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- **Do people vote with an eye on economic conditions?**
- **Does terrorism affect electoral outcomes?**
- **Are the quantitative effects of economic conditions and terrorism on vote shares of similar magnitude?**

Summary: Within EUSECON, one research sub-project investigates the relationship between economic downturns, terrorism and electoral outcomes. The analysis is carried out using data from Spain. Recent Spanish democratic history has witnessed four complete economic cycles, with deep recessions and pronounced booms. During this period, there has been a nationalistic conflict with terrorist manifestation. This research uses Spanish provincial data from the ten congressional elections since the end of Franco's dictatorship. It has been found that changes in unemployment, inflation and terrorism significantly influence national vote shares.

POLICY BRIEFING

September 2011 EUSECON Policy Briefing 4

Terrorism, economic downturns and elections

Introduction

The available empirical evidence indicates that electoral outcomes are related to economic conditions. More specifically, economic downturns punish incumbents as they are held responsible for economic adversity (see Fair 2009, Lewis-Beck 1986 and Pacek 1994).

Economic issues and electoral outcomes have been extensively analyzed in the political business cycle models (e.g. Nordhaus 1975). These models assume voters dislike inflation and unemployment and they vote in favor of the incumbent (opposition) party if the economy experiences low (high) inflation and unemployment. Therefore, the vote share of the incumbent party should be decreasing in past inflation and unemployment.

According to Hibbs (1977), members of left-wing parties are more concerned with unemployment and less concerned with inflation, whereas members of right-wing parties have opposite preferences. Voters have different preferences and vote for the right or left wing parties accordingly. Therefore we expect to see an increase in the right-wing vote share after a period of high inflation and an increase in the left-wing vote share after a period of high unemployment.

Terrorism has also been considered a factor that influences election results. Berrebi and Klor (2006, 2008) have proved that terrorism affects electoral outcomes in Israel. They find that high terrorist

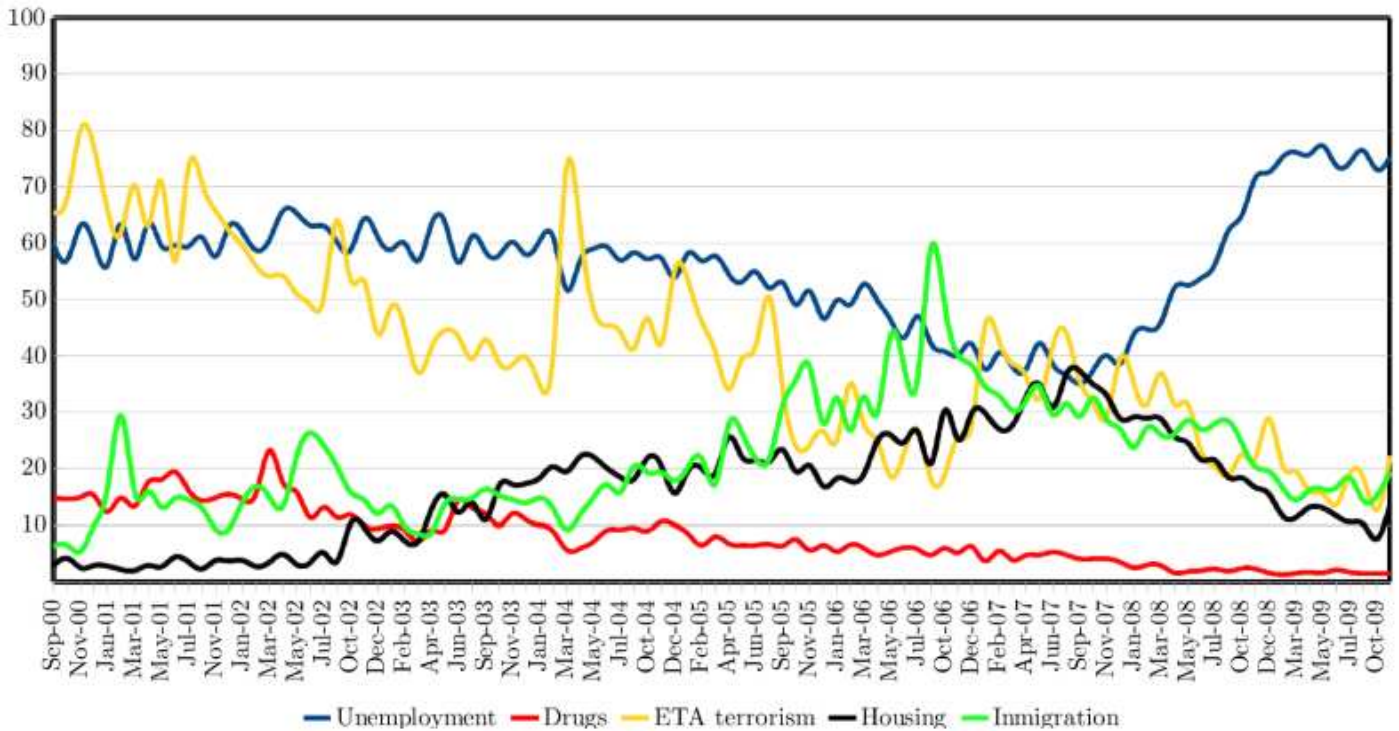


Figure 1 Main problems in Spain according to opinion polls.

activity in Israel increases right-wing support in subsequent elections.

If voters dislike terrorism and identify a party as more likely to implement strong anti-terrorism policies, we should observe an increase in that party's vote share after a period of high terrorism activity, despite whether that party was the incumbent or not.

In related work, Gassebner, Jong-A-Pin and Mierau (2008, 2010) provide evidence indicating that terrorism increases the probability that the incumbent government is replaced and reduces cabinet duration.

