4. The Dynamics of Democratic Adjustment
Outline

- *4.1 Competitive Political Accountability*
  - *Economic Voting Theory*
    - *Economic voting and political business cycles*
  - *Economic Globalization and Economic Voting*
    - *Economic competence and economic voting*
    - *Economic globalization and neoliberal reforms*

- *4.2 Competitive Political Representation*
  - *Spatial Voting Theory*
    - *Vote maximization and median voter theorem*
    - *Motives of ideological competition*
  - *Economic Globalization and Ideological Competition*
    - *Partisan economic policy*
    - *Economic globalization and electoral preferences*

- *4.3 Discussion: A Democratic Adjustment Advantage?*
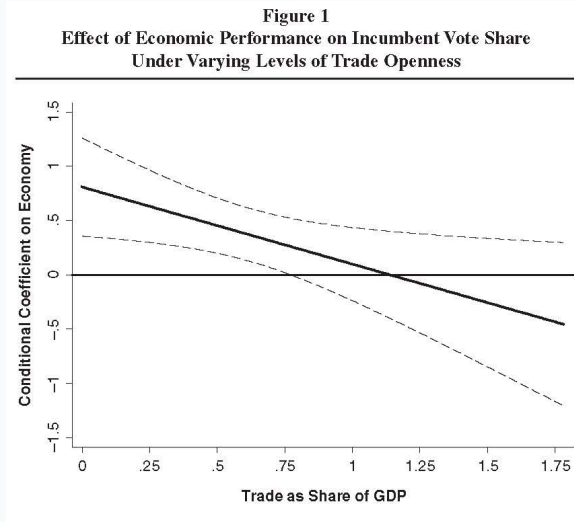 - *Are democracies capable of enacting unpopular reforms?*

4. The Dynamics of Democratic Adjustment
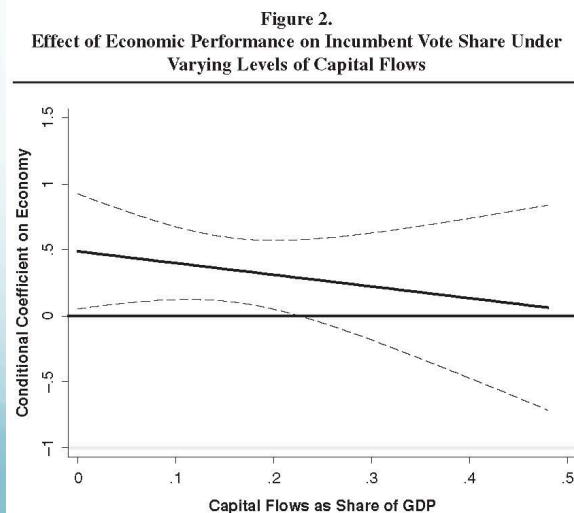## 4.1 Competitive Political Accountability

- *Economic Voting Theory*
  - *The Basis*
    - *The reelection imperative*
    - *Retrospective voting and prospective voting*
    - *Sociotropic voting vs. pocketbook voting*
  - *Economic voting and political business cycles*
  - *Economic voting and ambitious politicians*

- *Economic Globalization and Economic Voting*
  - *The Impact of economic globalization on economic voting*
    - *Economic competence and political accountability*
    - *Economic competence and reelection prospects*

4. The Dynamics of Democratic Adjustment
4.1 Competitive Political Accountability

Figure 1
Effect of Economic Performance on Incumbent Vote Share Under Varying Levels of Trade Openness

Note: Solid lines display the coefficients on the economy (conditional on trade) as a share of GDP and dashed lines display 95% confidence intervals calculated from Model 1.

