

Globalization and Economic Voting

Brandon Beomseob Park*

Abstract

Globalization, contrary to conventional wisdom, can strengthen the linkage between the economy (across-border benchmarked measure) and vote choice and, as a result, facilitate electoral accountability by enriching the information available to public. In the pre-globalization era, ordinary citizens had difficulty assessing domestic economic conditions in a global or comparative setting in part because they were less exposed to information on the economic performance of other countries. However, globalization, and particularly the economic integration that it brings, has provided the ordinary citizens great sources for global comparison in the form of direct engagements and media coverage. Eventually, this trend will allow voters to evaluate their national economy relative to other countries' economic performance. By using original data from news media in 22 different languages from 29 democracies since the 1980s, this research finds that the relative economic performance significantly affects citizens' vote choice when their economy is highly integrated into the world market.

*Visiting Assistant Professor, Department of Political Science, The College of New Jersey (TCNJ); parkb@tcnj.edu

Introduction

A number of studies in comparative political economy argue that integration of national economies to the world market will lead to a convergence in a policy choice. In other words, high competition for capital investment under globalization leads states to uniformly adopt market-friendly policies. Countries can no longer maintain a broad range of domestic fiscal and monetary policies, which was fairly possible in the pre-globalization era. This limited policy autonomy reduces the level of control that policy makers have over the direction of their national economy (Hellwig and Samuels 2007).

This limited policy autonomy due to globalization weakens the ability of elections to function as mechanisms of democratic accountability (Hellwig and Samuels 2007). If globalization undermines incumbents' influence over the economy, then there is less reason for voters to hold their politicians accountable for economic performance. Furthermore, politicians who seek to avoid blame for poor policy performance have a great incentive to shift the blame to the 'limited' policy space.

However, the existing literature does not fully account for the effect of globalization on the link between the economy and vote choice. This is because scholars have considered only one formation of the economic evaluations based on temporal comparisons, so called *retrospective evaluations*. Previous studies have exclusively relied on economy variables as measures of the level of, or changes in, domestic macroeconomic indicators. Recent studies, however, have shown that there is another way that citizens form their economic evaluations based on spatial comparisons. Put simply, citizens tend to engage in comparison, much like we do in our daily lives; they evaluate their own country's economic performance by comparing it with the economy of a similar nation. Given that the relative economy significantly shapes voting behavior, it is important to extend our analysis to examine how economic globalization affects the impact of the economy, based on spatial comparisons, on citizens' vote choice.

In this article, I argue that globalization, marked by greater trade openness, enables voters to engage in a benchmarking comparison more actively. With the increased flow

of goods, services, capital, and labor, as well as ideas, news, cultures, and experiences globalization enriches the amount of information available to voters. International comparisons are spurred by the media, which tends to deliver domestic economic news in comparison with other countries.

Moreover, globalization, by its nature, makes countries more interconnected and interdependent. In this web of connectivity, domestic economic conditions may not be completely 'domestic' but rather affected by many 'non-domestic' factors. Consequently, globalization increases ordinary citizens' awareness about other countries' economic conditions. Therefore, I expect that *as the level of economic globalization within a country increases, the effect of relative growth on incumbents' vote share increases.*

Looking at 156 elections in 29 countries since the 1980s, I find that globalization makes the effect of the relative growth on incumbents' vote share salient. As countries integrate into the world economy more and more, a relative positive economic growth is likely to lead to a bigger impact on incumbents' electoral support, whereas the effect becomes weaker and eventually vanishes in countries which trade less with other countries.

This research contributes to the literature on economic voting by enhancing our understanding of why and how globalization can influence voters' ability to monitor and sanction the performance of government. The implication of the article is that politicians, faced with policy space that has been limited by globalization, will not be completely free from blame for an economy that is worse than other countries. Under globalization, politicians could use openness-induced policy limitations as an excuse for weak performance. However, if the limited policy autonomy is a not unique condition but somehow ubiquitous due to spreading globalization, then the excuse becomes less available for politicians. Simply put, globalization can enhance democratic electoral accountability.

Globalization and the Economic Voting

Selection models of economic voting suggest that rational voters desire to select the most competent candidates by using information about economic shock to assess the future

competencies of competing candidates. Regarding the ability of voters to select the most competent candidates, Duch and Stevenson (2008) highlight the ‘competence signal’ that captures the extent to which shocks to the economy are a result of the competence of governments. More specifically, they explain that an economic shock of country (or incumbent) i at time t , η_{it} , consists of two parts:

$$\eta_{it} = \mu_{it} + \xi_t \quad (1)$$

where the first component, μ_{it} , refers to ‘competency shock’ which meant to capture the economic impact of the incumbent administration’s managerial competence. The other component, ξ_t , represents ‘exogenous shock’, which has nothing to do with incumbent managerial skill or things beyond their controls. Both variables assumed to have means equal to zero and variance denoted by σ_μ^2 and σ_ξ^2 . The sum of these variances, $\sigma_\mu^2 + \sigma_\xi^2$, represents the total variance in the economic shock.

Because voters want to hold incumbents accountable for policy outcomes based on the incumbent’s competence, voters must base their decisions on ‘competence shocks’ rather than ‘exogenous shocks.’ In other words, voters do not want to assess an economy driven largely by exogenous shocks that have nothing to do with incumbent competency. To avoid this misjudgment, voters should be able to extract the ‘competence signal’¹ denoted as follows (Duch and Stevenson 2008; Scheve 2004) :

$$\text{Competence Signal} = \frac{\sigma_\mu^2}{\sigma_\mu^2 + \sigma_\xi^2} \quad (2)$$

Basically, the economic voting depends on the relative size of σ_μ^2 and σ_ξ^2 ; for instance, voters weigh economic outcomes more when the variance of the distribution of competence is large relative to the variance of exogenous shocks to the economy ($\sigma_\mu^2 > \sigma_\xi^2$) (Duch and Stevenson 2008; Scheve 2004; Carlin and Hellwig forthcoming).

Previous literature informs us that globalization attenuates the effect of the economic vote by shrinking the relative size of σ_μ^2 , but by increasing that of σ_ξ^2 (Hellwig and Samuels

¹A formal presentation can be found in Duch and Stevenson (2008: 132-138) and Scheve (2004: 3-7).

2007; Duch and Stevenson 2008). More specifically, due to high competition for capital investment in the open environment, states 'uniformly' adopt market-friendly policies such as tax cuts, deregulations, budget-balancing, spending cuts, and flexible labor markets (Rudra 2002; Wibbels and Arce 2003; Hay 2003). Such a convergence in policy instruments in handling the economy means that the space that countries have to maneuver domestic economic conditions becomes limited, reducing the variance in competence shock (σ_{μ}^2). Instead, openness increases the extent to which national domestic economies are subject to random shock beyond the control of elected officers, increasing the variance in exogenous shock (σ_{ξ}^2). Such changes in the variances, accordingly, decrease the overall competency signal, noted in Equation (2), in countries that are open to global market influences (Duch and Stevenson 2008; Carlin and Hellwig forthcoming).

There is a great deal of empirical evidence to support this argument. Studying 560 elections in 75 countries for about three decades, Hellwig and Samuels (2007) test whether the exposure to the global economy shapes the relationship between economic growth and incumbents' vote share. They find that as trade (as the share of GDP) increases, the effect of GDP growth on the votes decreases.

In two similar but distinct studies, Hellwig (2007a; 2007b) investigates how trade/capital openness affects citizens' perception of politicians' capacity in shaping their own policy, and voters' ability to assign responsibility. For instance, Hellwig (2007a) finds that the deeper the economy is integrated, the less confident the public is in the incumbents' capability to address the economic problems facing the country. Similarly, he argues that globalization makes it difficult for voters to assess incumbents' performance, and finds supportive evidence from the US, the UK, France and Denmark (Hellwig 2007b).

