Who should be chef? The dynamics of valence evaluations across income groups during economic crises

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\textbf{A B S T R A C T}

In this paper, we investigate partisan rationalization in valence politics by trying to better specify the direct and indirect effects of the economy on government support. To do so, we examine how income levels moderate the influence of objective economic conditions on perceptions of which party is the best manager of the economy during a period of economic crisis, 2004–2010, in the United Kingdom. We find that low-income voters are more responsive in their assessments of the incumbent Labour government based on unemployment, as are high-income voters in terms of inflation. In addition, high-income voters tend to behave in a manner consistent with partisan rationalization, while low-income voters do not. These conclusions offer important implications for the effectiveness of electoral control of government policy, as well as the quality of representation.

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\section{1. Introduction}

The economy clearly matters for politics—economic voting studies have consistently demonstrated that national economic conditions affect election outcomes. Yet, the nature of the causal process underlying this statistical relationship is still a matter of considerable debate since it qualifies the broader theoretical implications for mass political behavior and the democratic process. Our conclusions about what economic voting tells us about the quality of representation and the effectiveness of electoral control of government policy are quite different if perceptions of the national economy and the relative salience of macroeconomic indicators are systematically skewed by partisan rationalization (Duch et al., 2000; Evans and Andersen, 2006). This injection of partisan self-interest fundamentally alters the basis for the “economic” vote choice.

Like economic voting, valence politics depends on the electorate’s evaluation of policy leadership and performance (Clarke et al., 2009). It is thus surprising that the causal process underlying valence calculations has been understudied. Moreover, given the similar nature of the two assessments, there is a theoretical basis to expect assessments of which party is best able to manage the most important national problem (or to lead the country) to be as prone to partisan rationalization as are evaluations of the national economy. This paper is an initial effort to investigate possible partisan rationalization in valence politics by trying to better specify the direct and indirect effects of the economy on government support among income groups during a period of economic crisis.

Partisan politics has been shown to dominate elections in advanced industrial democracies, especially ones like the United Kingdom with a strong party system but no independently-elected executive. Under theories of partisan politics (starting with Campbell et al., 1960), voters form loyalties to particular parties based on self-interest and then support that party habitually at the polls. Such partisans rely on party elites to shape their issue attitudes and perceptions of government policy. To the extent that voter self-interest and party policies are closely aligned, partisan politics can enhance representation by reducing the informational demands on voters of maintaining...
electoral control over government. Partisan politics can undermine representation, however, if the general public’s low levels of information about and attention to politics provide opportunities for party elites to manipulate members’ issue preferences such that they diverge from their own self-interest (with the extent of this divergence being greater for more complex, less salient issues).

In contrast, valence models of politics (starting with Stokes, 1963) treat partisanship as just one of a set of variables that determine elections. As such, valence models offer the potential for elections to be decided by independent voters who choose among the competing parties based on their ability to achieve policy outcomes desired by the vast majority of the public. In turn, valence politics can enhance representation by forcing electoral debate to focus on policy issues that are more easily understood by the public and on which they can more easily identify their self-interest independent of their party. Moreover, this potential is arguably greatest during periods of crisis when the public consensus on the most important national problem is stronger. In such settings, partisan loyalties may tend to be weaker to the extent that political debate about the crisis causes voters to think more independently from their party.

During periods of economic crisis, we would expect valence voters to prioritize choosing the best economic manager over policy concerns that are redistributive in nature. In practice, though, valence voters are no different than other voters in that they form their assessments with limited information gleaned from trusted sources in the mass media and opinion leaders in their social networks. It also is arguable that every policy option has winners and losers and hence is redistributive in nature, regardless of the extent to which voters are in agreement over the most desirable policy outcome. For these reasons, we theorize that self-interest enters into the valence voter’s perceptions when assessing the relative merits of the competing parties’ policy solutions. During periods of economic crisis, valence voters are likely to be in agreement about the task of choosing a government that is most effective at improving the economy, while at the same time reaching different conclusions (based on the same objective conditions) about which party would best fill this role. This should be especially true if valence voters are forward-looking such that their choice of the best economic manager depends on their assessment of the predicted effects of the parties’ expected policy choices in response to the current economic situation. In short, we expect valence assessments, like national economic evaluations, to be shaped by partisan rationalization.

