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# *Where you should not govern in times of economic crisis: Retrospective voting in established and new democracies in Europe*

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## Abstract

*Economic prosperity is the best recipe for an incumbent government to be re-elected. In certain political contexts, economic prosperity is more crucial than in others. Motivated by the persistent differences in electoral volatility of incumbent parties between established and new democracies, this paper investigates the contextual factors, which affect the vulnerability of governmental parties to bad economic performance. For this aim, we elaborate on the model of the available voter (Bartolini 1999). Two context variables moderate the degree to which voters punish governing parties for bad performance (retrospective voting): types of democratic legitimacy, and the intensity of party-voter linkages. We test our hypotheses on a new dataset on electoral volatility in 35 European countries, over 24 years. Our results show that young democracies tend to have a more performance oriented view of democracy, which makes governments more vulnerable to economic downturns. The main beneficiaries of the economic crisis in young democracies are newly founded political parties.*

## 1 Introduction[1]

Elections in new democracies in Europe regularly resemble political earthquakes (Roberts 2008; Sikk forthcoming; Tavits 2008; Kreuzer and Pettai 2012). In Western Europe, and in Southern Europe (Spain, Greece, Portugal, Malta), incumbent governing parties tend to lose around 4-5% of the votes, while in Central and Eastern Europe, the same figure amounts to 11%. In Bulgaria, no single government has ever been re-elected in subsequent elections, and it has become almost the rule that political outsiders enter elections with new parties, which immediately become the largest party. The vote share of new parties, and inter-election volatility, is more than twice as large in Central and Eastern Europe as either in Western Europe or Southern Europe. Only after the economic crisis of 2008, the three regions seem to have converged with regard to their level of volatility. Are voters in Central and Eastern Europe consistently unreliable and voting unstable?

[1] We express our gratitude to Lea Heyne and Elisa Meister for their invaluable research assistance. The project is generously supported by the Swiss National Science Foundation, through the NCCR Democracy, Democracy Barometer project (www.democracybarometer.org).

To understand the persistent differences in volatility and vote losses for the incumbent parties ("incumbent volatility") between West, South, and Central-Eastern Europe, this study amends on models of retrospective voting. In the past decades, the literature on retrospective economic voting has made its way from the United States (Fiorina 1981), over Western Europe (Lewis-Beck 1986), to Central and Eastern Europe (Mishler and Willerton 2003; Duch 2001; Roberts 2008; Lewis-Beck and Stegmaier 2008), and recently been applied to study the political consequences of the global economic crisis (Bartels 2013; Kriesi 2013). In a nutshell, it argues that governing parties are vulnerable to the economic situation, as voters tend to reward incumbent parties for strong economic performance, but defect from them in times of crises. Interestingly, systematic analyses of the differences in retrospective voting between old and new democracies have remained rare.

This paper distinguishes three different explanations of incumbent volatility between West, South, and Centre-East: firstly, they might be the consequence of genuinely volatile voters. Secondly, they might be the consequence of persistent differences in economic performance and corruption between the three regions. Or, thirdly, there might be contextual explanations, why retrospective voting is stronger in Central and Eastern Europe. We focus on contextual effects, and distinguish two different forms of retrospective voting – based on the economic performance of governments, and on corruption. Our linkage-legacy model considers two contextual factors, which moderate the two different forms of retrospective voting. The first context variable are citizen-party linkages, the second is the type of political support for democracy. In the third wave of democratisation, the democracy agenda was closely connected with the agenda of open markets and economic reforms, which has created widespread expectations that democracy is a project of economic development. This connection led to a type of performance-oriented democrats, who react much more sensitively to economic downturns, and withdraw their support from the political authorities if they do not live up to the expectations.

Empirically, we build on a new, and one of the largest datasets of volatility, covering 35 European countries over a period of 24 years. Our analysis distinguishes between the gains or losses of governing parties (incumbent volatility), opposition parties, and new political parties. Results are preliminary, as key control variables were so far only available for a limited period, reaching until 2010.[2] The large-N approach enables us to compare voters'

[2] Due to a lack of control variables, our models currently only cover the period of 1990-2010. The analysis will be extended to three more years, until 2013, once all control variables are available.

retrospective availability across different types of democracies and to differentiate between pre- and post-crisis elections.

This paper is structured as follows. The second part introduces two contextual factors, which affect the availability of voters - linkages and legitimacy . In the third part we operationalize our variables and introduce the dataset on incumbent volatility. The fourth part presents the models and discusses the empirical findings, while the fifth part concludes.

# 2 Theoretical model

For our theoretical model, we build on the concept of the available voter (Bartolini 1999), and on retrospective voting (Fiorina 1981).

Retrospective voting relies on a picture of representative democracy, where voters evaluate the different offers of political parties in elections similar to customers, who evaluate different offers on an ideal market (Mansbridge 2003; Bartolini 1999, 2000). In analogy to a customer, voters can consider advertisements about the offer, i.e. the issue positions revealed by the party manifesto, or they can judge the offer based on past experiences with the supplier, i.e. they can jude the past behaviour or the performance of a party in office.

While this is certainly a quite wide-spread type of voter, this section argues that it is a very context-specific type, which might be present much more frequently in some types of democracies than in oters. In this section, we introduce political support for democracy, or legitimacy of democracy, and party-voter linkages as two contextual factors, which might affect retrospective voting, and different sub-types of it.

## 2.1 The (non-)available voter

We start our discussion of the retrospective voting model with the *non-available voter* (figure 1). Non-available voters have a stable identification with a political party, and do not adjust it, based on new information. Hence, their vote choice will always be stable.

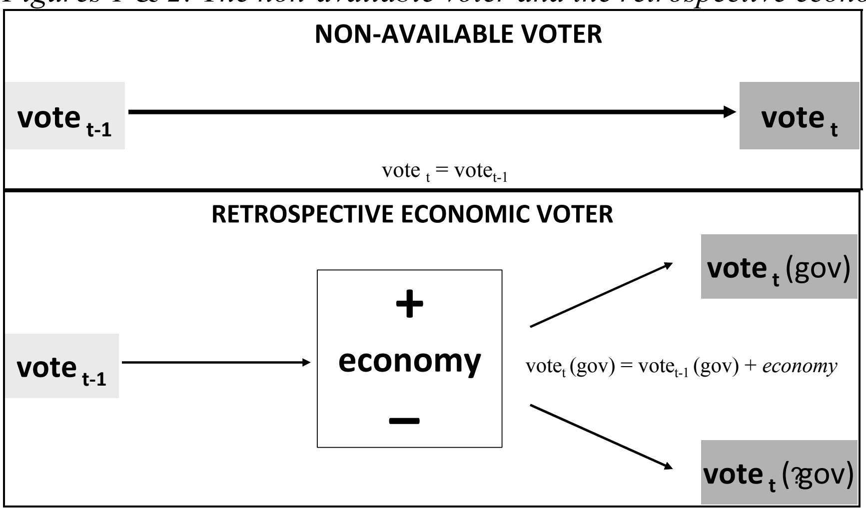
If all voters were non-available, there would not be any electoral competition, as parties would have nothing to gain. They would neither need to adjust their positions to the issue preferences of the electorate, nor would they need to perform well in office.[3]

Therefore, in the electoral market or in the responsible government model (Downs 1957), a relevant number of voters need to be *available* (Bartolini 1999). *Available voters* do

[3] In other models, e.g. in the cleavage-model, alternative mechanisms can provide for a link between voters and parties, and constrain parties to consider the preferences of their voters.

not, or only mildly, let their electoral choice be determined by their prior party identification, by ideologies, or by their group identity. Instead the available voter is "a perfect elastic consumer, who is, by definition, available to change his/her partisan preference, should a better offer be made to him/her" (Bartolini 1999, 461). To evaluate the offer, they will use different pieces of information. Either, they vote prospectively, based on the electoral promises by political parties or candidates (Mansbridge 2003, 516), or they complement this information with a (retrospective) evaluation of the performance of political parties. Retrospective information can, for instance, give them a rough idea about the possible performance of the party in a future legislative period (Fearon 1999).[4] Voters can more easily (retrospectively) evaluate the work of government incumbents than of opposition parties, because the latter were not able to implement their policies.

*Figures 1 & 2: The non-available voter and the retrospective economic voter*




To assess the retrospective performance of party, voters might consider very diverse information. The literature has mainly investigated the impact of economic performance on voting behaviour, assuming that this is a quite universal goal of politics in Western democracies, and thus focused on the retrospective *economic* voter (Lewis-Beck 1986; Fiorina 1981; Anderson 1995b).[5] When voters' personal and/or the country's economic situation prospers, they will reward the government. Previous voters of a governmental party will stick to their vote choice in the previous election, and voters of an opposition party might

[4] Mansbridge (2003) implies a type of a retrospective issue voter, who considers the policies of a government as an indication of its further orientation. While we find this model very plausible, we believe that it is hardly distinguishable from prospective issue voting, and it is probably not very relevant for aggregated effects on parties, which are addressed in this paper. Government policies, which differ from the voters' issue position, might make the coalition losing votes, but winning others.

[5] For a more complete review of this literature, see Anderson (2007), Lewis-Beck and Stegmaier (2007) and Healy and Malhotra (2013).

possibly switch to a governmental party in the next elections, in consideration of the economic success of the government. In periods of bad economic performance, by contrast, the government might lose some of its previous voters to the opposition (figures 1 & 2).

