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THE EFFECT OF EUROPEAN INTEGRATION ON NATIONAL ELECTIONS IN EUROPEAN DEMOCRACIES

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ABSTRACT

This thesis examines the relationship between the likelihood of incumbent reelection in European democracies and membership in the supranational organization now known as the European Union between 1949 and 2010. In doing so, it aims to find how European voters—through the lens of the European Union and Eurozone—look beyond their own borders in determining the successes and failures of their elected officeholders in order to determine better whether incumbents should be given a subsequent term in parliament and the government. Specifically, it looks to determine the relationship, if any, exists between economic integration with the European Union and the change in likelihood for incumbent reelections. After considering previous literature, this paper extends the theory that the increasing effects imposed by open economies on domestic conditions lessens the responsibility the electorate places in its democratic officeholders, thus making their reelection more likely even in the event of drastic economic downturn, to determine if the same process occurs through economic integration with the European Union. To do this, this study looks at changes in the unemployment rate and output over time as compared to electoral outcomes and analyzes these data statistically to determine the relationship they have with the history of incumbent reelection in European democracies from 1949 to 2010. Ultimately, I find that benchmarking, this looking across borders done by voters, has little effect on the chances of reelection over the study period when using membership in the European Union and the Eurozone as a lens for global comparisons.

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Chapter 1

Introduction

As a country's domestic economy becomes increasingly integrated with the world or regional economy, voters hold their national leaders less accountable for economic booms and busts. European states have become more and more involved in the common forum of the European Union—both through the joining of new members and via more involvement from member states, the European Central bank, the European Parliament, and other institutions—over the sixty or so years since the European Union's foundation in the 1950s.

As will be discussed in the upcoming chapters, previous literature has worked with the concept of economic openness and found a correlation between economic performance and incumbent reelection in ways consistent with retrospective economic voting, which states that voters look back on the period preceding the present election and assign blame for economic downturns and praise for economic booms to the incumbent party or leader. More recent work done by Kayser and Peress in 2012 has found that global benchmarking by voters also helps to account for the likelihood of incumbent reelection in democracies worldwide. In seeking to build upon such work, this study takes more specific look at the idea of retrospective economic voting. Intrinsically, the theory of retrospective economic voting makes certain assumptions: first, that a voter considers the economy to be the primary responsibility and concern of the state, and, second, that individual voters utilize experiences with which they are familiar to arrive at the decision to assign blame. In this way, voting becomes a signaling mechanism by which the track record of the incumbent on economic matters may be scored.

Many scholars have touched upon the cogent idea of retrospective economic voting in political-economic literature, and recent events in Europe further illustrate the important relationship between economics and politics. Over the last few decades, the European Union has represented the best of international camaraderie and cooperation between states with common interests and goals and has helped to grow the collective European economy—as well as those of individual member states—through the introduction of freedom-of-movement policies regarding the trade of goods and the migration of workers. Despite these strides, the crippling relative amount of sovereign debt in states such as Greece have called into question the benefits that smaller economies have drawn from participation in the Eurozone and have raised questions about the possible disintegration of the relatively young institution within the wider European Union. While many scholars have studied the European Union and similar entities, they have not elucidated the manner in which retrospective economic voting works in relation to a state's membership in the European Union—a body that has imposed many policies seeking to harmonize member economies. The rise of the European Union has further aided with democratization of European authoritarian post-Soviet states and helped to set a minimum standard for human and civil rights in Europe through the covenants of membership. Of all of the areas in which the European Union's influence holds sway, the area in which the European Union involves itself most in domestic decision-making regards the economic health, vigor, and development of its member states through the euro, free trade, and cooperative endeavors. Considering all of this, a relative lack of study in the way that economic integration within the European context influences domestic elections becomes very curious. A greater understanding of this paradigm could help scholars to understand the reasons that national governments have sought to integrate with the European economy at an overall increasing rate.

