A Tale of Two Leaders (and a Recession):
Leadership Performance and Public Perception During the Recent Global Economic Crisis

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1.0 Introduction

Over the last decade a small group of authors have begun to explore how global economic integration has affected voters’ ability to assess their governments’ success in managing the economy. The recent global economic crisis sparked by the stock market crash of September 2008 provides an attractive opportunity to examine whether voters punish incumbent governments for externally induced downturns in the same way as those caused by domestic factors.

In keeping with longstanding findings on the link between economic performance and voter preference (Lewis-Beck and Paldam, 2000), the popularity of Canada’s Conservative government fell as the country’s economy began to deteriorate, dropping from 37% at the time of the general election in October 2008 to 31% just a few months later in May 2009. However, contrary to expectations, the popularity of the United Kingdom’s Labour government rose from just 25% in August 2008 to reach 36% four months later at the height of the downturn’s impact (UK Polling Report, 2010). This differential impact of the recession suggests that governments may have some capacity to mitigate how a recession sparked by a global financial crisis affects their approval, at least in the short-term. In this instance, it is notable that the British government undertook a wide-ranging response to the downturn from the beginning of the stock market crash, while the Canadian government did not announce a significant stimulus program until January 2009.

This paper uses Canada and the UK as case studies to explore how externally induced economic downturns affect levels of voter support for incumbent governments. In particular, it seeks to assess whether governments can mitigate the negative performance evaluations that are assumed to result from external economic shocks by taking steps to protect the domestic economy. The analysis builds off the work of a number of authors including Kayser (2009) and Duch and Stevenson (2010) who have explored how fluctuations in the international economy affect domestic voter preferences, and whether governments are still rewarded for competent economic management despite ever deeper global integration. However, to the best of our knowledge no study has yet explored how voter preferences change during the time between elections in response to international economic shocks. By matching changes in government popularity to economic developments and policy interventions, this paper demonstrates that voters are not mechanistic in responding to negative economic news. Instead they not only appear to distinguish between domestic and foreign shocks, but also to assess the impact of government interventions aimed at mitigating negative effects from the global economy. Importantly, these assessments also appear to change over time as more information about the success of government policies becomes available. This finding has important implications for political strategy since it suggests that governments cannot hide from their economic mismanagement by attempting to blame global trends.

The next section explores the theory of economic voting, focusing particularly on recent efforts to adapt the theory to the reality of international economic globalization. The third section then draws on this survey to develop a number of hypotheses while sections four and five present case studies of Canada and the UK.
2.0 Theories of economic voting

Repeated studies in multiple jurisdictions have found that voters’ support for a governing party is often based on their evaluation of the country’s economic conditions, a phenomenon known as economic voting. The trend is explained through the “Responsibility hypothesis” which contends that voters hold governments accountable for their economic management (Lewis-Beck and Paldam, 2000). Voter assessments are seen to be based on small number of macroeconomic variables, namely inflation, growth rates, and unemployment. However, assessments of unemployment have taken on an increased importance in recent years as rates of inflation have dropped throughout the West (Lewis-Beck and Paldam, 2000). Research has found that voters are able to make largely accurate assessments of unemployment rates, but have less knowledge of inflation. Importantly, the impact of the responsibility hypothesis tends to be asymmetrical, with the punishment that incumbent governments receive for poor economic performance being greater than the reward they receive for sound management.

While there is agreement that unemployment and inflation are key variables in the assessment of economic performance, there is an ongoing debate in the literature as to whether the relative importance of these variables depends on the government’s ideological background. The “clientele hypothesis” contends that since leftist parties focus on reducing unemployment and rightist parties focus on reducing inflation, each is more likely to receive voter support as their respective priority variables increases (i.e. a higher unemployment level should translate to more support for the left) (Carlsen, 2000). In contrast, the “salient goal” hypothesis contends that parties are judged more harshly for their performance on the issues they prioritize, meaning that voters should disproportionately punish incumbent leftist governments for drops in employment and rightist governments for rises in inflation. Evidence for the latter hypothesis was found in Powell and Whitten’s (1993) study of 102 elections in 19 countries, while Carlsen’s (2000) review of quarterly voter intention polls in four countries concluded in favour of the former - notably Canada and the UK were included in both.

To further complicate matters, a third hypothesis posits that voter support is determined by the balance of the utility that voters receive from private consumption versus that received from tax-payer funded private spending (Kayser, 2009). Under this “luxury model” the optimal tax rate favoured by voters is seen to change with their income: as they earn more the marginal benefit of increased private consumption gradually falls while that from increased public spending (e.g. infrastructure, public order and welfare services) increases. By this reasoning, support for lower taxing rightist parties should rise when the economy worsens and voters become increasingly worried that their incomes will fall. Conversely, voters should prefer higher taxing leftist parties when the economy strengthens and incomes are expanding. This arrangement of preferences is the opposite of what is predicted by the clientele hypothesis.

