ABSTRACT

This brief paper discusses some of the contradictions to Rational Choice Theory that studies on economic voting run into, most notably the grievance asymmetry and the cost of ruling, and I will discuss possible explanations and implications of these two, introducing some new theory, among them the concept of gratification asymmetry. Issues such as naïveté, myopic retrospections, and pro-social concerns are touched upon more briefly in the introduction. This paper also puts forth a new method for predicting election outcomes by illustration of the most recent Norwegian election studies, but no empirical evidence is relayed.
INTRODUCTION

Many studies of economic voting are modeled to test the responsibility hypothesis, first formulated as a reward-punishment hypothesis inspired by the works of V. O. Key (1964, 1966), which simply postulates that there are positive correlations between the state of the economy and voting for the incumbent government (Lewis-Beck and Stegmaier 2000). The responsibility hypothesis simply reads:

“The voters hold the government responsible for the development in the economy”

(Nannestad and Paldam 1994: 215)

The responsibility hypothesis predicts that the popularity of the government follows economic outcomes (not policies). Governments are expected to be equally evaluated on policy outcomes regardless of the incumbents' ideological positions (Carlsen 2000, Price 1997). The responsibility hypothesis does not postulate anything about which economic conditions the voters hold the government responsible for, but rational voters are expected to hold the government responsible only for developments within the government’s sphere of control, i.e. the voters are not expected to hold their government responsible for developments in the international economy, although any open economy per definition will be vulnerable to fluctuations, shocks and trends in the world economy. A conventional view is that governments are held “responsible for performance regarding inflation, unemployment, and income growth” (Keech 1995: 3). Another view is that concerns about individual welfare may be dominated by concerns about the welfare of all. Voters are generally found to be sociotropic (having pro-social concerns) rather than egotropic (having individual concerns) in their economic evaluations (Lewis-Beck and Paldam 2000), while a third
view is that voters are naïve and “myopically oriented to the present” (Keech 1995: 3), unable to evaluate the full historic performance of the incumbent government.

Alesina and Rosenthal (1995) argue that the naïve voter simply infers competence from the overall state of the economy, while the rational voter is expected to take fully use of all available information in distinguishing policy outcome from (bad) luck. This policy outcome, they argue, cannot be observed directly: a voter evaluating the competence of the incumbent government can only deduce policy outcome from the observed economy, which may have been affected by exogenous shocks outside the control of the government. The one view does not necessarily preclude the other: Keech (1995) argues for a middle position. The paradox of voting may help explain this middle position: the most rational thing to do is to not waste time and resources to cast a vote with infinitesimal chance of casting the decisive vote (Downs 1957, see also e.g. Fauvelle-Aymar et. al. 2000). Nevertheless, most people vote. Explanations for this may be that people may feel morally or socially obliged to vote, or that they actually like to vote, with the implications that follow, like staying informed or meeting neighbors. However, the cost of receiving some information in order to feel able to vote, “relying on salient and accessible information” (Gronke and Newman 2003: 504), is much less than to collect and analyze complete information about the incumbent’s (and opponents’) complete historic performance(s). Instead, Krosnick and Kinder (1990) argue that voters are myopic and base their evaluations on heuristic shortcuts, relying on information about “the prevailing economic, social, and political conditions of the times” (ibid: 500).

Rational voters, in Alesina’s and Rosenthal’s view (1995), are not expected to punish or reward the incumbent government for past performance, since voting decisions made from desire for revenge or reward are not seen as rational. Instead, voters are expected to
use retrospective evaluations to infer future performance, since the indirectly observed competence is likely to persist into the future.

The assumption that the government is being held responsible for developments in the economy is often supplemented by an assumption that the government is held responsible for political developments that impact on the distribution of public goods and hence the welfare (utility level) of the electorate (see e.g. Frey et al. 2004). The responsibility hypothesis can be reformulated into a competence hypothesis, where voters value governments capable of achieving high welfare (Price 1997). Competence may differ within a governing coalition where outcomes may be attributed to the policies of different parties, further complicating the evaluation: Powell and Whitten (1993) argue that it is easier to assign responsibility to incumbent governments with greater policy coherence than with less (clarity of responsibility).