Figure 2.
Effect of Economic Performance on Incumbent Vote Share Under Varying Levels of Capital Flows

Note: Solid lines display the coefficients on the economy (conditional on capital flows) as a share of GDP and dashed lines display 95% confidence intervals calculated from Model 2.

able 1
Electoral Accountability and Economic Globalization Dependent Variable: Incumbent Vote

Independent Variable	Model 1		Model 2	
	Coefficient	SE	Coefficient	SE
Previous vote	.478**	.079	.495**	.081
Economy	.811**	.231	.489*	.223
Trade openness	2.583	1.558		
Capital flows			2.238	5.333
Economy × Trade Openness	−.710*	.313		
Economy × Capital Flows			−.887	1.172
Presidential election	−1.430	1.374	−1.211	1.344
Economy × Presidential Election	.261	.313	.268	.286
Re-election	6.151**	1.927	5.149**	1.799
Effective number of parties	−2.959**	.483	−2.952**	.502
Income	.172**	.043	.177**	.051
Africa	3.372	3.151	7.310*	2.755
Asia	2.679*	1.190	2.143	1.246
Central and Eastern Europe	−3.579	1.935	−3.514	2.115
Latin America and the Caribbean	2.957*	1.466	2.774	1.497
Constant	20.283**	4.501	20.881**	4.534
Joint F test[a]	4.76**		4.88**	
R^2	.633		.643	
F statistic of model fit	53.42**		47.97**	
N	424		413	

Note: Cells report OLS parameter estimates and robust standard errors clustered within countries.
a. Tests joint significance of the components and interaction term for *economy* and measure of globalization.
**p < .01. *p < .05. (two-tailed test)

Electoral Consequence of Globalization (Hellwig and Samuels 2007)

4. The Dynamics of Democratic Adjustment
4.1 Competitive Political Accountability

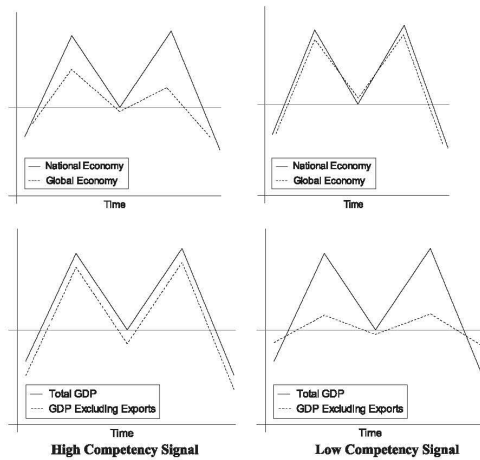FIGURE 1 Hypothetical Competency Signals from Domestic and International Economies

TABLE 1 Perceptions of Stability of National and European Economies

National Economy	European Economy				
	Very Stable	Somewhat Stable	Somewhat Unstable	Very Unstable	Total
Very Stable	86	143	116	27	372
Somewhat Stable	105	1114	596	90	1905
Somewhat Unstable	35	543	836	131	1545
Very Unstable	27	286	446	484	1243
Total	253	2086	1994	732	5065

TABLE 2 Perceived Variation in National and International Economic Variations and the Economic Vote

	Baseline Model	Model with Deviation	High Education	Low Education
Retrospective National Economic Evaluations	.33 (.02)	.29 (.03)	.30 (.04)	.28 (.05)
Retrospective * Deviation		.08 (.04)	.09 (.05)	.07 (.06)
Deviation (Off Diagonal in Table 1=1)		−.33 (12)	−.33 (16)	−.33 (.18)
Constant	−1.59 (.07)	−1.39 (.10)	−1.42 (.15)	−1.33 (.17)
Number of Observations	5,834	5,021	2,788	2233
Log Likelihood	−3123	−2700	−1516	−1176

Note: Country dummies included in both equations. Standard errors in parentheses.