In terms of timing, mixed results have been obtained as to whether voters’ judgments are guided more by past economic performance or the potential for future prosperity (retrospective versus prospective assessments). Retrospective assessments have generally been found to be more influential, but only to a small extent (Lewis-Beck and Paldam, 2000). No matter what factors are taken into account, voters appear to base their assessments on a relatively short time horizon.
Voters’ ability to conduct economic assessments (what Duch and Stevenson (2010) refer to as “signal extraction”) is affected by the complexity of the institutional structure within a jurisdiction and the ease with which they can assign blame to a particular political actor (Lewis-Beck and Paldam, 2000). If economic policy is the product of a compromise between different actors within one level of government (e.g. parties in a coalition government or two chambers of a legislature) then it becomes harder for citizens to hold one actor accountable. Evaluations of economic performance also become more complicated if there are multiple levels of government that could have an impact economic performance. At a minimum the involvement of multiple governments increases the amount of information that voters need to hold the appropriate actors accountable. Many times, however, the two levels of government will attempt to shift blame or credit between them in an attempt to attract voters’ support, making it much more difficult for voters to make correct assessments. If they cannot identify whom to hold accountable for economic performance then voters will tend to base their preferences on other issues, reducing the level of economic voting. However, other studies have found that voters may at times hold governments to account for developments beyond their control. For instance, Gélineau and Bélanger (2005) have found that Canadian provincial governments tend to be held accountable for national economic conditions if they represent the same party family (i.e. Liberal or Conservative) that is in power at the federal level.

While much work has been done to explore how domestic economic conditions can shape electoral outcomes, there are far fewer studies examining how voting trends are affected by developments in the international economy. Several authors (Kayser, 2009; Hellwig, 2001; Hellwig and Samuels, 2007) have noted that while there has been extensive research on how policy choices are affected by global economic integration, there has been little attention to how such developments affect voter preferences. Building off polls indicating that many European citizens feel their governments cannot control or shape globalization, Hellwig and Samuels (2007) investigated the “government constraint hypothesis” that the level of economic voting will fall as voters lose confidence in the government’s capacity to independently manage the economy, and/or as governments seek to capitalize on globalization to shift the blame for economic downturns to external forces. They found that the extent to which voters hold incumbents accountable for past economic performance does indeed drop as economic integration increases. Voters’ perceptions of the constraints on governments also appeared to have a greater impact than the actual constraints faced, suggesting that “Strategic politicians may use economic openness as a scapegoat for poor performance outcomes – even if those outcomes can be traced back to their own competence as economic managers” (Hellwig and Samuels, 2007: 298). Similar results were also obtained by Fernandez-Albertos (2006), who further examined whether the impact of openness varied with the ideology of the incumbent party. Since economic liberalization tends to diminish the utility of the interventionist policies favoured by leftist parties, it was expected that such parties would be held less accountable for negative economic growth as openness increases. However, only tentative support for the hypothesis was found.

Despite these repeated results, Tillman’s (2009) study of voter behavior in the 2001 British General Election has cast some doubt on the link between economic integration and diminished economic voting. Rather than declining, Tillman found that those who believed that the EU had more influence on the UK economy than the national government were no less likely to engage in economic voting. Tillman cautioned that the 2001 British election may be
exceptional given the campaign’s focus on whether the country should adopt the Euro. However, Tillman did find that those who believed that Brussels’ influence on the British economy was greater than Westminster’s were more likely to abstain from voting altogether, suggesting that international economic integration does have at least some impact on voting behaviour. Drawing on rational choice theory, Steiner and Martin (2010) have sought to explore the relationship between economic integration and voter turnout by investigating how integration affects the diversity of the policy options advanced by the political parties in a given jurisdiction. Using data from the Comparative Manifestos Project, they demonstrated that the range of economic policy alternatives offered by parties during individual elections did indeed narrow as economic openness and integration increased. This narrowing curtailed the choices available to voters, reducing the likelihood that a voter would find a party matching their policy preferences and in turn decreasing the probability that a rational voter will take the time to cast a ballot.

In addition to the relationship between economic openness and economic voting, researchers have also begun to consider how developments in the international economy are contributing to domestic political change. Kayser (2009) reported that common electoral trends in multiple countries (so-called “partisan waves” such as the spread of rightist governments in the West in the 1980s) are not in fact driven by the diffusion of ideas but instead by global economic cycles and particularly by changes in unemployment. In his analysis Kayser found that the luxury model of partisan preferences was best able to explain the trends observed, with voters responding to international economic shocks by increasing their support for rightist parties. As Kayser describes,

high levels of free trade and capital mobility induce international business cycles, which, in turn, imply comovement in unemployment, inflation, and growth; voters in economically integrated countries respond to synchronous downturns by shifting their vote intention away from parties—often parties of the left—associated with higher spending and taxation, thereby producing similar partisan shifts in multiple countries; in short, partisan waves (Kayser, 2009: 956).