By considering policy regimes such as neoliberal and statist from Latin American countries, Carlin and Hellwig (forthcoming) find that when the elected officials contain a degree of control over the macro-economy such as the interventionist regime, voters hold them to account according to the economy. When the country moves toward a neoliberal and market-friendly policy regime, so the elected officers have weak controls, voters tend to delink the nexus between their vote choice and the economy.

The existing accounts, however, cannot fully reveal the effect of globalization on electoral accountability because they have ignored the importance of relative economic performance on voting behavior. Although much of the scholarship on the economic vote has used measures of the level of, or changes in, domestic macroeconomic indicators (Stegmaier and Lewis-Beck 2013; Stegmaier et al. 2017), recent studies have considered that perhaps voters engage in comparisons, much like we do in our daily lives (Kayser and Peress 2012; Hansen et al. 2015; Aytac 2018).

Theoretically, the idea is rooted in social comparison theory (Festinger 1954), which suggests that individuals tend to evaluate their own country's economic conditions by comparing them with the economy of a similar nation. Put differently, people tend to arrive at a relative measure by subtracting the reference performance from their own economy's absolute performance. Therefore, a good measure indicates an over-performance and a poor measure indicates under-achievement.

The relative economy helps voters extract the signal by providing a simple heuristic shortcut. In particular, when they are attentive to the global economy as a reference point, voters can assess the extent to which the domestic economy is subject to exogenous shocks. For instance, Duch and Stevenson (2008) highlight that voters can better capture the competence signal by placing the domestic economies onto the comparative setting with other countries. More specifically, they argue that voters who perceive distinct deviation in the fluctuations of their domestic economies, compared to the average European economy, are more likely to make a vote choice based on the economy because they perceive a distinct deviation as a higher overall competency signal (Duch and Stevenson 2008: 166).

Given that voters assessment on the economy tend to be guided by relative performance, it is surprising that no existing studies in globalization and the economic vote have used the relative measures of the economy in their empirical analysis. Since we now know that the benchmarked economy has a substantial effect on voting behavior (sometimes even more of an effect than non-benchmarked one, *see* Kayser and Peress 2012), it

is imperative to extend our analysis to observe the differing effects of economic openness on the role of the relative economy in vote choice models.

The role of the relative economy on vote choice under globalization

Given that cross-national comparison can provide voters with the information necessary to infer the competence of incumbent government, the economic voting will also depend on the relative size of cross-national variance compared to within-country variance as Duch and Stevenson suggested in the following form (2008: 154):

$$\rho = \frac{\text{variance between countries}}{\text{total variance}} = \frac{\tau^2}{\tau^2 + \sigma^2} \quad (3)$$

where ρ indicates the extent to which overall variation is a result of difference between countries, τ^2 is the variance of deviation from a reference for country i , and σ^2 is the variance of within country i . When cross-national variance in macro-economic outcome dominates the total variance, ρ gets larger, which suggest that voters infer that domestic economic shocks are the results of incumbent competence rather than exogenous shocks from the global economy (Duch and Stevenson 2008: 154).

Based on this form, we can further consider the variance of between countries. Assume that voters in country i benchmark the macro-economic outcomes of country j . The total variance of the each country can be described as follows:

$$\sigma_i^2 = \sigma_{\mu i}^2 + \sigma_{\xi i}^2 \quad (4)$$

$$\sigma_j^2 = \sigma_{\mu j}^2 + \sigma_{\xi j}^2 \quad (5)$$

where $\sigma_{\mu i}^2$ and $\sigma_{\mu j}^2$ refer to variance in 'competency shock' for each country i and j , and $\sigma_{\xi i}^2$ and $\sigma_{\xi j}^2$ indicate variance in 'exogenous shock' for each country i and j , which has nothing to do with incumbent managerial skill or things beyond their controls such as shock of global economy.

The variance between country, τ^2 , can be illustrated as the difference between above equations:

$$\tau^2 = \sigma_i^2 - \sigma_j^2 = \underbrace{(\sigma_{\mu i}^2 - \sigma_{\mu j}^2)}_{\text{variance in competence shock}} + \underbrace{(\sigma_{\xi i}^2 - \sigma_{\xi j}^2)}_{\text{variance in exogenous shock}} \quad (6)$$

Scholars in previous studies would speculate that globalization will reduce the size of variance in the competence shock ($\sigma_{\mu i}^2 - \sigma_{\mu j}^2$) by limiting policy autonomy for both incumbents in country i and j . However, albeit intuitive, this convergence hypothesis is not shared by all economists and somehow overdrawn. In fact, there are ample empirical evidence that shows globalization did not result in the demise of ‘nation-state’. For instance, while some states have lost policy autonomy in exchange rate and monetary policies, there is considerable room for incumbent to maneuver for the active promotion of employment and general economic performance in the presence of trade and capital openness (Swank 2002).

Rather than being constrained by increasing openness, some scholars have shown the opposite direction of the role of the state under globalization. For instance, scholars argues that government expansion has become stronger with greater openness especially with left-labor power (Garrett 1998), and so it continued to pursue activist supply-side policies (Boix 1998). As an example, Huber et al. (2004) show that total workforce employed directly by the state has been risen since the 1960s, and Hays (2007) shows the increasing social transfer along with increasing openness. With this unequivocal evidence, Hays (2007) concludes that “this period, the much-vaunted era of globalization, has witnessed the development of the largest states the world had ever seen, and there is little evidence of this trend being reversed.” (326)

All of these findings, which entail substantial government intervention, suggest that globalization would not reduce the size of variance in competence shock ($\sigma_{\mu i}^2 - \sigma_{\mu j}^2$). Instead, the role of state could be remained the same or increased by openness which stands in stark contrast to received wisdom.

Turning our point to the variance in exogenous shock, $(\sigma_{\xi_i}^2 - \sigma_{\xi_j}^2)$, Duch and Stevenson (2008) demonstrate that the relative size of variance in competence and exogenous shock in open economy is different from that of closed economy (183). In an open economy, there are more exogenous factors affecting the macro-economy whereas factors which elected officers can use remain constant or decrease, and vice versa in a closed economy.

Although this is useful to consider the effect of globalization on within-country variance such as country i at time t vs. the same country i at time $t - 1, t - 2, t - 3$ etc., its usefulness is limited when it comes to between county variance. This is because voters in country i would not benchmark countries $x, y,$ and z unless they are connected, familiar and similar to country i . For instance, Danish voters are more likely to benchmark Swedish economic conditions, the equally open economy, rather than North Korea, obviously a closed economy. Indeed, voters compare economic condition of a country which shares a great deal of common grounds in economic structure, history, politics, geography and so on.

If comparisons occur between two similar countries, i and j , then there is a higher propensity that a common external shock, such as consequences of globalization, would bring a similar effect to both of them. In other words, the consequences of globalization such as rising unemployment, structure adjustment, crises, recession etc. are not country-specific, but instead they are likely to produce a universal input on exogenous shock in both i and j , which eventually reduces the size of variance in exogenous shock, $\sigma_{\xi_i}^2 - \sigma_{\xi_j}^2$. In a similar vein, based on Iversen and Cusack's (1998) theoretical ground in that openness reduces domestic output volatility by diversifying risk across markets, Scheve (2004) empirically demonstrated that the variance of exogenous economic shocks decreased by greater market integration.

All in all, the above discussion suggests that globalization will make the between country variance, τ^2 , be heavily dependent on the variance in competence shock rather than the variance in exogenous one. As τ^2 is driven by competence shock, ρ gets larger in Equation (3), which suggests that voters infer that domestic economic shocks are the results of government competence in handling the economy rather than exogenous shocks.

In other words, globalization will make the linkage between a relative economy, either over-performance or under-performance, and vote choice more stronger.

Beside altering variance in competence and exogenous shock, globalization can strengthen the effect of relative economy on incumbent electoral fortune by enriching the information available to public. In the pre-globalization era, it was not easy for ordinary citizens to assess domestic economic conditions in a global or comparative setting in part because they were less exposed to information on the economic performance of other countries. Although making comparisons is natural human behavior which is done every day, ignorance about the objects in comparison leads to difficulty in making accurate assessments.