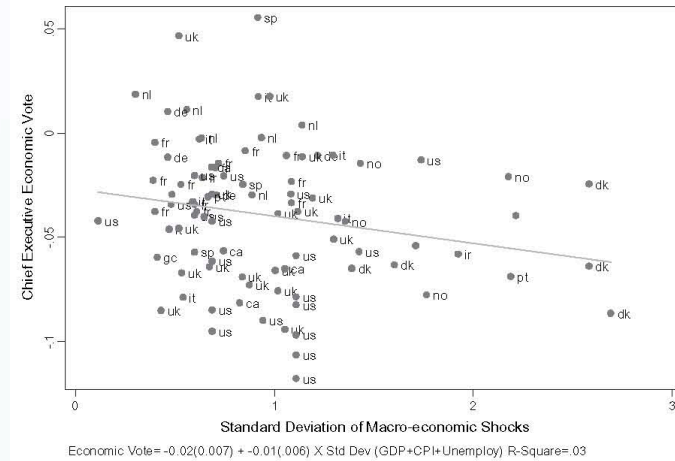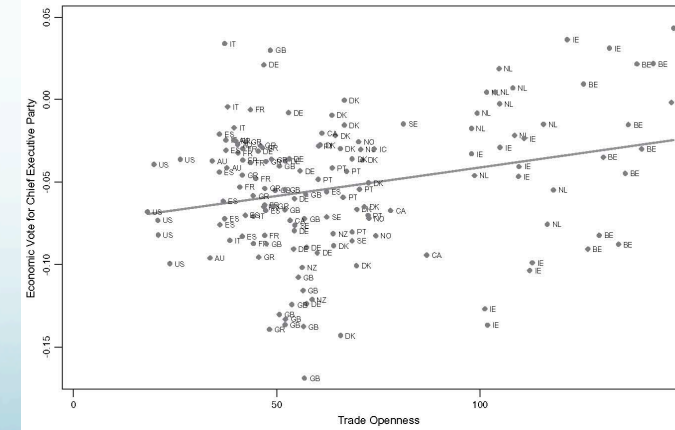FIGURE 5 Economic Vote and Fluctuations in Macro-economic Shocks

Economic Vote= −0.02(0.007) + −0.01(.006) X Std Dev (GDP+CPI+Unemploy) R-Square=.03

FIGURE 6 Trade Openness and Economic Vote

Competency and Economic Vote (Duch and Stevens 2010)

4. The Dynamics of Democratic Adjustment
4.2 Competitive Political Representation

- *Spatial Voting Theory*
  - *Vote maximization and median voter theorem*
  - *Motives of ideological competition*
    - *Multiple goals of elected politicians and political parties*
      - *Reelection vs. policy vs. office*
    - *Incentives to reduce issue dimensions*
      - *Collective action problems*
      - *Party-in-electorate vs. party-in-government vs. party organization*
  - *Patterns of partisan competition*
    - *Major parties vs. niche parties*

- *Economic Globalization and Ideological Competition*
  - *Partisan economic policy*
    - *Unemployment vs. inflation*
  - *Economic globalization and electoral preferences*
    - *Economic globalization and partisan shifts*
      - *Who moves, and why?*
    - *Partisan shifts, neoliberal reforms and reelection prospects*
      - *Lessons from Latin American cases*

4. The Dynamics of Democratic Adjustment
4.2 Competitive Political Representation

H_1: *Mean voter hypothesis*. Changes in the mean voter position in the general electorate cause corresponding shifts in mainstream parties' policy positions.

H_2: *Partisan constituency hypothesis*. Changes in the mean party supporter positions cause corresponding shifts in niche parties' policy positions.