Further clarity on the relationship link between international economic shocks and electoral behavior is provided by Duch and Stevenson (2010), who posited that the rate of economic growth in a given country is the result of three factors: a country effect reflecting the nature of the economy, a time effect based on fluctuations in the global economy, and a government competency effect which is the variation not explained by the first two. Countries whose economic performance is worse (or better) than the global average will therefore have a lower (or higher) competency value that, if continued over time, produces a “competency signal” enabling voters to assess the government’s economic performance distinct from that of global shocks. In their analysis, Duch and Stevenson first used opinion surveys to show that voters can successfully evaluate the degree to which economic outcomes are the result of domestic policies or external shocks, and then drew on election studies to show that that voting decisions are in fact based on changes in government competency as opposed to global economic variations. Consistent with the discussion above they also found that voters’ sensitivity to competency effects declines as the economy becomes more open.

Within this limited literature on the link between the international economy and domestic economic voting, it is striking how little space appears to be available for states to take action in
the face of international economic forces. At best, increased openness to the global economy makes voters less likely to judge incumbents based on their economic management. At worst, increased economic openness narrows the scope of government action to such an extent that citizens no longer bother vote at all. The limited scope for government action is particularly evident in Kayser’s (2009) analysis of partisan waves, which implies that incumbent governments are simply washed away by economic tides. Only Duch and Stevenson (2010) appear to escape this trend to provide some room for independent government action. However, they too argue that the influence of government competence on voting decisions declines as countries become more integrated into the global economy. The findings also appear somewhat contradictory, since countries that are more open to the international economy are those more likely to be caught up in “partisan waves” caused by economic downturns, yet these countries are said to be less likely to experience economic voting.

3.0 Hypotheses and research design

The purpose of this paper is to examine how voter preferences are affected by external economic shocks and whether the government interventions can mitigate the negative impact that such shocks are presumed to have on their popularity. The discussion leads to a number of hypotheses regarding how a foreign economic shock should impact on the popularity of an incumbent government:

- As the economic situation worsens, support for the government should generally drop;
- Voter support should be particularly sensitive to shifts in unemployment;
- Voters should place greater emphasis on retrospective evaluations of economic performance than the potential for future growth;
- Parties of the left (i.e. luxury parties) should fare worse during periods of global economic downturn;
- The impact of economic outcomes on voter support should be reduced in Canada, which relies on trade for a greater portion of its GDP than the United Kingdom;¹
- Given Canada’s greater economic openness, the range of responses to the downturn offered by Canadian parties should be narrower than those offered by British parties;
- Voters should be able to distinguish between the relative impact of government policies and foreign economic shocks over time;

In order to test these hypotheses, the paper will examine how voter preferences expressed through public opinion polling changed in response to economic developments (both those resulting from market forces as well as government interventions). Polling data for Canada was taken from polls produced by Angus Reid Public Opinion, while that for the UK was gathered from surveys produced for The Independent newspaper ComRes.² This data was then matched against an index of the major economic news trends in each country for the one year period from August 1, 2008 to July 31, 2009. This time period was chosen to capture both the lead up and fallout from the global stockmarket crash and banking crisis that was caused by the collapse of Lehman Brothers on September 15, 2008. The index was produced by searching the front pages of the Globe and Mail (Canada) and The Times³ (United Kingdom) for the string “recession or crisis or bankrupt* or job* or employ* or unemploy* or GDP or bailout* or stimulus or tax* or
budget or prebudget” in Proquest. Once found, each article was coded as presenting either a positive or negative view on the economy. Notably, this positivity assessment was guided by the tone of the article, meaning that an article about a bank bailout could be described either positively or negatively depending on the language used.\(^4\) Given the emphasis in the literature on the signaling role of unemployment rates, a sub-index of articles pertaining to employment was also created. Unfortunately, while survey data on voter preferences were available for the entire period, information regarding voters’ sentiments regarding the economy and the government’s economic management were not. Consequently, it is not possible to match any correlations observed between economic events and changes in voter preferences with data confirming that opinions changed at the same time. This shortcoming is acknowledged and will hopefully be overcome in further research on this issue.

Importantly, the literature would suggest that Canada’s federal system may reduce economic voting by making it harder for voters to correctly assign responsibility for negative economic conditions to the appropriate level of government. However, since voters in the UK also face difficulties in assigning responsibility as a result of the country’s membership in the EU, and to a lesser extent the system of devolved government for Wales, Scotland and Northern Ireland, it will be assumed that the level of institutional clarity is roughly equivalent in both jurisdictions. Voter assessments in Canada could also be confused by the presence of a minority government at the federal level.