At its core, this paper looks to determine the ways in which European voters look internationally (within and outside of the European Union) in determining the economic successes and shortcomings of their current leadership's policies to determine why the rates of incumbent reelection have varied within and between European democracies since the foundation of the European Union. Essentially, this investigation argues that integration with the global economy through the European Union causes a confusion of responsibility in the eyes of the voters as they seek to determine either a domestic or an international origin for the booms and busts their state's economy has experienced over the preceding term of office. One might recall the recent issues with sovereign debt that have plagued countries like Greece and other Mediterranean states in the last several years: Some pundits argued that the membership (and the drive to achieve a place) in the Eurozone has put these states at the mercy of the European Central Bank, which makes policies that have mostly aided Germany and France (strong exporters) at the expense of the import-consuming smaller members. While domestic leaders ultimately attained the debt and wrote their governments' fiscal policies, the idea that membership in this relatively new institutional component of the European Union may have played a significant hand in the decimation of the domestic economy may cause voters to question how precisely how much fault for the situation lies at the feet of domestic leaders—which vitally affects the decision to reelect or oust those leaders when election time arrives once again. The idea that voters conduct cross-comparisons between their domestic circumstances and those worldwide or in other states—called benchmarking—becomes important in Greece and similar countries. Ultimately, this paper finds that voters in European democracies do not benchmark globally through the lens of European Union membership or continentally through the apparatus of the Eurozone.

Chapter 2

Literature Review

As noted in the introduction to this thesis, literature related to economic integration has largely studied the European Union outside of voter's cross-comparisons between states; specifically, many scholars have studied liberalization of trade and the global economic landscape. For those studies that have dealt in some connected way with the European Union, they have focused on ideas such as referendums and the cession of further powers to the European Union. Literature on the subject of retrospective economic voting has focused on the opening of borders to increased trade, the existence of and evidence for retrospective economic voting, and international economic interdependence. This study utilizes five main articles related to these topics.

First, Anderson (2007) reviewed the history of literature on the economic vote to argue that difficulties in research impair studies of and involving retrospective economic voting within the corpus of academic literature. He specifically focuses his attention on the principal-agent problem, which involves the distance between objectives and outcomes that occurs when officials delegate responsibility to others, and the reward-punishment scheme, which happens when voters use their ballots to either support or chastise parties for policy outcomes. Anderson begins with a theoretical discussion about Mill and the *Federalist Papers* to say that, in political theory, consensus places representative democracy as the ideal method for governing a nation-state because frequent (if not fully regular) elections help to establish accountability; *prima facie*, this seems rather straightforward and reasonable. Regular elections indicate the will of the people at consistent intervals. Even in a parliamentary system in which, by executive authority or legislative sanction, the duration of a legislature may vary, a maximum lifespan punctuated by more frequent elections has existed since the downfall of absolutism, enlightened or otherwise;

this higher incidence still holds under Anderson's scheme—not least because they take place fairly regularly and predictably. From that starting point, he first looks at individual-level problems, meaning concerns related to the individual voter, with models of economic voting and finds two: (1) Combined with the idea that no objective economy exists (as it is framed by the media, which harps more on "bad" economic times), people cannot fully understand economic matters because they do not study them or they learn of them at uneven levels and paces; and, (2) even if people could learn of economics without any "cognitive limits," people naturally seek to take shortcuts in their understanding—largely based on their ideologies and beliefs. He also argues that institutional complexity plays a part in mitigating the effects that economic voting would have on the likelihood of reelection by causing confusion as to the responsibility of parties for any given policy point. In short, while an individual voter may vary in his level of sophistication regarding economic matters, voters inherently tend towards "explaining away" economic situations based on their inherent political biases. In addition, if the incumbent government comprises a coalition, different government parties may have different amounts of influence in each of the different policy areas such that being able to pin some "bad" policy on any one party becomes increasingly difficult for voters. In conclusion, Anderson makes a couple of points: (1) Improving theoretical foundations of models—perhaps through asking better, more sound questions—could advance work in this area; and (2) increased understanding of way in which individuals and institutional complexity play a part in voter's reactions to and interpretations of a bad economy may also work to advance study on these topics.