Table 1. Explaining parties' policy shifts

	Country-specific effects (1)	Party-specific effects (2)	Past election results (3)	Party moderation (4)	Fully-specified model (5)	Public opinion model (6)	Party supporter model (7)
Mean shift − all voters (t)	**0.38****	**0.33***	**0.38****	**0.38****	**0.38****	**0.34***	
	(0.05)	**(0.17)**	**(0.18)**	**(0.18)**	**(0.18)**	**(0.18)**	
Mean shift − party supporters (t)	−0.07	−0.06	−0.06	−0.07	−0.06		−0.04
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)		(0.08)
Niche × mean shift − all voters (t)	−0.27	−0.34	−0.28	−0.27	−0.37	−0.23	
	(0.35)	(0.35)	(0.35)	(0.35)	(0.17)	(0.35)	
Niche × mean shift − party supporters (t)	**0.38****	**0.29***	**0.37****	**0.38****	**0.37****		**0.33****
	(0.17)	**(0.17)**	**(0.17)**	**(0.17)**	**(0.17)**		**(0.17)**
Niche	−0.05	−0.03	−0.05	−0.04	−0.05	−0.04	−0.05
	(0.08)	(0.07)	(0.08)	(0.08)	(0.08)	(0.04)	(0.08)
Change in party position (t − 1)	−0.43***	−0.42***	−0.44***	−0.44***	−0.44***	−0.44***	−0.44***
	(0.05)	(0.05)	(0.05)	(0.05)	(1.00)	(0.05)	(0.05)
Change in party position (t − 1) × vote change (t − 1)			0.001**		0.001**		
			(0.000)		(0.000)		
Vote change (t − 1)			−0.010*		−0.010*		
			(0.006)		(0.006)		
Party ideology				0.008	0.004		
				(0.036)	(0.035)		
Intercept	7.98**	7.87**	7.99**	7.98**	7.99**	8.02***	7.99**
	(0.29)	(0.29)	(0.29)	(0.30)	(0.29)	(0.30)	(0.30)
N	309	309	309	309	309	309	309
R^2	0.19	0.19	0.20	0.19	0.20	0.18	0.18

*$p < 0.10$, **$p < 0.05$, ***$p < 0.01$, two-tailed tests. Standard errors are given in parentheses. The dependent variable is the change in a party's Left–Right policy position based on the codings of parties' policy programmes that are reported in the CD-ROM in Budge et al. (2001) and Klingemann et al. (2006). The definitions of the independent variables are given in the text. Column 2 estimates the parameters of a random-effects model specification (see note 15). The country-specific intercepts for columns 1, 3, 4, 5, 6 and 7 are available upon request.

Table 1
Determinants of Public Sector Balances Estimation
Results From Pooled Cross-Section Time-Series Analyses

	Alternative Models		
	1	2	3
Surplus/deficit$_{t-1}$	.90 (32.07)	.89 (31.46)	.89 (31.89)
Change in transfer program costs$_t$	−1.11 (−5.72)	−1.09 (−5.67)	−1.07 (−5.61)
Unanticipated economic performance$_t$	−.30 (−3.84)	−.30 (−3.87)	−.30 (−3.98)
Openness$_{t-1}$	−.01 (−0.12)	−.02 (−0.20)	−.08 (−0.48)
Unemployment$_{t-1}$	−.03 (1.00)	.08 (1.48)	.10 (1.53)
Government$_{t-1}$	.17 (2.13)	.46 (3.16)	
Government$_{t-1}$ × Unemployment$_{t-1}$		−.07 (−2.59)	
Government$_{1, t-1}$			.64 (3.61)
Government$_{2, t-1}$			.38 (2.12)
Government$_{3, t-1}$			.53 (2.37)
Government$_{1, t-1}$ × Unemployment$_{t-1}$			−.12 (−2.41)
Government$_{2, t-1}$ × Unemployment$_{t-1}$			−.07 (−1.81)
Government$_{3, t-1}$ × Unemployment$_{t-1}$			−.07 (−2.11)
Constant	−.04 (−0.04)	−.49 (−0.49)	−.04 (−0.26)
$\bar{R}^2$	.87	.88	.88

Note: $n = 434$ (31 years × 14 countries) The t statistics are enclosed in parentheses and are based on panel corrected standard errors. The latter were estimated with Beck and Katz's (1995a, 1995b) panel-corrected standard errors (PCSE) source program in combination with RATS (distributed by Estima, Evanston, IL). It was also possible to reproduce these results using the September 1997 update of SHAZAM 8.0 (distributed by SHAZAM, Vancouver, British Columbia).