Often, voting retrospectively is easier said than done: is the national government responsible for the economic performance, or can it be attributed to a general/global trend (Duch and Stevenson 2008, 339; Bartels 2013; Hellwig and Samuels 2007)? Can in a coalition government the party, which is responsible for the performance of the economy, clearly be identified (Powell and Whitten 1993; Duch and Stevenson 2008)?Are all voters equally affected by the economy (sociotropic voters), or do they differ according to the individual consequences, which they face (pocketbook voters) (Alvarez and Nagler 1998; Duch and Stevenson 2008)? And to what extent does the perception of economic wellbeing depend on the party sympathy itself, i.e. are voters of the incumbent parties more likely to perceive that the economy is doing well (Bartels 2002; Evans and Andersen 2006)? Despite this debate about the specification of retrospective economic voting models, the findings show robustly that macroeconomic economic success is positively related to the vote gains of parties in government (Lewis-Beck and Stegmaier 2007, 527).

*H1: Strong indicators of macro-economic performance will be positively related to electoral gains of incumbent parties.*

The theory of retrospective voting universally applies to a wide range of aspects of government performance, not only to the economy. The literature has speculated much less about other forms of retrospective voting. For policy domains, where voters have antagonist goals, due to different issue preferences, the concept might be more controversial.[6] Therefore, we consider a priority, which citizens in democracy tend to support fairly unanimously: good governance, and especially the rule of transparency, and the fight against corruption (Peters and Welch 1980; Welch and Hibbing 1997). While low clientelism/corruption are not the sole aspects of a good democratic government, they are certainly the least contested aspects of it (Rothstein and Teorell 2008). Corruption addresses a wide range of ways, how political decision-makers benefit their private interests at the expense of the citizens (Keefer 2007, 808).

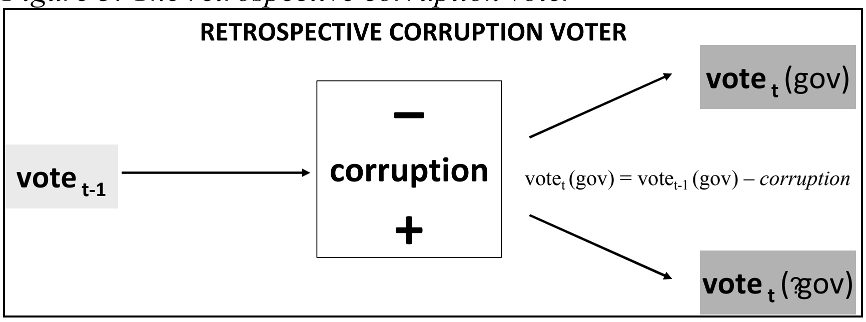
When corruption is a major issue on the national political agenda, is it also likely to become an important aspect of the electoral choice (Mishler and Willerton 2003). Certainly, government action and/or the political system are not the single explanations for the level of

[6] But see Malhotra and Kuo (2008) and Hobolt and Tilley (forthcoming) for attempts to do so.

corruption. Similar to economic performance, there are plenty other factors, which affect corruption and clientelism. Corruption and clientelism are also linked to the behaviour of actors in the private sector, and they are a legacy of long-established practices. The perception of governmental responsibility might also differ, if we distinguish between "grand corruption", which involves high governmental officials, and petty corruption by bureaucrats (Rose-Ackerman 1999, 27-38). Nevertheless, associating corruption with the political elite is not less plausible than making the government responsible for the economic performance (Anderson and Tverdova 2003). In analogy to the *retrospective economic voter*, we thus argue that the *retrospective corruption voter* rewards its government for improved standards in terms of corruption: in times of high levels of corruption, it will break away from parties in government, and in times of low corruption, it will be more likely to switch to one of the governmental parties (figure 3).

*H2: High levels of corruption will be negatively related to electoral gains of incumbent parties.*

*Figure 3: The retrospective corruption voter*




## 2.2 Retrospective voting, linkages and legitimacy

As argued above, the retrospective voting model deals with political representation as a principle-agent relation, and with elections as a political market. Retrospective *economic* voting further relies on the idea that economic performance is one of the main goals, which voters associate with democratic representation.

Even though these ideas and assumptions are very plausible, and extremely well documented with empirical evidence, they might not apply equally in every context. This paragraph tackles the basic assumptions, in order to identify two context factors, on whose presence the retrospective (economic) voting model relies. We will discuss the role of *legitimacy* and *linkages*.

*Legitimacy*

The evaluation of democratic governments is closely connected to the question about the voters' expectations of democracy.

Citizens who rely on a procedural perspective of democracy accept the political authority because they have participated in its election through free and fair elections. This view of legitimacy is based on the idea that the rules of the game are predictable and stable (Gilley 2006; Rothstein 2006). Procedural legitimacy of democracy is based on the repeated use of democratic procedures. Long-lasting experience with democratic procedures helps voters develop a long-term perspective of democracy which is based on the intrinsic value of democracy rather than its output. It develops, if citizen experience the stability and predictability of the rules and procedures in the long-run (Huang et al. 2008). In this model of democracy, citizens' support of the democratic system and its actors is rather stable, as they understand democracy as a set of rules, and not based on its performance. Legitimacy is mainly expected to be questioned if the actions of the political elite contradict the values and established procedures of the citizens.

In the performance-based model, by contrast, citizens expect that democracy will provide them with a better living standard than any other form of government. In this sense, the legitimacy of a system is evaluated based on its output rather than its input. Individuals will support a form of government (democracy) as long as they believe that it delivers better outcomes than any other form of government in terms of basic material needs or economic development (Huang et al. 2008; White 1986). If this is the main goal of the political regime, they will also evaluate the political actors, i.e. the government, according to whether they achieve this goal.

In young democracies, procedural legitimacy could not (yet) develop due to the relatively short period of time under democratic governance. But most of all, performance-based legitimacy is a product of the third wave of democratisation. Democracy in Southern Europe, Latin America and Central and Eastern Europe was built along the examples of North America and Western Europe. In the 1970s, both the United States and the European Community declared democracy as the entry ticket for free trade and common markets. Transition of democracy was closely connected with the idea of the transformation to market economy and open markets (Evans and Whitefield 1995), and with the catching up with the better life perspectives of citizens in the democracies in North America and/or in the European Community. The accession of transition states to common markets built on the connection of democracy, open markets and economic prosperity. The policy of conditionality, used by the European Union towards its new member states, made the connection between democracy and the expectation of economic prosperity explicit. Hence, citizens in third-wave democracies were encountering and experiencing democracy not solely as a political regime, but also as a political-economic system, which brings new economic opportunities and better life conditions along with the democratic regime. Democracy, market economy, and the promise of a better life are, in this regard,two sides of the same medal. As a consequence, democracy is legitimated not through its procedures, but through economic performance.

This does not mean that citizens with a procedural support for democracy will not consider economic policies at all. Both procedural and performance-democrats will expect their governments to pursue a policy, which contributes to their well-being, and often they will connect this with economic growth. In both models, they will therefore withdraw their support from governments, if they perform badly (Dalton 1999). But political systems whose legitimacy is first and foremost based on performance live with a "legitimacy straightjacket" (Gilley 2009, 58): performance-oriented citizens expect, first of all, democratic governments to provide for economic well-being (Anderson 1995a; Weatherford 1987; Weil 1989). Consequently, the support for political authorities should suffer enormously if the elites are unable to provide its citizens with the necessary goods (Mishler and Rose 1996, 572).[7]

*H3a: In countries, where citizens tend to express a performance-based view of democratic legitimacy, the economic performance will have a stronger effect on electoral gains and losses of the governing incumbents.*

*H3b: In countries, where citizens tend to express a performance-based view of democratic legitimacy, lower economic performance will have a stronger effect on radical political changes, such as the electoral success of new political parties.*

### *Linkages*

The second context factor, which affects retrospective voting, are linkages. We have argued that retrospective voting models rely on voter availability. Hence, voters should not, or only mildly, let their electoral choice be determined by their prior party identification, by ideologies, or by their group identity.

But this is not necessarily evident. We need to distinguish the effect in different party systems, based on the strength of the linkages, which parties have established in society.

[7] For a contrary hypothesis, see Duch (2001).

Party-citizen linkages can exist in different forms: in the case of social cleavages, political parties act as representatives of interests of social groups, and target public policies and state expenditures at their social constituencies (Cox and McCubbins 1986). In clientelist systems, they trade votes for *private goods*, which they deliver to their voters, or groups of citizens, whom they can identify as their likely voters (Kitschelt and Wilkinson 2007).[8]

This does not mean that in party systems with strong voter-party linkages, there is no feedback loop between government performance and election outcomes whatsoever. At the presence of strong linkages, the economy can still matter. Party-voter linkages can be based on the exchange of political support for economic benefits. If the macro-economic indicators drop, the incumbent party can also deliver less economic benefits to its constituents, and will lose their support. There might be different mechanisms at play, how the incumbent vote share is affected by the economy in linkage and non-linkage systems. Therefore, there might be a difference in the strength of the effect, but we do not have expectations about the direction and the strength of this difference.

Instead, we concentrate on retrospective *corruption* voting. Linkages certainly do not completely eliminate the evaluation of incumbent parties based on their performance. But they *alter* the form of retrospective corruption voting. High levels of corruption and clientelism convert the relationship between citizens and political authorities. Corrupt practices create hierarchical dependencies between the citizens and the political and economic elite. Access to public services or to public employment is linked to clientelistic relationships. This often involves petty bureaucratic corruption. Even though corruption and clientelism lead to inequalities, at the benefit of public officials, citizens have a strong incentive to establish links to the authorities. As a consequence, while opposition voters in corrupt political systems feel deprived of their democratic rights, and withdraw their political support from the authorities, the effect is much weaker for voters of the government incumbents (Anderson and Tverdova 2003). Voters of the incumbent party would lose substantially from switching to the opposition, as this would deprive them from their privileged links to the governing officials (Stokes 2005). [9] To the contrary, clientelist systems create incentives for voters of the opposition to switch to the governing party, in order to enter the clientelist network.In systems without such linkages, political parties do not have

[8] But see Grzymala-Busse (2007, 133-81), who critically discusses the patronage hypothesis for Central European and for Bulgaria – due to too weak ties between parties and voters.