Duch and Stevenson (2010) considered when voters would not hold an incumbent government responsible or find it incompetent on economic matters. They argue that, as an economy opens up, shocks to the national economy become harder to assign to faults of the domestic government or of global interconnectedness. Essentially, Duch and Stevenson argue that voters must make a decision, based on their rational expectations, to choose between parties and candidates for the best outcome that they can predict based on the information they have. They propose that voters have some familiarity with various macroeconomic concerns and that they, therefore, perform a task of assigning blame based on signaling. *Signaling* indicates that voters use this baseline knowledge to make a determination of “good job” versus “bad job.” This signaling, in turn, conditions the economic vote—which Duch and Stevenson test on the individual and aggregate (national) levels. To test their hypothesis that economic voting diminishes in open economies due to confusion over whom to blame, Duch and Stevenson study 163 national elections in nineteen countries between 1975 and 2005 and show that open economies experience diminished retrospective economic voting. They assume that politicians want to remain in office and that voters focus on the most recent economic events. Politicians and their parties compete for the executive. Duch and Stevenson then benchmark to the global economy (that is, perform a cross-comparison between domestic conditions in one country and the global economy) to determine the political or apolitical origins of economic shocks within countries when they study the elections in question. They conclude that voters are informed about the economy in a way that is consistent with the selection (or competency) mode; the selection model argues that voters use signaling to decide whether or not to vote for the incumbent. Additionally, Duch and Stevenson determine that voters have the information necessary (including national and international economic fluctuation) to respond to signaling in placing blame for economic downturns on national leaders in certain circumstances. In short, Duch and Stevenson find that economic shocks correlate with instances of economic voting in a way consistent with their argument.

Moving in a slightly different direction, Hellwig (2001) looks more deeply into global interdependence than at national concerns and uses the Mundell-Fleming model to say that, today, many think the disconnect of voters’ expectations and politicians’ economic failures occurs due to a government’s inability to pursue exchange-rate stability and policy autonomy simultaneously. He hypothesizes that a country's greater exposure to international trade lessens the impact of domestic economic conditions on public support for a government. Using data from the Comparative Study of Electoral Systems, he looks at Australia, New Zealand, Germany, the Netherlands, Norway, Spain, the United Kingdom, and the United States. He looks at how partisanship, employment status, education, and employment level affect the (self-reported) vote choice for incumbents versus non-incumbents, Hellwig concludes that more sophisticated voters are more attentive to the global economy's constraints on domestic government efforts to improve welfare or economic performance; he states that globalization's reach not only affects economic and social policy domestically but also mass public attitudes. In conclusion, Hellwig states that the loss of the ability to evaluate the performance of the incumbent government based on economic performance, due to the constraints posed by globalization, lead to parties' substituting their differences in preferences over economic policy for differences in other areas.[1]

Furthermore, Hellwig and Samuels (2007) note that, while related, the idea of opening an economy and incumbent electoral performance are rarely addressed jointly in the literature. They proceed to discuss the tension between globalization and harmonization of economies in contrast to leaders' desires to maintain distinctive policies and goals. They theorize that greater economic interdependence lowers the accountability mechanisms which are essential to the proper functioning of representative democracy. They analyze every national election for a legislature or an executive in democracies with one million or more people and a score of six or more on Polity IV[2] between 1975 and 2002. After they eliminate the first election in each state so that they can look at changes in the share of votes for the incumbent party, their dependent variable, they have 426 elections. Hellwig and Samuels include indices of trade openness and capital flows and real

[1] Hellwig also notes that future voting may simply seek to select "good types" rather than sanction incumbents and that the reduction in retrospective economic voting may give way to more effective policy-making choices.