Table 2
Slope of Public Sector Balance on Unemployment Under Different Types of Government

	Partisan Character of Government				
	Far Right	Moderate Right	Center	Moderate Left	Far Left
Period 1	.10 (1.55)	−.02 (−0.51)	−.14 (−1.92)	−.26 (−2.26)	−.38 (−2.33)
Period 2	.10 (1.55)	.02 (0.45)	−.05 (−.73)	−.12 (−1.23)	−.19 (−1.44)
Period 3	.10 (1.55)	.03 (0.70)	−.04 (−1.04)	−.11 (−1.86)	−.17 (−2.05)

Note: t statistics are in parentheses.
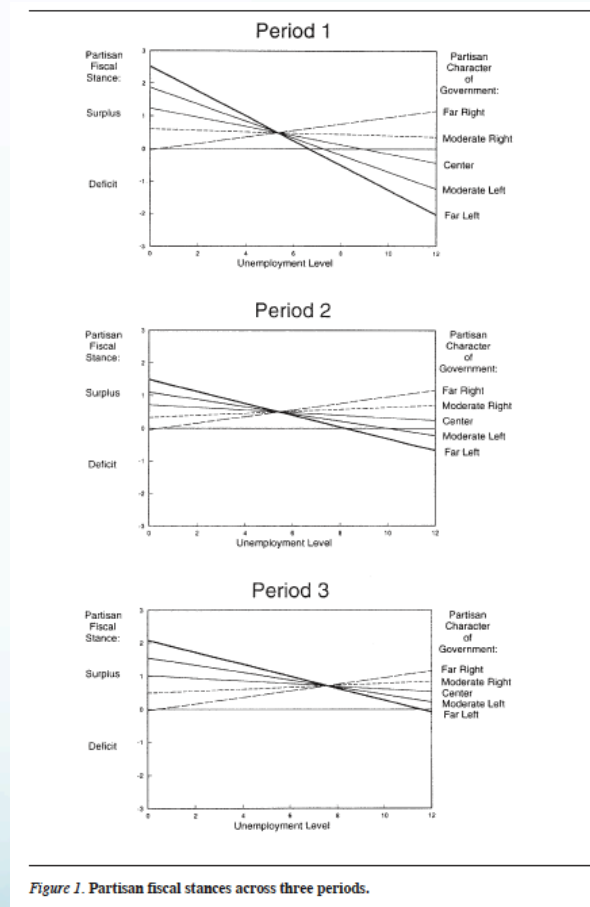
Figure 1. Partisan fiscal stances across three periods.

Fiscal Policy and Partisanship (Cusack 1999)

4. The Dynamics of Democratic Adjustment
4.2 Competitive Political Representation

Table 1. All parties' ideological shifts in response to the international economy. Results for two alternative measures are presented: A. 'left–right shifts on economic policy' and B. 'left–right shifts overall'

	A. Left–right shifts on economic policy	B. Left–right shifts overall
Intercept	−0.194 (0.632)	1.31** (0.975)
Changes in imports (as % of GDP)	−0.391*** (0.169)	−0.508* (0.275)
Changes in exports (as % of GDP)	0.507*** (0.177)	0.573*** (0.252)
Changes in gross private capital flows (% of GDP)	−0.066*** (0.021)	−0.100*** (0.026)
Changes in FDI (as % of GDP)	0.039 (0.079)	0.130 (0.128)
Previous shift	−0.334*** (0.063)	−0.347*** (0.051)
Cases	612	612
Adjusted R^2	0.14	0.15

***Significant at $p \leq 0.01$; **significant at $p \leq 0.05$; *significant at $p \leq 0.10$; based on a two-tailed test.