In a previous paper (Palmer and Whitten, 2011), we made the case for studying the dynamics of government support across groups of citizens defined by their income level. We argued that income, which can be seen as a proxy for job skills and human capital, will fundamentally shape citizens’ orientation toward politics and, in particular, the ways in which they are likely to punish or reward incumbent politicians based on economic performance. We found substantial support for this argument in that voters from high-income groups were more responsive to changes in inflation, while voters from low-income groups were more responsive to changes in unemployment. The survey data analyzed in our study came from the UK during 2004–2009, which was a period of Labour government, so we expected low-income respondents to be more likely to continue to support Labour even when they felt that the economy was doing poorly. Hence, finding evidence of income differences in the responsiveness of government support to different economic indicators, as well as in its overall level, highlights the potential importance of self-interest in valence politics assessments.

In this paper, we examine further the underlying relationship between economics and politics across groups defined by their income level. In particular, we examine group dynamics in terms of a crucial valence variable—the evaluation of which party is the best manager of the economy. Even though our focus on income differences in a strict sense only considers whether self-interest conditions valence politics, income being a determinant of partisanship implies that income differences will also reflect partisan rationalization. At first glance, we might assume that the differences across income groups in valence assessments would be relatively simple—citizens in the low income group will tend to think parties from the ideological left are the best managers of the economy, while those from the high income group will tend to think parties on the right are the best. Yet, what we are more interested in is how these assessments change (and whether they do change) as economic conditions fluctuate. The current global economic crisis, by making the economy the most important problem (e.g., as shown to be true in Germany by Clarke and Whitten (2011)), provides a particularly strong environment in which to investigate the nature of valence assessments (to the extent that high salience reduces the potential for partisan rationalization).

2. Income differences in valence assessments

Despite declining class voting (Evans, 1999), we believe that income, as one of the foundations of class, has emerged as an influential political cleavage for several reasons. First, income serves as a better indicator than occupation and education of the voter’s economic self-interest. Globalization of the economy creates common economic interests across occupations in labor-intensive (assuming labor as a factor input is relatively scarce in the United Kingdom) and import-competitive industries (e.g., see Gabel, 1998). Globalization also has a general leveling effect on incomes for all occupations except those requiring

1 We also found a positive relationship between retrospective evaluations of economic performance and incumbent support for voters in the high and middle income groups but no statistically significant evidence of this relationship for the low income group, which is consistent with partisan rationalization (Evans and Andersen, 2006).

2 The classic valence model uses measures of leadership evaluation, which party is the best at dealing with the most important problem, and partisan identification to explain party support. We diverge slightly from this framework with our focus on the question of which party is the best manager of the economy. However, given that we are studying party support during a global economic crisis when most voters are naming an economic measure as the most important problem, we are not particularly concerned with this divergence.
the highest levels of human capital. Reflecting their increasing economic importance, the political relevance of income differences has also grown (e.g., McCarty et al., 2006; Gelman, 2009; Bartels, 2010) with some survey evidence indicating that income differences in political attitudes in the United Kingdom have increased over time (e.g., Palmer, 1995).

Second, given the size of state spending in advanced industrial democracies such as the UK, the current economic crisis has heightened political debate about redistribution via progressive taxation. The distributional consequences of macroeconomic outcomes often vary with income. Income is highly correlated with human capital and wealth. Human capital increases one’s ability to adapt to dislocation in the economy, while wealth provides the means to invest as a hedge against inflation, thereby reducing the downside risk of macroeconomic fluctuations. In short, there are strong economic reasons for citizens in different income groups to have divergent preferences over macroeconomic policy.

Income group differences also matter politically due to the influence of social networks or the social and spatial location of the voter (Johnston et al., 2001). Politics is complicated, and consistent with rational ignorance, we expect citizens to employ heuristics and information shortcuts when forming issue opinions and making voting decisions (Downs, 1957; Lupia, 1994). Citizens reduce the information costs of political behavior by relying on like-minded opinion leaders (Berelson et al., 1954) as well as their likes and dislikes toward salient political groups when forming their political attitudes (Conover, 1988). Similarly, citizens receive most of their political information about an issue as a by-product of their social network interactions, whose content tends to be homogenous and reinforcing, since Huckfeldt and Sprague (1995) find that people generally select discussion partners who share their political views. Moreover, interpersonal communications provide less exposure to dissimilar political views than general interest news sources such as newspapers and television news (Mutz et al., 2001). Income serves as a good proxy for social network differences to the extent that residential neighborhoods are segmented by income.