[2] The Polity series takes voter participation in meaningful, regular elections for a powerful, consolidated executive into account to determine the democratic nature of a country; scores of six and above indicate democracies (Jaggers and Gurr, 1995).

annual change in GDP per capita to help account for the effect of economic openness and growth on the vote share for the incumbent. In conclusion, the researchers find that openness does not have an effect on voting for the incumbent. Further, they find that the interplay between openness and political responsibility for economic outcomes is determined by how the voters are groomed to see it by elites; this means that the manner in which the media and politicians themselves frame the situation greatly affect the way that voters will see the situation. While their analysis seems to show that voters view their elected leaders as less competent on economic matters, the way in which trade (as the better-known factor of the international economy) affects incumbent reelection relies on the perceptions of the electorate.

Kayser and Peress (2012) begin with the assumption that no economic indicator has an inherently good or bad value: For example, zero percent growth in real GDP might seem bad until one realizes that, in that particular year, most of the world's other economies might have experienced negative growth in real GDP. Therefore, the authors conjecture that voters in various countries benchmark economic indicators within their own state against those of neighboring states to know whether theirs are relatively high or relatively low and use that determination to vote for or against incumbents. The article uses aggregate (national)-level and individual-level analysis to investigate incumbency using two values—growth in real GDP and the unemployment rate—globally and locally. If voters within countries benchmark, they should respond to the local component more than the global component (which would ideally draw no response) because the electorate would then be fully capable of determining the precise level of praise or blame to associate with national leaders without assigning external forces to them. The authors argue that the domestic GDP growth and unemployment rate have three separate sources: (1) Kayser and Peress look at the median values so that no one country can pull the average too much; (2) the authors look at a weighted value that accounts for integration with and drivers for economic integration and change; and (3) they look at the effects of neighbors and trade partners. The researchers then undergo an aggregate-level analysis of the data: They study 385 elections in twenty-two OECD countries, calculate the vote share of the "leader party" (the leader of the prime minister in parliamentary democracies and the leader of the president in presidential ones), and harmonized unemployment through means ("current" and three preceding quarters) and measured growth relative to the preceding year. In terms of the leader party in parliamentary coalitions, Kayser and Peress argue that voters identify the government in question most squarely with the prime minister and his or her party. Finally, the authors look at individual-level empirics: This portion looks more specifically at individual party share in multi-party. In conclusion, Kayser and Peress find that their results support their hypothesis that voters' looking across their state borders to their neighbors and trade partners influences their willingness to vote against an incumbent leader who may seem to do a "poor" job without benchmarking.

While Kayser and Peress (2012) necessarily account for the relationship between countries in determining the existence of international benchmarking, they do not take into account the level of integration with a wider economy than that of the individual state's through bodies such as the European Union. As found in elicited research, the results of greater levels of integration—as spun by the media and candidates—has not been studied with respect to the harmonization of economic policy between states through supranational organizations. This paper proposes to extend past research by beginning to consider that avenue of economic openness and its effects on the likelihood of incumbent reelections within democratic states.

Chapter 3

Theory

Building on the work by Duch and Stevenson and others who have found evidence for retrospective economic voting, I assume that economic voting occurs, at least to some extent, in any democratic political system. Inherently, this assumption that retrospective economic voting occurs within democratic states causes one to consider a couple underlying factors.