Table 2. Left-wing versus right-wing parties' ideological shifts in response to the international economy

	A. Left-wing parties only	B. Right-wing parties only	C. All parties with interaction term for left-wing parties
	Left–right shifts economy	Left–right shifts economy	Left–right shifts economy
Intercept	−0.007 (0.698)	−0.501 (0.784)	−0.312 (0.773)
Changes in imports (% of GDP)	−0.277** (0.180)	−0.320 (0.235)	−0.468** (0.230)
Changes in exports (% of GDP)	0.348*** (0.179)	0.619*** (0.184)	0.618** (0.221)
Changes in gross private capital flows (% of GDP)	−0.056** (0.024)	−0.085*** (0.023)	−0.074** (0.0276)
Changes in FDI (% of GDP)	0.001 (0.092)	0.076 (0.052)	0.072 (0.077)
Interact changes in imports (% of GDP) and left party	N/A	N/A	0.189 (0.244)
Interact changes in exports (% of GDP) and left party	N/A	N/A	−0.275 (0.202)
Interact changes in gross private capital flows (% of GDP) and left party	N/A	N/A	0.020 (0.030)
Interact changes in FDI (% of GDP) and left party*	N/A	N/A	−0.071 (0.054)
Previous shift	−0.373*** (0.082)	−0.306*** (0.088)	−0.335*** (0.064)
Left party	N/A	N/A	0.296 (0.771)
Cases	258	205	612
Adjusted R^2	0.15	0.15	0.14

***Significant at $p \leq 0.01$; **significant at $p \leq 0.05$; *significant at $p \leq 0.10$ based on a two-tailed test.

4. The Dynamics of Democratic Adjustment
4.2 Competitive Political Representation

$$party\ shift_t = \beta_0 + \beta_1 left + \beta_2 public\ opinion\ shift_t + \beta_3$$
$$[public\ opinion\ shift_t \times left] + \beta_4 party\ shift_{t-1} + \beta_5$$
$$change\ in\ trade_t + \beta_6 [change\ in\ trade_t \times left] + \beta_7 change\ in$$
$$FDI_t + \beta_8 [change\ in\ FDI_t \times left] + \beta_9 change\ in$$
$$capflows_t + \beta_{10} [change\ in\ capflows_t \times left] + \varepsilon_t$$

Table 1
Results for Models 1–6

	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
	Pooled Coefficient	SE	Pooled Laver-Garry Coefficient	SE	Pooled Comparative Manifesto Project Laver-Garry Cases Coefficient	SE	Pooled Levels Coefficient	SE	Social Democratic Coefficient	SE	Mainstream Nonleft Coefficient	SE
Intercept	−0.018	0.10	0.066	0.24	0.016	0.13	1.1	0.88	0.29**	0.11	−0.059	0.086
Left	0.27*	0.12	0.59*	0.28	0.23	0.16	1.7*	0.88				
Public opinion shift$_t$	1.0***	0.20	2.2***	0.66	1.2***	0.35	0.37**	0.17	0.44	0.26	1.1***	0.19
Public opinion shift$_t$ × Left	−0.83***	0.27	−1.8*	0.97	−0.69	0.35	−0.54***	0.19				
Party shift$_{t-1}$	−0.49***	0.088	−0.39***	0.080	−0.44***	0.11	0.57***	0.050	−0.54**	0.17	−0.38***	0.099
Change in trade$_t$	−0.0017	0.014	−0.015*	0.019	−0.022	0.0086	−0.0074*	0.0038	−0.0050	0.013	−0.0022	0.014
Change in trade$_t$ × Left	−0.0067	0.014	−0.0059	0.030	0.0083	0.0098	0.010**	0.0044				
Change in fdi$_t$	0.12***	0.035	0.081	0.093	0.095	0.061	0.10*	0.058	0.083	0.064	0.13***	0.035
Change in FDI$_t$ × Left	−0.096**	0.041	−0.024	0.17	−0.016	0.062	0.14**	0.063				
Change in capflows$_t$	−0.024**	0.012	−0.068*	0.032	−0.047*	0.021	−0.021*	0.012	−0.040*	0.021	−0.023*	0.012
Change in capflows$_t$ × Left	0.0021	0.012	−0.020	0.057	−0.0092	0.021	0.025**	0.012				
N	128		73		73		166		37		68	

