**

| Variables   | Coefficient | p-value |                 |
|---|-------------|---------|-----------------|
| <u>One-step ECM (dependent = retrospective inflation, differenced)</u>    |             |         |                 |
| Retrospective inflation, L1 (ECT)   | -.21        | .000    | Adj. R2 = .28   |
| Real inflation, D1  | .35         | .000    | Root MSE = .718 |
| Real inflation, L1  | .21         | .000    | DW = 1.77       |
| Constant  | .07         | .590    | Q-test, p = .79 |
| <u>PA model / ADL (1,0) (dependent = retrospective inflation, levels)</u> |             |         |                 |
| Retrospective inflation, L1   | .75         | .000    | Adj. R2 = .97   |
| Real inflation  | .26         | .000    | Root MSE = .726 |
| Constant  | .09         | .522    | DW = 1.56       |
|   |             |         | Q-test, p = .55 |

*Comment:* n=92 for both models. L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. (ECT) points out that the coefficient of this variable has the specific interpretation of the error-correction term, the rate of re-adjustment. Q-test is the Portamanteu white noise test where the null hypothesis is no autocorrelation.

**Table A.22 Retrospective inflation perceptions – additional models**

| Variables  | Coefficient | p-value |                 |
|--|-------------|---------|-----------------|
| <u>ADL (1,1) – model (dependent = retrospective inflation, levels)</u> |             |         |                 |
| Retrospective inflation, L1  | .79         | .000    | Adj. R2 = .97   |
| Real inflation   | .35         | .000    | Root MSE = .718 |
| Real inflation, L1   | -.14        | .088    | DW=1.77         |
| Constant   | .07         | .590    | Q-test, p=.79   |
| <u>Non-dynamic model (dep. = retrospective inflation, differenced)</u> |             |         |                 |
| Real inflation, D1   | .32         | .000    | Adj. R2 = .16   |
| Constant   | -.04        | .610    | Root MSE = .776 |
|  |             |         | DW=1.93         |
|  |             |         | Q-test, p=.54   |

*Comment:* n=92 for both models. L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. Q-test is the Portamanteu white noise test where the null hypothesis is no autocorrelation.

**Table A.23 Regression models of inflation expectations**

| Variables                        | Coefficient | p-value |                 |
|----------------------------------|-------------|---------|-----------------|
| <u>ECM with future inflation</u> |             |         |                 |
| Prospective inflation, L1 (ECT)  | -.26        | .000    | Adj. R2 = .18   |
| Real future inflation, D1        | .04         | .706    | Root MSE = .91  |
| Real future inflation, L1        | .20         | .000    | DW= 2.39        |
| Constant                         | .24         | .201    | Q-test, p=.000  |
|                                  |             |         | n= 88           |
| <u>ECM with simultaneous</u>     |             |         |                 |
| Prospective inflation, L1 (ECT)  | -.19        | .007    | Adj. R2 = .13   |
| Real current inflation, D1       | .32         | .001    | Root MSE = .92  |
| Real current inflation, L1       | .12         | .030    | DW= 2.35        |
| Constant                         | .28         | .122    | Q-test, p= .000 |
|                                  |             |         | n = 92          |

*Comment:* L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. "Future" refers to the period four quarters ahead in this table. Q-test is the Portamanteu white noise test where the null hypothesis is no autocorrelation. (ECT) points out that the coefficient of this variable has the specific interpretation of the error-correction term, the rate of re-adjustment. The dependent variable is the first difference of prospective inflation.

**Table A.24 Regression model of inflation expectations**

| Variables                       | Coefficient | p-value |                |
|---------------------------------|-------------|---------|----------------|
| Prospective inflation, L1 (ECT) | -.54        | .000    | Adj. R2 = .55  |
| Future inflation, D1            | .15         | .048    | Root MSE = .68 |
| Future inflation, L1            | .10         | .005    | DW=1.99        |
| Retrospective inflation, D1     | .89         | .000    | Q-test, p=.145 |
| Retrospective inflation, L1     | .30         | .000    | n=88           |

*Comment:* The dependent variable is change in perceived prospective inflation. In this table "Future" refers to the period four quarters (one year) ahead. L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. (ECT) points out that the coefficient of this variable has the specific interpretation of the error-correction term, the rate of re-adjustment. Q-test is the Portamanteu white noise test where the null hypothesis is no autocorrelation. In this table retrospective inflation refers to the retrospective perceived inflation.



**Table A.25 Unemployment and salience in Sweden 1985-2003**

| Year | Salience | Unemployment | Standardized unemployment |
|------|----------|--------------|---------------------------|
| 1985 |          | 2.9          | 15.3                      |
| 1986 |          | 2.5          | 12.1                      |
| 1987 | 15.2     | 2.1          | 8.9                       |
| 1988 | 4.4      | 1.7          | 5.4                       |
| 1989 | 1.6      | 1.5          | 3.1                       |
| 1990 | 6.7      | 1.7          | 4.6                       |
| 1991 | 39.1     | 3.0          | 16.2                      |
| 1992 | 49.1     | 5.3          | 36.6                      |
| 1993 | 59.3     | 8.2          | 63.2                      |
| 1994 | 58.1     | 8.0          | 60.8                      |
| 1995 | 50.9     | 7.7          | 58.3                      |
| 1996 | 57.6     | 8.0          | 61.5                      |
| 1997 | 49.9     | 8.0          | 61.4                      |
| 1998 | 50.7     | 6.5          | 47.9                      |
| 1999 | 28.4     | 5.6          | 39.6                      |
| 2000 | 14.2     | 4.7          | 31.5                      |
| 2001 | 14.4     | 4.0          | 25.3                      |
| 2002 | 14.4     | 4.0          | 25.4                      |
| 2003 |          | 4.9          | 33.3                      |

*Comment:* Unemployment refers to OECD official statistics. Salience figures represent the share of total number of respondents that mentioned unemployment or employment on an open ended question about the most important problems in society today in the SOM-surveys 1987-2002. In the column for standardized unemployment the rate of unemployment has been given the same mean (32.1) and standard deviation (21.6) as the time series of salience (see also table A.26).

**Table A.26 Summary of salience and unemployment variables 1987-2002**

| Variable                  | n  | Mean | Std. Dev. | Min | Max  |
|---------------------------|----|------|-----------|-----|------|
| Salience                  | 16 | 32.1 | 21.6      | 1.6 | 59.3 |
| Unemployment              | 19 | 4.7  | 2.4       | 1.5 | 8.2  |
| Standardized unemployment | 19 | 32.1 | 21.6      | 3.1 | 63.2 |

**Table A.27 Basic time series regression models of issue saliency**

| Variables                               | Coefficient | p-value |                   |
|---|-------------|---------|-------------------|
| ADL (dependent = salience, levels)      |             |         |                   |
| Salience, L1                            | 0.83        | .000    | Adj. R2 = .80     |
| Unemployment, D1                        | 6.75        | .008    | Root MSE = 9.717  |
| Constant                                | 4.78        | .329    | DW=2.28           |
| One-step ECM (dependent = salience, D1) |             |         |                   |
| Salience, L1 (ECT)                      | -0.74       | .064    | Adj. R2 = .49     |
| Unemployment, D1                        | 10.48       | .005    | Root MSE = 9.066  |
| Unemployment, L1                        | 5.31        | .123    | DW=2.06           |
| Constant                                | -3.50       | .608    |                   |
| Two-step ECM (dependent = salience, D1) |             |         |                   |
| Unemployment, D1                        | 10.91       | .001    | Adj. R2 = .53     |
| Step1-residuals, L1 (ECT)               | -0.78       | .038    | Root MSE = 8.7287 |
| Step1: Unemployment*                    | 7.63        | .000    | DW=2.04           |

*Comment:* n=15 for all models. L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. Residuals are free of autocorrelation in all models. \*=not included in the second step equation of the two-step estimator, but reported here for the sake of completeness and ease of interpretation. (ECT) points out that the coefficient of this variable has the specific interpretation of the error-correction term, the rate of re-adjustment.

**Table A.28 TV news coverage of unemployment in Sweden 1985-2002**

| Year | Frequency | Balance | Standardized frequency |
|------|-----------|---------|------------------------|
| 1985 | 19        | -4      | 39.47                  |
| 1986 | 7         | -6      | 13.89                  |
| 1987 | 15        | -5      | 30.94                  |
| 1988 | 6         | -1      | 11.76                  |
| 1989 | 9         | -3      | 18.15                  |
| 1990 | 10        | -9      | 20.28                  |
| 1991 | 36        | -35     | 75.70                  |
| 1992 | 23        | -19     | 47.99                  |
| 1993 | 28        | -6      | 58.65                  |
| 1994 | 5         | 1       | 9.63                   |
| 1995 | 4         | -1      | 7.49                   |
| 1996 | 26        | -8      | 54.39                  |
| 1997 | 29        | -6      | 60.78                  |
| 1998 | 25        | -7      | 52.26                  |
| 1999 | 6         | -4      | 11.76                  |
| 2000 | 6         | -1      | 11.76                  |
| 2001 | 18        | -14     | 37.34                  |
| 2002 | 8         | -3      | 16.02                  |

*Comment:* Media data from the “Rapport-study” conducted by professor Kent Asp, Department of Journalism and Mass Communication at University of Gothenburg. Media frequency indicates the number of reports in the TV evening news program “Rapport” in Swedish national television that treated unemployment during each year in a systematic sample containing every fourth day of the year. Only comprehensive news items are coded, not short telegram-like mentionings. Media balance shows the number of positive news items minus the number of negative news items on unemployment. Standardized media frequency shows the media frequency variable standardized and given the same mean and standard deviation as the public salience variable in tables A.25 and A.26.