[9] Klašnja et al. (forthcoming, 18) present contrary evidence from Slovakia. They argue that voters living in towns, which are controlled by the governing party (and thus more likely to be partisans of the governing party) are more likely to punish their government for corrupt behaviour.

any established connections to their constituencies. Corruption will materially deprive the citizens of public goods, and party loyalty is – as a lack of established linkages – no means of getting easier access to state services. We would thus expect that retrospective corruption voting mainly plays a role at the lack of linkages.

*H4: With stronger party-voter linkages, the effect of corruption on electoral gains and losses of the governing incumbents will be weaker.*

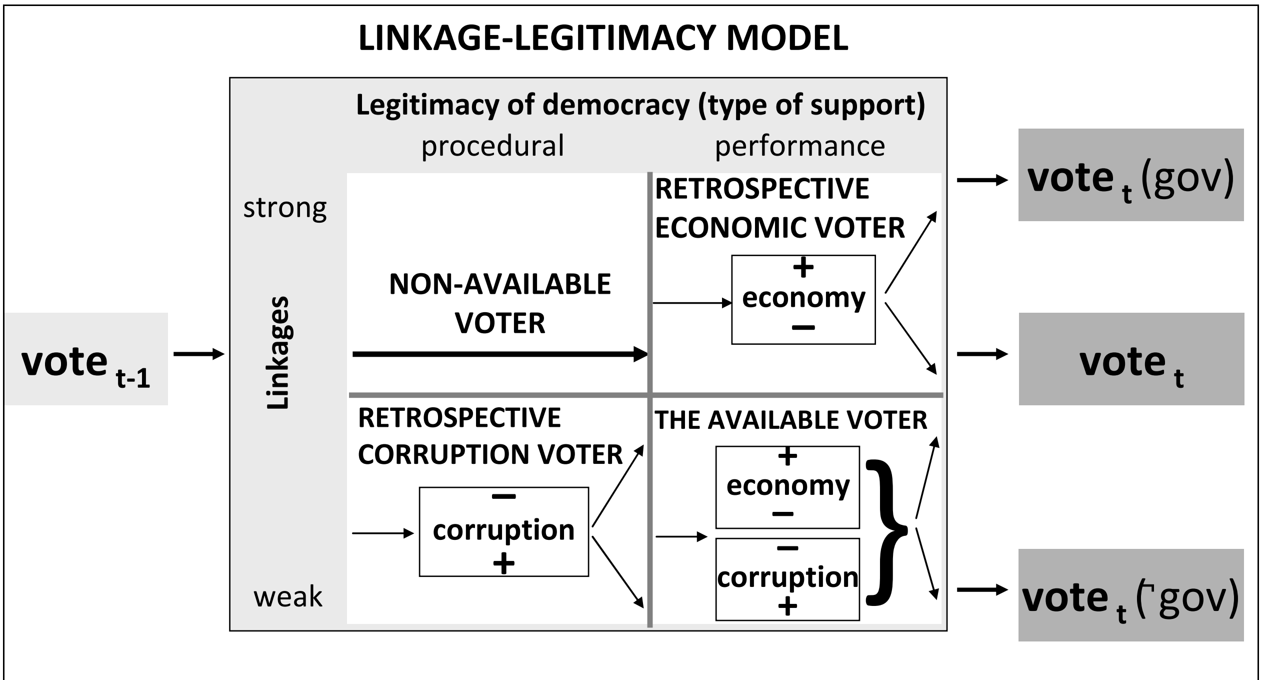
*The linkage-legitimacy model*

We postulate, thus, two forms of retrospective voting – based on the economic performance and on corruption – and two contextual factors, which moderate the strength of retrospective voting. Figure 4 offers an overview over the model and the hypotheses.

We distinguish four ideal types of democratic systems, based on the type of democratic legitimacy, and the presence of strong linkages between citizens and parties.

- In democracies with strong linkages, and a strictly procedural legitimacy of the political system (upper left side of the graph), we expect that retrospective voting is weak, on both dimensions, corruption and economy. In countries with high shares of procedural democrats, the political system and the authorities can rely on a large reservoir of trust, and this protects them from too harsh reactions of voters in times of crisis. And in linkage-based systems, voters have strong incentives to stay with the incumbent, even in the case of high levels of corruption.
- In democracies with strong linkages and performance-based legitimacy of the political system (upper right side of the graph), we expect to find retrospective economic voters. The performance-based legitimacy leads to strong changes in the public opinion in the case of economic downturns, but the strong linkages allow the incumbent to keep its support even in the presence of high levels of corruption.
- Democracies with weak linkages and a high degree of performance-based legitimacy (lower right side) are the ideal type of systems, where we would expect highly available voters. Due to the performance-based political support, the incumbents are vulnerable to economic crises, and lacking strong linkages, they are also vulnerable to the perception of corruption.
- Last but not least, there is a fourth theoretical type of democracies (lower left side), which combines procedural democrats with weak linkages. As the economic dimension of retrospective voting is weak, they lead to the model of the retrospective corruption voter.

*Figure 4: The available voter in a linkage-legitimacy model*




$$\text{vote}_t\,(\text{gov}) = \text{vote}_{t\text{-}1}\,(\text{gov}) + \textit{legitimacy} \cdot \textit{economy} + (1 - \textit{linkage}) \cdot \textit{corruption}$$

## 3 Operationalisation

The analysis is conducted at the level of elections. We distinguish the electoral swings of governmental and opposition parties. To account for the fact that the electoral gains and losses of the governmental and the opposition parties are inter-dependent, we include robust standard errors, which are clustered by countries and election years.

*Dependent variable*

The theoretical model discusses the electoral consequences of government performance. Our hypotheses explain, in which situation we would expect the governmental parties to gain, or to lose votes. Instead of focusing on party system volatility - a general measure for electoral change, we analyse the electoral gains of the government, the opposition, or new political parties. We decompose the Pedersen index (1983) into

- incumbent volatility, calculated as the cumulated vote change for all parties of the incumbent governmental coalition,
- opposition volatility as the cumulated vote change for all opposition parties, and

- new party volatility, considering only the gains of new parties. [10]

*Governmental parties* were identified by three (highly correlated) operationalisations: a) those parties, which were in government at the end of the legislative period, b) the coalition three months before the elections (in order to exclude very short technical governments), or c) those which were part of the governing coalition for more than half of the legislative period. We report results for the third measure. Government coalitions, and their duration, is calculated by using a dataset by the Wissenschaftszentrum Berlin (WZB).

*New parties* are either those parties, which did neither run in previous elections, nor are they the result of a party split or merger. Different from Sikk (2005), we also defined all political parties with small vote shares in previous elections[11] as new parties. We chose this possibly surprising definition, because we are convinced that there are very few differences between parties, which are newly founded (e.g. GERB in Bulgaria), and previously existing, small and political irrelevant parties, which suddenly gain importance under a new leadership and with a completely renewed image (e.g. Smer in Slovakia). All cases in our data, where very small parties suddenly gained large amounts of votes, can be considered as new parties. As stated, our measure counts solely electoral changes, and should thus not be biased by votes previously held by small parties.

To measure vote changes, we have compiled one of the largest datasets on volatility. It tracks political parties in 35 European countries, over 24 years (1990-2013). The extension to Latin America and North America is on its way. Partially, we could build on data from Mainwaring and Zoco (2007), Bochsler (2009) and Lane and Ersson (2007), but we have re-coded the parties according to our coding criteria, and extended the data, in order to cover the full time period.

While in stable party systems, calculating party volatility is an arithmetic exercise, in new and volatile party systems, this required us to deal with very frequent splits and mergers. We used the methodology discussed by Sikk (2005), in order to assess electoral vote changes for parties, which merged, formed a coalition, or split from one election to the next (see appendix).[12]

[10] We use the two most common measures of inter-election volatility, and the Gallagher index (1991). We further modified the Pedersen index, and measure only new parties (defined as all parties with <3% of the votes in the previous elections), and we measure the losses of incumbent governing parties (in coalition longer than half the legislative period).