However, many political variables are difficult or nearly impossible to define quantitatively and symmetrically, and are often included, if they are included at all, as dummy-variables or “in a way that is ad hoc to an unusual degree” (Nannestad and Paldam 1994: 217). The ease with which economic variables can be generalized, and the difficulty of generalizing political variables, is known as the economic/political-asymmetry problem of tests of the responsibility hypothesis (op.cit).

Two other major problems that one needs to take into consideration when testing the responsibility hypothesis, are the grievance asymmetry and the cost of ruling. This will be discussed in the following sections, where the issue of the grievance asymmetry is discussed first. Here I will also introduce the concept of a gratification asymmetry. Then I will discuss the issue of the cost of ruling. Based on the most recent Norwegian election stud-
ies, I will then discuss some implications for future election studies, among these a sug-
gested method for predicting election outcomes.

THE GRIEVANCE ASYMMETRY

In its pure form, the responsibility hypothesis postulates that the relation between vote and economy is symmetric. Even though most researchers accept this symmetry (Nannestad and Paldam 2002), “there is no reason to assume, a priori, that voters treat positive and negative changes in the economy similarly” (Stevenson 2002a: 46).

The most common expectation of asymmetry is that voters punish governments for negative developments in the economy more than they reward for positive developments, this is known as the grievance asymmetry.

Such asymmetry was identified by Bloom and Price (1975) who found “compelling evidence of the fact that economic conditions have a strong asymmetric impact on the congressional vote” (ibid: 1244), and by Wides (1976) who found that individual perceptions of negative economic change “during the Nixon administration [had] a greater influence on opinions and behaviour than perceived upward change” (ibid: 408).

The basis for this effect may be found in the loss/risk aversion complex, as described by prospect theory, developed from the tradition of cognitive psychology by Nobel Prize in economics laureate Daniel Kahneman and the late Amos Tversky (Kungl. Vetenskapsakademien 2002).

Through experiments, Tversky and Kahneman (1992) have estimated that the value associated with a moderate gain, relative to some given reference level, is half the value associated with an equally large loss. Experiments have also shown that people place a greater value on things they already possess than to things of objectively the same value that they do not possess, and “that after a series of gains an individual will treat the possi-
bility of a subsequent setback as a loss rather than as a foregone gain, overweight it, and engage in risk-seeking behavior to maintain her cumulative gains against that loss” (Levy 1997: 91).

Voters are therefore expected to place greater weight to losses in their utility level at the time of evaluation compared to their utility level at the previous time of evaluation, than to gains in their utility level compared to their utility level at the start of the government’s term, thus violating the assumptions of the rational voter by being both myopic and loss/risk averse.

However, without arguing against prospect theory, I suggest that an additional reason for the grievance asymmetry may be found in the distribution of types of voters. In a society where there are both egotropic and sociotropic voters, there may be instances where a form of gratification asymmetry occurs at the micro and meso levels, causing a grievance asymmetry at the macro level. That is, while there is no difference in how easy or hard it is to aggravate the voters, some groups of voters may be easier to gratify than others, and the groups that are harder to gratify, are the ones that cause the grievance asymmetry if their preferences are opposite of the ones that are more easily gratified. Think for instance of taxation, where a decrease in taxation has an immediate positive effect on the completely self-centered voter and an immediate negative effect on the completely altruistic voter. However, while an increase in taxation may immediately be responded to negatively by the egotropic voter, a sociotropic voter may need some time to recognize and respond to the positive effects of an increase. Adding to this gratification asymmetry, a sociotropic voter needs a degree of trust in that the tax increasing politicians will redistribute the taxes back to the society in order to respond positively to a tax increase, while an egotropic voter needs no such trust in a tax cutting politician (after the cut). Therefore, a
gratification asymmetry between groups will exist in the case of taxation unless the sociotrop’s trust is perfect, and the taxes are redistributed in full, and the increased taxation does not reduce the overall utility level of society, such as economic growth, and the effects are seen immediately, neither of which is likely anywhere.