Globalization has brought structural changes to many parts of life, especially in the availability of information. Globalization tends to be conceived as “a multidimensional, rather than a singular, process - evident across the cultural, political, ecological, military, and social domains - in that is associated with patterns of trans-world integration” (McGrew 2008: 280). In particular, economic globalization, marked with increased flows of goods, services, capital, and labor, leads to interconnection and interdependence between countries. When these factors of production cross borders, the news, ideas, and information attached to them make the crossing as well. A necessary consequence of this process of integration is the ‘increased impact of economic changes in one part of the world on what happens in the others’ (Wolf 2008). That said, globalization does not simply foster interconnection, but rather induces active engagement among participants and thus increases information in the countries where they originated.

For instance, Danish people during the pre-globalization period paid less attention to the Swedish economy. Yet, as the two economies became highly integrated, citizens in Denmark began to pay more attention to Swedish firms such as IKEA (and its economy in general) because changes in the Swedish economy had the potential to affect the everyday lives of the Danish people, especially for those who are employed by Swedish firms and who have stocks or shares in them. At the same time, the media in Denmark tended to deliver more news on Sweden, including its economic conditions. All of these engage-

ments with Sweden led Danish voters use Sweden as a yard-stick for comparisons with their own country's national economic performance.

That being said, in the pre-globalization period, the effect of benchmarking across borders is believed to have been weaker because ordinary citizens were less informed about other countries' situation, and less affected by other countries. Thus, voters were less likely to benchmark their own economy against other countries. However, globalization, particularly economic integration, has brought a great number of sources for comparison in people's minds through direct engagements and media coverage. Eventually, this will render voters able to evaluate their national economy relative to other countries' economic performance. Such comparison is inevitable because the environment (e.g. media) provides information on the economic performance of other countries regardless of whether or not individuals explicitly search for it (Olsen 2017). People simply cannot disregard the economic performance of other countries in the modern age. Following this discussion, I expect that *as countries' economic globalization increases, the effect of relative economy on incumbents' vote share will increase.*

Model Specification and Variables

Apart from the conventional empirical strategy², Arel-Bundock, Blais, and Dassonneville (forthcoming) suggest a simple and direct way to test benchmarking hypothesis based on the following equation:

$$Vote = \theta_d G_d + \theta_b G_b + \lambda \omega + \varepsilon \quad (1)$$

²Scholars have included a gap between domestic and benchmark growth ($G_d - G_b$) and the benchmark growth (G_b) in the same model. They then have treated the coefficient of the gap as the effect of relative economic performance on incumbent votes (e.g. Kayser and Peress 2012; Aytac 2018). However, Arel-Bundock et al. argue that such interpretation is misleading because the G_b appears twice in the model, which changes the substantive meaning of the regression coefficient. For more discussion, see Arel-Bundock et al. (forthcoming: 5).

where $Vote$ is the incumbent's vote share; G_d is the domestic economic growth rate; G_b is the benchmark's growth rate; ω is the vector of control variables, and ε is a disturbance term. The two coefficients, θ_d and θ_b , are the marginal effect of domestic growth and benchmark growth on vote share. According to benchmarking hypothesis, θ_d should be positive because it captures how an increase in domestic growth affects incumbent vote share when benchmark growth is held constant. In other words, it represents the situation that domestic growth becomes *overperforming* the benchmark growth (a relatively positive growth). In contrast, the sign of θ_b should be negative because it shows how an increase in benchmark growth affects votes share when domestic growth is held constant, which creates a situation that domestic growth becomes *underperforming* the benchmark growth (a relatively negative growth).

Based on the Equation (1), Arel-Bundock et al. (forthcoming) further suggest a regression model capable of testing a conditional theory of benchmarking hypothesis in the following form:

$$Vote = \theta_d G_d + \theta_b G_b + \theta_{dm} G_d \times M + \theta_{bm} G_b \times M + \theta_m M + \lambda \omega + \varepsilon \quad (2)$$

where M represents for a variable that moderates the electoral salience of relative economy³. If the moderating variable M increases the salience of the benchmark growth, the the marginal effect of domestic growth should be more positive, and the marginal effect of the benchmark should be more negative where M is high.

Using the *Globalization* as the moderating variable, it is expected that the marginal effect of domestic growth should be positive ($\theta_d + \theta_{dm} M > 0$) because globalization will make the effect of *overperforming* growth more positive to the incumbent vote. A negative marginal effect of benchmark growth ($\theta_b + \theta_{bm} M < 0$) will be consistent with the theoretical expectation of this paper since globalization will make the effect of *underperforming* growth more negative to the vote.

³The slopes of the marginal effects (θ_{dm} and θ_{bm}) measure the extent to which the M moderates the effect of comparative economic assessment.

Data and Outcome Variables

For empirical analyses of above-stated claims, I assembled information on the electoral outcome of incumbents in 29 countries since the 1980s. They are mostly, though not entirely, members of the Organization for Economic Co-operation and Development (OECD). The scope of the data restricts itself to the countries and times for which electoral results and media information are available in the ParlGov dataset (Döring and Manow 2012). Especially, because I focus on the relative economic voting using the media-coverage-based spatial reference points, which I explain below, the time dimension of the dataset is heavily restricted to the data availability in Lexis-Nexis database.

Following previous studies, I use the percentage of votes earned by the executive party (the prime minister's party) as the dependent variable. It is argued that citizens do not hold all parties in a government in the same way (Anderson 1995). But, they tend to reward/punish the executive party (Lewis-Beck 1997; Duch and Stevenson 2008) because they consider each party's amount of responsibility and role of economic policy performance (Nadeau et al. 1996) in the case of coalition government. Consequently, they are likely to blame or praise the prime minister's party for economic conditions in parliamentary systems (Lewis-Beck 1997). For robustness, however, I also include the government parties' vote share by summing the vote share of all parties that were part of the government coalition before the election.

Explanatory Variables

The main explanatory variables are *Domestic* GDP and unemployment and those of *Benchmark*⁴. This paper uses one year lagged values of these economic indicators. For the information of benchmark, I use the original dataset which attempts to identify the best possible benchmark for each election across countries. Using an appropriate benchmark is importance because in an empirical model we do not want to force each election and country to compare their economy with a universal reference point such as the average

⁴I obtained information on the GDP growth rate from Conference Board (2014), and information of unemployment rate from IMF.