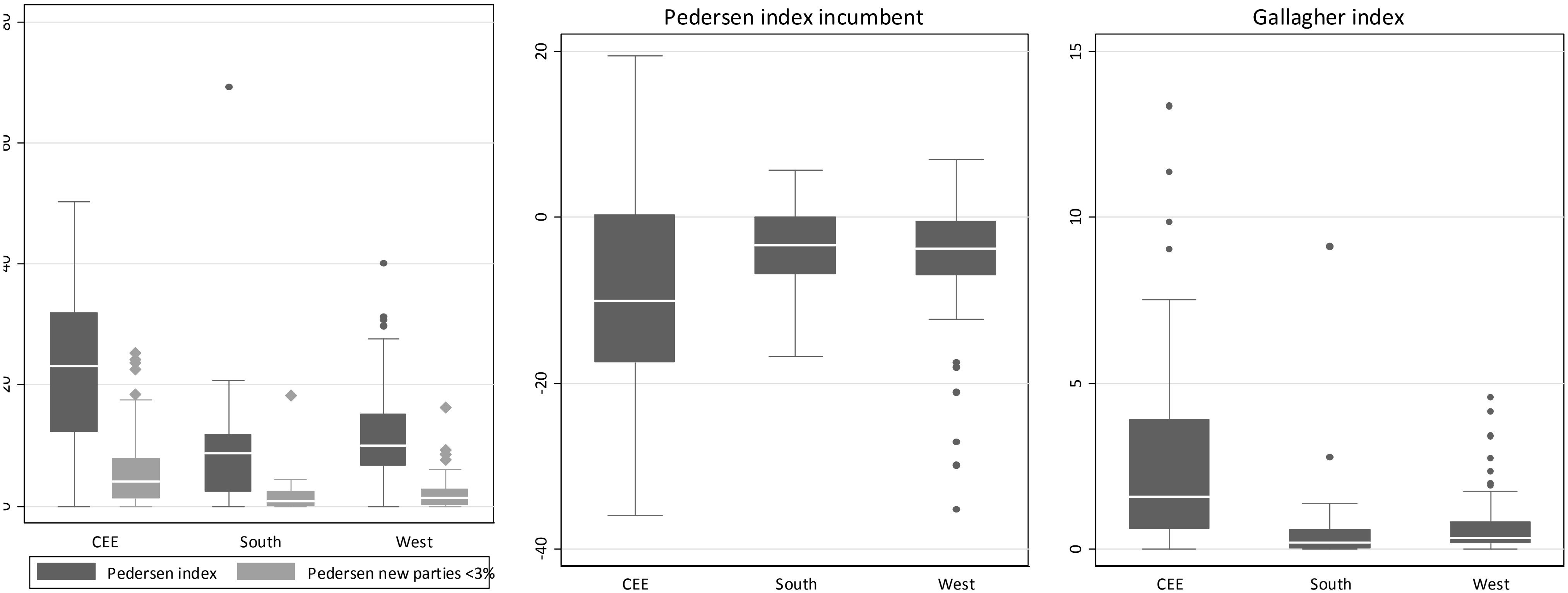
[11] We use different thresholds, at 3%, 5% or 10% of the votes. To rule out a possible selection bias, our measure also counts vote losses of small parties.

[12] For a different approach, see Powell and Tucker (forthcoming).

Information on party splits and mergers is foremost based on the "Notes on recent elections" sections in *Electoral Studies*, various issues of the “Political Data Yearbook” of the *European Journal of Political Research*, and the database about parliamentary elections and political parties in Europe (Nordsiek 2012).

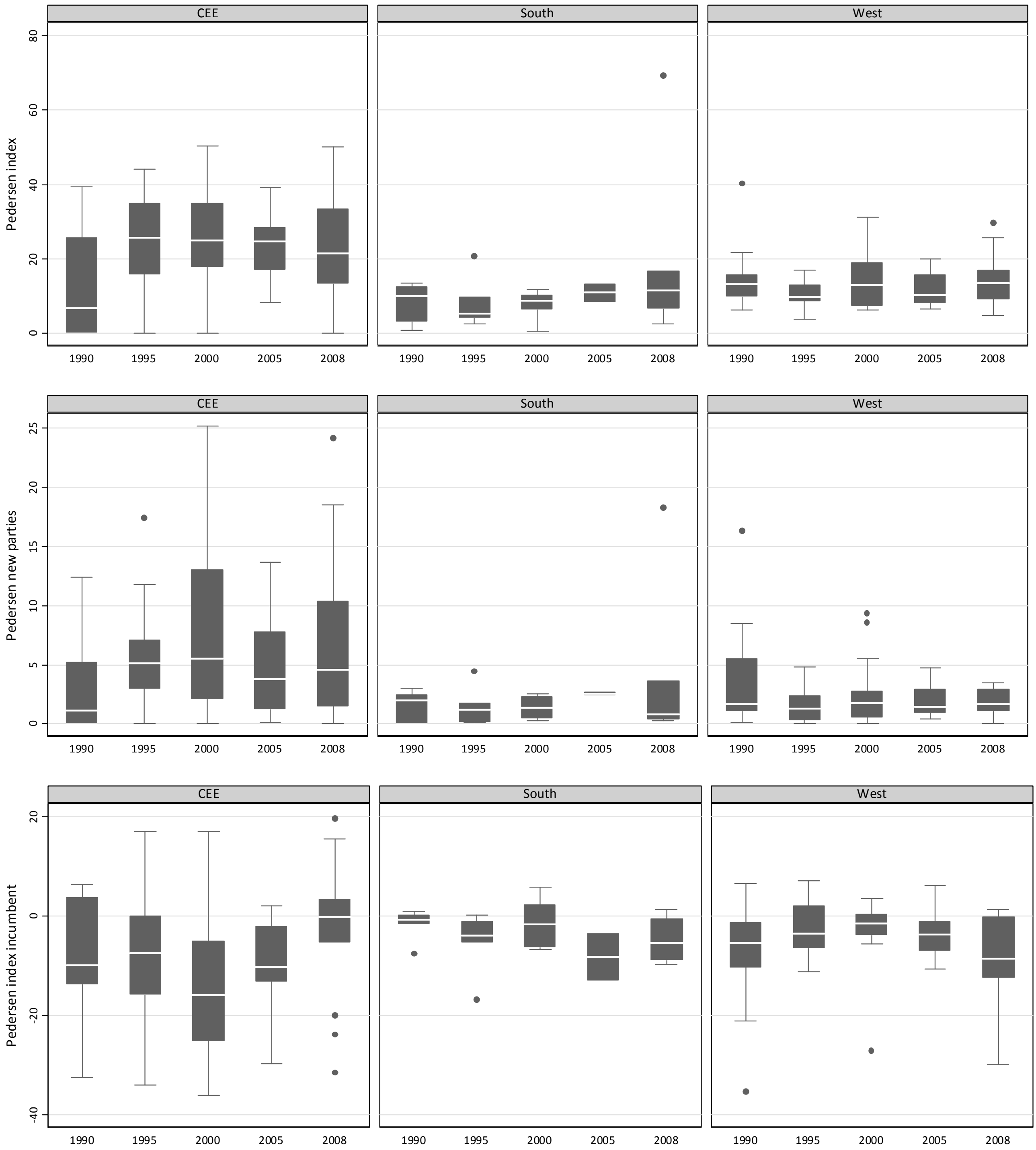
Figure 5 and 6 a-c illustrate differences in volatility between different regions and over time. We see that a country's overall volatility and the volatility of new parties and incumbent parties, respectively, is around twice time as high in Central and Eastern Europe than in either Southern or Western Europe (see Figure 5). While there is considerable variation over time, volatility in Central and Eastern Europe is consistently higher than in the other two regions – especially with regard to the overall volatility and the volatility of new parties (see Figures 6a and 6c). Only as of 2008 the three regions begin to converge to a similar level of volatility, while the electoral losses of incumbent parties in Central and Eastern Europe become much lower.

*Figure 5: Volatility in Europe, 1990-2013 by region. Pederson index, new parties, incumbent volatility, and Gallagher-index of volatility.**




* Volatility indices according to Pedersen (1983) and Gallagher (1991).
*Regions:* Central and Eastern Europe, Southern Europe (Spain, Portugal, Greece, Malta), and Western Europe.
*New parties*: we consider the vote change for parties, which did not compete in previous elections, or gained less than 3% of the votes.
Incumbent volatility: net vote change for parties of the incumbent government (parties who were part of the coalition during more than half the legislative period)

*Figures 6a-6c: Volatility in Europe, 1990-2013 by five-year period (1990-1994, etc., 2008-2010), and region. Pederson index of volatility, Pedersen index for new parties, and incumbent volatility**

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*Explanatory variables*

The *retrospective voting* model states that political parties – if they are in government – win votes, if the economy goes well, and lose, at high levels of corruption. This effect is expected to be moderated by the strength of political linkages and the type of democratic legitimacy/support.

**Economic performance** can be measured either by static measures (e.g. GDP per capita, per-capita income, etc.), by dynamic measures (e.g. economic growth), or by measures of the economic impact on the personal welfare (e.g. unemployment). We operationalized the different approaches with World Bank data (The World Bank 2012). In line with our expectation, dynamic measures (which are most informative about the performance of the incumbent government) were the most relevant ones to explain incumbent volatility. In this paper, we report models, which use economic growth rates (lagged) as the explanatory variable.

**Corruption** is measured with an indicator from the International Country Risk Guide (The PRS Group 2013), which assesses the corruption within the political system. Values range from (1) (high risk of corruption) to (6) (no risk of corruption between politics and business). The scale is, thus inverted, with high values indicating low levels of corruption. While previous literature has used the Corruption Perception index (Mishler and Willerton 2003, 131), we favour this alternative operationalization, as the coding of the CPI has changed several times and can only be used for comparisons over time as of 2012, when a completely new methodology was introduced (Transparency International 2012).

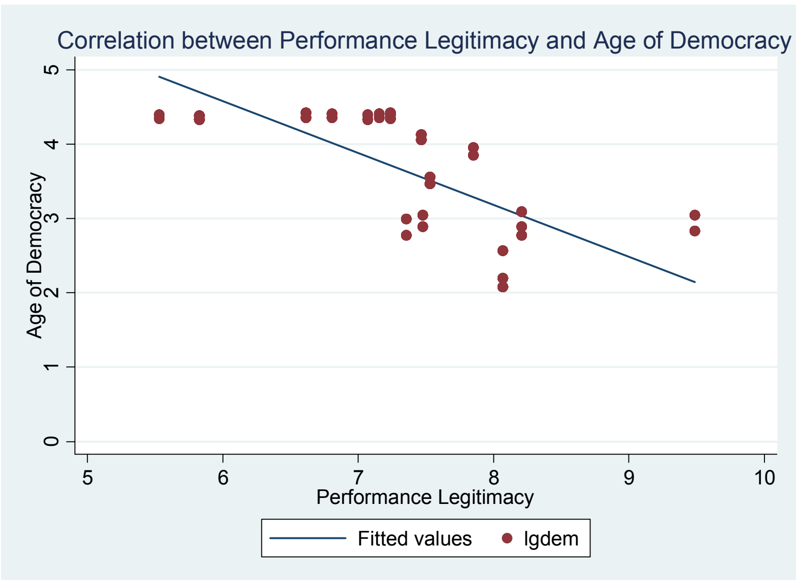
**Linkages** are measured using Kitschelt's (2012) expert survey on democratic accountability and political linkages. Linkages are measured with an additive index consisting of six dummy variables which assess, whether a party has linkages to unions, business associations, religious organisations, ethnic or linguistic organisations, urban neighbourhood or rural movements, and women's organisations. Since several experts rated the parties, the mean value of the additive index was calculated for each party and then averaged over all parties to calculate a value for the intensity of linkages per country.