The Spanish case

In our study, we focused on the response of vote shares to economic fluctuations and terrorist conflict. Spain seems to be the ideal niche for a study like this since it has experienced both phenomena intensively during the last decades. Recent Spanish democratic history has witnessed four complete economic cycles, with deep recessions and pronounced booms. During this period, there has been a nationalistic conflict with terrorist manifestation. To

give an idea of how important economic conditions and terrorist activity are for Spaniards we rely on survey data from the Spanish *Centro de Investigaciones Sociológicas* (CIS). Figure 1 shows the perception of the Spanish people about what they see as the most important problems in Spain during the last decade. Individuals surveyed are asked to select from a list the three most important problems in Spain. Each colored line in Figure 1 shows the percentage of people who selected a given problem as one of the three most important. The main feature of these data is that unemployment and terrorism are the two most important issues in most surveys. It also indicates that the importance of terrorism appears to be decreasing, in parallel with the number of terrorist assassinations during this period.

Economic downturns punish incumbents as they are held responsible for economic adversity

The March 11th attacks

In the case of Spain, the importance of terrorism in shaping people's political preferences has been the core of a hot debate. The March 11th terrorist attacks in Madrid took place three days before general

elections. Before the attacks, from January 24th to February 15th, CIS surveyed 24,109 people of which 42.2 per cent declared they would vote for Partido Popular while 35.5 per cent would vote for Partido Socialista. Not surprisingly, many analysts argued that the terrorist attacks favored Partido Socialista in winning the elections, e.g. van Biezen (2005) and Rose and Murphy (2007). Garcia-Montalvo (2006) pointed out that Spanish non-residents voted before the attacks took place and therefore could be used as a control group. This coincidence allowed him to analyze a natural experiment by comparing vote shares of resident and non-resident voters. García-Montalvo results suggest that there is a causal effect of the March 11th terrorist attacks in Madrid and the outcome of the election. Evidence in the same direction was also provided by Bali (2007) who used survey data to establish the link between the attacks and the election results.

ETA terrorism and Spanish elections

Al-Qaeda March 11th attacks were the bloodiest terrorist attack in Spanish history, with 195 people murdered. In addition to those assassinations, more than 800 terrorist assassinations were perpetrated in Spain during the democratic period, most of which correspond to Euskadi Ta Askatasuna (ETA). We use the temporal and spatial variation in all the other terrorist assassinations to establish a causal link between terrorism and vote shares.

The 2004 Madrid train bombings resulted in an electoral swing which punished the incumbent

This research package uses a fractional probit model (Papke and Wooldridge 2008) to estimate vote shares equations using a panel of the fifty Spanish provinces (constituencies) during the ten general elections held after Franco's dictatorship. The fractional probit model takes into account the bounded nature of vote shares and specifies the conditional mean of vote shares as a nonlinear function of unemployment, inflation, terrorism, turnout and unobserved provincial and election effects. We specify conditional means of district and election unobserved effects as linear functions of covariates. The estimated model is

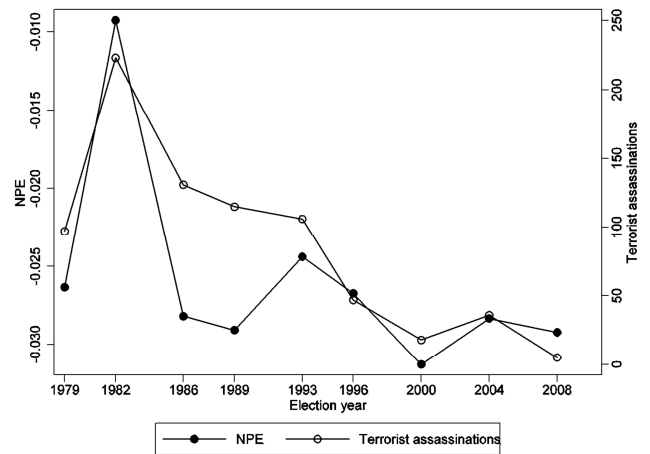


Figure 2 Effect on national vote share of a one-standard deviation increase in terrorism in the province of Bizkaia

used to compute the partial effects of changes in the explanatory variables on vote shares at the provincial level. These partial effects are aggregated at the national level to obtain the National Partial Effects (NPE), which is the effect on national vote shares of changes in covariates.

Figure 2 shows the change in the incumbent's vote-share at the national level as a result of a one-standard deviation change in the number of terrorist assassinations in the province of Bizkaia. This figure also shows the number of terrorist assassinations measured on the right scale. The effect is always negative and ranges from 1 per cent, when terrorism in Spain was at its peak to 3 per cent in recent years, when terrorism reached its lowest values.

A detailed report of this research can be found in Gardeazabal (2010).

Policy recommendations

As a general rule, terrorism and economic downturns punish incumbent governments as they are held responsible. Economic downturns and terrorism have a significant effect on vote shares. The effect of economic downturns is larger than the effect of terrorism.

Governments might be tempted to use counter-terrorism policy as electoral tool. Therefore, the

implementation of some strategy-proof mechanism to deal with counter-terrorism policy might be advisable.

To the extent that results drawn here can be extrapolated elsewhere, low intensity cases should be specially monitored as the electoral effect of terrorism is larger the lower the intensity of terrorism.

Credits

This EUSECON Policy Briefing was authored by Javier Gardeazabal from the University of the Basque Country. The views expressed in this briefing are the authors' alone.

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EUSECON, or 'A New Agenda for European Security Economics' is a four-year collaborative research project, administered by DIW Berlin and funded by the European Commission that analyses the causes, dynamics, and long-term effects of both human-induced insecurity threats and European security policies.

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