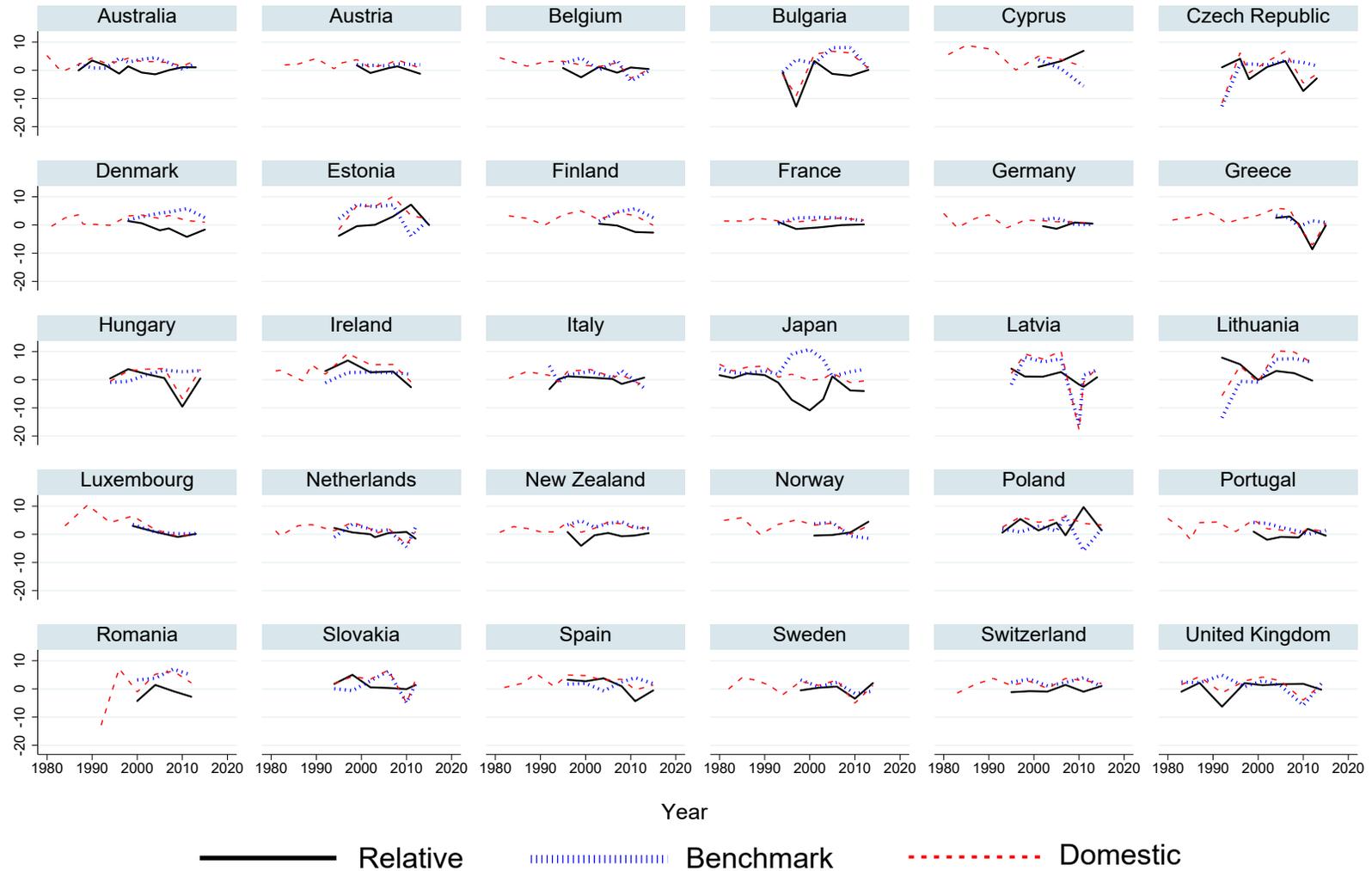
growth rate of world, OECD or the European Union. Instead, it is more likely that voters compare their economy with similar, familiar, and connected other countries' economies. Based on distributions of the domestic media coverage about foreign economic conditions from Lexis-Nexis, the dataset identifies a benchmark country which appears most frequently in one's domestic news report. It is also possible that two or three countries mostly appear in a country's domestic media. In this case, they are jointly considered as benchmarks. Regarding the joint benchmarks, I use the weighted average of economic indicators from three mostly appearing countries in one's domestic news media where the weights are given by the proportion of media coverage.

Figure 1 shows the variations in the growth rates of domestic GDP, benchmark GDP, and the gap between the two, noted as *Relative GDP* (the solid line). The fluctuations in *Relative GDP* crossing the zero line show that countries are over- and under-performing their benchmark' GDP, and do not deliberately compare with a particular benchmark that has a consistently better or poor economy.

More to the point, the *Relative GDP* shows a different way in which citizens map an absolute number onto a subject manner. For instance, before the Great Recession hit the world economy in the late 2000s, Bulgaria had great surges in economic growth (6.75% in 2004 and 6.19% in 2008). However, the rosy outlook became not so much when the two picks were compared to the Romanian economy which received the largest media attention among foreign economies in those years. In fact, the growth rate of Romania was 8.0% in 2004 and 8.1% in 2008, which resulted in -1.25% ($6.75 - 8.0$) and -1.91% ($6.19 - 8.1$) relative growth rates of Bulgaria.

Figure 1: Variations in Domestic, Benchmark and Relative GDP Growth Rates across Country

15



Note: The information is based on one year lagged values of GDP growth rates.
 Each line indicates the changes in the GDP growth rate between the election years.

Another example from Latvia shows the opposite story: a -17.72% growth rate in 2009 was the country's worst record in her modern history, but when it was compared to Lithuania's growth rate of -16.0% , it resulted in a -1.73% of *Relative GDP*, which is not a huge decline. Polish case adds another interesting story. With a growth rate of 3.87% in 2010, it would be perceived as a fair economy, but it became strong one comparing to its benchmark' poor economy (-5.6% in Germany), which boosts the *Relative GDP* growth rate of Poland to 9.67% . In contrast, the Japanese economy seemed not so bad with a GDP growth rate of -0.2% in 1999, but a surge in growth rate of South Korea (a 10.7%) in the same year dropped the Japanese relative growth rate sharply down to -10.9% . As such, comparisons provide a different way that people assess their domestic economic conditions.

The other important variable is *Globalization*. Following previous research, I explore the most important component of economic globalization: trade volume measured as the sum of country's exports and imports as a percentage of its GDP (Scheve 2004; Alesina et al. 1993; Hellwig and Samuels 2007). Scholars also include capital flows to test the impact of capital market openness on government accountability (Hellwig and Samuels 2007). Among many components that measure the capital flows, I use two most widely used measures: foreign direct investment (FDI) flows and portfolio flows (Broner et al. 2013). I use them separately (FDI only) and jointly (FDI + Portfolio) because FDI flows tend to create more direct engagements of citizens between the recipient and sending countries. I obtain the information on capital flows from Broner et al. (2013) where they scaled the two measures by trend GDP⁵ to account for volatility in capital flows⁶.

Finally, I include a set of controls based on literature. I control for coalition size and the effective number of parties (*ENEP*) as larger governing coalitions as well as a larger number of parties are expected to lead a smaller vote share for the government. I gather information on *Coalition Size* and *Effective Number of Parties* from Gallagher (2015). *Presidential Election*, a dummy variable, is included as the data contains both legislative and

⁵This is calculated by applying the Hodrick-Prescott filter, using a parameter of 100, to the series of nominal GDP in U.S. dollars. For more information, see Broner et al. (2013: 115)

⁶Due to data limitation, inclusion of *Capital Flows* reduces the number of observation by one third.

presidential elections. The *Year* dummy variables allow for a time trend. I further account for serial dynamic of the vote share function by including lagged dependent variable (*Previous Vote Share*). To deal with the threat of unit specific error in the composite error term, it also include Fixed Effects estimations.

Results and Analysis

Following the empirical strategy that Arel-Bundock et al. (forthcoming) recently suggest, I include the domestic and benchmark economy additively in the regression equation by interacting them with a measure of economic globalization. All else equal, I should observe a positive sign in the interaction term between *Domestic* economy and the variable of globalization, implying that economic globalization strengthen the positive effect of over-performing domestic growth on the incumbent vote. I also should observe a negative sign in the interaction term between *Benchmark* economy and the globalization variable, which suggests that globalization makes the negative effect of under-performing domestic growth more salience on the incumbent vote.

Using the *Trade (% of GDP)* as a measure of economic globalization, Table 1 presents the results of ordinary least squares (OLS) estimation. There are four models: the first two sets (Model 1 & 2) use single benchmark as a spatial reference point and the other two models (Model 3 & 4) use the information of multiple spatial reference points (i.e., using the weighted average of economy of three spatial reference points where the weights are given by the proportion of news media coverage). Model 1 and 3 uses the executive party vote share and the Model 2 and 4 use the vote share of all governing parties as their dependent variable.