**Table A.29 Summary of media variables 1985-2002**

| Variable                     | n  | Mean  | Std. Dev. | Min    | Max   |
|------------------------------|----|-------|-----------|--------|-------|
| Media frequency              | 18 | 15.56 | 10.14     | 4.00   | 36.00 |
| Media balance                | 18 | -7.28 | 8.44      | -35.00 | 1.00  |
| Standardized media frequency | 18 | 32.13 | 21.62     | 7.49   | 75.70 |

*Comment:* Media data from the “Rapport-study” conducted by professor Kent Asp, Department of Journalism and Mass Communication at University of Gothenburg. Media frequency indicates the number of reports in the TV evening news program “Rapport” in Swedish national television that treated unemployment during each year in a systematic sample containing every fourth day of the year. Only comprehensive news items were coded, not short telegram-like mentionings. Media balance shows the number of positive news items minus the number of negative news items on unemployment. Standardized media frequency shows the media frequency variable standardized and given the same mean and standard deviation as the public salience variable in tables 25 and 26 in appendix A.

**Table A.30 Regression models of saliency with media frequency**

| Variables  | Coefficient | p-value |                 |
|--|-------------|---------|-----------------|
| Non-dynamic model, Cochran-Orcutt proc. (dependent = saliency, levels) |             |         |                 |
| Unemployment   | 6.89        | .000    | Adj. R2 = .74   |
| Media frequency  | .48         | .025    | Root MSE = 7.46 |
| Constant   | -10.69      | .204    | DW*=1.95        |
|  |             |         | Q-test, p=.13   |
| Basic dynamic model (dependent = saliency, levels)                     |             |         |                 |
| Saliency, L1   | .90         | .000    | Adj. R2 = .85   |
| Unemployment, D1   | 5.75        | .012    | Root MSE = 8.49 |
| Media frequency, D1  | .39         | .052    | DW=2.30         |
| Constant   | 2.65        | .543    | Q-test, p=.23   |
| Non-dynamic model, differenced form (dependent = saliency, D1)         |             |         |                 |
| Unemployment, D1   | 5.61        | .012    | Adj. R2 = .56   |
| Media frequency, D1  | .44         | .023    | Root MSE = 8.41 |
| Constant   | -.54        | .81     | DW=2.24         |
|  |             |         | Q-test, p=.20   |

*Comment:* n=15 for all models. L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. Residuals are free of autocorrelation in all models. \*=This Durbin-Watson statistic refers to the D-W test after the Cochran-Orcutt transformation that corrects for autocorrelation. Q-test is the Portamanteu white noise test where the null hypothesis is no autocorrelation.

**Table A.31 Regression models of saliency with media balance**

| Variables  | Coefficient | p-value |                 |
|--|-------------|---------|-----------------|
| Non-dynamic model, Cochran-Orcutt proc. (dependent = saliency, levels) |             |         |                 |
| Unemployment   | 8.67        | .000    | Adj. R2 = .82   |
| Media balance  | -.77        | .001    | Root MSE = 5.92 |
| Constant   | -18.68      | .021    | DW=2.33*        |
|  |             |         | Q-test, p=.18   |
| Basic dynamic model (dependent = saliency, levels)                     |             |         |                 |
| Saliency, L1   | .96         | .000    | Adj. R2 = .92   |
| Unemployment, D1   | 8.05        | .000    | Root MSE = 7.17 |
| Media balance, D1  | -.67        | .007    | DW=2.69         |
| Constant   | .41         | .914    | Q-test, p=.02   |
| Non-dynamic model, differenced form (dependent = saliency, D1)         |             |         |                 |
| Unemployment, D1   | 8.11        | .000    | Adj. R2 = .70   |
| Media balance, D1  | -.71        | .002    | Root MSE = 6.93 |
| Constant   | -.96        | .601    | DW=2.71         |
|  |             |         | Q-test, p=.01   |

*Comment:* n=15 for all models. L1 indicates that the variable is lagged one period and D1 indicates that the variable is in first difference form. Residuals are free of autocorrelation in all models. \*=This Durbin-Watson statistic refers to the D-W test after the Cochran-Orcutt transformation that corrects for autocorrelation. Q-test is the Portamanteu white noise test where the null hypothesis is no autocorrelation.

**Table A.32 Summary of various differenced variables**

| Variable            | n  | Mean  | Std. Dev. | Min    | Max   |
|---------------------|----|-------|-----------|--------|-------|
| Saliency, D1        | 15 | -0.05 | 12.71     | -22.30 | 32.40 |
| Unemployment, D1    | 18 | 0.11  | 1.13      | -1.51  | 2.99  |
| Media frequency, D1 | 17 | -0.65 | 13.24     | -23.00 | 26.00 |
| Media balance, D1   | 17 | 0.06  | 9.93      | -26.00 | 16.00 |

*Comment:* D1 indicates that the variable is in first difference form. Media data from the "Rapport-study" conducted by professor Kent Asp, department of Media and Communication, Göteborg University. Saliency is from the SOM-studies. Unemployment is from OECD Economic Outlook

**Table A.33 Perceived party competence concerning unemployment for three parties 1984-2002 (percent)**

| Year | original data |     |      | interpolated means |       |       |
|------|---------------|-----|------|--------------------|-------|-------|
|      | socdem        | mod | left | socdem             | mod   | left  |
| 1984 | 40            | 16  | 7    | 40                 | 16    | 7     |
| 1985 | 41            | 16  | 15   | 41                 | 16    | 15    |
| 1986 |               |     |      | 43                 | 12.5  | 10.5  |
| 1987 | 45            | 9   | 6    | 45                 | 9     | 6     |
| 1988 | 51            | 6   | 6    | 51                 | 6     | 6     |
| 1989 |               |     |      | 45                 | 10    | 6     |
| 1990 | 39            | 14  | 6    | 39                 | 14    | 6     |
| 1991 | 35            | 19  | 4    | 35                 | 19    | 4     |
| 1992 |               |     |      | 43.5               | 14.5  | 3     |
| 1993 | 52            | 10  | 2    | 52                 | 10    | 2     |
| 1994 | 49            | 18  | 5    | 49                 | 18    | 5     |
| 1995 | 32            | 17  | 18   | 32                 | 17    | 18    |
| 1996 | 25            | 22  | 15   | 25                 | 22    | 15    |
| 1997 | 28            | 28  | 9    | 28                 | 28    | 9     |
| 1998 | 27            | 28  | 13   | 27                 | 28    | 13    |
| 1999 | 28            | 20  | 16   | 28                 | 20    | 16    |
| 2000 |               |     |      | 32.33              | 18.67 | 13.33 |
| 2001 |               |     |      | 36.67              | 17.33 | 10.67 |
| 2002 | 41            | 16  | 8    | 41                 | 16    | 8     |

*Comment:* Data from FSI. To the left in the table original data with five missing observations (year) are shown, while time series where missing data is replaced by interpolated means are shown to the right.

