An Empirical Analysis on Vote and Popularity Functions on Finnish and Swedish Data

This study concentrates on the interrelationship between voter and economy. Popularity functions are estimated on Finnish and Swedish data. This study examines the relationship between voters and politicians with the help of vote and popularity functions. Theoretical origin for economic voting is found in Anthony Downs' An Economic Theory of Democracy (1957). Political business cycle models (Nordhaus, 1975; Hibbs, 1977; Rogoff-Sibert, 1987; Alesina, 1987) are presented to connect the popularity and vote functions into a larger macroeconomic framework.

The influence of inflation and unemployment on the popularity of the four biggest parties in Finland (Left Alliance, Social Democratic Party, Finnish Centre Party, National Coalition Party) and Sweden (Left Party, Social Democratic Party, Centre Party, Moderate Party) is examined. In Finland an increase in unemployment favors Social Democratic Party and the effect of inflation is not significant. Popularity of Centre Party is negatively affected by an increase in unemployment. In general, unemployment has significant effect only on the popularity rating of Left Alliance during the period 9/1989-9/1990. When unemployment has significant coefficient in the popularity functions of right-wing parties, then it has negative sign. The only one party which unemployment favors significantly is Social Democratic Party. In Sweden the economic variables do not significantly explain the popularity of either Left Party or Social Democratic Party. Right-wing parties are favored by an increase in inflation and popularities of left-wing parties are most of the time hurt by inflation. Unemployment has significant (positive) effect only on the popularity of Moderate Party.

Vote functions for the four biggest parties are estimated on constituency-level data for years 1944-1999. Assumption of parties as interest group representatives seems to get support. Sectorial growth rates correlate strongly with sectorial employment so when the amount workers in secondary sector increases it affects positively to the vote share of Left Alliance. In case of Centre Party the same happens. When the growth (and employment) in the primary sector decreases, also the vote shares of Centre Party declines. The growth of tertiary sector has favored National Coalition.

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