4.0 United Kingdom

The British election of May 5, 2010 will likely go down in history as one of the country’s seminal political events. After 13 years in power, the Labour Party was removed from office by a coalition of the Conservative and Liberal Democratic parties who set restoring the country’s finances as their top priority (Francis and Coates, 2010). At first glance, these results would appear to confirm a number of the tenets of the theory of economic voting. The Labour Party had just presided over one of the country’s worst ever recessions, with unemployment reaching its highest level in 14 years (Office of National Statistics, 2010), the pound falling sharply, and the country’s deficit expanding to a worrisome 12% of GDP, the highest in the EU (Watson and Ford, 2010). And while some signs of recovery had arrived in the form of 0.3% GDP growth in the first quarter of 2010, the British economy was still 5.5% smaller than its pre-recession level (Gilmore, 2010). The country’s April inflation rate of 3.7% was also well above the government’s 2% target (Giles and Pimlott, 2010). Given this dismal news, it would appear reasonable to assume that voters had used the election as an opportunity to punish Labour for its mismanagement. The results also appear to confirm both the luxury party and salient goal hypotheses given that Labour was known as a higher tax and spending party and had failed in its mission to protect jobs.

A closer examination, however, reveals some problems with these assertions. First, Labour’s share of the vote fell by just 6.2% from the 2005 election,\(^5\) which is far from a massive shift in electoral support, especially when it is considered that votes for the party had fallen by 5.5% from 2001 to 2005 despite having presided over widespread economic growth in that period. Furthermore, the vote share for the Conservatives rose by just 3.8% and that for the Liberal Democrats by only 1.0%. This small shift in voting patterns as compared to the massive
scale of the economic recession indicates that the relationship between economic performance and voting preferences observed is more complicated than could be assumed solely by looking at the defeat of the government.

The rest of this section elaborates on this relationship by examining how voting intentions changed in response to the trends in economic news and unemployment data captured in Table I. However, before beginning this assessment it should first be noted that Labour was already trailing badly in the polls going into the September 2008 financial crisis. To a large extent this low level of support reflected the fact that Britain was already experiencing serious difficulties from the global “credit crunch” that had begun in 2007 with the collapse of the subprime mortgage market in the US. Most importantly, the contraction of global credit markets in September 2007 had led to a run on British retail bank Northern Rock, the first bank run in the country in over a century (Smith et al, 2007). While the Bank of England provided emergency financing to rescue Northern Rock, images of customers lining up to withdraw their savings led to the sense that the country was experiencing an economic crisis (Gamble, 2009). Furthermore, the government did not make a final decision on how to restructure Northern Rock until the following February, ultimately opting to national it after spending months attempting to avoid that option (Vina and Morris, 2008). The drawn out process created the impression that the government was unable to act effectively in response to crises, with the Conservative Shadow Chancellor declaring that the nationalization marked “the day when Labour's reputation for economic competence died.” The UK’s unemployment rate had also begun to rise prior to stock market crash, reaching a nine year high of 5.9% in August 2008 (ONS, 2010).

The voting intention data in Table I reveal that the government’s popularity increased sharply during the first three months following the stock market crash, jumping by 11% from August to November 2008. Support for the Tories also fell rapidly, cutting their lead over Labour fell from 21% to just 1% during the same period. Even more shocking was the surge in popularity for Prime Minister Gordon Brown, whose approval rating reached its highest point ever since he had take office (Walker, 2008). However, this revival was short lived, such that by April 2009 the levels of support for the three largest parties had returned almost perfectly to their August 2008 values. Curiously, support for the Liberal Democrats almost never strayed more than one point above or below 17% during the period examined. The only exception was in June 2009 when the party reached 19%.

Most importantly for the purposes of this analysis, no direct connection was evident between the changes in voter support and either the economic news index or the unemployment rate. In terms of the overall balance of economic news, the month with the worst overall positivity score (-15), October 2008, saw the government rise 2% in the polls. In contrast, the government fell 6% in January 2009 which had a score of just -9. As for unemployment rates, the government’s popularity both rose and fell throughout the period examined despite the fact that unemployment rose at a steady rate of between 0.1 and 0.3% for the period studied.