In the first two models based on the single benchmark, the coefficient of the interaction of *Domestic GDP* with *Trade* is positive and statistically significant, indicating that a more integrated economy is a strengthening factor for the electoral importance of relative over-performance. Similarly, the negative interaction coefficient of *Benchmark GDP*

Table 1: The Effect of the Economy conditioned by Globalization (Trade)

DV: Executive Party (Model 1, 3)	Single Benchmark		Multiple Benchmarks	
Incumbent Parties (Model 2, 4)	(1)	(2)	(3)	(4)
Domestic GDP	-0.267 (0.430)	-0.664 (0.624)	0.492* (0.255)	-0.089 (0.643)
Domestic GDP × Trade (% of GDP)	0.010** (0.005)	0.014** (0.006)	0.001 (0.002)	0.006 (0.006)
Benchmark(s) GDP	-0.059 (0.387)	0.256 (0.428)	-0.966 (0.685)	-0.626 (0.936)
Benchmark(s) GDP × Trade (% of GDP)	-0.008* (0.004)	-0.012 *** (0.003)	0.001 (0.005)	-0.001 (0.006)
Domestic Unemployment	-1.067** (0.477)	-0.555 (0.515)	-1.133** (0.506)	-0.546 (0.501)
Domestic Unemployment × Trade (% of GDP)	0.006 (0.004)	0.004 (0.005)	0.007 (0.004)	0.004 (0.005)
Benchmark(s) Unemployment	0.335 (0.605)	0.527 (0.789)	0.348 (0.844)	1.140 (1.197)
Benchmark(s) Unemployment × Trade (% of GDP)	-0.004 (0.005)	-0.004 (0.008)	-0.006 (0.007)	-0.008 (0.012)
Trade Trade (% of GDP)	0.139** (0.055)	0.123 (0.077)	0.139** (0.059)	0.151 (0.102)
Previous Vote	0.199 (0.127)	0.503*** (0.118)	0.162 (0.132)	0.483*** (0.116)
Effect N. of Party	-4.307*** (0.653)	-3.775*** (0.948)	-4.799*** (0.703)	-4.291*** (0.939)
Coalition Size	0.553 (1.071)	4.567*** (1.475)	0.260 (1.031)	4.746*** (1.347)
Presidential Election	-5.257 (3.408)	-5.859 (4.304)	-5.922 (3.767)	-7.889* (3.969)
Year	-0.440*** (0.126)	-0.417*** (0.138)	-0.487*** (0.117)	-0.474*** (0.117)
Constant	917.0*** (252.3)	849.6*** (273.8)	1016.8*** (235.3)	964.3*** (229.2)
R^2	0.587	0.520	0.602	0.513
Elections	145	159	142	156
Countries	28	29	28	29

Robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

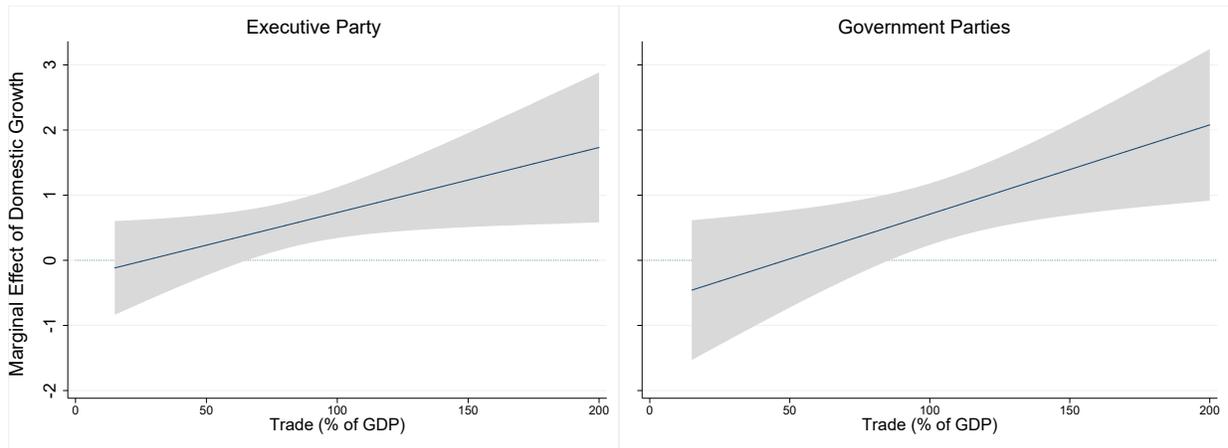
with *Trade* suggests that trade openness strengthens a negative impact of relative under-performance.

The other two models using multiple benchmarks do not show any supportive evidence since none of the interaction coefficients reaches the conventional significance levels. Trade openness does not affect the linkage between the relative economy (both over-performing and under-performing one) and the electoral outcome when performance data is based on complex comparisons using several benchmarks. As above stated, a comparison serves as a heuristic short cut for voter to extract a competence signal from the observed economy since benchmarking imposes a lower ‘calculative’ burden on voters, requiring a simple comparison between domestic economy and that of a relevant benchmark (Hart and Matthews 2019). However, the ideal of heuristic short cut or a lower ‘calculative’ burden works only when voters make a simple comparison by looking to a single country that appears most frequently in one’s domestic news reports. In contrast, making a comparative assessment by looking to multiple countries is cognitively demanding, and thus, voters tend to rely on single benchmark rather than multiple benchmarks.

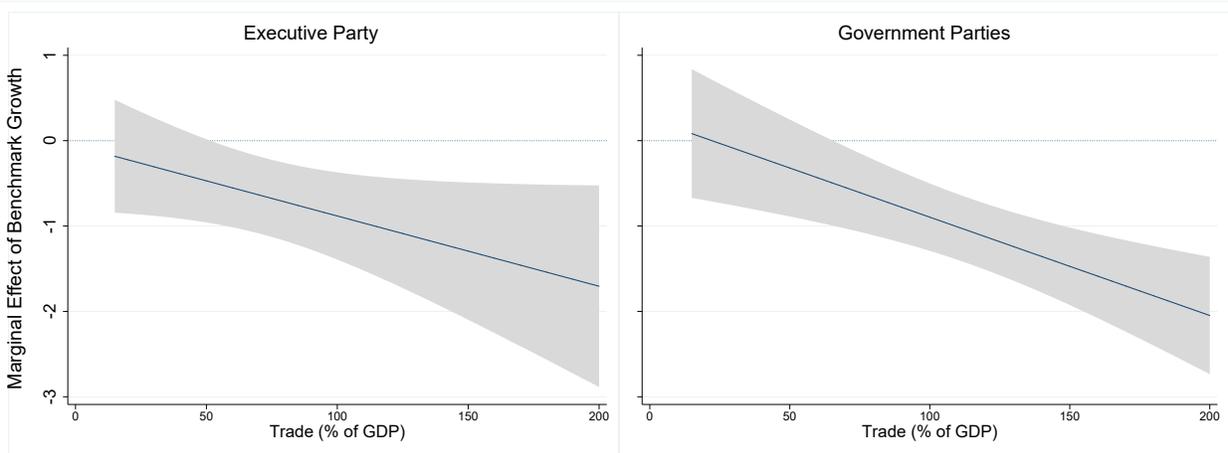
Regarding unemployment, the interaction coefficient of *Domestic* and *Benchmark* with *Trade* is never distinguishable from zero in all four models, suggesting that there is no evidence of the conditional benchmarking hypothesis of globalization. This is perhaps because voters do not benchmark on unemployment regardless of the intensity of market integration (Kayser and Peress 2012). Regarding control variables, the *ENEP* shows a negative and statistically significant effect which comports with expectation. However, the effects of *Coalition Size* and *Presidential Elections* are unstable across different models.

While the interaction coefficients of *Domestic* and *Benchmark* GDP with *Trade* in Model 1 and 2 show strong *prima facie* support for the conditional benchmarking hypothesis, it is not possible to directly interpret the impact of the relative economy on incumbent vote conditional on trade openness from the mere values of the coefficient in Table 1. Plotting the marginal effect of GDP growth for the full range of values on the globalization index provides useful insightful in this regard (Berry et al. 2012; Brambor et al. 2006).

