

## **Partisan Preferences, Electoral Prospects, and Economic Expectations\***

Matthew Ladner

Goldwater Institute  
500 E Coronado Road  
Phoenix, Arizona 85005

E-mail: [ladner665@yahoo.com](mailto:ladner665@yahoo.com)

Christopher Wlezien

Nuffield College  
Oxford OX1 1NF  
United Kingdom

E-mail: [Christopher.Wlezien@nuf.ox.ac.uk](mailto:Christopher.Wlezien@nuf.ox.ac.uk)

\* Prior versions of this paper were presented at the University of Rochester, 13 May, 2004, and at the conference on 'Perceptions, preferences and rationalization: Overcoming the problem of causal inference in the study of political behaviour,' Nuffield College, Oxford, 6-8 May, 2004. We owe thanks to Chris Anderson, John Curtice, Ray Duch, Bob Erikson, Richard Flickinger, Mark Franklin, Jorgen Rasmussen, and David Sanders for comments on earlier incarnations of this manuscript and to Geoff Evans, Richard Jankowski, Adam Meirowitz, Adrian Pagan, Lynda Powell, Robert Walker, and, especially, Mark Kayser and Mark Franklin (again) for comments on more recent versions. We also owe thanks to John Duggan and his staff at the W. Allen Wallis Institute of Political Economy, University of Rochester.

## *Abstract*

Research shows that economic expectations reflect partisan preferences. Those who support the current government tend to think the future will go well, at least by comparison with those who oppose the government. But, there always is uncertainty surrounding the political future, especially in the period before elections, and many scholars assume that people take this uncertainty into account. We do not know whether this is true, however. This manuscript considers the possibility. Specifically, it examines whether political uncertainty matters for economic expectations leading up to elections—whether people’s economic expectations are conditional on their own estimates of who will win. The test itself relies on data are from five election study panels in the United States and the United Kingdom, including waves both before and after the elections. The results imply that economic expectations do anticipate election outcomes: (1) before elections, those who think their preferred party will win are significantly more optimistic about the economic future than those who think their preferred party will lose; (2) after elections, where there usually is little electoral uncertainty, expectations do not show any such differences and all that matters is the preference for the sitting government. Based on this analysis, economic expectations reflect both the political present *and* future. This not only tells us that expectations are substantially rational but that politics plays a much bigger role in our economic thinking than originally thought.

Previous research shows that individuals' preferences for the sitting government influence their economic expectations.<sup>1</sup> Whether for psychological reasons or cognitive ones, those who support the government tend to think the future will go well, at least by comparison with those who oppose the government. This is of obvious importance. It reveals that politics clearly structures economics perceptions, and with potentially important consequences, e.g., a change in government can lead to a change in economic expectations. To the extent expectations matter for behavior, it can have effects on the real economy itself. However, implicit in the previous research is an assumption—either that the sitting government will remain in power into the foreseeable future or that voters do not take future political control into account. That is, economic expectations are assumed to be unconditional.

Yet there always is uncertainty surrounding the future control of government. There always is some possibility, however small, that the current leadership will lose control at any particular point in time  $t+1$ . It is a structural feature of most parliamentary democracies, where governments actually may be tossed out of power at any point in time. It is less structural, though still a feature of other systems. In all democratic systems, the uncertainty surrounding future control is concentrated in the period prior to elections. Individuals should be expected to take political prospects into account; after all, if the current government can structure the economic future, presumably a future government can too. By implication, economic expectations should be conditional on people's forecasts of the political future itself, at least in the short run. This actually is a commonly-held assumption (Haller and Norpoth, 1994; Carey

---

<sup>1</sup> See Conover, Feldman, and Knight, 1987; Wlezien, Franklin, and Twiggs, 1997; Anderson, Mendes, and Tverdova, 2004.

and Lebo, 2003). It also is what we would expect were economic expectations rational, which also is commonly assumed.<sup>2</sup> It nevertheless is little-researched.<sup>3</sup>

This manuscript examines the conditionality of economic expectations leading up to elections. We first lay out our conjecture and then design a specific test. For the test itself, we use data from five election study panels in the US and UK, focusing on waves both before and after the elections. The analyses show that individuals' pre-election economic expectations are powerfully structured by their political support for the sitting government but that political prospects also matter. Given preferences, those who think their preferred party will win election are significantly more optimistic about the economic future than those who think their preferred party will lose. Post-election expectations do not show any real differences owing to pre-election political prospects, and party preference dominates instead. The pattern of results indicates that economic expectations anticipate election outcomes. That is, they reflect both the political present *and* future. The finding not only tells us that expectations are substantially rational, but that politics plays a much bigger role than originally thought. The finding also helps us understand empirical patterns that have heretofore eluded explanation, as we will see.

### **The Politics of Economic Expectations**

A lot of research considers the political consequences of economic expectations, some of which was noted above. Lewis-Beck's (1988) statement probably is the strongest and most comprehensive to date.<sup>4</sup> Until fairly recently, however, little attention has been paid to the political causes of these expectations, at least at the individual level. There is of course a long

---

<sup>2</sup> There is a large literature. See, e.g., Alesina, Roubini, and Cohen (1997). For a contrary view, see Krause (2000).

<sup>3</sup> All we know comes from recent studies of stock market prices, which suggest that political uncertainty matters (especially see Leblang and Mukherjee, 2003; 2004). Although this is a satisfying and important result, it tells us only about investors and only taken together, not people writ large.

<sup>4</sup> For a nice review of the broader literature on economics and elections, see Lewis-Beck and Stegmaier (2000).

tradition of research showing that people's perceptual screens do impact what they see (Campbell, et al., 1960). Following in this tradition, Conover, Feldman and Knight (1987) reveal that party identification colors people's economic perceptions, and some scholars have explicitly considered the possibility, such as Lewis-Beck (1988).<sup>5</sup> While this was an important step forward, it still stopped short. That is, controlling for selected political variables, such as ideological disposition, economic expectations were assumed to be otherwise exogenous to politics, a function of retrospective economic evaluations and other things, presumably economic ones.

Recent research shows that this is not true (Anderson, Mendes, and Tverdova, 2004; Evans and Anderson, N.d.; Wlezien, Franklin, and Twiggs, 1997). Individual-level economic expectations do reflect retrospective perceptions, but both reflect political preferences. People who support the sitting government are more positive about the economic past. People who are positive about the economic past also tend to be more positive about the economic future, and those who support the sitting government are especially optimistic. Both retrospections and expectations capture other things, of course. This research tells us that politics plays an important role in economics, at least economic perceptions. The political present clearly matters. It "contaminates" our perceptions.<sup>6</sup>

There are a number of different explanations for this pattern, most of which are "psychological" in nature. The now classic view is from Campbell, et al. (1960), who posited that people's perceptions of the world are structured by a "perceptual screen" of political preference. From this perspective, people take a favourable view of policies pursued by (or actual outcomes associated with) candidates or parties they support. To the extent that people

---

<sup>5</sup> This is the often-implicit approach of most scholars that control for political factors in models of political judgments.

<sup>6</sup> See Wilcox and Wlezien (1996).

associate economic performance with the incumbent government, a government they liked (disliked) might be deemed to be performing well (poorly) regardless of real economic conditions. There are other psychological explanations. For instance, following Festinger (1957), the pattern may be due to people's desire for cognitive consistency. There also is a "cognitive" explanation for the results. That is, it may be that people support the candidates or parties whose policies they prefer. When their preferred politicians are in power, according to this perspective, people become more optimistic about the future because they expect the policies will have a salutary effect. This is what we would expect if voters are Downsian and base their partisan judgments on issues, choosing candidates and parties based on their policy positions. It differs quite markedly with the psychological explanations.