	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
	Pooled Coefficient	SE	Pooled Laver-Garry Coefficient	SE	Pooled Comparative Manifesto Project Laver-Garry Cases Coefficient	SE	Pooled Levels Coefficient	SE	Social Democratic Coefficient	SE	Mainstream Nonleft Coefficient	SE
C − 1	30		17		17		38		30		30	
Root Mean Squared Error	0.60		1.0		0.57		0.62		0.55		0.59	
R^2	.36		.37		.38		.65		.40		.40	

Note: The dependent variable is the party's left–right ideological shift between the previous and current election, except for Model 4, where it is the party's ideological position in the current election. For Model 4, the independent variables are also election year values instead of changes, as discussed in the text.
***$p = .01$. **$p = .05$. *$p = .10$. (two-sided tests).

Globalization and Party Response (Adams, Haupt, and Stoll 2010)

4. The Dynamics of Democratic Adjustment
4.2 Competitive Political Representation

TABLE 1
GLOBALIZATION AND PARTY POSITION: ALTERNATIVE MEASURES
OF GLOBALIZATION

	Regression				
Dependent Variable	(1) Position	(2) Position	(3) Position	(4) Position	(5) Position
prevposition	.176 (3.57)***	.179 (3.34)***	.188 (3.84)***	.172 (3.32)***	.163 (3.58)***
voter_position	27.2 (2.91)***		9.48 (1.74)*	4.57 (1.42)	35.9 (2.90)***
economic_globalization	1.78 (2.68)***	.0951 (1.44)			
voter_positionXecon_glob	−.346 (2.71)***				
totaltrade			.422 (1.57)		
totaltradeXvoter_position			−.0939 (1.67)*		
fdi				2.41 (2.07)**	
fdiXvoter_position				−.476 (2.08)**	
quinn_all					15.8 (2.75)***
quinn_allXvoter_position					−3.03 (2.81)***
constant	−141	−8.86	−45.3	−25.1	−190
Observations	617	790	617	566	617
Number of parties	138	146	138	131	138
R-squared (overall)	0.45	0.44	0.43	0.47	0.38

Robust, clustered t-statistics are in parentheses; *** $p \leq .01$; ** $p \leq .05$; * $p \leq .10$, two-tailed tests
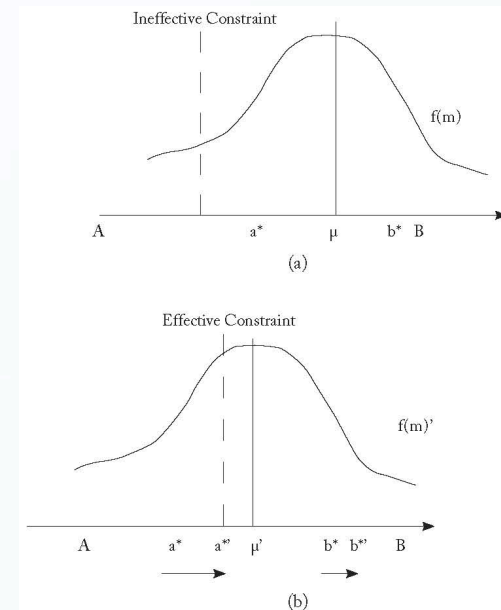
—H1. The greater the degree to which an economy is exposed to economic globalization, the further to the right political parties in that system will locate.

—H2. The further to the right the median voter is expected to be, the further to the right political parties will locate.

—H3. The further to the right the median voter is expected to be, the lower the rightward impact of economic globalization on political parties.

—H4. The more exposed an economy is to economic globalization, the further to the right parties of both the left and the right will locate, but the impact will be greater on parties of the left.