Figure 2: The Marginal Effect of Growth conditioned by Globalization (Trade) (95% CI)



(a) Over-Performance



(b) Under-Performance

Figure 2 presents the degree to which exposure to the world market conditions the effect of *Domestic GDP* and *Benchmark GDP* on incumbent vote share. The upper figures (sub-figure (a)) show the marginal effect plot of *Domestic GDP*, which shows how an increase in domestic growth affects the vote when the benchmark's growth is held constant across the entire range of *Trade*. In other words, it suggests the marginal effect of over-performing domestic growth at varying levels of globalization. The other two figures at the bottom (sub-figure (b)) present the opposite: the impact of under-performing domestic growth at the full range of *Trade* in that benchmark's growth increases while the domestic growth is held constant. The figures on the left hand side are based on executive party's vote share, and those on the right are based on all governing parties' vote share. The shaded area displays 95% confidence intervals calculated from the models' conditional standard errors. All four figures are produced by Model 1 and 2 in Table 1 using the single benchmark's information.

In general, it is obvious that the slope of the marginal effect of *Domestic GDP* heads upward in sub-figure (a), suggesting that trade openness strengthens the positive association between domestic GDP and vote share for the incumbent. For instance, similar to Hellwig and Samuels' (2007) example, consider a 3% increase in domestic growth when benchmark's growth stays the same (so a relative 3% increase). The over-performing economy of 3% will increase the executive party's voter share by 3.67% (3×1.232) when the trade openness is at 150% of GDP and increase the government parties vote by 4.18% (3×1.394). The same size of increase in the relative growth will yield an increase in executive party's vote share by 2.20% (3×0.732) and in government parties' vote share by 2.12% (3×0.708) when the *Trade* is at 100% of GDP. When the exposure to the world market goes below about 70% – 80% of GDP, the positive effects of over-performing economy on incumbent vote are no longer statistically significant, as shown by the 95% CIs that include *zero* in between. Even if a politician's country has better economic growth than other countries, the outperforming growth would not help his or her vote when the economy is less connected to the global market.

The sub-figure (b) shows the opposite patterns. The downward heading slopes are consistent with the expectation, implying that globalization measured by trade magnifies the negative association between benchmark's GDP and incumbent vote. The 3% increase in benchmark's growth while domestic growth remains the same (meaning a relative 3% decrease) will invite a negative consequence on incumbent by dropping their vote share by 3.88% (3×-1.293) in executive party and by 4.41% (3×-1.471) in all governing parties when the trade openness is at 150% of GDP. When the trade openness is at 100% of GDP, the relative poor economy of 3% will drop executive party's vote share by 2.65% (3×-0.882) and all governing parties' vote share by 2.67% (3×-0.896). However, the negative impact of under-performing growth on incumbent vote becomes statistically insignificant when the exposure to the global market is below about 50% – 60% of GDP, as the 95% CIs contains *zero* in between⁷.

Findings can be further illustrated by real-world elections. For example, Czech Republic experienced a negative growth rate of 4.51% in 2009. Considering that the average GDP growth rate in 28 European countries in the same year was -4.3% , Czech Republic's poor growth was not a significant deviation from the average. However, its deviation becomes apparent when it is compared to Polish economy (marked with a 2.8% growth in GDP), which appeared most frequently in Czech domestic news media. This comparison made Czech growth record look abysmal. In the run up to the 2010 general election, the executive party, Civic Democrat Party (ODS), heavily focused on addressing the troubled economy—reducing unemployment, reducing public debts, and restoring the growth. However, ODS failed to garner the most popular votes and had to experience a significant drop in her vote share from 35.3% in the 2006 election to 20.2% in the 2010 election (-15.2% point change in vote share), marked as the largest cutback in vote share from the Czech general election records.

This election outcome becomes more surprising when juxtaposed with the 1998 general election result. In 1997, the country was under-performing substantially in its growth

⁷This threshold-like point varies across different models (i.e., 70% – 80% in sub-figure (a), and 50% – 60% in sub-figure (b)), but general patterns are stable and robust regardless of different measures of DV.

Table 2: The Effect of the Economy conditioned by Globalization (Capital Flows: FDI)

DV: Executive Party (Model 1, 3) Incumbent Parties (Model 2, 4)	Single Benchmark		Multiple Benchmarks	
	(1)	(2)	(3)	(4)
Domestic GDP	0.143 (0.392)	0.075 (0.503)	0.065 (0.396)	0.107 (0.465)
Domestic GDP \times Capital Flows	0.111 (0.069)	0.185** (0.080)	0.083 (0.085)	0.131 (0.097)
Benchmark(s) GDP	-0.001 (0.496)	0.228 (0.598)	0.415 (0.980)	0.486 (1.313)
Benchmark(s) GDP \times Capital Flows	0.032 (0.091)	-0.018 (0.102)	0.081 (0.112)	0.095 (0.145)
Domestic Unemployment	-0.757** (0.363)	-0.199 (0.353)	-0.733* (0.396)	-0.147 (0.415)
Domestic Unemployment \times Capital Flows	0.025 (0.031)	-0.033 (0.038)	0.008 (0.036)	-0.058 (0.055)
Benchmark(s) Unemployment	-0.012 (0.313)	0.457 (0.390)	-0.132 (0.489)	0.493 (0.648)
Benchmark(s) Unemployment \times Capital Flows	0.031 (0.019)	0.025 (0.027)	0.048 (0.039)	0.044 (0.055)
Capital Flows	-1.101** (0.513)	-0.778 (0.553)	-1.192** (0.604)	-0.952 (0.686)
Previous Vote	0.086 (0.138)	0.519*** (0.153)	0.060 (0.136)	0.555*** (0.151)
Effective N. of Party	-3.986*** (0.847)	-3.250** (1.188)	-3.921*** (0.764)	-3.165*** (1.130)
Coalition Size	-1.143 (2.046)	4.915** (2.191)	-1.032 (1.833)	4.909** (1.846)
Presidential Election	-6.349 (5.250)	-11.190** (4.556)	-5.585 (4.833)	-10.943** (4.114)
Year	-0.322*** (0.111)	-0.260* (0.145)	-0.351*** (0.119)	-0.260* (0.148)
Constant	697.9*** (221.1)	538.8* (285.1)	758.0*** (238.3)	536.5* (292.1)
R^2	0.563	0.591	0.571	0.571
Elections	100	107	99	106
Countries	25	26	25	26

Robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

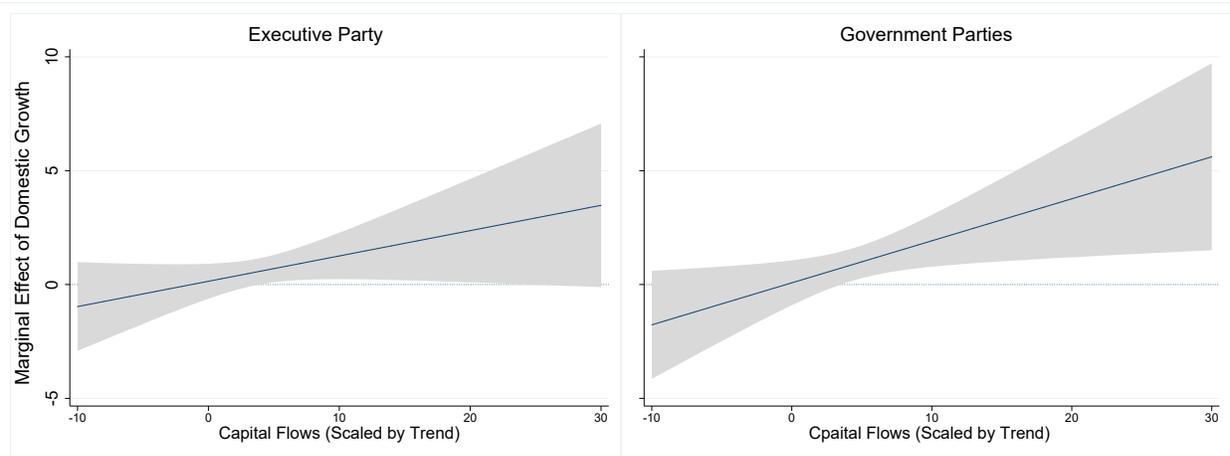
compared to her benchmark (a relatively poor growth of about -3.15%). However, ODS was not heavily punished by her voters, losing only about 0.11% point in the vote share, and retained her incumbency. Although there might be numerous factors involving those election outcomes⁸, one noticeable change happened in the levels of integration to the global market. Indeed, Czech Republic had adopted market-friendly economic policies since the ODS, the liberal-conservative party, came into power in the 1992 election, which eventually led to a substantive changes in the volume of trade (as percentage of GDP) about a 55% point increase from 1998 to 2010. Although it is hard to conclude that trade openness generates the discrepancy in the election outcomes, this anecdote offers a useful illustration about the possible impact of globalization on the linkage between relative economy and incumbent vote.