**Table A.34 Perceived competence for the two largest parties on seven different issues 1982-2002 (measures of balance)**

| <i>The Social Democratic party</i> |      |      |      |      |      |      |      |     |
|------------------------------------|------|------|------|------|------|------|------|-----|
|                                    | 1982 | 1985 | 1988 | 1991 | 1994 | 1998 | 2002 | AAD |
| Unemployment                       | 33   | 28   | 45   | 25   | 32   | 5    | 19   | 8.9 |
| Sw.economy                         | 11   | 17   | 37   | 3    | 19   | 25   | 31   | 9.1 |
| Taxes                              | 0    | 1    | 10   | -6   | 14   | 3    | 12   | 6.1 |
| Environment                        | 0    | 0    | 7    | 4    | -1   | 0    | 5    | 2.7 |
| Nuclear power                      |      |      | 9    | 6    | 7    | -1   | 9    | 2.8 |
| Social security                    |      | 49   | 56   | 43   | 54   | 37   | 45   | 5.7 |
| Child care                         |      | 11   | 19   | 15   | 22   | 14   | 17   | 3.0 |
| <i>Mean</i>                        | 11   | 18   | 26   | 13   | 21   | 12   | 20   | 5.5 |
| <i>Mean change</i>                 |      | 7    | 8    | -13  | 8    | -9   | 8    |     |
| <i>The Moderate party</i>          |      |      |      |      |      |      |      |     |
|                                    | 1982 | 1985 | 1988 | 1991 | 1994 | 1998 | 2002 | AAD |
| Unemployment                       | -9   | -7   | -7   | 5    | -5   | 5    | 0    | 5.1 |
| Sw.economy                         | 5    | 1    | 1    | 23   | 6    | 7    | -1   | 5.1 |
| Taxes                              |      | -4   | -3   | 13   | -3   | 3    | -9   | 5.7 |
| Environment                        | -11  | -18  | -24  | -19  | -22  | -17  | -17  | 2.9 |
| Nuclear power                      |      |      | -2   | 6    | -2   | 10   | 6    | 4.5 |
| Social security                    |      | -27  | -25  | -18  | -38  | -27  | -28  | 3.9 |
| Child care                         |      | 1    | 0    | 4    | -15  | -3   | -4   | 4.5 |
| <i>Mean</i>                        | -5   | -9   | -8   | 2    | -11  | -3   | -8   | 4.5 |
| <i>Mean change</i>                 |      | -4   | 1    | 10   | -13  | 8    | -4   |     |

*Comment:* Source: Swedish National Election Studies. Figure are measures of balance and are calculated by subtracting the share of respondents saying the party has bad policy on the issue from the share of respondents saying the party has good policy on the issue as in table 5.2. AAD stands for Average Absolute Deviation and is a measure of dispersion. Mean refers to mean of AADs, not AAD of means.

**Table A.35 Vote models for the SOM-studies**

|                          | e <sup>b</sup> | p    | 1994                     | e <sup>b</sup> | p    |
|--------------------------|----------------|------|--------------------------|----------------|------|
|                          |                |      | Economic evaluation      | .67            | .113 |
|                          |                |      | Saliency of unemployment | .71            | .094 |
|                          |                |      | n                        | 992            |      |
|                          |                |      | R <sup>2</sup>           | .491           |      |
| 1988                     |                |      | 1998                     |                |      |
| Economic evaluation      | .77*           | .027 | Economic evaluation      | .63*           | .000 |
| Saliency of unemployment | 1.99*          | .002 | Saliency of unemployment | .99            | .921 |
| n                        | 1090           |      | n                        | 1992           |      |
| R <sup>2</sup>           | .339           |      | R <sup>2</sup>           | .230           |      |
| 1991                     |                |      | 2002                     |                |      |
| Economic evaluation      | 1.03           | .889 | Economic evaluation      | .66*           | .001 |
| Saliency of unemployment | 2.24*          | .000 | Saliency of unemployment | 1.84*          | .003 |
| n                        | 985            |      | n                        | 889            |      |
| R <sup>2</sup>           | .383           |      | R <sup>2</sup>           | .301           |      |

*Comment:* For details on the coding of variables, see table A.38.

**Table A.36 Vote models for the SNES**

|                          | e <sup>b</sup> | p    | 1994                     | e <sup>b</sup> | p    |
|--------------------------|----------------|------|--------------------------|----------------|------|
|                          |                |      | Economic evaluation      | .90            | .491 |
|                          |                |      | Saliency of unemployment | .64*           | .002 |
|                          |                |      | n                        | 1785           |      |
|                          |                |      | R <sup>2</sup>           | .490           |      |
| 1988                     |                |      | 1998                     |                |      |
| Economic evaluation      | .67*           | .000 | Economic evaluation      | .50*           | .000 |
| Saliency of unemployment | 2.35*          | .001 | Saliency of unemployment | 1.30           | .178 |
| n                        | 1 922          |      | n                        | 661            |      |
| R <sup>2</sup>           | .300           |      | R <sup>2</sup>           | .233           |      |
| 1991                     |                |      | 2002                     |                |      |
| Economic evaluation      | .68*           | .000 | Economic evaluation      | .69*           | .001 |
| Saliency of unemployment | 1.87*          | .000 | Saliency of unemployment | 1.10           | .784 |
| n                        | 1 894          |      | n                        | 743            |      |
| R <sup>2</sup>           | .322           |      | R <sup>2</sup>           | .214           |      |

*Comment:* For details on the coding of variables, see table A.38.

**Table A.37 Vote models for the combined SOM-studies and SNES**

|                          | e <sup>b</sup> | p    | 1994                     | e <sup>b</sup> | p    |
|--------------------------|----------------|------|--------------------------|----------------|------|
|                          |                |      | Economic evaluation      | .83            | .163 |
|                          |                |      | Saliency of unemployment | .67*           | .001 |
|                          |                |      | n                        | 2777           |      |
|                          |                |      | R <sup>2</sup>           | .487           |      |
| 1988                     |                |      | 1998                     |                |      |
| Economic evaluation      | .71*           | .000 | Economic evaluation      | .61*           | .000 |
| Saliency of unemployment | 2.04*          | .000 | Saliency of unemployment | 1.06           | .511 |
| n                        | 3012           |      | n                        | 2653           |      |
| R <sup>2</sup>           | .310           |      | R <sup>2</sup>           | .229           |      |
| 1991                     |                |      | 2002                     |                |      |
| Economic evaluation      | .73*           | .001 | Economic evaluation      | .67*           | .000 |
| Saliency of unemployment | 1.93*          | .000 | Saliency of unemployment | 1.62*          | .005 |
| n                        | 2 879          |      | n                        | 1 632          |      |
| R <sup>2</sup>           | .337           |      | R <sup>2</sup>           | .256           |      |

*Comment:* For details on the coding of variables, see table A.38.

**Table A.38 Complete report of vote model for Social Democratic governments with issue ownership of unemployment (1988, 1991, 2002)**

| Variable                 | e <sup>b</sup> | p    | Coding of variables   |
|--------------------------|----------------|------|---|
| Economic evaluation      | 0.74           | .000 | 1=worse, 0=same, -1=better,   |
| Saliency of unemployment | 1.90           | .000 | 1=salient, 0=not salient,   |
| Personal unemployment    | 0.67           | .035 | 1=unemployed, 0=not unemployed,   |
| Left-right ideology      | 0.25           | .000 | z-scores of two scales: 1=left, 5=right & 0=left, 10=right                                  |
| Worker                   | 1.25           | .003 | occupational group: 1=worker, 0=other   |
| Religiosity              | 0.80           | .000 | church attendance: 1=often/regularly, 0=seldom/not at all                                   |
| Education                | 0.60           | .000 | 1=low, 2=medium, 3=high   |
| Employment sector        | 1.00           | .985 | 1=public sector, 0= private sector  |
| Female                   | 1.10           | .116 | 1=female, 0=male  |
| Age                      | 1.01           | .000 | age in years (observation range = 18-84 years)  |
| Labour union             | 1.62           | .000 | 0=not member of blue collar labour union (LO),<br>1=member of blue collar labour union (LO) |
| n                        | 7 523          |      |   |
| R <sup>2</sup>           | .306           |      |   |

*Comment:* The data used for this analysis are the combined SNES and SOM-studies.



**Table A.40 Complete report of vote models for SOM-data**

|  | e <sup>b</sup> | p | 1994                     | e <sup>b</sup> | p    |
|--|----------------|---|--------------------------|----------------|------|
|  |                |   | Economic evaluation      | 0.67           | .113 |
|  |                |   | Saliency of unemployment | 0.71           | .094 |
|  |                |   | Personal unemployment    | 0.81           | .561 |
|  |                |   | Left-right ideology      | 7.30           | .000 |
|  |                |   | Worker                   | 0.67           | .132 |
|  |                |   | Religiosity              | 1.39           | .000 |
|  |                |   | Education                | 1.44           | .012 |
|  |                |   | Employment sector        | 0.79           | .271 |
|  |                |   | Female                   | 0.90           | .584 |
|  |                |   | Age                      | 1.00           | .821 |
|  |                |   | Labour union             | 0.77           | .316 |
|  |                |   | n                        | 992            |      |
|  |                |   | R <sup>2</sup>           | .49            |      |
|  |                |   | 1988                     |                |      |
|  |                |   | 1998                     |                |      |
|  |                |   | Economic evaluation      | 0.77           | .027 |
|  |                |   | Saliency of unemployment | 1.99           | .022 |
|  |                |   | Personal unemployment    | 0.21           | .005 |
|  |                |   | Left-right ideology      | 0.29           | .000 |
|  |                |   | Worker                   | 1.28           | .252 |
|  |                |   | Religiosity              | 0.79           | .005 |
|  |                |   | Education                | 0.55           | .000 |
|  |                |   | Employment sector        | 0.97           | .848 |
|  |                |   | Female                   | 1.20           | .276 |
|  |                |   | Age                      | 1.01           | .010 |
|  |                |   | Labour union             | 2.02           | .001 |
|  |                |   | n                        | 1 090          |      |
|  |                |   | R <sup>2</sup>           | .339           |      |
|  |                |   | n                        | 1 992          |      |
|  |                |   | R <sup>2</sup>           | .230           |      |
|  |                |   | 1991                     |                |      |
|  |                |   | 2002                     |                |      |
|  |                |   | Economic evaluation      | 1.03           | .889 |
|  |                |   | Saliency of unemployment | 2.24           | .000 |
|  |                |   | Personal unemployment    | 1.43           | .491 |
|  |                |   | Left-right ideology      | 0.24           | .000 |
|  |                |   | Worker                   | 1.42           | .155 |
|  |                |   | Religiosity              | 0.96           | .647 |
|  |                |   | Education                | 0.58           | .000 |
|  |                |   | Employment sector        | 0.78           | .211 |
|  |                |   | Female                   | 1.26           | .225 |
|  |                |   | Age                      | 1.02           | .001 |
|  |                |   | Labour union             | 1.53           | .085 |
|  |                |   | n                        | 985            |      |
|  |                |   | R <sup>2</sup>           | .383           |      |
|  |                |   | n                        | 889            |      |
|  |                |   | R <sup>2</sup>           | .301           |      |

*Comment:* For details on the coding of variables, see table A.38.