Although we do not know the exact psychological or cognitive underpinnings, we do know that the political present structures people's economic expectations, as we have seen. But, what about the political future? Do people's economic expectations reflect perceptions of future government control as well, particularly leading up to an election? That is, are their expectations conditional on who they think will win? Certain scholars presume that they are (e.g., Haller and Norpoth, 1994). In effect, people's economic expectations are assumed to be rational, fully informed by the information they have at hand (Alesina, Roubini, and Cohen, 1997). It is important to know whether this is true. Indeed, it would go a long way toward demonstrating a meaningful cognitive component in economic expectations. Such a pattern is not easily explained by psychological mechanisms, after all. It is exactly what we would expect if people thought that government control has real effects on economic policy *and* performance.

We nevertheless do not know whether voters do take into account political uncertainty. There is no individual-level work on the subject. Macro-level analyses offer little additional information. While there is a huge body of research on aggregate expectations, relatively little has examined political influences. There are numerous analyses relating expectations to retrospections, though the temporal connections are quite different to what we observe at the individual level at particular points in time. Katona's (1972) classic work shows that perceptions of the past and future can be negatively related over time, i.e., that expectations are most optimistic when economic conditions are at their worst. This finding comports with the rational expectations model; at least it implies that people look beyond the economic past, and thus are not merely adaptive. MacKuen, Erikson and Stimson (1992) provide even more compelling evidence. Based on their research, expectations anticipate real economic change, though brand-new work by DeBoef and Kellstedt (2004) shows that the process by which people acquire information is heavily mediated. Perhaps most importantly, political factors have significant effects, including evaluations of presidential performance itself.

Until Suzuki (1992), no research explicitly examined political influences over time.<sup>7</sup> In this research Suzuki showed that politics did matter for expectations over time, and in a provocative way. That is, he provided evidence of an electoral cycle, where economic expectations tend to rise leading up to an election and then peak just thereafter. It was an important finding, particularly given the literature on political business cycles (for a useful review of this literature, see Franzese, 2002). In one sense, it represented the missing link or 'smoking gun' of sorts. But what Suzuki really created was a puzzle. How do we explain his electoral cycle? It evidently wasn't the real economy, as he controlled for it in his analyses.

---

<sup>7</sup> Indeed, he evidently turned to expectations in his search for a political business cycle precisely because the possibility hadn't been considered.

There also is only mixed evidence for political business cycles in overall economic activity (Alesina, Roubini, and Cohen, 1997), though we need not take a position in the debate.

Perhaps somehow policymakers have been able to induce an expectation cycle that has little basis in reality, at least one that we haven't yet found.<sup>8</sup>

We think that conditionality is another possibility. That is, it may be that economic expectations actually anticipate election outcomes themselves. Consider a scenario where the incumbent is doing poorly and many of us want to change course. Research tells us that we will be pessimistic about the future. At some point, however, we recognize an election on the horizon. This introduces uncertainty about the future. Indeed, it raises the possibility that the incumbent will lose, which should raise economic hopes, on balance. As it becomes clearer that the sitting government will be getting the boot leading up to Election Day, we should tend to become even more optimistic.

Now consider a second scenario, where the incumbent party is doing well and a large proportion of voters support the government. The reasoning here is a bit more subtle, as we will be optimistic about the future to begin with. As the election cycle evolves, the prospect of an election induces uncertainty about future control. Will the incumbent win? Or will the challenger? This presumably will make us less optimistic on average. As it becomes clear leading up to Election Day that the incumbent will remain in office, however, aggregate optimism should rise.

Our conjecture seems to fit quite well with the empirical patterns we observe. We might even wonder: What else would explain the seemingly singular cycle in expectations? The conjecture also fits well with the literature. We already know that individuals' preferences

---

<sup>8</sup> We are agnostic about whether the economic past or future is more important, which is the subject of much debate (see MacKuen, et al., 1992; Clarke and Stewart, 1994; and Norpoth, 1996), and also on whether national or personal considerations receive greater weight (especially see Sanders, 1996).



for the sitting government influence their economic expectations, as we have discussed. We also already know that people make forecasts about future government control and that these are surprisingly accurate in the period preceding elections (Lewis-Beck and Skalaban, 1989; Johnston, Brady, Blais, and Crete, 1992). Our conjecture simply requires individuals to take both their partisan preferences and political forecasts into account, so that their economic expectations are partly conditional on expectations about the political future. Both current government control and likely future control would matter and their balance of influence would depend on a number of things: (1) the time frame of economic expectations; (2) the point in the election cycle; and (3) the degree of certainty about the election outcome.

First, the time frame of economic expectations is fundamental. Short-run expectations, say, over the next 12 months, cannot be impacted by an election a year or more from now. Even an election in 9 months may not matter if the winner does not take office for another 2-3 months, as in the US. Indeed, it also may take more time for the government to have a meaningful effect. The point is that the time frame matters and in fairly predictable ways. (This is of real significance to a portion of our analysis, as we will see.) Second, the point in the electoral cycle is of (related) importance. Well in advance of an election, and putting aside other causes of government termination, expectations about the economic future should be dominated more by current government control than future government control. The logic is simple: when the election is far in the distance, the foreseeable future is mostly in the hands of the present government. Finally, as we approach Election Day, the degree of certainty about the election outcome also is important. Future government control can influence our expectations only to the extent we foresee victory for one party or another. To the extent we are

uncertain about the outcome—that we are unsure who will win and lose—our economic expectations can only neatly reflect current government control.

### **A Specific Analysis**

To conduct research on how political expectations leading up to an election structure economic ones, it would be ideal to have a wide variety of data at our disposal. To begin with, we would have individual-level perceptual data on economic expectations and political prospects, each on a regular basis, at short intervals, and for a number of different election years. We also would have aggregate-level objective data for both political and economic conditions, again on a regular basis, at short intervals, and for a number of different election years. The data also would approximately correspond over time. This would allow us to anchor (and cross-validate) changes over time in the subjective and objective data. It is a tall order, however, and one that cannot currently be filled.

The objective data are good, especially as relates to economics. Numerous measures are available and at a variety of levels and on a fairly regular basis. This is well known. Objective data relating to objective electoral prospects are harder to come by, though the election forecasters offer some information (see, e.g., Campbell and Garand, 2000; Sanders, 1996) and the polls do too (Campbell, 2000).<sup>9</sup> We also have individual-level perceptual data. Unfortunately, the existing panel data mostly relate to economics and are available only infrequently and over very short or very long time periods (see also Anderson, et al., 2004). The data thus are very limited. We do have regular cross-sections of economic expectations, however. Together with the objective economic and political data, a reasonable aggregate time series analysis may be possible.

---

<sup>9</sup> There are yet other sources, including the Iowa Electronic Markets (IEM).

Although this macro approach may have a certain appeal, we focus on individuals over time. For the analysis, we rely on a set of two-wave panels, those where surveys are conducted both before and after elections. Specifically, we use data from five recent national election studies in the US and UK: Three from the American National Election Studies (ANES)—in 1992, 1996, and 2000—and two from the British Election Studies (BES)—in 1997 and 2001. The BES actually conducted additional pre-election waves as part of its 1992-1997 survey, but unfortunately did not include the item asking about who will form the next government, which is critical to our analysis. Thus, our examination focuses primarily on how individual-level political preferences, electoral prospects, and economic expectations interrelate in the one-wave pre-election survey in each year. These data clearly cannot give us a complete picture of the interrelationships between economic and political change. However, we can determine the structure relating individuals' subjective forecasts of the outcome of an upcoming election, given preferences, and their economic expectations. We also can draw comparison with the structure of expectations using data from the post-election waves of the panels. That is, we can compare the pre-election structure, in the context of electoral uncertainty, with the post-election structure, where there is no electoral uncertainty. It allows us to determine whether any evident conditionality prior to elections is spurious, the result of some other variable that is present both before and after elections. We thus can settle things empirically.