**The type of legitimacy** is measured by assessing, to what extent economic prosperity is seen as an essential characteristic of democracy. The World Values Survey 2005-2008 includes a battery of variables which allows differentiating between different types of democratic legitimacy. Economic-performance legitimacy is measured on a scale from 1 (not at all an essential characteristic of democracy) to 10 (an essential characteristic of democracy) with the following question and aggregated to the country-level:

> "Many things may be desirable, but not all of them are essential characteristics of democracy. Please tell me […] how essential you think it is as a characteristic of democracy [that the economy is prospering]."

As the data is only available for 17 countries, and one time point, we further use a proxy to check for the effect of the type of legitimacy, the age of democracy (logarithm).[13] The estimation of our models with either the type of legitimacy or the age of democracy as explanatory variable, allows us, further,to avoid possible problems of endogeneity. It has been demonstrated that the type of political support or legitimacy itself is affected by the macro-economic situation and by corruption (Rose et al. 1998). Hence, re-running our models does not only allow us to extend the number of cases, but also to instrumentalise the type of political support by the age of democracy. Our tests show that the type of legitimacy is closely associated with the age of democracy, with a correlation coefficient of -0.65, which justifies the choice to use age of democracy as a proxy for the type of legitimacy (see Figure 7).

*Figure 7: Correlation between Age of Democracy and Performance Legitimacy*




Source: World Value Survey, 2005-2008.

[13] Data on the age of democracy is based on the Database of Political Instiutions (Keefer 2009)(Keefer considers a country as democratic if its combined polity score lies above 6), we count the number of consecutive, uninterrupted years under democratic governance since 1930. The logarithm accounts for diminishing marginal utility.

# 4 Models

In the empirical part we compare three different explanations of retrospective voting and electoral volatility in Western and Central-Eastern European countries. The results allow us to distinguish between three rivalling explanations. Electoral change against the incumbent parties might be a consequence of bad economic performance and high levels of corruption and in this regard related to retrospective voting. Second, it might be related to differences in the stability of vote choice between Western and Central-Eastern Europe, or third, it might be a consequence of contextual factors (linkages and legitimacy of democracy) which differ across these regions.

### *Retrospective voting before and during the crisis*

We first explain our model, without considering context effects. Our dependent variable is electoral change by party $i$ (vote gains or losses). Our models pool the results of all governmental parties and opposition parties (plus, in a few models, for new parties), i.e. we use the cumulated electoral change as dependent variable. To distinguish the incumbent governmental parties from the opposition parties, we introduce a binary variable $\Delta gov_i$ for parties, which were part of the incumbent government. Retrospective voting is measured by the interaction terms $growth\ (lag) \cdot \Delta gov_i$ and $corruption\ (lag) \cdot \Delta gov_i$.

$$\begin{aligned} electoral\ change_i &= \alpha + \beta_1 \cdot \Delta gov_i + \beta_2 \cdot growth\ (lag) + \beta_3 \cdot corruption\ (lag) \\ &\quad + \beta_4 \cdot growth\ (lag) \cdot \Delta gov_i + \beta_5 \cdot corruption\ (lag) \cdot \Delta gov_i + \varepsilon \end{aligned}$$

To analyse why volatility is genuinely higher in Central-Eastern European democracies we further include contextual explanations. This requires us to include second-order interaction terms, which capture the moderating effect of the context (here: type of democratic legitimacy) on the interaction of economic growth with the governmental status ($growth\ (lag) \cdot legitimacy \cdot \Delta gov_i$).

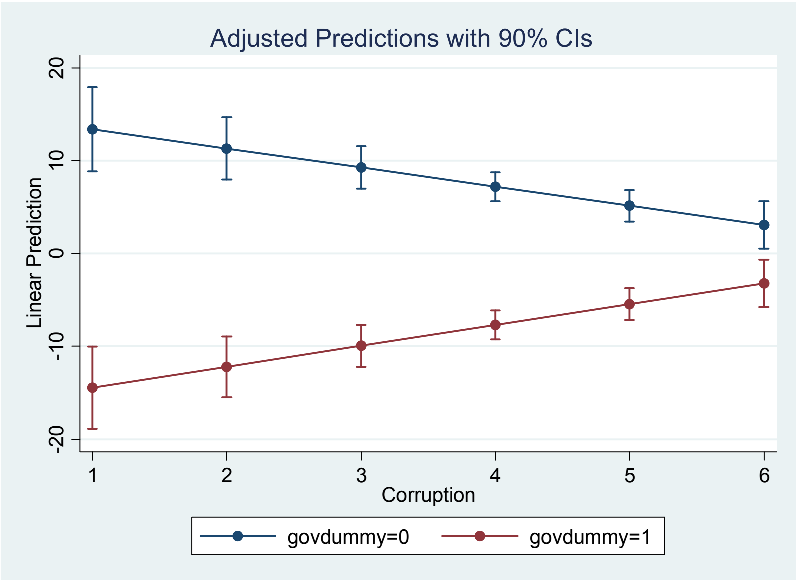
$$\begin{aligned} elect.\ change_i &= \alpha + \beta_1 \cdot \Delta gov_i + \beta_2 \cdot growth\ (lag) + \beta_3 \cdot legitimacy \\ &\quad + \beta_4 \cdot growth\ (lag) \cdot \Delta gov_i + \beta_5 \cdot legitimacy \cdot \Delta gov_i + \beta_6 \cdot growth\ (lag) \cdot legitimacy \\ &\quad + \beta_7 \cdot growth\ (lag) \cdot legitimacy \cdot \Delta gov_i + \varepsilon \end{aligned}$$

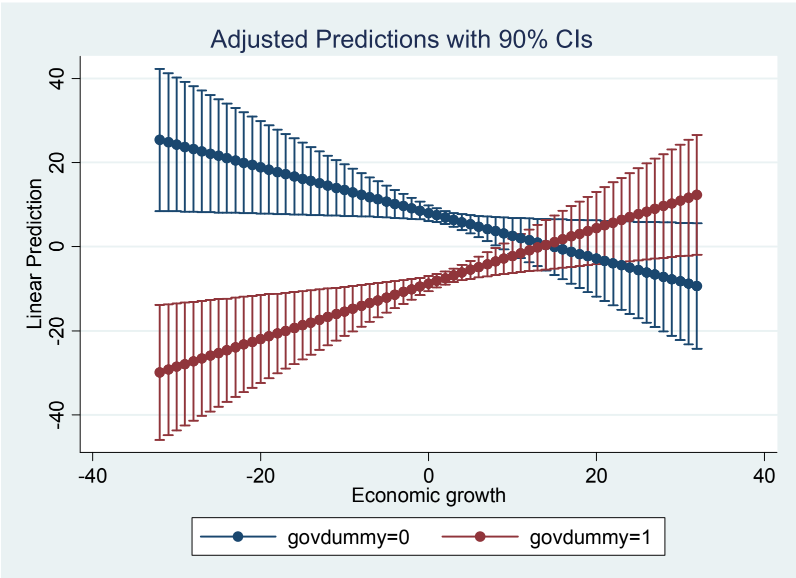
We estimated the same models for our other two indicators of context (age of democracy, linkages) and for retrospective corruption voting.

Our results are based on a first, preliminary analysis. We also plan to conduct several robustness checks, especially with different operationalizations, on the full dataset.

First, we check whether we find a general pattern of retrospective voting based on corruption or economic growth, without focusing on the context effect. Results rely on the full model (see appendix), but the contextual variables are fixed at their means. Results are reported in figures 8a and 8b. They show that incumbent parties are punished for economic downturns and high levels of corruption. Governments lose more votes to the opposition if economic growth is negative (hypothesis 1) and if a country is affected by high levels of corruption (hypothesis 2). It is less clear if government parties win votes if the economy prospers, but the trend seems to be positive. This effect remains stable if we only look at the crisis years (after 2008).

*Figures 8a-8b: Effect of corruption (inverted scale) and of economic growth on incumbent volatility.*



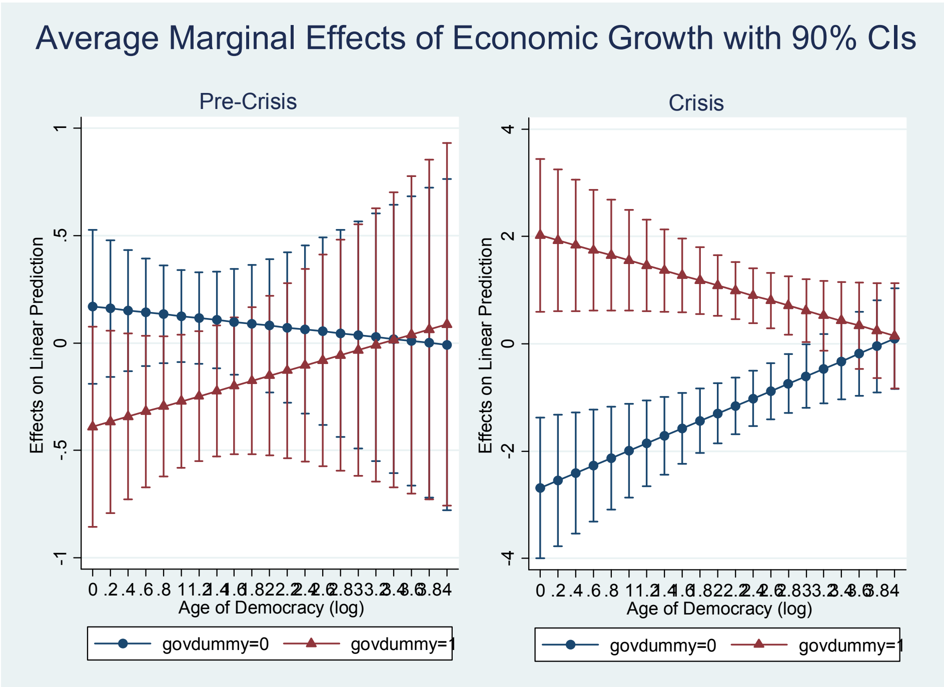




Notes: High scores of corruption indicate absence of corruption. Adjusted predictions of the effect of corruption. All other variables are set to their mean

As the results differ for the period before the financial crisis (until 2007), and post-crisis-elections (starting from 2008), we present separate models for the two periods. For this first analysis, the number of elections in the second period is small; currently we miss information on government coalitions in 2011-3.