**Table A.41 Complete report of vote models for SNES-data**

|  | e <sup>b</sup> | p | 1994                     | e <sup>b</sup> | p    |
|--|----------------|---|--------------------------|----------------|------|
|  |                |   | Economic evaluation      | 0.90           | .491 |
|  |                |   | Saliency of unemployment | 0.64           | .002 |
|  |                |   | Personal unemployment    | 0.84           | .544 |
|  |                |   | Left-right ideology      | 2.98           | .000 |
|  |                |   | Worker                   | 0.51           | .000 |
|  |                |   | Religiosity              | 2.07           | .000 |
|  |                |   | Education                | 1.23           | .073 |
|  |                |   | Employment sector        | 0.78           | .117 |
|  |                |   | Female                   | 1.19           | .255 |
|  |                |   | Age                      | 1.00           | .648 |
|  |                |   | Labour union             | 0.59           | .010 |
|  |                |   | n                        | 1 785          |      |
|  |                |   | R <sup>2</sup>           | .490           |      |
|  |                |   | 1988                     |                |      |
|  |                |   | Economic evaluation      | 0.67           | .000 |
|  |                |   | Saliency of unemployment | 2.35           | .001 |
|  |                |   | Personal unemployment    | 1.61           | .418 |
|  |                |   | Left-right ideology      | 0.57           | .000 |
|  |                |   | Worker                   | 1.55           | .003 |
|  |                |   | Religiosity              | 0.68           | .000 |
|  |                |   | Education                | 0.53           | .000 |
|  |                |   | Employment sector        | 0.95           | .722 |
|  |                |   | Female                   | 1.35           | .018 |
|  |                |   | Age                      | 1.00           | .458 |
|  |                |   | Labour union             | 1.52           | .007 |
|  |                |   | n                        | 1 922          |      |
|  |                |   | R <sup>2</sup>           | .300           |      |
|  |                |   | 1998                     |                |      |
|  |                |   | Economic evaluation      | 0.50           | .000 |
|  |                |   | Saliency of unemployment | 1.30           | .178 |
|  |                |   | Personal unemployment    | 0.59           | .224 |
|  |                |   | Left-right ideology      | 0.65           | .000 |
|  |                |   | Worker                   | 1.23           | .404 |
|  |                |   | Religiosity              | 0.87           | .345 |
|  |                |   | Education                | 0.88           | .377 |
|  |                |   | Employment sector        | 1.20           | .393 |
|  |                |   | Female                   | 0.84           | .406 |
|  |                |   | Age                      | 1.02           | .001 |
|  |                |   | Labour union             | 2.13           | .004 |
|  |                |   | n                        | 661            |      |
|  |                |   | R <sup>2</sup>           | .233           |      |
|  |                |   | 1991                     |                |      |
|  |                |   | Economic evaluation      | 0.68           | .000 |
|  |                |   | Saliency of unemployment | 1.87           | .000 |
|  |                |   | Personal unemployment    | 1.26           | .532 |
|  |                |   | Left-right ideology      | 0.51           | .000 |
|  |                |   | Worker                   | 1.15           | .387 |
|  |                |   | Religiosity              | 0.75           | .004 |
|  |                |   | Education                | 0.66           | .000 |
|  |                |   | Employment sector        | 1.13           | .366 |
|  |                |   | Female                   | 1.00           | .978 |
|  |                |   | Age                      | 1.01           | .115 |
|  |                |   | Labour union             | 1.81           | .000 |
|  |                |   | n                        | 1 894          |      |
|  |                |   | R <sup>2</sup>           | .322           |      |
|  |                |   | 2002                     |                |      |
|  |                |   | Economic evaluation      | 0.69           | .001 |
|  |                |   | Saliency of unemployment | 1.10           | .784 |
|  |                |   | Personal unemployment    | 0.73           | .510 |
|  |                |   | Left-right ideology      | 0.61           | .000 |
|  |                |   | Worker                   | 1.14           | .554 |
|  |                |   | Religiosity              | 0.75           | .053 |
|  |                |   | Education                | 0.67           | .006 |
|  |                |   | Employment sector        | 1.28           | .201 |
|  |                |   | Female                   | 0.79           | .210 |
|  |                |   | Age                      | 1.01           | .172 |
|  |                |   | Labour union             | 1.39           | .167 |
|  |                |   | n                        | 743            |      |
|  |                |   | R <sup>2</sup>           | .214           |      |

*Comment:* For details on the coding of variables, see table A.38.

**Table A.42 Exploring the consequences of simultaneous changes in economic evaluations and issue salience of unemployment (change in incumbent vote share)**

| <i>Social democratic governments with issue ownership of unemployment (1988, 1991, 2002)</i>    |                                |              |                               |              |
|---|--------------------------------|--------------|-------------------------------|--------------|
|   | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|   | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change  | +4.2                           | +2.1         | -4.0                          | -2.0         |
| Only salience changes   | -2.9                           | -1.5         | +3.0                          | +1.5         |
| Both change simulatenously  | +1.1                           | +0.6         | -1.1                          | -0.6         |
| <i>Social democratic governments without issue ownership of unemployment (1988, 1991, 2002)</i> |                                |              |                               |              |
|   | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|   | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change  | +6.7                           | +3.3         | -6.0                          | -3.1         |
| Only salience changes   | -0.3                           | -0.1         | +0.3                          | +0.1         |
| Both change simulatenously  | +6.4                           | +3.1         | -5.8                          | -3.0         |
| <i>Centre-right coalition government without issue ownership of unemployment (1994)</i>         |                                |              |                               |              |
|   | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|   | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change  | +2.5                           | +1.3         | -2.4                          | -1.2         |
| Only salience changes   | +1.8                           | +0.9         | -1.8                          | -0.9         |
| Both change simulatenously  | +4.4                           | +2.2         | -4.2                          | -2.1         |

*Comment:* This is the results of what I refer to as method 1, holding other variables at their means while changing the values of retrospective national economic evaluations and issue salience of unemployment and computing the corresponding change in the predicted probability to vote for the incumbent party or parties.

**Table A.43 Exploring the consequences of simultaneous changes in economic evaluations and issue salience of unemployment (change in incumbent vote share)**

| <i>Social democratic governments with issue ownership of unemployment (1988, 1991, 2002)</i> |                                |              |                               |              |
|--|--------------------------------|--------------|-------------------------------|--------------|
|  | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|  | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change   | +5.0                           | +2.6         | -5.6                          | -1.8         |
| Only salience changes  | -3.4                           | -1.7         | +3.4                          | +1.7         |
| Both change simulatenously   | +1.6                           | +0.9         | -2.4                          | -0.1         |
| <i>Social democratic governments without issue ownership of unemployment (1998)</i>          |                                |              |                               |              |
|  | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|  | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change   | +7.0                           | +3.5         | -7.2                          | -3.6         |
| Only salience changes  | -0.5                           | -0.3         | +0.5                          | +0.3         |
| Both change simulatenously   | +6.4                           | +3.3         | -6.7                          | -3.3         |
| <i>Centre-right coalition government without issue ownership of unemployment (1994)</i>      |                                |              |                               |              |
|  | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|  | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change   | +3.0                           | +1.5         | -2.8                          | -1.5         |
| Only salience changes  | +2.1                           | +1.0         | -2.0                          | -1.0         |
| Both change simulatenously   | +5.1                           | +2.5         | -4.8                          | -2.5         |

*Comment:* This is the results of what I refer to as method 1, but based on a different regression model. The results reported here are based on a multinomial logistic regression model instead of a binary logistic model, otherwise the same routines as in table A.42 (method 1) are employed and other variables are held at their means while changing the values of retrospective national economic evaluations and issue salience of unemployment and computing the corresponding change in the predicted probability to vote for the incumbent party or parties.