### **Competing Models of Economic Expectations**

How do we expect partisan preferences, electoral prospects and economic expectations to interrelate? Let us consider the possibilities, for the moment putting aside the traditional “economic voting” model. The first possibility is that expectations only reflect preferences for current party control. This reflects the current literature, as discussed above. Its implications

are also straightforward. If it is the right model, people's economic expectations would depend only on their preferences for the sitting government. Those who prefer the government would be optimistic and those who oppose it would be relatively pessimistic. These expectations would be unconditional. They would not depend on political expectations about the outcome of elections or other political events. The empirical implications are summarized in the first column of Table 1. Here, expectations are high whenever the government is preferred and low whenever the government is not preferred.

*The pattern in column 1 is exactly what we would predict if economic expectations cause partisan preferences.* According to this prospective "economic voting" model (Lewis-Beck, 1988), those who think the future economy looks bright would vote for the incumbent party, while those who think the future looks dim would vote for a challenger. Thus, the causal direction relating economic expectations and current party control is not obvious, and cannot be sorted cross-sectionally. We can to some extent sort between the two explanations over time, however, as Anderson et al. (2004) have shown. Specifically, we can observe what happens to economic expectations when government control changes. If party preferences cause economic expectations, individuals' economic expectations would change to reflect partisan preferences for the new government.<sup>10</sup> If economic expectations cause party preferences, conversely, economic expectations would not change, at least for partisan reasons. This is critical: It allows us to determine whether party preferences actually cause economic perceptions and not the other way around.

-- Table 1 about here --

Now, another possibility is that economic expectations are entirely conditional, and only reflect future party control. The implications also are straightforward. If it is the right

---

<sup>10</sup> In a two-party system, expectations might literally flip.

model, people's expectations would depend only on their preferences for the party they think will win in the upcoming election. Those who think their preferred party will win would be optimistic and those who think it would lose would be relatively pessimistic. Expectations would be unrelated to the sitting government. All that would matter is who will control the future. The implications of this model are summarized in the second column of Table 1. Here, economic expectations are high for those who prefer the incumbent party and expect it to win *and* those who do not prefer the incumbent party but expect it to lose. Expectations are relatively low for those in the other two categories, where preferences and prospects don't match. The pattern differs clearly from what expect owing to current party control. It also is different to what we would observe if economic expectations cause party preferences.<sup>11</sup> This is of obvious importance.

Yet another possibility is that expectations reflect both preferences for the sitting government and prospects for future control. This might seem a very understandable combination. If this "combined" model is right, those who prefer the incumbent party and expect it to win would be the most optimistic about the future. Likewise, those who do not prefer the incumbent party but expect the party to win would be the most pessimistic. In the other two categories, expectations should be middling. Their order would depend on the relative impact of current party and future party control. If current party matters more, then those who prefer the incumbent party but do not expect the party to win would be more optimistic. If the future party matters more, then those who do not prefer the incumbent party and think it will not win reelection would be more optimistic. If both current and future party matter equally, expectations in the two categories would be indistinguishable. These

---

<sup>11</sup> As we already have discussed, if economic expectations cause party preferences we would observe the pattern described in the first column of Table 1.

implications are summarized in the third column of Table 1. Notice that the orderings of the different models are distinct, at least in theory. Now, let us see how things work in practice.

### **The Data**

In every national election year, studies are conducted in the UK and US that ask questions of a sample of citizens both before and after the election. Here, we use the set of these two-wave panel surveys conducted in the US in 1992, 1996, and 2000 and in the UK in 1997 and 2001. The UK surveys actually were part of longer-running panels conducted from 1992-1997 and 1997-2001, respectively. The studies differ in numerous other ways, both across countries and across surveys within countries. The US relies *more* exclusively on a face-to-face mode, spends longer in the field both before and after elections, and asks a more intense battery of questions. The relevant ones also will be made clear as the analyses unfold. Of course, there are other differences, and some of these are of special importance. For instance, the pre-election wave of the 1997 panel actually was conducted in the autumn (between 10 October and 12 December) before the election of 1 May. This constrains our analyses in that year, as we will see. Most important, however, are the similarities. Sample sizes all are above 1100 and panel attrition between waves is small, no more than 22 percent in any given year and approximately 15 percent on average. Now let us review the variables for analysis, which are summarized in Table 2.

#### **Economic Expectations (and Retrospections)**

Our primary dependent variable is the measure of national economic expectations. While it may be that personal expectations are most important for political evaluations (Sanders, 1996), we are interested here in how government control tutors expectations relating to the national economy. A question tapping these evaluations is asked in each pre-election

wave of the five surveys, and the question is always placed directly after the retrospective national economic evaluation. The question wording for each of these items does differ across countries and elections, however. Consider first the retrospective question. In the 1997 UK survey, respondents were asked: “Looking back over the past year or so, would you say that Britain’s economy has got stronger, got weaker, or stayed the same?” They then were asked: (If stronger or weaker) “By a little or a lot?” The same question was used in the 1997 post-election survey. The wording was changed a bit for 2001. Then respondents were asked: “How do you think the general economic situation in this country has changed in the last 12 months?” The respondent was shown a card that listed five categories from “Got a lot worse” to “Got a lot better.” The question was not then asked in the 2001 post-election wave. This is of little consequence for our analysis, which requires a measure of post-election economic *expectations*.

In the US, things are similar. A retrospective national economic question is asked in each pre-election survey but not in each post-election survey.<sup>12</sup> The question wording does differ, however. In 1992, respondents were asked: “Compared to four years ago, would you say that the nation’s economy is better, worse, or about the same?” Respondents were not asked about degree, i.e., “a lot better” or “a little better.” The questions used in the 1996 and 2000 surveys were more different still, but also more like what was used in the UK. In 1996, respondents were asked: “Now, thinking about the economy in the country as a whole, would you say that over the past year the economy has gotten better, worse, or stayed about the same?” In both years, follow-up questions probed the degree of better and worse.

The practice with expectations is largely parallel. In the 1997 survey in the UK, respondents were asked: “Looking forward to the year ahead, do you think Britain’s economy

---

<sup>12</sup> It is asked in both waves only in 1996.

will get stronger, weaker, or stay about the same?” They then were asked about “a little” or “a lot.” The same question was asked in the 1997 post-election survey. As with retrospections, the question was changed a bit for 2001. Respondents were asked: “How do you think the general economic situation in this country will develop in the next 12 months?” and then shown a card that listed five categories from “Got a lot worse” to “Got a lot better.” Importantly, the prospective question was asked in both the 2001 pre-election and post-election waves.

-- Table 2 about here --

In the US, things are a bit different. An expectations question is asked in each pre-election survey but in the post-election survey only in 1992. The question in 1992 uses the prior retrospective question as a reference point and asks: “What about the next 12 months? Do you expect the nation’s economy to get better, get worse, or stay the same?”<sup>13</sup> As with retrospections, respondents were not asked about degree, i.e., “a lot better” or “a little better.” The exact same question was used in the post-election wave. The question used in the 1996 and 2000 pre-election surveys was quite similar to what was used in 1992. In 1996, after the retrospective item made reference to “the economy in the country as a whole,” respondents were asked: “How about the next 12 months? Do you expect the economy to get better, get worse, or stay about the same?” In 2000, respondents were asked: “What about the next 12 months? Do you expect the economy, in the country as a whole, to get better ...” In both years, follow-up questions probed the degree of better and worse. Most importantly, the item was not asked in either the 1996 or 2000 post-election survey, which clearly limits our analysis. (Given its post-election context, the missing case of 2000 is especially disappointing.) The pre-

---

<sup>13</sup> Notice that this differs from the retrospective item in 1992, which asks respondents to draw a comparison to four years earlier.



election data in those two years nevertheless do allow us to glean important information, as we will see.