To facilitate the interpretation of the second-order interactions, we turn to graphical illustrations of the average marginal effect of economic growth and corruption, respectively, when the contextual variables change (see figures 9-13) (the models on which the figures are based are presented in table A3 in the Appendix). Before the financial crisis the effect of economic growth on incumbent volatility does not seem to differ between older and younger democracies. During the economic crisis, however, young democracies react considerably stronger to the economic situation than older democracies (see figure 9).

*Figure 9: Marginal Effect of Economic Growth on Volatility of Government and Opposition Parties as the Age of Democracy changes*




Notes: Average marginal effect (90% confidence intervals) of economic growth on government and opposition volatility over increasing age of democracy. Graphs based on Models 1 and 2 in Table A3 in the Appendix.

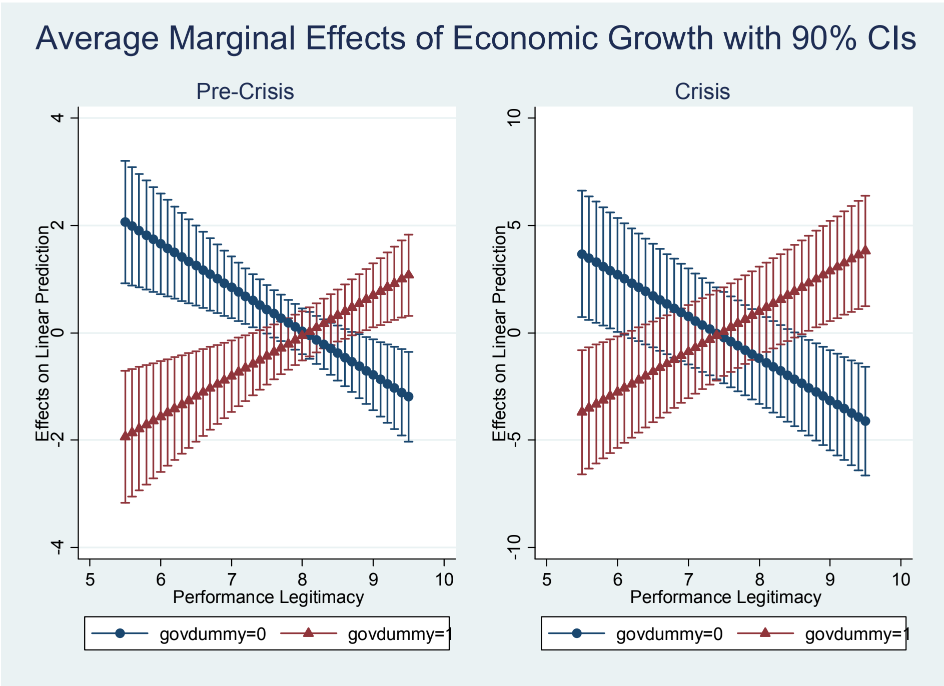
In established democracies, voters do not punish their governments for the economic crisis in elections after 2008. Differently, and in line with Kriesi's (2013) results, voters in young democracies react very strongly, and reward their government if the economy prospers (since 2008), and punish it if the economy suffers, respectively.[14]

We can substantiate this effect more thoroughly, by directly measuring the effect of performance-based democratic legitimacy (see figure 10). This measure relies on the most recent wave of the World Value Survey, and is therefore only available for a subset of the countries included. In line with the previous results, we find that economic growth is rewarded in countries, where citizens legitimate their democratic system based on its

[14] There is an effect of macro-economic indicators on incumbent volatility in Western Europe after 2008, if we use a different explanatory variable – unemployment rates instead of economic growth, see also Kriesi (2013). Unemployment seems not to matter in young democracies. However, the interaction of unemployment with the age of democracy is statistically not significant at conventional levels. The effects of different macro-economic indicators will be explored more thoroughly in a further version of this paper.

economic performance. Hence, if voters consider economic prosperity as one of a democracy's essential characteristics, they punish the government for bad economic performance. If they have a different concept of democracy in mind, however, they do not (hypothesis 3a).The strong negative correlation between performance legitimacy and the age of democracy (-0.65) further explains, why younger democracies react stronger to economic changes than older democracies. As young democracies seem indeed to rely more on performance-based legitimacy than older democracies, it seems reasonable that voters in these countries react stronger to the economic situation.

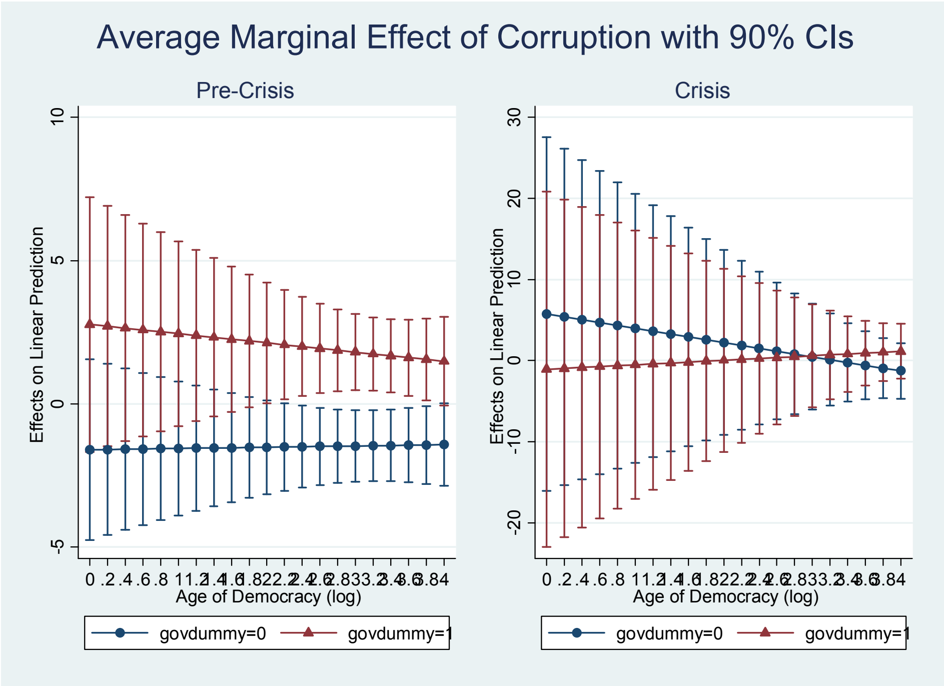
*Figure 10: Marginal Effect of Economic Growth on Volatility of Government and Opposition Parties as Performance Legitimacy changes*




Notes: Average marginal effect (90% confidence intervals) of economic growth on government and opposition volatility over increasing levels of performance legitimacy. Graphs based on Models 9 and 10 in Table A3 in the Appendix.

As expected, there is no second-order interaction effect with regards to corruption (figure 11). While incumbent parties are rewarded for improvements in the fight against corruption before the economic downturn of 2008 this effect is not moderated by the age of democracy.

*Figure 11: Marginal Effect of Corruption on Volatility of Government and Opposition Parties as the Age of Democracy changes*

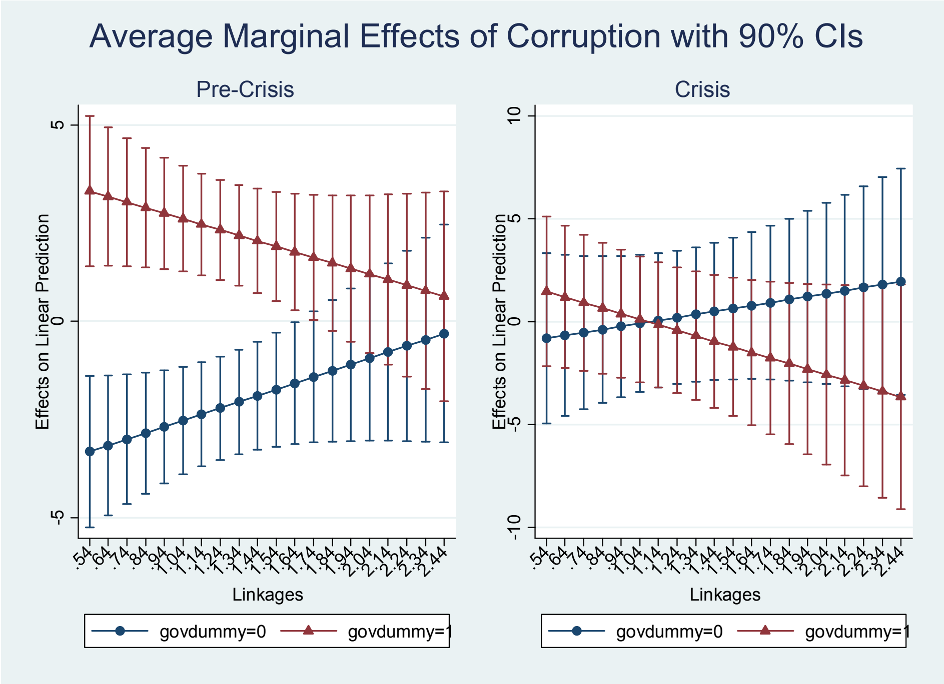



Notes: High scores of corruption indicate absence of corruption. Average marginal effect (90% confidence intervals) of corruption on government and opposition volatility over increasing age of democracy. Graphs based on Models 3 and 4 in Table A3 in the Appendix.