Finally, building on the previous point, income differences matter due to their indirect effects on political attitudes via their direct effect on partisanship. Parties play a major role in shaping political attitudes by not only serving as a voting heuristic but also in conditioning how political messages are received.3 Yet, partisanship is ultimately endogenous to citizens’ perceived self-interest. Adapting the framework proposed by Campbell et al. (1960), partisanship is shaped by socio-economic and demographic characteristics that are more exogenous (farther away) in the “funnel of causality” for voting. Bartels summarizes this framework as one “in which proximate influences on voting behavior were themselves subject to explanation, at least in principle, in terms of temporally and causally prior forces” (Bartels, 2012: p.249). This framework is particularly relevant for our study, because we wish to understand how objective economic indicators effect judgments of economic management, which then influence support for political parties. In our theoretical framework, group interests and government partisanship play important intervening roles in the causal process.4

Having established their political relevance, how exactly will income group differences shape valence assessments such as evaluations of the relative competence of the parties as managers of the economy? Our theory begins with the simple proposition that differences across income groups exist in the responsiveness of their evaluations of competence to changes in macroeconomic conditions. We expect these differences to be favoring the economic interests of the income groups and which party will most likely pursue government policies consistent with those interests. In the context of the UK under a Labour government with the Conservatives as the major opposition party, we expect citizens in the low-income group to be more responsive to unemployment, while those in the high-income group to be more responsive to inflation. Additionally, given that Labour has traditionally favored redistributive economic policies and sought to protect the interests of the more economically-vulnerable elements of society, we expect low (high) income respondents to hold Labour less (more) accountable for negative macroeconomic performances.

3 Data & methods

To test our theoretical expectations about how group interests and government partisanship shape the relationship between objective economic conditions and evaluations of which party is the best manager of the economy, we have compiled monthly measures of public opinion across three income groups in the United Kingdom from May 2004 to April 2010 using the Continuous Monitoring Survey of the British Election Study. We then combined these data with monthly data on the unemployment rate, real GDP growth over the past year, and annual percentage change in the CPI (as a measure of inflation) from

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3 This is at least partly a function of the extent that the media source can be classified based on its ideology, which influences a partisan’s level of trust in the source.

4 Given our interest in partisan rationalization, some readers might wonder why we do not consider party group differences in the effects of the economy. In addition to our theoretical reasons for wanting to explore the deeper, more exogenous sources of partisan rationalization, there is a strong statistical reason for modeling income rather than party differences. Our statistical analysis constructs group-specific time series of public attitudes by aggregating survey responses across respondents with a particular group characteristic. This approach implicitly assumes that the subsamples—in our case defined by income level—are representative of their underlying subpopulations, and hence the reliability of our inferences about group differences in the time-series process depends on changes in the composition of the subpopulations being exogenous to the causal process being modeled. Specifically in our analysis, changes in the distribution of citizens across the three income groups must be exogenous to the effects of the economy and valence assessments on government support or else income differences in these effects could be artifacts of changes in the composition of these groups. While we are relatively confident that this condition holds for income groups, there are obvious theoretical reasons to not expect this for partisan groups (e.g., changes in the distribution across party groups would be endogenous to changes in government support).
the UK National Statistics Office. The UK is an ideal case for our purposes since the financial crisis was proximate to the 2010 election but started developing early enough that the parties and social networks had sufficient time to intervene in shaping valence assessments. Moreover, there are few panel studies like the British Continuous Monitoring Survey that include large enough monthly samples to reliably estimate mean opinion separately for three groups while also covering a long enough time period to identify dynamic relationships between these opinion series and objective economic indicators.