Even where we have complete data, the questions differ somewhat, which may complicate comparisons across countries and years. Identical question wording before and after elections in particular years does make this type of comparison more straightforward, however. Even across elections the questions are quite similar for both retrospections and expectations: Respondents always are asked about economic change and usually—except for US retrospective perceptions in 1992—during the previous or upcoming year. Using the different measures, we create five-point variables where the value 1 indicates “a lot worse” and 5 indicates “a lot better” except in the US in 1992, when we do not have five categories of data. Recall that respondents were not asked to differentiate the degree of “better” and “worse.” For that year, we create three-point variables where the value 1.5 indicates “worse,” 3 “about the same,” and 4.5 “better.” This coding makes mean economic perceptions more comparable across elections.<sup>14</sup>

### **Partisan Preference**

Of fundamental importance to our analysis is political preference. We want to know which party or candidate an individual wants to see win. The measures of partisan preference are fairly straightforward, and rely on questions that ask how the respondents will vote in the upcoming election. The wording differs a bit across countries and also elections, but is strikingly similar with the exception of the pre-election wave for the UK in 1997, which was conducted 6-8 months in advance (see the discussion above). The question used in that year is very much like the standard “trial heat” items used to gauge electoral preferences over the

---

<sup>14</sup> Using a 1-3-5 coding scheme would only expand the variance and, typically, shift the mean away from 3.0.

election cycle: “If there was a general election tomorrow, which political party do you think you would be most likely to support?” In the 2001 pre-election wave, which was conducted over the 30 days leading up to the election, respondents were asked: “Which party do you think you are most likely to vote for?” In neither year were respondents asked about the intensity of their support, that is, whether support is “strong” or “weak.”

In the US, the pre-election waves all were conducted over the 63 days preceding Election Day and the question wording is the same in each year. Respondents were asked: “Who do you think you will vote for in the election for president?” After answering, they then were asked: “Would you say your preference is strong or not strong?” Thus, we have ordinal measures of preferences for president in the US, and these are used at certain points in the analysis that follows. For the most part, however, the analyses rely on standard dichotomous measures of party and candidate preference, e.g., the Labour Preferred variable takes the value “1” for those who say they will vote for the Labour Party and “0” otherwise.

### **Electoral Prospects**

Also fundamental to our analysis are subjective electoral prospects. We need measures of these assessments and, fortunately, we have these for each of the pre-election waves in the five years. There are only slight differences in question wording. For 1997 in the UK, respondents were asked: “Which party do you think will form the government after the next general election?” In 2001, they were asked: “Which party do you think is most likely to win in the country as a whole?” In neither year were respondents asked about the likely size of the expected victory. In the US, the question is the same in each pre-election survey: “Who do you think will be elected president in November?” In each year, respondents also were asked: “Do

you think the presidential race will be close or will [name given] win by a lot?”<sup>15</sup> Like for preferences, then, we have ordinal measures of electoral prospects in the US, which are used to probe certain analyses. We still rely mostly on standard dichotomous measures.

## **An Analysis of Economic Expectations**

### **Partisan Preferences and Economic Expectations**

As we have discussed, a good amount of literature shows that economic perceptions reflect political preferences. Supporters of the incumbent party tend to be much more satisfied than opponents of the incumbent party about both the economic past and future. The pattern also is clear in our data (see Appendix A). More interesting for our purposes are responses to a question from the BES that specifically asks people about the conditionality of their economic expectations, that is, assuming different electoral outcomes. In the spring, 1996 wave of the 1992-1997 panel, respondents were asked: “Supposing the Conservative Party won the next general election. Do you think that Britain’s economy would get stronger, get weaker, or stay about the same?” Respondents who replied with “stronger” or “weaker” were asked: “By a lot or a little.” The same questions were asked about the Labour Party. The results are displayed in Table 3.

-- Table 3 about here --

In Table 3, the rows indicate expectations if the Tories were to win and the columns expectations if Labour were to win. If political preferences played no role whatsoever, the expectations would be positively related, and responses would fall along the downward-sloping line from the upper left-hand corner to the lower-right. That is, respondents who thought the economy would be a “lot better” under the Tories would have thought that the economy would

---

<sup>15</sup> Where a respondent does not indicate a likely winner, a candidate’s name is replaced by “one candidate.”

be a “lot better” under Labour too. Likewise, those who thought the economy would be a “lot worse” under the Tories would think the same were Labour to win. We observe a very different pattern. Indeed, the upper left-hand and lower right-hand corners of the table are sparsely populated. The data are clustered instead along the orthogonal axis, sloping upward from the lower left-hand corner to the upper-right. This tells us that political preference matters a lot. Those who think things will be better (worse) under Labour tend to think things would be worse (better) under the Tories. Whether the result of basic perceptual psychologies or cognitive ones, the pattern is real and telling. Now let us see what structures electoral prospects themselves.

### **Partisan Preferences and Electoral Prospects**

A good amount of research shows that subjective estimates of electoral prospects reflect political preferences (Granberg and Brent, 1983; Granberg and Holmberg, 1986; Granberg and Brown, 1989; Johnston, Brady, Blais, and Crete, 1992; Dolan and Holbrook, 2001). Supporters of a particular party are more likely than opponents of the party to think that the party is going to win. This tendency presumably has psychological roots and reflects the degree to which people care, following Festinger (1957).<sup>16</sup> However, we also have learned that electoral prospects have cognitive roots and partly reflect electoral realities (see, e.g., Lewis-Beck and Skalaban, 1989; Johnston, Brady, Blais, and Crete, 1992; also see Bartels, 1988). The more lopsided an election, the smaller the difference in subjective electoral prospects. At some point reality at least partly overwhelms the expression of our hopes and cares. Both of these tendencies are evident in our data. This is clear in Table 4, which shows the results of logistic regression analyses for each election year.

---

<sup>16</sup> See Abelson (1968) for a dated but still very useful review of this perspective.

-- Table 4 about here --

The dependent variable in the Table is dichotomous subjective electoral prospects, where an expected incumbent party win equals 1. The independent variables include three dichotomous preference variables, which capture support for the incumbent party, the second major party, and the third party candidates, respectively. The crucial independent variable is a linear trend variable that taps the date on which a respondent was surveyed. This follows Lewis-Beck and Skalaban (1989). Recall that in each of the three US elections respondents were interviewed over the 63 days leading up to Election Day. In the UK, the practice differed somewhat. As noted earlier, our pre-election wave for 1997 actually was conducted in the autumn of 1996, some 6-8 months in advance of the election. The date of interview during this period does not offer insight into learning as the election cycle draws to a close, and so we do not use the data. In 2001, however, respondents were interviewed over the last 30 days before Election Day. The variable used in the analysis measures the number of days before Election Day. It is included in the analyses to capture the possible learning that might occur as the campaign unfolds.

-- Figure 1 about here --

The results in Table 4 are as we would expect. There is clear evidence of partisan differences throughout. Supporters of the incumbent party are consistently more likely than opponents of the party to expect the incumbent party to win. The number of days before the election also matters, however. The coefficients all easily exceed conventional levels of statistical significance and their signs are exactly as we should expect. That is, they are positive in years when the incumbent party won (1996 in the US, 2001 in the UK) and negative in years when the incumbent party lost (1992 and 2000 in the US). This tells us that electoral

prospects increasingly reflected the ultimate outcome in each year. The pattern is clear in Figure 1, which plots the predicted probabilities for the three main partisan groups in each of the election years. Here we can see that, while prospects are powerfully driven by political preferences, people clearly learn as the campaign unfolds. Indeed, much of the learning occurs well before Election Day, and is in place before our surveys were in the field. The public largely knew early on that Clinton would easily win reelection in 1996 and the Blair and Labour would repeat in 2001. They were much more divided about the 2000 presidential election, even until the very end. Subjective electoral prospects tell us a lot about electoral realities. Let us see what they tell us about economic expectations.

### **‘Testing’ the Models**

We know that party support matters quite a lot for economic expectations: People who support the current government are more optimistic about the future economy. What we want to know now is: Does the future control of government also matter? Specifically, do individuals’ subjective estimates of electoral prospects structure their expectations about the future economy? There is some suggestion that economic expectations are conditional. It also is clear that electoral prospects are themselves endogenous to political preferences. Are the patterns we observe the simple result of this compounding of preferences? Or is there real evidence of conditionality?