**Table A.44 Exploring the consequences of simultaneous changes in economic evaluations and issue salience of unemployment (change in incumbent vote share)**

*Social democratic governments with issue ownership of unemployment (1988, 1991, 2002)*

|                                  | A change for the <b>better</b> |              | A change for the <b>worse</b> |              |
|----------------------------------|--------------------------------|--------------|-------------------------------|--------------|
|                                  | Big change                     | Small change | Big change                    | Small change |
| Only economic evaluations change | +2.7                           | +1.4         | -2.9                          | -1.4         |
| Only salience changes            | -1.8                           | -1.0         | +2.0                          | +1.0         |
| Both change simulatenously       | +0.9                           | +0.3         | -0.9                          | -0.4         |

*Comment:* This is the results of what I refer to as method 3, holding other variables at their observed values in the sample while changing the average values of retrospective national economic evaluations and issue salience of unemployment by changing the values of these variables one step each for a random sub-sample of the respondents and computing the corresponding average change in the predicted probability to vote for the incumbent party or parties.

**Table A.45 Descriptive statistics of economic evaluations and salience of unemployment in the combined SOM and SNES data set (means)**

| Year   | Economic evaluations (-1 to +1) | Issue salience of unemployment (0-1) |
|--|---------------------------------|--------------------------------------|
| 1988   | +0.41                           | 0.06                                 |
| 1991   | -0.76                           | 0.31                                 |
| 1994   | -0.84                           | 0.51                                 |
| 1998   | +0.18                           | 0.53                                 |
| 2002   | -0.26                           | 0.15                                 |
| Total  | -0.25                           | 0.32                                 |
| 1988, 1991 & 2002<br>Social Democratic issue ownership | -0.18                           | 0.18                                 |

*Comment:* The numbers in the table above might differ slightly from those presented elsewhere in this book. This is mainly because the numbers above are computed only from those respondents that lack missing values on all of the variables in the regression models of voting in chapter 7, more precisely the models presented in tables A.35-A.51. Another reason is that these are based on the combined data set of the SNES and the SOM-studies.

**Table A.46 Perceived party competence concerning unemployment 1985-2006 (percent)**

|        |                           | 1985       | 1988       | 1991       | 1994       | 1998      | 2002       | 2006       |
|--------|---------------------------|------------|------------|------------|------------|-----------|------------|------------|
| left   | Good policy               | 6          | 6          | 5          | 7          | 14        | 12         | 7          |
|        | No opinion                | 89         | 91         | 88         | 86         | 71        | 75         | 75         |
|        | Bad policy                | 5          | 4          | 6          | 7          | 15        | 13         | 18         |
|        | <b>Measure of balance</b> | <b>+1</b>  | <b>+2</b>  | <b>-1</b>  | <b>0</b>   | <b>-1</b> | <b>-1</b>  | <b>-11</b> |
| socdem | Good policy               | 37         | 48         | 38         | 38         | 24        | 32         | 21         |
|        | No opinion                | 54         | 49         | 49         | 56         | 56        | 55         | 59         |
|        | Bad policy                | 9          | 3          | 13         | 6          | 20        | 13         | 20         |
|        | <b>Measure of balance</b> | <b>+28</b> | <b>+45</b> | <b>+25</b> | <b>+32</b> | <b>+4</b> | <b>+19</b> | <b>+1</b>  |
| centre | Good policy               | 6          | 6          | 8          | 5          | 7         | 9          | 20         |
|        | No opinion                | 88         | 91         | 88         | 91         | 84        | 86         | 72         |
|        | Bad policy                | 6          | 3          | 4          | 4          | 9         | 5          | 8          |
|        | <b>Measure of balance</b> | <b>0</b>   | <b>+3</b>  | <b>+4</b>  | <b>+1</b>  | <b>-2</b> | <b>+4</b>  | <b>+12</b> |
| lib    | Good policy               | 10         | 8          | 13         | 7          | 12        | 16         | 18         |
|        | No opinion                | 86         | 88         | 83         | 88         | 79        | 78         | 76         |
|        | Bad policy                | 4          | 4          | 4          | 4          | 10        | 6          | 6          |
|        | <b>Measure of balance</b> | <b>+6</b>  | <b>+4</b>  | <b>+9</b>  | <b>+3</b>  | <b>+2</b> | <b>+10</b> | <b>+12</b> |
| mod    | Good policy               | 11         | 7          | 18         | 16         | 24        | 16         | 35         |
|        | No opinion                | 71         | 78         | 69         | 63         | 58        | 68         | 52         |
|        | Bad policy                | 18         | 15         | 13         | 21         | 18        | 16         | 13         |
|        | <b>Measure of balance</b> | <b>-7</b>  | <b>-8</b>  | <b>+5</b>  | <b>-5</b>  | <b>+6</b> | <b>0</b>   | <b>+22</b> |
| chrdem | Good policy               |            | 1          | 3          | 2          | 10        | 8          | 15         |
|        | No opinion                |            | 99         | 94         | 93         | 81        | 85         | 78         |
|        | Bad policy                |            | 0          | 3          | 5          | 9         | 7          | 7          |
|        | <b>Measure of balance</b> |            | <b>+1</b>  | <b>0</b>   | <b>-3</b>  | <b>+1</b> | <b>+1</b>  | <b>+8</b>  |
| green  | Good policy               |            | 1          | 1          | 2          | 7         | 5          | 5          |
|        | No opinion                |            | 90         | 90         | 92         | 79        | 81         | 82         |
|        | Bad policy                |            | 9          | 8          | 6          | 14        | 14         | 13         |
|        | <b>Measure of balance</b> |            | <b>-8</b>  | <b>-7</b>  | <b>-4</b>  | <b>-7</b> | <b>-9</b>  | <b>-8</b>  |

*Comment:* The measure of balance is the share of respondents saying the party has good policy on the issue minus the share of respondents saying the party has bad policy on the issue. Data from the Swedish National Election Studies.

**Table A.47 Share of Social Democrats according to unemployment salience (1988-2006, percent)**

| Year | Total | Unemployment salient | Unemployment not salient | Diff | Quota |
|------|-------|----------------------|--------------------------|------|-------|
| 1988 | 43    | 60                   | 42                       | +18* | 1.4   |
| 1991 | 32    | 39                   | 27                       | +12* | 1.4   |
| 1994 | 43    | 49                   | 35                       | +14* | 1.4   |
| 1998 | 36    | 36                   | 35                       | +1   | 1.0   |
| 2002 | 41    | 52                   | 40                       | +12* | 1.3   |
| 2006 | 33    | 33                   | 33                       | 0    | 1.0   |

*Comment:* The data source is the SOM-studies. The numbers in the table indicates the share of respondents saying the Social Democrats is the party they "like best" divided according to salience of unemployment. The difference between those who hold unemployment salient and those who do not is statistically significant at the 95%-confidence level in 1988, 1991, 1994 and 2002, but not in 1998 and 2006.

**Table A.48 Complete report of vote models in 2006**

| 2006                     | e <sup>b</sup> | p     | 1994 and 2006            | e <sup>b</sup> | p     |
|--------------------------|----------------|-------|--------------------------|----------------|-------|
| Economic evaluation      | 0.81           | 0.017 | Economic evaluation      | 0.79           | 0.001 |
| Saliency of unemployment | 0.90           | 0.352 | Saliency of unemployment | 0.77           | 0.001 |
| Personal unemployment    | 1.33           | 0.275 | Personal unemployment    | 1.22           | 0.233 |
| Left-right ideology      | 0.01           | 0.000 | Left-right ideology      | 0.00           | 0.000 |
| Worker                   | 1.21           | 0.178 | Worker                   | 1.43           | 0.000 |
| Religiosity              | 0.72           | 0.001 | Religiosity              | 0.61           | 0.000 |
| Education                | 0.53           | 0.000 | Education                | 0.60           | 0.000 |
| Employment sector        | 0.90           | 0.380 | Employment sector        | 1.13           | 0.151 |
| Female                   | 0.99           | 0.921 | Female                   | 0.95           | 0.518 |
| Age                      | 1.01           | 0.014 | Age                      | 1.01           | 0.000 |
| Labour union             | 1.80           | 0.000 | Labour union             | 1.63           | 0.000 |
|                          |                |       | Year 2006, dummy         | 0.37           | 0.000 |
| n                        | 2 545          |       | n                        | 5 322          |       |
| R <sup>2</sup>           | .329           |       | R <sup>2</sup>           | .390           |       |

*Comment:* The data used in the analyses in this table is the combined SOM/SNES data set.