Our models of which party is the best economic manager are specified as follows:

$$\text{Best Manager}_{ij,t} = f(\text{Best Manager}_{ij,t-1} + \Delta \text{Inflation}_t + \Delta \text{Unemployment}_t + \Delta \text{Growth}_t + e_{ijt})$$

where, Best Manager$\%_{ij,t}$ is the percentage of respondents in income group $i$ reporting that they thought the best manager of the economy was party category $j$ at time $t$. and $e_{ijt}$ is the stochastic component.

Given that the four categories of Best Manager$\%_{ij,t}$ ("Conservative," "Labour," "Neither," and "Don't Know") sum to 100% at any point in time, the usual OLS regression assumption that $e_{ijt}$ is distributed independently is problematic.

A reasonable alternative estimation strategy under these circumstances is the "Seemingly Unrelated Regression" approach proposed by Zellner (1962). This approach has become popular among political scientists when faced with compositional dependent variables such as Best Manager$\%_{ij,t}$ (Tomz et al., 2002).

4. Empirical analyses

Table 1 reports the results of SUR models estimated with opinion series constructed using all respondents and separately with those in each of the three income groups. From these models, we can assess the degree to which citizens of different income groups respond to objective economic conditions by changing their perceptions of which party is best suited to manage the economy. These results shed light on the possible indirect effects of the economy on government support via valence assessments. Model 1 suggests that voters respond to rising unemployment and prices by shifting their perceptions of the best manager from Labour to either the Conservatives or Neither. Yet, the effects of rising unemployment on low-income voters’ perceptions are not similarly consistent with partisan rationalization. Rather than maintaining their predisposition to view the Conservatives as the best manager does not vary with economic conditions. As inflation increases, the proportion choosing Labour as the best manager decreases by 0.015, but this is only associated with a statistically significant increase in the proportion choosing Neither. Yet, the effects of rising unemployment on low-income voters’ perceptions are not similarly consistent with partisan rationalization. Rather than maintaining their predisposition for Labour as the best manager in the face of declining economic conditions, Table 2 shows that when unemployment increases, low-income voters shift their assessments away from Labour (−0.017) and toward the Conservatives or Neither at an equal rate (0.010).

Using models 2–4 in Table 1, Table 2 illustrates the substantive effects of the economy on valence assessments for the high-, middle-, and low-income groups. For each income group, it first reports the baseline proportion of respondents identifying each of the four party choices as the best economic manager. We then show the change in the Best Manager ($\%$) for each party category as we shift the economic conditions from their means to one standard deviation above the mean. As expected, the proportion of high income voters who view the Conservatives as the best economic manager (0.39) is statistically higher than that who view Labour as such (0.31) given that the 90% confidence intervals do not overlap. Low income voters, on the other hand, have a statistically higher level of baseline support for Labour (0.30) than the Conservatives (0.24). We can also see from Table 2 that, as expected, different income groups react to the same objective economic conditions in different ways. An increase in unemployment produces a larger move away from Labour for low-income voters (−0.017) than for high-income voters (−0.010), and high-income voters are more responsive than low-income voters to inflation since they shift away from Labour at a slightly faster rate (−0.015 versus −0.012). High-income voters respond to rising prices in a way that appears to be moderated by partisan rationalization since their strong predisposition to view the Conservatives as the best manager does not vary with economic conditions. As inflation increases, the proportion choosing Labour as the best manager decreases by 0.015, but this is only associated with a statistically significant increase in the proportion choosing Neither. Yet, the effects of rising unemployment on low-income voters’ perceptions are not similarly consistent with partisan rationalization. Rather than maintaining their predisposition for Labour as the best manager in the face of declining economic conditions, Table 2 shows that when unemployment increases, low-income voters shift their assessments away from Labour (−0.017) and toward the Conservatives or Neither at an equal rate (0.010).

When estimating models with highly autoregressive series the coefficients only represent the short-term effects of the variables (De Boef and Keele, 2008). To get a more complete picture of the short- and long-term effects of economic conditions on voters’ perceptions, we present dynamic simulations (Williams and Whitten, 2012). With dynamic simulations, we can illustrate how the autoregressive nature of the series, in combination with the values of the exogenous variables, interact to produce the predicted economic manager assessments. At each of the 12 iterations, the predicted value of the dependent variable at time $t$ becomes the value of the lagged dependent variable (Best Manager$\%_{t-1}$) at time $t = 1$. By doing so, we can demonstrate the natural tendency for the series to vary over time. Additionally, we can represent how different scenarios respond to "shocks" in the values of exogenous variables based on the estimated models.