For this analysis, we estimate statistical models of individual-level expectations and explicitly test the order of coefficients, following Table 1. There we outlined three competing models, one where expectations only reflect current government control, another where expectations only reflect future party control, and yet another where both current and future control matter. If only current party control matters, those who prefer the sitting government

would be more optimistic than others about the economic future, regardless of electoral prospects. If only future control matters, we would observe that those who think their preferred party will win the upcoming election are more optimistic than those who think their preferred party will lose, regardless of current party control. If both current and future control matter, those who prefer the incumbent party and expect it to win would be the most optimistic about the future and those who do not prefer the incumbent party but expect the party to win would be the most pessimistic. In the other two categories, expectations should be middling and their exact order would depend on the relative impact of current and future party control.<sup>17</sup>

Our dependent variable is the five-point measure of pre-election economic expectations. Our independent variables capture different combinations of electoral preferences and prospects: (1) incumbent party victory expected and preferred; (2) incumbent party victory preferred and not expected; (3) 2<sup>nd</sup> party victory preferred and expected; and (4) 2<sup>nd</sup> party victory preferred and not expected. For third parties, it is not possible to estimate the interdependent effects of preferences and prospects, as the numbers of supporters expecting their party to win is just too small in each of the five election years. We do include a measure of third-party preference, however. The basic model is estimated using ordered logit.<sup>18</sup> The results of estimating the basic models of pre-election expectations for each of the five years are

---

<sup>17</sup> It also may be that expectations reflect combinations of electoral preferences and prospects, but that these combinations merely indicate different degrees of preference for the sitting government. The possibility effectively extends the “current party” model (see Table 1), building on the empirical analysis of electoral prospects, in which political preferences were shown to play a powerful role. According to this possibility, electoral prospects indicate intensity of expressed political preferences. Thus, while those who prefer the sitting government are expected to be optimistic about the future economy, those who also think the incumbent party will win should be most optimistic of all. Likewise, those who do not prefer the sitting government would be pessimistic, and those who think it will lose would be most pessimistic of all. The ordering for this model is straightforward and distinct from the three described in Table 1—the implied ordering using the categories in the Table, from top to bottom are: high, low-middle, high-middle, and low. There is little empirical support for this possibility, however, as we will see.

<sup>18</sup> We are not entirely convinced of its appropriateness in this case, as we think that underlying economic expectations are continuous. In any event, the results are substantively the same using ordinary least squares.

shown in Table 5a. Results of analysis including pre-election retrospections and various demographic variables are essentially the same.<sup>19</sup>

-- Tables 5 about here --

Focus to begin with on the results for the 1992 presidential election in the first column of Table 5a. We observe two clear patterns. First, party support matters. The coefficients for people who support the incumbent party are positive. The coefficients for people who oppose the incumbent party are significantly smaller than those for incumbent party supporters. This is consistent with what previous research has shown. Second, electoral prospects also matter. That is, the coefficients among both incumbent party supporters and incumbent party opponents differ according to subjective forecasts of the outcome. Among supporters, those who think the incumbent party will win are significantly ( $p < .05$ ) more optimistic about the future economy than those who think the incumbent party will lose. The same is true for opponents.<sup>20</sup> This is strong evidence of conditionality. The four coefficients can be clearly ordered, as shown in the first column of Table 5b. The order is exactly as we would predict if economic expectations reflect both current and future party control, and where current control is more dominant.

Much the same is true in the other years. This can be seen in the 2<sup>nd</sup>-5<sup>th</sup> columns of Table 5b. The order of the coefficients is as we would predict for the party-conditional model in each year but for 1997 in the UK. In that year, economic expectations are not conditional. That is, current party control matters and future control does not, at least not reliably. The pattern is exactly what we should expect given the timing of the pre-election survey, 6-8 months before the election, as noted earlier. There are at least two reasons: (1) that far in

---

<sup>19</sup> These are available upon request.

<sup>20</sup> The corresponding  $p$ -value equals .099.



advance, voters have comparatively limited information about the likely electoral future, and so prospects may be a simple function of preferences; and (2) even to the extent people do have good information, who controls government 6-8 months in the future can have only limited consequence for economic activity during the next year. (Recall that the measure of expectations taps perceptions of the next 12 months.)<sup>21</sup> Regardless of the details in this particular year, pre-election economic expectations clearly are conditional in four of the five elections analyzed here. In these years, expectations among incumbent party supporters and incumbent party opponents *always differ significantly* in accordance with their subjective forecasts of the election outcome. To be absolutely clear, the pattern holds in all seven cases where the comparison is possible (all but for incumbent party supports in the 1996 Presidential election). This is evident in Table 5b, which indicates both the ranking of coefficients and their relative significance.

-- Tables 6 about here --

Now let us consider post-election expectations. They can tell us something about what structures economic expectations when there is little uncertainty about future government control. This provides a useful basis for comparison with what we observe prior to elections, where there is uncertainty about the political future. Table 6a reports the results of estimating the model of post-election expectations in the three election years.<sup>22</sup> Table 6b describes the ordinal ranking of coefficients. Here we can see that party control dominates post-election expectations. In each year, those who preferred the winning party were more optimistic about the economic future than those who preferred the losing party. The pairs of coefficients for incumbent party supporters and incumbent party opponents are not significantly different in

---

<sup>21</sup> There are other possible explanations (see Clarke, Sanders, Stewart and Whiteley, 2004).

<sup>22</sup> Results of analyses including pre-election expectations and various demographic variables are substantially the same and are available on request.

five of six cases.<sup>23</sup> Pre-election uncertainty simply does not matter after the election. This is exactly as we expect. The pattern implies that the conditionality of economic expectations prior to elections is not spurious or the mere artifact of some other variable that is present both before and after the elections.

Notice also that the post-election orderings differ fundamentally to what we observe prior to the elections in the US in 1992 and the UK in 1997, where the incumbent governments were defeated. Comparing Tables 5b and 6b, we can see that the order of coefficients quite literally flipped in each of these years. (Also see Appendix A.) This is indisputable evidence that economic expectations are endogenous to politics and not the other way around. While people's pre-election preferences, by definition, remained unchanged, their economic expectations were changed and brought perfectly in line with preferences for the new government. The pattern of results fits perfectly with our conjecture: Prior to elections, where there is uncertainty about the electoral future, economic expectations reflect both current and likely future party control; after elections, where there is little electoral uncertainty, economic expectations only reflect current control.

### **Discussion and Conclusion**

Much research addresses the rationality of economic expectations.<sup>24</sup> Do they reflect information about the future? What kinds of information are important? How does politics figure in? While these are big questions, the goal of our research here has been comparatively modest: To assess the effects of political uncertainty relating specifically to upcoming

---

<sup>23</sup> The one exception is for those who did not prefer the incumbent party in the 1992 US election. Those who prior to the election thought the incumbent party would lose were significantly more optimistic about the economy after the election than those who thought the incumbent party would win.

<sup>24</sup> Especially see Krause (2000). Also see Alesina, Roubini, and Cohen (1997).

elections. Do people see the electoral future as it unfolds before them? Do people use what they see?

The results of our exploration indicate that they do. Although electoral forecasts are not perfect—there is evidence of strong partisan bias—it is clear that people learn about the election outcome as the election cycle evolves. Indeed, it appears that the bulk of this learning is complete even before the general election campaign begins, i.e., approximately two months before Election Day in the US and one month before in the UK. The information people acquire also appears to condition economic expectations. That is, individuals' forecasts of future government control matter. Current control matters even more, and this may be quite rational. There is reason to suppose, after all, that the economy over the next 12 months is *most* dictated by who controls the government at the moment, not who will be elected in a month or two and take office sometime thereafter. The balance of influence on expectations over the next five years, for instance, may be very different indeed. The pattern of results is not easily explained by “psychological” mechanisms, such as Campbell, et al.’s (1960) perceptual screen or Festinger’s (1957) cognitive consistency. The pattern strongly thus suggests that the partisan “contamination” of economic expectations has a meaningful cognitive component: People appear to think that party control has real effects on economic policy *and* performance. This is of obvious importance.