Turning to the contextual effect of linkages, we expected that the fight against corruption is mainly rewarded in countries with weak linkages (hypothesis 4). In systems with high linkages voters may benefit (or at least not be hurt) from high levels of corruption, because party loyalty may be rewarded by the corrupt elites. By contrast, corruption will materially deprive voters in systems without such linkages, as party loyalty is no mean to get better access to state services. Our main hypotheses is supported before the crisis, as decreasing corruption leads to government rewards in systems with weak linkages, while it does not matter in systems with strong linkages. The effect is not significant, however, in the aftermath of the economic crisis (see figure 12). Possibly, economic issues have become more salient than the corruption issue as a consequence of the crisis.

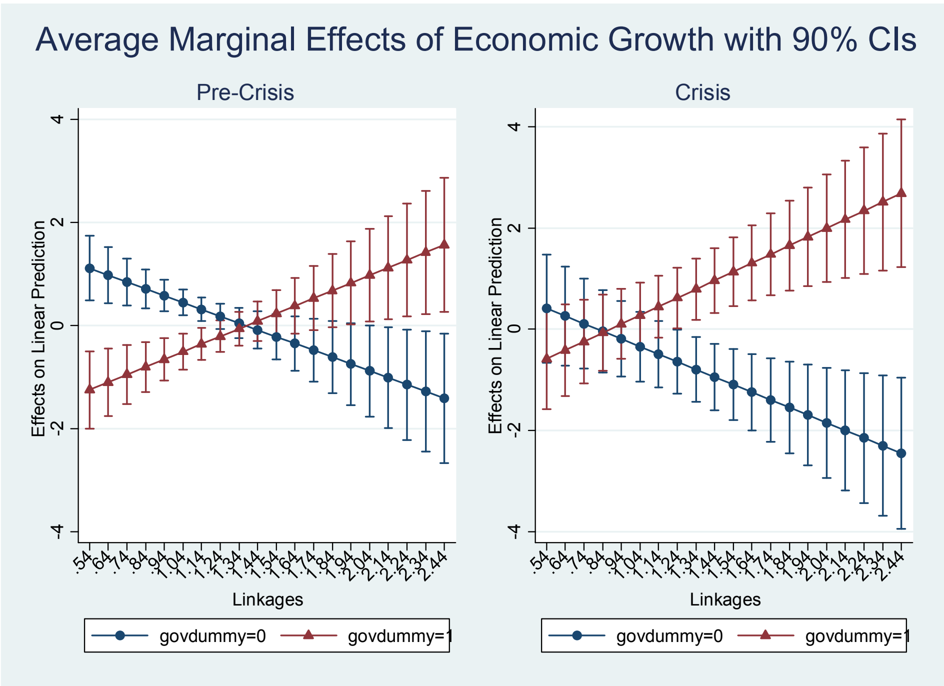
We did not have particular expectations about a possible moderating effect of linkages on retrospective *economic* voting, which we report in figure 13. The effect plays before the crisis, but not after.

*Figure 12: Marginal Effect of Corruption on Volatility of Government and Opposition Parties as the Linkages change*




Notes: High scores of corruption indicate absence of corruption. Average marginal effect (90% confidence intervals) of corruption on government and opposition volatility over increasing intensity of linkages between parties and voters. Graphs based on Models 7 and 8 in Table A3 in the Appendix.

*Figure 13: Marginal Effect of Economic Growth on Volatility of Government and Opposition Parties as the Linkages change*




Notes: Average marginal effect (90% confidence intervals) of economic growth on government and opposition volatility over increasing intensity of linkages between parties and voters. Graphs based on Models 5 and 6 in Table A3 in the Appendix.

*Who wins from electoral volatility?*

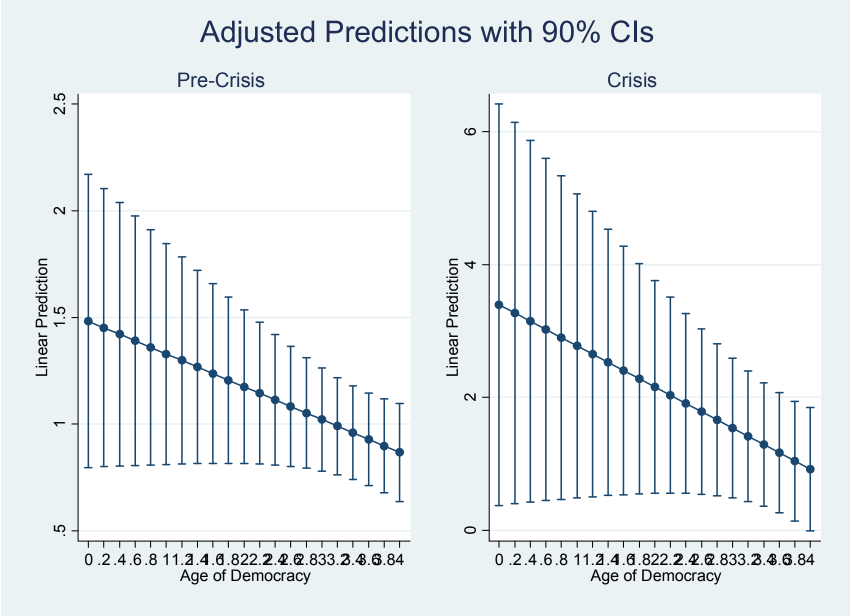
Apart from analysing vote losses of government parties, we are also interested in which parties win, when the government gets punished for economic downturns. We, therefore, analyse electoral volatility of new parties and previous opposition parties separately (see table A3 in the Appendix).

As figures 14 and 15 indicate, the pattern is very different for new and old democracies. In newer democracies, political outsiders form new parties, and benefit from the vote losses of governmental parties (hypothesis 3b). Previous opposition parties, however, lose votes, especially during the years of the economic crisis. This trend is in line with previous studies on elections in Eastern Europe which showed that elections regularly resemble political earthquakes as government parties and established opposition parties are severely punished and previously marginal or non-existent parties gain a considerable amount of the votes (Sikk 2005, forthcoming).

A striking example are the 2009 elections in Bulgaria, when GERB – the party founded in 2006 by a former bodyguard and police official - achieved a landslide victory of 40% of the votes in the national parliamentary elections of 2009. These were its second countrywide election participation after the European elections in 2007.

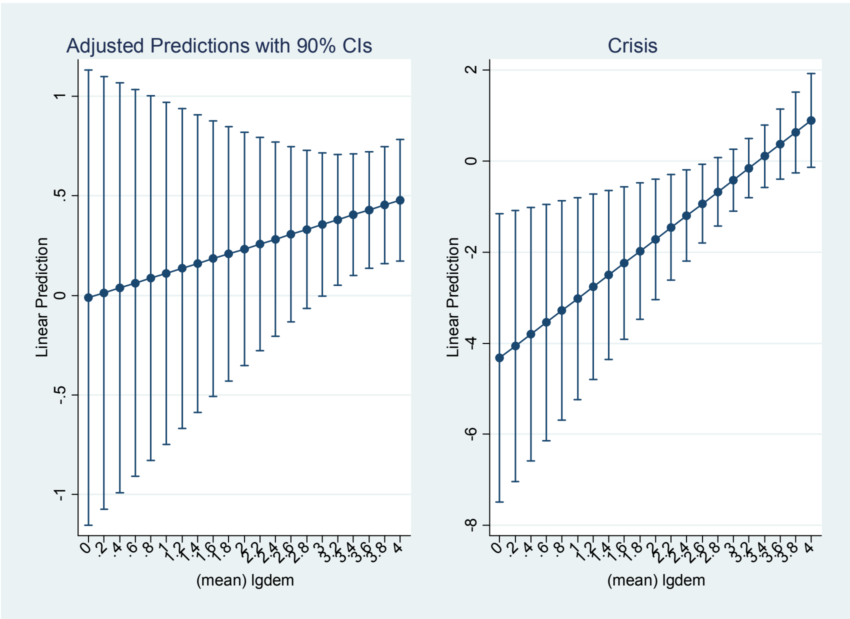
Similarly, voters in Spain, punished its government in 2011 for the worsening economic situation, but they voted for the established opposition party, the Partido Popular. Electoral earthquakes, which occur regularly in Central and Eastern Europe, are unthinkable in more established democracies in Western Europe or Southern Europe. Especially, opposition parties lose much fewer votes to newly-founded parties, which is in line with the observation that party systems remain more or less stable over different election periods.

*Figure 14: Predicted vote changes for new parties*




Notes: Adjusted predictions of the effect of the age of democracy on the volatility of small opposition parties, with 90% confidence intervals. Graphs based on Models 1 and 2 in Table A4 in the Appendix.

*Figure 15: Predicted vote changes for previous opposition parties*




Notes: Adjusted predictions of the effect of the age of democracy on the volatility of large opposition parties, with 90% confidence intervals. Graphs based on Models 3 and 4 in Table A4 in the Appendix.