Where there did appear to be some correlation was with the score for economic news related to jobs. The total job positivity score for the first three months was of the crisis was just -5 as compared to -21 for all economic news, a ratio of less than 1:4. However, the job score worsened severely to a cumulative -10 for December 2008 and January 2009, the period when the government’s popularity began to fall again. Moreover, the ratio of negative job news to
<table>
<thead>
<tr>
<th>Month</th>
<th>Total stories</th>
<th>Total +/- Balance</th>
<th>Job Stories</th>
<th>Job +/- balance</th>
<th>Front page economic news</th>
<th>Unemploy. rate of prior month</th>
<th>Voter intention (change)</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
<td></td>
<td>Labour (left) Lib Dem (centre) Cons. (right)</td>
</tr>
</tbody>
</table>
| Aug. 08 | 3             | -3                | 0           | 0               | • Massive loss at RBS  
• Chancellor says UK entering crisis | 5.7                         | 25 16 46  | |
| Sept. 08| 13            | -5                | 2           | -2              | • Stock market crash  
• Bank bailouts | 5.9                         | 29 (+4) 18 (+2) 41 (-5) | |
| Oct. 08 | 17            | -15               | 4           | -4              | • Start of recession, job losses  
• Bank bailouts | 6.0                         | 31 (+2) 16 (-2) 39 (-2) | |
| Nov. 08 | 11            | -1                | 3           | 1               | • Gov. stimulus and tax cuts  
• Rise in gov. borrowing | 6.2                         | 36 (+5) 17 (+1) 37 (-2) | |
| Dec. 08 | 13            | -9                | 7           | -5              | • Rising unemployment  
• Fall of the pound  
• Cuts in gov. spending | 6.4                         | 34 (-2) 16 (-1) 39 (+2) | |
| Jan. 09 | 21            | -9                | 11          | -5              | • Rising unemployment  
• 2nd round of bank bailouts  
• Government stimulus | 6.6                         | 28 (-6) 16 43 (+4) | |
| Feb. 09 | 19            | -13               | 7           | -7              | • Anger at foreign workers  
• Bonuses for bankers  
• 3rd bank bailout | 6.8                         | 28 17 (+1) 44 (+1) | |
| Mar. 09 | 17            | -11               | 7           | -3              | • Rising job losses and pay freezes  
• UK’s inability to fund 2nd stimulus | 7.1                         | 28 18 (+1) 40 (-4) | |
| Apr. 09 | 17            | -7                | 4           | -2              | • Rising gov. debt and taxes  
• G20 Summit | 7.3                         | 26 (-2) 17 (-1) 45 (+5) | |
| May 09  | 8             | -2                | 5           | -1              | • Job lost and protected  
• Hopes for recovery | 7.6                         | 22 (-4) 18 (+1) 30 (-10) | |
| Jun. 09 | 4             | 0                 | 3           | -1              | • Job losses  
• Hopes for recovery | 7.8                         | 25 (+3) 19 (+1) 36 (+6) | |
| Jul. 09 | 10            | -4                | 6           | -4              | • Job losses  
• Gov. spending cuts | 7.9                         | 24 (-1) 18 (-1) 42 (+6) | |
overall negative economic news increased to 1:1.8. This finding would appear to support the contention that voters are particularly sensitive to changes in employment rates. However, a direct relationship can still not be said to exist given that the severely negative jobs score for February 2009 was not matched by a drop in government popularity.

Some explanation for this lack of a direct relationship may be found by analyzing the themes in the articles used to create the index. The first reports from September 2008 described the situation created by Lehman Brother’s collapse as a “world crisis” caused by “American banks’ ‘toxic assets.’” This global crisis narrative was whole-heartedly endorsed by Gordon Brown and his government, who repeatedly stressed that the downturn had originated in the US. Framing the crisis as the result of external forces appeared to enable Brown to receive credit for reducing the impact of the recession first by intervening to support the banking system in September and October and then by launching a stimulus package of spending and tax cuts in November. A November 2008 poll found that 52% of respondents thought that Gordon Brown was the right person to steer Britain through the recession as compared to just 32% for Conservative Leader David Cameron. The Labour government also reached the high point of its popularity in the crisis period in November 2008 after introducing a stimulus package in the Prebudget Report.

However, this narrative that the government could spend its way out of an externally induced crisis began to slowly unravel starting in November. While the data search found one article published in September warning that tax rises would be necessary to pay for the government’s interventions, by November the issue of whether Britain could afford to borrow to help the banks and stimulate the economy had begun to receive sustained attention. The first articles approached the issue tentatively, with headlines like “Into the red…”, “Tax cuts now… tax rises to come” and “Darling’s step into the unknown.” However, a more sceptical tone was soon evident in the January headlines “Healer or quack? Dr Brown pins nation’s future on his multibillion prescription” and “Treasury must declare the true cost of bailout.” Confidence in the UK’s ability to spend its way out of recession was then directly challenged in March when Mervyn King, the Governor of the Bank of England, took the unprecedented step of urging the government not to engage in any further spending, a direct challenge to Brown’s plan to launch another fiscal stimulus in the April 2009 budget.