In many ways, the ability to define or rely upon retrospective (or even prospective) economic voting makes certain assumptions about the sophistication of voters that may not always hold water. As Pinard (1967) notes, the sophistication of voters falls far short of the philosophical ideal for democracy. A more sophisticated voter, one would argue, has a more discerning consideration of the political process in order to better decide between the effects of political policies on current situations and, thereby, adjudicate responsibility for successes and failures more squarely to one party or candidate or to no parties or candidates at all. Clearly, as Kramer (1971) notes, the idea of a rational choice or decision that a voter makes in choosing one party or candidate over another is fundamental to the understanding of a democratic system. Perhaps the most sophisticated of voters, as discussed in Felsethal and Brichta (1985), a strategic voter will anticipate other voters' choices in deciding for some party or candidate, which might not be his most preferred, but which will not be his least preferred; this contrasts with sincere voters who always vote for the party giving them the greatest utility. For example, Quinn, Martin, and Whitford (1999) found that a spatial model of voting accounts very well for the individual choices made in the systems of study for their analysis (Great Britain and the Netherlands). In the latter case, they found that some remaining vestiges of social hierarchy and structure do have an importance in voter selection—and such biases would logically be rather difficult to eradicate entirely due to the political socialization of individuals by those within their own class and of similar social background. Regardless, the idea that a spatial model—in which each voter selects the party whose policy position is closest to the voter's preferred policy—is important in understanding multi-party electorates and their voting behavior. This dovetails the concept of economic voting: The elector seeks the greatest level of utility that his or her vote may "buy" through increased GDP per capita, lowered inflation, etc. These perceptions of utility may change based on the observations the voter has made regarding the candidate or party's past performance (or that of their peers and counterparts).

To use the economic vote, one must expect at least minimal sophistication on the part of voters such that they make a choice between candidates or parties (as the case may be) based on some rational action. Moreover, one must assume a certain disregard for non-economic factors that play into the voter's decision so that social issues, regional interests, and others do not play a part in an individual's determining his or her vote. Based upon previous research, it seems that these non-economic factors pale in comparison to objective observations of the electorate over the last term—particularly in terms of economic booms, stasis, or busts (Kramer, 1971). Kramer noted that, according to his work on American politics, a downturn of ten percent in real personal income would equate to a loss of four to five percent in voter share; when one considers the swing of two percent, the incumbent party could stand to lose as many as forty seats in the United States House of Representatives—according to Kramer's calculations. With this strong evidence in favor of economic voting that would affect the second two categories delineated above, it seems that economic factors weigh heavily on the voters as they approach the ballot box in their respective countries. Duch and Stevenson (2008) note, "There is no single concept of economic voting that is appropriate for all purposes." For the purposes of this study, the operational definition for economic vote takes a decidedly retrospective bent: One must account for past outcomes of policies while the current government sits in office in order to relate this information to a choice from the list of candidates or parties. Therefore, this study defines economic voting as "a discrete voter choice made after deciding to sanction or punish the incumbent for economic growths or deteriorations in the preceding term."

Considering the literature discussed in the previous section, one sees overall that the interconnectedness of economies (and, by extension, their citizenry—be they workers, capitalists, or pensioners) and the ability of voters to benchmark across their borders to their neighbor states and their trade partners influences electoral decisions. While these disparate strands of thought present interesting possibilities in understanding voter behavior, they do not answer these questions in the European context—with its important structural framework of the European Union and the European Free Trade Association that relates to, but is not directly part of, that supranational organization. Without this and other underpinnings of the European situation accounted for in the literature, there still remain untapped possibilities in answering the question: *Why does incumbent reelection vary within and among European democracies?* If, as Kayser and Peress (2012) note, people benchmark across borders, it seems reasonable to assume that a large amount of this benchmarking—due to their intricate trade relationships and other economic connections between them—occur between countries that are likewise members of the European Union. Hellwig, Duch, and Stevenson—in the articles discussed previously—have indicated that this possibility seems not only logical, but also implied, in previous literature. Yet, in addition to these, other factors affect the willingness and ability of European states to benchmark against one another: For example, the proximity of countries to one another—such as those occupying the same continent—would likely have more reason to consider themselves in relation to their neighbors. Shared history, closely related languages, and ease of travel between these states only serves to augment the possibility of cross-consideration when looking at economic performance within Europe as a whole and an individual's state in particular; membership in the European Union, which requires free mobility of each country's citizens and other integration-oriented rules, would certain impel greater desire to benchmark across European borders within the context of the European Union itself. Finally, one could reasonably expect this benchmarking to increase when the country becomes a member of an increasingly intimate group: Members of the European Union that are not Eurozone states would not have as many reasons to look to the economy as countries who are Eurozone members—thus, having similar monetary policies determined by the European Central Bank.