The findings have other implications. We already knew that the endogeneity of economic perceptions to political preferences makes it almost impossible to disentangle causality in cross-sectional analyses relating the two. The evident endogeneity of economic expectations to preferences and expected election outcomes themselves not only underscores this point, it serves to complicate aggregate time-serial analyses as well. That is, expectations

anticipate and thus are effectively caused by outcomes, not the cause of these outcomes per se. Note that *this does not help explain the connection between expectations and political judgments leading up to elections*, as the former would tend to increase whether we are re-electing the incumbent government or giving it the boot. However, it may help explain Suzuki's (1992) finding of an electoral cycle in expectations, as we have argued.<sup>25</sup> As the election approaches and the ultimate outcome becomes clear, the majority becomes increasingly more optimistic about the economic future. Of course, this expectation will apply only in majoritarian systems where there actually are majorities, e.g., it would not seem to include the US in 1992 or 2000 or the UK in most years, where parties almost always win with only pluralities.<sup>26</sup>

Even where there are majorities, the amplitude of the cycle should depend on the size of the victory, though not necessarily in straightforward ways. Larger majorities should predict strong cycles when the majority forms against the incumbent. As it becomes clear that the incumbent will get the boot, a previously very pessimistic public will become more optimistic on balance. Large majorities should matter less consistently when the majority forms in favour of the incumbent. We are quite likely to observe a cycle when a majority emerges late and/or grows leading up to Election Day. Here, an increasingly supportive and certain electorate becomes more and more optimistic on balance. When a large majority in support of the incumbent is in place early, however, we should observe relatively little growth in economic expectations leading up to Election Day. That is, expectations would be optimistic to begin with and remain so until the foregone reelection landslide occurs. The research thus not only

---

<sup>25</sup> It also may help explain the disjuncture between the objective and subjective economies.

<sup>26</sup> This is exactly what we observe. In the US in 2000, economic expectations actually declined after the election, when the winner did not receive even a plurality of the votes.

accounts for the extant evidence of cycles in economic expectations, it predicts differences across electoral contexts. These differences, of course, can be assessed directly.

The general model does not apply only to elections. That is, it generalizes across all knowable sources of uncertainty about future government control. As noted at the very beginning of the paper, there always is some possibility that the current leadership will lose control at any particular point in time  $t+1$ . It is a structural feature of most parliamentary democracies, where governments actually may be tossed out of power at any point in time. It is less structural, though still possible, in other systems. The point is that voters may take this uncertainty into account. This may be particularly true when there is a nontrivial possibility of losing control, owing to a vote of no confidence, scandal, or even strategic election timing itself (Smith, 2003). The possibilities can be directly tested.

The implications of the research may run deeper still. It may be, after all, that the objective economy itself is endogenous to preferences and elections. To the extent expectations structure behaviour, the electoral cycle in economic expectations may have real economic consequences (Matusaka and Sbordone, 1995). Disentangling such an effect requires a lot more work, of course. For now, we can conclude that the effects of politics are only on the perceptual. These effects, as have seen, are very real.

## Appendix

**Table A1a. Pre-Election Preferences and Economic Perceptions, NES 1992**

	<i>Electoral Preference</i>			Overall
	Bush	Clinton	Perot	
<i>Pre-Election</i>				
Mean economic retrospection (1.5=worse; 4.5=better)	2.06	1.69	1.74	1.84
Mean economic expectation (1.5=worse; 4.5=better)	3.45	3.16	3.17	3.19
<i>Post-Election</i>				
Mean economic expectation (1.5=worse; 4.5=better)	3.24	3.67	3.51	3.42

**Table A1b. Pre-Election Preferences and Economic Perceptions, NES 1996**

	<i>Electoral Preference</i>			Overall
	Clinton	Dole	Perot	
<i>Pre-Election</i>				
Mean economic retrospection (1=much worse; 5=much better)	3.47	2.96	2.90	3.25
Mean economic expectation (1=much worse; 5=much better)	3.32	2.92	2.95	3.13

**Table A1c. Pre-Election Preferences and Economic Perceptions, NES 2000**

	<i>Electoral Preference</i>			Overall
	Gore	Bush	Nader	
<i>Pre-Election</i>				
Mean economic retrospection (1=much worse; 5=much better)	3.60	2.97	3.22	3.23
Mean economic expectation (1=much worse; 5=much better)	3.20	2.98	2.85	3.05

**Table A1d. Pre-Election Preferences and Economic Perceptions, BES 1997**

	<i>Electoral Preference</i>			Overall
	Conservative	Labour	Lib Dem	
<i>Pre-Election</i>				
Mean economic retrospection (1=much worse; 5=much better)	3.70	2.78	3.12	3.12
Mean economic expectation (1=much worse; 5=much better)	3.64	3.01	3.14	3.19
<i>Post-Election</i>				
Mean economic expectation (1=much worse; 5=much better)	3.07	3.63	3.37	3.42

**Table A1e. Pre-Election Preferences and Economic Perceptions, BES 2001**

	<i>Electoral Preference</i>			Overall
	Labour	Conservative	Lib Dem	
<i>Pre-Election</i>				
Mean economic retrospection (1=much worse; 5=much better)	3.74	2.68	3.13	3.28
Mean economic expectation (1=much worse; 5=much better)	3.65	2.67	2.92	3.22
<i>Post-Election</i>				
Mean economic expectation (1=much worse; 5=much better)	3.65	2.52	3.04	3.20

## References

- Abelson, Robert P. (1968). *Theories of cognitive consistency: A sourcebook*. Chicago: Rand McNally.
- Alesina, Alberto and Howard Rosenthal. (1995). *Partisan politics, divided government, and the American economy*. Cambridge: MIT Press.
- Alesina, Alberto, Nouriel Roubini, and Gerald D. Cohen. (1997). *Political Cycles and the Macroeconomy*. Cambridge: MIT Press.
- Alt, James. (1979). *The Politics of Decline: Economic Management and Political Behaviour in Britain since 1964*. Cambridge: Cambridge University Press.
- Alt, James and K. Alec Chrystal. 1983. *Political Economics*. Berkeley: University of California Press.
- Anderson, Christopher and Christine A. Guillory. 1997. "Political Institutions and Satisfaction with Democracy: A Cross-National Analysis of Consensus and Majoritarian Systems." *American Political Science Review* 91:66-81.
- Anderson, Christopher, Silvia Mendes, and Yuliya Tverdova. 2004. Endogenous economic voting: Evidence from the 1997 British Election. *Electoral Studies* 23:683-708.
- Bartels, Larry M. (1988). *Presidential Primaries and the Dynamics of Public Choice*. Princeton: Princeton University Press.
- Bernhard, William and David LeBlang. (2002). Democratic processes, political risk and foreign exchange markets. *American Journal of Political Science* 46: 316-333.
- Brody, Richard (1991). *Assessing the President: The Media, Elite Opinion, and Public Support*. Stanford: Stanford University Press.
- Campbell, James E. (2000). *The American Campaign: U.S. Presidential Campaigns and the National Vote*. College Station: Texas A&M University Press.
- Campbell, James E. and James C. Garand (eds.). (2002) *Before the Vote: Forecasting American National Elections*. Thousand Oaks, Calif.: Sage Publications