Table 2 shows the results of regression using capital flows (measured by the flows of foreign direct investment scaled by GDP trend). My conditional benchmarking hypothesis expects that a positive marginal effect of domestic growth and a negative marginal effect of benchmark effect. In all four models, however, no strong evidence is found to support such expectations: Although the sign of the interaction coefficient of *Domestic GDP* with *Capital Flows* is positive in the four models, it reaches conventional significance levels only in Model 2. None of the the interaction coefficient of *Benchmark GDP* with *Capital Flows* is statistically significant and has the opposite sign (except Model 2). For robustness, I also estimate the same models using an alternative measure of capital flows (including portfolio flows). The results, available in Table 3 in appendix, are similar, finding not so much evidence that capital flows strengthen the link between relative economy and vote choice. This is similar to Hellwig and Samuels' (2007) findings that the effect of capital flows, albeit consistent with their predictions, appear to have a less substantial effect than the effect of trade (Hellwig and Samuels 2007).

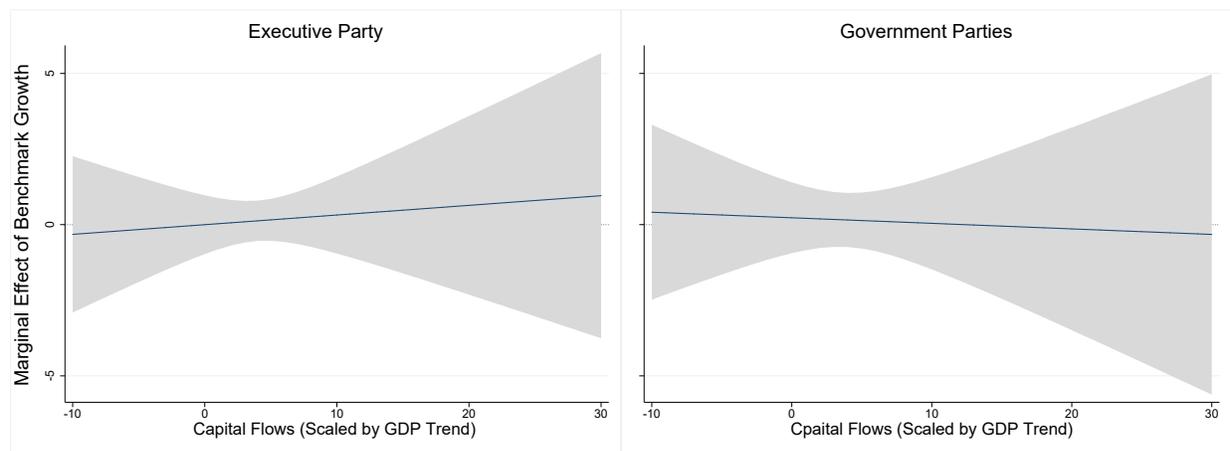
However, the unconditional coefficients and standard errors from the interaction models in Table 2 do not directly infer the extent to which openness affects electoral account-

⁸The two elections are free from a major exogenous shocks such as political scandals, corruption and so on, which offers a fair setting for comparison in between.

Figure 3: The Marginal Effect of Growth conditioned by Globalization (Capital Flows) (95% CI)



(a) Over-Performance



(b) Under-Performance

ability (Hellwig and Samuels 2007: 293). Figure 3, produced by Model 1 and 2 in Table 2, better illustrates the degree to which exposure to the world financial market conditions the effect of relative economy on election outcomes. The marginal effect of domestic growth (sub-figure (a)) is positive, but its effect is statistically indistinguishable from *zero* on executive party's vote share as the large proportion 95% CI include *zero* in between. In the sub-figure (b), none of the marginal effect is clearly negative, and most lines are nearly flat. This results offer no evidence that financial market integration marked with the flows of foreign direct investment increases the salience of comparative economic assessment.

In general, above findings, particularly on trade openness, provide good reasons to believe that voters in open economies are more likely to evaluate incumbents on the basis of deviations in economic growth from other countries. Globalization, leads voters to hold their elected officials accountable for the “relative” economic performance.

Do these findings contradict the conventional wisdom? Not necessarily. Hellwig and Samuels’ (2007) argument is based on the temporally benchmarked economy, and thus fails to consider the importance of spatially benchmarked economy in voters’ perceptions of incumbent competence. As we have seen from recent studies (Kayser and Peress 2012; Aytac 2018; Hansen et al. 2015; Olsen 2017), voters use the spatially benchmarked economy when they arrive at evaluations for incumbents’ policy performance, and they have an even stronger tendency to rely on spatial comparisons than temporal comparisons. Given its importance in voters’ minds, using temporal-based economic indicators would produce an incomplete analysis. In that sense, this research complements the existing knowledge by using the other important measure of the economy, and consequently provides a fuller picture for our understanding of the relationship between the economy and electoral accountability under economic openness.

Conclusion

This research explores how globalization affects the role the economy plays in determining vote choice. Conventional wisdom suggests that globalization weakens economic voting by increasing the national economy’s dependence on the global economy, which gives incumbents an excuse to shift blame for poor economic performance to the global context.

However, the existing knowledge provides an incomplete picture of the impact of globalization on the linkage between the economy and the vote choice. As recent scholarship reveals, voters respond more strongly to the relative economy than to the national economy, so the reward/punishment mechanism is more pronounced when the economy is outperforming (or underperforming) their reference economy. Given the substantial

effect of the relative economy in voting behavior, it is imperative to consider how globalization shapes the role of the relative economy in voters' minds when they arrive at a vote choice.

In this paper, I argue that globalization leads voters to compare their economy with other countries' because of the increasing availability of global economic information. Globalization, in particular trade openness, provides citizens with great sources for cross-national comparison in the form of direct engagements and media coverage. Such comparisons are inevitable in globalization era, so they cannot disregard the economic performance of other countries.

Relating to conventional wisdom in this regard, I point out that the a convergence hypothesis is oversold, so there are considerable policy instruments that elected officers can exercise in addressing the troubled economy. Instead, openness creates similar externalities to two comparing countries as they tend to share a great deal of common ground. In sum, globalization did not result in a reduction in competence shock, but in exogenous shock.

Through analysis of 156 elections in 29 countries since the 1980s, I find that globalization, measured by trade openness, leads to a more pronounced effect of the relative growth on incumbent vote share. As countries integrate more deeply into the global market economy, relative economic growth is likely to lead to a bigger impact on incumbents' electoral performance. However, the magnitude of the effect becomes weaker and eventually vanishes as countries trade less with other countries.

One important implication of this finding is that politicians, faced with limited policy by globalization, will not be completely free from blame for their poor performance if they are doing worse than other countries. Under globalization, politicians could use openness-induced policy limitation as an excuse for poor performance. However, if the limited policy autonomy is a not unique condition but somehow ubiquitous due to spreading globalization, then the excuse is no longer an available option for strategic politicians

because voters will see that there are countries performing better economy even with the similarly limited policy choice.