Besides these concerns about the government’s ability to finance its anti-recessionary initiatives, skepticism also began to grow as to whether the public was actually benefitting from the initiatives put in place. As noted above, beginning in December there was a jump in the number of articles on job losses. Moreover, December also saw two articles focusing on the pound’s drop in value against the euro, which was seen to indicate that the recession in the UK was worse than that on the continent. By February the public mood regarding the government response appeared to have worsened further still, with a series of articles complaining about the bonuses still being paid to bank executives and the government’s failure to limit the use of foreign workers in the UK. Protestors particularly seized on comments that Gordon Brown had made in 2007 promising “British jobs for British workers.” The general sentiment seemed to be that those who had caused the crisis were being rewarded while average people were unable to find work in their own country.
The final element of the narrative to unravel was the crisis’ external origins. While articles on the second round of bank bailouts in January still made reference to the need to ensure banks against “bad debts such as sub-prime lending in America,” those from February discussing the third round of bailouts lacked any such references. Instead blame for the bank’s challenges was placed on the “light-touch” approach to banking regulation that had been favoured by the Labour government in the years leading up to the credit crisis. Gordon Brown was also personally blamed for massive losses that the Lloyds Banking Group suffered as a result of its purchase of the HBOS – an acquisition that Brown had encouraged Lloyds to make in September 2008 to prevent HBOS from becoming insolvent.

Without more detailed polling information it is not possible to say for certain whether the trends observed in British polling data can be explained by the rise and fall of Labour’s narrative of an externally created recession. However, the spike in popularity that the Labour Party experienced following the onset of the economic crisis makes it safe to conclude that voters do not always punish governments that preside over negative economic growth, even if it is accompanied by a rise in unemployment. Contrary to the luxury and salient goal hypotheses but in keeping with the clientele hypothesis, voters accepted large spending initiatives by the left-leaning Labour party so long as they were believed to be protecting or creating jobs. In terms of the relationship to the global economy, during an international financial crisis voters appear to base their preferences on prospective assessments of which party can lead them to recovery as opposed to who was in power when the crisis emerged. This finding appears to cast some doubt on Kayser’s partisan wave hypothesis, at least in terms of his assumption that voters will uniformly move away from luxury parties. Generally speaking, economic voting does not seem to be reduced in countries affected by the global economy.

5.0 Canada

In contrast to the UK, Canada went into the economic crash of September 2008 on fairly stable footing. Although the country’s market for asset backed commercial paper (ABCP) had become frozen with the onset of the credit crunch in September 2007, it had escaped bank crises of the sort experienced by Britain. Moreover, Canada’s economy was continuing to produce jobs, with unemployment in July 2008 registering at just 6.1%, which was nearly a 30 year low (‘Canada’s Unemployment,’ 2008). The impact of the recession was also much less dramatic in Canada. The TSX, Canada’s main stock market, certainly did experience a sharp drop after the Lehman Brother’s collapse. However, Canadian banks did not require bailouts like their UK counterparts. And while the unemployment rate in Canada increased by 29% during the period studied, almost the same as in the UK (28%), the negative job news did not emerge in Canada for several months after the turmoil in the financial and real estate markets.

The front-page economic news trends are not surprising for the Canadian context. The period with the most front-page economic news was from the time of the market crash in October 2008 to April 2009 when most of the major policies for responding to the recession began to be implemented. The most negative months were October and February, with the former coinciding with market losses and the latter with job losses. Job-related front page news did not begin to appear until well into 2009 as industries began to react to the events of September and October 2008.
TABLE II
Monthly break down of economic news, unemployment data and voting intentions in the Canada, August 2008 – July 2009

<table>
<thead>
<tr>
<th>Month</th>
<th>Total stories</th>
<th>Total +/- Balance</th>
<th>Job Stories</th>
<th>Job +/- balance</th>
<th>Main themes</th>
<th>Unemploy. rate of prior month</th>
<th>Voter intention (change)*</th>
</tr>
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<tbody>
<tr>
<td>Aug. 08</td>
<td>2</td>
<td>-2</td>
<td>0</td>
<td>0</td>
<td>Housing slump</td>
<td>6.1</td>
<td>18</td>
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<td></td>
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<td>28</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>36</td>
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<tr>
<td>Sept. 08</td>
<td>12</td>
<td>-11</td>
<td>0</td>
<td>0</td>
<td>Faltering markets, Bailout plans</td>
<td>6.1</td>
<td>21 (+3)</td>
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<td>21 (-7)</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>40 (+4)</td>
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<tr>
<td>Oct. 08</td>
<td>22</td>
<td>-18</td>
<td>0</td>
<td>0</td>
<td>Warning of recession, Market crash</td>
<td>6.1</td>
<td>18 (-1)*</td>
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<td>26 (+5)*</td>
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<td></td>
<td>37 (-3)*</td>
</tr>
<tr>
<td>Nov. 08</td>
<td>17</td>
<td>-5</td>
<td>0</td>
<td>0</td>
<td>Government cuts, Recession planning</td>
<td>6.2</td>
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<td>7.2</td>
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<td>Auto industry struggles, Optimistic government</td>
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<td>-2</td>
<td>Difficult recovery ahead, Assessment of recession</td>
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<td>33 (+1)</td>
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Sources: Headlines - The Globe and Mail, August 1, 2008– August 1, 2009, accessed via Proquest; Unemployed rate - Statistics Canada; Voter intention - Angus Reid Polling, *Federal election results, **Strategic Council.
In terms of changes in voter intention, most of the shifts in party support were barely outside of the margins of error from the previous month’s poll. The largest single change between months was a six point drop in support for the Conservative government between January and February 2009. This drop, and the corresponding 4% rise for the Liberals, coincided with the largest increase in the unemployment rate in the period studied (0.6%) as well three months of an average -10 score in the front page economic news. Still, the Conservative recovery back to 35% support in the following month despite further job losses demonstrates that once again negative employment news does not have a uniform impact on government popularity. Nevertheless, the months following the Conservative’s March recovery were marked by a series of small shifts that ultimately led to a new trend characterized by the Liberals and Conservatives both hovering within one or two points above or below 32%. The new trend was a significant departure from the 11% Conservative lead over the Liberals seen in the 2008 election, suggesting that the negative employment news had made some impact on voter intentions. The Liberals even moved ahead of the Conservatives in May and July of 2009, although both times the lead was still well within the margin of error. However, the Conservative Party finished the period down just 4% from its election level, which is hardly a major drop in support. Like the Liberal Democrats in the UK, Canada’s third party was not affected at all by these changes throughout the year – the New Democratic Party support remained constant between 15-18%.