- Campbell, Angus, Philip E. Converse, Warren E. Miller, and Donald E. Stokes (1960). *The American Voter*. New York: Wiley.
- Chappell, Henry and William R. Keech. (1991). Explaining aggregate evaluations of economic performance. In *Economics and Politics: The Calculus of Support*, eds., Helmut Norpoth, Michael Lewis-Beck, and Jean Dominique Lafay. Ann Arbor: University of Michigan Press.
- Clarke, Harold and Marianne Stewart. (1994). Prospections, retrospections, and rationality: The 'bankers' model of presidential approval reconsidered. *American Journal of Political Science* 1104-1123.
- Clarke, Harold, David Sanders, Marianne Stewart, and Paul Whiteley. 2004. *Political Choice in Britain*. Oxford: Oxford University Press.
- Clarke, Harold, Marianne Stewart, and Gary Zuk. (1986). Politics, economics, and party popularity in Britain, 1979-83. *Electoral Studies* 5:123-42.
- Conover, Pamela, Stanley Feldman, and Kathleen Knight (1987). The personal and political underpinnings of economic forecasts. *American Journal of Political Science* 31: 559-83.
- DeBoef, Suzanna and Paul Kellstedt. (2004). The Political (and Economic) Origins of Consumer Confidence. *American Journal of Political Science* 48:933-649.
- Dolan, Kathleen and Thomas Holbrook. (2001). Knowing versus caring: the role of affect and cognition in political perceptions. *Political Psychology* 22:27-44.
- Down, Anthony (1957). *An Economic Theory of Democracy*. New York: Harper.
- Duch, Raymond M., Harvey D. Palmer, and Christopher J. Anderson. (2000). Heterogeneity in perceptions of national economic conditions. *American Journal of Political Science* 44: 635-52.
- Erikson, Robert S. (1982). The 'uncorrelated errors' approach to the problem of causal feedback. *Journal of Politics* 44:863-881.
- Erikson, Robert S, Michael MacKuen, and James Stimson. (2002). *The MacroPolity*. Cambridge: Cambridge University Press.

- Evans, Geoffrey. (1999). Economic and politics revisited: Explaining the decline in Conservative support, 1992-95. *Political Studies* 47:139-51.
- Evans, Geoffrey and Robert Andersen. N.d. Endogenizing the economy: Political preferences and economic perceptions across the electoral cycle. *Journal of Politics*, forthcoming.
- Festinger, L. (1957). *A Theory of Cognitive Dissonance*. Stanford, CA: Stanford University Press.
- Fiorina, Morris P. (1978). Economic retrospective voting in American national elections: A micro-analysis. *American Journal of Political Science* 22:426-443.
- Franzese, Robert J. (2002). Electoral and partisan cycles in economic policies and outcomes. *Annual Review of Political Science* 5:369-421.
- Granberg, D. and E. Brent. (1983). When prophecy bends: The preference-expectation link in US presidential elections. *Journal of Personality and Social Psychology* 45: 477-491.
- Granberg, D. and T.A. Brown. (1989). On affect and cognition in politics. *Social Psychology Quarterly* 3: 171-182.
- Granberg, D. and S. Holmberg. (1986). Preference, expectations, and voting behavior in Sweden's referendum on nuclear power. *Social Science Quarterly* 66: 379-392.
- Haller, H. Brandon, and Helmut Norpoth. (1997). Let the good times roll: The economic expectations of US voters. *American Journal of Political Science* 38:625-650.
- Hibbs, Douglas A. (1987). *The American Political Economy*. Cambridge, Mass.: Harvard University Press.
- Irwin, G.A. and J.J.M. Holsteyn. (2002). The influence of opinion polls on expectations. *Public Opinion Quarterly* 66:92-104.
- Johnston, Richard, Henry Brady, Andre Blais, and Jean Crete. (1992). *Letting the People Decide: Dynamics of a Canadian Election*. Stanford: Stanford University Press.
- Katona, George. (1972). Theory of expectations. In *Human Behavior and Economic Affairs*, ed. Burkhard Strumpel, James N. Morgan, and Ernest Zahn. San Francisco: Jossey-Bass.

- Kiewiet, D. Roderick. (1983.) *Macroeconomics and Micropolitics: The Electoral Effects of Economic Issues*. Chicago: University of Chicago Press.
- Kinder, Donald R., and D. Roderick Kiewiet (1979). Economic discontent and political behavior: The role of personal grievances and collective economic judgments in Congressional voting. *American Journal of Political Science* 23:495-527.
- Kinder, Donald R., and D. Roderick Kiewiet (1981). Sociotropic politics. *British Journal of Political Science* 11:129-161.
- Kramer, Gerald H. (1983). The ecological fallacy revisited: Aggregate- versus individual-level findings on economics and elections, and sociotropic voting. *American Political Science Review* 77:92-111.
- Krause, George. (2000). Testing for the strong form of rational expectations with heterogeneously informed agents. *Political Analysis* 8: 285-305.
- Kuklinski, James J. and Darrell M. West. (1981). Economic expectations and voting behavior in United States Senate and House elections. *American Political Science Review* 75:436-447.
- Lazersfeld, P., Berelson, and Gaudet. (1944). *The People's Choice*. New York: Columbia University Press.
- Leblang, David, and Bumba Mukherjee. 2004. Presidential elections and the stock market: Comparing Markov-Switching and (FIE) GARCH models of volatility. *Political Analysis* 12:296-322.
- Leblang, David, and Bumba Mukherjee. (2003). Elections, partisan politics, and stock market performance: Theory and evidence from a century of American and British returns. Unpublished manuscript.
- Lebo, Matthew and Sean Carey. (2003). Election cycles and the retrospective voter. Paper presented at the annual meeting of the American Political Science Association, Philadelphia, August 28-31.
- Lemert, P. (1986). Picking the winners: Politician vs. voter predictions of two controversial ballot measures. *Public Opinion Quarterly* 50:208-22.
- Lewis-Beck, Michael S. (1988). *Economics and Elections*. Ann Arbor: University of Michigan Press.

- Lewis-Beck, Michael S. and Andrew Skalaban. (1989). Citizen forecasting: Can voters see into the future? *British Journal of Political Science* 19:146-153.
- Lewis-Beck, Michael S. and Mary Stegmaier. (2000). Economic determinants of election outcomes. *Annual Review of Political Science* 3:183-219.
- Lockerbie, Bradley. 1992. Prospective voting in presidential elections, 1956-1988. *American Politics Quarterly* 20:308-325.
- Lucas, Robert E. (1987). *Models of Business Cycles*. Oxford: Basil Blackwell.
- Mackuen, Michael B., Robert S. Erikson, and James A. Stimson (1992). Peasants or bankers? The American electorate and the U.S. economy. *American Political Science Review* 86:597-611.
- Markus, Gregory (1988). The impact of personal and national economic conditions on candidate evaluation: A pooled analysis. *American Journal of Political Science* 32:137-54.
- Matusaka, John and Argia M. Sbordone. (1995). Consumer confidence and economic fluctuations. *Economic Inquiry* 33:383-401.
- Muth, John F. (1961). Rational expectations and the theory of price movements. *Econometrica* 29:315-335.
- Nordhaus, William D. (1975). The political business cycle. *The Review of Economic Studies* 42:169-190.
- Norpoth, Helmut. (1996). Presidents and the prospective voter. *Journal of Politics* 58:776-792.
- Norpoth, Helmut. (1985). Politics, economics, and the cycle of presidential popularity. In *Economics and Election Outcomes*, ed., Heinz Eulau and Michael Lewis-Beck. New York: Agathon.
- Norris, Pippa. (1997). *Electoral change in Britain since 1945*. Cambridge, Mass: Blackwell Publishers.
- Pattie, Charles, Ron Johnston, and David Sanders. (1999). On babies and bathwater: A comment on Evans' 'Economics and politics revisited'. *Political Studies* 47: 918-932.
- Roberts, Brian E. (1990). Political institutions, policy expectations, and the 1980 election: A financial market perspective. *American Journal of Political Science* 34: 289-310.
- Sanders, David. (2000). The real economy and the perceived economy in popularity functions: How much do voters need to know? *Electoral Studies* 19:275-294.