## 6 Conclusions

Voters in new democracies often appear as unreliable, and their electoral choices unstable (Roberts 2008; Sikk forthcoming; Tavits 2008; Kreuzer and Pettai 2012). In such a context, the accountability of governments suffers. If the incumbents expect to lose office in subsequent elections, due to a hyper-volatile electorate, they do not have any incentives for good government. The fact that in many Central and Eastern European countries – Bulgaria is a prime example – governments very rarely stay in office for longer than one legislative period, certainly contributes to such a pessimistic view.

This paper confronts this view with two alternative explanations why governmental parties lose votes, both focusing on retrospective voting. First, the factors, which we expect to drive retrospective voting – economy and corruption – partly explain why voting is more volatile in new democracies in Europe: compared to old democracies, the economic performance is more volatile (hypothesis 1), and the available indicators suggest that in young democracies, the level of corruption is higher (hypothesis 2). Second, citizens in new democracies hold governments more accountable for the financial crisis, which has hit European economy in 2008.

We explain this with two contextual variables, which are affecting the degree of retrospective voting: First, citizens in young democracies tend to have a different understanding of democracy, than those in old, established democracies. On the one hand, citizens in countries, which have democratised in the third wave, have get to know democracy as a mean to catch up with the living standards and economic prosperity of North America and Western Europe. On the other hand, the formation of procedural legitimacy of democracy is a long-lasting process. This puts governments in new democracies in a "legitimacy straightjackets" (Easton 1965; Gilley 2009, 58): if citizens perceive economic prosperity as the ultimate goal of democracy, they will withdraw their support from the regime, and its main actors, if democracy cannot satisfy their expectations regarding economic growth.

Results, although very preliminary, and based on incomplete data, tend to support our hypothesis 3a in the post-2008 period. We have related retrospective economic voting either to direct measures of types of democratic legitimacy (which are only available for a small number of cases, and only at one time point), and to the age of democracies – a close proxy for the type of legitimacy. With both operationalizations, the effect plays, however, primarily after the economic crisis of 2008.

We do not only find that the electoral success government parties in new democracies is particularly closely tied to economic performance (after the crisis), but we also report substantial differences in the beneficiaries of worsening economic situations: while in older democracies, they benefit the established opposition, we find that the voter reactions are much more pronounced in new democracies, by shifting to completely new parties (hypothesis 3b).

Second, we expected party-voter linkages to moderate the effect of retrospective corruption voting (hypothesis 4). Voters in countries with weak linkages cannot expect to benefit from clientelistic practices and should, therefore, punish corrupt governments more severly. Indeed, *retrospective corruption voting* is linked to the absence of strong linkages between parties and voters. This effect appears, however, primarily before the economic crisis.

The explanation of the before-and-after crisis differences asks for a further refinement of the model. Theoretically, we find it plausible that established democracies with a procedural legitimacy can easier absorb economic shocks. To test this empirically, we would, however, need to rely on measures of democratic legitimacy for pre- and post-crisis years.

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## Appendix A: Party coding

In the case of splits, mergers, or coalitions, we need to decide, how to code parties that participated on their own in one election (t-1), but formed a coalition at the next election (t), and with parties that split from other parties. To deal with party mergers we calculated the difference between the new party at time t and the sum of the constituting parties at time t-1. In other words, we created an artificial coalition at time t-1 to calculate the volatility at time t. If a party split from a previously existing party and participated in the following elections (t) as an independent party, by contrast, we constructed an artificial "old" party to calculate the volatility between the original party (t-1) and the sum of the new and remaining parts of this party at time t. For more clarification the logic of dealing with splits and mergers is illustrated in tables A1a and A1b.

*Table A1a: Party mergers*

| | Election t-1 | Election t-1 (artifical) | Election t | Vote difference |
|---|---|---|---|---|
| Party A | 0.1 | - | - | |
| Party B | 0.15 | - | - | |
| Party C (A+B) | - | 0.25 | 0.3 | 0.05 |

*Table A1b: Party splits*

| | Election t-1 | Election t | Election t (artificial) | Vote difference |
|---|---|---|---|---|
| Party A | 0.3 | | 0.35 | 0.05 |
| Party $A_1$ | - | 0.1 | - | |
| Party $A_2$ | - | 0.25 | - | |

## Appendix B: Regression models

*Table A3: Explanations for incumbent volatility*

| | (1) Pre 2008, all parties | (2) Post 2008, all parties | (3) Pre 2008, all parties | (4) Post 2008, all parties | (5) Pre 2008, all parties | (6) Post 2008, all parties | (7) Pre 2008, all parties | (8) Post 2008, all parties | (9) Post 2008, all parties[1] | (10) Post 2008, all parties[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Government | -21.28*** | 5.69 | -33.83+ | 13.82 | -5.19 | -14.50 | -51.59** | -18.88 | 28.16 | -57.14 |
| | (5.21) | (10.27) | (18.14) | (66.50) | (5.22) | (11.10) | (17.56) | (29.19) | (18.30) | (72.67) |
| Legitimacy[1] | -0.96 | 2.84+ | -0.47 | 6.41 | | | | | 2.48+ | -2.33 |
| | (0.65) | (1.40) | (2.42) | (8.54) | | | | | (1.33) | (4.88) |
| Economic Growth | 0.17 | -2.69** | | | 1.83** | 1.22 | | | 6.55** | 14.40* |
| | (0.22) | (0.81) | | | (0.69) | (1.00) | | | (2.16) | (4.46) |
| Gov*Legit. | 2.67+ | -5.03+ | 2.51 | -9.38 | | | | | -5.20* | 4.85 |
| | (1.39) | (2.80) | (5.64) | (16.85) | | | | | (2.55) | (9.73) |
| Gov*Econ. | -0.56 | 4.71** | | | -3.88** | -2.74 | | | -12.63** | -28.42* |
| | (0.48) | (1.65) | | | (1.45) | (1.90) | | | (4.32) | (8.95) |
| Econ* Legit. | -0.04 | 0.70* | | | | | | | -0.81** | -1.95** |
| | (0.16) | (0.31) | | | | | | | (0.27) | (0.54) |
| Gov*Econ*Legit | 0.16 | -1.16+ | | | | | | | 1.57** | 3.83** |
| | (0.32) | (0.63) | | | | | | | (0.54) | (1.09) |
| Corruption | | | -1.60 | 5.74 | | | -4.18* | -1.60 | | |
| | | | (1.92) | (13.42) | | | (1.72) | (3.46) | | |
| Gov*Corrup. | | | 4.37 | -6.81 | | | 8.25* | 4.52 | | |
| | | | (4.43) | (26.67) | | | (3.41) | (6.33) | | |
| Corr*Legit. | | | 0.04 | -1.75 | | | | | | |
| | | | (0.55) | (3.28) | | | | | | |
| Gov*Cor*Legit | | | -0.37 | 2.31 | | | | | | |
| | | | (1.28) | (6.57) | | | | | | |
| Linkages | | | | | 3.15 | 0.03 | -7.67 | -1.29 | | |
| | | | | | (1.99) | (3.35) | (5.97) | (9.66) | | |
| Gov*Link. | | | | | -6.78+ | 0.34 | 14.52 | 6.48 | | |
| | | | | | (4.04) | (6.45) | (11.77) | (17.96) | | |
| Econ*Link | | | | | -1.33* | -1.51* | | | | |
| | | | | | (0.59) | (0.72) | | | | |
| Gov*Econ*Link | | | | | 2.81* | 3.23* | | | | |
| | | | | | (1.20) | (1.38) | | | | |
| Corr*Link | | | | | | | 1.58 | 1.45 | | |
| | | | | | | | (1.23) | (2.28) | | |
| Gov*Corr*Link | | | | | | | -2.99 | -4.15 | | |
| | | | | | | | (2.43) | (4.17) | | |
| Constant | 9.09*** | -4.06 | 13.63+ | -13.46 | 2.82 | 6.52 | 25.90** | 6.95 | -13.36 | 27.94 |
| | (2.35) | (5.16) | (7.76) | (33.98) | (2.55) | (5.83) | (8.83) | (15.80) | (9.50) | (36.54) |
| N | 293 | 51 | 266 | 45 | 261 | 43 | 240 | 41 | 127 | 20 |
| $R^2$ | 0.33 | 0.33 | 0.36 | 0.28 | 0.37 | 0.44 | 0.40 | 0.31 | 0.38 | 0.58 |

Notes: Clustered standard errors in parentheses: + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$;
1): The type of legitimacy is measured with two variables. In Models 1-8 Legitimacy is measured with the Age of Democracy (logarithm), while in Models 9-10 we use our measure of economic performance legitimacy.

*Table A4: Explanations for small party volatility and opposition volatility*

| | (1)<br>Pre 2008, new Parties | (2)<br>Post 2008, new parties | (3)<br>Pre 2008, previous opposition parties | (2)<br>Post 2008, previous opposition parties |
|---|---|---|---|---|
| Legitimacy[1] | -0.13 | -0.60 | 0.28 | 1.23* |
| | (0.10) | (0.44) | (0.23) | (0.55) |
| Economic Growth | -0.01 | 0.10 | 0.13 | -0.65+ |
| | (0.04) | (0.25) | (0.17) | (0.33) |
| Economic Growth *Legit | -0.01 | -0.04 | -0.06 | 0.17 |
| | (0.03) | (0.09) | (0.07) | (0.12) |
| Constant | 1.50*** | 3.35+ | -0.35 | -4.06* |
| | (0.39) | (1.76) | (0.75) | (1.82) |
| N | 146.00 | 25 | 147.00 | 25 |
| $R^2$ | 0.02 | 0.03 | 0.03 | 0.40 |

Notes Clustered standard errors in parentheses: + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$
1: Legitimacy is measured with the Age of Democracy (logarithm).