Consider the following illustration (table 1): A population of voters is equally split between egoists and altruist, while the government has two options: tax decrease or tax increase. Voters respond either positively “ + ” or negatively “ - ”. A weak response is illustrated by “ ( ) ” around the response. It is assumed that egoists respond positively to tax decreases and negatively to increases, while it is likewise assumed that altruists respond negatively to tax decreases and positively to increases.¹

In this case, voters are expected to be equally aggravated by policies that they evaluate negatively, while altruists that may not see the immediate effects of their preferred policy, and that are also dependent upon a level of trust in the government, are harder to gratify and will give a weaker positive response to their preferred policy than the egoists. With two equally large populations and a gratification asymmetry between them, the aggregated negative response to a tax increase will be stronger than the positive response to a tax decrease. Hence, the existence of a gratification asymmetry between groups adds to the grievance asymmetry at the aggregate.

Taxation is but only one example, but all forms of economic or legislative sanctions that are needed to produce cooperative outcomes may have lagged outcomes and be responded to differently by voters with heterogeneous preferences, and with varying repositories and requisites of trust.²

¹ A set of unsophisticated assumptions, of course, but it works for illustrative purposes.
² See Ludvigsen (2007) for a discussion of trust, preferences, sanctioning institutions (taxation) and cooperation.
THE COST OF RULING

Responses to policy outcomes aside: in a rational choice perspective, the government, ceteris paribus, should neither be rewarded nor punished simply for being incumbent. Nevertheless, general depreciation, unexplained by policy outcomes, has been observed at least since Thomas Jefferson’s days (Norpoth 1991), although no one knows when the observation first was made (Midtbø 1999). In a study of 283 elections in 19 established democracies, Nannestad and Paldam (2002: 21) found the average depreciation of the vote during an election period to be 2.5 percentage points (although with a standard deviation of 6). The only two countries with a standard deviation less than their average are Luxembourg and Iceland, which are also the two countries with the highest average depreciation of the vote. The two countries with the lowest average cost of ruling are Norway (-0.42) and Germany (which actually has an average gain from ruling of 0.67).

Some may say that the cost of ruling is simply the cost of democracy. A gain from ruling would be just as puzzling as the cost of ruling, but although the cost of ruling is a problem for democratically elected leaders, the opposite would be much more problematic for everyone else.

An explanation for the cost of ruling was first suggested by Anthony Downs (1957) who postulated a theory about the coalition of the minorities. This theory is based on “the possibility that an administration, even if it always acts with majority support on each issue, can gradually alienate enough minorities to be defeated” (Mueller 1970: 20). Nannestad and Paldam (2002) explain the theory based on the view that it is easier for an opposition to forge a coalition by giving inconsistent promises to different groups, that these inconsistencies are revealed by actual choices in position, and that the government then loses support from the gullible “sucker-fraction” of its voters (ibid: 28). Although the coalition of
the minorities theory is generally underdeveloped (ibid), and studies on abstention “have tended to be neglected” in public choice studies (Kang 2004: 80), the coalition of the minorities theory may nevertheless explain the large numbers of abstaining voters several mature democracies experience: voters may by time feel alienated by inconsistent promises, or simply feel indifferent to the prospective outcomes, to such a degree that large groups decide to not cast their vote at all (Kirchgässner 2003, Llavador 2000).

The median gap theory is worked out by Paldam and Skott (1995) and Stevenson (2002b), based on Hotelling (1929), Smithies (1941) and Downs (1957). This theory is postulated on a simple median voter model with a one-dimensional two-party system. As described by Hotelling, both parties will try to attract the median voter, and thus pull towards the centre, but they will not converge. One reason for this is the elastic demand as postulated by Smithies: the parties have to be distinguishable if they want to attract voters. Another is described by Downs as ideological immobility, or, as Paldam and Skott (1995: 161) put it: “The policy of each party has to be approved within the party by some process, and the median party member is far from the median voter”. Thus, there will be two party positions, left and right, differing from the median voter’s preferred policy outcome at the center.