**Table A.49 Descriptive statistics of economic evaluations and saliency of unemployment in the combined SOM and SNES data set (means)**

| Year                              | Economic evaluations<br>(-1 to +1) | Issue saliency of<br>unemployment (0-1) |
|-----------------------------------|------------------------------------|---|
| 1988                              | +0.41                              | 0.06                                    |
| 1991                              | -0.76                              | 0.31                                    |
| 1994                              | -0.84                              | 0.51                                    |
| 1998                              | +0.18                              | 0.53                                    |
| 2002                              | -0.26                              | 0.15                                    |
| 2006                              | +0.31                              | 0.47                                    |
| Total                             | -0.25                              | 0.32                                    |
| 1988, 1991 & 2002                 |                                    |   |
| Social Democratic issue ownership | -0.18                              | 0.18                                    |
| 1994 & 2006                       |                                    |   |
| Opposition party ownership        | -0.29                              | 0.48                                    |

*Comment:* The numbers in the table above might differ slightly from those presented elsewhere in this book. This is mainly because the numbers above are computed only from those respondents that lack missing values on all of the variables in the regression models of voting in Chapter 7, more precisely the models presented in tables A.35-A.51. Another reason is that these are based on the combined data set of the SNES and the SOM-studies. Economic evaluations refer to national retrospective evaluations, where -1 means that the economy has gotten worse, 0 that it has stayed the same and +1 that it has gotten better.

**Table A.50 Change in electoral results for Swedish governments and their supporting parties 1973-2002**

| Year | Government | Government coalition |
|------|------------|----------------------|
| 1973 | - 1.7      | - 1.2                |
| 1976 | - 0.9      | - 1.4                |
| 1979 | - 0.5      | - 1.8                |
| 1982 | - 7.3      | - 4.0                |
| 1985 | - 0.9      | - 1.1                |
| 1988 | - 1.5      | - 1.1                |
| 1991 | - 5.5      | - 6.8                |
| 1994 | - 5.2      | -11.9                |
| 1998 | - 8.9      | - 3.6*               |
| 2002 | +3.5       | +0.0                 |
| mean | -2.9       | -3.3                 |

*Comments:* The figures are percentage point differences from the result in the last election for the government party or parties. The leftmost of the two columns show the change for the party or parties formally making up the government (see table A.5). For 1979 and 1982 this is somewhat problematic since the governments were changed before the election. In 1979 and 1982 the government column reflects the change for the parties making up the new governments created in 1978 and 1981. The change in electoral result for the original governments formed directly after the previous elections in 1976 and 1979 can instead be found in the government coalition column since they coincide. The rightmost column – government coalition – shows the change in electoral result for the governmental party/parties and their supporting parties together as per table A.5. \* = The governmental coalition during this period was unclear or unstable. During the 1994-1998 incumbency the Social Democrats relied on the support of the Centre Party, the Left Party or the Green Party at different periods in time. Despite this, the change in support for the coalition in 1998 is based on the Social Democrats, the Left Party and the Green Party because they are normally seen as making up the “left bloc” in Swedish politics.

**Table A.51 Correlations between vote change for the governmental coalition and economic indicators 1973-2002****Swedish economy**

| Level               | Changes  |                           |          |
|---------------------|----------|---------------------------|----------|
| Unemployment        | -0.80*** | UE since election         | -0.91*** |
| Unemployment mean   | -0.62*   | Unemployment since 1 yr   | -0.30    |
| Growth              | -0.01    | Growth since election     | -0.39    |
| Growth mean         | 0.86***  | Growth since 1 yr         | -0.56    |
| Inflation           | 0.20     | inflation since election  | 0.48     |
| Inflation mean      | 0.11     | Inflation since 1 yr      | 0.45     |
| Misery index 1      | -0.49    | Misery 1 since election   | -0.07    |
| Misery index 1 mean | -0.29    | Misery index 1 since 1 yr | 0.37     |
| Misery index 2      | -0.57    | Misery 2 since election   | -0.02    |
| Misery index 2 mean | -0.79**  | Misery index 2 since 1 yr | 0.49     |

**Comparative economy**

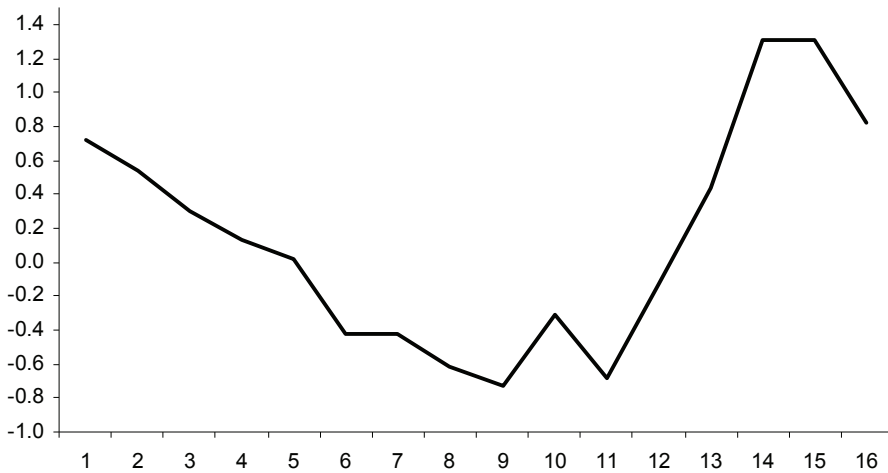
| Level          | Changes |                           |         |
|----------------|---------|---------------------------|---------|
| Unemployment   | -0.13   | UE since election         | -0.68** |
| Growth         | -0.03   | Unemployment since 1 yr   | 0.07    |
| Inflation      | -0.17   | Growth since election     | -0.48   |
| Misery index 1 | -0.33   | Growth since 1 yr         | -0.24   |
|                |         | inflation since election  | 0.42    |
|                |         | Inflation since 1 yr      | 0.20    |
|                |         | Misery 1 since election   | 0.43    |
|                |         | Misery index 1 since 1 yr | -0.11   |

*Comments:* Numbers in bold signify correlations in expected direction and  $R > .10$ . Underlined numbers signify correlations not in expected direction and  $R > .10$ . The number of observations is 10 for all the correlations in table 4.6. The number of observations is 10. \*\*\*=significant at 99%-level. \*\*= significant at 95%-level. \*=significant at the 90%-level.

**Table A.52 Share of Social Democrats according to unemployment salience (1988-2002, percent)**

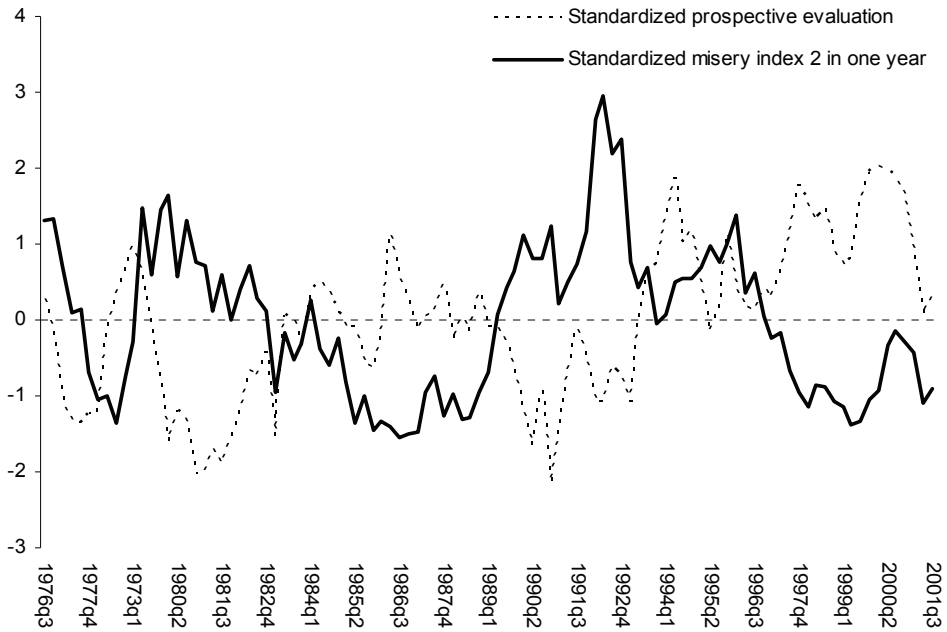
| Year | Total | Unemployment salient | Unemployment not salient | Diff | Quota |
|------|-------|----------------------|--------------------------|------|-------|
| 1988 | 45    | 70                   | 44                       | +26  | 1.6   |
| 1991 | 38    | 49                   | 34                       | +15  | 1.4   |
| 1994 | 46    | 56                   | 40                       | +16  | 1.4   |
| 1998 | 38    | 41                   | 36                       | +5   | 1.1   |
| 2002 | 39    | 40                   | 39                       | +1   | 1.0   |

*Comment:* The data source is the SNES. The numbers in the table indicates the share of respondents saying they voted for the Social Democrats among those who say that unemployment was an important issue when deciding which party to vote for and among those who did not.