Globalization and Party Positions (Ward, Ezrow, and Dorussen 2011)

4. The Dynamics of Democratic Adjustment
4.2 Competitive Political Representation
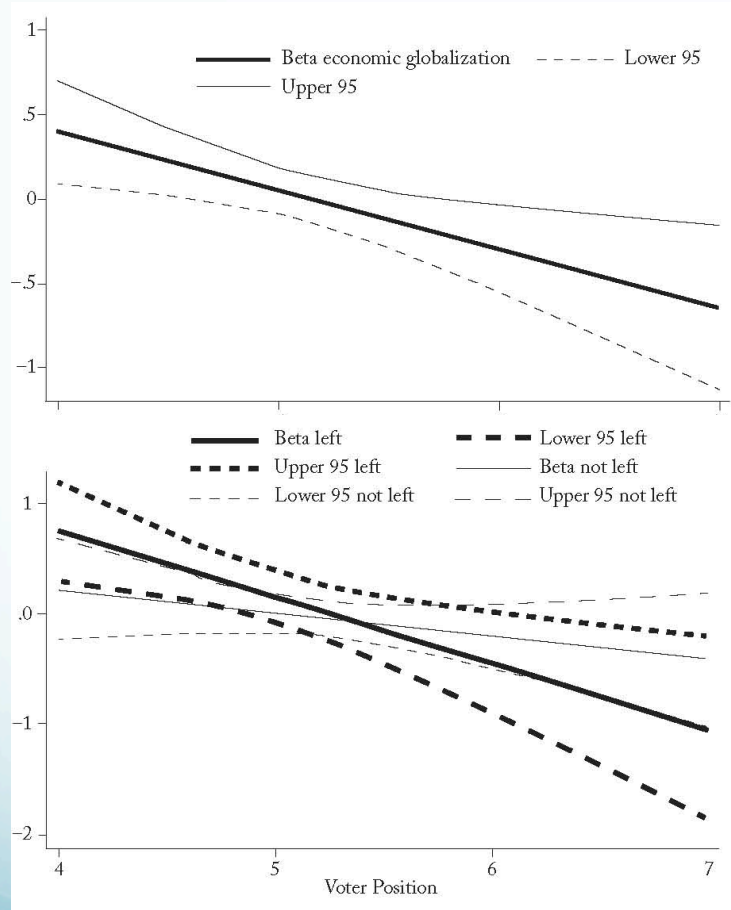
—H4. The more exposed an economy is to economic globalization, the further to the right parties of both the left and the right will locate, but the impact will be greater on parties of the left.

TABLE 2
ESTIMATES FOR DIFFERENT ELECTORAL AND PARTY SYSTEMS

	Regression			
	(6)	(7)	(8)	(9)
Dependent Variable (Subsample)	Position (Proportional)	Position (Disproportional)	Position (Effective Number of Parties > 2.5)	Position (Effective Number of Parties ≤ 2.5)
prevposition	.18	.16	.17	.082
	(3.30)***	(1.34)	(3.05)***	(0.90)
voter_position	24.4	47.1	29.1	72.7
	(2.19)**	(1.51)	(3.06)***	(0.86)
economic_globalization	1.52	3.48	1.85	5.71
	(1.93)*	(1.55)	(2.72)***	(0.88)
voter_positionXecon_glob	−.30	−.69	−.35	−1.11
	(2.02)**	(1.49)	(2.74)***	(0.97)
constant	−127	−243	−153	−371
	(2.13)**	(1.62)	(3.09)***	(0.79)
Observations	477	140	530	87
Number of parties	102	36	125	45
R-squared (overall)	0.41	0.49	0.41	0.09

Robust clustered t-statistics are in parentheses; *** p ≤ .01 ; ** p ≤.05; * p ≤ .10, two-tailed tests

Globalization and Party Positions (Ward, Ezrow, and Dorussen 2011)

4. The Dynamics of Democratic Adjustment
Discussion

- *A Democratic Adjustment Advantage?*
  - *Are democracies capable of enacting unpopular reforms?*
    - *What are the democratic disadvantages?*
    - *What are the democratic advantages?*
  - *What are the implications of the dynamic approach?*