The findings of this research may reassure democratic theorists. The economy has been considered one of the most important factors in democratic accountability mechanisms. If this relationship exists, it should reassure democratic theorists. If it does not, it is worrisome. In contrast to conventional wisdom, this research shows that globalization strengthens the role of the economy on the vote choice, so it alleviates skepticism in the electoral accountability mechanism.

References

- Alesina, Alberto, Vittorio Grilli and Gian Maria Milesi-Ferrett. 1993. The political economy of capital controls. Technical report National Bureau of Economic Research.
- Anderson, Christopher. 1995. *Blaming the Government: Citizens and the Economy in Five European Democracies*. New York: Sharpe: Armonk.
- Berry, William D, Matt Golder and Daniel Milton. 2012. "Improving tests of theories positing interaction." *The Journal of Politics* 74(3):653–671.
- Brambor, Thomas, William Roberts Clark and Matt Golder. 2006. "Understanding interaction models: Improving empirical analyses." *Political analysis* 14(1):63–82.
- Döring, Holger and Philip Manow. 2012. "Parliament and government composition database (ParlGov)." *An infrastructure for empirical information on parties, elections and governments in modern democracies. Version* 12(10).
- Duch, Raymond M and Randy Stevenson. 2008. "Voting in context: How political and economic institutions condition the economic vote." *Draft Book Manuscript* .
- Duch, Raymond M and Randy Stevenson. 2010. "The global economy, competency, and the economic vote." *The Journal of Politics* 72(1):105–123.
- Festinger, Leon. 1954. "A theory of social comparison processes." *Human relations* 7(2):117–140.
- Fortunato, David, Clint S Swift and Laron K. Williams. 2018. "All Economic is Local: Spatial Aggregations of Economic Information." *Political Science and Research Methods* 6(3):467–487.
- Gallagher, Michael. 2015. "Election indices dataset at http://www.tcd.ie/Political_Science/staff/michael_gallagher." *ElSystems/index.php* .
- Gleditsch, Kristian Skrede. 2002. "Expanded trade and GDP data." *Journal of Conflict Resolution* 46(5):712–724.

- Hansen, Kasper M, Asmus L Olsen and Mickael Bech. 2015. "Cross-national yardstick comparisons: A choice experiment on a forgotten voter heuristic." *Political Behavior* 37(4):767–789.
- Hayes, C. Rosa., Imai Masami and Cameron A. Shelton. 2015. "Attribution error in Economic Voting: Evidence from Trade Shock." *Economic Inquiry* 53(1):258–275.
- Hellwig, Timothy. 2001. "Interdependence, government constraints, and economic voting." *The Journal of Politics* 63(4):1141–1162.
- Hellwig, Timothy. 2007a. "Economic Openness, Policy Uncertainty, and the Dynamics of Government Support." *Electoral Studies* 27:722–786.
- Hellwig, Timothy. 2007b. "Globalization and Perception of Policy Maker Competence." *Political Research Quarterly* 60(1):146–158.
- Hellwig, Timothy. 2012. "Constructing accountability: Party position taking and economic voting." *Comparative Political Studies* 45(1):91–118.
- Hellwig, Timothy and David Samuels. 2007. "Voting in open economies: The electoral consequences of globalization." *Comparative Political Studies* 40(3):283–306.
- Jérôme, Bruno, Véronique Jérôme-Speziari and Michael S Lewis-Beck. 2001. 5. Évaluation économique et vote en France et en Allemagne. In *L'opinion européenne 2001*. Presses de Sciences Po (PFNSP) pp. 101–122.
- Kayser, Mark Andreas and Arndt Leininger. 2015. "Vintage errors: do real-time economic data improve election forecasts?" *Research & Politics* 2(3):2053168015589624.
- Kayser, Mark Andreas and Michael Peress. 2012. "Benchmarking across borders: electoral accountability and the necessity of comparison." *American Political Science Review* 106(3):661–684.
- Lewis-Beck, Michael S. 1997. "Who's the chef? Economic voting under a dual executive." *European Journal of Political Research* 31(3):315–325.

- McGrew. 2008. *The Logic of Economic Globalization*. Oxford chapter 9, pp. 277–313.
- Nadeau, Richard, Richard G. Niemi and Timothy Amato. 1996. "Prospective and Comparative or Retrospective and Individual? Party Leaders and Party Support in Great Britain." *British Journal of Political Science* 26(2):245–258.
- Olsen, Asmus Leth. 2017. "Compared to what? How social and historical reference points affect citizens' performance evaluations." *Journal of Public Administration Research and Theory* 27(4):562–580.
- Powell, G Bingham and G Bingham Powell Jr. 2000. *Elections as instruments of democracy: Majoritarian and proportional visions*. Yale University Press.
- Rudra, Nita. 2002. "Globalization and the Decline of the Welfare State in Less-developed Countries." *International Organization* 56(2):411–455.
- Scheve, Kenneth. 2004. "Public inflation aversion and the political economy of macroeconomic policymaking." *International Organization* 58(1):1–34.
- Stegmaier, Mary and Michael S Lewis-Beck. 2013. *Economic voting*. Oxford University Press.
- Stegmaier, Mary, Michael S Lewis-Beck and Beomseob Park. 2017. "The VP-function: a review." *The SAGE Handbook of Electoral Behaviour* 2:584–605.
- Wibbles, Erik and Moises Arce. 2003. "Globalization, Taxation, and Burden-shifting in Latin America." *International Organization* 57(1):111–136.
- Wooldridge, J. 2013. "Introductory econometrics: A modern."
- Yockey, Mark D and Susan M Kruml. 2009. "Everything is relative, but relative to what? Defining and identifying reference points." *Journal of Business and Management* 15(1):95.

Appendix

Table 3: The Effect of the Economy conditioned by Globalization (Capital Flows: FDI + Portfolio)

DV: Executive Party (Model 1, 3) Incumbent Parties (Model 2, 4)	Single Benchmark		Multiple Benchmarks	
	(1)	(2)	(3)	(4)
Domestic GDP	0.591* (0.289)	0.501 (0.390)	0.553** (0.236)	0.641** (0.235)
Domestic GDP × Capital Flows	0.006 (0.025)	0.037 (0.024)	-0.012 (0.020)	0.008 (0.025)
Benchmark GDP	-0.463 (0.491)	-0.826 (0.709)	0.057 (0.751)	-0.553 (1.272)
Benchmark GDP × Capital Flows	0.064 (0.040)	0.081 (0.051)	0.061 (0.042)	0.088 (0.069)
Domestic Unemployment	-0.626** (0.302)	-0.317 (0.287)	-0.651** (0.315)	-0.341 (0.312)
Domestic Unemployment × Capital Flows	0.009 (0.009)	0.005 (0.012)	0.007 (0.010)	0.003 (0.015)
Benchmark Unemployment	-0.158 (0.359)	-0.016 (0.474)	-0.259 (0.481)	0.000 (0.742)
Benchmark Unemployment × Capital Flows	0.012 (0.012)	0.021 (0.016)	0.004 (0.015)	0.013 (0.029)
Capital Flows	-0.296 (0.185)	-0.521** (0.199)	-0.160 (0.173)	-0.363 (0.248)
Previous Vote	0.088 (0.150)	0.491*** (0.156)	0.042 (0.139)	0.517*** (0.150)
Effective N. of Party	-4.013*** (0.870)	-3.381*** (1.196)	-4.061*** (0.841)	-3.416*** (1.210)
Coalition Size	-0.792 (2.006)	5.854** (2.247)	-1.022 (1.844)	5.389*** (1.809)
Presidential Election	-5.949 (4.605)	-9.691** (4.129)	-5.691 (4.566)	-10.67** (4.198)
Year	-0.345*** (0.098)	-0.242 (0.149)	-0.408*** (0.099)	-0.282* (0.155)
Constant	742.9*** (196.3)	508.3* (293.5)	870.5*** (200.2)	588.1* (304.0)
R^2	0.551	0.585	0.549	0.551
Elections	100	107	99	106
Countries	25	26	25	26

Robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$