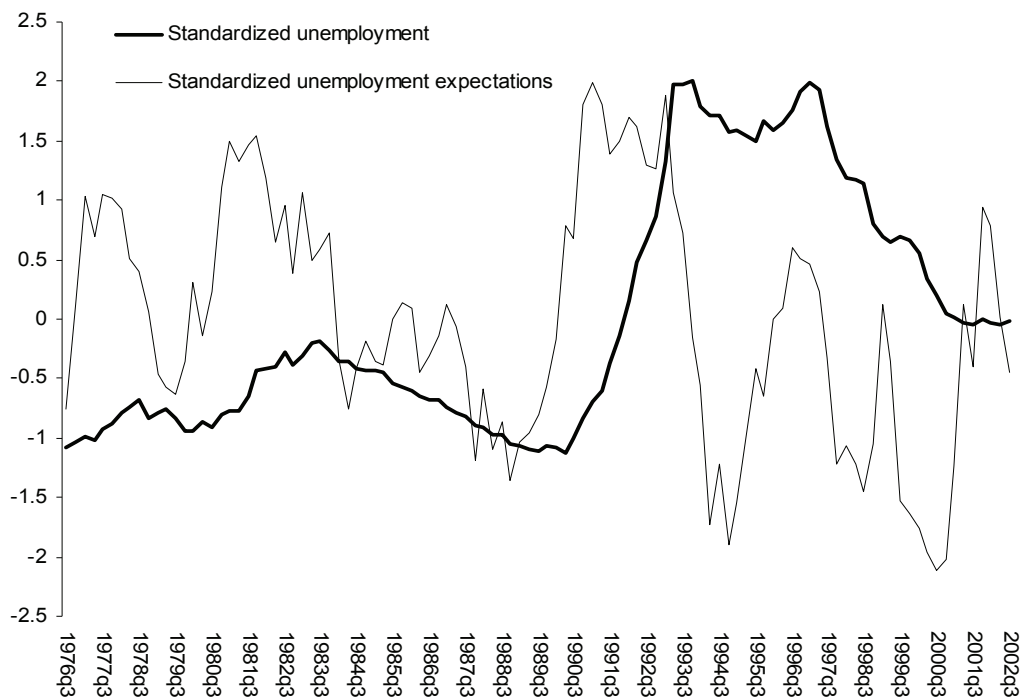
**Figure A.1 Average standardized popularity for Swedish governments during the electoral cycle 1968-2002**

*Comment:* The graph shows the average value of the governments' standardized popularity. Popularity is measured via SIFO opinion polls asking respondents which party they would vote for if an election were to be held today. The standardization was done separately for each of the thirteen governmental periods between 1968 and 2002. The numbers behind this graph are found in table 11 in appendix A.

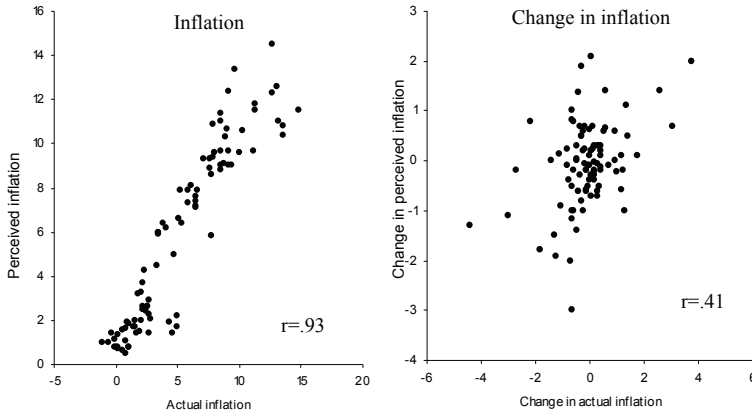


**Figure A.2 General prospective economic evaluations**

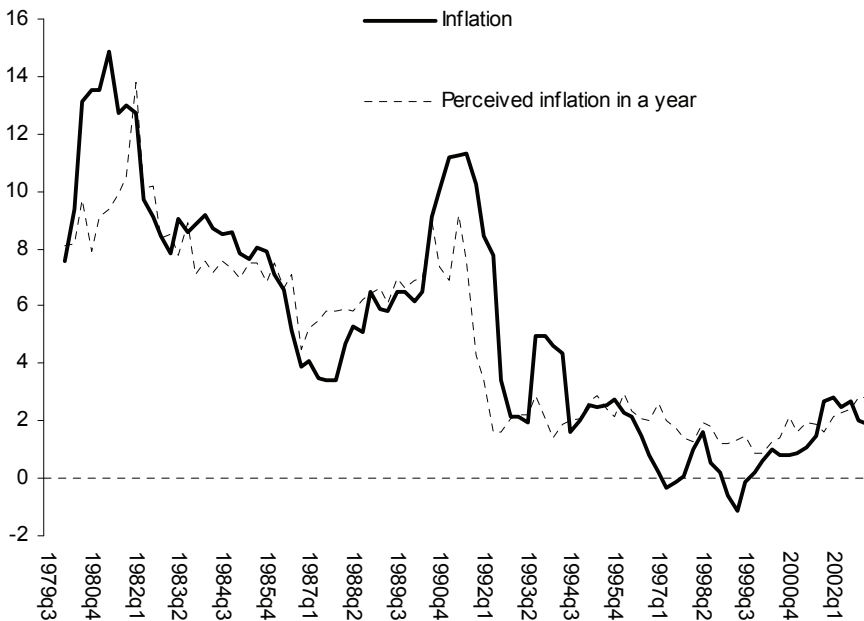
Comment: Prospective evaluations are the share of respondents saying the national economy will get better in 12 months from now minus the share saying it will get worse. For exact question wording see table A.20. For prospective evaluations higher values mean more positive views on the future economic changes while for misery index 2 higher values mean worse general economic conditions. Both series have been standardized and given a mean of zero and a standard deviation of one.

**Figure A.3 Unemployment expectations and unemployment level**

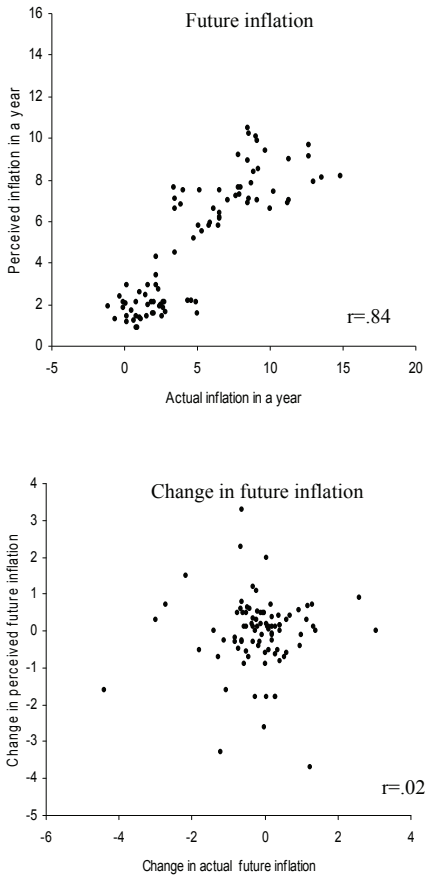
*Comment:* Both series have been standardized and given a mean of zero and a standard deviation of one.

**Figure A.4 Scatterplots of actual and perceived inflation**

*Comment:* The data in both scatterplots are quarterly measures of inflation (OECD) and perceived inflation (KI) from 1979 to 2002. In the left part of the graph levels of inflation and perceptions are shown while quarterly changes in these levels are shown to the right.

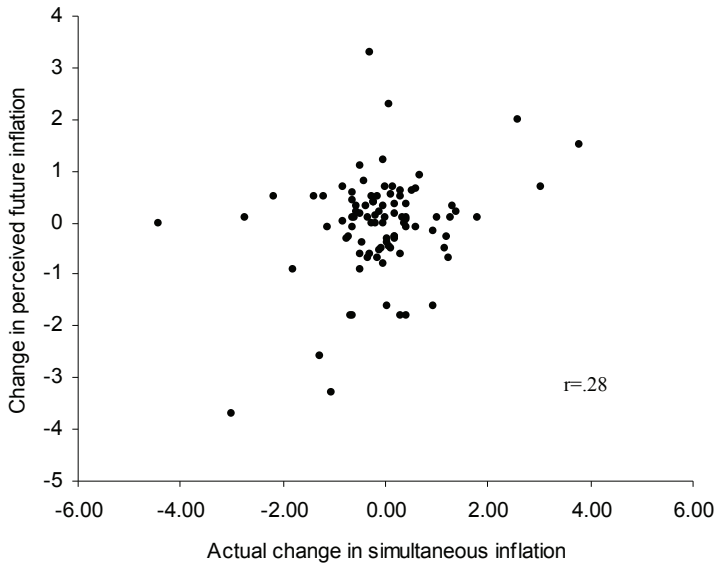
**Figure A.5 Perceived prospective inflation and actual inflation**

*Comment:* Inflation data is from OECD. Perceived inflation data are means from consumer confidence surveys conducted by Konjunkturinstitutet (KI). Note that the inflation rates presented here are simultaneous inflation rates and not inflation rates one year ahead.