In contrast to Britain, which had its general election as the country was beginning to emerge from the recession, Canadians were going to the polls while in the middle of the roller coaster ride of the financial crisis. Another major political event unique to Canada during this period was the constitutional crisis that dominated the national scene from mid-December 2008 to early-January 2009. While the threat of bringing down the Conservative minority government by a Liberal-New Democrat coalition was linked to the government’s failure to implement a strong policy response to the growing economic crisis, it provided a much different narrative for Canadian voters, with the Conservative party coming out on top. The voter sentiment appeared to have little to do with who could best manage the economy, with polling data showing that while 53% of Canadians thought the Conservative government had done a bad job handling the crisis, 57% were concerned about the Bloc Quebecois being involved with the government and 64% were being opposed to the idea of Liberal leader Stephane Dion becoming Prime Minister (‘Canadians Divided,’ 2008). Public support for the Conservatives at this time therefore had much more to do with winning the public relations battle about the coalition proposal and Dion’s leadership than appearing to be more competent managers of the economy. In fact, for the previous decade, the Liberal party had successfully branded itself as the most competent manager of the economy based on its deficit fighting policies of the mid-1990s. This dominance of non-economic considerations in political debate might help to explain why the Conservatives did not experience a greater drop is support over the period examined. While the Canadian voters may have been distressed about the economic conditions – the Conservative party was not punished according to voter intention polls.

As mentioned in section three above, the small change in Conservative support might also be explained by the fact that Canada’s minority situation is seen to make it more difficult for voters to hold the government to directly accountable since multiple parties must support the government’s proposals for them to pass. Furthermore, the multi-party system that has given rise to the minority situation may also be hindering accountability since the enormity of vote splitting that makes the notion of “kicking the bums out” much less feasible than in a system with only
two or two and a half parties. With the reunification of the Conservative party, the consistent strength of the Bloc Quebecois, the sponsorship scandal-tainted Liberals and the emergence of another left-of-centre party with the Greens, expanded voter choice may dilute the notion of punishment at the polls, explaining why the Conservatives did not fare worse. It is also possible that Canada’s proximity to the US and the early framing of the crisis as the result of problems in that country may have led voters to believe that the situation was not the Canadian government’s doing – it was unavoidable regardless of the party in power. As well, the unemployment numbers were still relatively stable throughout the discussion leading to the 2009 budget and the start of the implementation of the Canadian stimulus plan, known as Canada’s Economic Action Plan.

This leads to another hypothesis – that the impact of economic outcomes on voter support should be reduced in Canada because it relies on trade for a greater portion of its GDP. Again, this could be tied to the placement of blame on outside forces. Canadian voters are fairly versed in having economic downturns pinned on external actors and variables. In the past ten years prolonged trade issues involving sectors as varied as beef to lumber have possibly made voters more sympathetic to their own elected officials. As well, the omnipresent impact of federalism allows for constant blame shifting – municipalities blaming the provincial government, provinces blaming the federal government, the federal government blaming larger economic powers. This would also support Duch and Stevenson’s (2010) contention that voters should be able to distinguish between the relative impact of government policies and foreign economic shocks over time.

In terms of the left-right dimension, the luxury model also suggests that parties on the left will experience less support during times of recession while the clientele hypothesis suggests that it should receive more. The movement in support for the rightist Conservatives and centre-left Liberals would suggest some tentative support for the clientele hypothesis. However, Canada’s fully leftist party, the NDP, had virtually no change in support. This may be explained by the assumptions that it would be unlikely to attract supporters since it is not seen as a viable alternative to the government, and also that its supporters are more entrenched and would not flee the party in the face of an economic crisis. In fact, regardless of outside factors, the NDP have maintained similar levels of support since new leader Jack Layton was introduced in 2003.