A few hypotheses relate to the central ideas presented above and to other possible explanations of variance in incumbent reelection throughout Europe's democratic states. They rely on the importance of the European states' technological advancement, their connectedness to the global economy, and their domestic institutions.

As discussed above, integration with the regional European economy should increase the extent to which voters use benchmarking in making their decisions regarding ballots in each election cycle. With the added component of the European Union, assigning responsibility for the outcomes of economic policy would be more confusing. This obfuscation diminishes the role that retrospective economic voting would have in helping the electorate to reelect or unseat their national leadership as assignment of failures and successes economically become more difficult to perform. Therefore, I hypothesize that, as a country integrates further into the European Union, the level of retrospective economic voting decreases and the chances of incumbent reelection become more stable over time regardless of alterations in a country's economic wellbeing. This works in a simple progression: (1) A country integrates with the European Union, (2) that countries voters suffer from a confusion of responsibility on economic matters, (3) these voters then begin to use benchmarking in order to resolve this confusion, and (4) retrospective economic voting diminishes as a strict evaluation of the current domestic economy and becomes a result of the measured comparison between the economies of the home and other states. We may state this in a series of hypotheses:

1. The likelihood of incumbent reelection increases as states integrate with the European Union through increased global benchmarking.
2. The chance of incumbent reelection increases as states integrate with the Eurozone through a high degree of benchmarking.
3. The chance of incumbent reelection does not change as countries integrate with supranational organizations. (*Null*)

In order to test this hypothesis, I need to use economic and voting data for various European states, some that have integrated and some that have refrained from integrating with the European Union (and especially the Eurozone). This study accounts for the level of integration between any given state, the European Union, and the Eurozone. Using economic outcomes such as growth in GDP and change in unemployment, the two main indicators voters would likely consider in making a determination to vote for or against an incumbent party, I can connect the state of the domestic economy at the time of elections to the state of other countries' economies to determine whether or not membership in the European Union and the Eurozone affects the manner in which voters benchmark to the global economy.

Chapter 4

Data and Methodology

This paper utilizes the work conducted by Kayser and Peress (2012) and extends its investigation by including metrics to capture membership in either the European Union or the Eurozone during the time of the elections that they studied in their article. First, we must take a look at the manner in which Kayser and Peress constructed their research. The models presented here look to study incumbent reelection through the metric of incumbent share, which measures the votes received by the government leader's party.

Sub-chapter 1: Decomposing Independent Variables

I extend it to incorporate the influence of the European Union. In their study, without the component of European integration, Kayser and Peress created a localized value for the unemployment rate and growth in GDP. This is the component of the national unemployment rate and output growth that is determined at the national level, through state policy (as opposed to internationally through the global economy). To do this, they used the following equation (shown here for GDP):

$$y^{local}{}_{c,t} = y_{c,t} - y^{global}{}_{c,t} \,. \tag{1}$$

In this equation, $y^{local}{}_{c,t}$ represents the local component of the growth in GDP—after accounting for the global origins of growth through global growth in GDP, $y^{global}{}_{c,t}$—within a specific country at a specific time (the electoral period). To arrive at this local component, Kayser and Peress (2012) took the growth in GDP for each country at each time of interest and subtracted the "global component," represented by $y^{global}{}_{c,t}$, which measures the median national GDP growth in that specific year. The median was used so that no one country could greatly affect the value while accounting for a "standard" level of annual growth.