- Sanders, David. (1996). Economic performance, management competence, and the outcome of the next general election. *Political Studies* 44: 223.
- Sanders, David, David Marsh, and Hugh Ward. (1993). The electoral impact of press coverage of the UK economy. *British Journal of Political Science* 23: 175-210.
- Smith, Alistair. 2003. Election Timing in Majoritarian Parliamentary Systems. *British Journal of Political Science* 33: 379-418.
- Suzuki, Motoshi (1992). Political business cycles in the public's mind. *American Political Science Review* 86:989-996.
- Tufte, Edward R. (1978). *Political Control of the Economy*. Princeton: Princeton University Press.
- Wilcox, Nathaniel T. and Christopher Wlezien. (1997). "The contamination of responses to survey items: Economic perceptions and political judgments." *Political Analysis* 5:181-213.
- Wlezien, Christopher, Mark Franklin, and Daniel Twiggs. (1997). Economic perceptions and vote choice: Disentangling the endogeneity. *Political Behavior* 19: 7-17.

**Table 1. Pre-Election Preferences, Electoral Prospects, and Economic Expectations:  
Theoretical Possibilities**

	Current Party Control	Future Party Control	Both Current and Future
Incumbent Victory Preferred/Expected	High	High	High
Incumbent Victory Not Preferred/Expected	Low	Low	Low
Incumbent Victory Preferred/Not Expected	High	Low	Middling
Incumbent Victory Not Preferred/Not Expected	Low	High	Middling

Note: Cells indicate mean economic expectations, where high scores reflect optimism.

**Table 2. The Primary Data**

	<i>National Election Study</i>				
	NES 1992	NES 1996	NES 2000	BES 1997	BES 2001
<i>Economic Variables</i>					
Pre-Election					
National Retrospection	Yes <sup>a</sup>	Yes	Yes	Yes	Yes
National Prospection	Yes <sup>a</sup>	Yes	Yes	Yes	Yes
Post-Election					
National Retrospection	No	Yes	No	Yes	No
National Prospection	Yes <sup>a</sup>	No	No	Yes	Yes
<i>Political Variables</i>					
Pre-Election					
Intended Vote	Yes	Yes	Yes	Yes <sup>b</sup>	Yes <sup>b</sup>
Expected Winner	Yes	Yes	Yes	Yes <sup>b</sup>	Yes <sup>b</sup>

<sup>a</sup> Only a trichotomous variable.

<sup>b</sup> Does not measure intensity.

**Table 3. Conditional Economic Prospections, BES 1997 (Spring 1996)**

<i>If Tories win</i>	<i>If Labour Wins</i>					Total
	Lot better	Little better	No diff	Little worse	Lot worse	
Lot better	0	1	8	10	9	28
Little better	2	32	94	157	21	306
No difference	7	146	440	186	16	795
Little worse	13	166	109	36	9	333
Lot worse	34	39	23	3	4	103
Total	56	384	674	392	59	1,565

Note: Tau b = -.41



**Table 4. An Analysis of Electoral Prospects, Logit Results**

	<i>Expected Winner (Incumbent Party=1)</i>				
	NES 1992	NES 1996	NES 2000	BES 1997	BES 2001
Days Before Election	.016 (.003)	-.012 (.004)	.010 (.002)	---	-.025 (.005)
Incumbent Party Preferred	1.34 (.12)	2.80 (.32)	1.70 (.13)	1.94 (.26)	1.50 (.12)
2 <sup>nd</sup> Party Candidate Preferred	-1.18 (.13)	-.47 (.17)	-1.34 (.15)	-.91 (.30)	-.00 (.11)
3 <sup>rd</sup> Party Candidate Preferred	-.29 (.22)	.30 (.19)	.84 (.33)	.35 (.31)	.88 (.17)
Constant	-1.36 (.12)	1.81 (.20)	-.78 (.14)	-1.91 (.24)	1.75 (.12)
Observations	2485	1714	1807	1174	4810
Log Likelihood	-1275	-544	-948	-472	-1700
Probability	.000	.000	.000	.000	.000
Pseudo R-squared	.17	.18	.24	.21	.07

**Table 5a. Electoral Preferences and Prospects and Pre-Election Economic Expectations, Ordered Logit Results**

	<i>Dependent Variable: Pre-Election Prospections</i>				
	1992 NES	1996 NES	2000 NES	1997 BES	2001 BES
Incumbent Victory Preferred/Expected	1.00 (.12)	.72 (.13)	.76 (.12)	1.81 (.23)	1.20 (.08)
2 <sup>nd</sup> Party Victory Preferred/Not Expected	-.03 (.19)	-.51 (.16)	-.36 (.23)	.14 (.35)	-.83 (.09)
Incumbent Victory Preferred/Not Expected	.67 (.16)	---	.29 (.21)	1.48 (.24)	.72 (.19)
2 <sup>nd</sup> Party Victory Preferred/Expected	.28 (.10)	-.07 (.22)	.36 (.13)	-.06 (.19)	.10 (.17)
Third Party Victory Preferred	.30 (.18)	-.32 (.26)	-.29 (.32)	.35 (.23)	-.24 (.10)
Observations	2345	1683	1740	1122	4516
Log likelihood	-2370	-1768	-2034	-1217	-5986
Probability	.000	.000	.000	.000	.000
Pseudo R-squared	.02	.03	.07	.06	.06

**Table 5b. Electoral Preferences and Prospects and Economic Expectations:  
A Summary of Pre-Election Results (Ordinal Rankings of Coefficients)**

	NES 1992	NES 1996	NES 2000	BES 1997	BES 2001
Incumbent Victory Preferred/Expected	1	1	1	1 <sup>b</sup>	1
Incumbent Victory Not Preferred/Expected	4	4	4	3 <sup>c</sup>	4
Incumbent Victory Preferred/Not Expected	2	---	3 <sup>a</sup>	2 <sup>b</sup>	2
Incumbent Victory Not Preferred/Not Expected	3	3	2 <sup>a</sup>	4 <sup>c</sup>	3

<sup>a</sup> Rankings are not significantly different.

<sup>b</sup> Rankings are not significantly different.

<sup>c</sup> Rankings are not significantly different.

**Table 6a. Electoral Preferences and Prospects and Post-Election Economic Expectations, Ordered Logit Results**

	<i>Dependent Variable: Post-Election Prospections</i>		
	1992 NES	1997 BES	2001 BES
Incumbent Victory Preferred/Expected	-.07 (.13)	-.79 (.19)	1.18 (.09)
2 <sup>nd</sup> Party Victory Preferred/Not Expected	.36 (.20)	.14 (.31)	-1.12 (.11)
Incumbent Victory Preferred/Not Expected	.24 (.17)	-.99 (.20)	1.01 (.23)
2 <sup>nd</sup> Party Victory Preferred/Expected	.83 (.11)	.54 (.12)	-1.25 (.19)
Third Party Victory Preferred	.49 (.19)	-.16 (.17)	-.11 (.12)
Observations	1973	963	3293
Log likelihood	-1933	-1702	-4156
Probability	.000	.000	.000
Pseudo R-squared	.02	.03	.08

**Table 6b. Electoral Preferences and Prospects and Economic Expectations:  
A Summary of Post-Election Results (Ordinal Rankings of Coefficients)**

	NES 1992	BES 1997	BES 2001
Incumbent Victory Preferred/Expected	4 <sup>b</sup>	3 <sup>c</sup>	1 <sup>e</sup>
Incumbent Victory Not Preferred/Expected	2 <sup>a</sup>	2 <sup>d</sup>	3 <sup>f</sup>
Incumbent Victory Preferred/Not Expected	3 <sup>a b</sup>	4 <sup>c</sup>	2 <sup>e</sup>
Incumbent Victory Not Preferred/Not Expected	1	1 <sup>d</sup>	4 <sup>f</sup>

<sup>a</sup> Rankings are not significantly different.

<sup>b</sup> Rankings are not significantly different.

<sup>c</sup> Rankings are not significantly different.

<sup>d</sup> Rankings are not significantly different.

<sup>e</sup> Rankings are not significantly different.

<sup>f</sup> Rankings are not significantly different.

**Figure 1: Predicted Probabilities of Incumbent Victory during the Fall Campaign,**