**Figure A.6 Scatterplots of future inflation and perceived inflation**

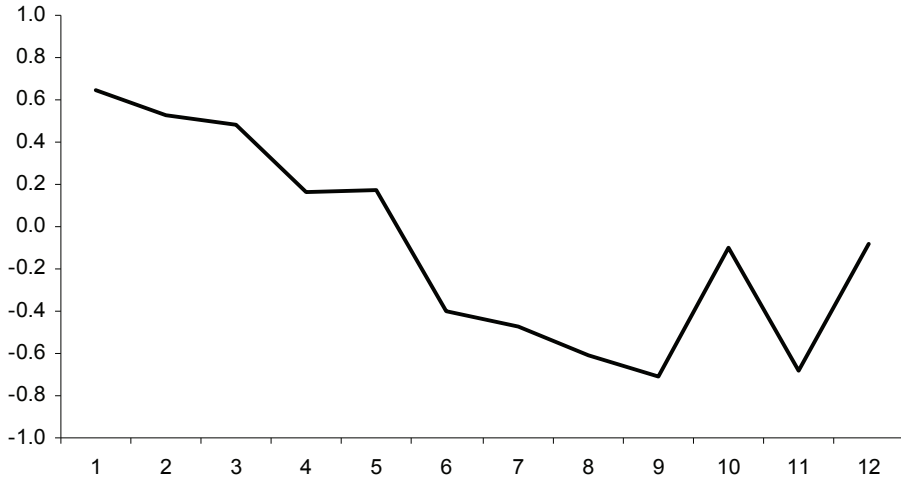
*Comment:* The data in both scatterplots are quarterly measures of inflation (OECD) and perceived inflation (KI) from 1979 to 2002. In the left part of the graph levels of inflation and perceptions are shown while quarterly changes in these levels are shown to the right.

**Figure A.7 Change in perceived prospective inflation and current actual change in inflation**



*Comment:* The data is quarterly measures of inflation (OECD) and perceived prospective inflation (KI) from 1979 to 2002 and the graph shows quarterly changes in the levels of inflation and perceived prospective inflation.

**Figure A.8 Average standardized popularity for Swedish governments during the electoral cycle 1968-1994**



*Comment:* The graph shows the average value of the governments' standardized popularity. Popularity is measured via SIFO opinion polls asking respondents which party they would vote for if an election were to be held today. The standardization was done separately for each of the eleven governmental periods from 1968 to 1994. The numbers behind this graph are found in table A.10.

# Appendix B

To better see the difference between ADL models and ECM models and why I think that error correction models provide the most appropriate test for the research questions in Chapter 4, let us consider the statistical models more carefully. Below we see a standard auto distributed lag model with a lagged dependent and a lagged independent variable, both of order 1 (that is, an ADL(1,1) model).

$$y_t = \alpha_0 + \alpha_1 y_{t-1} + \beta_0 x_t + \beta_1 x_{t-1} + \varepsilon_t \quad [1]$$

A simpler version of this, where  $\beta_1 = 0$ , known as the Koyck distributed lag model, is common in political science research.<sup>272</sup> The Koyck model looks as follows:

$$y_t = \alpha_0 + \alpha_1 y_{t-1} + \beta x_t + \varepsilon_t \quad [2]$$

As we can see, the dependent variable is the only lagged variable in the Koyck model. But this model also has a dynamic interpretation, where  $x_t$  not only affects  $y_t$  in a certain period. Instead we must understand that the contemporaneous effect of  $x_t$  on  $y_t$  will continue into the future, as in the next period this effect  $\beta$  will be incorporated in  $y_{t-1}$  and thus in turn indirectly affect  $y_t$  through  $\alpha_1$ . This effect will gradually<sup>273</sup> fade away of course, the speed of which depends on  $\alpha_1$ , the coefficient of  $y_{t-1}$ . The long-run multiplier for the effect of  $x_t$  can be calculated through  $\beta/(1-\alpha_1)$ . This is the total effect of a change in  $x$ . In this way temporal dynamics can be modelled relatively simply. However, to really be able to say that public evaluations follow real economic indicators closely over time, the long-run equilibrium behaviour between the two series would be superior. Let us therefore move on to the error correction models.

It has been shown that the single-equation error correction method<sup>274</sup> is just a reparametrization of the ADL(1,1) model and that they are equivalent (Keele 2004; Hendry 1995; Bannerjee et al. 1993; DeBoef 2001; DeBoef & Granato 1999). That they are equivalent means that the same information is available from both the ADL and the ECM representation of the model. The choice of model depends on the theoretical focus of the analyses, as all properties are not estimated directly from both representations. Since the potential long-run rela-

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<sup>272</sup> Not least, this method has been used as a quick fix to a technical problem, to rid the residuals of autocorrelation.

<sup>273</sup> This is in fact a simplification built into the model. We could, alternatively, include any number of lags of our independent variable(s) directly into the model. This would allow more flexibility and avoid the assumption of gradually diminishing effects. The drawback would be high multicollinearity with accompanying imprecise estimates.

<sup>274</sup> This is also called the one-step error correction method.

relationship and the speed of the re-equilibrating mechanisms are important parameters in this analysis, the ECM form has clear advantages.

It is possible to move from the ADL model to the single-equation error correction model by linear algebraic transformations.<sup>275</sup> This also means that it can be used with stationary data (Keele 2004; Hendry 1995). However, in the original article by Engle and Granger on error correction models and co-integration, where they presented the two-step estimation of error correction models, this was clearly aimed at non-stationary co-integrated data (Engle & Granger 1987). In error correction representation the model looks as follows:<sup>276</sup>

$$\Delta y_t = \alpha + \delta(y_{t-1} - \beta_1 x_{t-1}) + \beta_0 \Delta x_t + \varepsilon_t \quad [3]$$

Here  $\delta$  (delta) is the coefficient of the error correction term, which is included directly in the model. This coefficient indicates the speed of adjustment back to the long-run equilibrium between  $y$  and  $x$ , while  $\beta_0$ , the coefficient of  $\Delta x_t$ , indicates the short-run (often called contemporaneous in connection with these kinds of models) effect of changes in  $x$  on changes in  $y$ .

The coefficient on the lagged value of  $x$  is mostly of less substantial interest in our study. What it gives us is the size of the total long-run effect of  $x$ . This parameter can be of use when we are mainly interested in comparing the long-run effects between different independent variables or the effect on diverse dependent variables or how the model behaves in another context and so on. However, our main concern here is that there is a clear long-run equilibrium effect, not how tightly the scales of the two variables match each other. Nevertheless,  $\beta_1$  in equation [3] can sometimes be of interest to us here as well. If  $\beta_1$  is very small in relation to  $\beta_0$  this might indicate that the long-run relationship is relatively unimportant, even though it exists, which means that the most important effect is the short-run effect  $\beta_0$ . On the other hand, if the short-run effect  $\beta_0$  is large enough, substantially speaking, we might say that the two variables are closely related and that public evaluations follow the objective indicator well even without clear long-run equilibrium behaviour.

But, generally speaking, what matters more to us here is that  $\delta$ , the pace at which the system re-equilibrates after a chock, is not too small.<sup>277</sup> This coefficient can be interpreted as the percent of the remaining disequilibrium, the part of the total long-run effect  $\beta_1$  not yet re-adjusted, that is adjusted in a certain period.<sup>278</sup> If this process is *very* slow, we can hardly say that public evaluations of the economy track economic changes *closely*.

<sup>275</sup> For a relatively accessible demonstration of how to do this, see Keele (2004).

<sup>276</sup> As usual,  $\Delta$  denotes first difference of a variable, such that  $\Delta x = x_t - x_{t-1}$ . Note that the model may also incorporate several lags and be extended to include other independent variables.

<sup>277</sup> In this way the risks of spurious regression with near-integrated data when trying to characterize the long-run equilibrium relationship in itself, not just the short-run dynamics and the rate of (re-)adjustment, pointed out by DeBoef (2001), can be avoided.

<sup>278</sup> Note that this also assumes a gradually diminishing effect of a previous change in the independent variable, just as in the case above with the ADL model



One last thing to note about the regression models used here is that we will not estimate equation [3] directly. The standard (Bannerjee et al. 1993; DeBoef 2001) single-equation means for estimating error correction models in time series will instead be used.<sup>279</sup> Thus the equation to be estimated is the following:

$$\Delta y_t = \alpha + \delta y_{t-1} + \beta_0 \Delta x_t + \beta_1 x_{t-1} + \varepsilon_t \quad [4]$$

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<sup>279</sup> For several reasons I do not use the two-step ECM estimation method. I find single-equation estimators more convenient. T-tests on the error correction term ( $y_{t-1}$  in equation [4]) have been shown to be appropriate for testing whether there is any error correcting long-run equilibrium process going on between  $y$  and  $x$  (DeBoef & Granato 1999); they even outperform standard Augmented Dickey-Fuller tests for co-integration in some cases (e.g. with near-integrated data). Single-equation ECMs have also been shown to be superior to the two-step ECM by for example Beck (1993), Durr (1993) and DeBoef (2001).



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