As they note, one would expect the local (domestic) component of growth in output to affect an incumbent's chances positively if it is greater than zero, and one would further anticipate the local component of unemployment to have a negative impact on an incumbent's chances if it is greater than zero. But, to ensure these data better account for reality, Kayser and Peress decided to factor in three variations to this decomposition:

1. They used the median performance of the global economy by finding the median growth for the year in which the election took place. This prevents the measure from being driven by any one country in the sample. This measure was discussed above.
2. To determine which countries and regions co-vary from the global economy most and to account for various factors such as the integration from and relationship to the global economy, Kayser and Peress assumed that two factors in the global economic component, weighed differently by countries, affect the interactions. They called these "factor loads," and they are discussed at length in Kayser and Peress (2012).
3. Finally, they considered the way that interactions with other countries influences the electoral results by weighting GDP growth for trade with the top five countries from which they receive exports (by proportion).

Now that we have elucidated how Kayser and Peress arrived at the data points they used in their study, we can construct the study used in this paper to determine global benchmarking, if any, through the lens of European Union and Eurozone membership.

Sub-chapter 2: Translating Decomposition into Models

This study utilizes two closely related models to represent the European Union and Eurozone and to show how membership in either or both affects the manner in which voters benchmark globally through the lens of these memberships. Growth in GDP was used for output growth, and the unemployment rate of quarter of an election and the preceding three quarters were harmonized. I use data from the Kayser and Peress article, combined with information on membership dates for the European Union and the Eurozone. In addition to the European Union and the European Central Bank, sources for the data included the OECD, the International Monetary Fund, and other sources outlined in Kayser and Peress (2012).

To study the effects that European Union membership has in European politics, a dummy variable for the European Union (EU) was added such that 1 represented membership and 0 non-membership. Eighteen members of the OECD were studied, which helped to account for the other economically oriented supranational organization in which advanced economies participate and the influence of culminated development and membership on the sample. The coding for EU membership depends on when the country in question joined the European Union (or its predecessor common markets for their elections from 1949 onwards). For example, in the case of Great Britain, any election occurring before 1973 was coded with a 0 because the United Kingdom had not yet become a member of the European Union, but all elections after that year received a 1. Then, membership was interacted with both growth in output and unemployment rate. These independent variables were regressed with ordinary least squares on incumbent share with robust statistics to study the effects that both growth and unemployment have on incumbent reelection.

In the second model, to determine the effects of Eurozone membership on global benchmarking, a similar process occurred. Elections were coded with a dummy variable based on the country and its admission into the Eurozone such that 1 represented elections in euro countries and 0 coded elections in non-euro countries. This dummy variable was interacted with unemployment rate and with growth in output as in the first model and regressed on incumbent share with ordinary least squares in the same way.

Chapter 5

Results

	Coefficient	Robust Standard Error	P>|t|
Growth (GDP)	.34	.454	.46
Unemployment	-.78	.427	.07
EU	-7.59	3.49	.03
EU*Growth	.46	.563	.42
EU*Unemployment	.87	.48	.07
Constant	38.04	2.71	.00
Note: The dependent variable in this analysis was “votelead,” which measures the vote share of the incumbents. In this first model, *N* was 213.			

Table 1. Results from the first model

For the first model, the methodology outlined previously yielded 213 observations. The twenty-two countries studied by Kayser and Peress (four non-European states—Japan, New Zealand, Israel, and Australia—were used in the analysis in order to provide for more elections counter to the number of EU observations) all factored into the results of this particular model. The regression resulted in an R^2 of .0521; thus, interestingly, the model accounted for very little of the variation between electoral outcomes over the last sixty or so years in European politics. This seems to run counter to the intuition laid out earlier in this paper and causes some questions regarding the manner in which European Union members benchmark with their cohorts. The only significant independent variable was the dummy for membership in the European Union, which had a *p*-value of .031 at a confidence level of 95%. The interaction terms reliant on this dummy variable did not end up being significant at all, which indicates that growth and membership do not interact jointly in producing some kind of result on European elections and that unemployment and membership likewise lack joint effects. (The results of the first model are summarized in Table 1.)