This points back to the coalition of the minorities theory as there may be a qualitative difference between a party’s stated preferences and its real preferences. The stated preferences are formulated in order to attract (median) voters and win elections, while the party’s members will try to implement their real preferences once in position. The longer a party is in position, the further the party’s members can pull the policy towards its real preferences, and the party slowly changes its nature (Downs 1957, Stevenson 2002b). As this ideological elasticity of the party organization progresses, the median voter turns away
from the party. The often-found increase in government popularity before an election (Midtbø 1999) may here be seen as a result of the party elite’s efforts to move policies back towards the median voter’s preferences at the end of an election cycle, thus one cycle may include both opportunistic and partisan periods (Mueller 2003). However, ideological immobility within the incumbent party prevents the party from fully closing in on the median voter at the next election, which consequently may turn to the opposition.³

Center voters may achieve an average of their desired policy outcome by alternating their vote between the two parties since they “want a mixture of the policies proposed by both parties” (Nannestad and Paldam 2002: 30). Thus, they “may have a rational demand for change”, hence the cost of ruling (Paldam and Skott 1995: 162-163, see also Alesina and Rosenthal 1995, and Midtbø 1999).

There is also the possibility that the puzzle of the cost of ruling, which typically is expressed as “the average government surely rules exactly as the rational voter expects, so why should the voter punish it by moving his or her vote to the opposition?” (Paldam 1997: 346-347), is not answered by focusing on the government, but on the opposition. Can we expect from rational voters that they are able to predict how the opposition will act in the future? Some parties may run election campaigns without expecting to be held accountable for their promises, in that they don’t expect to be asked to form a government. Such parties are therefore continuous opposition parties that nonetheless receive votes even though the voters can’t realistically expect the party to join a governing coalition. It may not be that the voters are being attracted to inconsistent promises by an opposition turning into position, and then being dismayed by a government that is not able to honor its inconsistencies, so much as there is always an opposition that can play out new inconsistent

³ Although parties also compete for parliamentary votes: sponsors of bills need to attract other MPs to vote for their bills, and assuming that median MPs represent the policy positions of median voters, governments—sponsors of most bills—can not move too far away from the median voter during their incumbency.
promises that floating voters are attracted to. In that case, the cost of ruling becomes an effect of opposition policies rather than government policies. Following from this, countries with large outer-wing parties with low chances of joining governing coalitions, such as Denmark and Norway, should be expected to have a higher cost of ruling than countries where all parties are in pursuit of cabinet portfolios, although the causality between cost of ruling and large protest parties is not clear.

Another aspect that arises when focusing on the opposition rather than the government is precisely the impact of protest votes. A vote for governing parties is primarily a vote for the government and not so much a vote against the opposition, while a protest vote may just as much be a vote against the incumbent as it is to support an opposing party. Following from this, the cost of ruling would theoretically be strongest in countries that have compulsory voting without the option of casting a blank ballot (although no such democratic electoral system exists, and even if they did, voters always have the option of invalidating their ballot). Thus, countries where voters have a strong sense of duty, but don’t have the option of casting a blank vote (registered as such), such as Norway, should expect a strong cost of ruling.

Adding to this, an opposition vote is worth more than a vote for the incumbent, seeing how a vote for the incumbent only has one use, and therefore a limited utility, while a vote

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4 The fact that this is not found to be the case in the study by Nannestad and Paldam (2002) may be because non-center-seeking wing parties are of a relatively new date, in which case one should expect the cost of ruling to increase in magnitude in these countries in the future. However, in Norway, the Socialist Left Party is currently in government together with the Labor Party and the agrarian Center Party, and the populist Progress Party has been center-seeking for many years now, dispersing itself of its most xenophobic representatives and distancing itself from similar European parties, while being kept in the cold by the bourgeois parties. If the theory on ideological elasticity is correct, then one should see a pull by socialist party members to move their party left again, and one should expect the Progress Party to move back to the right if it is given government portfolios in the future. The Socialist Left Party may have another problem, which is that it seems to have moved too much towards the center, and it saw a massive exodus of voters over the two years between the national and the municipal elections in 2005 and 2007. Too much of a distance in the other direction from your base voters is obviously not good either.