In Fig. 1, we explore how high income voters respond to shocks in the inflation rate in terms of whether they consider the Conservatives or Labour the best economic...
manager. We begin the simulation by assuming high-income citizens are equally likely (at 0.30) to choose Labour or the Conservatives as the best economic manager. During the first three time periods, there is no change in the inflation rate, so we can observe the natural tendencies of the two series to either increase, stay the same, or decrease.9

We can also observe how high income voters respond to shocks in inflation. At two points in the dynamic simulation (t = 4 and t = 8), we simulate the effects of an increase in inflation. In response to these shocks, the proportion of high income voters choosing the government (Labour) as the best manager of the economy decreases (though not statistically), while the percentage supporting the Conservatives stays roughly the same. As prices decrease (at point t = 11), the percentage choosing Labour increases substantially. This demonstrates that high income voters—who are already predisposed to supporting the Conservatives—are highly responsive to changes in inflation, but only for Labour.

In Fig. 2, we show how low income voters respond to shocks in unemployment. As with the previous simulation, we begin the simulation by assuming low-income citizens are equally likely (at 0.30) to choose Labour or the

9 These changes are a function of the size of the support base of each party (represented in this case by the constant) and the stability of the support base (represented by the coefficient on the lagged dependent variable). Both parties have relatively stable levels of support, but the Conservatives have a higher level of support among high income voters; if there is no inflation, the percentage of those supporting the Conservatives increases while those supporting Labour stays constant. Without the intervention of a shock, these series reach their long-term equilibrium at time periods 3 (for Labour) and 4 (for Conservative).
Conservatives as the best economic manager. During the first four time periods of the 12-period dynamic simulation, the two predicted values are statistically different from each other. In fact, it is only when unemployment increases that low income voters are just as likely to choose Labour as the Conservatives (because the confidence intervals overlap for the two scenarios). As unemployment decreases (such as \( t = 8 \) and \( t = 9 \)), the differences in levels of choosing Labour and the Conservatives among low income voters grows even more profound.

5. Discussion

In this paper, we find substantial empirical evidence for our theory that income groups respond differently to the same economic events in evaluating which party is the best manager of the economy. Given the limits of voter sophistication, the importance of income group differences highlights the growing relevance of income as a political cleavage and the central roles of parties and social networks as intermediating groups in the dynamic response of public opinion to objective outcomes.\(^{10}\) To the extent that income differences reflect partisan differences, one could interpret this finding as evidence of partisan rationalization in valence politics. This would be a serious concern to the extent that we believe partisanship is undermining the voter’s independent assessment of which party is most capable of addressing the country’s most serious problem, despite the electorate being largely in agreement about the desired policy outcome (at least broadly defined).

Scholars investigating partisan rationalization in national economic evaluations have moved from characterizing the systematic partisan biases (Duch et al., 2000) to debating whether economic voting is largely partisan

\(^{10}\) Exactly how elite opinion intervenes in this dynamic process is a topic that we intend to investigate in future research.
voting in a different form (Evans and Andersen, 2006; but see Lewis-Beck et al., 2008). Similarly, one could speculate that the presence of partisan rationalization in valence assessments (especially during a crisis when citizens are more likely to form assessments objectively) implies that valence politics is partisan politics in a different form due to stronger partisans being more systematic in rationalizing their evaluations of party leaders. In other words, one could argue that evidence of valence voting is at least partly an artifact of partisan voting due to partisan differences in valence assessments.

On the other hand, if partisan rationalization is largely due to voters injecting self-interest into their valence assessments, then its negative consequences for representation might be overstated. In the context of an economic crisis, for instance, is representation being undermined if voters take into account their income and occupation when comparing the distributional effects of the competing parties’ proposals for improving the economy? Probably not, and clearly it is harder to criticize this form of rationalization as being as detrimental to electoral control of the government as valence (or economic) voting driven by perceptions based on the biased characterizations of party elites. Our future research will further explore the nature of valence assessments in considering the relative validity of these two characterizations.

References