	Coefficient	Robust Standard Error	P>|t|
Growth (GDP)	.62	.38	.100
Unemployment	-.05	.23	.845
Euro	-4.56	5.01	.364
Euro*Growth	.22	.62	.722
Euro*Unemployment	.43	.60	.478
Constant	31.65	2.11	.000
Note: The dependent variable in this analysis was "votelead," which measures the vote share of the incumbents. In this first model, *N* was 158.			

Table 2. Results from the second model

In the second model, due to only 36 elections having occurred in states at the time they had the euro as their official currency, the non-European states were not included in the model run for the Eurozone. This gave 158 observations for the second model, and the regression yielded an R^2 of .0275. Again, the model interestingly accounted poorly for the variable seen in electoral returns over the last sixty years when considering the Eurozone. Nothing factored into the second model—be it the dummy variable for Eurozone membership, growth in output, unemployment rate, or either interaction term—resulted in a *p*-value significant at the confidence level of 95%. As with the European Union model, these results seem to run counter to the expectations logically implied from the literature reviewed earlier in this paper. (See Table 2 for the summarized results.)

Of note, the utilization of dummy variables for both the European Union and the Eurozone helped to increase the variation observed between the two groups by parsing elections more evenly into each category for comparison within the respective models. Due purely to the fairly scant number of elections since the implementation of the euro as a common currency, the Eurozone dummy variable was less effective in producing this form of variation than that for the European Union.

Chapter 6

Conclusions and Limitations

In light of Kayser and Peress (2012) and its finding that voters do benchmark internationally as well as other literature on the way voters consider integration with the world economy and non-national economic factors, the results of this study appear very interesting. As noted above, the only independent variable that had any significance in either model was the dummy variable denoting membership in the European Union. Considering this, one may only partially accept the first hypothesis that integration with the European economy helps to ensure the reelection of incumbents. (Recall that neither the interaction term for European Union membership and growth in output nor the one for European Union membership and unemployment rate had any significant effects on how voters benchmark to the world economy in European states; the same resulted in the interaction terms between Eurozone membership and the other two independent variables. This indicates that, taken together, these paired factors do not have substantial joint effects on outcomes of elections.)

What does this mean in terms of the real world? One possibility considering how these results appear somewhat odd in relation to previous literature, is that membership in the European Union predominates and overwhelms international (non-European) benchmarking. That is, membership in the European Union causes voters to think so squarely about Europe and their European neighbors: They may discount the global economy such that they may benchmark to the European Union at its expense. Further research that could prove this would be to conduct a study substantially similar to the one implemented by Kayser and Peress that replaces the global economic indicators with ones from European in general (in one model) and the European Union in particular (in a second model). This could then include control for membership of the country in question in a form similar to that utilized here. Additionally, the inclusion of all European democracies rather than those who also have membership in the OECD could help to increase the accuracy of these findings and to pinpoint more securely the influence that European Union membership has on the results of elections at home; this constitutes the first major limitation to this study.

Lastly, the results seen here for the Eurozone states could come from two possibilities—the first a structural matter related to the European Union and the second a data-related consideration. Recalling that no independent variable had a significant effect on the electoral outcomes in the second model of this study, it appears that membership in the European Union (considering the findings of the first model) may have a greater weight in people's minds in terms of benchmarking than does membership in a smaller subset of the European Union that shares a common currency. This is predicated on the idea that, at its core, the European Union's central machinery is much more powerful in determining and directing the membership of the whole organization and the Eurozone and in handling other areas of economic policy than the monetary policies controlled by the European Central Bank. Structurally, the problem from which this study may have suffered harkens to the 36 observations in states during their membership in the Eurozone. This relatively scant number of observations (in comparison to the number of other European elections) may have swayed the data away from some significant effect engendered in using the euro as a common currency and benchmarking to other countries that likewise use it.

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