5 Again, this is not the case, but then again the sense of duty is declining and abstention is increasing.
for the opposition has two uses (protest and alternative choice). Realizing that there is a cost to voting, such as time spent or increased risk of automobile accidents,\textsuperscript{6} and seeing how the utility of an opposition vote is “twice” as high as that of a vote for the incumbent, then I assume that the cost of voting for an incumbent is “twice” as high as voting for the opposition, ceteris paribus. Thus I suspect that opposition parties can more easily mobilize voters than incumbent parties can. If this is the case, then the cost of voting is part of the explanation for the cost of ruling.

Consider the case of close elections. Palfrey and Rosenthal (1983) have shown that universal turnout is the equilibrium in a case of two parties or blocs and two evenly sized groups of fully informed voters that would benefit from seeing each respective bloc win. In case there is a draw, the election result will be determined by the toss of a fair coin. Voters would prefer to see their party win, but there are costs to voting (that are less than half the potential benefit from seeing their party win—which is easy to imagine, since the benefits of e.g. a tax decrease or a social insurance increase is normally much more than twice the cost of an hour off work and a bus-ticket to the polling station), so they would prefer to stay at home (or at work) and see their party win instead of turning up at the polling station and spend time and money to contribute to their party’s victory. Voters would also prefer to stay at home and have a draw instead of going to the polling station and have a draw. However, when voters know that the electorate is evenly split between two types of voters, they risk seeing the other party win if they stay at home, so they prefer to incur the cost of voting and having a draw over staying at home and lose. This voting game is therefore a Prisoner’s Dilemma where equilibrium is universal turnout with a draw, the second least preferred outcome for both groups and suboptimal to a universal abstention with a draw.

\textsuperscript{6} According to Norwegian insurance statistics, insurance claims on automobiles went up 25\% on Election Day in 2005 compared to other Mondays in September (Aftenposten 2007).
Following from this, even in more realistic scenarios with several parties, uneven distribution of voters and hidden information, the party with the largest untapped electorate has the highest mobilizing potential and therefore the most to gain by framing the election as a close call with dire consequences for its electorate, while the party with the highest degree of loyally mobilized voters should consider framing the election as a certain landslide election with little consequences for the immobilized masses, at the risk of demobilizing some of its own electorate. Adding in the additional cost of voting for the incumbent as compared to the opposition, governing parties with disloyal constituents should be the ones working the hardest to mobilize their electorates, while at the same time risking the severest hits from the cost of ruling.

**IMPLICATIONS FOR EMPIRICAL RESEARCH**

This part of the discussion will draw upon Norwegian election studies conducted by the *Institute for Social Research* in Oslo, where voters are asked to give their position on close to 50 issues. Although the case used for illustration is of a small country, and the studies I refer to are published in a language only Scandinavians can read, I believe the case to be illustrative and the methodological suggestions to be broadly applicable.

Through factor analysis, Bernt Aardal (2003, 2007) finds six dimensions that are stable over time. These six are 1) immigration and foreign aid, 2) economy, 3) environment, 4) religion, 5) centre-periphery, and 6) protectionism. The sixth dimension is a relatively new one, that he assumes will be of continued relevance in the future, but which he admits is a bit difficult to operationalize (personal communication, Nov. 29, 2007). On these dimensions, Aardal calculates the arithmetic average position of voters for each party and in his study on the 2005 election, Aardal (2007) identifies how the parties’ voters have changed between 2001 and 2005. Based on this, Aardal stipulates that an increased polarization
on several dimensions have contributed to the electoral loss of a bourgeois government that supervised the strongest economy ever of the worlds second richest country per capita (after Luxembourg). His study seems to nicely support the theory of ideological elasticity above. However, although Aardal’s stipulations seem intuitively correct, his study has some shortcomings. He warns that the questions asked, as well as the respondents’ understanding of the questions, change over time, and that dimensions are not static, which means that it may not only be the voters who move on the scale, but that the underlying scale moves as well. Such issue drift is nicely illustrated in the case of Israeli politics, where Alan Dowty (2005: 164) notes that “[v]oters in Israel may have moved in a hawkish direction, but the Likud in 2003 espoused positions on the Palestinian issue that was more dovish than the Labor Party positions two or three decades ago”, and he continues by warning that “[w]hen the entire political spectrum is shifting, it may obscure the basic trends behind this shift”.