Finally, the hypothesis that voters should place greater emphasis on retrospective evaluations of economic performance than the potential for future growth does not appear to be supported by Canadian events. Instead, Canadians were supportive of government stimulus packages and accepted the future existence of deficits to fight the growing recession. Retrospection on this crisis was placed more on American investment firms and overzealous real estate markets than government policies or actions.

6.0 Conclusion

This paper has explored how voter’s preferences shifted in response to the international financial crisis that began in September 2008. It has shown that while the popularity of Canada’s Conservative popularity initially remained high, it slowly declined in the first half of 2009 as the country’s unemployment level began to rise. In contrast, the British government, which had been trailing in the polls going into the crisis, experienced a sudden surge of popularity as the situation
began to unfold. However, this recovery was short-lived and the party’s popularity was soon back to pre-crisis levels. While the Canadian situation was clouded by domestic political factors, the British results run counter to Hellwig and Samuel’s “government constraint” hypothesis that economic voting is reduced by global integration. Instead, during times of crisis it appears that voters will support whichever party appears to offer the best plan for minimizing the disruption to the domestic economy over the short-term. The low level of popularity experienced by the Labour party before and after the crisis also challenges Fernandez-Albertos’ finding that voters in open economies will be more forgiving of leftist parties that govern during economic downturns. However, it is notable that the swings in voter intention were smaller in Canada, which relies on trade for a greater portion of its economic output than does the UK.

Contrary to Kayser’s assertion that international crises will push voters away from luxury parties, evidence from both countries suggests that voters were supportive of increased government spending if it would offset the international turbulence. The debate over the need for stimulus in both countries also contradicts Steiner and Martin’s contention that the diversity of the options that parties offer to voters should narrow as globalization progresses. However, voter support for government intervention would seem to confirm the clientele hypothesis that during tough economic times voters will tend to be drawn towards the political left.

Finally, the trends in vote intention from the UK would appear to support Duch and Stevenson’s assertion that voters are able to disentangle the relative impact of domestic versus foreign forces on economic performance over time. While voters were initially reassured by government efforts to protect their jobs and savings in the face of what appeared to be a foreign crisis, as time went on voters were able to evaluate both the potential costs and benefits of the interventions undertaken as well as whether the crisis was completely the result of external forces. This outcome raises questions as to whether governments should attempt to reassure voters with promises that they will be able to avoid the economic hardship resulting from an international economic crisis given that the true state of the economy will become evident in the long run. Further research should explore what factors enable voters to make such distinctions, such as the possible signaling role played by exchange rates.
The combined value of imports and exports of the goods and services for Canada is equal to 67.4% of the country’s GDP as compared to 60.9% for the United Kingdom (World Bank, 2010, *Private Sector at a Glance Tables*, Published 26 April, Accessed 26 May 2010, Available http://go.worldbank.org/8XXKZVWOC0)

2 The polls for *The Independent* by ComRes were chosen for the British data since the newspaper commissioned more surveys during the period of study than any other media outlet monitored on the UK Polling Report website.

3 Including *The Sunday Times*.

4 For example, the 31 March 2009 story “Dunfermline Rescued,” which discussed emergency government financing given to the Dunfermline building society (a kind of financial institution akin to a Canadian credit union) was coded as positive since it stressed how the company’s employees would keep their jobs. In contrast the 30 March 2009 story “More debt for taxpayer” which described the same event was coded as negative since it stressed the increased burden on UK taxpayer’s that would result.

5 The total vote shares for the three largest parties in the 2010 election were Conservatives 36.1%, Labour 29.0%, and the Liberal Democrats 23.0%.


7 The polling data were obtained from: UK Polling Report, 2010, *ComRes*, Accessed 12 May 2010. Available: http://ukpollingreport.co.uk/blog/voting-intention/communicate. The last poll available for each month is listed in Table I, with the exception of February 2008 where the poll used was conducted on 1 March 2008. The final survey date of the polls used are: 21 August 2008; 28 September 2008; 26 October 2008; 30 November 2008; 21 December 2008; 23 January 2009; 1 March 2009; 29 March 2009; 26 April 2009; 31 May 2009; 26 June 2009; 27 July 2009. Note that due to a time lag, the poll data gathered at the end of one month may have been released early in the next.


On Election Day October 14, 2008, the TSX, Canada’s central stock exchange, had its greatest single day gain in history to that point – 890.50 points. Unfortunately at 9955.66 the market was still substantially down from its close of 13,833.06 at the end of 2007.

Most polls taken in the aftermath placed the Conservatives 20 points ahead of the Liberal Party – see “Harper has crushing poll lead on crisis” Reuters Canada. December 5 2008

Even if Dion leading a coalition government was constitutionally viable.
Works Cited