Aardal also warns that when studying the positioning of each party’s voters over time, it is not the same group of voters that are being compared from one election to the next if the voters are migrating (Aardal 2007: 83).

Another shortcoming is that the studies identify the position of the voters, but not of the party members or elites. The average positioning of voters shows of course how voters are attracted to outcomes and promises, and can therefore be seen as a useful proxy for a discussion of changes in party policies, but there is some information that is lost when there are no comparable studies of the positioning of party members or elites. The questions that are raised by the cost of ruling can not be answered in full. Where is the party leadership positioned relative to its voters? How far is the median party member from the median (party) voter? Are the leadership’s and members’ positions stable, or is there an
ideological (limited) elasticity within the party? Are the voters acting according to a rational demand for change?

Some questions that would not only answer some of the cost of ruling questions, but also some issues of strategic importance to the political parties, could possibly also have been answered better by including metrics on the party leadership, such as who constitutes the “sucker-fraction” (if any) and the alienated voters, where do they go, and how can they be remobilized? Which other voters can be mobilized, and how much would the parties need to adjust their positions in order to attract potential voters? What is the party elite’s position relative to sociotropic and egotropic voters in general, and especially relative to voters that are sensitive to the costs of voting or that are prone to aggravation or gratification?

The problems of drifting issue dimensions and migrating voters also become less acute if the positioning of party leaders or members is included in the studies, thus allowing for comparisons between voters and politicians on the same issue, instead of comparing voters with voters past on issues past.

It should also be possible to better predict election outcomes if the positioning of party members and/or leaders where included in pre-election studies. By following Aardal’s method of identifying voter positioning on stable issue dimensions, one could ask a sample of party elites and members the same set of questions and thereby position the median party representative as well as the median (party) voter. In a two-party system, one could calculate the cross dimensional weighted average quadratic deviation between the median party representative or the single candidate and the median voter (not the median party

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7 With the current data, one is able to estimate if the “sucker-fraction” and alienated voters are to the left or the right of the parties’ median voters, but not where they stand compared to the party leadership. One would assume, however, that these groups and the party leadership stand on diametrically opposite sides of the voter average. If not, the party leadership must have severely miscommunicated with its alienated electorate.
voter), and the party or candidate with the least deviation from the median voter should be expected to win the election, provided it is able to mobilize its own base. In a multi-party system, as well as in a two-party system, one could calculate the size of the voter groups that are positioned close to each party’s median representative on each dimension, and then the weighted average distribution of voters should resemble the election outcome if voters act according to their preferences.

CONCLUSION

The primary focus for this paper has been different theoretical explanations for the cost of ruling and possible implications of these for future election studies, but a discussion of other aspects of economic voting and related puzzles within Rational Choice Theory was necessary to arrive at the discussion and this conclusion. The contributions of this paper have been the introduction of the concept of gratification asymmetry as a possible explanation for the grievance asymmetry, further developing the ideas of the coalition of the minorities as well as ideological (limited) elasticity as two possible causes of the cost of ruling, introducing the role of protest voting and continuous opposition parties into the equations, discussing the strategic impact of the cost of voting, suggesting some ways of further developing election studies that may also work well in testing the various hypothetical explanations for the cost of ruling, and suggesting a new method of predicting election outcomes. I believe following my suggestions will not only benefit future election studies, but also provide political parties with valuable strategic information, as well as political economists with nice empirical tests of several of our theories.
REFERENCES


